Budget 2017: Fiscal Prudence Prevails over Populism

Transform, Energise and Clean India. This is the mantra and the motto of the Union Budget 2017-18, aptly conceptualised and corroborated with prudent provisions and proposals. As the economics saying goes: Federal Budget is actually a vision for macro-economic policy promoting overall economic growth. In that sense, this year's Budget has come off with flying colours— being progressive, futuristic, pragmatic and inclusive, aimed at a vibrant and changing India.

Coming in the immediate backdrop of tumultuous demonetisation, global trade tensions, protectionism, rising crude prices and resultant huge expectations, the Budget has been a fine balancing act between populism, the fiscal prudence and economic maths. Overall, the Budget has lived up to the Government's slogan of *'sab ka sath sab ka vikas.'*

Aiming for an *"honouring the honest"* tax administration, transparency in political funding, curbing the black money and parallel economy, pushing digital & less cash economy, rural-agricultural sector, prudent fiscal management, infrastructure, effective governance, youth and poor, the Budget rightly calls for a 'tectonic change' in India's policies. Finance Minister Shri Arun Jaitley aptly quoted father of the nation Mahatma Gandhi to justify this. *"A right cause never fails,"* he said while referring to demonetisation, adding that the move *'seeks to create a new normal where in the GDP would be bigger, cleaner and real'* which is amply reflected in tax proposals.

The measure to reduce the presumptive taxation rate from 8% to 6% in respect of non-cash turnover is a welcome move, especially since it is to be made applicable from the current year itself. On the indirect taxes front too, BCD, Excise/CV duty and SAD on miniaturised POS card reader for m-POS, micro ATM standards version 1.5.1, Finger Print Readers/Scanners and Iris Scanners, have been exempted to promote cashless transactions.

This is the first budget with impetus on transparency in electoral funding. The initiative to cleanse the system of political funding by restricting permissible cash donation from any person to ₹2,000 is certainly a step in the right direction.

It has to be appreciated that this Budget positively pays heed to the significant issues of MAT & tax administration reforms. The issue relating to the requirement of specific provisions for computation of MAT in case of Ind AS compliant companies has been addressed. Since certain companies have already become Ind AS compliant from FY 2016-17, incorporation of requisite provisions in the Income-tax Act, 1961 was the need of the hour. Further it is also highly commendable that the Budget categorically aims at pro-honest reforms on tax administration front with a *"RAPID" approach— Revenue, Accountability, Probity, Information and Digitisation.*

As regards the Chartered Accountant community, which has always been competently and diligently discharging its professional obligations with integrity and due care, the proposal levying penalty of ₹10,000 for furnishing incorrect information in certificates/reports furnished by them under the Income-tax Act, 1961 needs to be given a fresh thought and reconsidered.

Coming to the proposals for ease of doing business, professionals opting for presumptive taxation scheme can heave a sigh of relief as they would have to pay advance tax in one instalment in March every year. Further, restricting scope of domestic transfer pricing provisions to related party transactions wherein one party is entitled to profit linked incentive is a welcome move which will reduce associated compliance burden.

However, the reduction of the time period for revision of a return by one year may not facilitate ease of doing business, since the time period for filing a belated return and a revised return would expire on the same date. The enabling provision introduced last year permitting revision of a belated return would also lose its significance.

The absence of any reference to GAAR in the Budget Speech further confirmed by absence of specific provision in the Finance Bill, 2017 for deferment of GAAR leads to an inference that GAAR would come into play from 1st April, 2017. The clarifications given by the CBDT have several riders and therefore the tax implications of GAAR on the transactions and businesses need to be made clear.

On the macro-economic front, the key highlight is the due emphasis on rural-agricultural sector with an ambitious aim to double the income of farmers in five years. The budget prudently aims at expansionary fiscal consolidation, reviving private sector, and reviving banking industry. On the fiscal side, major focus has been on the government's commitment to the FRBM (fiscal responsibility and budget management) targets. As per the existing FRBM, the fiscal deficit has been brought down to 3.5% in 2016-17 (revised estimates). However, adhering to fiscal consolidation roadmap, the Budget effectively targets to bring down the fiscal deficit to 3.2% of the GDP in the fiscal 2017-18. Most importantly, the revenue deficit target is reduced from 2.4% in 2016-17 to 1.9 per cent in 2017-18 while in the same period the capital expenditure (as ratio to GDP) has been increased from 1.1 per cent to 1.3 percent. Such a shift is likely to spur the GDP growth.

All in all, the Union Budget 2017-18 offers right direction to country's economic policies particularly when seen in the context of recent International Monetary Fund estimate that India is set to be one of the fastest growing economies of the world. But it all depends on how effectively the budget proposals are implemented and achieved.■

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