Union Budget 2019-20: Aiming at Inclusive Growth with Exclusive Vision of the Decade

'Yakeen ho to koi raasta nikalta hai, hawa ki ot bhi le kar Chiraag jalta hai" *(Where there is a will and belief - there is a way, and then the lamp burns bright even in the face of gushing wind).*

This Urdu couplet by Manzoor Hashmi, with which the Budget speech started, not only set the tone and tenor of a growth agenda of a new India, but also summed up its conclusive, concomitant and future proof intent—*inclusive and investment-led growth with an exclusive 10-point vision of the decade.* Coming in the difficult macro backdrop of a slowing economy, the Budget did a fine balancing act between populist expectations and fiscal prudence and discipline aimed at leveraging all the potential to lay a launch-pad to make India leap into the 5 trillion dollar economy club in the next five years. The Budget did well in targeting fiscal consolidation rather than going for fiscal stimulus as some had clamoured for. The fiscal deficit has been projected to reduce to 3.3% that will keep the fiscal parameters within bounds. This was indeed a Budget for building a new India, where all the strata of economy and society stand strengthened— particularly rural Bharat, farmers, youth and women besides the enterprises, entrepreneurs and infrastructure, etc.

"*Soul of India lives in villages*," so said Mahatma Gandhi. The Finance Minister not only quoted this but also corroborated it by announcing a slew of related schemes. This time the Budget acquired a new dimension with added focus on ease of living by ensuring last mile delivery, in addition to ease of doing business and ease of compliance through simplification of taxation process. "*Mazboot desh ke liye, mazboot nagrik'* (strong citizen for a strong country), the Finance Minister proclaimed the Government's key objective, backed by the guiding principles of "*Reform, Perform, Transform*" and "*Minimum Government, Maximum Governance*."

On the tax front, the Budget brings in the blue-print to boost growth and "less cash" economy, incentivise affordable housing, encourage start-ups, sunrise industries and MSMEs and nudge the high income taxpayers to contribute more while at the same time ushering in improved transparency and compliance, and simplifying tax administration by reducing the human interaction between tax payers and the tax authorities. Although the Budget, to spur consumption, proposes that the reduced corporate tax rate of 25% be extended to companies with turnover of up to ₹ 400 crore in previous year 2017-18 instead of ₹ 250 crore at present (that will cover 99.3% of corporate India), it fell short on rationalising the DDT.

Other highlights on Direct Tax front included 'mandatory filing of returns based on expenditure/other criteria,' 'making PAN and Aadhaar interchangeable,' 'tightening of noose on cash economy by way of TDS of 2% on cash withdrawal exceeding ₹ one crore in a year from a bank account,' 'level playing field for NBFCs by subjecting interest on bad and doubtful debts to tax on receipt basis like other banking and financial institutions,' and 'exemption from tax on interest payable by Indian company or a business trust to a non-corporate non-resident or foreign company on Rupee denominated Bonds issued between 17.09.2018 to 31.3.2019. Here it is worth mentioning that several of ICAI suggestions vis-à-vis taxation have been positively considered and incorporated in the Finance (No.2) Bill, 2019.

On the indirect tax front, several customs duty proposals are all aimed at promoting *Make in India*, reducing import dependence, protection to MSME sector and promotion of clean energy. A major and welcome initiative has been Sabka Vishwas (Legacy Dispute Resolution) Scheme 2019 for quick disposal of pending central excise and service tax cases involving ₹ 3.65 lacs crore. It is welcome that many key amendments have been proposed in Central Goods and Services Tax Act, 2017 to give effect of changes recommended by GST Council.

What deserves the most immediate attention is India's somewhat ailing financial sector. While credit markets for NBFCs are frozen, public sector banks have the liquidity but not the growth capital. On the other hand the private sector banks are stretched to their limits with rising incremental credit-deposit ratios. The Budget has tried to strike the right notes in this sphere too. Public sector banks will be re-capitalised by another ₹ 70,000 crore, and some of this will hopefully translate into growth — and not just resolution — capital.

The Union Budget 2019-20 has indeed all the right intentions and orientations. However, to 'walk the talk' will be the key to achieving the desired goals. According to Neeti Ayog CEO Amitabh Kant, India will have to grow at 8 per cent annually to become USD 5 trillion economy by 2024-25 from USD 2.6 trillion at present. For this, India requires investments averaging ₹ 20 lakh crore every year. The task is difficult but quite achievable provided the guiding vision is put to effective execution. This will require the Government's commitment in the spirit of Chanakya Neeti Sutra as quoted in the Budget speech: *'Kaarya purusha kare na lakshyam sampadayate'*. (*With determined humans efforts, the task shall surely be completed*).

-Editorial Board (ICAI – *Partner in Nation Building*)