EDITORIAL

Coming in the times of economic surge, both the Railway Budget 2007 and the Union Budget 2007 have all the potential to put Indian growth to a higher trajectory.

First, hats off to Railway Minister Lalu Prasad Yadav for presenting a progressive budget, which aptly quantifies the great turnaround achieved by Indian Railways— not only in terms of earnings of Rs 63,220 crore, or cash surplus (before dividend) of Rs. 20,000 crore but also in terms of passenger facilities and high-tech feats like people-friendly country-wide computerised network.

Although a tightrope walk between inflation and growth, the Budget 2007-08 presented by Union Finance Minister Mr. P. Chidambaram amply supports the long-term India growth story. The significant increase in the outlays on agriculture, health, infrastructure, Bharat Nirman (rural infrastructure programme), education and talent enhancement will go a long way in strengthening the socio-economic fundamentals of the country and sustaining the growth in the medium term.

The cuts in customs and excise duty will help a bit in moderating inflation, but this is not enough. Strict measures should be taken to check profiteering and speculative trading in essential food grains. The duty cuts may, however, lead to competition from cheaper imported goods. The increase in the exemption limit from Rs. 1 to 1.5 crore in the case of small scale industries will give more operational freedom to the small scale sector. The rationalisation of excise rate structure in the tobacco industry would perhaps bring more revenue to the Government. The extension of TUF scheme (5% interest subsidy) will give fillip to the textile sector and would generate large-scale employment for rural women folk.

A welcome relief has been given to small-scale Service Providers by increasing the exemption limit from Rs. 4 lakhs to Rs. 8 lakhs. This will obviate unnecessary hassles for the small-scale providers, and particularly for many CAs who were hit by last year's Budget amendment. The ICAI feels that the clarificatory amendment that service tax would be exigible on services involved in works contract correctly reflects the legal position.

In the field of direct taxes, the small increase in the basic exemption by Rs.10, 000 has been more than offset by an additional 1% levy on education cess. The extension of MAT to 10A and 10B companies would augment the revenues only for a short term period, since there are already sunset clauses providing for the discontinuance of the applicability of those sections.

The increase in dividend distribution tax from 12.5% to 15% and for mutual fund companies from 20% to 25% probably is an exercise carried out to meet the shortfall arising consequent to withdrawal of surcharge on firms/companies upto income of Rs 1 crore. However, it may have some consequences for small investors.

The rationalisation of the law relating to fringe benefit tax and particularly the inclusion of ESOPs in fringe benefits may lead to re-structuring of employee packages in the corporate sector. This is an issue which has cross- border implications and large revenue earning potential. In fact, the ICAI can play a useful role in addressing the issues relating to accounting valuation of ESOPs.

It is heartening to note that the electronic filing of return scheme has been a success story. In line with the spirit of 'partner in nation building', the ICAI is a valuable partner in this exercise too and chartered accountants have played a significant role in this success story. However, the Government should go slow while extending this scheme to non-corporate assessees, since inadequacy of IT infrastructure is a bottleneck to be suitably addressed.

On the whole, Mr. Chidambaram certainly needs to be congratulated for this Budget, presented amidst inflation, constraints of WTO Regime and steady growth.

—Editorial Board

ICAI—Partner in Nation Building

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