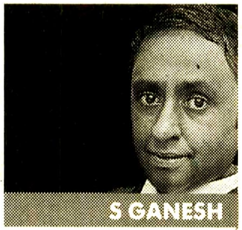
FINANCIAL Chronicle

Tue, 01 Mar-16; Financial Chronicle - Delhi; Size : 265 sq.cm.; Page : 19

Likely to increase global confidence in our economy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■ Govt should be praised for maintaining 3.9% and 3.5% fiscal deficit for 2015-16, 2016-17

■ A big announcement is the incentive of 8.33% of PF contribution on new employment

THE singular highlight of the Budget is the ability of the government to adhere to its commitment on the fiscal roadmap. The government has to be commended for maintaining 3.9 per cent and 3.5 per cent fiscal deficit for the years 2015-16 and 2016-17.

This would increase global investment confidence in the Indian economy and the steps taken in the last two years on FDI should increase investment flows. The current account deficit at 1.4 per cent is also a welcome number.

Another significant announcement has been the incentive of 8.33 per cent of PF contribution on new employment, this is the first measure taken to increase organised employment. Also a very important announcement is the abolition of classification between plan and non-plan, as these have no relevance in the current scenario. A radical change in the management of the economy is the creation of a monetary policy committee (MPC), which would enable razor sharp management of the monetary policy. The main theme of the Budget has been the rural focus, which given the widespread distress is a much needed step. The plans to increase irrigation footprint if well executed would be a much-needed boost to agricultural productivity.

The other steps taken on the rural expenditure side would see a boost in consumption, which would act as a driver for the industrial economy. The announcement of 100 per cent FDI in marketing of food products produced in India, would see the opening up of the organised food industry and is expected to reduce wastage in agro-commodities. The increase in allocation on infrastructure was an expected element of the Budget and the government has pushed for the same. Road allocation has increased sharply and also specific announcements have been made in the areas of electrification (rural) and ports. This was expected and would act as a driver of demand in light of sluggish private sector investment.

On the corporate tax front, a start has been made in removal of exemptions the full details of which are yet to be analysed. New manufacturing companies have been given an option of incorporating at a 25 per cent tax rate (without availing exemptions), which is a good step to attract and encourage investment in a fairly neutral basis.

Also in terms of reducing tax disputes a number of steps have been announced, which are welcome. If the spirit behind these announcements is carried forward in implementation, it would be a huge boost to the ease of doing business.

On the personal tax front there is a significant benefit for people with income below 5 lakh. However, there are no other major announcements, which would be a disappointment to the middle class. This is in line with the economic survey on expanding Tax net. Also the service tax is increased in line with expectations to 15 per cent, but surprisingly with a cess and not a straight increase.