

President's Message

Friends,

Amidst much speculation and anticipation, India rolled out its 2018 budget. As we as a Nation move into the league of the fastest growing world economies, I would like to commend the Modi government's structural reforms which have propelled India to become a US\$ 2.5 trillion economy, standing out as a 'bright spot' in the world.

I wholeheartedly acknowledge the government's recent initiatives that have made it easier to do business in India. The Goods and Services Tax, use of digital technology, the Insolvency and Bankruptcy Code, recapitalization of banks, liberalization of FDI norms and fixing the fight against corruption are indeed some noteworthy measures which shall help Indian economy achieve its 8 percent plus growth soon.

I must commend that the 2018-19 budget announced on February 1 is an inclusive one meant for all and I am in full concurrence with Prime Minister, Mr. Narendra Modi's statement, "the budget is farmer friendly, common citizen friendly, business environment friendly and development friendly." The budget's focus has been on strengthening agriculture and the rural economy, providing health care to the weaker sections of society, creating infrastructure, improving the quality of education and providing tax relief to the Medium, Small and Micro Enterprises (MSMEs). I opine that all these measures will help in building a strong 'New India' and in enhancing employment opportunities in the country.

This year's budget mission is to bring affordable and accessible development to the citizens by creating a sustainable economic environment. The government's plan of implementing the world's largest funded health care program, covering more than 500 million of the country's poorest people is remarkable, as it would exert a force multiplier effect on the insurance industry. The provision of free gas connections to women under UJJWALA, electricity connections to the poor under Saubhagya Yojana, providing affordable medicines through Jan Aushadhi centres, etc have received a big push in the budget. The scheme for revitalizing school infrastructure and setting up Institutes of Excellence for higher education would definitely enhance the quality of education in the country.

The government's priority towards the agricultural sector should be such that growth percolates to the farmers and doubles their incomes by 2022. Fixing of MSP for kharif crops at 1.5 times cost of produce, along with cluster-model approach for agricultural production



aims to increase farm productivity and enhance farmers' incomes in the coming times. Doubling the allocation for food processing, setting up of an Agri-Market Infrastructure Fund, launching 'Operation Greens' for post harvesting processing, creating infra-funds for fisheries, aqua culture and animal husbandry sectors and establishing a dedicated Affordable Housing Fund for the rural sector are all measures in right earnest for the development of these sectors.

I note that the Union Budget 2018 has mentioned India's intent to tax digital businesses by amending Section 9 of the Income Tax Act. This apparently is part of the OECD and G20 Base Erosion and Profit Shifting (BEPS) strategy. India is the first country to have taken concrete steps in this direction and I interpret that profit of firms providing online searches and advertising, cloud services, etc will be now taxed in India. The Finance Minister proposed the use of blockchain technology to encourage digital transactions. In sync with the government's proposal, the Chamber last month organized a seminar on the 'Future of Blockchain Technology- Advantages to the Indian Industry,' wherein experts pointed out how digital technology will empower citizens, make "big institutions" rethink their operating models and lead to a huge consumer surplus. Easy internet access has been an agenda for most Indian villages, tax sops for promoting use of digital transactions and a program to encourage artificial intelligence.

I think it's noteworthy that 1 lakh gram panchayats have already been connected to high speed broadband and 5 lakh Wi-Fi hotspots will be set up to provide broadband access to 5 crore rural citizens, all taking India towards a digital revolution.

I appreciate the government's emphasis on the infrastructure sector with a provision of close to Rs. 6 trillion that is almost 20 percent

higher than in the previous year. Allocation for roads, urban infrastructure, ports and railways will provide the much needed boost. The highlight is the proposal for the aviation sector with plans of increasing the number of airports, to almost five-fold from the current numbers. This will increase mobility for the entire nation and in turn, provide a major fillip to tourism. As part of the Smart City Mission, 99 smart cities have been selected for efforts to improve urban infrastructure, with over 50 percent increase in outlay for smart cities.

Fulfilling the demands of the MSMEs, a bold step has been taken in this budget wherein Finance Minister proposed a reduction in corporate tax for small firms that have turnover of upto Rs. 250 crores, from 30 percent to 25 percent. This will benefit the MSME sector that amounts for 99 percent of the companies filing their tax returns, giving them a higher investible surplus that in turn will create more employment. Credit support, capital and interest subsidy facility from banks and financial institutions will be provided to the MSMEs. Efforts will be made to resolve the issue of NPAs and Stressed Accounts in the MSME sector.

However, I must mention that the budget did not give any relief to big companies that had sought a similar reduction to make them competitive with the rest of Asia. The imposition of long-term capital gains tax could deter foreign investors from investing in India, who could move to other jurisdictions which offer better tax rates. Industry opines that an introduction of tax on dividends from equity mutual funds will eventually end up eating into dividends the investor receives. The benefit of lower corporate tax has been curtailed by an increase in cess rate from 3 percent to 4 percent. Start-ups too felt disillusioned with the complete exclusion of angel tax in the budget.

I must comment that the slippage in the fiscal deficit target due to deficit in indirect taxes is worrisome. Nonetheless, the budget promises to support economic recovery. The disinvestment target set at Rs. 800 billion for FY 2018-19 including gains from privatization of Air India is inspiring as it will increase the non-tax revenue.

I would rest my pen with a famous quote, "When completed, the budget must provide the services we have promised to our constituents." This corroborates with the government's focus in the budget on 'Ease of Living' for the common men of the country, especially for those belonging to poor and middle class. Let's earnestly remain inspired and work hard towards satisfying the aspirations of the 1.25 billion people of our country and giving them a better life!!

