FICCI comments on Union Budget 2015-16

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New Delhi, 28 February, 2015: Commenting on Union Budget 2015-16, **Dr. Jyotsna Suri, President, FICCI** said "*This budget has laid down the roadmap for taking India to double digit growth. We not only see a clear direction in which the economy is going to be steered but also the key milestones that we need to cross on the way. There are several positives not just for the industry but for every section of society. FICCI compliments the Finance Minister for his foresight and for presenting a highly progressive and visionary budget anchored on reforms in an array of areas.*"

"*The budget was presented in the backdrop of an improving macro-economic situation. However, as the Economic Survey pointed out Indian economy is recovering but yet not soaring and it was essential to bring the focus back on investments to lend strength to the recovery process. This budget has done just that by stepping up the outlay for the infrastructure sector without compromising on fiscal discipline. The additional Rs. 70,000 crore spend on infrastructure sector in the coming year will provide a huge impetus to overall growth and should help encourage private sector investments in due course*", added **Dr. Suri**.

With this budget we also see after a long time clear national targets being set for the year 2022 that would mark 75 years of India's independence. The announcements made by the government both in the budget as well as outside of it provide for a concerted effort to move towards these socio-economic targets.

"*Government has also made efforts to move towards a more simplified tax structure by announcing a plan to rationalise direct tax regime for corporates involving both a reduction in the corporate tax rate from 30 per cent to 25 per cent over the next four years as well as elimination of exemptions. This should help align our corporate tax structure in line with that of our ASEAN neighbours. We have also noted the withdrawal of the wealth tax where yields were not commensurate with the administrative costs*",said **Dr. Suri**.

"*The budget has also given a huge boost to the Make in India program by correcting the inverted duty structure in 22 thrust sectors and by allowing complete tax pass through for both category 1 and category 2 Alternative Investment Funds. The latter action, a long standing demand of FICCI, will help mobilise higher resources for investments in manufacturing sector. We also welcome the clarification on tax related matters on REITs and InvITs, which are the key instruments announced in the last budget for channelling funds into the real estate and infrastructure sectors*", added **Dr. Suri**.

FICCI is also happy to note the Finance Ministers decision to defer GAAR by two years and its prospective applicability. Along with this the statement on increasing the threshold for Transfer Pricing and reducing the discretionary powers of the tax authorities should boost investor confidence further.

Some of the other key takeaways that FICCI would like to highlight from Union Budget 2015-16 are –

- There has been a clear commitment towards better targeting of subsidies and the Finance Minister has indicated further scaling up of the Direct Benefits Transfer scheme.
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- Creation of a unified national agriculture market has been talked about. FICCI too has been advocating this for long as the agriculture sector is one of the most fragmented sectors in the economy. Move towards a single national market for agri-produce will help rein in the inflationary pressure in case of food commodities as well as provide better prices to farmers for their produce.

- MSMEs have been the backbone of the Indian economy and these too came in for special support in the budget. To tackle the problem of long receivables realisation cycle of the MSMEs, an electronic trade receivables discounting system (TReDS) has been established. The related move of setting up of the Micro Units Development Refinance Agency (MUDRA) bank will help meet the funding requirements of micro enterprises in the informal sector and provide a boost to entrepreneurship.

- The much needed comprehensive bankruptcy code will be introduced in fiscal year 2015-16. This is another important measure in improving the ease of doing business in India.

- For the first time we see several steps being taken towards creating a universal social security system for all Indians which will lay the foundation for a more confident society.

- A national investment and infrastructure fund has been set up in the form of a trust to raise debt funding in various forms and in turn invest as equity in infrastructure finance companies. This would be an additional avenue to support infrastructure financing and hopefully lessen some of the pressure on the public sector banking system.

- The new Atal Innovation Mission to be housed in NITI Aayog will provide support to the Make in India program and help Indian industry climb up the technology ladder.

- The budget for the first time has also announced several measures to monetise gold. FICCI had recently submitted a report on this subject and we are happy to note that some of the suggestions contained therein such as developing an Indian Gold Coin, having a Sovereign Gold Bond and revamping the Gold Deposit and Gold Metal Loans scheme have been taken up by the government. These measures should help in more effective utilisation of domestic gold reserves through recycling and thus help reduce the imports of gold that have put pressure on the current account in the past.

- Another major item in the budget is the announcement of introducing a new comprehensive law on black money held abroad along with a new and more comprehensive benami transactions (prohibition) bill to curb domestic black money.

- Continuing with the government’s efforts to improve tourism sector in the country that is a major employment generator, the budget provides for resources for up-gradation of facilities at select cultural world heritage sites in India as well as extension of Visa on Arrival facility from the present 43 countries to nearly 150 countries in a phased manner.

FICCI MEDIA DIVISION