PUBLIC FINANCE

STATESMAN, MAR 1, 2016

Good job done

While it is unreasonable, even unfair, to expect a Union Budget alone to set the economic agenda of the government, the presentation by the Finance Minister on Monday ticks the boxes of areas that Prime Minister Narendra Modi and his team want to address. While the first impression is of the attention paid to rural India, and the steps taken to address the distress of the subaltern, the thrust on infrastructure is evident from the allocations on rural roads, highways and to a lesser extent ports.

The emphasis on rural India is underscored by a slew of provisions that include additional financial assistance to local bodies, the creation of an Irrigation Fund, crop insurance and an assurance to complete rural electrification before this government seeks a fresh mandate three years hence. The steps aimed at the social sector address those living below the poverty line in both rural and urban India by providing to them LPG connections as well as by providing health insurance to families with an income of below Rs 100,000 per annum. These measures are to be welcomed and while corporate entities may not find immediate cause to exult about the Budget, they will realise soon enough that the substantial boost to the rural economy will benefit them.

The effort to reduce tax-related litigation should go some way towards easing the burden on tax-paying citizens caught in the vortex of unfair assessments and unequal legal battles with the Income-Tax department. However, a lot more would have to be done, both through legislation and re-training of Income Tax Officers, to create a harmonious atmosphere of compliance through a simple tax regime. While this Budget takes a stab at reducing pending litigation it does little to simplify procedures; on the contrary, the many riders added to existing provisions and the somewhat excessive tinkering are likely to increase the scope for subjective interpretation. The clear pronouncement on retrospective taxation though is welcome, as is the resolve to settle amicably with those caught in the web built by an earlier dispensation. The voluntary disclosure aspects of this Budget, with a promise to cap penalties imposed on defaulters, appear to have been crafted to deflect the criticism and judicial scrutiny that the 1997 scheme had faced and may yield positive results.

Three other aspects of the Budget are noteworthy. First, fiscal deficit has been pegged at 3.5 per cent, which is a considerable achievement. Second, the criticism of this being a government of and for the affluent has been countered effectively both with the rural and social sector allocations as well as the additional taxation on motor cars and the increased surcharge on the super-rich. Third, in keeping with the trends of at least the past decade, the shift of emphasis from direct to indirect taxation, through provisions that affect all citizens and not just target groups, is distressingly evident. Overall, though, Jaitley has done a good job of spelling out the government's priorities as it enters the second half of its term.

TRIBUNE, MAR 1, 2016

Right turns left

A realistic but unimaginative budget

In the budget for 2016-17 there is a distinct attempt to shed the perception of the Modi regime being a pro-business and "a suit-boot ki sarkar". It is essentially a budget for rural India as the President's Address to Parliament and Prime Minister Modi's recent speeches had indicated and the BJP's weakening political fortunes required. The budget promises cooking gas for below poverty line families, power to all un-electrified villages and road connectivity to all villages by 2018-19. The promise to double farmers' income in five years is just rhetoric, not an achievable goal. Helping the rural majority get the basic amenities makes a good political and moral goal to pursue. Yet a good intent is not enough. The Finance Minister must ensure that the money he allocates is judiciously spent also.

Urban middle-class Indians, including employees, are justifiably disappointed as the budget has left the income tax slabs unchanged. An additional infrastructure cess of 1% on small petrol cars, a 2.5% cess on diesel cars and 1% tax on luxury cars above Rs 10 lakh may annoy middle-class buyers but right-thinking people may not mind it. Similarly, few would quarrel with the additional 0.50 'karishi kalyan' tax on services or cigarettes getting costlier. Those earning more than Rs 1 crore will now see the surcharge on income tax go up to 15% from 12%, while for an annual dividend income of Rs10 lakh or more, an investor will pay a dividend distribution tax of 10%. This sent the BSE Sensex down by more than 600 points only to recover and limit the loss to 152 points.

There are fringe benefits here and there. The budget offers tax breaks to professionals, traders and shopkeepers. There is tax relief for first-time house buyers, pensioners and those living in rented houses. Smiling faces, however, will be limited in number. The honest taxpayers not getting any significant relief may not like a limited opportunity to tax evaders to turn their black money into white by paying a penalty — 45 per cent for domestic amounts and 60 per cent for cash stacked up abroad. It amounts to an admission of failure of governance. It is easier to wait for a surrender of unaccounted money than making efforts to seize it and book the offenders.

Finance Minister Jaitley had faced a dilemma: to spend more and boost growth or save more and stick to the fiscal targets. Though not an easy choice, he has made the latter option. Everyone wants higher growth. It means more jobs, opportunities for corporates to make profits and repay debt and for a government to get higher tax revenue. Jaitley has chosen to keep the fiscal deficit target of 3.9 % of the GDP in the coming year which will delight those believing in fiscal discipline. Since inflation is down, the FM expects the RBI to lower interest rates. Cheaper capital may fuel consumer demand for houses and cars, help startups take off and accelerate growth. But nothing is as simple in the real world. Banks can't lower interest rates because bad loans squeeze their lending capacity and the FM has announced a bailout of just Rs 25,000 crore which is not enough. Though there is a 15.3% raise in government spending, there has to be special provisions for implementing the Seventh Pay Commission report and the One Rank, One Pension scheme.

Unlike the first two budgets of the NDA this one has a clear direction: build infrastructure, simplify tax rules, reduce litigation and create a business-friendly environment for small businesses. There are no ambiguous signals as in last year’s budget. A beginning has been made to phase out tax exemptions to companies. Easing private participation in public transport and a discouragement to private cars with green taxes is another positive. Rural India's basic requirements are quality education, affordable healthcare, clean drinking water, rejuvenation of agriculture, skill upgrade and transition to non-farming work. Opening up food processing to 100 per cent FDI (foreign direct investment) will help build supply chain, storage space and minimise waste of food.

Before the 2019 elections, here was a time for the Modi dispensation to take tough decisions, to match the outgo with the outcome, cut taxes and reduce wasteful expenditure by downsizing government. Instead, the Finance Minister has presented a tax-and-spend budget. He has raised taxes to meet the party's political goals. However, the Finance Minister cannot claim any credit for having kick-started the economy out of its sluggish phase. He may even be criticised for conceptual timidity. Indeed many of his calculations — and much of his optimism — are based on a good performance by the global economy. He can only be commended for a cautious approach and a marked unwillingness to think big. He has played politically safe.

TRIBUNE, MAR 1, 2016

Sushma Ramachandran

A moment of light relief

The budget is a mixed bag but lacks holistic vision

FINANCE MINISTER Arun Jaitley seems to have been third time lucky this year. This is his first budget which has broken out of the mould of the past. The proposals for 2016-17 give little in the form of an impetus to investment, but he has managed to stick to the fiscal deficit goals laid down in the Fiscal Responsibility and Budget Management legislation. The very fact that India has kept to its fiscal deficit target of 3.5 per cent is bound to enthuse global credit rating agencies, for whom meeting this criteria is a vital factor in giving a country a high investor rating. It is a different matter that these same rating agencies remained clueless about the viability of leading western financial institutions just before they crashed and burned in 2008. Nonetheless, it improves the investment climate in India in the eyes of foreign corporates.

It will also please RBI Governor Raghuram Rajan who has been persistent in pleas for the government to conform to the fiscal deficit targets. In turn, the central government will now expect the RBI to oblige with cuts in interest rates, which may possibly provide a stimulus to kick-start the investment cycle.

The second achievement has been the effort to carry out tax reforms, though these are rather piecemeal and patchy. Undoubtedly, however, Mr Jaitley is finally trying to take power out of the hands of the tax official and bring a system where there are less discretionary powers and thus less scope for corruption. The decision to avoid any more retrospective taxation is also welcome, as are the moves to create a better dispute resolution mechanism to reduce tax litigation.

The third positive element is the focus on raising public investment in roads and highways. The investments are pegged at a massive Rs 2.18 lakh crore, though this includes the funding for the railways. A push in roads construction has always provided an impetus to the economy as it did when Atal Behari Vajpayee launched the Golden Quadrilateral project.

On the other hand, there is virtually nothing for exporters on the grounds that global headwinds are weak and the country needs to focus on the domestic market. This is a rather defeatist approach as exports are clearly a drag on the economy currently. It is surely time to provide support to export industries which had been growing consistently till about two years ago.

The plans for the agriculture sector and the rural economy appear to be more political grandstanding with an eye to the forthcoming state elections, as many targets seem unachievable like the expansion in irrigation over 80.6 lakh hectares. Besides, the aim of doubling farm incomes in five years is laudable, but not possible unless minimum support prices are raised sharply. This could, in turn, lead to a spiralling of food prices and raise prices significantly. Interestingly, the budget proposals also highlight the fact the highest-ever allocation of Rs 38,500 crore has been made for the MGNREGA, UPA's flagship programme which had been severely criticised by the BJP before winning the elections. It has now been adopted, wisely so, by the NDA as a scheme that can alleviate the problems of the rural populations after two years of failing monsoon.

Yet the biggest lacuna in the budget is any real stimulus for the creation of jobs. Barring the proposals for sops to fresh recruitment by companies, there is hardly any incentive for increasing the setting up of manufacturing units. Companies will hire new employees only when they are needed and not just to avail of these relatively minor benefits. In the roads sector, for which big public investments are being made, employment is available largely on a temporary basis and for unskilled workers. The only push to manufacturing, and hence large scale employment, in the proposals are the excise concessions being given to sectors covered by the 'Make in India' scheme.

As far as the recapitalisation of banks is concerned, the amount of Rs 25,000 crore is far too little compared to the lakhs of crores of stressed assets in this sector. At the same time, the effort to move forward on a new insolvency code as well as the plans for the legislation to prevent illicit deposit scams that ensnare many is laudable.

The proposals have little succour for the common man facing rising prices especially of food products. The cost of services will go up across the board with the new 0.5 per cent Krishi Vikas cess. The middle class may welcome the new provisions for pension schemes and the higher deduction for housing loans, but there is little that is heartening for a segment that used to be the traditional constituency of the BJP. Even the crash in world oil prices has not been passed on by way of lower petrol or diesel prices to consumers.

In this context, it is amazing to find a special scheme proposed to lure foreign oil majors to invest in highly expensive projects of deep sea and ultra deep oil and gas exploration. At a time when oil prices are at historic lows, no oil company is likely to venture into the highly risky and costly job of deep sea exploration. Such ventures become cost effective only when prices are ruling at high levels.

There are some definite plus points in the proposals, like the scheme to provide LPG stoves to women in rural areas as well as the plan for the modernisation of land records and the digital literacy mission. The allocation for the social sector has also been raised significantly, clearly in response to severe criticism over the cuts made last year. However, it abounds in a mass of trivia about individual concessions especially on the tax side.

Mr Jaitley's third budget is thus a mixed bag. It is a definite departure from the past in terms of presentation, and also in firmly adhering to fiscal goals. But it lacks a holistic vision and, most importantly, fails to provide the much-needed push to investment and employment growth. In the absence of such a stimulus, it may be difficult for the economy to reach the goal of a high growth path of 8 to 10 per cent in the years to come.

GOVERNMENT, CENTRAL
ECONOMIC TIMES, MAR 1, 2016

Government to 'rightsize' ministries for projects like 'Make in India' , 'Namami Gange'

NEW DELHI: The Centre is planning to 'rightsize' its ministries and enlist professionals for its priority projects such as 'Make in India' and 'Namami Gange'. The downsizing of the ministries would happen over the next few months by identifying bureaucrats who can be deployed in other departments. Referring to this, Finance Minister Arun Jaitley said in his budget speech on Monday that a task force has been constituted to rationalise human resources in the various ministries. The format likely to be followed is the one adopted last year for the restructuring of Niti Aayog. The government's premier think tank's employee strength was cut from 1,200— which it inherited from the erstwhile Planning Commission—to 500, and for the first time, 48 professionals were roped in. Senior bureaucrats ET spoke with welcomed the move saying "right people in the right work" will help in speeding up delivery of projects. Amitabh Kant, CEO of Niti Aayog and secretary of department of industrial policy and promotion (DIPP), said, "Rightsizing is a progressive step. Job creation and wealth creation both have to happen outside the government. The government needs to facilitate that." An official at the Centre told ET, "When national schemes are approved, they are also allotted human resources. Hence, any government which wants to prioritise its own projects, doesn't find the right people. We now find there is more manpower in areas where there is not much work." While it is clear that the ministries will be "thinned down" to make the government "executive driven" and "delivery centred", it is not clear if the government will lay off employees. "They could always be redeployed, depending on their skills, in other departments across the country," the official said.

POLICE

ECONOMIC TIMES, MAR 1, 2016

Alok Kumar takes charge as Delhi Police Commissioner

NEW DELHI: Senior IPS officer Alok Kumar Verma today took charge as the new Commissioner of Delhi Police at a time it is battling mounting criticism over handling of the JNU row. Verma (58) succeeded B S Bassi, who was at loggerheads with the AAP government on a range of issues in the last one year, to become the 20th police commissioner of the force with a strength of over 80,000 personnel. Verma, a 1979 batch IPS officer of the AGMUT (Arunachal PradeshGoaMizoram and Union Territory) cadre, was serving as the Director General of Tihar jail till date. He assumes charge of Delhi Police when it is battling mounting criticism over handling of the JNU row. In his first addressal speech to the entire police force over wireless, Verma said that ensuring security to senior citizens, women and weaker sections of the society will remain his priority areas and he expects the force to focus not only on grievous offences but also on petty crimes, which troubles the common man on a daily basis. He also said that the doors of his office are always open for the common man to come and seek solutions for their problems. "I am proud to be given the opportunity of working with Delhi Police. Together we will work towards betterment and strengthening of Delhi Police. "Factors like community, caste and religion should never obstruct our functioning and I expect from my force to focus not only on grievous offences but also on petty crimes which troubles the common man on a daily basis. "I expect that every Delhi Police personnel stays away from corruption, rudeness and barbarism... Ensuring security to senior citizens, women and weaker sections of the society will remain our priority areas," the new police chief said. Calling constable "spine" of the police force, Verma said that the supervisory authority should ensure better communication with their subordinates to make sure that all problems they confront on the field are dealt with at the earliest. He also said that he would put untost efforts accommodation, barracks and mess facilities of police officials. "The doors of my office are always open for the common man to come and seek solutions for their problems," he added.