

Budget 2008-09 – In Blithe Bliss...?

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The Budget has been a populist one, while the real issues of economy and taxation are yet to be touched. The present article raises few such issues.

Our hopes keep rising every time just before the budget and literally everyone is complaining immediately after the budget. The reason could be either too much of expectations or too little of sops by the finance minister. But it is always interesting to read newspapers and watch live panel discussions on the TV with so called "experts" giving all kinds of "opinions" as to how the budget should be and/or how the budget should have been. Well it will be a never ending story as long as the government wants to 'Tax' people.

Well the Budget 2008 has finally been tabled and experts have discussed enough of it in the past few days. Let us for our part discuss a few important issues.

Waiver of agricultural loans – One of the leading economic news paper quotes that the total NPA for banks in agricultural sector is only Rs. 11,000 crore. If so, why the Finance Minister should allocate Rs.60,000 crore for the purpose of waiver? It is not sure as to how the loan waiver will be implemented and who will be the monitoring agency. Unless a proper Monitory Agency is identified and the job is entrusted, it is to be taken for granted that the small and poor agriculturists will continue to suffer.

Another leading newspaper says that majority of the loans taken by the small agriculturists are through local money lenders and not through banks. (Obviously our banks are notorious in asking for sureties and guarantees!!). In such an event, certainly the measures announced by the Finance Minister are not going to be of any use to such small agriculturists. One question that remains to be answered is that "How the Government will protect the small farmers from being taken for a ride by unscrupulous money lenders?"

Income tax – Many people are agog with the increase in exemption limit to Rs. 1.50 lakh and also the revision in the tax slabs. But look at the salaried person - his tax is deducted and only the balance salary is given to him by his employer. But he is required to pay tax on everything he uses in his daily life. A salaried person is taxed on all sides.

One question that still remains in everybody's mind is "why this anomaly?" Why an ordinary citizen be meticulously taxed and left in lurch? If the tentacles of the Tax Department could be stretched the way it is been done by the Finance Ministry, why not further increase the tax slabs for the salaried class as a special case or replace it with some other more lenient mode of tax structure? The Finance Ministry would do well to work this out if they could bring further relief to this class, a few years from now, if not immediately. May be, the tax slabs for the salaried could look as under:

Up to Rs. 5.00 lakh CTC	No tax
Rs.5 lakh to Rs.15.00 lakh CTC	10%
Over Rs.15.00 lakh CTC	20%

All corporates must be made responsible to declare and certify the CTC offered to the individual employee.

Corporate tax – Corporates are experiencing better results for several reasons. In spite of this, they have been the most unlucky segment in the 2008 Budget. They do not have to be happy of any special or specific relief except the inter-corporate dividend tax. It is a small anomaly that the Finance Minister has removed. More serious concessions should have been extended to manufacturing industries which would reduce unemployment among both literate and illiterate youth of India. India needs increased manufacturing activities to ensure that its manpower is viably used.

Further, industries in special areas such as re-cycling, wind energy, computer peripherals, etc., should have been given more prominent tax relief to encourage new investments in such sectors. This could have helped the country in Carbon Credit business too and also would have attracted more foreign investments into India.

Infrastructure industries should have also been taken into confidence by the Finance Ministry as a potential growth oriented industry in India which also has the great potential to invite foreign direct and indirect investments into India apart from creating jobs for millions of Indians within India.

Stock market investors – Stock Brokers are unhappy because the STT is neither reduced nor removed. Further, the Finance Minister played his role well to further squeeze them by increasing the short-term capital gains from 10% to 15%. This was well reflected by the stock markets (BSE) which fell by over 900 points on 3rd March, the first full trading session after the Budget.

Conclusion – *Well, all said and done, everybody does his job to his satisfaction and so also our Finance Minister and his team. Whether you call this as a politically motivated budget or not, there are always some segment of people who are seen to be happy and another segment of people who are down. It is true that it is not possible to satisfy every one and this is always taken as a tool for self-protection by the law makers. The government claims that the standard of life of a common Indian and his income level has improved. On the contrary, we still see people living on the road side platforms and another million of people who don't have even one meal a day. It is an irony that improvement is looked only at the life style of people who can afford and not the poor people. Clearly, there is a long way to go. It is a fact that the gap between the 'haves' and 'have nots' is increasing and costing the actual development of the country. It would be enough if the Government concentrates on giving education, employment and best entrepreneurial opportunities to its people. The rest will take care on its own.*