

BULLISH BUDGET 2017...!



Another annual ritual has just been completed by the Hon'ble Finance Minister Mr. Arun Jaitley in Parliament on 1st February 2017. Due to changes in our Panchanga (calendar / almanac), the ritual is done on 1st February instead of 28th February. As all of us



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know, rituals bring us some moments of joy, remembrance, unhappiness, getting together with kith and kin and after the rituals everyone will have sumptuous food and go to their normal works. We have repeat of all these with the new budget for 2017-18 by Mr. Arun Jaitley.

Budgets are more of a ritual in this country since nobody asks what happened to the previous year's proposals and nobody believes that the proposals made in the current year will be achieved before the next year's budget. It is like "must have" one annually! In the words of a friend of mine, to summarise the current budget in one word, we may say "status quo". The government is elected for five years. Why not the government give only one budget in the very first year of their ruling and maintain it for the rest of the period? At least the common man will not have any expectation and later get dissatisfied! On a lighter note, we may also avoid hundreds of hours of air time used by various TV channels in so called 'thread bare' analysis of the budget, both pre and post. My God!

All said and done, some of the important proposals of the budget, as I see are:

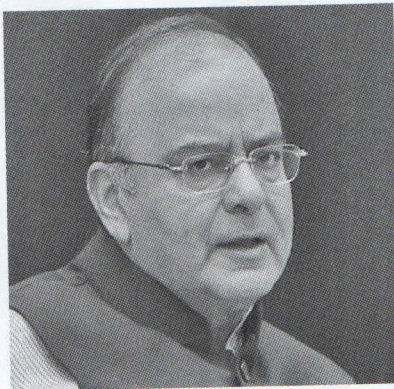
1. Corporate tax for SMEs with turnover up to Rs. 50 cr cut to 25%.

This is one of the very visible benefits that Finance Minister has announced in his budget. This would help SMEs to save quite a lot of money which could in turn be used for ploughing back in to the business. Finance Minister said about 96% of the SMEs / companies will benefit with this tax reduction. If it is true, then it is commendable.

2. Aadhaar—based health cards for senior citizens.

Nowhere the government says Aadhaar is a must or necessary but almost all social benefit schemes are now linked through Aadhaar. Aadhaar No. is slowly converting into Social Security Number in India. The proposal to provide

health cards to senior citizens based on Aadhaar Number is yet another step in this direction. It is a welcome proposal but, in villages how do we achieve this? Before we issue such health cards, government need to strengthen the government hospitals, number of doctors available at such hospitals, availability of medicines etc., including confidence of public to use such facilities.



3. FIPB to be abolished; further FDI policy liberalisation

This is yet another bold move. Liberalisation of foreign investment into India would attract more investments into India specifically more hitherto controlled segments like defence, retail, mining etc. We need to wait and see if this will be made available for investments in agriculture field also.

4. Payment Regulatory Board to be set up within RBI to regulate digital payments

With more and more Payment Banks are being allowed to start their business, this becomes essential. While the proposal is worded in such a way that the Payment Regulatory Board is to be set up within Reserve Bank of India, we need to be cautious that this move do not reduce the control and importance of RBI in

the financial management of the country.

5 Railway PSUs like IRCTC, IRFC, and IRCON to be listed

I remember similar such proposal with regard to other PSUs was made in the last year's budget. In fact such proposals are made in every budget be it Congress or BJP. It is good for the market if it is achieved. It will be a good investment should these PSUs hit market. Currently our stock market is stable and at times bullish too. If government decides list its PSUs, it will be bonanza for both the government and also the investors.

All these are fine. What happens to the salaried class and direct tax payers? While we cannot say that Finance Minister has not given anything, it is true to say that he has not given anything sufficiently and adequately. Following are the major proposal with regard to direct tax.

- Tax rates halved to 5% for income of Rs. 2.5 to 5 lakh. Sad part of the story is that the tax slabs remains same for the rest of categories.
- 10% surcharge on people earning between Rs. 50 lakh to 1 crore.
- 15% surcharge on annual income above Rs. 1 crore – this is an existing rate that will continue

No doubt there is a small benefit given to the tax payers, but is it enough considering the cost of living, escalations in prices, reduction in purchase value of the money? Honestly, I look forward a day when the Finance Minister announces that there will be "No Income Tax" in India that Income Tax is completely abolished in India.