



EDITORIAL

Looking at the Budget Differently

Most of the times, we look at the Budget proposals from a restricted view point of what is there in the Budget that is beneficial to us. Whether the excise or customs duties have changed to our advantage or if the rates of direct taxes reduced.

Yes, there are a few things in the 2009-10 Budget presented by the Hon'ble Finance Minister, Mr Pranab Mukherjee this month. The Fringe Benefit and Commodity Transaction Taxes have been abolished, IT rates are marginally reduced for individual tax players, etc.

However, the Budget has some interesting announcements, which in the present scenario of an economic slowdown may stimulate growth.

The most important announcement is the resolve of the Government to implement Goods and Services Tax with effect from 1st April 2010, with a 60:40 share between the center and the states. This implementation would remove different taxes and levies like entry tax etc, thereby making the tax structure more transparent.

Another major announcement is the increased allocation to infrastructure sector, which should result in higher level of activity in this sector giving a demand push to cement, steel and metal sectors.

With the tax regime fairly streamlined, we believe, it is the Government's direction to steer the economy that will be more crucial in the budgets to follow. And to this extent, we feel the Finance Minister has fared rather satisfactorily.

What are the danger signals then? Yes, there are some, which may jeopardize the economic growth.

Most worrisome amongst them is the enormous level of the fiscal deficit, which is bound to increase inflation. Another is the food subsidy proposed for the BPL consumers, which is not budgeted and would add to the deficit. The PSU disinvestment, which would have brought in the required funds to arrest fiscal deficit, is very meager. On top of it, the Fiscal Responsibility Act, which could have kept a tab on the Government expenditure, is postponed.

We hope that the hon'ble FM is lucky and overcomes these stumbling blocks and leads the Indian economy on to the recovery path.

Sunil More

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