



Union Budget 2016-17: Great Expectations

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1. Abstract:

The biggest expectation from Budget 2016-17 is the redressal of a plethora of issues – both pending and half-addressed – that await a tangible solution. A discernible outlining of goals, hopefully backed by an action plan, is likely to be the theme for this year's budget. On the face of it, the NDA government seems determined to resolve a host of key issues: upliftment of the rural sector, mitigation of adverse weather effects on agriculture, creation of more employment opportunities, and enriching the lives of women, children, senior citizens and people below the poverty line.

2. The Union Budget 2015:

As an event, was hyped way too much, so to speak. Understandably so, given that it happened to be the first budget of the Modi government. A look back on the government initiatives till date boils down to several observations. Issues like alleviating taxation woes and GST are yet to be taken care of. But, in all fairness, measures like inviting Foreign Direct Investment (FDI) in railways and defense, insurance legislation, labor reforms and the nod to defense deals and infrastructure projects and deregulation of diesel prices bear testimony to PM's intentions to bolster an all-encompassing growth and development of India.

Modi has vowed to wipe out tax terrorism from India. Hopes of GST getting the green signal in the upcoming Parliament session have started to glimmer. However, persistent opposition in the Rajya Sabha till date has been a

dampener. India's growth story has its eyes set on April 1, 2016, which is the GST roll out deadline set by the government, given the hope that it will iron out the wrinkles in the current system of taxation.

Also, by issuing guidelines on determining the Place of Effective Management (POEM) for companies which was also mentioned

3. Memorandum to the Finance Bill 2015: The Central Board of Direct taxes (CBDT) has attempted to bring increased transparency into the system. With the liberty to put up subsidiaries overseas, Indian businesses would be able to enhance their scalability, provided the new rule meets with a transparent and equitable compliance, as per published data. Considering the existing scenario on tax evasion and other tax related concerns, hopes from Finance Act, 2016 soar high with respect to bringing a healthy and robust tax regime in India. Setting up of an unflinching tax regime should be a major goal for government in this year's Budget, since a temporary approach to collect fatter revenues does little for the larger cause of the Indian tax system.

The rigorous course of pre-budget consultations steered by Finance Minister Arun Jaitley and his team of policymakers, ahead of the announcement of Union Budget 2016-17 on February 28 this year, are already in motion. While giving out his opening remarks at the recent pre-budget consultation meet, Jaitley implied the focus of this year's budget could revolve around the social sector, inclusive growth being the focal point this year for the government. Earnest suggestions and ideas laid before the FM by representatives from sectors like banking, social, IT, small and medium enterprises (SME), agriculture, education and healthcare, have only set expectations pounding for positive changes in these sectors.

4. Key demands include the appeal from Health Federation of India:

For a health budget including tax sops and financial aid for a better infrastructure and medical innovation, which has also been recently advocated by the Health Minister. An increase in the spending for health from 1.3 per cent to 5 per cent of the GDP has also been sought. Other demands from social spheres include increase in pension amount of widows and senior citizens, greater budgetary allocation for secondary education, ditto for National Mission for Sustainable Agriculture under Krishi Unnati Yojana, provision for a comprehensive crop insurance, enhanced irrigation facilities for alleviating farm woes, construction of shelter homes for single women and destitute and more allocation for Mid day Meal Scheme.

Keeping the teething woes of start-ups in mind, such as the load of compliance and the outflow of cash for the gingerly set up businesses, IT body Nasscom has asked for removal of direct and indirect taxes for such companies. The proposal entails removal of “angel tax” which is the crucial means of funding companies turn to, at a time when banks and venture capital funds pull away from providing financial aid to the start-ups. Investing in start-ups that are still in their nascent stage involves risk therefore it becomes all the more essential to set reasonable tax rates for investors, as per the industry body. Start-up companies, while crossing from bridge from being a novice to an established firm, require innovation, and compliance of stringent norms robs off the ingenuity of new beginners, as per Nasscom President R Chandrashekhar. He also proposed to replace audits with self-reliance certificates.

Considering Modi’s intentions for wholesome growth and sustainable development, raising public spending and inciting private investment could be a key measure for making people become financially more comfortable, while also boosting the economy’s growth.

5. Raising public expenditure :could be a doorway for inclusive development. Let’s say, the government decides to invest in more infrastructure projects like Bharatmala Sagarmala. The fruition of the project would not only provide employment opportunities to a lot of people playing out in their favor financially, but would also shore up the standard of the country’s infrastructure. Investing in more infrastructure projects could be in the offing, considering the falling crude and mineral prices. By virtue of an effectual tax collection system that would mint meatier revenues for the government, and increased borrowing, public spending could be compensated. As per the current buzz, the fiscal deficit target could leap from 3.1 per cent to 3.3 per cent, since government is mulling over to revise the same, as a measure to allay the impact of doggedly dipping oil prices. Fulfillment of fiscal targets is critical for a developing country like India, which has been slowly yet steadily moving towards becoming a developed nation.

6. Private investment: on the other hand, has an imperative role to play in enhancing economic growth, boosting tax generation and creating more job opportunities, thereby bridging income gap. Contrary to the past, investors now have the liberty to choose the location for their investment and are no longer required to petition for their investment proposals before the government, which has consequently made room for more private investment. Thanks to the post 1991 economic liberalization, suitable policies and provision of incentives have seen states racing against each other to attract higher investment. Hence, besides boosting public spending, the government should encourage private

investment, though any delay in bringing in the Bankruptcy Code could thwart private investments.

7. Further anticipation hovering over the existing year's Budget stems from the manufacturing sector, which seeks a hike in anti-dumping duties, from the government. Since the devaluation of Yuan and its consequent inclusion in the IMF basket, the chances of China dumping its pocket-friendlier goods into the Indian market, have risen considerably. The potential scenario of China dumping (cheaper) goods in India and thereby attracting hefty sales could land domestic manufacturers of India in jeopardy impacting sectors including SME. Needless to say, this is likely to water down Modi's efforts to buoy manufacturing in India, and with that, its economy.

All things considered, bringing uniformity in the import duty for all goods, which would naturally require the government to reduce the same, is another acute need that should be taken up in Budget 2016-17. GST rate on the other hand, has been proposed at 17-18 per cent by the Arvind Subramanian panel, which would mostly result into a lower service tax rate, not to mention the much needed breather for people. This only brightens up the prospects of steps for GST being discussed in the upcoming Budget. Measures to combat issues like black money, mounting NPAs for banks (March 17, 2016 being the deadline given by RBI to banks for clearance of balance sheets), indebted discoms as also problems thwarting the power industry inhibiting India from achieving self-sufficiency level in power and energy, and other issues too waiting for a definite solution.

8. Conclusion :Without letting expectations hit the roof, equitable opportunities for every economic participant would fuel an all-inclusive economic growth for India, which is likely to be the theme for the Union Budget 2016-17. Perhaps, the New Year could witness the establishment of sturdier bridges between the determinants of microeconomic and macroeconomic growth, the benefits of which would be relished by every section of society, irrespective of its size or nature.

9. References :

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