ONE-STOP DESTINATION FOR TAXMAN AND TAXPAYER

Good Economic Stimulus Should Be Revised into Wholesome Package

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THE
Rs 20-lakh crore economic stimulus package is good in parts and is thus welcome. The parts, however, don't add up to a wholesome leg-up for all stakeholders.

The package is, no doubt, branded well - ***Aatmanirbhar Bharat Abhiyan***
/self-reliant India movement. It has thus motivational spark that can galvanize all stakeholders to tap their potential optimally for generation of wealth.

Unfortunately, the package does not fully address the problems on demand and supply sides. It has left many sectors high and dry - the notable instances being aviation, tourism, shopping malls and cinema halls.

Unveiling macro-economic package is one side of the revival coin, the other being sector-specific packages. Both sides have to addressed adequately to get the whole economy on its feet.

The package has addressed partly the humanitarian crisis embodied by the painful images of lakhs of migrant workers walking hundreds of miles from cities to villages. It provides for additional allocation of Rs 40,000 crore to Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS). This would, no doubt, help returning migrants get employment for part of the year as a stop-gap arrangement.

The migrants would like to return to cities as factory workers, construction workers, auto workshop mechanics, electrical & plumbing hands and as micro-entrepreneurs.

The package does not provide any stimulus and timeline for their return back to economic activities in urban areas. It should have provided for their free travel to villages. Many have ended up paying extortionist fares to trucks and tempos to reach home. The Government should provide some cash to them for loss of jobs and untold miseries. The migrant workers are backbone of economy.

The Finance Ministry has relied heavily on monetary & lending strategy. This means delivery of stimuli through intermediaries such as banks, non-banking finance companies and power distribution companies.

The Government has resisted public pressure to provide direct cash relief to those who operate on margins - daily wage earners, shop-keepers, marginal farmers and micro-enterprises. Many of these don't borrow or borrow little. They operate with their savings and cash flows - both of which have been sapped by lockdown. Even in the household sector, millions of families don't borrow due to conservatism. They too have been hit hard by lockdown.

We thus urge the Government to reconsider popular demand for one-time, direct cash transfer to poor who have become destitute on the roads. Shops, operating from rented spaces, need to be compensated through refund of rent and power tariff for the lockdown period. More needs to be done on these lines for other businesses that can't withstand lockdown pains.

The Government has also skipped the option to provide direct and indirect taxes cuts. There is certainly a strong case for rollback of two hikes in petrol and diesel excises effected during pandemic. Case for complete waiver of all taxes on aviation turbine fuel for airlines for one year is compelling.

We also urge the States to roll-back increase in value-added tax (VAT) on petro-fuels that are outside the goods and services tax (GST) regime.

The Government expects public transport to work with social distancing (SD) norms. This means sub-optimal utilisation of seating capacity of airlines, buses, taxis, three-wheelers and electricity-driven metro trains. SD norms are applicable to all enterprises right from small vegetable cart to factories.

SD lowers productivity and economic efficiency in all sectors as it increases cost of production and services. SD also works against employment generation. Put simply, SD implies cost - whose burden should not be borne only by economic enterprises.

The Government should share the cost as SD is primarily necessitating authorities' failure to build healthcare infrastructure matching the size of population. SD has also been necessitated by Government's initial laxity in preventing arrival of Covid-19 during February & first half of March 2020.

We urge Union Finance Minister Nirmala Sitharaman to convene a meeting of GST Council in her capacity as its Chairperson. The meeting should take a definite call on GST compensation payable to States during the lockdown period. The council should decide whether economy can be revived without lowering GST rates for SD-driven businesses.

As it is, the package is not drawn on a clean slate. The announcement of 5th and last tranche of the stimulus coincided with extension of lockdown to 31st May. Repeated extension of lockdown enhances economic uncertainty, thereby slowing the start of stimulus package.

The Government should categorize components of package into groups such as: 1) Immediate relief in form of food aid, income and business loss compensation, 2) monetary support 3) tax relief 4) expenditure cuts and hikes 5) macro regulatory relaxations 6) sector-specific revival plans 7) Reforms road-map. The last can serve as feel-good factor for investors & overseas lenders especially International Monetary Fund. This categorization can be improved upon by the Ministry.

The Government appears to be unclear about the future severity of pandemic and how it should respond if migrants walking home to villages become a major cause for 2nd wave of infections. It has perhaps done mathematical modelling of different scenarios. These, however, come loaded with variables that are hard to predict. In any case, the Government should make them public to remove economic uncertainty.

It is open to debate whether lockdown is followed religiously across the country. It is open to debate whether it has succeeded in drawing curtain on risk of community transmission.

We urge the Government to substitute national lockdown with locality or region-specific containment zoning strategy. Containment should be strictly enforced. We have to realize that the country's economic health can't be allowed to worsen to a point where it requires radical remedies.

Without economic security, there can't be health security, national security, food security and other formats of security. Indian economy has suffered enough during the 68-day national lockdown ending 31 May.

The hype over Covid risk should not overshadow the rising number of non-covid deaths. These include death of migrant workers and non-covid patients who were denied admission by hospitals occupied with Covid management.

Lakhs of medical procedures including cancer surgeries are on hold since the start of lockdown. Persons, who regularly need blood transfusion and dialysis, deserve care too.

We urge the Government to revisit healthcare framework till the pandemic threat looms large. The fatality rate of Covid patients is not alarming. Foreseeing risk of community transmission, the Government should create temporary hospitals. These can be built on open grounds, ready-to-build containerized spaces, unused rail coaches and buildings. There should be balanced approach to managing all health risks including other infectious diseases such as tuberculosis and rabies.

Lockdown has enhanced the risks posed by lifestyle diseases. It has pushed the poor into extreme poverty. It has robbed millions of their jobs. It has inflicted gut-wrenching miseries on migrant workers.

Lockdown should now be replaced by new work culture including staggered working hours on 24X7 basis. Let there be incentives for those who operate night shifts.

The Government should liberally provide masks and sanitisers at all public places. No doctor, cop and sanitation worker should be let-down by shortage of personal protective equipment. India must get back its vibrancy without letting down the vigil against risk of spread of infection.

Last but not the least, the Finance Ministry should plug the gaps in the stimulus package. It should come out with an outcome budget document. It should list all sources of finance for the package that aggregates to 10% of GDP. The Government should estimate the loss in GDP due to lockdown and due to lingering effect.

The outcome budget document should list all components and sub-components of the package and their anticipated impact in an estimated timeframe. Let clarity be the starting point for ***Aatmanirbhar Bharat Abhiyan.***