

Budget injects Multiple Doses of 'Steroid' - Sitharaman telegrams She can now 'Walk Alone'!

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By Shailendra Kumar, Founder Editor

VERY much like the pandemic daily caseload, the febrile atmosphere of Union Budget is also ebbing away except for coddling tax firms and consultants. The nationwide opinion on the budget proposals is that the Finance Minister, Ms Nirmala Sitharaman, has indeed pepper-sprayed her frigging critics! Though annual budget of the Union Government is largely a political statement of the ruling party but it disproportionately brings laurels as well as whiplash to the budget presenter, depending on the size of the population its proposals tend to please or cause gut-churning! So far as Budget 2021 goes, Ms Nirmala Sitharaman has indeed come out of it as a confident and sassy reformist. Scathingly rebutting a damnable vessel of doubts about India's dalliance with economic reforms coupled with a gold rush seen in the first decade of millennium, she has telegraphed a clear-eyed message to the world at large that she can now 'walk alone'!

In my last two Columns ([Cob\(Web\)-748](#) & [747](#)), I had also gently thrown a gauntlet whether she would choose to be a **FM on 'steroid'**! And I sotto voce admit that she has not only picked up the gauntlet but also proved to be a budget presenter on 'multiple doses of steroid'! Aha! Full marks to her budget-making crew! Her entire team has proved that if there is a political will festooned with clear-eyed vision path, they cannot only deliver but deliver spectacularly! Going by the large and deep buckets of reforms, it seemingly appears that she has truly busted a gut to lock horns with all-round galactic challenges and a tempest of economic recession. Ms Sitharaman, of course, bookended by the PMO, has tried to deal with all hot-button issues originating either during the pandemic or pre-COVID era! Like bees to a honeypot, she seems to have rushed to corral many of the macroeconomic indicators threatening to go completely out of shape!

Let me begin with the least talked about turf of Innovation and R&D. Since it is a backbone-fleshing activity it naturally remains in the 'back' of limelight. It hogs the media flashlights only when new inventions are translated into tangible economic vineyard. In other words, all the investments made today are tomorrow's promising headlines - of course, not all of them as many projects fail to bear any fruits. But the 'tablet-holding' Finance Minister has not acted shy of taking such risks

. A whopping Rs 50,000 Crore has been earmarked for the earlier announced National Research Foundation. This sum is to be spent on identified national-priority thrust areas - obviously, artificial intelligence, robotics, synthetic biology, mini satellites and many other emerging hot technology areas would figure in the final list.

However, one area which has rightly been identified as the sunrise industry is the digital mode of payment sector. Rs 1500 Crore has been allocated to be disbursed as financial incentive. India has pragmatically switched over to digital census and Rs 3768 Crore has been earmarked for the mammoth exercise.

Pumping more resources in the digital space and creating an eco-system for digital entrepreneurs in the country has become a compulsion as India's hostile neighbour, China, has indeed raced ahead close to the mantle of **Digital Superpower**

. Although container-loaded ships will continue to plough the oceans but what is going to dominate the world economy are the data flows. Pandemic has further accelerated the entry of global economy into the digital age. Many economies which are keen to dominate the future geopolitical turf, are already in this digital race. EU is obviously a laggard and continues to trash-talk about 'digital sovereignty' which confuses many countries today.

Unless a new definition is assiduously worded to define 'digital sovereignty' apart from data privacy laws, it goes against the spirit of new digital age. Having admitted its slothful approach to the digital race, the EU has recently proposed to the US for a joint trade and digital technology council to work together. India should also forge a similar digital alliance with the US, UK and other like-minded countries so that it does not fall behind in the race in building its own digital infrastructure and new technologies. After all, digital taxation is round the corner and a huge chunk of revenue may come to the kitty once the OECD manages to thaw the ice over the issue by the middle of 2021.

The Finance Minister has also budgeted a sum of Rs 4000 Crore for Deep Ocean Mission over a period of five years. Going by the dwarfed allocation which is nothing but risible, it can be inferred that our understanding of huge natural resources locked in the seabed of our ocean is yet to be fathomed well! India has 2,200,000 km square of Exclusive Economic Zone which is not yet fully 'googled'. As per one survey, the Central Indian Ocean Basin has huge reserves of polymetallic nodules (PMN) of iron and manganese hydroxide. Science has projected that mere 10% of recovery of that can meet India's soaring energy needs for next 100 years!

Given the grim climate change scenario and a stepped up drive to decarbonise, it would be worth investing more money into our oceans as

their tangible results certainly do not lie oceans away!

Let me now turn to some of the fiscal proposals which are to be examined in the backdrop of her pandemic-period realisation that how dangerous it was to take her foot off the pedal of extra spending. Thanks to the family of coronavirus which demonstrated to the Government the scarring effect of underspending on health and avoidably playing the catch-up game with communicable diseases, she had to recycle her frustrations into pragmatic fiscal proposals. And she seems to have done it by putting a velvet glove on her iron fist! Finally, embracing the oft-jettisoned principle of 'Exempt, Exempt & Tax' (EET) from the present 'Exempt, Exempt & Exempt' (EEE) regime, the Finance Minister has proposed to tax contribution above Rs 2.5 lakh annually to the PF and ULIP Schemes operated by some insurance service providers. Although many beneficial amendments to taxpayers have been proposed but it would have been

unfair to expect from her that she would act parsimonious about tossing out some of the court rulings given in favour of taxpayers such as goodwill and depreciation

under Section 32 of the Income Tax Act, 1961; slump sale; delayed deposit of employee's contribution to PF and transfer of capital assets or money to a partner or AOP on dissolution or reconstruction. The Budget proposes to plug loopholes in various provisions and indeed generously gives away tax sops to various sectors which would woo foreign investors. Perhaps, the biggest change the Finance Minister proposed in the Finance Bill was that no change in the tax rates! Oof! The capital market heaved a sigh of relief and clearly swanned away to a new high!

Given the pandemic-induced odds stacked against the Finance Minister, an economy-wide expectation was that nothing can dyke the levy of COVID Cess! Though no such Cess across the canvas has been imposed but a new variant of 'COVID Cess'

- Agriculture Infrastructure Development Cess (AIDC), has been levied on certain specified goods imported into India. While deciding this levy, the Finance Minister has intelligently calibrated the basic customs duty (BCD) so that it is not seen as a step towards protectionism which has become the order of the day, worldwide! Although protectionism like federal government procurement of goods 'Made in America' in today's world of globalisation is like

putting horse farriers at the dawn of the electric car age but a good number of economies have been cherishing such corrosive indulgence into designing non-tariff barriers!

However, the Finance Minister has not missed the window to snugly lend impetus to 'Make in India' Mission by raising tariff on many goods which may unfairly compete with the domestic industry.

This brings me to the much-talked retrospective amendments in the GST laws. Though the canyon of perceptions between the industry and the Revenue is widening over what should be done to get rid of the sad humming by the community of consultants and also taxpayers, the Finance Minister has gone ahead with several amendments - some of them are also beneficial to the taxpayers such as Sec 50 relating to interest payment on ITC available in the electronic credit ledger. However,

high-decibel huffing and puffing can be heard over the mandatory condition of allowing ITC only if the suppliers have uploaded invoices and filed their GSTR-1

. Rationale behind such an amendment is to deal with the high-density gallery of rogue businessmen who have been indulging in fake invoice racket with gay abandon! The GSTN has apparently reported to the Government that there is starkly huge mismatch between GSTR-3B and GSTR-1 and in a good number of cases, GSTR-1 is filed but GSTR-3B is missing. Indeed, it is a case of serious compliance lapse where fraudsters have been poking directly in the eye of Revenue and causing the darkening shadow of punitive compliance burden on even compliant taxpayers. Though the industry has its own reasons to cry foul but the Revenue being in the catbird seat, has more reasons to be ruthless in its policy approach!

On the flip side, to reduce litigation, the Finance Minister has gone for many administrative measures which may prove to be counter-productive in the months to come!

She has wolfed down on institutions like Income Tax Settlement Commission and Authority for Advance Ruling and morphed them into bureaucracy-driven forums which do not enjoy high impartiality indices in the eyes of taxpayers.

Though the intent of the Finance Minister appears to be to cap the growing number of litigations, administratively, but she has not realised that the same modern-day tax pharaohs are the prolific factories of litigation! The Budget has also announced a faceless tribunal (Oho! she probably means virtual!) for income tax. It is indeed a new concept and would take years to stabilise with serious technical and legal glitches, initially! Overall, the Finance Minister has lived to the salt of the earth by not resorting to bursts of belt-tightening and going for a sort of gladiatorial detente with vexingly robust challenges. She might be seen low on structural reform but high on spending which would aid the Indian economy's long-term prospects!