Expectations From The Budget 2023

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The Modi Government is scheduled to present the final complete Budget on 1st February'23 since the Parliamentary elections are due in 2024. Therefore, there is a huge build-up of expectations and a number of articles and discussions on media are taking place every day.

A review of the various budgets since the Modi Government took over after winning the elections in 2014 and thereafter in 2019 reveal a very progressive & growth-oriented approach to revitalize the Indian economy alongwith transformational reforms in the various financial/administrative areas.

Landmark reforms/measures include the introduction of GST in place of Excise Duty/State Taxes, increasing digitization of Direct & Indirect Taxes, demonetization, standardization (including extensive computerization) of Appellate procedures/hearings and administrative revamping of the operating set-ups in CBDT & CBIC. The Corporate Tax rates were also heavily reduced during this period to attract investments from other countries in addition to various administrative measures to promote the Make-in-India concept. This was meant to unshackle the Indian economy and propel it into the high growth path in the next few years. However, an unexpected pandemic problem resulted in a major setback for the nation alongwith the World economy but it now has been brought under control and the country is poised to get into the fast-track mode of growth & prosperity.

Therefore,the Finance Minister is now expected to present a dynamic & growth oriented Budget. Since the introduction of GST (in lieu of Excise Duty), the focus in the Budget has now shifted to primarily Direct Taxes (i.e Income Tax), Customs Duty, etc along with the first Part of the Budget on deployments/investments in the different infrastructural/social sectors. Without getting into any speculative views , the important focus areas at the current juncture can be listed out as below:

1. Personal Taxation – The basic rates have primarily remained unchanged resulting in a significant difference with the Corporate tax rates. Therefore, the Salaried class has been affected in the last few years specially in the context of high inflation and resultant increase in the retail/ market prices. As such, reduction in Tax rates, improved tax slabs, higher deductions (i.e. Standard deduction, 80C, Medical expenses etc) are expected.
2. Corporate Taxation- The reduced rates are expected to be continued. However, to reduce legal disputes, the number of exemptions/deductions should be cut down to the extent possible. Legal cases should not be continued unnecessarily, wherever possible.
3. Simplicity of Tax Laws- The Laws should be simplified to avoid interpretation issues and consequent legal disputes. Exemptions & deductions should be restricted to the extent possible to aid in simplification. Examples of complications are specially evident in the different areas like Capital Gains where differences exist in the regulations for determining Long Term/ Short Term in the context of the holding period of different Asset classes (like listed equity shares, unlisted equity shares, debt instruments & land & buildings,etc), as well as difference in the Tax rates, tax-saving options,etc.
4. Exhaustive definitions/well defined formulas & Terms – The Board should come out with Circulars clarifying the legal interpretation issues wherever possible. The computational aspects should be fully explained with precise formulas & examples (like the Salary Circular).

5. Predictability in the Tax Rates & Interpretation of Laws – The Tax Rates should not be changed every year on a routine basis. The Tax Laws should be drawn up for the long-term so as to bring a degree of certainty & enable long-term evaluation/ investment planning. Ad hoc changes in interpretation should be avoided in addition to doing away with retrospective application.
6. Others

– The focus on extensive computerization should be continued along with the capturing of data from all cross-sections of society for automating the checks & balances in the tax computation database of both corporate & personal taxes, which will result in reducing scrutiny & improving tax collection.

- Modern concepts of Taxation should be introduced in the country in line with international trends like Group Taxation, Standardized Transfer Pricing Norms, CFC Regulations, etc.

- In line with the developments in the regulations on international tax, the country should ensure that MNEs (Multinational Enterprises) pay their fair share of taxes in India, simultaneously ensuring that Indian MNEs operating abroad remain competitive.

- Special incentives for renewable sources of energy could be examined for dealing with the fall-outs of climate change & consumption of fossil fuels.

- Customs Duty rates to be rationalized, wherever required, to ensure that the lucrative Indian market is not undercut by foreign players, & at the same time, Indian Companies remain competitive in line with international prices in this open market era.
- To unlock the huge amounts stuck in litigation, the introduction of an Amnesty Scheme for a limited period can be examined.

Conclusion-

It should be noted that the Budget cannot be viewed as the only instrument of the Government to bring in the reforms and policy changes in the national economy. It should be a continual exercise through changes in various monetary & fiscal measures in a dynamic ever-changing national & international scenario. This can by itself help in reducing the fiscal deficit & controlling inflation by unleashing the latent potential of the country and usher in a period of growth & prosperity.

** Views expressed are personal and may not reflect that of the organization.*