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Investing for a tax break

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The Finance Minister must be congratulated for presenting the first Rs 10-lakh crore budget in the country's history — a sure sign that India is a power to be reckoned with globally.

It is a vision statement laying down the roadmap for the next four years.

The Minister has highlighted the need and desire to get on to the 9 per cent growth track and the private sector's role in this.

He has highlighted the need to reinvent the delivery mechanisms and to improve confidence. He has given a huge boost to the infrastructure sector and the move to increase the IIFCL kitty to Rs 1 lakh crore is a positive one.

The welcome tax reforms include withdrawal of FBT and commodities transaction tax, increased exemption on personal income tax, introduction of a new direct tax code in 45 days.

The budget's achievements include providing stimulus for growth through government spending; laying down an inclusive social and economic agenda; creating the right environment to attract investments.

In the power sector, in particular, the IIFCL refinancing package will boost investments; the mechanism to reduce project costs has been put in place; higher funding will speed up reform of power distribution and sales; and interest from overseas investors in Indian power sector is likely to revive.

This means support to projects involving investment of Rs 1-lakh crore. The enhanced flow of funds to sectors like power will logically bring down the cost of such credit. Allocation under the Accelerated Power Development and Reform Programme (APDRP) has increased by 160 per cent to Rs 2,080 crore compared to the previous budget, which will also boost the power sector.

As far as the retail sector is concerned, we see that the stable environment has been retained; tax reform, namely GST by March 2010 to assist development, is now in place; sector costs may be cut once service tax on transport is abolished; and steps to enable the Indian retail sector attain global standards have been initiated.

Businesses are expected to be incentivised by providing investment-linked tax exemptions rather than profit-linked exemptions. The initial focus is on the business of setting up and operating 'cold chain' and warehousing facilities for agricultural produce. Under this method, all capital expenditure other than expenditure on land, goodwill and financial instruments will be fully allowable as deduction.

Overall, this is a budget of thought, balance, continuity, and one that stimulates confidence.

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