Indian Chamber of Commerce

Press Release

"Union Budget toes the fiscal consolidation path while ensuring Rural and Industrial growth leading to employment generation"- ICC

The Union Budget is pro-agriculture and pro development with a strong focus on Infrastructure and Social Sector spending. Rural development, along with Education, Health Care and Employment has been the core focus to broad base inclusive growth. The MSME sector, the engine of India's economic growth is bound to benefit from the budgetary fiscal incentives. Labour intensive sectors like textiles, leather etc have been awarded due importance. Technology will empower India's future growth path; healthcare, insurance and construction will benefit from the allocated government spending and tax incentives.

ICC welcomes:

Agriculture: Operation Green has been launched with a budgetary allocation of Rs 500 crore. Rs 10, 000 crore corpus created for Fishery, Aquaculture development and Animal Husbandry. Kisan Credit Card extended for farmers engaged in the said sectors. Rs 1290 crore allocated for the National Bamboo Mission and Agricultural market development fund created with a corpus of Rs 2,000 crore.

Increase in MSP for kharif crop by 1.5 times of the cost of production. This, along with creation of Rural Agricultural Markets for direct interaction with large buyers would boost farmer income, increase demand for consumer goods and agricultural machinery. The allocation for food processing sector has been doubled to 1400 crore .

MSME: The reduction in corporate tax for companies with turnover of upto Rs 250 cr to 25% will help the MSME sector, which were affected by the introduction of GST and demonetization last year. Rs 3 lakh crore allocated for lending under Mudra in 2018 -19 and Rs 3794 cr capital support and interest subsidy for MSME s will augment the availability of institutionalized finance for the sector.

Employment Generation: Government to fund EPF contributions to new employees in employment across all sectors for first three years. This is a welcome move and will encourage labor intensive industry.

Infrastructure: During 2017-18, the cabinet approved the ambitious Bharatmala scheme to strengthen the roads network, for which the Government would raise Rs5.35 trillion as equity from the market. The Finance Minister allocated a capex of Rs1.48 trillion for railways—the sector's highest ever. The push will also be towards the government's regional connectivity scheme, Udaan that has already connected 16 new airports and will connect 56 unserved airports and 31 helipads. There is a huge scope for private sector participation in the PPP mode in the infrastructure sector. And as a welcome step, move to allow A grade bonds as Investment grade would help corporates to raise funds for Infrastructure projects.

Healthcare & Insurance sector: Health Coverage of 5 lakhs per annum to 10 crore poor and vulnerable families under the National Health Protection scheme is a path breaking announcement in terms of the amount of the coverage and the number of beneficiaries and the intention to scale it up further. However, the need of the hour is successful implementation of the scheme. The intention to set up 1.5 lakh health care centres which will provide free essential drugs and diagnosis is laudable. Tax deduction under health insurance premium is increased to Rs 50,000 for Senior Citizens.

Real estate: Dedicated affordable housing fund will give a boost to the real estate sector in the country with 37 lakh homes to be built in urban areas and 51 lakh in rural areas.

Textile, Footwear and Leather: Textile industry allocation is at Rs 7,140 crore. Benefits under Sec 80JJAA of IT Act extended to Footwear and Leather for creation of new employment in this sector. This will have a positive impact for the Eastern Indian states, which have a comparative advantage in the said sectors.

Oil prices: Unbranded Petrol which attracted excise of Rs. 6.48 per litre has been reduced to Rs. 4.48 per litre. Branded petrol has basic excise duty of Rs. 7.66 per litre which has been slashed to Rs. 5.66 per litre. Unbranded diesel having basic excise duty of Rs. 8.33 per litre was reduced to Rs. 6.33 per litre. Basic excise duty on branded diesel was also reduced from Rs. 10.69 per litre to Rs. 8.69 per litre. This will help to keep inflation under control .

Digitization: Allocation to Digital India doubled to Rs 373 cr. This would be a positive gamechanger for the startups in the country.

Dampener

Reintroduction of long term capital gains tax @10% on capital gains over Rs 1 lakh from equity is understandable. However, introduction of dividend distribution tax on Equity Mutual Funds would affect the growth of the Asset Management Industry, especially when they are not even 10% of the total savings basket.

For further information, please contact:

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