

...rules out rethink on 10% surcharge on the rich

OUR BUREAU

New Delhi, February 3

Finance Minister Arun Jaitley on Friday ruled out a rethink on the Budget proposal to levy a surcharge of 10 per cent on individuals with taxable income of ₹50 lakh to ₹1 crore in a year.

"There is equity in the wealthier paying more and I have given data in the Budget speech to show how non-tax compliant we are as a society," Jaitley said at the post-Budget interactive session with industry chiefs in the Capital on Friday.

Jaitley was responding to Confederation of Indian Industry President Naushad Forbes submission that the 10 per cent surcharge proposal should not have been there in the Budget, as it was "not in the spirit of rewarding honest taxpayers".

Forbes expressed some disappointment over the Budget not effecting an across-the-board cut in corporate taxes to enable India stay in line with the global trend and help Indian industry stay competitive.

The Centre is looking to mop-up ₹2,700 crore from its Budget proposal to levy 10 per cent surcharge on certain high income earners. This was being introduced to partly offset the ₹15,500-crore revenue fore-

gone from its proposal to halve the tax rate on the income slab between ₹2.5 lakh and ₹5 lakh.

GST Bills

Jaitley assured industry representatives that the Central GST and iGST Bills would be introduced in the second half of the Budget session.

To a question from Nihal Kothari, who heads ASSOCHAM's indirect taxes committee, as to when the laws and rules on GST will be finally ready for industry to prepare itself to adapt to the new framework, Revenue Secretary Hasmukh Adhia said those would be ready by March 31 this year.

The Goods and Services Tax Council will next meet on February 18 to sort out the remaining issues and finalise the relevant Bills.

Revenue target

Jaitley also said that the revenue target (12 per cent overall increase) for 2017-18 was quite realistic and achievable. He also said that expenditure had not been cut in 2016-17 to maintain fiscal discipline.

The Finance Minister said the government would continue to come up with more steps against the shadow economy.

FM: Electoral bonds will result in clean money after one-two polls

■ Says method to fund political parties is a step that deserves to be tried

fe Bureau
New Delhi, Feb 3

DEFENDING his decision to introduce electoral bonds to fund political parties, finance minister Arun Jaitley on Friday said that "it is a step which deserves to be tried".

"I have no doubt that once one or two elections are contested on this particular pattern, we will see a significant amount of clean money getting into democratic elections," Jaitley said while addressing a post-Budget interaction with industry associations in New Delhi.

Taking cognisance of the growing clamour for political parties to disclose their sources of donations, the National Democratic Alliance government in the Union Budget announced to introduce electoral bonds for making anonymous donations to political parties and capped cash donations at ₹2,000 from one source from earlier ₹20,000.

"The Election Commission suggested to reduce cash dona-



If the EC has any other suggestions, the government is ready to accept them, said FM Arun Jaitley

tion from one source to ₹2,000 and we accepted that suggestion. If the Election Commission has any other suggestion, we are ready to accept," said Jaitley.

The government's move was appreciated by the representatives of industry bodies Confederation of Indian Industry, Federation of Indian Chambers of

Commerce and Industry and Associated Chambers of Commerce and Industry of India in their opening remarks at the start of the interaction.

Under the scheme, which Jaitley said would be introduced soon, electoral bonds can be purchased from notified banks by donors and the banks will sell these bonds against cheque or digital payment only. Political parties will be required to notify one bank account with the Election Commission and will be able to redeem these bonds in those accounts only.

"It will be tax-paid, clean money with which these bonds will be purchased. The donor will know who he has given the money to. In the hands of the recipient, it will be clean money and in the hands of the donor it will be tax-paid money," said Jaitley, adding that the government's steps against the shadow economy will continue.

In line with the government's resolve to move towards a less-cash economy, the finance min-

ister also said the government would like to incentivise and encourage people to give small donations in very large volumes through the digital mode.

Talking about the issue of disclosure of identity under the current system, Jaitley said that going back to the existing status quo is not worthwhile, as it has not worked and added the government thinks the move is consistent with its stand of ushering in a cleaner economy and getting rid of black money.

Though five states — Uttar Pradesh, Uttarakhand, Punjab, Manipur and Goa — are going to polls and results are to be announced on March 11, it is too short a time period for the introduction of the scheme.

Talking about the fiscal prudence considered while preparing the Budget, the minister said priority was given to spur growth. Since the current government came into power in May 2014, fiscal deficit has come down to 3.2% of the gross domestic product (in FY18) from 4.6%.

Survey has a bad bank idea, Govt may consider it: FM

ENS ECONOMIC BUREAU
NEW DELHI, FEBRUARY 3

FINANCE MINISTER Arun Jaitley Friday said that setting up a "bad bank" could be one of the possible solutions to tackle the twin balance sheet problem of over-indebted corporates and banks laden with non-performing assets. The government, Jaitley said in a post-Budget interaction with industry chambers, will consider a suggestion in this year's Economic Survey to set up a Public Sector Asset Rehabilitation Agency (PARA) to deal with bad debts. He said the government will provide banks more money if needed over and above Rs 10,000 crore provided in the Budget for 2017-18, which is in line with the Indradhanush roadmap for improving the health of public sector banks.

"The Economic Survey always carries... ideas for discussion and may be eventual implementation even if you can't do it immediately. To that extent, we take this suggestion (of PARA) on board. Even otherwise, this suggestion, which has been mooted, of the bad bank even earlier, now we take this suggestion on board for consideration. But eventually what emerges out as the solution, I won't be able to comment at this stage," Jaitley said in an interaction with chambers such as CII, FICCI and Assocham.

He said the government does not want that the Budget should alone be funding the resolution of bad debts. "We don't want to get into a situation where the whole business of asset reconstruction for which we have just had a large (number of policy measures)... we don't want a situation to eventually converge that it becomes a government issue and then whole thing has to be supported only out of the Budget and not otherwise. Let the sectoral activity expand, we will take that suggestion (of bad bank) on board, it's also a possible solution," he said.

Despite a series of measures taken by the government, NPAs of banks have been rising. Public

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ARUN JAITLEY,
FINANCE MINISTER

sector banks' gross NPA ratio rose to 11.82 per cent in September 2016 (or Rs 5.89 lakh crore) from 9.83 per cent in the previous year. Total stressed assets of the state-owned banks were 15.88 per cent in September 2016.

The concept of a "bad bank" involves the takeover of assets from public sector lenders, thereby forcing them to focus on their normal commercial activities. The concept was pioneered at the Pittsburgh-headquartered Mellon Bank in 1988 in response to problems in the bank's commercial real-estate portfolio. According to McKinsey & Co, the concept of a "bad bank" was applied in previous banking crises in Sweden, France and Germany.

The Economic Survey, tabled in Parliament Tuesday, suggested PARA could take charge of the largest, most difficult cases, and make politically tough decisions to reduce debt. The survey noted that "decisive resolution is urgently needed before the TBS (twin balance sheet) problem becomes a serious drag on growth".

Jaitley said the Budget tried to balance fiscal consolidation with the need for stepping up public investment. "In this Budget, I have maintained the path of fiscal consolidation without compromising on expenditure. No tax refunds have been held, but I have not cut any expenditure at the same time," he said, adding that the revised estimates of expenditure have come in higher than the Budget estimates for last two years. The Budget has pegged fiscal deficit for 2017-18 at 3.2 per cent of Gross Domestic Product, a shade over the earlier plan of reducing it to 3 per cent.

The government is on track to implement the Goods and Services Tax and list state-owned general insurers on the stock exchanges, he said. On GST implementation, Jaitley said: "Now, the main policy issue over nine meetings have been put to rest. Final drafts are now being prepared and once they are circulated with the legally vetted language, those drafts will have to then go to Parliament and the state legislature for approval. We will meet on the 18th of this month hopefully. My target currently is to finalise those drafts and take it in the second part of the Budget session in Parliament. One parallel exercise is fitment of various commodities into the rate structure. For that, the officers have to meet," Jaitley said.

As regards the GST rates for various goods and services, Revenue Secretary Hasmukh Adhia said the new rates will mostly be in line with existing rates. "As far as fitment of rate is concerned, there are four slabs. The present incidence of VAT plus excise duty, or VAT plus service tax, whatever is the incidence, the slab closer to that is the (GST) slab where it will fall. There will be few items of exception which will go to the GST Council for discussion. We hope to complete the process of final rules and laws by 31st of March, rates can be decided even in the month of May or June," Adhia said.

To a query on granting infrastructure status to the tourism sector, as was done for affordable housing in the Budget 2017-18, Jaitley said the government will take into account this suggestion.

CII president Naushad Forbes said during the meeting that imposing a surcharge of 10 per cent on the rich was not in the spirit of rewarding the honest tax payers.

"There is one item in the budget, which our members couldn't agree with and that is the introduction of 10% surcharge on the incomes between Rs 50 lakh and Rs 1 crore. This is not in the spirit of rewarding the honest tax payer," he said.

