

# **FICCI's submission at the pre-budget consultative meeting with Finance Minister January 6, 2016**

## **1. Fiscal Management**

Given the need to support economic recovery, we feel that public investments, particularly in infrastructure, need to be stepped up even next year. For this if we need to recalibrate the fiscal deficit target a bit, then we must go ahead with the same. It is good to note that the focus of the government is on productive expenditure that adds to the capacity of the economy and not on consumptive expenditure.

There is a need to widen the tax base – all incomes (irrespective of the source) above a certain threshold need to be taxed. To ensure that there is no tax evasion, the government should consider making filing of returns / declaration of all incomes mandatory over a particular threshold, say Rs. 10 lakhs.

## **2. Minimum Alternate Tax**

As the government draws up a plan to eliminate exemptions and reduce the corporate tax rate, we feel that it must simultaneously look at reduction in the Minimum Alternate Tax rate.

## **3. Make 'Make in India' happen through focus on infrastructure**

Besides 'ease of doing business', we need to improve the 'cost of doing business' in the country. In this context, the quality and availability of infrastructure assumes great significance. Government must leverage the 'annuity model', wherein private investors can recover their cost in a series of semi-annual payments from the Government over the concession period.

Under 'National Investment and Infrastructure Fund', government may consider earmarking certain sectors as 'focus sectors' on an annual basis. So in year 1 – we can look at roads and ports, in year 2 we may look at airports, in year 3 focus can be on inland waterways. This will ensure that sufficient funding gets targeted to specific sectors rather than spreading funds across all sectors in any given year.

## **4. Focus on Housing**

To achieve 'Housing for All' target and promote affordable housing, the government should consider providing 3 percent interest rate subvention (as provided to exporters) for loan taken up to Rs 10 lakhs. Stamp duty exemption may also be provided for such dwellings.

## **5. MSMEs and Start-ups need to be encouraged to create large livelihood opportunities.**

Employer's contribution towards employment benefits like PF and ESI can be paid by the government for the start-up businesses for a defined period of say 3 to 5 years.

**6. Overhaul the tax administration** and dispute resolution machinery. Government may consider the report of the Tax Administration Reforms Commission chaired by Dr. P Shome.

Give up the policy of setting tax collection / revenue targets for tax officers, since tax collections vary with the economic cycle/business conditions. Judiciousness and fairness in the assessment orders passed by the officers should be made a criterion for performance appraisal of the assessing officers.

Proactively clarify contentious tax related issues to minimise disputes. This may be in the form of circulars, instructions, position papers, etc.

Automate the process flow of various activities (permissions, refunds, adjudications etc.) of the tax departments for transparency and effective monitoring. Digitally signed mails should be recognised as formal communications at par with signed paper communications.

Introduce binding statutory timelines for adjudication of matters relating to indirect taxes.

Remove mandatory pre-deposit for filing appeals in tax matters. Given the adverse rate of success of litigation in favour of revenue there should be no pre-deposit for filing appeals up to the Tribunals.