ANDERSEN GLOBAL IN INDIA

India watershed moment - Vishwa Guru for Spiritualism, Tourism and Now capitalism: Rakesh Nangia

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The interim budget went through its motions highlighting how the govt will work its policies to reduce fiscal deficit from 5.8 per cent in fiscal 2024 to 4.5 per cent of GDP in fiscal 2026. It's been a tight rope walk reducing the fiscal deficit by around 3 per cent from the Covid highs cheering taxpayers as they contribute to record tax collections through voluntary tax compliance and some targeted enforcement.

With tightened expenditure curbs and focus on capex over apex and aim to lower the overall gross and net borrowings of the union govt, the govt has aimed to ensure there is no overcrowding for the private sector to borrow and kick start private capex to create further multiplier effect on the economy. With an 11 percent increase in capex allocation and with focus on Gati Shakti to reduce logistic costs through measure such as working on high traffic routes, cement and mineral corridors and port led connectivity the aim

really is to ensure India manufacturing gets a leg up and India is favourably poised to be a part of the world's supply chain and India's hinterlands and India's factories are well connected to move their produce wherever it may have to move with speed and efficiency. Implementation of these will be key but a start has been made to send the intent to investors that India means business and the fiscal data is there for everyone to see and push for an upgrade in the country ratings.

A noteworthy announcement relates to the establishment of a corpus comprising 1 lakh crores for financing and re-financing R&D requirements in sunrise sectors with longer tenure and nominal or nil interest. With an intent to encourage FDI (to be expanded as First Develop in India), the Govt. would negotiate bilateral investment treaties, perhaps starting with UK and believes a new world order would be created around the India- UAE - Europe trade corridor which would propel India's trade with the world through land and sea routes.

Towards fulfilling the commitment to meet net zero by 2070, the Hon'ble FM mentioned that viability gap funding would be provided for wind energy, mandatory blending would be enforced for CNG, PNG and compressed Biogas. As a fillip to promote tourism and spiritual tourism, the FM also announced a long-term financing plan would be made available to States to promote and brand iconic tourist spots. Special announcements were made to indicate the Govt would pursue new plans to set up new aqua parks, dairy, self-reliance for oil seeds and promote investments in post-harvest activities which augur well for SME/MSME and rural entrepreneurship and lead to increase in famers income.

The Finance Bill contains tax proposals permitting extension of time for units in IFSC and eligible startups time until march 31, 2025 to register and or commence business for claiming their tax holiday.

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A notable miss in the speech was on extension of sun set clauses for new manufacturing companies and expectations on simplification of the capital gains regime. The budget documents indicate that the combined out lay for fiscal 2025 on MSIPS & PLI will go up from 7,645 cr. to 13,100 cr., while allocation to rural employment guarantee scheme would also go up substantially by almost 45 percent to 86,000 cr. guided potentially by increase of revenue receipts from 27- 30 lac crore without significant expectation from divestment; that the Govt is aiming to see upward trajectory in tax collections of about 11 percent hinges on buoyancy of profitability of Indian Inc. based on expansion and better capacity utilisation and favourable geo political environment.
That the budget was silent on how India would deal with certain key geopolitical aspects such as Red Sea impact on crude imports which by itself could create an inflation spiral/ impair India's manufacturing exports & also affect our fertilizer subsidy, availability and resultant food security. Given the ever-dynamic geo-political environment, the assumptions appear prudent until we get to see the detailed budget likely to be presented in July.

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