THE NEW INDIAN EXPRESS

Business

Major reforms expected by key sectors in Budget 2024, will it deliver?

Production-Linked Incentive ('PLI') schemes with ease of compliance and wider coverage may be considered. A dedicated PLI scheme for SMEs would be a cherry on the cake!

Nirmala Sitharaman (Express Photo|Parveen Negi)

Rakesh Nangia and Yogesh Kale

Updated on: 22 Jul 2024, 8:52 pm · 3 min read

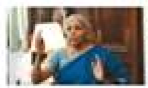
Related Stories

Budget 2024: Here are the indirect tax expectations of the industry

Shashi Mathews · 13 hours ago

Union Budget 2024: Paving the way for GST 2.0 and beyond

Harpreet Singh · 21 hours ago



What can set NDA 3.0's first budget apart?

Sunitha Natti · 15 Jul 2024

Budget 2024-25: Will Modi 3.0 address joblessness, inflation, and tax reforms?

Express News Service ·

With the first Union Budget after the Lok Sabha elections all set to be unveiled, there are great expectations regarding major policy and tax reforms.

The reforms are expected in the following areas:

Manufacturing

Keeping up with the momentum already built by the 'Make in India' initiative, the government should continue boosting the manufacturing sector. Production-Linked Incentive ('PLI') schemes with ease of compliance and wider coverage may be considered. A dedicated PLI scheme for SMEs would be a cherry on the cake!

The concessional tax regime for new manufacturing companies has ended on 31st March, 2024. This time limit should be extended for at least two more years. Moreover, this benefit should be extended to limited liability partnerships engaged in manufacturing activities.

In the manufacturing space, automobiles and auto components are among India's biggest strengths, and the auto sector, particularly the EV sector, is looking forward to some announcements. These expectations include:

A new subsidy scheme similar to FAME II with a more comprehensive coverage;

Streamlining policies towards R&D efforts in battery technology and grid integration for development of a widespread and reliable charging infrastructure;

Focus on localisation of manufacturing of semiconductor chips; and direct tax incentives to boost the EV sector.

GST tribunals: The process for setting up of nationwide GST tribunals should also be accelerated.

Rationalization of GST rates: Presently, there are four tax rate slabs provided under GST regime i.e., 5%, 12%, 18% and 28%. Multiple tax rate slabs defeat the purpose of introduction of GST. It is recommended to reduce the tax rates to three or two which would also simplify the compliances and reduce the tax burden of the masses.

Revisiting and reframing the newly inserted clause (h) in section 43B of the Income-tax Act, 1961: As a reaction to the working capital problem posed by the aforesaid new clause, quite a few large and medium enterprises (buyers) have started cancelling orders with registered SMEs and placing orders with unregistered SMEs, or forcing SMEs to forsake their registrations, exercising their financial influence. Thus, in the very first year of operation, the said clause has to an extent impacted the ease of doing business equally for SMEs as well as their buyers. The clause therefore needs to be revisited and reframed urgently.

Though India is steering towards becoming the world's third largest economy, it is an uphill journey and the government's support would be needed at each step.

*(**Rakesh Nangia** is Non-Executive-Chairman and **Yogesh Kale** is Director of Nangia Andersen LLP)*