



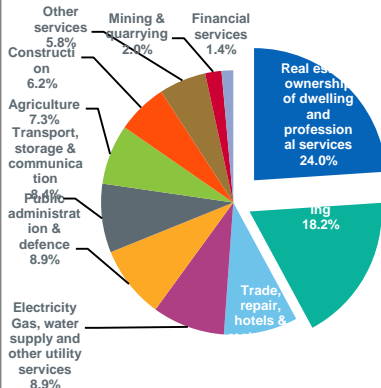
BOMBAY CHAMBER OF COMMERCE AND INDUSTRY

PRE-BUDGET MEMORANDUM 2021-22

Sr. No.	Subject	Objective	Rationale	Recommendations
1	Individual	Low Interest Rate negative for individuals.	Amid rock bottom interest rate, individual especially senior citizens are facing significant challenges.	<ul style="list-style-type: none"> • Issuance of retail bonds with higher floating rate compared to market level. Banks are flooded with the excess funds; therefore this should not affect banking's deposit accretion. This should be available to only retail investor's upto Rs. 25 lakh.
2	GST credit for individual tax payers	One time GST credit on specific goods.	Consumption	<p>GST credit to individual with income tax filing on specified white goods and hotel stay or holiday package.</p> <ul style="list-style-type: none"> • Time: FY22 • Value: Maximum Value of Goods 1 Lakh. • Bill should be paid with GST bill.
3	Corporate and Household	Reviving Aggregate Demand and Consumption Smoothing	Monetary policy has mostly done with the heavy lifting by lowering rates and facilitating flows through various means and channel. This needs to be complimented by boosting aggregate demand.	<ul style="list-style-type: none"> • Give income tax credit to below Rs. 10 lakh salaried class and Rs. 10 Crores PBT for MSMEs. The tax credit could be offset in the FY23 to FY25. This will not have immediate income on current fiscal. • Keep the fiscal deficit target in sync with the recovery of activities as per Pre Covid-19 level.

4	Corporate Bond Market		Increase number of participants/demand	<ul style="list-style-type: none"> • Allow Insurance and PFs to invest in bonds rated above A, subject to risk evaluation. • Encourage Credit Default Swaps (CDS) as a risk management tool. Clarify and relax existing regulations • Introduce the GSEC online trading and auction platform to Corporate Bonds and reduce dependency on brokers.
5	Real Estate Demand	Housing Infrastructure to Fuel Job Creation	<ol style="list-style-type: none"> 1. Boost home demand 2. Apart from service industry, housing industry is critical to job creation. It leads to creation of many MSMEs also. Today's generation prefers to rent a house rather than purchase leading to decrease in demand as return on investment lies between 1-2 % unless property is bought for sale 	<ul style="list-style-type: none"> • Subsume stamp duty, registration and other charges into Goods and Services Tax (GST) • Long term capital gains on RE assets should be taxed at 10% and holding period reduced to 12 months • Allow investments in REIT (Rs 50,000) under 80C. • Interest deduction for income tax exemption on home loan should be without any limit. <p>Some advantages could be considered for the buyers</p> <ul style="list-style-type: none"> • The limit of GST on society charges need to be linked to green building, energy consumption, water usage. Solar energy usage, etc this could change a mind-set. • Two properties depending on

				income could be treated as self-occupied.
		Propelling GFCF and Role Played by the Real Estate Sector	<p>GFCF (Gross Fixed Capital Formation) cannot improve in a meaningful way without contribution from Real Estate and Manufacturing sector. Real Estate accounts for 42.2% of Investment and that has been besieged by numerous problems. Moreover, that same sector has largely been contributor to unskilled and semi-skilled worker to unorganised segment. The sector is unique and one of the most critical for households. Though this segment has been facing acute problem from demand side owing affordability or lack of visibility over incremental income. On the other hand, it is also not prudent for policy maker to go for heavy lifting, which may lead to morale hazards and if not risk of asset price bubble in the future. Therefore any policy initiative to rejuvenate Real Estate sector should be well crafted.</p> <p>Investment (GCF) FY12-FY18</p>	<p>Increase Tax incentive for First time home buyers, with ceiling one the ticket size (possible size: Mumbai – INR20 million, other top seven cities- INR15 million, and balance cities - INR10 million).</p> <p>This will stoke genuine buyer's interest without fuelling investors' interest (first time).</p> <p>Will also help to generate demand for Real Estate and would give some tax incentive to Household.</p>

					
		Housing Sector Demand resurrection	<ol style="list-style-type: none">1. Deduction on the principal repayment of housing loans (Section 80 C):2. Rental housing	<ul style="list-style-type: none">• At present, Section 80 C of the Income Tax Act does not provide for a focused benefit on housing. Tax payers have numerous investment alternatives to choose from and the lack of exclusive tax benefit on the principal amount of home loans makes them put their home purchase decisions on hold, thus impacting sales. A separate annual deduction of INR 150,000 for principal repayment will provide the much-needed fillip to opt for home loans and provide a fillip to housing sales too.• To meet the urban housing requirements, the government should consider promoting the development of an institutional rental market by	

				<p>providing market creation incentives. The proposed model tenancy law is a step in the right direction. While progress on the draft guidelines is expected, the government also needs to align with changing consumption patterns as trends like co-living are already gaining ground. On an individual basis, higher House Rent Allowance (HRA) or related benefits can be extended to such rental housing avenues to help consumers opt for it along with the associated tax benefits. On an institutional basis, fiscal measures like tax breaks/tax holidays to rental housing, will definitely give a fillip to this segment.</p>
		Credit flow to capital starved developers	Real Estate Investment Trust (REIT)	<ul style="list-style-type: none"> While the government has taken measures to provide tax incentives in earlier budgets, we have seen only two REIT listing so far. The government can further push the REIT agenda by reducing the timelines of investment from three years to one year for long-term capital gains taxation; thereby ensuring larger retail investor participation.

6	Infrastructure	Raising investments	With the Covid-19 crisis, capex of states has fallen by 21% as of Aug'20. Capex has highest multiplier impact on the economy	Dedicated financing of 1% of GDP for infra sector. A part of the recent increase in excise duties can be earmarked for infra investments to finance infra investments, in particular for roads and railways
7	Housing	Raising investments	Real estate sector is labour intensive and has potential for demand revival of core sector of the economy: cement and steel	Introducing enhanced reduction of repayment on housing loans to encourage people to pre-pone their purchases rather than renting out properties from current levels under the IT Act.
8	Inclusive Growth (Education, Health)	Improving Education-Shift the Focus on Quality	<ol style="list-style-type: none"> 1. India needs to be at par with middle income East Asian countries and to the global average. 2. More importantly, India needs to speed up ground level work on ensuring good quality education to remove the deficit in learning that researchers have identified to be in the order of 2 years at the primary and secondary level. 3. More money is needed to expand vocational education at the upper secondary level (a slightly longer term issue). This has received new attention in New Education Policy 2020. There is promise to impart 'digital literacy'; but it does not go into the issues of pathways to future apprenticeship and industrial training. Some rethinking is needed. 	<ul style="list-style-type: none"> • Raise the government spending on education from less than 5% to 6% of GDP. • There should also be some monitoring of how the resources are spent, and review should be taken to ensure that spending has been well-targeted. • Periodic assessment of learning (via NCERT for example) should be maintained. • In order to promote early learning and cognitive development provide pre-school education. The New Education Policy 2020 document has strongly supported the idea of Early Childhood Care and Education

			Co-existence of private and public schools is not enough.	<p>(ECCE) and promised universal free access to care and education of all 3-6 years old by 2025. This is a very welcome move. The proposal of using the Anganwadi system, where suitable, is a good one. This calls for improving and strengthening the Anganwadis. Whether pre-schools should be stand-alone or integrated with local primary schools is a matter of decentralized decision. It should depend on local conditions.</p> <ul style="list-style-type: none"> • Provide remedial lessons to low ability or 'falling behind' children at upper primary and secondary levels, so that they can complete secondary education and progress to the higher secondary level. This would be particularly helpful to low income families who cannot afford private tuition. • Remove state level disparities. • Public private partnership in education is essential. Sufficient 'interaction' between them will facilitate improvement or both. • The New Policy Education
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			<p>4. The private tuition market has transformed itself from a productive and supporting service sector to a public menace all over India. Many ill-informed parents think that is the only way to succeed in education. But in the absence of any quality assurance parents are spending extra-ordinary sums of money for poor services in</p>	<ul style="list-style-type: none"> Consider promoting private tuition at school. This can be a fee-charging service.

			return; it also creates a race, where low-income households lose out and eventually see little incentives to continue schooling.	
			5. This will create more legitimate jobs (on a part time basis); existing teachers can also do additional work and get paid extra. But more importantly, this will have a better chance of assuring quality and greatly benefit children from lower income background.	<ul style="list-style-type: none"> • Government should allocate greater funds to make our schools like one shop facility, where students can spend extra two hours daily, receiving additional after-school tutoring in subjects they are weak or falling behind. • Private sector should engage into a contract with individual schools/ school board or local government in rolling out such after-school lessons.
		Coordination between health services and schools	6. Our (public) schools have awful sanitation status and poor access to toilet and drinking water facilities. 7. Schools should adhere to a minimum standard on access to toilet, sanitation and drinking water facilities. Ideally, this should be extended (in future) to having an appropriate dining facility where the mid- day meal will be served. 8. At present this is left to individual parents, who may not be informed enough; local health workers are also made responsible for contacting the households for child immunization	<ul style="list-style-type: none"> • Local health services can be linked to advise schools on immunization, sanitation, water purification ,child health, girl child health issues, nutrition and general health check-up • Private sector players can provide services in this field.

			(before the age of five). But after the age of five there is no system of monitoring child health. Therefore, links between school and local health services are important.	
		Improving health outcomes, especially for children	9. When it comes to health, India is doing badly not just in comparison to East Asia, but also some of our South Asian neighbours. In 2014 Sri Lanka spent 2% of its GDP on health, while India spent only 1.4%. In the same year, China spent 3.095% of its GDP, Malaysia 2.3% and Thailand 3.2%. The world average was 5.959%. As in education, the outcomes are not guaranteed by expenditure for health as well. In addition, there are complications due to public and private health issues.	<ul style="list-style-type: none"> • Increase the public spending on health by 3% of GDP in the next budget.
			10. An RBI report (2016) shows that there is wide variation among states on social sector spending. In 2013-14 the average shares of the states' spending on education and health in their aggregate expenditure were 16.9% and 4% respectively. But there are three points to note: (i) There is considerable variation among the states. (ii) There is no clear correspondence between the spending on health and spending on education. (iii) The relative ranking of the states on either education or health does not match with the	<ul style="list-style-type: none"> • Reduce variability in spending among states and spending on education and health should be coordinated.

			ranking in terms of GSDP.	
			<p>11. There is also an important issue of addressing the question of access and exclusion of the SC, ST and minority groups. We also need to look at the district- wise data on schools and hospitals/health centres and see if the SC/ST/minority dominated districts are underserved or not. Expenditure should be increased to rectify this problem.</p>	<ul style="list-style-type: none"> • Special attention to SC/ST/ minority and gender disparity is needed.
	<p>Inclusive Growth (low Cost Housing)</p>	<p>As per the PMAY- G scheme, houses will be provided to all by the year 2022. In order to meet this goal, 10 million houses would need to be constructed by March ,2019. (NITI Ayog Action Plan).</p> <p>One third of the smart city budget was initially for low cost housing projects, but isn't seeing thing spanning out yet.</p>	<p>12. These plans should include details of various types of low cost and disaster resilient Housing models which can be designed with materials that are available in various parts of the country.</p> <p>A scheme for the provision of interest subsidy to every rural household that is not covered under PMAY-G has been approved by the Union Cabinet. Steps should be taken to ensure convergence of this scheme with PMAY- G, including the provision of technical support to beneficiaries by leveraging the existing structures.</p>	<ul style="list-style-type: none"> • Speedier implementation so that the gap between the completed Houses and target is brought down. At present, the gap is too high. • Proportion of women as beneficiary must rise to 50%. • The share of minorities in the pool of beneficiaries must rise in line with the proportion of the minorities among the poor. • The overall share of the SC, ST and Minorities must rise to 75%, which was previously the norm before 2015. • Under the smart city program about 17,000 crore rupees have been invested in urban housing. A large part of it is also devoted to slum redevelopment program. In the longer term, attention should be given to reforming the urban land ceiling

				<p>act and the tenancy act, so that the rental housing market becomes more vibrant.</p> <ul style="list-style-type: none"> • That said, some protection for the low-income group is to be provided in the metro cities, either in the form of 'government housing' or 'shared ownership' or 'rent vouchers'. This is a long-term issue, but it is also long overdue.
9	MSME & Manufacturing	Growth	<ol style="list-style-type: none"> 1. Industrial output and investment have decelerated for quite some years now, though the exact magnitude of deceleration is debatable. In particular, capital goods sector has performed poorly. 2. Industrial growth has remained tepid since 2011-12. Official data show significant turnaround since 2013-14, but this view is not widely shared. The IIP numbers released recently show a better picture of the reality, but they as yet nowhere near what they were prior to 2011-12. 3. The new IIP monthly data show a clear adverse impact on the quarterly employment numbers, which are for the organized manufacturing. 4. National Offset Policy is same asure where foreign supplier or foreign firm 	<ul style="list-style-type: none"> • Budget should focus on stimulating industrial demand. • As consumer demand seems to be holding up better, the real constraint is one of demand for capital and intermediate goods. This will mainly come if public and infrastructure investment is stepped up. • We recommend extension of the offset policy to other sectors as well, especially for capital and intermediate goods industries. Imports of such goods and foreign players' access to domestic market need to be tied to technology transfer to domestic partners. Such a measure would reduce cost of

		Off Set Policies (Defence Sector)	<p>setting up facilities in India has to source a certain proportion of output from domestic sources. Many countries follow such practices as a measure to promote domestic investment and production, technology acquisition, promotion of indigenous capabilities, and employment generation.</p> <p>5. The 2013 defence procurement policy (DPP) lays down the objectives of the offset policy: “The key objective of the Defence Offset Policy is to leverage capital acquisitions to develop Indian defence industry by (i) fostering development of internationally competitive enterprises, (ii) augmenting capacity for Research, Design and Development related to defence products and services and (iii) encouraging development of synergistic sectors like civil aerospace and internal security.”</p>	<p>infrastructure in the long run and help develop technologies suitable for local needs. Incentives given for the purpose can be WTO compatible.</p>
	Promotion of Exports	Identifying key focus areas that will guarantee export volumes at least risk.	<p>6. The Western countries in the European Union, USA and Canada etc constitute a very large market for technically advanced products.</p> <p>There are many companies in the MSME sector that are not doing well due to technology advancement, succession issues and a general. Reduction in turnovers due to</p>	<ul style="list-style-type: none"> Suggest that a small committee be set up to identify about ten such products and countries where there is a demand for them. We then identify goals and a game plan be made as to how to achieve them.

			<p>competition from China and other areas. Chinese companies are engaged in strategic purchase of these companies. Thereby they get an immediate market penetration.</p> <p>To their advantage the MSME sector is more accepting of change.</p> <p>The larger companies have adapted by improving the technology and also with high level of automation in their manufacturing plants. This is not what the MSE enterprises can easily do.</p> <p>It is difficult for an Indian company in the short term to canvass orders from the western market. Perhaps these markets can be won over by associating with association with MSME units in the West. Make them the shopfront.</p> <p>If we identify those areas which do not lend themselves to high levels of manufacturing automation and the requirement is of medium volume, (not to interest the large players and not requiring large sales networks).</p> <p>In such cases we can show substantial price advantages in manufacturing in India. For example: Special electrical 16magnetic and Power Electronic products, EV charging systems etc.</p>	
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			Subsequently these efforts can be supported with design and development, first with the help of the MSME companies in the west and subsequently substantially independent.	
	Infrastructure (declining investment)	Extending GST to Power Industry	1. In the current GST, power has been kept outside. This is against the very objective of GST as it will not only keep the tariff at a higher level but since power is backbone of all industries, this would have cascading effect on the economy. Inclusion of Power in GST will lower the cost of electricity and make it competitive, particularly for industries.	<ul style="list-style-type: none"> In the proposed GST, power shall also be covered, particularly when country wants universal electrification. The GST duty should be within 0%-5%.
		100% Deduction for Expenditure to Create "Greenbelt"	2. Pollution control equipment are eligible for 100% tax depreciation; however, expenditure on creating "Greenbelt" becomes part of "Building (other than residential)" block & accordingly 10% depreciation can be claimed.	<ul style="list-style-type: none"> Considering environmental concerns, a provision should be introduced to treat the expenditure on creating "Green Belt" as fully allowable revenue expenditure & thus treat the same on par with pollution control equipment. Alternatively, a new block, viz. "Creation of Greenbelt", eligible for 100% depreciation can be introduced in the "Block of Assets" (people plant trees but do not follow up to grow.... Could be dropped as small part)

Roads	<p>High Logistics Cost</p> <p>Improved and efficient infrastructure is vital for India's economic growth and manufacturing competitiveness. As stated in a World Bank report, logistics costs for Indian Manufacturing firms are comparatively higher than their global counterparts. Logistics costs incurred by Indian manufacturers range from over 10% of net sales for auto components to over 14% for electronics vis-à-vis the global benchmarks of around 3% of net sales for auto components and around 4% for consumer durables.</p>	<p>3. India's logistics cost at approximately 13% of GDP remains high compared to other developed countries like USA (around 8%). This renders Indian firms uncompetitive thus putting them at a disadvantage to their competitors.</p>	<ul style="list-style-type: none"> To bring down the logistics cost that would form an integral part in the success of the "Make in India" initiative. Possibly, freight corridors shall help in faster delivery and a little less cost.
	<p>Highly Skewed Freight Modal Mix</p> <p>India's freight movement is primarily</p>	<p>4. Indian freight movement is highly skewed towards roadways. Freight movement by road is both expensive and polluting while other modes are 50%-60% cheaper and</p>	<ul style="list-style-type: none"> There is a need to have a diversified modal mix with shift towards cheaper and environment friendly modes of freight movement. Water ways

		<p>through roadways accounting for 60% of total, as against railways that constitute close to 30% and waterways merely 7%. This contrasts with other countries like China that has a favorable modal mix where both roads and waterways constitute 35%-40% of total freight movement.</p>	<p>50%-90% less polluting.</p> <p>Government is increasing its focus on railways and waterways.</p>	<p>for freight movement needs to be developed.</p>
		<p>Absence of Freight Aggregation and Disaggregation Centres</p> <p>Multimodal logistics park act as freight aggregation and distribution hubs enabling multimodal freight transport. Freight would aggregate at the Logistics hubs and freight movement between hubs could be shifted from road to other efficient modes like railways and waterways, thus enabling intermodal</p>	<p>5. Currently, freight movement happens on a point-to-point basis due to absence of efficient freight aggregation and disaggregation centres and multimodal transportation facilities.</p>	<ul style="list-style-type: none"> To shift from the point-to-point freight movement to a hub-and-spoke model of freight movement. This could be done through development of multimodal logistics parks (MMLPs) that would facilitate freight aggregation-disaggregation and multimodal freight movement.

		<p>integration and seamless transfer of goods from one mode to another.</p> <p>This would cater to the distribution needs of the consumption centres</p> <p>Through an efficient hub and spoke model of freight movement.</p> <p>Some other associated benefits of this mechanism include:</p> <p>Reduction of transport costs by moving freight on larger sized trucks and rail that would in turn also help reduce pollution and congestion. Waiting time at the ports would also reduce with customs clearance at MMLPs.</p>		
		<p>Highly Fragmented Warehousing Market</p> <p>Warehousing facility is limited to storage of agricultural products and do not provide any world class warehousing services.</p>	<p>6. India's warehousing market is highly fragmented and lack world class warehousing facilities (mechanized storage and handling services). They also do not enable the required intermodal freight movement, all adding up to storage and handling losses.</p>	<ul style="list-style-type: none"> To form multimodal logistics parks that would help reduce warehousing costs. Logistics hubs would aggregate the smaller warehouses and provide for large modern and mechanized warehouse use facilities, thus reducing storage area

				nd handling losses. It would also help reduce inventory holding costs.
		<p>High Waiting Time for Freight Transportation.</p> <p>Regulatory impediments create hurdles for freight movement. Customs inefficiencies and state border check-posts slow freight traffic and cause freight delays.</p>	7. Implementation of GST would turn India into a consolidated market now.	<ul style="list-style-type: none"> Formation of logistics hubs would provide for value added services such as customs clearance etc. Waiting time at the ports would also reduce with customs clearance at multimodal logistics park.
		<p>Absence of Full Digitization Clearance Process</p> <p>As per global practices, it is seen that digitization and efficient technology play an important role in faster clearance of goods traded while maintaining the required level of security.</p> <p>India's sea port traffic accounts for 90% of the cargo traded, but</p>	<p>8. India's customs process is a mix of paper and electronic declaration and verification. India's share of green-channelled cargo of 50%-55% is low as compared to 86% of Australia. Also, the manual checks are not supported by efficient technologies thus resulting in increased clearance time.</p> <p>9. The government has already initiated measures like complete process digitization, improved risk management and port-level tracking to facilitate efficient clearances. Further push to investment in cold chain (with specific references to reefers) in the wake of huge proposed investment in Roadways and Inland waterways and the</p>	<ul style="list-style-type: none"> Complete digitization needs to take place. Advanced intelligence based risk management needs to be incorporated using big data, promote secure cargo tracking measures like RFID e-seals and improve scrutiny infrastructure through advanced technology. In spite of increase in production in horticulture, dairy and meat products only marginal reduction in post harvest losses and decrease in exports over the years. The crux is transportation in controlled temperature.

		large clearance times adversely impacts the logistics cost.	substantial reduction in transit time due to almost complete removal of check posts.	Review of existing ministerial schemes to understand why approved projects are not taking off and help enhance the implementation through more tax benefits, easier/cheaper credit, easier technology transfer to make projects viable.
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10	Urbanization	<p>ULB portion of State GST to be set at a minimum of 25%.</p> <p>ULB must be allowed to "piggyback" onto income tax.</p>	<ol style="list-style-type: none"> 1. Urban local bodies will have to deal with a huge fiscal gap once local body tax, Octroi and other entry taxes are scrapped. 2. 14 out of 34 OECD countries have income tax as the local dominant tax. It is practiced in cities such as Milan, Moscow, Lagos, and Rome. In the United States too, 18 states allow municipalities to levy local income tax. New York City piggybacks onto state income tax accounting for 11% of city's total revenues. 3. Municipalities do not have access to a basket of "own taxes", commensurate with their responsibilities. With revenue assignment of taxes comes accountability, which is fundamental to creating a fiscal culture of expenditure efficiency. 4. Effective fiscal decentralization would lead to wealthier ULBs—those with the largest tax bases—to finance their expenditures with their own revenues. This is currently being done in Maharashtra cities, due to Octroi. Relatively poorer ULBs can then receive central government transfers to equalize their ability to provide basic infrastructure services. 	<ul style="list-style-type: none"> • 25%-30% of GST must go to ULB from State's share. • ULBs must be allowed to "piggyback" onto income tax. This follows the "generalized benefit principle", where beneficiaries of city infrastructure & services pay for them. People see what their tax money is used for. • Also, taxes authorized to municipalities in the past under the GOI Act 1919 and those recommended by expert committees in 1950s which subscribe to generalized benefit principle must be restored or assigned back. The Government of India Act of 1919 had a provision to assign Bengal & Bombay 25% of the Income tax made. • Since piggyback is not possible within the present Constitution, municipalities should be enabled to have a formula-based share in income tax through some statutory mechanism.
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11	Consumption Demand	a. Tax Structures	<p>Indian growth has been consumption oriented rather than export or tourism oriented. Exception has been export of IT services which as service industry has contributed to growth. Hence, while in the long run we should try to improve export contribution, short run we could only fuel internal consumption for growth. Continue to give stimulus may not be the right solution as deficit has to be also controlled. Hence there are issues which need attention in the forthcoming budget: we have to go back to basics of economy by John Maynard Keynes:</p> <ol style="list-style-type: none"> 1. If prices are going up, people will reduce their consumption, so although same money or little more money is being spent but production units start coming down. 2. If tax structure makes things costly, we will get same results. So increase in duties beyond certain level could encourage prices to go up and consumption to come down. <p>Although it could help in Make in India, but consumption could be down but whatever is sold will be made in India. India loses on exports basically because of quality and high cost. How do we find the right balance?</p>	<ul style="list-style-type: none"> • Possibly we need to structure our tax holidays based on efficiency and investments. • Either direct or indirect taxes could be reduced for addressing affordability to fuel consumption. Both moving up may not help. Corporate tax reduction may not result into consumption as the excess cash generated may only go into non productive savings. • Customer duties increase could also encounter price points to be raised unless duty structure is vastly different on ready goods or components. Lower duties on components could encourage assembly hub in a big way while increasing affordability.
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		b. Tax Structure/ Incentives	Consumption demand has fallen by 3.1% in Q1FY20. A number of indicators of domestic consumption demand such as two-wheeler sales, four-wheeler sales, and non-oil-non-gold imports have seen a deceleration in the past few quarters. Since demand is weak, capacity utilization is unlikely to see an improvement and this will delay the investment cycle. During Q4FY19 and Q1FY20, investment demand has fallen by 3.6% and 4% respectively.	<ul style="list-style-type: none"> • Reduction in Personal income tax will result in higher consumption. The reduction if accompanied with removal of exemptions will nullify the arbitrage between renting and buying a house as HRA deduction available to salaried customers. • In case the government does not want to reduce personal income tax, GST on a number of items can be reduced so as to reduce the cost of goods and services. • This is part of countercyclical fiscal policy in a slowing economy.
		c. Labour jobs / reforms	Constraints on hiring – little flexibility	Fixed term Employment must be legislated, this can provide some succour and flexibility to the industry for hiring and can help allay some of the concerns over incremental employment creation.
		d. Rural Development	One of the major problems faced by the Indian economy is lack of demand in the rural sector, mirroring rural distress. Several reasons can be attributed to such a state of affairs. The depressed state in the price of agricultural products is not only rendering the farming activities unviable	<ul style="list-style-type: none"> • Increasing the rural wage rate by increasing the mandatory wage rate that should be paid under Central Government Scheme such as MGNREGA. As there is a direct relationship between wage rate under MGNREGA and

			<p>but also contributing to rural distress. This requires deliberate action to ensure some degree of inflation. Government interventions should be centred on the idea of reflection, thus, the forthcoming budget should be inflationary by design.</p>	<p>wage rates of several rural agricultural and non-agricultural occupations, a moderate increase in daily wage rate in MGNREGA scheme will help to accelerate rural wage rates.</p> <ul style="list-style-type: none"> • Solar Panel installation in Agri land should be encouraged. This is considered third crop. This requires initial investment, which may be provided by banking system (so that the demand for bank credit increases) with some subsidies by state and central governments (resulting in an increase in the transfer by governments). Moreover, evacuating excess power from farm would require investment in transmission lines. This in turn would encourage public investment. Regular maintenance of the panels will create new employment opportunities.
12	Personal Income / Consumption	a. Reduction on Individual Tax Rate	<p>Corporate tax reduction has already taken place. However, the benefits of tax reduction have not been passed on to the unincorporated sector. Technically unincorporated sector, i.e., household industries, micro and small scale entrepreneurs come under individual tax-</p>	<p>The maximum tax rate should not be more than 25% at the same time the exemption limit for tax payment should be increased. Currently up to Rs. 5 Lacs there is no income tax liability. However, ITR needs to be filed. This limit can be raised to Rs.</p>

			<p>payer category.</p> <p>Given this scenario there is an immediate need to reduce individual tax rate.</p>	<p>7.5 Lacs without significant revenue loss.</p>
		b. Senior Citizen	<p>Senior citizens have to live on their hard earned money of their lives. With life span reaching 70 years on an average they need special consideration for ease to live. Non affordability impacts their quality of life appreciably. They also have health issues and additional spending requirement on health.</p>	<ul style="list-style-type: none"> • Either tax free bonds could issue for Sr Citizens • Income tax limits could be increased further for Sr. citizens. • Interest rates on Deposits could be hiked to 100 basis points higher than normal deposit rates
		c. Domestic Savings	<p>1. Physical savings of households has been dropping in the last few years and has fallen by 10.3% from a high of 15.5%.</p> <p>2. Financial savings of households has remained at approximately 7% of GDP over the last few years.</p>	<ul style="list-style-type: none"> • In order to increase physical savings/ real estate demand, consumers can be given higher tax exemption for purchase of a house. Additionally, if the government continues the practice of HRA exemption for salaried customers, the exemption for buying a house should be increased particularly in bigger cities such as Mumbai, Delhi etc • The limit for financial savings is also fixed at Rs 150,000 and has not been revised for a long time. An increase in exemption limit will increase financial savings of households.

13	Agriculture	a. Irrigation	Lack of holding power with farmers and lack of supply chain resulting in wastages.	<p>Government must raise Investments in Irrigation (including micro irrigation) across the country.</p> <p>It must strengthen the agriculture supply chain to reduce wastage and enable better prices for farmers. Large Farm gate and near-farm gate storage (of more than 1000 MT) should be incentivised including private participation under a new scheme or under RashtriyaKrishiVikasYojana (RKVY) and Rural Development Schemes to enable farmers to hold produce.</p>
		b. Sugar Manufacturing- Sustainable Growth	<p>Indian Sugar sector has remained under pressure since 2007-08. Official data show signs of turnaround during 2013-14, but this was short-lived. The prime reason was ever increasing sugarcane (raw material) cost owing to minimum support price payable by sugar mills inform of Fair and Remunerative Price (FRP) at National level or State Advised Price (SAP) for select states (usually higher than FRP) with corresponding low sugar (finished goods) prices. It is only since last one year the sector is again showing signs of turnaround primarily due to improvement in sugar realisations.</p>	<ul style="list-style-type: none"> • Union budget should focus on stimulating ethanol demand. As ethanol demand will be dependent on increased availability of ethanol that can be produced from sugarcane juice and B-heavy molasses. This will mainly come if public investment through oil marketing companies is stepped up for setting up ethanol production capacities directly using sugarcane juice. This is something we have been expecting for the last 10 years. • Also the rationalisation of fixing sugarcane prices by linking the

				<p>sugarcane price to sugar realisation in accordance with the recommendations by The Economic Advisory Council to the Prime Minister (Chairperson: C. Rangarajan).</p> <p><i>(Which submitted a "Report on the Regulation of Sugar Sector in India: The Way Forward" way back on October 5, 2012, some of which have been adopted. But the suggestions of committee for determining cane prices according to scientifically sound and economically fair principles by way of sharing of the revenues/value created in the sugarcane production chain in a ratio of 70:30 between farmers and millers, is yet to be adopted.)</i></p>
14	Encourage Export /Innovation	a. Efficiency/ Quality	<p>Efficiency, quality and productivity in manufacturing make all the difference in export readiness. Safeguard duties could be short term solution but it may encourage inefficient production, costly production, thus not helping the economy in the long run.</p> <p>We need to make our manufacturing competitive and quality conscious to increase exports and materialise trade treaties. Our ICT sector is an example where have made it.</p>	<ul style="list-style-type: none"> • Safe guard duties or increase in duties could be time bound giving time for industry to improve their processes. • Technology up-gradation required to augment productivity and efficiency could be incentivized or given tax holiday. This could be done even for climate change based technology up-gradation. • Banking interest rates could be also based on technology being

				<p>used to make it competitive.</p> <p><i>(For an example filing in new companies could be made yearly as they may not be making profit initially. It could be optional to file monthly to take credits. Penalties could be lower. Big companies have departments to deal with these issues; entrepreneur is all alone struggling to set up business and has no appetite and resources to engage people only for these purposes.)</i></p>
		b. Dispute Resolution	<p>The stiff fines and penalties always lead to increasing the hurdle rate to start business leading to lower risk appetite to start a new business. These risks come over and above the risks of investment being put in. The start-ups and formative companies in initial couple of years need this consideration.</p>	<p>The rules and regulations should not be same for Apple and Orange as company status. These need to be substantially different.</p>
		c. Regional Trade Treaties and Inverted Duty Structure	<p>It is important to recognise that some of the bilateral and regional trade treaties lead to inverted duty structure; as the final good has no duty under the treaty terms whereas inputs/intermediate goods, etc. are taxable.</p>	<p>These anomalies need to be removed. Also, some of these trade treaties need reworking/redesigning. Otherwise, inverted duty structure can work against employment generation in the country.</p>

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