

Budgeting for a growth in exports

To incentivise "Make in India", the government should increase the customs duty rates on finished products, and reduce rates on corresponding inputs, encouraging higher value addition

ABHISHEK JAIN

Tax Partner, EY India
Views are personal



WITH PERSISTENT DOMESTIC and external headwinds in the last year, there is an expectation of strong and robust measures being announced in the upcoming budget to support economic revival, and boost sagging growth. There are high hopes from the budget, with expectations of a personal tax rate cut and other measures to boost demand.

While the government has the flexibility of considering budget proposals from a direct tax (mainly income tax) perspective, a major chunk of indirect taxes, i.e., Goods and Services Tax, remains outside its consideration; India's federal structure requires amendments to GST to be evaluated and recommended by the GST Council. Hence, from an indirect tax perspective, proposals on customs duty are expected to be analysed and considered by the government—these have a direct impact on businesses in India, at an individual level. Businesses look forward to some of the following being considered and proposed:

A legal dispute resolution scheme for customs-related disputes: Similar to the recently announced dispute settlement scheme for historical indirect tax levies like central excise and service tax, businesses have been hoping for an amnesty scheme under customs as well, essentially to ensure certainty on potential financial impacts on pending disputes, and to help business monetise the probable recoveries on impending litigations and bridge the fiscal deficit. A dispute resolution scheme under customs, sim-

ilar to the recently introduced Sabka Vishwas Scheme, which elicited an overwhelming response from businesses, should garner appreciation, especially from global businesses that have set up operations in India by outsourcing their manufacturing processes, for promoting the "Make in India" campaign.

Tweaks in customs duty rates: To incentivise the "Make in India" leitmotif, the government could consider increasing the customs duty rates on finished products, with reducing rates on corresponding inputs, thereby encouraging higher value addition. The Budget could also consider proposals for reduction of export duty on certain goods, like bauxite, lower-grade ore, etc, for enhanced foreign currency earnings and boost to businesses.

A blueprint of the expected Foreign Trade Policy and incentives for foreign

exchange earners: Recently, a decision of the World Trade Organization has outlawed various incentives given by India to exporters; these include Merchandise Exports from India Scheme (MEIS) incentives, Special Economic Zones Scheme, and Export Promotion Capital Goods. While an appeal against the verdict has been filed by India, the exporters are worried about the continuity of these

schemes, especially at a time when these incentives are imperative for global trade by Indian businesses.

While the decision on the contours of the export schemes/incentives remains a prerogative of the ministry of commerce, the broad outlook/plan of the government in the upcoming Budget, and assurance of long-term confirmed policies being considered should help boost the morale of exporters.

Expected GST revenue collections a relatedly expected roadmap for the coming year: Another aspect which pulls in attention of businesses is the estimated revenue collection from each of the taxes in the forthcoming fiscal year. While the policy decisions on GST remain outside the purview of the budget, the estimation on collections are a part of the fiscal budget. An aggressive target, surmounting a possible increase in the GST rates or implementation of tax evasion measures including new returns, e-invoicing, etc, would be expected.

While, as mentioned earlier, not much is expected to be proposed on indirect taxes in the upcoming budget, there is a general expectation that wider policy measures will be announced to reinstate the trust of businesses, bolster demand, and tackle the slowdown in the economy

Not much is expected on indirect taxes, but there is a general expectation that wider policy measures will be announced to reinstate the trust of businesses and bolster demand