

FOREWORD



The Finance Minister has presented a growth-oriented budget at a time when the economy is showing sure signs of recovery. Improving the fiscal situation while not affecting the nascent and uneven nature of growth recovery has posed a formidable challenge and the Finance Minister has faced the same well. Despite a partial roll back, the budget has also provided a strong impetus to consumption through a more liberal direct tax system.

The implementation of the Goods and Services tax (GST) regime, now scheduled from April 2011 has meant that central excise taxes and service tax rates had to be aligned. The same has been attempted in the budget through the raising of central excise tax rates to 10 per cent and retention of the service taxes at the same level. The delay in the implementation of the GST shows that differences are yet to be ironed out between the centre and the states. A concerted effort to move towards a more liberal direct taxation system on income and corporate tax is clearly evident. The implementation of these path-breaking reforms will greatly rationalize and simplify the existing taxation system.

The budget puts a strong emphasis on infrastructure which is a good step forward. Infrastructure spending has comprised about 46% of the plan allocation in the budget and has the highest allocation among sectors. The budget has also wisely extended interest sub-vention on pre-shipment credit to key export-oriented segments. Greater investment in agriculture as envisaged in the budget is welcome. Higher allocation to key flagship programmes including National Rural Employment Guarantee Scheme and Bharat Nirman components would give a strong boost to the rural economy.

The Finance Minister has also touched the right chords by talking on divestment of public sector enterprises and rationalizing the subsidy system. The transition to a nutrient-based subsidy system for fertilizer system is a definite positive. Implementing these in a time-bound manner would now be the key to ensuring a sustainable growth rate of 8-9 per cent. Overall, the budget appears to be a balanced one giving equal emphasis to sustaining the growth momentum while providing for a more inclusive model of development.

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