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## Indian FM presents populist budget

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It is a Congress dream budget. Chidambaram, PC to his friends, has helped the Congress regain a constituency it has lost after the party embarked on economic reforms--farmers, women, weaker sections, Muslims and even senior citizens. Yet, he ensured that the corporate sector doesn't desert the Grand Old Party (GOP). Chidambaram stole the Marxist thunder and BJP knickers by turning friendly towards the working and salaried class.

Now for the first time in nearly two decades, Congress can proudly declare, "We stand for India suffering".

Chidambaram spoke for one hour and 26 minutes only on farmers' issues, the longest ever by a finance minister in Independent India. And by the time he moved over to other sops, George Fernandes, the socialist, whose life mission is Congress baiting, could not sport a smile. He said what was upper most on the mind of most PC interlocutors – 'Farm loan waiver is a long over due step'.

Harin Pathak, a BJP front bencher, and a former union minister from Gujarat, heckled PC with his running commentary. Yet, he was amongst the first to move to treasury benches and warmly congratulate the new darling of the political class.

Sonia Gandhi, the Congress chief, is thrilled to the core. As party men and hundreds of farmers and commoners thronged her 10 Janpath residence and heralded Holi, the festival of colours – reminding the old timers of daily tamasha at Indira Gandhi house after bank nationalisation in 1969, Sonia, "Today is a very happy occasion. The waiver of loans on farmers by the UPA government is a revolutionary step".

Economists are not pleased by Chidambaram effect but they do admit that his Rs. 60, 000 crore largesse has helped the Congress to reinvent itself. "After economic reforms, Congress and the finance ministers have become the darling of the pink (business) papers and the investors but a party needs votes and not certificates", remarked a political economist, who declined to go on record saying his views will not be the flavour of the season.

There is agreement amongst political circles that Chidambaram's budget has virtually disarmed his regular baiters- the Comrades. "The Left cannot obviously go against the public mood and criticise his loan waiver. They can grumble at the best like D Raja did- "Our demand for National Debt Relief Commission could have gone further.

One section is bound to be cheated by Chidambaram and they are bound to describe him as the Robinhood. They are the salaried class, mostly Central Government employees. The Finance Minister proposed to increase the income tax exemption limits from Rs 1.10 lakh to Rs 1.50 lakh, in addition to restructuring the tax slabs. These proposals result in a benefit of over Rs 50,000 to a taxpayer having an income of Rs 5 lakh annually.

Says Prof J D Agarwal, Chairman, Indian Institute of Finance, a Delhi based non-government think-tank, "Raise in the income tax exemption limit to Rs. 1.5 lakhs not only provides relief to people but also reduces unnecessary paper work to the Government, and the income tax department. I think in this way the Finance Minister has adopted a well-known management practice of ABC analysis by concentrating on A&B category of tax payers. Through his direct tax proposals he has also sent a message so that exemption limit may be raised at higher level and tax rate may be reduced in the future. Nobody in the country expected that such a steep hike in the minimum exemption rate will be proposed".

But read the fine print on the budget papers. Reasons for despair become clear. Finance Minister himself said that Sixth Pay Commission would give its report by March end. This will be the second pay body he will be facing- the first was the fifth pay commission which gave its report when he was custodian of the North Block in the United Front government. Those days he was still

a green horn in political economics and therefore grudgingly allowed himself to be directed by the likes of Indrajit Guptas and Ram Vilas Pawans, who had, unlike him, a constituency of their own. This time he might accept the Pay report without a demur. Why? Political compulsions, what else.

A pay panel report leads to hike in salaries; often the basic pay and dearness allowance are merged to give a higher start. In such event, whatever FM has given by way of tax relief will go back to the treasury. May be little more than what was the case hitherto. That will be true to PC's penchant to extract the maximum from the tax payer.

The record buoyancy in tax receipts proves that his critics are right. In the latest budget which is sixth and his first in a leap year, he did ample justice to that image, though it must be said to his credit that the budget speech had less focus on Corporate India but more attention to rural India and middle class India, whose support the Congress needs to regain its credentials as the single ruling party.

Chidambaram has not much new to offer to the corporate sector. Already the taxation levels have been brought almost close to ASEAN level. He gave a Rs. 500 crore package for exporters a few days back to offset the hardening of the rupee vis-à-vis the dollar. Prof Agarwal feels the Finance Minister could have been little liberal to remove Surcharge on the Corporate Tax because the Corporate are suffering from double taxation i.e. Paying Corporate Tax on their earnings and paying tax again on distribution of their incomes while distributing as dividends.

Chidambaram gave a few talking points by giving relief for instance to pharmaceuticals, textile machinery, food processing, auto and two wheelers. Probably, the original dream merchant could not resist the temptation to make TVs, set top boxes, water purifiers, cars and scooters cheap.

Congress leaders are worried that he has given a stick to the opposition to beat the Grand Old Party (GOP). Inadvertently? May be.

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