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**DEBATE:** Is the Union Budget

# Budget will always be important, though 'hype' can be reduced

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**T**HE importance given to anyone or anything, including the Union Budget, is related to whether it is desired. Over the decades, the Budget has been the single most important economic event of the year in India. Many call it the flagship event in the Indian economy.

Necessarily, the profile of the Budget event is such that not just the eyes of the nation, but also of the world, are focused on it each year. And, with 'live' viewing of the finance minister delivering his speech in Parliament, the 'hype', the focus, the attention is even sharper, higher, stronger.

When one looks at the 'content' and 'substance' of the Budget, the importance is very clearly justified. It is a multi-dimensional document and affects the lives of all Indians. The expenditure part, for example, especially revenue expenditure levels, reflects on the extent to which government will spend on day-to-day administration, salaries and other similar items. If it goes up or down, there is an impact.

Capital expenditure or development expense is extremely important because it determines how much the government will spend on new roads, bridges, infrastructure of all kinds, e.g., housing, etc. This impacts the common man and the industry. And the higher the expenditure, the higher the hope of improved quality of life (because infrastructure is seen as a weakness in the country).

On the revenue side, direct taxes, whether personal or corporate, are the most attention-grabbing issues in the Budget. In fact, excessively so. Because of India's history of very high levels of taxation and low tax compliance, everyone

wants to know how he or she stands in regard to tax payment after the Budget.

For industry, and users, the excise and customs duties have a significant impact on price levels of products and services. So there is cause for celebration, or depression,

alms, families, corporates, in fact, all sections of society, the Budget becomes a focal point of national interest, anticipation and expectation.

Unfortunately, the Budget cannot please all. Over the years, many special interests have developed and grown. E.g., there are exemptions and exceptions which are causing distortions. These need to be removed, but those employing the exemptions want these to continue. Clearly, what is good news for some, is bad news for others and, so, the Budget calls for managing conflicts.

Happily, our budgets have been taking tax levels to some degree of convergence and standardisation. A single rate of excise and customs would bring enormous transparency to indirect taxation. Doing away with all exemptions would be similar in impact. Once successive budgets bring a single standard tax level and the differentials, qualifications, provisos, etc., are removed, the Budget will be important, but without the sense of tension and expectancy which still prevails.

It is in the interest of all to bring down the hype, because this leads to expectations which just cannot be met or matched. Until then, the Budget will be given enormous importance because the lives of people can be impacted differently. The government's commitment to stability, continuity and a steady process of reform, which brings transparency and avoids U-turns and *ad hoc* policies, will go a long way towards levelling expectations and, therefore, the degree of importance. The Budget will always be important, but need not have the present hype.



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sion, depending on Budget provisions. Seeing the full range of issues, policies and procedures covered in the Budget, it is easy to understand why it gets so much importance. When a single event has such wide-reaching implications for individu-

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