Opinion

FRIDAY, JANUARY 24, 2020

FLIGHT OF FANCY

Union minister for commerce Piyush Goyal

Air India has some of the best bilaterals the world over... a well managed and efficient Air India with lot more good aircraft put in using these bilaterals is nothing short of a gold mine to my mind

Security vs privacy debate comes to the fore again

A WhatsApp giving govt data raises privacy concerns, we need a mechanism to ensure citizen's rights are protected

CHANCE ARE, WHEN the government submits its final 'intermediary guidelines' to the Supreme Court later this month—meant for social media firms like Facebook and messaging services like WhatsApp—it will further tighten and reiterate some of the existing ones, like the tracing/origin of messages such as those on WhatsApp. The government needing such information in certain cases is understandable. Theoretically, for instance, WhatsApp forwards talking of a group of Muslims planning to slaughter cows can result in communal violence; so the government needs to know from where the messages originated. And, it would help the Delhi Police immensely if the originators of several WhatsApp messages in the recent JNU attacks can be traced. Logically speaking, if the government can trace/tap phone calls today, there is no reason why this should not extend to newer forms of messaging/communications. Indeed, in October last year, the US Attorney General, the UK secretary of state, and the Australian home minister, among others, wrote to Facebook, asking it to ensure that the police get lawful access to its content for precisely the same reason of maintaining law and order; firms like Apple and Facebook have also been petitioned by the US not to encrypt certain type of data—Apple has just dropped a plan to allow iPhone users to fully encrypt their data backup on the iCloud—as this could hurt their investigations.

The problem, however, is what this does to the privacy of individuals, which, the Supreme Court has ruled, is a fundamental right. While a WhatsApp has consistently claimed it cannot trace messages, some cyber experts claim it can share meta-data; but meta-data also reveals a lot of other information about individuals. Also, while the government is, right now, not asking for messages to be decrypted—WhatsApp and others say they do not have any decryption keys—the existing intermediary guidelines suggest it may do so soon. Section 9 of the guidelines say the intermediary must use tools for "proactively identifying and removing...unlawful information and content"; a WhatsApp or a Telegram is already being asked to monitor content that is supposed to be secret/encrypted.

Even in the case of phone taps, the Justice Srikrishna panel has said India "lacks sufficient legal and procedural safeguards to protect individual civil liberties". Despite there being an elaborate procedure being in place to authorise phone taps, ensuring a lot of thought goes into the taps, Srikrishna talks of the "review committee (having) an unrealistic task of reviewing 15,000-18,000 interception orders in every meeting". The Personal Data Protection Bill tries to put in place a framework for this, with a Data Protection Authority looking after this and companies putting in data encryption standards to prevent its misuse, but the Bill says that none of this will apply to government agencies if 'public order', 'security of the state', 'sovereignty and integrity of India', etc are being affected. Essentially, while the government has, in its intermediary guidelines as well as the personal data protection Bill, laid out very broad conditions under which it can ask for data, the safeguards for privacy haven't really been spelled out.

There has to be an independent mechanism to monitor breach of privacy—maybe a SC-monitored process—and to see what the government is doing with the data it is collecting. Google had, last November, said that 500 Indians were targeted by 'government-backed attackers' using Pegasus software, and Pegasus, in turn, had said it only sold its software to governments; was this done by following due process, and for what purpose? In its Puttaswamy judgment on privacy being a fundamental right, the SC had talked of all intercepts needing to meet the tests of "necessity, proportionality and due process"; while examining the revised intermediary guidelines, the SC has to reiterate this.

A capital mistake

Andhra Pradesh's three-capital vision is deeply flawed

GIVEN HOW VITAL cities are for economic growth—in India, cities contribute anywhere between 59% and 70% of the GDP—the Andhra Pradesh government deciding to have three capitals would seem a boost to urbanisation. The legislature, earlier this week, passed the Andhra Pradesh Decentralisation and Equal Development of All Regions Act, under which, Amravati will be the legislative capital; Visakhapatnam and Kurnool will be the executive and judicial capitals, respectively. The decision breathes new life into the Amaravati project—the Jagan Reddy government had all but scrapped this; given how tens of thousands of crores of investment was at stake, any move to even partly resuscitate the project should be welcome. However, the government really needs to take stock of what it stands to gain, and what the costs would be.

Decentralisation has been the theme of the recommendations of many past committees—indeed, in 2010, the Justice BN Srikrishna committee, set up to look into the demand for separate statehood for Telangana, had noted that concentration of resources in Hyderabad was one of the reasons behind the demand—and even the Boston Consulting Group. However, the hard fact is Visakhapatnam, which will house the secretariat and the Raj Bhavan, is 700 km from Kurnool, and 400 km from Amaravati. And, Amaravati and Kurnool are 370 km apart. To give a speech at the state legislature, the Governor will have to travel 400 km. With the state police headquarter at Mangalagiri, 14 km from Vijaywada, senior police officials will have to travel 400 km to be at the secretariat. And, given how often litigation matters require administrative and police staff to depose, bureaucrats posted in Visakhapatnam and police officers posted in Mangalagiri will be travelling some 700 and 330 km, respectively. The travel bill will be significant, and the inefficiencies of such Tughlaq-esque capital division will chip away gains of the intended evenly-spread development.

Whether Reddy's rival, former CM Chandrababu Naidu's choice of Amaravati as a green-field capital was merited is debatable—the project has been criticised for massive corruption, and the fact that Vijaywada, a commercial and political nerve centre, is just 18 km away. But, studies show that cities that come up around existing metros benefit from a symbiotic relationship. In the case of Visakhapatnam, the state government has already been clarified there are no immediate plans to invest since there are enough existing government buildings to serve the needs of an executive capital; the intended even spreading of development is already off to a rather skewed start. If the state really wanted even development, it should have simply made it attractive and easier for the private sector to invest—both Mysuru and Pune aren't adjunct capitals, but have thrived due private sector investment in education, IT/ITeS, etc. Instead, the scrapping of the Amaravati project saw World Bank and a Singapore-based consortium walk out. If Andhra Pradesh is made to pay the price of political rivalries, then the even spread of development looks a distant dream.

NightLIFE

Maharashtra's proposal for letting shops, malls and eateries stay open 24 hours is a great idea

MUMBAI WILL SOON see shops, malls, and eateries stay open through the night. Citing the example of Indore's Sarafa market and cities like London, Maharashtra tourism minister Aaditya Thackeray said that Mumbai, the commercial capital of the country, should stay open for tourists and residents. The proposal is to be implemented on a pilot basis in areas like the Bandra-Kurla Complex, Kala Ghoda, Nariman Point, etc, from January 26. It will not be compulsory for shopkeepers to comply, but given how Mumbai is up and about all 24 hours of the day, it is hard to see shops and commercial establishment owners passing up the opportunity to profit from this.

The proposal is a progressive one, given how the extended business hours would mean more profits for shopkeepers, and more options in terms of time to shop for the masses. For white-collar workers who work late into the evening, this should prove a *manna* from heaven. It should also translate into greater safety for women since the hustle and bustle of a city open at night, as opposed to deserted spaces, means there is a lower chance of crimes against women, which are often crimes of opportunity. Moreover, it would mean greater employment since shopkeepers would hire more people to work in different shifts. But, it would also need the city's utilities and security force (the police) to be commensurately beefed up at night. Depending on the success of the pilot, it should be extended to other major cities in the state if there is a demand for this. And, based on Mumbai's experience, perhaps, other metros will look at staying open at night instead of imposing illogical shut-down times.

ECONOMIC OUTLOOK

WITH PUBLICLY AVAILABLE DATA AND SOPHISTICATED FORECASTING MODELS, IT IS HARD TO FATHOM WHY THE IMF WAS SO UPBEAT ABOUT INDIA EXACTLY A YEAR AGO

IMF & the NDA's Magic Mirror syndrome

RUPA SUBRAMANYA

Economist & commentator

Views are personal

ALMOST EXACTLY A year ago, the newly appointed chief economist of the International Monetary Fund (IMF), Indian-born Gita Gopinath, was bullish on the Indian economy. The IMF, in its *World Economic Outlook* in January 2019, projected a growth rate of a very healthy 7.5% for 2019, and an even better 7.7% for 2020. Gopinath went on to say that the Indian economy is healthy. A year later, the IMF, and Gopinath have changed their tune. India's projected growth for the current fiscal year was downgraded sharply to 4.8%, and 5.8% is predicted for FY21. The drop is so dramatic that Gopinath has said that 80% of the projected 1% reduction in the IMF's forecast for global growth is attributable to India.

In explaining the downgrading of India's expected growth, Gopinath pointed to the crisis in the financial sector, especially non-bank financial companies, and worsening business sentiment. The real puzzle is why these specific warning signs weren't evident to Gopinath and the IMF a year earlier, when it was abundantly clear to all credible and non-partisan observers that the Indian economy was heading into trouble.

As early as the fall of 2018, there were warnings about a looming crisis in India's shadow banking sector in major domestic and international publications. How could Gopinath and the IMF possibly certify the Indian economy as healthy in January 2019 when just a few months earlier, one of the country's most important non-bank lenders was insolvent and threatened to bring down the whole financial system? Recall, that the looming shadow banking crisis was not in the context of a healthy financial system, but one with large stocks of non-performing assets at major banks and non-bank financial institutions.

If the IMF were a private forecasting agency, it would have been discredited and out of business by now, with all of the faulty forecasts, not just for India, but for other countries as well, it has made. As Vivek Dehejia and I have shown, the IMF tends to consistently overestimate India's growth. But, the IMF is not a private firm, nor is it a national statistical organisation, but an international organisation that is beholden to all the countries which are its members. Despite all protestations to the contrary, the IMF, like its sister organisation, the World Bank, is intensely political, even to the extent of the nationalities of its top officials. And, like the World Bank, the IMF is dependent on national datasets provided by its member countries.

Even then, with the publicly available data and some of the smartest macroeconomists building sophisticated forecasting models, it is hard to fathom why the IMF was so upbeat about India exactly a year ago.

A cynical observer might point to the fact that India was gearing up for the general elections a year ago, and bad economic news coming out of the official institutions in Washington DC would not have been good for the incumbent government of prime minister Narendra Modi. Rather, with the IMF giving India a free pass—the January 2019 report had very scant coverage of India—and a possible war with Pakistan looming, very little public discussion about the state of the economy occurred in the lead up to the election. Now, a year later, the dust has settled and there is no particularly immediate political fallout for the government from this dose of bad economic news from the IMF.

> **The PR-driven centre continues to look for external validation, rather than relying on their internal expertise, to understand the economy's direction**

For a government and a governing party that thrive on good public relations and marketing, it came as no surprise that they spun the recent IMF news as validating India's importance to the global economy! The larger point is that a PR-driven government will look for external validation from organisations such as the IMF or the World Bank, rather than relying on their own internal expertise for a legitimate sense of where the economy is headed. Much like the IMF, the World Bank's Ease of Doing Business rankings, in which India keeps moving up by leaps and bounds year after year, much to the puzzlement of those who actually do business on the ground, has been great fodder for the Modi government's PR machine. At least, in the case of the World Bank's Doing Business index, the methodology was skewered by their own chief economist, Paul Romer. No one at the IMF has yet had the courage to do something similar with their unrealistic growth projections.

Perhaps one reason why the government looks for external validation is the absence of internal expertise on economics. The end of Modi's first term saw the departure of several eminent economists, whose replacements are markedly inferior intellectually but notably superior at public relations.

In effect, what one observes is an intricate dance of public relations, both by the World Bank, the IMF, and other international organisations on the one hand, and by national governments such as India on the other. With all its flaws, the previous Congress-led UPA government didn't accord the World Bank and the IMF undue importance, as they had their own ideas and expertise on economic policy, whether right or wrong. It is ironic that a ruling dispensation which is suspicious of just about all outsiders pays undue attention to the prognostications of the World Bank and the IMF!

The ultimate loser of this dance is the average Indian, whose life prospects have considerably worsened by poor economic growth and stagnant job opportunities.

ECB's strategy review dilemma

Ideally, strategy review's goal should be to design and adopt self-reinforcing measures that would promote genuine inclusive growth and allow the ECB to take a back seat

MOHAMED A EL-ERIAN

Bloomberg

AT THE END of a two-day policy meeting on Thursday, Christine Lagarde, the new president of the European Central Bank (ECB), is expected to provide some details, however preliminary, on the bank's strategy review, its first since 2003. Expectations are running high, and not just because Lagarde has indicated that there is "no preconceived landing zone" for the review, which is expected to be wrapped up by the end of the year. The timing is also opportune because the review comes amid a growing consensus that ECB policy now lies somewhere between a lot less effective and outright counterproductive.

Some are looking for a change in the current inflation target of "below, but close to 2%" that would allow for the immediate pursuit of a de facto higher target. This could include opting for a symmetrical objective (rather than a ceiling) or make-up provisions for earlier undershoots or both.

Others, and particularly those who focus on structural rather than cyclical impediments, are hoping for an expansion of the inflation target to include more real economy considerations. They hope to nudge the ECB's focus on inflation from an end in itself to a means to a more integrated economic objective.

And most are interested to see how far Lagarde will be able to persuade her colleagues on the Governing Council to supplement the bank's primary inflation mandate. This involves a careful balance between avoiding mission creep, distraction and overloading policy tools while placing sufficient emphasis on her favoured topics such as climate change and inequality, cryptocurrencies and other technological disruptions.

As important as these issues are for both the ECB and the well-being of a euro-zone economy facing another year of muted growth and eroding medium-term potential, it is also crucial to identify outcomes that will most likely prevail regardless of where the ECB ends up on the bigger issues. These serve as a timely reminder to markets and, more important, to politicians, about the bank's limited room to manoeuvre, especially in the absence of a more comprehensive pro-growth policy response on the part of governments. There is no central bank panacea.

First, the strategy review is an opportunity for Lagarde, who has indicated that the process will be comprehensive and open-minded, to heal some of the divisions on the Governing Council that became unusually sharp and public during the last months of the tenure of her predecessor, Mario Draghi. By guiding her colleagues toward a modernised framework, Lagarde has an opening to push them to look forward rather than just litigate what has and hasn't worked in the past. This is helped by the fact that, before he left, Draghi essentially put ECB policy on a preset path for the next few months. Also, Lagarde's central bank colleagues have mostly abided by her reported desire to avoid publicly discussing the review in the interim.

> **In a well-functioning euro zone, the strategy review would be conducted not by the ECB, but by governments at both the national and regional levels**

Second, if handled well, the strategy review can help the ECB regain better control of its external narrative. Negative interest rates and inequality concerns have fuelled growing criticism about the ECB's policy approach, and not just within the euro zone.

Reflecting concerns about the unintended consequences and collateral damage of protracted reliance on unconventional policies, some smaller open economies outside the euro zone, such as Denmark, have decided to risk an independent path. Others, such as Switzerland, are finding it increasingly hard to avoid more negative spillovers from the big regional partner. Without a new narrative that can realign interests in Europe in a positive manner, the risk of fragmentation will grow and start compounding itself.

Third, while these two outcomes can help reduce the political pressure on the ECB, they will not eliminate them for a simple reason: The strategy review is unlikely to solve the basic and more binding "lose-lose-lose" conundrum the ECB is facing.

It is highly unlikely the review will magically produce new tools that would allow the central bank to normalise policies without risking damage to financial markets and the real economy.

It is also hard to imagine new stimulus measures that would allow even greater intervention by the ECB without triggering a whole host of costs and risks.

And the review, while potentially making the ECB's current situation somewhat less challenging in the short term, is unlikely to provide a good resting equilibrium.

In a well-functioning euro zone, the strategy review would be conducted not by the ECB, but by governments at both the national and regional levels. Its goal would be to design and adopt self-reinforcing measures that would promote genuine inclusive growth and allow the ECB to take more of a back seat. With that, the ECB would be in a better position to carry out a modernised policy framework with a better chance of success. Without it, and I believe regardless of whatever the monetary policy engineers can come up with, the best that the ECB can hope for from its strategy review is just some short-term relief.

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LETTERS TO THE EDITOR

Too many capitals

While the concept of allowing a state to have multiple capitals is not new, it is important to evaluate the cost-benefit of the prevailing practice being followed by other states across the nation or countries across the globe for that matter, before embracing the idea. There are states which have key institutions viz the high court, legislature and the secretariat, spread across different districts, with an intent to promote equitable development. It is prudent to improve the health and educational access to regions having a high percentage of tribal/rural population, in order to maintain the law & order, and uphold decent civic standards within a large state. A single capital, and Hyderabad is one such classic example, can at times result in concentrated development and investment, thus leading to insufficient security and limited availability of infrastructure and resources in other parts of the state. However, selection of a capital requires due diligence and areas prone to extreme climate patterns ought to be refrained from, as promoting critical executive infrastructure or a high population-density in a cyclone prone region can prove to be detrimental. Untapped opportunities demand a greater resonance and ease of collaboration. Higher economies of scale thus, assumes importance, as significant travel costs or administrative float and delays can impede the pace of development. The best way possible to de-centralise development is to strengthen the local bodies financially and grant more money to entities, so that functions can be executed swiftly. Moreover, farmers in and around the capital region, and in dire need of money, often surrender the cultivable land for commercial projects. The producers could well be staring at losses with the potential change in capital structure. It is essential to preserve the political goodwill and focus on growth of tourism, IT and sports within the state, instead of increasing the administrative overheads.

— Girish Lalwani, Delhi

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● INDIA-BRAZIL TIES

Getting ready for the carnival

With much in common, the door is wide open to forge a social, cultural, people to people and economic relationship to boost trade from an insignificant $7 billion at present. This will send out a strong signal of South-South co-operation

BELIEVE IT OR not, while India is spread over 1.26 million sq miles, just the Amazon is 2.12 million sq. miles! Brazil is the third largest hub for Unicorns in the world—a symbol of new age economy. But all we know of Brazil is Pele and football.

The India-Brazil bilateral summit will be an important occasion to consolidate relationship between the two countries. While there is considerable distance between India and Brazil, the former is 15,000 miles away, yet striking similarities can make the heart grow fonder.

Both countries are multi-cultural, with a commitment to democracy; where the leadership has a strong mandate and a compatible profile.

The bilateral summit, a first after nearly a decade, though timed with Republic day, is the right time to tap the full potential. Having cooperated on international issues, with BRICS as a cementing factor, the visit of Brazilian president Jair Bolsonaro can be the starting point for a comprehensive strategic partnership, especially in areas of special interest such as energy (oil and renewables), food, etc.

The good news is both countries are united by democratic principles. They are, however, separated by distance, with no border issues and virtually no possibility of an immediate crisis or threat on the geopolitical front.

With much in common, the door is wide open to forge a social, cultural, people-to-people and economic relationship to boost trade from an insignificant $7 billion at present. This will send out a strong signal of South-South co-operation.

First, Brazil's number one export to India is crude oil, but, mind you, it is experiencing an oil production boom and will be amongst the top-5 oil producing countries in the world over the next decade.

Second, as a large producer of sugarcane, Brazil started a bioethanol programme which is highly effective and is a means of bio-energy which can fire up thermal cogeneration plants. One resultant by-product are bio-pellets (a substitute for coal) and a means of clean energy, the urgent need of the hour in India.

The visit of Brazilian president Jair Bolsonaro can be the starting point for a comprehensive strategic partnership, especially in energy, food, etc

In wind energy, Brazil is the cheaperst source; a Brazilian company manufacturing wind turbine generators WEG is already in India. This resource can be fully tapped.

An ideal energy partner is around the corner, almost a God sent, and India should clinch a deal, especially in the wake of recent global events which could result in an oil crisis.

Third, Brazil is not only self-sufficient in food production, but exports commodities including pulses to the Indian market. India consumes a variety of different foods, its growing and expanding population requires a perennial source, especially for proteins.

The ingredients for an all-encompassing relationship are, therefore, in place. Now, the two countries must repose trust in each other—make it solid like BRICS (Bricks) to bind aspirations, goals, and objectives of two nations.

India can start with a clean slate, having opted out of trade agreements, to put in place a bilateral framework/agreement. This will be a "First" as we look beyond our neighbourhood principle.

It will also facilitate the flow of investments, and strengthen and fortify India's strategic interests. Moving in this direction will be a practical litmus test for the ease of doing business. It will send out positive signals to foreign investors. A bilateral agreement between the two countries will secure this, which, in turn, will globally push India up in the 'World Bank Ease of doing' index.

We can go from a stage where the countries not only have a BRICS 'bank' in common, but can bank upon each other for ushering in the winds of change.

The time is right for deepening this relationship. In fact, the Brazilian ministry of mines and energy has said that "India and Brazil are key players in the international energy landscape, both as consumers and producers. We are joining hands to create an international biofuel market and supply our planet with renewable and clean energy."

This partnership will make the presidential visit a landmark win-win, setting the right 'pulse'.

My initiation to Brazil was via a film *Blame it on Rio*. I fell for Rio as it came across as a fun and happening place. I was drawn to it instantly.

Bollywood should take cue, and shoot a film in Brazil triggering people to visit the country, connecting the two nations in an enduring relationship.

● BUDGET 2020

Making India less taxing

SANJAY KUMAR

Senior Director, Deloitte India. Views are personal

It is time to rationalise income tax rates, at least at the lower end, and bring steps of 5% for different income groups

OVER THE LAST two months or so, the finance minister has been receiving a number of proposals with diametrically opposite suggestions. While some have suggested not to tinker with personal tax rates others have made fervent appeals for reduction in personal tax rates, to bring them in line with the corporate tax rate. Expectations on corporate taxes are low because the government did reduce rates in September 2019.

Changes to the corporate tax rate have made them competitive internationally. Expectations are that there could be a similar move on Dividend distribution tax (DDT). Dividends continue to be taxed at 20%, which seems very high in the present context. Expectations, therefore, soar in the background of tax rate reforms. Very few countries impose DDT these days. Even if they do, the rates are not so high. Argentina, for example, levies it at 7%, Brazil nil. DDT is not liked by foreign subsidiaries, as they do not get the benefit of that payment under tax treaties. Thus, reduction in DDT and bringing it in line with corporate rates will be high on wishlist.

Infra projects often run aground on viability aspect. This locks up considerable capital, without any benefit to anybody. The government should come out with proposals that enhance the viability of infrastructure projects. Many infra projects—power and road sector particularly—need to have separate SPVs (special purpose vehicle) for each project.

A tax consolidation regime (prevalent across the globe) can significantly decrease the compliance burden for taxpayer and the tax department, eliminate tax inefficiency and provide the requisite boost to the sector without any loss to revenue. Suitable anti-abuse provisions/guidelines should definitely be there to make sure there is no tax leakage.

The government should come out with proposals that enhance the viability of infrastructure projects. Many in power and road sector need to have separate SPVs

On the personal income tax rate, the general expectation is that it will be reduced to boost domestic consumption. No doubt, personal income tax collections are buoyant; but a reduction in rates would be a bold step, given the public finance compulsions. What can certainly be expected is to have a rationalisation in rates. At present, the personal income tax slabs jump from 5% straight to 20% and 30% slabs. Multiple surcharges take the highest taxable rate to over 40%. It is time to rationalise these tax rates, at least at the lower end, and bring steps of 5% for different taxable income groups. This may further improve buoyancy and bring better progressivity, a hallmark of direct taxes. Such big rate jumps also present incentive to show lower income.

Under the present economic conditions, the government is looking to boost consumption and increase private investments. Real estate investments is the need of the common man. At present, the tax laws allow a tax rebate of only ₹2,00,000/- as interest for a self-occupied property, if there is a housing loan. This seems low and may be useful to only those who are taking loan to buy a house of about ₹25-30 lakh. This in the context of metropolitan cities and some big cities is too meagre. The interest amount for such self-occupied property should be enhanced to at least twice the present allowable amount. This will boost the real estate sector and give a fillip to the economy.

Present capital gains tax laws are complicated and have multiple rates and varied nuances in laws. Rationalisation of difference between short-term capital gains tax (STCG) and long-term capital gains tax (LTCG) is also required. All these do not present an easy capital tax regime. In fact, the idea should be to put taxation of savings and capital gains on a rational basis.

BUDGET 2020

Kickstarting growth

India needs to push for investments to support growth

CHANDRAJIT BANERJEE

Director General, CII

ONE OF THE key highlights from the recently released advance estimates of GDP was of investment growth slumping to an anaemic 1% in the current fiscal from a healthy double-digit growth registered in the last fiscal. Investment was held back by weak private sector sentiment and limited fiscal space. There is ample evidence to suggest that unless investments post a meaningful recovery, growth will continue to languish. Though the government has announced a plethora of measures to kickstart investment cycle in the last few months, the current situation warrants additional measures.

First, the government should not cut back capital expenditure in view of the revenue shortfall. This could lead to a vicious cycle in which lower growth leads to lower revenue and lower expenditure which reinforces lower growth. Some flexibility in the fiscal target should be allowed for 'good' quality expenditure such as infrastructure projects. In this regard, the release of the National Infrastructure Pipeline is welcome and the projected ₹102 lakh crore investments should be initiated as soon as possible.

For private investments, one of the biggest reforms announced last year was the reduction in corporate taxes, but the desired impact is still far from satisfactory. One of the reasons has been the multitude of tax rates, which have created tax rate inequalities across manufacturing and service sectors. In the interest of simplification and uniformity, it is required that all these tax rates be converged. The Union Budget could announce a roadmap for such convergence by April 1, 2023. A tax rate of 15%, with no exemptions and incentives would help boost investor sentiment and encourage investments.

The reduction in corporate taxes partially addresses the issue of high cost of capital, multi-point taxation of dividends and LTCG tax continue to increase it. Thus, there is a need to reintroduce the classical tax system, where income tax is levied separately on company income and on dividends received by shareholders.

In addition, for reducing the high level of complexity in the present law of taxing capital gains, it is recommended to exempt LTCG Tax on equity capital altogether while converging to a single simplified rate of 10% for all other asset classes. Alternatively, if it is not possible then a standard rate of 10% can be considered for all asset classes, including equity capital.

It is also pivotal to release the significant amount of delayed and disputed payments which have the potential to provide liquidity to corporates for expansion and investments, in addition to improving sentiments. Though, there are currently no formal estimates on the quantum of delayed payments, however industry feedback suggests it to be large. To address this, it is suggested to create an integrated e-portal to capture all pending payments by central and state governments, and CPSE/SPSEs to all industry. Further, a Credit Guarantee Scheme is required to address delays in release of arbitral awards, which stand around ₹1 lakh crore.

Another pressing concern which requires immediate attention is the need to addresstax litigations. These are estimated to be worth ₹5.71 lakh crore as on March 31, 2019. To address this, it is suggested that CBDT constitute an Expert Panel of mediators to resolve tax disputes at the assessment stage itself in a time-bound manner. Also needed is the reduction in multiplicity of levels of litigation along with dealing with the disposal of tax litigation matters in a prescribed timeline by the appellate authorities.

To maintain competitiveness, it is recommended that we continue with the 10% peak rate of customs duty for FY21. In general, it is imperative that the principle of lowest customs duty for raw materials, higher for intermediaries and highest for finished goods is followed. This graded duty structure for manufacturing sectors is useful to add value at different stages of production by the indigenous industry. In this context, it is recommended that customs duty on certain inputs and raw materials be reduced to enhance competitiveness and encourage the domestic manufacturers of final products.

Further, the policy measures announced by the government must instil confidence in the stakeholders that they will be carried out. Strengthening mutual trust and building a climate of business confidence by reassuring entrepreneurs, in the true spirit of 'Sabka Saath, Sabka Vikas and Sabka Vishwas' can foster the growth process. Decriminalization of business laws, on the lines of what is being done for the Companies Act, would be a concrete step to address this trust deficit.

To conclude, the Union Budget provides an excellent occasion to turn challenges into opportunities. Industry looks forward to a progressive and reform-oriented budget that will help to bring back growth to the economy.

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