

Growth-oriented and balanced Union Budget: FISME

MSMEs struggling with slowdown have something to cheer about. The Union Budget presented by Pranab Mukherjee attempts to reduce the regulatory tax burden on smaller businesses and easing compliance.

According to Mohan Suresh President FISME large amount of allocations in social sector will boost demand of goods and services from the 'bottom of the pyramid'. This will greatly help India sail through the period of slowdown. He hailed the budget as growth-oriented and balanced.

More than 10 million MSMEs stand to gain from a landmark announcement that enterprises having annual turn over less than 40 lakh will have an option to declare their income @ 8% and need not maintain any books of accounts. This will rid a very large number of businesses from harassment of Income Tax authorities. The scheme will come into effect from Financial Year 2010-11.

Another simplification booster dose has come from abolition of Fringe Benefit Tax (FBT). A move which will be welcomed by enterprises small or large alike.

With announcement of provisioning of funds for Unorganized Workers Social Security the scheme is expected to become operational soon.

The provision of Rs. 4000 crore to SIDBI for refinancing is also welcome. Though large Indian banks do not have the problem of liquidity, smaller banks and State Financial Corporation can make use of the fund. It may enhance flow of funds towards MSMEs.

Taxation

Some noteworthy announcements in the Budget to the MSMEs are:

- Weighted deduction of 150% on expenditure incurred on in-house R&D to all manufacturing businesses
- New Direct Tax code in 45 days
- GST to be dual – Central and State and GST road map to be adhered for 1st April 2010
- Linking exemption to investment starting with setting up of cold chains, warehousing etc.

Exports

The Budget has several proposals for the exporters which have been hit by the global slowdown viz.

- a. MDA allocation enhanced by 148% to Rs 124 crore
- b. 2% Interest subvention extended up to 31st March 2010 on seven sectors viz. textiles including handlooms, handicrafts, carpets, leather, gems and jewellery, marine products and small and medium exporters.
- c. Exporters spared of first paying and then claiming refunds of Service Tax to transporters and agents

Textiles

Textile has been one of the sectors affected adversely during global slowdown. Some important steps taken in the budget are:

- A major reform has been effected by announcing 8% excise duty on man made fiber and yarn on mandatory basis and optional beyond fiber and yarn will help streamline the valued addition chain. The move, demanded by the textile industry, will make the textile supply chain more efficient.
- Two more mega handloom clusters for West Bengal and Tamilnadu and two mega cluster schemes for carpets in Srinagar and Mirzapur.
- Reduction in duty on woolen and cotton waste from 15 to 10 % will help the Panipat, Ludhiana and Amritsar MSMEs manufacturing blankets and suitings.

Gems and Jewellery

- To help provide a succor to the Jewellery manufacturer exporters, branded jewellery is fully exempted from excise duty so that they could access the domestic market. It will give boost to organized gold jewellery manufacturing in the country.