Robust Eco-System to Spur Growth & Massive Employment

Neeraj Bajpai

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"Rome was not built in a day" is a well-known adage. It symbolises likewise, emergence of a robust eco-system for start-ups, industrial units and other commercial ventures, capable of absorbing ever swelling ranks of unemployed which can not be accomplished in a short space of time.

The Finance Minister's recent budget narrative is indicative of the fact that the Government of the day is cognizant of ground reality and challenges ahead to meet India's leaping expectations and basic requirements.

The task becomes more tedious when the global economy is in serious crisis which has left financial markets battered and contracted global trade. Amid all these global headwinds ,the country's economy has held its ground and the International Monetary fund (IMF) has hailed India as the only "bright spot".

Unveiling the Budget 2016-17 proposals, the Finance minister thus summed up the country's economic scenario vis-a –vis international economic situation. He exuded confidence to fulfil the government's commitments to implement successfully flagship programmes including Start-up India, Make in India ,Skill development, creation of employment avenues and timely implementation of a large number of other plans despite the looming threat of further global slowdown and turbulence.

The Prime Minister has made it clear that his mantra is for Start -up India, Stand up India. "To provide a favourable ecosystem for start-ups, the budget has provided plans in the taxes. Our Dalit and tribal youth now wants to become entrepreneurs. They do not want to be job seeker anymore but a job creator. In order to realise their dreams, the government has decided to establish an entrepreneurial hub", the PM commented, hailing it as the future economic agenda.

The Government, giving a big push to Make in India programme, now emerging as the main focus for employment generation, has announced a raft of tax incentives to boost domestic manufacturing.

Other sops include tax incentives and norms for easy business practices. Smaller industries will have maximum

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advantage from these measures which also mitigate litigations and provide exit routes in case of failures.

Revised excise and custom duty rates are bound to give cost benefits to a slew of Make in India plans IT hardware, capital goods, textiles, defence production, and bunch of other goods, experts say.

For example, in the Telecom sector, the government has attempted to curb imports of the mobile handsets components by withdrawing customs and countervailing duty exemptions. The step is bound to impart a boosting impact on local production of mobile phones and peripheral products.

Now, both the central and many State governments are building up climate to attract investment which will help domestic industry, Start ups and Make in India initiatives. It will result in more employment. The concessions promised in the Budget will have positive cascading impact on overall financial and social growth.

Investor summits are being held both inside and outside the country. In one such global meet in Haryana recently, the Finance Minister called upon states to reform to attract investment as investors do not like policy paralysis and prefer destinations that offer more favorable business and political environment. He said that apart from co-operative federalism, India has also become a competitive federalism and the future would be competitive federalism because it's not Centre-state relation, but it is states and states competing with each other to attract investment. "those (states) who do not reform, people in those states are at a disadvantage and those who are in a position to offer more favourable economic, business and political environment to investors, could benefit." Reform or perish could not be more true than it is today", he added.

While presenting the General Budget in the Lok Sabha recently, the Finance Minister dwelled on Start -ups and said they generate employment, bring innovation and are expected to be key partners in Make in India programme.

He has proposed to assist their propagation through 100 per cent deduction of profits for 3 out of 5 years for start-ups set-up during April 2016 to March 2019. MAT will apply in such cases. However, capital gains will not be taxed if invested in regulated/notified Fund or Funds and by individuals in notified startups, in which they hold majority shares.

He has also proposed a special patent regime with 10 per cent rate of tax of income from worldwide exploitation of patents developed and registered in India. He said that customs and excise duty structure plays an important role in incentivising domestic value addition towards Make in India campaign.

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The Government also proposed to make suitable changes in customs and excise duty rates on certain inputs, raw materials, intermediaries and components and certain other goods and simplify procedures so as to reduce costs and improve competitiveness of domestic industry in sectors like Information Technology hardware, capital goods, defense production, textiles, mineral fuels & mineral oils, chemicals and petrochemicals, paper, paperboard & newsprint, Maintenance repair and overhauling of aircrafts and ship repair, etc.

To provide skilled hands to growing industry and generate employment, the Government has decided to set-up 1500 Multi Skill Training Institutes across the country for which Rs 1,700 crore has been set aside in the Budget. He made it clear that it is the endeavor of the Government to bring entrepreneurship to the doorstep of youth through Pradhan Mantri Kaushal Vikas Yojana (PMKVY).

According to him, the Skill India Mission seeks to capitalise the country's demographic advantage. Since its launch, the National Skill Development Mission has created an elaborate skilling eco-system and imparted training to 76 lakh youth. The government has decided to set-up a National Board for Skill Development Certification in partnership with the industry and academia ."We propose to further scale- up Pradhan Mantri Kaushal Vikas Yojana to skill one crore youth over the next three years."

Experts say if one crore youth are skilled over the next three years, it would certainly herald a new era of employment and productivity will increase substantially across the board.

As per the plans, entrepreneurship, education and training will be provided in 2200 colleges, 300 schools, 500 government ITIs and 50 Vocational Training Centers through Massive Open Online Courses. Aspiring entrepreneurs, particularly those from remote parts of the country, will be connected to mentors and credit markets.

Pursuing the agenda of employment, the government, in order to incentivise creation of new jobs in the formal sector, will pay the Employee Pension Scheme contribution of 8.33 per cent for all new employees enrolling in EPFO for the first three years of their employment. The Scheme will be applicable to those with salary up to Rs.15,000 per month and a budget provision of Rs.1000 crore has been made for it. Further, the Finance Bill, 2016 proposes to broaden and liberalize the scope of the employment generation incentive available under section 80JJAA of the Income Tax Act.

Elaborating the Government's plan for job creation, the Finance Minister said a National Career Service was launched in July, 2015.Already 35 million jobs seekers have registered on this platform. In the new Budget, the Government proposes to make 100 Model Career Centers operational by the end of 2016-17.

It also proposes to inter-link State Employment Exchanges with the National Career Service platform. A Bill shall be introduced in the current Budget session of the Parliament in order to amend the Companies Act 2013.He said that this will remove the difficulties and impediments to ease of doing business.

The Bill would also improve the enabling environment for Start-ups. The registration of companies will also be done in one day. The Finance Minister said boosting employment generation, through economic growth, is a main objective behind these proposals.

Other objectives, he said, would be for incentivising 'Make in India', to promote measures for moving towards a pensioned society and for promoting affordable housing. Such provisions to boost economic growth and employment include-100 per cent deduction of profits for 3 out of 5 years for start-ups, during April, 2016 to March 2019, with certain riders.

Similarly to promote innovation, a special patent regime with 10 per cent rate of tax on income from worldwide exploitation of patents developed and registered in India was proposed.

Non-banking financial companies shall be eligible for deduction to the extent of 5 per cent of its income in respect of provision for bad and doubtful debts. The corporate income tax rate for the next financial year of relatively small enterprises i.e companies with turnover not exceeding Rs. 5 crores (in the Financial Year ending March 2015) is proposed to be lowered to 29 per cent plus surcharge and cess.

The new manufacturing companies which are incorporated on or after March 1, 2016 are proposed to be given an option to be taxed at 25 per cent plus surcharge and cess, provided they do not claim profit linked or investment linked deductions and do not avail of investment allowance and accelerated depreciation. Service tax on services provided under Deen Dayal Upadhyay Grameen Kaushalya Yojana and services provided by Assessing Bodies empaneled by Ministry of Skill Development and Entrepreneurship are also proposed to be exempted.

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Retail sector is the largest service sector employer. The government is of the view that many more jobs can be created in the sector ,provided the regulations are simplified.

The Finance Minister said if the shopping malls are kept open all seven days of the week why not small and medium shops could follow the same? These shops should be given the choice to remain open on all seven days of the week on voluntarily basis with full protection of workers' right of mandatory weekly holidays and number of working hours per-day.

The government proposes to circulate a Model Shops and Establishments Bill which can be adopted by states also on voluntarily basis.

In India where about 65 per cent population is below 35 years, the government is resorting to all means to create jobs but to create robust ecosystem to absorb huge unemployed youth is a major challenge and needs fair space of time.

The Budget proposal for levying interest on employees provident fund (EPF) had created suspicions in minds of scores of employees but it is being withdrawn now.

This is a good development and helps build up healthy environment for workers, backbone of industry.

Finance Minister has said the proposal for levying tax was brought with intention to encourage PF subscribers investing in pension schemes for ensuring more secured retired life. However, in view of representations received from several MPs and a number of organisations, he withdrew the proposal. He, however, clarified that tax proposal on the National Pension Scheme was being retained. In the Union Budget, it was proposed that from April 1 this year,60 per cent of the amount deposited in the EPF account of the employee would be taxable at the time of withdrawal while 40 per cent would be tax free.

The government aims to transform India through measures like doubling Farmers' income in next 5 years; rural employment and infrastructure; healthcare, education, skills and job creation; infrastructure and investment; financial sector reforms; governance and ease of doing business; fiscal discipline and tax reforms. ❑

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