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Sabka Vikas: A Great Start to a Long Innings

A blueprint for real change at multiple levels has begun with a bang. It's like a Tendulkar first-ball T20 six

"Be the change you want to see," said Mahatma Gandhi. If I were to point out the single defining feature of Budget 2105, it is the government's commitment to change. Change backed by four Is: intent, ingenuity, imagination and putting India first.

It will drive growth, promote equity, kickstart India's stalled capex cycle and give a huge push to the prime minister's dream of 'Making in India'. It will also usher in a new era of cooperative federalism, with the states getting a much higher share of central taxes.

There is good news on the fiscal front. When FM Arun Jaitley announced a deficit target of 4.1% in his maiden Budget last year, not many were willing to give him a chance. Well, the numbers are in. The performance is as good as the promise.

By pushing back the medium-term fiscal deficit target of 3% by another year, the FM has created the necessary fiscal room for enhanced public spending in infrastructure, which is clearly the need of the hour. Meeting last year's deficit target was important not just as an end itself but as a means of restoring the government's fiscal credibility.

The fiscal discipline is backed by path-breaking initiatives on infrastructure financing, simpler and more rational tax administration, faster systems of government approvals and clearances through a single-window mechanism and what the FM has called a new environment of regulatory convergence.

On the reforms front, the much-awaited rollout of GST will help create a common Indian market and slash cascading tariffs.

Untargeted subsidies have long threatened India's fiscal health. Budget 2015 sends out the clearest message yet by any elected government of a fundamental overhaul of our subsidy regime. A rapid expansion of the direct cash transfers, already underway, through JAM—Jan Dhan, Adhaar and Mobile—technology will dramatically reduce this wasteful expenditure and directly benefit millions of Indians.

Industry has long demanded the establishment of an efficient and effective insolvency system to build confidence among credit providers, resulting in reduced borrowing costs. The FM's promise of a comprehensive bankruptcy code in the year ahead is, therefore, very timely. I am sure he will very soon also include the formulation of a world-class arbitration law within the ambit of his reforms agenda.

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The FM has reiterated his unequivocal support to making India's tax and legislative regime non-adversarial, predictable, stable and transparent, which will be a huge incentive for investors across the world.

There has been a conscious effort to remove tax irritants. The deferment of GAAR by two years and the limitation of its subsequent application to prospective cases, together with the abandonment of unviable DTC provisions should help create a more conducive tax regime. The abolition of wealth tax and its substitution by a 2% tax surcharge on the superrich, is welcome. It might help make India a destination of choice for its diaspora, and help channelise their wealth and savings into productive use.

The promised move to a lower rate of taxation for corporates over the next four years by removal and rationalisation of exemptions, is an important step forward not just in creating a stable and simplified tax regime but also in upholding the principle that any changes in tax rates must come with adequate notice.

On the infrastructure front, the Budget presents evidence both of rethinking and a new approach. The FM has rightly acknowledged that the current PPP model needs to be reworked with the sovereign assuming a much greater degree of risk. To meet India's huge capital need for infrastructure, he has proposed creation of a National Infrastructure & Investment Fund with initial equity of ₹20,000 crore.

But clearly there is more to be done. The plan to float new tax-free bonds in key areas of infrastructure creation such as railways, roads and irrigation is an indication that he is aware of the magnitude of the fund-raising challenge that would extend to the government's ambitious renewable energy programme.

Budget 2015 represents what is, perhaps, the most wide-ranging policy initiative any government in India has taken to rein in black economy. From administrative changes in the process of data-gathering to the mandatory use of the PAN in all—or nearly all—property transactions to the enactment of a new comprehensive law, there is a huge statement of intent on curbing black money. I'm confident that it will transform the way business is done here.

The prime minister has put equity—Sabka Vikas—at the top of his economic agenda.

Budget 2015 is a watershed in promoting social equity. By offering those at the bottom of the pyramid accident and life insurance at the cost of ₹1 a month, it has redefined our notion of the 'safety net'.

The Budget outlines significant fiscal incentives for the Swachh Bharat campaign with all donations, other than CSR contributions, to the Swachh Bharat Kosh being made 100% tax deductible. More resources will come from a 2% levy on select taxable services. Our future generations can look forward to a cleaner and greener India.

To end on a cricketing analogy. This Budget is the equivalent of a first-ball six by Sachin Tendulkar in a Twenty20 World Cup final. That does not mean that we can declare victory yet. But with Prime Minister Narendra Modi on strike and FM Arun Jaitley at the other end, we can expect a long innings of 3 Ps: positive, practical and progressive stroke-play.