CIN : U51109WB1883GAP000462

Calcutta Chamber of Commerce

ESTD 1830

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Ref. No. CCC-5H/14

Date: 23-07-2014

By Speed Post

Shri Arun Jaitley
Hon'ble Minister of Finance
Government of India
Central Secretariat, North Block
New Delhi - 110 001

Respected Sir,

On behalf of the Calcutta Chamber of Commerce, we have pleasure in forwarding for your kind consideration a Memorandum giving our suggestions and comments on Union Budget 2014-15.

With regards,

Yours sincerely,

R. K. CHHAJER
PRESIDENT

Encl. As stated.

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POST BUDGET MEMORANDUM ON UNION BUDGET: 2014-15

I. Macro Economic Policy

Presently India is facing economic slowdown. For annual growth of 8-9%, it requires a kick start which is missing in the budget; neither there is any statement in the Parliament in this regard.

II. Focused Directions required in Budget Document in following areas

a) To get the industrial production back on track (earlier growth of IIP used to be 8% +, presently it is minimal).

In the last two years the economy has collapsed and Index of Industrial Production (IIP) is now hovering around zero mark, and the impact is visible for everybody to see. As a result of the same Tax GDP ratio is falling which is consequently worsening the central finance.

b) To control inflation, we do not find any roadmap. The government will have to tame the inflation if it wants to back the economy on track.

Because of the inflation, pensioners and other fixed income citizens are having difficult time. RBI is keeping interest rate high, which is a disastrous impact due to high interest rates, people are not buying cars, homes etc. and that has a cascading effect leading to less demand in the entire economy affecting many industries and creating unemployment. No country can prosper where the inflation is more that 5% and, in our case, it has been running at 8-9% for the last couple of years.

c) Agriculture produce like fruits & vegetables are presently wasted 40% of total production. Through tax incentive & PPP, the government should create additional cold storage capacity to stop wastage of agricultural produce.

d) In the past 2 years, due to various scams, private business has just stopped investing. The immediate issue is to keep the business sentiment high. Enormous work is required to bring back and restore confidence of the investors in private sector.

e) There are bigger issues in the social sector which cannot be ignored and require long term solutions. Social sectors like Health, Education, Sanitation, Drinking Water require some medium & long term solutions. In these areas, India is behind the rest of the world. The Government will have to invest in these sectors. It is very important that the government should ensure that money is spent correctly and we improve the delivery of these public services.

f) Action Plan required for redevelopment of Slums in our Cities; Congestion at our Ports; Low productivity in agriculture; High degree of unemployment.

III. **FDI** in Defense production and Insurance sector should be raised to 51% to evoke Investment sentiment amongst the overseas investors. In defense transfer of technology should be made mandatory so that we stop buying spares.

IV. **Taxation Proposals:**

a) Dividend and Income Distribution Tax (Sec.115-O, 115-R)

The proposal to grossing up of an amount of distributable income and dividends is anti investment sentiment of the investors' community. The existing provisions of the act should not be disturbed and the same should continue.

b) Long Term Capital Gain on Debt Oriented Mutual Fund

Proposal to provide that Debt-Oriented Mutual Fund shall be short term capital asset, if it is held for not more than 36 months, should not apply to investment already made in such debt-oriented mutual fund prior to 10th July 2014. Otherwise proposed amendment amounts to retrospective amendment.

c) Investment Allowance to a Manufacturing Company

For existing growth of manufacturing sector the threshold limit of investment in new plant and machinery has been lowered from Rs.100 crore to 25 crore, but MSME & small scale sector are outside the purview of the said investment allowance Under Section 32AC of the Act.

It is therefore, suggested that the threshold limit of Rs.25 crore should be lowered down to Rs.25 lacs.

d) Corporate Social Responsibility (CSR)

Companies Act and Income Tax Act both are legislations of Central Government. If one act provide for compulsory spending of certain percentage of profit relating to CSR, the other act should not levy tax on the same. In other words, such expenditure should be allowable expenditure under the Income Tax Act as well.

We strongly oppose the proposal for not allowing such expenditure under Sec.37(1) of the Income Tax Act.

e) Compulsory Pre deposit of disputed amount of Tax under Indirect Tax: We protest because it will fuel corruption and there is fear that the assessing officer will misuse the power because of proposed provision.

f) Accounting Standard

The proposal to provide standard on income computation would be duplication of Income Tax Act & Rules. Therefore, no standard should be notified for income computation U/s. 145 of the Act.

g) Agriculture income of the rich farmers (land in excess of 10 acres, to begin with) should be bought under the tax ambit.

h) Limit of interest paid to the FI for the home loan should be increased to Rs.3 lacs.

i) Interest Payable by Assessee U/s. 220 of the Act

The proposal to implement the theory of continuity of proceeding on the liability of assessee to pay interest is anti-settled principles of law. Once an appeal is passed on assessment order, the appeal order merges with the assessment order. If the second appeal proceeding is pending on this background before tribunal, the liability to pay interest should arise only on the merged assessment order and not on the original assessment order or original notice of demand.

Therefore, we oppose the proposal to continue the liability of interest till disposal of appeal by the last appellate authority.

j) Failure to produce accounts and documents (Sec. 276D) of the Act

The proposal to provide punishment with rigorous imprisonment and also with a fine on failure to produce accounts and documents as per notice issued U/s.142(1) of the Act is very harsh and Direct Tax Act should not contain so harsh provisions for petty default against which existing punishment of expertise assessment order and penalty in the shape of fine are sufficient to deter any person to commit such default.

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