

Subsidies to be rationalised: Arun Jaitley

wooing global investors, Finance Minister Arun Jaitley on Thursday hinted at rationalising subsidies, rebuilding credibility of taxation structure and calling a joint session of Parliament to get the Insurance Bill passed if it is not cleared in the coming session.

Laying the fiscal road map ahead of his first full-fledged Budget, he sought to assure investors at the ongoing World Economic Forum (WEF) that subsidies will not be completely eliminated but only rationalised to cut expenditure.

Speaking at two back-to-back events on the second day of his arrival in Davos, Mr. Jaitley touched a variety of subjects ranging from the challenges facing the government, the need to make it easier to do business in India and to India's relations with the U.S. and Russia.

“As far as LPG is concerned, the first subsidy reform has started this month. From January 1, all subsidies with regards to cooking gas, now goes directly to bank accounts....

“Next stage, we have to carve out families who are not entitled... Kerosene is used both as fuel and also in dark areas in India. But kerosene is also being misused in many areas. So the next area we intend tackling is kerosene,” he added.

“Elimination of subsidies in India, a country where one-third of people are still living in poverty conditions, is not possible, its not even desirable... But we have to rationalise our subsidies,” he said.

He was speaking to investors at a breakfast meeting organised by CII along with Boston Consulting Group and another session devoted to India at the WEF.

Racing against time to convert various Ordinances into law in the Parliament session that will be dominated by financial business, Mr. Jaitley expressed confidence that Insurance Bill will be passed in the Rajya Sabha because Congress is also in favour.

“If it is not approved, we will go for joint session of Parliament. If it is delayed beyond six months, we will go for joint session where we will have majority,” he said.

Mr. Jaitley said there was also a law that if someone invests during the Ordinance period, it will be irreversible.

“So we want investors to come in straight away. Those who come in before March 31, they have a permanent entry,” he said.

Apparently referring to the controversial retrospective taxation of the previous government that spooked global investors, Mr. Jaitley said one major challenge was to re-build credibility of Indian taxation structure.

“I have publicly said I am against adversarial taxation. Currently I am in the process of making Budget and I have seen that I have not earned a single rupee from all those contentious cases. All I have got is bad image and no money,” he said.

He was obviously referring to the disputes over tax on Vodafone and other foreign companies which the Income Tax Department lost in courts.

The Finance Minister also made it clear that he was against high tax rates. “We are not a high-tax government. We believe in giving more money into the hands of consumers so that they can spend,” he said.

Replying to a question on whether the Minimum Alternate Tax (MAT) will be lowered or withdrawn to boost manufacturing, Mr. Jaitley said he cannot do so unless manufacturing picks up or he gets more revenue.

He said the government has a road map to bring down fiscal deficit to three per cent of the GDP over the next couple of years from this year’s target of 4.1 per cent.

Maintaining that there was a “lot of mess to clear up” left behind by the previous government, he said India had become an unstable if not an unreliable investment destination.

“The last government even brought retrospective changes to tax policy. That actually became a defining moment. Then there was this thing about we (Indians) wanting to buy from foreign companies but not allowing them to come even with 49 per cent stake.

“So we have defined our policies now. In my brief tenure as Defence Minister, I took some fast decisions and suddenly we had large Indian groups collaborating with foreign players in different sectors to make products in India,” Mr. Jaitley said.

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