

## Budget 2007 and common man

Once again it's time for the budget and without beating about the bush let's get straight into it.

First of all budgetary allocations for the Bharat Nirman program has been increased by 31.6%. In case you're wondering the Bharat Nirman program is one of the key flagship programs of the UPA government that focuses on development in rural India. The key aims of the program include enhancement in rural infrastructure such as housing, roads, irrigation, electricity, potable water and telephone connectivity. The allocations for education and health and family welfare have also increased by 34.2% and 21.9% over the previous year. All of the above measures were expected and bode nothing extraordinary. In fact after the debacle in the assembly elections in Punjab and Uttarakhand the Congress desperately needs to shore up its feel good policies focusing on the rural masses. Therefore the scope of mid day meals for primary students has been increased and a 100,000 educational scholarships are to be given out each year. Also the rural employment guarantee scheme is to be increased to include another 130 districts. Plus a budgetary allocation of Rs.108 crore has been set aside for multi-sectoral development in districts with minority concentrations.

Keeping aside the broad parameters lets examine how this year's budget will affect our pockets. Firstly things that will be cheaper are petrol and diesel, computers (desktops and laptops), television sets, vegetable oils, all plastic/ceramic/steel kitchenware, footwear, coffee, clothes and fabrics, air conditioners, refrigerators, cell phones, diamonds and&hellip; pet food.

On the other hand vegetables, certain fruits, cream and milk, grains and pulses, cars and scooters, cigarettes and tobacco products, computer printers and softwares, private jets, set top boxes, tea and LPG and kerosene will all be more expensive.

For the layman I suppose it would be somewhat of an oddity that the budget has decided to make diamonds and pet food cheaper but has raised the prices of vegetables and pulses. I would think it would be the other way around. But then again I am not a seasoned economist like Mr. Chidambaram. Then there are certain things that are quite amusing. For example petrol is cheaper but cars are not, computers are but software aren't. Sends across mixed signals doesn't it? I mean do you or do you not want us to drive cars? And how in the God's name am I supposed to operate my computer without softwares? Oh wait&hellip; with pirated softwares of course. Kitchen utensils are cheaper but how am I supposed to cook anything if I can't afford vegetables? I mean you make dish-washers cheaper but don't really know whether you can put food on those dishes in the first place. Or is the thinking that dish-washers are for the rich and the rich can afford expensive vegetables? But where does that leave the poor? And I suppose refrigerators are for storing diamonds and pet food. Like I said I am not an economist.

On the tax front nothing much seems to have changed. All income tax rates are exactly the same. It's just that the tax exemption limit has been increased by Rs.10,000 in all categories. However, the IT firms are not happy about the imposition of MAT or Minimum Alternative Tax. This goes against the present policy of IT firms enjoying tax holiday till 2009 and also possibly dashes hopes of the renewal of the same after that date. They were also not particularly pleased about Employee Stock Options being considered as Fringe Benefit and therefore subject to a whopping 33% Fringe Benefit Tax. This they believe is a backward step and not in line with the industry objective at the moment. However they did acknowledge the positive in the budget of greater allocation to e-governance

which they believe will bring increased government spending their way.

Apart from that there were certain lukewarm measures such as tax holiday of five years for new hotels, tax holiday for all undertakings in the state of Jammu and Kashmir till 2012, greater defence allocation, creation of 1,00,000 jobs for the physically handicapped, increase in educational cess by 1%, service tax exemption limit for small service providers to be increased to Rs.8 lakh from the current Rs.4 lakh limit.

The only new thing is the introduction of Aam Admi Bima Yojna scheme which is essentially a death and disability insurance scheme to be introduced for landless rural households. The scheme will be introduced via LIC through the Panchayati mechanism.

All in all the budget is neither too hot nor too cold but whether it can deliver its promise of sustained economic growth while checking spiraling inflation is something that is yet to be seen.

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