NASSCOM

A GROWTH-ORIENTED BUDGET; WILL HELP IN PROVIDING MUCH-NEEDED BOOST FOR THE ECONOMY

Keeping in mind the unprecedented times the world and the country have been witnessing the past one year, it is commendable for the government for creating a comprehensive budget with a sharp focus on sustaining economic activity and investment in key sectors like healthcare, fintech, education, infrastructure, R&D, start-ups and manufacturing. The budget introduced some ease of doing business measures ranging from taxation to investment to help boost the country's economic activities and ensure job creation.

The plan to set up a world-class fintech hub and the allocation of INR 1,500 crore to provide financial incentives for digital payments are certainly positive steps towards realizing a cashless economy. At NASSCOM we have been emphasizing the importance of India as the hub for digital talent and innovation and are glad to see the increased focus on innovation and skilling. The proposal to amend apprenticeship law to boost skilling is a welcome step to further enhance employability in the country. Start-ups and SMEs play a critical role in defining India's growth story. While there have been steps taken such as incentivizing incorporation of one-person companies and the extension of claiming tax holidays and capital gains for one more year, this was a perfect opportunity to do something disruptive for the sector, like extending the available tax holiday of 3 years to all start-ups registers under DPIIT, which would impact over 40000 start-ups in the country.

The IT/ITeS industry has been a key driver of growth and jobs in 2020 and we have the opportunity to significantly accelerate its ability to do more. For the IT sector, one of the biggest needs ahead of us is the development of future business models, with hybrid working becoming a reality. We look forward for the government to provide clarity on providing a framework in direct taxes and indirect taxes for the industry to adopt WFH/remote working on a long-term basis. Secondly, we require WFH to be enabled in SEZs on a long-term basis. Since this requires movement of duty-free goods like laptops etc outside the SEZs, the Finance Ministry should provide the requisite clarifications under Customs and GST.

In terms of attracting new investments, NASSCOM has suggested a bold policy concerning the Special Economic Zones (SEZs). The tax holiday for new Units has ended in March 2020. The Government has provided 15% tax rate to attract new manufacturing. We have suggested this same 15% tax rate be offered to IT-ITES companies in SEZs subject to some employment and investment criteria. We believe this can boost economic development in tier-II cities, drive employment and grow our exports.

We tremendously appreciate the support we have received from the Government at every step of the way. Looking forward to getting some of these issues addressed as we gain momentum on our goal of creating a $500 billion Tech Industry in the country.