COVID 19 impact on economy: How India can lead the way

K. R. Sekar*

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* K. R. Sekar is a Tax partner with Deloitte, India and leads Deloitte Private for Deloitte, India.

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Author: **K. R. Sekar**

Email address: krsekar@deloitte.com

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Introduction

The impact of COVID-19, an unprecedented health crisis, has been severe on the global economy. Many countries have declared lockdowns and the immediate challenge is the stress on the healthcare system of most economies. While governments are making efforts to strengthen healthcare, the prolonged lockdown will have serious implications on developed and emerging economies. This article attempts to analyse the impact of COVID-19 on the Indian economy and provide suggestions to tackle the economic challenges on account of the pandemic.

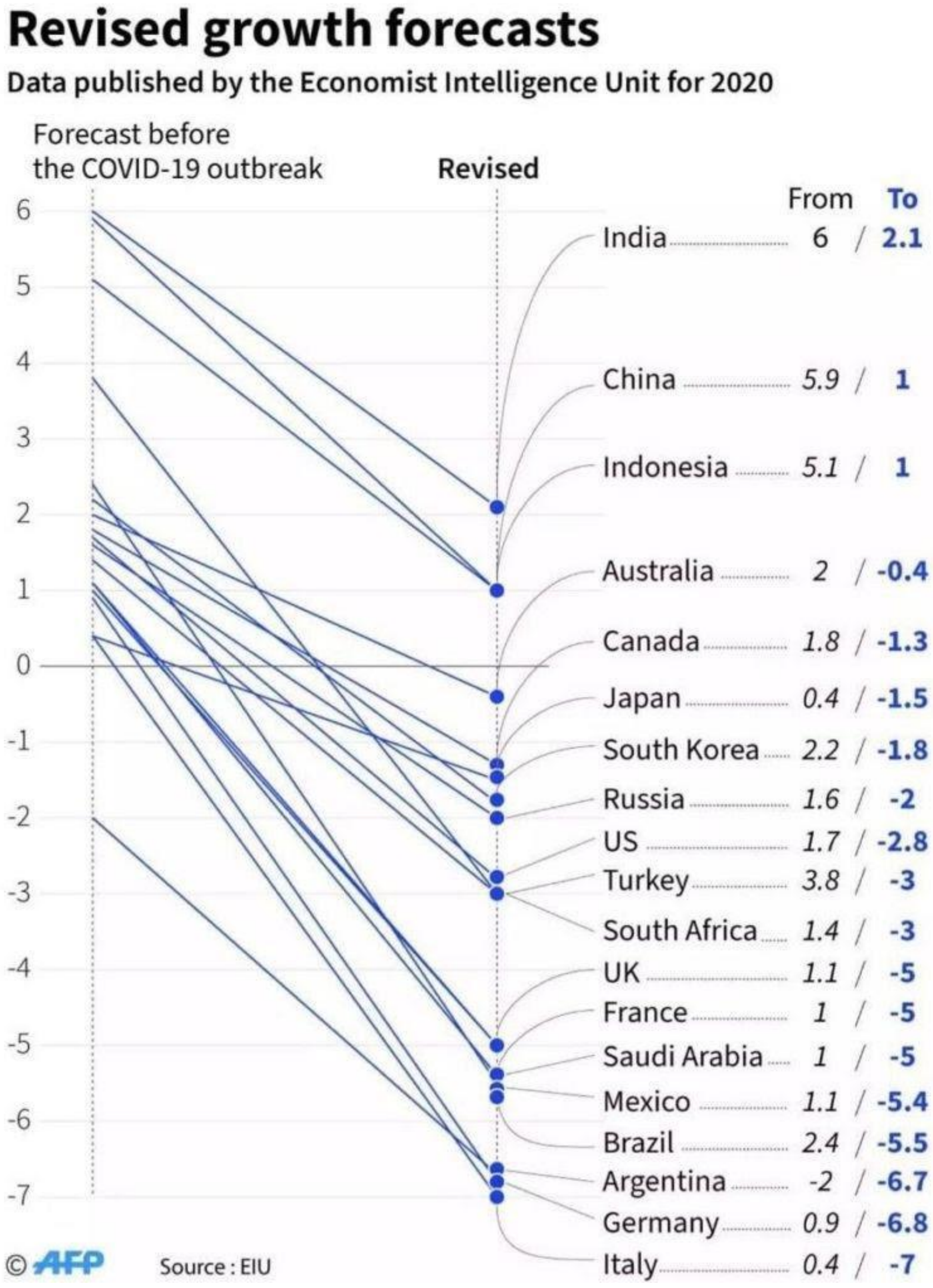
Impact of COVID 19-Global Impact

According to an UNCTAD analysis, the updated estimates of COVID-19's economic impact include a downward revision in future earnings of the largest multinational enterprises. This would also affect the investment (FDI flows) plans of these enterprises. The projected impact on FDI inflows ranges from 30 per cent to 40 per cent during 2020-2021, a steeper fall than the earlier projections of 5 per cent to 15 per cent.[1]. The UNCTAD report further points out "*even so, the world economy will go into recession this year with a predicted loss of global income in trillions of dollars. This will spell serious trouble for developing countries, with the likely exception of China and the possible exception of India,*"

The Economic Intelligence Unit (EIU) has predicted a bleak picture of GDP growth for G20 nations. According to Agathe Demarais, the EIU's Global Forecasting Director, "*The global economic picture is looking bleak, with recessions in almost every developed economy across the world. We assume that there will be a recovery in the second half of the year, but downside risks to this baseline scenario are extremely high, as the emergence of second, or third waves of the epidemic would sink growth further. At this stage, it is also hard to see an exit strategy from the lockdowns, which means that uncertainty will remain high. Finally, the combination of lower fiscal revenues, and higher public spending, will put many countries on the brink of a debt crisis.*"[2]

[1]Source-https://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=2313
[2]Source-https://www.eiu.com/n/covid-19-to-send-almost-all-g20-countries-into-a-recession/

The EIU has predicted the GDP growth of G20 nations and the same is tabulated below:



The data reveals that India is will have a GDP growth of 2.2 percent and will be one of the few countries with a positive GDP growth, the others being China and Indonesia. Today RBI Governor in his address to the nation on Lockdown quoted IMF reports and India's GDP will be at 1.9 for 21 and will rebound to 7.4 per cent to 22.[3]

Indian Economy –Can it sustain post COVID 19Crisis

The 2020 Economic Survey released by the Ministry of Finance 2020ranks India moved up in the ranks to 5 in terms of GDP with GDP estimated at US$ 2.9 trillion[4]while UK and France have dropped down. Between 2004-05and 2019-20, there has been significant growth in India's GDP from US$0.7 trillion to US$2.9 trillion. The Economic Survey points out that "*As in other major economies, India's Gross Domestic Product (GDP) growth also correlates with the growth of global output, an observation earlier made in the Economic Survey of 2015-16. Not surprisingly, the deceleration in India's GDP growth since 2017 has tracked the decline in world output. However, for three years prior to 2017, when global output growth was not declining, India surged ahead of the rest of the world, recording in 2014-18 an average growth significantly higher than that of any comparable peer, both among advanced and emerging market economies"*.[5]

If we go by this, there is a clear correlation between India's growth rate and the global growth rate. The question is whether India can continue to outpace its peers in terms of its growth rate despite the predicted global slowdown due to COVID-19?

Challenges to Indian economy post COVID 19

The performance and growth of Indian Industry will be significantly impacted due to COVID 19 and the Industries will face the following challenges.

- Fall in foreign direct investment inflows into India as industries round the world face shrinking revenues as a result of COVID 19
- The data reveals that more than 30% imports are from China and US and major manufacturing Industries depend on imports. Due to increase in exchange rates and also challenges on sourcing as global economy may also shrink due to COVID 19 and the imports may become costlier.
- Higher cost of imports due to appreciation of the US$ vis-à-vis the rupee
- Less domestic demand due to fall in purchasing power
- Inability to raise resources in market due to credit squeeze
- Rising unemployment as companies may face imminent closures or downsize labour due to possible increase in cost of production
- If the rural economy fails to get support and face lift from Government the crumbling of Rural Economy is imminent and with the result there would be large scale migration from rural to urban areas and may cause a major unemployment crisis
- Impact on MSMEs would be severe as they are already reeling under severe crisis due to the economic slowdown; COVID 19 will further cripple the sector
- Due to severe liquidity crisis the non-payment of dues by lenders to Banks will further impact the NPA crisis.

The above are some of the challenges posed by COVID-19 to the Indian economy and for Indian entrepreneurs. This will impact the performance of industry and may have a crippling effect on the economy. Does it mean it is doomsday for India?

[3]https://www.rbi.org.in/Scripts/bs_viewcontent.aspx?Id=3853
[4]Economic Survey-Vol. II-Page 22- Table 1
[5]Indian Economic Survey-Vol. II-Para 1.2 and Page 20

In my view though challenges posed by COVID 19 is severe, one cannot predict a dooms day for India as India has significant advantages in the form of huge domestic demand, larger pool of skilled workers and huge opportunities. In order to revive the Economy the government should have a clear focus with a clear intent to grow on the following sectors as the growth of these sectors will increase employment opportunities and revive the economy. The better performance of the following sectors will help India to thwart the impending unemployment crisis, push the growth of GDP and can create a vibrant economy in the years to come.

- Agriculture and Food Processing Industry
- Infrastructure
- Textile and Garments Industry
- Technology Industry
- E Commerce Industry
- Automobile and Auto Components Industry
- Education Sector

Measures to improve the performance of important sectors

In addition to framing liberal policies to support the growth, the role of Government should change from mere policy makers to that of being banker, enabler, and catalyst for the growth of economy across all sectors. The following paragraphs deals with some of the measures that would enhance the performance of various sectors.

Action so far – Is it sufficient

One of the biggest challenges during Post COVID 19 situation that will be faced by industry is availability of credit/funds for companies, SMEs and start-ups.

Since the COVID 19 outbreak, the Governor of Reserve Bank of India announced some important steps on April 17, 2020,[6] that should stimulate the growth of credit and help India recover from loss imposed by COVID 19.

- RBI has been decided to conduct Targeted Long-term Repo Operations (TLTRO 2.0) for an aggregate amount of INR 50,000 crore. The funds availed by banks under TLTRO 2.0 will be invested in investment grade bonds, commercial paper, and non-convertible debentures of NBFCs, with at least 50 per cent of the total amount availed going to small and mid-sized NBFCs and MFIs
- Special refinance of INR50000 crore to NHBs, SIDBI and NABARD.
- Reduction of the fixed rate reverse repo rate by 25 basis points from 4.0 per cent to 3.75 per cent with immediate effect.
- Increase the ways and means advances to state by 60 per cent from existing 30 per cent.
- Lockdown period will be excluded for computing 90 days norm for NPA sector.
- No dividend declaration by banks for the year ended March 31, 2020.

These measures are most welcome as a reduction in the reverse repo rate would reduce the cost of borrowings by banks and would improve banks' liquidity position. The refinancing of SIDBI, NABARD and NHB will help MSMEs and the agriculture sector to a greater extent. Also the policy of "no dividend" will help banks retain profits and enhance liquidity.

[6]https://www.rbi.org.in/Scripts/bs_viewcontent.aspx?Id=3853

On March 27, 2020, the Governor of Reserve Bank of India announced some important measures to give a boost to the economy impacted by COVID 19 crisis. Some of the measures are:[7]

- RBI's has given the 3-month moratorium on term loans and equated monthly instalment payments.
- The reduction of repo rate by 75 basis points or 0.75 per cent from 5.15 per cent to 4.4 per cent.
- Commitment to push liquidity into Banks through Targeted Long Term Repo Operations (TLTRO) of up to three years for Rs 1 lakh crore at a floating rate, linked to the policy repo rate.

Though the above measures are positive measures the Government of India should come out with a stimulus package aiming to enhance the performance of Industry with a more specific covering the following:

- Allowing all the Companies/Business to defer GST Payment for a period of six months as this would help them to plough back the cash into Industry with required restriction on end use.
- Allowing all the Companies to make quarterly payment of withholding of taxes instead of monthly and introduce PAYE (Pay As you Earn basis) to small companies and start-ups to avoid any cash flow challenges. In other words if the business remits the Advance tax and TDS payments before the end of fiscal year or within three month from the end of fiscal year, it should be considered as a compliance and no interest/penalty will be charged.
- Allowing Companies to draw from existing ESI fund/other labour funds upto certain limit from their past contribution to defray the cost of salaries to be paid by private enterprises to workers during next three months.
- Announce a special package for Each Industry on the lines of recommendation suggested in this paper.
- Make sure that Banks deploy the cash in the form of increased working capital facilities to MSME units and other sectors.

The following options also can be considered by banking and finance companies to increase working capital for industry:

Securitisation of Tax Refunds

The government is likely to face significant pressure on revenue collection, post COVID–19, and refund issues may take longer. Delays in issue of refunds will create significant stress on cash-flow management for taxpayers, thus affecting industry. Hence, the government should allow industry to monetise these refunds in the form of securitisation/factoring as a large number of taxpayers are likely to be entitled to significant refunds in income tax and GST due to the squeeze on profits/revenue as a result of the lockdown..

The government, either on its own or through the Reserve Bank of India, should instruct nationalised banks, private banks and non-banking finance companies (NBFCs) to extend loans to the extent of 90 per cent of the refund amounts due. The refunds can be in income tax, GST, customs duty, or other taxes levied by the central and/or state governments. Further, interest rates on these loans should be lower than the interest rate applicable on the refund due from the government, as industry cannot afford to have an additional interest cost at this critical juncture.

Relaxation in working capital norms and term loan norms

Banks should relax norms on margin/debt-equity ratio while advancing term loans /working capital facilities to industry in general and SMEs in particular. Further, industry should have be extended the

[7]https://www.indiatoday.in/business/story/rbi-coronavirus-relief-measures-for-economy-interest-rate-cut-emi-loan-moratorium-1660286-2020-03-27

facility of roll over of loans and should have the benefit of reworking the present loan or interest due to banks.

Agriculture Sector

It is a well-established fact that the Indian economy has a better growth rate in the year when agriculture production is higher. The success of the Indian economy reflects the performance of agriculture and other allied sectors as agriculture plays a significant role in rural livelihood, employment and national food security. The proportion of Indian population depending directly or indirectly on agriculture is as high as 70 percent of India's rural households.[8] In their research paper, [9] the authors point out that *"The negative and inelastic demand for farm inputs explains the sharp increase in the COC due to rising prices of inputs in the recent years".* Further the authors point out that the aggregate level physical use of inputs increased at a smaller rate and a large share of the increase in the Cost of Cultivation was attributed to the rising prices of inputs."

Hence, the government should focus on the performance of the agricultural sector, as it contributes almost 18 per cent to India's GDP and creates more employment opportunities. Further, good agricultural performance will lead to better performance of the agricultural machinery industry and prevent migration of people from rural to urban areas for jobs. Hence, the first and foremost attention of the government, post COVID-19, should be on agriculture.

Support to Farmers

The Government should take steps to reduce the inputs costs and should make sure that the Farmers have adequate monetary resources to manage higher inputs cost. The government should extend interest free loans to poor farmers and give them access to buy or manage inputs at a lower cost as gains to farmers will help them to sustain and also help them to make considerable gains. Further, the government should provide free inputs to farmers through rural co-operative societies and support them through free or low cost farm management services. The government should make sure that farmers ultimately benefit on the final market price for their produce and remove middlemen from such transactions. Farmers should be allowed to sell their products directly or through e-portals set up by Government of India. The e-portals will also incentivise start-ups and encourage the technology sector. Further the establishing of E portals and adoption of Agri-tech solutions will enable the farmers to access the customers and get a better realisation.

Due to lack of adequate credit and income, farmers may migrate to urban areas by selling their lands or leave land unattended. This would not only affect agricultural growth but also create severe unemployment. In order to prevent this, the government, through public-private partnerships (PPP) or through state governments, should set up co-operative societies and buy the lands from farmers who intend to sell the lands due to challenges in farming and employ the same farmers for farming. The co-operative societies should pay farmers daily wages and 50 per cent share of profit from the sale of produce. This will give farmers assured income and a share in profits. The government should ban conversion of agricultural land to non-agricultural purposes for a period of two years or until the economy improves.

The government should also improve the supply chain for agricultural products by establishing more warehouses under the PPP model or by respective state governments or through farmers' co-operatives. A specific line of credit for establishing warehouses can be provided. The government can set up agricultural produce co-operative societies and allow the societies to buy products of farmers at a fair price. The supply chain of the produce can be managed by the newly set-up rural co-operative societies. Rural people should be allowed to start this under the auspices of a Government of India scheme, so that middlemen are eliminated.

[8]Indian Economic Survey- Page 193 Vol. II

[9] Changing Crop Production Cost in India: Input Prices, Substitution and Technological Effects S.K. Srivastava*, Ramesh Chand and Jaspal Singh NITI Aayog, New Delhi-110 001

Mega food parks/food processing zones can be set up under the National Food Park Scheme. The benefits of power subsidy/input tax exemption should be given for all procurements by units under the National Food Park Scheme. Further, direct procurement by these units from local farmers/ farmers' co-operatives should not be subject to any GST or local taxes. These units should be extended credit facility/working capital facility under the PM Mudra loan scheme and be extended credit facilities by bankers as a priority sector.

The performance of the agricultural sector is most important as it generates rural demand and increases rural consumption. The proportion of the Indian population depending directly or indirectly on agriculture for employment opportunities is more than that for any other sector. Hence the government should focus on Agriculture for the next two years as the performance of Agriculture will help the performance of food processing sector, agri-tech sectors and other allied sectors and will help the revival of rural economy.

Infrastructure Sector – Road

Infrastructural investments are usually resorted to by governments to help economies overcome a recession. Further, sound and good infrastructure will help the supply chain and minimise the logistics cost. The aim of GOI to improve infrastructure is three-fold:

(i) Connectivity by road
(ii) Improving water/sanitation etc.

How step up in Infra spend can help to mitigate the challenges posed by COVID 19

One of the biggest challenges posed by COVID 19 to various sectors is likely a poor performance of various sectors. Hence the biggest reform needed in Post COVID 19 is higher investment in Infra sectors as this would help the following:

- The building of world class infrastructure in India can lead to 9-10 per cent growth in the Indian economy under the normal circumstances. In the post COVID 19 scenario growth of 9 to 10 percent might be challenging however the growth by 1/3 in the said percentage during post COVID 19 scenario will significantly push the performance.
- The revival and performance of Steel and Cement Sector is directly linked to the improved performance of Infra sector. Hence any growth in Infra sector will allow Cement/Steel sectors to grow.
- The improved performance of Infra sector also helps the better performance on Construction sector.
- The enhanced performance of the above will lead to increase in employment and mitigate the challenges that may arise due to unemployment which may arise during Post COVID 19 situation.

Measures to step up Infra spend

Connectivity by Road

The government should announce mega infra projects by connecting rural India with urban India. It is important to note that higher investment in infrastructure is vital for growth. It has been estimated that India needed to spend about $1.4 trillion (INR 100 lakh crore) on infrastructure even under normal circumstances over the next few years to achieve the GDP of US$ 5 trillion by 2024-25.

In the post COVID 19 situation, the step up of Infra spending is crucial to revive the economy. The total investment on roads as per NIP for various financial years is tabulated below:

S.No	Financial Year	Amount(Rs in crores)
1	FY 19-20	324426
2	FY 20-21	369700
3	FY 21-22	343791

In my view, the Government of India should double the spending on infrastructure in FY 20-21 itself. In other words, the GOI should spend the entire amount earmarked for FY 2021-22 and FY 2022-23 in FY 2020-21itself.

The increased spend would help to establish connectivity and generate employment, thereby pushing growth. This would be a great stimulus package for industry as any push in infra sector will create demand in cement, steel and in the construction industry.

As per the 2011 census, India has more than 600,000 villages. According to a Ministry of Rural Development report, only 1,60,030 of the total 5,29,284 eligible inhabitations were covered under the Pradhan Mantri Gram Sadak Yojana (PMGSY) in last four years.[10] Considering the vast potential, the Government of India should have an ambitious project of connecting 5,000 to 7,000 villages for every state each year. In two years, rural areas will have better connectivity. This would further create employment for the rural population and also address supply chain and logistics challenges.

Connectivity by Roads across India

India has a strong culture and rich history. We have a rich legacy of Lord Ram walking across India and Adi Shankara criss-crossing across India by foot to establish Hindu culture. The Government of India should announce cultural connectivity by establishing road connectivity through all places where Lord Ram and Adi Shankara visited. In this process, various places in remote areas would get connectivity and would also promote cultural tourism. This would create significant employment opportunities and also promote tourism.

In other words accelerated spending on roads and providing cultural connectivity will help India in these challenging times as such huge push in infrastructure will create employment, increase production of cement, steel, construction material and give a fillip to the construction industry.

Further the announcement and implementation of such mega infra projects would help revive construction, steel, cement and other core industries. The growth of Industries during post COVID 19 situation will herald the revival of Indian Economy as the better performance of these Industries during Post COVID 19 situation will enhance the performance of allied Industries too.

Long term infra funding

One of the biggest challenges or impediments to increased infrastructure spending is to raise monetary resources to do so. The Government of India can raise money from domestic and international markets by floating infra bonds with a maturity of 25 to 30 years.

- The GOI can introduce infrastructure bonds with a maturity period of 25 or 30 years and access global markets for this.

[10] Source https://www.newindianexpress.com/thesundaystandard/2018/jul/15/four-years-on-30-per-cent-villages-yet-to-get-roads-in-country-1843382.html

- Indian corporates/Indian financial institutions and banks should be allowed to invest in these bonds.
- Allow Indian citizens to invest in these bonds and give 100 per cent tax benefits for individuals who invest in these bonds.

Indigenisation of Imports

One of the biggest challenges that may have significant impact for Indian industry in the post COVID-19 situation is high cost of imports. As explained in earlier paragraphs, the total imports by the manufacturing sector in year 2019 totalled US$ 313,769 million with imports from China and US almost accounting for one-third of total imports. This causes severe strain on the country's foreign exchange and with an expected appreciation in the US $ vis-à-vis the rupee, import costs are likely to increase. This could provide a boost to indigenisation. The government should come out with a policy to promote indigenisation of products imported under its "Make in India" scheme. Considering the importance of indigenisation, the government should announce subsidy in the form of cash or in the form of waiver of GST for domestic production, equal or part of customs duty that would have been payable on such imports for a period of two to three years. In other words, by providing a subsidy equal to the customs duty payable or by reducing GST on the products purchased, GOI will promote domestic Industry and employment. Since it is only for a limited period, industry will be eager to look for indigenisation of imports. Although there may challenges in implementation, the GOI can come out with a process that would help industry and also facilitate indigenisation. Further, it should not be subjective and should not be left at the discretion of the field officer.

E-Commerce Sector

It is possible that even after the lockdown due to COVID 19 is lifted, the e-commerce industry may have a significant role in reviving the economy due to a possible shift in consumer behaviour. Due to COVID-19, consumer may shift to online shopping rather than depend on retail shops. Hence, it is likely that e-commerce will grow significantly. The e-commerce industry in India has the potential to become the second largest after that of the US. The size of the e-commerce market in 2017 was US$38.5 billion and has the potential to reach by US$200 billion.[11] The growth of e-commerce could prove beneficial because of its direct and indirect employment potential as well as the boost it is likely to provide to technology sectors and start-up companies.

A more favourable regulatory and tax regime for e-commerce could help India realise the potential offered by the sector in terms of boosting growth and employment.

Employment fund

Post the COVID-19 situation and till the huge spending in infra sector happens and creates employment, the government should create an employment fund and invite contributions from all corporates and industry. Contributions to this fund should be eligible for tax rebate of 150 per cent for one year. This is a short term fund created mainly to compensate labourers who lose employment in a short term period, till the situation improves. In other words, people who lose employment and drawing a salary of less than INR 6 lakh per annum, will be given a cash compensation of 50 per cent of salary last drawn, directly into their accounts for a period of three months. The government should announce mega infra projects and mega schemes so that people are gainfully employed in other industries.

Creation of Employment

The textile sector employs 4.5 crore people directly and 6 crore people in allied sectors and second largest employer after agriculture. The government should encourage textile/apparel sector as this sector

[11]https://www.ibef.org/download/E-Commerce-January-2020.pdf

earns significant foreign exchange and also creates employment. The government should allow creation of textile parks and products manufactured by units located in these parks should be exempt from input tax like GST/customs duty and also from income tax. The margins of these industries are low and such exemption on GST/customs duty with alternative mechanism on indigenisation scheme, would help develop this industry. Further, channelling the output of these industries towards domestic consumption will create demand and improve the overall economy. It is also important that the government create a modernisation fund, under the PPP model, to fund modernisation of textile and apparel units. The creation of such a fund will also help the capital goods sector.

These industries typically employ the latest technology in the form of manufacturing. Hence, these industries should be encouraged to adopt Industrial Training Institutes in respective districts under the CSR scheme. Further, due to adoption by these companies, the ITIs would be completely revamped and can be a source of skilled manpower. This would also help the revival of sector.

Education Sector

India has multiple advantages.[12]

- Largest population in the world of about ~500 million in the age bracket of 5-24 years presents large number of opportunities in education space.
- India has over 250 million school going students, more than any other country.
- India's requirement is around 200,000 schools, 35,000 colleges, 700 universities and 40 million seats in vocational training centres to reduce the demand-supply gap.
- Government is targeting gross enrolment ratio (GER) of 30 per cent for higher education by 2020.

The Higher Education Department under the Union Ministry of Human Resource Development released a 5-year Vision Plan, titled '*Education Quality Upgradation and Inclusion Programme* (EQUIP)'. This is in accordance with Prime Minister Narendra Modi's direction for finalising a 5-year Vision plan for each Ministry.

In the post COVID 19 situation, the growth of Education Sector particularly through online learning and E portals will increase significantly. The government should come out with specific policy on Education sector with an aim to revive and more so on improving on line education. This would help the growth of technology sector and also open new avenues for Universities/Colleges to impact training and education.

The growth of the education sector and additional investment in education sector will help improve the education sector as it is the next sunrise industry in the services sector. The government should increase its allocation to the education sector and considerably speed up establishment of more schools/colleges in next two years. Further, the growth of education sector would also help other allied sectors to grow.

The government should also allow foreign universities to set up universities in India or enter into collaboration with Indian universities. Although foreign investment is allowed in the Indian education sector, investment is predominantly coming into education services/online coaching, etc. There is significant loss of foreign exchange when many Indian students go abroad to study. The setting up of branches in India by foreign universities will enable Indian students to get the same quality of education at Indian cost and will save precious foreign exchange. Further, the growth of Indian universities and Indian education will contribute to the growth of the Indian economy and improve the overall education sector.

[12]Source: https://www.ibef.org/download/Education-and-Training-January-2020.pdf

FDI Inflows – India to be a preferred choice

The growth of FDI in India in recent years has been significant. An UNCTAD report estimates total global foreign direct investments (FDI) at US$1.39 trillion in 2019, slightly less than $1.41 trillion for 2018. Although there is a decline in global FDI flows, India is one of the top 10 counties in terms of FDI inflows and recorded a 16 per cent increase in 2019 as compared to 2018.

The pandemic is likely to lead to a decline in global FDI flows but India can still attract more FDI in all sectors, as global organisations will look for alternate countries for manufacturing and services as China is in pre-eminent position on Manufacturing. India should position itself to receive more FDI inflow, despite prediction of global decline in FDI inflow, as India has all the geo-political advantages and is ideally suited to be an alternative destination for manufacturing. As per media reports, the government wants to increase the amount of FDI to as much as 6 per cent of GDP. To enable India to make the most of this opportunity, the following measures need to be taken:

- Simplify labour laws
- Allotment of land for industries
- Introduce a Single Window Clearance scheme
- Improvement of infrastructure such as roads, ports etc.
- Improvement in the Indian legal systems as it takes anywhere between 6 to 8 years to resolve a commercial dispute.
- Transparency in tax administration.

Tax Collection and Tax Administration

The biggest challenge that Government of India may have to face will be on tax collections and improving confidence among taxpayers on tax administration. The following are the measures suggested to improve tax collection:

Extending VSV Scheme

- Extent the Vivad Se Vishwas scheme till September 30 2020 and reduce the taxes to 50 per cent of disputed taxes if appeal is withdrawn.
- If taxpayer prefers issue wise settlement under the VSV scheme, the tax paid will be at 60 per cent or 75 per cent. In that process, tax collection can be higher than the normal tax collection under VSV scheme.
- Extend the scheme to include even search and seizure cases so that taxpayers on the same rates as above.

Tax Administration

Pressure on tax officials to maximise revenue collection in a downturn may lead to arbitrary and high pitched assessments. The government should introduce the following guidelines for the current year:

- No arbitrary or high pitched assessments will be made without the approval of Jurisdictional Principal Chief Commissioner of Income Tax. Before proceeding to arbitrary/high-pitched assessment, taxpayers should be given an opportunity to explain before PCCIT and if required, the time taken to complete the assessment should be extended.

- The Government of India should set up an independent body comprising retired CBDT Members/retired ITAT members to issue private rulings to taxpayers on any issue that arises in the course of assessment.
- The government should extend the timelines for completing the assessment by one year. In other words, the time barring assessment due for this year by 2020 should be extended to 2021.
- The taxpayers should be encouraged to settle the disputed tax under VSV scheme and allow issue wise settlement too on the lines outlined above.
- It is important that revenue department act in a more collaborative manner and earn the goodwill of taxpayers at this critical juncture.
- Once the securitisation of refund, as explained earlier, is allowed by GOI, the department will not have much cash outflow issues and the deficit can be managed.

Concluding remarks

Certainly the above measures may create a significant impact on the economy and certain measures call for political will. The Honourable Finance Minister made an interim announcement and industry is expecting a major policy/stimulus package for industrial revival. This government enjoys not only majority but has earned people's trust and confidence. Hence, it is time for the government to introduce bold measures, keeping the interests of the Indian economy in mind. While this programme may need significant resources, India has the capacity to raise resources, given its potential to raise economic output and enhance the tax base. It is certain that if India takes the right steps, it can be a powerful economy in the next three years, despite the impact of COVID-19.

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