

NASSCOM STATEMENT

The Budget presented today reinforces Government's reliance on technology for achieving development goals, as it focuses on Infrastructure and empowering startups and SMEs, although IT industry expectations on facilitative proposals remain largely unmet.

The budget evangelizes digital payments and infrastructure, along with promoting a transparent business environment. It is also promising that the Government is dedicated to "change the colour of money" on the back of tax reforms, political funding, digital transactions and policies that disincentivise the use of cash for high value transactions.

The Technology sector sees many emerging opportunities arising out of Govt. reliance on Technology driven development like initiatives like SWAYAM, separate policy for Metro with focus on indigenisation, Pension platform for defence, Digi Gaon etc.

Medium and Small Enterprises occupy bulk of economic activities. Government's encouragement to SIDBI to refinance credit institutions providing unsecured loans, at reasonable interest rates, basis transaction history, should benefit Technology sector where tangible collaterals are difficult to offer.

The continued focus on digital payments is as per expectations. We welcome the Govt's announcements of setting up the Payments regulation board and the intention to undertake a comprehensive evaluation of the Payments and Settlement Systems Act. Related and maybe more important is the security aspect and setting up of CERT for financial transactions needs to be expedited, to maintain momentum as India transits into 'less cash' economy.

Reinforcement of Government's intent to rationalise and simplify regulations and in particular labor laws will have far reaching effect in ease of doing business and protecting employee interest. For the IT sector, which did not exist at the time when applicable legislations were framed, such an initiative holds promise and NASSCOM will work with Industry and Central and State Government to develop streamlined regulations for the sector.

For the IT sector, leading the start-up journey, extending the time period for eligibility for the 3 year income tax exemption, from 5 years to 7 years will allow for startups to actually avail the benefit, as most startups do not make profits in the initial years of their operations. Govt support for investments and scaling up, by allowing carry forward of losses even if stakes are diluted beyond the stipulated 51%, subject to safeguards, was part of several recommendations from NASSCOM on strengthening the start-up ecosystem. However, other equally critical recommendations related to harnessing domestic investors and removal of angel tax have not been accepted.

TDS on payments to call centres have been reduced from 10% to 2%. This will improve working capital available with call center companies and potentially support cos in their expansion to Tier 2/3 locations, However, this is possibly the only IT sector focussed announcement in the budget. Several Industry recommendations to help sustain and grow global competitiveness of the sector like support for Research, development and innovation, rationalising safe harbour margins to more realistic levels and roadmap for corporate tax reduction have not seen place in the Budget 2015-16.