Budget fails Test of Financial Stability: PC

Chennai: Speaking at the Loyola Institute of Business Administration’s session on ‘Budget 2015-16’, former Union Minister P. Chidambaram said the latest Budget’s measures did not meet the 3.6 per cent fiscal deficit target for FY 2015-16 that the current Finance Minister, Arun Jaitley himself set as part of measures to implement fiscal consolidation. The Budget thus failed in its attempts to redress inequity.

Chidambaram contended that the Union Finance Minister had instead increased the deficit by 0.3 per cent.

While admitting that the UPA government was largely responsible for the current account deficit (CAD) of US $88 billion (approximately ₹ 8,800 crore) due to increases in expenditure in three successive financial years (2009-10, 2010-11 and 2011-12), Chidambaram said that following the recommendations of the Kelkar Committee, it had worked out a fiscal consolidation plan which had been accepted by the current Finance Minister and the NDA government.

“My successor also accepted it. But I was shocked when Jaitley said that ‘what I should do in two years, I will do it in three years’,” said Chidambaram.

This Budget increased the fiscal deficit from 3.6 per cent to 3.9 per cent, a rise of 0.3 per cent requiring an additional borrowing of ₹ 49,500 crore, which has not been included in the planned expenditure and instead has been included in unplanned expenditure, Chidambaram said.

Given that ‘planned expenditure’ in the coming year was less than the current year’s ‘planned expenditure’, Chidambaram sounded a warning that the 6,000 model schools planned in every panchayat union could be axed. “There will be no money for this scheme,” the former finance minister said, Chidambaram added that the Budget, by reducing funds available for SC, ST, and for children by ₹24,000 crore failed in being equitable to the disenfranchised.

“This will be reflected in the inoculation programmes, Balwadi and Integrated Child Development Services,” he said.
PC picks holes in budget for being anti-poor

DC CORRESPONDENT
CHENNAI, MARCH 7

The Union Budget 2015-16 had completely failed on three key parameters that prevailed when rating a budget, said former Union Finance Minister P. Chidambaram. “A budget should be fiscally and financially stable, should be equitable by taxing the rich and reducing the tax burden of the poor, and should be capable of tackling rise in inequality,” but this one was anti-poor and pro-rich, he said. He was speaking at the budget analysis lecture conducted by the Loyola Institute of Business Administration at Loyola College here on Saturday. Students and faculty of the college were in P. Chidambaram’s also admitted that during the UPA II regime, the fiscal deficit was high because of certain policy measures. “We decided to establish stability in the economy by increasing government expenditure. But fiscal deficit became high and inflation crossed 14 per cent,” Mr. Chidambaram said.

Castes and Tribes, minorities, children, women and marginalized people needed welfare programmes, Mr. Chidambaram pointed out. However, he said, allocations for all these sections had been cut hugely in the Budget. Taking a dig at the government, he quipped that along with the Planning Commission perhaps the government may also do away with the Plan itself.

The current Budget had given completely unjustifiable concessions to the corporate sector. Mr. Chidambaram alleged. In India, nearly 40 crore live under extreme poverty sans access to education and healthcare and this section of people should never be forgotten by any finance minister, he added.
PC blames 2008-09 stimulus package for UPA’s 2014 rout

"We Broke Fiscal Norms, Inflation Skyrocketed"

Sriram

Chennai: Former finance minister P Chidambaram on Saturday said that the Congress-led UPA lost the 2014 polls owing to a stimulus package announced in 2008-09 to pep up the economy in the wake of the global recession.

P Chidambaram was the finance minister at that time.

The package made the government violate fiscal consolidation norms resulting in high inflation, he said.

Speaking in the Rajya Sabha in 2013, when he was finance minister, Chidambaram had said even domestic problems had contributed to the poor state of India’s economy. “One of the domestic factors is that we allowed fiscal deficit to be breached and we allowed current account deficit to rise because of certain decisions we took during the period 2008 to 2011,” he had said.

Later, he told the Lok Sabha: “When I took over, I knew that I was returning to a very difficult pitch. The fiscal deficit limits had been breached. In fact, the budget estimates were very. The current account deficit had swelled...”

On Saturday, he said that the stimulus package resulted in the government missing the targets on current account deficit, revenue deficit and fiscal deficit, and a combination of all these pushed inflation to a high of 16%.

People turned against the UPA government as inflation shot up, he said, as he analysed the Union Budget presented by his successor Arun Jaitley.

He said Jaitley’s budget had failed all mandatory tests such as equity and fiscal consolidation. “My government was punished in 2014 after we spent money in 2009 as part of a stimulus package. Due to this, we had to violate fiscal consolidation norms. Inflation hit 14% and rupee lost its value. People rejected our government and we lost.”

P Chidambaram said addressing students of the Loyola Institute of Business Administration in Chennai.

In December 2006, in order to provide a stimulus via Plan expenditure, the government decided to seek approval for an additional Plan expenditure of Rs 20,000 crore. The government also infused about Rs 1 lakh crore into the system to support spending through a range of measures such as lowering tax and reduction of key rates by the Reserve Bank of India. “The stimulus led to inflation going up in the following years. Current account deficit and revenue deficit shot up and fiscal deficit went beyond 3.5%,” Chidambaram said.

“Subsequently the government sets target of bringing fiscal deficit below 3.6% and a panel headed by Vijay Kelkar was set up for the purpose. The government accepted the committee’s recommendations when they were submitted in 2012. The report said if proper measures were taken, the deficit would come down to 3% of GDP in 2014-15,” he said.

“But Jaitley has pushed the deadline by another year to 2017-18. As against a target of 3.6% fiscal deficit fixed by the UPA government for 2015-16, he has relaxed it to 3.9% of GDP.” he said, adding that through this, the NDA regime was planning to borrow an additional Rs 45,000 crore. The NDA government plans to use this window to step up public spending, particularly in infrastructure. The government aims to leverage the money in the infrastructure fund to attract overseas money such as pension funds to boost the critical sector and revitalize the economy.

“But this money is not going to be spent on Plan expenditure. The entire money will be spent on non-Plan expenditure and the Plan expenditure itself has been lowered from Rs 4.67 lakh crore (for 2014-15) to Rs 4.65 lakh crore for next year,” Chidambaram said.

Speaking about the NDA government’s budget, he said, “The budget has not passed the test of equity and financial stability but has some good ideas and I compliment Jaitley for that.”
Chidambaram blames high inflation for UPA’s defeat in polls

PRESS TRUST OF INDIA
New Delhi, 9 March

Former finance minister P Chidambaram on Sunday said the fiscal stimulus package inducted between 2009 and 2011 was a collective decision of the government that led to breaching of fiscal and revenue deficits and high inflation for which people punished the United Progressive Alliance (UPA) government in the Lok Sabha elections.

In a speech that analysed the first full budget of the Modi government presented by Finance Minister Arun Jaitley, he said the Budget for 2015-16 has not passed the test of equity, fiscal and financial stability and the test of rising inequality while it had some good aspects.

In his speech at the Loyola Institute of Business Administration (Liba) in Chennai on Saturday, Chidambaram, at no stage, had taken the name of President Pranab Mukherjee, during whose tenure as finance minister the stimulus package was decided by the Union government following the 2008 economic crisis.

In the speech, the former finance minister said Jaitley has pushed the deadline of curbing fiscal deficit to three per cent of gross domestic product (GDP) to 2016-17 by another year to 2017-18. As against a target of 3.6 per cent fiscal deficit fixed by the UPA government for 2015-16, he has relaxed it to 3.9 per cent of GDP.

Chidambaram said, the National Democratic Alliance (NDA) regime was planning to borrow an additional ₹42,500 crore which the government was planning to spend not on Plan expenditure but on non-Plan expenditure.
Need fourth slab in income tax rates: Chidambaram

Sanjay Vijayakumar

CHENNAI: Former Finance Minister P. Chidambaram said there was a need for a fourth slab in the personal income tax rates.

"I introduced three tax slabs in 1997, in what was called the dream budget. I feel there is a need for a fourth slab, since the liberalisation is giving huge rise in income for certain people," Mr. Chidambaram said.

He was addressing a session on Union Budget 2015-16, organised by the Loyola Institute of Business Administration (LIBA).

Mr. Chidambaram said the government’s acceptance of the 14th Finance Commission report, which increased the States’ share of divisible central taxes to 42 per cent from 32 per cent, did not mean States were going to get more money. "This calls for another long debate," he added.

He also defended the Minimum Alternate Tax (MAT). It was introduced to force companies which did not pay tax due to availability of concessions, exemptions and deductions to pay tax.

"The companies make profit as per profit and loss account but do not pay tax due to concessions. So, they are made to pay a nominal amount as tax. Companies making profit pay tax and MAT could be offset in case of a future loss. It is only a form of advance tax. MAT is a correct tax. But how much percentage to be charged can be debatable," he said.

Citing the example of Starbucks, which makes huge profits in the U.K., but does not pay tax, Mr. Chidambaram said, "There are firms which make big profits using the country’s potential and concessions given by government. Those firms should be made to tax and that is the logic behind MAT."

Mr. Chidambaram reiterated that the Modi government’s first full budget had failed the fiscal and financial stability test, the test of equity, and the test of rising inequality. "Some aspects of the budget are good, and I appreciate the Finance Minister Arun Jaitly for it."