

Govt goes all out to woo investors

On day 1, says retrospective taxation should be avoided; sets up SIT to unearth black money; hints at raising the cap on FDI in defence

On its first day in office, the new government on Tuesday sent out the right signals to investors by bringing up the issue of retrospective taxation, something that had been hurting foreign companies like Vodafone, which is caught in a \$2-billion tax dispute.

Telecommunication, Law and Information Technology Minister Ravi Shankar Prasad said: “Retrospective tax should be avoided. India should have an investor-friendly regime.” He made it known that the new government’s goal was to remove uncertainty and provide investors a stable financial and legal policy.

Also, after its first Cabinet meeting on Tuesday, the new government announced setting up a special investigation team to unearth black money. Addressing the media after the meeting, Prasad said this committee, to be headed by former Supreme Court judge M B Shah, would have as members a deputy governor of the Reserve Bank of India, the Central Board of Direct Taxes chairman and the revenue secretary, besides directors of the Central Bureau of Investigation and the Intelligence Bureau.

Arun Jaitley, the new finance minister who took charge at the North Block office at 9.30 am on Tuesday — minutes after the communiqué on portfolios came — also struck an investor-friendly chord through his growth-versus-inflation comment. The government would aim to strike a balance between boosting economic growth rate (stuck at five per cent for long) and containing inflation (at nine per cent in April), Jaitley said in his much-awaited first statement as the finance minister.

Soon after, he swung into the Budget-making exercise, meetings with RBI Governor Raghuram Rajan and finance ministry bureaucrats.

In between, he met Punjab Chief Minister and Shiromani Akali Dal leader Parkash Singh Badal and his son Sukhbir Singh Badal. Jaitley had contested his maiden Lok Sabha election from Amritsar, where the Badals had campaigned for him.

Across the road at the defence ministry office in South Block, where Jaitley is holding additional charge, he continued with the pro-investor thrust. He said the government would look to raise the foreign direct investment (FDI) cap in the defence sector beyond the current 26 per cent.

But, if what Prasad and Jaitley said was good news for investors, Commerce & Industry Minister Nirmala Seetharaman let the spirit down a little with the well-known Bharatiya Janata Party (BJP) stand on multi-brand retail. In her characteristic no-nonsense style, she pointed out, in sync with the party manifesto, FDI in multi-brand retail would not be allowed. But investors might like to draw hope from Prime Minister [Narendra Modi](#), who had said during his campaign for the Lok Sabha elections that he was not in favour of any policy reversal.

While Dharmendra Pradhan, a little known face in the Delhi power corridors, remained low-key as the new petroleum minister, Piyush Goyal, minister of state for power, coal and new & renewable energy, evened it out. Goyal said he would study the best practices of the Gujarat model to turn around the energy sector.

Food & Civil Supplies Minister Ram Vilas Paswan, too, sounded upbeat on controlling inflation and resolving storage problems. He said his government would soon come out with a policy to deal with food inflation and corruption. Also, he would work on storage to ensure no grain was wasted, the minister promised.

Yet another positive message came from Health Minister Harsh Vardhan, who stressed he would, from day one, work on bringing in transparency by putting in place e-governance systems in all interfaces. “Accountability standards will be fixed at the highest level and corruption will be checked at source with transparent systems,” he said.

There was more feel-good during the day. Minister of State for Railways D V Sadanand Gowda gave it out that E Sreedharan, the man who changed Delhi’s transport system forever with the Metro, would now be actively involved with the railway ministry as a technical expert.

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