



Pre Budget Memorandum for FY 2021-2022

The Federation of All India Vyapar Mandal, the national apex body of traders and retailers is pleased to provide its input for Union Budget 2021-22. Traders and Retailers i.e. the supply chain segment of Economy, are essentially one of equal partner in Nation's GDP. Therefore to accelerate economy to achieve a target of \$5 trillion by 2024.

Traders are undoubtedly part of Nations economy and contributes to 22% in Nations GDP with 90% contribution in overall employment opportunities in the country. Every stakeholder i.e. Industry, Service and Trade should be considered at par and all policies matter should address revival and survival of Trade and Retailers in post pandemic era.

The Traders Community of India is going through a miserable state after demonetization and complex GST. Online E commerce have further fueled the question of survival of nation's brick and mortar trade.

Budget 2020-21 which is the first step towards path of \$5 trillion economy should rationalize fiscal policies of the nation. For the upliftment and welfare of the business community, the following proposals for the budget are presented to you.

Here are the few suggestions which we would like to place before you for your consideration while preparing Union budget 2021-22

A. Suggestions under GST

1. Under GST all retail and wholesale shoppers should be brought under composition scheme and the limit of Rs. 1.50 crore should be abolished. In this way single point GST will be applied automatically.
2. Threshold limit for registration under GST on services should be enhanced from Rs 40 Lakhs to Rs 60 Lakh on the line of Traders and Manufacturers.
3. For the past mistakes in various GST returns, Government should bring an amnesty scheme on the line of VIVVAD SE VSHWAS and allow small businesses to get mistakes corrected now. Adequate provisions should be brought to revise Form 3B so that past GST liabilities can be self-assessed and tax may be paid to exchequers.

B. Under Income Tax Act

1. The exemption limit for personal income tax should be 5 lakhs for the trader who carry on business under proprietorship, or is a partner or is a director in company which is registered under GST.



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2. Amendment should be brought under the Income Tax provisions under which small retail and wholesale traders, whose annual sales are up to 10 crores, should be exempted from tax deduction at source (TDS).
3. Income tax and GST officer should go for inquiry only in those firms whose annual sales are 10 crores or more.
4. The rate of income tax on a partner firm or LLP registered under GST should be in tandem of Corporate Law . This effective rate of Income Tax should be 22 percent which is currently 30 percent .
5. Dividend distribution tax should be abolished atleast for closely held/family owned private limited/ limited companies. This will incentivize promoters of these companies and will ensure extra liquidity in promoters hand so that money may be utilised for some other business activities.
6. Education and higher education cess should be completely abolished from income tax.
7. Provision of Section 2(22)(e) of the Act on deemed dividend is a plentropa of litigation between assessee and department. This is also a restrictive provision ,this provision of section 2(22)(e) should be abolished .
8. Excessive Deduction of Tax at source is a capital blocking exercise. In the year 2019-20 CBDT issued refund order to the tune of **2 Lakh Crores approx** which indicate that excessive level of rates under TDS. TDS provisions should be applicable to the entities whose turnover exceeds Rs 10 crores in previous year.
9. Presently presumptive tax scheme is available to any entity with turnover of Rs 2 Crores. We propose following amendment
 - a. Eligibility criterion should be increased to Rs 5 Crores
 - b. Looking to on-going slow down as well as squeezed margin across the sector,Rate of presumptive profit should be reduced from 8% to 5% and from 6% to 4% (in case of digital transaction)
 - c. All three segments like manufacturing, Service and Trading should be eligible for presumptive taxation system.

Above will reduce Tax litigation to a great extent and untaxed business will be encouraged to contribute in Nation's economy.



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C. Promoting Digital Transaction

1. Very recently Government has exempted merchants from levying MDR where turnover of any merchant exceeds Rs 50.00 Crores. Small Traders or Traders having turnover less than Rs 50 Crores are still paying MDR which is ranging from 0.5% to 1.5%. It is very difficult for Traders to bear such expenditure , hence they don't encourage adopting digital payment.
2. Rupay card is not much popular. Except few handful PSU Bank , Rupay card are not been issued by PSU and Private Banks. Government should endeavor to promote Rupay Cards and transactions thru Rupay Card should be exempted from MDR during some initial period. Make Rupay Card a, a card of Atam Nirbhar Bharat.
3. In view to promote digital transactions, MDR should be fully exempted and payment gateway should be instructed not to deduct any charges on crediting money collected through Credit/ Debit cards.

D. Ease of opening of Current account with Banks

Small Traders who carries his business in proprietorship faces difficulty in opening of Current Account with Banks. As per KYC norms of Bank , at least two documents like GST Registration, Shop License from Municipalities, other document issued by any Government agencies in the name of Proprietorship Concern . Small Traders up to sale of Rs 40 lakhs are not required any GST registration, in many cases they are not able to get , Shop License from Municipalities . Due to various hassles, small traders keeps themselves away from Banking and do all transactions in Cash only.

It is proposed that all traders should be issued Vyapari Adhaar Card like MSME are issued Udyog Adhaar Card and any trader should be allowed to open Current Account upon submission of Vyapar Adhaar Card.

E. GGHS for Traders

Central Government provides medical facilities to its employee through designated Hospitals and hospital gets reimbursement from Government. In this connection we request that Traders should also be included but reimbursement of expenses to such hospital shall be done by recipient of medical facility i.e. trader themselves. This will have no budgetary impact on Government but Traders will get medical facilities at Central Government approved rate list .



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F. Imposition of special tax on online business

To curb online business, the government should bring a law and impose a special tax at the rate of 5% on online sales so that small shopkeepers can survive.

G. Interest subvention scheme for Small Traders

Small businessmen registered under GST should get special rebate in bank loan interest so that the businessman can expand his business and give maximum employment to the youth.

H. Non Applicability of provisions of Minimum Wages Act on Traders having less than 10 employees

Due to political reasons, various state governments have been increasing the minimum wage in a prudent manner, which is becoming almost impossible to bear and the employment is ending in place of employment due to the minimum wage. Eight central government should decide a reasonable minimum wage in consultation with the merchant organizations regarding the minimum wage

I. Allow cancellation of Provident Fund Registration if strength of employee is reduced

After pandemic, employees strength with most of traders has been reduced below 20. However as per PF provisions they are still obliged to comply all provisions of PF Act. Compliances takes a substantial time therefore traders are not able to observe all compliances. Therefore provision of section 1(5) of PF Act can be deferred to two years at least. This will give a relief to several thousand traders.

J. Integrating of all three segment of Economy into one .

All the Wheels of the economy should be given equal importance and thus word **Enterprises** should be replaced with word **Businesses**.

Since traders are small in nature ,so jurisdictional ministry should be Ministry of MSME instead of Ministry of Commerce and Ministry of MSME be renamed as Ministry of MSMB.

Small and medium enterprises sector has a special importance in India and this sector is recognized as the most employable sector. With the changing times, the service sector in India, including the retail trade sector, has become a major part of the economy. The contribution of the three organs in the national economy can be understood through the following figures.



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(A) Contribution to the economy (estimated)

Agriculture	16%
Non agricultural	
- Industry	23%
- Retail & Services Sector	39%
- Financial Services and Other Sectors	22%

(B) Number force according to number force

Total micro, small and medium enterprises about 3 crores
Total retail trade, and other services sector, about 6 crores

(C) Creation of employment opportunities

Total micro, small and medium enterprises around 8 crores
The total retail trade, and other services sector is about 44 crores.

- ❖ There is a separate ministry for the work of 90% of the small and medium industries of the nation.
- ❖ There is also a separate ministry for large and heavy industries
- ❖ There is a separate ministry for agricultural work
- ❖ There is a separate Ministry financial services.

Despite a large contribution in Nations GDP by services sector and Trading/Retails Sector, there is no separate ministry for the sector. The product manufactured by the industries reaches the customer only through service sector and retail sector. Therefore, the three organs are complementary to each other and without the other one does not exist.

A few months ago, internal trade was also added under the Department of Industry Promotion, subordinate to the Ministry of Commerce, but it is not fully effective for proper contribution of service sector and retail sector.

We are hopeful that while preparing the union budget for the year 2021-22, the above points will be considered.

