



iSPIRT Foundation Press Release

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## **iSPIRT Response to Union Budget 2017**

### **Budget 2017: A boost to digital economy and financial inclusion**

#### **iSPIRT tracks the interest of Software product industry**

**INDIA, Bangalore, Feb 1<sup>st</sup>, 2017** – Proposals for Union budget of 2017 have been announced today by Finance Minister.

There are many path breaking announcements. Most importantly 'digital economy' inclusion in main focus list. FM has spoken about early implementation of the interim recommendations of the Committee of Chief Ministers on digital transactions, where Nandan Nilekani and Sharad Sharma of iSPIRT are special invitees. iSPIRT has been pursuing the 'Digital economy' push much before demonetization.

Very early in his speech, the finance minister acknowledged the role of the JAM (Jan Dhan – Aadhaar – Mobile) trinity in the country's future growth. ***“Digital economy was one of the key themes of the budget. This is a big encouragement to the India Stack effort, which builds on JAM and provides solutions like UPI, BHIM, e-KYC, e-Sign and d-locker”***, said Sudhir Singh, Fellow, iSPIRT.

In the wake of demonetisation, the government's focus appears to be on on digital payments and digital lending driven financial inclusion. Key budget announcements in this respect include – enabling e-KYC and transaction history based lending, presumptive income tax scheme for digital adoption, promoting the BHIM app with cashback and referral schemes, forming a payments regulator, relaxation in multiple indirect taxes for manufacturing components of digital payment infrastructure, exemption of service charge on railway bookings, Aadhaar based smartcards, etc. ***“By removing regulatory cholesterol around digital payments, the Budget sets the stage for a revolution in flow-based lending”***, said Sharad Sharma, co-founder and Governing Council member of iSPIRT.

iSPIRT's Stay-in-India checklist also saw good momentum with the finance minister extending the 3 out of 5 year income tax exemption to recognised startups to 3 out of 7 years, and providing tax neutrality upon conversion of preference shares into equity shares. The focus was also on ease of doing business with announcements like abolition of FIPB, rationalisation of taxation (on FPIs, convertible instruments, long term capital gains, etc), lower rate of taxation of 25% for companies with revenue of less than 50 crores, rationalisation of labour laws, shift from plan - non-plan classification to revenue and capital expenditure, carry forward of MAT for 15 years, etc. ***“These are all in line with the philosophy of iSPIRT's Stay-in-India checklist and are expected to boost investor sentiment”***, said Sanjay Khan Nagra, Member, Stay-and-List-in-India Policy Expert Team, iSPIRT, and Senior Associate, Khaitan & Co.

Among key issues from the Stay-in-India checklist which were expected to be addressed in the budget but have been missed out are angel tax and tax parity between listed and unlisted securities.

While there is no specific announcement on Software product industry as such, measures announced for MSME sector are expected to help the domestic software product companies. We expect to see the National Policy on Software Products released in a few months. This will set the policy framework for this



important sector of the new economy.

### **About iSPIRT**

iSPIRT is a non profit think tank that builds public goods for Indian product startup to thrive and grow. iSPIRT aims to do for Indian startups what DARPA or Stanford did in Silicon Valley. iSPIRT builds four types of public goods - technology building blocks (aka India stack), startup friendly policies, market access programs like M&A Connect and Playbooks that codify scarce tacit knowledge for product entrepreneurs of India.

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