IT industry hopes for major digital byte

Worried over US protectionist moves, tech industry wants the Budget to offer support in the home market

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THE $150 billion Indian information technology (IT) industry employing over 3.7 million people is now faced with the serious external threat of protectionism which could inhibit its growth even as it waits to realise the promise of digital infrastructure within the country, which could act as a catalyst for the future.

The IT industry is hoping that the forthcoming Union Budget will unveil measures on the taxation front which will help attract foreign capital and make it easier for Indian companies to expand overseas.

Nasscom, the Indian IT industry's lobby group, in its pre-budget memorandum made a telling point when it said, "In order to counter rising global protectionist barriers, the sector relies on the government, and policy measures should ensure that the Indian IT industry does not face difficulties on

home ground. It is important to counter the barriers to free trade coming in the form of restricting entry of skilled professionals from India, or making it costlier for global companies to recruit foreign talent, or by curbing movement of data and technology across international boundaries."

Similarly on the taxation front, Nasscom said there are issues related to the draft residency rules and foreign tax credit mechanism leading to inefficiencies and increasing cost of taxes. Any ambiguity in POEM regulations could have an adverse impact on the IT sector, including on outward investments impacting expansion plans of Indian companies abroad as well as investments in India. It has made specific suggestions for changes in the draft rules.

The biggest challenge for the Indian IT industry will be to see how the Goods and Services Tax (GST) unravels. The implementation of GST could mean that companies would have to tackle as many as 111 points of taxation to supply their services on a pan-India basis.

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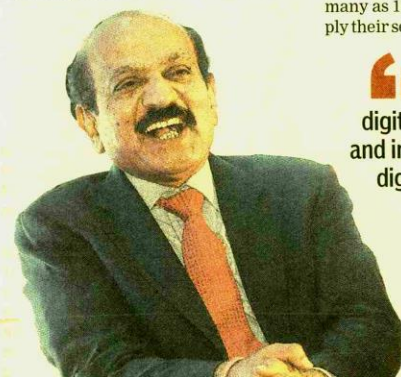
Mindtree CEO Rostow Ravanan said, "For the IT industry, the biggest expectation is that the GST implementation plans is revisited urgently. The current model given in the draft rules make it very cumbersome for the IT industry."

At the same time, technology companies will eagerly look forward to the new initiatives to be unveiled by the Budget which will spur the expansion of digital infrastructure in the country.

BVR Mohan Reddy, founder and executive chairman, Cyient and former chairman, Nasscom, said, "There is a need of robust infrastructure creation to enable a digital economy. India today has more than 700 million debit cards in usage. While we have 5.8 crore SMEs and micro SMEs, the debit card is accepted only in 14.4 lakh locations. Infrastructure building is something which needs time and government encouragement. The Budget should announce relief on such transaction charges and incentivise usage of digital payments through discounts and tax waivers."

There is an expectation that any fresh initiatives in the digital segment could mean all-round growth for the Indian IT industry encompassing software, hardware and services. Microsoft India president Anant Maheshwari said, "Digital technologies will have a long-term impact in all the key sectors that are looking to transform—manufacturing, retail, education, health and even in agriculture. India has a tremendous opportunity to push the boundaries of technology usage to leapfrog to the fourth industrial revolution where data defines processes, products and interactions. Therein lies the opportuni-

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ty for, what I call, Make Digital in India." Echoing similar thoughts, Harsh Marwah, country manager, Verizon Enterprise Solutions, said, "With the Digital India initiative, innovations such as cloud computing, Internet of Things, unified communications and the basic internet services are increasingly being made accessible to small and medium businesses in tier 2 and tier 3 cities. It will be important to continue to encourage technology research and development in digital infrastructure in the Budget."