Change in Financial Year

What is the issue?

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The government is considering the proposal to change the financial year from April-March to January-December.

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What are the merits?

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- The shifting of financial year will align India with the prevailing practice of developed countries.
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- This will be a **progressive, convenient transition** for the Indian economy as it gets increasingly integrated to the global economy.
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- For MNC firms in India, which are currently dealing with two types of financial years here and at the parent country, a uniform structure will be a relief to manage their accounts.
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- The change will also align the financial year with the monsoon cycle and also with the country's crop harvests both for Rabi and Kharif seasons.
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- Another important factor is that at present the **budget cycle suffers due to lack of sufficient data** on crop income, monsoon forecast etc.
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- Presently, before the budget presentation in February, the government doesn't get any solid data on monsoon forecast for new financial year.
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- The rain gamble causes difficulties in formulating the budget.
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- Most importantly, it is about time India **moved on from colonial tradition** and decided on issues based on merit.
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What are the demerits?

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- If we want the transition, then major changes like shifting Parliamentary Sessions, Budget presentation in Nov-Dec, etc., will be needed.
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- The one time **implementation cost** along with major financial reforms like GST rollout and merger of plan and non-plan expenditure may be too big a burden to handle.
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- Already, there is confusion in the industry with the change in the tax system when the GST finally happens.
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- A shift to new fiscal year, too soon, will add to this.
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- Also, a host of statutes and taxation laws will need to be amended for the change to take place.
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- Thus, the move will be a **costly and cumbersome** administrative exercise for both companies as well as the government.
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- The economic benefits would definitely outweigh the administrative difficulties that will arise initially for the implementation.
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- The change will indeed be a progressive step it seems there is no urgency to implement when the GST is still facing multiple hurdles.
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Source: Business Line

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