

Pre-budget corporate expectations survey - 2015

What India Inc. wants?



Foreword

Expectations are running high and the general sentiment in the country is upbeat. There is political stability, markets are at a high, everyone is talking about 'acche din'. The Prime Minister has spoken about 'Make in India', he has stressed on our desire to attract FDI and has reassured global investors a non-adversarial tax environment but India still ranks 142 out of 189 countries in the ease of doing business.

'Make in India' is a great slogan. It has vision. Given our demography, we need to generate employment in the country not just to become an economic giant but also to make sure that we do justice to our youth.

Now is the opportunity for the government to walk their talk. India Inc is waiting with bated breath!

Pallavi J Bakhru
Director - Grant Thornton Advisory Private Limited



About the survey

To gauge the expectations of dynamic businesses, Grant Thornton in India launched the Pre-Budget Corporate Expectations Survey – 2015. The survey aims to capture the hopes and aspirations of Indian businesses with respect to regulations, key government policies and taxation.

This report has been developed by deriving the responses to an online questionnaire circulated to individuals representing some of India's leading public and private sector enterprises. The survey was administered to **200 plus** participants from corporate houses which includes promoters, chief executives, financial controllers and tax managers across various sectors to gauge the pulse of India Inc on the expectations from the upcoming budget.

We would like to thank all those who spared their precious time to contribute to this study.



Survey synopsis

One thing which came out clearly from the Pre-Budget Corporate Expectations Survey – 2015 is the expectation of announcement of radical tax reforms in the upcoming budget. 56% of the surveyed population hopes to see radical tax reforms in the upcoming budget.

Tax rates: On expected change in tax rates, most of the respondents (79%) believe that tax rates (corporate tax rates and MAT) would largely remain unchanged for corporates. The only exception was income tax rates for individuals, where 66% of the survey participants believe that there would be a reduction. This is up from 45% in the last year's survey.

Individual tax benefits: 70% people expect an increase in deduction allowed under Section 80C. This represents a drop of 8% from last year's survey. However, more than half of the surveyed population remains upbeat on increase in deduction available on tax free bonds and housing loan interest (Rs 200,000 at present).

Growth-oriented regime: Tax incentives for infrastructure sector are high on the list of expectations. Further, more than 60% of the surveyed population believes that the upcoming budget would defer implementation of General Anti Avoidance Rule (GAAR) and would provide much needed clarity on "Indirect transfer".

Make in India: 40% of the survey respondents believe that to give a thrust to the "Make in India" campaign, they expect to see softening of rates of excise and custom duty along with introduction of labour reforms and tax incentive schemes to newly set-up manufacturing units.

Focus area: It is expected that maximum thrust would be given to infrastructure and defence sectors, followed by manufacturing and agriculture sectors. Coincidentally, the defence sector scores high over the manufacturing sector, despite the ambitious "Make in India" campaign propounded by the present government.

Reducing Transfer Pricing documentation: Transfer pricing documentation in India has been an area of concern for small businesses. India Inc. expects relaxation in limit of maintaining specified documentation.

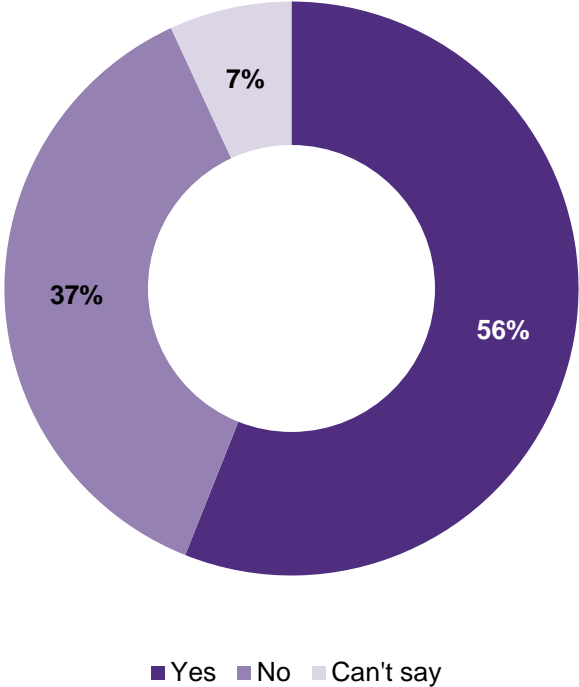


Market expectations



Market expectations

Q1. Do you expect radical tax reforms in the upcoming Union Budget?

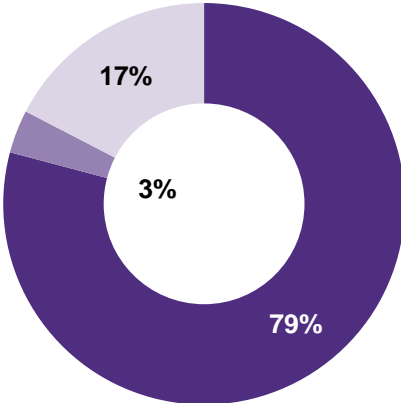


The message: With the next general election four years away and a positive economic environment exists in the country, there could be no better timing for the finance minister to bring in a reformist budget. This, coupled with the Prime Minister’s “Make in India” campaign inviting global investors to invest in India, has heightened everyone’s expectations from the forthcoming budget. This is reflected in our survey, where more than half of the respondents believe that the upcoming budget would usher in radical tax reforms when it is presented by the Finance Minister on 28 February 2015.



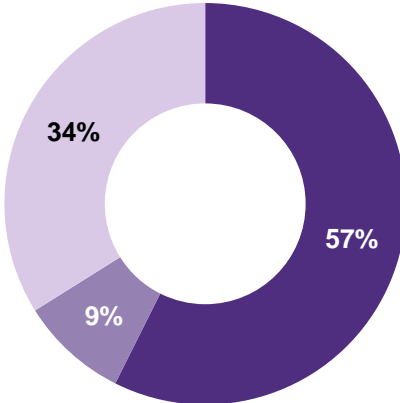
Market expectations – Corporate Tax Rates

Q2(a). What changes do you expect in Corporate Tax Rate?



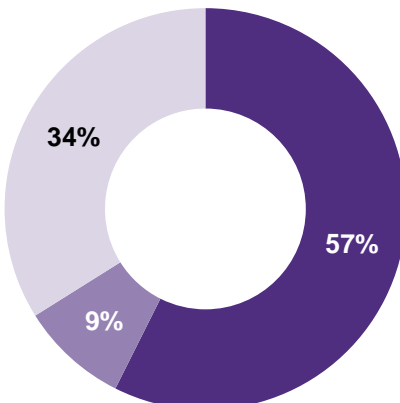
■ Remain unchanged ■ Increase ■ Decrease

Q2(b). What changes do you expect in Minimum Alternate Tax (MAT)?



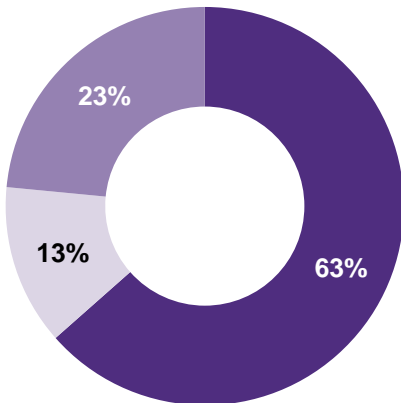
■ Remain unchanged ■ Increase ■ Decrease

Q2(c). What changes do you expect in Dividend Distribution Tax (DDT)?



■ Remain unchanged ■ Increase ■ Decrease

Q2(d). What changes do you expect in Securities Transaction Tax (STT)?



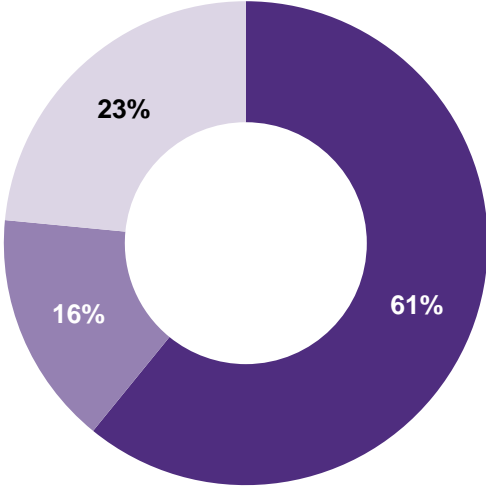
■ Remain unchanged ■ Increase ■ Decrease

The message: On expected change in tax rates, most of the respondents (79%) believe that corporate tax rates would largely remain unchanged. 57% respondents believe that the rate of MAT would remain constant. However, a high (34%) are optimistic of reduction of MAT rate in the upcoming budget. Same is the case with STT and DDT, where the surveyed population largely does not expect any change.



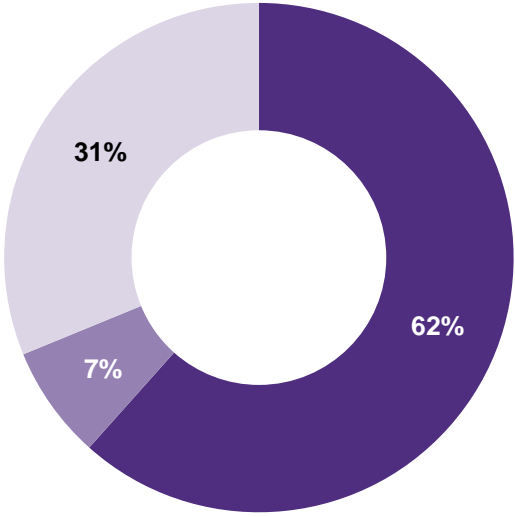
Market expectations – Indirect Tax Rates

Q2(e). What changes do you expect in Excise Duty?



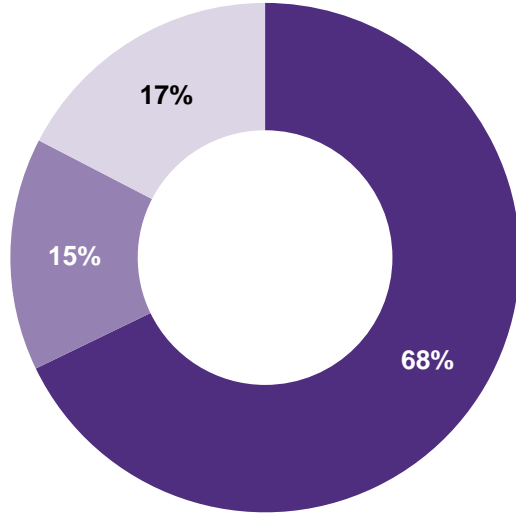
■ Remain unchanged ■ Increase ■ Decrease

Q2(f). What changes do you expect in Central Sales Tax?



■ Remain unchanged ■ Increase ■ Decrease

Q2(g). What changes do you expect in Service Tax?



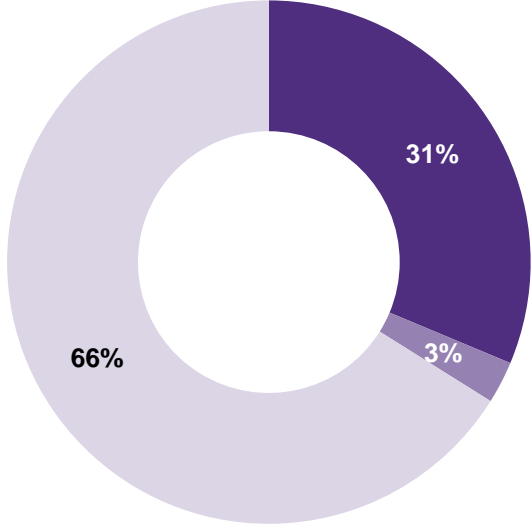
■ Remain unchanged ■ Increase ■ Decrease

The message: On the Indirect tax front, a high range (60-68%) of the survey respondents anticipate no change in excise duty, CST and service tax in the upcoming budget. While an optimistic 23% (excise duty), 31% (CST) anticipates a decrease in respective tax rates.



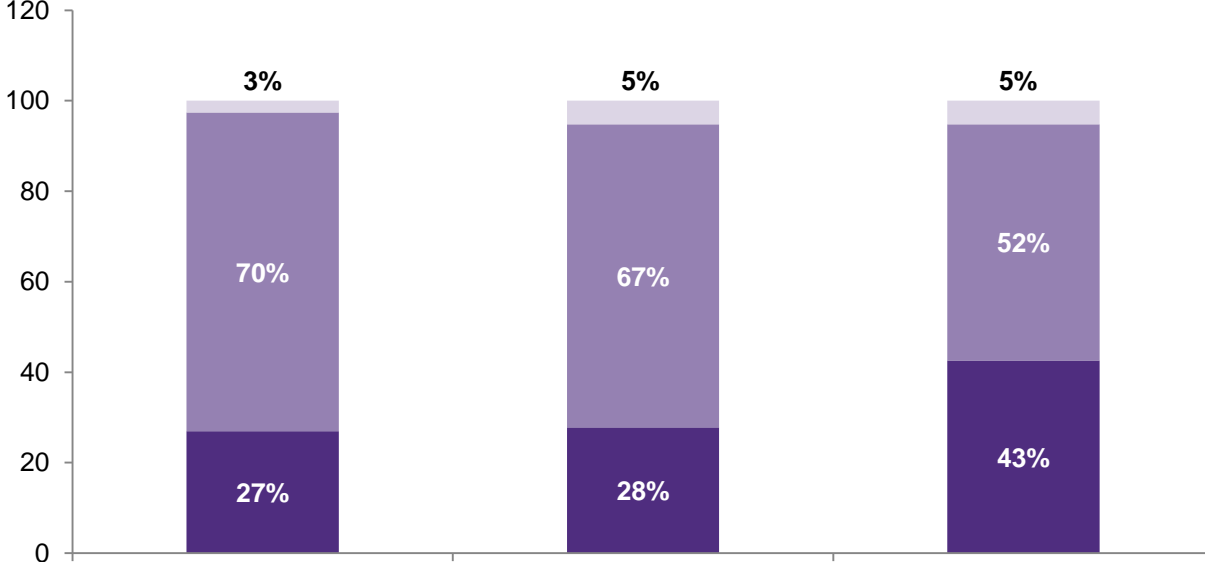
Market expectations – Personal Taxation

Q2(h). What changes do you expect in Personal Income Tax Rate?



■ Remain unchanged ■ Increase ■ Decrease

Q3. What changes do you expect in the following from Budget 2015?



■ Remain unchanged ■ Increase ■ Can't say

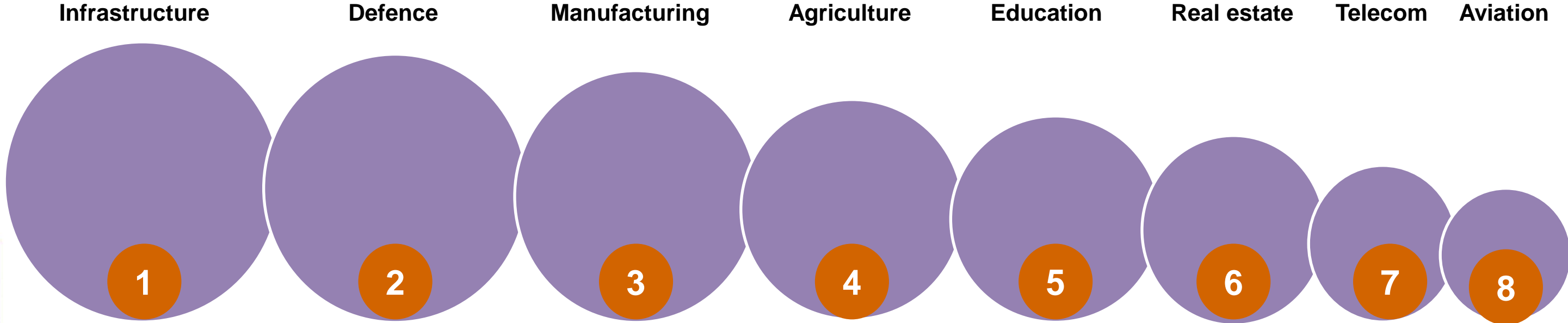
The message: 66% of the respondents anticipate a reduction in personal income tax rates. Further, there is a positive expectation on increasing tax incentives for individuals in all the cases of deduction allowed under Section 80C, tax free infrastructure bonds and housing loan interest.



Market expectations – Sectoral focus

Q4. Rank, in order of preference, the sector(s) which are expected to receive a major thrust in the upcoming Union Budget.

Order of preference from 1 to 8 (1 being most likely and 8 being the least likely).

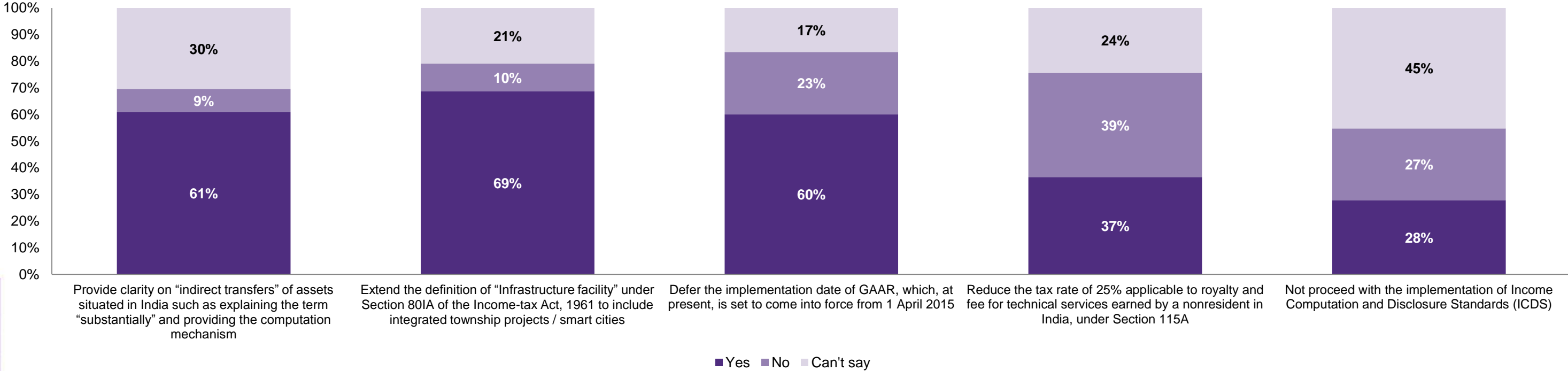


The message: It is expected that maximum thrust would be given to the infrastructure and defence sectors, followed by manufacturing and agriculture sectors. Coincidentally, the defence sector scores high over manufacturing sector despite the ambitious "Make in India" campaign propounded by the government.



Market expectations – Corporate Tax amendments

Q5. Do you expect the Government to:



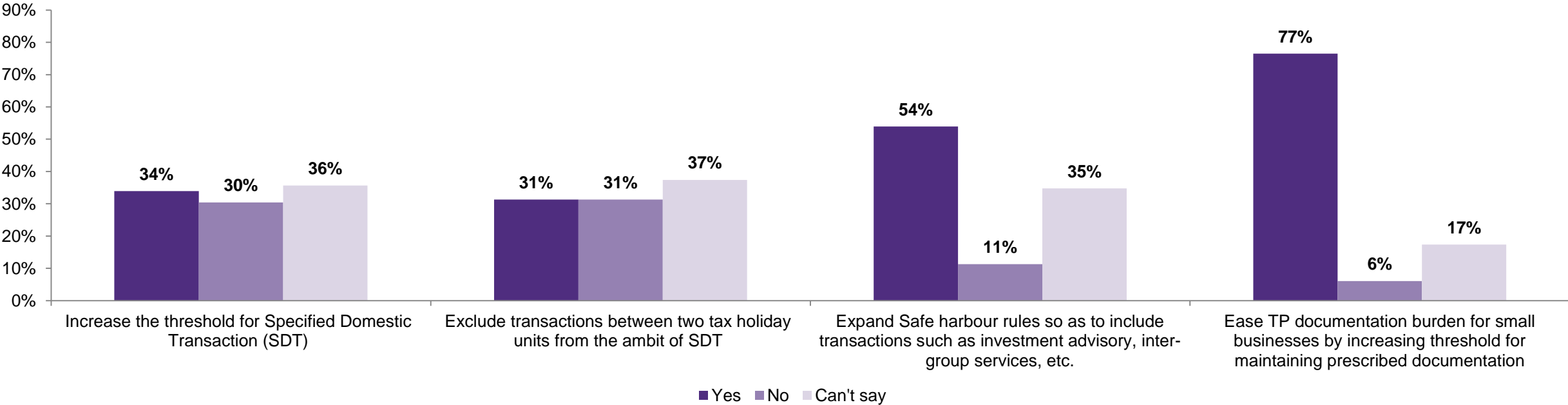
The message: An astounding 60% of the surveyed population anticipates clarity from the Finance Minister on "indirect transfers" and deferment of GAAR in the upcoming budget. Further, almost 70% of the respondents anticipate extension of deduction under Section 80IA to cover integrated townships/smart cities.

Those surveyed, have, however, given a mixed response on reduction of rate of tax on royalty and fee for technical services under Section 115A and implementation of ICDS.



Market expectations – Transfer Pricing amendments

Q6. Do you expect the Government to:

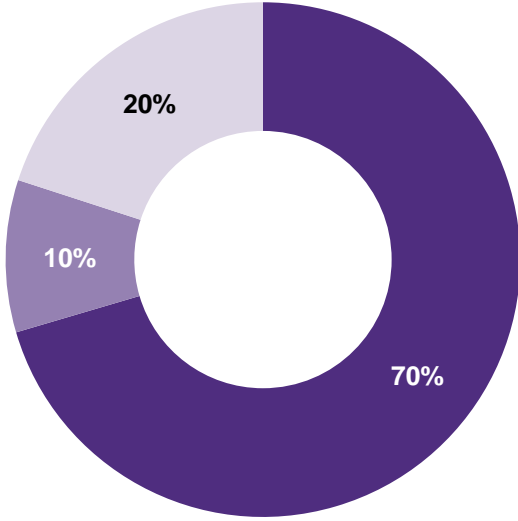


The message: On the transfer pricing front, a staggering 77% believe that the upcoming budget would ease TP documentation requirement for small businesses. Further, more than 50% believe that the budget would expand safe harbour rules so as to include transactions such as investment advisory, inter-group services etc. Views on increase in the threshold for SDT and exclusion of transaction between two tax holiday units from SDT are equally split.



Market expectations – Indirect Tax amendments

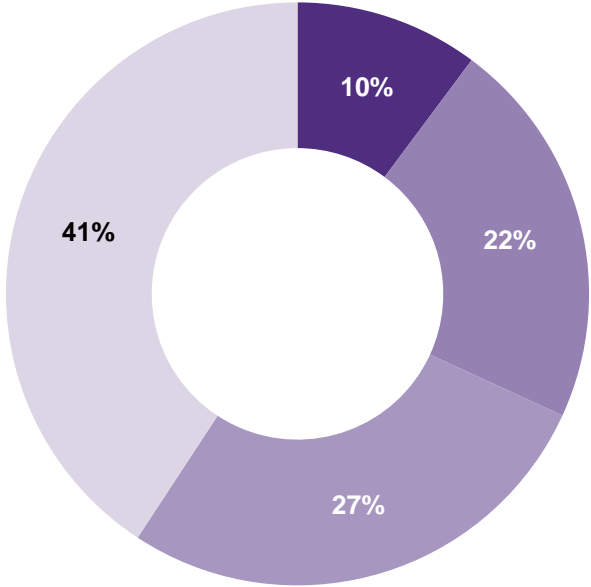
Q7. Do you expect clarifications regarding Double Taxation of Licensed Intellectual Property Right (VAT and Service Tax) to ensure that sale of IPR is taxed only once – either under VAT as goods or under service tax legislation as taxable service?



■ Yes ■ No ■ Can't say

The message: 70% of the respondents anticipate that the upcoming budget would bring the much-needed clarity to ensure that sale of IPR is taxed only once – either under VAT as goods or under service tax legislation as a taxable service.

Q8. What is the expected policy decision for providing specific thrust to the 'Make in India' campaign?



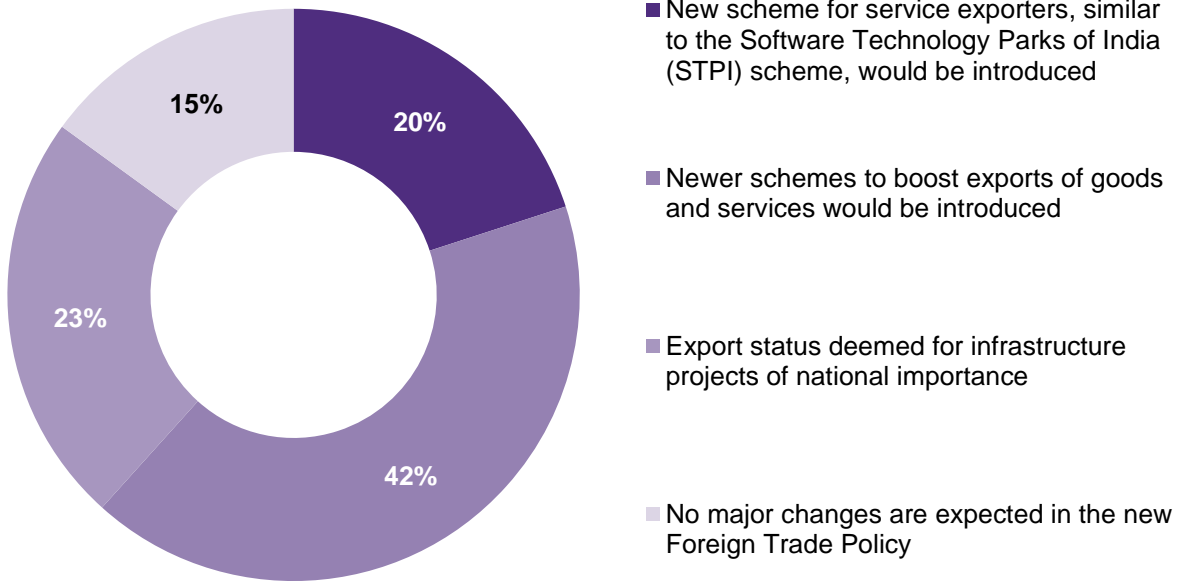
■ Soften the rates of excise and custom duty
 ■ Introduce labour reforms
 ■ Provide special incentives to new units
 ■ All the above

The message: With the "Make in India" campaign high on the government's agenda, 41% of the respondents expect that the budget would undertake all the necessary reforms so as to make this campaign a success.

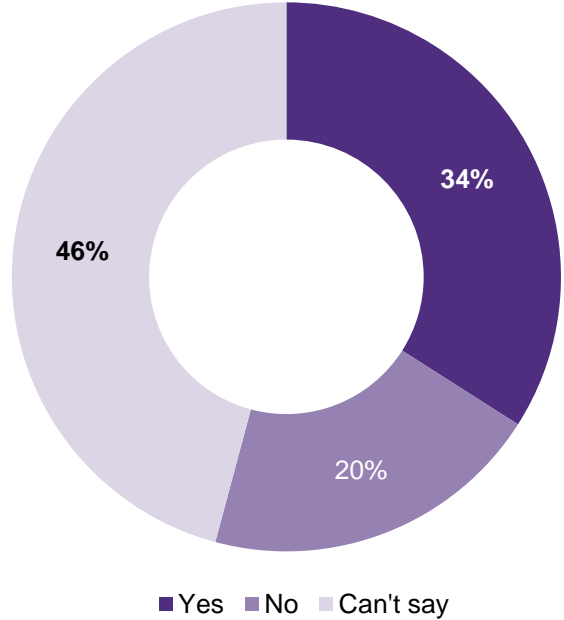


Market expectations – Indirect Tax amendments

Q9. What do you expect from the new Foreign Trade Policy?



Q10. Do you expect that the scope of the Central Indirect Tax Advance Ruling will be extended to include foreign companies, their project offices and branches as well for indirect tax issues?



The message: 42% of the surveyed population believes that the upcoming budget would introduce newer schemes so as to boost exports of goods and services.

A high 34% anticipate that the scope of Central Indirect tax Advance Ruling will be extended to include foreign companies, their project offices and branches as well for indirect tax issues.



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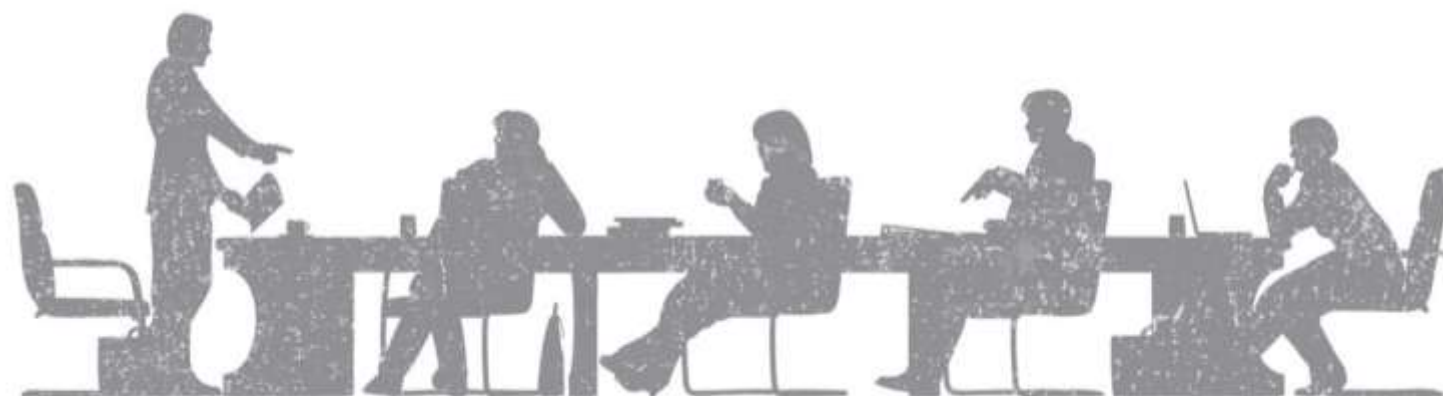
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