

Union Budget corporate expectations survey- 2016



Foreword

As the preparations of the third budget of the current government are in full swing, Grant Thornton conducted a survey of corporates to gauge industry expectations. As anticipated, corporate honchos have very high asks from the government, especially towards introduction of a tax friendly regime to boost investment and provide a push to PM's campaigns on Startup India and Make in India.

Over the last year the government has demonstrated its commitment to deliver the promises made in the last budget and initiated steps such as setting up committees to simplify tax laws and reduce litigations. Concrete steps for providing clarity on contentious issues have also been taken through issue of clarifications and press releases. The recent set-up of a tax policy research unit and tax policy council headed by Finance Minister (FM) himself is expected to take this process to a greater level.

While some big ticket reforms such as Goods and Services Tax (GST) may be mired in politics, one hopes that the government remains firm on its commitment to make India an attractive investment destination by targeted incentives, reduced tax rates and bring about tax rationalisation on the one hand and ushering in transparency and accountability in tax administration.

Riaz Thingna

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 2016. 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 120 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 2016 is the expectation of announcement of tax reforms in the upcoming budget for simplification of tax laws. 88 percent of the surveyed population hopes to see tax reforms for minimisation of litigation in the upcoming Budget.

Tax rates: In line with FM's announcement in last year's Budget, there is a high expectation that government would announce a reduction in corporate tax rates. However, 71 percent of the surveyed population believes that this rate cut would come at the cost of phasing out of existing tax holidays.

Incentive for Startup India and Make in India: An overwhelming 96 percent surveyed population expects introduction of tax holidays for Start-up India and 88 percent of the respondents expect tax incentives would be doled out in support of Make in India campaign.

ICDS implementation: Continuing with expectation of simplification, 65 percent of the surveyed population expects that a minimum threshold should be provided for applicability of ICDS provisions. While, almost half of the respondents (48 percent) expect the ICDS implementation to be deferred by a year.

Black Money Law: Half of the respondents expect the government to extend disclosure window by a year. Though, a large chunk of the participants (72 percent) believe that the penalties under black money law would not be reduced.

GST introduction: More than half of the respondents (56 percent) expect that GST Bill would be passed in the upcoming Budget session.

Further, as a run up to introduction of GST, more than half of the respondents (61 percent) believe that existing mechanism of allowing input credit would be further liberalised and 45 percent of the respondents expect that existing exemptions would be pruned. However, the expectation on increase in service tax and excise duty is divided with 46 percent opposing it.

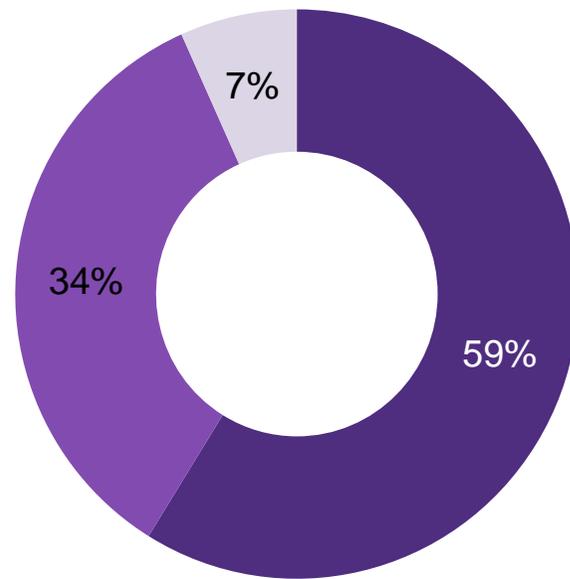


Industry expectations



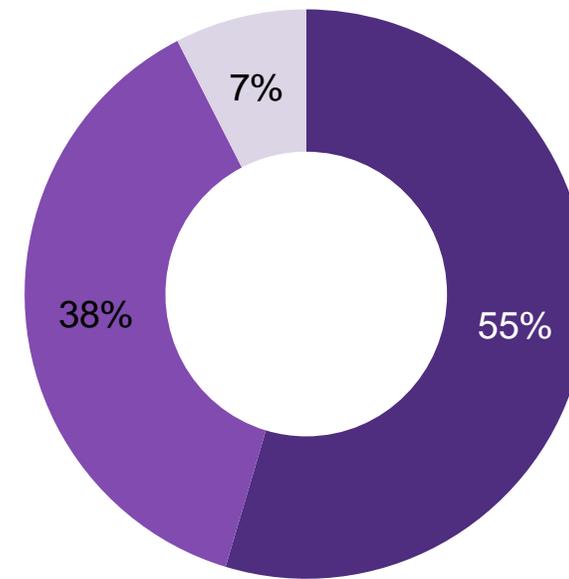
Direct Tax Rates

Do you expect corporate tax rates to be reduced in the upcoming Union Budget?



■ yes ■ no ■ Can't say

Do you expect personal tax rates to be reduced in the upcoming Union Budget?



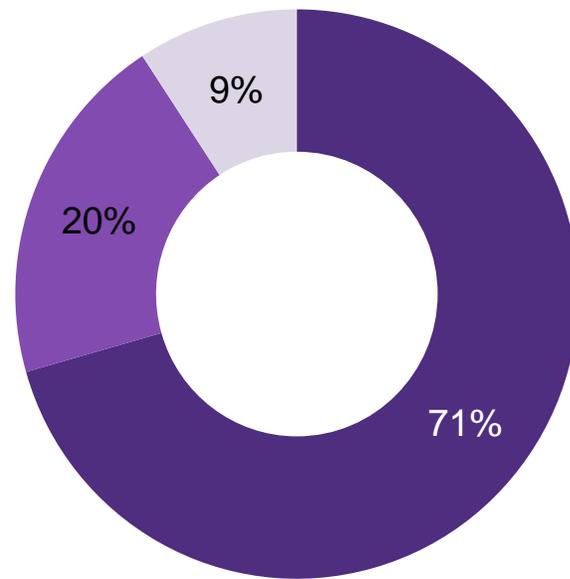
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The message: There is a high expectation (59%) that government would announce a reduction in corporate tax rates. While almost 55% of survey participants expect a rate cut for personal taxation as well.



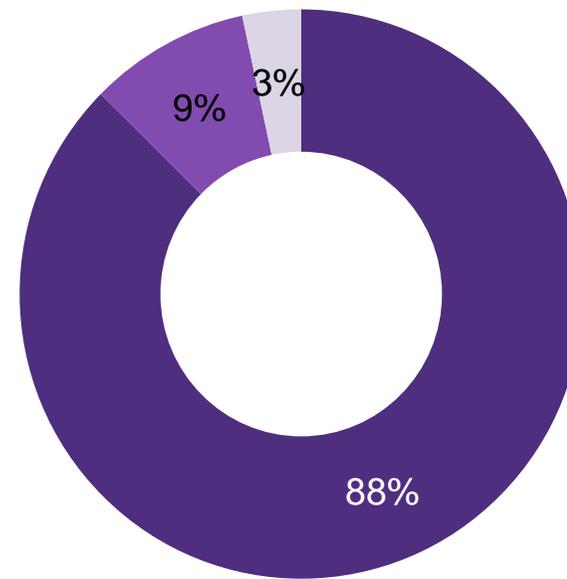
Tax incentives

Do you expect that provisions for phasing out of existing tax holiday would be introduced?



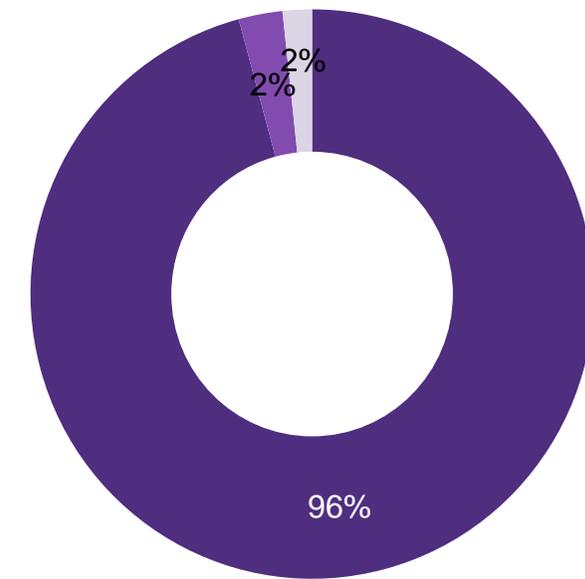
■ yes ■ no ■ Can't say

Do you expect that government would provide tax incentives for promotion of 'Make in India'?



■ yes ■ no ■ Can't say

Do you expect that government would provide tax incentives for promotion of startups?



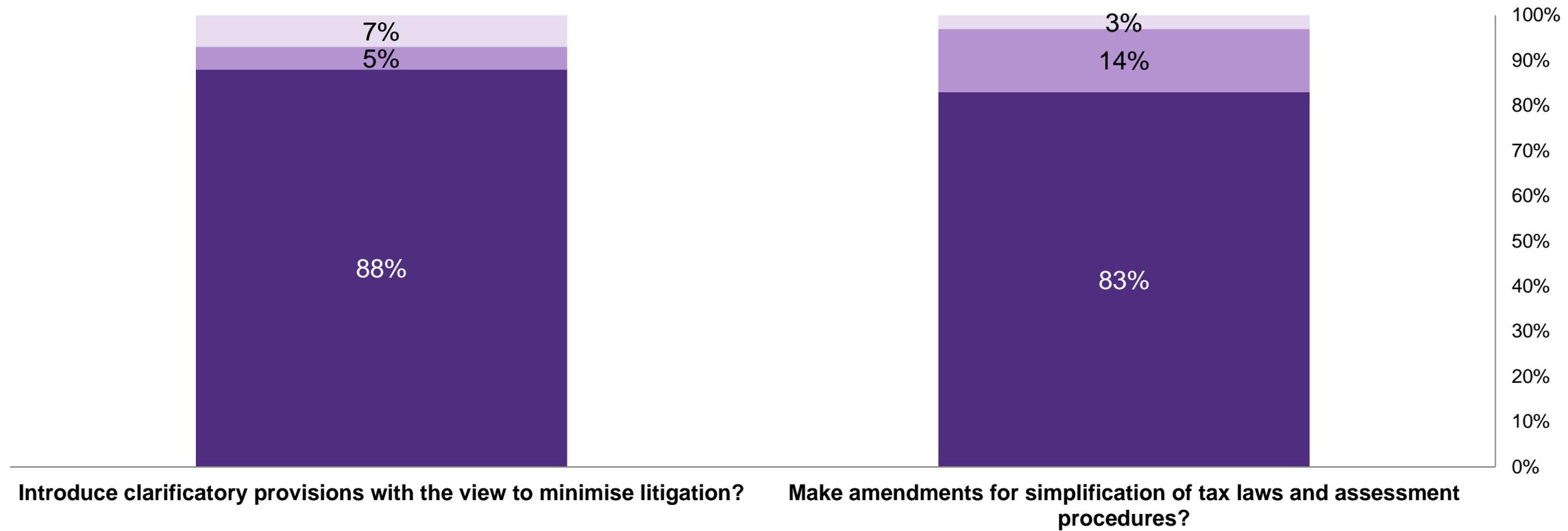
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The message: In line with FM's announcement in last year's Budget, general expectation (71%) is that existing tax holidays would be phased out. However, the surveyed population overwhelmingly believes that fresh tax incentives for Make in India (88%) and Startup India (96%) would be announced in the budget.



Simplification of tax laws

Do you expect the Government to:

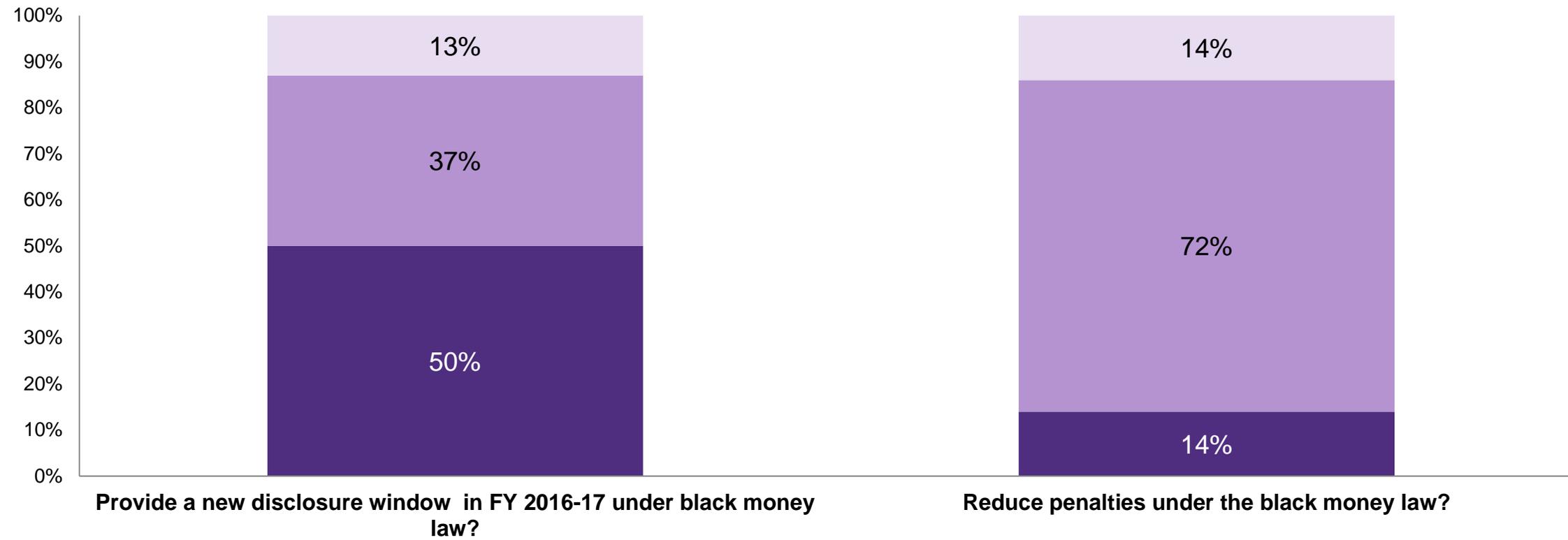


The message: There is a high expectation (83%) that government would introduce amendments to simplify tax laws and procedures and 88% of respondents expect government to introduce clarificatory provision with a view to minimise litigation.



Black money law

Do you expect the Government to:

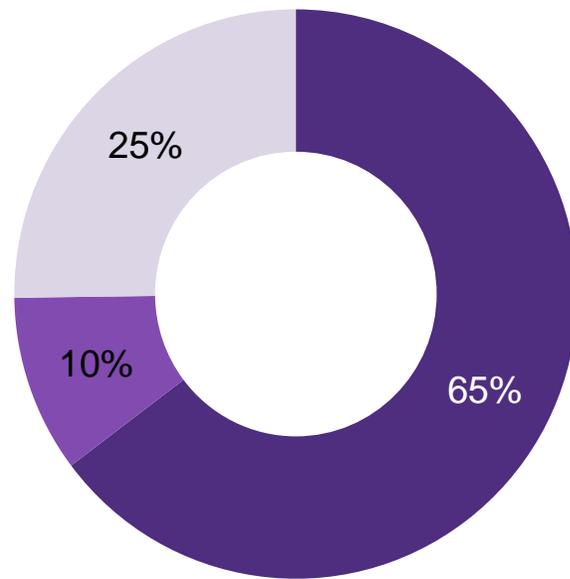


The message: Half of the respondents expect the government to extend disclosure window by a year. However, a large chunk of the participants (72%) believe that the penalties under black money law would not be reduced.



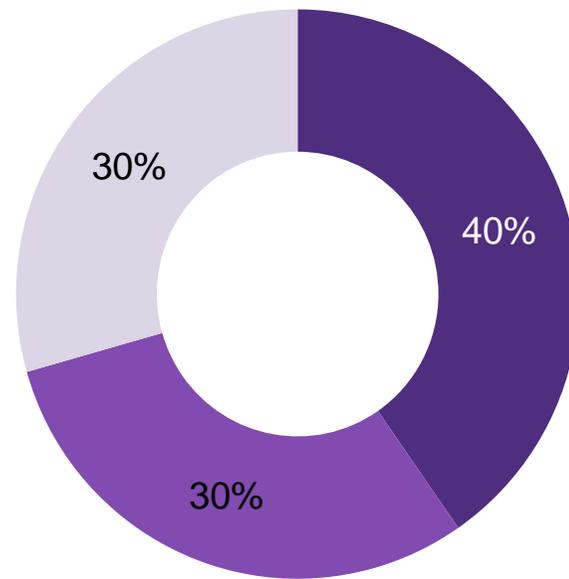
Corporate tax amendments

Do you expect a minimum threshold limit to be prescribed for applicability of ICDS?



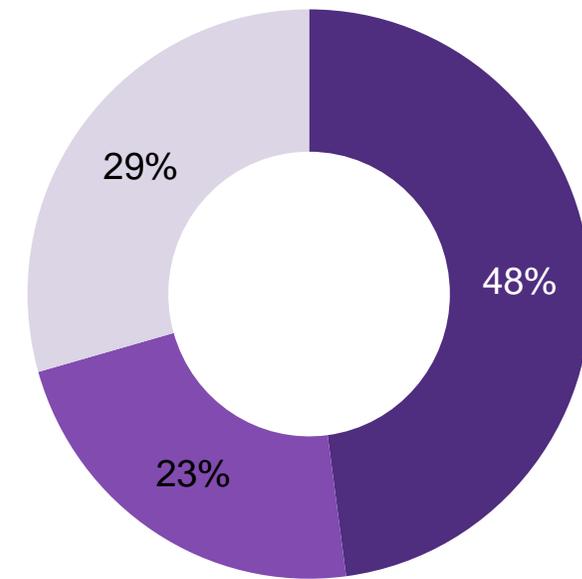
■ yes ■ no ■ Can't say

Do you expect that ICDS would be made applicable only for companies doing accounting under IND-AS?



■ yes ■ no ■ Can't say

Do you expect that implementation date of ICDS would be deferred by a year?



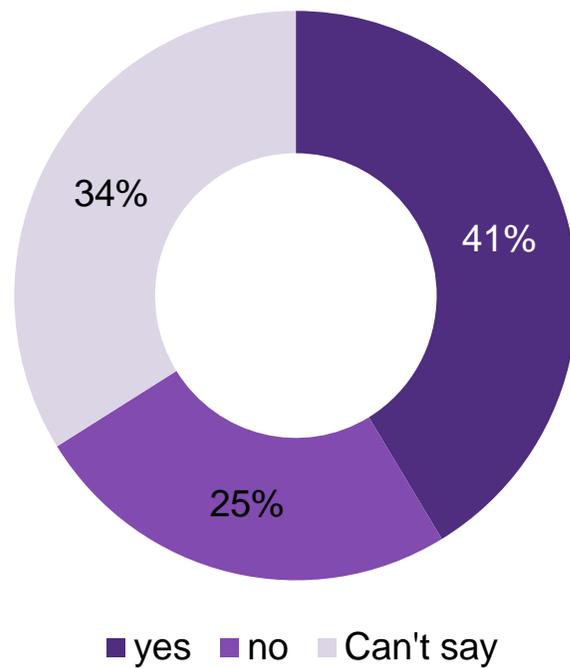
■ yes ■ no ■ Can't say

The message: While 65% of the surveyed population expects that a minimum threshold should be provided for applicability of ICDS provisions, almost half of the respondents (48%) expect the ICDS implementation to be deferred by a year and 40% respondents demand it to be made applicable to the companies doing accounting under IND-AS.

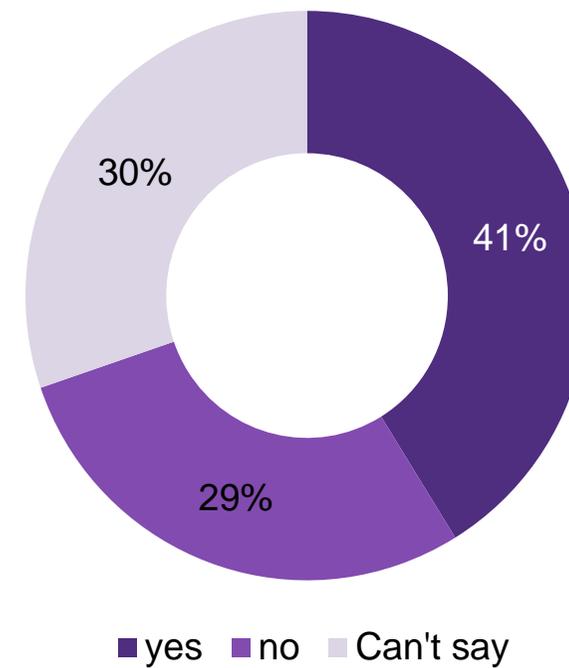


Transfer Pricing amendments

Whether a clarity on TP adjustments on marketing intangible would be provided?



Whether country-by-country reporting as suggested by BEPS action plan would be introduced?

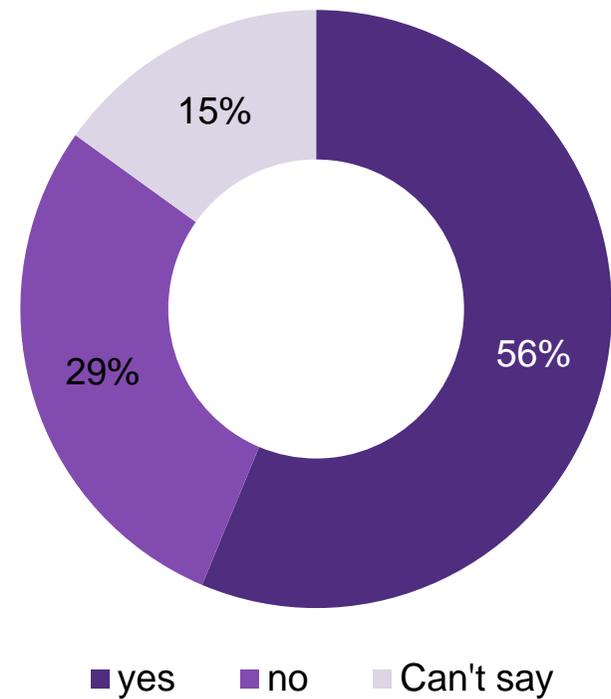


The message: On the Transfer Pricing front 41% of the respondents expect clarity on TP dispute on marketing intangibles and a similar number of respondents expect that country-by-country reporting as suggested by BEPS action plan would be introduced in the upcoming Budget.



Goods & Service Tax

Whether GST constitution amendment bill would be passed in Rajya Sabha?

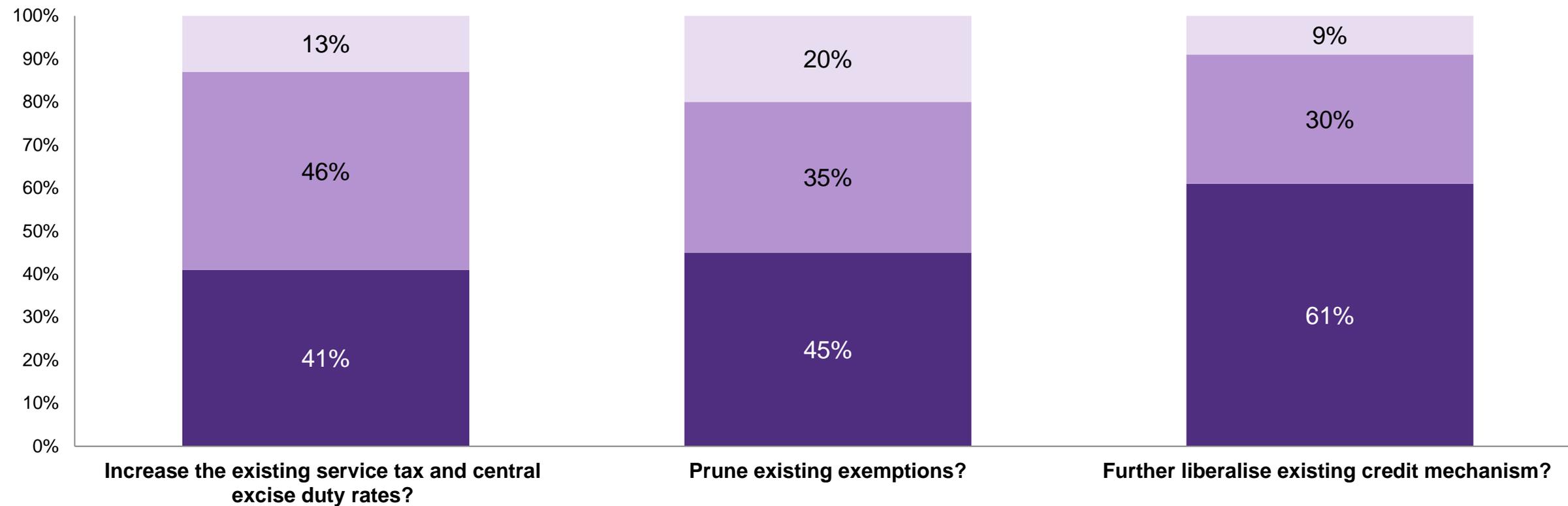


The message: More than half of the respondents (56%) expect that GST Bill would be passed in the upcoming Budget session.



Goods & Service Tax

As an interim measure, do you expect the Government to:

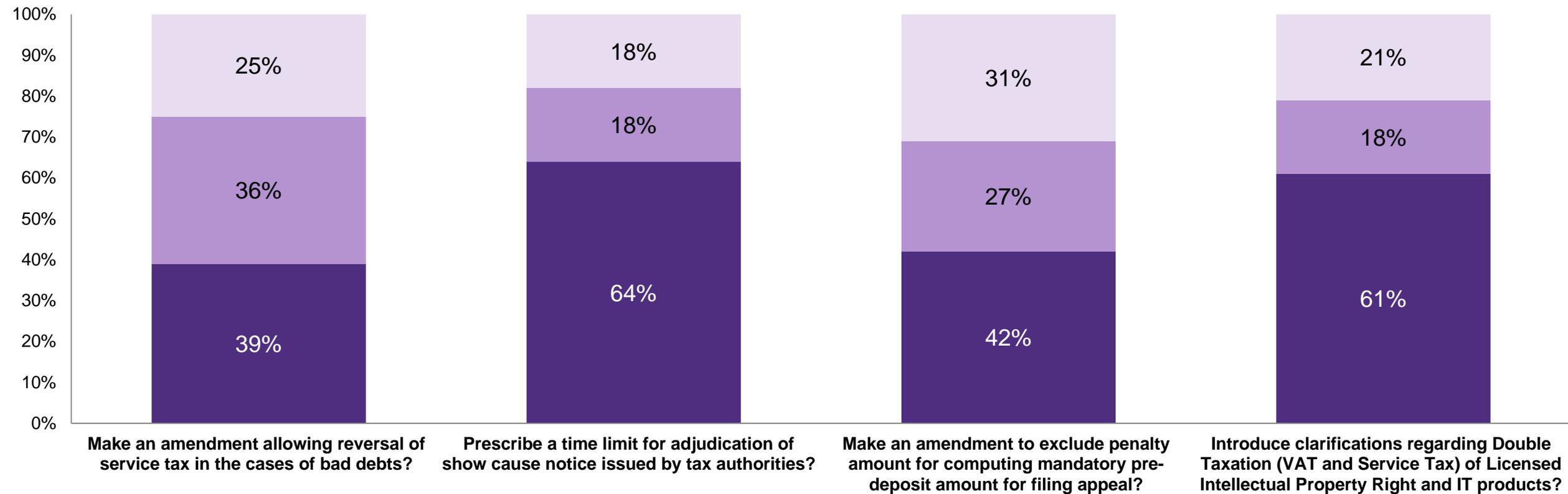


The message: As a run up to introduction of GST, more than half of the respondents (61%) believe that existing mechanism of allowing input credit would be further liberalised and 45% of the respondents expect that existing exemptions would be pruned. However, the expectation on increase in service tax and excise duty is divided with 46% opposing it.



Indirect Tax

Do you expect the Government to:



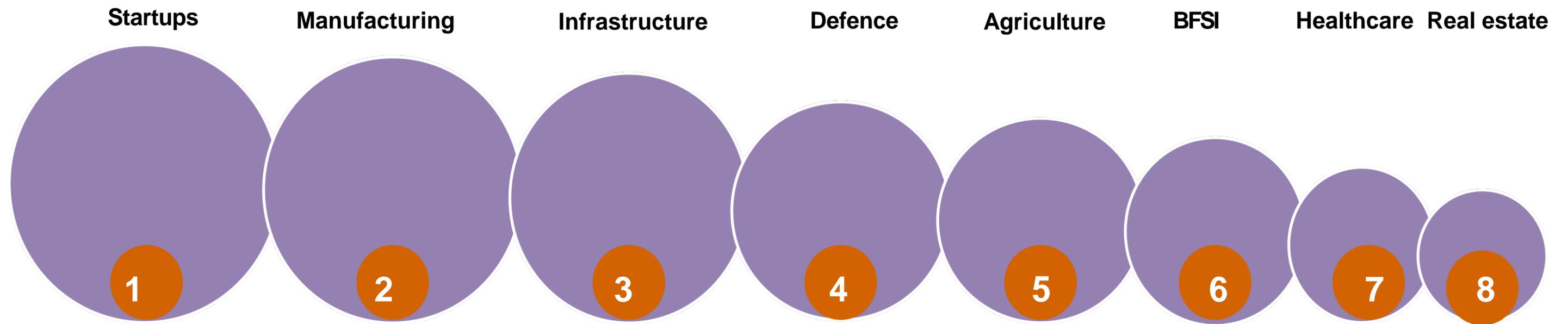
The message: On the indirect tax front, a high range (61-64%) of the survey respondents anticipate clarity on double taxation of licensed IP rights and that a time limit would be prescribed for adjudication of show cause notice. However, a lower range (39 – 42%) of respondents expect amendments to allow reversal of service tax in case of bad debt and exclusion of penalty amount from mandatory pre-deposit for filing appeal.



Sectoral focus

Rank, in order of preference, the sector(s) which are expected to receive a majority of 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 startups and manufacturing, in line with Startup India and Make in India campaign. Infrastructure and defence sectors follow at 3 and 4 spot. Interestingly, real estate and healthcare fall at the last of the list.



About Grant Thornton



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