

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.

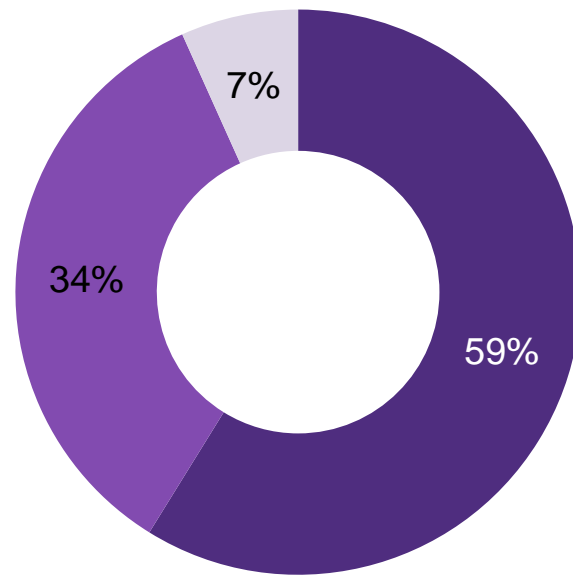


Industry expectations



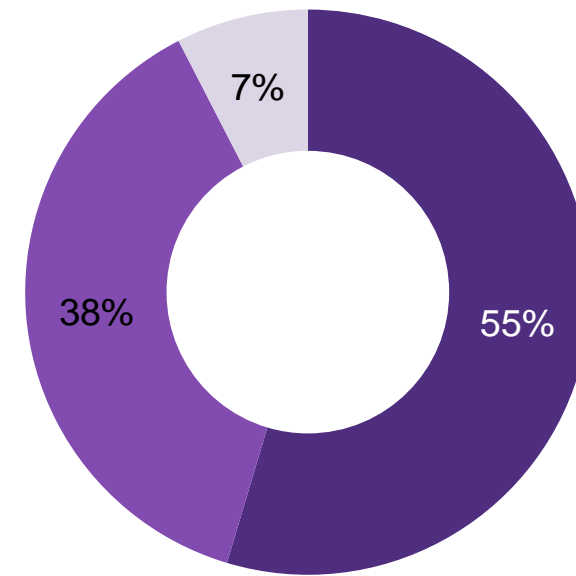
Direct Tax Rates

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



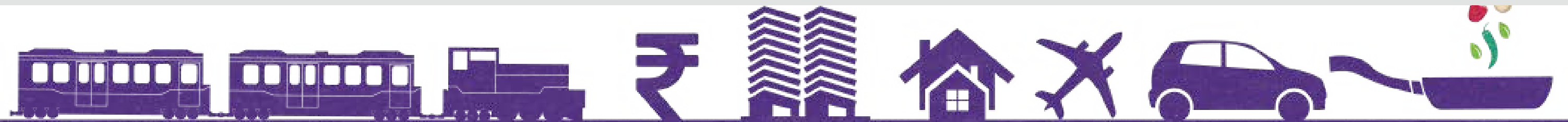
■ yes ■ no ■ Can't say

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



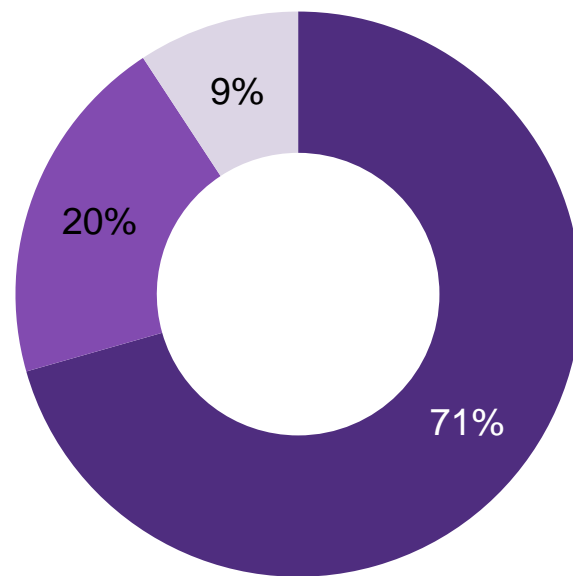
■ yes ■ no ■ Can't say

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.



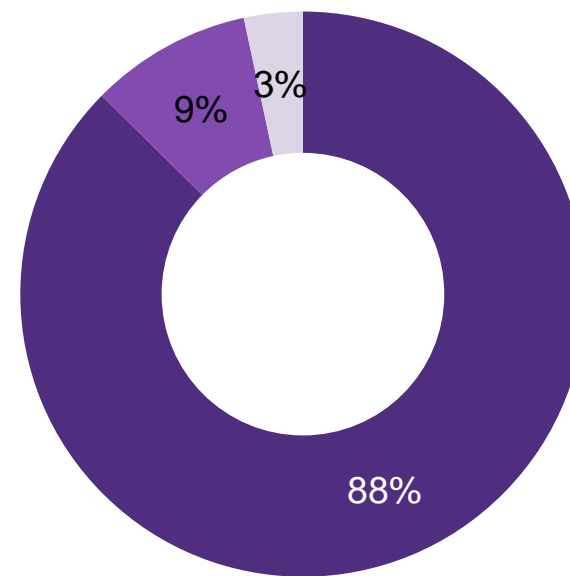
Tax incentives

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



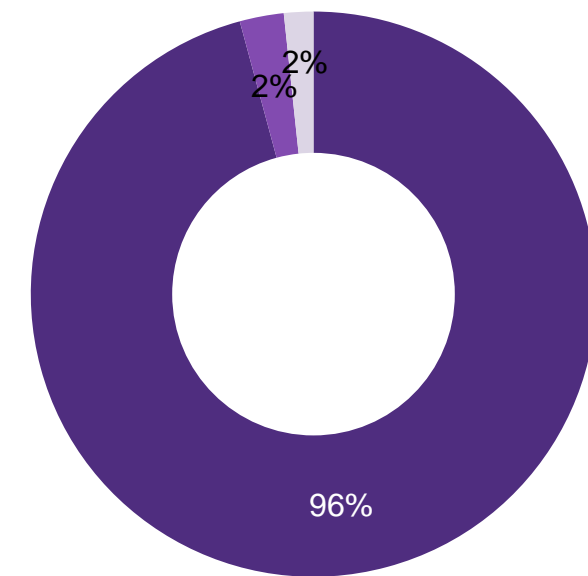
■ yes ■ no ■ Can't say

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?



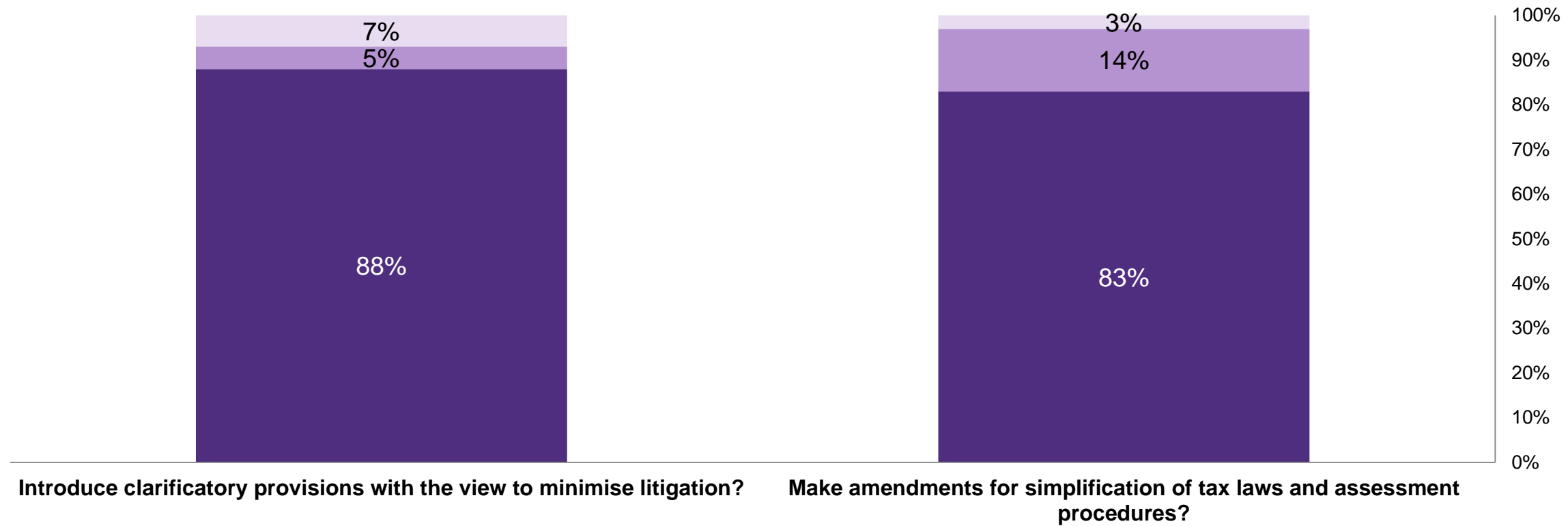
■ yes ■ no ■ Can't say

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:

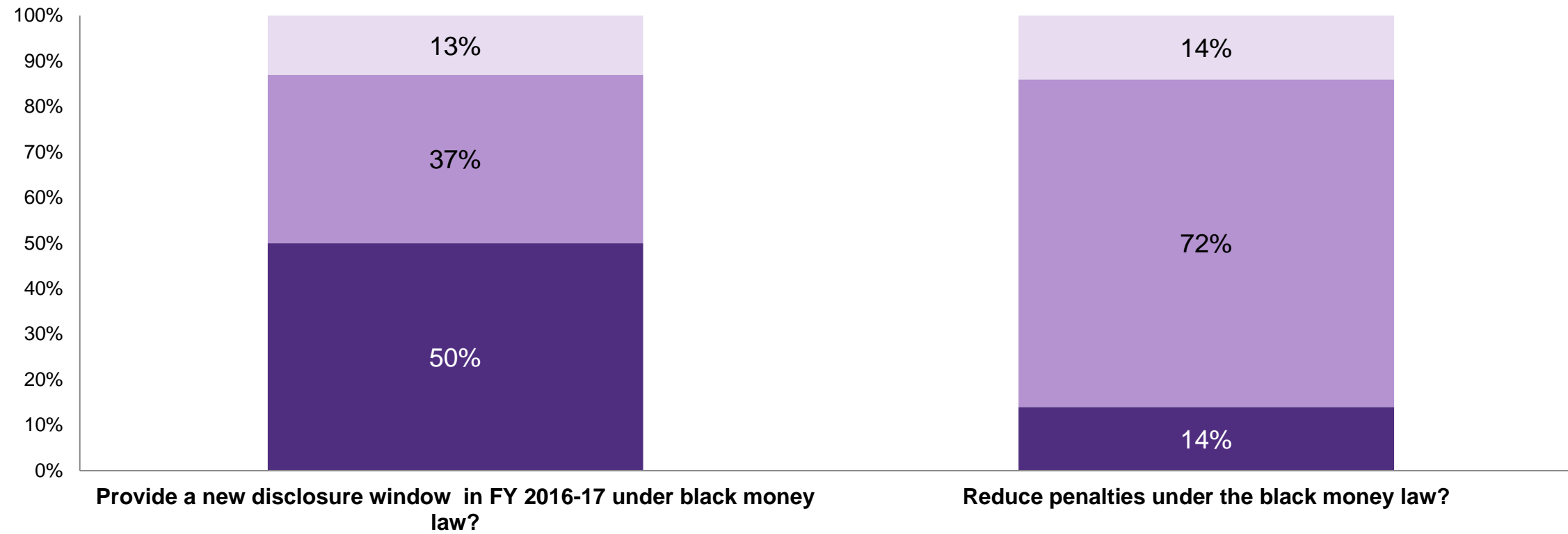


The message: There is a high expectation (83%) that government would introduce amendments to simplify tax laws and procedures and 88% of respondents expect government to introduce clarificatory provision with a view to minimise litigation.

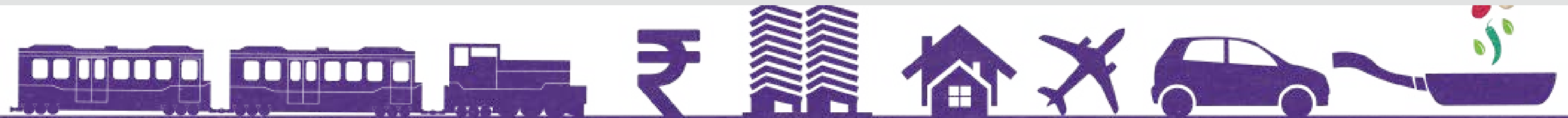


Black money law

Do you expect the Government to:

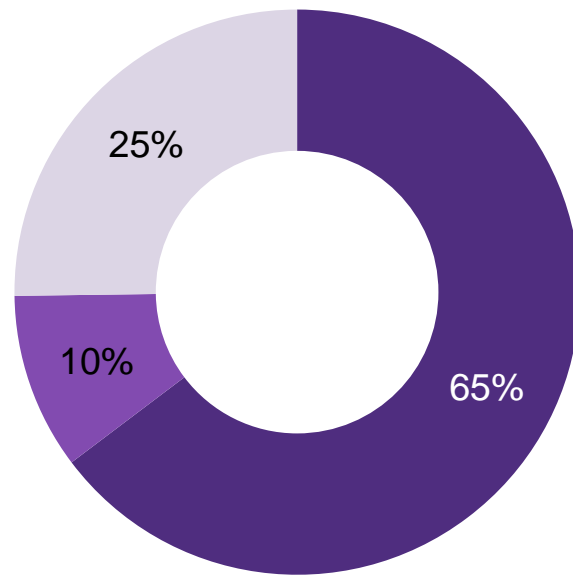


The message: Half of the respondents expect the government to extend disclosure window by a year. However, a large chunk of the participants (72%) believe that the penalties under black money law would not be reduced.



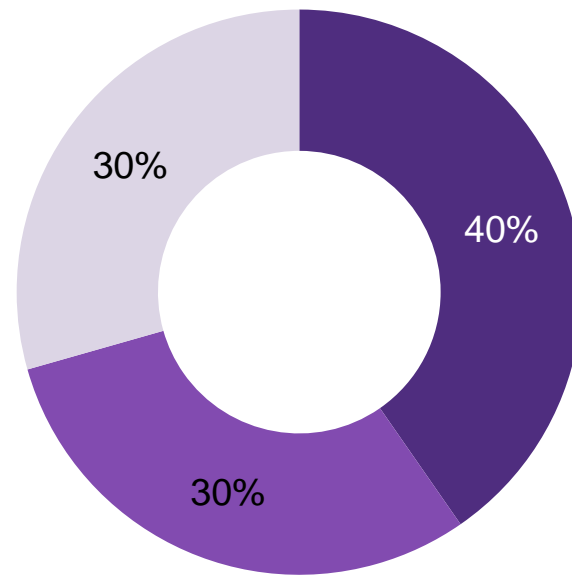
Corporate tax amendments

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



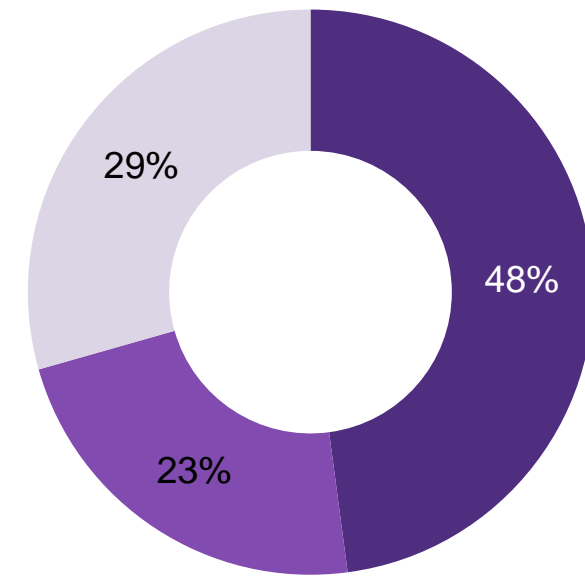
■ yes ■ no ■ Can't say

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?



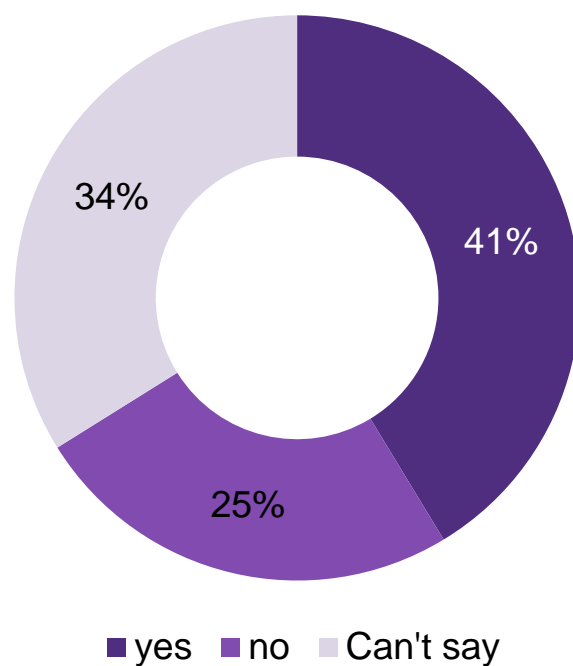
■ yes ■ no ■ Can't say

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.

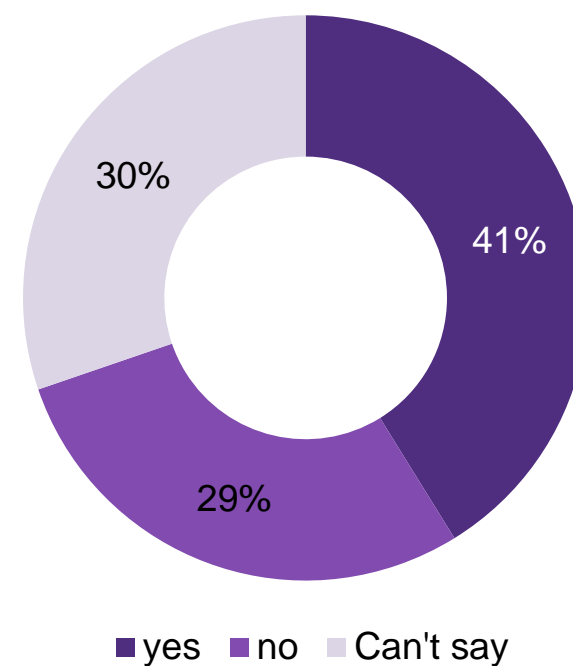


Transfer Pricing amendments

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?

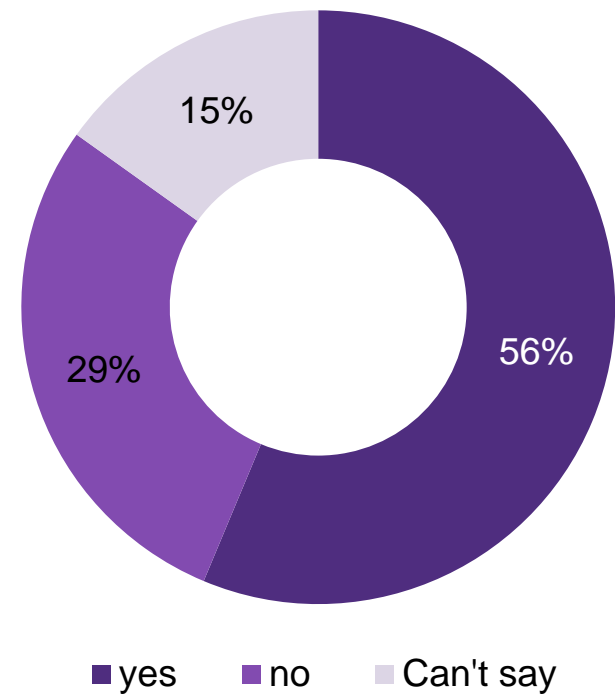


The message: On the Transfer Pricing front 41% of the respondents expect clarity on TP dispute on marketing intangibles and a similar number of respondents expect that country-by-country reporting as suggested by BEPS action plan would be introduced in the upcoming Budget.



Goods & Service Tax

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

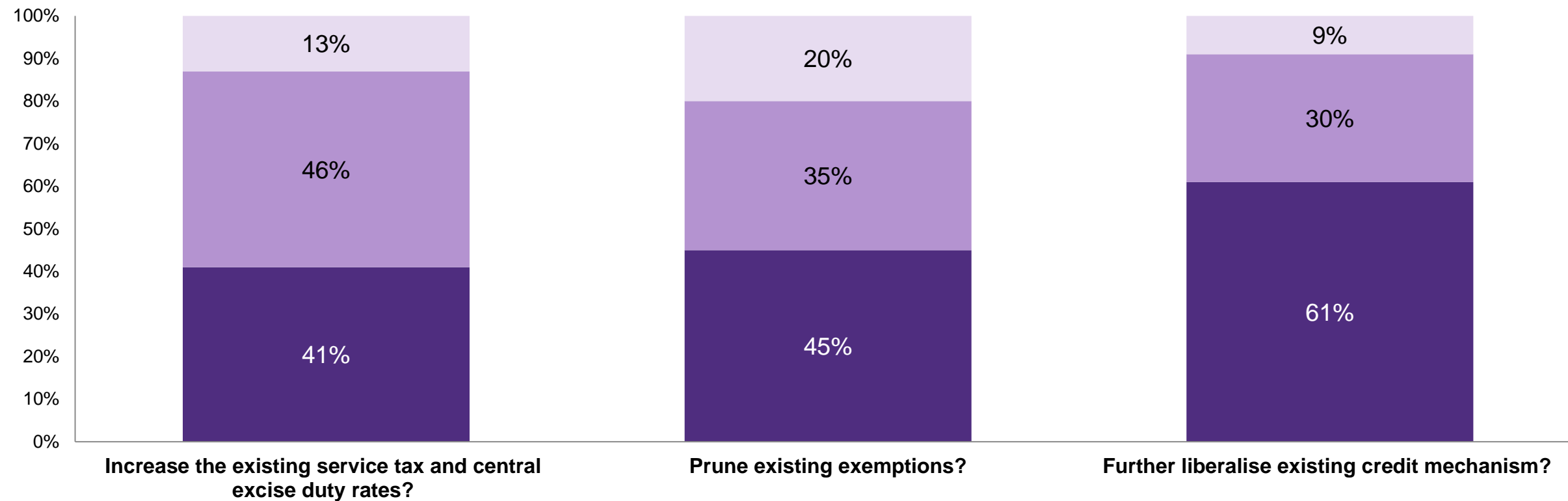


The message: More than half of the respondents (56%) expect that GST Bill would be passed in the upcoming Budget session.

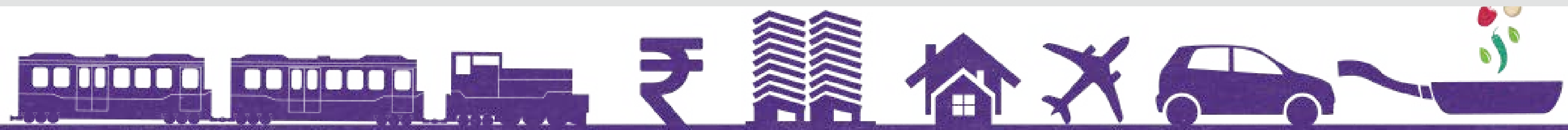


Goods & Service Tax

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

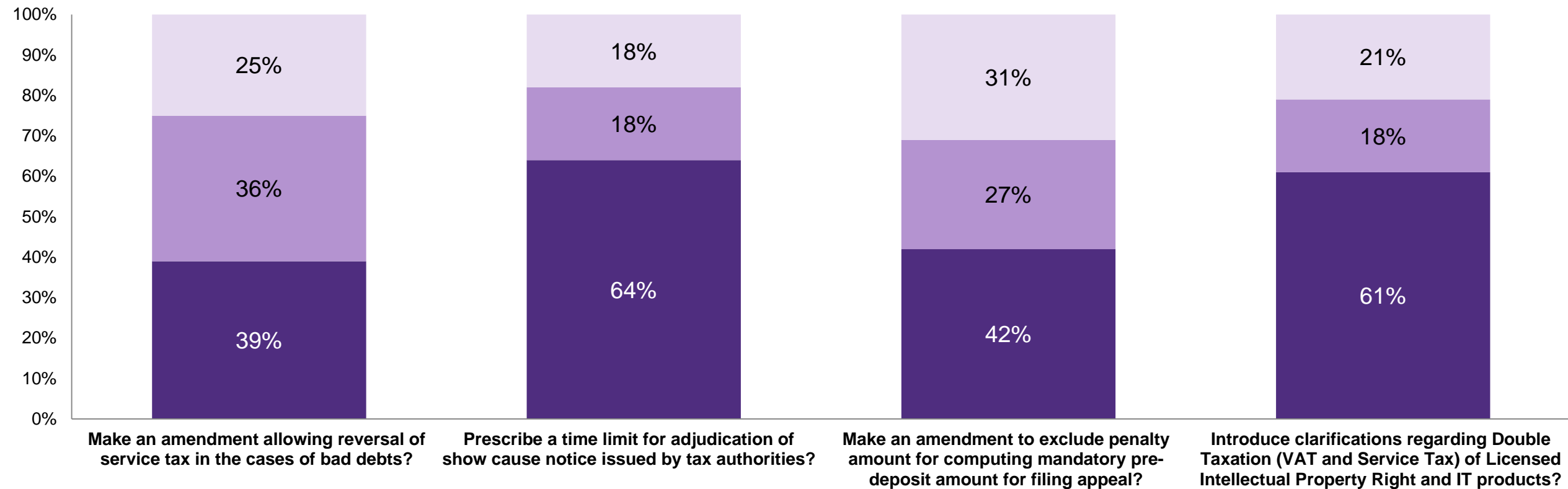


The message: As a run up to introduction of GST, more than half of the respondents (61%) believe that existing mechanism of allowing input credit would be further liberalised and 45% of the respondents expect that existing exemptions would be pruned. However, the expectation on increase in service tax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



Indirect Tax

Do you expect the Government to:



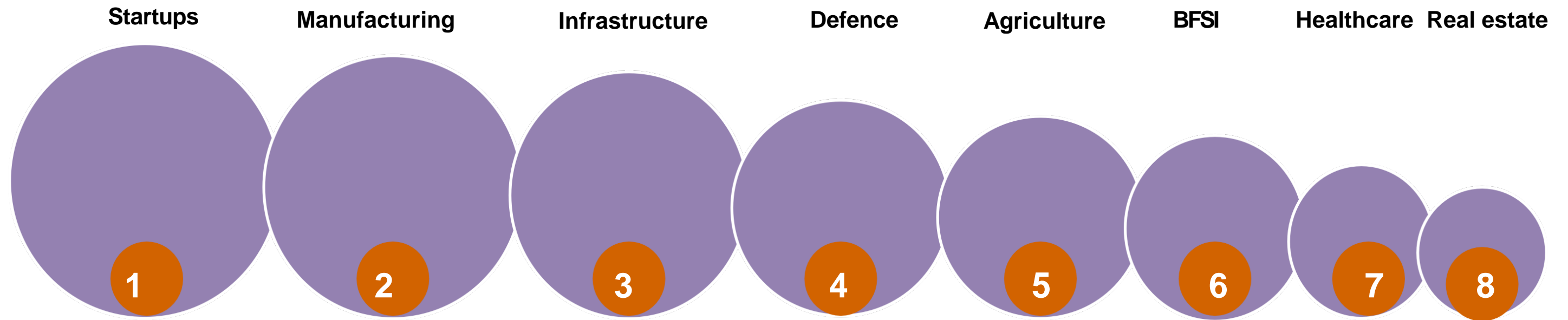
The message: On the indirect tax front, a high range (61-64%) of the survey respondents anticipate clarity on double taxation of licensed IP rights and that a time limit would be prescribed for adjudication of show cause notice. However, a lower range (39 – 42%) of respondents expect amendments to allow 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



About Grant Thornton

Grant Thornton International Ltd.

Grant Thornton is one of the world's leading organisations of independent assurance, tax and advisory firms. These firms help dynamic organisations unlock their potential for growth by providing meaningful, forward looking advice. Proactive teams, led by approachable partners in these firms, use insights, experience and instinct to understand complex issues for privately owned, publicly listed and public sector clients and help them to find solutions. More than 40, 000 Grant Thornton people, across over 130 countries, are focused on making a difference to clients, colleagues and the communities in which we live and work.

Grant Thornton in India

Grant Thornton in India is one of the largest assurance, tax, and advisory firms in India. With over 2,500 professional staff across 13 offices, the firm provides robust compliance services and growth navigation solutions on complex business and financial matters through focused practice groups. The firm has extensive experience across a range of industries, market segments, and geographical corridors. It is on a fast-track to becoming the best growth advisor to dynamic Indian businesses with global ambitions. With shorter decision-making chains, more senior personnel involvement, and empowered client service teams, the firm is able to operate in a coordinated way and respond with agility.

Over the years, Grant Thornton in India has added lateral talent across service lines and has developed a host of specialist services such as Corporate Finance, Governance, Risk & Operations, and Forensic & Investigation. The firm's strong Subject Matter Expertise (SME) focus not only enhances the reach but also helps deliver bespoke solutions tailored to the needs of its clients.



Contact us

To know more about Grant Thornton in India, please visit www.grantthornton.in or contact any of our offices as mentioned below:

NEW DELHI

National Office
Outer Circle
L 41 Connaught Circus
New Delhi 110001
T +91 11 4278 7070

AHMEDABAD

BSQUARE Managed Offices
7th Floor, Shree Krishna Centre
Nr. Mithakali Six Roads Navrangpura
Ahmedabad 380009
T +91 76000 01620

BENGALURU

"Wings", 1st Floor
16/1 Cambridge Road
Ulsoor
Bengaluru 560008
T +91 80 4243 0700

CHANDIGARH

B-406A, 4th Floor
L&T Elante Office Building
Industrial Area Phase I
Chandigarh 160002
T +91 172 4338 000

CHENNAI

Arihant Nitco Park, 6th Floor
No.90, Dr. Radhakrishnan Salai
Mylapore
Chennai 600004
T +91 44 4294 0000

GURGAON

21st Floor, DLF Square
Jacaranda Marg
DLF Phase II
Gurgaon 122002
T +91 124 462 8000

HYDERABAD

7th Floor, Block III
White House
Kundan Bagh, Begumpet
Hyderabad 500016
T +91 40 6630 8200

KOCHI

7th Floor, Modayil Centre point
Warriam road junction
M.G.Road
Kochi 682016
T +91 484 406 4541

KOLKATA

10C Hungerford Street
5th Floor
Kolkata 700017
T +91 33 4050 8000

MUMBAI

16th Floor, Tower II
Indiabulls Finance Centre
SB Marg, Elphinstone (W)
Mumbai 400013
T +91 22 6626 2600

MUMBAI

9th Floor, Classic Pentagon
Nr Bisleri factory, Western Express
Highway
Andheri (E)
Mumbai 400099
T +91 22 6176 7800

NOIDA

Plot No. 19A, 7th Floor
Sector – 16A
Noida 201301
T +91 120 7109 001

PUNE

401 Century Arcade
Narangji Baug Road
Off Boat Club Road
Pune 411001
T +91 20 4105 7000

For more information or for any queries, write to us at contact@in.gt.com



Follow us [@GrantThorntonIN](https://twitter.com/GrantThorntonIN)



© 2016 Grant Thornton India LLP. All rights reserved.

“Grant Thornton in India” means Grant Thornton India LLP, a member firm within Grant Thornton International Ltd, and those legal entities which are its related parties as defined by the Companies Act, 2013 read in conjunction with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India.

Grant Thornton India LLP (formerly Grant Thornton India) is registered with limited liability with identity number AAA-7677 and has its registered office at L-41 Connaught Circus, New Delhi, 110001.

References to Grant Thornton are to Grant Thornton International Ltd (Grant Thornton International) or its member firms. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by the member firms.