

#GTONBudget

Pre-budget expectation survey analysis

About the survey

The Union Budget 2023 is set to be presented on 1 February 2023.

Grant Thornton Bharat conducted a survey to determine what India Inc. anticipates from the Budget 2023. The survey saw more than 5,000 responses across digital platforms. We hope that the results of the survey, published in this report, will help you understand the expectations from Budget 2023.



5,000+

respondents across digital platforms



Executive summary

This survey report captures the hopes and aspirations of corporate India, individual taxpayers and industry experts.

Some of the key aspects of the survey include tax reliefs expected by individual taxpayers, areas of corporate tax that need immediate attention, and rationalisation and simplification of TDS and capital gains tax regime.

Key highlights



73%

Are optimistic that Indian economy will be resilient to global headwinds and continue to grow steadily in 2023



94%

Expect relief for the middle class by increase in either the section 80C limit or the standard deduction



72%

Feel that income-tax return filing process needs further simplification

Expert's take

The key expectation from the Budget is to maintain the growth rate, while keeping the fiscal deficit under check. India should continue with its policy reforms to attract investment, grow its manufacturing base and generate employment.

The survey results lay out the expectations of the businesses for further simplification and certainty in the policy regime, and of the individuals for some relief in their net tax outgo.

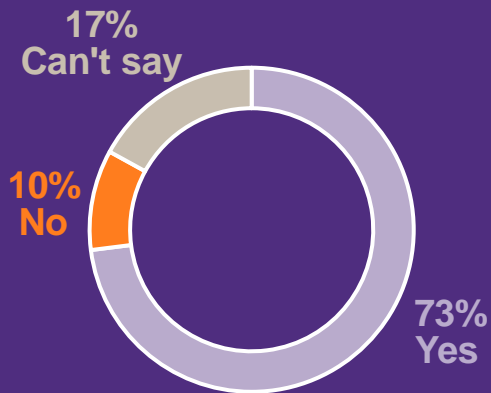
Vikas Vasal
National Managing Partner – Tax,
Grant Thornton Bharat



General questions

Q1

Given the current geopolitical situation, the fear of global recession and the resurgence of COVID-19 in various parts of the globe, do you think the Indian economy will show resilience and continue to grow steadily in 2023?



The survey results show a high level of optimism with respect to resilience of the Indian economy.

73% respondents believe that the economy will grow steadily in 2023 despite global headwinds.

Q2

Which areas of the Indian tax system need reforms the most?

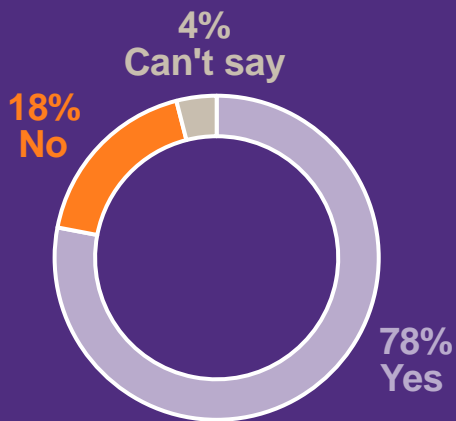


Majority of the respondents believe that at this juncture, the personal taxation regime requires reforms the most.

20% believe that customs and GST is another area where reforms are required.

Personal tax

The basic exemption limit applicable to individual taxpayers was last increased in 2014 from INR 2 lakh to INR 2.5 lakh. Do you expect the government to increase the exemption limit?



78% respondents believe that the government would increase the basic exemption limit applicable to individual taxpayers.

Interestingly, 22% of the respondents do not feel that the limits will be tinkered with in this budget.

What relief can be provided to individual taxpayers in the upcoming budget?

68%

Raise deduction limit under section 80C; currently INR 1.5 lakh

3%

Provide for annual leave travel allowance

26%

Raise standard deduction to consider work-from-home expenses; currently INR 50,000

3%

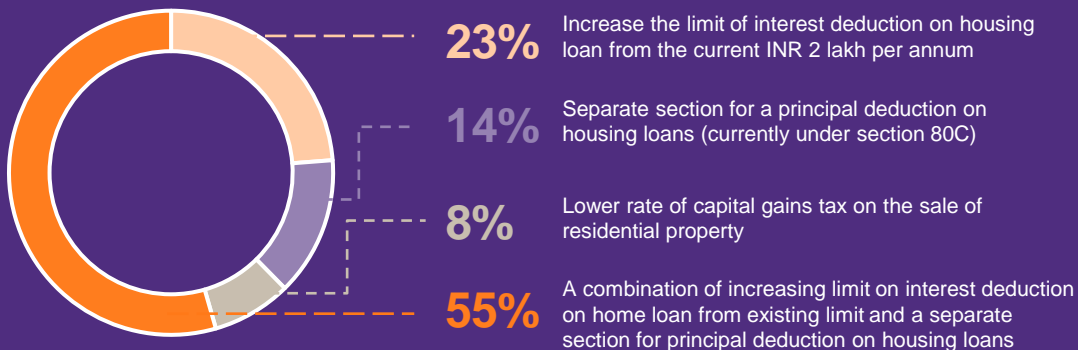
Raise deduction limit under section 80D for medical insurance; currently INR 25,000

Overall, 94% of the respondents feel that the government should increase either the section 80C deduction limit or the standard deduction in the upcoming budget. Given that these limits were increased several years ago, they believe that this change is long overdue.

Personal tax

Q5

To meet the 'Housing for All' objective, which tax measures should be considered in the upcoming budget?



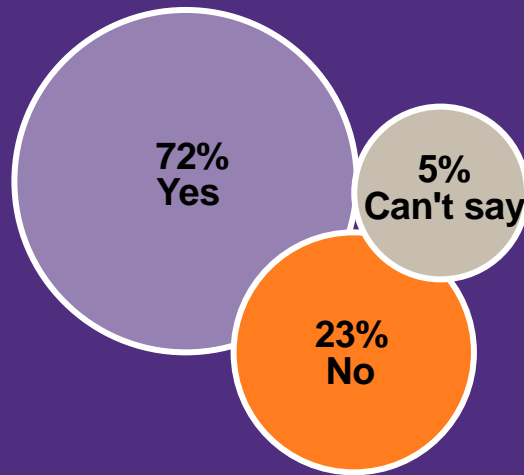
More than 50% of the respondents feel that the government should increase the limit for interest deduction and introduce a separate section to claim deduction for principal repayment of housing loan.

These measures will go a long way in meeting the government's objective of 'Housing for All'.



Tax administration

The government has constantly been working towards simplifying the income tax return filing process (introduction of pre-filled return forms, consolidation of data in the form of Annual Information and Taxpayers Information statement, upcoming single form). Despite all these measures, do you think the income-tax return filing process is still complex and needs further simplification?



Despite the consistent measures taken by the government to simplify the return filing process, 72% respondents still feel that the income tax return filing process is complex and needs further simplification.

Given the response, the draft common income tax return form, once formally notified, may provide respite to the taxpayers.



Corporate tax

Q7

What area needs immediate attention from a corporate taxation perspective?

25%

15% corporate tax rate should be extended to all taxpayers (including the service sector) and should be linked with new investment(s) instead of a new entity

20%

Rationalisation and simplification of capital gains tax regime

16%

Removal of the Minimum Alternate Tax for all corporate taxpayers

39%

Overall simplification and rationalisation of the TDS regime

39% respondents consider overall simplification and rationalisation of the TDS regime as the key area that needs immediate attention. This is followed by 25% respondents who feel that the 15% corporate tax rate should be sector-agnostic.

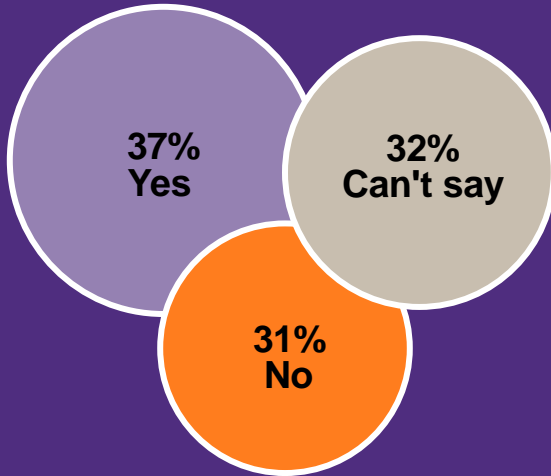
While streamlining TDS compliance will improve ease of doing business, uniform corporate tax rate for all sectors will further enhance India's position as a favourable business destination.



Corporate tax

Q8

The OECD Pillar 2 solution has been agreed upon by 138 member countries (including India) that are a part of OECD's inclusive framework and G20. Unlike several other countries, India is yet to introduce domestic legislation to support its implementation. Do you expect the government to introduce domestic legislation on the global minimum tax rate in the upcoming Budget?



Only 37% of the respondents feel that the upcoming budget will lay down the roadmap for OECD's Pillar 2 and introduce domestic legislation on the global minimum tax rate.

Around 31% feel that perhaps the implementation of the global two-pillar solution may take some more time and immediate changes in the domestic law may not be required at this juncture.



Corporate tax

Q9

The capital gains tax regime has become very complicated over the last few years. There is an urgent need to simplify this regime. What measures should the government take on a priority basis in the upcoming budget?

29%

Prescribe two or three asset classes and align the holding period to qualify as a long-term capital asset for all asset classes

11%

Rate of surcharge should be capped at 15% for capital gains earned on all assets

39%

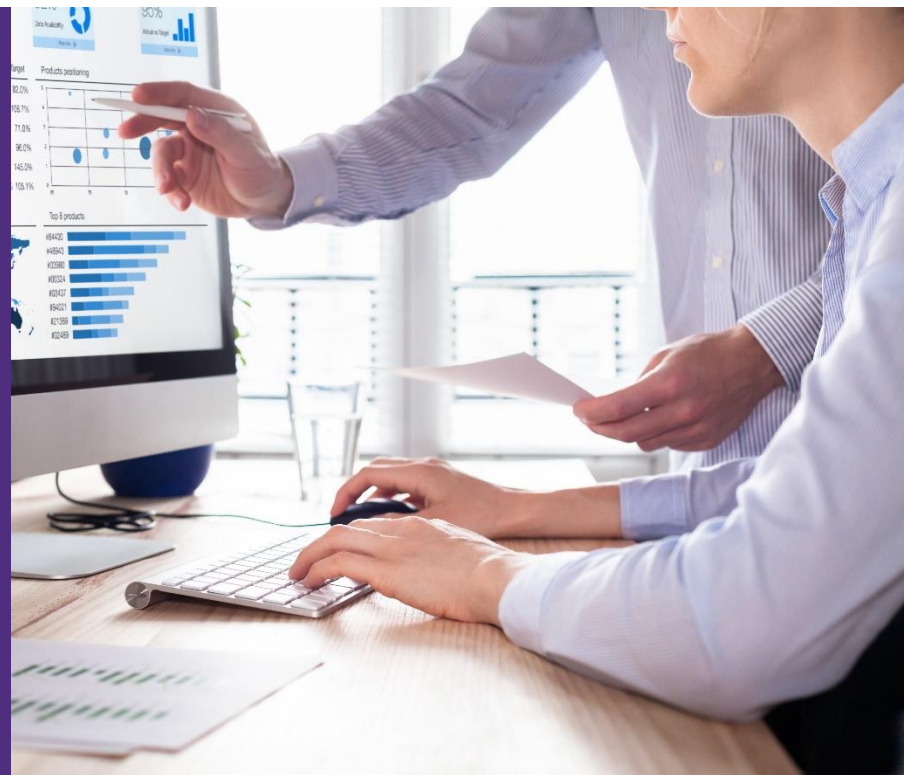
Simple computational provisions

21%

Base year for computation of indexation benefits to be revised

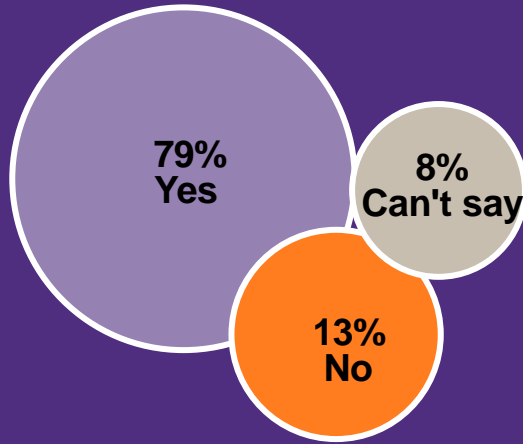
Around 39% of the respondents feel that the capital gains computational provisions are extremely complex and there is an urgent need to simplify them.

This is followed by 29% of the respondents who believe that the government should prescribe two or three asset classes and align the holding period to qualify as a long-term capital asset for all asset classes.



Indirect tax

Should government announce another amnesty cum settlement scheme for pending indirect tax litigations?

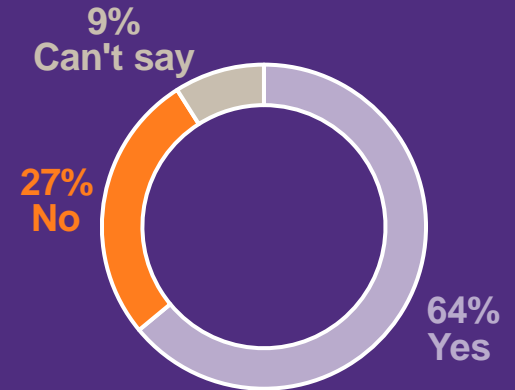


79% respondents want the government to announce another dispute resolution scheme to resolve pending indirect tax litigations.

Considering the success of the earlier dispute resolution scheme, it would be helpful if the government introduces another amnesty scheme for custom, legacy laws as well as for the initial period of GST.

Q11

Do you feel that the order issued by the Special Valuation Branch / Advance Pricing Agreements should be considered by income tax authorities/customs authorities, respectively, for valuation?



64% positive responses indicate that the taxpayers are keen to have a regime where the order issued by the Special Valuation Branch / Advance Pricing Agreements is considered by the Income tax / customs authorities for valuation.

This will help reduce litigations and enable taxpayers to be consistent and compliant under both laws.



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