

Pre-budget expectation survey



UNION BUDGET 2021-22



Foreword - Grant Thornton Bharat

The Union Budget 2021 should unveil bold policy and administrative reforms to propel the economy to its pre-pandemic growth levels.



The ongoing pandemic and resultant lockdown(s) have caused massive disruption in businesses across the globe and India is no exception. The adverse economic impact of the pandemic has been felt by everyone, be it large corporates, micro, small and medium enterprises, start-ups and individuals. The government has taken several laudable steps to support and propel the economy, such as introducing labour reforms, production-linked incentives and multiple relief packages.

The Union Budget 2021 should unveil bold policy and administrative reforms to propel the economy to its pre-pandemic growth levels. It is expected that focus will be to provide impetus to investment in infrastructure and manufacturing, to revive consumption and generate more job opportunities. If status quo is maintained on the tax rates and no additional tax or cess is introduced, it will be a big relief to the businesses and households.

To garner more resources, a combination of measures, such as PSU disinvestment, further opening up of the economy for foreign investment, developing bond markets and funding large scale projects through innovative financial products, may be considered, along with a relatively higher fiscal deficit, which is justifiable under these unprecedented circumstances.

The Finance Minister has promised a 'budget like never before' and has taken suggestions from all stakeholders. In this backdrop, Grant Thornton Bharat and Confederation of Indian Industry's pre-budget survey findings make an interesting read of the expectations from different stakeholders in the economy.

Vikas Vasal,
National Managing Partner, Tax
Grant Thornton Bharat

Foreword - CII

A three-pronged strategy centering on the key themes of growth, fiscal consolidation and strengthening of the financial sector should be employed for the Union Budget 2021. This would help in overcoming the impact of COVID-19 on the economy. It is suggested that the government look at deficit management from a three-year perspective given that the complete economic recovery is expected only in financial year 2021-22. Also, the healthcare expenditure should be increased to 3% of GDP over three years.

Gopal Mahadevan,
Chairman, CII Southern Region Economic Affairs,
Taxation and Corporate Governance Subcommittee
Director & CFO, Ashok Leyland Ltd.



About the survey

To gauge the market sentiments and what are the expectations from this year's budget, Grant Thornton Bharat, in association with CII, conducted a survey on pre-budget expectations during 13-20 January 2021. This **Pre-budget Expectation Survey** report captures the hopes, aspirations and desires of industry experts, individual taxpayers and corporate India.

Some of the key aspects in the survey include, what should be the government's focus area keeping in mind the market situation, whether there should be any changes in the tax rates, which areas of the Indian tax regime need reforms the most, which key sectors would grab the biggest share of the Budget pie and more.



Executive summary

Focus of the Budget: The pre-budget expectation survey 2021 (survey) highlights the need for bold policy announcements to boost investment into infrastructure and large projects as well as increase consumption. 67% of those surveyed hope to see policy initiatives in infrastructure sector to propel the economy in the right direction. The other focus areas include employment generation and support for Make in India.

Sector wise impact: Respondents ranked the agriculture sector, healthcare and pharma sector; and manufacturing and industrial sector amongst the top three sectors that they feel should receive the greatest thrust in the upcoming budget.

Growth-related optimism: Majority respondents are optimistic about India's economic growth. 60% believe that the Indian economy is on the growth path. 67% are optimistic about India's infrastructure and consumption spending in the coming year.

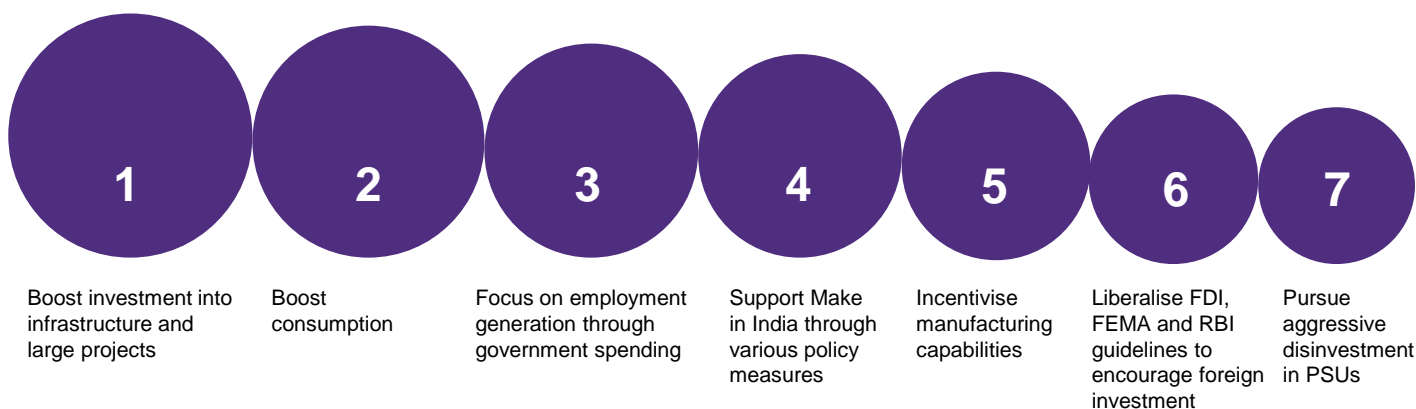
Tax rates: Despite the rising fiscal deficit, 55% believe the government should not tinker with the tax rates and maintain status quo. However, 90% believe that the government should provide relief to individual taxpayers. This could be in the form of raising deduction under Section 80C of the Income-tax Act 1961, limit of standard deduction or the overall basic exemption limits.

Tax reforms: On expected tax reforms, 75% believe transfer pricing, customs and corporate tax areas are most in need of reforms. However, 67% felt that there is simplification required in the Tax Deduction at Source (TDS) and Tax Collection at Source (TCS) provisions.



Survey results

Considering the current market situation, what should be the government's focus areas in the upcoming budget?



Key highlights

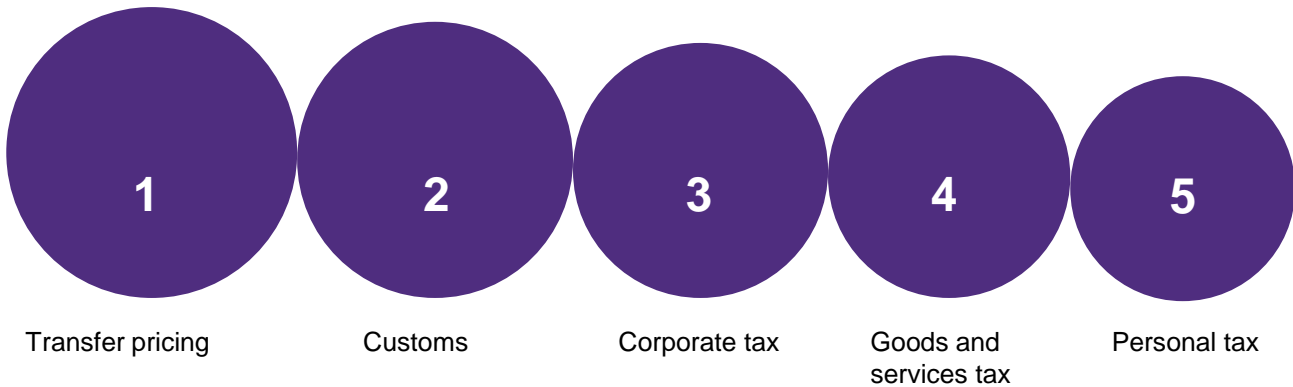
Majority respondents believe the government should focus on boosting investment into infrastructure and large projects, as well as boosting consumption.

67% ranked '**Boost investment into infrastructure and large projects**' in their top three focus areas

54% ranked '**Boost consumption**' in their top three focus areas

Focus on employment generation and policy support for Make in India were also seen as important focus areas

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

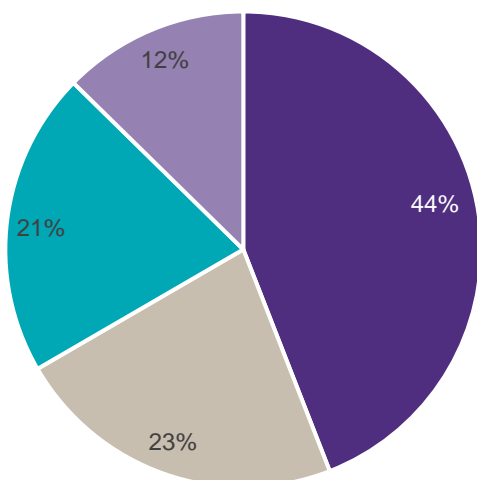


Key highlights

Majority respondents believe that **transfer pricing, customs and corporate tax** are the areas of the Indian tax regime that need reforms the most

75% ranked transfer pricing reforms as top three areas that required reforms, followed by corporate tax and customs tax reforms at 72% and 68% respectively

Do you expect TDS and TCS provisions to be simplified?



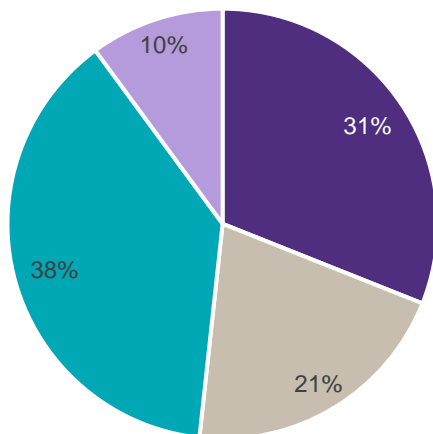
- Uniform rate of 1% or 2% for all TDS/TCS provisions
- TDS/TCS collected should reflect as credits in taxpayer's passbook, which may be utilised by taxpayers anytime, in any year
- No
- Can't say

Key highlights

Overall, **67%** of respondents expect TDS and TCS provisions to be simplified in the upcoming budget

44% expect a uniform rate of **1% or 2%** for all TDS/TCS provisions, while **23%** expect TDS/TCS collected should reflect as credits in taxpayer's passbook

Should the government provide relief to individual taxpayers in the upcoming budget?



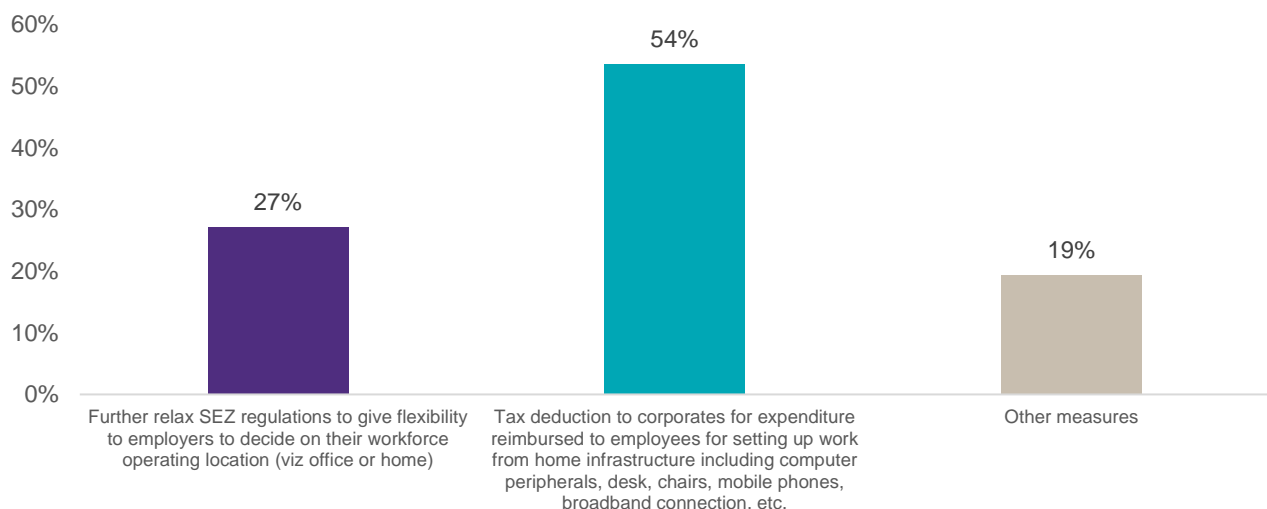
- Raise deduction under Section 80C, currently INR 1.5 lakh
- Raise standard deduction; currently INR 50,000
- Increase basic exemption limit; currently INR 2.5 lakh
- Government does not have leeway to reduce tax burden this year

Key highlights

Overall, **90%** of survey respondents believe that the government should provide relief to individual taxpayers in the upcoming budget.

38% believe that the government should increase basic exemption limit, while **31%** of the survey respondents feel that the deduction under Section 80C should be raised.

What are the announcements the FM should make to embrace 'work from anywhere'?

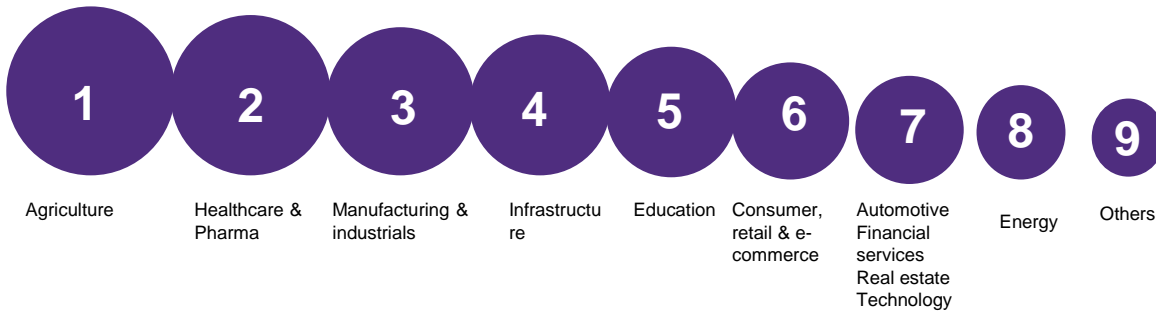


Key highlights

54% of survey respondents believe that the Finance Minister should announce tax deduction to corporates for expenditure reimbursed to employees for setting up work from home infrastructure

Other measures, respondents believe, which the government can take include coming out with clear guidelines on work from home or work from anywhere

Which sectors do you expect will receive the greatest thrust in the upcoming budget?



Key highlights

Almost **40%** respondents expect that the agriculture sector will receive the greatest thrust in the upcoming budget. **65%** ranked **agriculture in the top three sectors** expected to receive a boost

20% expect that the healthcare and pharma industry will receive the greatest thrust in the upcoming budget. **55%** ranked **healthcare and pharma in the top 3 sectors** expected to receive a boost

37% ranked the **manufacturing and industrials sector** in the top 3 sectors they expect to receive a boost. **36%** ranked infrastructure sector in top 4 listing that is likely to receive the highest focus

Is the Indian economy on the growth path?



Key highlights

60% are optimistic about the economic growth of the country and believe the country is on a growth path.

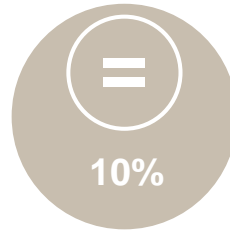
Are you optimistic about the overall infrastructure and consumption spending in the year 2021-22?



Yes, it is likely



No, not yet



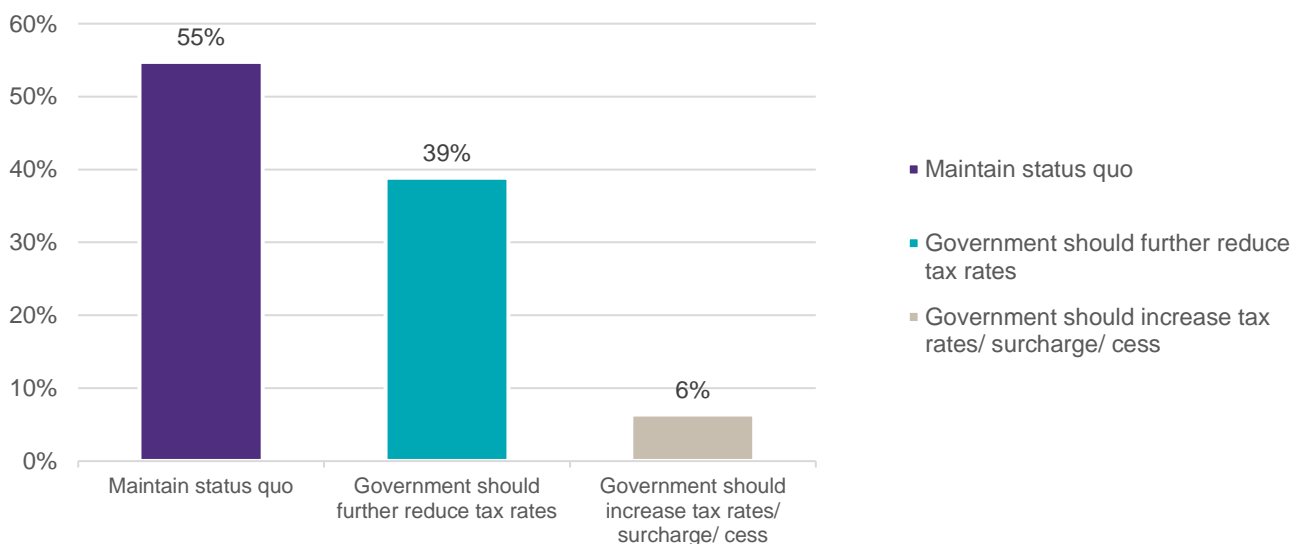
Can't say

Key highlights

67% of respondents are optimistic about India's infrastructure and consumption spending in the coming year.

(Note: 67% of respondents ranked 'boost investment into infrastructure and large projects' in their top three expected focus areas for the upcoming budget. In addition, 36% ranked the Infrastructure sector in their top 4 sectors expecting to get a boost in the upcoming budget).

Do you think the government should make changes to the tax rates keeping in view the fiscal deficit?



Key highlights

55% believe that the government should not tinker with the tax rates and maintain status quo in the forthcoming budget. However, 39% believe that the government should reduce tax rates.

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