Deloitte.

Pre-Budget Expectations Survey

Corporates

Contents

Preface

Deloitte Touche Tohmatsu India LLP commissioned a survey aimed at understanding budget expectations of India Inc from the standpoint of taxes, regulatory policy, and key industry issues. This report aims to encapsulate key findings from this survey.

Additionally, this report also contains an overview of the recent performance of the Indian economy, summary of Deloitte pre-budget memorandum and specific observations from some of the key industry leaders.

Economic indicators

Recent economic performance

In summary

GDP projected to slow down

GDP growth estimated at 7.1% in FY17

CAD remains relatively narrow

CAD at 0.6% of GDP in Q2 FY17

Monetary policy turns further accommodative

Repo rate cut from 6.5% to 6.25% in Oct'16

Foreign fund inflows have improved

FDI inflow of US$ ~14 billion in Q2 FY17, highest ever

Fiscal deficit, sticking to plan

Fiscal deficit at 3.9% of GDP in FY16

Inflation levels moving downwards

CPI at 3.4% in Dec'16, Average CPI at 4.9% in FY16

INR expected to remain weak

Likely to hover around INR 67.5 – 69.2 per US$

Exports move back into positive territory

Exports grew by 5.72% in Dec'16

Fiscal Deficit reduction on track

Room for further relaxation

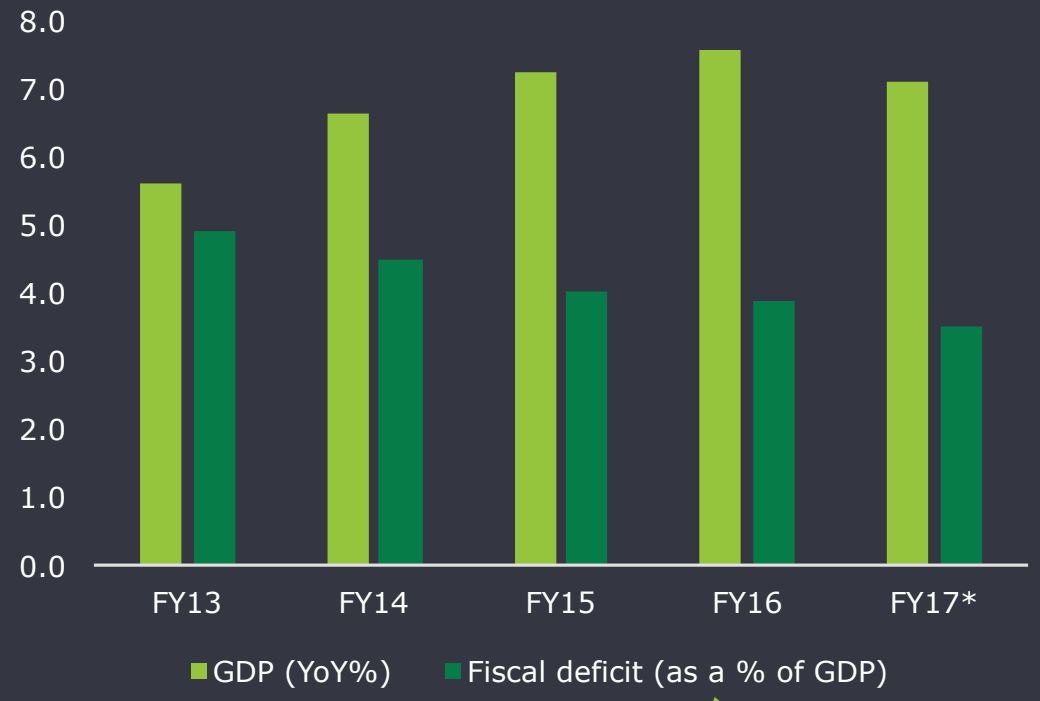
Temporary hit to growth, as consumption slows down

Investments possibly delayed as capacity utilization remains lower

Fiscal deficit under control, likely to hit 3.5% for FY17

Possible room for relaxation by taking a slightly higher deficit limit than 3% for FY18

Stable growth despite falling deficit levels



Data Source: Mos&P & Ministry of Finance

Inflation trends moving downwards

CPI levels falling backed by decreasing food prices

Inflation levels at the retail level have moved down considerably

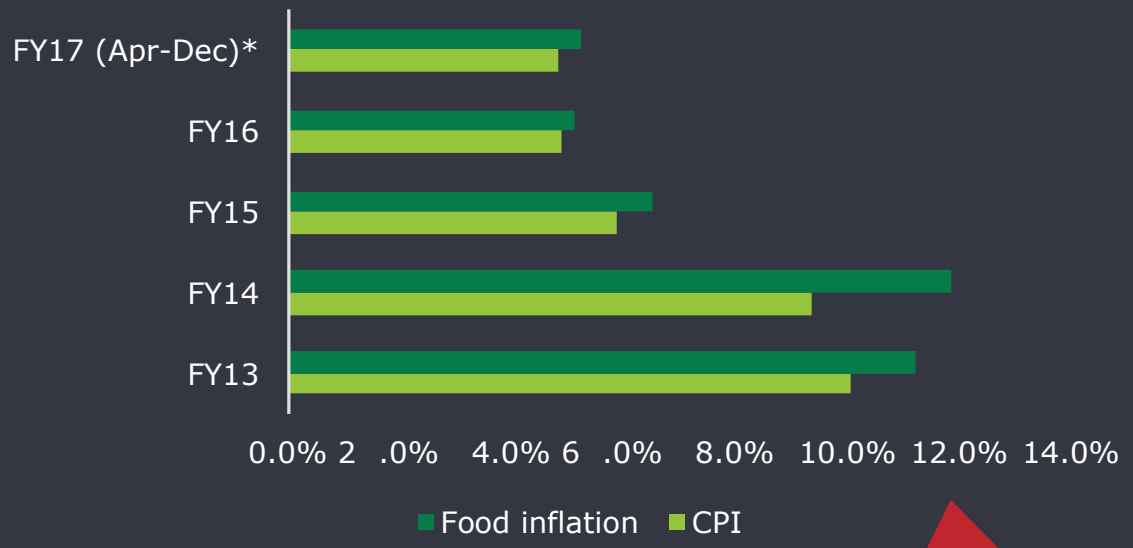
Services inflation has remained between 4.5-5% even as overall levels have declined

Commodity prices moving up globally could mean additional pressure in the coming year

Food value chain has been managed better over the past few years

Continuous improvements required in alleviating periodic spurts in food prices

Inflation levels moving down



Data Source: Mos&P & Ministry of Finance

Monetary Policy
Aiding growth

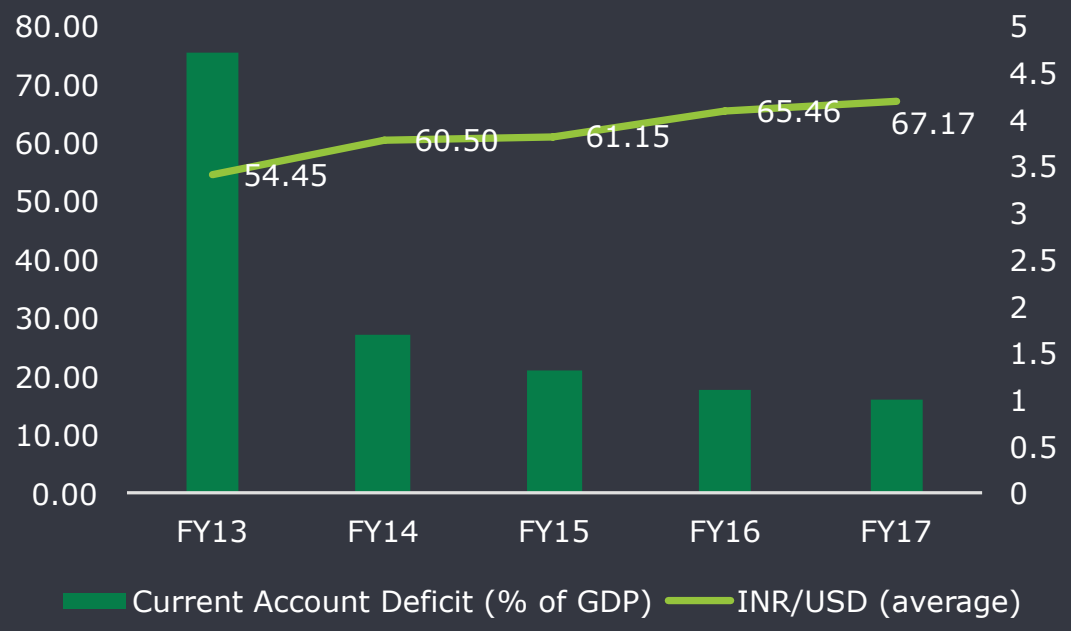
Current account deficit has come under control over the years

A pick up in FDI and improvement in overall sentiment towards India has helped the external account

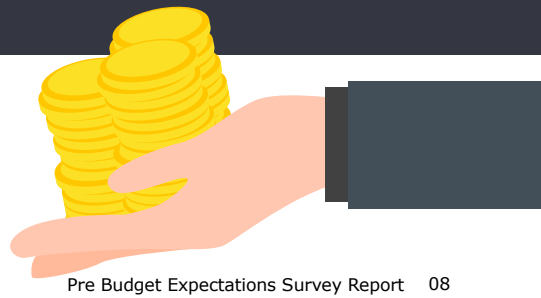
Exchange rates have depreciated over the years in line with fundamentals

Expect another year where the INR depreciates versus the USD

Currency depreciation in line with fundamentals



Data Source: RBI & Deloitte estiamtes



Room to boost growth?

Outlook

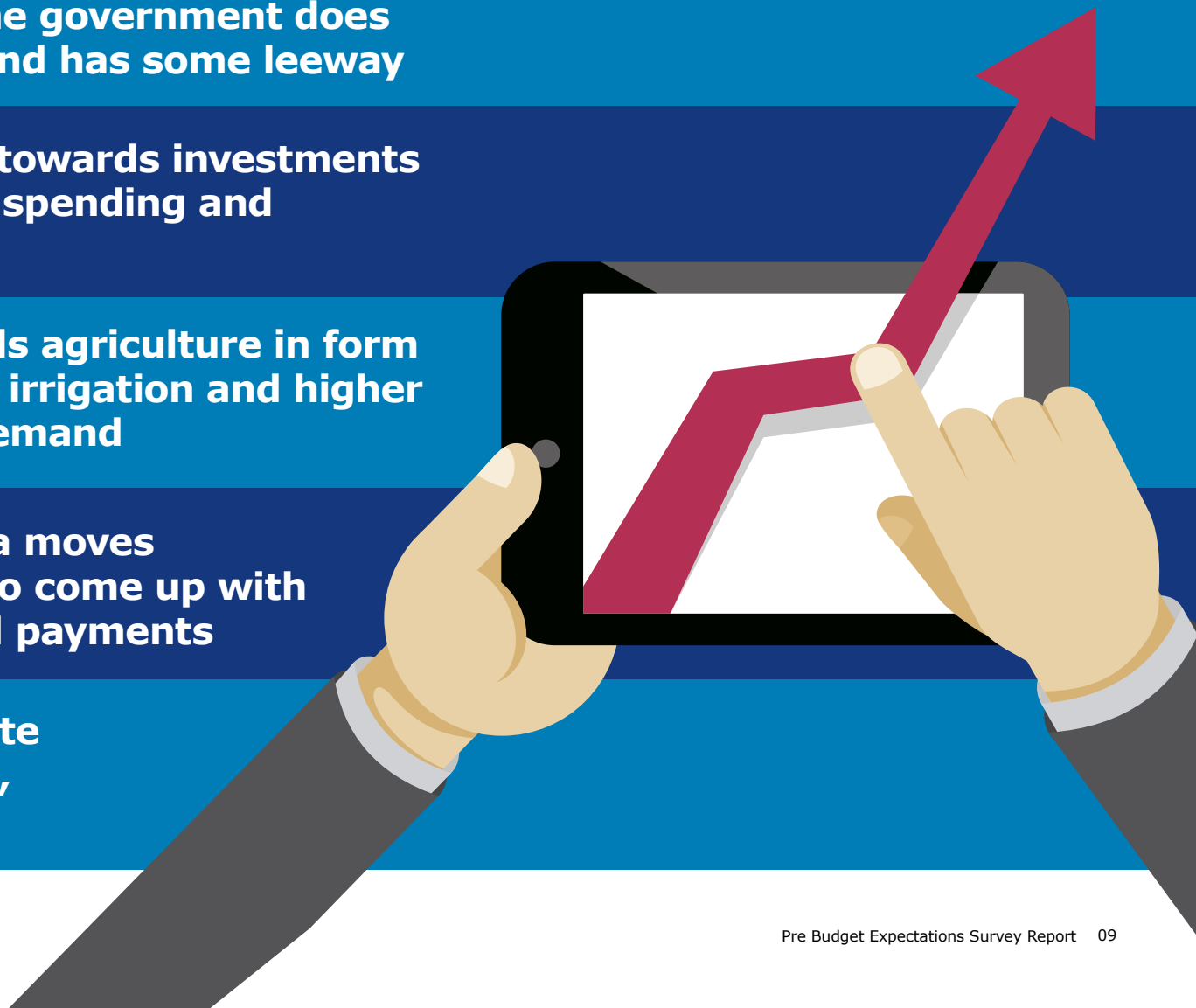
Fiscal deficit to be lower than 3.5% but the government likely to unveil a range wherein the government does not have to bring it down to 3% and has some leeway

Government to push expenditure towards investments to further crowd in infrastructure spending and alleviate sectoral concerns

Continued structural focus towards agriculture in form of increased expenditure towards irrigation and higher spend on MNREGA to help rural demand

Promote digital payments as India moves towards using lesser cash and also come up with measures to reduce cost of digital payments

Unveil export incentives to promote exports in defence and aerospace, capital goods and textiles.



Deloitte pre-budget Memorandum – Key recommendations

Deloitte Pre budget Memorandum – Key Recommendations

Rationalisation of Indirect transfer provisions

- Transfer of shares of a listed company outside India should not be subject to indirect transfer provisions
- Increase the threshold for small shareholding exemption to 26 percent (instead of 5 percent)
- Extend the exemption provided in section 47(viab) to amalgamating foreign company to its shareholders

Rationalisation of Equalization levy

- Clarify and restrict scope of the phrase "any other facility or service for the purpose of online advertisement"
- Define PE exhaustively to mean only a fixed place of business and not other forms of PE
- Clarify meaning of the phrase "effectively connected to the PE"
- Clarify that no equalization levy is applicable in case specified services are utilized for the purpose of carrying on business or profession outside India
- Refund Equalization levy, if the non-resident's activities result in creation of PE during the year after deduction of Equalization of Levy

Deloitte Pre budget Memorandum – Key Recommendations

Ind AS

- Clarify various issues with respect to computation of income under normal and MAT provisions when Ind AS are applicable
- Amendments dealing with Ind AS should be made applicable w.r.e.f. Assessment Year 2017-18 (FY 2016-17)

Concessional rate of tax on interest payment to non-residents

- Extend benefit of section 194LD for period upto 31 March, 2018 and apply it on interest payable during the entire period of maturity to FII/ QFI on Rupee Denominated Bonds issued at any time before 1 July 2017.
- Extend Rate of 5% under section 194LC to rupee-denominated bonds.

POEM

- In absence of final guidelines, defer the applicability of POEM by one more year

Patent Box

- Clarify that royalty received from overseas for a patent which is registered both in India and in a foreign country also qualifies for concessional rate of tax.
- Substitute the phrase 'being the true and first inventor of the invention' with the phrase 'being the assignee of the true and first inventor in respect of the right to make an application for a patent'.

Deloitte Pre budget Memorandum – Key Recommendations

REIT / INVIT

- To provide for capital gains tax exemption on transfer of assets of SPV to REIT / InvIT.
- To provide clarity on applicability of MAT provisions to sponsor on transfer of shares of SPV to REIT / InvIT

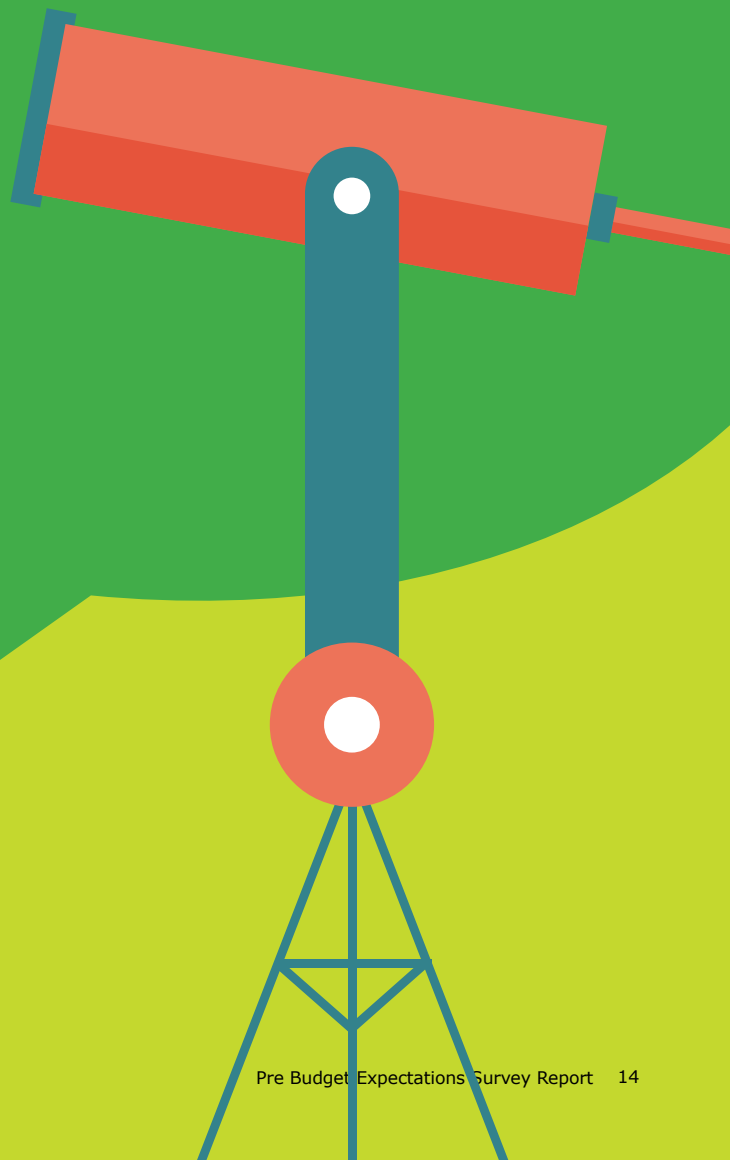
Documentation requirement for safe harbour

- Taxpayers opting for safe harbour should be required to maintain only basic documentation like the details of international transaction, shareholding structure, nature of business, overview of the industry and functional analysis.
- All other documentation including undertaking of a detailed economic/ comparable search analysis should be kept outside the purview of the documentation required to be maintained by the taxpayer as it undermines the very purpose and objective behind setting in place the safe harbour provisions.

Base erosion and applicability of Transfer Pricing to non-residents

- The base erosion principle should be explicitly acknowledged.
- CBDT may issue separate guidelines for referring the non-resident taxpayers cases for TP audit.
- Where the non-resident entity is receiving any income from Indian group entity and an APA for the same has been sought by the Indian entity, the nonresident entity should be permitted to rely upon such APA to demonstrate the arm's length nature of its transactions.

Industry leaders speak



I will be keen to see development of a single-window of compliance for labor and employment related compliance requirements. Of course, digitizing some of these is certainly helpful but a single-window will help ease of compliance.

Raj Raghavan
Director Human Resources, Amazon
- On employees related compliance

Investors focus on two things – the absolute tax cost, as well as certainty of taxation. To that extent, investors tell us that STT is currently seen as a preferable option as it's a crystal clear cost, and paid upfront. On the other hand, investors find the current capital gain tax framework more intricate and also prone to rule changes (GAAR, indirect taxation, potential change in duration for long term capital gains etc). So in the existing framework retaining current STT might be a better option from investor's perspective. Doing away with capital gains will also have the offsetting benefit of increased flows into India, as it makes the market more attractive from cost and ease of tax compliance perspective. This approach will be in line the Government's objectives of 'certainty of taxation' and 'ease of doing business'.

Aashish Mishra
Director Head, Securities Services at Citibank NA
- On capital gains taxation

While the matter of Withholding Tax of 5% on the Masala Bonds was clarified in the Press Release issued by MoF, GOI on Oct 29, 2015, it is very important to put finality to this matter by incorporating it in the Finance Bill and ensuring that the WHT rate of 5% is applied to all Masala Bond issuances done by a particular date. It is also important to extend the sunset date to encourage issuance of masala bonds by Indian companies which will go a long way in aiding availability of low cost capital and an alternate fund pool.

Ravi Seth
CFO, ReNew Power
- On taxation of Masala Bonds

Group Relief be introduced at least for companies engaged in the Infrastructure including Power Sector so that at the option of the parent, the entire Group of the parent and subsidiary SPVs is treated as one assessee for the purpose of income-tax.

Keeping in mind the objective of allowing carbon credits, tax exemption may be provided in respect of income from sale of carbon credit by inserting a new sub-section in Section 10.

To encourage Infrastructure/power sector, they should be exempt from levy of MAT during tax holiday period. If it is not possible to exclude all power companies, then at least, it should be exempt for the companies which has set up Ultra Mega Power Project (UMPP) and supplying electricity at a very low tariff.

The benefit of carry forward and set-off of MAT credit should be extended to 15 years in case of Infrastructure Company

Sunil Agarwal
Head of Corporate Taxation – Tata Power
- On Infrastructure sector

Alignment of definition of bad and doubtful debts under Section 43D of the Act (6 months over-due) with the definition as per RBI (3 months over-due) to avoid litigation and provide fair treatment

In view of present situation of the economy and high provisioning for NPAs done by Banks, deduction to be allowed for such provisions (may be for a limited period) or enhancing the ability to claim deduction under Section 36(1)(viia) of the Act from 7.5% of total income to 15%

Banks are carrying Reserves under Section 36(1)(viii) of the Act on which deferred tax liability has been created as per RBI guidelines. There is no provision in the Act which allows utilisation of such reserves for permissible purposes unlike reserves created under other Sections (eg, Section 33AC). Banks be permitted to utilise such reserves for specific purposes without any adverse tax consequences.

Bipin Gemani
Chief Financial Officer, IDFC Limited
- On banking sector

"While presenting the Union Budget for 2015-16, the Finance Minister had laid down the roadmap for reducing the corporate tax rate from 30% to 25% over a 4 year period. However, given the recent developments in India and abroad, there is a strong case for revisiting this proposal and bring down the rate to around 20% over the next 2 years."

Subhankar Sinha
Head of Tax South Asia & Middle East, Siemens
- On rate of tax for corporates

"On corporate tax, I would like the FM to accelerate the tax rate reduction but put in place a mechanism to ensure that the surplus so generated to corporate is used for productive investment and not distributed as dividend."

A.S.Narayan
Regional Controller, Bechtel India
- On rate of tax for corporates

"In line with the government's intent to widen the tax base & reduce corporate tax rate progressively, in the Union budget of 2017, I expect a reduction in the corporate tax rate along with some upward revision in the income tax slab to benefit individual tax payer."

Satyajit Ghoshal
Assistant Vice President-Taxation & Insurance, TATA Chemicals LTD
- On rate of tax

"GAAR can be implemented from next year. One area where GAAR provisions can be diluted are with respect to classification of income from transfer of investments as business income or capital gains. While specific Circulars have been issued recently in order to clarify the issue, the circulars still have reference to the fact that the classification can be challenged by the tax authorities if the transaction is regarded as not genuine. However, the situations wherein the genuineness of a transaction is questionable are not prescribed and left to the judgement of the tax officer. This subjectivity could lead to unnecessary litigation. Hence, it is recommended that specific situations are prescribed to consider a particular transaction as genuine or not."

Bipin Gemani
Chief Financial Officer, IDFC Limited
- On GAAR

"The Budget should postpone GAAR atleast upto 31 March 2020 and meanwhile safeguard measures such as proper training to tax officers should be implemented. India should bring similar GAAR provisions similar to recently introduced in UK."

Ramesh Khaitan
Sr. Vice President – Taxation, Lupin Limited
- On GAAR

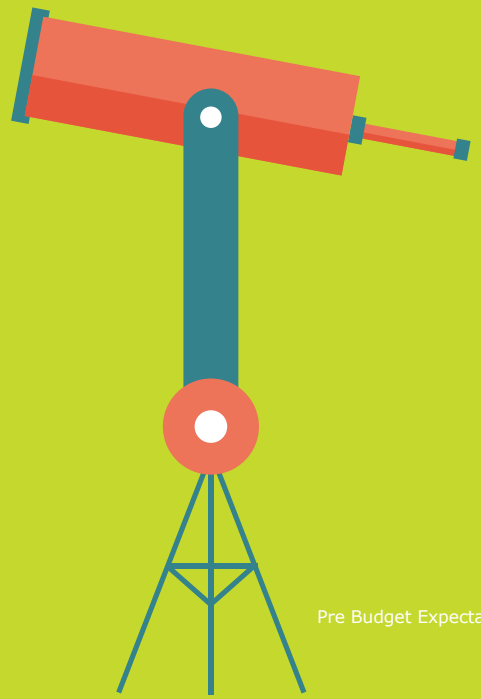
With further expansion of digital economy, which is borderless, the government will try and bring more services within the ambit of taxation either by way of direct taxes or indirect taxes. Equalization levy in a way is ending up in dual taxation and increasing the ultimate cost for final consumer. While the government will aim to tax the digital transactions, so it gets a fair share of revenue for doing business in India, whilst is important, if the administrative hassles and duplication in administering such taxes, are not avoided, same will lead to increasing the transaction costs for service providers and the ultimate consumer.

Anand Bhadkamkar
Chief Financial Officer South Asia
Dentsu Aegis Network
- On digital economy

With increased thrust on digitization the Budget should provide additional incentives for people to go digital. One such area would be waiver of transaction service fee, discount on digital payments to the customers and reduced rate of taxation.

The Government should provide further tax sops for payments made using Payment banks like Paytm, Chillar etc.

Ramesh Khaitan
Sr. Vice President – Taxation,
Lupin Limited
- On digitization



GST seems adverse for the ITES sector as compliances and working capital costs will increase and there is lack of clarity on many aspects. The mid year introduction will complicate this scenario further.

Kedar Mulye
CFO and Director- BNY Mellon India
- On Mid year introduction of GST

While we now have a hard won consensus in implementing GST, we should not miss this great opportunity even if it presents some hardship in the form of mid-year implementation. Let's focus on long term larger benefit and not short term temporary pains. I do not expect the FM to push the implementation date to coincide with the start of fiscal year.

A.S.Narayan
Regional Controller, Bechtel India
- On Mid year introduction of GST

Deferment was necessary to ensure smooth transition because implementation of GST at such a large scale is unprecedented anywhere in the World. However relevant rules and IT infrastructure should be in place by March 2017 which will provide ample time (a minimum of three months from notification of rules and infrastructure being made available to tax payers for testing is expected) to taxpayers for getting accustomed to proposed GST regime including testing of IT infrastructure.

Sachinn Joshi
Group CFO, L&T Finance Group
- On Mid year introduction of GST

"Any increase in the service tax rate will have inflationary impact hence rate increase will need to be restricted only to those services which are expected to be taxed at a higher rate during proposed GST regime."

Sachinn Joshi
Group CFO, L&T Finance Group
- On increase of service tax rate (16.5% or 18%) to align with expected GST rate (18%)

"It is extremely likely that the Budget will directionally align exemptions to smoothly transition to new GST regime and avoid any confusion/possibly legal challenges from assessees."

T.S.Sankaranarayanan
Group CFO – Mahyco Group
- On alignment of excise exemptions

"For the ITES sector, this does not matter as input taxes would be available as a refund and there are no output taxes as these are exported. From an enablement perspective it is better to have rate changes once a year instead of multiple times."

Kedar Mulye
CFO and Director- BNY Mellon India
- On increase of service tax rate (16.5% or 18%) to align with expected GST rate (18%)

"I am not too sure about the fast tracking of litigation in order to reduce litigation before GST rollout, but would certainly welcome the move, so that uncertainty from past litigation is removed, and we move on a clean slate to new regime"

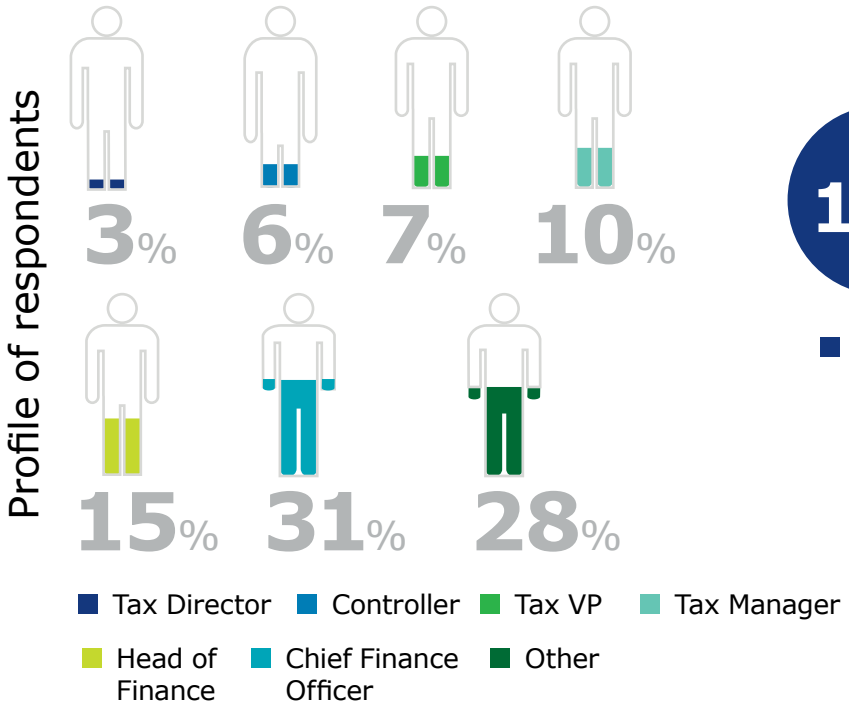
T.S.Sankaranarayanan
Group CFO – Mahyco Group
- On fast track litigation process

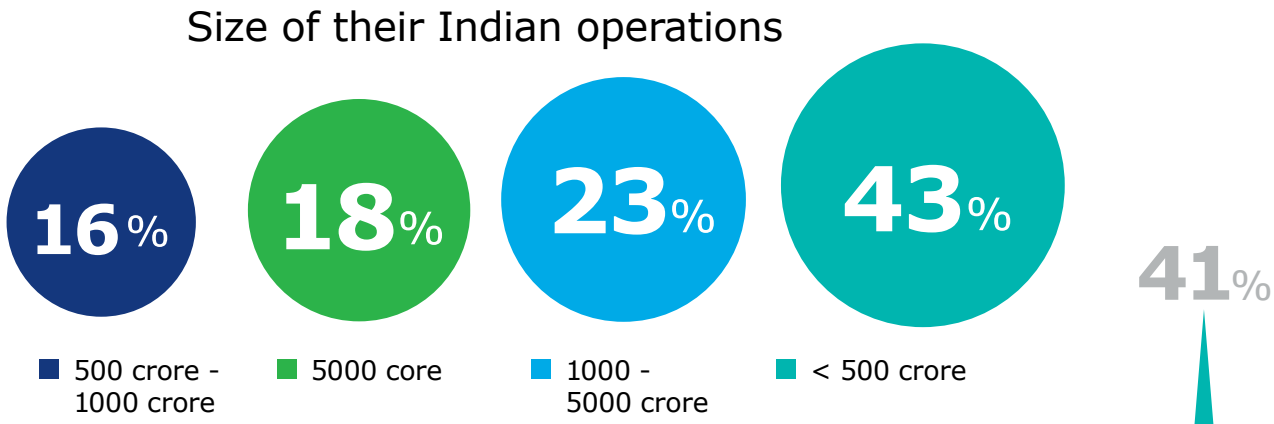
"I expect the Finance Minister to announce the GST implementation schedule & do not expect lot of changes in current indirect tax laws and rates during the interim period."

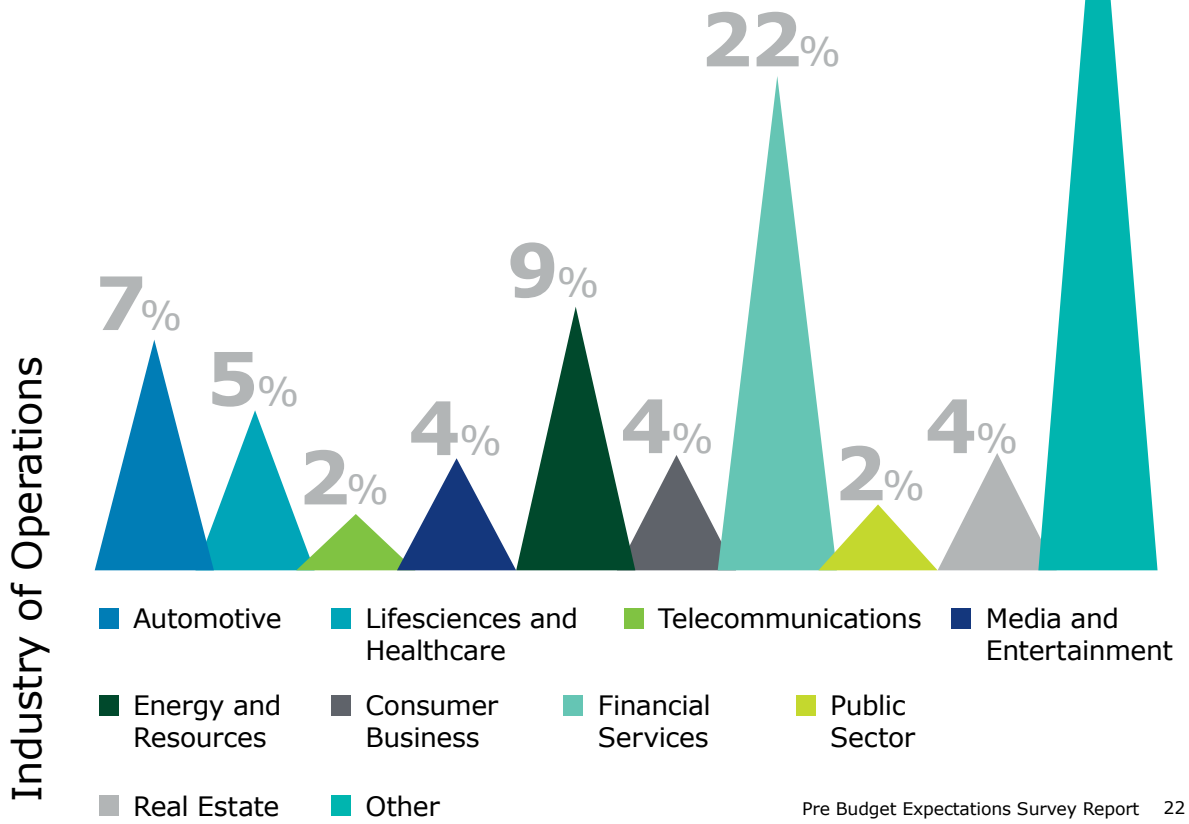
Satyajit Ghoshal
Assistant Vice President-Taxation & Insurance, TATA Chemicals LTD
- On GST implementation

Survey Respondents

Survey Respondents



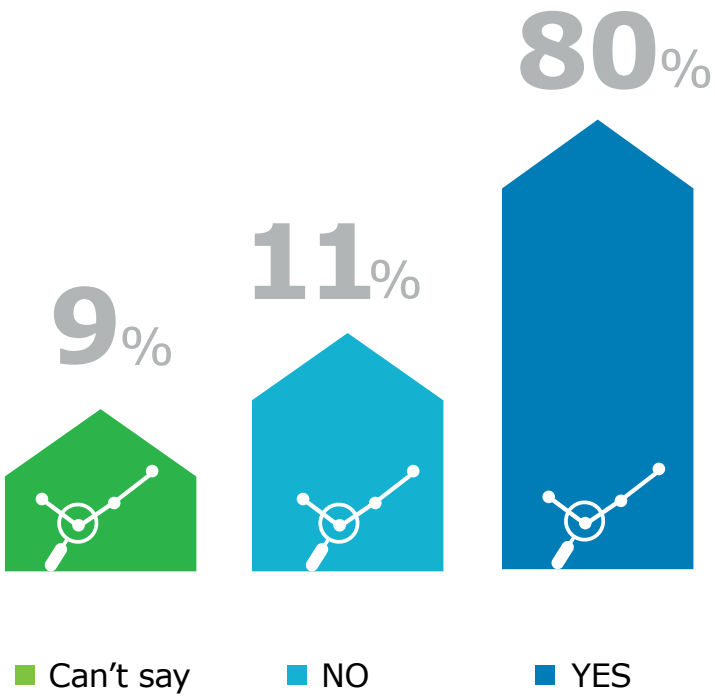




Economy and Investment Climate

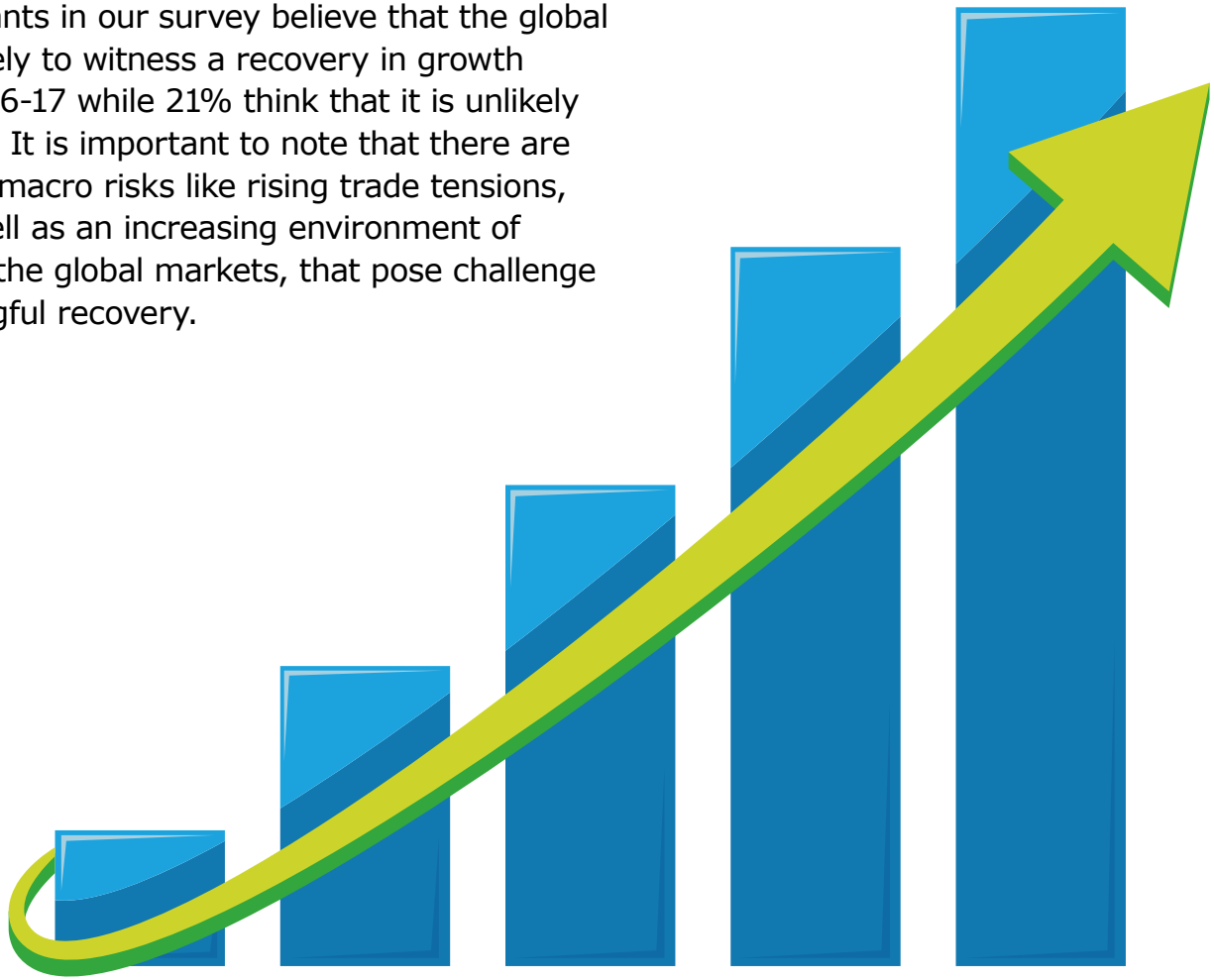
Given the move to demonetise, do you think the Indian government will focus on boosting demand?

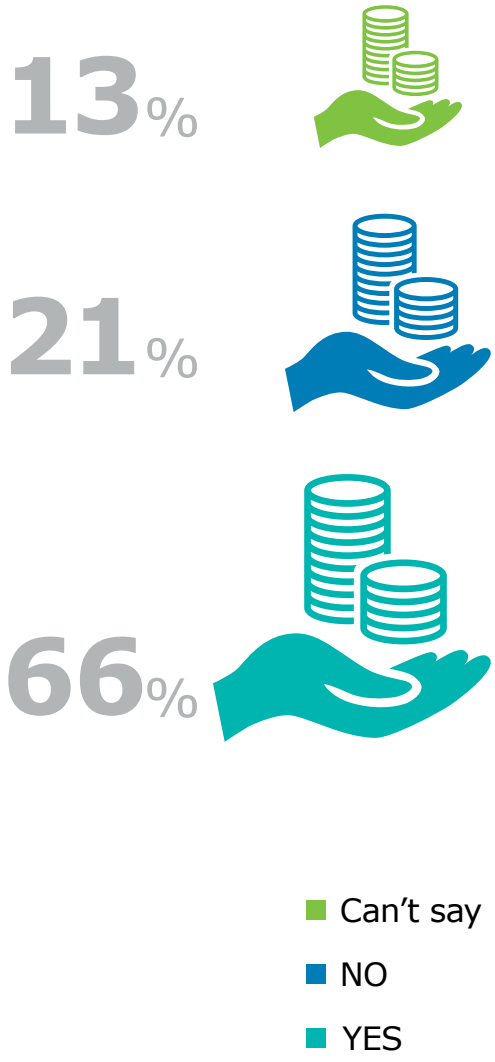
Since the demonetization announcement, one of the major concerns has been around the deceleration of the growth momentum in the economy emanating from a decline in demand. This concern resonates in our survey as well because 80% of our respondents think that the government would unveil measures to counteract the negative impact on demand.



Do you think the global economy will witness some recovery in growth rates over 2017-2018?

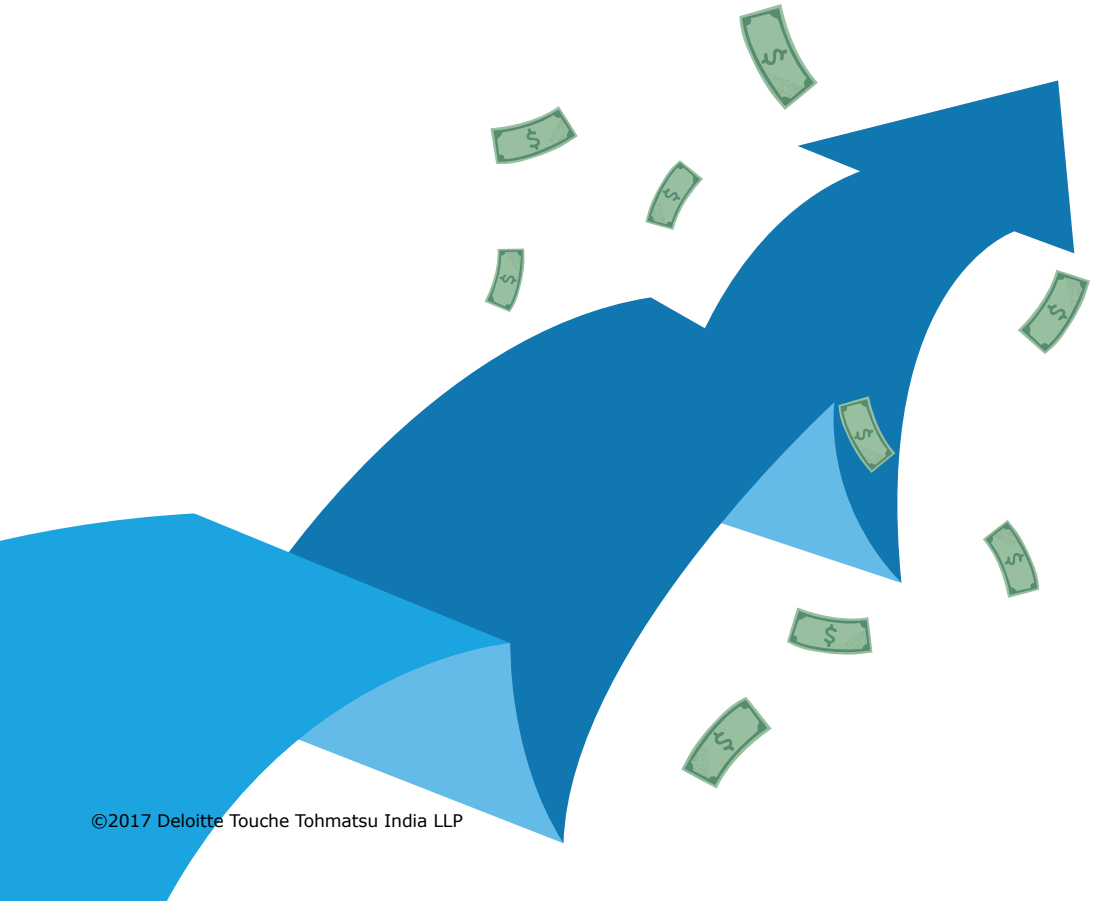
Of late, some positive news has come from developed economies which seems to have generated somewhat of an optimistic outlook in the markets. As such, 66% of the participants in our survey believe that the global economy is likely to witness a recovery in growth rates in FY 2016-17 while 21% think that it is unlikely to be the case. It is important to note that there are still numerous macro risks like rising trade tensions, oil prices as well as an increasing environment of uncertainty in the global markets, that pose challenge to any meaningful recovery.

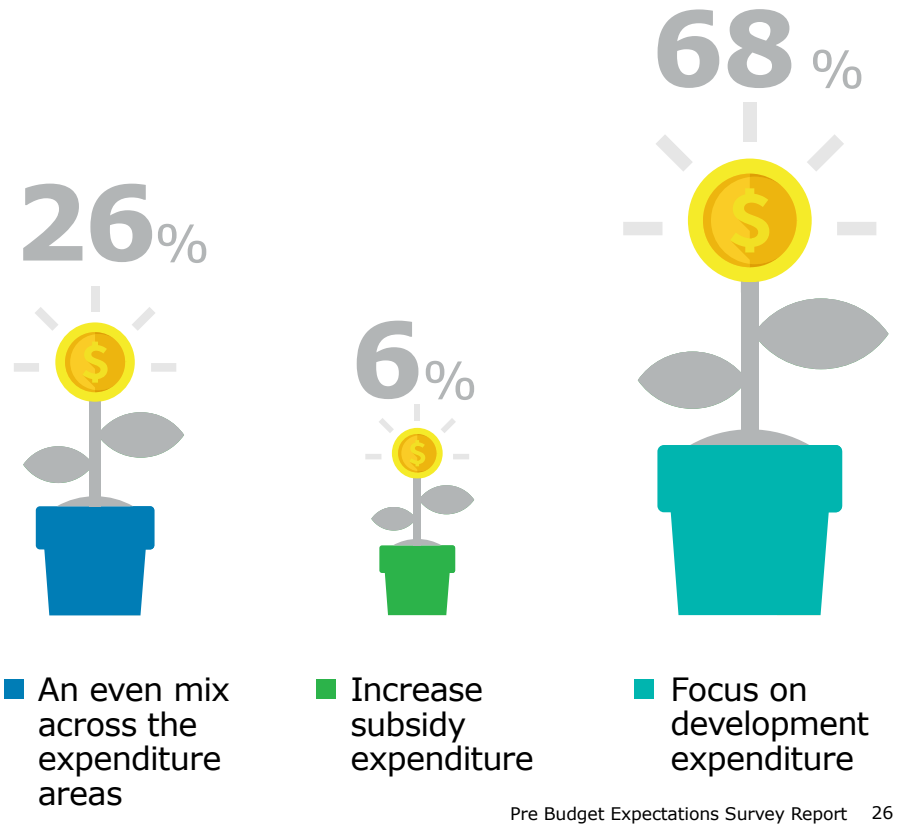




In your view, how will the government utilize gains from the demonetisation driver, if any?

The responses here support the conclusion of the earlier question—the majority of respondents (66%) think that the gains from demonetization are likely to be focused on development expenditure so as to boost investment demand in the economy. 26% of participants think that the gains will be spread evenly across major expenditure areas as the government possibly tries to limit the fallout on various sectors . A minority (6%) think that the government can go in for increasing subsidy expenditure. Therefore, the industry clearly continues to hope for policy measures that strengthen the pace of structural reforms.

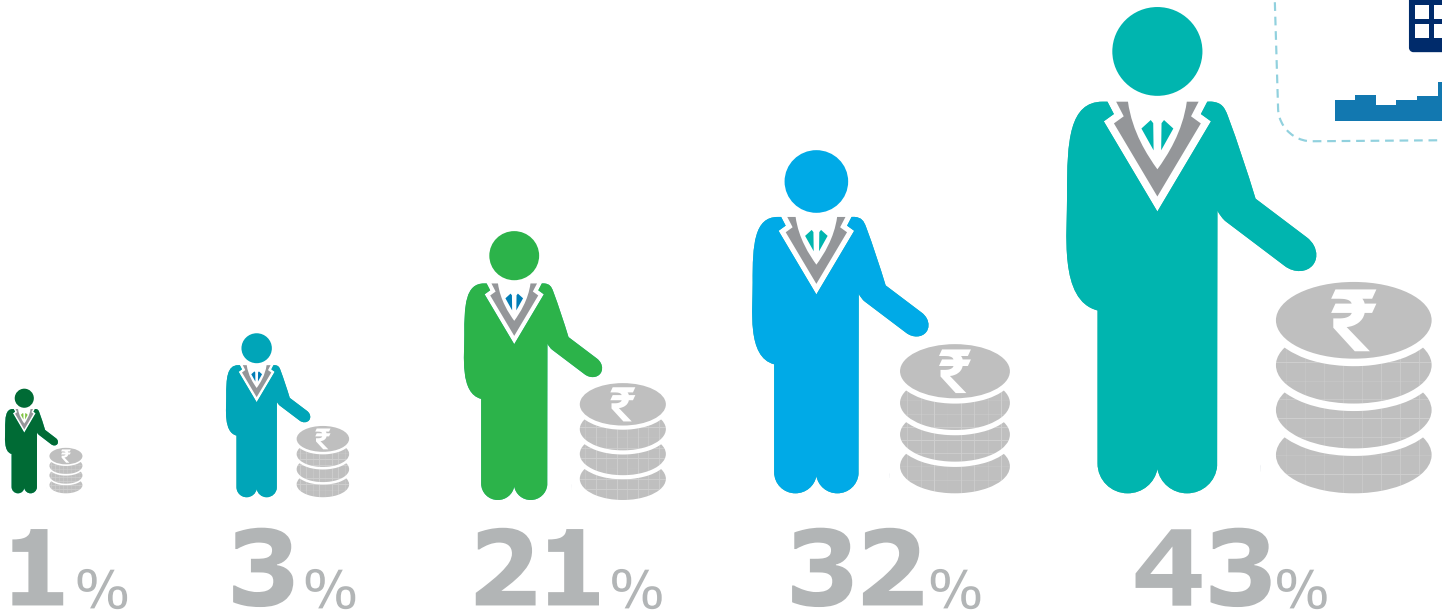




Ease of Doing Business

Among the various measures of ease of doing business, what weightage can be given to tax regime?

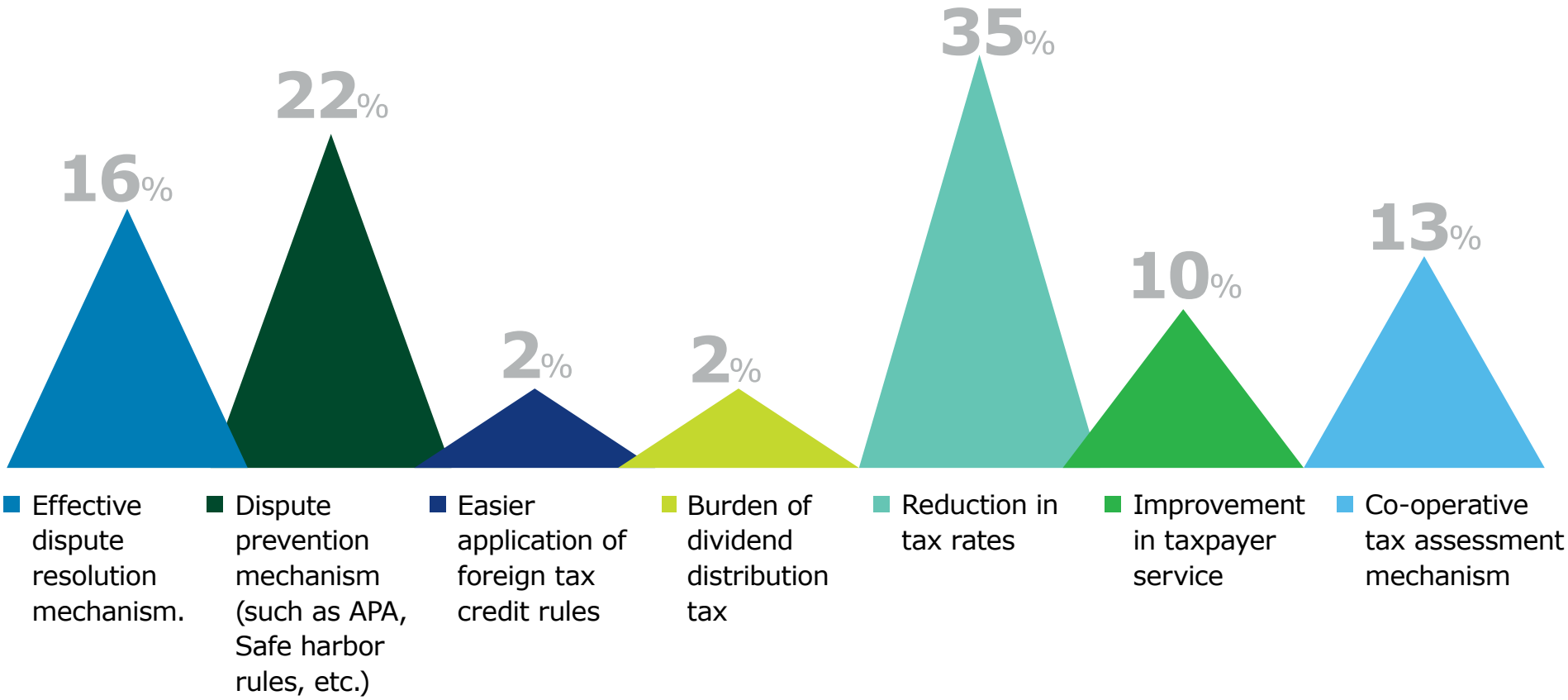
Tax regime is one of the significant considerations for Multinational Enterprises to set up their business in a particular tax jurisdiction. A majority of our survey respondents (43%) reinforce this sentiment, giving more than 20% weightage to the attractiveness of tax jurisdictions for carrying business. Very few respondents (4%) gave less than 10% weightage.



- Less than 5%
- Between 5% and 10%
- Between 10% and 15%
- Between 15% and 20%
- More than 20%

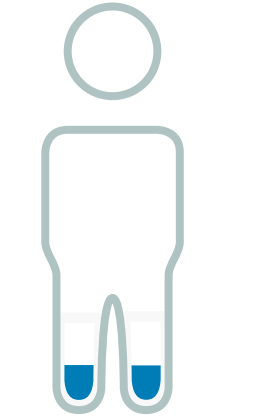
Among the tax measures how would you rank the following to achieve ease of doing business?

Among the various tax measures such as reduction in tax rate, dispute prevention and resolution mechanisms, cooperative tax audit system, etc., to achieve ease of doing business, our survey respondents placed higher weightage on tax rate reduction (35%), followed by dispute prevention measures (23%) and effective dispute resolution mechanism (16%). Co-operative tax assessment mechanism and improvement in taxpayer service were the other two important measures pointed out by the respondents. Surprisingly, easier application of foreign tax credit rules and burden of Dividend Distribution Tax (DDT) did not appear to weigh higher on the mind of the respondents.



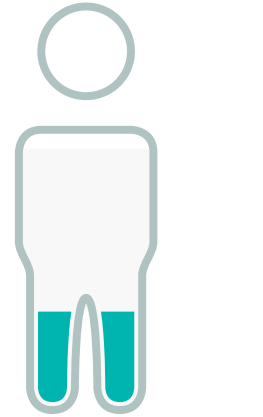
The Indian government has undertaken few tax administration improvement measures, such as no routine filing of appeal cases by the revenue, risk-based audit selection, electronic refund transfers, etc. In your view, have these measures helped in improving the ease of doing business?

Our respondents were divided on the impact of the recent tax administration improvement measures taken by the government — 46% of the respondents felt that the impact was significant; the rest felt that the impact was insignificant or nil.



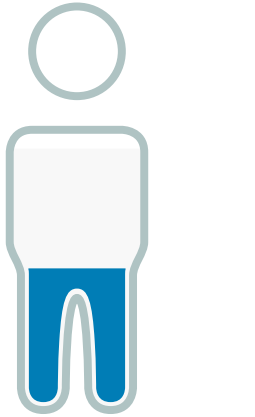
16%

- It has made no difference at all.



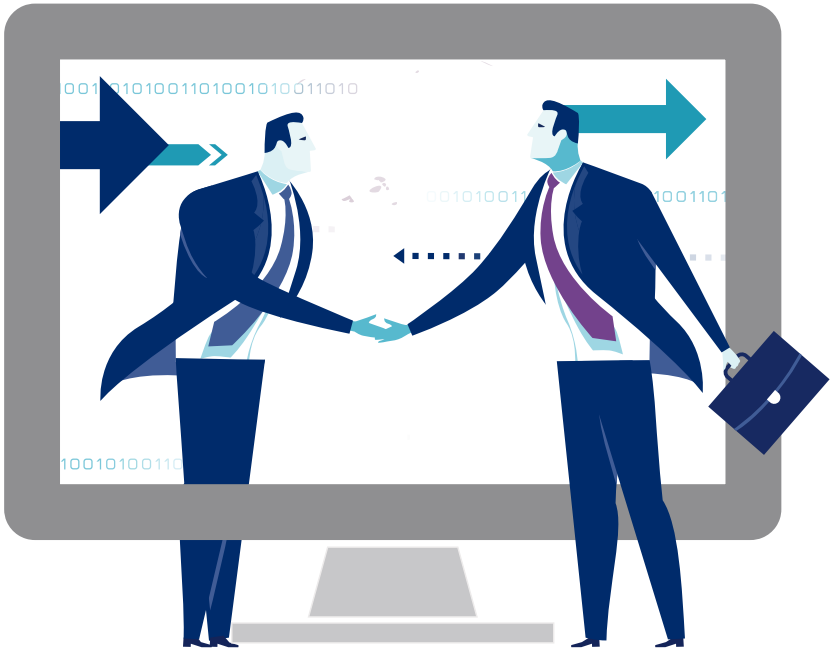
38%

- The measures undertaken by the government were insignificant.



46%

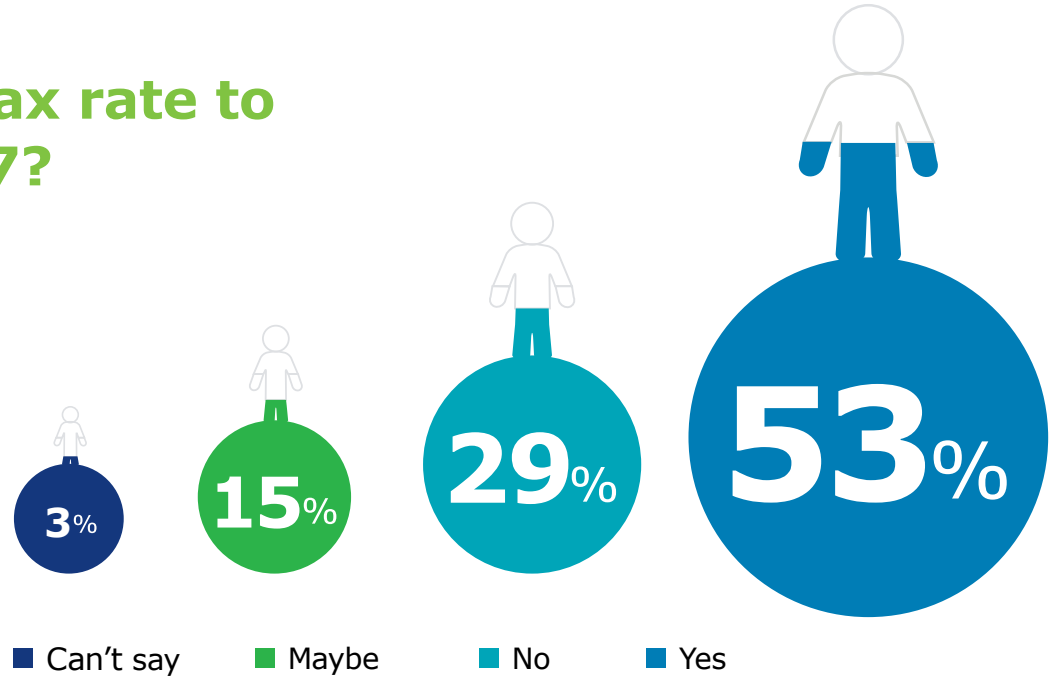
- It has made a significant difference to the taxpayer.



Corporate Taxation

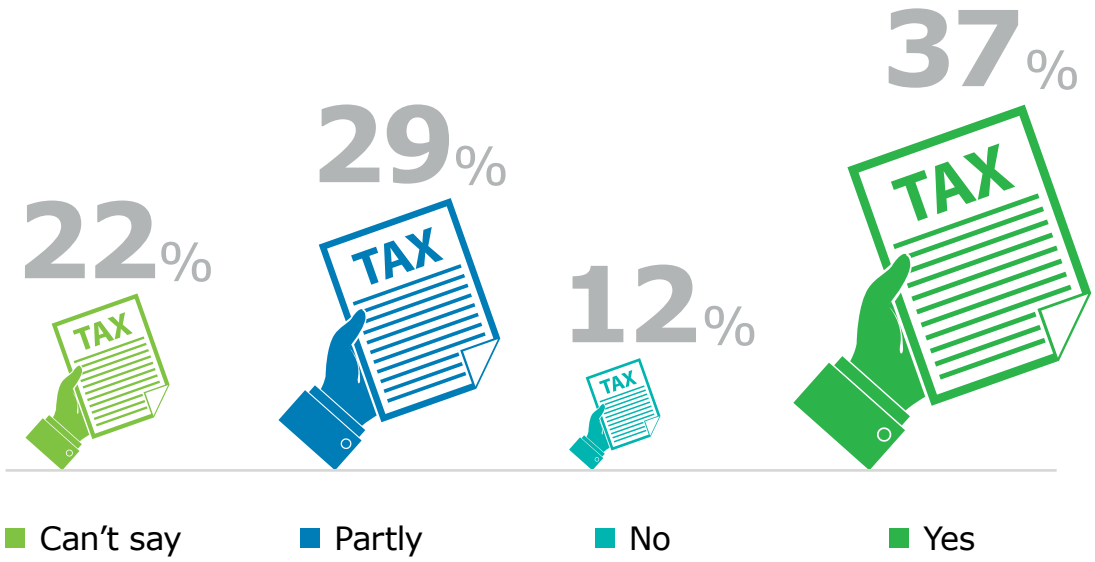
Do you expect the corporate tax rate to be reduced in the Budget 2017?

While presenting Union Budget, 2015, the Finance Minister made a significant proposal to reduce the corporate tax rate to 25%. When asked about their expectations from the forthcoming Budget, a majority of survey respondents i.e. 53% expected the corporate tax rate to be reduced this time around. Given the strict measures taken by the govt. around curbing black money, it may be the appropriate time to reduce the tax rate.



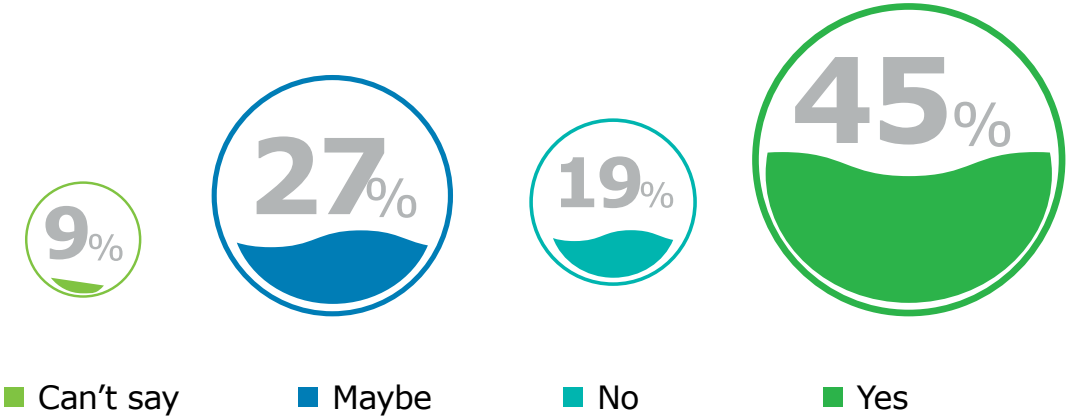
Is your organization prepared for the General Anti Avoidance Rules which would be in force from 1 April 2017?

General Anti Avoidance Rules (GAAR) were introduced for the first time through Finance Act 2013 and were to be applicable with effect from FY 2015-16. GAAR has been deferred since then and is now slated to be applicable from FY 2017-18. When asked about the preparedness of the organizations regarding GAAR, only a 37% of the survey respondents expressed their readiness while the other were either not prepared at all or unsure about their preparedness. In view of an array of reforms such as Demonetization, Goods and Services Tax, Country by Country reporting regarding transfer pricing information, etc., the govt. may consider providing more time to the industry to deal with GAAR.



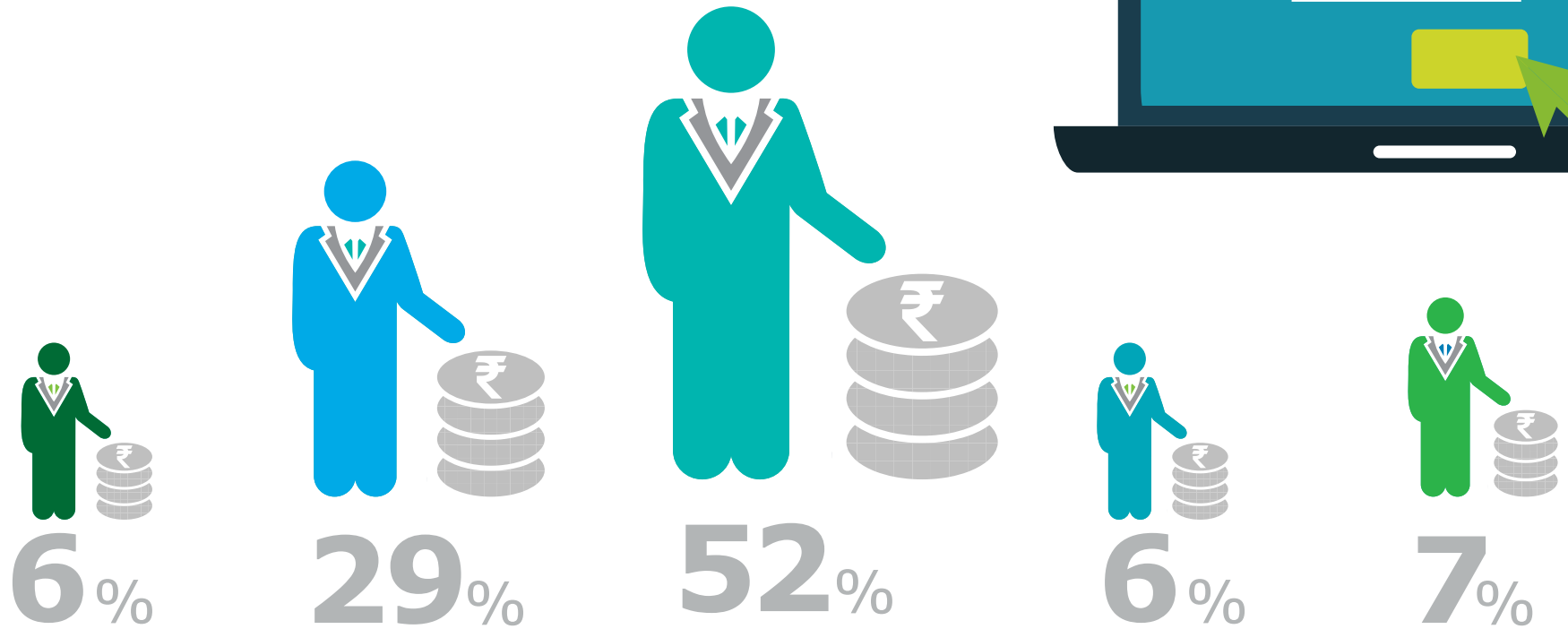
Do you expect Income Computation and Disclosure Standards to be further deferred through Budget 2017?

A set of ten tax accounting standards, i.e., Income Computation and Disclosure Standards (ICDS) were notified in early 2015 to be applicable with effect from Financial Year 2015-16. However, due to lack of clarity in the provisions of ICDS, the same were deferred to FY 2016-17. Recently, the revised set of ten ICDS, with certain modifications, have been notified. In this regard, 72% of the survey respondents had some expectation that the ICDS will be further deferred to provide the industry with more time to fully understand its impact.



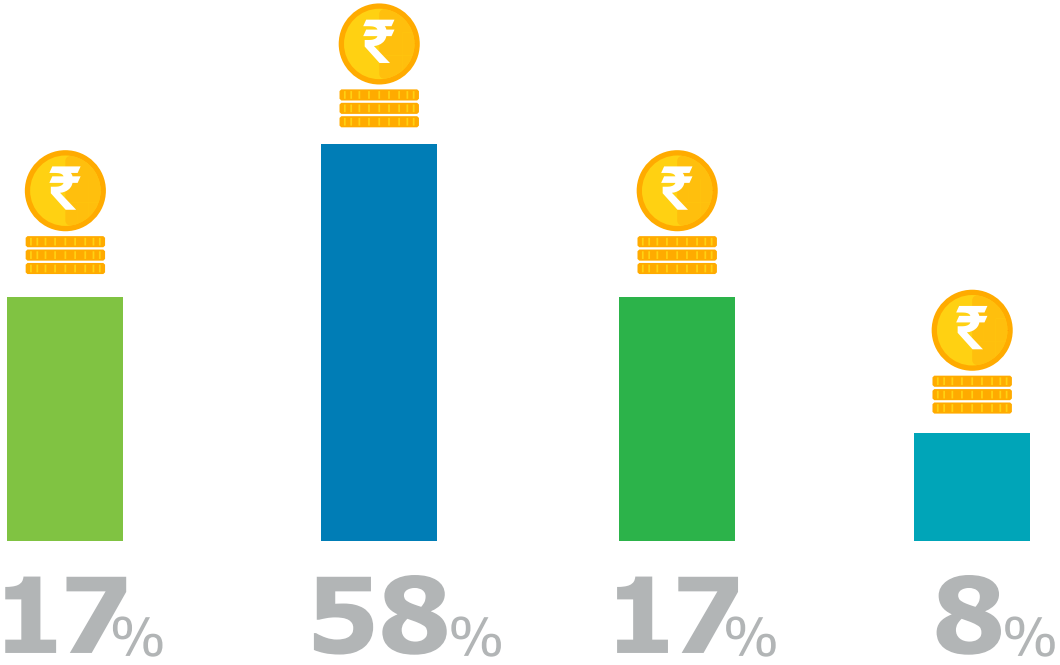
What is the impact of Income Computation and Disclosure Standards on your organization?

A majority of the respondents feel that, with the current understanding of provisions of ICDS, the impact on their organizations is low. However, 43% of respondents still feel that either the impact of ICDS on their organization is high to medium or that they are yet to evaluate the impact of ICDS on their organization.



How effective has the Advance Pricing Agreement (APA) programme been in resolving some complex cases?

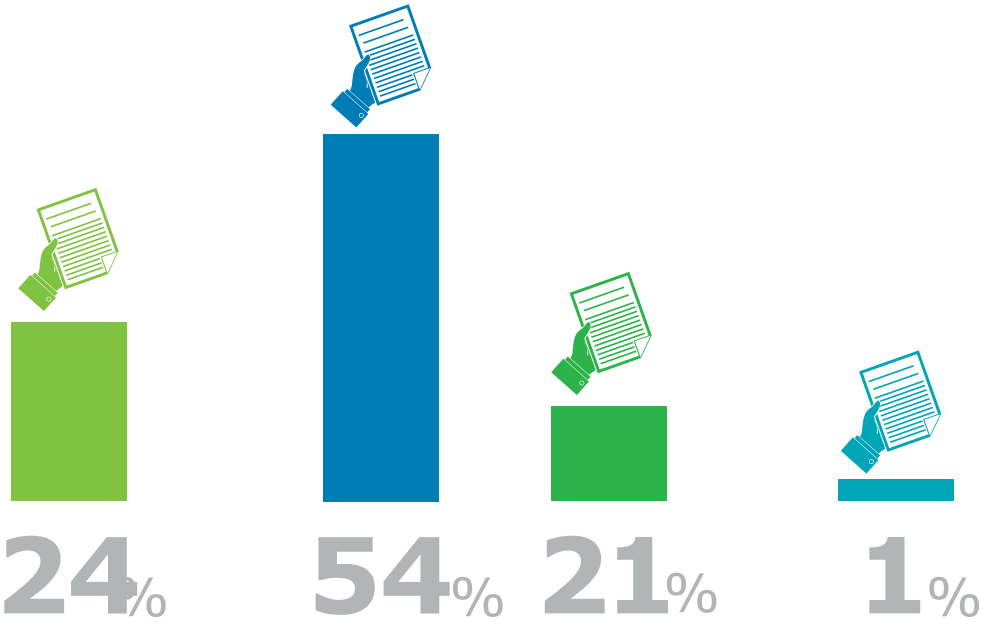
Under the general understanding of APA being a successful programme in preventing disputes, a majority of the respondents felt that APA has not been very effective in resolving the complex cases. The results of the survey suggest that APA authorities should strive towards resolving complex cases to retain attractiveness of the APA programme in the long-run.



- Yes, very effective. A number of complex transactions have been resolved in APA
- Useful, but not very effective as APA has resolved very few cases of complex transactions
- APA has largely concentrated on small and simple transactions
- Not at all effective

Should India accept arbitration in Mutual Agreement Procedure (MAP) as recommended in BEPS action 14?

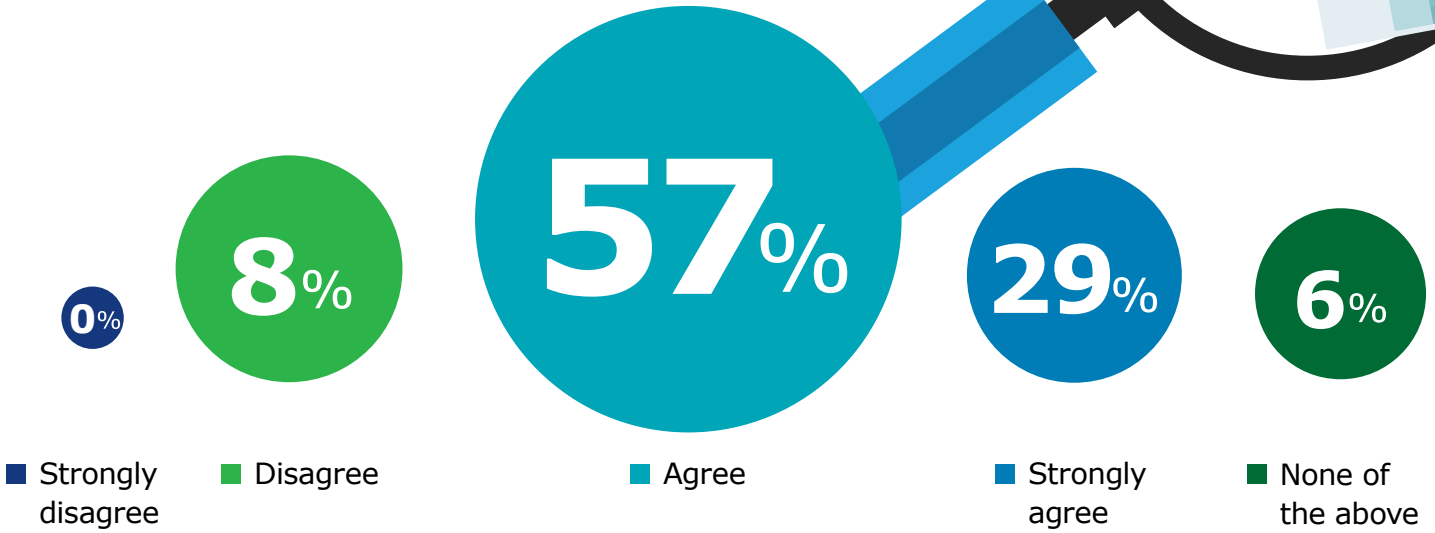
India has, in unequivocal terms, expressed its reservations on arbitration in MAP to resolve the bi-lateral tax disputes. 78% of our respondents felt that India should accept arbitration; 54% of the above respondents were of the opinion that the arbitration in MAP would help in resolving many bi-lateral tax disputes.



- Yes. India has accepted arbitration in many other international fora, such as WTO, bilateral investment protection treaties (BIPA), etc.
- Yes. It will improve MAP process and help in resolving many key bilateral disputes
- It does not matter. The present mechanisms are sufficient
- There is no need to accept arbitration in MAP as it would jeopardize India's sovereignty

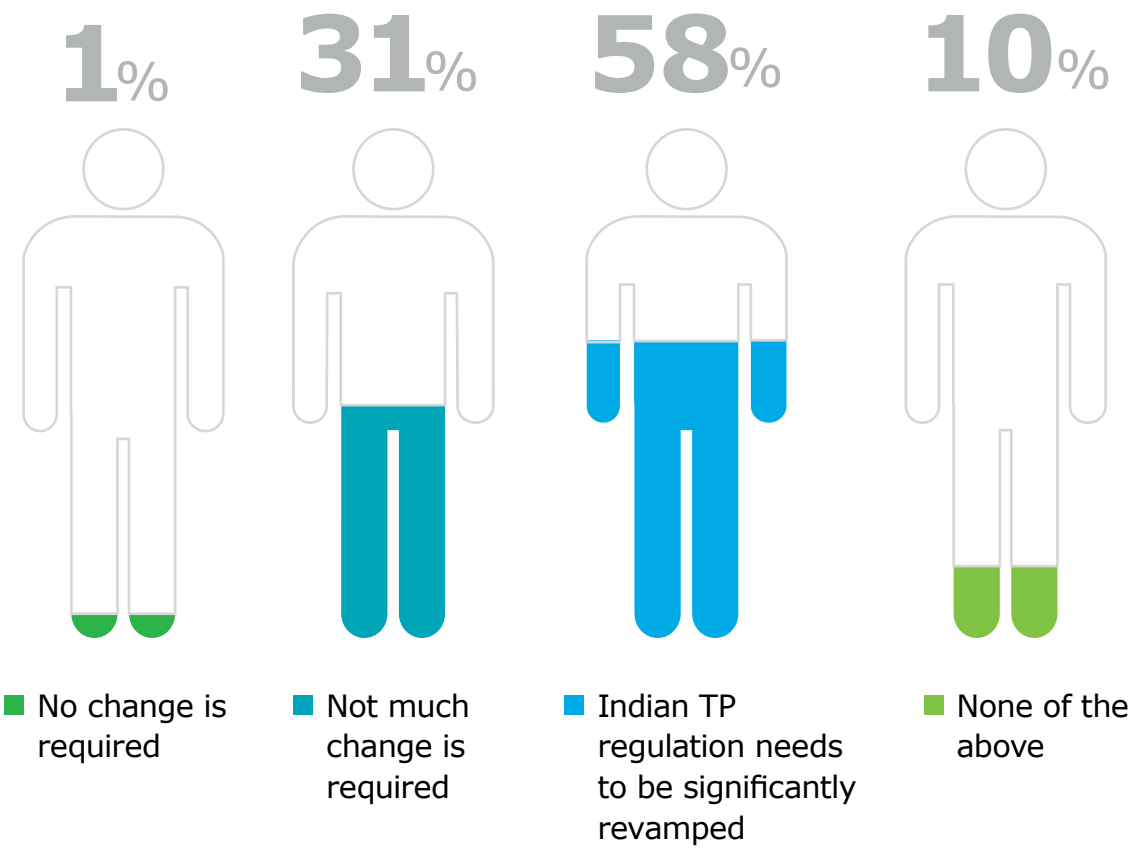
Do you agree that risk-based selection of transfer pricing cases would help in eliminating undeserving and avoidable cases?

CBDT last year issued instruction no. 3/2016 which laid down a risk based criteria for selection of cases for transfer pricing audit. The new instruction brought a significant shift from the earlier threshold-based approach. A majority of our respondents were in agreement with the new approach of audit selection and felt that this would go a long way in eliminating undeserving and avoidable cases.



Does Indian TP regulation need to be significantly revamped in line with BEPS action 8-10 and 13?

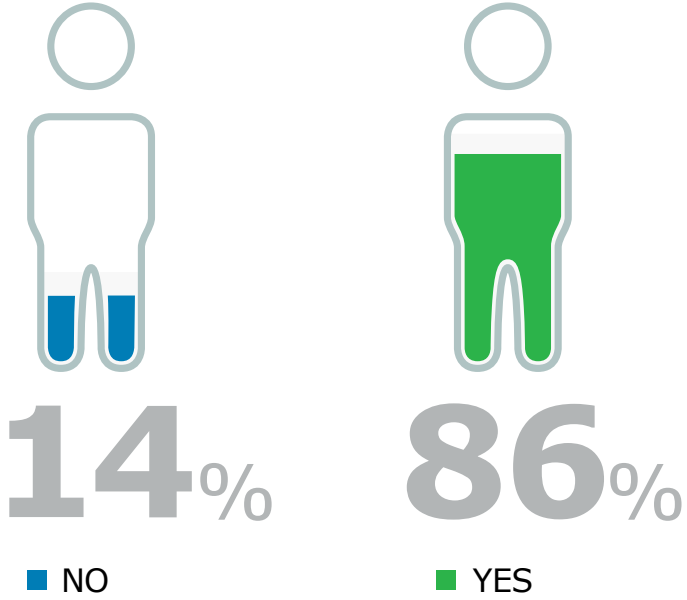
BEPS Action plan 8-10 has recommended major changes in the OECD transfer pricing guidelines with detailed guidance in relation to transactions involving intangibles, allocation of risks and associated returns, and several other high risk areas. Indian transfer pricing regulations specifically do not incorporate many of these recommendations though a majority of them are followed in practice. 58 % of the respondents felt that Indian TP regulations need to be revamped in line with the BEPS recommendations.



Indirect Taxation

Following the simplification of Input Tax Credit Scheme in the draft model GST law (expected to be implemented from 2017), do you believe similar simplification measures ought to be brought in the CENVAT Credit rules?

The restrictions in CENVAT credit scheme causes a break in credit chain and a consequential cascading taxation. The Model GST law has some beneficial provisions such as wider definition of capital goods and allowing credit on immovable assets such as pipelines and telecommunication towers which have been subjected to credit disallowance presently. With increasing expectation of seamless credit, respondents have largely voted for simplification measures to be brought into present CENVAT Credit Rules

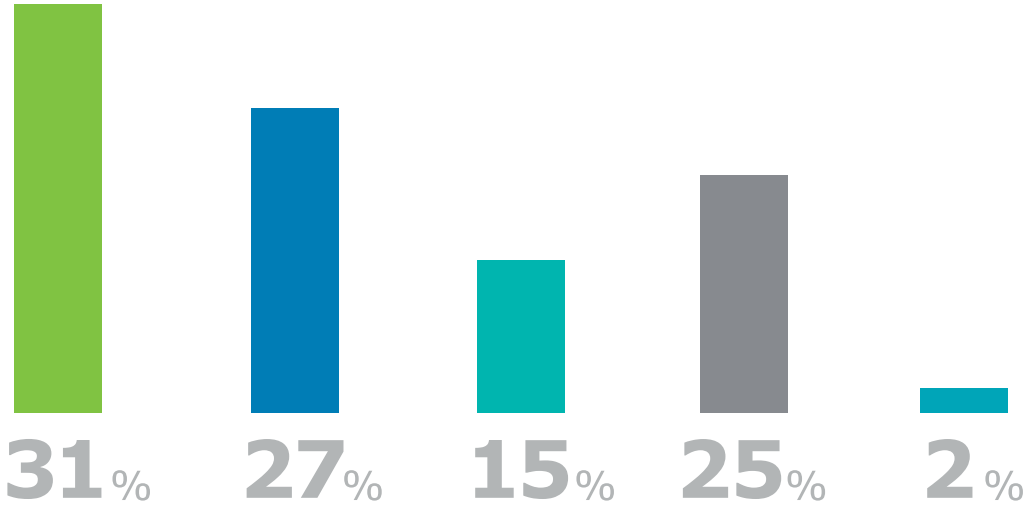


Industry-focused Agenda

Will the Patent Box regime encourage original R&D and development of valuable intangibles in India?

The Finance Bill, 2016 has proposed a new regime under which income earned by a qualified Indian taxpayer (a person who is a resident in India and a patentee who holds a valid patent registered under the Indian patent law) from the exploitation of a patent developed and registered in India would be taxed at a preferential rate of 10%.

31% of the respondents are optimistic that the new regime will encourage R&D which will lead to creation of and registration of patents/inventions in India. Historically, India has been an importer of high end technology. With the introduction of the Patent Box, that may change in the course of time. One would need to wait and see how tech companies warm up to this new regime in India. 27% of the respondents also expressed hope that this regime will fuel R&D but that its effect may be limited only to Indian companies. This may, to some extent, be true, as most Multi National Corporations head quartered outside India may still want to use India as a R&D service provider with the IP being created in the country of their choice. It needs to be seen how this unfurls given the emphasis on DEMPE functions laid down by the OECD. A good 25% of the respondents have highlighted the effectiveness of IP laws in India and companies' perception of the same. India has better IP protection laws than many of the developing countries. However, foreign MNCs will still need to be convinced about their effectiveness before they venture into IP creation in India. 15% of the respondents believe that it was too late to announce such tax concessions and there were already other countries which offered companies similar or more advantageous regimes. It is a fact that India was a late entrant in to the Patent Box regime as a number of countries across the world already have such regimes in place for the past many years. However, given that India has become a global R&D services hub with a large and capable talent pool and the fact that Indian companies are increasing their global foot print like never before, it remains to be seen how effective the new regime is or whether we have actually missed out on the opportunity.



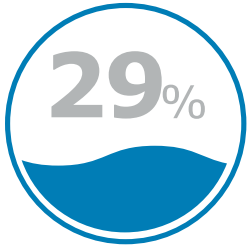
- Yes. The new regime will fuel R&D and consequent creation and registration of patents/inventions in India.
- Yes. The Patent Box regime will encourage original R&D and development of valuable intangibles in India, but only by Indian companies.
- No. It is too late in the day as there are other countries offering similar or more advantageous regimes.
- Depends on the company's perception of IP protection laws in India
- Other reasons

Should additional tax breaks/incentives be offered to technology based start-ups undertaking original R&D and manufacturing in India?

A whopping 59% of the respondents were of the opinion that additional tax breaks/incentives for undertaking original R&D and manufacturing in India should be offered, as it would encourage technology based start-ups involved in manufacturing to flourish and contribute to the Digital India and Make in India initiative. This reflects the current mind-set of people in India who are quite optimistic about the various initiatives taken by the government. However, to make the initiatives successful, the government would also need to focus on developing proper infrastructure and connectivity as tax breaks alone may not be very effective in making them successful. 30 % of the respondents voted that the additional tax breaks/incentives should be offered only if the start-up is involved in manufacturing using technology developed in India. This may be seen as an additional boost to the Patent Box regime and will encourage companies to develop technologies in India. 10% of the respondents have exercised caution and are of the opinion that such tax breaks may be taken undue advantage of, thereby causing loss to the Indian exchequer. This concern, while being justified, may be allayed by introducing necessary conditions to be fulfilled in order to be eligible for tax breaks.

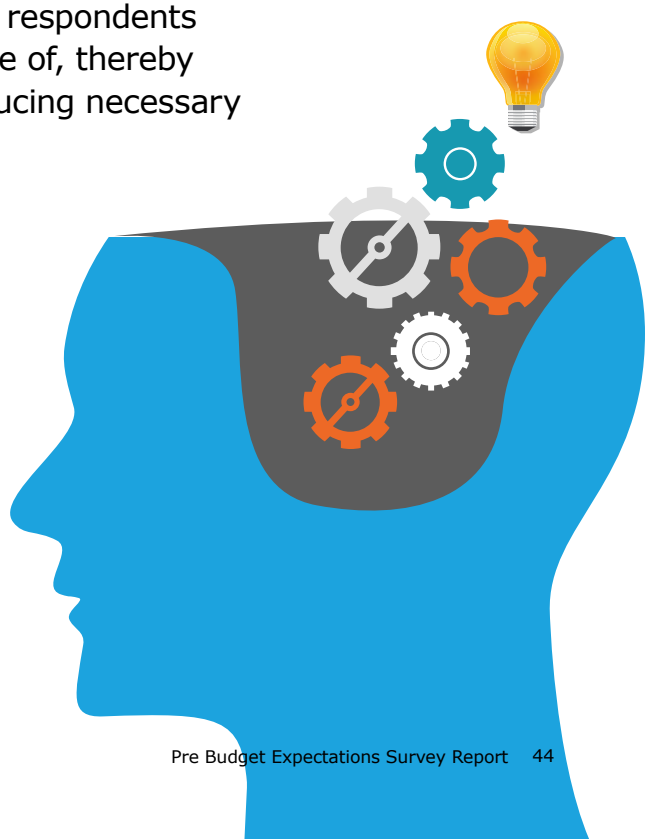
Other reasons

No. This may lead to loss to the exchequer and a boom in start-ups to take advantage of tax benefits

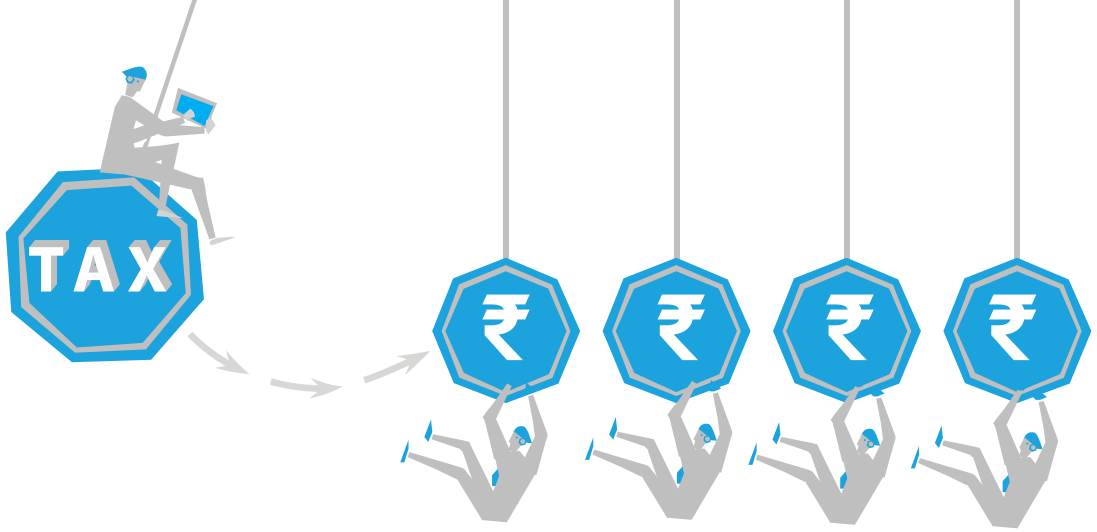


Yes. Only if the start-up is involved in manufacturing using technology developed in India

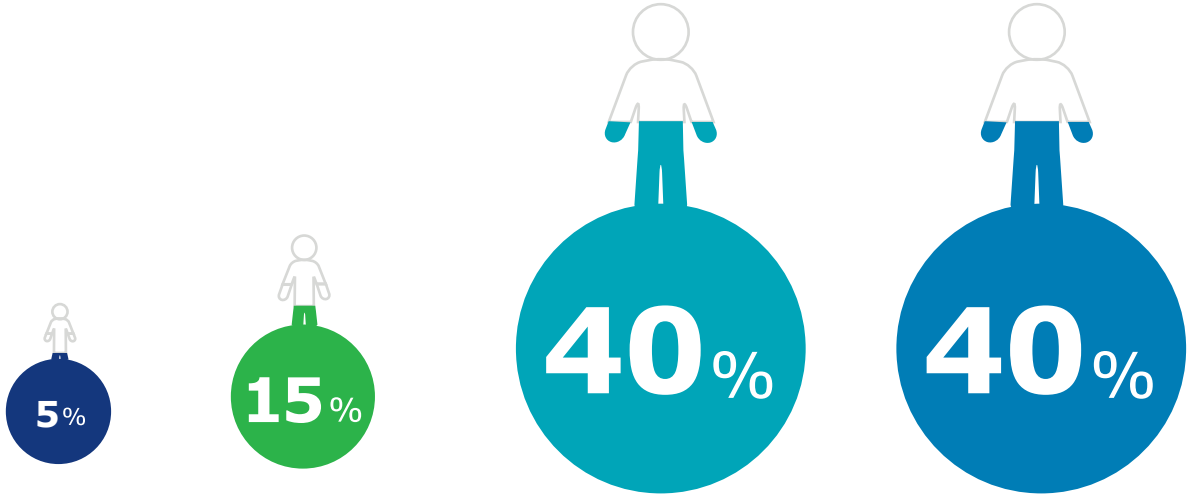
Yes. Successful technology based start-ups involved in manufacturing can give a boost to both – Digital India as well as Make in India initiatives and India's future growth



The Indian government has announced phasing out of tax incentives w.e.f. 1 April 2017 and reducing the corporate tax rate from 30% to 25%. The Infrastructure sector will be impacted. What are your views on the same?



40% of the respondents agree that complete phase-out of tax incentives is a good measure and will reduce litigation. An equal number, i.e., 40% of the respondents believe that profit linked tax incentives should continue for growth sectors like Infrastructure. Interestingly, 15% of the respondents agree that instead of phasing out incentives for infrastructure sector, it should continue in the form of investment linked tax incentive. Considering that some tax incentives will continue, one of the most eligible sectors is the infrastructure sector since the higher tax cost will impact the common man.



- No phase-out - Current regime of channelizing investments though tax incentives should continue as otherwise there is a huge cost of tax collections and then deployment of funds in the required sector
- Instead of phasing out tax incentives for Infrastructure sector, it should continue in the form of investment linked tax incentive
- Partial phase out i.e. profit linked tax incentives for essential growth sectors like Infrastructure should continue
- Complete phase-out – It is a good measure and will reduce litigation

Do you envisage an impact on Real Estate industry post demonetisation?

Temporarily, there may be a phase of depressed demand, but the low cost and affordable segment will be the driver of growth. When additional funds come back in the system, mortgage rates will reduce and, with the benefits offered by the Government, low cost and affordable housing will be back in demand.

8%

No

92%

Yes

When income is upstreamed by a subsidiary company to a holding company and by a holding company to a business trust, will it be exempted from tax?

The current Government has given major fiscal incentives for making business trust, i.e., REIT & InvIT a success model. A two-tier structure was a recent amendment and hence the exemption of DDT is expected to be incorporated in the forthcoming budget.

- Yes, it will be exempted
- No, it could be left out
- Don't know

Deloitte.