Deloitte.

Pre-Budget Survey 2023

January 2023

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Introduction

- Objective of the study
- Respondent profile

Introduction

Objective

- Understand the industry's outlook on economic growth
- Assess various digital initiatives by the government that the industry felt helped make India become the front-runner for technology and digitalization
- Understand the industry's perspective on the efficacy of government initiatives such as Atmanirbhar Bharat and Production Linked Incentive
- Analyse industry's expectations from the upcoming budget from the standpoint of economic growth, Environmental, Social, and Governance (ESG) adoption, trade agreements, and boosting exports
- Discuss industries' outlook towards tax-related changes and strategies that can help to mitigate risks and support the industries in times of global uncertainties

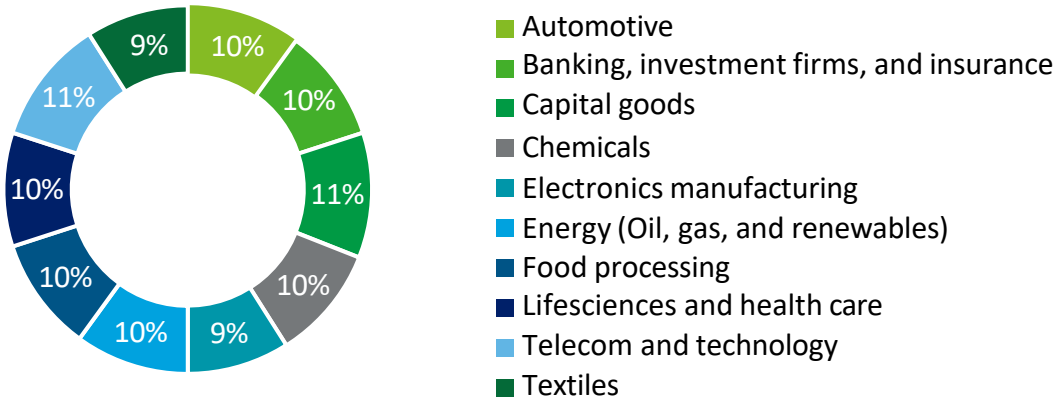
Methodology

- We conducted online surveys with senior leaders across different industries and categories of companies.
- The survey contained 27 questions about the economic outlook, budget projections, corporate and personal taxation changes, and views of effectiveness of various digital initiatives introduced during the past year.
- We collated a total of 181 responses from 10 industries.

The survey contained multiple select and single-select questions. The sum of the percentages of options of multiple select questions will be above 100%

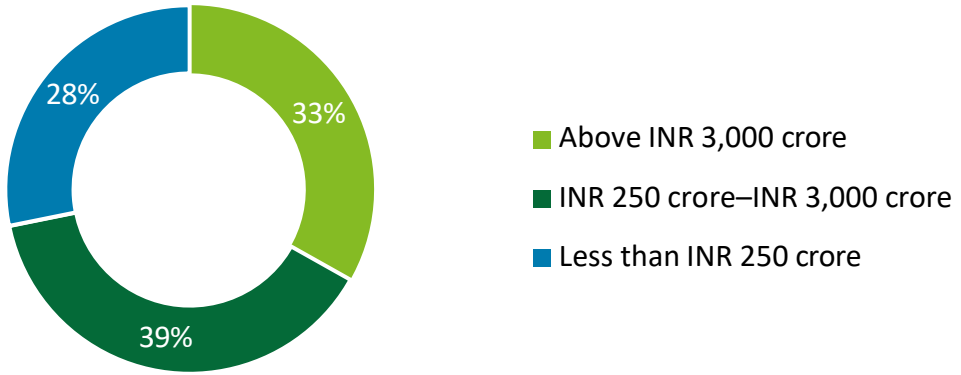
Respondent profile

Industry



N = 181

Turnover



Executive Summary

Deloitte – Point of View

Deloitte's expectations from the budget

Amidst a possible global economic slowdown and geo-political instability, the domestic economy has remained resilient and is well on its way to growth at 7% year over year. To support India's US$5 trillion economy ambition, the industry holds high expectations from the Budget 2023-24 especially through tax reforms and continued CAPEX with a focus on infrastructure.

Key announcements in Budget FY'23 expected to further strengthen the pace of growth:
Focus on Infrastructure (Physical and Digital) – The Government has been aggressive about infrastructure development in the last few years, and this momentum is expected to continue. This will reap long-lasting benefits to the nation in the form of industrial growth, more employment, global supply chain integration, and investment flows, thereby fueling economic growth and realising the US$5 trillion economy ambition. To support the infrastructure development, measures such as encouraging private partnerships in large projects – including physical and digital - and incentivising private players or mitigating risks for them would prove most useful.
In addition, the government's strategic focus on improving research and innovation should move forward with more rigour, and attracting investments, both domestic and international, will prove valuable.

Boost export competitiveness – Given the encouragement received for the Atmanirbhar Bharat and PLI schemes, extending the scope of incentives and the coverage of industries will help further boost exports as well aid in India's share in the global value chain. In addition, various FTAs, executed or in progress, by India are perceived as favourable to the industry. Various reforms to facilitate them in the form of easing compliance rules will further strengthen the momentum.

- **Support MSME growth** – Integrating MSMEs into the global supply chain will be the way forward for the MSME sector in India. The accelerated credit facility, incentivization, and technology integration will improve operational efficiencies and reduce costs. This will enhance their global competitiveness and strengthen the sector, thereby, boosting the economy and providing maximum employment opportunities to low-income strata of the population.

Promote a green economy – To realise India's commitment to achieving carbon neutrality by 2070, there must be targeted efforts in encouraging industries to adopt ESG measures through incentives. Furthermore, developing capital markets, devising green instruments, and encouraging private investments will help achieve this goal.

Make compliance easier – The tax structure (direct and indirect) needs to be simpler, stable, and unambiguous, leaving no room for interpretational ambiguities. The changes, such as more clarification on the applicability of tax laws and provisions, such as tax deducted at source (TDS) are needed. Furthermore, the digital tax structure needs further clarification, such as the implementation of the Equalisation Levy and Significant Economic Presence.

Executive summary

Industry Insights & Expectations

Despite global exigencies weighing on the economic environment there is optimism about India's growth prospects. India is likely to grow at a healthy pace and the policy announcement of the forthcoming budget will likely be supportive of growth while balancing concerns around inflation and global risks. The following points express the expectations of the industry from the budget.

Positive economic growth outlook amongst the leaders

- **Industry leaders are highly confident about India's positive outlook and the economy is likely to achieve the 7% as projected by NSO's early estimates;** growth will be attributable to rising domestic demand and the government's push for capital expenditure
- The challenges posed by the global recession, currency fluctuations, along with domestic concerns such as inflation and skilled labour shortages are a few of the downside risks and are seen as impediments to the industry's growth
- Furthermore, the respondents are more confident of the budget being favourable, than last year, to their industry's growth, as they expect the government to be proactive in cushioning the impact of economic risks that India may encounter this year.

Taking digitisation to the next level

- The government's digitisation drive has been much appreciated by the industry, especially by the energy, BFSI, and automotive sectors
- Amongst all the digitised tax administration initiatives by the government, the GST portal and e-invoicing system have been recognised as the most useful. The GST portal enables filing returns, refunds, and doubt resolution much more efficiently, and provides a one-stop solution. More effective interventions may be required for the effectiveness of faceless assessments.
- Collaborating and encouraging investments from the private sector in completing digital projects, investing in emerging technologies, and focusing on innovation will likely boost the digitisation efforts of the government and will consequently step-up India's play in being a technology powerhouse

Executive summary

Industry Insights & Expectations

Atmanirbhar Bharat

All respondents see Atmanirbhar Bharat as an effective program

- Most of them expect the initiative to focus more on making the supply chain resilience and facilitating easy compliance. Easy clearance to boost FDI in-flows is also cited as another important measure to further strengthen the initiative
- An overwhelming number of respondents from energy, food processing, and electronics manufacturing expect Atmanirbhar Bharat to develop a strong supply chain

Widening the scope of PLI

- **The PLI scheme is perceived as beneficial for industry growth and encourages businesses** to extend their manufacturing bases and enhance exports, thereby increasing the sector's production
- Majority of respondents expect extending these incentives for additional years to support them increase their production capacity. This expectation is highest amongst respondents from the food processing and telecom and technology industries.

Prime expectations from the Budget

- **Additional tax incentives** is one of the top expectation of the respondents from the budget that will spur growth in their industries. The view resonates more strongly with BFSI, food processing, energy, and telecom respondents
- Accelerated credit support, and simplification of capital gains tax structure also feature amongst the top-three budget expectations

Boosting exports – Targeted sector–specific schemes and **i**ncreased PLI coverage are considered as one of the most effective strategies for boosting industrial exports. More respondents from the chemical and textile industry support this view

- FTAs are being perceived as significant in creating a market, improving their position in GVCs, and attracting foreign investments. Besides, better exchange of technologies, information and best practices will improve export competitiveness and benefits sectors such as the BFSI and the automotive sectors.

Executive summary

Industry Insights & Expectations

Infrastructure financing – Raising funds from the bonds market at lower rates along with encouraging private participation are seen as the two most preferred ways to raise funds for infrastructure development. Additionally, devising innovative structures such as credit guarantee enhancement is also cited as an effective measure

Taxation policy reforms expectations

Tax-related improvements are the most desired budgetary measure since they are considered to accelerate industrial expansion

- **Corporate taxation**
  - Making tax compliance easier is the most effective direct tax-related change, as suggested by the majority of respondents. The view is strongly reflected by respondents from food processing, textiles, electronics, and capital goods, as compared to other sector respondents
  - Besides easing tax compliance, a high number of respondents anticipate the government to reduce tax litigation
  - On changing capital gains tax structure, rationalising tax rates across all assets; and indexation of gains are cited as extremely beneficial for the industry
  - A call for reforming the GST tax structure is loud, also underlining the need for greater simplification of the tariff structure since many of the believe this will result in fewer ambiguities, better compliance, and fewer legal disputes
    - Under GST changes, ease of availing Input Tax Credit (ITC) and removal of GST credit restrictions are the top changes expected from the budget
  - Group taxation – Most respondents support group taxation and want it to be put into effect within a year

- Personal taxation
  - Majority of respondents expect changes in personal taxation in the form of more tax exemptions and increasing deduction limits such as the interest deduction for house loans, to be most effective for individuals, which would give the consumers more purchasing power and thereby increase demand (consumer) in the market

2023 Vs. 2022

Outlook	2023	2022
	Positive	**Positive**
Economic growth outlook	62%	78%
Budget Outlook	73%	55%
Atmanirbhar Bharat	90%	91%
Efficacy of digital initiatives	57%	59%
Group taxation	75%	81%

Industry Expectation	2023	2022
Digital initiatives	Active collaboration with private sector in identifying and accomplishing digital projects	Introducing and implementing more online platforms to reduce delays and red-tape
Capital investment	Indian Government Bonds (IGBs) to raise finance and encourage Public Private Partnership (PPP)	Innovative structures to get private capital
Taxation (for priority sector)	Benefit of indirect taxes to enterprises in the form of an exemption window on customs duty or GST	Tax incentives for enterprises in priority sectors, such as food processing, MSMEs, and infrastructure
Group taxation	~80% of respondents feel that group taxation should be implemented 'now' or 'in the next year'	70% of respondents feel that group taxation should be implemented 'now' or 'in the next year'

Total responses 2023 : 181 **Total responses 2022 : 163**

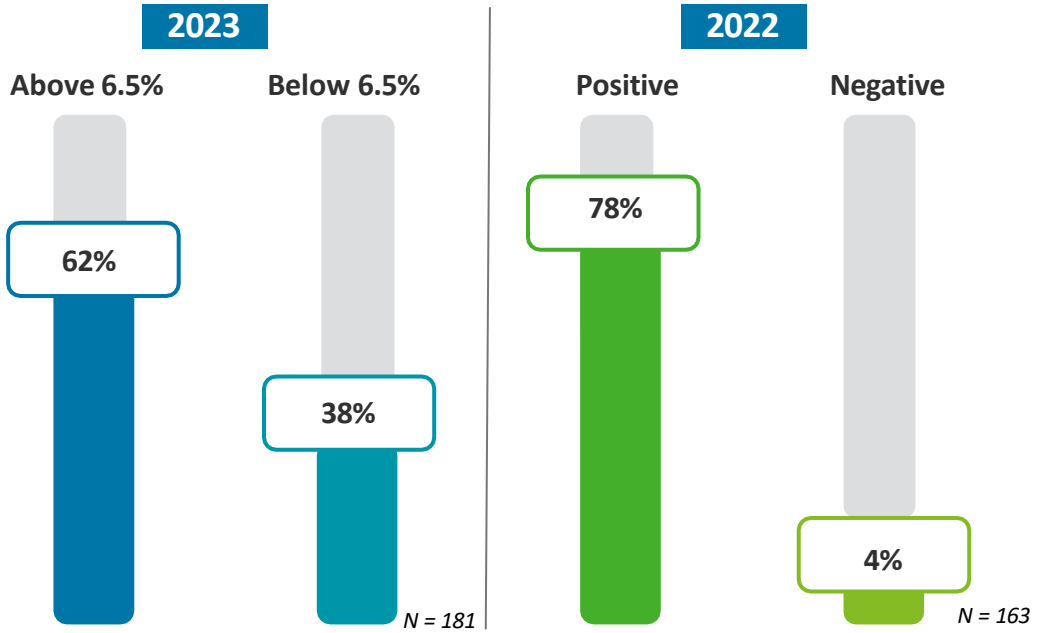
Survey Findings

- **Economic Growth Outlook**
- Effectiveness of Government's Digital Initiatives
- Industry Expectations from Budget 2023
  - Budget Sentiment
  - Atmanirbhar Bharat and PLI
  - Taxation Changes and Expectations

Amidst global slowdown, over 60% of respondents conveyed confidence about India growing above 6.5%

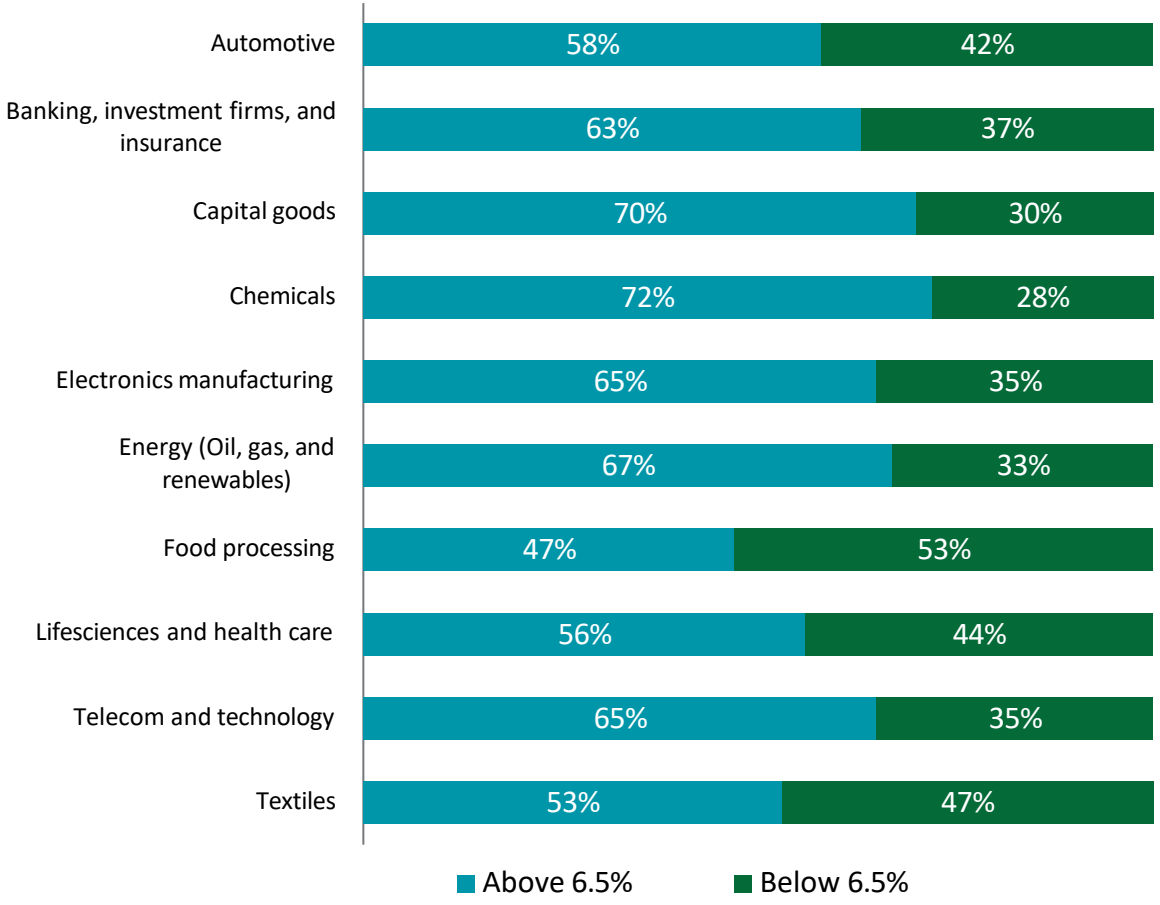
The optimism was relatively more pronounced amongst sectors with better performance and outlook driven by strong domestic demand

Overall growth outlook



- A majority of the respondents expect India to grow over 6.5% in FY'23. This signals optimism and confidence in India's resilience and growth prospects
- Capital goods sector has performed well in recent quarters, and higher policy rates have helped banks improve margins. Geopolitical uncertainties have created opportunities for sectors, such as Chemicals, Electronics, and Energy while digitisation has helped the technology sector. The buoyance is evident from their outlook for the economy, where a large share of respondents from these sectors have expressed confidence in growth to be high. However, respondents from food processing are divided on the outlook.

Outlook by sectors



N = 181

Question: What is your outlook on India's growth during 2023–24?

The economic growth is expected to be above 6.5% primarily driven by strong domestic demand and government initiatives like Atmanirbhar Bharat and PLI

Pro-growth factors recognised by respondents

- The economy is expected to grow above 6.5% driven by domestic demand and rising household consumption, which will boost demand for goods and services across industries, especially the consumer durables
- The initiatives by the central government will stimulate the growth of MSMEs, manufacturing industries (like Atmanirbhar Bharat, PLI), exports (lower custom duties) and will likely play a vital role
- Favourable monetary policies by RBI have moderated retail inflation and maintained significant forex reserves to deal with currency fluctuations
- Increased spending of government on infrastructure and research and innovation may yield promising results
- The slowdown in the manufacturing economies is a sizable opportunity for India to capitalise on supporting other economies
- The digital transformation of the private sector, to become a center of global offshoring is another opportunity area
- Growth in industries like –
  - Healthcare –Surge in the output of medical equipment/vaccines
  - Automobile - Increased demand for SUVs and EV manufacturing to attract investments
  - Telecom – 5G roll-out and demand for fiber broadband network look promising

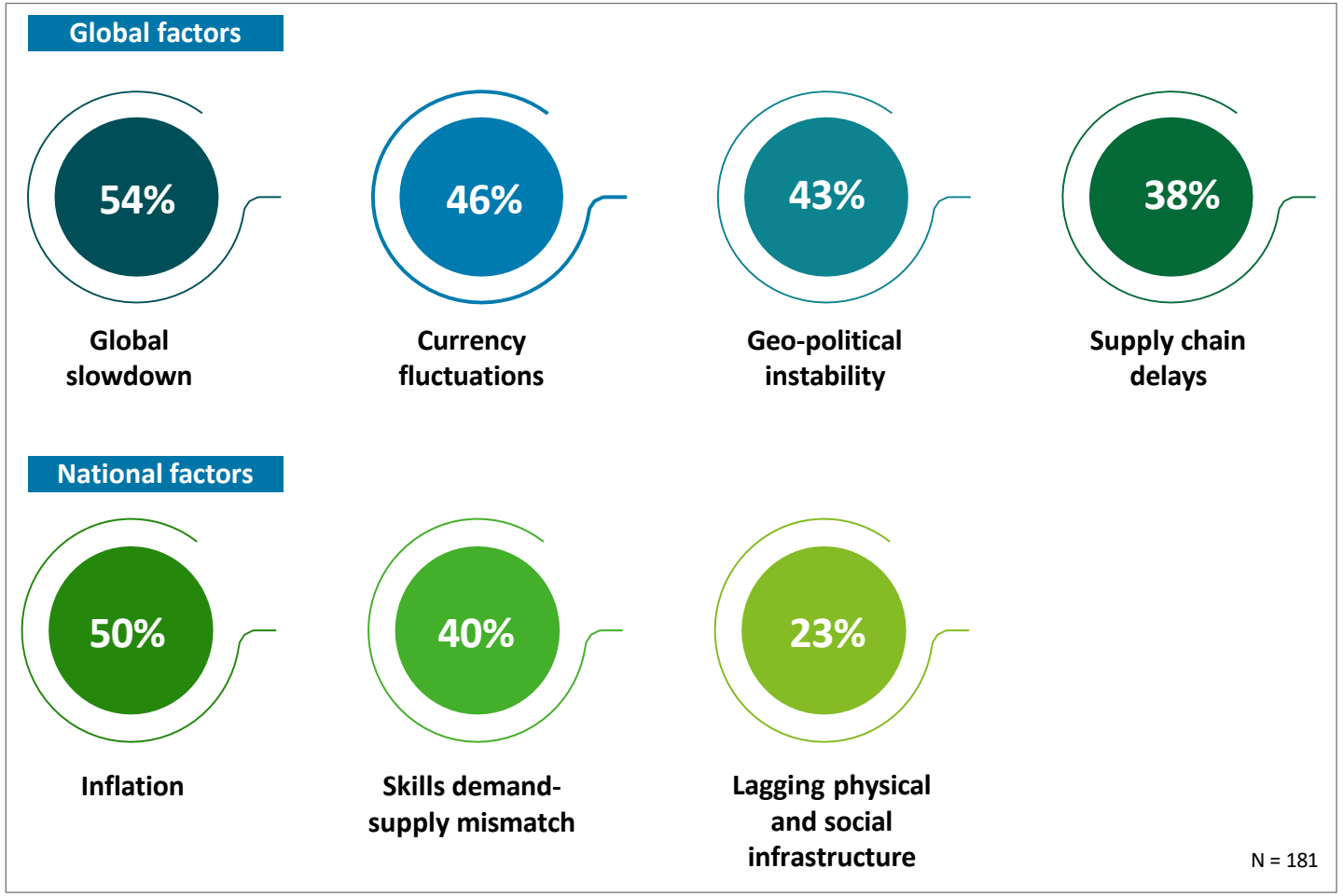
Headwinds to the growth identified by respondents

- Upcoming global recession caused by the geopolitical turmoil post-COVID-19, and soaring energy, food, and labor costs are a major deterrent to economic growth. Due to this, GDP growth may fall below 6.5%
- Skilled talent shortage will have a detrimental impact on the overall progress of the services sector
- Supply chain delays, poor infrastructure, and high indirect costs are likely to impact business operations. This requires government intervention to develop a revitalised digitally powered procurement operating model
- Spillovers from the Russia-Ukraine war and global monetary policy tightening will hurt the money supply in the economy
- The fear of subsequent variants of COVID-19 might prompt consumers to enable savings and likely to reduce the private demand
- Slowdown in manufacturing industries driven by increased input costs from international markets will stifle industrial growth
- Other factors include:
  - Limited funds and private sector participation in research and innovation
  - Low spending, and unfavourable customer-centric policies

Global exigencies overwhelmingly weigh on the economic outlook than domestic factors

Domestically, higher inflationary pressures concern businesses the most, while talent and logistics are the other impediments

Impediments to growth



This is a multiple select question; the sum of percentages will be above 100%

Question: What according to you can be the impediments to the growth of your industry?

- Respondents perceive uncertainties owing to the global economic slowdown, exacerbated by the aggressive monetary tightening to control inflation, and geopolitical conflicts to be the biggest challenge that impacting India.
- While globally integrated sectors such as BFSI, automotive, electronics, and chemicals, are more concerned about the global slowdown and currency fluctuations, geopolitical instabilities worry commodity-based sectors such as energy, food, and materials.
- Domestic inflation, exacerbated by imported inflation, is adding to cost pressures and evidently concerns 50% of the respondents responding to the survey.
- A depreciated currency makes imports expensive. which probably explains a higher concern about inflation from the respondent s of the electronics sector (71%). Domestic-focused formulation, API players, and imported medical instruments are likely to face cost escalation and margin pressure concerning the life sciences and healthcare sectors (60%)
- Despite being export-oriented, the textile sector is losing in the global market as the currencies of competing countries registered a stronger depreciation against the US dollar compared to INR.
- The supply chain issues are of lesser concern and only for a select few sectors such as automotive, energy, and textile, suggesting an easing of supply chain disruptions and improved mobility.
- Emerging and skilled-intensive sectors are the ones most concerned about labour-skill mismatches.

Globally integrated sectors such as BFSI, automotive, electronics, and chemicals are more concerned about the global slowdown

Measures	Automotive	Banking, investment firms, and insurance	Capital goods	Chemicals	Electronics manufacturing	Energy	Food processing	Lifesciences and health care	Telecom and technology	Textiles
Global slowdown	68%	74%	25%	67%	65%	44%	35%	56%	50%	53%
Supply chain delays	53%	11%	25%	39%	41%	50%	47%	33%	25%	67%
Currency fluctuations	21%	32%	40%	39%	71%	50%	53%	56%	50%	60%
Geopolitical instability	47%	53%	55%	39%	24%	50%	65%	28%	45%	20%
Inflation	47%	63%	65%	61%	18%	44%	41%	50%	55%	53%
Skills demand-supply mismatch	37%	37%	40%	39%	53%	22%	35%	56%	55%	20%
Lagging physical and social infrastructure	26%	26%	40%	6%	29%	28%	18%	11%	20%	20%

Question: What according to you can be the impediments to the growth of your industry?

Survey Findings

- Economic Growth Outlook
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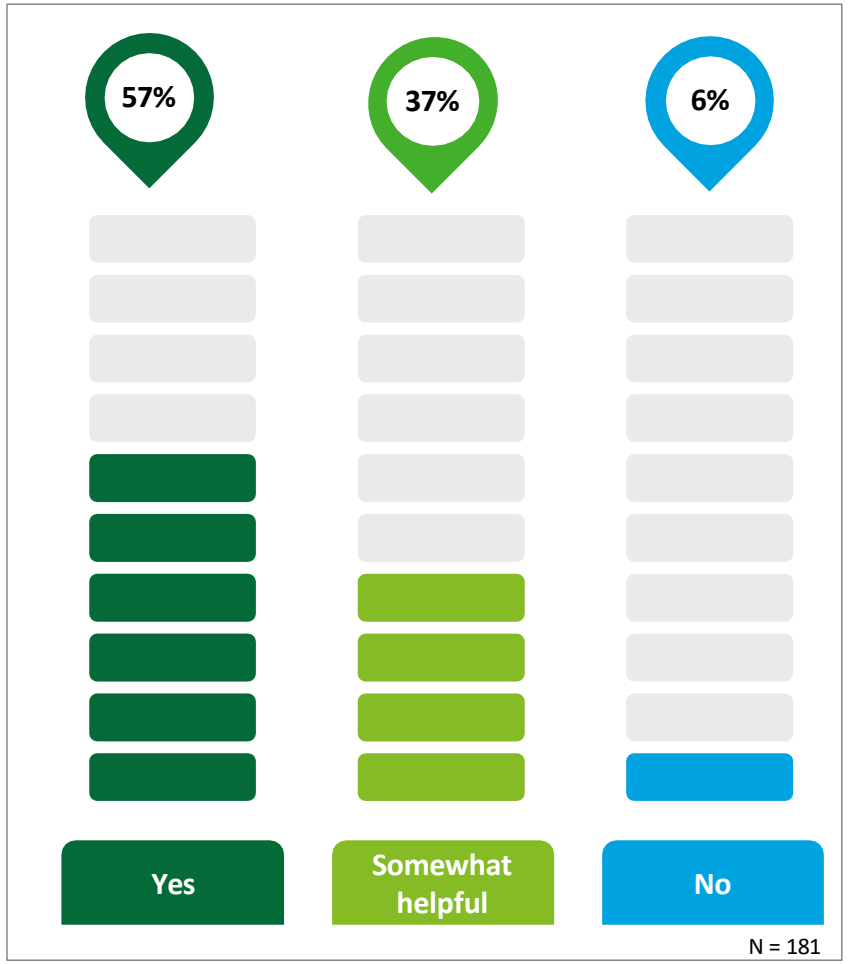
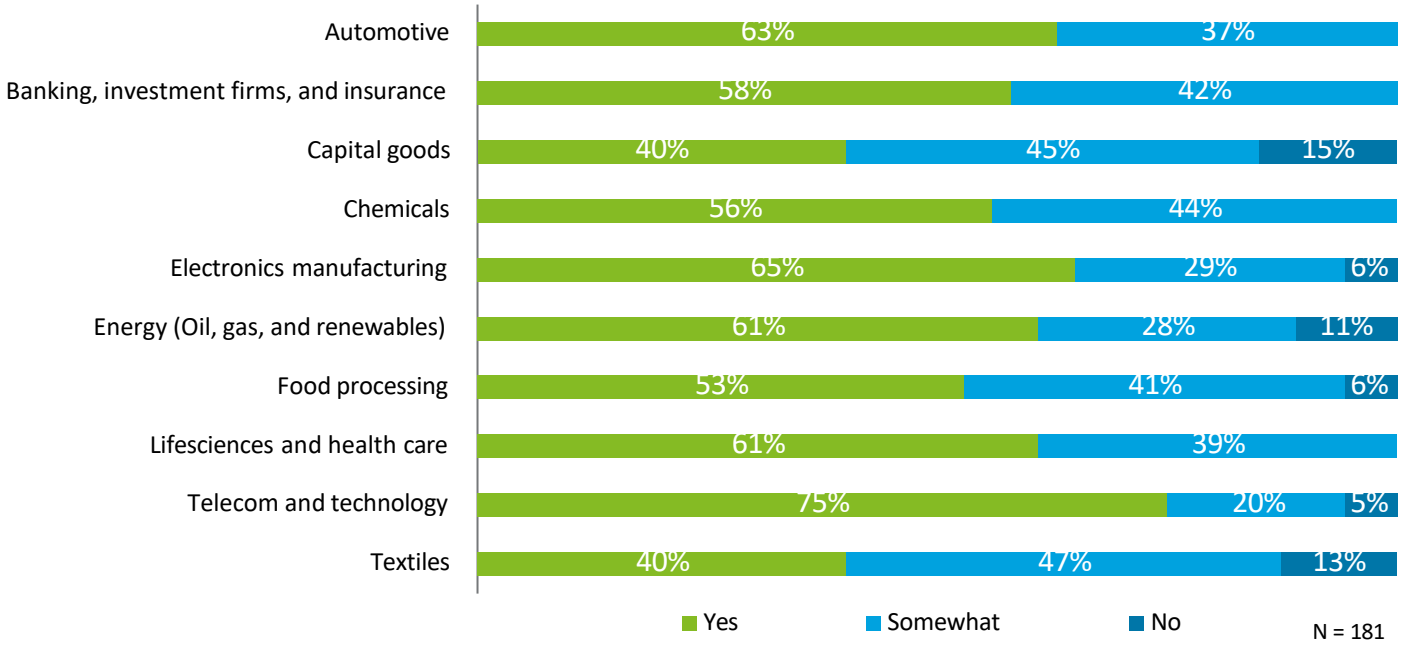
The government's digitisation drive has been appreciated by energy, BFSI, and automotive

More targeted efforts may be needed in digitising administrative processes for the textile and capital goods sectors

Has Digitisation been helpful?



Sector-wise

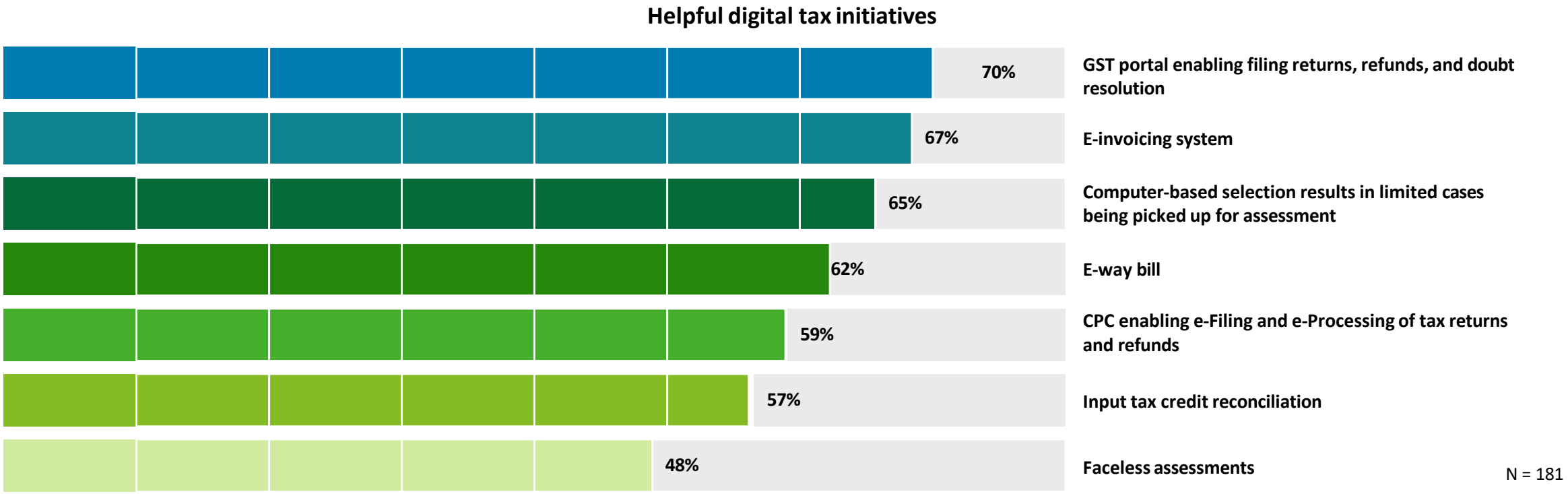


- There has been a growing push by the government to digitise administrative services and improve governance and ease of doing business.
- 57% of respondents across the board believe that the recent digitisation initiatives have been very beneficial, while 37% believe it has been somewhat beneficial
- The government's digitisation initiatives may require a targeted approach for the textile and capital goods sectors.

Question: Do you think that the government's technology and digitisation drive (such as GST portal, compliance information portal for customs, Data Protection Bill, ONDC project, and GeM) has been helpful for your industry?

Digitisation initiatives such as the GST portal enabling filing returns, refunds, and doubt resolution and e-invoicing have been most appreciated

Faceless assessments were the least voted initiative, which signals more effective interventions



- Digitisation initiatives have proven to help file taxes and ease the governance process.
- The GST portal enabling filing returns, refunds, doubt resolution, and e-invoicing has been most appreciated by respondents across all sectors, followed by Computer-based scrutiny selection resulting in limited cases picked up for assessment (use of data analysis).
- Respondents from the automotive, chemicals and life science and healthcare sectors have been most appreciative of the mentioned digitisation initiatives undertaken so far, while the respondents from the textile sector have given a mixed response.
- None of the respondents found faceless assessment useful, which probably signals that the government measures may not have been effective in this area.

Question: Which have been the most helpful for your industry?

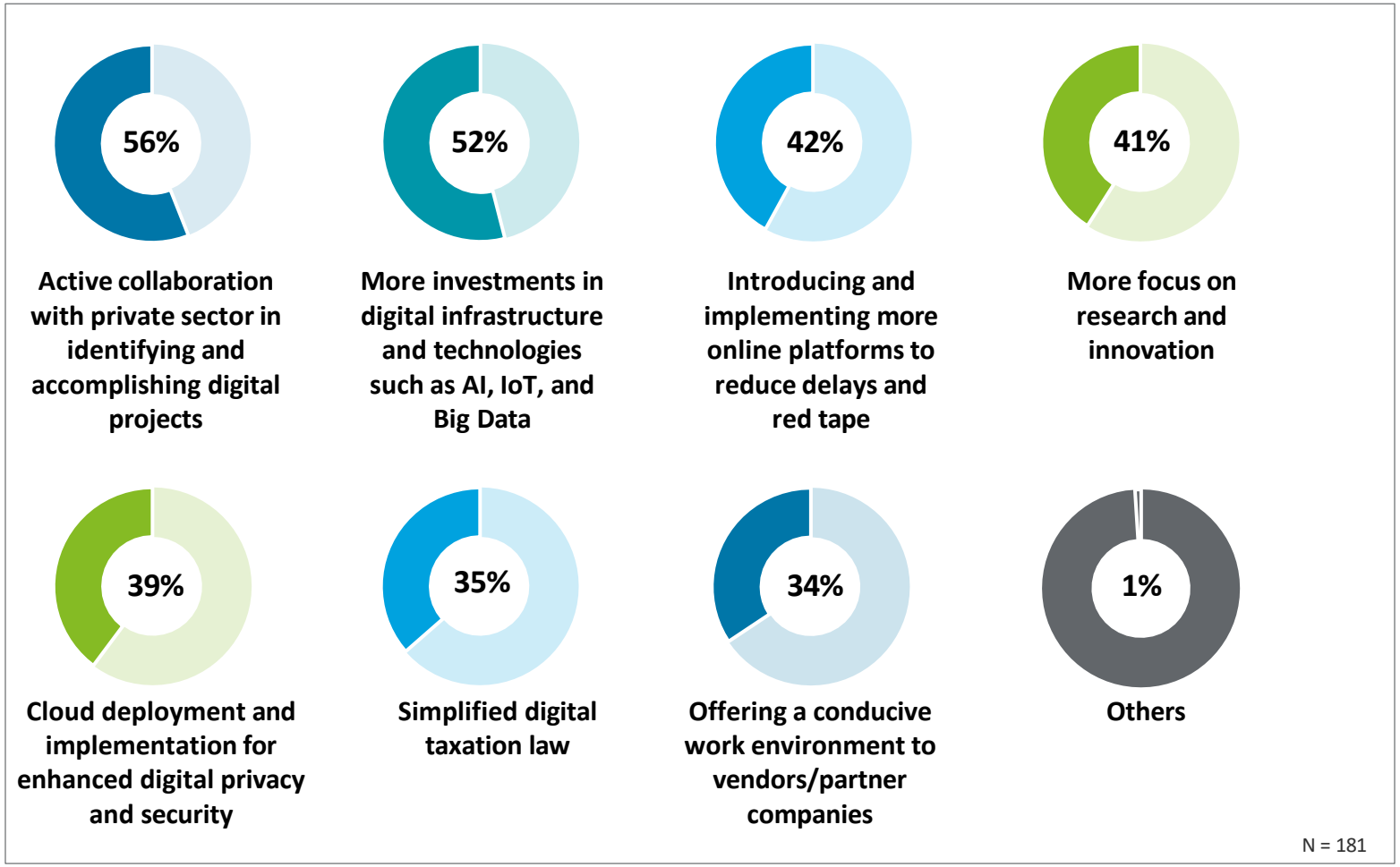
Respondents from the automotive, chemicals, and life science and healthcare sectors have been most appreciative of the mentioned digitisation initiatives

Measures	Automotive	Banking, investment firms, and insurance	Capital goods	Chemicals	Electronics manufacturing	Energy	Food processing	Lifesciences and health care	Telecom and technology	Textiles
GST Portal enables filing returns, refunds, doubt resolution	89%	79%	75%	67%	76%	61%	65%	72%	70%	40%
E-invoicing system	74%	68%	70%	67%	53%	56%	82%	67%	70%	60%
Computer based scrutiny selection resulting in limited cases picked up for assessment (use of data analysis)	84%	63%	65%	78%	59%	44%	47%	78%	60%	67%
E-way bill	58%	47%	65%	56%	53%	61%	76%	67%	80%	60%
Centralized Processing Centre (CPC) enabling e-Filing and e-Processing of tax returns and refunds	74%	68%	50%	61%	59%	56%	53%	72%	50%	47%
Input tax credit reconciliation	63%	68%	65%	67%	53%	44%	53%	50%	50%	60%
Faceless assessments	47%	53%	50%	39%	41%	44%	41%	50%	60%	47%

Question: Which have been the most helpful for your industry?

Respondents suggested active collaboration with the private sector and investment in advanced technology

Driving technology and digitisation to the next level

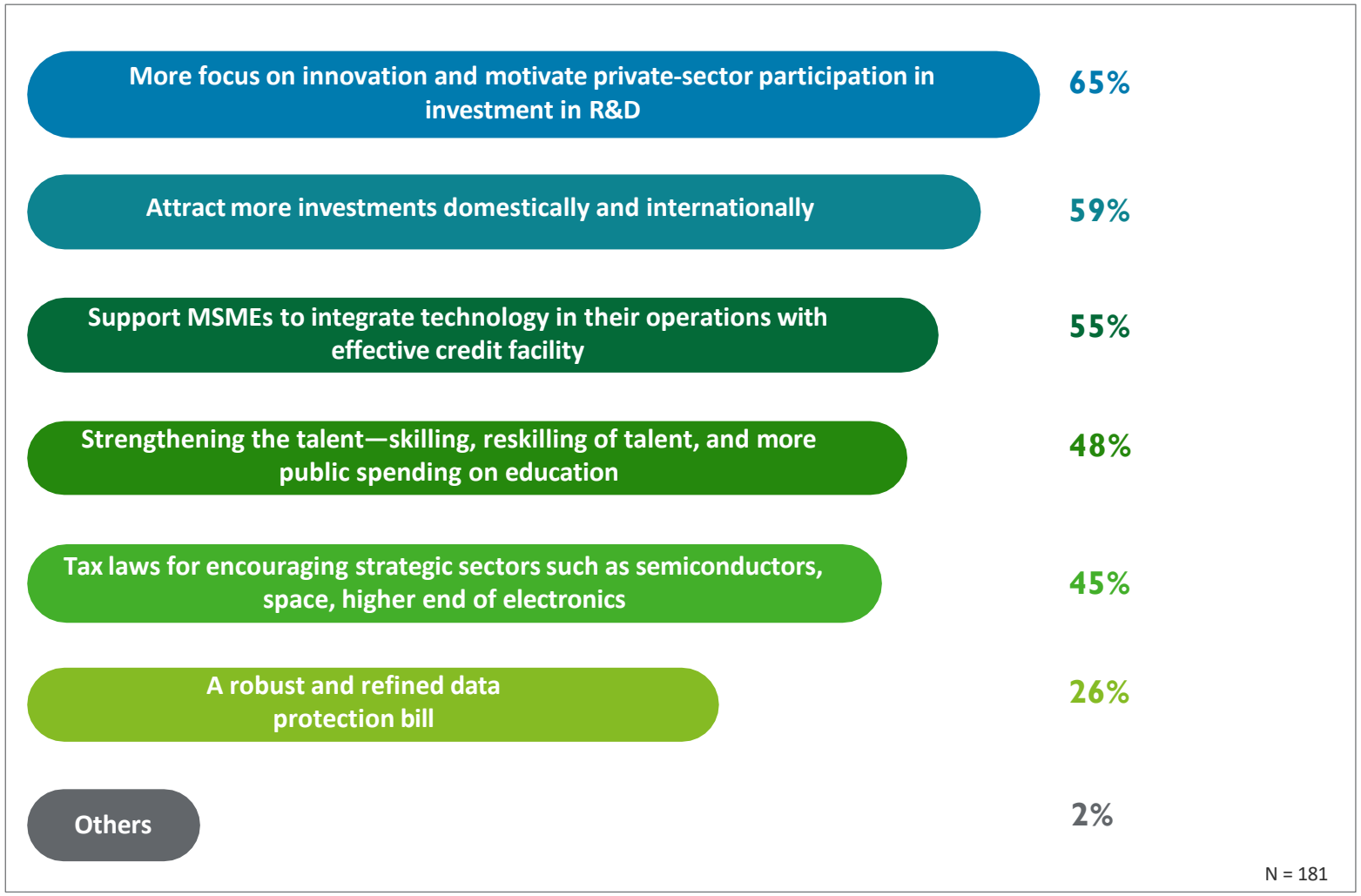


Question: How, according to you, can the government further improve on this?

- As digital capabilities evolve, there must be a consistent push to facilitate technology transformation to its full potential
- However, amongst the various alternatives, respondents could agree only on a few that could drive digitisation to the next level. 56% of the respondents believed that working actively with the private sector to identify and accomplish digital projects may advance efforts towards digitisation
- Amongst the respondents, the largest support for the active collaboration from the private sector came from Lifesciences and healthcare (~72%) and Electronics manufacturing (~71%)
- The second most popular alternative was increasing investment in digital infrastructures such as AI, IoT and Big Data as highlighted by 52% of respondents
- Respondents from the Capital goods and textile sectors, who responded less favourably to the digitisation efforts earlier were also the ones asking for more online platforms that reduced delays and red tape. This further underscores the need for targeted solutions for these two sectors.

India can enhance its position as a technology powerhouse by focusing on innovation and bringing in investments

There is a rising ask for bringing in MSMEs into the technology platform and provide them with credit facility



- 65% of the respondents expected an increased innovation focus, together with private-sector engagement in R&D investments to enhance India's position as a technological powerhouse.
- Lifesciences and health care (~78%), Telecom and Technology (~75%), Automotive (~74%) and BFSI (~74%) were the biggest supporter of innovation and private sector participation.
- Since digitisation requires a lot of investment, 59% of respondents endorsed the idea that attracting both foreign and domestic investors to ensure sustained money inflows to boost digitalization
  - Respondents from Textiles (~73%), Energy (~72%), and Capital goods (~70%), also believe the same
- 55% of respondents believed that supporting MSMEs for technological integration and providing a platform for effective credit facilities would aid this endeavour.
- This signals that there is a growing realization of the importance of bringing MSME onto digital platforms, which will help in building a strong and inclusive digital ecosystem.

Question: How, according to you, can India become a technology powerhouse?

Survey Findings

- Economic Growth Outlook
- Effectiveness of Government's Digital Initiatives
- **Industry Expectations from Budget 2023**
  - **Budget Sentiment**
  - Atmanirbhar Bharat and PLI
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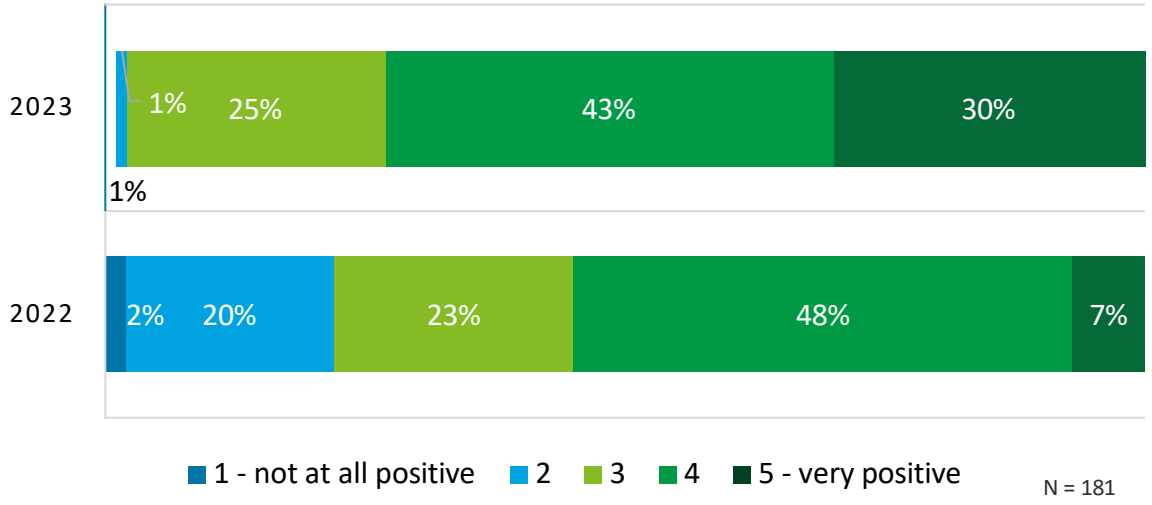
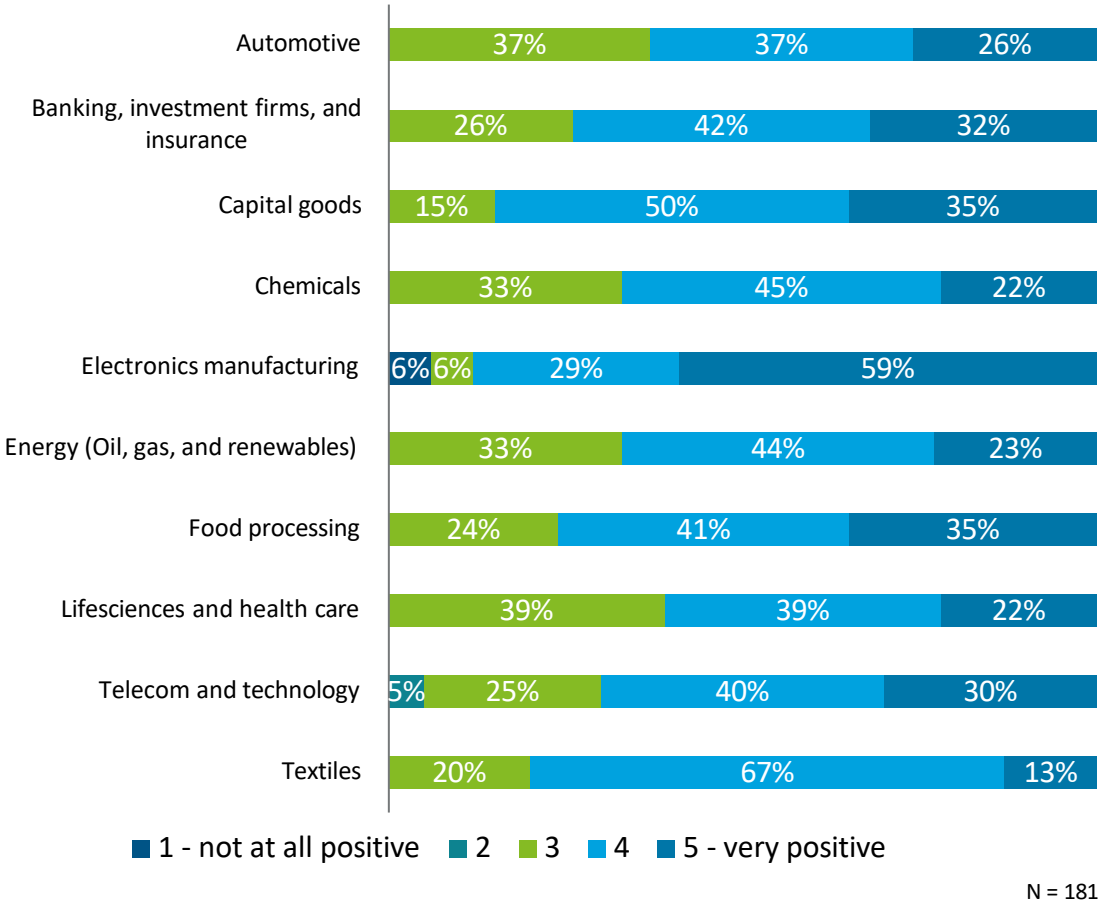
Respondents seemed more confident about a supportive budget than last year, probably because they expect the government to be proactive in cushioning the impact of risks highlighted earlier

More respondents from electronics, capital goods, and textile sectors are expecting supportive announcements

Sentiment regarding budget on industry revival



Sector-wise sentiment



- 73% of the respondents are optimistic that the forthcoming budget would be supportive of their sector's growth amidst the downside risks they face this year. This is a sharp improvement over the previous year, where 55% indicated such sentiments in 2022
- Amongst the sectors, Electronics manufacturing (88%), Capital goods (85%) and Textiles (80%) are most positive and hopeful of the upcoming budget, followed by food processing (76%) and BFSI (74%)

Question: How positive are you about the upcoming budget helping your industry's growth?

Tax incentives, credit support, and simplification of capital gains tax structure featured the most amongst the top-three budget expectations

Although 37% of the responses had public capex featuring as the top-3 expected policies, raising finances through disinvestments did not get as much attention

Budgetary steps for sector growth

- 49% Additional tax incentives
- 40% Accelerated credit support
- 38% Simplification of capital gains tax structure
- 37% Increasing public capex
- 35% Incentivising private sector participation
- 32% Rationalisation of taxes
- 30% Increased spending on research and innovation
- 29% Accelerated divestment programmes/asset monetisation programmes
- 2% Others

- Amongst the top 3 expectations from the budget, additional tax incentives featured amongst 49% of the responses signalling the most needed impetus. Tax incentives are featured as the most expected initiative amongst respondents from the BFSI, food processing, and energy sectors.
- Accelerated credit support was the other one amongst the top-3 expectation (40% of the respondents), with respondents in the Energy (56%), Telecom (50%) and Textile (53%) sectors voting it high in their budget expectations.
- Demand for rationalization of taxes did not feature as top-3 for most respondents, while very few respondents voted for social and innovation spending.
- Surprisingly, the percentage of respondents prioritising increased public CAPEX in their expectations, did not match with that of the need to raise funds high. This could be because this year, top-3 expectations were more sector-specific incentives given the economic headwinds ahead.

This is a multiple select question; the sum of percentages will not sum up to 100%

Question: What budgetary steps, according to you, can act as an impetus for your sector's growth?

Targeted schemes and broader coverage of PLI, lower custom duties, and affordable credit featured the most amongst the top three expectations to boost exports

Given the spur towards FTAs, a well-negotiated agreement featured as one of the three expectations amongst 43% of the respondents

Budgetary steps for sector growth

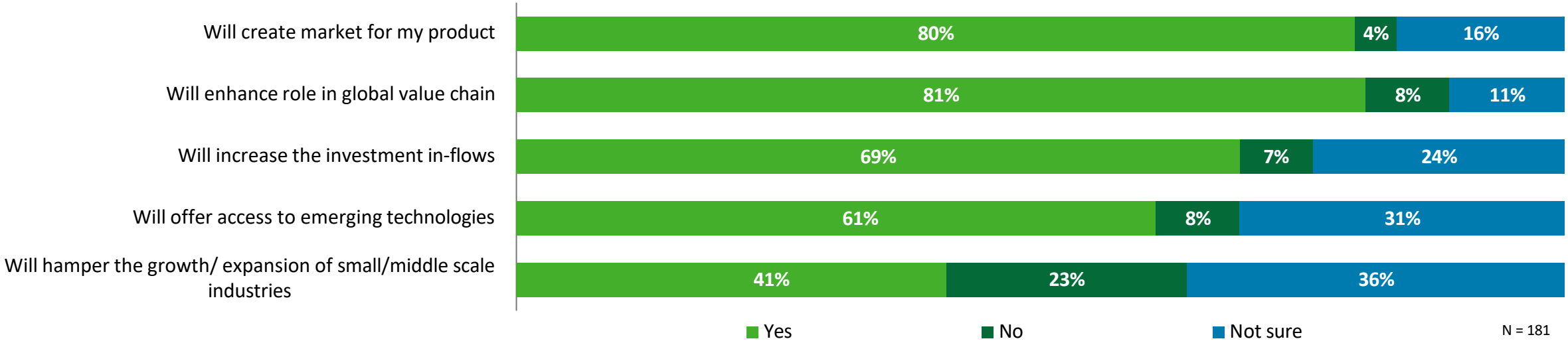
Question: What measures by the government can boost your industry's exports?

- 56% of the respondents mentioned targeted sector-specific schemes and increased coverage of PLI as the top-three expected measure to drive exports
  - 80% of the respondents from the textiles sector and 72% from the chemicals sectors advocated for enhancing the coverage of PLI
- Incentives around duties, credit, and taxes were the other top-3 asks from the respondents to boost exports.
- 43% of the respondents voted FTAs as one of the top three expectations
- Surprisingly, very few respondents emphasized policies around infrastructure and marketing support in their top 3 expectations. This could be because they expected continued government spending towards infrastructure, but they were not certain about sector-specific incentives to boost exports.

An overwhelming majority of respondents perceived trade treaties to help create markets and enhance their role in GVCs

Respondents expected treaties to enhance investment flows and the exchange of emerging technologies

Perception of trade treaties



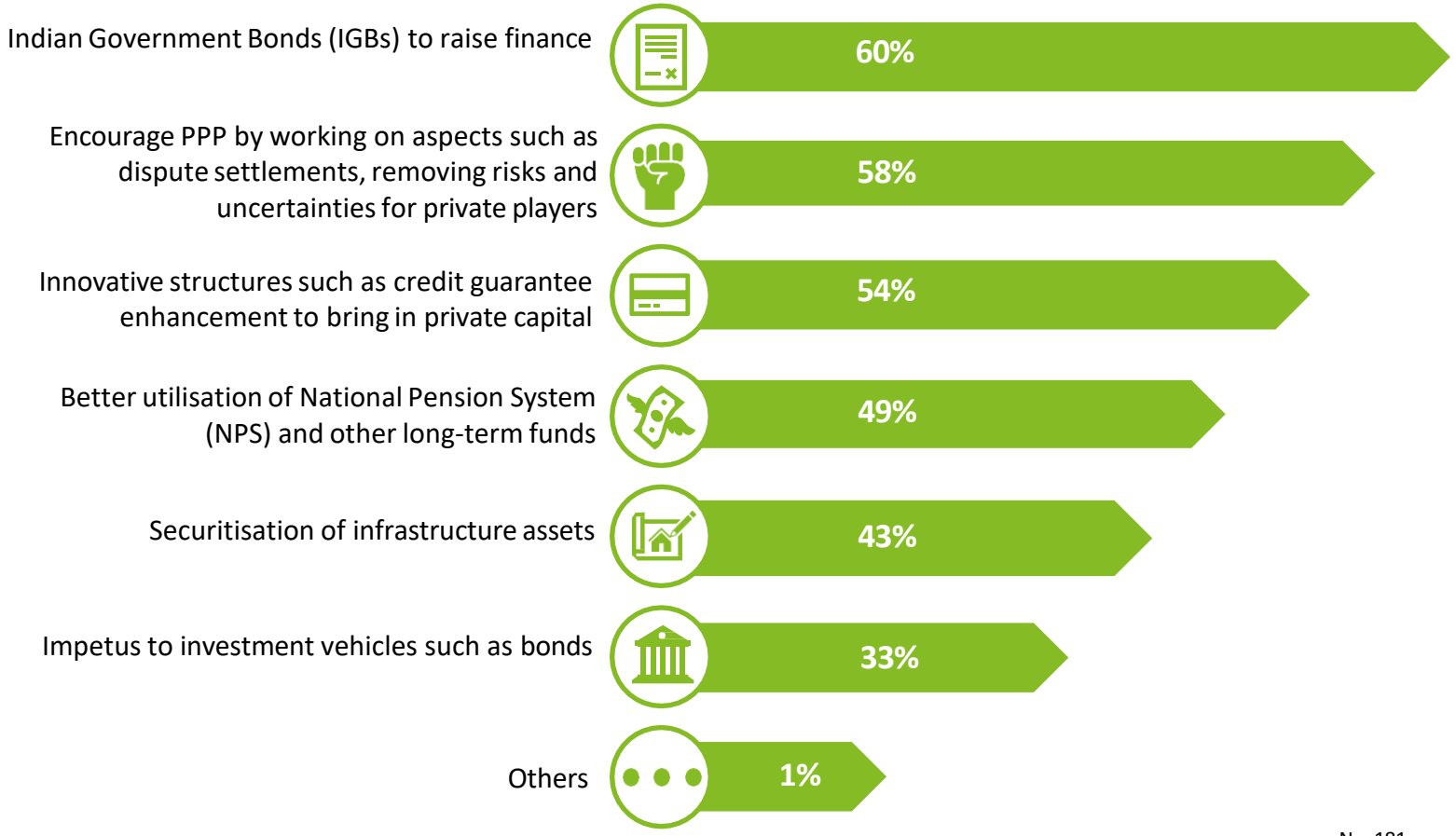
- India is aggressively pursuing free trade agreements, recently finalising those with Mauritius, the UAE and Australia after a gap of 10 years. Further, an agreement with the UK is also on the way.
- Respondents are very optimistic about the role these treaties will play in creating a market, improving their position in GVCs, and attracting foreign investments. These treaties will also help domestic firms get access to emerging technologies. All these will help in improving exports. Higher numbers of respondents from BFSI and automotive sector hoped for better exchange of technologies
- Respondents were divided about whether trade treaties could possibly impact growth amongst MSMEs adversely

Question: How do you perceive this focus on trade treaties impacting your industry?

IGBs and PPP were voted as the most preferred ways to raise the funds for infrastructure

One of the untapped potentials of utilizing the National Pension System (NPS) and other long-term funds was also recognized as measures to raise funds by almost half the respondents

Measures increase private investment in infrastructure



N = 181

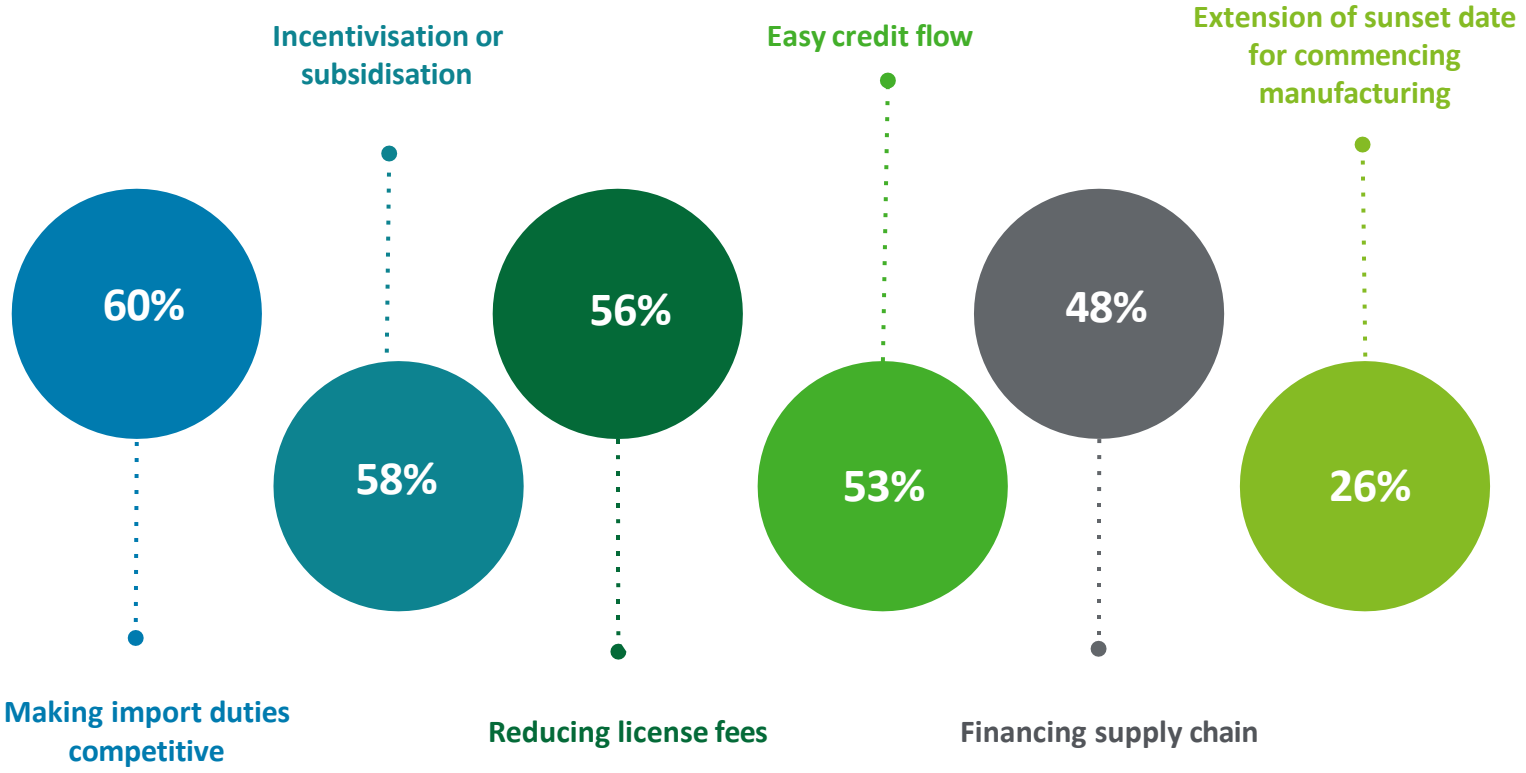
- 60% of the respondents suggested raising funds through Indian Government Bonds. This proportion has increased by 12% from the previous year. Since the funding gap is a critical challenge, relying on low-interest sovereign bonds is one of the affordable options.
- Private partnership has taken off only in a few pockets of infrastructure financing. 58% of the respondents felt PPP could be encouraged in meeting the funding gap significantly, by addressing issues that deter private participation, including dispute settlements and removing risks and uncertainties.
- One possible way of addressing the finance gap problem is a better utilization of NPS and other longer-term funds that have not yet been tapped to their potential.

What measures according to you can increase private investment in infrastructure?

Competitive import duties, incentivisation/subsidization, and reduced license fees were the key expected measures during the budget to support manufacturing

Policies related to credit were the other asks amidst tightening monetary policies

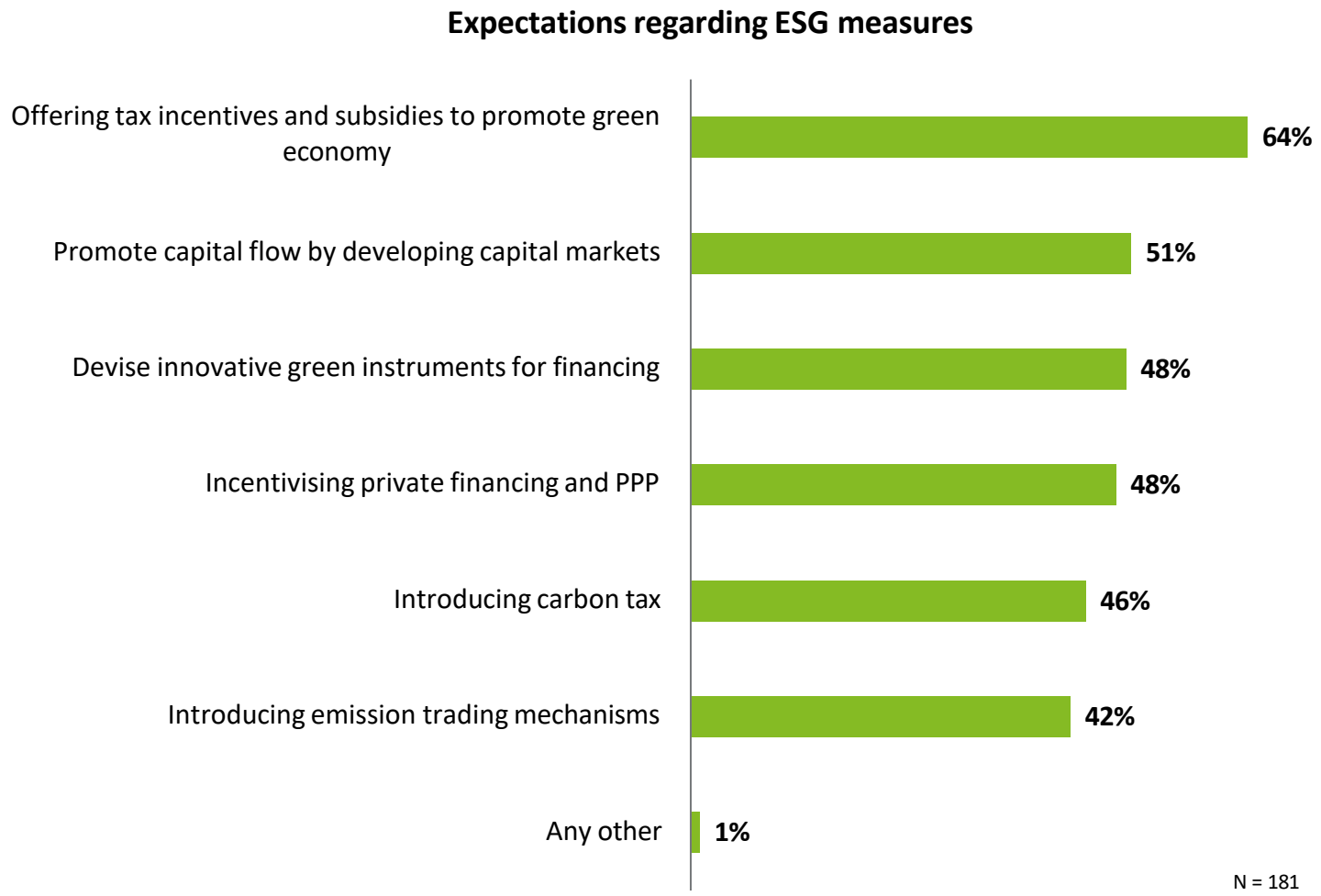
Measures to support manufacturing



- 60% of respondents expected import duties to be competitive to help the country grab opportunities in the international market when major manufacturing economies are experiencing a slowdown
  - This was closely followed by incentivisation or subsidisation of construction, plant, machinery, CLCSS for technology upgradation, and employment/skilling) as the next priority steps to boost output
- 56% of leaders concur that additional reductions in license costs might significantly boost production capacity
- Access to easy finance may also contribute to preserving the possibility of a downturn in industrial companies

Question: In the wake of opportunities created by the slowdown in major manufacturing economies, what, according to you, could be the most effective way to utilise this opportunity for your industry?

Tax incentives and subsidies can promote ESG adoption in the industries, highlighted by majority (~64%) of the leaders



- With the government pledging to being carbon neutral by 2070, it is crucial that the forthcoming budget must focus on Environmental, Social, and Governance (ESG) concerns
- 64% of the leaders cited that provision of tax incentives and subsidies are needed to foster a green economy
- More than half of the leaders suggest increasing the capital flow by creation of capital markets
  - 73% of the textiles industry leaders concurred with this viewpoint
- Nearly half of the leaders agreed that having green instruments for financing can further enhance the ESG adoption
- Majority of the leaders from Energy industry trust that incentivising private financing and purchasing power parity will boost the ESG adoption

Question: What, according to you, can the budget offer to facilitate ESG adoption in your industry?

More respondents from automotive, lifesciences & healthcare and textile industry cite the need for emission trading mechanisms.

Measures	Automotive	Banking, investment firms, and insurance	Capital goods	Chemicals	Electronics manufacturing	Energy	Food processing	Lifesciences and health care	Telecom and technology	Textiles
Offering tax incentives and subsidies to promote green economy	58%	68%	65%	67%	82%	61%	76%	50%	55%	53%
Promote capital flow by developing capital markets	63%	47%	35%	56%	41%	56%	47%	50%	45%	73%
Devise innovative green instruments for financing	42%	37%	45%	44%	65%	56%	59%	61%	35%	40%
Incentivising private financing and PPP	37%	53%	65%	44%	24%	67%	53%	39%	55%	40%
Introducing carbon tax	37%	53%	65%	50%	41%	22%	35%	50%	65%	40%
Introducing emission trading mechanisms	63%	37%	25%	39%	47%	39%	24%	50%	45%	53%

N = 181

Question: What, according to you, can the budget offer to facilitate ESG adoption in your industry?

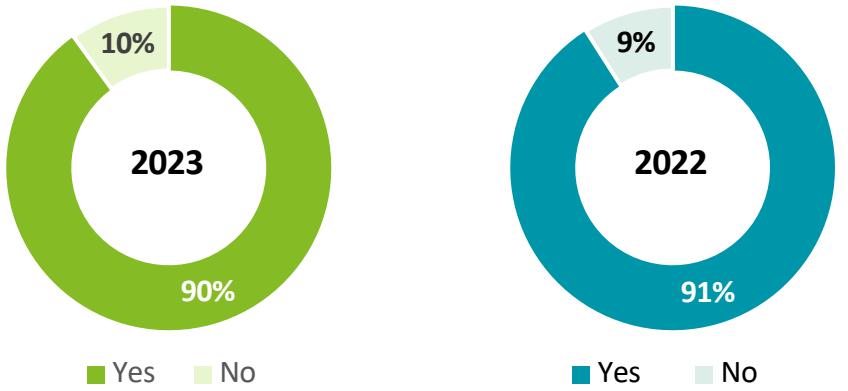
Survey Findings

- Economic Growth Outlook
- Effectiveness of Government's Digital Initiatives
- **Industry Expectations from Budget 2023**
  - **Budget Sentiment**
  - **Atmanirbhar Bharat and PLI**
  - Taxation Changes and Expectations

Confidence in the effectiveness of policies under Atmanirbhar Bharat has not changed since last year

Respondents expected the initiative to primarily address supply chain resilience

Is Atmanirbhar Bharat effective?

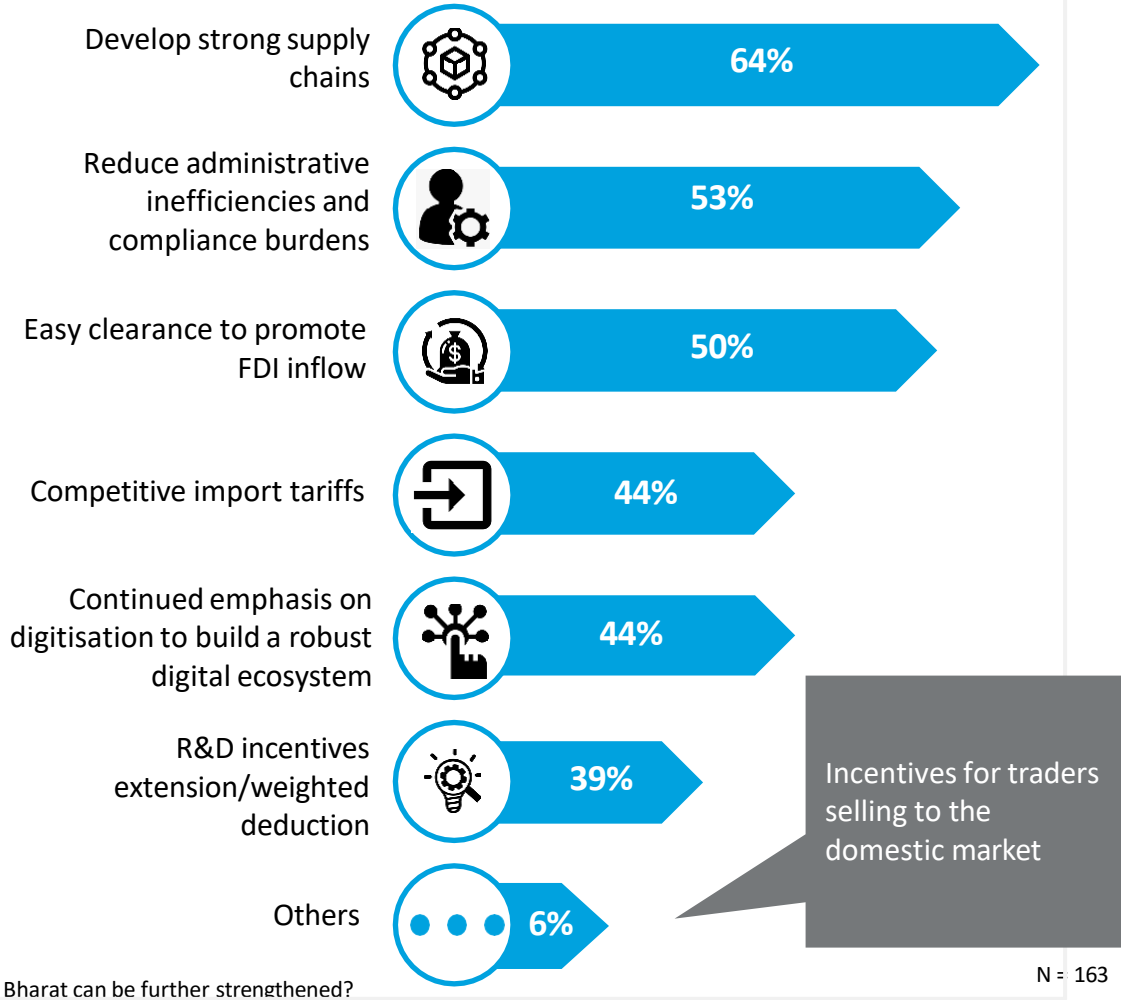


N = 181

N = 163

- Developing strong supply chains is expected to be the most important measure for strengthening the Atmanirbhar Bharat Programme
  - 82% of energy and 80% of electronics manufacturing respondents emphasise to this
- More than half of the respondents said that streamlining administrative procedures and easing compliance requirements will enrich the initiative
- Another step proposed by 50% of the leaders is easing clearances to boost FDI
- Only a significant percentage of respondents from the Lifesciences and healthcare sector expected extending the R&D incentives and initiating weighted deductions on the R&D expenditure, as well as digitisation to be covered under the initiative.

Expectations from Atmanirbhar Bharat



N = 163

Question: Do you feel Atmanirbhar Bharat is helping your sector at an operational level? If yes, how do you think Atmanirbhar Bharat can be further strengthened?

An overwhelming number of respondents from electronics manufacturing, energy, and food processing sectors expected the Atmanirbhar Bharat initiative to develop a strong supply chain.

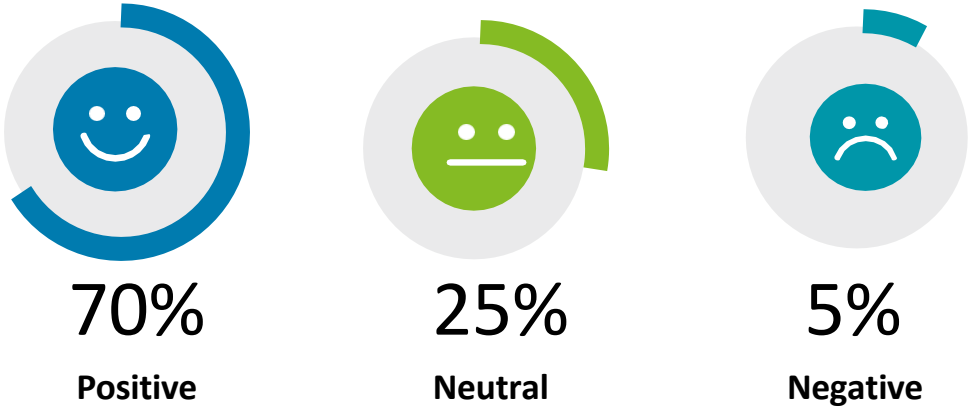
Measures	Automotive	Banking, investment firms, and insurance	Capital goods	Chemicals	Electronics manufacturing	Energy	Food processing	Lifesciences and health care	Telecom and technology	Textiles
Yes %	95%	84%	90%	100%	88%	94%	82%	83%	100%	80%
Develop strong supply chains	61%	63%	44%	61%	80%	82%	79%	47%	55%	75%
Reduce administrative inefficiencies and compliance burdens	67%	25%	61%	67%	47%	41%	36%	60%	65%	50%
Easy clearance to promote FDI inflow	56%	69%	61%	56%	40%	47%	64%	7%	45%	58%
Competitive import tariffs	39%	56%	44%	28%	40%	59%	50%	33%	50%	42%
Continued emphasis on digitisation to build a robust digital ecosystem	39%	44%	56%	39%	47%	35%	36%	60%	50%	33%
R&D incentives extension/weighted deduction	39%	38%	33%	33%	40%	29%	29%	80%	35%	33%

Question: Do you feel Atmanirbhar Bharat is helping your sector at an operational level? If yes, how do you think Atmanirbhar Bharat can be further strengthened?

70% of the respondents perceived the PLI scheme to be beneficial to their sector.

Close to 60% of the respondents were expecting an extension of the incentive to further years

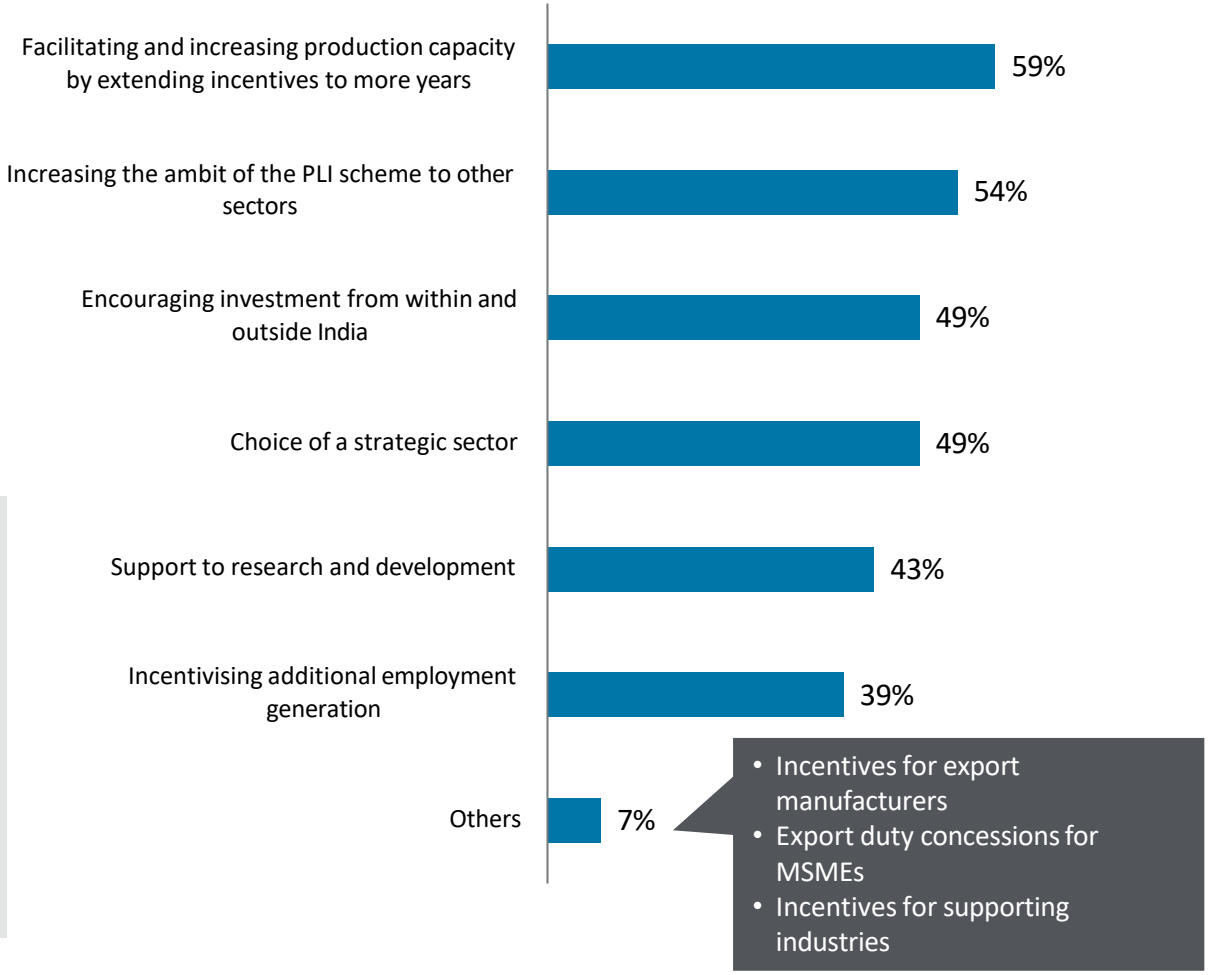
Perception of the PLI scheme



N = 181

- Majority (~70%) of respondents highlighted that the various Production Linked Incentives schemes have been beneficial for the growth of their sector
- Further, 59% of the respondents advocated that extending these incentives for additional years would facilitate and increase their production capacity
  - 71% of food processing and 70% of telecom and technology respondents expected an extension
- A majority of the respondents across all sectors, except electronics manufacturing and energy, advised broadening the scope of PLI programmes to include other sectors.
- Surprisingly, respondents did not expect the scheme to address skills and incentivise R&D under its purview

Expectations from the PLI scheme



N = 181

Question: How do you think the PLI scheme has benefited your industry? What more can be done in the PLI scheme to benefit your industry

The expectation to extend the PLI scheme was the highest amongst respondents from food processing and telecommunications and technology

Measures	Automotive	Banking, investment firms, and insurance	Capital goods	Chemicals	Electronics manufacturing	Energy	Food processing	Lifesciences and health care	Telecommunications and technology	Textiles
Facilitating and increasing production capacity by extending incentives to more years	47%	63%	50%	56%	65%	61%	71%	56%	70%	53%
Increasing the ambit of the PLI scheme to other sectors	53%	53%	50%	56%	47%	39%	59%	67%	55%	60%
Encouraging investment from within and outside India	37%	58%	50%	50%	71%	56%	35%	39%	45%	53%
Choice of a strategic sector	53%	53%	70%	50%	35%	61%	47%	39%	35%	47%
Support to research and development	63%	26%	40%	44%	35%	44%	47%	61%	35%	27%
Incentivising additional employment generation	42%	47%	40%	33%	35%	22%	41%	33%	60%	33%

Question: How do you think the PLI scheme has benefited your industry?

Survey Findings

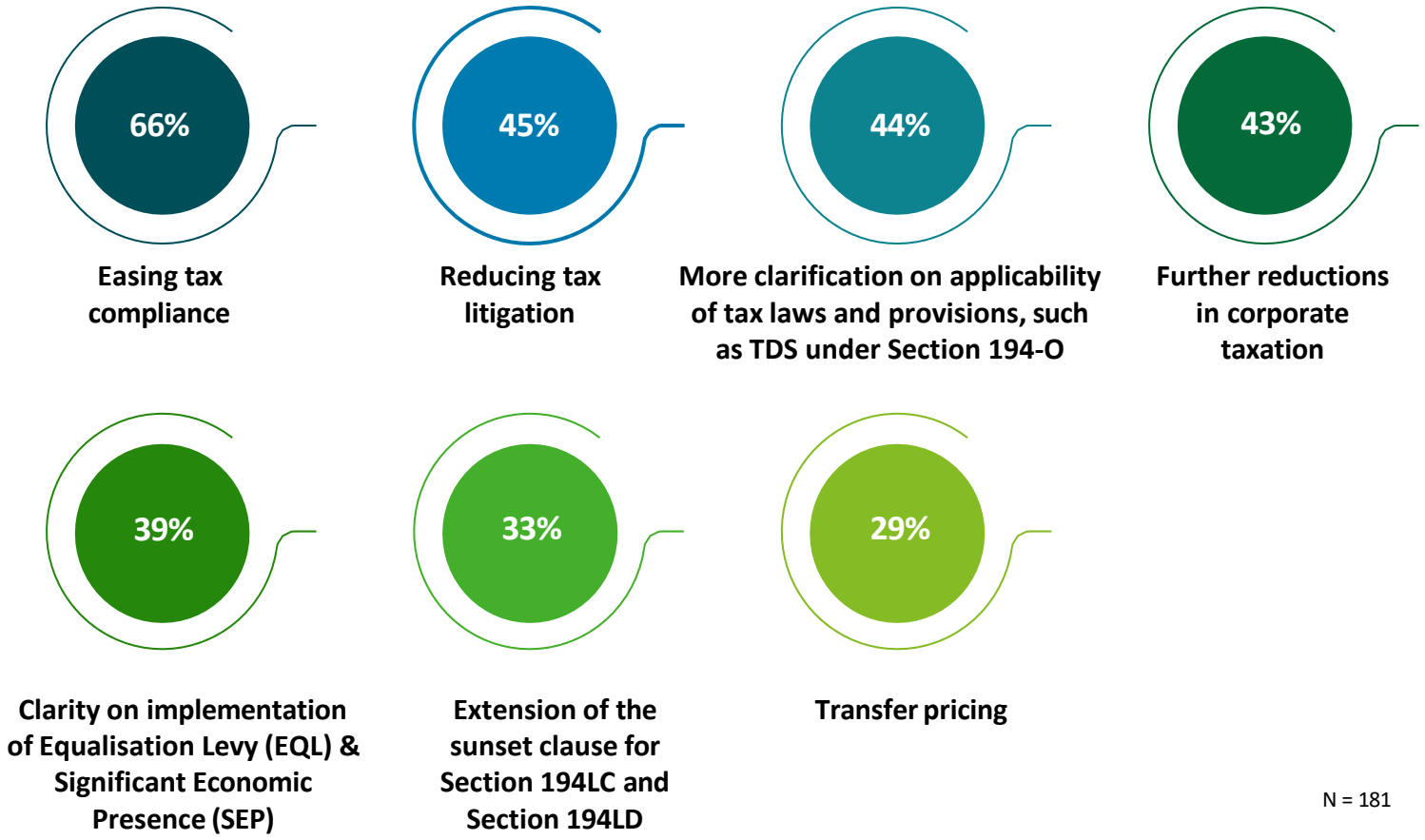
- Economic Growth Outlook
- Effectiveness of Government's Digital Initiatives
- **Industry Expectations from Budget 2023**
  - Budget Sentiment
  - Atmanirbhar Bharat and PLI
  - **Taxation Changes and Expectations**

Most respondents cite easing tax compliance to be the most effective direct tax-related change

60% respondents from Telecom and half of respondents from Energy and Lifesciences expect reduction in corporate tax

- Amidst global uncertainties and a looming global economic slowdown, tax-related changes would boost industry growth and are the most sought-after measures from the budget
- Besides easing tax compliance, 45% of respondents anticipate the government reducing tax litigation
- 44% expect to gain clarification of tax laws and provisions such as TDS under section 194-O
- Automotive leaders (53%) also wish to have clarity on the implementation of the Equalisation Levy and Significant Economic Presence, addressed in the budget

Direct tax-related changes



N = 181

This is a multiple select question; the sum of percentages will be above 100%

Question: What could be the most effective changes in direct tax regulations for your industry?

Capital-intensive sectors such as Food Processing, Textiles, Electronics, Capital Goods hope for easier tax compliance

Measures	Automotive	Banking, investment firms, and insurance	Capital goods	Chemicals	Electronics manufacturing	Energy	Food processing	Lifesciences and health care	Telecom and technology	Textiles
Easing tax compliance	58%	63%	70%	56%	76%	78%	88%	50%	55%	67%
Reducing tax litigation	42%	21%	55%	61%	47%	39%	53%	50%	40%	47%
More clarification on the applicability of tax laws and provisions, such as TDS under Section 1940	47%	68%	30%	44%	41%	39%	35%	56%	45%	27%
Further reductions in corporate taxation	42%	42%	40%	39%	24%	50%	41%	50%	60%	40%
Clarity on implementation of EQL and SEP	53%	42%	35%	33%	35%	33%	24%	50%	35%	47%
Extension of the sunset clause for Section 194LC and Section 194LD	16%	47%	45%	44%	35%	28%	24%	22%	40%	20%
Transfer pricing	42%	16%	20%	22%	41%	33%	35%	17%	25%	47%

This is a multiple select question; the sum of percentages will be above 100%

Question: What could be the most effective changes in direct tax regulations for your industry?

Majority of respondents feel rationalisation of tax rates across all assets and gains indexation would be highly beneficial

- The industry is expecting the budget to simplify the capital gains tax structure and remove ambiguities in interpretation of tax thereby making its compliance easier
- This becomes even more relevant as the economy is moving towards the digital era where new and innovative forms of instruments are likely to enter and fuel growth of the economy and especially start-up ecosystem
- The structural changes in the capita gains tax becomes more imperative at present when the global economy is slow, and COVID-19 threat is looming
- This step will spur investment and economic growth and will provide long-term relief to the taxpayers and the tax administration

Capital gains tax structure changes

This is a multiple select question; the sum of percentages will be above 100%

Question: What changes in the capital gains tax structure will be helpful for your industry?

With Energy being in the focus, 61% respondents from the sector hope for reduced ambiguity in tax interpretation

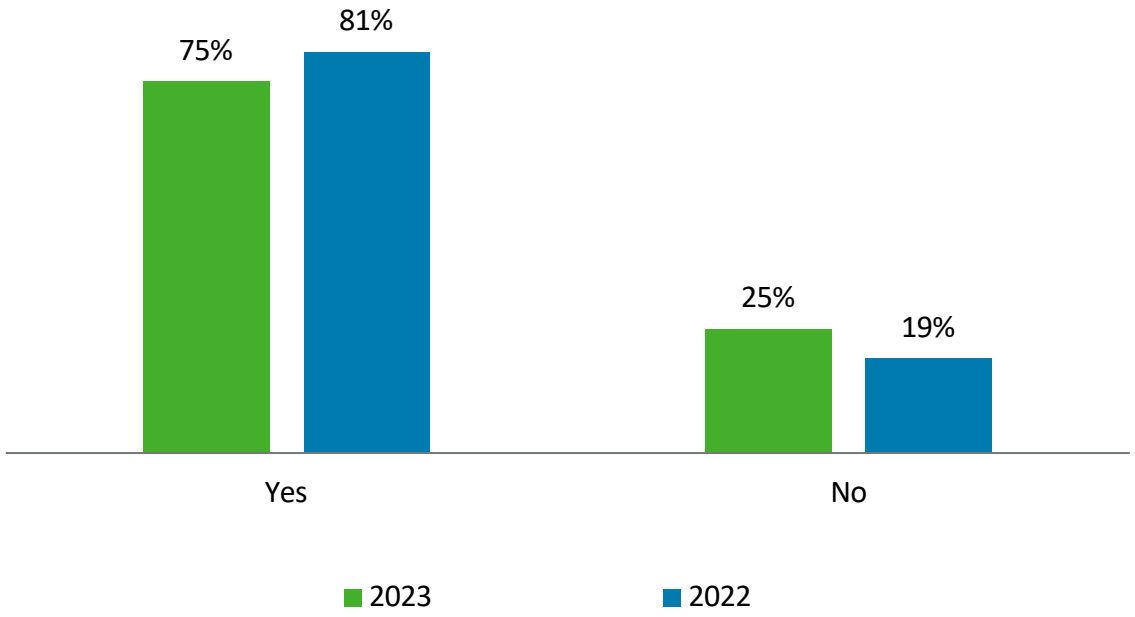
Measures	Automotive	Banking, investment firms, and insurance	Capital goods	Chemicals	Electronics manufacturing	Energy	Food processing	Lifesciences and health care	Telecom and Technology	Textiles
Rationalisation of rates across all asset classes	63%	58%	55%	67%	35%	44%	59%	39%	70%	40%
Gains should be indexed (Inflationary effects can be factored in)	63%	53%	55%	44%	53%	61%	47%	56%	55%	47%
Removing ambiguity in interpretation of tax	42%	53%	40%	39%	47%	61%	41%	61%	40%	53%
Rationalising multiple holding periods	32%	37%	50%	50%	65%	22%	53%	44%	35%	60%

This is a multiple select question; the sum of percentages will be above 100%

Question: What changes in the capital gains tax structure will be helpful for your industry?

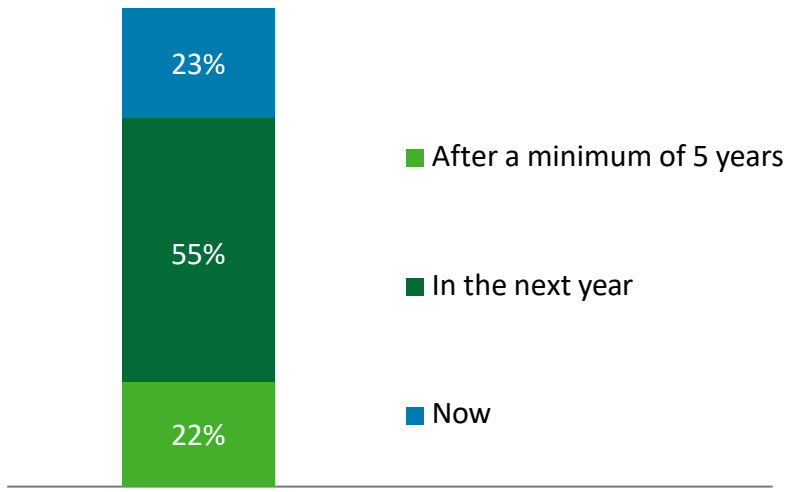
Three-quarters of respondents support group taxation, with ~80% wanting it to be implemented within a year

Moving to group taxation



Yes

Opportune time for movement



The opportune time for movement was asked only to those respondents (136) who feel that India should move to group taxation ("Yes" in previous question).

- 75% of the industry leaders (as compared to 81% in past year) cite that India should opt for Group taxation
- In the above cohort, 78% of leaders feel that group taxation should be implemented 'now' or 'in the next year'

Question: Should India move to a "group taxation" concept, wherein taxpayers can file a single group tax return, similar to group consolidations for financial statements, to promote better private sector participation and speedier infrastructure development?

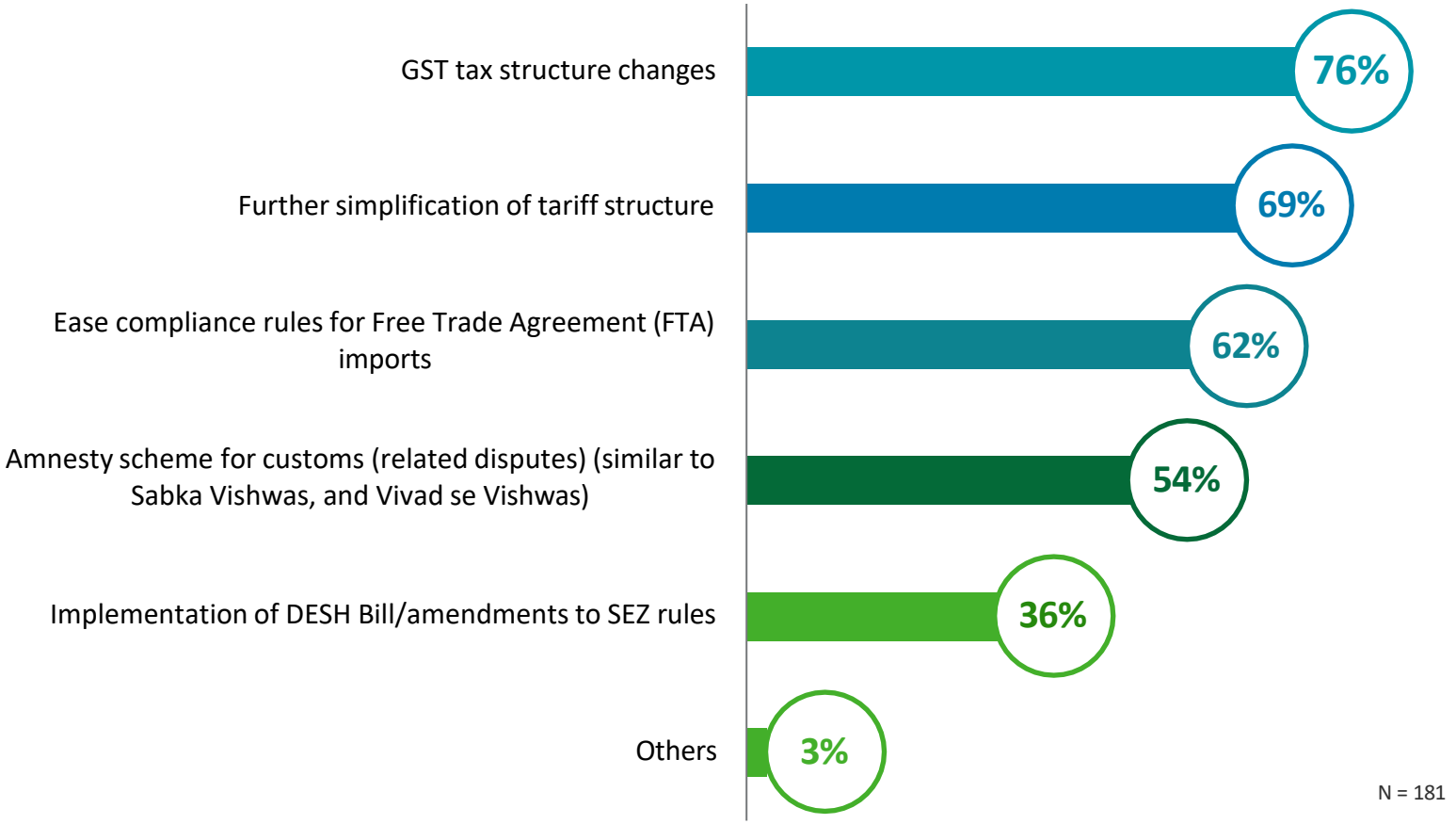
N = 181

76% respondents believe that changes in GST tax structure would be most impactful for their industries

Large majority of respondents from Energy, Telecom, and Lifesciences strongly support the above perspective

- Close to 70% of respondents also highlighted the need for further simplification of tariff structure as simplification will lead to fewer interpretational issues, better compliance, and less litigation
- Simplification of the tariff structure for import and exports and easy compliance rules for FTA agreements will make compliance easier, reducing future litigations
- Close to 55% respondents believe that amnesty schemes for customs would also fast-track dispute resolution, helping them to reduce time and cost effort on this front
- 72% Energy representatives mentioned the need for amnesty schemes for customs (related disputes)

Indirect tax-related changes



This is a multiple select question; the sum of percentages will be above 100%

Question: What could be some of the most effective changes in indirect tax regulations for your industry?

N = 181

Most sectors opted for simplification of the tariff structure as the most significant indirect tax change

Measures	Automotive	Banking, investment firms, and insurance	Capital goods	Chemicals	Electronics manufacturing	Energy	Food processing	Lifesciences and health care	Telecom and Technology	Textiles
GST tax structure changes	74%	79%	75%	78%	59%	94%	59%	83%	85%	73%
Further simplification of the tariff structure	79%	58%	65%	83%	82%	44%	71%	72%	65%	67%
Ease compliance rules for Free Trade Agreement (FTA) imports	74%	53%	65%	44%	65%	56%	71%	56%	75%	67%
Amnesty scheme for customs (related disputes)	32%	63%	65%	39%	53%	72%	65%	56%	40%	53%

This is a multiple select question; the sum of percentages will be above 100%

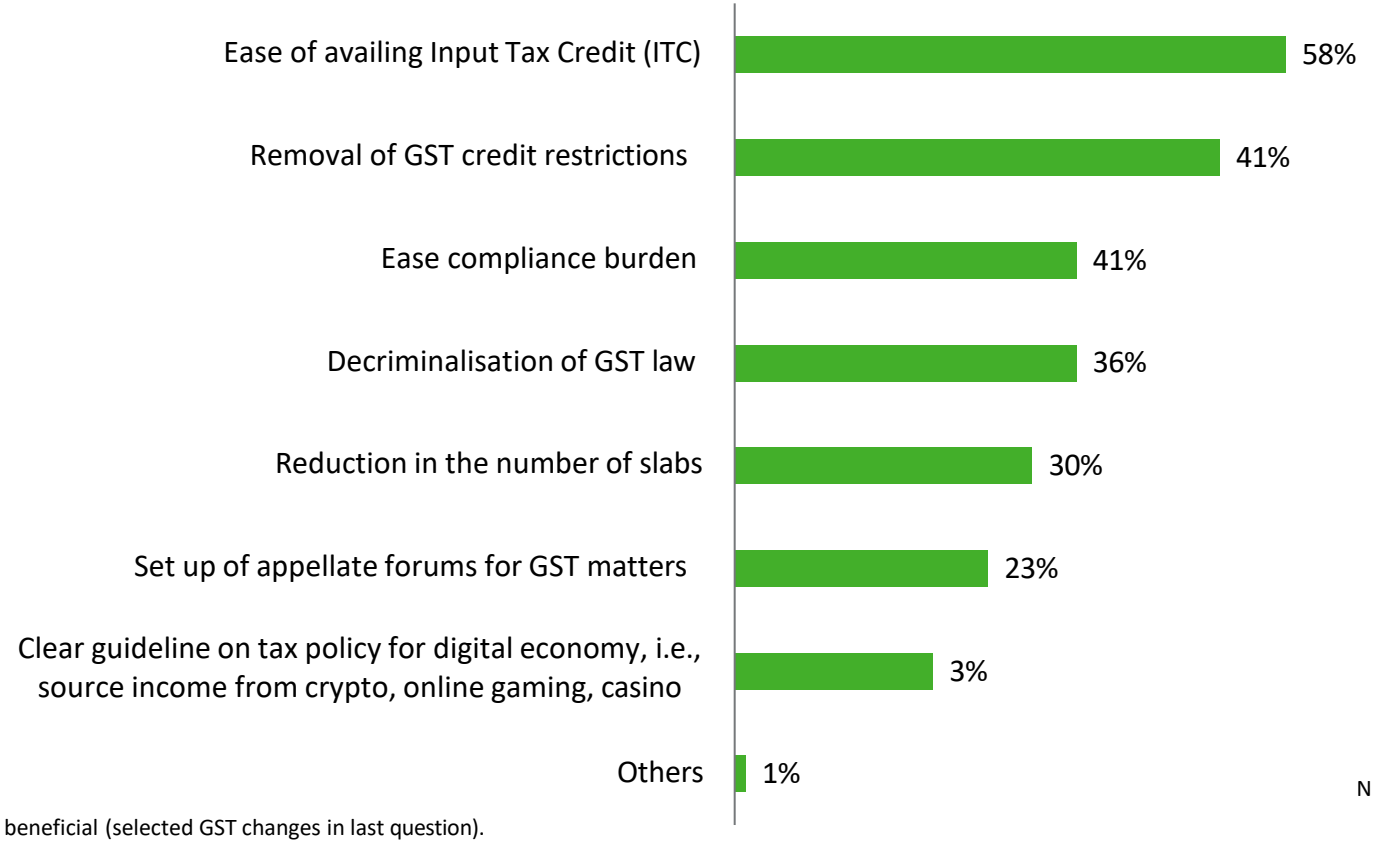
Question: What could be some of the most effective changes in indirect tax regulations for your industry?

Ease of availing Input Tax Credit (ITC) and removal of GST credit restrictions are the top GST-related changes expected from the budget

Energy, BFSI, and Lifesciences and Health Care amongst the top sectors to expect so

- Existing GST procedures need to allow for rectification of previously filed returns, establishment of central AAR etc. to ease compliance
- More than 40% respondents highlighted easing removing ambiguities and decriminalisation of GST laws as important steps in promoting ease of doing business

Expected GST related changes



N = 138

This question was asked only to those respondents (138) who feel that a change in GST can be beneficial (selected GST changes in last question).
This is a multiple select question; the sum of percentages will be above 100%
Question: What changes in GST can be beneficial for your industry?

Capital Goods and Chemicals amongst top sectors against GST credit restrictions

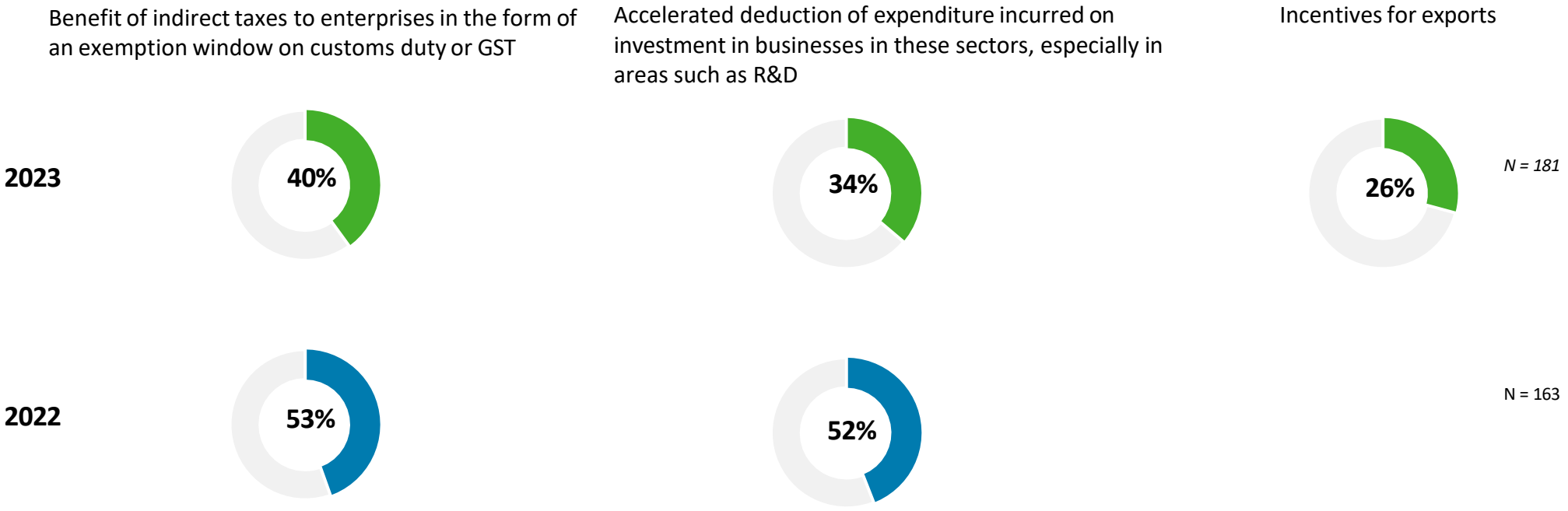
Measures	Automotive	Banking, investment firms, and insurance	Capital goods	Chemicals	Electronics manufacturing	Energy	Food processing	Lifesciences and health care	Telecom and technology	Textiles
Ease of availing Input Tax Credit (ITC)	64%	73%	47%	64%	60%	88%	70%	73%	65%	45%
Removal of GST credit restrictions	64%	53%	73%	79%	50%	41%	60%	53%	47%	64%
Ease compliance burden	21%	47%	60%	29%	50%	41%	40%	33%	53%	36%
Decriminalisation of GST law	29%	33%	40%	29%	30%	41%	40%	60%	65%	36%
Reduction in the number of slabs	64%	27%	40%	36%	40%	41%	30%	40%	18%	18%
Set up of appellate forums for GST matters	36%	27%	27%	43%	30%	29%	40%	13%	24%	45%

This is a multiple select question; the sum of percentages will be above 100%

Question: What changes in GST can be beneficial for your industry?

About 40% of industry leaders think that granting indirect tax benefits to businesses and accelerating the expenditure deduction will boost priority industries' growth

Anticipated tax incentives for priority sectors



- Along with PLII, further tax incentives are expected from the industry leaders. 40% of leaders (down from 53% last year) believe that benefits of indirect taxes should be provided to firms in the form of GST or customs duty exemptions, such as manufacturing bonds
- Compared to 52% of industry leaders last year, 34% of leaders favoured expedited deduction of expenses related to company investment this year
- Incentivising exports is also an equally important measure as cited by 27% of the leaders

Question: What other tax incentives, along with PLI, can the government consider for enterprises in priority sectors?

Over 55% respondents feel that simplifying tax regulations and reporting demands can remove ambiguities and improve compliance, leading to reduced litigations

Aspects to ease the compliance in taxation process

Simple tax regulations and reporting demands

56%

Stable laws

51%

Avoiding dual investigations by multiple tax authorities

49%

Ease of availing credit with vendors, account payable rules

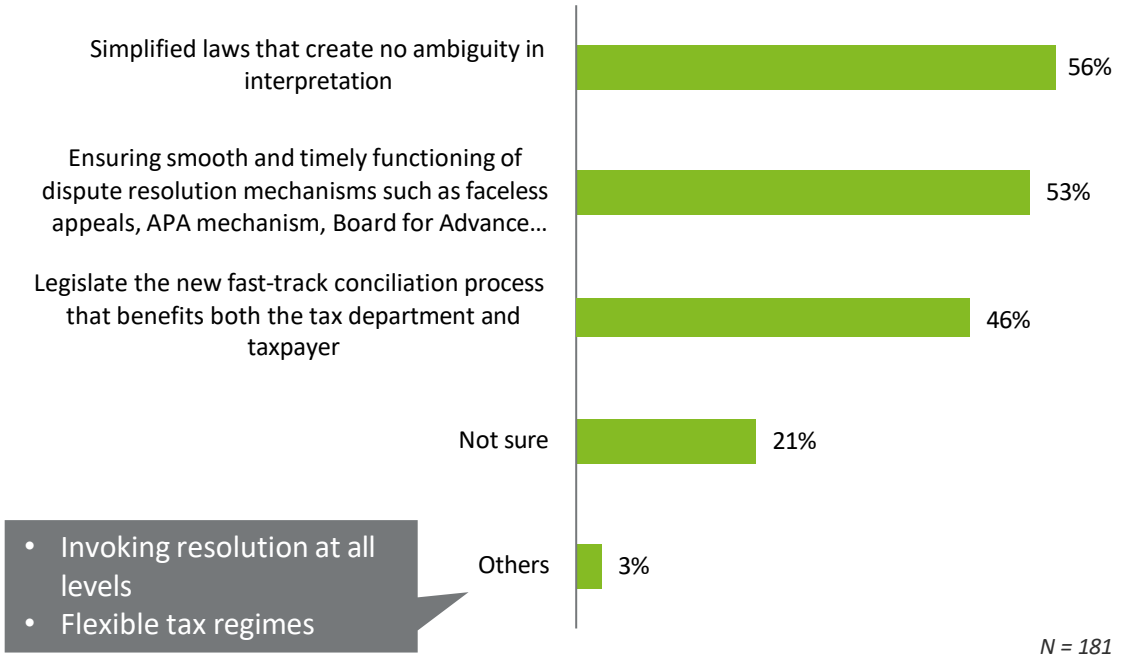
43%

Others

1%

N = 181

Measures to reduce tax litigation



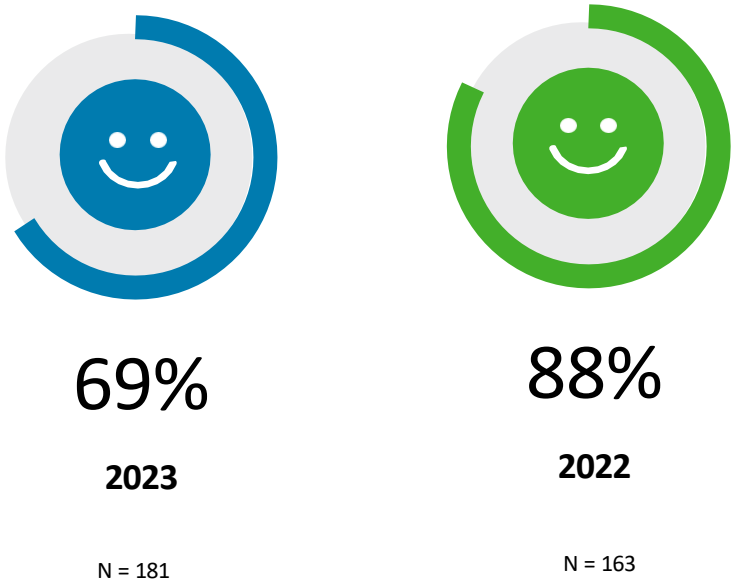
- Over 51% respondents expressed the need for stable laws and newer compliance protocols
- Furthermore, ~50% also feel that avoiding dual investigations by multiple authorities can ease their compliance
- In addition to simplifying laws, majority of respondents also feel that ensuring the smooth and timely functioning of dispute resolution mechanisms such as faceless appeals, Advance Pricing Agreement (APA) mechanism, Board for Advance Ruling (BAR) and Dispute Resolution Scheme (DRS) will reduce tax litigation

These are multiple select question; the sum of percentages will be above 100%

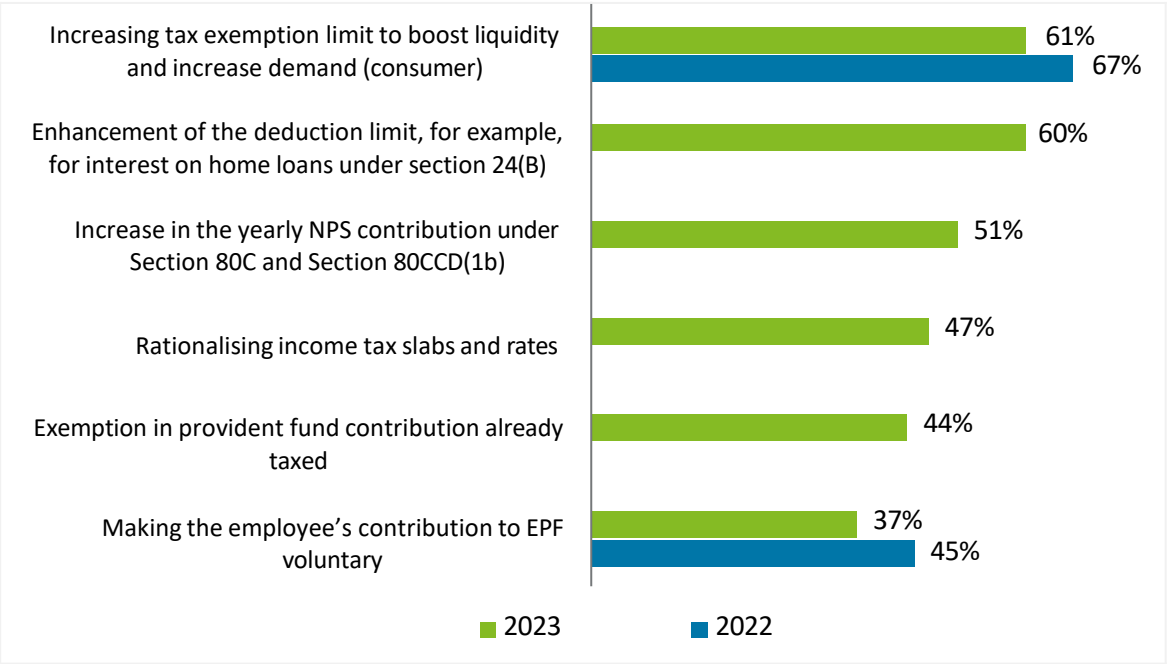
Question: What aspects in compliance should the government focus on to ease the taxation process? How do you think tax litigation can be reduced?

70% respondents expect changes in personal taxation; over 60% expect increase in exemption and deduction limits

Changes in personal taxation, effective?



Expected changes in personal taxation



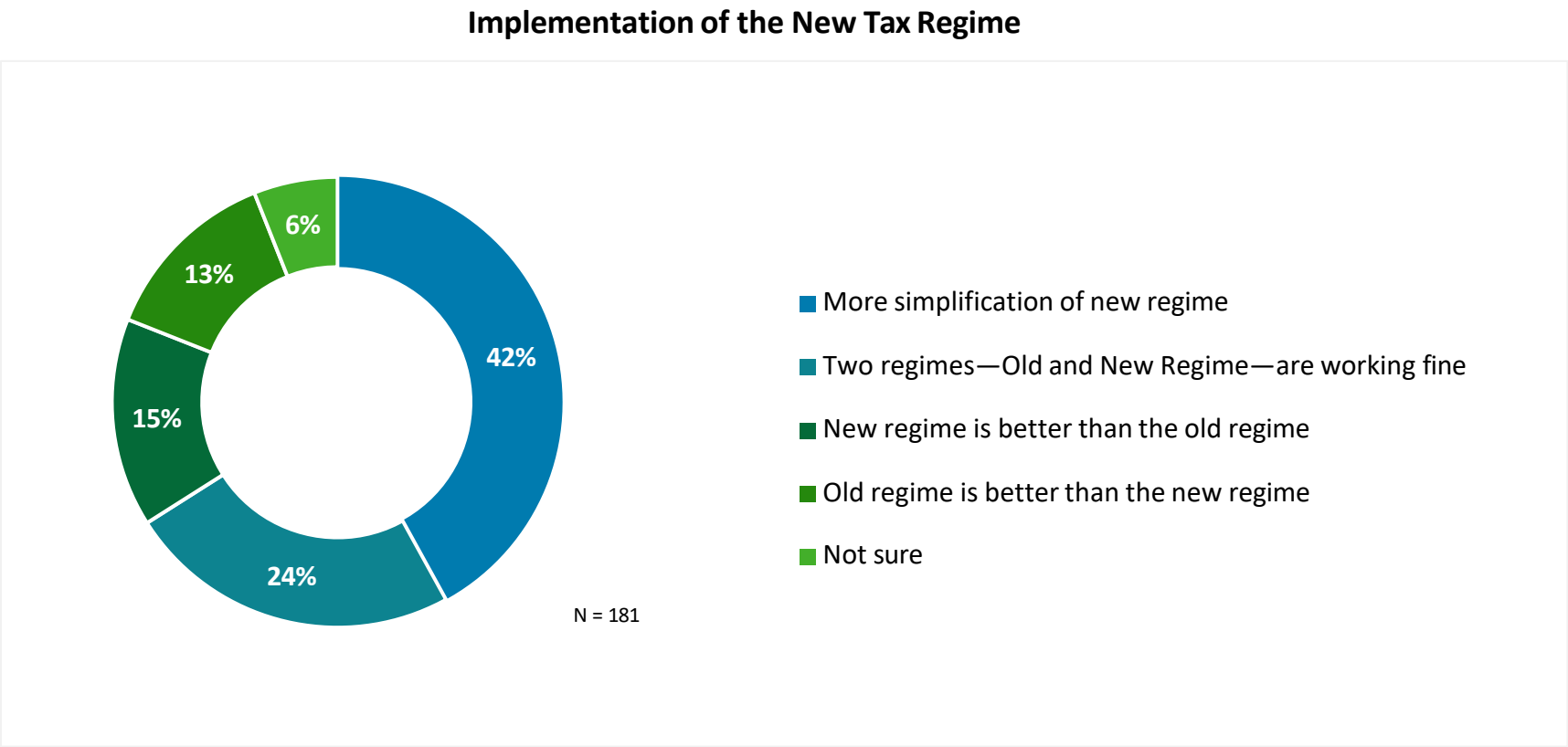
N = 125

- Most respondents believe that increased exemption and deduction limits in personal taxes will lead to increased consumer demand for their industry.
- Increasing yearly NPS contribution (under Section 80C and Section 80CCD(1b)) and rationalising income tax slabs and rates have also been cited as effective by a significant number of respondents
- The survey also assessed the effectiveness of the New Tax Regime and found that the response was divided. However, most respondents cited that the **New tax regime needs further simplification**

These are multiple select question; the sum of percentages will be above 100%

Question: Do you think any change in personal taxation would help increase demand in your industry? If yes, what do you think can ease individuals' tax burdens?

Further simplification of new tax regime is expected by the majority of respondents



This is a multiple select question; the sum of percentages will be above 100%

Question: The New Tax regime was introduced in Budget 2020-21. How do you see its implementation in the future?

Respondents across sectors expect enhancement of the deduction limit, such as interest on home loans

Measures	Automotive	Banking, investment firms, and insurance	Capital goods	Chemicals	Electronics manufacturing	Energy	Food processing	Lifesciences and health care	Telecom and technology	Textiles
Increasing tax exemption limit to boost liquidity and increase demand	53%	56%	64%	50%	53%	44%	70%	85%	73%	56%
Enhancement of the deduction limit, for example, for interest on home loans under section 24(B)	47%	69%	55%	50%	80%	56%	40%	62%	80%	44%
Increase in the yearly NPS contribution under Section 80C and Section 80CCD(1b)	47%	31%	55%	75%	47%	44%	70%	62%	33%	67%
Rationalising income tax slabs and rates	67%	56%	36%	50%	47%	67%	50%	31%	20%	56%
Exemption in provident fund contribution already taxed	67%	56%	27%	33%	33%	56%	20%	31%	53%	56%
Making the employee's contribution to EPF voluntary	20%	31%	64%	42%	40%	33%	50%	31%	40%	22%

This is a multiple select question; the sum of percentages will be above 100%

Question: The New Tax regime was introduced in Budget 2020-21. How do you see its implementation in the future?

Thank You

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