Pre-budget survey

July 2024

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- Objective of the study
- Respondents’ profile

Introduction

Objective

The survey sought to gather insights and opinions on:
- The government's strategic plan and roadmap for achieving a US$5 trillion economy over the next five years as part of the "Viksit Bharat" initiative.
- Expectations from the upcoming budget on policy reforms and taxation laws of the newly elected government.

Methodology

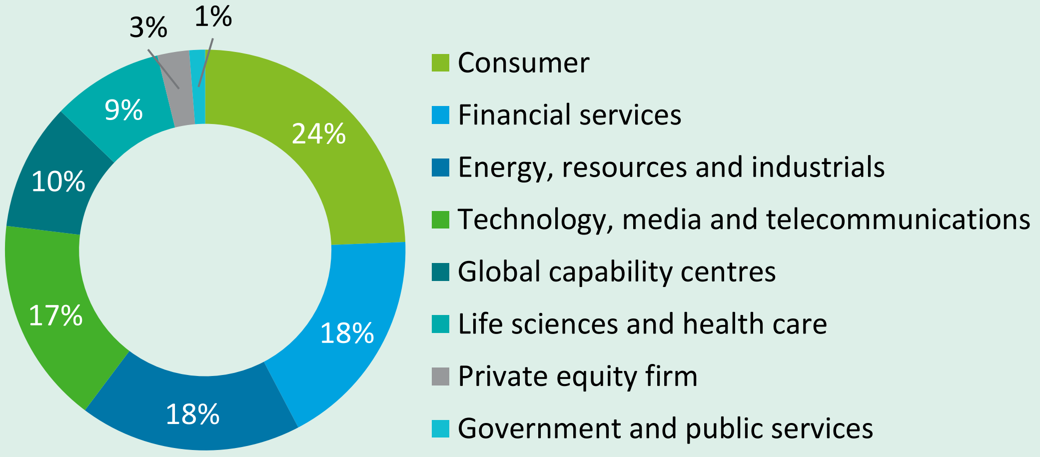
- Primary research was conducted through an online anonymous survey with 78 industry leaders.
- Respondents included C-level executives from large and very large companies across various industries in India.

Respondents' profile

Roles/designations

- CEOs
- CFOs
- Executive chairpersons
- Country heads
- MDs

Industries



Executive summary

Deloitte's point of view

Deloitte's expectations from the budget

The Indian economy has performed robustly in FY2024, and there is strong optimism about India growing between 6.5 percent and 7.5 percent in FY2025 and beyond. The industry has high expectations from the Budget 2024–25, especially through tax reforms and continued emphasis on infrastructure spending and manufacturing (thereby, creating more jobs).

Key announcements in Budget FY2025 are expected to further strengthen the pace of growth:

- **Focus on infrastructure (physical and digital):** The government has been aggressive about infrastructure development in the past few years, and this momentum is expected to continue. About 73 percent of the respondents feel that this will be the major driver of India's future growth. This will reap long-lasting benefits for India in the form of industrial growth, job creation, global supply chain integration and investment flows, thereby fueling economic growth and realising the US$5 trillion economy ambition. To support infrastructure development, measures such as encouraging private partnerships in large projects, incentivising private players and focusing on improving research and innovation would prove most useful.
- **Simplify taxation policies**: The simplification of tax regimes and compliances continues to be a key ask from businesses to ensure sustained business expansion and more foreign investments into the country. A consensus among 87 percent of the industry leaders underscores the importance of tax simplicity to improve the ease of doing business and foster the growth of large and very large corporations. Furthermore, 69 percent of respondents have highlighted transformational reforms to continue with tax simplifications as one of the focus areas.
- **Strengthen export competitiveness:** Ensuing the government's aim to achieve US$2 trillion in exports by 2030, 37 percent of business leaders feel that investment and trade reforms will likely be the top priority for the government to boost growth. Providing targeted policy support and developing manufacturing hubs and industrial corridors will likely improve exports. Foreign trade agreements hold the promise of improving access to global supply chains and emerging technologies, along with ensuring investment flows.
- **Skill development to boost industry growth:** Skill training increases the likelihood of employment, improves productivity and fosters social inclusion and empowerment. Understandably, government-led skill development initiatives are poised to address skill gaps and create employment opportunities. About 72 percent of industry leaders emphasised the need to skill India's young workforce to bridge skill gaps, especially among leaders of global capability centres, life sciences and health care, and energy resources and industrials.

Executive summary

Industry insights and expectations

There is optimism about India's growth prospects. India is likely to continue to grow at a healthy pace, and continuity in policies (as expected from the forthcoming budget) will likely be supportive of economic activity and jobs while balancing concerns around geopolitical risks and a global economic slowdown. The highlights of the survey and industry expectations from the upcoming 2024–25 budget are as follows:

Positive economic growth outlook among leaders

- Most leaders maintain an optimistic view, foreseeing a 6.5–7.5 percent economic growth rate, or even more than 7.5 percent for the next fiscal year.
- Higher spending on infrastructure leading to improved logistics, stronger bank balance sheets, the uptake of the PLI scheme and stronger service exports are improving confidence about the outlook, as leaders from the life sciences and healthcare sectors (71 percent); energy, resources, and industrials (64 percent); financial services (64 percent); and global capacity centres (63 percent) were most among the optimists.

Downside risks are mostly external

- Intensifying geopolitical risks and a global economic slowdown with modest growth in the US and China stand out as impediments to growth. Interestingly, supply chain concerns have come down significantly despite concerns around geopolitical uncertainties.
- **Low inflation risks:** Most industry leaders (68 percent) feel that the government will be able to control consumer price inflation.
- Consequently, most of them expect no change in the policy rates by the RBI in the next six months, while a quarter of them expect a possible rate cut.
- There is also a concern around the Indian capital market, which 77 percent of the leaders feel is either stretched or overvalued.

Leveraging the benefits of physical infrastructure and digital solutions

- Investment in physical and digital infrastructure will likely continue. The rapid growth of e-commerce and digital payments is creating new business opportunities. The government's increased capital expenditure on digital and physical infrastructure is reducing logistics costs, thereby enhancing global trade competitiveness.
- This emerging ecosystem is driving productivity gains in sectors such as healthcare, education and agriculture. Industry leaders expect the government to continue the momentum.

Executive summary

Industry insights and expectations

Improving the ease of doing business

- Industry leaders expect simplified tax structures and reduced compliance burdens that will help them alleviate administrative pressures and allow them to focus more on core operations.
- Advancing digitisation and implementing an online single-window system to reduce paperwork and minimise delays will improve transparency and efficiency.
- Facilitating easier compliance for international trade and investment across borders by simplifying customs procedures and harmonising regulations are some of the other expectations.

Populist policies are not as popular

- There are concerns that the diversion of funds for populist policies will compromise fiscal discipline, resulting in higher debt and weaker investment confidence. However, only 13 percent of leaders anticipate a shift towards populist measures and the economic reform pace to slow.
- If populist policies and measures are adopted, they prefer funds to be directed towards health, education and skilling, which could positively affect businesses in the long run.

Improving exports

- Targeted sector-specific schemes, increased PLI coverage and developing manufacturing hubs and industrial corridors are the most effective strategies for boosting industrial exports and industry leaders expect measures around these.
- The leaders also expect the government to prioritise investment reforms to attract capital for manufacturing and R&D and enhance the scale of production through increased competitiveness, leading to higher exports.

Key focus areas for the government for the next fiscal

- A significant majority (69 percent) of industry leaders are optimistic about the government's commitment to transformational reforms. This includes a focus on capex, tax simplifications, revenue augmentation, good and effective governance, and energy reforms.
- There are expectations around more skill development initiatives, as skilling could positively affect businesses by improving the quality of their workforce.
- This year, the government is expected to adhere to fiscal consolidation and keep the fiscal deficit on target. Consequently, the focus on that has been low.

Stable and simple taxation landscape: Businesses have continued to ask for stable and simple tax laws, which is reflective of the ground yet to be covered on this front. Around 67 percent of leaders resonate with this theme and expect it to be a focus item in the budget. Tax certainty and simplification have emerged as key catalysts for fostering ease of doing business, along with propelling India's growth story.

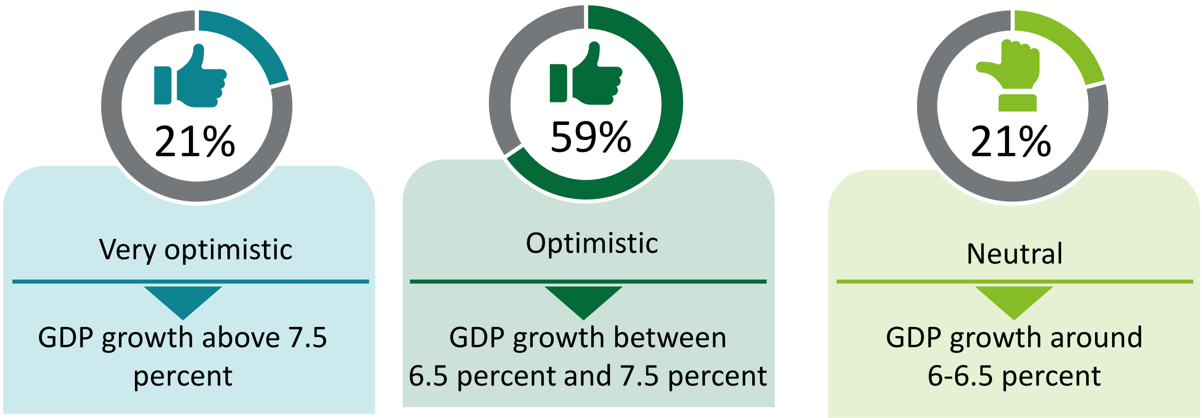
Survey findings and Deloitte’s perspective

- **Economic outlook**
- Budget expectations and reform agenda
- Taxation policies
- Technology and digital initiatives

About 59 percent of business leaders anticipate 6.5–7.5 percent GDP growth in FY2025, and 21 percent expect more than 7.5 percent growth, underscoring the confidence in India's economic resilience amid global headwinds

Sectors benefited by infrastructure spending, improved exports and PLI schemes are the most optimistic.

Overall outlook on the growth of the Indian economy for FY2024–25



Sentiment by industry

	Consumer	Energy, resources and industrials	Financial services	Global capability centres	Life sciences and healthcare	Technology, media and telecommunications
Very optimistic	26%	29%	29%	13%	0%	8%
Optimistic	42%	64%	64%	63%	71%	62%
Neutral	32%	7%	7%	25%	29%	31%

Q. What is your outlook on the growth of the Indian economy in FY2024–25?

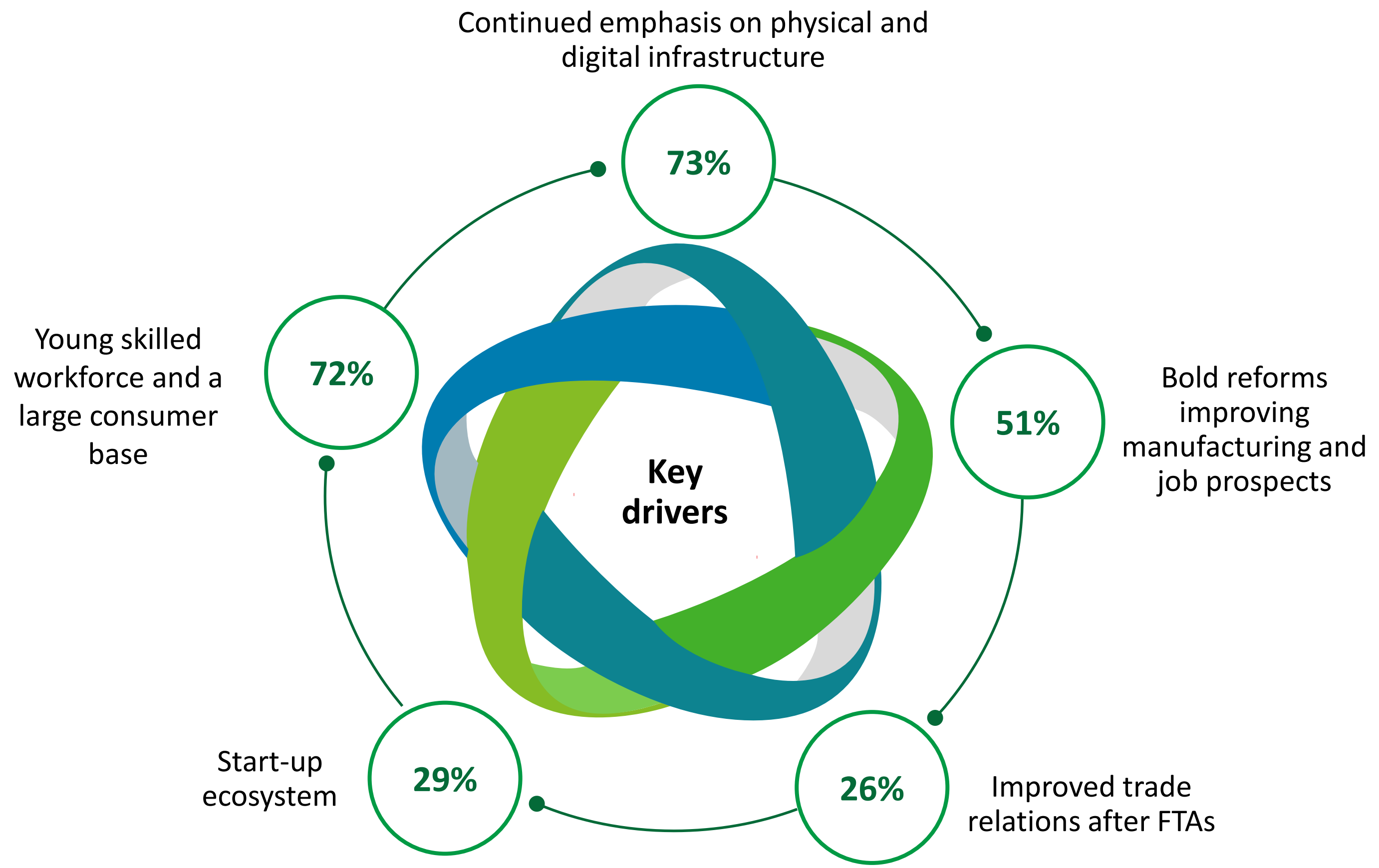
n=78; Single select question

- There is a positive outlook on India's economic growth, with 59 percent of leaders expecting strong growth (6.5–7.5 percent).
- A strong growth of 8.2 percent year over year in FY2024, with a sign of a rebounding rural economy, strong growth in manufacturing and better agriculture output due to expected normal monsoons, has buoyed sentiments.
- Leaders from the life sciences and healthcare sectors are the most optimistic (71 percent), followed by those in energy, resources and industrials (64 percent); financial services (64 percent); and global capacity centres (63 percent).
- Higher spending on infrastructure leading to improved logistics, stronger bank balance sheets, the uptake of the PLI scheme and stronger service exports are also improving business confidence about the outlook in these sectors.

Almost three-fourths of industry leaders feel that infrastructure development, upskilling the young workforce, and a large consumer base will be the key drivers of India's future growth

About 51 percent of businesses expect continued reforms to improve manufacturing and job prospects.

Key drivers of India's future economic growth



Q. What do you believe will be the main drivers of India's future growth?

n=78; Multiple select question

- About 73 percent of industry leaders believe that a continued emphasis on physical and digital infrastructure will be the main driver for economic growth
  - The swift expansion of e-commerce and digital payments has been creating new business opportunities. The new ecosystem is enabling productivity gains across sectors such as healthcare, education and agriculture.
  - Higher capex spending by the government on digital and physical infrastructure is lowering logistics costs, thereby improving competitiveness in the global trade.
- About 72 percent of leaders believe that India's young and skilled workforce and large consumer base will be key to driving long-term growth.
  - By 2027, India is expected to the world's third-largest consumer market.
  - A skilled workforce can drive innovation and make India a global hub across industries. Hence reskilling and upskilling of the workforce will be critical.
- Leaders expect continued bold reforms to improve manufacturing and job prospects that can help India achieve self-reliance and boost consumer spending.

The emphasis on infrastructure investment and young skilled workforce is most often cited by the leaders of global capability centers, and life sciences & health care, and energy resources and industrials

The leaders expressed little enthusiasm around initiatives to improve trade relations. Only technology, media and telecom; and global capability centres showed some interest in enhancing the start-up ecosystem.

Key drivers of India's future economic growth – By industry

	Overall	Consumer	Technology, media and telecom	Energy, resources and industrials	Financial services	Lifesciences and healthcare	Global capability centres
Continued emphasis on physical and digital infrastructure	73%	47%	62%	86%	79%	100%	100%
Young skilled workforce and a large consumer base	72%	68%	62%	79%	71%	71%	88%
Bold reforms improving manufacturing and job prospects	51%	32%	54%	57%	43%	57%	75%
Start-up ecosystem	29%	16%	46%	21%	21%	29%	38%
Improved trade relations after FTAs	26%	21%	23%	29%	21%	14%	50%
Others*	16%	16%	0%	7%	7%	0%	0%

*Other drivers for India's future growth mentioned by respondents include premiumisation of consumption, defined structure and simplified registration process for family offices, boosting the services sector and taking advantage of the worldwide slowdown, including China, to make India an attractive investment and growth destination.

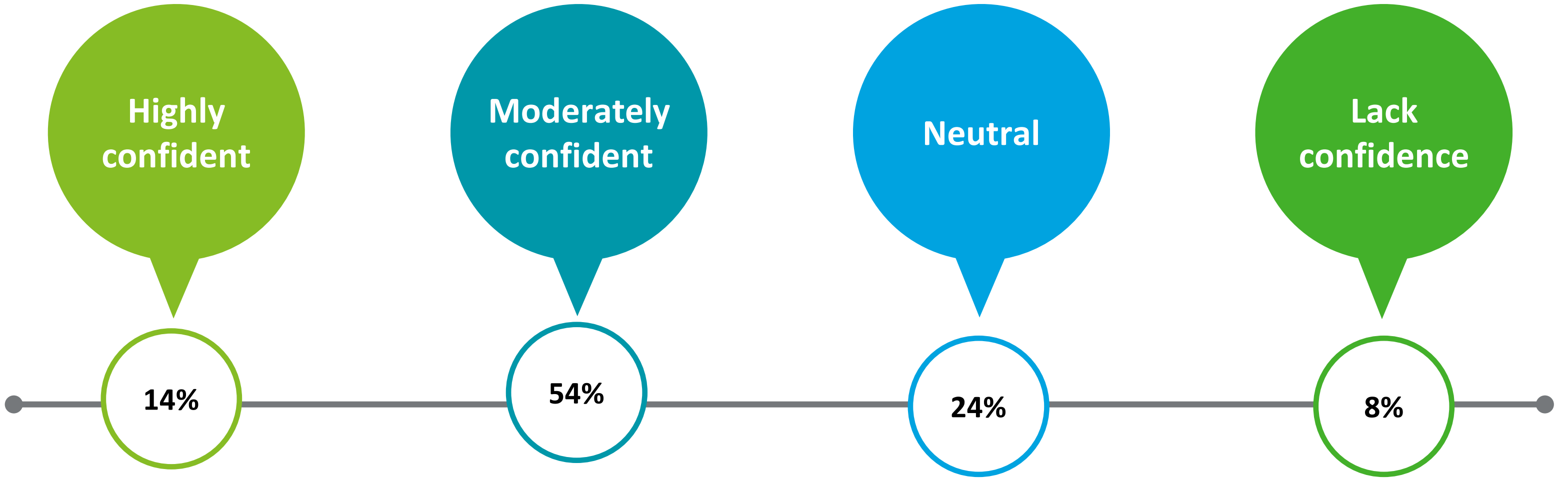
Q. What do you believe will be the main drivers of India's future growth?

n=78; Multiple select question

About 68 percent of leaders are confident that the government will be able to control consumer price inflation.

The life sciences and healthcare; financial services; and consumer sector leaders are the most optimistic.

Confidence in the government's ability to control inflation



	Consumer	Technology, media and telecommunications	Energy, resources and industrials	Financial services	Lifesciences and healthcare	Global capability centres
Highly confident	21%	8%	7%	21%	0%	25%
Moderately confident	53%	38%	50%	64%	71%	50%
Neutral	16%	38%	43%	7%	14%	25%
Lack confidence	11%	15%	0%	7%	14%	0%

Q. How confident are you in the government's ability to control inflation to the RBI's target rate?

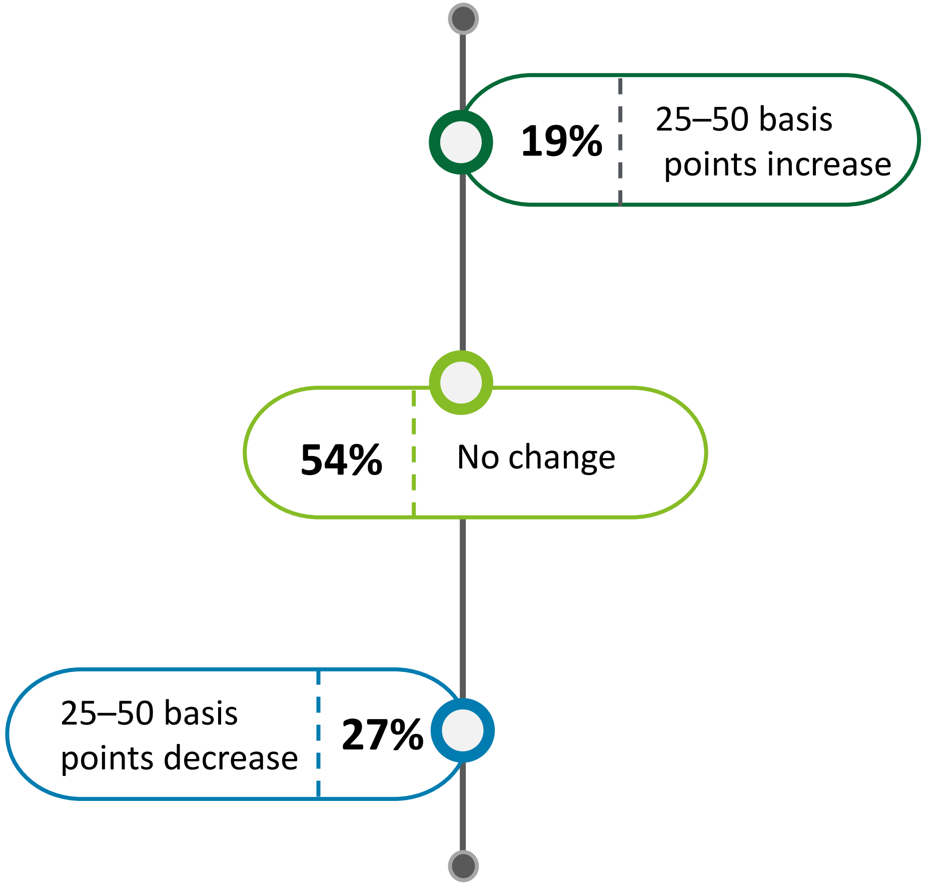
n=78; Single choice question

- More than two-thirds of respondents (68 percent) are confident in the government's ability to control inflation to the RBI's 4 percent target rate.
- Core inflation has remained below 4 percent for the past year. Stable crude oil prices and normal monsoon may bring down food prices later this year.
- Inflation in manufactured goods and services is declining and currently stands at around 3 percent.
- Majority of the leaders confident about easing price pressures belong to life sciences and healthcare; financial services; and consumer sectors.
- Moderately confident responses dominate in many sectors, indicating cautious optimism tempered by economic uncertainties.

About 54 percent of leaders expect no change in policy rates by the RBI in the next six months due to concerns over inflation and the US Fed's probable unchanged monetary policy stance

About 27 percent of leaders feel that the RBI may reduce policy rates by 25 to 50 basis points.

Expected changes in RBI's policy rates



	Consumer	Technology, media and telecommunications	Energy, resources and industrials	Financial services	Lifesciences and healthcare	Global capability centres
No change	58%	46%	71%	36%	57%	63%
25–50 basis points decrease	21%	23%	29%	36%	29%	25%
25–50 basis points increase	21%	31%	0%	29%	14%	13%

- Most respondents (54 percent) expect no change in policy rates. While inflation in India has been declining for the last 10 months, it is still above the RBI's 4 percent target rate. The RBI expects inflation to be at 4.5 percent in FY2025.
- The headline numbers are being pulled down by core inflation, while pressures on food prices persists. This is probably driving some expectations of possible policy rate cuts this year, with a third of them expecting policy rates to be reduced by 25–50 basis points.

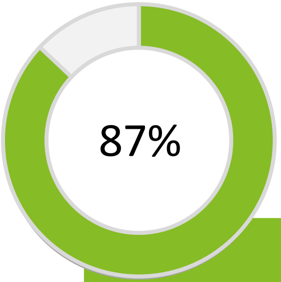
Q. What is the probability you associate with the RBI changing its policy rates in the next six months?

n=78; Single choice question

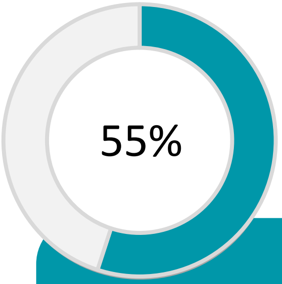
About 87 percent of industry leaders believe that a simpler tax regime will improve the ease of doing business

About 55 percent of leaders emphasized enhanced digitisation and easy trade and investment compliance to attract investors.

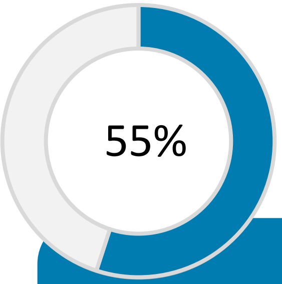
Top measures to enhance India’s ease of doing business



Simpler tax regimes and compliances



Enhance digitisation efforts, implement an online single-window system for clearances and integrate business procedures



Easy compliance process for trade and investment across borders

- Industry leaders across sectors show an overwhelming preference for simplified tax structures and reduced compliance burdens (87 percent). This would alleviate administrative pressures, allowing businesses to focus more on core operations.
- There is significant support among industry leaders for advancing digitisation and implementing an online single-window system (55 percent), focusing on the need to streamline administrative procedures, reduce paperwork and minimise delays in obtaining necessary approvals. These measures would also improve transparency and efficiency.
- Facilitating easier compliance for international trade and investment across borders is equally prioritised alongside digitisation (55 percent). This underscores the need to simplify customs procedures, harmonise regulations and improve infrastructure to enhance India's global business appeal.

Q. What measures, in your opinion, can be taken to enhance India’s ease of doing business in your sector?

n=78; Multiple select question

All industry leaders from GCC and a significant majority from the energy, resources, and industrials sectors (93 percent) advocate for tax simplification to enhance India's ease of doing business

About 77 percent of leaders in the technology, media and telecom industry believe that easy compliance is necessary for trade and investment across borders.

Top measures to enhance India's ease of doing business – By industry

	Overall	Consumer	Technology, media and telecom	Energy, resources and industrials	Financial services	Lifesciences and healthcare	Global capability centres
Simpler tax regimes and compliances	87%	89%	77%	93%	79%	86%	100%
Enhance digitisation efforts, implement an online single window system for clearances and integrate business procedures	55%	63%	38%	71%	29%	71%	75%
Easy compliance process for trade and investment across borders	55%	63%	77%	29%	50%	57%	63%
Reskilling and upskilling talent and reducing skill gaps to improve job prospects	36%	32%	31%	36%	57%	43%	13%
Improve land and labour laws	31%	21%	23%	50%	36%	14%	38%
Fast disposal of commercial disputes	29%	26%	54%	14%	36%	29%	13%
Effective framework and process for insolvency	6%	5%	0%	7%	14%	0%	0%

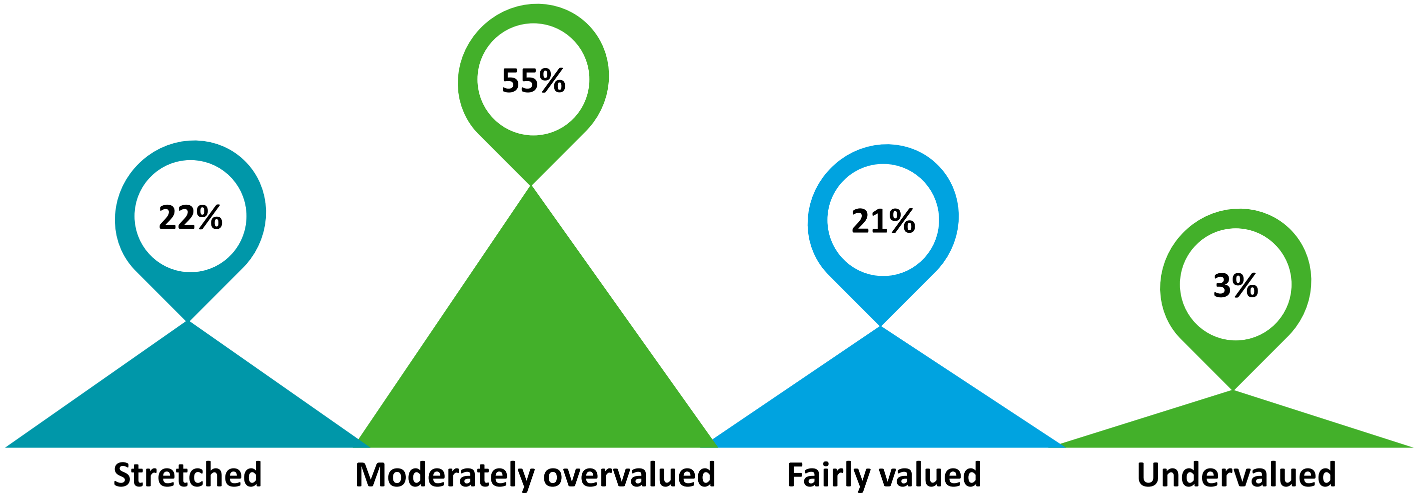
Q. What measures, in your opinion, can be taken to enhance India's ease of doing business in your sector?

n=78; Multiple select question

About 77 percent of leaders feel that the Indian capital market is stretched or overvalued

Leaders from the financial services (79 percent) are most concerned about the markets being overvalued.

Perception of current stock market valuations



	Consumer	Technology, media and telecommunications	Energy, resources and industrials	Financial services	Lifesciences and healthcare	Global capability centres
Stretched	26%	46%	29%	7%	14%	0%
Moderately overvalued	42%	38%	50%	79%	71%	63%
Fairly valued	26%	15%	14%	14%	14%	38%
Undervalued	5%	0%	7%	0%	0%	0%

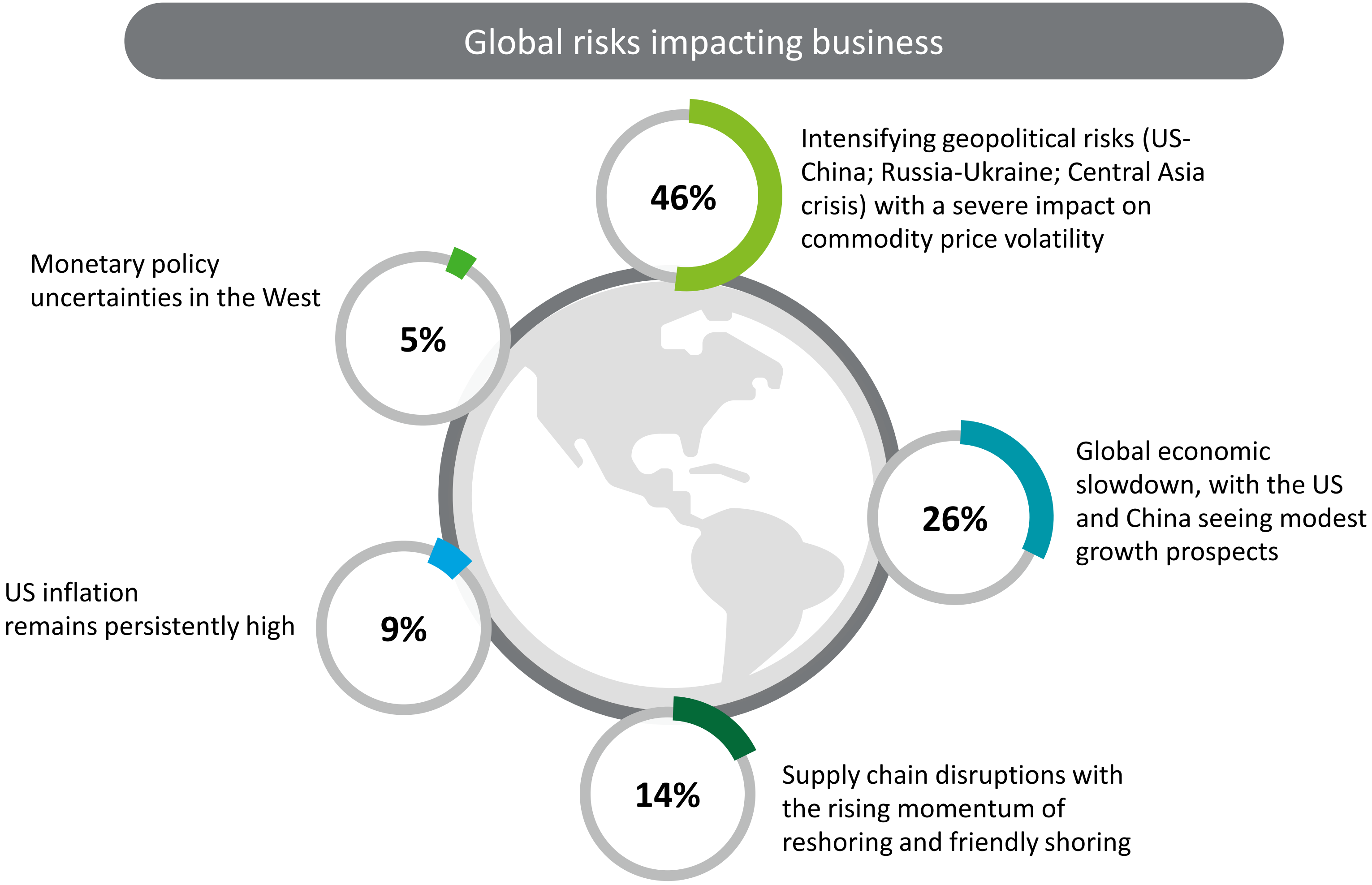
Q. Do you believe the current stock market valuations are healthy and accurately reflect India's potential?

n=78; Single choice question

- The Indian capital market has given a robust return of around 20 percent in the past 12 months and is attracting more portfolio investors, which jumped 44.1 percent in FY2024 after remaining negative for the past two years. Net portfolio inflows in FY2024 were the highest in 10 years.
- Strong economic growth prospects and continuity in the government are attracting capital flows from domestic retailers and global investors.
- Yet, most respondents (77 percent) perceive current stock market valuations as stretched or moderately overvalued.
- Falling FDI and increased portfolio investment have increased concerns leading to such belief.

About 46 percent of leaders see intensifying geopolitical risks and their possible impact on commodity prices are the biggest global risks to their business

About 26 percent of leaders worry over global economic slowdown, driven by modest growth prospects in the US and China.



Q. Which global risks pose the greatest threat to your business?

n=78; Single choice question

- The main concern among businesses is the uncertainties stemming from geopolitical tensions and their impact on commodity prices (46 percent) and supply chain disruptions (14 percent).
- The heightened tensions between the US and China and China-Taiwan tensions can disrupt global trade and investment flows, and global supply chains, impacting growth prospects for the Indian economy.
- 26 percent of leaders have apprehensions about global economic slowdowns, driven by modest growth prospects in the US and China, impacting business opportunities (26 percent).
- A slowdown in China can cause supply chain disruptions, leading to shortages of raw materials and finished goods. A slowdown in the USA may lower the foreign investment flows to India, which has already been declining. (The USA was the third largest investor in FY2024).
- Interestingly, supply chain concerns have come down significantly despite the concerns around geopolitical uncertainties.

About 57 percent of leaders in the energy, resources and industrial sector perceive intensifying geopolitical risks as their primary concern as they can lead to trade and supply chain disruptions

Meanwhile, the life sciences and healthcare sector (57 percent) sees the global economic slowdown as its top threat, as it could lead to tighter household budgets, delay non-essential medical procedures, or forgo medications.

Global risks impacting business – By industry

	Overall	Consumer	Technology, media and telecom	Energy, resources and industrials	Financial services	Lifesciences and healthcare	Global capability centers
Intensifying geopolitical risks with a severe impact on commodity price volatility	46%	53%	54%	57%	36%	14%	25%
Global economic slowdown, with the US and China seeing modest growth prospects	26%	11%	38%	21%	29%	57%	25%
Supply chain disruptions with the rising momentum of reshoring and friendly shoring	14%	16%	8%	14%	7%	29%	25%
US inflation remains persistently high	9%	16%	0%	7%	7%	0%	25%
Monetary policy uncertainties in the West	5%	5%	0%	0%	21%	0%	0%

Q. Which global risks pose the greatest threat to your business?

n=78; Single choice question

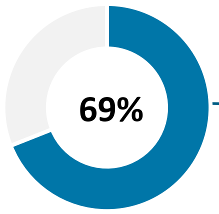
Survey findings and Deloitte's perspective

- Economic outlook
- **Budget expectations and reform agenda**
- Taxation policies
- Technology and digital initiatives

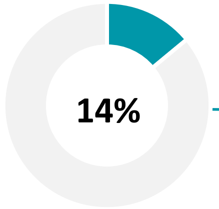
About 69 percent of industry leaders expect continued transformational reforms with a focus on capex, tax simplifications, revenue augmentation, good and effective governance, and energy reforms

However, a small proportion of leaders anticipate a shift towards populist measures and the economic reform pace to slow.

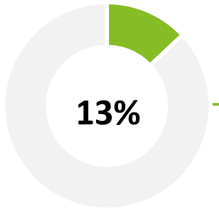
Assessment of government’s reform agenda



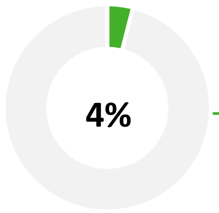
Transformational reforms to continue with increased focus on capex, tax simplifications, revenue augmentation, governance and energy reforms



More populist measures in terms of subsidies, cash transfers and welfare programmes with reduced focus on capex and infrastructure spending



Pace of overall economic reforms to slow



No major concerns currently

This is a single-select question

Q. What is your assessment of the reform agenda of the newly elected government?

- About 69 percent of industry leaders are optimistic about the government’s commitment to transformational reforms.
- The current government has focused on driving capital expenditure in their previous two tenures (capital expenditure as percent of GDP has grown from 1.6 percent in FY2015 to 3.2 percent in FY2024) and this is expected to continue.
- The adoption of digital governance has expanded the horizon of the tax landscape; businesses seek a unified digital infrastructure to use filings under different regulations. This underscores a collective push to streamline processes and ensure compliance efficiency.
- GST has increased tax buoyancy, which is reflected in higher collections. Better compliance measures, adjustments in tax slabs and technological innovations are driving higher revenue in direct tax collections.
- Business leaders expect the government to incentivise the production and consumption of renewable energy. The government is likely to prioritise investing in ESG strategies and initiatives. Robust regulations to prioritise environmental sustainability are needed.

Leaders from global capability centres; financial services; and technology media and communications strongly anticipate continued transformational reforms from the government

Leaders in life sciences and healthcare are among the most concerned about shifts in policy towards populist measures or a slowdown in the pace of economic reforms.

Assessment of government's reform agenda – By industry

	Overall	Consumer	Technology, media and telecommunications	Energy, resources and industrials	Financial services	Lifesciences and healthcare	Global capability centres
Transformational reforms to continue with increased focus on capex, tax simplifications, revenue augmentation, governance and energy reforms	69%	68%	77%	64%	79%	43%	88%
More populist measures in terms of subsidies, cash transfers and welfare programmes with reduced focus on capex and infrastructure spending	14%	16%	0%	14%	7%	29%	13%
Pace of overall economic reforms to slow	13%	16%	15%	14%	7%	29%	0%
No major concerns currently	4%	0%	8%	7%	7%	0%	0%

Q. What is your assessment of the reform agenda of the newly elected government?

About 37 percent of industry leaders feel the government's top priority should be to attract foreign investments and enhance export growth

About 24 percent of leaders feel the simplification of the tax regime makes it easier for businesses and individuals to comply with tax regulations.

Priority reforms for economic growth

37% Investment and trade reforms, with a focus on higher exports and attracting foreign investments

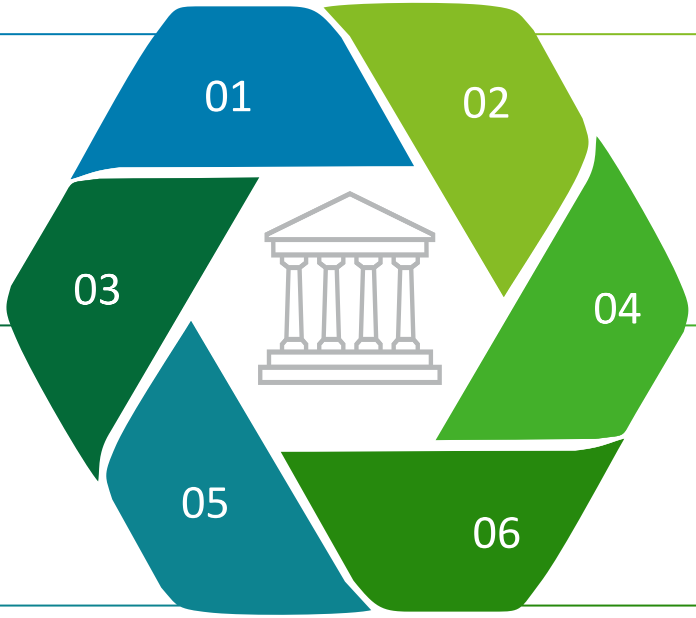
24% Simplification of the tax regime

15% Fiscal consolidation with a focus on bringing down the fiscal deficit to 4.5 percent without compromising capex spending

14% Factor reforms, including land and labour

5% Privatisation of public sector enterprises and monetisation of public assets

4% Energy reforms with a focus on energy security



This is a single-select question

- Industry leaders have a strong emphasis (37 percent) on exports-focused trade reforms, as these will help develop manufacturing hubs and industrial corridors and enhance production through increased competitiveness. Policies to attract foreign investment can help India integrate more deeply into global value chains.
- About 24 percent of respondents consider simplification of the tax regime a top priority, as a complex tax code discourages investment and increases compliance costs for businesses. Streamlining the tax system, reducing tax rates and improving the tax base are a some of the important measures expected.
- There is a built-in expectation that the government will adhere to fiscal consolidation and keep the fiscal deficit at target. Consequently, the focus on that has been low.

Q. Which reforms among the following should be the government’s top priority to boost growth?

About 57 percent of life sciences and healthcare leaders prioritise investment reforms to attract capital for manufacturing and R&D and boost exports

Around 62 percent of leaders from technology, media and telecom companies feel that simplification of the tax regime would create a more conducive environment for investment and help India become a global hub for emerging services.

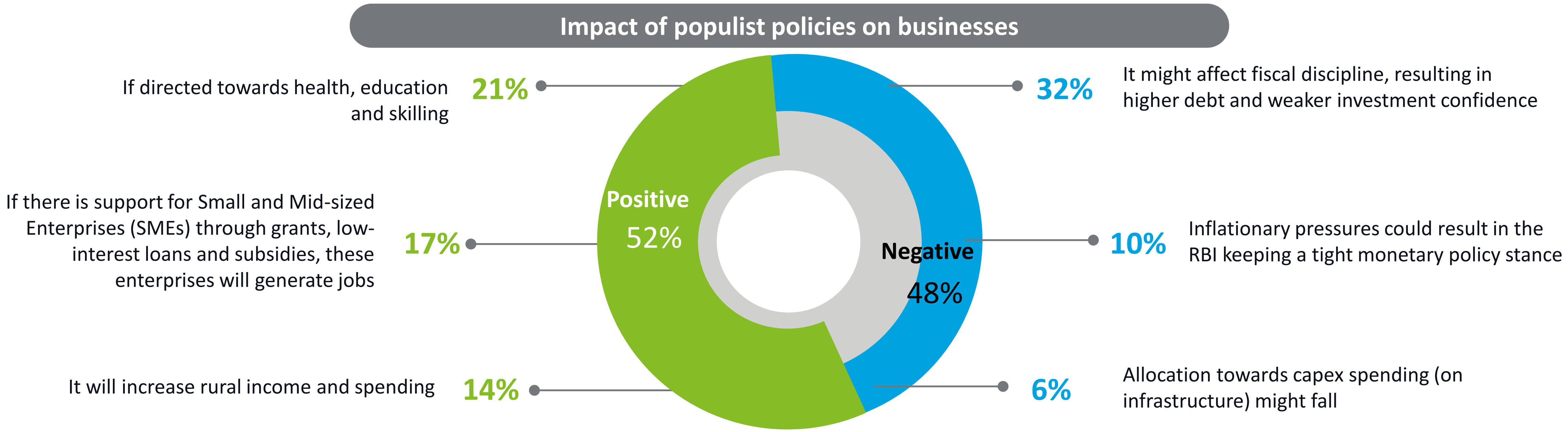
Priority reforms for economic growth – By industry

	Consumer	Technology, media and telecom	Energy, resources and industrials	Financial services	Lifesciences and healthcare	Global capability centres
Investment and trade reforms, with a focus on higher exports and attracting foreign investments	42%	15%	21%	50%	57%	38%
Simplification of the tax regime	11%	62%	14%	21%	14%	38%
Fiscal consolidation with a focus on bringing down fiscal deficit to 4.5 percent without compromising capex spending	21%	15%	14%	14%	14%	13%
Factor reforms, including land and labour	26%	0%	21%	14%	0%	13%
Privatisation of public sector enterprises and monetisation of public assets	0%	8%	14%	0%	14%	0%
Energy reforms with a focus on energy security	0%	0%	14%	0%	0%	0%

Q. Which reforms among the following should be the government's top priority to boost growth?

About 32 percent of industry leaders feel that populist policies will compromise the fiscal discipline

About 21 percent of leaders feel that populist policies directed towards health, education and skilling could positively affect businesses by improving the quality of workforce.



- Nearly one-third of the leaders feel that the government should not pursue populist measures.
  - The populist policies do not have a multiplier effect on growth. It will lead to reduced fiscal resources for more productive investments and increased debt levels.
  - Large fiscal deficits (failure to stick to the fiscal consolidation roadmap) may undermine macroeconomic stability, investors' confidence, and foreign investment.
- There is a positive outlook (21 percent) on populist measures directed towards health, education and skilling. By spending on health and education, India can use its demographic dividend to its potential and contribute to long-term sustainable growth.
- Investments in skilling the youth can enhance productivity and innovation. Leaders emphasize the need to address skill gaps in tier-2 and tier-3 cities, underscoring the importance of localised initiatives to enhance workforce capabilities.

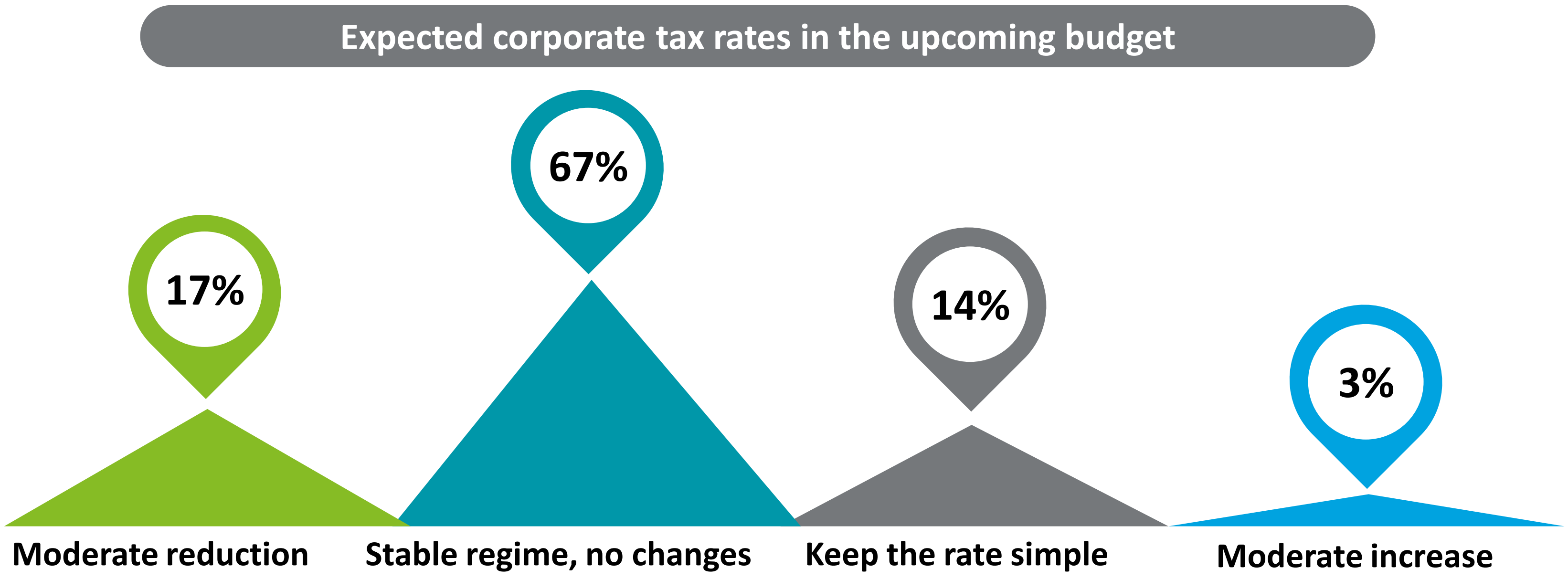
Q. How do you think businesses will be affected if the new government pursues highly populist policies?

Survey findings and Deloitte’s perspective

- Economic outlook
- Budget expectations and reform agenda
- **Taxation policies**
- Technology and digital initiatives

Most leaders expect stable tax rates, amid global uncertainties, prioritising predictability for strategic decision-making

While few anticipate moderate reductions, there is a strong resistance to tax increase



- The majority (67 percent) expects the government to keep the current corporate tax rates unchanged. Given the global economic uncertainties and challenges, businesses prefer certainty in tax planning to make informed decisions about investments, expansions and operational strategies. This budget, being the new government's first budget, is expected to showcase the government's approach towards businesses' continuing requests for a certain and stable tax regime.
- A small portion of respondents (17 percent) anticipate a moderate reduction in corporate tax rates. This expectation is driven by a desire to boost investments and expand operations. Businesses see a moderate reduction in corporate tax rates as a potential catalyst for economic growth and competitiveness.
- About 14 percent of respondents advocate for simplifying the tax structure by eliminating separate calculations of surcharges and cesses. Simplification could lead to improved compliance, reduced errors and enhanced transparency in tax administration. Given the history of surcharges and cesses in India, this expectation seems to be more wishful than realistic.
- As expected, there is strong resistance towards an increase in corporate tax rates, as merely 3 percent of respondents expect a moderate rise in tax rates. Businesses generally prioritise stable or lower tax rates to sustain profitability and competitiveness.

Q-What is your expectation for corporate tax rates in the upcoming budget?

All industry leaders from the life sciences and healthcare industry expect a stable tax regime likely to support long-term R&D investments, crucial for pharmaceutical and healthcare innovation

The government is expected to keep the rates simple by eliminating surcharges and cesses, emphasised most by global capability centre leaders for enhancing global operational efficiency and compliance.

Expected corporate tax rates in the upcoming budget – By industry

	Consumer	Technology, media and telecom	Energy, resources and industrials	Financial services	Lifesciences and healthcare	Global capability centres
Stable regime, no changes	68%	46%	71%	57%	100%	63%
Moderate reduction	21%	23%	21%	14%	0%	13%
Keep the rate simple (eliminate separate calculations of surcharges and cesses)	11%	23%	7%	21%	0%	25%
Moderate increase	0%	8%	0%	7%	0%	0%

A broad consensus across most industries for uniform tax rates for long- and short-term capital gains highlights a common desire to reduce complexities

Energy, resources and industrials and life sciences and healthcare industry express the highest preference for uniform tax rates.

Suggestions for rationalising and simplifying capital gains tax regime

38% — **Uniform long and short-term tax rates**

28% — **Streamline holding periods**

19% — **Use AIS to compute capital gains**

14% — **Change the base year for indexation benefits**

Suggestions by industry

	Consumer	Technology, media and telecom	Energy, resources and industrials	Financial services	Lifesciences and healthcare	Global capability centres
Uniform long- and short-term tax rates	32%	23%	57%	43%	57%	25%
Streamline holding periods	26%	38%	29%	29%	29%	13%
Use AIS to compute capital gains to make it easier for taxpayers	21%	15%	14%	21%	14%	38%
Change the base year for indexation benefits	21%	23%	0%	7%	0%	25%

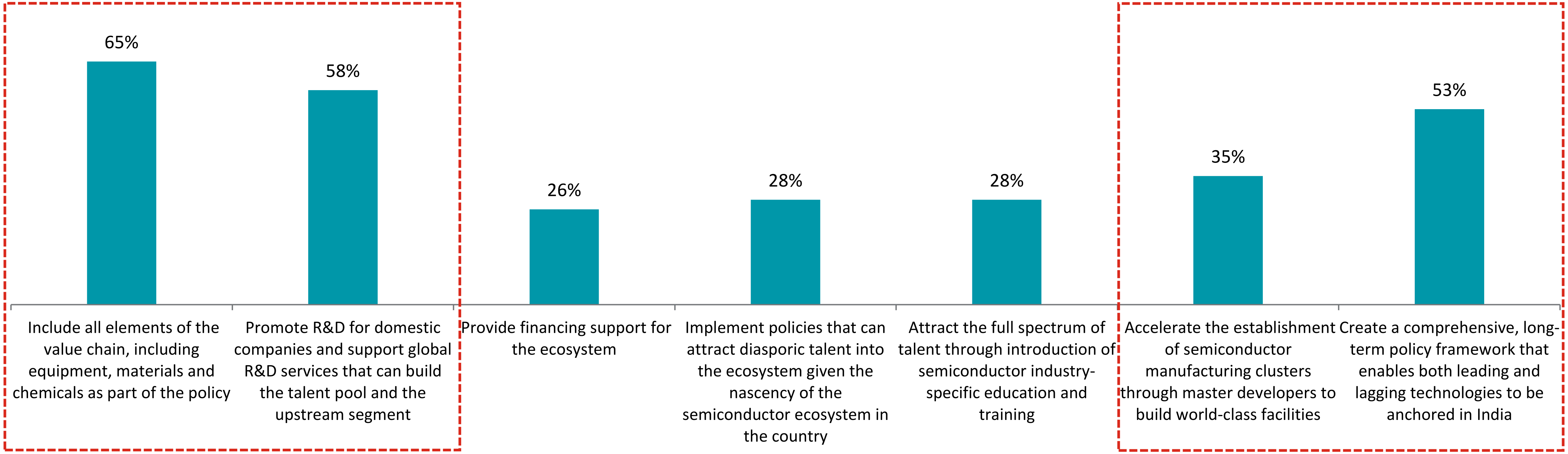
- The largest proportion of respondents (38 percent) suggest implementing uniform long- and short-term tax rates, reflecting a strong desire for simplification and uniformity in the capital gains tax structure.
- As consistent tax rates are essential for long-term planning and investments in capital-intensive industries, the highest desire to maintain consistency is expressed by energy, resources and industrials and life sciences and healthcare (57 percent).
- A sizeable portion (28 percent) advocates for more uniform rules for holding periods for different assets.
  - The technology, media and telecom sector (38 percent) has shown a strong desire for simplifying holding periods, as it is crucial for the fast-paced, dynamic industry to encourage investment and innovation.
- Global capability centres have the highest preference (38 percent) for using AIS to compute capital gains, highlighting their desire to make tax calculations and compliance simple.

Q-Do you expect the government to increase capital gains tax? What suggestions do you have for rationalising/simplifying the capital gains tax regime?

Survey findings and Deloitte’s perspective

- Economic outlook
- Budget expectations and reform agenda
- Taxation policies
- **Technology and digital initiatives**

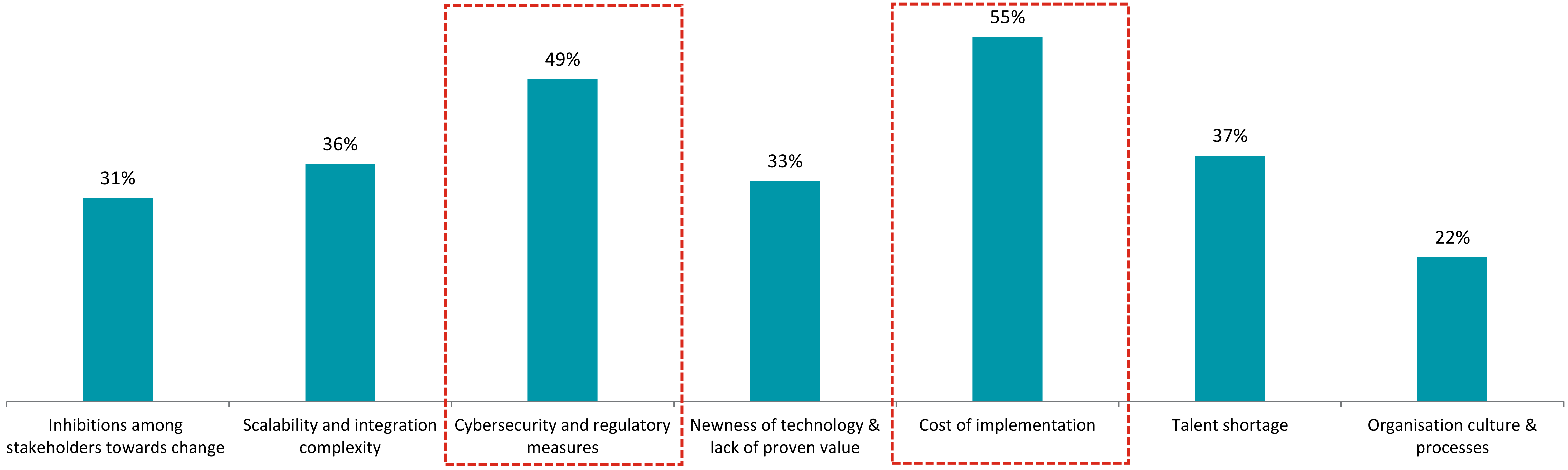
India as a semiconductor hub: Three key expectations from industry leaders – A comprehensive long-term policy that includes leading and lagging technologies, including the E2E value chain as part of the policy and, promoting R&D to build the talent pool.



- Nearly two-thirds (65 percent) of leaders emphasized the importance of including all elements of the semiconductor value chain in government policies to help India become a semiconductor technology hub. This highlights the need for a comprehensive policy covering inputs and manufacturing.
- Majority of leaders (55 percent) have articulated the need for a policy that covers the requirements of today and tomorrow (leading and lagging technologies).
- Promotion of R&D in domestic companies and supporting global R&D services in India to build a talent pool has been emphasized by most leaders (58 percent), highlighting the need for accelerating innovation and skill development in semiconductor technology advancement.
- Beyond policies, from an infrastructure perspective, over a third of the leaders (35 percent) desired an acceleration in the establishment of semiconductor manufacturing clusters through master developers.

Q. With India planning to become a semiconductor technology hub in the next decade, what additional government support/initiatives can boost this move?

Implementing digital technologies: Costs associated with implementation and cybersecurity, together with regulatory measures, are the biggest concerns of leaders when implementing digital technologies



- A significant concern highlighted by most respondents (55 percent) is the implementation cost when deploying digital technologies in their industry. Therefore, ROI is a key consideration for leaders as they embark on digital interventions.
- In addition, cybersecurity and regulatory measures are prominent concerns for about half of the leaders (49 percent), emphasizing the importance of addressing security risks and compliance issues in digital implementations within their industry.

Q. What are the primary concerns when implementing any digital technology within your industry?