From the Influencers
Union Budget 2019

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Vipul Jhaveri  
Tax Subject Matter Expert, Deloitte India

The benefit of a rate cut usually takes time to show up, and the Government is banking on new investment and capital formation to spur employment. The amendments bringing NBFCs on par with banks are welcome and so are the relaxations for start-ups. A clear statement on the advent of the Direct Taxes Code (DTC) would have been helpful.

Amrish Shah  
Mergers & Acquisitions Subject Matter Expert, Deloitte India

From an M&A perspective, aligning demerger definition (though applicable from current year) per the IND AS requirements is a big positive for India, Inc. and will avoid unwarranted litigation on the subject. The potential raising of public shareholding limit to 35 percent will have an impact on transactions in the listed company space due to enhanced difficulty in buying out selling promoters as well as delisting possibilities. Buyback tax on listed companies doing buybacks instead of capital gains taxation will deter MNCs from repatriation due to double impact of taxation also in their home countries – it could have a lower cash inflow for resident shareholders too.
It is said ‘if a farmer is rich, so is the nation’. The FM in her budget speech has pivoted the proposals around gaon, garib, and kisan. The target of every willing household will have electricity and cooking facility by 2022 is a move to enable the farmer to be rich which will lead to increased rural consumption. A special focus on spreading digital literacy, artificial intelligence, and robotics will not only address the expectation of millennials but will also act as a bridge between urban consumers and rural consumers. Initiation of advanced educational system with a special focus on innovation and research is a great move to attract and retain the learning class in the country. The relaxation of local sourcing conditions for single-brand retail companies is indicative of the issues faced by global retailers being addressed. Niche benefit in relation to investment and purchase of electric cars reflects the action to achieve the mission of the Government. Overall, a good start to the reform agenda of the new Government with more to come
Anis Chakravarty
Economy Subject Matter Expert, Deloitte India

The 2019-20 budget is balanced keeping in mind that it is the first of the new government. On the positives, the focus on growth-related measures around investments, FDI enhancements in aviation, media, and insurance are welcome. The insurance intermediary sector is nascent and its further opening up will help drive maturity in the sector. Further, a stimulus for businesses and credit growth would have been welcome. I would have liked to see a more targeted focus on reigning in fiscal deficit at 3.3 percent in the past fiscal rather than FY 20. However, the continuation of a 3 percent targeting shows that fiscal consolidation is on track. The additional cess on petrol and diesel is likely to add to inflationary pressures. There is some buffer in the system to absorb it unless crude moves northward. Overall, the budget is balanced and is not expansive. It focuses on key areas with an eye on the future.
Divya Baweja  
Individual Taxation Subject Matter Expert, Deloitte India

Being the first Union Budget of the second term of the NDA Government, expectations were that some sops will be provided to individual tax payers. Though the budget did not provide much incentive to middle or lower income group and slabs remained unchanged, the super rich have been hit hard with an increase in effective tax rate of 3 percent for individuals earning income exceeding INR 20 million but less than INR 50 million, and 7 percent for individuals earning income above INR 50 million. In line with the intent of the Government, the budget focuses on increasing tax compliance, and has also made an attempt to ease the compliance process and enhance tax payers’ experience.

Gokul Chaudhri  
Direct Taxation Subject Matter Expert, Deloitte India

The Union Budget speech carries some incrementally helpful tax proposals but having a roadmap towards a moderate tax regime in the years ahead could have provided predictability and much needed tax competitiveness. The recognition that foreign capital flows need to be encouraged and simplified is welcomed that includes the attention to address issues of “angel” taxation. It is a well balanced budget given the prevailing external environment of global slowdown.
Hemal Mehta
Tax-Financial Services Subject Matter Expert, Deloitte India

The journey from USD 3 trillion economy to USD 5 trillion economy inter-alia will need a big push to create liquidity in the economy. The FM announced certain relaxations in the foreign direct investment norms and creating liquidity in the banking and NBFC sector by contributing additional capital and opening up investment for foreign portfolio investors in the debt market. An additional thrust is on infrastructure, digitalisation, less cash economy, education, and youth development. The entire 10 point vision, along with Nari Shakti, should pave the way towards the desired objective.
The present Government has been a strong proponent of “Make in India” and “ease of doing business”, and supports small and medium businesses. The budget proposals tabled today strongly focused on giving an impetus to the grand vision of “Make in India”. Specific to technology hardware, the Government has extended exemptions to import of capital goods used for manufacturing printed circuit board assembly, mobile handsets, etc. and withdrawn exemptions that were not in alignment with “Make in India”. This would ensure that there is a substantial scope created for SMEs to thrive by locally manufacturing key components.

In the same breath, the Government, with an intention of making India a global manufacturing hub, has proposed to grant tax benefits to mega manufacturing hubs in the sphere of semiconductors, lithium battery, and laptops. This should further support SMEs with an entire manufacturing ecosystem being shifted to India.

To show its commitment towards the SME sector, the Government has lowered tax rate to 25 percent in respect of the companies with an annual turnover of up to INR 4 billion.

Overall, the sentiment of the budget has been to implement the vision of the Government effectively over the period.
The budget has definitely set the direction as far as future of Electric Vehicle (EV) is concerned, and is likely to spur demand for such vehicles and motivate many start-ups focused on EV. However, it is a dampener in short term as it is not likely to help the current slowdown in the automotive sector. An increase in cess on petrol and diesel is going to have an impact on both the personal use of vehicles and that for goods movement.
The budget reflects a long-term vision focused on emerging technologies - artificial intelligence, data science, big data, and internet of things, which would revitalise technology companies. Connectivity infrastructure, media, and digital technology, coupled with ease of living, ease of doing business, and digital literacy, will make India a hub for technological innovation.

The budget proposes to leverage the global need for skilled labour by making India a centre for a skilled talent pool with language training and new age technology skills, such as Internet of things (IoT), big data, and robotics.

To serve as a catalyst and promote the Startup India initiative, a plethora of sops were announced - source of funds scrutiny waiver subject to declarations, no query on valuation of start-ups, and relaxation in carry forward of losses in the event of a change in shareholding.

The roadmap for the implementation of the proposals is however, not laid out in the budget.
The Hon’ble FM made a successful attempt in laying out the vision of the current government through this budget with an emphasis on hard and soft infrastructure, and other measures that are inclusive in nature and cover every segment of the society. I hope to see the fine print as a roadmap for the next five years on each of these areas.

In general, on the tax front, as expected, there were limited proposals, with new tax code around the corner. Proposals particular to transfer pricing are around removing ambiguities and practical difficulties in the areas of secondary adjustment, reporting year in case of a constituent entity requiring to file CbCR, and restriction on the scope of officers in passing consequential orders on closure of APAs. Rationale for an Indian subsidiary of an MNE to file master file, even if it does not have any international transactions, needs proper elucidation.
Industry views


**Ajay Agrawal**  
India Tax Head, TechnipFMC

One Nation, One Grid – a move to not only build nationwide infrastructure but also bring the entire nation together.

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**Deepak Doegar**  
CFO, JCB India

It is encouraging to see the fiscal responsibility with deficit at 3.3 percent.

The budget identified a number of avenues to drive investments and liquidity into the economy that include Public Private Partnership (PPP), tapping global savings from pension funds, sovereign wealth funds, FPIs, and immediate bridge-support to NBFCs in a structured manner.

These investments and liquidity would support the continued focus on much needed infrastructure investments on which the intent has been clearly laid out by the FM. It would have been good to see the specific outlays for projects. Also, corporate tax rate continues to be one of the highest globally. It would have been good to see a reduction in corporate tax rate to drive tax competitiveness.
Gaurav Madan
Head of Finance and Administration, Lufthansa Technik Services India

The budget focused on improving infrastructure and government processes. Further to that, changes were proposed in FDI in the aviation sector but as a Maintenance and Repair Organisation (MRO) service provider. We were expecting big reforms, which could not take place, especially in the area of taxes (GST, etc.)
It is extremely heartening to see start-up issues being addressed and several steps being taken to encourage entrepreneurs to create jobs and become an employer than an employee.

One of the best moves is the delinking of calculation and the justification of share premium as deciding a premium is not an exact science, and it is impossible to justify. Now, only the identity of the investor and source of income need to be proven. This is a fair and straightforward process.

The focus and support to underserved sectors is welcome. Most of these sectors and entrepreneurs do not get the funding and attention. By specific programmes and allocation to traditional industries and rural industries, the Government has addressed not-so-glamorous sectors.

80 livelihood and 20 tech incubators to develop 75,000 entrepreneurs in the Agriculture is a much needed intervention and will create a huge impact given the size of the sector. Good to see the Government recognising the underserved sector that needs support.

Promotion of women entrepreneurship and self-help groups send the right signals.
Minoo Lalvani
Tax Head, Afcons Infrastructure

Construction of 125,000 km of road over the next five years would create an opportunity not only for the construction industry but also for other ancillary industries. It is a growth opportunity for everyone.

Further, improving rural connectivity will result in overall growth of India!
Mohit Thukral
Managing Partner, Vivtera

The idea of social stock exchange is excellent. India needs more and more of impact investment, which can help solve problems that it faces in areas such as healthcare, environment, and sustainability. This will bring more capital to the social sector and talent.

Focus on higher education is a welcome move in the right direction – attracting foreign students and allocating INR 4 billion. That said, one was hoping for at least INR 20 billion. We do need dramatic reforms in capital and tax structures for education that will bring in more investment.

Positive reinforcement on angel tax and simplification will bring in more investment in start-ups; bit of a disappointment on the Government’s support to start-up in tech. There was need to make a concerted effort towards “Tech for India” to build the Silicon valley of the east, and drive innovation and research. Though, to some extent, the NRF might be a step towards that. However, there is a need for more flexibility and collaboration for start-ups with a very bold start-up policy.
Mukund Paranjape  
Senior General Manager – Corporate Taxation, Mahindra and Mahindra Limited

The Government is on a roadmap to become a USD 5 trillion economy in the coming years. The initiative of the Government in making India a global hub of electric vehicles manufacturing is a welcome move. This will promote the industry and facilitate environment friendly transportation. The Government is also focusing on ease of doing business and ease of living.

Navin Jain  
Head of Tax, Diageo India

Welcome budget as it lays down the roadmap for marching India to become USD 5 trillion economy. Tax initiatives particularly on faceless tax assessments and an amnesty scheme for past indirect tax litigations is a welcome step. I would have liked to see some more initiatives on direct tax litigations resolution, an area where large corporate tax payers are struggling in India. Working capital locked up in some of these litigations is alarming and pose a huge potential risk for corporate tax payers.
The Union Budget was expected to set the tone for the Modi government 2.0’s vision and long-term systematic growth plan to stabilise and take forward our already USD 2.7 trillion economy (which will grow to become a USD 3 trillion economy this year itself) and unravel opportunities of economic development to shape an all-inclusive ‘new India’. On the tax front, moderate tax collection figures in the recent fiscal had reduced the leeway for across-the-board tax cuts. Largely, on this aspect, after a big built-up, it is a mix of sweet and spicy, old school, and damp. But directionally, this budget has ushered in a fiscally predictable tax regime in many areas. Perhaps, we may expect more reforms in the new direct taxes code - expected during this year.

Corporate tax rate is currently 25 percent, but only applicable to companies with an annual turnover of up to INR 2500 million. This reduced tax rate of 25 percent is now being extended to all companies in India that have a turnover of up to INR 4000 million. Only 0.7 percent companies will therefore remain outside this 25 percent rate (why?). Also, in view of the ongoing US-China trade wars, this step should make some Indian companies marginally competitive compared with other Asian economies. Resolving the angle tax issue would further provide the much needed impetus to a larger number of start-ups in the country, and enable them to spend more time on expanding their businesses, rather than on tax compliances and scrutiny. STT has been high for a long time and investors were waiting for this to be brought down. Lowering it, to be restricted to the difference between settlement and strike price of options, will be positive for the domestic stock markets. Buyback tax (DDT) introduced for listed companies will plug leakages. I was hoping to see some concrete measures the FM would announce to resolve the high-pitched tax disputes in the country. That is missing. I was also expecting to see proposals to extend the sunset clause on SEZ tax holiday, boost the tax base, and introduce bold reforms to do away with tax evasion. I do not think there is much on these aspects.

Overall, it is a balanced, development oriented, forward looking, and inclusive budget that has laid out, and set a clear and tangible roadmap for a progressive future. It is pro-rural, pro-growth (a more equitable growth), and oriented at sustainable growth and economic development, with a large section of population being the primary beneficiary. Given the fiscal and other constraints, it has done whatever a budget can do to foster savings, investment, and growth.
Although the defence budget on the capital side for force modernisation (INR 1030 billions) is unchanged from the interim budget, it is still 10 percent higher than the previous year’s revised estimates. Given that current fiscal constraints and defence capital spend is already at 30 percent of the total central government capital expenditure, it was not expected to increase. However, exemption from basic customs duty on import of defence equipment not made in India (which previously would have been included in the capital budget) should allow for higher spends over the interim budget.

The continued focus on Make in India and FDI is encouraging, but with FDI in defence at USD 2.18 million (FY 2018/19), further increasing to up to 74 percent (currently 49 percent) under the automatic route in niche technology areas, as proposed in the draft defence production policy, would have helped in both the areas.
Ramesh Khaitan  
Senior Vice President & Global Tax Head, Lupin Limited

The Finance (No. 2) Bill, 2019 has provided encouragement to start-ups, and small and medium enterprises. The Government through this Finance Bill has shown efforts for promotion of green and clean energy. The Government, while outlining the measures to promote economy, has kept “Rural India - gaon, garib, aur kisan” at the centre of everything. A step towards cashless economy is a welcome move of the Government.

Sandeep Chhabra  
Chief Financial Officer & Corporate Head, Nikon India

This government has started fulfilling its commitment towards lowering corporate tax rates in the longer run. The focus is on making India a more attractive FDI destination, liberalising the norms with the inclusion of the aviation, media and insurance sectors. The government has also taken steps towards evolution of ‘Make in India’ through the development of start-ups and MSMEs by various benefits, such as pension benefits, tax incentives, interest subvention, and an online portal for easy loans.

The budget has introduced E-notices and faceless tax assessments leading to true reforms. There is also a focus on protecting environment by boosting the ‘electric vehicle’ industry and making it affordable for consumers too. Overall, the budget is reasonably balanced.
**Shreeram Deshpande**  
India Tax Lead, Shell India

Many progressive tax provisions in the budget bode well for the economic growth engines. Infusion of capital will bolster the capital base. Further, introduction of tax transparency and digitisation initiatives in audits are much appreciated. Also, tax incentives to start-ups will lay the foundation for robust growth.

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**Som Satsangi**  
Managing Director, Hewlett Packard Enterprise India

The Union Budget 2019 reaffirms the government’s commitment towards promoting Digital India. The measures announced are likely to have a positive impact on the Information and Communications Technology (ICT) sector as they are likely to encourage investments in this space. The focus on skilling the youth in areas such as AI, IoT, big data, and robotics will create new career opportunities and accelerate innovations in emerging technologies. Additionally, the move to expedite the Bharat Net project with the assistance of Universal Service Obligation Fund (USOF) under the public-private partnership will give greater impetus to rural broadband penetration, thereby bridging the digital divide. By incentivising digital payments, the banking and payment industries will further increase their engagement with IT companies to churn out solutions for a seamless transaction experience. Overall, the announcements made in the budget are expected to boost the economy, spur investments in key sectors, and foster the adoption of emerging technologies.
Sumeer Chandra  
Managing Director, HP Inc. India

It is great to see the focus on making India a USD 5 trillion economy by 2025, through investments in infrastructure and digital economy, and job creation. In the short term, the INR 700 billion capital boost for PSU banks will help improve business confidence and overall liquidity situation. The Government’s intent in driving job creation across sectors by reskilling and upskilling youth is a strong positive. Initiatives to prepare 75,000 skilled entrepreneurs in agro-rural industries through 100 new incubators under the ASPIRE scheme and training 10 million youth under the Kaushal Vikas Yojana with new-age skills in areas such as artificial intelligence, internet of things, big data, 3D printing, virtual reality, and robotics, will help create a large pool of skilled manpower in India.

Vishwanath Kini  
Vice President - Global Tax Head, Tech Mahindra Ltd

The much-awaited benefits to the start-up industry have been welcomed with an applause. The relaxation of the so called ‘angel tax’, including resolution for past assessments, will encourage investments in start-ups. This is extremely healthy for the country as well as a motivation for millennials. Further, it is quite pleasant to see that the Government recognises the young generation’s needs and their aspirations. Start-ups are also critical to bring about innovation, which is the need of the hour.
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