



## Countdown to Budget 2017: Our Expert's Take

### Corporates Wish-list

- ❖ Government is walking a thin rope between pacifying the woes caused by demonetisation and kick-starting the revival of Indian Economy to meet the Fiscal deficit targets. Budget is being seen as platform for the government to regain its mojo which it seems to be losing due to demonetisation. Budget is expected to place more money in the hands of consumers resulting in increase in demand pick-up
- ❖ Investment climate in the country is far from optimistic and globally the tax rate is being reduced, to encourage foreign investment. Law pertaining to indirect transfer of assets may be looked into to address the unintended consequences. FPIs risk suffering triple taxation and it may affect foreign investment.
- ❖ Setting up of an unflinching tax regime should be a major goal for government in this year's Budget. Budget should lay a clear roadmap for reduction in corporate tax rate to 25%. To ensure an ease in doing business, it is also vital for the government to continually promote modernized methods in improving its tax administration structure.
- ❖ As GAAR can be invoked even on issues subject to special anti-avoidance rules ('SAAR'), CBDT should clarify on the interplay between GAAR and SAAR. Also GAAR should apply only to abusive or highly aggressive/ contrived arrangements.

## Startup's Wish-list

- ❖ The year 2016 saw a huge number of startups shutting down, valuations plunging and Private Equity Investments slowing down. Hence, startups are most likely to get an impetus in the Union Budget 2017 to be announced on 1st Feb.
- ❖ Proposal for ESOP's for startup be taxed at the time of sale, when they have much more liquidity to pay the taxes on a reasonably fair valuation;
- ❖ List of tax concessions on unlisted securities, convertible instruments etc;
- ❖ Enlarging the scope of Startup India (Still very few companies have been enlisted in the scheme);
- ❖ Though unlikely but there is still some scope of a tax holiday for startups in general and not only those who have been enlisted as a part of the Startup scheme. Also the period of 3 years is too short for a startup.
- ❖ DIPP is also in the process of finalizing guidelines for a credit guarantee fund scheme to increase the availability of finance for startups;
- ❖ Reduce the period for Long term capital gain for startups as investments in Startups is very risky;
- ❖ Announcement on Roll out for new Incubators / Accelerators to provide financial support to early stage startups
- ❖ Announcement on a new scheme of closure / Exit for startups on their failure.
- ❖ Startups will most definitely gain from announcements in Digital India which will be surely at the forefront of Budget 2017;

## Real Estate Sector's Wish-list

- ❖ Increase in limit for deduction on housing loan interest from existing 2 lakhs to at least 4 lakhs to make this realistic.
- ❖ Interest rate subsidy for home loans (presently 3% for loans upto 12 lakhs and 4% for homes upto 9 lakhs in urban sector) to be rationalized further considering real estate prices in tier 2 and tier 3 cities. Interest subsidy of at least 2% should be given for home loan upto 20 lakhs to grant relief to middle class.
- ❖ Increase in infrastructure spending for improving connectivity to developing areas – which will generate employment as well as prospects of real estate sector.
- ❖ Bringing in necessary legislative amendments for uniformity of stamp duty rates and lowering of such rates. This will not only improve sentiments of sector but also encourage people for better compliance.
- ❖ Lower rates of GST to be applied on construction & development sector;
- ❖ Industry status for Construction & Real estate Sector for easier availability of finances;
- ❖ Single window clearance system for real estate projects, especially in view of RERA;
- ❖ Coming out with policy for empowering local area development authorities to bail-out long-stuck housing projects on land allotted by them for benefit of customers/ buyers

## Manufacturing / Services Sector's Wish-list

- ❖ Rationalization of scope of tax incentive under section 32AC
- ❖ Domestic procurement of capital goods and equipment to be eligible for additional depreciation at the rate of 20%, thereby incentivizing Indian capital goods industry
- ❖ Extending benefit under section 32AC to IT / ITES industry and other service industry;
- ❖ Rationalization of corporate tax rate under section 115BA – extending the benefits to all forms of entrepreneurship including LLP / Partnerships etc
- ❖ Fiscal incentives for Technology up-gradation to be provided – Weighted deduction for overseas technology is need of the hour
- ❖ Significant revamp of provisions relating to Mergers and acquisitions – extending the benefit of carry forward of losses to service companies

## Transfer Pricing Wish-list

- ❖ Transfer Pricing and GST - As the Government is determined to phase in GST at the earliest, the guidelines should be issued to tax and GST authorities for mutually laying down certain conditions under which the valuation consistent with arm's length principle and methods can be approved by GST authorities, and vice versa
- ❖ Making alternative dispute resolution mechanism more eminent - Necessary steps are required to be taken to make alternative dispute measures (viz. Safe Harbor Rules and Mutual Agreement Procedures) more prominent and popular amongst taxpayers
- ❖ Adoption of BEPS Measures to address core Transfer Pricing issues - Guidelines to address and bring clarity in relation to specific transfer

pricing issues that revolves around the benchmarking of intra-group services, intangibles etc. are also required to be laid down as provided in OECD's BEPS action plans



## GST Wish-list



- ❖ Government may not tweak provisions in service tax regime and custom law in order to align it with the GST regime.
- ❖ Service Tax provisions may be suitably amended to allow suo-moto adjustment of service tax paid in the event of bad debts.
- ❖ Government might want to refrain from increasing the service tax rate drastically from 15% citing delay in GST rollout.
- ❖ Government may waive levy of service tax on all digital transactions including but not limited to debit card, credit card, net banking, wallet payments etc. in order to promote cashless economy.

## Common man's Wish-list

- ❖ Basic exemption limit has remained Rs. 2.5 lac since last three years, should be linked to the rate of inflation and should be raised every year automatically
- ❖ Threshold at which the highest tax rate of 30% kicks in should be increased, since low tax rate encourages higher compliance
- ❖ Salaried individuals are the only category of taxpayers honestly paying their share of taxes. Incentivizing this category of taxpayers, a standard deduction could be re-introduced
- ❖ Owning a house is the dream of every individual and our government aims to achieve its dream of "Housing for All" by 2022. The current tax deduction of Rs 2 lakh on interest on housing loan is insignificant given the ticket sizes in cities like Mumbai, where most houses are priced at Rs 1 crore and above

You can also watch the Nangia 's Experts video on Pre- budget expectations on below link:

- ❖  **Rakesh Nangia, Managing Partner, Nangia & Co**  
Here is the link to the video:  
<https://www.youtube.com/watch?v=Uw3Z96sKPFw&t=21s>
- ❖  **Rahul Jain, Partner, Nangia & Co**  
Here is the link to the video  
<https://www.youtube.com/watch?v=LUtY9E1wxX4&t=91s>
- ❖  **Amit Agarwal, Partner, Nangia & Co**  
Here is link to the video  
<https://www.youtube.com/watch?v=LeKDLx1dN4s>
- ❖  **Suraj Nangia, Partner, Nangia & Co**  
Here is the link to the video  
<https://www.youtube.com/watch?v=PsmLNynfFwM&t=13s>
- ❖  **Sandeep Nagpal, Director, Nangia & Co**  
Here is the link to the video  
<https://www.youtube.com/watch?v=0o5ibby-7TE>
- ❖  **Neha Malhotra, Executive Director, Nangia & Co**  
Here is the link to the video  
<https://www.youtube.com/watch?v=C5--km2koTo&t=35s>

- ❖  **Shailesh Kumar, Director, Nangia & Co**  
Here is link to the video  
<http://bit.ly/2k8JzBd>
- ❖  **Rajat Mohan, Director, Nangia & Co**  
Here is link to the video  
<http://bit.ly/2kLyzbY>



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