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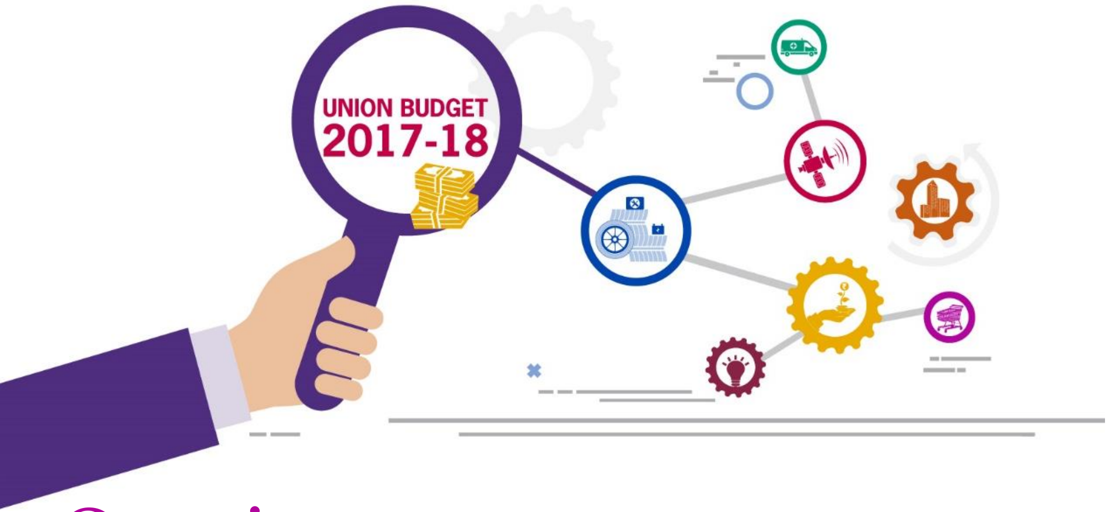

Overview

Key policy announcements

- Fiscal deficit prudently pegged at 3.2% for 2017-18.
- Foreign Investment Promotion Board (FIPB) to be phased out.
- Low cost housing granted infrastructure status.
- Agricultural growth at 4.1% to be supplemented by enhanced agricultural credit by setting up a target of Rs 10 lakh crore.
- Proposal to amend the Drugs and Cosmetics Act to ensure availability of drugs at reasonable prices and promote use of generic medicines. New internationally harmonised rules for medical devices to be formulated.
- Legislative reforms to be undertaken to simplify, rationalise and amalgamate existing labour laws.
- Rashtriya Rail Sanraksha Kosh will be created with a corpus of Rs 1 lakh crore over a period of five years.
- Restructured central scheme, namely, Trade Infrastructure for Export Scheme (TIES) to promote exports.
- Digital initiative to be launched in more than 1.5 lakh gram panchayats to provide tele-medicine and education.
- Listing and trading of security receipts issued by a securitisation company or a reconstruction company under the SARFAESI Act will be permitted in SEBI registered stock exchanges.
- Focus on creating transparency in political funding.

Key tax announcements

- Corporate Tax Rate for small companies with turnover of less than Rs 50 crore in financial year 2015-16 reduced to 25%. This covers 96% of corporate taxpayers in India.
- Tax rate for individuals earning between Rs 2.5 and Rs 5 lakh reduced from 10% to 5%. This results in tax saving of Rs 12,500 for tax payers earning more than Rs 5 Lakh. Surcharge of 10% introduced on individuals with taxable income between Rs 50 lakh to Rs 1 crore.
- To make real estate sector more attractive for investment, the period of holding has been reduced from 36 months to 24 months to qualify for long term capital gains.
- Receipts of Rs 3 lakh or more in cash prohibited. 100% penalty can be levied.
- Minimum Alternate Tax (MAT) provisions amended to be provide for adjustments required under Ind-AS accounts.
- Clarity on application of indirect transfer provisions to certain Foreign Portfolio Investors.
- No tinkering of base rates for customs duty, central excise duty and service tax. Research and Development cess on import of technology (presently at 5%) to be repealed. Consequently, such imports would now attract service tax along with applicable cesses at 15%.
- Scope of domestic transfer pricing rationalised.

Vishesh C Chandiok

National Managing Partner, Grant Thornton India LLP

The Union Budget 2017-18 presents many small steps aligned to the big and bold vision and priorities laid out by the government. Simplification and predictability whilst selectively incentivising many areas such as small tax payers, affordable housing, capital gains tax redeployment into a bigger basket, scrutiny within maximum 12 months post year end by 2020, domestic transfer pricing simplification, FPI indirect transfer exemption and of course FIPB online/abolition are some of the key reforms. These are all wonderfully aligned, small but important steps.

However, more awareness of low tax base in India is needed. And the FM made a very emphatic statement. More steps to increase that tax base are needed.

Harish HV

Partner, Grant Thornton India LLP

A pragmatic and a non-populist Budget with a focus on fundamentals especially fiscal discipline . A long overdue and welcome focus on compliance. One notable feature is that this Budget shows increasing reliance of the Government on Digital mechanisms for providing and procuring goods and services and engaging with the people. There is a reliance on using DIGITAL to improve compliance and ease of doing business. For example even for defence travel the government has created a portal. The Budget also has a number of initiatives on using digital means for delivering education both at primary and higher education levels. There is additional focus on providing digital services to the rural masses through various measures. We can see that there is a clear effort and focus on DIGITAL GOVERNANCE in this Budget.

Vikas Vasal

Partner, Grant Thornton India LLP

A pragmatic approach has been adopted to boost consumption and growth in the economy with focus on rural development, affordable housing and infrastructure. On tax front, the underlying theme has been to ensure consistency, bringing in clarity on contentious issues and widening the overall tax base. The lowering of the corporate tax rate to 25% for cos. having a turnover of less than Rs 50 Crores is a positive continuum.

What our experts SAY

Khushroo Panthaky

Director, Grant Thornton Advisory Private Limited

Financial Services

The Budget has particularly focused on the financial services sector with a slew of inclusive measures to improve asset quality of banks and financial institutions and tax rationalisation measures to improve market sentiment.

In addition, there is a proposal to abolish or reconstitute Investment Boards, offer recapitalisation to Banks under the "Indradhanush" scheme and provide increased lending capacity to special classes under Pradhan Mantri Mudra Yojana. The promotion of digital products to be used for banking transactions and operations has gained adequate thrust in this Budget. Enhanced deduction of provision for NPAs of banks (including non-scheduled cooperative banks) and exclusion of specified FPIs on applicability of indirect share transfer provisions are welcome tax amendments.

Neeraj Sharma

Director, Grant Thornton Advisory Private Limited

Real estate and construction

Real estate gets a significant push in this year's Budget, the much awaited infrastructure status has been granted to "Affordable Housing", apart from the relaxation of conditions for claiming tax incentive under Section 80-IBA. These measures will revive the ailing sector in a big way – in terms of availability of capital at a reasonable cost and attracting more investments in the sector.

FM's proposal to tax gains on sale of land by land owners under joint development arrangements (JDA's) in the year of issuance of certificate of completion certificate as opposed to the date of handing over possession, is a welcome step and will help the land owners/developers plan their cash flows efficiently.

Sridhar Venkatachari

Partner, Grant Thornton India LLP

Automotive

Increase in outlay for the road infrastructure, development of coastal roads to connect ports to remote areas and a programme for multimodal network facility is a positive for the sector. The income tax concessions in the lower band up to Rs 5 lakh, will hopefully leave some amount in the hands for discretionary spend. Two wheelers and passenger vehicles could benefit on this account. Scrappage policy, inducement for R&D covering safety aspects and mitigating environmental issues, thereby encouraging make in India could have added excitement to the industry.

Vrinda Mathur

Partner, Grant Thornton India LLP

Healthcare

Pharma and medical devices both expected to see the effects of price control. A well thought out price control strategy is critical for a continued positive outlook for these two sectors without impairing the growth of the sectors. A reduction in corporate taxation would have been ideal to counteract the effects of price control. Abolition of FIPB expected to smoothen the flow of FDI into the pharma sector, assuming new guidelines continue to boost the sector. Reduced corporate tax for small companies is expected to boost the growth potential of small enterprises. Large pharma, however, does not stand to benefit from this.

Dhanraj Bhagat

Partner, Grant Thornton India LLP

Consumer Products

The government continues its focus on agriculture and rural growth as an important pillar of the economy. A welcome step is to boost agri productivity with the increased focus on fund outlay for micro-irrigation as agriculture land holdings are fragmented. This will enable the small farmers to fully exploit the crop potential and in turn derive higher productivity. Another step taken is to increase the fund outlay to promote dairy processing. All these measures should boost rural income which in turn will have a positive impact on the economy.

Vidhya Shankar

Executive Director, Grant Thornton India LLP

StartUps

The government has emphasised Digital Economy and MSMEs – in the backdrop of a successful StartUps India initiative. The follow up through to improve connectivity, infrastructure plus other policy measures announced in the Budget 2017 will further fuel the growth of startUps and early stage investments in our country.

Raja Lahiri

Partner, Grant Thornton India LLP

Technology

The Budget clearly covered the intent to expand the use of technology in India for a robust "digital economy" which would enable speed, accountability and transparency and includes expanding the digital "less cash" economy with the launch of Aadhar linked pay, BHIM app etc to support digital payments and increased use of technology in tax and Government administration. This clearly is part of the 'Digital India' and "Ease of doing business" drive to transform the economy.

The Indian IT sector is challenged by the global macro-economic situation and the recent H1B visa issues in the US. The Budget does not provide the required balm to the IT sector. The extension of the MAT credit benefit from 10 years to 15 years is a welcome move.

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