

Budget Expectations

Jan 27, 2023



Aashish Poddar

Regional Tax Manager at Engie AMEA (Asia Middle East & Africa) Dubai RHQ

The Current Government has been able to focus on Infrastructure spending and improve capex cycles continuously over the recent years in spite of the challenged environment. It has been its focused endeavor to promote 'self-reliance' by allowing foreign participation in our country. In this connection, this article covers certain topics that needs to be considered by the Finance Ministry.

1. Recommendation to rationalize withholding tax rates

1. The current Government. has undertaken a lot of positive changes in the 'ease of doing business' in India and in the same spirit it should consider reducing the plethora of compliances and especially in connection with withholdings of taxes and related filing. It is need of hour to rationalize multiple with-holding rates under various sections to minimize rate differentiation and characterization disputes.
2. Even in the case of Foreign fund infusion, a key constituent for improving foreign exchange trade deficits, there are multiple withholding rates depending on the type of instrument and its lender. Hence, uniformity in the withholding tax rates on interest payment would not only help in meeting compliance burden timely but also help in reduction in litigation due to complex rate systems. Ease of compliance is the key to attain complete and proper compliance resulting in higher tax collections and generations.

2. Recommendation to rationalize Capital Gain

it is also urged to ensure rationalization of Capital gain computation so that complexity is reduced. Internationally, computation of capital gains is simple, and multiple rates in the Indian tax system complicates matters and deters overseas investments in Indian market (in both Equity and Debt) for both long term and short term horizon by not only Foreign Investors but also by Non-Resident Indian community. Standardization of capital gains computation processes (in line with international accepted practice) shall foster easy understanding and shall lead to further investments in India by Foreign Investors.

3. Implementation of Speedy & time-bound Advance Ruling mechanism

One of the key concerns of foreign investors is certainty in their future tax commitments and outgo. Certainty in tax commitments ensures huge confidence in the Investor community and hence the Ministry should look into various measures to improving tax certainty

The current Government has endeavored to reduce litigations and introduced a number of initiatives in this area. However, expectation in the area of Advance Rulings and clarification has not been so satisfactory over the years. Time bound quick private ruling or clarification on specific query should be introduced by Finance Ministry. Another area in this category is improvement of time bound Advance Rulings. This would allow Foreign Investors to get Tax certainty and plan their future investment program in a better way.

4. Recommendation for increase in the sunset date for concessional tax regime for

manufacturers

September 2019 marked a watershed moment in Indian Tax history when the then Honorable FM introduced reduced tax rates. The Ministry should consider extension of sunset date of 31st March 2024 of concessional tax regime under section 115BAB of the IT Act for manufacturing activities. Incentives in the Manufacturing Sector is the only answer to ensure India's growth and 'Atmanirbhar Bharat' and 'Make in India' program.

5. Recommendation for relaxing deemed gains provision

Another appeal to the Ministry would be relaxing anti abuse rules contained in Section 56(2)(x) of the IT rules particularly in the context of purchase of Indian assets. A range could be specified in NAV values specified under Section 56(2)(x) (instead of NAV values) to help encourage deals in the distressed assets sector.

Trust the Finance Minister shall be able to present a Budget that meets expectations of various categories i.e. India Inc. and Bharat . We wish that we achieve financial independence in the 'true' sense during our Azadi ka Amrut Mahotsav.

** Views expressed are personal and none of the above is endorsed by my organization.*