Finance Minister's pre-budget meeting with the Industry:

FICCI PRESIDENT MR. PANKAJ R PATEL SUGGESTED FOLLOWING MEASURES FOR BUDGET 2018-19 TO BE PRESENTED ON FEBRUARY 1, 2018:-

1. There is a need to **consider across the board tax rate cuts for businesses and individuals** in India to spur domestic investment and demand, and to retain India's overall competitive environment globally. In-fact, many key global economies are opting for significant rate cuts, for instance, the US is on the verge of historic tax reform that proposes to cut the corporate tax rate from a top rate of 35% to 20% as well as provide relief to individuals. The US tax reform also envisages a complete exemption in respect of dividends declared by foreign subsidiaries of US companies. This is intended to incentivize repatriation of earnings into the US, which is expected to boost investment and consumption. Overall, it is expected that this reform proposal would spur economic growth and increase overall tax collections. A similar approach should be followed by India. Although a roadmap for bringing down corporate tax rates to 25% was laid out in earlier budget, this is not yet implemented across the board. Similarly, one also needs to consider the impact of the Dividend Distribution Tax and the Buyback Tax. Together with the basic corporate income tax, this pushes India's overall tax rate for companies well beyond 40%, which is quite high.

2. GST has been a landmark reform. Going forward, there is a need for **convergence to 3 - 4 rates and to include all excluded items** till date. Efforts should also continue to simplify compliance related to GST.

3. Remove the **applicability of GST on Intra-entity transfer of services** within the same legal entity. It is believed that this provision will result in taxing artificial transactions and not economic transactions. Collective performance of services by multiple branches/offices cannot be treated as supplies between branches inter-se.

4. There is a need for **clarity on Anti-profiteering provisions** under GST, specifically related to its applicability at product or entity level, examination at State or Central level, applicability on products/ stocks prior to GST, etc. Such clarity is important as there can be penal consequences if the taxpayer is found not complying with these obligations. Furthermore, the taxpayer should not be made liable to follow such guidelines retrospectively.

5. The enactment of Insolvency and Bankruptcy Code, 2016 (IBC) is significant. Tax considerations are important for successful implementation of insolvency schemes and tax provisions should not be a deterrent in achieving the policy objectives of IBC. In this regard, there is a need to **exempt levy of Minimum Alternate Tax (MAT) on write back of notional income** pursuant to approved plan of IBC.

6. To boost Research and Innovation, there is a need to **improvise the Patent Box regime** that was introduced in the previous budget. Government should also

restore weighted deduction on Scientific Research Expenditure. Alternatively, provision of **research tax credit** may be introduced.

7. Consider establishing **2-3 Regulation Free Zones**, wherein all regulatory requirements can be relaxed, especially for new-age, high-technology and innovative industries. These may also be considered in conjunction with port-led development plans of the Government.

8. The recapitalisation plan for Public Sector Banks is welcome. This needs to be accompanied with banking sector reforms. Government should consider **further consolidation and even privatisation of some of the public sector banks**, having at the most 5-6 large public sector banks.

9. Continue **focus on productive expenditure** (infrastructure capex) and if this requires relaxation of fiscal deficit target, it should be considered. (If required, Fiscal Deficit up to 3.5% of GDP can be considered).

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