# UNION BUDGET 2016-17 Reaction

By ADMIN - Mon Feb 29, 7:28 pm



***Murali MD Shriram Properties***

The union Budget this time focuses more on rural economy-more focus on increasing agricultural output. Allocation for rural development of nearly 90000 crores signify the Government's concern for farmers and rural economy. Plan to double the farmers income by 2022 is a Welcome move.

This Budget is an excellent and encouraging one from one particular view point .There is thrust and priority for fiscal consolidation and aspiring to contain the fiscal deficit to 3.5% of GDP in 2016 .At the same time emphasis is laid on growth and development. Increasing infrastructure spending /ear marking substantial amount is a good move. This will further augur the confidence built around India.

As to Real Estate Sector:

- Increase in limit of deduction of interest on housing loans by Rs 50000/- for first time home buyers will improve the home buying sentiments.
- Similarly, Service Tax exemption for housing construction of houses less than 60sqm will go a long way.
- The long-pending request of the real estate sector to do away with the applicability of dividend distribution tax (DDT) on real estate investment trusts (REITs) is now accepted .Hitherto the DDT was making REITs unviable. After deducting from the rental and other revenue streams, the operating cost, trustee and management fees, and then the DDT as well, there was little return left to make REITs a viable option for the retail and the institutional investor. This hurdle is now removed. Removal of DDT would pave the way for listing of REITs. Needless to say , introduction of REITs in India would spell lot of opportunities not only for developers but also for private funds , investors and financial institutions as well .- ***M.Murali MD Shriram Properties***

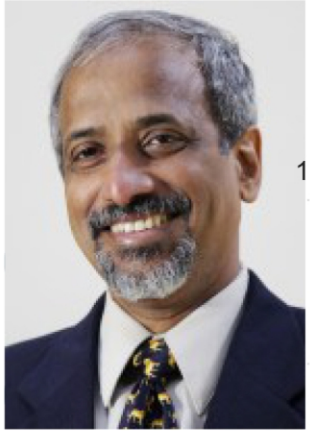
***Vikram S Kirloskar***

**Vikram Kirloskar, Vice Chairman, Toyota Kirloskar Motor Pvt. Ltd**

"Part 1 of the budget gave an excellent midterm and long term direction to the economy. The vision of doubling farmers income by 2022 is very heartening. I hope that the set direction is followed diligently in the coming years as the contribution to the nation's economy will be significant. I am particularly pleased on the direction given to agriculture, rural India and infrastructure.

I am concerned about the extra green tax on cars. The auto industry has started recovering after a few bad years and this could dampen growth. The industry has to spend enormous monies on meeting the accelerated regulations on safety and emission and any extra tax is a significant burden. I am ok with the green tax if it is used to incentivize scrapping of BS 1 and BS 2 vehicles and promote the sales of alternate fuel technology vehicles which would help environment also".

"The budget is indeed promising, and one which is definitely moving in the right direction. The focus on social sectors and rural development is a positive sign as it addresses the key needs of the sectors. The emphasis on fiscal discipline will surely help the country continue to be a 'bright spot' in the face of the global economic slowdown. Now that we have a rural-friendly and pro-poor budget, our natural concern is the implementation, and ensuring that no one is left behind. But overall, this is a budget that avoids populism, while simultaneously addressing the needs of the rural and the poor at a very critical juncture."- **Cherian Thomas, CEO and National**



**Director, World Vision India.**

*Cherian Thomas*

**ICAI Reaction: Union Budget 2016-17**

1. **Small Taxpayers**

*CA.M. Devaraja Reddy*

- Reducing income-tax burden by Rs.3,000 for small tax payers by increasing rebate under section 87A;
- Increasing deduction for rent payment under section 80GG to Rs. 60,000/-;
- Introducing presumptive taxation scheme for professionals with gross receipts upto Rs.50 lakh
- Increasing the limit of turnover for availing presumptive taxation under section 44AD to Rs.2 crores are the significant benefits to small tax payers.

Some of the above are the recommendations of ICAI which have been accepted.

- The additional deduction of Rs.50,000 per annum towards interest on housing loan for first time small home buyers is a welcome proposal. Service tax exemption on construction of affordable houses under any Scheme of Central or State Government will further facilitate first time home buyers.
- The Government is proposing to tax 60% of provident fund withdrawals, which are as of now completely exempt from income-tax. In a country like India, since not many social security schemes are in place, this provision may require reconsideration in the interest of welfare of senior citizens who may not have alternate sources of income post retirement.
- In a bid to rationalize NPS, the settled position relating to tax exemption of PF and superannuation funds has been disturbed.
- Such withdrawals would continue to be exempt only for employees participating in RPF with a monthly salary of upto Rs.15,000, which threshold is very low. A significant number of employees would fall outside the scope of this exemption.
- Furthermore, the proposal for placing a monetary cap of Rs.1,50,000 on employer's contribution to recognized provident fund would once again be detrimental to the interest of salaried class.

1. **Reducing Litigation and providing certainty in taxation**

- The Hon'ble Finance Minister's stated objective is to counter tax evasion strongly and divert recourse in that direction and avoid long pending litigation and therefore, the tax proposals in this regard are in the nature "Limited Period Compliance Window", providing for reduced rate of penalty and immunity from prosecution when the payment is made within the said limited period.
- Formulation of a new Dispute Resolution Scheme (DRS), keeping in mind the large number of cases pending before Commissioner (Appeals), is a welcome measure proposing penalty waivers based on disputed tax limits. Reducing the stringency of penal provisions will go a long way in reducing tax litigation and improving compliance.
- The Finance Act, 2012 had made significant retrospective amendments bringing to tax gains from off-shore transactions where the value is attributable to the underlying assets located in India. These amendments had huge revenue implications. Now, the Budget proposes a one-time scheme of Dispute Resolution for ongoing cases relating to such retrospective amendment. The scheme requires assessees to pay the tax arrears and withdraw any pending case. This, however, does not seem to be in line in line with the Government's intention of not creating any fresh liability based on a retrospective amendment. This scheme, in effect, requires payment of the tax liability for closure of dispute. Mere waiver of interest and penalty cannot be a cure for the huge tax liability resulting out of a retrospective amendment.
- Introducing a graded penalty scheme in the place of a broad range of 100% to 300% of tax sought to be evaded would definitely serve the intended objective of reducing the discretionary power of the tax officers, and bring in an element of certainty.
- Granting stay of demand on payment of 15% of disputed demand is yet another taxpayer friendly measure.
- Other laudable measures are creation of eleven new benches of CESTAT and raising monetary limit of deciding an appeal by a single member bench of ITAT; these measures would reduce pendency at the appellate tribunal level and help clear the huge backlog of pending cases.
- Amendment in CENVAT Credit Rules, 2004, which have always been vulnerable to disputes, would help in clarifying the correct position of law thereby reducing associated litigation.

**III. International Taxation**

- Tax Equalization Levy at 6% on payment to Non Resident for online advertisement and other specified payments covered under Chapter VIII of The Finance Act and not under the Income- tax Act will not be eligible for Foreign tax Credit to the Non Resident under the DTAA in his country. Non Residents have over last few years entered into net of tax contracts with Indian residents.

- Considering that the guidelines relating to Place of Effective Management (POEM) have still not been notified, the postponement of provisions relating to POEM by one year is a welcome step.
- Provisions regarding Country by Country reporting sought to be introduced under the Transfer Pricing provisions. This is in line with the OECD Action Plan of Base Erosion and Profit Shifting (BEPS) which is being adopted by the Government.

Jatin Dalal

"I would like to commend the Finance Minister for balancing the investment needs of a growth economy with commitments on fiscal discipline. The Union Budget focuses on investment in infrastructure and social sectors while attempting to widen the tax base. The measures announced for the rural economy should boost productivity and incomes leading to growth in consumption. Efforts to enhance the Ease of Doing Business has received a fillip with focus on simplifying tax compliance. The government has responded positively to representation from the Industry to extend the sunset date on units in Special Economic Zone on account of the gestation time taken to operationalize production units in SEZ. I applaud the efforts to increase the use of technology in e-governance as well as steps taken towards Digital Inclusion. I welcome the special patent regime which will encourage research and lead to generation of intellectual property in India." ***– Mr. Jatin Dalal, Chief Financial Officer, Wipro Limited.***

***Mr. Danish Ahmed, CEO, Shopsity, one of a kind O2O (Online to Offline) retail model. Danish Ahmed is also known for co-founding Yebhi.com***

*"Allowing retailers to open 24×7 is a very good move, in an otherwise regular budget. This will enable retailers to compete better with ecommerce stores and cater to more late night shopping. In the middle east, shopping between 8pm to 12am contributes significantly to overall sales and similar trends will develop in India, boosting overall retail, specially in summers."*

**Mr. Prasoon Gupta, Founder and Director, Sattviko.**

*" 100% deduction on profits for startups for 3 years will not help them much as not all the startups earn profits initially. Entrepreneurship, Education, training to be provided through Massive Open Online Courses will help the aspiring entrepreneurs from remote areas, who don't get sufficient knowledge and guidance. Many sunrise industries including tourism and hospitality were expecting sector specific announcement in this budget"*

**Mr. Kishore Ganji, Serial Investor, Founder & CEO, Zip.in**

*"The news about 100% FDI in food products produced and marketed in India spells a ray of hope for the food industry and the online grocery sector in particular. In the midst of farmer unrest, this development will successfully address their concerns by ensuring that their fruits and veggies get the right price and are delivered to the final sale points in the markets without any glitches. With the intervention of FIPB, the food processing industry and trade will surely see a boost. Keeping all this in mind, we're sure we will be able to add more home-grown products on our platform that were originally losing out due to poor publicity and management."*

**Virender Aggarwal, CEO, Ramco Systems:**

Mr. Virender Aggarwal,

Managing fiscal deficit while addressing sectoral needs has been the focus of this year's budget. From reforms to uplift Agriculture to providing education and healthcare, focus is on the common man. It is encouraging to see the thrust placed on Infrastructure. Good infrastructure is key to attract global investment and better rail and road connectivity will also give a boost to organized Logistics.

As an indigenous software product firm, we welcome the government's move on royalty for patent developed and registered in India. This will drive organizations to file more patents and monetize their R&D investments. Also exempting 100% of profits for startups involved in innovation development in technology will boost the product ecosystem to flourish. Ramco, being a provider of Aviation solutions, is also happy to note an action plan being drawn out to revive the unserved and under-served airports.

**Dr Sanjiv Agarwal, Founder and CEO, Diabetacare**

With over 20 years of entrepreneurial experience in the field of healthcare in India and the UK, Dr. Sanjiv Agarwal has a brilliant knack of understanding the healthcare needs of the consumer. The gaps and voids he noticed in diabetes management programs in India led him to establish Diabetacare, a 24×7 diabetes care service that utilizes mobile technology to manage and monitor diabetic patients' health.

Dr Sanjiv is the Founder and CEO of Diabetacare, a first-to-market service that bridges the gaps in current diabetes management in manner that is efficient, effective and affordable.

Dr Sanjiv began his entrepreneurial journey in healthcare by establishing 4 Ways Healthcare to provide 24*7 Radiology Reporting service to NHS Hospitals across UK. The venture turned out to be a huge success within 6 years of establishment. This marked the beginning of his journey of setting up several successful technology enabled healthcare ventures across UK & India.

Dr Sanjiv then took the initiative to set up provision of core Clinical Dermatology Services to wider NHS in partnership with Hertfordshire Community NHS Trust. The set up involved services starting from development of Dermatology Electronic Medical Record System, Staff training & accreditation programme along with setting up of Clinical Processes & Quality Initiatives.

Glaring gaps in diabetes management programs then led him to turn his attention to diabetes care. He divested from his business in 2012 and invested in a social enterprise 'Apnee Sehat', a spinoff of Warwick University Ventures set up to increase awareness of Diabetes among South Asians living in the UK. Under the venture, he has also set up Diabetes Education arm providing UK University Accredited courses for physicians, nurses & nutritionist focusing on Middle East and Indian subcontinent market.

Dr Sanjiv completed his MSc from King's College in London, while obtained his MBBS, MD at King George's Medical College, Lucknow. He also has a degree in MBA from Cranfield University. Besides the initiatives taken by him, he is also serving as a Fellow of the Royal Society of Medicine and a Member of the Royal College of Physicians.

Despite his deep involvement in diabetes awareness programs and mainstream Primary Care Diabetes Services to wider masses, he spends 20% of his time in Direct Patient care as Clinical Lead in Dermatology for Hertfordshire NHS in the UK.

**Poonam Muttreja,Executive Director, Population Foundation of India**

Many of the announcements in the health budget are very welcome. The allocation for health in this budget has been increased by 22% over the previous year's budget estimate to Rs. 39,533 crores. This is a very significant move given that last year, the allocations for health were substantially reduced. More specifically, the budget for family welfare budget (which includes family planning) has been increased by 67% over previous years. Though details of eligibility are not yet known, the announcement in the budget to finance a health insurance scheme that offers financial protection of Rs 1 lakh per family is a good move. It is bound to save millions of Indians from slipping into penury due to catastrophic illnesses. The provision of 3,000 new generic drug stores is also likely to ease the availability and affordability of medicines for the poor. These are important steps towards the eventual realization of universal health coverage.

However, despite the increase in budgetary allocations this year, the under-funding of health by government remains a concern. The relative importance to health in the budget remains the same. The share of Family Welfare has increased only marginally from 4% last year to 5% of the health budget this year. The 2016-17 health and family welfare budget estimate for 2016-17 is 3.7% of the total central government budget (net of transfers to states and UTs) which is similar to last year's proportion. These increases are insufficient to offset the 54% decline in allocations by the central government to family welfare between 2013-14 and 2015-16. Much higher health allocations are necessary to carry forward the family planning agenda and reorient it towards reproductive health and rights, paying greater attention to quality and spacing methods.

This year's budget places emphasis on JAM (Jan-Dhan, ADHAR, and Mobile) as a means to ensure that social security benefits and direct cash transfers reach a large proportion of the poor. The budget's emphasis on social determinants of healthcare like sanitation and cleanliness is appreciated. However, special attention should be paid to issues of access as well as needs of the underprivileged population groups like dalits, tribals, homeless urban poor and the minorities. Similarly, changing behaviour is critical for many of the health-seeking and hygiene practices to change for the better. Unless given special attention to changing mind-sets, it could take decades to achieve better health outcomes. In the meantime, the government should give top priority to preventive and curative care at the primary level in order to speedily improve the health status of the population. A healthy workforce is a prerequisite for India to achieve many of the ambitious goals set by the NDA government to transform the nation.

**DDT exemption on REIT will be a game changer for the real estate sector.**

***Mr Surendra Hiranandani CMD, House of Hiranandani***

The budget 2016 outlined the shift in focus to the rural economy as the finance minister introduced a slew of taxes and cess to be imposed on services to help rural welfare programmes. It also reflected the government's concern and priority to improve the investment climate with a view to stimulate growth. The massive push for improvement in infrastructure including outlay for roads, railways and development of smaller airports to improve connectivity will benefit the real estate sector in the long run. The abolishment of DDT is a welcome move and will put the REIT structure in India at par with global standards. REIT listing will soon be a reality. The finance minister also announced certain other measures to bring investment into the real estate sector, while giving special emphasis on affordable housing, few long pending demands of the real estate sector were not met in the budget. Industry status to the real estate sector, single window clearance, tax concessions on home insurance premiums are some of the measures that could have significantly boosted the sentiments in the sector.

I have listed below few key points offered to the real estate sector by the government in the budget.

**Removal of Dividend Distribution Tax (DDT) on Real Estate Investment Trusts (REITs):** DDT has long been one of the biggest hurdles that made REIT financially unviable for Indian commercial stakeholders. Removal of DDT (tax levied on the dividend paid to investors) will result in a rush of investment in REITs and this could prove to be decisive for the sector. This will help developers raise funds and will also effectively address issues pertaining to transparency, liquidity and execution of property developments across the country, that will spur growth in the future.

**Boost for first time home buyers**: By introducing an additional interest deduction of Rs 50,000 on home loans not exceeding Rs 35 lakhs, and the value of homes not exceeding Rs 50 lakhs the budget has given some reason to cheer to the first time home buyers.  This could boost demand for housing in smaller cities where the cost of ownership is on the lower side. However, this will make little or no difference if one is buying a property in any metro city in India where housing prices are significantly higher. So, the relief will not make any material difference to the sector.

**Modernization of land records under digital India initiatives**: The government has provided Rs150 crores for modernization of land records which aims at ushering in the system of providing online access of land details and plugging of loopholes. This is a welcome move for the sector as the integrated land management system will not only increase the transparency in the whole system but will also expedite the process of land acquisition and enable holistic growth.

**Tax deduction for construction of affordable housing**:

The service tax exemption for developers focusing on affordable housing with unit sizes not exceeding 30 square meters in the larger cities and 60 square meters in the smaller cities is definitely a positive move and will encourage private participation as well. This will increase profits making it easier for the developer to attract foreign and domestic investments in housing projects. It is in line with the governments vision to boost affordable housing. It will be a challenge though for developers to deliver in the three year time frame given the lack of single window clearance for the projects.

**Tax relief on HRA**: The increase in reduction limit from  Rs 24,000 per annum to Rs 60,000 per annum is a welcome move and will give the much needed push to rental housing across major cities in India. It could also boost demand in the long run.

**Mr. Vishwas Shringi, Founder of Voylla.com (Omni-Channel Platform of Jewellery & Fashion Accessories)**.

"The government has made an excellent move by introducing one-day speedy registration of the companies. This will boost the number of start ups immensely. Rigid conformity to formal rules prevents action and decision-making, thereby draining energy. With Budget 2016, current red-tapism comes to an end; the energy will now go on building and growing businesses in initial inception phase."

"Imposition of 1 per cent excise duty on branded Jewelry will have a negative impact on the Jewelry Industry, as it is a already a very thin margin business."

"Government has allocated Rs 500 crore for scheduled caste, scheduled tribes and women entrepreneurs under the Stand Up India scheme. The number of job creators will go up significantly and will benefit 2.5 lac entrepreneurs. This announcement is going to convert millions of dreams into reality."

"Another big push by the government for startups is tax holiday for three of five years of setting up the company. This will help startup manage the cash well and will give a very conducive environment for them to flourish. It will help meet the working capital needs during the initial years."

"We were also hoping to hear timelines on GST, as this could be a real game changer for the industry ."

"Rural development is undoubtedly one of the major focus of this budget. A country's economy has a direct correlation with infrastructure, especially roads and I appreciate the focus on infrastructure development. In a true Modi style , this budget truly captures the essence of  fine balance of reforms and development."

"Another welcoming move by the FM is to propose a cash purse of Rs 1700 crore to build 1500 multi-skill development centers. This scheme promises to impart and develop entrepreneurial skills in one crore youth in a span of one year.", said Mr. Vishwas Shringi, Founder of Voylla.com.

**Ms. Geetha Kannan, Managing Director, The Anita Borg Institute (ABI) India**

"It seems with the nine-pillar budget our government has really gone the whole nine yards on focusing on the bedrocks of our economy. The thrust on agriculture, rural, social healthcare, infrastructure and education could

have a big push on the economic growth of India. The allocation of Rs 500 cr under the Stand-Up India scheme for SC/ST and women entrepreneurs is very positive. Now it's up to all the women entrepreneurs out there to capitalize on this opportunity. The budget still seems to fall short on benefits and incentives offered to improve the financial well-being of women who make up close to half of our population. The budget also offers very little for the individual tax payer."

**Mr. Rajiv Kumar, Founder & CEO of SolarHippo.com.**

"For the third time in row, Govt. has increased clean energy cess levied on coal, lignite and peat. Green Cess has been increased to Rs. 400 per tonne from Rs. 200 per tonne of mined coal. This would impact the input cost of thermal power producing companies. This increase in cess is going to push many energy