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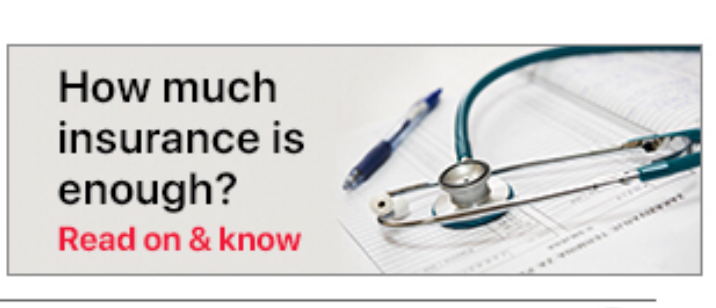
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# Budget 2019: From lowering personal income tax rate to rationalisation of GST rates, industry hopes Piyush Goyal can tackle pending issues

India FP Staff Feb 01, 2019 12:18:56 IST

- The very concept of input tax credit is central to GST, which is to prevent cascade of taxes
- Angel tax continues to be a bane for startups
- If angel tax can't be abolished, bring down the tax to 10% from the current 30%, say startup founders

Finance Minister Piyush Goyal will present the interim Budget for 2019-20 fiscal on 1 February, 2019. The finance ministry has sought inputs from different central ministries for the budget, which would be the last one of the current BJP-led NDA government before the 2019 general polls.

As per practice, a vote-on-account or approval for essential government spending for a limited period is taken in an election year and a full-fledged budget is presented by the new government.

The Narendra Modi-government scrapped the colonial-era tradition of presenting the Budget at the end of February. With the preponement of the budget, ministries are now allocated their budgeted funds from the start of the financial year beginning April.

This gives government departments more leeway to spend as well as allows companies time to adapt to business and taxation plans.

**Taxes**

**Rajesh Uttamchandani, Director, SYSKA Group**

In this year's Interim Budget, the government could look at augmenting the manufacture of such products through a further hike in import duty for this sector while reducing the tax rate for domestic manufacturing. These steps would also support the Government's 'Make in India' initiative further while reducing India's carbon footprint, in line with the country's commitment to the Paris Agreement.

**Abhishek Rastogi, Partner, Khaitan & Co**

Currently, there is a steep jump from 5 percent to 20 percent for income between Rs 5 lakh to Rs 10 lakh. Some rationalization is expected here. A decision may also be taken to lower the highest personal income tax rate from existing 30 percent to 25 percent. No major change is expected in income tax before the release of Direct Tax Code Report on February 28. The limit of Rs.1.5 lacs under Section 80C was last revised in Budget 2014-15. We can expect the government to consider revising this limit, with the due passage of time, this limit no longer holds good. An increase in section 80C limit will help provide more room for tax saving. Healthcare is another area where major announcements are expected. Considering the government's focus on introducing new healthcare projects for the poor, it would not be surprising in case the government increases tax benefit on healthcare under Section 80D.“

In terms of GST, the Finance Minister is faced with a challenge of falling GST revenues, especially in light of reduction of GST rates on a number of items. Therefore, to meet fiscal deficit targets, the existing tax base may see some reshuffle. There can be some rare relaxation in the education sector.

**Alok Dubey, CFO, Acer India**

For the year 2019, we are optimistic that this year, the Union Budget will focus more on Digital India initiative in order to shape the IT infrastructure and increase adoption of technology to encourage digitization. Last year, the Budget did not really see any major inclusions for the IT sector. We also, feel that slashing of corporate taxes will help the larger companies and help Indian entities to compete globally and attract more investment to the country. In addition to this, it would be great to see the Budget focusing on lowering the personal income tax slabs, and tax saving schemes which would lead to higher disposable income and directly benefit the normal taxpayer.

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**Sanjana Desai, Chief Strategy Officer, Desai Brothers Ltd. (Food Division – Mother's Recipe)**

In the upcoming Budget we anticipate many populist changes keeping in mind the Indian consumer and their expectations. The government has always been supporting rural growth in the past and we expect this to be enhanced further this year along with greater thrust on the food processing sector which can bring in large efficiencies in the agri value chains. It will be a critical step to achieving the vision of doubling farmer incomes. We also need a bigger boost for Exports in the food processing space to compete with products from China & Thailand.

We expect the GST rates on food categories like pickle and Condiment paste to be brought down from the existing 12 percent to 5 percent bracket considering both are staples in households and consumed by all strata of population in India.

**Indruj Rai, Partner, Khaitan & Co.**

Since 2012, companies are required to pay tax on subscription money received on issuance of shares, where the subscription price is higher than the fair market value (FMV) of the shares, also known as angel-tax. Tax is payable on the differential amount. FMV is to be computed using book value method or the Discounted Free Cash Flow (DCF) method. However, there is no incidence of tax where the money is infused by a non-resident shareholder, venture capital company or venture capital funds.

**Joe Verghese, Managing Director, Colliers International India.**

If the government is looking for a silver bullet in an election year when the threat of "jobless growth" is rearing its head, injecting liquidity into the real estate/ construction industry, the biggest generator of jobs the last 25 years, is one of the most viable options. An election year interim budget is normally not something that the industry looks forward to as its agenda tends to be election focused (at the cost of industry). The industry is hoping that this year we are in for a pleasant surprise!

**Logisitics**

**Kushal Nahata, CEO & Co-founder, FarEye**

Budget 2019 should include regulations that will drive organizations to digitalise key logistics and supply chain processes. For instance, by mandating digitalization of certain key accounting, billing and logistics processes the government can ensure greater levels of compliance (especially with regards to environmental sustainability) and tackle corruption better. Also, this year's budget should highlight the current state of eWay bill adoption.

The pace of development of some crucial infrastructure remains slow. There is a need to speed up the development process of projects like the Dedicated Freight Corridor (DFC). We are also expecting announcements with regards to building integrated transportation hubs or Multi-Modal Logistics Parks.

The government can plan to introduce special windows to help logistics startups compete with large technology providers when it comes to winning government tenders. Also, there is an urgent need to simplify GST, especially with regards to the logistics industry. Once multiple types of businesses are brought under an organized trade structure, supply chain organizations will be able to deliver better value propositions to customers and hence boost revenue collections for the government. Deploying a uniform GST rate across the country is another initiative that the government needs to talk about in this year's Budget.

**Startups**

**P Venkatesh, Director, Maveric Systems**

India is becoming a growing hub for home grown start-ups. This is across some vital industries like health care, logistics, power and finance. In order to encourage that, the following can be done: Remove the Angel tax; if it cannot be abolished for whatever the reasons, bring down the tax to 10 percent from the current 30 percent; also clarify the valuation method to be applied in this which is free of ambiguity; provide tax credits for failed ventures at twice the investment; encouraging shift in investment to early stage ventures is a critical need at the moment; channel a part of the research and development spend of the government to this sector and thereby encouraging new startups.

**Vipul Singh, CEO and Co-founder, Aarav Unmanned Systems**

The government should have special attention on small scale manufacturing industry including startups which are making unique hardware products in India. Ministry of Civil Aviation has done a fantastic job by bring a very pragmatic drone regulation and has gone further to even put down a 10 year roadmap for the Industry. Since the drone Industry in India is very small and mostly run by very small startups, govt. should announce Special Drone VC fund, R&D grants, tax exemptions, export benefits and infrastructure development grants for startups and SMEs to help the domestic industry grow faster than the global counterparts and serve not only the domestic market but the global market.

**Rahul Singh, president, NRAI, Founder, The Beer Cafe**

The restaurant industry has been one of the most heavily regulated and taxed industry, and we eagerly awaited the implementation of GST. However, denial of input tax credit ( ITC ) has eroded financials and halted future expansion. The very concept of ITC is central to GST, which is to prevent cascade of taxes. Denying the benefit of ITC goes against the very grain of GST and has resulted in double taxation to the consumer. This has also resulted as a retrograde to our intention of bringing in all players into the organised segment and we sincerely await implementation of input tax credit for the restaurant sector."

**Kamal Singal, MD & CEO, Arvind SmartSpaces**

One of the biggest expectations that the industry has from the government is the reduction in GST rates for home and other forms of real estate. This will help tremendously in the uptake of homes and bridge the existing demand and supply gap the industry is facing. Besides we expect the government to bring about measures to soften the interest rates which have been going up in the recent past. A more favourable interest rate regime will also help in reducing the pressure on the industry.

**Sachin Haritash, Founder, Mavyn Digital Trucking**

Our request to the government for this Budget would be to nominate an independent institute/entity who will be responsible for valuation of start-ups. This will result in creating a system of fair market valuation as per the standards of international market. Government validated valuation system will give confidence to international investors to invest in Indian start-ups. Creation of a single system for clearance and valuation will further boost the start-up ecosystem in India.

**Veera Swamy Arava, CEO & Director of SAT Infotech**

Technology adoption has proven to be an enable for business growth both for the economy and the sector in itself. As an Information Technology entrepreneur, I would endorse SMEs to be part of more government projects based on their skillset and areas of expertise. It is also important to enable SMEs with projects that will allow them to grow and thrive with their technical capabilities. The SMEs in the Service Industry attracts 10 percent TDS and get a refund from the IT department after 8 to 9 months of year-end closure. The money essentially is bottle-necked with Income Tax for almost 12 to 20 months. Which is why I do not see any service company in India make a profit beyond 10 percent. Finance mobilization is also very tough for SMEs. This is why it would be great to see some reduction in TDS, at least down to 2 percent this year, for the service industries.

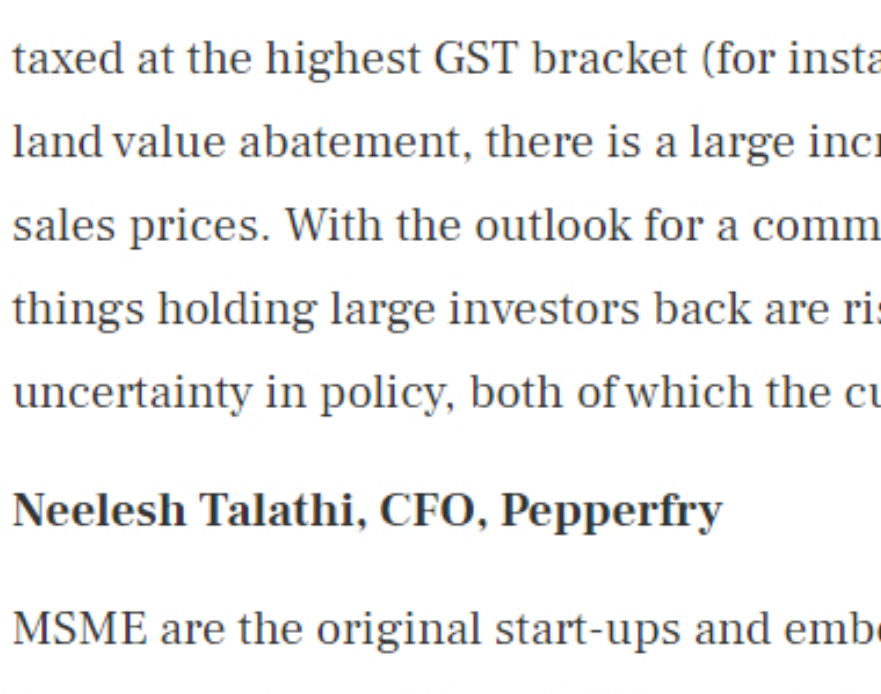
**Sanjay Lakhotia, Co-Founder, Noble House Consulting**

The HR sector is looking forward to some conducive policies during the Union Budget this year. We hope it will become easier for startups to pay salary / commissions / incentives in the form of ESOPs. Allowing startup HRs to pay out salaries to vendors, consultants, etc. will help them find the right talent and in wealth creation.

We are also looking forward to creation of equal opportunities for people with disabilities who are not part of the traditional workforce. This will ensure diversity and inclusivity at the workplace. The government should also step up efforts in the area of offering post-retirement support and benefits. Incentives towards investment in retirement savings and making schemes like NPS more attractive should also be considered.

**Vikram Chari, Founder and CEO of SmartOwner Services, India,**

The GST sought to solve the inefficiencies of multiple taxes like VAT, ST, Octroi, Stamp Duty, Registration charges, thereby reducing prices and boosting demand. Unfortunately, this streamlining has not been done in a carefully thought out manner across the project-stages and sectors - causing additional market inefficiencies in the two largest sectors: Residential and Commercial.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Residential real estate prices on projects tend to follow a straight line, as the project advances through its construction phases and risk for investors or buyers decreases. With the GST levied on under-construction projects, there is an artificial decline in demand right before the Completion certificate not driven by market forces, but instead by the 12 percent GST that will no longer be applicable after the CC. At a lucrative stage where the project risk is minimal, this 12% tax hurts all stakeholders equally. Builders face a shortage in funds and need to secure financing at a much higher cost of capital. This expense needs to be passed on to home buyers, increasing their prices.

Commercial real estate has been affected by the fact that GST paid on construction costs cannot be offset against the GST on sales. Coupled with volatile construction material inputs taxed at the highest GST bracket (for instance 28 percent on cement), and lack of clarity on land value abatement, there is a large increase in developer costs that will have an impact on sales prices. With the outlook for a commercial property being extremely bright, the only 2 things holding large investors back are risks due to inefficiencies in the value chain and uncertainty in policy, both of which the current GST regulations suffer from.

**Neelesh Talathi, CFO, Pepperfry**

MSME are the original start-ups and embody the spirit of entrepreneurship. Absence of free-flow access to capital and higher cost of doing business have been core struggles for this sector. Earlier in September 2018 Finance Ministry has launched a web-based portal to make loans available to MSME within 59 minutes. Likewise, in the past weeks, RBI has made changes to its policies on risk assessment for MSME and required banks to provide lines of credit to MSME. We would expect a continuation of the momentum in this Budget with focus to reduce interest rates/cost of borrowings to the MSME sector

Trucks in India on an average travel 200 km per day compared to 600 km per day in the developed world. This is also reflected in logistics cost in India which are around 15 percent as compared to 7-8 percent in developed world. Next avenue of growth in India is trapped in the Tier 2/3 cities in India.

**Sameer Singh, Director, Operations, Business Development and Expansion, LOTS Wholesale Solutions**

While simplification of GST compliance is already being considered by the government, the stabilization of tax rates along with a grace period for transition will aid companies in attaining operational efficiencies. Overall, retail and cash & cash carry industry have a positive outlook and policy changes that have been implemented, coupled with infrastructural support will help accelerate the growth of the sector in India.

**Sudep Singh, Chief Evangelista and CEO, GoWork**

One major challenge that still remains is the angel tax. Many start-ups face the heat of clearing this outstanding amount from the funds, which keeps them from trying their hands at innovation at a consistent pace. Also, in order to enrich the Indian market, the rate of corporate tax, which is currently at 33 percent, should be reduced significantly. Lower rates of corporate taxes are one of the major factors that attract businesses to overseas markets. (For example, in Singapore, it is charged at 17percent, making it a profitable ecosystem for businesses to sustain).

Another consideration should be easing the FDI norms for raising funds from private equity players who can strengthen the inflow for our commercial real estate verticals like office spaces, malls, hospitals and hotels. This is quintessential for the consistent growth of India's realty and construction sector.

**Amol Naikawadi, Joint Managing Director, Indus Health Plus**

NCDs are expected to comprise more than 75 percent of country's disease by 2025. Early diagnosis and timely treatment of NCDs through preventive healthcare can be helpful in reducing the burden on the OOP expenses and overall economic growth of the country.

I strongly recommend the limit of Rs 5000 on preventive health checkup under section 80D should be increased to INR 10000 per person annually, or a separate section to be created for wellness for tax reimbursement so that prevention gets its due credit. Additionally, personal genetic tests should also be included specifically in 'Healthcare' definition for GST under exemption notification act. Technologically advanced prevention tools like genetic testing can contribute in personalizing the health and wellness aspects for an individual thereby reducing the curative costs. Moreover, specific tax benefits for preventive healthcare should be given to corporates on per employee basis, so that they are motivated to invest in their employees' health and well-being.

**Aprameya Radhakrishna CEO and Co-founder, Vokal and Mayank Bidawataka, Co-founder, Vokal**

Startups are looking forward to abolish the so called 'angel tax' forever. It's been a problem for both investors and startups. I am both a startup founder as well as an investor in startups. For most angels, investing is a way of paying it forward. However, you don't want the hassle of going through some scrutiny just for investing a small amount in a startup.

As a startup, we don't expect the government to tax us for having raised angel investment. Startups are employment generators. Startup investments need to be incentivized. On the one side the government is trying to protect local businesses when it doesn't allow FDI in multi brand retail but on the other hand they are discouraging local businesses and investors by levying startup / angel tax.

I hope the government removes the startup tax in all forms from the Budget. There should be no ambiguity / subjectivity when looking at funds raised by startups. The onus is on the government to find ways to separate the few questionable transactions from the thousands of genuine startups.

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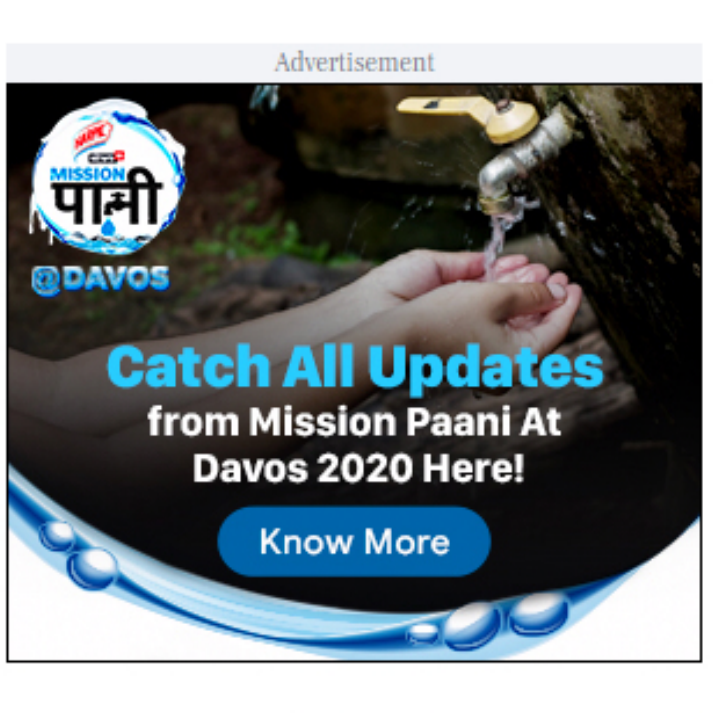
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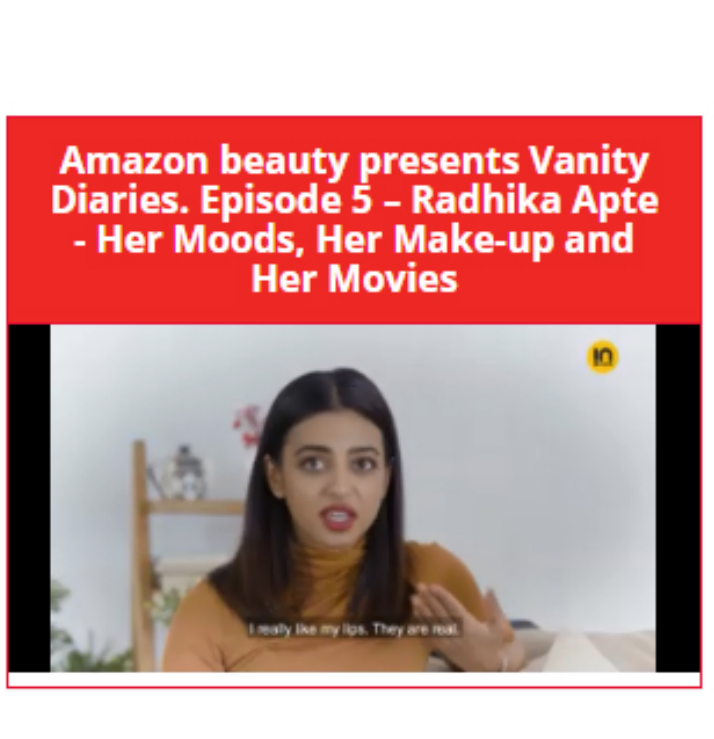
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