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How markets performed last week

	Index on Jan 31, '20	*One-week	% Chg over Dec 31, '19 Local currency	in US $
Sensex (Feb 1)	39,736	-4.5	-3.7	-3.6
Nifty (Feb 1)	11,662	-4.8	-4.2	-4.1
Dow Jones	28,256	-2.5	-1.0	-1.0
Nasdaq	9,151	-1.8	2.0	2.0
Hang Seng	26,313	-5.9	-6.7	-6.3
Nikkei	23,205	-2.6	-1.9	-1.7
FTSE	7,286	-4.0	-3.4	-3.8
DAX	12,982	-4.4	-2.0	-3.1

*Change (%) over previous week Source: Bloomberg

ECONOMY P8
CORPORATE TAX EXEMPTION TO POWER NTPC, RENEWABLES

COMPANIES P3
FM PREPARES GROUND FOR NEW ELECTRONICS POLICY

PUBLISHED SIMULTANEOUSLY FROM AHMEDABAD, BENGALURU, BHUBANESWAR, CHANDIGARH, CHENNAI, HYDERABAD, KOCHI, KOLKATA, LUCKNOW, MUMBAI (ALSO PRINTED IN BHOPAL), NEW DELHI AND PUNE

Indian nationals, stranded amid the coronavirus outbreak, board the specially-prepped Air India's B747 aircraft in China PHOTO: PTI

SECOND CORONAVIRUS CASE IN INDIA; 323 MORE EVACUATED

India on Sunday reported its second coronavirus case, with another student, who had returned to Kerala from Wuhan, testing positive. As many as 323 more Indians and seven Maldivians were brought back by air from the Chinese city, the epicentre of the outbreak, taking the number of evacuees to 654. The government also announced a temporary suspension of the e-visa facility for Chinese travellers and foreigners residing in the neighbouring country. 16

Sandeep Mathrani named WeWork CEO

WeWork, the troubled operator of shared office space, has named Sandeep Mathrani, a senior executive at Brookfield Properties, its new chief executive. The Indian-American executive replaces Artie Minson and Sebastian Gunningham, the co-chief executives. 16

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EDIT
GLIDE PATH FOR DIRECT TAX

BS COLUMNISTS

BUDGET INSIGHT OUT 2020-21

TO OUR READERS
A 12-page tabloid, 2020-21 Budget Impact, is being distributed free with today's edition

BUDGET 2020-21: THE DAY AFTER

FM's Budget goal: Lower rates, simple structure

Sitharaman disagrees with suggestions that new I-T regime is complex

INDIVJAL DHASMANA
New Delhi, 2 February

Finance Minister Nirmala Sitharaman on Sunday said the new tax regime proposed in her second Budget would ultimately lead to lower rates with simple structure.

Dismissing criticism that the new regime would not be largely beneficial to the assessees, she said, "Eventually this should lead to a system where people are taxed at the lowest possible rate and are given a simple system. I am starting a scheme, which will eventually end there. For this, I'm not forcing people." She was speaking to the media in an informal interaction a day after presenting the Union Budget in Parliament.

The FM disagreed with experts who termed the new tax regime complex and unavailing. She said the new scheme would benefit some taxpayers falling in certain brackets, if not all.

"...because the income tax cuts are deeper in the new scheme, we believe a taxpayer from a particular income bracket will be much better off coming into the new system. And in the new system, which however much I repeatedly say has no exemptions, there are some exemptions that we have allowed," Sitharaman said.

Industry experts, however, argued that two tax regimes with optionality for personal tax, as in case of corporate taxes, only make the structure more complicated. Analysts sent out data to explain how the new tax regime would not be beneficial for those who take exemptions.

But the minister said, "I believe many of the calculations have probably not taken into account the exemptions which have been allowed in the scheme."

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PHOTO: DALIP KUMAR

NRI tax to only impact India earnings, clarifies govt

SHRIMI CHOUDHARY & INDIVJAL DHASMANA
New Delhi, 2 February

In what seemed like a partial rollback, the Finance Ministry on Sunday clarified that non-resident Indians (NRIs) would be liable to pay tax only on income derived from business or profession in India.

The Union Budget had proposed on Saturday that NRIs had to pay up taxes on global earnings if they were not paying in any other jurisdiction or country, generating much debate.

The ministry said it was an anti-abuse provision amid growing instances of NRIs shifting their stay in low or no-tax jurisdiction to avoid tax payment in India.

"An NRI living in another country earns money there, which is not taxed there at all, but has some earnings through something in India and does not pay tax here either because he does not live here. What we are saying is this: For the income generated in India, pay a tax. If you have a property here that generates rental income, but because you live there, you carry this income there and pay tax neither there nor here," Finance Minister Nirmala Sitharaman said in a press briefing on Sunday.

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P4 DDT REMOVAL COULD BROADEN CAPITAL MARKET

LIC listing may take about a year: Kumar

Enterprise value of LIC is said to be about ₹36 trn

SOMESH JHA
New Delhi, 2 February

The listing of Life Insurance Corporation (LIC) will likely take about one year and the government is not willing to sell more than 10 per cent stake in the insurance behemoth.

"We are already in touch with the Department of Investment and Public Asset Management (DIPAM) to understand all the processes involved. The LIC Act will have to be amended. It's not possible to do it in six months and may take around one year," Finance Secretary Rajiv Kumar said in a media interaction on Sunday.

Kumar said the idea behind the listing of LIC was to "bring in more transparency and allow the company to share gains with its stakeholders". "It is very important as it will bring in the disclosure norms," he said.

The sovereign guarantee for all policies issued by LIC will continue, the secretary added.

A top government official said the enterprise value of LIC was roughly ₹36 trillion "according to the latest figures in the balance sheet". The official said the government might not dilute "more than 10 per cent" in LIC. "It will certainly be less than 10 per cent," the official added.

The government might seek exemption from the Securities and Exchange Board of India (Sebi) to offload less than 10 per cent in the initial public offer (IPO).

All companies are required to offer at least 10 per cent in the IPO.

Finance Minister Nirmala Sitharaman had announced a stake sale in LIC through an initial public offer in the Union Budget of 2020-21.

The government aims to mop up ₹90,000 crore from the listing of LIC and stake sale in IDBI Bank. The government currently owns 100 per cent in LIC.

On the stake sale of IDBI Bank, which is substantially owned and controlled by LIC, Kumar said the government was exploring various options, including a strategic stake sale. The government currently holds around 46 per cent in IDBI Bank.

"It is proposed to sell the balance holding of the government in IDBI Bank to private, retail and institutional investors through the stock exchange," Sitharaman said during her Budget speech on Saturday.

IDBI Bank had become a private bank last year when LIC acquired a controlling stake in it.

THE IDEA BEHIND THE LISTING OF LIC IS TO BRING IN MORE TRANSPARENCY AND ALLOW THE COMPANY TO SHARE GAINS WITH ITS STAKEHOLDERS

RAJIV KUMAR,
Finance Secretary

PAGE 2 LIC'S ROAD TO BOURSES MAY BE ROUGH
PAGE 11 EDIT: DISINVESTMENT DYNAMICS

SECRETARY-SPEAK

"WE EXPECT A SUBSTANTIAL AMOUNT OF REVENUE TO COME IN FROM DISPUTE SETTLEMENT SCHEMES, INCLUDING SABKA VISHWAS"

ATANU CHAKRABORTY,
DEA secretary

"MOST PEOPLE TAKE TAX EXEMPTIONS UP TO ₹1 LAKH. IF THEY DECIDE TO CHOOSE THE NEW TAX REGIME, THEY WILL BE GAINER"

AJAY BHUSHAN PANDEY,
Revenue secretary

"4 BIG PRIVATISATION TRANSACTIONS — AIR INDIA, BPCL, SHIPPING CORP & CONCOR — COULD BE CONCLUDED IN THE FIRST HALF OF THE NEXT FISCAL YEAR"

TUHIN KANTA PANDEY,
DIPAM secretary

Q&A FULL INTERVIEWS PAGE 9

Markets in for near-term volatility

JASH KRIPLANI
Mumbai, 2 February

Market participants are expecting near-term volatility with the Union Budget skipping sector-specific stimulus packages for stressed segments such as real estate and non-bank financial services, and failing to meet domestic investors' expectations on relaxing long-term capital gains (LTCG) tax.

Experts say selling pressure on the stock market may continue on Monday, even though $173-billion liquidity infusion by China's central bank to boost its economy could provide some cushion.

On Saturday, the benchmark indices closed near their day's lows, indicating further selling pressure on the following trading day. The Sensex ended 988 points, or 2.43 per cent, lower at 39,736 points, while the Nifty50 fell 300 points, or 2.51 per cent.

"The market was expecting the Budget to do more, given the domestic economic slowdown and global uncertainty. Over the next few days, the market is expected to absorb the volatility," said Gaurav Dua, head of capital market strategy of Sharekhan by BNP Paribas.

Foreign brokerages expect the risk-off stance to continue at least in the short term. "In the near term, the markets may gravitate back towards large-cap quality and defensive stocks. However, in the medium term, we expect equities to be largely driven by underlying mid-teens earnings growth," said Goldman Sachs in a note.

The broking house has maintained the Nifty target of 13,000 by the end of 2020.

Market experts say they are likely to be in the wait-and-watch mode as volatility can take a few days to subside.

"Too early to say whether Budget Day volatility was a one-day event. We will have to see the market reaction this week as several institutional investors, especially foreign portfolio investors (FPIs), may not have participated as it was a Saturday," said Krishna Sanghavi, chief investment officer (CIO) at Mahindra Mutual Fund.

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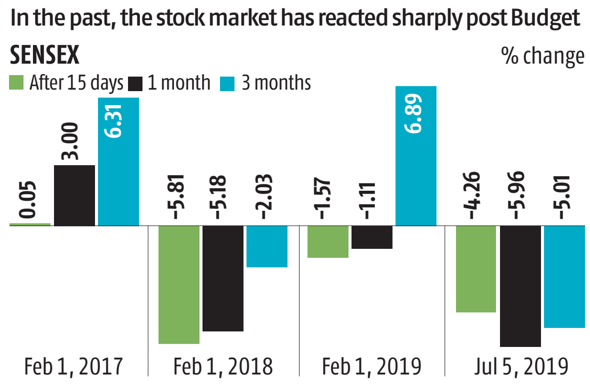
LINGERING EFFECT
In the past, the stock market has reacted sharply post Budget



Source: Exchanges

Companies may change dividend policy after Budget changes

Likely to explore alternative ways, including buybacks, to pay back shareholders

DIVIDEND INCOME OF KEY PROMOTERS

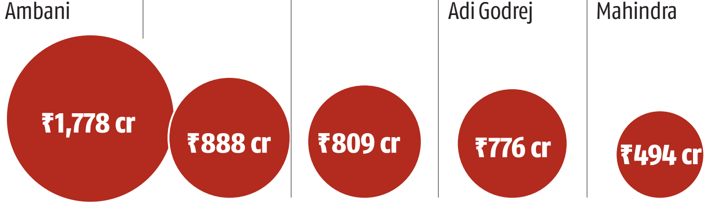
RELIANCE INDUSTRIES
Mukesh Ambani

BAJAJ AUTO
Rahul Bajaj

BHARTI AIRTEL
Sunil Mittal

GODREJ CONSUMER PRODUCTS
Adi Godrej

TECH MAHINDRA
Anand Mahindra



Source: Capitaline, Business Standard calculations

SACHIN P MAMPATTA & SAMEER MULGAONKAR
Mumbai, 2 February

Indian companies may well change the way they return capital to shareholders after alternations in dividend tax policy.

An analysis of S&P BSE 500 companies suggests that promoters of Indian private-sector companies in particular could end up paying at least 20 per cent more as additional tax on the same dividend income.

They are likely to explore alternative ways, including buybacks, to pay back shareholders, according to experts.

The Union Budget on Saturday said dividends would be taxed in the hands of shareholders.

This means that promoters who are taxed at the highest rate could end up paying as much as 42.7 per cent on the dividend they receive. Dividend distribution tax (DDT) was around 20.56 per cent. The company deducted the tax before distributing the amount to shareholders before the change.

The government has said the revenue foregone because of DDT removal would be ₹25,000 crore, but most promoters in the S&P BSE 500 may end up paying higher tax on their dividends, according to the data examined by *Business Standard*. The analysis eliminated government-owned companies from the list of S&P BSE 500 companies because both taxes and dividends go to the government in their case.

Multinational companies too may benefit and were eliminated. This left 387 companies on the list. These companies paid 20.56 per cent tax on dividend as dividend distribution tax under the old regime.

A tax-efficient move would be to hold the shares in a corporate structure. This would still entail a tax rate of 25.17 per cent. This would increase the tax outgo by a fifth more than they paid earlier.

Promoters holding shares in non-corporate form may have to pay as much as 42.7 per cent tax, which is the marginal rate of tax, assuming they have an annual income of over ₹5 crore. This would be around a third more than the current dividend tax for both company and promoter combined. While individual decisions on tax planning may affect the numbers, broadly the tax outgo for promoters seems likely to rise.

"Promoters might have to pay significantly higher taxes on dividends than before. The stake held through a corporate structure will be subject to a lower 25.17 per cent rate though ownership through a trust will be taxed at the higher rate. Interestingly the share buyback route becomes more attractive because the 20 per cent buyback tax remains untouched," said Rajesh H Gandhi, Partner, Deloitte Haskins & Sells.

Pranav Sayta, National Leader, International Tax & Transaction Services, EY India, said the move helped foreign investors claim credit for taxes paid against what they may owe in their home jurisdictions.

For the government, collection becomes more challenging as the onus for tax collection shifts from a relatively small number of companies to a significantly larger number of shareholders.

"It is not as simple to administer," he said.

He added the tax on the dividend income of overseas investors who are eligible for treaty benefits would not exceed the applicable dividend withholding tax in accordance with the relevant treaty.