

INCOME TAX RELIEF FOR DOMESTIC COMPANIES

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Public Finance, Taxation & Black Money incl. Government Budgeting

“The MAT rate of 18.5% along with surcharges used to be around 21% or 22%. Now that basic MAT rate has been reduced to 15%, and once you add up the surcharges, that comes to around 17% in the new regime,” he said.

The Finance Minister said that following these changes, India is at par and comparable with the lowest tax rates in South East Asian countries. “In the face of global headwinds, this puts India right up on the map as a forward-looking, business-friendly and competitive operating environment,” said Naveen Aggarwal, partner and chief operating officer, Tax, KPMG in India.

Firms now availing income tax exemptions and incentives, can opt for the new concessional tax regime with a headline tax rate of 22% after the expiry of their existing tax holidays or exemption periods.

“This option, once exercised, cannot be withdrawn, so as to ensure there are no flip-flops,” Ms. Sitharaman said.

The Minister said that foreign investors could also avail the new tax rates, provided they have an establishment in the country or are investing equity into an Indian firm.

Responding to concerns about the impact of the foregone revenue on the Centre’s fiscal deficit target of 3.3% of GDP for 2019-20, Ms. Sitharaman said: “We are conscious of the impact this will have. We will be taking all concerns on board to reconcile how the situation is now and how to take it forward.” She stressed that economic buoyancy “itself will generate more revenue generation through higher incomes and the tax basket would widen.” The larger idea behind the exercise, the Minister said, is to eventually phase out all exemptions and incentives. On the other hand, surcharges on income tax will be eased out too, she hinted, in response to a query.

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