

Corporate tax cut: Modi govt gives big relief to India Inc, slashes rate to 22% from 30%

Corporate tax cut: Sitharaman announced that a domestic company can pay income tax at 22% if they don't seek any exemption or incentives. The effective tax rate will be 25.17% inclusive of all surcharges and cess for such domestic companies.

Finance Minister Nirmala Sitharaman Friday proposed to slash corporate tax rate for domestic firms and new domestic manufacturing companies. The finance minister said this at a press conference in Panjim, Goa.

The current corporate tax rate has been brought down to 22% from 30%. The effective tax rate will be 25.17% inclusive of all surcharges and cess for such domestic companies. For new manufacturing companies the existing tax rate is 25% which has been brought down to 15%. The effective tax rate after surcharges and cess will be 17%.

"In order to promote growth and investment, a new provision has been included in the Income Tax act, that allows any domestic companies an option to pay income tax at the rate of 22% without exemptions. Amendments will be made through an ordinance to IT Act. These companies will not be required to pay MAT," said Sitharaman in a press conference ahead of the GST Council meet in Goa.

Sitharaman announced companies which pay income tax at 22%, without any exemption or incentives, will not be required to pay Minimum Alternative Tax. Making the announcement, the finance minister said the new tax rate will be applicable from the current fiscal which began on April 1.

Sitharaman said that the revenue foregone on reduction in corporate tax and other relief measures will be Rs 1.45 lakh crore annually. This, she said, is being done to promote investment and growth.

"Tax concessions will bring investments in Make in India, boost employment and economic activity, leading to more revenue," the finance minister said.

The government will bring in an ordinance to effect the changes in the income Tax Act and Finance Act. Sitharaman further said companies can opt for lower tax rate after expiry of tax holidays and concessions that they are availing now.

The government has also decided to not levy enhanced surcharge introduced in Budget on capital gain arising from sale of equity shares in a company liable to pay securities transaction tax (STT).

Also, an enhanced surcharge, or the super-rich tax, introduced in Budget 2019 will not apply on capital gains arising from sale of any security including derivatives in hands of foreign portfolio investors (FPIs). In another relief, the minister said listed companies which have announced buyback of shares prior to July 5, will not be taxed.

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