

# Expand tax incentives to include all service sectors: CII

The Confederation of Indian Industry (CII) today demanded that the coming Budget expand tax incentives for mergers and acquisitions to all services sectors.

“Tax benefits under Section 72A of the Income Tax Act in respect of mergers and amalgamations, currently limited to industrial undertakings or to select services such as shipping, hotels, aircraft or banking, should be extended, to all businesses — telecom, financial services, entertainment, sports, information technology and IT-enabled services,” CII said in a pre-Budget memorandum.

The objective of Section 72A is to make business operations tax-neutral encourages the amalgamation and restructuring of a company or firms by allowing set-off or carrying forward of unabsorbed depreciation and accumulated business losses.

CII said the use of the term 'industrial undertakings' has excluded a large number of business activities, including those operating in crucial services sectors from the benefits.

The services sector, which has emerged as an important player in the economy and contributes significantly to India's GDP, is also engaged in a restructuring exercise to realise synergies through consolidation, CII said. As such, benefits under Section 72A should be extended to this segment as well.

A re-look at this provision would help revive sick units and help them re-position their business operations to suit current market conditions, it said.

CII also said de-mergers or the division of a single entity into two or more enterprises are equally important as a key business strategy to promote specialisation in a particular segment. As such, similar incentives should be made available for a demerged entity.

*(Business Standard)*