

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2583  
ANSWERED ON:18.03.2005  
REDUCTION IN CORPORATION TAX  
Khairi Shri Chandrakant Bhaurao

**Will the Minister of FINANCE be pleased to state:**

- (a) whether there has been a demand for reduction of corporate tax rate;
- (b) if so, the details thereof;
- (c) whether the Government is likely to reduce the dividend distribution tax on companies and from 12.5 percent to 10 percent;
- (d) the impact of reduction of corporate tax and dividend distribution tax in terms of galvanising the market;
- (e) whether the Government is likely to take a final view on the recommendations of Ashok Lahiri Committee on raising FII limits in select sectors; and
- (f) if so, the outcome thereof?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE: (SHRI S.S. PALANIMANICKAM)

- (a) Yes Sir.
- (b) Demands for reduction of corporate tax rate has been received from various industry and trade associations including NASSCOM, ASSOCHAM, FICCI, CII etc. In the Finance Bill, 2005 it has been proposed to reduce the corporate tax rate for domestic companies from 35% to 30%.
- (c) There is no proposal in the Finance Bill, 2005 to reduce the dividend distribution tax.
- (d) The reduction in the corporate tax rate is likely to have a favorable impact on the market and act as an incentive to growth of trade and industry.
- (e) & (f) A report on the subject by the Committee is under examination of the Government.