GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE

**LOK SABHA**

**UNSTARRED QUESTION NO. 177**

TO BE ANSWERED ON MONDAY 18TH NOVEMBER, 2019 KARTIKA 27, 1941 (SAKA)

## CORPORATE TAX

177. SHRI VINAYAK RAUT:
SHRI GAURAV GOGOI:
ADV. ADOOR PRAKASH:
SHRI SHRIRANG APPA BARNE:
SHRI CHANDRA SEKHAR BELLANA:
SHRI ADALA PRABHAKARA REDDY:
DR. DNV SENTHILKUMAR S.:
DR. HEENA GAVIT:
SHRI HEMANT SRIRAM PATIL:

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has reduced corporate tax rates to 22% from 30% and if so, the details thereof along with the aims and objectives behind this move;

(b) whether the Government has made any assessment of the impact of reduction in corporate tax on Indian economy/revenues and if so, the details and the findings thereof;

(c) whether it is true that Rs. 1.45 lakh crore corporate tax giveaway is likely to widen fiscal deficit and if so, the details thereof along with the measures taken to address the issue of fiscal deficit/revenue deficit by corporate tax cut and reverses lowing economic growth in the country;

(d) the details of corporate tax collection both in absolute terms and in terms of percentage of GDP in India and other countries during the last five years;

(e) whether the corporate tax in India is still higher than that prevalent in the neighbouring countries and if so, the details thereof and the reasons therefor; and

(f) whether the Government has received requests to further reduce the corporate tax and if so, the details thereof along with the action taken by the Government thereon?

## ANSWER

THE MINISTER OF STATE IN MINISTRY OF FINANCE
(SHRI ANURAG SINGH THAKUR)

(a) Yes sir. With an intent to attract fresh investment, create jobs and stimulate overall economic growth, The Taxation Laws (Amendment) Ordinance, 2019 (Ordinance) promulgated on 20.09.2019 amended the Income-tax Act, 1961 (the Act) and the Finance (No.2) Act 2019 (Finance Act) to, *inter alia,* reduce the corporate tax rates such that section 115BAA inserted in the Act read with section 2 of the Finance Act provides that an existing domestic company may pay tax at 22% plus surcharge at 10% and cess at 4%, if it does not claim any incentive, deduction. They would also not be subjected to Minimum Alternate Tax (MAT).

Further, section 115BAB has also been inserted in the Act to provide that a domestic company (set up on or after 1st October, 2019) engaged in manufacturing or production of any article or things and research in relation to, or distribution of, such article or thing manufactured or produced by it, and commencing manufacturing by 31st March, 2023, may opt to pay tax at 15% plus surcharge at 10% and cess at 4%, if it does not claim any incentive, deduction. They would also not be subjected to MAT.

Also, in order to ease the burden of MAT on the companies which continue to avail incentives, amendment in section 115JB of the Act has been carried out to reduce the existing general rate of MAT from 18.5% plus surcharge and cess to 15% plus surcharge and cess.

(b) & (c) The above measures are expected to result in revenue loss of Rs. 1,45,000/- cr. The revenue loss has been estimated using data maintained by the Income-tax Department regarding income declared by domestic companies and tax paid by them in earlier years and expected growth rate of GDP.

The stimulus provided by the corporate tax cuts is expected to have a multiplier effect in the economy. Fresh investment into India are expected to not only result in new job creation but also lead to increased incomes and hence increased tax collection in the medium to long run.

Various steps are also being undertaken for widening and deepening of the tax net to boost revenue collections.

(d) The corporate tax collection, GDP and corporate tax/GDP ratio in India for the last five years has been tabulated as under:

| Financial Year | Corporate Tax Collection (Rs cr) | Corporate Tax/GDP (%) |
|---|---|---|
| 2014-15 | 4,28,925 | 3.42 |
| 2015-16 | 4,53,228 | 3.34 |
| 2016-17 | 4,84,924 | 3.16 |
| 2017-18 | 5,71,202 | 3.34 |
| 2018-19 | 6,63,571 | 3.49 |

Time Series Data released by CBDT

The corporate tax to GDP ratio in some other countries over the past few years is tabulated below:

| Financial Year | Corporate Tax/GDP (%) | | | | |
|---|---|---|---|---|---|
| | Philippines | Indonesia | Malaysia | Thailand | Singapore |
| 2014-15 | 4.14 | 2.92 | 8.34 | 4.91 | 3.47 |
| 2015-16 | 4.28 | 2.69 | 6.51 | 4.61 | 3.4 |
| 2016-17 | 4.26 | 2.31 | 5.86 | 4.27 | 3.32 |
| 2017-18 | - | - | - | - | - |
| 2018-19 | - | - | - | - | - |

OECD Stats (data for 2017-18 and 2018-19 not available hence blank)

(e) The corporate tax rates of ASEAN countries are provided as under:

| **Country** | **Tax Rate (%)** |
|---|---|
| Philippines | 30 |
| Indonesia | 25 |
| Myanmar | 25 |
| Laos | 24 |
| Malaysia | 24 |
| Cambodia | 20 |
| Thailand | 20 |
| Vietnam | 20 |
| Brunei | 18.5 |
| Singapore | 17 |
| Timor | 10 |
| Average | 21 |

A comparison of the corporate tax rates of ASEAN countries in the above table with the reduced corporate tax rate listed in the answer to part (a) above shows that the corporate tax rate is lower in India than corporate tax rate in most ASEAN countries.

(f) Every request received by the Government is examined during the preparation of the Finance Bill and the response thereto gets reflected in the Finance Bill which is introduced in the Parliament.

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