GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE
LOK SABHA
UNSTARRED QUESTION NO. 2123

TO BE ANSWERED ON MONDAY 2ND DECEMBER, 2019 AGRAHAYANA 11, 1941 (SAKA)

REVENUE LOSS

2123. SHRIMATI S. JOTHIMANI:

Will the Minister of FINANCE be pleased to state:

(a) the estimated revenue loss due to the reduction in corporate tax rate and other relief under Taxation Laws (Amendment) Ordinance, 2019;

(b) the details of the adverse impact of the corporate tax cuts on the fiscal deficit;

(c) the number of companies benefitted under Section 115BAA and Section 115BAB; and

(d) whether the companies will actually have any advantage after the corporate tax cut after considering that tax exemptions or deductions are disallowed and if so, the details thereof?

ANSWER

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

(a) The estimated revenue loss due to the reduction in corporate tax rate and other relief under Taxation Laws (Amendment) Ordinance, 2019 is Rs 1,45,000/- cr.

(b) The FD target for 2019-20 has been budgeted at ₹7,03,760 crore (3.3 per cent of the GDP) as per Regular Budget 2019-20. The Government manages its Fiscal Deficit through regular assessment of revenues and expenditure with all the Ministries / Departments of the Government of India. A half-yearly review of fiscal deficit targets is undertaken by the minister-in-charge of the Ministry of Finance of the trends in receipts and expenditure in relation to the budget and the outcome is placed before both Houses of Parliament as per Section 7 (1) of the FRBM Act, 2003.

Analysis of expenditure progress in the first Half of FY 2019-20

Total expenditure for BE 2019-20 is estimated at ₹27,86,349 crore. The actual expenditure in the first half of 2019-20 is 53.4 per cent of BE (₹14,88,619 crore) which is the same as Comparative Period of Previous Year (COPPY) as a percentage of GDP. Total revenue expenditure incurred in H1 of 2019-20 was 53.1 per cent of BE, which is marginally lower than COPPY (53.3 per cent of BE), implying that budget control has been exercised to a great extent to ensure that expenditure is kept under control.

Some measures taken for expenditure management and control are -

Budget Management: Assessment of Revised estimates for the Budget is being done strictly factoring the unspent balances lying with Implementing Agencies. Budget ceilings will be rationalised on the basis of above.

Rationalisation of Schemes through merger of scheme / sub-schemes with similar objectives within Ministries and across Ministries.

Rationalisation of Autonomous Bodies by creating environment for increase in user/Service charges and fees levied by ABs and gradual reduction of GoI support.

Cash Management: Ensuring Just in time releases to grantee/Implementing Agencies (IAs) under Central Sector, and Centrally Sponsored schemes.

Realistic projection of demands and planning within budget through providing rolling expenditure allocations in the medium- term through Medium-Term Expenditure Framework Statement.

(c) There is always a time lag between announcement of policy measures and the impact of such measure.

(d) The Taxation Laws (Amendment) Ordinance, 2019, promulgated on 20th September, 2019, *inter alia*, reduced corporate tax rates applicable to domestic companies to provide 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).
- 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.
- in order to ease the burden of MAT on the companies which continue to avail incentives, the existing general rate of MAT has been reduced from 18.5% plus surcharge and cess to 15% plus surcharge and cess.

2. Hence, any domestic company can choose the option to be taxed at concessional rates if it finds that the concessional taxation regime is beneficial to the company. As has already been mentioned above, for the companies which opt to continue to avail incentives/deductions, the existing general rate of MAT has also been reduced from 18.5% plus surcharge and cess to 15% plus surcharge and cess.
