



CORPORATE TAX CUT A BOOSTER DOSE TO THE ECONOMY

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Having a close watch and monitoring to the economic growth of the country and way forward to the vision of Honorable Prime Minister of the 5 trillion economy, Union Government announced a slew of tax exemptions at the GST Council Meeting.

Government slashed corporate tax rate for domestic companies and new local manufacturing companies through an ordinance. This was done at the right time when Honorable Prime Minister was on his historic visit to the United States to negotiate investment deals and to offer a very reliable and tax friendly environment to the foreign investors in India.

To do so the government slashed effective corporate tax to 25.17 per cent inclusive of all cess and surcharges for domestic companies. The new tax rate will be applicable from the current fiscal year 2019-20.

In effect, the corporate tax rate will be 22 per cent for domestic companies, if the assessee do not avail any incentive or concession. The changes in the Income Tax Act and Finance Act have been made effective through an ordinance passed very recently. The companies opting for 22 per cent income tax slab would not have to pay minimum alternative tax (MAT).

With this reform new domestic manufacturing companies incorporated after October 1, can pay income tax at a rate of 15 per cent without any incentives, meaning, the effective tax rate for new manufacturing companies will be 17.01 per cent inclusive of all surcharge and cess. There are other measures also that the government has decided not to levy enhanced surcharge introduced in Budget on capital gain arising from the sale of equity shares in a company liable for securities transaction tax (STT). In another relief, the companies which have announced a buyback of shares prior to July 5, will not be charged with super-rich tax. The companies have now also been permitted to use their 2 per cent CSR spend on incubation, IITs, NITs, and national laboratories.

This is expected to result a revenue impact of be approx. Rs 1.45 lakh crore annually. This, has been done to promote investment and growth in the country. It is clear and right stand of the government to incentivize the economy so that the benefit of the tax cut will reach directly to the economy and that too much early than otherwise it could pass through the

government after collection of taxes. Tax concession of this nature will bring investments in Make in India, boost employment and economic activity, leading to more revenue, which is expected to go quite consistent with the vision of forecasting economy at a level of five trillion.

The new corporate tax cuts are expected to boost economic growth and ultimately a good contribution to the GDP of the Country. This will impact India's fiscal deficit but the close monitoring of the economy by the government which is a positive sign under current circumstances is important that a corrective action will be taken at the right time. What is important and credit worthy that the economy is being watched and monitored properly. This tax cut is over whelmed by both red Sensex and Nifty with green and smiling colours immediately after the announcement by the Government. This is further welcomed by the Maruti Suzuki India Ltd with an immediate price cut which will result more happiness to the auto buyers this fiscal and festive.

I urge for a slight tax rate cut of Individuals comprising of salaried class and sole proprietary concerns for further incentivizing economy, leading increase in purchasing power and more in the pockets of the individual consumers for spending further for a quite early colorful festive time this **DIWALI**.