GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE

LOK SABHA
UNSTARRED QUESTION NO. 1019

TO BE ANSWERED ON FRIDAY THE 8TH FEBRUARY, 2019
19 MAGHA, 1940 (SAKA)

"CORPORATE TAX"

1019: SHRI SANJAY DHOTRE;
SHRI BHARTRUHARI MAHTAB;
SHRI RAHUL SHEWALE

Will the Minister of FINANCE be pleased to state:

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

(b) whether the Government has conducted any study to ascertain the impact of such high corporate tax on the competitiveness of the Indian Corporate Sector in the international market, if so, the details and the outcome thereof and if not, the reasons therefor;

(c) whether the Government has received requests/representations from various quarters in this regard, if so, the details thereof along with the action taken/being taken by the Government on such requests/representations so far; and

(d) the other steps taken/being taken by the Government to give the conducive infrastructure to the Indian Corporate Sector to make them competitive in the International market?

ANSWER
MINISTER OF STATE IN THE MINISTRY OF FINANCE:
(SHRI SHIV PRATAP SHUKLA)

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(a) The Corporate tax rates in India vis-a-vis neighbouring countries is given in the Annexure. In this regard, it may be mentioned that the headline corporate tax rate of a country, per se, is not comparable to the corresponding rate of other countries unless a proper comparison of tax base is also made. The comparison of the tax base will depend on various factors which, inter alia, include the level and nature of exemptions and deductions available in the tax code of respective countries.

(b) The CBDT is not in the possession information as to whether any such study has been undertaken by the Government. However, this question of higher corporate tax adversely affecting competiveness in the international market does not arise in view of reply given above.

(c) & (d) The Government keeps receiving the requests/ representations from various stakeholders requesting for reduction/ rationalisation of the tax rates. In this regard, it may be mentioned that

(i) In the budget speech 2015, it was stated that the Corporate Tax rates would be reduced from 30 percent to 25 percent over the next 4 years along with phasing out of exemptions and deductions. In line thereof, a detailed plan for phasing out tax exemptions and incentives was laid out as the reduction in corporate tax rate had to be calibrated with additional revenue expected from the incentives being phased out.

(ii) Accordingly, as the benefits from phasing out of exemptions being available to Government only gradually; in the first phase, following two changes were made in corporate income-tax rates through the Finance Act, 2016:

(a) The new manufacturing companies which are incorporated on or after 01.04.2016 have been given an option to be taxed at 25 percent plus surcharge and cess provided they do not claim profit linked or investment linked deductions and do not avail of investment allowance and accelerated depreciation.

(b) The corporate income tax rate in respect of relatively small enterprises, i.e.; companies with turnover not exceeding Rs 5 crore (in the financial year ending March 2015), was reduced to 29 percent plus surcharge and cess for the financial year 2016-17.

(iii) This was extended vide Finance Act, 2017 to companies with a turnover of up to Rs 50 crore in FY 2015-16 and the rate of tax was reduced to 25 percent and further extended vide Finance Act, 2018 to companies with a turnover of up to Rs 250 crore in FY 2016-17 with reduced rate of 25 percent. This covers 99 percent of domestic companies.

(iv) This rate of 25 percent has been proposed to be continued through the Finance Bill, 2019 for companies with a turnover of up to Rs 250 crore in FY 2017-18."

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ANNEXURE

Sr. No.	Name of Country	Tax Rate	Remark
1	INDIA	25%	Companies with turnover less than Rs. 250 Crore.
		30%	Companies with turnover more than Rs. 250 core
2	NEPAL	20%	Companies having a source in Nepal
		25%	Bank, or financial Institution, or General Insurance etc.
		30%	Others
3	BHUTAN	30%	Entities registered under the Company's Act of the Bhutan
4	SRI LANKA	28%	Not dealing in Liquor and Tobacco
		40%	Dealing in Liquor and Tobacco
5	MYANMAR	20%	For Companies listed on the Yangon Stock Exchange
		25%	Others
6	PAKISTAN	35%	Banking, Financial Institutions etc.
		30%	Others
7	BANGLADESH	25%	For Public Companies
		35%	For Other Companies
8	AFGHANISTAN	20%	
9	CHINA	25%	Normal
		20%	For low profit enterprises