Government of India
Ministry of Finance
Department of Economic Affairs

LOK SABHA
UNSTARRED QUESTION NO. 2274
ANSWERED ON – 02.12.2019

CORPORATE SECTOR TAX SAVINGS

2274. SHRI SHANMUGA SUNDARAM K. :

Will the Minister of FINANCE be pleased to state:

(a) Whether the Government is able to fulfil its commitment to meet the fiscal deficit target this fiscal despite the huge corporate tax cut involving a revenue loss of Rs. 1.45 Lakh crores and the falling indirect tax collections;

(b) If so, what are the steps taken by the Government to augment the income from other sources;

(c) The steps taken by the Government to ensure that the corporate sector tax savings is invested in new venture or the companies will declare heavy dividend from the tax saving; and

(d) Whether the Government will demand the RBI to transfer the interim dividend which was not recommended by the Bimal Jalan Committee after the transfer of surplus reserve of Rs. 1.76 Lakh crores; and

(e) If so, the reasons thereof?

ANSWER

MINISTER OF STATE FOR FINANCE (SHRI ANURAG SINGH THAKUR)

(a) 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.

(b) 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 is being strictly exercised to ensure that expenditure is kept under control.

Measures for expenditure management -

1. 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.
2. Rationalisation of Schemes through merger of scheme / sub-schemes with similar objectives within Ministries and across Ministries.
3. Rationalisation of Autonomous Bodies by creating environment for increase in user/Service charges and fees levied by ABs and gradual reduction of GoI support.
4. Cash Management: Ensuring Just in time releases to grantee/Implementing Agencies (IAs) under Central Sector, and Centrally Sponsored schemes.
5. Realistic projection of demands and planning within budget through providing rolling expenditure allocations in the medium- term through Medium-Term Expenditure Framework Statement.

(c) 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 (the Finance Act) to, inter alia, reduce the corporate tax rates. Section 115BAA inserted in the Act read with section 2 of the Finance Act provides that an existing domestic company may, at its option, pay tax at the rate of 22% plus surcharge at 10% and cess at 4%, if it does not claim any incentive or deduction. The effective rate of tax for these companies comes to 25.17%. These companies 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 thing, which commences manufacturing by 31st March, 2023, may, at its option, pay tax at the rate of 15% plus surcharge at 10% and cess at 4%, if it does not claim any incentive, deduction. The effective rate of tax for these companies comes to 17.16%. These companies would also not be subjected MAT.

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

The steps taken to reduce corporate taxes as above are likely to increase the profits after tax (PAT) and hence surplus available in the hands of the corporates. This implies that the corporates will have increased surplus to make fresh investments to augment capacity, or to distribute the increased surplus to shareholder in the form of dividends.

(d) No such request has been made to RBI.

(e) Does not arise

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