

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA
UNSTARRED QUESTION NO. 156
TO BE ANSWERED ON SEPTEMBER 14th, 2020

ISSUES OF CORPORATE WORLD

†156. SHRI GOPAL CHINNAYA SHETTY:

Will the Minister of FINANCE be pleased to state:

- (a) whether the concerns of the corporate world have been addressed after the announcements made by the Government in September, 2019 for strengthening the economy of the country and if so, the details thereof;
- (b) whether the said announcements have strengthened their faith further towards the Government and it is likely to expedite the increase in declining investment in the private sector and if so, the details thereof;
- (c) whether some companies are likely to cut down the prices of the products for increasing the purchase thereof after tax savings and as a result the process of retrenchment in companies is likely to come to a halt and pave the way for new recruitments and address the slowdown in employment and the profit earning companies are likely to give jobs to more people and if so, the details thereof; and
- (d) whether new employment opportunities are likely to be created especially in sectors like consumer, retail, industrial manufacturing and construction etc. and the companies which are already in profit are likely to recruit people immediately after the said tax rebate and if so the details thereof?

ANSWER

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

(a) to (d) Yes, Sir. In September 2019, the Government announced several measures to promote growth, investment and create new employment opportunities through the amendments in the Income-tax Act, 1961 and the Finance Act (No. 2), 2019. The following measures were taken:

- I. reduction in the corporate tax rate from 30% to 22% provided the company did not avail any exemption or incentive.
- II. an option to pay income-tax at the rate of 15% for the new domestic companies incorporated on or after 1st October 2019 and making a fresh investment, subject to

their not availing any exemption or incentives and provided they commence production by 31st March 2023.

- III. reduction in the Minimum Alternate Tax from the existing rate 18.5% to 15% for existing companies that are availing the exemption/incentives.
- IV. to stabilize the flow of funds into the capital market it was decided that enhanced surcharge introduced by the Finance (No.2) Act, 2019 shall not apply to on capital gains arising on sale of equity share in a company or a unit of an equity oriented fund or a unit of a business trust liable for securities transaction tax, in the hands of an individual, Hindu Undivided Family (HUF), Associations of Persons (AOP), Body of Individuals (BOI) and Artificial Judicial Person (AJP).
- V. The enhanced surcharge shall also not apply to capital gains arising on sale of any security including derivatives, in the hands of Foreign Portfolio Investors (FPIs).
- VI. In order to provide relief to listed companies which had already made a public announcement of buy-back before 5th July 2019, it was provided that tax on buy-back of shares in case of such companies shall not be charged.
- VII. The amendments expanded the scope of Corporate Social Responsibility (CSR) of 2 percent spending. The CSR 2% fund can be spent on incubators funded by Central or State Government or any agency or Public Sector Undertaking and making contributions to public-funded Universities, IITs, National Laboratories, and Autonomous Bodies engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals.

The measures were taken to promote growth and investment, simplify the taxation procedure, boost the 'Make-in-India' initiative of the Government, create new employment opportunities, make the corporate sector globally competitive and enable corporations to support research and development.

Subsequently, structural reforms were announced as part of the Atmanirbhar package which, inter alia, includes change in definition of MSMEs, collateral-free automatic loans for businesses including MSMEs, subordinate debt for stressed MSMEs and equity infusion for MSMEs through Fund of Funds.

Further, the Atmanirbhar package also announced the new PSU policy, commercialization of coal mining, higher FDI limits in defence and space sector, development of industrial land/ land banks and Industrial Information System, revamp of Viability Gap Funding scheme for social infrastructure and new power tariff policy. The measures taken under the Atmanirbhar package are to bolster growth, investment and create employment opportunities.
