

Industry Seeks Lower Corp Tax

India Inc urges FM to cut tax rate, offer incentives in the Budget to attract investments

Our Bureau



New Delhi: Industry bodies have pitched for a reduction in the corporate tax rate and more incentives for attracting fresh investments at the pre-Budget meeting convened by finance minister Arun Jaitley. They have suggested lowering corporate tax to 18-25% from up to 30% at present.

"The finance minister has promised 25% corporate tax rate long back and we expect that he will fulfil his promise in this Budget," Ficci president Pankaj Patel said.

"Across the world, people are reducing corporate taxes and India has among the highest rates. We do need to create more demand and capacities for

**RUNUP TO
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private investment and if you see today, GST has increased the tax rates," CII president Shobhana Kamineni said.

CII suggested that the road map should include reducing the corporate tax rate to 18% (all inclusive) at the earliest with withdrawal of tax incentives and exemptions and withdrawal of surcharges and cesses.

Jaitley is likely to present the Budget for 2018-19 on February 1.

Patel said the industry body also sought government support for innovation, employment generation through investment in MSME and startups sector, specific incentives for new investments and highlighted the need to establish an export zone having manufacturing facilities but without any taxes or regulations.

Exporters, who are grappling with blockage of working capital, sought exemption from tax on export income, lower rates on foreign exchange earnings and faster clearance of goods and services tax (GST) refunds.

"The implementation (of GST) and refund delays are a cause of concern, so we have suggested that if they can give us the IGST refund also along with the drawback," EEPC India's past chairman PK Shah said.

Assocham president Sandeep Jajodia said the body has sought that the corporate tax be reduced to 25%, in line with developed and industrialised nations, as it will help attract investments and create jobs.

PR Aqueel Ahmed, vice-chairman of the Council of Leather Exports, said: "We requested for a cut in direct taxes and a scheme to boost women employment and expediting refunds under GST."

FinMin weighs fiscal cost of corporation tax cut

ARUP ROYCHOUDHURY & DILASHA SETH
New Delhi, 6 December

The finance ministry is assessing the fiscal cost of reducing the corporation tax rate, which currently stands at 30 per cent, in the upcoming Budget. Any such move will be contingent upon the goods and service tax (GST) proceeds this year and the projections for next year.

In the 2015-16 Budget, Finance Minister Arun Jaitley (pictured) had promised a reduction in the corporate tax rate from 30 per cent to 25 per cent in four years.

According to the internal calculations of the ministry, slashing the rate by five percentage points would result in a hit of ₹70,000-80,000 crore to the exchequer. This is about 13 per cent of the current year's corporation tax collection estimate of ₹5.3 lakh crore.

Even a reduction by three percentage points, to 27 per cent, will cost the government about ₹40,000-50,000 crore. That is something senior policy-makers in the North Block can ill afford, given a fiscal deficit target of 3.2 per cent of gross domestic product in 2017-18, and expectations of a three per cent target in 2018-19.

Towards a road map to reduce the corporation tax to 25 per cent, the government laid down a time frame to simultaneously phase out the exemptions given to the corporate sector, simplify administration, and improve India's competitive edge globally.

In the 2016-17 and 2017-18 Budgets, corporate tax cuts were announced only for small businesses. Sources said 2018-19 being the last full Budget before the 2019 general elections, the finance ministry is weighing its options. "More than 80 per cent of the revenue in corporation tax comes from large firms. So, if the tax rate for large firms is reduced, the exchequer will take a hit as the exemptions are yet to phase out," said an official.

"The government had promised in 2015-16 that the corporate tax will be reduced. However, any decision will depend upon what our projections for the GST are, this year and the next, as we have a tight fiscal space," said another official.

While the corporation tax rate for big companies is 30 per cent, the effective rate of taxation is close to 23 per cent on account



MAKING THE CUT

- Centre likely to announce corporation tax cuts in upcoming Budget
- Corporation tax cut to be a boost for India Inc after cuts for MSME in previous Budgets
- Any decision is contingent upon GST projections as fiscal situation remains tight
- Exemptions to be phased out by 2022; cut in corporation tax to 25% to happen before that
- Any cut from 30% to 25% to cost the exchequer ₹70,000-80,000 crore

of a large number of exemptions. The revenue foregone in 2016-17 on account of tax deductions stood at ₹83,492 crore.

Revenue projections from the GST remain unclear. It stood at the lowest level in four months at ₹83,000 crore in October. The refunds on account of input tax credit and integrated GST for exporters will put further stress on collections going ahead. Any fiscal slippage could lead to a deviation from the road map for next year as well.

There could be a tax revenue shortfall of ₹20,000 crore due to revisions in the GST rates announced for over 200 items in November, Bihar Deputy Chief Minister Sushil Modi said in the last GST Council meeting in Guwahati. However, central government officials maintain that was Sushil Modi's view, and that any shortfall could be offset by greater compliance and an increase in demand.

Corporates seek lower tax rate at pre-Budget meet

PRESS TRUST OF INDIA
New Delhi, 6 December

Industry bodies have sought reduction in the corporation tax rate as well as incentives for attracting fresh investments at the pre-Budget meeting convened by Finance Minister Arun Jaitley here on Wednesday.

They have suggested lowering the corporation tax to 18-25 per cent, from up to 30 per cent at present. Exporters, who are grappling with blockage of working capital, sought exemption from tax on export income, lower rates on forex earnings, and faster clearance of the goods and services tax (GST) refunds.

Jaitley is likely to present Union Budget 2018-19 on February 1. It will be the first full-fiscal Budget after the implementation of the GST on July 1 this year.

It is also likely to be the last one of the current government before elections in 2019, when the vote-on-account will be presented. Industry bodies also sought government support for innovation, employment generation through investment in micro, small and medium enterprises, and start-ups, specific incentives for new investments and highlighted the need to establish an export zone having manufacturing facilities but without any taxes or regulations.



"JAITLEY HAD PROMISED A 25% CORPORATION TAX RATE CUT. WE EXPECT HE WILL FULFIL HIS PROMISE IN THIS BUDGET"

PANKAJ PATEL
President, FICCI



"ACROSS THE WORLD, PEOPLE ARE REDUCING CORPORATE TAXES AND INDIA IS AMONG THE HIGHEST"

SHOBHANA KAMINI
President, CII



"DIVIDEND DISTRIBUTION TAX, WHICH IS AROUND 20%, SHOULD ALSO BE LESSER"

SANDEEP JAJODIA
President, ASSOCHAM

RUN-UP TO THE

BUDGET
2018-19

India Inc pitches for tax rate cut

Also seeks easier GST compliance at pre-Budget meeting with Arun Jaitley

OUR BUREAU

New Delhi, December 6

India Inc on Wednesday sought a reduction in the corporate tax rate and easier compliance norms for the Goods and Services Tax (GST) at a pre-Budget meeting with Finance Minister Arun Jaitley.

"We have suggested that the corporate tax rate be lowered to 18 per cent along with removal of all tax incentives and surcharges and cesses, as this will lower the tax burden on firms and also make the country more attractive to investors," said Shobana Kamineni, President, CII.

The issue was also raised by industry body FICCI, which pointed out that the US is also on the verge of reducing the corporate tax rate from a top rate of 35 per cent to 20 per cent and providing relief to individuals.

"Although a roadmap for bringing down corporate tax rates to 25 per cent was laid out in the earlier Budget, this has not yet been implemented across the board," said Pankaj Patel, President, FICCI.

Assocham President Sandeep Jajodia said the industry body has asked for cor-



Finance Minister Arun Jaitley

porate tax to be reduced to 25 per cent, in line with developed and industrialised nations, as it will help attract investments and create jobs.

"Dividend distribution tax, which is around 20 per cent, should also be lower," he said.

'Invest more'

The Finance Minister urged companies to invest more in the infrastructure sector and said that private investments, along with public and foreign investments, are key to boosting growth and creating job opportunities.

"The government has taken various steps and has also set up a National Investment and Infrastructure Fund to boost investment in this sector," he said.

This was the third pre-Budget meeting held by the Minister, who, later in the day, also met social sector representatives, including trade union leaders, for their inputs.

Meanwhile, exporters, still facing problems of blocked working capital, sought exemption from tax on export income, lower rates on forex earnings, and faster clearance of GST refunds.

"We called for exemption from IGST on all instruments providing basic Customs duty-free imports, both on inputs and capital goods," said Ganesh Kumar Gupta, President, FIEO. He said the federation also proposed a comprehensive Duty Drawback Scheme that would cover the incidence of both basic Customs duty and input tax credit.

Meanwhile, CII has also called for rationalisation of GST into four rates — 5 per cent, 12 per cent, 18 per cent and 28 per cent — as well as inclusion of sectors such as petroleum, alcohol and real estate within the ambit of the new levy.

This is the first Union Budget after the rollout of GST on July 1 this year. It is expected to be tabled in Parliament on February 1.

In Budget 2015-16, Jaitley had announced a gradual lowering of the corporate tax rate to 25 per cent over the next four years, along with an elimination of exemptions.

He has already cut the tax rate for new manufacturing companies that do not utilise any exemption, and firms with an annual turnover of less than ₹50 crore.

