

Government culls software development, four other biz from 15% corporate tax rate

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Taxation Laws (Amendment) Bill presented in Parliament

The Finance Ministry on Monday said that computer software, mining and three other business segments will not be eligible for the 15 per cent corporate tax rate. Now, it is clear that the new 15 per cent corporate regime is only for the new manufacturing businesses.

Also, it has clarified that the losses on account of merger and amalgamation will not be taken into consideration for computing 22 per cent corporate tax for existing businesses. All these were part of new Taxation Laws (Amendment) Bill, which will replace an ordinance promulgated on September 20 to bring in effect a reduction in corporate tax.

Commenting on the Bill, Rakesh Nangia, Chairman, Nangia Andersen Consulting, said that creasing out the interpretational issues arising from the ordinance, the Bill has added necessary provisos and subsections. Foremost is the amendment in 115JAA, legislating that MAT (Minimum Alternate Tax) credit shall not be available where the beneficial rate of tax is claimed. The Bill has put an end to the possible litigation on the applicability of the CBDT circular which was issued to clarify that MAT credit shall not be allowed.

“Further listing down the activities that shall not be deemed as manufacturing activity, eligible to claim the reduced rate of 15 per cent, the Act has restricted the benefit. Clarifying that the surcharge of 10 per cent shall apply to those claiming the beneficial rate under the new sections, the speculations on that front have also been removed,” he said.

Businesses out of ambit

The Bill, tabled in the Lok Sabha on Monday, is proposed to clarify that the following business shall not include in the business of manufacture or production of any article or a thing — development of computer software in any form or in any media, mining, conversion of marble blocks or similar items into slabs, bottling of gas into cylinder, printing of books or production of

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cinematograph film, or any other business as may be notified by the Central government in this behalf. This means new businesses will not get benefit of 15 per cent new tax rate.

According to announcement made on September 20, in order to attract fresh investment in manufacturing and thereby provide boost to 'Make-in-India' initiative, any domestic company incorporated on or after October 1, 2019 making fresh investment in manufacturing, will have an option to pay income-tax at the rate of 15 per cent. This benefit is available to companies which do not avail any exemption/incentive and commences their production on or before March 31, 2023. The effective tax rate for these companies shall be 17.01 per cent inclusive of surcharge and cess. Also, such companies shall not be required to pay MAT.

On the same day, the government announced maximum corporate tax rate from 30 per cent to 22 per cent. As of now, tax rate for corporate having annual turnover less than Rs.400 crore is 30 per cent, while for others it is 25 per cent.