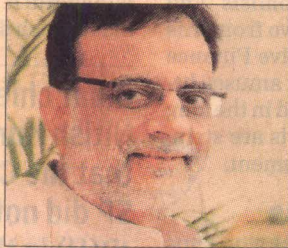


Wait for 25% corporate tax rate could get longer

fe Bureau
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THE proposed reduction in the general corporate tax rate to 25% from 30% hinges on expansion of personal income tax payer base to protect revenues, a top government official said on Saturday.

"We said we would love to do it (reduce corporate tax rate) for everyone. We have the constraint of budget. So, whatever we could do, we have done," revenue secretary Has-mukh Adhia said at a post-Budget meet hosted by indus-



try body Ficci in the capital.

In Budget FY16, the government had unveiled a plan to reduce the corporate tax rate from 30% to 25% in four years to make India's tax rates globally competitive. In the subsequent year, it cut the rate to 29% for companies that re-

“ Personal I-T base must go up before corporate tax cut

HASMUKH ADHIA,
Revenue secretary

ported a total turnover/gross receipts up to ₹5 crore in FY15 and to 25% for newly-incorporated domestic firms. In the FY18 Budget presented on February 1, the government cut tax rate to 25% from 30% for smaller companies with annual turnover up to ₹50

crore in the year 2015-16, to make them competitive and shift to a company format. As per official sources, the government could issue a clarification shortly, indicating that the concessional tax rate of 25% will also be available to companies even after their revenues grow beyond ₹50 crore in subsequent years, as well as to new companies incorporated after FY16.

As per the blueprint, all corporate tax incentives for which no end date has been specified in the law will be phased out from April 1, 2017.

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But the government seems to have made a choice to give tax incentives for job-creating smaller companies over large ones keeping revenue considerations in mind.

“Cost of reducing 1% in the corporate income tax rate for everybody comes to ₹18,000-19,000 crore. Where do we get the resources like that?” Adhia said Saturday. Unless the personal income tax payer bases is expanding and more people file the exact detail of income, it is a challenge for the government (to reduce the general corporate tax rate), he said. The share PIT in India’s total tax revenues as well as GDP would probably be the lowest in the world, Adhia said. According to the government, the profile of PIT payments does not match with the consumption profile in India. “How is it possible that of only 76 lakh

people showing income of more than ₹5 lakh in the country, 56 lakh are salaried people? We need to do something about it and it’s a big challenge for us,” he added.

Separately, Adhia ruled out rollback of a budget proposal to cap tax incentive for a second home loan to ₹2 lakh/year vis-a-vis no limit now, to stop its misuse by affluent people. The Finance Bill 2017 has restricted set-off of loss towards second home against other heads of income up to ₹2 lakh under Section 71 of the Income Tax Act. Under the present regime, there is no limit for set-off of loss from house property, which is mainly the difference between the rental income and interest on a home loan.

Trump’s travel ban blocked by judge

The judge’s order was a victory for Washington and Minnesota, which had challenged