GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE

RAJYA SABHA
STARRED QUESTION NO. 357
TO BE ANSWERED ON TUESDAY THE 5th APRIL, 2022

EFFECT OF CORPORATE TAX CUTS

357. Shri Jawhar Sircar:

Will the Minister of Finance be pleased to state:

(a) the estimated loss per year in the last three financial years because of reduction of basic corporate tax rate from 30% to 22% in September 2019;

(b) the details of top 20 corporate tax assessees that have gained the most from these cuts;

(c) the number of new manufacturing industries that have come up after corporate tax on them was cut down from 25% to 15% in September 2019; and

(d) whether Government plans to increase tax on the most profitable corporations and high net worth individuals to raise revenue and ensure minimal socio-economic equity?

ANSWER
MINISTER OF FINANCE
(Smt. NIRMALA SITHARAMAN)

(a) to (d): A statement is laid on the table of the House.

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STATEMENT REFERRED TO IN REPLY TO RAJYA SABHA STARRED QUESTION NO. 357 FOR ANSWER ON 5th APRIL, 2022

(a) The Taxation Laws (Amendment) Act, 2019, *inter-alia*, inserted section 115BAA in the Income-tax Act, 1916 (the Act) to provide an option to existing domestic companies to pay tax at concessional rate of 22% (plus applicable surcharge and cess) subject to certain conditions including the condition that they do not avail any specified exemptions or incentive. Further, it was also provided that such companies are not required to pay any Minimum Alternate Tax.

II. The said reduction was introduced in order to attract fresh investments, create jobs and stimulate the overall economy. It was envisaged that the reduction in corporate tax rates will leave more surplus in the hands of the corporates which could either be reinvested for expansion of existing units, setting up of new units, distributed as dividends leading to creation of jobs, new wage earners, and more income in the hands of the shareholder resulting in higher overall income levels.

III. The results of the reduction in corporate tax rates were envisaged to be visible in the medium to long run. During the financial year 2021-22, up to 31.03.2022 the total corporate tax collection is Rs 7,20,441.9 crore as compared to the corporate tax collection of Rs. 6,62,836 crore for financial year 2018-19 (financial year immediate before corporate tax reduction). This shows that the positive impact of corporate tax reduction is now visible and in spite of reduced tax rate and COVID-19 pandemic, corporate tax collection is higher this year. The Corporate Tax Collection in FY 2018-19, FY 2019-20, FY 2020-21 & FY 2021-22 is shown in the table below:

Corporate tax collection in FY 2018-19, FY 2019-20, FY 2020-21 & FY 2021-22

(Fig. in Rs Crore)

	FY 2018-19	FY 2019-20*	FY 2020-21**	F.Y. 21-22
Corporate tax Collection	6,62,836	5,56,122.7	4,56,473.2	7,20,441.90

Source: Online Tax Accounting System (OLTAS)
**Partially COVID affected year.*
*** COVID affected year.*

(b) The details of top 20 corporate tax assessees that have gained the most from these cuts is not maintained.

(c) Data regarding the number of new manufacturing industries that have come up after corporate tax on them was cut down from 25% to 15% in September 2019 is not maintained.
The concessional tax incentive was brought effective from the financial year 2019-20.
II. As per Receipt Budget 2021-22, 1,33,691 returns filed electronically up to 30.11.20 for the financial year 2018-19 (i.e A.Y. 2019-20) pertained to manufacturing sector.

As per Receipt Budget 2022-23, 1,36,909 returns filed electronically up to 31st May 2021 for the financial year 2019-20 (i.e. A.Y. 2020-21) pertained to manufacturing sector.

III. As per Receipt Budget 2022-23, for Assessment Year 2020-21, 1,244 taxpayers have opted for paying taxes at the rate of 15% (plus Surcharge & Cess) under section 115BAB of the Income Tax Act, 1961. However, not all new manufacturing companies may have opted for provisions under section 115BAB. Some may have opted for tax under the normal provisions, depending upon whether the same is more beneficial.

(d) There is no such proposal.

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