

**“What’s  
New?”**

**GSAP**

September 27, 2019

## ***“Taxation Laws (Amendment) Ordinance, 2019”***

Indian government has announced major fiscal relief by substantially reducing corporate tax rates to promote growth and investments in India

*Source: Press Note dated September 20, 2019*



[www.gsapadvisors.com](http://www.gsapadvisors.com)



[info@gsapadvisors.com](mailto:info@gsapadvisors.com)

# Key amendments - Overview

- Government has issued an Ordinance on September 20<sup>th</sup> to bring in major fiscal relief by reducing corporate tax rate for companies, in general, and for manufacturing companies in particular, that are operating in India, applicable with effect from April 1, 2019 (FY 2019-20)
- Ordinance is effective immediately, but would require approval of the Parliament
- Reduced tax rate of 22% (earlier 25%/30%) will be applicable in case of domestic companies whose total income has been computed without providing for certain specified deductions
- Further, a new corporate tax rate of 15% introduced for new domestic manufacturing companies, incorporated on or after October 1, 2019, which do not avail specified tax deductions, etc.
- Further, companies (opting for 22%/15% tax rate) shall not be required to pay Minimum Alternative Tax (MAT)
- Surcharge (which is currently at 7%/12%) will be levied at a flat rate of 10% for abovementioned companies
- Relief provided to listed Indian companies that announced buy-back of shares before July 5, 2019, by not levying income distribution tax @20% (plus applicable surcharge and education cess) on them



# Key amendments – Corporate tax rate

A comparison of corporate tax rates pre and post ordinance scenario is as below:

Particulars	Existing Companies that do not avail tax benefits / incentives		Existing Companies that avail tax benefits / incentives		New Domestic Manufacturing Companies: Incorporated on or after October 1, 2019, not availing any exemption/ incentives, and production commences by March 31, 2023
	Turnover up to 4,000 Mn (INR)	Turnover beyond 4,000 Mn (INR)	Turnover up to 4,000 Mn (INR)	Turnover beyond 4,000 Mn (INR)	
<b>Pre Ordinance Rates</b>					
Tax rate	25%	30%	25%	30%	
Effective tax rate	29.12%	34.94%	29.12%	34.94%	
MAT	18.5%		18.5%		
Effective MAT rate	21.55%		21.55%		
<b>Post Ordinance Rates</b>					
Tax rate	22%	22%	25%	30%	15%
Effective tax rate	25.17%*	25.17%*	29.12%	34.94%	17.16%*
MAT	No MAT		15%		No MAT
Effective MAT rate	No MAT		17.47%		No MAT

Note: \* Effective tax rates with respect to reduced tax of 22% as well as 15% has been computed with the applicable surcharge of 10% and education cess of 4%. All other income taxable at pre Ordinance rates/ special rates have been calculated with maximum surcharge rate of 12% and education cess of 4%.

# Contact us



H-59AB, Lower Ground Floor  
Kalkaji, New Delhi 110019  
India



[info@gsapadvisors.com](mailto:info@gsapadvisors.com)



+91 (11) 4056 0819  
+91 (11) 4154 4443

**Disclaimer:** The content herein are solely meant for commercial purposes and shall not be considered as professional advice and/or used as base for any technical decision. GSAP Advisors India Pvt. Ltd., its employees, contractors, associates are not responsible for loss whatsoever sustained by any person who relies on the information contained herein.