

Budget: Anticipation for extension of concessional corporate tax

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Ahead of the Union Budget 2024, tax experts have converged on several recommendations for critical fiscal measures amid collective belief in the necessity of ongoing reforms to bolster the business environment.

According to the reports, the experts have suggestions to extend the concessional corporate tax rate of 15 per cent for new manufacturing companies by another one to two years.

Notably, the current provision grants a concessional corporate tax rate of 15 per cent to newly established domestic manufacturing firms, contingent upon commencing operations by the conclusion of March 2024.

Initially introduced in the Budget for the fiscal year 2019-20, this initiative aimed to attract investments and stimulate growth within the manufacturing sector.



Experts underscore the tangible success of this concessional rate. It highlights a significant uptick in foreign direct investment into the Indian manufacturing sector as a direct outcome of this policy.

Pundits further proposed an extension of the sunset clause by an additional two years.

They emphasised the measure's substantial role in advancing economic objectives and attracting foreign investments.

While recent years have witnessed the rationalisation of the corporate tax structure, experts want further

simplification and policy actions from the Finance Minister.

There is a collective belief in the necessity of ongoing reforms to bolster the business environment.

For the personal tax, expectations are set on the rationalisation of the capital gains tax structure across various financial instruments.

There are recommendations for standardisation of holding periods, uniform tax rates across diverse asset classes, and an increase in the tax-free long-term capital gains ceiling.

Experts believe that these measures would contribute to a more equitable tax regime, aligning with the government's recognition of the need for systemic tweaks to ensure fairness across different investment categories.

The industry is keenly observing the government's stance on these pivotal fiscal discipline measures ahead of the Union Budget.

The broader financial landscape is awaiting further clarity on the proposed amendments and adjustments in the upcoming budget, with a keen eye on how these changes might shape the economic trajectory in the coming fiscal year.

Ahead of the Union Budget 2024, the Union finance ministry has released a report titled 'Indian Economy -- A Review' saying the Indian economy is expected to grow at a rate above 7 per cent in coming years.

The growth will be riding on the strength of its financial sector and other recent and future structural reforms and can aspire to become a USD 7 trillion economy by 2030. "In the next three years, India is expected to become the third-largest economy in the world, with a GDP [gross domestic product] of USD 5 trillion. The government has, however, set a higher goal of becoming a 'developed country' by 2047," said the report.