

Tax rates: How India stands on the global stage



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This document is for general information purposes. It should not be used as a substitute for professional advice. We suggest that appropriate specific professional advice should be sought based on your requirements.

The tax rates prevalent in different countries have been determined based on our research from multiple sources.

Introduction

Over the past five years, the government of India has brought in various tax and regulatory changes to attract investment while simultaneously bolstering growth.

A key tax development recently has been the promulgation of the Taxation Laws (Amendment) Ordinance, 2019 (Ordinance). The Ordinance significantly reduces the existing corporate tax rates (CTR) and Minimum Alternate Tax (MAT) rates.

Reduction in CTR had been a long-standing demand by the Indian corporate sector. It aligns the tax rates with those of several developed economies. It also makes India a very attractive investment destination particularly for setting up manufacturing operations.



Highlights of the Ordinance

Reduction of tax rate for domestic companies with effect from financial year (FY) 2019-20

Type of domestic company	Corporate tax rates		Minimum alternate tax rates		Remarks
	Existing rates	Revised rates	Existing rates	Revised rates	
Company not availing specified exemptions/incentives	25% or 30%	22%	18.5%	NIL	The company should not claim specified exemptions/incentives.
Company availing exemptions/incentives	25% or 30%	25% or 30%	18.5%	15%	Such company can opt for a reduced tax rate in the future. However, this option once exercised cannot be withdrawn.
New company engaged in manufacturing activities	25% or 30%	15%	18.5%	NIL	The company should be incorporated on or after 01 October 2019. It should commence production by 31 March 2023. It should not avail the specified exemptions/incentives.

Effective tax rates for domestic companies

29.12%

This rate is applicable to an existing manufacturing company fulfilling the prescribed conditions⁽¹⁾.

17.16%

This rate is available to a new manufacturing company incorporated on or after 01 October 2019. The company should commence production by 31 March 2023 and fulfil the prescribed conditions⁽²⁾.

25.17%

This rate is available to all companies which opt not to claim the specified tax deductions/incentives⁽³⁾.

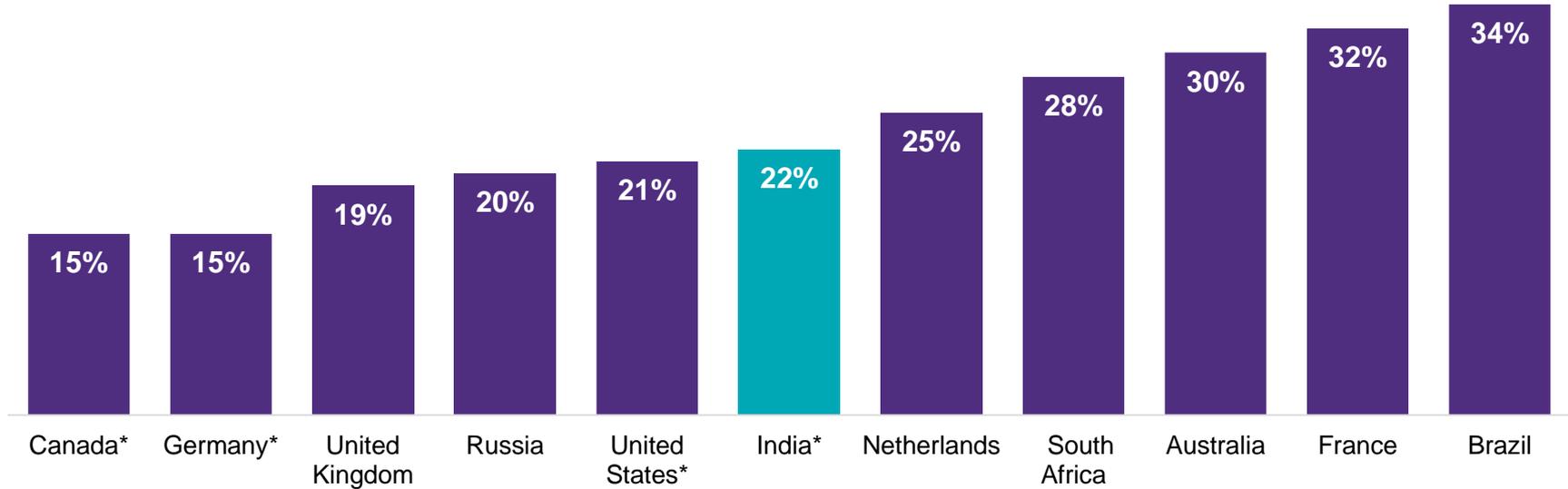
34.94%

This rate is available to all domestic companies with a turnover of more than INR 400 crore in FY 2017-18. The tax rate would be 29.12% if the turnover is up to INR 400 crore⁽⁴⁾.

1. Section 115BA
2. Section 115BAB
3. Section 115BAA
4. Finance (No.2) Act, 2019

*Surcharge at 10%/12%, cess: 4%

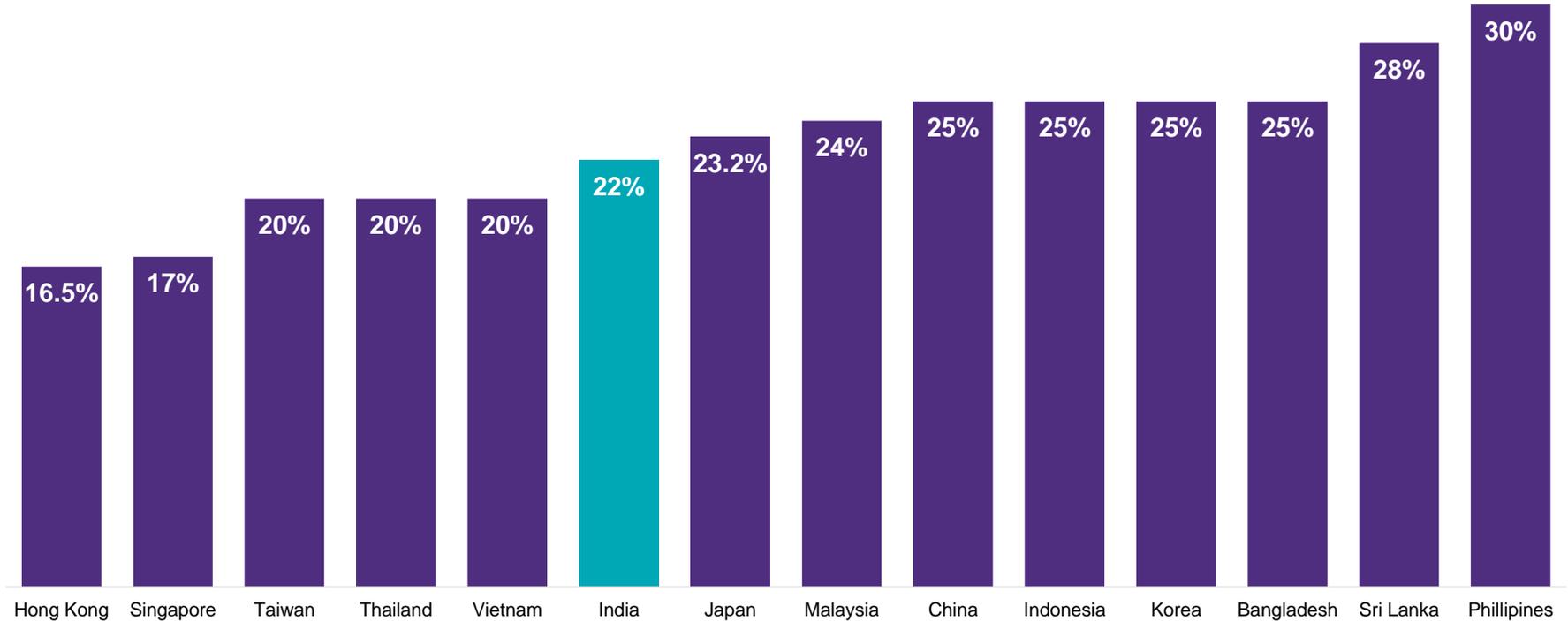
CTR – India versus key economies



Effective tax rate including state/provincial levy:

- Germany: 29.89%
- Canada: 26.8%
- USA: 25.89%
- India: The effective CTR including surcharge and cess for companies not availing specified exemptions/deductions works out to be 25.17%. However, for new manufacturing companies fulfilling the prescribed conditions, the effective tax rate would be 17.16%.

CTR – India versus key Asian economies



MAT – India versus global



India

Companies required to pay MAT at the rate of 18.5%. The ordinance has reduced MAT as follows:

- **MAT will not apply to companies opting for a reduced CTR**
- **MAT rate is reduced to 15% for companies not opting for a reduced rate**



Austria

Alternate Minimum Tax (AMT) at 5% of a specified minimum share capital of certain companies



Italy

AMT at 1.5%, 4.75% and 12% of book value of different assets applicable in case of a non-operating company



Taiwan

AMT at 12% applicable if earning exempt income or availing incentives and the income exceeds the prescribed threshold



South Korea

AMT applicable at a progressive rate of 7%, 10%, 12% or 17% depending on the taxable income

Recently, US and Argentina have abolished AMT from their domestic legislation.

GST/VAT – India versus global

Goods and Services Tax (GST) in India

The GST rate can be primarily classified under the following four categories:

5%

12%

18%

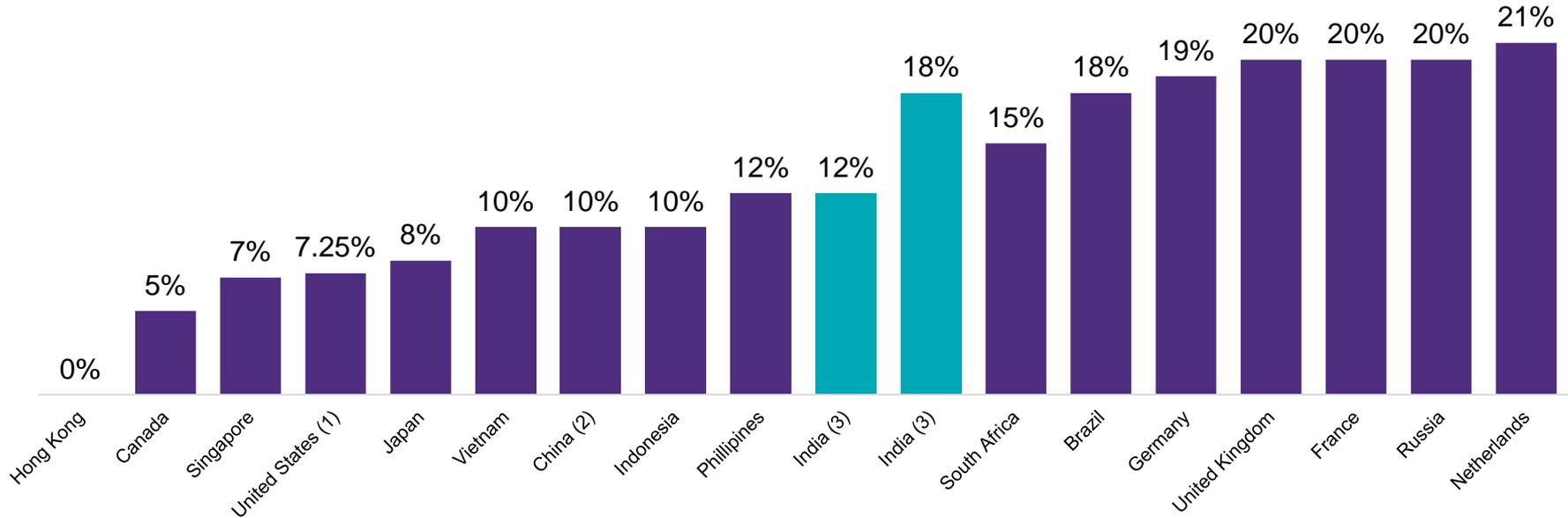
28%

Certain specified services such as healthcare are exempt under GST.

The 5% category mainly consists of essential goods, while the 28% category consists of luxury goods and services.



GST/VAT – India versus global



1. The rate varies between 2.9% and 7.25%.
2. The rate varies between 6%, 10% and 16% depending on the type of goods and services.
3. In India, GST is mostly at 12% or 18%.

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