

Corporate Tax - UPSC Indian Economy Notes

In order to run the government and manage the affairs of a state, money is required. So the government imposes taxes in many forms on the incomes of individuals and companies. [Taxation in India](#) can be classified as Direct and Indirect Taxes.

Corporate Tax is an important topic for the [IAS Exam](#) and any other Government Exam. This topic is a part of the Indian Economy section in General Studies Paper 3 of the [UPSC Syllabus](#).

What is Corporate Tax in India?

Also known as Corporation Tax, corporate tax is the tax imposed by the Government of India on the net income or profit that corporate enterprises make from their businesses. It is a tax imposed on the net income of the company.

- Corporate Income Tax is a Direct Tax.
- The tax is imposed at a specific rate as per the provisions of the Income Tax Act, 1961.
- In most nations, the Corporate Tax is levied at a national level and can also be levied at a State or local level.
- Private and public companies registered in India under the [Companies Act](#) are liable to pay corporate tax.
- Minimum Alternate Tax (MAT) is not applicable to such companies.
 - The [Minimum Alternate Tax](#) is a measure to include all companies in the income tax loop. The MAT ensures that no company with healthy finances and substantial income can avoid paying income tax, even after claiming exemptions.

Taxation Laws Amendment Ordinance 2019

In order to revive the growth in the economy, an ordinance was passed by the President giving effect to the changes announced by the Finance Minister in the Corporate Income Tax Rates.

- Effective from April 2019, the corporate tax for domestic companies will be reduced.
- It will be applicable to companies incorporated on or after 1st October of 2019 and will start production on or before 31st March of 2023.
- This amendment will cost the government 1.45 lakh crore rupees annually which will increase the chance of higher Fiscal Deficit.
- It is expected that it will give a great stimulus to '[Make In India](#)', attract private investment from across the globe, improve the competitiveness of the private sector, create more jobs.
- The reduction in corporate tax, effectively brings India's 'headline' corporate tax rate broadly at par with an average of 23% rate in Asian countries.

Union Budget 2020

The [Union Budget](#) is also known as the Annual Financial Statement. **Article 112** of the Constitution of India lays down that it is a **statement of the estimated expenditure and receipts of the Government** for a particular year. Know more about the Union Budget 2020 - 21 in the video lecture below:

<https://www.youtube.com/watch?v=YGDGWyAURXQ>

