

# Measures to promote growth, investment and create new employment opportunities through amendments in the Income Tax Act 1961

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In September 2019, the Government announced several measures to promote growth, investment and create new employment opportunities through the amendments in the Income-tax Act, 1961 and the Finance Act (No. 2), 2019. This was stated by Shri Anurag Singh Thakur, Minister of State for Finance & Corporate Affairs in response to a question asked in the Lok Sabha today.

## **Shri Thakur enumerated the measures taken by Ministry of Finance, which are as follows:**

Reduction in the corporate tax rate from 30% to 22% provided the company did not avail any exemption or incentive.

an option to pay income-tax at the rate of 15% for the new domestic companies incorporated on or after 1st October 2019 and making a fresh investment, subject to their not availing any exemption or incentives and provided they commence production by 31st March 2023.

Reduction in the Minimum Alternate Tax from the existing rate 18.5% to 15% for existing companies that are availing the exemption/incentives.

to stabilize the flow of funds into the capital market it was decided that enhanced surcharge introduced by the Finance (No.2) Act, 2019 shall not apply to on capital gains arising on sale of equity share in a company or a unit of an equity oriented fund or a unit of a business trust liable for securities transaction tax, in the hands of an individual, Hindu Undivided Family (HUF), Associations of Persons (AOP), Body of Individuals (BOI) and Artificial Judicial Person (AJP).

The enhanced surcharge shall also not apply to capital gains arising on sale of any security including derivatives, in the hands of Foreign Portfolio Investors (FPIs).

In order to provide relief to listed companies which had already made a public announcement of buy-back before 5th July 2019, it was provided that tax on buy-back of shares in case of such companies shall not be charged.

The amendments expanded the scope of Corporate Social Responsibility (CSR) of 2 per cent spending. The CSR 2% fund can be spent on incubators funded by Central or State Government or any agency or Public Sector Undertaking and making contributions to public-funded Universities, IITs, National Laboratories, and Autonomous Bodies engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals.

Shri Thakur further said that these measures were taken to promote growth and investment, simplify the taxation procedure, boost the 'Make-in-India' initiative of the Government, create new employment opportunities, make the corporate sector globally competitive and enable corporations to support research and development.

### **Making Corporate India Comply**

Subsequently, structural reforms were announced as part of the **Aatma Nirbhar Bharat Package** (ANBP) which, inter alia, includes change in definition of MSMEs, collateral-free automatic loans for businesses including MSMEs, subordinate debt for stressed MSMEs and equity infusion for MSMEs through Fund of Funds.

Further, the **Aatma Nirbhar Bharat Package** also announced the new PSU policy, commercialisation of coal mining, higher FDI limits in defence and space sector, development of industrial land/ land banks and Industrial Information System, revamp of Viability Gap Funding scheme for social infrastructure and new power tariff policy. The measures taken under the ANBP are to bolster growth, investment and create employment opportunities, the Minister added.