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Corporate Tax in India
Becomes More
Attractive

PAGE 4

...Base rate of Corporate
Tax in India is Decreased.



Wealth Supremos

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Source : Cafemutual.com



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EDITOR'S NOTE

Nikhil Naik

Chief Growth Officer
Naikwealth Planners Pvt. Ltd.



Dear Investors,

The step to cut corporate tax is historic. The announcements made by the Finance Minister has given companies across the various sectors more than just a festive reason to celebrate. Industry, stock market and experts cheered the corporate tax rate cut, saying the big bang reforms will push economic growth and investments. This was much needed by the economy to boost consumption and investment cycle.

It surely is a milestone achieved by the government in order to get the Indian economy back on track as taxes charged have been a constant worry for consumers and entrepreneurs alike. This move is also expected to change the financial situations of the working class, as more can be possibly offered by corporate companies.

With this the government has signalled that it is listening to the industry and is willing to embrace it as a partner for progress of the Country. We are certain that this Big Bang reform will kickstart the economy. Surplus funds available to companies will be invested in capex and talent. In a climate of global slowdown, this reform will make India an attractive destination for FIIs and long-term investors.

Reduction of corporate tax rate for new manufacturing companies to 15 percent and for existing manufacturing companies to 22 percent will give impetus to "Make in India" initiative by making India a competitive destination for global investments.

The slew of historic measures has brought down Indian corporate tax rates to amongst the lowest in the world especially for the new manufacturing companies.

Coming just ahead of the festive season, there could not have been better news as the entire country gets ready to celebrate.

We strongly believe this is the time to be allocating money into equity mutual funds aggressively. Sectors which has been impacted the most will be the ones benefiting in a big way. In three to five years possibility of generating reasonably good returns is very high and potentially could be above the long-term average Nifty Returns.

Thank You.

Happy Returns!!!

NANAik

NIKHIL NAIK

Editor

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Please send your feedback to
care@naikwealth.in

NEW PROVISION INSERTED IN THE INCOME TAX ACT WITH EFFECT FROM FISCAL YEAR 2019-20

- Any domestic company to pay income tax at the rate of 22% subject to condition they will not avail any incentive or exemptions.
- Manufacturing companies set up after October 1 to get option to pay 15% tax. Effective tax rate for new manufacturing firms to be 17.01% inclusive of surcharge & tax.
- Listed companies that have announced buyback before July 5, 2019, tax on buyback of shares will not be charged
- Higher surcharge will also not apply on capital gains on buyback of shares will not be charged
- Higher surcharge will also not apply on capital gains on sale of security including derivatives held by FPIs
- Enhanced surcharge will not apply to capital gains arising on equity sale or equity-oriented funds liable to STT stabilise flow of funds into capital markets
- To provide relief to companies availing of concessions and benefits, a MAT relief by reducing it from 18% to 15%
- CSR 2% spending to include government, PSU incubators and public funded education entities, IITs

CORPORATE TAX MAJOR ANNOUNCEMENTS FOR DOMESTIC COMPANIES



1 CORPORATE TAX SLASHED TO 22%

- For cos not seeking incentives/exemptions
- No Minimum Alternate Tax
- Effective tax rate 25.17%

1



2 DOMESTIC COS INCORPORATED ON OR AFTER 1 AUG 2019

- To be taxed at 15% (only if production begins before 31 March 2023)
- Effective tax rate 17.01%

2



3 MAT SLASHED TO 15%

- For companies availing exemption

3



4 1.2% CSR SPENDING ALLOWED

- On Center/State/PSU incubators & public funded universities

4



5 NO TAX ON BUY-BACKS

- Announced by listed companies before 5th July 2019

5








6 NO ENHANCED SURCHARGE

- on capital from the sale of equity share in a company

6

BIG COMPANIES TO SAVE A BOUNTY THIS YEAR

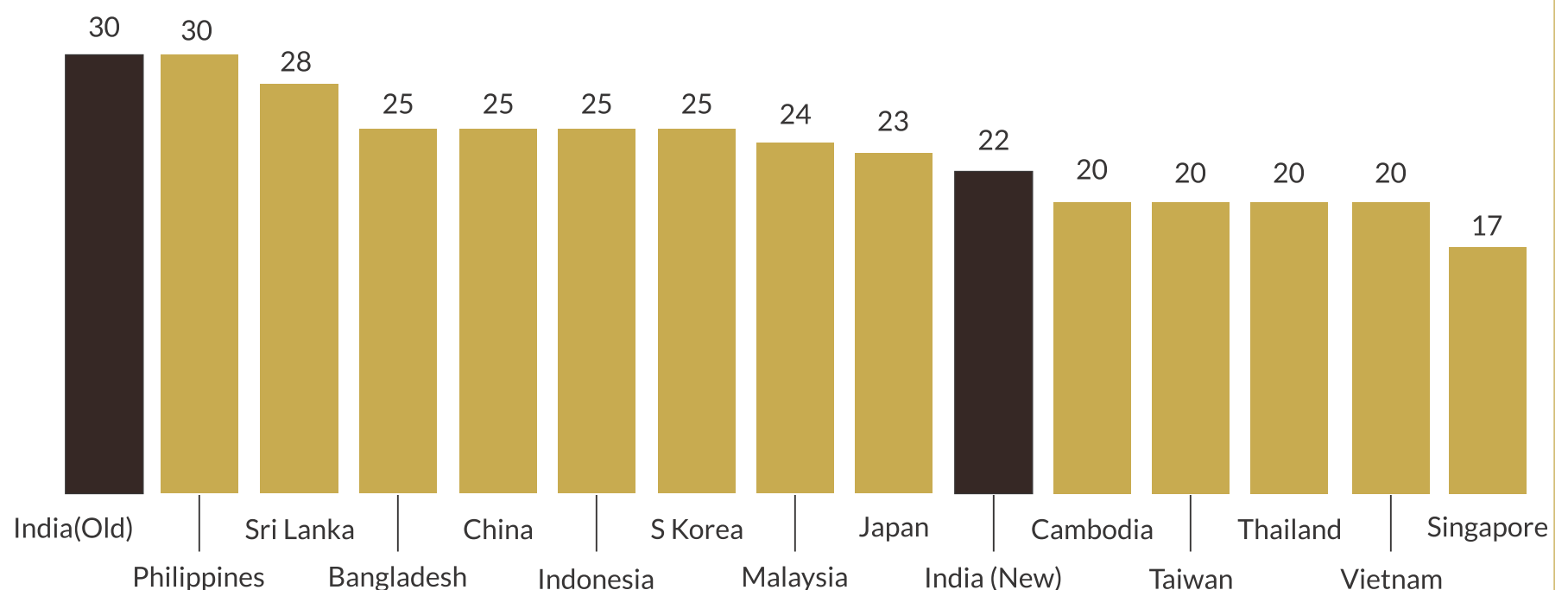
Inclusive of cess and surcharge

| Turnover < ₹400 Cr | Effective rate Before (%) | Effective rate Now (%) | Tax cut in % points |
|------------------------------|---------------------------|------------------------|---|
| Taxable income < ₹ 1 crore | 26.0 | 22.9 | 3.1  |
| Taxable income < ₹ 1 crore | 27.8 | 24.5 | 3.3  |
| Turnover > ₹400 Cr | | | |
| Taxable income < ₹ 1 crore | 31.2 | 22.9 | 8.3  |
| Taxable income ₹ 1-100 crore | 33.4 | 24.5 | 8.9  |
| Taxable income > ₹ 100 crore | 34.9 | 25.6 | 9.3  |

Source : Kotak Securities

CORPORATE TAX IN INDIA BECOMES ATTRACTIVE

Base Rate Of Corporate Tax (%)



Source : Kotak Securities

WHICH INDUSTRIES WOULD GAIN?

Top 10 Industry Gainer

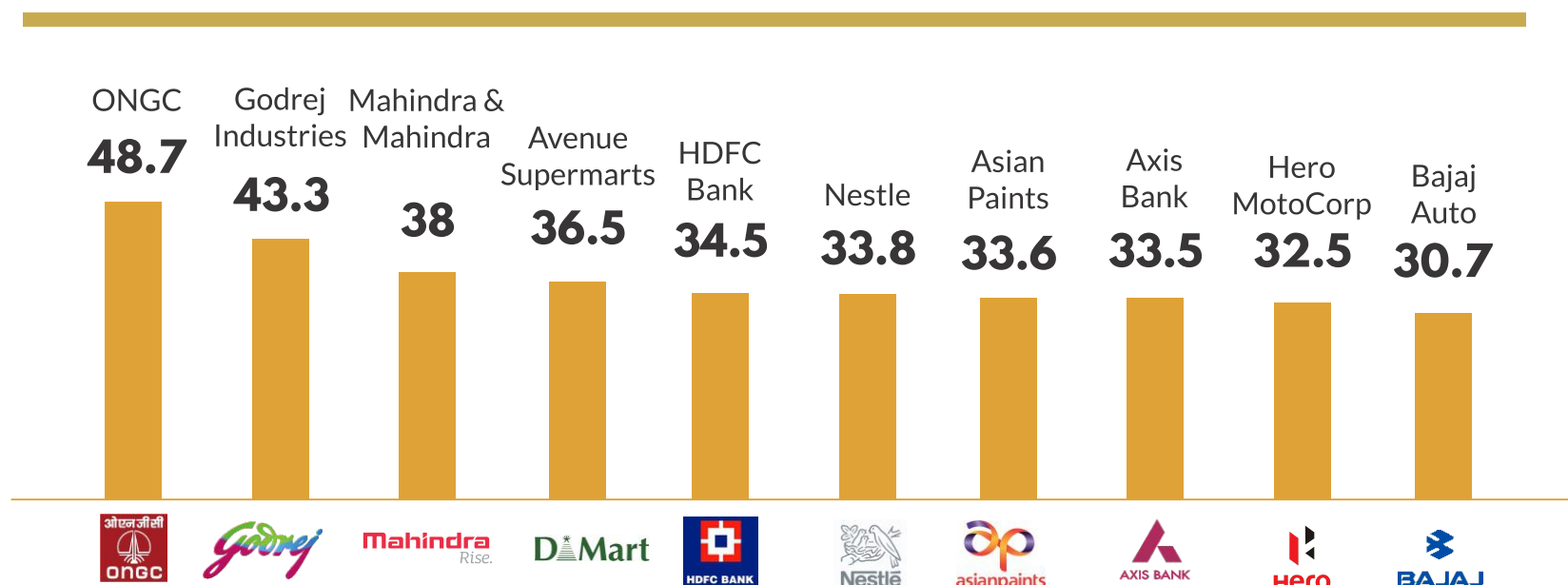
| Industry | Tax Savings | Share in Tax Savings (%) | Capital Formation |
|-------------------------------|---------------|--------------------------|-------------------|
| Banking, Finance & Insurance | 17,679 | 42.5 | 7,229 |
| Crude Oil | 1,559 | 3.8 | 20,724 |
| Auto & Ancillary | 2,073 | 5.0 | 14,223 |
| Iron & Steel | 2,528 | 6.1 | 4,995 |
| FMCG | 2,500 | 6.0 | 5,417 |
| Mining | 2,389 | 5.7 | 4,721 |
| Capital Goods | 1,791 | 4.3 | 2,702 |
| Chemicals | 1,277 | 3.1 | 8,007 |
| Power | 1,172 | 2.8 | 50,289 |
| Infra | 1,101 | 2.6 | 1,372 |
| <i>Sub - total</i> | <i>34,069</i> | <i>82.0</i> | <i>119,679</i> |
| <i>Total (all industries)</i> | <i>41,555</i> | <i>100.0</i> | <i>170,706</i> |

Source : Ace Equity, CARE Ratings

- The top industries comprising 400 companies included in the table above accounted for 82% of total tax savings in this scenario.
- The financial sector was the dominant one with share of 42.5% followed by iron and steel, FMCG, auto and mining each of which had shares of above 5%.
- Total incremental asset formation by these companies was Rs 1.70 lakh crore and these industries accounted for Rs 1.20 lakh crore i.e. 70%.

Big Gainers

Companies and tax rates before September 20, 2019 (in %)



ADDING UP TO A ₹ 1.45 LAKH CR BOOST



Less Tax, More Investment :

Indian companies can opt to pay 22% tax on income if they give up tax exemptions and incentives. With surcharge and cess, effective tax on income will come down to 25.17% from 34.9% at present



Make in India :

Indian companies formed from Oct 1 onwards in manufacturing sector can opt to pay only 15% income tax (17.01% effective) if they don't avail exemptions and incentives and start production by March 31, 2023



Off The MAT :

The above two categories of companies will also be exempt from Minimum Alternative Tax - a tax of 18.5% imposed on all profit-making firms that declare lower tax. MAT on firms that do not opt for exemption - free 22% tax slab cut to 15%



Keep More Capital Gains:

Surcharge imposed in the Budget on capital gains from sale of shares or units of fund is withdrawn. Foreign portfolio investors will enjoy this benefit too.



CSR For Startups :

Scope of 2% mandatory CSR spending expanded to include incubators set up by govts and PSUs and contributions to IITs, national labs & autonomous bodies doing scientific and medical research.

Source : TOI










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SECTOR-WISE IMPACT

| Sectors | Scope for localization and price reductions in select sectors |
|---|--|
| Automotive OEMs  | Can potentially pass on the benefit of lower tax rates to customers in the form of price revisions or discounts in order to revive demand given the sharp slowdown |
| Auto-ancillary  | The revision augurs well; sector will see a direct sharp reduction in tax outgo. However, benefits could be largely passed on to OEMs. The 15% tax rate announced for new entities increases the viability of localisation of components, and new JVs, especially in the space of electric vehicles and their components are likely to be set-up |
| Building materials  | Would be a major beneficiary. Materials including paint, plywood, ceramic tiles etc. are expected to undergo a downward price revision. This would also reduce benefit of organised players and reduce the gap in pricing with unorganised players |
| FMCGs  | The range of tax saving gains varies across the different companies. This opportunity can be used by the companies to increase promotional activity and gain market share |
| Consumer durables  | One of the major beneficiaries. Organised players expected to gain market share vis-à-vis unorganised players with scope for savings being passed on to customers by way of increased promotional activities |
| Oil & Gas  | The tax cut will improve net profits of companies as most were paying tax close to peak rates. However, few companies who have investment linked exemptions will not benefit much as existing rates are lower than 25.17%. These may continue with existing tax structures until tax breaks are exhausted |
| Information Technology  | Given that the domestic tax rates applicable for IT companies are already low because most of them operate in SEZs, which offer tax benefits over a prolonged period. As such, the benefit would be minimal |
| Pharmaceuticals  | The impact is not expected to be material as the sector already enjoys host of tax exemptions such as income tax exemptions for EOUs or entities operating in SEZs and; GST linked benefits from operating in tax free zones,. However, specific companies enjoying lower rates due to MAT applicability will benefit as MAT rates have been reduced to 15% from 18.5% |
| Power generation & Discoms  | Given the accumulated losses in the sector at present, the immediate benefit would be minimum in the near term |

Why Do you Need Second Opinion?

In today's environment of an uncertain economy and volatile market even the most patient investor may question their existing investment plan. We may feel overwhelmed with the choices & the complexities of managing our personal finances. Here's what we require:

Your 25 Minutes over a Cup of Coffee

If we think your investments continue to be well-suited to your mentioned long-term goals – despite the current market turmoil We'll gladly tell you so.

If, on the other hand, we think some of your investments no longer fit with your goals, We'll explain why, if you like, we'll recommend some alternatives.

We Respect our Investors Unique Personal Goals & help them achieve Financial Peace of Mind.

Please feel free to contact Wealth Expert (Mr. Ameya Godse) at +91 9867386236 to set up an appointment at your convenience. we look forward to serving your financial needs soon.

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- 1 Because WE keep you on track with your investment plan
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- 7 Because you're an emotional creature

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