



Booster to Industry by Reduction in Corporate Tax

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The recent reduction in corporate tax rates is one of India's biggest direct tax reforms in a long time. It will have a multiplier effect on the economy. Perception matters, and businesses now believe that the government can take bold decisions. This will ignite animal spirits, and enhance India's attractiveness as an investment destination, especially for companies moving out of China. On the flip side, the tax cut will result in a revenue loss of Rs. 1.45 trillion. The corporate tax cut will likely push the fiscal deficit to almost 4% of

GDP. This does not bode well for the nation's current fiscal scenario, and so the government needs to manage the evolving situation astutely. The tax cut is a step in the right direction but it needs to be supplemented with other equally progressive structural reforms.

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