Guide to Corporate Tax

Sr. No.	Proposal	Impact
1	Surcharge on income-tax for domestic companies reduced to 7.5% from 10%.	This will marginally reduce the tax burden for the domestic companies with a total income above Rs 1 crore, for whom surcharge is levied. The tax rate will be reduced to 33.2% from 34%.
2	Minimum Alternate Tax (MAT) rate increased to 18% of book profits from 15%.	This will increase the tax cost for the companies covered under MAT. The effective MAT rate for companies, including surcharge, will go up from 17% to 20%. Companies which benefit from tax exemptions fall under MAT. Such companies will be adversely impacted.
3	Turnover threshold determining requirement of tax audit for businessmen raised to Rs 60 lakh from Rs 40 lakh. The gross receipt threshold determining requirement of tax audit for professionals raised to Rs 15 lakh from Rs 10 lakh. The threshold limit for presumptive taxation for taxpayers engaged in business of civil construction, etc raised to Rs 60 lakh from Rs 40 lakh.	This will reduce the burden of compliance for businessmen and professionals having turnover/ receipts below the revised threshold limit.
4	Interest, royalty and fees for technical services received by non-resident Indians will be taxable in India even if entire services are rendered outside India or if the non-resident has no place of business in the country. The amendment will take effect from June 1, 1976.	Payments made to non-residents for provision of services outside India will now get covered by the tax net. Even payments for such transactions concluded in earlier period may be taxable in India if such non-resident has no place of business in the country.
5	Conversion of small private company or small unlisted public company into a limited liability partnership (LLP) to be tax neutral, subject to specified conditions.	This provides clarification on tax implications arising on conversion to LLP. However, the relief is available only to small private/ unlisted public companies (whose turnover does not exceed Rs 60 lakh during the past three years).

6	Transferring shares in companies (in which public are not substantially interested such as unlisted cos) to firm or a company (in which public are not substantially interested such as unlisted cos) without consideration or for inadequate consideration to be taxable.	This will discourage the practice of transferring unlisted shares at prices much below their fair market value.
7	Weighted deduction for expenditure on in-house research (except for expenditure on land and building) increased to 200% from 150%.	This would incentives the corporate sector to invest in in-house research and in turn promote investments in innovation.
8	Weighted deduction for amounts paid to a research association or to a national laboratory or university or IIT to be used for scientific research increased to 175% from 125%.	This will encourage contributions to approved entities for research.
9	Threshold limit for TDS on payments to contractors, rent, fees for professional/technical services and commission increased.	This will reduce the compliance burden of deductors and taxpayers.
10	In case where tax was deducted but not deposited within the due date, the payment was disallowed for that financial year. It was allowed in the year of actual deposit of tax. Now deduction can be claimed even if taxes are deposited up to the date of filing of return of income. This amendment is proposed from 2009-10.	This will give additional time for depositing TDS to claim deduction.
11	Interest on delay in depositing taxes deducted increased to 1.5% from 1% per month or part of the month.	This will increase interest burden for delay in deposit of taxes deducted at source.
12	Computation mechanism for profits eligible for tax holiday in case of an SEZ unit has been retrospectively amended from financial year 2005-06 and anomaly in this regard removed.	The amendment will give relief to taxpayers having multiple units in both SEZ and domestic tariff area and they can claim the full exemption amount.
13	Investment-linked incentive for deduction of capital expenditure (other than on land, goodwill and financial instruments) incurred in setting up hotel (2 star or above) anywhere in India.	This will provide impetus to the infrastructural needs in tourism sector and generate employment.