Syllabus subtopic: Government policies and interventions for development in various sectors and issues arising out of their design and implementation.

News: The Finance Minister introduced two Bills in the Lok Sabha viz International Financial Authority Bill, 2019 and the Taxation Laws (Amendment) Bill, 2019,

Prelims and Mains focus: About the details of the Bills introduced and their significance

Context: It was noticed that many countries, the world over, had reduced corporate income-tax to attract investments and create employment opportunities, thus, necessitating the need of similar measures in the form of reduction of corporate income-tax payable by domestic companies in order to make Indian industry more competitive. Therefore, it was felt that a fiscal stimulus through reduction of corporate income-tax rate of domestic companies may be provided so as to attract the investment, generate employment and boost the economy of the country.

International Financial Authority Bill, 2019

- It is aimed at establishing an international financial services centres (IFSCs) authority for regulating financial services in all such centres in the country.
- According to the provisions of the Bill, once the proposed authority is established, it will exercise the power and functions of financial sector regulators such as Reserve bank of India, Securities and Exchange Board of India, and Insurance Regulatory and Development Authority of India to regulate financial products and services in the IFSCs.
- The first international financial services centre has been set up at GIFT City in Gandhinagar, Gujarat.
- The Finance Minister also introduced the Taxation Laws (Amendment) Bill, 2019, which is aimed at amending the Income-tax Act, 1961, and Finance (No.2) Act, 2019, to give relief in corporate tax

Taxation Laws (Amendment) Bill, 2019

- It replaces the Ordinance that was brought in September to cut corporate tax rates for domestic companies to 22% and for new domestic manufacturing companies to 15%.
- The new effective tax rate, inclusive of surcharge and cess, for domestic companies is now 25.17% and for new domestic manufacturing companies is 17.01%, applicable to companies that forgo the earlier exemptions and incentives. Minimum Alternate Tax (MAT) will not apply to such companies.
- For the firms that choose to continue with re-amended tax rates, their MAT incidence has come down to 15% from 18.5% currently.
- The Bill clarified that the benefits of the reduced rates will not apply to the development of computer software in any form or in any media, mining, conversion of marble blocks or
similar items into slabs, bottling of gas into cylinder, printing of books or production of
cinematograph film, or any other business notified by central government.

- The Bill proposes to provide that the total income of the company should be computed
  without any set-off or allowance of unabsorbed depreciation.
- Also, as clarifies earlier by the Finance Ministry, companies which opt for the new tax
  regime will not be allowed to avail accumulated credits of MAT, thus providing a legal
  backing to the clarification.