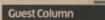
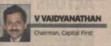
progressive		

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A Progressive Tax Structure for Corporate Sector





I would recommend that the finance minister Arun Jailley, for the first time in India, introduce the concept of "progressive" tax structure for the copporate sector during Budget 16. The term progressive tax refens to the way the tax rate progressive tax refens to the way the tax rate progressive aware from low to high, with the result that the average lax rate for the entity is less than the maginal tax rate. This reduces the tax incidence for tax payees with a lower ability to pay while effectively taxing those with a higher ability to pay.

The concept of progressive income tax is already well established in India in "personal" income taxes, and is generally accepted as the default norm for taxation. The current personal income tax structure is as follows: ₹2.5 lakh. NIL. ₹2.5 lakh to ₹5 lakh - 10%, ₹5 lakh to ₹5 lakh - 20%.

On a similar note, it would not be out of place to have a progressive "corporate" income tax rate on the following lines (il-lustrative); (< 10 lakh NIL, 110 lakh to 25 lakh N. K., 25 lakh to 10 lakh 10%, 550 lakh to 11 crore 20%, 71 crore to 73 crore 55%. 25 crore to 73 crore 55%. 25 crore and shotes, 30%.

Those against this motion will argue that aich a structure will reduce the incentive for companies to grow profits beyond the marginal tax rate. In practice, that worl't happen if we keep the marginal tax rates reasonable. Fur thermore, competitive forces, opportunities in the marketplace,

and need for growth will keep them going. The other argument could be that entrepreneurs could float many entities to enjoy the benefit of lower tax rates. Such incidences could occur, but won't carry an entrepreneur very far, as meeting comptiance requirements across many entities will be onerous. For example, they will need to register and maintain separate records for income tax, service tax, excles, BMC (leence, professional tax and other such statutory requirements. The entrepreneur will be better off having a stronger balance sheet rather than weak and spitt balance sheets with low leveragIt is common knowledge that the MSMS is security to the most values rable of sec tors in India because the sector is India because the sector is India because the sector is questioned by MSMEs is long, including low financial reserves to weather economic downturns, limited access to capital markets, low scale, cost and quality of an analysis of labour laws and mitputed laws. While larger reforms are most proposed to the proposed complexities of labour laws and mitputed laws. While larger reforms are

This government is desirous of making credit available to MSMEs and the finest way to achieve this is to make them bankable, and getting them to correctly report their income is the first step. For a country with a high-parallel conouncy, we have no choice but to have a tax rate seen as reasonable and equitable by the MSME. as

MSME's own i
the concept of to pay taxes,
ogressive If such a procome tax is tax structure is

over 30 million MSMEs.
Which are subjected to a
flat tax rate of 30%, will
then be required to only
pay 5-10% tax on net income. (Larver corpo-

plicable marginal tax rates. It is common knowledge that a large number of MSMEs deal in cash, and do not report their entire income. The Laffer curve this postulates that at a particular tax rate, compliance will be maximum, and beyond a "reasonable" rate, payers will be gin to evade taxes if they could—will be most applicable to MSMEs as compared with large corporates, its they often operate has parallel economy Millions of MSMEs may start poly lighter taxes, and

Armed with such a fewourable tax caging the few and sent processing the such care then hanch on an aggressive educational campaign explaining how you get a case makes them eligible for bank credit, the visit they other wise become inelligible. The impact will be prefound on bx collection and reduction in parallel economy one of the key needs to

d nation. (Views are personal)