

India set to benefit from 15% global corporate tax

AGENCIES Mumbai

India is likely to benefit from the global minimum 15% corporate tax rate pact inked by the world's richest nations as the effective domestic tax rate is above the threshold, and the country would continue to attract investment, tax experts said on Sunday.

The Finance Ministers of G-7 countries, comprising US, UK, Germany, France, Canada, Italy and Japan, on Saturday reached a landmark deal on taxing multinational companies as per which the minimum global tax rate would be at least 15%. They also agreed to put in place measures to ensure businesses pay taxes in the countries where they operate, a move aimed at plugging loopholes in cross-border taxation.

Nangia Andersen India Chairman Rakesh Nangia said the G7 commitment to global minimum tax rate of 15% works well for the US government and most other countries in western Europe.



SUBSIDIES INTACT
THE CONCESSIONAL INDIAN TAX
REGIME WOULD STILL WORK

However, some low-tax European jurisdictions such as the Netherlands, Ireland and Luxembourg and some in the Caribbean rely largely on tax rate arbitrage to attract MNCs.

"The global pact would face the challenge of getting other major nations on the same page, since this impinges on the right of the sovereign to decide a nation's tax policy," Nangia added.

India had in September 2019 slashed corporate taxes for domestic companies to 22% and to 15%

for new domestic manufacturing units. The concessional tax rate was extended to the existing domestic companies as well, subject to certain conditions.

Consulting firm AKM Global Tax Partner Amit Maheshwari said India is expected to benefit as it is a big market for a large number of tech companies.

"It remains to be seen how the allocation would be between market countries. Also, the global minimum tax of at least 15% means that in all probability the concessional Indian tax regime would still work, and India would continue to attract investment," Maheshwari added.

EY India National Tax Leader Sudhir Kapadia said the global corporate tax pact is a path breaking one, especially for large and developing countries like India which would always find it very difficult to keep corporate tax rates artificially lower in a bid to increase much needed foreign direct investments in the country.

India likely to benefit from global minimum 15% corporate tax pact: Experts

FOREIGN INVESTMENTS TO CONTINUE

PTI ■ NEW DELHI

India is likely to benefit from the global minimum 15 per cent corporate tax rate pact inked by the world's richest nations as the effective domestic tax rate is above the threshold, and the country would continue to attract investment, tax experts said on Sunday.

The Finance Ministers of G-7 countries, comprising US, UK, Germany, France, Canada, Italy and Japan, on Saturday reached a landmark deal on taxing multinational companies as per which the minimum global tax rate would be at least 15 per cent. They also agreed to put in place measures to ensure businesses pay taxes in the countries where they operate, a move aimed at plugging loopholes in cross-border taxation.

Nangia Andersen India Chairman **Rakesh** Nangia said the G7 commitment to global minimum tax rate of 15 per



cent works well for the US government and most other countries in western Europe. However, some low-tax European jurisdictions such as the Netherlands, Ireland and Luxembourg and some in the Caribbean rely largely on tax rate arbitrage to attract MNCs.

"The global pact would face the challenge of getting other major nations on the same page, since this impinges on the right of the sovereign to decide a nation's tax policy," Nangia added.

India had in September 2019 slashed corporate taxes for domestic companies to 22 per cent and to 15 per cent for new domestic manufacturing units. The concessional tax rate was extended to the existing domestic companies as well, subject to certain conditions.