

## **REDUCTION IN TAX RATES OF DOMESTIC COMPANIES**

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### 1. **BACK GROUND:**

In his Budget Speech, while presenting the Budget on 28.02.2015, the Finance Minister, late Shri Arun Jaitly had stated that “The basic rate of Corporate Tax in India at 30% is higher than the rates prevalent in the other major Asian Economies, making our domestic industry uncompetitive “. He further stated that “I, therefore, propose to reduce the rate of Corporate Tax from 30% to 25% over the next 4 years. This will lead to higher level of investment, higher growth and more jobs. This process of reduction has to be necessarily accompanied by rationalization and removal of various kinds of tax exemptions and incentives for corporate tax payers, which incidentally account for a large number of tax disputes.” This process of reduction in tax rates of domestic companies in a phased manner has started from A.Y. 2017-18. In the Finance (No.2) Act, 2019, as amended by the Taxation Laws (Amendment) Act, 2019, (Amendment Act) some significant amendments reducing the tax rates of Domestic Companies are made. These are effective from A.Y. 2020-21 (F.Y. 2019-20). In this article the impact of these amendments is discussed.

### 2. **REDUCTION IN TAX RATES OF DOMESTIC COMPANIES:**

The reduction in tax rates of Domestic Companies, as promised in 2015, is made in a phased manner every year as under:

<b><u>Finance Act</u></b>	<b><u>A.Y.</u></b>	<b><u>Total Turnover or Gross Receipts</u></b>	<b><u>Tax Rate</u></b>
2016	2017-18	Not exceeding ₹5 Cr. in F.Y 2014-15	29%
2017	2018-19	Not exceeding ₹50 Cr. in F.Y. 2015-16	25%
2018	2019-20	Not exceeding ₹250 Cr. in F.Y. 2016-17	25%
2019	2020-21	Not exceeding ₹400 Cr. in F.Y. 2017-18	25%

The Finance Minister has stated in her Budget Speech dated 5<sup>th</sup> July, 2019, while introducing the Finance (No.2) Bill, 2019, that with the reduction of rate of corporate tax in this year’s budget, 99.3% of domestic companies will now pay tax at the rate of 25%. Balance of about 0.7% of domestic companies will have to pay tax at the rate of 30% of its total income. Further, all domestic companies have to pay Surcharge on Tax and Health and Education Cess on the Total Tax as under.

- (a) If the total income of the company exceeds ₹ One Cr but does not exceed ₹ Ten Cr. – 7% Surcharge on Tax.
- (b) If the total income of the Company exceeds ₹ Ten Cr. – 12% Surcharge on Tax.
- (c) Further, Health and Education Cess at the rate of 4% of the Total Tax is also payable.

3. **REDUCTION OF TAX RATE FOR SPECIFIED DOMESTIC COMPANIES – SECTION 115BA:**

The Finance Act, 2016, inserted a new section 115BA in the Income tax Act providing for tax rate of 25% for certain specified Domestic Companies. This new section provides that in the case of a Domestic Company, which is set up and registered on or after 1.3.2016, the rate of tax will be 25%, plus applicable surcharge and cess if the following conditions are satisfied.

(i) The company is solely engaged in the business of Manufacture, or Production of any article or thing and Research in relation to, or distribution of, such article or thing manufactured or produced by the company.

(ii) The company shall not be entitled to claim deduction under sections 10AA, 32(1) (ia), 32 AC, 32AD, 33 AB, 33ABA, 35(1) (ii), (ia).(iii), 35 (2AA), 35 (2AB), 35AC, 35AD, 35 CCC, and 35CCD. Further, such company shall not be entitled to claim deduction under Chapter VI A part C i.e. Sections 80 H to 80 RRB (excluding section 80J JAA).

(iii) The company will not be entitled to claim set off of loss carried forward from earlier years if the same is attributable to the above deductions. Such carried forward loss shall be deemed to have been allowed and will not be allowed in any subsequent years.

(iv) Depreciation under section 32 {Other than section 32(1) (ia)} shall be deducted in the manner as may be prescribed.

(v) The above concessional rate of 25% will be available at the option of the assessee company. Such option is to be exercised before the due date for filing the Return of Income under section 139(1) for the first year after incorporation of the company for which return is required to be filed. Further, the option once exercised, cannot be withdrawn by the company in any subsequent year.

It may be noted that by insertion of a new section 115BAA by the Taxation Laws, (Amendment) Act, 2019 (Amendment Act) it is now provided in section 115BA that if the company exercises option Under Section 115 BAA, option exercised under section 115BA may be withdrawn.

4. **FURTHER REDUCTION IN TAX RATES BY SPECIFIED COMPANIES – NEW SECTION 115 BAA:**

(i) New Section 115BAA has been inserted in the Income tax Act by the Amendment Act. This section is effective from the A.Y. 2020-21 (F.Y. 2019-20). This section provides that the tax payable by a Domestic Company, at its option, shall be at the rate of

22% plus Surcharge of 10% of the tax and Cess. Thus the effective rate will be 25.17%. For this purpose the company will have to comply with the following conditions.

a) The Company cannot claim any deduction under section 10AA, 32(1)(iia), 32AD, 33AB, 33ABA, 35(1)(ii),(iia), (iii), 35(2AA), 35(2AB), 35AD, 35CCC, 35CCD or any of the provisions of Chapter VIA under the heading "C – Deductions in respect of certain incomes" i.e. Sections 80H to 80 RRB, excluding section 80JJAA.

b) The Company cannot claim deduction for set off of any carried forward loss which is attributable to deductions under the above sections.

c) The Company cannot claim set off of any loss carried forward or unabsorbed depreciation from any earlier assessment year, if such loss or depreciation is attributable to any deduction referred to in (a) above. Further, the Company cannot claim deduction for any loss or unabsorbed depreciation under section 72A which is attributable to deductions referred to in (a) above.

d) The loss or depreciation referred to in (b) and (c) above shall be deemed to have been given full effect. Therefore, no further deduction for such loss or depreciation will be allowed in any subsequent year.

e) Where full effect has not been given to depreciation allowance on any block of assets relating any assessment year prior to A/Y:2020-21, corresponding adjustment shall be made to the WDV of such block of assets as on 1/4/2019 in the prescribed manner, if the option is exercised under this section for A/Y:2020-21.

f) The Company will be able to claim depreciation under section 32, excluding section 32(1)(iia), which is determined in the prescribed manner.

g) In the case of an Unit in the International Financial Services Centre, as referred to in section 80LA(IA), if option under section 115BAA is exercised, the above deduction under section 80LA shall be available to such Unit if conditions of section 80LA(2) are complied with.

(ii) The Company has to exercise the option for the lower rate of 22% in the prescribed manner before the due date for filing return of income under section 139(1) for any assessment year commencing on or after A.Y:2020-21. The option once exercised will be valid for subsequent years. Further, the Company cannot withdraw the option once exercised in any subsequent year. It may be noted that, if the option exercised by a Company under Section 115BAB has been rendered invalid due to violation of conditions of Section 115BAB(2)(a)(ii), (iii) and (b), the Company can exercise option under Section 115BAA.

(iii) It may be noted that section 115JB is also amended, effective from A.Y: 2020-21, to provide that Section 115JB will not apply to a Company which has exercised the option under the new section 115BAA.

(iv) The Companies which are engaged in trading activities, letting out of properties, rendering services and other similar activities may find this concession in rate of tax attractive if they are not claiming benefit of deduction as stated in (i) above. Further, Companies exercising the option under this section will have to forgo the benefit of unavailed MAT Credit brought forward from earlier years.

## 5. **CONCESSIONAL RATE OF 15% FOR NEW MANUFACTURING COMPANIES – SECTION 115 BAB:**

5.1 New section 115BAB has been inserted in the Income Tax Act by the Amendment Act. This section is effective from the A.Y. 2020-21 (F.Y. 2019-20). This section provides that the tax payable by a Manufacturing Domestic Company, at the option of such Company, shall be at the rate of 15% plus applicable surcharge of 10% of the tax and cess i.e. total 17.16%. For this purpose the company will have to comply with the following conditions.

a) The Company should be set-up and registered on or after 1<sup>st</sup> October, 2019 and should commence manufacturing on or before 31.03.2023. Further, the Company -

- Should not be formed by splitting up, or reconstruction of a business already in existence. However, this condition will not apply to reconstruction or revival of a company under section 33B.
- Should not use any machinery or plant previously used for any purposes. However, this condition will not apply to machinery or plant previously used outside India if the conditions stated in Explanation – 1 in the section are satisfied. Further, by Explanation 2 concession is given if the value of the old plant and machinery used by the company does not exceed 20% of the total value of the Plant and Machinery.
- The Company should not use any building previously used as a Hotel or Convention Centre for which deduction under section 80-ID has been claimed and allowed.

b) The Company should not be engaged in any business other than the business of manufacture or production of any article or thing and research in relation to, or distribution of, such article or thing manufactured or produced by it. Further, the Company has to ensure that the transactions of purchase, sale etc., between related parties are entered into at arm's length price.

c) The total income of the Company should be computed without any deduction under sections 10AA, 32(1)(iia), 32AD, 33AB, 33ABA, 35(1)(ii), (iia) (iii), 35(2AA), 35(2AB), 35AD, 35CCC, 35CCD or under any of the provisions of Chapter VIA under the heading “C-Deductions in respect of Certain incomes” i.e. Sections 80H to 80 RRB (excluding section 80JJA).

d) The company cannot claim deduction for any loss or allowance for unabsorbed depreciation under section 72A which is attributable to deductions under the above sections. Such loss shall be deemed to have been already given full effect to and no further deduction for such loss will be allowable in any subsequent year. It may be noted that in the case of an amalgamation the option exercised, as stated in Para 5.2 below, shall remain valid in the case of Amalgamated Company only if the conditions stated above continue to be satisfied by such Company.

e) The company will be able to claim deduction for depreciation under section 32, excluding section 32(1)(iia), as determined in the prescribed manner.

f) Where the Assessing Officer is of the opinion that any of the transactions between related parties are not at arm’s length prices, he can make adjustments for determination of the profits of the company. Section 92BA defining specified domestic transactions and reporting of such transactions has been amended. The amendment in this section now includes any business transacted between the related parties as referred to in section 115BAB(4).

g) It may be noted that if difficulties arise in complying with the conditions stated in (a) and (b) above, CBDT has been given power to issue guidelines, with the approval of the Central Government, for removing such difficulties. These guidelines may include provisions to promote manufacturing or production of articles or things using new Plant and Machinery.

5.2 The option under this section for concessional rate of 15% is to be exercised by the company in the prescribed manner on or before the due date specified under section 139(1) for furnishing the first of the returns of income for any year relevant to A.Y. 2020-21 (F.Y.2019-20) or thereafter. This option so exercised shall apply to subsequent years also. The option, once exercised, cannot be subsequently withdrawn for the same or any subsequent year. However, if the Company fails to satisfy the conditions stated in Para 5.1 above in any year, the option exercised by the Company shall become invalid in that year and all subsequent years. In this event other provisions of the Income tax Act will become applicable. As stated earlier, the Company can exercise the option under section 115BAA and avail for concessional tax rate of 22% plus applicable surcharge and cess (i.e. 25.17%).

5.3 Explanation to Section 115BAB(2)(b) provides that in this section the business of Manufacture or Production of any article or thing shall not include the business of –

- (i) Development of Computer Software in any form or in any media;
- (ii) Mining;
- (iii) Conversion of Marble Blocks or similar items into slabs;
- (iv) Bottling of gas into cylinder;
- (v) Printing of Books;
- (vi) Production of Cinematograph Films;
- (vii) Any other business as may be notified by the Central Government.

5.4 As stated above, the rate of tax from the business of manufacturing or production of specified items in the case of a company exercising option under section 115BAB is 15% plus applicable surcharge and cess (i.e. 17.16%). However, in respect of the following income of such a company the rate of tax will be more as stated below.

(i) If the total income of the company includes any income, other the income from the activity of manufacture or production of specified items and no specific tax rate is provided for such income in Chapter XII of the Income tax Act, the tax shall be payable at the rate of 22% plus applicable surcharge and cess (i.e. 25.17%). In the computation of such income no deduction shall be allowed for any expenditure or allowance.

(ii) In respect of income which has been added due to any adjustment as stated in Para 5.1(f) above, i.e. section 115BAB(6) second proviso, the tax shall be payable at the rate of 30% plus applicable surcharge and cess i.e. 34.32% on such addition.

(iii) In respect of Short-Term Capital Gain derived from transfer of a capital asset on which no depreciation is allowable, the Tax shall be payable at the rate of 22% plus applicable surcharge and cess (i.e. 25.17%).

5.5 It may be noted that the provisions of section 115JB have also been amended to provide that section 115JB will not apply to a company which exercises the option for concessional rate under section 115BAB. Thus, this new section will encourage investment in new domestic companies engaged in manufacture of goods and articles in India.

## 6. **IMPACT OF THE ABOVE PROVISIONS:**

6.1 From the above provisions it will be noticed that the Corporate Tax Rates for Domestic Companies have been gradually reduced during the last 5 years as stated in Para 2 above. With insertion of sections 115BAA and 115BAB, the Tax rates (including Surcharge and Cess) for Domestic Companies for A.Y. 2020-21 will be as under:

	Domestic Company	Turnover / Gross Receipts		Company opting for Concessional Rates		
		Exceed ₹400Cr.	Do not exceed	u/s 115BA	u/s 115 BAA	u/s 115

			₹400 Cr			BAB	
i)	Income upto ₹1Cr.	31.20%	26%		26%	25.17%	17.16%
ii)	Income more than ₹1Cr. but less than ₹10 Cr.	33.38%	27.87%		27.82%	25.17%	17.16%
iii)	Income exceeding ₹10Cr.	34.94%	29.12%		29.12%	25.17%	17.16%

6.2 It may be noted that the basic Tax Rates (including Surcharge of 10% and Cess) under sections 115BAA and 115BAB remain constant irrespective of the total income or total turnover/gross receipts of the company. Therefore, it will be beneficial for Domestic Companies having Turnover / Gross Receipts below 400 Cr., or exceeding ₹400 Cr., to exercise the option for concessional rate u/s 115BAA. It will also be beneficial for companies which have earlier exercised option under section 115BA to now exercise option under section 115BAA to reduce their total tax liability. Further, additional advantage under section 115BAA is that the company will not be liable to pay Book Profit Tax under section 115JB. Before exercising the option under section 115BAA, the company will have to consider the impact of losing certain deductions for tax incentives under various sections listed in section 115BAA and losing the benefit of adjustment of unavailed MAT credit under section 115JAA.

6.3 The benefit of concessional rate of 15% under section 115BAB is available to a Domestic Company which is solely engaged in manufacturing activities. The main condition is that the company should be set up and registered on or after 1.10.2019 and should commence manufacture of articles or things on or before 31.3.2023. If an existing company wants to take advantage of this concessional rate of 15%, it is possible for it to set up and register a subsidiary company on or after 1.10.2019. This subsidiary company should start manufacturing activity on or before 31.3.2023. Thus, the existing company can expand its business by backward or forward integration through its subsidiaries. In this process care should be taken to ensure that the assets of the existing company are not used by the subsidiary company and the transactions of purchase, sale, rendering of services etc. between the holding and subsidiary company are on arm's length basis. Further, the subsidiary company will not get the specified tax incentives. For this purpose such a Company should ensure that it does not engage in the business of manufacture or production of items listed in Para 5.3 above.

## **7. THE COMPANIES OPTING FOR CONCESSIONAL TAX RATES NOT ENTITLED TO SPECIFIED TAX INCENTIVES:**

As stated above, the Domestic Companies opting for Concessional Rates under Sections 115BA, 115BAA and 115BAB will not be entitled to claim deductions for Tax Incentives while computing their Total Income. These Tax Incentives are as under:

- i) **Section 10AA:** Deduction allowed to specified units in Special Economic Zones.

- ii) **Section 32(1)(ia)**: One-time deduction of 20% of actual cost of new plant and Machinery for companies manufacturing or producing articles or things or in the business of generation, transmission or distribution of power.
- iii) **Section 32AD**: One-time deduction of 15% of actual cost of new plant and Machinery installed in the notified Backward Areas in Certain States (i.e. AP, Bihar, Telangana or West Bengal) for manufacture of articles or things.
- iv) **Section 33AB**: Deposit of specified amount in Tea Development Account, Coffee Development Account or Rubber Development Account. This applies to companies manufacturing Tea, Coffee or Rubber.
- v) **Section 33ABA**: Deposit in Site Restoration Fund by Companies engaged in the business of prospecting for extraction or production of Petroleum or Natural Gas
- vi) **Section 35(1) (ii), (ia) and (iii)**: These sections relate to deduction for amounts paid for Scientific Research to specified Research Association, University, College, Other Institutions or Certain specified companies. Deduction under section 35(1) (ii) is 150% of the amount contributed.
- vii) **Section 35(2AA)**: Deduction for Contribution to National Laboratory, University, Indian Institute of Technology or a specified Person for Scientific Research under an approved project. This deduction is 150% of the contribution.
- viii) **Section 35(2AB)**: Revenue expenses incurred by a company engaged in manufacturing business for approved in-house research and development facility subject to certain conditions. This deduction is 150% of the expenditure.
- ix) **Section 35AD**: Deduction of 100% of the Capital expenditure incurred for the purpose of specified businesses carried on by the assessee. List of specified businesses is given in the section.
- x) **Section 35CCC**: Deduction of 150% of expenditure on notified Agriculture Expansion Projects.
- xi) **Section 35CCD**: Deduction of 150% of expenditure on Skill Development Project as notified by CBDT.
- xii) **Chapter VIA**: Deduction in respect of income under the following sections
  - a) **Section 80HH**: Income of new Industrial Undertaking or Hotels set up in Backward Areas.



- b) **Section 80HHA**: Income of new small-scale industrial undertakings set up in specified areas.
- c) **Section 80-IA**: Income of an industrial undertaking or an Enterprise engaged in Infrastructure Development and other specified undertaking subject to conditions contained in the section.
- d) **Section 80-IAB**: Income of an undertaking or enterprise engaged in Development of Special Economic Zone subject to conditions specified in the section.
- e) **Section 80-IAC**: Income of the eligible start-up companies from eligible business for a limited period as stated in the section.
- f) **Section 80-IB**: Specified income of certain industrial undertakings (other than infrastructure development) including Cold Storage Facility for Agriculture Produce, Processing, Preservation and Packaging Fruits, Vegetables, Meat and Marine Products, and Hospitals in Rural Areas.
- g) **Section 80-IBA**: Income of specified Housing projects subject to conditions specified in the section.
- h) **Section 80-K**: Specified income from certain undertakings or enterprises in certain specified states (i.e. Sikkim, Himanchal Pradesh, Uttarakhand or North – Eastern States).
- i) **Section 80-ID**: Income from business of Hotels and Convention Centers in specified areas.
- j) **Section 80-IE**: Income of Certain undertakings in North- Eastern States.
- k) **Section 80JJA**: Income from business of collecting and processing of bio-degradable waste.
- l) **Section 80LA**: Specified income of Offshore Banking Units and Units of an International Financial Services Centre.
- m) **Section 80P**: Deduction in respect of income of co-operative societies.
- n) **Section 80 PA**: Deduction in respect of income of producer Companies
- o) **Section QQB**: Deduction in respect of Royalty income of Authors of Certain Specified Books.

p) **Section RRB:** Deduction in respect of Royalty on Patents as specified in the section.

Sections 115BA, 115BAA and 115BAB specifically provide that the incentive given under section 80JJAA for deduction in respect of employment of New Employees will be allowed in computing the total income of a company exercising option for concessional rate of tax.

From the above provisions it may be noted that the deduction under other sections of chapter VI A are allowable to companies opting for concessional tax rates under the above sections. In other words, such companies can claim deduction in respect of Donations to Charitable Trusts under Section 80G or Donations to Political Parties under Sections 80GGB / 80GGC. Further, if such a company has no income from Business or Profession, it can claim specified deduction for donations for scientific Research or Rural Development under section 80GGA.

It may be stated that, as stated earlier, set off of loss carried forward from any earlier year will not be allowed to companies opting for concessional rates u/s 115BA or 115BAA if such loss is attributable to any of the tax incentives as listed above.

#### 8. **TAXATION OF CAPITAL GAINS:**

The concessional rates provided in sections 115AA, 115BAA and 115 BAB are subject to the provisions of Chapter XII. Since Sections 111A, 112 and 112A fall in Chapter – XII, the rates of 15% for short-term capital gain on STT paid shares etc., the tax rate of 20% on long term capital gain on sale of other assets and the rate of 10% on long term capital gain on STT paid shares etc., will apply in cases of companies exercising option for concessional rates under sections 115BA, 115BAA and 115BAB.

#### 9. **MINIMUM ALTERNATE TAX (MAT) ON BOOK PROFITS:**

i) Section 115JB levying MAT on Book Profits has been amended and the rate of MAT is reduced from 18.5% to 15% from A.Y. 2020-21 (F.Y. 2019-20). The provisions of section 115JB are applicable to companies opting for concessional rate of 25% under section 115BA. However, the Amendment Act provides that section 15JB shall not apply to companies opting for concessional rate of tax under sections 115BAA and 115BAB.

ii) **Section 115JAA** provides that if a Domestic Company pays tax on its Book profits u/s 115JB in any year, difference between such tax and the tax payable under the normal provisions of the Income tax Act then the Tax Credit (i.e. MAT Credit) will be allowed to be carried forward for 15 years. Therefore, if an existing company has accumulated MAT Credit which is available for adjustment against tax liability of subsequent years, a question arises whether such a company will be entitled to adjust such MAT credit against its tax liability for A.Y.2020-21 and subsequent years if the company opts for concessional tax rate

under section 115BAA. This question arises in view of the fact that Section 115JB is not applicable to such a company.

(iii) In order to remove any doubt, the Amendment Act has amended section 115JAA effective from A/Y:2020-21 (F.Y:2019-20) to provide that the provision for allowance of benefit of adjustment of unavailed MAT Credit in subsequent years shall not be allowed to a Company which exercises option for concessional rate under section 115BAA.

#### 10. **TO SUM UP:**

10.1 After the Finance (no:2) Act, 2019 was passed by the Parliament in July, 2019, the President promulgated “The Taxation Laws (Amendment) Ordinance, 2019” on 20/09/2019. This Ordinance has been replaced by the Taxation (Amendment) Act, 2019 which is passed by the Parliament on 2nd December, 2019. It may be noted that significant changes have been made in some of the provisions of the Ordinance by the above Amendment Act.

10.2 The Taxation Laws (Amendment) Act, 2019 has been passed with a view to promote economic growth and to boost investment by corporate sector. From the above analysis of the provisions of the Amendment Act it is evident that the concessional Tax Rates of 22% to existing companies and 15% to new manufacturing companies will apply only if they do not claim the specified tax incentives and comply with the conditions stated in new sections 115 BAA and 115BAB. The entire procedure is made very complex and a number of adjustments will have to be made in the computation of total income of companies which opt for the concessional Tax Rates. These provisions will invite litigation on many of the issues.

10.3 The Companies which are engaged in trading activities, letting out of properties, rendering of services and other similar activities will benefit by exercising option under new section 115BAA for concessional Tax Rate of 22%, if they do not claim the specified tax incentives and do not have unavailed MAT Credit.

10.4 The Ordinance dated 20/09/2019 did not propose any amendment in Section 115JAA and, therefore, a view was expressed that the existing Companies exercising option under Section 115BAA will be able to adjust unavailed MAT Credit against the tax payable at concessional rate of 22%. The Amendment Act, replacing the Ordinance, amends section 115JAA to provide that the Companies exercising option under Section 115BAA will not get the benefit of adjustment of unavailed MAT Credit. This provision is very harsh as Section 115JAA was enacted by the Finance Act, 1997, to ensure that payment of tax on book profits under section 115JA/115JB was in the nature of Advance tax to be adjusted against excess tax payable under the normal provisions of the Income tax Act. Now, denying MAT Credit to Companies exercising option u/s 115BAA to claim concession of only 3% in tax is not at all justified.

10.5 The Ordinance dated 20/09/2019 provided that new companies opting for concessional rate of 15% under the new section 115BAB should be engaged in the business of manufacture or production of articles or things. The word “Manufacture” is defined in Section 2(29C) in a Comprehensive manner. In spite of this, the Amendment Act has further amended section 115BAB and it is now provided that for the purpose of section 115BAB certain activities as listed in Para 5.3 above shall not be considered as manufacture under section 115BAB. Thus, the scope of relief in tax rates given in section 115BAB is further reduced by the Amendment Act.

10.6 The above benefit of concessional Tax Rates is given to only domestic companies. Many companies have been converted into Limited Liability Partnerships (LLP). Under the LLP Act the status of LLP is that of a “Body Corporate”. Further, the administration of LLP is under the supervision of Registrar of Companies. Under the Income tax Act the status of LLP is that of a Firm and LLP has to pay tax at the rate of 30%. Many LLPs are at present engaged in Small Scale industries and, therefore, LLP which is considered as a Corporate Body, should have been given the benefit of concessional Tax Rate under section 115BAA. Similarly, a new LLP set up and registered on or after 1/10/2019, if engaged in the business of manufacture or production or articles or things, should have been given the benefit of concessional Tax Rate under Section 115BAB.

10.7 From the above discussions, it is evident that the Government has tried to give benefit in Tax Rates to the Corporate Sector. However, this benefit can be availed only by complying with many complex conditions. The provisions made are so complex that the companies will have to be careful before exercising option to avail of these concessions.