

# Corporate Tax

- In India, there are two types of taxes levied by the government :
  - **Direct taxes**
  - **Indirect taxes**
- *Indirect taxes* are levies imposed on goods and services, whereas *direct taxes* are levied on the income and profits of individual and organizations.

## Indirect taxes

- **Indirect taxes:** Goods and Service Tax or GST who was introduced in 2018. The unified tax system was aimed to restructure the indirect taxation system in India. GST unifies the earlier varying tax rates across entire length and breadth of the country.
- **Goods and Services Tax (GST)** is a successor to VAT used in our country on the supply of goods and services. GST is a digitalized form of VAT where you can also track the goods & services.
- Goods and services are divided into five different tax slabs for collection of tax: 0%, 5%, 12%, 18% and 28%. However, petroleum products, alcoholic drinks and electricity are not taxed under GST and instead are taxed separately by the individual state governments.

# Indirect Tax Structure under GST Regime

Indirect Taxes Subsumed under GST		Indirect Taxes Not Subsumed under GST
Central level	State level	
<ul style="list-style-type: none"> <li>• Central Excise Duty</li> <li>• Additional Excise Duty</li> <li>• Service Tax</li> <li>• Additional Customs Duty / Countervailing Duty</li> <li>• Special Additional Duty of Customs</li> </ul>	<ul style="list-style-type: none"> <li>• State Value Added Tax/Sales Tax</li> <li>• Entertainment Tax (other than levied by the local bodies)</li> <li>• Central Sales Tax (levied by the Centre and collected by the States)</li> <li>• Octroi and Entry tax</li> <li>• Purchase tax</li> <li>• Luxury tax</li> <li>• Taxes on lottery, betting, and gambling</li> </ul>	<ul style="list-style-type: none"> <li>• Excise Duty/VAT on Petroleum Products for Initial years (In addition to GST at Nil rate)</li> <li>• Excise Duty on Tobacco Products (In addition to GST)</li> <li>• Electricity Duty by state (In addition to GST)</li> <li>• Entertainment Tax levied by local bodies</li> <li>• State excise on Alcoholic Beverages (no GST)</li> </ul>

# Direct taxes

- Direct taxes are directly paid to the government by the tax payer.
- Income tax is a direct tax, paid on personal income by an individual or a company, to the federal government.
- Direct tax is levied on the income that different types of business entities earn in a financial year. There are different types of taxpayers registered with Income tax department and they pay taxes at different rates.
- This type of tax may be deducted at source (TDS) from the person's revenue or wages, as in personal income tax.
- The burden of this tax falls directly on the taxpayer and the tax liability cannot be transferred to anyone else.

# Corporate Tax

This tax is paid by the companies registered under company law in India on the net profit that it makes from businesses. It is taxed at a specific rate as prescribed by the income tax act subject to the changes in the rates every year by the IT department.

## Corporate Tax in India

- Domestic as well as foreign companies are liable to pay corporate tax under the Income-tax Act. While a domestic company is taxed on its universal income, a foreign company is only taxed on the income earned within India i.e. is being accrued or received in India.
- For the purpose of calculation of taxes under Income tax act, the types of companies can be defined as under:
- **Domestic Company:** Domestic company is one which is registered under the Companies Act of India and also includes the company registered in the foreign countries having control and management wholly situated in India. A domestic company includes private as well as public companies.
- **Foreign Company:** Foreign company is one which is not registered under the companies act of India and has control & management located outside India.

# What is meant as Income of a company?

Before understanding about the rate of taxes and how will the tax be calculated on income of the companies, we should learn about the types of income which a company earns. Here it is:

1. Profits earned from the business
2. Capital Gains
3. Income from renting property
4. Income from other sources like dividend, interest etc.

## Capital gains

Capital gains taxation applies to earnings from the sale of capital assets held by the tax assessee. Capital assets refer to the properties such as buildings, lands, equipment, bonds, equities, debentures, etc. Taxes are levied on the income of the assessee when such properties are sold.

## **Kinds of Taxable Income Sources in India**

- Individuals, trusts, businesses, and other entities are all subject to income tax. As a result, there are numerous forms of income that can be taxed in India.
- Mentioned below are some of the different types of taxable income in India-

### **Business Income**

- Profits earned by businesses are also counted as taxable income. The tax in this category is derived from the presumed or real income that the profession or business may generate. However, it is only done once the permitted deductions have been adjusted.
- Different rates apply to individual and corporate business income in the fiscal year 2022-23. Individuals with business income will be taxed in accordance with income tax slabs and rates for the fiscal year 2023-24.

### **Salary or Pension**

- Taxes are frequently levied on the base salary, allowances, and salary profit in this category. The income tax slab also applies to an individual's pension after retirement. The income tax slabs rates for FY 2022-23 differ based on the age of the individual earning a salary or pension during the fiscal year.

## **Property Income**

- Owning many houses and renting them out is an easy method to supplement your income. In such circumstances, however, revenue from house renting is recognized as part of the taxpayer's income. As a result, this income is taxable at the income tax slab rates for the fiscal year 2022-23.

## **Capital Gains Income**

- Capital Gains income can be generated by selling assets such as gold, real estate, mutual funds units, stocks, debentures, and so on. It can be characterized as a long-term or short-term capital gain depending on the type of asset and the earnings produced on it over time.
- Despite the fact that these earnings are subject to income taxation, the capital gains tax regulations for 2022-23 are separate from the income tax slabs for 2023-24.

## **Lottery, Races, and More Income**

- In India, winnings from lotteries, horse races, and other similar activities are taxable. However, under current tax legislation, these profits are taxed separately rather than as part of the income slab rates for the fiscal year 2022-23.

# Tax slabs for Financial Year 2022-23

Latest Income Tax Slab Rates for FY 2022-23 / AY 2023-24			
If you are claiming deductions and exemptions			
Income Slab	Individuals (Aged below 60 Yrs)	Senior Citizens (Aged 60 Yrs and above but below 80 Yrs)	Super Senior Citizens (Aged 80 Yrs and above)
Up to Rs.2,50,000	Nil	Nil	Nil
Rs.2,50,001 to Rs.3,00,000	5%	Nil	Nil
Rs.3,00,001 to Rs.5,00,000	5%	5%	Nil
Rs.5,00,001 to Rs.10,00,000	20%	20%	20%
Rs.10,00,001 and above	30%	30%	30%
If you are NOT claiming deductions and exemptions			
Income Slab	Income Tax Rate		
Up to Rs.2,50,000	Nil		
Rs.2,50,001 to Rs.5,00,000	5% (with Tax Rebate Under Sec.87A)		
Rs.5,00,001 to Rs.7,50,000	10%		
Rs.7,50,001 to Rs.10,00,000	15%		
Rs.10,00,001 to Rs.12,50,000	20%		
Rs.12,50,001 to Rs.15,00,000	25%		
Rs.15,00,000 and above	30%		

## Tax rates applicable to a domestic company

### Normal Tax rates applicable to a domestic company

Income-tax rates applicable in case of domestic companies for assessment year 2022-23 and 2023-24 are as follows:

<i>Domestic Company</i>		
	<i>Assessment Year 2022-23</i>	<i>Assessment Year 2023-24</i>
- Where its total turnover or gross receipt during the previous year 2019-20 does not exceed Rs. 400 crore	25%	NA
- Where its total turnover or gross receipt during the previous year 2020-21 does not exceed Rs. 400 crore	NA	25%
- Any other domestic company	30%	30%

**Surcharge :** In addition to tax at above rate, surcharge is levied @ 7% on the amount of income-tax if net income exceeds Rs. 1 crore but does not exceed Rs. 10 crore and @ 12% on the amount of income-tax if net income exceeds Rs. 10 crore. In a case where surcharge is levied, health and education cess of 4% will be levied on the amount of income-tax plus surcharge.

## Tax rates applicable to a foreign company

### Normal tax rates applicable to a foreign company

A foreign company is taxed at a flat rate of 40%. Apart from tax @ 40%, Health and Education Cess is levied @ 4% of income-tax.

A domestic company means an Indian company or any other company which in respect of its income, liable to tax under the Income-tax Act, has made the prescribed arrangements for the declaration and payment within India, of the dividends (including dividends on preference shares) payable out of such income.

Foreign company means a company which is not a domestic company, i.e. a company registered outside India in any other foreign country.

Foreign Company is treated as Resident in India if its Control and Management is located wholly in India. Foreign Company is treated as Non-Resident in India if its Control and Management located wholly / partially Outside India.

### Minimum Alternate Tax (MAT)

- Alternatively, all the companies (including foreign companies) are required to pay minimum alternate tax at the rate of 18.5 % on book profits if the tax calculated as per above rates are less than 18.5% of book profits.
- Book profit is net profit or loss shown by a company for a given year.

### Dividend Distribution Tax (DDT)

- Companies are required to pay tax on the dividend distributed to the shareholders in a particular year. This dividend is exempted in the hands of shareholders upto an amount of Rs. 10 lakh but the companies have to pay tax @ 20.56 %.

### Property Tax

- This is another type of tax that an industry might have to pay.
- Local governments usually have jurisdiction over **property taxes**. In addition to these, individual cities and towns may have special property taxes for industrial concerns located within the city limits.
- Property taxes vary widely from one locality to another, but the average annual amount of these charges of 4 percent of the assessed valuation.
- Taxes of this type are referred to as **direct** since they must be paid directly by the particular concern and cannot be passed on as such to the consumer.

# Insurance

- The annual insurance cost for ordinary industrial concerns is approximately 1 percent of the capital investment.
- Despite the fact that insurance costs may represent only a small fraction of total costs, it is necessary to ensure that economic operation of a plant is protected against emergencies or unforeseen developments.
- The design engineer can aid in reducing insurance requirements if he or she understands the factors which must be considered in obtaining adequate insurance.
- The engineer should be aware of the different types of insurance available and the legal responsibilities of the company with regard to accidents or other unpredictable emergencies.

## Legal responsibility

- A company can obtain insurance to protect itself against loss of property owing to any of a number of different causes. In case a property loss occurs and the loss is covered by insurance, payment will be made for the damage even though the loss was caused by the owner's negligence.
- Protection against unforeseen emergencies, other than direct property loss, can also be obtained through insurance.
- The payments required for settling a case in which legal responsibility has been proved may be much greater than any costs due to direct property damage.
- The design engineer should be familiar with the legal aspects of any laws or regulations governing the type of plant or process involved in a design. In case of an accident, failure to comply with the definite laws involved is a major factor in fixing legal responsibility.
- Every known safety feature should be included and extraordinary care in the complete operation must be proved before a good case can be presented for disallowing legal liability.
- Liability for product safety has become a major concern for manufacturers in recent years, due to heightened public awareness of producer's liability. Product testing and hazard warnings are minimal activities to undertake before releasing a product for distribution.

# Types of insurances

Many different types of insurance are available for protection against property loss or charges based on legal liability.

## Types of insurance available:

The major insurance requirements for manufacturing concerns can be classified as follows:

1. **Fire insurance and similar emergency coverage** on buildings, equipment, and all other owned, used, or stored property. Included in this category would be losses caused by lightning, wind- or hailstorms, floods, automobile accidents, explosions, earthquakes, and similar occurrences.
2. **Public-liability insurance**, including bodily injury and property loss or damage, on all operations such as those involving automobiles, elevators, aviation products, or any company function carried on at a location away from the plant premises.
3. **Business-interruption insurance**: The loss of income due to a business interruption caused by a fire or other emergency may far exceed any loss in property. Consequently, insurance against a business interruption of this type should be given careful consideration.
4. **Power-plant, machinery, and special-operations hazards.**
5. **Worker's compensation insurance**
6. **Marine and transportation insurance on all property in transit.**
7. **Comprehensive crime coverage.**
8. **Employee-benefit insurance, including life, hospitalization, accident, health, personal property and pension plans.**
9. **Product liability**