

CORPORATE TAXATION AND GROWTH IMPACTS AT EY INDIA

^{#1} Ms K PAVITRA, *Assistant Professor*,

^{#2} THUMMAGINJALA CHANDANA PRIYA, *MBA Student*,

Department of MBA,

VISWAM ENGINEERING COLLEGE (Autonomous), ANGALLU, MADANAPALLE, AP.

ABSTRACT: Corporate taxes play an important role in the stability of the economy, investment trends, and budgetary stability. Changes in corporate tax policy have had a significant impact on business competitiveness and the volume of foreign investment in India, notably in the aftermath of tax reforms and lower corporation tax rates. According to a research conducted by EY India, an equal and transparent corporate tax structure promotes innovation, enhances the economy as a whole, and fosters startup ecosystems. The implementation of anonymous assessment, the removal of the Dividend Distribution Tax (DDT), and "Make in India" manufacturing incentives have all had a big impact on how corporations operate. This research looks at the empirical relationship between company tax reforms and macroeconomic growth indices, taking into account both the immediate fiscal trade-offs and the long-term developmental gains. The findings show that a stable, equitable, and effective tax system boosts compliance and improves India's reputation as a popular international investment destination.

Keywords: *Corporate Tax Policy, Economic Growth, Tax Incentives, Investment Decisions, Profitability Impact, Tax Compliance*

I. INTRODUCTION

Corporations must pay this tax on their revenues, which include all types of income (excluding dividends from UK firms) and chargeable gains.

Success in company administration is not exclusively determined by revenue growth; it also requires understanding and oversight of financial commitments. Filing corporation taxes is one of the most important tasks for firms worldwide. Whether you are a startup founder, an established entrepreneur, or an investor researching overseas markets, understanding the mechanics of corporation taxes can help you maintain the legitimacy of your firm while saving money.

Corporate Taxes Work

Taxable Income: Taxable income is the total money generated by your organization, less any permissible expenses and deductions.

Corporate Tax Rate: The corporate tax rate is the percentage of chargeable income used to calculate your tax due.

Tax Filing: The requirements for businesses to submit annual tax returns and make timely payments vary by country.

For example, Form 1120 is required for firms in the United States with assets greater than \$10 million.



The economics and business environment of a country are heavily influenced by company taxes. It is the principal source of revenue for governments, allowing them to fund public works projects, development initiatives, and social assistance. Nonetheless, how corporation tax policies are created and administered has a direct impact on business behavior, resource allocation, and overall competitiveness. A fair and effective taxation system can encourage foreign investment and entrepreneurship. Nonetheless, excessive or poorly designed taxes can have a negative impact on the economy and stifle corporate progress.

For decades, the relationship between economic progress and corporate taxation has been a sensitive issue in economic policy debates. Lower corporate tax rates are usually associated with increased private investment, innovation, and productivity since they boost after-tax profits and promote reinvestment. Nonetheless, corporations may be forced to curtail investments, transfer earnings to other areas, or undertake tax evasion tactics in reaction to higher taxes. As a result, the impact of corporate taxes on growth is determined by the whole fiscal framework, which includes tax collection efficiency, tax cuts, and deductions, as well as the tax rate.

As evidenced by recent global tax reform initiatives, such as the repeal of the dividend distribution tax, the reduction of corporate tax rates, and the implementation of base erosion and profit shifting (BEPS) policies, a growing number of people understand the link between taxes and economic growth. Policymakers are being held accountable for creating tax policies that are both economically viable and beneficial to company expansion. As a result, understanding the relationship between economic growth and corporate taxation is critical for developing policies that promote long-term national expansion and worldwide competitiveness.

II. TYPES OF TAXATION



Corporate Tax: Corporate taxes are levied on a corporation's profits.

Income Tax: Income tax is a tax imposed by local governments on the incomes of individuals and businesses.

Capital Gains Tax: Businesses are required to pay capital gains tax on income generated from the sale of particular assets, such as securities and contracts.

Property Tax: The owner of the property is responsible for paying the property tax. The value of the land is the deciding factor.

Inheritance Tax: The owner of the property is responsible for paying the inheritance tax. The value of the land is the deciding factor.

Sales Tax: The government imposes a tax on the selling of goods and services. Other taxes include state sales taxes, excise taxes, value-added taxes (VAT), and GST.

III. BACKGROUND WORK

Pham, A. (2020). Pham, A. (2020) investigates the effect of temporary corporate income tax cuts on economic outcomes and business practices in Vietnam. The research uses a large firm-level panel dataset to analyze changes in investment, employment, and productivity before and after tax relief measures are implemented. The findings show that enterprises reacted positively to short-term tax relief, as demonstrated by significant increases in capital spending and hiring, particularly in the manufacturing and export industries. Nonetheless, these effects were eradicated when the tax breaks were removed. Furthermore, the analysis shows that short-term cuts have little influence on long-term development while increasing short-term economic activity. According to Pham, the only ways to achieve sustained economic growth are solid tax legislation and long-term fiscal adjustments. This research provides vital information for policymakers in poor countries seeking to boost development through taxation.

Gechert, S. (2021). S.Gechert (2021). Gechert (2021) conducts a comprehensive meta-analysis to analyze the consistent influence of company tax cuts on economic growth, combining the data of over forty empirical research. According to the analysis, these reductions have the potential to boost GDP and investment in the short term; however, their long-term consequences are usually minimal and situation-specific. According to the research, tax cuts benefit economies with strong governments, cautious government spending, and low debt levels. Nonetheless, tax cuts may limit the government's capacity to distribute funds and make big public investments in countries that are either heavily indebted or in the process of development. According to Gechert, the effectiveness of corporate tax reforms is dependent on additional measures such as innovation incentives and labor market flexibility. The findings challenge the premise that long-term growth is intrinsically connected to lower corporation taxation. This research gives a comprehensive understanding of the impact of tax policy on a wide range of macroeconomic and fiscal circumstances.

Liu, X., Liu, J., Wu, H., & Hao, Y. (2022). Liu et al. (2022) use a quasi-natural experiment to analyze the impact of business tax cuts on productivity in China. The research uses a large dataset of manufacturing businesses to discover causal linkages by taking advantage of regional variances in tax reform implementation. The findings show that when corporate tax rates are cut, businesses are more likely to spend in R&D, new technology purchases, and innovative ideas, resulting in a significant rise in productivity. The effect is most pronounced in high-tech and capital-intensive industries, where innovation is vital to sustaining a competitive advantage. Furthermore, the research claims that the benefits are not dispersed evenly among smaller businesses due to their inability to access the same resources and laws. The authors emphasize that tax cuts alone are insufficient to foster productivity-based growth. Financing availability and support for creative ideas are also necessary. Overall, the article provides solid evidence that tax policy influences firm efficiency and economic development.



Suárez Serrato, J. C., & Zidar, O. (2023). Suárez Serrato and Zidar (2023) conduct a comprehensive review of recent empirical research on the impact of corporate taxation on economic behavior and total activity. The impacts of changes in corporation tax rates on salaries, investment, and capital allocation are investigated in this article by combining the findings of several research undertaken in a range of nations and firms. The authors underline that lower corporate tax rates often improve employment and business investment in the short term; however, the extent of these benefits varies depending on the industry and size of the organization. They also mitigate the impact of company taxes on employees by decreasing their salary. According to the paper, reducing corporation taxes may encourage investment; nevertheless, excessive tax competitiveness may make it more difficult for governments to pay their obligations. The authors argue that in order to maintain economic efficiency and equality, transparent and equitable tax regimes must be implemented.

Nguyen, H. T. T. (2024). Nguyen (2024) uses cross-country panel data from 2000 to 2022 to investigate the complex, nonlinear link between total factor production (TFP) and corporate taxes. According to the findings, both highly high and extremely low corporate tax rates reduce benefits, but moderate rates promote optimal productivity development. Nguyen uses dynamic panel estimate methodologies to demonstrate the impact of tax policy on institutional quality and innovation capability, yielding a variety of outcomes across different economies. Further tax cuts, according to the research, result in marginal productivity increases above a certain level; but, they may risk the budget's viability. Nonetheless, high taxes discourage innovation and investment. The research emphasizes the need of achieving an optimal tax equilibrium that promotes development driven by innovation while maintaining the integrity of the public finances. Nguyen concludes that properly adjusted corporation taxation continues to have a significant impact on long-term productivity performance.

IV. DATA ANALYSIS

Corporate Tax Structure in India (FY 2024–25)

Company Type	Base Tax Rate (%)	Eligibility / Applicability	Key Exemptions or Conditions	Economic / Growth Impact
Domestic Company (Turnover ≤ ₹400 crore)	25%	Applicable to small and medium domestic companies whose turnover in FY 2021–22 does not exceed ₹400 crore.	Standard deductions and allowances available; MAT at 15% may apply if tax liability is lower.	Supports MSME sector growth and encourages formalization; moderate compliance burden.
Domestic Company (Turnover > ₹400 crore)	30%	For large domestic enterprises with turnover exceeding ₹400 crore in FY 2021–22.	All regular deductions allowed under the Income Tax Act; MAT applicable at 15%.	Higher tax liability slightly dampens reinvestment but maintains stable revenue for government.
Domestic Company opting for Section 115BAA	22%	Open to all domestic companies irrespective of turnover, provided no specified exemptions or deductions are claimed.	No MAT applicable; loss carry-forward on disallowed deductions not permitted.	Simplifies taxation, increases post-tax profit margins, promotes investment and FDI inflow.
New Manufacturing Company under Section 115BAB	15%	Available to newly incorporated manufacturing companies registered on or after 1 Oct 2019 and commencing production before 31 Mar 2025.	Must not avail any other tax incentives or deductions; MAT not applicable.	Strongly growth-oriented; incentivizes domestic and foreign investment in manufacturing; supports 'Make in India' initiative.
Foreign Company (operating in India)	35% (reduced from 40%)	Applies to foreign corporations earning income from Indian operations (royalties, fees, technical services, etc.).	Certain treaty benefits may apply; surcharge and cess as per income slabs.	Reduction enhances India's global competitiveness; promotes cross-border investments.
Firms / LLPs	30%	Applicable to partnerships and limited liability partnerships.	Profit-sharing deductions allowed; alternate minimum tax (AMT) at 18.5%.	Encourages formalization of partnerships; maintains parity with large corporate taxation.
Minimum Alternate Tax (MAT)	15% on book profits	Applicable to companies not opting for 115BAA or 115BAB, whose normal tax liability is lower than 15% of book profits.	MAT credit can be carried forward for 15 years.	Ensures minimum contribution to tax revenue and prevents tax base erosion.

Corporate Tax Rates around the World (2025)

Country	Corporate Tax Rate	Special Incentives
United States	21%	R&D tax credits, startup relief
Germany	15% + trade tax (approx. 30%)	EU Blue Card for skilled workers
United Arab Emirates	9% (introduced in 2023)	Free Zones offering 0% tax
Singapore	17%	Tax exemptions for new startups
Canada	15% Federal + Provincial	Tax incentives for exporters



Key Fiscal Components of Corporate Taxation

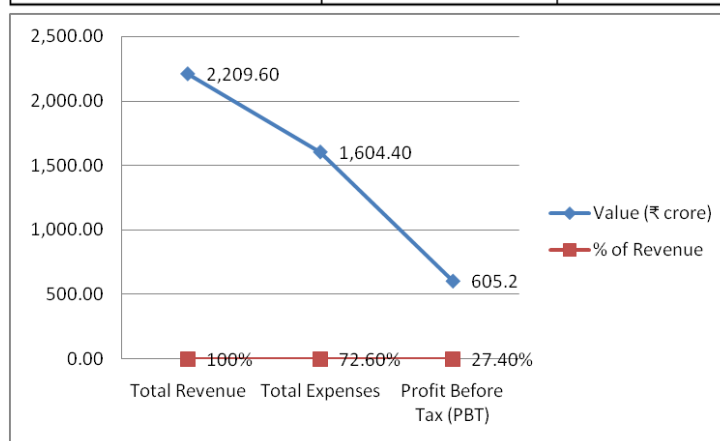
Component	Rate / %	Description
Surcharge	7-12%	On tax for income above specific thresholds
Health & Education Cess	4%	On total tax + surcharge
Minimum Alternate Tax (MAT)	15%	On book profits if lower tax liability under regular rules

The existing tax rates under MAT are provided in the below table:

Income	MAT rate (%)			
	Indian company		Foreign company (other than exempted)	
	Basic*	Effective**	Basic*	Effective**
Less than INR 10 million	15	15.6	15	15.6
More than INR 10 million but less than INR 100 million	15	16.692	15	15.912
More than INR 100 million	15	17.472	15	16.38

EY India – Income Performance

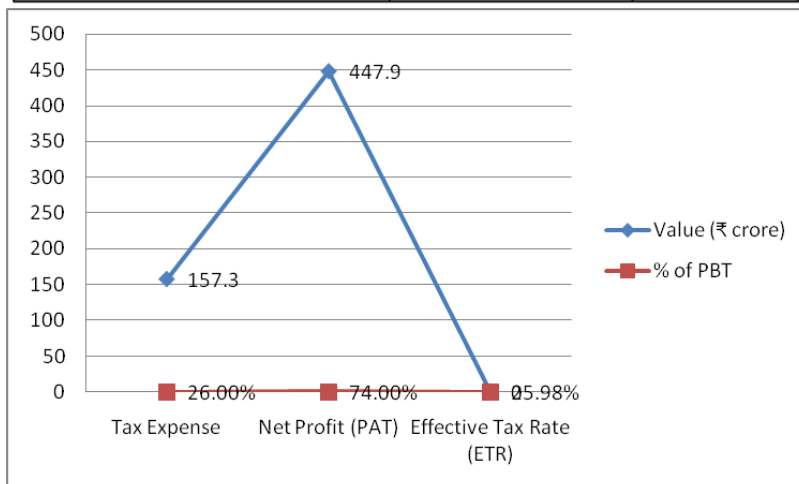
Indicator	Value (₹ crore)	% of Revenue
Total Revenue	2,209.60	100%
Total Expenses	1,604.40	72.60%
Profit Before Tax (PBT)	605.2	27.40%



EY India has a profit before tax of ₹605.2 crore, or 27.4% of total revenue, indicating strong financial performance. The company's cost control procedures were effective, since expenses accounted for only 72.6% of revenue. This demonstrates the business's strong financial and operational performance.

EY India – Profitability & Tax Snapshot (FY 2023–24)

Indicator	Value (₹ crore)	% of PBT
Tax Expense	157.3	26.00%
Net Profit (PAT)	447.9	74.00%
Effective Tax Rate (ETR)	25.98%	0



EY India's FY 2023-2024 profitability and tax snapshot shows a strong net profit of ₹447.9 crore, accounting for 74% of profit before tax. The company properly manages taxes and adheres to India's corporate tax legislation, resulting in an Effective Tax Rate of 25.98% on the ₹157.3 crore tax bill.

V. CONCLUSION

A strong corporate tax policy is crucial for long-term economic growth and development. An equitable tax system not only raises revenue for the government, but it also promotes job creation, innovation, and investment. Simplified structures, reasonable tax rates, and tailored incentives can boost corporate trust while ensuring that all parties follow the law and get a fair bargain. The appropriate deployment of tax funds to public infrastructure and development programs kicks off a cycle of growth. Corporate tax planning that is intentional and transparent has a substantial impact on a country's competitiveness and long-term economic prosperity.

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