Taxing Dilemmas: A Decade of Balancing Act in India's Individual and Corporate Taxation for Social Equity and Economic Progress

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Abstract
India's tax rates over the past decade have been analyzed to balance social equality, economic competitiveness, and sustained progress. The government's shift towards flatter tax structures aims to stimulate economic growth and promote manufacturing. However, the adverse effects of lowering corporate tax rates on ordinary citizens include widening income disparities, underfunding of social programs, job security decline, decreased government capacity, and impact on small enterprises. The government's ability to fund infrastructure improvements, healthcare facilities, and educational programs is greatly impacted by corporate taxes. Small enterprises may experience increased competitiveness and financial strain, while major corporations may profit from lower tax burdens. To ensure a balanced economic trajectory, policymakers must continually evaluate and fine-tune the tax structure, considering the broader implications on social equity and the quality of life for the majority of the population.

Keywords: Individual Tax Rates, Corporate Tax Rates, India's Individual and Corporate Tax Rates, Adverse Effects, Lowering Corporate Tax Tates

Introduction

A comparative study of India's individual and corporate tax rates demonstrates a careful balancing act between social equality, competitiveness, and economic progress. The government's dedication to fostering a climate that is business-friendly is seen in the most recent changes made to corporate taxation. To maintain sustainable economic growth while addressing the wide range of demands of the populace, it is imperative to continuously assess and adjust the tax structure. It is thought that the reduction in corporation tax rates has unfavourable effects on the lives of ordinary people. Let us discuss and compare the individual tax rates and corporate tax rates for the decade and the impact of a reduction in corporate tax in India.

Individual Tax Rates

2012-2014

Basic exemption limit for individuals below 60 years: upto ₹2,00,000 (nil tax). Tax slabs: 10% for income above ₹2,00,000 upto ₹5,00,000; 20% for income above ₹5,00,000 up to ₹10,00,000; 30% for income above ₹10,00,000.

2015-2019

- Basic exemption limit increased.
- Education Cess of 3% introduced.
- No significant changes in tax slabs.

2019-2020

- Interim Budget introduced a full tax rebate for individuals with taxable income up to ₹5,00,000.
- Cess increased to 4%.

2020-2021

New optional tax regime introduced with reduced tax rates but without most exemptions/ deductions.

2021-2022

- The option to choose between the old and new tax regimes continued.
- COVID-19 relief measures introduced.
- Individual income tax rates in India are progressive, meaning that as an individual's income increases, the tax rate also rises. the income tax slabs for individuals under the age of 60 are as follows:
  Upto ₹2,50,000: Nil
  ₹2,50,001 to ₹5,00,000: 5%
  ₹5,00,001 to ₹10,00,000: 20%
  Above ₹10,00,000: 30%

Additionally, a 4% health and education cess is levied on the total income tax payable.

Corporate Tax Rates

2012-2015

- Corporate tax rate for domestic companies remained at 30%.
- Additional surcharge and education cess applied.

2016-2019

- Corporate tax rate reduced to 25% for companies with a turnover up to ₹50 crore.
- For other companies, the rate remained at 30%

2019-2020

- Corporate tax rates in India underwent a significant change with the introduction of the Taxation Laws (Amendment) Act, 2019. The key highlights include:
- Corporate tax rate reduced for domestic companies to 22% (15% for new manufacturing companies).
- MAT rate reduced. (The MAT rate for companies exercising the concessional tax regime has been reduced to 15%.)

2020-2021

- No significant changes in corporate tax rates.

2021-2022

- COVID-19 relief measures for businesses.
- Companies with a turnover of up to ₹2 crore exempted from audit if the cash receipt/payment does not exceed 5% of total receipts/payments.

Comparative Analysis

Progressivity vs. Flat Rate: Individual income tax rates follow a progressive structure, reflecting the principle of distributive justice by taxing higher incomes at higher rates. Corporate tax rates, on the other hand, have witnessed a move towards a flatter structure, aiming to boost investment and economic growth.

Incentives and Exemptions: Individuals can avail various deductions and exemptions under sections like 80C, 80D, etc., reducing their taxable income. The concessional corporate tax rates are contingent on companies forgoing certain exemptions and incentives, simplifying the tax code and promoting transparency.

Impact on Consumption and Investment: Lower individual tax rates may contribute to increased disposable income, potentially boosting consumption. Reduced corporate tax rates aim to attract investments, stimulate manufacturing, and enhance the competitiveness of Indian businesses on the global stage.

Revenue Implications: Lowering corporate tax rates may lead to a reduction in immediate tax revenues, but proponents argue that it can spur economic activities, ultimately benefiting the government in the long run.

Adverse Effect on Reduction of Corporate Tax

Let's think about the adverse effects that lowering corporate tax rates can have on the lives of ordinary citizens.

Unequal Distribution of Income: The worsening of income disparity is one of the main issues raised by corporation tax cuts. Lower tax rates help firms, but generally the profits go to top executives and stockholders, expanding the wealth disparity. The majority of people's quality of life may suffer as a result of this increased disparity, which may also cause social unrest and strain the social fabric.

Underfunding of Social Programmes: In order to pay for vital social programmes like infrastructure, healthcare, and education, governments mostly rely on tax revenue. Lower business tax rates may lead to smaller government budgets, which would mean fewer funds for these vital services. The average person, who depends on public services for their own and their family' well-being, is so burdened more as a result.

Decline in Job Security: Although proponents of corporate tax cuts claim that their actions lead to an increase in employment, the truth is sometimes more complex. Rather than investing their savings in more jobs, businesses can choose to use the money for automation or shareholder dividends. This may result in the loss of jobs and a more unstable labour market for the average person, which could have an impact on job security and the health of the economy as a whole.

Decreased Government Capacity: The government's ability to fund infrastructure improvements, healthcare facilities, and educational programmes is greatly impacted by corporate taxes. Governments may be forced to reduce public spending if these revenues decline, which would impede the growth of important industries that directly affect the standard of living of the average person.

Impact on Small Enterprises: Small enterprises, which frequently form the foundation of local economies, may experience increased competitiveness and financial strain, while major corporations may profit from lower tax burdens. This may lead to small business closures, would diminish local economic vitality and result in the loss of jobs.

Conclusion

India's tax rates over the past decade have been analyzed to balance social equality, economic competitiveness, and sustained progress. The government's shift towards flatter tax structures aims to stimulate economic growth and promote manufacturing. However, the adverse effects of lowering corporate tax rates on ordinary citizens include widening income disparities, underfunding of social programs, job security decline, decreased government capacity, and impact on small enterprises. To ensure a balanced economic trajectory, policymakers must continually evaluate and fine-tune the tax structure, considering the broader implications on social equity and the quality of life for the majority of the population.

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