

business

India cuts corporate taxes



Finance Minister Nirmala Sitharaman (C) and Krishnamurthy Subramanian (R), chief economic adviser - Reuters

● **Headline corporate tax rate dropped to 22 per cent from 30pc**

● **India's effective corporate tax rate would be lowered to about 25pc**

● **Manufacturing companies incorporated on or after Oct. 1 would be eligible for a 17pc tax rate**

● **Considering lowering sales taxes on 20-25 products**

Reuters | Panaji, India

India cut corporate tax rates yesterday in a surprise move designed to woo manufacturers, revive private investment and lift growth from a six-year low.

Prime Minister Narendra Modi said the lower tax rates would spur new investment and drive his "Make In India" plan to boost domestic manufacturing.

"The step to cut corporate tax is historic. It will give a great stimulus to #MakeInIndia, attract private investment from across the globe, improve competitiveness of our private sector, create more jobs and result in a win-win for 1.3 billion Indians," Modi said on Twitter.

The cut in the headline corporate tax rate to 22 per cent from 30pc was widely cheered by Indian equity markets. The benchmark index posted its biggest intraday gain in more than a decade to end more than 5pc higher.

"The measures announced by the finance minister this morning can be described as a 'New Deal' for the Indian economy," said VK Vijayakumar, chief investment strategist at Geojit Financial Services.

"The psychological stimulus

from this ... will be higher than the fiscal stimulus."

Modi is headed to the United States this weekend where he will showcase India as an attractive destination for investment at a rally organised by Indian-Americans which US President Donald Trump is set to attend.

Modi is also due to discuss investment opportunities with executives from US bank JPMorgan Chase, aerospace company Lockheed Martin, Mastercard and the world's biggest retailer Walmart.

The new corporate tax rate for domestic companies, excluding surcharges, makes India more competitive than neighbouring Bangladesh and puts it almost on par with Vietnam and Thailand, countries that have wooed businesses affected by the US-China trade dispute.

"The move will make Indian companies globally competitive, and allow global companies a good option for growing their manufacturing base in-country,"

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NARENDRA MODI



said Mukesh Aghi, president of the US-India Strategic Partnership Forum.

“Very bold”

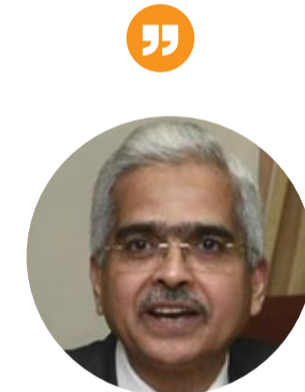
Finance Minister Nirmala Sitharaman said India's effective corporate tax rate would be lowered to about 25pc.

She said that would put India on a par with Asian peers and the rate would be as low as 22pc if companies did not seek any other special tax incentives.

Any manufacturing companies incorporated on or after Oct. 1 would be eligible for a 17pc tax rate, with the condition that they start production by March 2023, said Sitharaman, speaking from the coastal state of Goa.

Officials meeting in Goa are also considering lowering sales taxes on 20-25 products in a bid to address a slump in consumer demand that slowed economic growth to a 25-quarter low of 5pc in the April-June quarter.

Foreign firms that have Indian



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SHAKTIKANTA DAS
RESERVE BANK OF INDIA GOVERNOR

subsidiaries or joint ventures with Indian companies would also enjoy the lower corporate tax rates, Sitharaman said.

Reserve Bank of India Governor Shaktikanta Das said the moves augur "extremely well" for the economy.

"These are definitely very bold and welcome measures," he said at a forum. "These tax rates take us closer to the tax rates which prevail in this part of the world."

The broad NSE Nifty and the benchmark BSE Sensex closed 5.3pc higher. The rupee rose as much as 0.9pc to 70.68 against the dollar, its strongest since Aug. 9.

Yields spike

While shares soared, bond yields spiked to a near three-month high on speculation the government may have to borrow more to meet its spending needs, because the measures will cut revenue by 1.45 trillion rupees (\$20.4 billion) in the current fiscal year, according to government estimates.

Stocks ahead on hopes of US-China trade war resolution

AFP | London

European and US stock markets advanced yesterday, mirroring gains in much of Asia on hopes of progress in looming China-US trade talks, dealers said.

In afternoon trading, London's benchmark FTSE 100 index was up 0.1 per cent, while Frankfurt was marginally higher and Paris won 0.4pc.

Wall Street opened higher, with the Dow edging up 0.1pc.

The pound slid despite European Commission chief Jean-Claude Juncker's apparent hint that a Brexit deal was still possible, with Britain due to leave the European Union at the end of next month.

"Stocks markets are muted in Europe... as traders are keeping an eye on US-China trade rela-



Markets have been lifted this month by hopes for talks between China and the US planned for next month

tions," said CMC Markets analyst David Madden.

With a delegation from China in the US to prepare for higher-level negotiations next month, investors hope the economic giants can find a solution to their tariffs row that has been a drag on the global economy for a year.

Stock markets have enjoyed a broadly positive September thanks to hopes for the talks,

with both sides appearing to offer olive branches and sounding less confrontational than they did in July and August.

Equities remain supported by central bank shifts towards easier monetary policy, although there was some disappointment in the Federal Reserve's lack of forward guidance this week for further interest rate cuts.

London sentiment was buoyed

Key figures around 1330 GMT

London - FTSE 100:	▲ 0.1pc at 7,366.45 points
Frankfurt - DAX 30:	▲ less than 0.1pc at 12,460.25
Paris - CAC 40:	▲ 0.4pc at 5,679.36
EURO STOXX 50:	▲ 0.4pc at 3,567.98
New York - Dow:	▲ 0.1pc at 27,128.61
Tokyo - Nikkei 225:	▲ 0.2pc at 22,079.09 (close)
Hong Kong - Hang Seng:	▼ 0.1pc at 26,435.67 (close)
Shanghai - Composite:	▲ 0.2pc at 3,006.45 (close)
Euro/dollar:	▼ at \$1.1016 from \$1.1041 at 2100 GMT
Dollar/yen:	▼ at 107.96 yen from 108.02 yen
Pound/dollar:	▼ at \$1.2471 from \$1.2526
Euro/pound:	▲ at 88.32 pence from 88.15 pence
Brent North Sea crude:	▲ 0.9pc at \$64.95 per barrel
West Texas Intermediate:	▲ 1.4pc at \$58.93

Friday after Royal Bank of Scotland appointed long-serving banker Alison Rose as chief executive, making her the first fe-

male boss of a major UK lender. The news sent RBS shares jumping 4.2pc higher to stand at 216.7 pence.

On the downside, Rolls-Royce shares sank almost 2.4pc to 790.4 pence after revealing that it was taking longer than expected to fix its troubled Trent 1000 plane engines.

Eyes on Middle East

Traders meanwhile kept an eye on the Gulf region after last weekend's strikes on Saudi oil facilities fanned geopolitical tensions.

Devastating strikes crippled two of Saudi Arabia's biggest oil plants on Saturday and sent the price of crude soaring on Monday.

Both main contracts then stabilised this week after the initial shock but there are worries of a possible conflict after the US and Saudi Arabia pointed the finger at Iran and said they were considering their response.