MAJOR TAX INCENTIVES FOR UNITS IN THE IEPZS

Corporate Taxation: Corporate organisations or companies are distinct entities in India for tax purposes. Taxation in the case of a company depends upon whether it is a domestic company or a foreign company and if it is a domestic company, whether it is a closely-held company or a company in which the public is substantially interested. The domestic companies in which the public is substantially interested pay income tax at rates lower than those applicable to closely-held companies.

An industrial undertaking set up in the IEPZs is entitled to a tax holiday of its option for any five consecutive years within eight years of the year in which the industrial undertaking commenced its production. During the tax holiday period, all the deductions allowed under the tax laws are subsumed in the tax holiday. However, depreciation will be allowed after the tax holiday period on the basis of the written down value of the assets as if the depreciation was allowed during the holiday period.

After the tax holiday period, units are subject to normal tax laws. But effective incidence of corporate taxation is greatly reduced because of larger number of deductions available under the law.

(a) Deduction in respect of profits from export business

Profits derived from export of goods or merchandise are exempt from the tax where Sales proceeds are received in India in convertible foreign currency within six months, at the end of the previous year or within such extend time as may be allowed in exceptional cases by the Commissioner of Income Tax (Sec. 80 HHC)

(b) Deduction of expenditure on scientific research

All revenue and capital expenditure involving the expenditure on acquisition of land incurred on scientific research related to the business is eligible for full deduction when computing the taxable business profits (Section 30)

Source: Common brochure on the IEPZs issued by the MoC, Government of India.