

# THE ECONOMIC TIMES

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Tue, 25 Feb-20; Economic Times - Delhi; Size : 144 sq.cm.;  
Circulation:134320; Page : 18

## HUL to Set Up Subsidiary to Save on Tax

### Our Bureau

**Mumbai:** Hindustan Unilever is setting up a fully-owned subsidiary that will invest in newer manufacturing units and help the maker of Rin and Dove significantly lower taxes under the corporate tax rates announced last year.

Finance minister Nirmala Sitharaman last year slashed corporate tax rate to 22% from 30% for existing companies, and to 15% from 25% for new manufacturing companies.

The new subsidiary, which has an authorised capital of ₹2,000

crore, has been formed to leverage on enablers, including corporate tax as well as 'Make in India' initiative, said the company.

"We are taking into account the whole thrust on Make in India and also tax enabling provisions which the government has created. Our ability to invest more also becomes better because there's an overall financial case to it. It also give us an opportunity to look at new categories and new brands," said Srinivas Phatak, chief financial officer at HUL.

### AVAILING NEW TAX RATE

HUL, the country's biggest consumer goods firm, has over 28



### SRINIVAS PHATAK

Chief financial officer, HUL



We are taking into account the whole thrust on Make in

India and also tax enabling provisions which the govt has created

manufacturing facilities and attract corporate tax of over 25%.

However, none of the infrastructure can be transferred into the new subsidiary that has to invest in a completely new set-up to benefit from the reduced 15% tax rate.

"In the first phase, we will look at anywhere between ₹500 and ₹800 crore of investment in a couple of our existing categories, but that's work in progress," Phatak added.

With arm's length transaction pricing, Hindustan Unilever will buy products from the new company that will only be entitled to manufacturing profits and not marketing profits.