

PREFACE & ACKNOWLEDGEMENT

One of the most complex pieces of legislation in India is the Income Tax Act, or more specifically the provisions related to the taxation of companies. Corporate Tax in India is known for its countless provisions relating to fiscal incentives frequently introduced only to be removed or modified later on. Through the course of time the labyrinth of diverse tax legislations and taxation procedures have made the taxation system complicated. The Government forced with the demand of increasing tax revenue and corporate tax buoyancies tends to widen the tax base by imposing additional taxes. This generates further problems regarding tax management and compliance. The compendious and complex nature of Corporate Taxes makes the task of tax planning extremely difficult for tax managers. Critics of the Indian Income Tax Act opine that huge involvedness of tax managers and complexities result in huge compliance cost, both for public and private sector companies, but in spite of the engagement of substantial resources for enforcement the tax gap is massive still today. Consequently such a huge compliance costs and enforcement involvedness necessitates rethinking, restructuring and rescheduling of the tax system.

The present study has made an effort to analyze the characteristics and operational features of major fiscal incentives and additional taxes and demonstrate how these incentives and taxes affect Effective Tax Rates (ETRs) and how they can be used for corporate tax planning. The study has also made an attempt to assess how effective tax rates compare with marginal tax rates, what has been the trend of these tax rates over the last one and a half decade and what are the major determinants of ETRs, how corporate tax managers have perceived the importance and performance of fiscal incentives and their usage in corporate tax planning. The present study has made an endeavor to identify the importance of tax incentives for companies on the basis of their objectives, use, international perspectives, computational

and compliance complexities. Perceptions of tax managers are also measured regarding various additional taxes and the upcoming Direct Tax Code. Based on the findings of the empirical analysis, the study imparts some suggestions that will help to rationalize and simplify the corporate tax system and make it consistent and help corporates with better tax planning and management strategies.

It is sensible to confess here, that, though the scope of the study was considered to be quite wide yet it was felt that insufficiency of resources might hamper the end results. At some stage in the course of the study problems like dearth of computational and other infrastructural amenities and absence of data bank, were recurrently faced. However despite these limitations, efforts have been made to reach convincing and reliable results from the analyses all through the course.

An effort like this in such a wide area involving multidisciplinary approach must suffer from a large number of drawbacks. No one is more aware of them than myself. I hope, the reader will excuse them with a certain indulgence and bear with all the limitations. I shall consider myself sufficiently privileged if this dissertation motivate further discussions and encourage more productive research in this area.

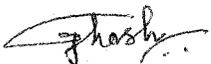
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