CHAPTER - 2

REVIEW OF LITERATURE, OBJECTIVE, SCOPE OF THE STUDY AND RESEARCH METHODOLOGY

2.1 REVIEW OF LITERATURE:

Research on corporate taxation has dealt with tools, techniques, distinctiveness and history of corporate tax planning, various tax incentives, tax holiday schemes, exemptions, their nature, mechanism and effectiveness in measuring ETR, buoyancy, elasticity, various additional taxes, their uniqueness, problems, issues in India and other countries. Some of the studies mentioned here are only indicative and not exhaustive.

2.1.1. Literature Review regarding Indian Tax System and Its Reforms as a Whole:

- **Kaldor [1956]:** Kaldor [1956] expressed the Indian tax system as an idyllic web of needless complicacy. Despite of a number of good changes a wide gap has been observed amongst the anticipated outcome and what turns out in reality, probably because of poor compliance.
- **Suman [1974]:** Suman [1974] observed that corporate taxation did more in gathering revenue than any other component of Indian tax system in between the period 1950-51 and 1966-67 and corporate taxes have a positive effect on tax savings and investments.
- **Chakroborty (1984):** Chakroborty (1984) argued that expansion of tax base mostly guided by the spreading out of paid up capital.
- **Auerbach and Slemrod (1997):** Auerbach and Slemrod (1997) criticized Indian Government due to its deficiency in making meticulous study to assess the cost-efficiency and the consequences of restructuring the tax system in future.

- **Shome [2001]:** Shome [2001] has explained that tax reforms during 1990s have been unsuccessful to generate additional revenue. Unnecessary exemptions have rooted distortions and hence have negatively affected revenues. In his study he drafted a framework for estimating the elasticity and buoyancy of taxes and thereby made an estimation of elasticity and buoyancy in respect of some Asian countries and investigated for different reasons in support of stumpy rate of elasticity and buoyancy prevailing in those countries.
- **Strulik [2003]:** Strulik [2003] conducted his study by comparing the policies of firms in different economic contexts. The impacts identified by the author are obtained by using a general equilibrium model (based on production functions of Cobb Douglas) and by detailing the account of the firm (based on investment, employment, operation). The results found by the author have shown that a reduction of 10% tax would increase the firm's gain at the rate of 5%. The author has shown that the standard models (not taking into account the economy as a whole) overestimate the effect of the tax reform on investment and profitability since they neglect the financial adjustments of the company.
- **Das-Gupta [2004]:** Das-Gupta [2004] illustrated that large amount of compliance costs for proper implementation of the tax system towering with the pitiable shape of automation system have forced for an inexorable interface of tax payers and tax officials skyscraping the compliance costs further with a stumpy compliance.

- **Bird and Zolt [2005] :** The study of Bird and Zolt [2005] has unveiled that as the efficacy of the tax policy depends upon the efficiency and the effectiveness of the tax administration, it is very much imperative from the Government's end to fabricate a tax policy keeping in view the capacity of the tax administration.
- **Rao and Rao [2005] :** According to Rao and Rao [2005] different Government, one after the other, have pinpointed their focus in restoring a tax reform strategy with an intention of widening the tax base, revamping tax exemption limit, redesigning tax rate structure. The study has also pointed out that modifications in the tax structure have habitually been incorporated in a makeshift style.
- **Kumar, Nagar and Samanta [2007]:** According to Kumar, Nagar and Samanta [2007] efficacy of the tax administration can be enhanced through fabricating a proper tax system and a database, the nonexistence of which causes improper analysis of taxes, creates complicacy to impart sufficient analytical milieu and to cope up with modifications in the tax structure which in turn make the enforcement difficult.
- **Ashok [2008]:** The study of Ashok [2008] has illustrated that with more streamlined tax measures and procedures the chance of making voluntary disclosure of incomes turned out to be higher and accordingly the possibility of creation of additional wealth accessible for development has been extended.
- **Deshpande [2011]:** The study of Deshpande [2011] has explained that simplification and rationalization have been emphasized with the ultimate

objective of mobilizing resources for investment in the proposed Direct Tax Code. Thus in market oriented economy like us it is expected that the tax structure brought forward by this bill would reduce conspicuous consumption and make it difficult for people to evade and avoid tax, and thus would promote horizontal equity. Also, a switch to a cash flow tax from the existing business tax is suggested on the grounds that it would remove the hurdles in the measurement of the corporate tax base and would eventually increase business output. These tax measures are envisaged to promote growth with equity.

- **Sanadaji, Tino, Wallace, Bjorn [2011]:** Describing Swedish experience Sanadaji, Tino, Wallace, Bjorn [2011] has commented that the notion relating to systematic misperception of key fiscal parameters may significantly distort fiscal choices by the electorate or create "Fiscal Illusion". The premise is that the designing of tax system can lead to underestimation of the costs of public expenditure, with the public not being fully informed about total costs related to taxation. Fiscal illusion is an example of a collective-action problem in public policy, where the benefits of individual voters' gathering and processing information are shared by many, but the costs are placed solely on the individual. Designing proper tax policy by the electoral may lead less fiscal illusion.
- **De [2012]**: Examining the trajectory of India's fiscal policy with a focus on historical trends, fiscal discipline frameworks, fiscal responses to the global financial crisis and subsequent return to a fiscal consolidation path the study of De [2012] illustrated that with the reforms of the tax system after 1991

fiscal deficit was brought under control. When the deficit and debt situation again threatened to go out of control in the early 2000s, fiscal discipline legalizations were instituted. The deficit was brought under control and by 2007-08 a benign macro-fiscal situation with high growth and moderate inflation prevailed. During the global financial crisis fiscal policy has responded with counter-cyclical measures including tax cuts and increases in expenditures. The post-crisis recovery of the Indian economy is witnessing a correction of the fiscal policy path towards a regime of prudence. According to the study in the future, the focus will probably be on bringing in new tax reforms and better targeting of social expenditures.

2.1.2. Literature Review regarding Fiscal Incentives:

- **Lall [1967]:** Lall [1967] presented some estimates of the tax savings as affected by selected fiscal incentives, in particular, the development rebate, investment allowance and tax holidays.
- **Singh [1971]:** According to Singh [1971] complicated depreciation structure as provided in corporate tax system has distorted the efficiency of the incentive schemes and thereby he expressed the need for having a rational and liberal depreciation policy.
- **Jhaveri [1973]:** The study of Jhavery [1973] indicated that tax savings created by various tax incentives and tax holidays have boost up the economy and also the national exchequer in a positive fashion through some appraisal relating to the effect of some selected fiscal incentives and tax holidays on tax savings.

- **Sandmo [1974]:** The study disclosed that tax incentives had a strong impact on taxation and thereby affected the investment decisions.
- **Dandekar [1980]:** Dandekar [1980] made an assessment regarding the consequences of several tax incentives on tax savings.
- **Pande [1983]:** According to Pande [1983] the ongoing corporate tax system has facilitated large corporate house to capitalize the advantage of different tax incentive schemes and to accumulate wealth in their possession.
- **Aggarwal [1987]:** Aggarwal [1987] examined in detail the tax incentives offered in India and other countries as well as their effect on investment behaviour.
- **Duggal [2006]:** Duggal [2006] elucidated that corporate tax revenue was buoyant but inelastic during 1980s and1990s because of a range of discretionary tax measures i.e. tax incentives, tax holiday and exemptions brought in every year.
- **Yonah [2006]:** Yonah (2006) explained that as a tool of the Government's policy, tax incentives can be adopted to attract investors who want to increase the profitability of their businesses by promoting investment.
- **Sharp, de Cortes, Desai and Jain [2009]:** According to the study of Sharp, de Cortes, Desai and Jain [2009] even though tax holiday schemes applicable to SEZ is highly popular to attract foreign investment in India, dividend distribution tax @ 16.995% is still applicable to zone operations (but not qualifying zone developers), and income allocations are also in operations as a result of transfer pricing. The latter is most surprising to the foreign investors, and thus it is crucial to carefully review transfer pricing

policies. 11.33% of domestic companies, and 10.55 % of foreign companies doing business in India, are subject to an exemption for not generating taxable income in excess of INR 10 million.

- **Teraoui, Kaddour, Chichti & Rejeb [2011]:** On the basis of Tunisian experience Teraoui, Kaddour, Chichti, & Rejeb (2011) explained that tax incentives appear to be an essential component for survival and development of export business. They illustrated tax incentives as a source of motivation and in the long term tax incentives ensure high level of export performances.

2.1.3. Literature Review regarding Tax Rates - Statutory as well as Effective:

- **Chandra [1971]:** Chandra [1971] comprehended that frequently mounting tax burden on the corporate sector owing to escalating tax rates badly affected the after tax profitability and thereby financial expansion programme.
- **Stickney and McGee[1982]:** According to the study of Stickney and McGee [1982] leverage and capital intensity influence the effective tax rates (ETRs), whereas company size has no effect on its ETRs. The study also determines an impact of industry on ETRs and also point out that certain US industries are treated as more tax worthy.
- **Lall [1983]:** Lall [1983] demonstrated through proper corporate tax planning effective tax rates can be reduced by availing different tax incentives. Large corporate house with high capital intensity can reduce its effective tax rate by availing various tax incentives.

- **Zinmerman [1983]:** Zinmerman [1983] suggested that because of their larger political visibility larger companies will have fewer tax preferences available to them than smaller companies. Hence they have higher ETRs preferences.
- **Porcano [1986]:** The study of Porcano [1986] revealed that company size and its effective tax rates are negatively related.
- **Bisht [1984]:** Bisht [1984] elucidated that high tax rate prevailing in India between 1950-51 to 1982-83 influenced savings and investments depressingly. According to him during this period, whereas the total tax has enlarged by more than 30 times the corporate tax has been puffed-up by only 23 times.
- **Jha and Mittal [1990]:** Jha and Mittal [1990] computed and analysed the effective tax rate and according to him a consideration of different tax incentives available to corporate sector downsized the effective tax rates (ETRs) a lot than statutory tax rates (STRs).
- **Sahota [1991]:** Sahota [1991] empirically examined the impact of changes in tax rates on tax revenue for the period of 1950-51 to 1988-89 and found that income tax revenues were inversely related to income tax rates in India during these three decades.
- **Wang [1991]:** In his article he assessed the extent of the effect of NOLs on the overall relationship of firm size and tax rates. Path analysis is employed to isolate the effect of firm size on effective tax rates that is attributable to NOLs. Based on the parameter estimates of the structural equations, the path analysis results indicate that the indirect effect of

NOLs has a statistically significant impact on the overall relationship between firm size and effective tax rates.

- **Sharma [1996]:** The findings of the research study of Sharma [1996] pointed out that to attract foreign capital and to maintain a competitive tax rate prevailing in our country the rate of direct tax along with corporate tax has been decreased gradually since 1991with a negative effect in tax buoyancy. The tax incentives are believed to foster the impulse of economic growth to create extra revenues in the Government exchequer balancing the revenue losses due to various tax concessions.
- **Gupta and Newberry [1997]:** Gupta and Newberry [1997] incorporated many company characteristics that can affect the ETR as an independent variable. They have found that in the period 1982-85 ETR is positively related with company size. For the period of 1987-90 the relationship is negative.
- **Holland [1998]:** The study of Holland (1998) exhibits a positive effect of company size on its effective tax rates in U.K for a number of years in his research span of 26 years. The study has also determined a negative effect between company size and ETRs for a few years in the span of research.
- **Sidhu [2003]:** The study of Sidhu [2003] reveals the fact that cuts in tax rates in post liberalization period better the compliance of tax payers and has succeeded to increase the number of assessees but at the same time it is also true that the collection of revenue from corporate tax is much lower than expected.

- **Edwards [2004]:** Edwards (2004) pointed out in his study that in the economic background of United America, lower corporate tax rates boost up corporate investments and positively influence profits of the company and therefore, in order to remain tax competitive, the corporate tax rate should be lowered.
- **Bernardi and Fraschini [2005]:** According to Bernardi and Fraschini [2005] despite of a prominent diminution in corporate tax rates in nineties widening of corporate tax base was not sounding well because of a line of tax holidays and hasty depreciation offered to a variety of blocks engaged in diverse business activities.
- **Guha [2007]:** The study of Guha [2007] discloses that a negative relationship exists between the company size and the effective tax rate due to the practice of tax manipulative management for availing various deductions fabricated into the Indian political-administrative system.
- **Djankov, Ganser, McLiesh, Ramalho, Shleifer [2009]**: In a cross-section of countries, the estimation relating to effective corporate tax rate revealed that effective corporate tax rates have a large adverse impact on aggregate investment, FDI, and entrepreneurial activity. Corporate tax rates are correlated with investment in manufacturing but not services, as well as with the size of the informal economy.
- **Noor, Syazwani, Fadzillah and Mastuki [2010]:** From the Malaysiaaan experience the study reveals that companies with higher return on assets face lower ETRs. Further, sector analyses are carried out to provide the evidence for the variability of ETRs across sectors. The results indicate

that companies from trading and services, properties and construction sectors face higher ETRs.

- **Kcieniewski [2011]:** Describing American experience the study has revealed that by taking the advantages of myriad loopholes American corporates can manage far less tax than scheduled. The paradox of the United States tax code can be written as high rates with a bounty of subsidies, shelters and special breaks.
- **Hungerford [2012]:** The results of the analysis over American experience over the past 65 years unveiled that the top marginal tax rate and the top capital gains tax rate are not correlated with economic growth. The reduction in the top tax rates appears to be uncorrelated with saving, investment, and productivity growth. The top tax rates appear to have little or no relation to the size of the economic pie.

2.1.4. Literature Review regarding Minimum Alternate Tax (MAT):

- **Sarkar [1997]:** Sarkar [1997] examined the responsiveness of corporate tax to corporate income in India and made an assessment of the justification of imposition of MAT.
- **Kumar [2011]:** According to the study of Kumar (2011) one of the main difficulties with MAT is the maintenance of two different sets of accounts for determining taxable income. These two sets of accounts must be submitted periodically for the payment of advance tax as well as the time of filing final income tax return. Thus the corporate taxation regime has become much more complicated and irrational.

- **Chaturvedi, Sharma and Makkar [2011]:** The study make a comparison between MAT under ITA and MAT under DTC and according to the study, MAT proposes the corporate sector to be slim and beautiful. It has been successful so far to burn the fat and make the sloth run; the new scheme will also do the same but in a different manner.
- **Kiran and Makkar [2011]:** In their study Kiran and Makkar (2011) have observed that companies will have to pay much more MAT under the Direct Tax Code (DTC) in comparison to the MAT under the ITA. The MAT payable, as under the ITA, is a tax on the book profits (income). The DTC has proposed changes in the character of MAT as a levy on the assets, not a tax on income, where the tax on the income of the company is not commensurate to the assets it possesses.

2.1.5. Literature Review regarding Additional Taxes:

- **Sarma [1982]:** Sarma [1982] studied the impact of tax policy on dividend behaviour of companies for the period 1947-1977 and the empirical results showed that tax differentiation was a very powerful instrument to control corporate dividend decisions in India and the corporate sector was very fairly responsive to such policies.
- **Narasimhan and Asha [1997]:** Narasimhan and Asha (1997) have discussed the impact of dividend tax on dividend policy of companies. They have observed that the uniform tax rate of 10 per cent on dividend as proposed by the Union Budget, 1997-98, alters the demand of investors in

favour of high payouts rather than low payouts as the capital gains are taxed at 20 per cent in the said period.

- **Bokil [2003]:** Bokil [2003] has enlightened the BCTT as a single point deducted at source and helps the Government in revenue generation.
- **Narasimhan and Krishnamurti [2004]:** Narasimhan and Krishnamurti (2004) have found no clear evidence that companies altered their dividend payout policy in response to the introduction of corporate dividend tax in India.
- **Patel [2005]:** Describing FBT as an unsought stipulation Patel [2005] projected that tax incidence due to FBT differs a bit in long run.
- **Shome [2005]:** Shome [2005] described FBT as a tax in experimental stage with an intention of improving equity with in the corporate sector.
- **Kamath [2006]:** Kamath [2006] has pointed out that FBT has been levied in India on the same basis as prevailing in Australia and New Zealand with an expectation of similar revenue productivity in short run.
- **Singhannia [2006]:** The study of singhannia [2006] has illustrated that trade-off or tax preference theory does appear to hold true in the Indian context. It can be largely inferred that there is a significant difference in average dividend payout ratio in the two different tax regimes namely DDT in the hands of shareholders or DDT in the hands of companies. There are wide industry-wise and size-wise variations in empirical findings visible over the period of study.
- **Bagchi [2007]:** Bagchi [2007] has revisited dividend taxation in the context of double taxation and argued that independent taxation on

distribution of dividend has poorly affected the equity and company's efficiency.

- **Kishore [2008]:** Kishore [2008] criticized FBT because of its evaluation procedures, complications and huge compliance cost.

However, none of these studies delved into the combined effect of various fiscal incentives and additional taxes on ETRs, or dug into company specific strategies and constraint of reducing ETRs. This study is expected to fill up the research gap in this context and develop a comprehensive framework as to how to strike a balance between the opposing forces of incentives and additional taxes.

2.2. OBJECTIVE AND SCOPE OF THE STUDY:

As previously stated that the corporate tax being a vital part of Income Tax Act has experienced quite a lot of alterations, crossing outs, additions, amendments, and legal pronouncements. The rationale behind all these changes is equity and efficiency whether horizontal or vertical. All the revisions and reforms have been fashioned after analyzing the demand of the time and in the tune of economic activities of the Government. Each and every time the Government compelled with the demand of intensifying the collection of tax revenue, getting higher ETRs and increasing corporate tax buoyancies has become inclined to spread out the tax base by introducing constant changes in various provisions. After globalization, the world of business being a global village, the nature and the texture of the corporate world has gone through a radical change. During post globalization phase industrial revolution in line of infrastructural development, development in industrial park, development in power sector and IT sector,

modification in export-import criterion takes place. Now-a-days importance is given to development of backward areas, development of SEZ etc. Revolution in the workings of the corporate world has necessitated the modification in the corporate tax structure. At that crucial point of time Chelliah Committee [1991] offered some important recommendations and the resultant has been endowed with obvious additions, alterations, deletions in different fiscal incentives, exemptions, and tax holidays. As stated earlier the conditions relating to sec.80-IA have been altered in synchronization with the wants of the Indian economy. Again, deductions under sections 80-HHB, 80-HHC, 80-HHD, 80-HHE, 80-HHF, and 80-O have been continued for some years and then gradually phased out. These deductions were prearranged to magnetize foreign capital and technology, spreading out the possibility of knowledge and technology outsourcing and in sourcing, progress of backward areas etc. After 2003-04 i.e. in the post recommendation period of Kelkar Committee the scope of sec. 80-IB has been expanded, sec. 80-IAB, 80-IC have been introduced. Consequently, it has been the matter-of-fact that in the post liberalization period several incentives have been introduced and subsequently amended in addition to a lot of deductions under sec.30 to 44 Moreover this period has witnessed the introduction of MAT and its subsequent changes, introduction of tax credit system. Another major step the Government has taken to increase the ETR is in the form of introduction of DDT and FBT along with their ensuing revisions. Ongoing situations in the post globalization period well-express the Government's intention of spreading out the tax base in three ways, viz. (i) fetching a larger number of prospective taxpayers into the ambit of taxation (ii) removing several exemptions and deductions

provided in tax laws for computing taxable income and (iii)imposing additional taxes. Such intentions of the Government impart the birth of intricate conditions regarding tax planning which inflict immense compliance costs. It is evident from the prevailing situation that the tax management procedures have gone through a variety of sunrise and sunset clauses connected to different fiscal incentives and additional taxes. The Government in all the time supports this juggling on the basis of their cost effectiveness. But in real practice it has been noticed that such a juggling has given the birth of more complicacy, more involvedness and instigate more compliance cost. Consequently the cost effectiveness of such reforms is often questionable. So, on the basis of the above discussions objectives of the present study are as follows:

- To analyze the characteristics and operational features of major fiscal incentives and demonstrate how these fiscal incentives can be used for corporate tax planning.
- To analyze the features of additional taxes, specially dividend taxes in comparison with international practices and also show how these taxes affect ETR and tax planning.
- 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.
- To find how the perception of corporate tax managers towards the importance and performance of fiscal incentives and how some of these incentives are used for corporate tax planning.

- To identify on the basis of the study the importance of tax incentives for corporates on the basis of their objectives, use, international perspectives, computational and compliance complexities and make suggestions regarding rationalization and simplification of the corporate tax system and help in better tax planning and management strategies.

2.3. SIGNIFICANCE OF THE PRESENT STUDY:

Though a large volume of literature has been generated on tax reforms in India and recommendations of various committees considered, yet the problem of complexity of the system has not been resolved so as to help corporate managers to overcome difficulties relating to tax management and compliance. Earlier studies have primarily concentrated on fiscal incentives only and have made recommendations relating to these incentives with a view to ensure simplicity, equity and efficiency. The problem of additional taxes is not a new phenomenon; however the environment of multiple additional taxes coupled with numerous fiscal incentives is of recent origin and needs to be addressed. This study expects to search for a comprehensive system where tax incentives and additional taxes do not unnecessarily create computational and compliance complexities and help tax managers in managing their ETRs better without circumventing or dodging tax laws.

2.4. RESEARCH QUESTIONS:

For the purpose of the study following research questions are to be answered:

1. What are the features of major fiscal incentives in vogue and how do they affect corporate ETRs and tax management processes?
2. What are the operational features of major additional taxes and how do they affect corporate ETRs and tax management processes?
3. Set in a cross-country perspective, what are the similarities and dissimilarities of fiscal incentives and additional taxes with international practices?
4. What has been the Effective Tax Rates (ETRs) of companies during the last fifteen years, what the gap between ETRs and Marginal Tax Rates [Statutory Tax Rates (STRs)]?
5. Do ETRs differ between different industries and size of companies?
6. What are the major determinants of effective tax rates of companies?
7. How are different fiscal incentives incorporated in the Indian Income Tax Act used to reduce the Effective Tax Rates?
8. What strategies have been adopted by companies to reduce the burden of additional taxes and what are the problems in tax management in dealing with these taxes?
9. How do corporate tax managers perceive the importance of different fiscal incentives and how do they use the provisions of the Income Tax Act to reduce the Effective Tax Rates?

2.5. RESEARCH METHODOLOGY:

2.5.1. Sample and Time Period of the Study:--

The sampling frame for computation of the aggregated and disaggregated ETRs was consisting of Indian widely held companies included in the Capitaline Database. From the databases 1000 companies were sampled at random. Questionnaires were administered to all those sampled 1000 companies. But as tax managers would have to spare a lot of time to deal with the questionnaire only 107 answers were received. Again due to the incompleteness 19 answers were rejected and the final sample for generating primary data was 88 companies. The data were obtained for a time span of 15 years, i.e. from the A.Y. 1998 to the A.Y. 2012. The year 1998 has been chosen as the introductory year for the study because it was the year from when MAT was come into existence.

2.5.2. Data Sources:--

The study was consisting of both primary and secondary data. Secondary data were available from reports and websites of the Directorate of Income tax (Research, Statistics and Publication), RBI Bulletin, All India Income Memorandum on Budget of Central Government, Corporate Annual Reports and the database mentioned earlier. Primary data were generated by administering questionnaire to the sample companies. The obtained was analysed by using appropriate statistical tools in the bivariate and multivariate contexts. Moreover, Supreme Court and High Court judgments on litigations regarding different fiscal incentives were analysed to identify problems of tax management and compliance.

2.5.3. Limitations of the Study:-

The study attempts to comprehensively assess the importance and effect of fiscal incentives for operation of companies within India. Therefore the purview of the study excludes foreign companies and tax effects of international transactions. As such provisions related to Double Taxation Avoidance Agreements and international transactions have not been considered for the study. Moreover the sample size of 1000 companies used for the secondary analysis in the study is deemed to be considerably large for statistical analyses. However considering the expanding base of number of corporate assessees, a much more larger sample could have shown more reliable results. The same logic applies to the time period chosen where the analysis could have been made from the year 1961, i.e. from the inception of Income Tax Act in India. The sample and time period have been restricted due to constraints of availability of data, time and financial resources.

2.6. PLAN OF THE STUDY:

The present study makes an effort to investigate the rationale behind the sunset and sunrise clauses attached to different fiscal incentives and additional taxes during post MAT period keeping in view the reforms of the corporate tax system during the post liberalization era and to analyze the characteristics and operational features of major fiscal incentives and major additional taxes in vogue and compare them with their international practices and to determine their impact on tax planning and management. This study also attempts to find out and compare the effective tax rates of companies during the post MAT regime and

measure the relationship between company size and effective tax rates and also to find out the determinants of company ETRs. Here is also an effort in this study to measure the perceptions of tax managers of different corporate houses regarding various fiscal incentives and additional taxes and to find out the tax planning techniques adopted by the Indian companies for reduction of their effective tax rates, the problems regarding tax management and compliance and the strategies for lessening of additional tax. Perceptions of tax managers of several corporate houses are also measured regarding the upcoming Direct Tax Code. Based on the findings of the empirical analysis, the study imparts some suggestions that will rationalize and simplify the corporate tax system, impart transparency and consistency, help in better tax planning and management strategies that may reduce compliance cost and facilitate voluntary compliance. The measurement and analysis of company ETR has been done on the basis of secondary data obtained from the Capitaline Database and annual reports of different companies. Perceptions of tax managers of different companies are measured on the basis of responses collected through questionnaires administered to them.

The brief outline of the study is as follows:

- Chapter one, to start with, deals with the concept of fiscal incentives. Next, the chapter elucidates the history of fiscal incentives in brief. This chapter ends with the statement of the problems associated with the present corporate tax system.
- Chapter two deals with the review of literature and states the objectives, scopes and significance of the study, and describes research questions and the research methodology.

- Chapter three examines in details the characteristics and operational features of major fiscal incentives in vogue, compare them with their international practices and assess their impact on tax planning and management.
- Chapter three observes in details the characteristics and operational features of major additional taxes in vogue, compare them with their international practices and assess their impact on tax planning and management.
- Chapter five deals with the concepts of statutory tax rates as well as the effective tax rates. Next, the chapter makes an effort to calculate the ETRs and to determine and assess its variability in the Indian corporate sector. Several hypotheses that are necessary for the study are drawn here. Those hypotheses are related to the variability of ETRs in the Indian Corporate Sector. This chapter also uses the parametric and non- parametric statistical tests to conduct the study on a multivariate basis.
- Chapter six deals with the perception of tax managers of different corporate houses regarding the importance and performance of various fiscal incentives through IPA model. Next, the chapter measures the perception of tax managers regarding various strategies that can help them in availing the maximum extent of fiscal incentives as provided in the Income Tax provisions. After that the study also deals with the perception of tax managers regarding various additional taxes and at the end, it explains some special features of Direct Tax Code relating to corporate

taxation and measures the overall perception of tax managers regarding this.

- Finally, chapter seven draws on the empirical findings to conclude the study and gives some suggestions along with some future scope in this field.

Each chapter is further sub divided into a number of sections to discuss issues regarding particular topic. Different statistical tools are applied in the study in bivariate and multivariate context.

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