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AN ANALYSIS ON TOPICAL IMPACT OF CORPORATE TAX RATE IN INDIA

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Abstract: *This article examines that" An Analysis on Topical Impact of corporate tax rate in India". With this back drop, this paper has made an attempt on Topical Impact of corporate tax rate. This paper depicts that corporate tax, Tax rate schedule, impact of corporate tax, tax evasion and tax avoidance. Tax is foremost revenue of the Government. This type of revenue is collected from Direct tax and Indirect tax basis. Corporate tax is one of the Direct taxes. A corporation tax is that tax which payable by companies at prescribed flat rates on their total income may be. However, there are different rates for different types of companies and different types of incomes. The Union Government has exclusive power to make laws relating to the corporation tax. Sometimes corporate tax rate is increases. On the time company tax burden is increased. Tax rate increases is one of the major impacts of corporate tax payment to the Government. This type of impact creates to tax evasion and tax avoidance. Tax avoidance is Legal activity but tax evasion is illegal activity. The Corporate tax rate in India stands at 33.99 percent. Corporate tax rate in India is reported by the Ministry of Finance, Government of India. From 2006 until 2013, India Corporate tax rate averaged 33.6 percent reaching an all time high of 34.0 percent in January of 2013 and a record low of 32.4 percent in January of 2011. In India, the corporate income tax rate is a tax collected from companies. Its amount is based on the net income companies obtain while exercising their business activity, normally during one business year. The benchmark we use refers to the highest rate for corporate income. Revenues from the corporate tax rate are an important source of income for the government of India.*

Keywords: *Corporate Tax, Tax Rate, Impacts of corporate tax rate, Tax Evasion, Tax Avoidance, TUFS, CSR.*

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INTRODUCTION

Many countries impose corporate tax, also called corporation tax or company tax, on the income or capital of some types of legal entities. A similar tax may be imposed at state or lower levels. The taxes may also be referred to as income tax or capital tax. Entities treated as partnerships are generally not taxed at the entity level. Most countries tax all corporations doing business in the country on income from that country. Many countries tax all income of corporations organized in the country. Company income subject to tax is often determined much like taxable income for individuals. Generally, the tax is imposed on net profits. In some jurisdictions, rules for taxing companies may differ significantly from rules for taxing individuals. Certain corporate acts, like reorganizations, may not be taxed. Some types of entities may be exempt from tax. Many more countries tax corporate entities on income and also tax the owners when the corporation pays a dividend. Where the owners are taxed, a withholding tax may be imposed. Generally, these taxes on owners are not referred to as corporate tax. Corporate tax refers to income, capital, net worth, or other taxes imposed on corporations. Rates of tax and the taxable base for corporations may differ from those for individuals or other taxable persons.

REVIEW OF LITERATURE

Goolsbee (2004) found much larger responses of organisational form to tax rates using cross-sectional data. That is, he found out that an increase in the corporate tax rate by 10 percentage points reduces the corporate shares of firms in a state by 0.25, and his results suggests that organisational form is in fact a more important adjustment margin that the firm's operation.

Desai et al., (2006) emphasized the link between firm's governance arrangements and their response to taxes. They viewed that corporate tax avoidance not only entails distinct costs, but these costs may actually outweigh the benefits to shareholders, given the opportunities for diversification.

Romer et al., (2007) have found that taxation has substantial growth effects. The reported magnitude of these effect seems too large to be explained by effects on factor accumulation alone which suggest that taxation may additionally have an impact on productivity.

Justin Marion and Erich Muchlegger (2008) undertook a study on “Tax evasion and commodity tax incidence: Theory and evidence from Diesel and fuel sales tax”. It was of the view that both state and federal diesel taxes are fully and immediately passed on to consumers. 50% of diesel tax is passed on to consumers when United States refinery capacity utilization is above 95 per cent. Elasticity of residual supply of taxed diesel should be greater than the untaxed use of diesel. It also concluded that the tax passed through is greater in cold months in states that use diesel intensively for home heating.

Department of Revenue, Minnesota, analysed the Minnesota’s household and business tax incidence for the year 2009. Previous studies by the same department estimated how burden of state and local taxes were distributed across income groups from a historic perspective. It covered 99% of Minnesota taxes paid by individuals and business. It addresses an important question, who pays Minnesotas taxes? It also estimated tax incidence across income groups for state and local taxes for 2011. By forecasting, the incidence in the future, it is possible for the policy makers to have a view of state and local tax system that reflects the changes in tax laws. 2011 projections also reflect the impact of the forecast for economic growth and expected changes in the distribution of income on the tax system. Major findings of the study were:

a. Of the total $22.1 billion taxes, 83.9% of burden ultimately falls on the Minnesota residents ($ 18.5 billion). The remaining $3.5 billion of the tax burden is exported to non-resident consumers or non-resident owners of capital.
b. In 2006, the state and local tax burden on Minnesota households were11.2% of income which was 11.6% in 2004.
c. Share of business tax out of total tax revenue falls from 33.2% in 2004 to 32.5% in 2006.
d. The tax system as a whole is regressive.

Vikas Vasal and Ashish Jain, 2014, undertook a study on "Is Corporate tax rate high in India?", Currently, Indian corporate tax rate for a domestic company stands at 33.99 per cent (where net income exceeds₹10 crore). Though n ot the highest, this is still among one of the higher tax rates when compared globally.

The countries that fall in similar higher corporate tax bracket include France at 33.33 per cent, Belgium (33.99 per cent), Venezuela (34 per cent), Argentina and Zambia (35 per cent), Japan (35.64 per cent) and the US at 40 per cent.

It is. And that makes the country one of the toughest places in the world to run a business. Lower the better A fall in corporate taxes can help make India an attractive business destination.

OBJECTIVES OF THE STUDY

1. To examine the conceptual frame work of corporate tax rate in India.
2. To analyse the corporate tax rate and corporate revenue in India.
3. To study the impact of Corporate Taxation and related recent Published Articles.

METHODOLOGY

This paper mainly based on Secondary data. The information collected from the prowess data base, journals, magazines, records, newspaper and taxation related articles. The database covers for domestic companies and foreign companies tax rate slabs, impacts of corporate tax rate, Tax evasion, and Tax avoidance. Corporate tax rates and revenues are during the period from 2006-07 to 2012-2013. .

CORPORATE TAXATION IN INDIA

a) **Corporate Tax Rate**

In general, the Corporate Income tax rate is a tax collected from companies and for profit organizations or institutions. Usually, the amount of Corporate Income tax rate is based on the net income companies obtain during one business year while exercising their business activity. For most countries, the metric we use refers to the top rate for Corporate Income.

b) Tax Evasion

When a person reduces his total income by making false claims or by withholding the information regarding his real income, so that his tax liability is reduced, is known as tax evasion. Tax evasion is not only illegal but it is also immoral, anti-social and anti-national practice. Therefore under the direct tax laws provisions have been made for imposition of heavy penalty and institution of prosecution proceedings against tax evaders.

The tax evader reduces his taxable income by one or more of the following steps:

(1) Unrecorded sales.

(2) Claims bogus expenses, bad debts and losses.

(3) Charging personal expenses as business expenses, e.g., car expenses, telephone expenses, travelling expenses.

(4) Submission of bogus receipts for charitable donations for deductions u/s 80G

(5) Non- disclosure of capital gains on assets.

(6) Non- disclosure of income from 'Benami transactions'.

In brief to evade tax he suppresses or omits receipt, inflates expenses and claims bogus deductions.

c) Tax Avoidance

Tax avoidance is an art of dodging tax without actually breaking the law. It is a method of reducing tax incidence by availing of certain loopholes in the law. The Royal commission on taxation for Canada has explained the concept of 'avoidance of tax; as under:

The expression "Tax Avoidance" will be used to describe every attempt by legal means to prevent or reduce tax liability which would otherwise be incurred, by taking advantage of some provision or lack of provision in the law. It excludes fraud, concealment or other illegal measures.

In other words, ' tax avoidance' is a device which technically satisfies the requirement of the law but in fact it is not in accordance with the legislative intent.

IMPACT OF CORPORATE TAX RATES AND REVENUES IN INDIA

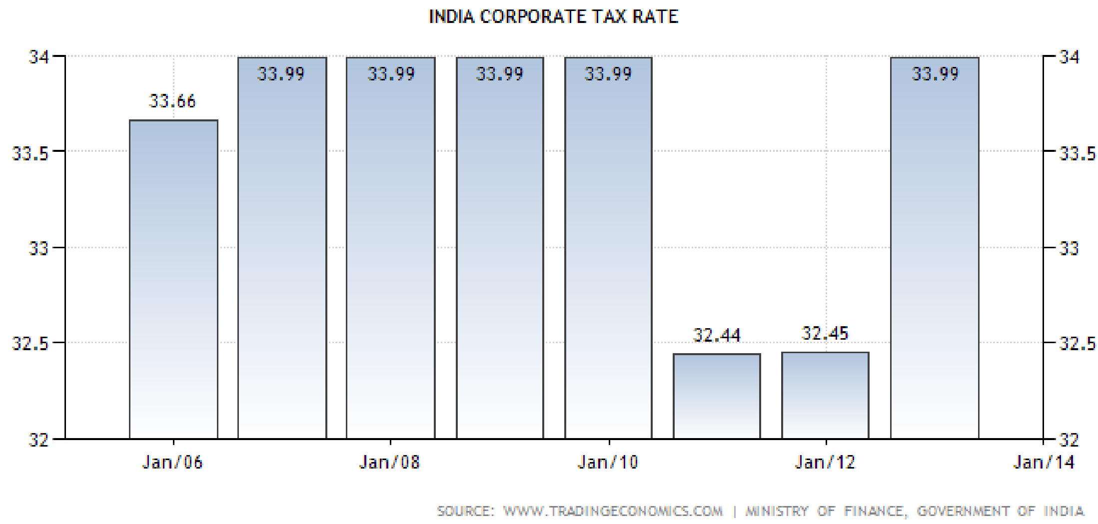
The Corporate Tax Rate in India stands at 33.99 percent. Corporate Tax Rate in India is reported by the Ministry of Finance, Government of India. From 2006 until 2013, India Corporate Tax Rate averaged 33.6 percent reaching an all time high of 34.0 percent in January of 2013 and a record low of 32.4 percent in January of 2011. In India, the Corporate Income tax rate is a tax collected from companies. Its amount is based on the net income companies obtain while exercising their business activity, normally during one business year. The benchmark we use refers to the highest rate for Corporate Income. Revenues from the Corporate Tax Rate are an important source of income for the government of India. This page provides - India Corporate Tax Rate - actual values, historical data, forecast, forecast, chart, statistics, economic calendar and news. 2014.

TABLE 1 Indian Corporate Tax Rates

Actual	Previous	Highest	Lowest	Forecast	Dates	Unit	Frequency
33.99	32.45	33.99	32.44	35.00 | 2013/09	2006 - 2013	percent	Yearly

It is seen from the table 1 shows that corporate tax rate January 2006 to January 2014. Actual basis 33.99%, previous basis 32.45%, Highest basis Rs.32.44%, Forecast basis corporate tax rate is increasing the level of 35.00%.

Figure -1



Source: http://www.tradingeconomics.com/ Ministry of Finance. Government of India

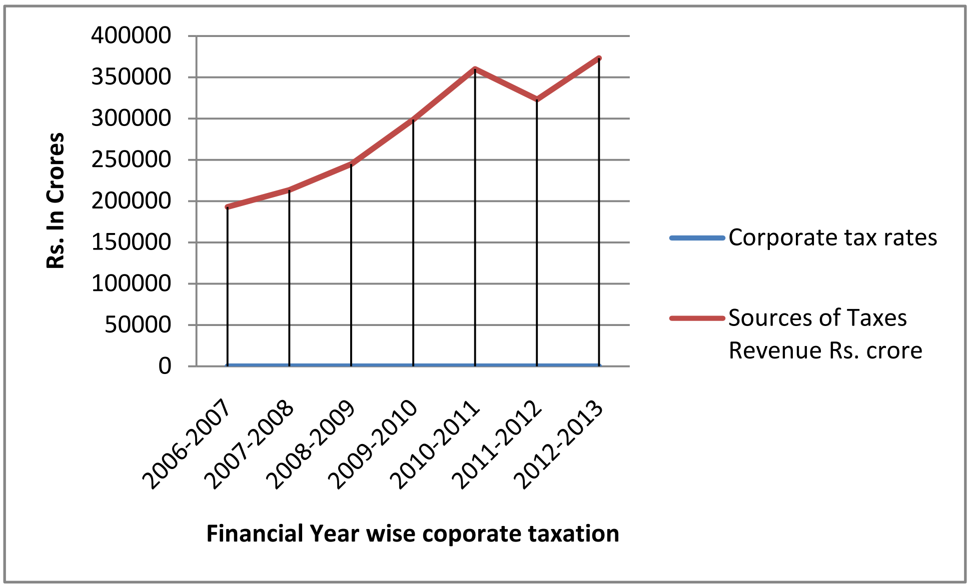
Table 2 Financial year wise Corporate tax rates and revenues

Year	Corporate tax rates	Sources of Taxes Revenue Rs. crore	Tax revenue as a percentage of gross tax revenue	Tax revenue as a percentage of gross domestic product
2006-2007	33.99	192911	32.5	3.9
2007-2008	33.99	213395	35.3	3.8
2008-2009	33.99	244725	39.2	3.8
2009-2010	33.99	298688	37.7	3.8
2010-2011	32.44	359990	38.6	4.0
2011-2012	32.45	323250	36.3	3.6
2012-2013	33.99	373227	34.6	3.7

Sources: www.kpmg.com and Union Budget documents and controller General of Accounts.

Table 2 portraits that the Indian corporate tax rates and revenues of the year 2006-2013. Financial year 2010-2011 corporate tax rate is 32.44% on the time corporate tax revenue is Rs. 359990 crore. Corporate tax rate increases in the year of 2011-2012, 32.45% in the time corporate tax revenue is decreased Rs. 323250 crore. This type of corporate tax rate increases affected to the corporate tax revenue of the government. The tax rate .01% 2011-2012 increases on the time impact of corporate tax revenue is 36740 crore.

Figure - 2 Financial year wise corporate tax rates and revenues



The corporate tax rate for domestic companies is 30 percent. Foreign companies are taxable at 40 percent. A minimum alternate tax (MAT) is levied at 18.5 percent of the adjusted profits of companies where the tax payable is less than 18.5 percent of their book profits. There is a special method for computation of total income of insurance companies. The rate of tax on profits from life insurance business is 12.5 percent. Surcharge is levied on the basic tax rate based on the level of total income as mentioned below. Further, education cess is applicable at 3 percent on income tax (inclusive of surcharge, if any). Domestic Company where the total income is not more than INR 10 million – Nil Where the total income is in excess of INR 10 million but does not exceed INR 100 million – 5 percent. Where the total income exceeds INR 100 million – 10 percent In the case of a domestic company, on the basis of the above levels of the total income, the effective tax rate would be 30.9/32.445/33.99 percent respectively. Foreign Company Where the total income is not more than INR 10 million – Nil Where the total income is in excess of INR 10 million but does not exceed INR 100 million – 2 percent Where the total income exceeds INR 100 million – 5 percent In the case of a foreign company, on the basis of the above levels of the total income, the effective tax rate would be 41.2/42.024/43.26 percent respectively. Dividend distribution tax is levied at 16.995 percent on dividends distributed by a domestic company. Securities transaction tax is levied on the value of taxable securities transactions in equity shares and units of equity oriented funds. With effect from 1 July 2013, Commodities Transaction Tax has been introduced on the sale of commodity derivatives (other than agricultural commodities) traded in recognised associations, at the rate of 0.01 percent on the value of such transaction and such tax shall be payable by the seller. Wealth tax is imposed at a rate of 1 percent on the value of specified assets held by the taxpayer in excess of the basic exemption of INR 3 million. A presumptive tax regime is applicable in case of certain specified sectors viz. shipping, exploration of mineral oil, operation of aircrafts and turnkey power projects.

IMPACT OF CORPORATE TAXATION AND RELATED RECENT PUBLISHED ARTICLES

1. INDIAN CHAMBER WANTS CORPORATE TAX LOWERED TO 25%

Growth accelerator

In a memorandum to Jaitley, the President of ICCIC, RR Balasundharam pointed out that the trade and industry has been pressing for the implementation of the Goods and Services Tax and Direct Taxes Code and urged the government to implement them during the current year. He said with a view to accelerating business growth, corporate tax should be cut to 25 per cent and basic exemption limit for non-corporates should be hiked to ₹20 lakh. The benefits of exemption from MAT given to infrastructure investment should also be extended to industries supporting infrastructure. Balasundharam pointed out that the DDT at 15 per cent was 'very high' and with the 30 per cent corporate tax, the total tax on companies' profits worked to a high 45 per cent. He felt that the 'necessity' of this tax on companies should be revisited, particularly as the Government was contemplating levy of tax on the super rich.

Balasundharam argued for abolishing the DDT levied on companies. Instead, tax on dividends received in excess of ₹25 lakh could be levied at the hands of the shareholders with a lower tax rate. This would also serve the purpose of taxing the super rich as planned by the Government.

He also wanted the Government to extend the benefits of TUFS (Technology Upgradation Fund Scheme), now enjoyed by the textile industry, to the engineering industry as well.

Weighted deduction

The other suggestions included treating CSR expenses deductible with a weighted deduction similar to Section 35 AC of the Income-Tax Act, raising the service tax exemption limit to ₹25 lakh from the current limit of ₹10 lakh, allowing Cenvat credit at 100 per cent on capital goods bought in the year of purchase instead of 50 per cent.

2. INDIA'S CORPORATE TAX RATES AMONG HIGHEST GLOBALLY: REPORT

Tax rates for companies in India are among the highest in the world and the number of payments is also more than the global average, putting the country at a low 158th rank on the 'Paying Taxes 2014' list.

However, the time taken for tax payments is relatively less in India, which is rated ahead of China and Japan where it takes 318 hours and 330 hours, respectively, to comply with tax regulations, according to a World Bank and PwC report.

According to the report, the total tax rate in India can be as high as 62.8 per cent, there are as many as 33 payments under the head of profit, labour and other taxes, and the time taken to comply with taxation requirements could be as much as 243 hours.

On a global average, a company takes 268 hours to pay taxes, makes 26.7 payments and has a total tax rate of 43.1 per cent.

India was placed 158th position in the overall ranking of paying taxes, above Brazil (159th) and below the Russian Federation (56th) and China, which was ranked 120th.

The United Arab Emirates was in first place, followed by Qatar and Saudi Arabia in second and third positions in the overall ranking.

The report noted that in South Asia, India is the only economy (of eight) with a complete online system for filing and paying taxes.

In the Asia Pacific region, in the past year, the Maldives and Sri Lanka have introduced online platforms for filing and paying labour contributions, easing the administrative burden of complying with labour regulations, the report noted.

Over the past nine years, China registered the largest drop in the number of tax heads, with a fall of 28 payments, followed by India and Malaysia, which each reduced payments by 22.

The most common reason for the reduction in the number of payments is the introduction and improvement of electronic filing systems along with their adoption by taxpayers, the report said.

Paying Taxes 2014 investigates and compares tax regimes across 189 economies worldwide, ranking them according to the relative ease of paying taxes. The period covered by the study was 2004 to 2012.

CONCLUSION

In this study the researcher has analysed the corporate tax rates, corporate tax revenues, impact of corporate tax increases and evaluating the data from through the secondary level data. In India the government increases the corporate tax rates. It is affected the corporate sectors growth level. Therefore the government of India will be decreased the corporate tax rate for corporate sectors business growth is increased. If the corporate tax rate decreases, All the corporate companies will get some encouragement of the business start-up and corporate sectors growth level is increase. The Indian Government corporate tax rate is compare to the other countries. It is a very high rate. Hence the researcher wants to suggest to reduced the corporate tax rate in future. Highest Corporate tax rate affect the Government revenues and corporate sectors growth. Lowest corporate tax rate makes the highest revenue to the Government and corporate sectors growth.

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