CORPORATE INCOME TAX
REFORMS IN INDIA
CHAPTER - IV

CORPORATE INCOME TAX REFORMS IN INDIA

In this chapter, an attempt has been made to evaluate the present corporate income-tax reforms in India and some suitable modifications have been suggested.

POLICY OF CORPORATE INCOME TAX IN INDIA

What are the broad objectives of India’s economic policy, and how far has the corporate income tax helped in achieving them? The objectives of India’s economic policy have been:

'Socialistic pattern of society, progressive development of national income, wealth and economic power, industrialisation, expansion of employment opportunities, increase in agricultural productivity, improvement in the rate of investment with reference to the national income and acceleration of export efforts.' The corporate sector has a vital role in meeting these objectives since it is organised sector and covers most of the establishments employing large number of workers in government, quasi-government and local bodies. Its performance appears commendable from the view point of production, investment and export efforts. Its contribution by way of corporate income tax
seems equally creditable because the contribution assumes massive proportions. Table 4.1 shows
the income tax paid by from 1950-51 to 1994-95. It is apparent from table that in 1950-51 the
corporation income tax was only 23.6 per cent of total direct taxes while it rose to 53.79 per cent
in the assessment year 1994-95. It shows a steep rise of 30.19 per cent which undoubtedly, is a
noticeable change. It is evident that the corporation income tax occupies a place of pride in the tax
revenue in India.

However, it may be clarified, at the outset that India’s position is not unique in the matter of
revenue collection from the corporate sector. The corporate income tax collection constitutes a
sizeable percentage of national revenue in most of the countries of the World. Table 4.2 shows the
significance of corporate income tax in some selected countries of the world. It can be vividly seen
from the table that corporation income tax has an important place in the direct tax revenue throughout
the world. It is interesting to note that India’s dependence on corporation Income Tax is more than
that of in other countries of the world.

The word corporation Income Tax is nowhere defined in Income Tax Act or Finance
Acts. The tax payable by companies is generally called corporation Income Tax. Till 1959,
corporations were taxed in respect of their profits at appropriate rates but they were deemed to
have paid tax on behalf of shareholders in respect of profits distributed by them in the form of
dividends, for which the shareholders used to get credit. ‘This was popularly known as the system
of’ grossing up of dividend’ The present system of corporation taxation has actually begun since
1959, with the abolition of this concept. ‘Companies are now considered as a separate juridistic
personalities and are treated as separate assessees for the direct tax purposes’
The Gross Total Income of the Companies is computed like that of other assesses under the present Income Tax Act, 1961. However, in connection with the assessment of companies, it is important to remember that under the Income Tax Act, the definition of the term 'Company' is wider than that in the Indian Companies Act, 1956.

Here, the salient features of the corporation Income tax policy in India are enumerated as follows -

i) Like all other assesses, the company pays income-tax at the flat rate prescribed by the Finance Act passes annually at the commencement of each assessment year irrespective of the amount of total income involved.

ii) The amount of tax paid by the company is not deemed to have been paid on behalf of the shareholders and, therefore, there is no question of any rebate being available to the shareholders in this regards.

iii) The company is under an obligation to deduct income tax at the prescribed rate out of the dividend payable to shareholders. Thus, the income earned by a company is subject to double taxation, first in the hands of the company and then in the hands of their shareholders when they receive dividends.

iv) The income - tax so deducted at source is adjustable against the tax liability of the shareholders. In case the tax liability is less than the amount deducted at source, the excess is refundable.

v) The companies have to pay tax on their entire retained earning and distributed profit. Taxable income could be substantially different from the accounting profits, through various allowances and disallowances as prescribed by the Income Tax Act and Finance Act of relevant
assessment year.

vi) There is tax holiday in respect of some new industries and export development incentives are also provided to some industries as prescribed by the Finance Act.

vii) Besides, several allowances, disallowances, rebates, deduction, etc., the rate of income tax also varies from companies to companies, depending upon whether the company is Indian company or foreign company. If it is an Indian Company then whether the total taxable income exceeds a certain level or not. Various permutations and combinations of these factors are possible and each such combination leads to a different effective rate.

viii) Apart from income tax, a company is also liable to pay surcharge (which is @ 7.5 per cent at present) on its tax-liability if the income exceeds a ‘certain level’. A company has also to pay 'Capital Gains Tax' on the sale and transfer of short term and long-term assets. The Capital gains tax is governed by the relevant Finance Act (which is @ 20 per cent at present).

From the foregoing discussion, it is amply clear that the corporation income tax policy in India needs some more attention in the light of present changing economic scenario because the corporate sector has been the golden goose giving the largest proportion of direct taxes, whether it be by way of tax deduction at source or advance tax in respect of corporate income tax. 'From this angle, the corporation income tax policy has become an object of criticism because it does not seem to have produced impeding effects on economic growth in India. Not only that many people still believe that the corporation income tax rates in India are one of the highest rates in the world'.

'Many companies feel that the highest tax burden on companies is not due to the increased needs of the Exchequer to finance the ever increasing role of the State, but also due to the fact that the State can only collect this huge amount of revenue from the docile and nerveless corporate sector
while making the least possible demands on the voters, due to impersonal factor. This has made the government to transfer the maximum possible tax burden on this sector.6

Emphasising this, Raja Chelliah Committee on Taxation Reforms has pointed out-

"It is clear that company profits should be subjected to income-tax, it is difficult to devise a system of taxing corporate profits that would be satisfactory from all the relevant points of view. Ideally, the mode of tax on company profits should be such as will apportion it among the different shareholders according to their respective incomes including their share in the profits of the corporation concerned. In practice, it is very difficult to achieve this result".7

When it is not feasible to have an integrated system of corporation income tax, it always results in double taxation on dividend income. "The solution may be found out either through the reduction in corporation income tax or incentives be provided for it at the shareholders level or by exempting the partial distributed profits from corporation income-tax or by giving credit to the shareholders to the full extent of tax paid by the company on its distributed profits".8

HARMONISATION OF TAX LAWS

Now-a-days, the foreign investors are coming in India and may have common cause of harvesting the benefits they expect to reap. The investors consist different sections around the globe. In such circumstances, it is extremely important that the Laws of our country should be in harmony with International Laws, more specifically the tax laws. "The European Community member countries have already set an example before the world by harmonising their laws to facilitate trade and commerce".9 With the removal of the international barriers to trade and business, people of
different countries are likely to have different business contracts from companies and firms emanating
different countries. In this regard, therefore, it is suggested that Tax Laws be restructured and harmonised in a manner which will suit the needs of foreign investors in India. India started rationalisation process in respect of Tax Laws in 1992 based on Raja Chelliah Committee Report and efforts are still continuing to complete this process, at the earliest.

"In addition to the steps taken to harmonise tax system; there have been revolutionary changes in respect of the corporation income tax reforms. The recent tax reforms in several countries have also been influenced by the fact that many areas in the World are currently moving towards closer economic integration: Examples of regional cooperation and integration include the North American Free Trade Agreement (NAFTA), the Association of Southern Asian Nations (ASEAN), the South Asian Preferential Trade Agreement (SAPTA), etc. The development arising from these groupings have necessitated the member countries to rationalise and harmonise their corporation Tax laws, also." 10

CORPORATION INCOME TAX RATES -
AN INTERNATIONAL SCENE

Formulation of an appropriate corporate income tax rate structure and to strike a balance between different needs of the economy, constitute important ingredient of a country’s tax system.

Reduction in corporate income - tax rates has been the most dramatic manifestation of the wave of tax reform that swept the whole World during the recent past (see table 4.3). Rate reduction is important for several reasons. It reduces the adverse incentive effects of taxation on
work effort, saving and investment. Burden on tax administration and evasion are lessened by rate reduction. It is felt that the system is better if low rates are levied on a broad base than if high rates are levied on a narrow base.

Between 1986 and 1994, a number of countries introduced measures to reduce the rates of corporation tax. The corporation income tax rates in selected countries — both before and after reforms are seen in table 4.3. The U.K. Rate reduction is exceptional resulting in a decrease from 52 per cent in 1980 to 35 per cent in 1986. The United State also reduced the federal corporate tax rate from 46 per cent to 34 per cent in 1987.

Canada has reduced the rate from 36 per cent to 28 per cent in 1988. In Europe, the combined national and local corporation tax rates for the 12 countries of the European Community decreased from an average of 46.9 per cent to 40.1 per cent.

Asia-Pacific countries, including Australia, New Zealand, Japan, Indonesia, Malaysia, Singapore and Thailand have also implemented corporate tax rate reductions. Australia reduced its rate of tax on corporate income from 46 per cent to 39 per cent. Belgium lowered the rate from 45 per cent to 39 per cent. Denmark, Colombia, France, Germany, Greece, Israel, Ireland, Luxembourg, Mexico and Sweden have also reduced the rates of corporate tax, substantially. It is interesting to notice that there has not been even a single country in which corporation income tax rates have been raised.

Here in India, the Government has recently reduced the Income-tax rate for companies on the recommendation of Chelliah Committee. The present rates are 40 per cent plus surcharge @7.5 per cent (if income exceeds Rs. 75,000) for domestic companies and 55 per cent for foreign companies. Before tax reform, the rates were so complex and high that the world community
compelled India to follow the International voice.

"Now the issue is whether the reduced rate of 40 per cent for corporate assesses, is in line with the rates prevailing in given other countries of the World and consistent with the general worldwide trend of Corporate Tax Rate reduction"? Table 4.3 exhibits that the corporation-income tax rates are still very high in India when compared to that of the other countries of the World, therefore, it again requires the serious attention of the government to make it more suitable according to the national and global requirements.

A comparison of corporate-tax rates in India with the worldwide corporate tax trend shows that India is moving towards the globalisation of corporate-tax rates, but still the process seems to be incomplete.

PRACTICE OF CORPORATE TAX IN INDIA

Surprisingly, there is nothing like "Corporation tax" in any tax law including the tax law of our country. What we mean by the expression 'Corporation tax' in India, is merely income-tax payable by a company under the provisions of the Indian Income-tax Act and Finance Act. However, corporation tax, as such, has been defined by Article 306(6) of the constitution of India, as follows:

"Corporation Tax" means any tax on income so far as that tax is payable by companies and is a tax in the case of which the following conditions are fulfilled:

(a) that it is not chargeable in respect of agricultural income;

(b) that no deduction, in respect of the tax paid by companies, is, by any other law which
may apply to the tax, authorised to be made from dividends payable by the companies to individu-
als;

(c) that ‘no provision exists for taking the tax so paid into account in computing, for the
purpose of Indian Income-tax, the total income of individuals receiving such dividends, or in
computing the Indian Income-tax payable, by, or refundable to, such individuals’.

Though the definition is of a purely legal character and thus a field for tax experts for
interpretation, it appears from the definition that corporation tax is payable by companies only on
their total income excluding, of course, the agricultural income (since taxation of agricultural income
has been the exclusive jurisdiction of states), and that while distributing dividends to stockholders,
no credit will be allowed, to companies or stockholders on the dividends so paid or received, in
tax computation. In other words, ‘a company as a separate legal entity, pays corporation tax on
the chargeable income and an individual (may be stockholders as individuals) pays income-tax on
his income and they are not to be linked in any way for tax purposes’.

“The Central Board of Direct Taxes enjoys the power to declare any association to be a
company for purposes of Income-tax Act. This power has also been used in the past several years
with a view to conferring the status of a company on foreign companies as also on entities which
are not otherwise within the scope of that concept. A company can be assessed so long as it exists
or till its name is struck off from the register of companies”.

In actual practice, the company is assessed in the following manner:

i) Income under different heads (generally in case of company, the income is derived from
business or profession head, capital gains head and other sources head) is computed according to
ii) provisions of set off and carry forward of losses are then applied.

iii) simultaneously, the provision of clubbing of incomes will also be put to operation.

iv) the aggregate of all incomes drawn from various heads after applying the provisions of set off and clubbing of incomes will result in Gross Total Incomes.

v) out of gross total income so calculated, various deductions prescribed u/s 80G, 80 GGA, 80 HH, 80 HHA, 80 HHB, 80 HHC, 80 HHD, 80 HHE, 80 IA, 80 JJ, 80 M, 80-o and u/s 80Q, will be allowed if claimed by the company assessee.

The resultant figure is total income which will be taxed and the companies have to pay that tax liability according to the rules of Advance Payment of Income Tax, under Indian Income-Tax Act, 1961.

**TAX INCENTIVES AND CORPORATE SECTOR**

The government sometimes also uses, its tax policy in respect of companies, for balanced economic growth, export promotion, growth of the particular sector of economy, etc. For that sake the government announces certain incentives through Finance Acts, from time to time.

Keeping into mind the greater role of various tax incentives given to companies, it can be easily interpreted that corporation tax is attracting wider attention of the government. Moreover, “the role of tax incentives in any fiscal system can be best appreciated if it is assumed that tax concessions are highly important for entrepreneurs to undertake new ventures and/or expanding the existing units”.

This implies that taxes operate as an impediment to investment and suggests that “any obstacles to such investment in the form of taxes, should be recognised and where
possible, eliminated". Moreover, in developing countries where insufficient capital is one of the most crucial factors resulting in underdevelopment, tax incentives become valuable as an indirect stimulus to investment. They create the investmental climate in the country and also attract foreign investment."

THE PRESENT STATE OF INDIAN LAWS

Tax reform had been promised by the successive Finance Ministers but without much success. Mr. V.P. Singh, the then Finance Minister came out with a long-term fiscal policy which actually turned out to have a short-term life. He promised to bridge between real and statutory income but it has only widened since then. "Exercise on book profits tax had to be dropped because the adjustment of book profits tax against tax on future statutory income, when statutory income overtakes book profit, was not conceded. The fall-out from book profits tax are in various stages of appeal and it may take more than a decade to get the controversies resolved".

One could well expect from Dr. Manmohan Singh the outgoing Finance Minister who had the advantage of being an academician, an economist and a person familiar with bureaucracy, a positive policy and a thrust on tax reforms which are long overdue. Our tax law, from the date on which they assumed the new form in 1961, have seen amendments galore in every Finance Act without exception apart from mid-term Amendment Acts and even ordinances with the result it has become a patch work with new section, sub-sections, clauses, sub-clauses, provisos and explanations that defy all logic making and made the law extremely cumbersome, unreadable and sometime novel. There are overlapping considerations often conflicting between Income Tax law.
Companies Act, Foreign Exchange Regulation Act, Industries Development and Regulation Act and even labour welfare laws. Income-tax law adopts them partially or wholly. That is why, interpretation is becoming more difficult when different meanings are assigned to the same words under different Laws.

"Taxpayers are often asked to comply with different requirements sometimes conflicting under different laws. Companies face even larger problems because of special requirement regarding their conduct. Depreciation rates are different under companies Act and Income Tax Act. Accounting years may be different". 19

So is the system of accounting. What is considered excessive and reasonable remuneration may well differ. Dividends even when not declared may be deemed as dividend under Income-tax law. There is disharmony between the companies Act and the Income-Tax Act even in respect of matters where they could be reconciled both being central enactments under the control of the Parliament. No such attempt has ever been made with company Law Department and Income-tax Department often taking conflicting views on vital matters relating to governance of company assessee.

Even in respect of Foreign Exchange Regulation Act, the delayed remittance is a matter of superintendence not only by Reserve Bank of India but requires departmental approval for the propose of section 80 HHC, though one fails to understand how the guidelines for approval may be different.

Amalgamation and mergers have different meanings under the companies and Income-tax Acts, Income-tax Act having a more rigid requirement for acceptance of such amalgamation and merger. From these examples, it can be interpolated that with a view to harmonise the different
laws, which is quite essential for better future of corporate sector, there is a necessity for a Fiscal Commission. The proposed commission, perhaps, may suggest better how to harmonise the different economic laws affecting the corporate sector.

Bringing the nil gap between profits as computed under the companies Act and the Income-tax act and removing hurdles against free play of economic forces under any law, removal of all constraints on growth, updating of economic laws whether it be company law, tax-law, labour law or other social welfare legislations in a pragmatic manner —— gross economic tax reforms are needed without delay.

This is also not impossible since the experience regulating corporate is available for study if not for adaption. What any economic reform cannot overlook is, is fact that it is the corporate sector which is the largest agency which can mobilise resources, optimise investment, augment production, increase employment and improve the economy. Hence, only reforms in respect of tax laws would be called an incomplete task which cannot serve the very purpose of reforms. In fact, it is high time that Government should seriously consider these burning issues, the proper treatment of which may provide an ideal tax law to India which is the need of the hour.

SETBACK TO CORPORATION TAX REFORMS

The corporate sector has not received even a reference in the Budget speech of the Finance Minister, in 1994. The long anticipated withdrawal of surcharge on corporate bodies has been diplomatically avoided by the Finance Minister. The possible argument that the corporate bodies are going to enjoy considerable profits and, therefore, they can bear the surcharge is devoid of
pragmatic approach. "The Finance Minister having held out this promise" and not implementing it, appears that there is no hope of removal of the surcharge from the corporate sector in the Finance Act, hereafter. The Economic liberalisation process, noticed in union Budget 1995, with regard to corporation income tax appears to be nil. Perhaps, if surcharge is withdrawn, it would be one angle of corporate tax rationalisation and simplification. It has been already proposed in the union budget of 1996 that the company assesses shall have to pay a surcharge @ 7.5 per cent, which is 15 percent at present. So, it is considered a very good proposal in the series of various corporate tax reforms.

CORPORATE TAX AND EXPERT COMMITTEES

The problem of corporate taxation has been examined by a number of expert committees or commissions beginning with the Report of the Taxation Enquiry Commission of 1953-54. Thereafter, Mr. Nicholas Kaldor's report on Indian Tax Reform, the Report of the Direct Taxes Enquiry Committee, the Report of S. Bhouthlingam Committee, the W anchoo Committee Report, C.C. Chokshi Committee Report and latest and more comprehensive Committee on Taxation Reforms is Raja J. Chelliah Committee Report on Tax Reform, 1992. Unfortunately, the recommendations of these Committees did not attract the Government's attention seriously to pursue them vigorously. If these recommendations were implemented formally, they would have gone a long way in solving some of the important problems which Indian corporation tax system suffers, today. Here, an attempt has been made to examine certain serious issues which have made corporation income tax somewhat complicated.
“A depreciation system should try to provide depreciation for tax purposes corresponding, as closely as possible, to economic depreciation which takes into account the wearing out of assets as well as obsolescence. If the actual depreciation granted deviates from economic depreciation, effective assets and for the same kind of asset, over time”.

However, an accurate measurement of economic and Income tax depreciations, is technically very difficult and an attempt to equalise them would create several administrative problems. “Keeping the process of liberalisation and globalisation into mind adaptation of International Accounting Standard, in respect of depreciation measurement may be the only salvation”.

“It is understood that a high-power Committee has been appointed by FFC under the chairmanship of Mr. Rudding, the former Finance Minister of Netherland, which is examining the whole issue, of double taxation on corporate profits, once again in the light of the experience with several tax integration systems, and Chelliah Committee believed that for aligning the Indian corporate tax system with those of India’s important trading partners it would be advisable to wait for the findings of this Committee and the changes in the corporate tax system should be adopted on the basis of such findings”. It may prove to be more useful in this era of liberalisation and globalisation.

Surcharge is positively a tax on efficiency and hence it should be withdrawn. This observation was recommended by all the committees right from Boothlingam Committee to Raja J. Chelliah Committee on Tax Reform. It is highly regretted that government is ignoring even this recommendation.

In view of amalgamation scheme and tax provisions, “the Chelliah Committee has strongly recommended that no capital gain tax and/or gift tax should be levied in the case of compromise, Arrangement and Reconstruction, as it is in the case of Amalgamation, and suitable provisions
must be inserted in the Income-tax Act and the Gift-tax Act in this regard". But the government of India could not implement this useful recommendation so far, the reason behind is understandable.

Under the mercantile system of accounts, receipts and expenses are recorded on accrual basis. Accordingly, where an expense has already accrued, the deduction is allowed for the same for the purpose of computation of income. Section 43B of the Income-tax Act makes a departure from this well-accepted principle in the case of sums payable by way of tax, duty, cess or fees under any law, contribution to provident funds, superannuation funds, gratuity funds or the funds for the welfare of employees, bonus and interest payable to public financial institutions, State Finance Corporations and State Industrial Development Corporations.

The Chelliah Committee considered this matter seriously on the basis of several representations. 'Committee is firmly of the view that the use of tax law for such collateral purposes, quite apart from complicating the law, is unfair and unjust', as it militates against the principle of taxation of real income. However, considering the vital need to ensure prompt collection of revenue, the Committee recommended that the provisions of Section 43B should be restricted to taxes, duties, etc. levied under this section and any other items like contributions by the employer to any Provident Fund or Superannuation Fund or Gratuity Fund or any other fund for the welfare of employees, sums referred to in clause (ii) of sub-section (i) of section 36 and interest on any loan or borrowing from any public financial institution should be taken out of the purview of section 43B of the Income-tax Act, 1961.

Under Indian Income-tax Act, special provisions have also been enacted for computing profits and gains of certain business like shipping, exploration of mineral oils, operation of aircraft
and of civil construction in certain turnkey power project undertaken by non-residents or foreign companies. In these cases also, the intention is that disputes, as to the quantum of income assessable in India, should be minimised. However, the Chelliah Committee noticed in the course of its discussions with various industry and trade associations as well as with officers of the Department, that there is a substantial difference of opinion between the taxpayers on the one hand and Revenue on the other, regarding the actual computation of income of non-residents from these sources. This matter assumes greater significance in view of the provisions of section 195 of Income-tax Act, 1961, which basically require that any person responsible for paying income other than interest on securities, salary or dividend to a non-resident (including a foreign company) shall, either at the time of credit of such income to the account of the payee or at the time of actual payment, whichever is earlier, deduct income tax thereon, at the rates prescribed by the relevant Finance Act.

"The Section provides further that any person responsible for making such payment to the non-resident, who considers that the whole of the sum would not be income chargeable to tax in the case of the recipient, may make an application to the assessing officer, who would then determine the appropriate proportion of the receipt, that would become taxable. Tax then be deducted only on the proportion so decided. The assessing officer's order in this regard is also appealable." 26

Several Committees took this matter seriously but during the course of evidence before Chelliah Committee on Taxation Reforms, it was repeatedly alleged that in so determining the proportion taxable, most assessing officers take a very unreasonable view, both in regard to what part of the receipt would be taxable in India on the basis of receipt or accrual including deemed accrual, and in regard to what proportion of gross receipts would constitute net income, after the
deduction of expenses. 'The committee, therefore, recommended that the provision may be amended suitably' Government of India did not take any action on it.

From the foregoing analysis it is obvious that the government of India constituted various Committees on Tax Reforms during last three decades, which made a number of recommendations on the basis of empirical evidences. But the government did not pay its due attention to these recommendations, the proper and timely implementation of which could make the taxation most taxation most suitable in Indian context in particular and in global context in general.

CORPORATE TAX REFORMS - A JUSTIFIED BUT INCOMPLETE PROCESS

Today, India finds herself in what seems to be a new era, different from any in the past. There has been dramatic changes in the world economy particularly in the field of international economic scenario. These changes are subsumed under the term 'inter-dependence' and the subjects related to business laws are no more domestic. These qualitative changes in international economic scenario are reflected in many ways. A large volume of economic and Financial transactions now take place among the various countries and the role of the multi-national companies has increased.

As the economies of different countries of the world have become more closely interrelated, the tax reforms in one country do affect its trading partners as well. Thus, the internationalisation of economic activities have created profound implications for tax reforms. To cope-up with this changing economic scenario, different countries of the world are bringing their tax systems at par with international standards.
By the end of 1980's, an extraordinary series of tax reforms has occurred in many countries of the world both developed and developing. Examples include major tax reforms introduced in UK in 1986, the United States of America in 1987, Canada in 1988, Denmark in 1991, Germany in 1990, Japan in 1990, Argentina and Belgium in 1991 and 1990 respectively as shown in table 4.3.

The countries of Central and Eastern Europe have also given in for major tax reforms. For example, Hungary, Poland, CzechoSlovakia and the former Soviet Republic have introduced comprehensive tax reforms. Although different countries possess widely varying tax systems due to their domestic circumstances, yet during the tax reforms some common themes run through most of these reforms.

The tax reform movement arose primarily due to a perception in many countries that high tax rates and the proliferation of special deductions, exemptions and credits, which had accumulated over the time, had begun to interfere too strongly in the economic decisions made by corporate sector. Some of these issues like high tax rates, affected both the developed and the developing countries. Other had special relevance primarily for one group of countries or the other Therefore, the lessons to be learnt by individual countries from other varied to some degree, with circumstances. In India, tax reforms took place in response to many of the same factors that encouraged reforms in other countries.

Because the level and method of taxation affect so many economic decisions, the rapid changes in tax systems in various countries may have lasting effects on the World economy. So, it seems pertinent to make necessary reforms in the field of corporate tax which have international implications. Some important new insights and improvement, in the designing of tax laws have also
been generated during the recent past in various countries.

The comparison of corporate tax rates in India with the Worldwide trend shows that we are moving towards the globalisation as far as corporate tax reforms are concerned. The process seems to be justified but it is an incomplete one as many reforms, which were recommended by the Taxation Reforms Committees and more particularly by the Chelliah Committee are yet to be implemented by the government of India. The government should take immediate steps for completing the process otherwise India may lag behind in this race of taxation reforms where most of the countries of the World have participated with strong will. Tax reform is needed for country’s rapid industrialisation. Government can ensure the rapid growth of industrialisation only by making its tax laws more conducive and responsive, which is the need of the hour.

NOTES AND REFERENCES


3. Ibid, p.4.

4. It is Rs. 75,000 during Assessment year 1994-95.


Table - 4.1


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<thead>
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<th>Assessment Year</th>
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<td>1994-95</td>
<td>53.79</td>
<td>46.21</td>
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* Provisional

## Table - 4.2

**Corporation Income Tax Collections as percentage of the Total Direct Tax Revenue in some countries of the World During 1990-91**

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<tr>
<th>Country</th>
<th>Corporation Income Tax Collections as Percentage to the Total Direct Tax Revenue</th>
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<td>Australia</td>
<td>28.93</td>
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<td>India</td>
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<td>S. korea</td>
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<td>U.S.A</td>
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**SOURCE:** +22nd All India Seminar on Taxtion 12th & 13th July, 1992.

+Paper presented by K. Srinivasan Senior Tax Analyst,
NIPFP, New Delhi
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<th>Country</th>
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<th>After Tax Reforms</th>
<th>Reduction</th>
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<td>Argentina</td>
<td>33</td>
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<td>Australia</td>
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