I

CONTENTS

CHAPTER I

THE CONCEPT OF CORPORATION .. .. 1 - 14

Three schools of thought on the concept of corporation.
The first school has two approaches as: (1) John Marshall's approach in terms of features of corporation. This approach explains corporation as a legal entity. (2) Second approach in terms of functions of corporation. This approach explains corporation as an economic entity. Complementarity of these two approaches.

The Second school of thought has two theories as: (1) Contract theory of corporation - contractual arrangement between persons. Recognition of the contract by the state. So, corporation is a piece of contract paper. (2) Sovereignty theory of corporation explains corporation as a right-and-duty bearing unit. Relative merits and demerits of these two theories.

The third school of thought has a socio-economist's approach developed by P.F. Drucker. He explains corporation in terms of human effort or as a social institution for human welfare. Drawbacks of this approach. Concept of corporation as adopted in the Western countries and in India.

CHAPTER II

GROWTH AND ROLE OF CORPORATION IN INDIA 
(PART I) .. .. 15 - 36

Factors governing the growth and role of corporations—economic and political factors. Types of Corporations on the basis of activity or place of incorporation or relation between corporations and the State or the principle of liability. Classification of companies in India.

Concept of corporate sector—Reserve Bank's approach; New element introduced since 1957.

Growth of corporations: (A) Its evolution—Two broad phases of India's economic development and the evolution of the corporate sector. Role of the Managing Agency
System in the evolution of the corporate sector. Effects of the companies Act of 1956 on the corporate sector.
(B) Its growth in terms of: (1) Number and (2) paid-up capital. Geographical, industrial and structural pattern of corporations in India.

CHAPTER III

GROWTH AND ROLE OF CORPORATION IN INDIA (PART II) 37 - 60


CHAPTER IV

JUSTIFICATION OF CORPORATE TAXATION 61 - 81

In the first part of the chapter, the discussion is on:

(A) Economic concept of income - This can be explained by the following theories of income: (1) Consumption or expenditure theory of income by Irving Fisher. (2) Flow of goods and services theory of income by William W. Hewett. (3) Accretion of economic power theory of income by Robert M. Haig. Relative merits and demerits of these theories of income.

(B) Accounting concept of income - operating income concept and all inclusive concept. Views of Henry Simons and Nicholas Kaldor on the concept of income.

(C) Income tax concept of income - It is a practical concept. Its adoption in the U.K. and India. Cost of income. Summing up the different concepts of income.

In the second part of the chapter, the discussion centres round the tax treatment of corporations. "How should corporations be taxed" can be explained by the following approaches:— (1) Separate entity approach - It explains corporation as a separate legal and economic entity for the tax purpose. So need for separate taxes on corporation and shareholders. (2) Integration approach - It regards a corporation inseparable from its members. So, this approach advocates "grossing of dividend". "How to integrate personal and corporate taxes can be explained by:— (1) Partnership approach - Its suitability for small &

(2) Dividend-received-credit approach allows a tax credit to the shareholders. Three variations of this approach adopted by the U.K., Canada and the U.S.A. The relative merits and demerits of these variations. (3) Dividend-paid-credit approach

Suitability or otherwise of the three approaches.
In the third part of the chapter, some important corporate tax problems relating to net income, inter-corporate taxation and unreasonable accumulation of surplus are discussed.

CHAPTER VI
CORPORATE PROFIT TAXATION IN INDIA 112 - 140


Features of the pre-Independence corporate tax system - Basic tax system patterned after British tax system. "Grossing" of dividend system. Absence of exemption limit. No specific tax relief for new and small companies.

(2) Growth of profit taxation in the post-Independence period i.e. 1947-1962. This can be divided into two suitable periods viz. 1947-1959 when the old scheme of company taxation existed and 1959-1962 when the new scheme came into existence.


(b) 1959-62 - New Scheme of company taxation - Wealth tax and excess dividends tax; Abolition of the system of "grossing" of the dividends. System of deduction of the tax at source. Effects of the new scheme on the tax yield, on companies and on the shareholders.
(3) Taxation of inter-corporate dividends: Arguments for and against the taxation of inter-corporate dividends. Problems relating to section 23-A and foreign companies.

CHAPTER VII
DEDUCTIONS AND CONCESSIONS
141 - 167

Importance of deductions and concessions in computing real tax burden. Principles governing the deductions. Section 10(2), clauses (I) to (XV) and deductible items. Comparison between the British and the Indian systems of deductions. Special deductions and concessions available are: Depreciation allowances. Development rebate. Comparison of the features of these two. Other tax holidays—section 15-C and section 56-A. Some other tax exemptions in respect of capital gains tax, section 23-A, inter-corporate dividends etc. Conclusion.

CHAPTER VIII
TAXATION OF CONTROLLED COMPANIES
168 - 186


CHAPTER IX
SOME SPECIAL CORPORATE TAXES IN INDIA
187 - 203

CHAPTER X
TAXATION OF FOREIGN COMPANIES IN INDIA 204 - 235

1. Meaning and types of foreign companies. (2) Growth and role of foreign companies. (3) Special factors affecting the tax liability of foreign companies - Income deemed to accrue or arise in India. Double taxation agreements. (4) Tax incidence on foreign companies under: (a) The old scheme of company taxation, and (b) The new scheme of company taxation.

CHAPTER XI
SCOPE FOR COMPANY TAX REFORMS IN INDIA (PART I) 236 - 258


CHAPTER XII
SCOPE FOR COMPANY TAX REFORM IN INDIA (PART II) 259 - 278

Proposals for tax reform in relation to: (a) Development rebate, (b) Tax holiday - Section 15-C., (c) Depreciation allowance system—Lessons from the Swedish tax system. (d) conclusion.

APPENDICES : A to G 279 - 287

BIBLIOGRAPHY : 288 - 299