

APPENDICES

APPENDIX-A: DIRECT TAXATION IN INDIA

QUESTIONNAIRE

- (Note:-
1. Except where a specific reference is made to any particular Act, the questions refer to the Indian Income Tax Act, 1961.
 2. The questions do not refer to any indirect tax.
 3. If space is not sufficient, answers may kindly be written on a separate sheet of paper.
 4. Please send the answered questionnaire to G. Rajasundaram, M. A., M. Litt., Research Scholar, Department of Commerce, Annamalai University, Annamalainagar P. O., Madras State.)

PART I - GENERAL

1. Whether your company is:
 - (a) resident or non-resident in India?
 - (b) public or private limited company?
 - (c) industrial, trading, investment or professional company?

PART II - TAXABLE INCOME

2. Do you think that the following provisions regarding determination of taxable income are reasonable? If not, please express your suggestions to improve them.

(a) Provision which allows "any expenditure laid out or expended wholly and exclusively for the purpose of the business or profession" [Sec. 37 (1)].

(b) Provisions which limit the deductibility of entertainment allowances [Sec. 37 (2)].

(c) Provisions which allow bad debts [Sec. 36 (2)].

(d) Provisions which allow set-off and carry forward of losses [Sec. 70 to 80].

(f) Provisions regarding valuation of opening and closing stock.

3. What method or methods do you follow for stock valuation and depreciation allowances?

PART III - TAX INCENTIVES

(In answering these questions please take into account mainly the following incentives:

- (i) 5 years tax holiday to new industries and hotels (Secs. 84 and 101)
- (ii) Development rebate (Sec. 33)
- (iii) Tax holiday to a 'technician' for a specified period.)

4. Do you regard that the incentives granted are liberal/adequate/not adequate?

5. Have they been effective in achieving the aims for which they have been introduced? If not, what modifications would you suggest?

6. It is said that incentives such as development rebate and tax holiday result in unnecessary discrimination between companies, in evasion and in revenue loss to the Government. Do you accept this view? If so, what modifications would you suggest?

PART IV - COMPANY TAX STRUCTURE

It is said that the present system of taxing companies involves double taxation. Do you accept this view? If so, what modification or system of company taxation would you suggest?

8. Do you prefer the present system of company taxation to the one existed before 1959 viz., the system of company taxation under which the shareholder was given credit for income tax paid by the company? Please give reasons for your answer.

9. Is the tax structure on companies complicated? If so, how can it be simplified?

10. Is the present rate of tax on companies liberal/normal and reasonable/heavy/unduly heavy?

11. In your opinion what will be the reasonable rate of tax on companies (general rate)?

Income tax	%
Super tax	%
	<hr/>
Total	%
	<hr/>

12. Would you favour the abolition of the classification of tax on companies into income-tax and super-tax? Please give reasons for your answer.

4. What is your view regarding the taxation of capital gains in the hands of companies?

5. Do you favour the tax on bonus shares issued by the companies? Give reasons for your answer.

PART V—EFFECTS - TAXES ON COMPANIES

6. Has the company income-tax consciously influenced your pricing policies?

Has the company income tax consciously influenced the wages of your workers?

Has the company income tax affected the decisions of your company to expand plant, machinery and equipment? If so, what were the major considerations:

- (i) the impact of current taxes on available liquid funds.
- (ii) the probable impact of future taxes on earnings.
- (iii) other considerations (please specify).

Has the company income tax influenced methods of financing additions to plant and working capital? Has your company at any time resorted to debt

20. Has the tax on bonus share issues in the hands of the company and the capital gains tax on them in the hands of the shareholders affected your decision to issue bonus shares rather than equity or debenture issues?

21. Unlike dividend payments, interest on debentures and other loans are deductible in determining taxable income. Has this point influenced the method of financing capital formation of your company?

22. In your opinion what is an ideal debt equity ratio?
(Equity includes ordinary and preference shares and free reserves including depreciation reserves and surplus.)

23. In your opinion does an increase in tax rates influence the dividend policy or the retained profits in the short run? Please state reasons for your answer.

24. Has the present "tax on dividends" influenced your dividend policy?
If not, please state the reasons.

25. Please express your opinion about surtax on companies.

PART VI - EFFECTS - DIRECT TAXES ON INDIVIDUALS

26. Has the tax situation increased the difficulty of raising new capital from your own shareholders?
27. Has the capital structure of your company been influenced by the impact of high personal taxes on the supply of equity or risk capital?
28. Do you regard the present tax provisions covering capital gains and losses as reasonably satisfactory? If not what modifications would you suggest?
29. Do you believe that the higher the tax rate the less the incentive to work and save?
30. Has the rate structure for the personal income tax, especially the high middle bracket rates, affected either the supply or quality of managerial personnel available?
31. Has the tax treatment of directors' fees/salaries of employees / and entertainment allowances/affected either the supply or quality of managerial personnel available?

PART VII - TAX ADMINISTRATION

32. Do you think that all the shareholders who are not chargeable to tax, claim refund of tax deducted at source by you on dividends or produce 'no deduction certificates'? If not, please state the reasons.

33. Have you experienced any difficulties with regard to assessment, collection or refund of tax or tax appeals? If so, please state them. What remedies would you suggest in this regard?

PART VIII - SECTION 104 COMPANIES

(Only for companies in which the public are not substantially interested.)

34. Has the provisions (Secs. 104 - 109) designed to prevent unreasonable accumulations of earnings affected the operation of your company? If so, please explain.

PART IX - MISCELLANEOUS

Here you may write your views about the Direct Taxes in India, whether they are connected with the taxation of your company or not.

1,000	1.5	MI1	MI1	MI1	MI1	MI1	MI1	1.94	2.08	0.69	MI1	MI1
2,000	2.1	2.0	MI1	MI1	2.6	2.6	2.6	2.52	3.9	3.65	3.39	MI1
3,000	"	2.6	2.6	2.6	2.6	2.6	2.6	2.52	3.9	3.65	3.39	4.69
4,000	"	2.6	2.6	2.6	2.6	2.6	2.6	2.52	3.9	3.65	3.39	4.69
5,000	"	2.6	2.6	2.6	2.6	2.6	2.6	5.28	5.85	5.47	5.08	4.69
7,500	"	3.1	3.1	3.1	3.1	3.1	3.1	5.28	5.85	5.47	5.08	7.81
10,000	"	3.1	3.1	3.1	4.69	4.69	4.69	7.09	7.81	7.39	6.77	7.81
15,000	"	4.6	4.6	4.69	4.69	4.69	4.69	9.28	10.48	9.73	9.09	12.50
20,000	"	4.6	4.6	4.69	6.25	6.25	6.25	10.85	12.37	11.85	10.74	15.63
25,000	"	4.6	4.6	6.25	6.25	6.25	6.25	10.96	12.37	11.85	10.74	15.63
30,000	"	6.2	6.25	6.25	6.25	6.25	7.81	12.48	14.97	12.87	12.99	21.87
40,000	"	"	6.25	7.39	9.38	9.38	9.38	19.92	22.13	20.66	19.20	28.13
50,000	"	"	6.25	8.33	9.38	9.38	9.38	19.92	22.13	20.66	19.20	28.13
75,000	"	"	12.50	14.58	15.63	15.63	15.63	23.45	26.04	24.31	22.57	34.36
1,00,000	"	"	12.50	14.58	15.63	15.63	15.63	24.03	26.69	24.92	23.15	34.36
2,00,000	"	"	12.78	20.83	21.87	21.87	21.87	31.06	34.51	32.21	29.93	40.62
3,00,000	"	"	25.00	27.10	28.13	28.13	28.13	38.09	42.32	39.50	36.69	46.86
4,00,000	"	"	"	33.33	34.36	34.36	34.36	45.16	50.13	46.79	43.46	53.12
5,00,000	"	"	"	"	40.62	40.62	40.62	52.15	57.94	54.08	50.23	53.12
5,50,000	"	"	"	"	42.75	42.75	42.75	55.67	61.85	57.72	53.62	59.38
Balance	"	"	"	"	44.88	44.88	44.88	59.19	65.76	61.38	56.99	59.38

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	Mill	Mill	Mill	Mill	Mill	Mill	As in 1942-43	Mill	As in 1943-44	Mill	As in 1944-45	Mill	As in 1946-47	As on -Mill Earned Income -Mill	As on -Mill Earned Income
	Mill	Mill	Mill	Mill	Mill	Mill	As in 1942-43	Mill	As in 1943-44	Mill	As in 1944-45	Mill	As on -Mill Earned Income -Mill	As on -Mill Earned Income	As on -Mill Earned Income
1,000															
2,000	Mill	3.13	7.81												
3,000	5.08	6.25	7.81												
4,000	5.08	6.25	7.81												
5,000	5.08	6.25	7.81												
7,500	8.46	10.42	12.50	13.08											
10,000	8.46	10.42	12.50	13.08											
15,000	13.54	16.66	19.79	20.84	21.87										
20,000	16.82	20.75	23.45	26.04	28.13	29.69									
25,000	"	"	"	"	"	"									
30,000	23.70	29.17	32.81	36.54	40.62	42.18									
40,000	29.47	37.50	42.19	47.92	53.12	54.68									
50,000	"	"	"	"	"	"									
75,000	37.24	45.87	51.46	57.28	62.50	64.06									
1,00,000	"	"	"	"	"	"									
2,00,000	44.01	54.17	60.94	66.67	71.88	73.44									
3,00,000	50.78	62.50	70.31	76.04	78.12	79.68									
4,00,000	57.31	70.84	79.69	83.30	84.37	85.93									
5,00,000	"	"	"	"	"	"									
5,50,000	64.27	79.16	89.06	91.67	92.75	95.31									
Balance	"	"	"	"	"	"									

Note: "L." = Earned Income
"U.L." = Un-Earned Income

Continued...

	E.	U.E.	E.	U.E.	E.	U.E.	E.	U.E.	E.	U.E.	E.	U.E.	E.	U.E.
1,000	N11	N11	N11	N11	N11	N11	N11	N11	N11	N11	N11	N11	N11	N11
2,000	N11	N11	N11	N11	N11	N11	N11	N11	N11	N11	N11	N11	N11	N11
3,000	N11	N11	N11	N11	N11	N11	N11	N11	N11	N11	N11	N11	N11	N11
4,000	1.98	2.99	1.99	2.99	1.99	2.99	N11	N11	As in	0.3	0.3	As in		
5,000	2.34	3.28	2.38	3.28	2.38	3.28	1.57	2.61	1955-56	0.84	0.84	1960-61		
7,500	3.65	4.64	3.63	5.63	3.63	6.12	3.80	5.79	"	"	2.56	2.56	"	"
10,000	4.93	7.11	4.92	7.11	5.16	7.46	5.08	8.04	"	"	4.38	5.00	"	"
15,000	7.66	12.03	7.84	10.99	7.60	11.54	8.20	12.49	"	"	7.29	8.34	"	"
20,000	10.54	16.84	9.49	14.49	9.96	15.22	10.68	15.93	"	"	10.20	11.65	"	"
25,000	14.64	19.72	12.69	16.59	13.22	17.42	15.10	19.30	"	"	14.78	16.65	"	"
30,000	19.52	24.77	17.79	21.12	18.67	22.17	21.12	23.74	"	"	19.32	22.05	"	"
40,000	25.52	31.07	24.28	26.78	25.49	28.11	22.64	29.29	"	"	26.30	30.08	"	"
50,000	30.46	36.75	29.42	31.42	30.89	32.99	26.25	32.99			32.38	37.00	"	"
75,000	40.73	47.20	40.03	41.35	42.03	43.43	42.69	46.90			43.99	50.36	"	"
1,00,000	42.20	55.09	47.68	48.68	50.08	51.11	54.37	55.13			51.37	58.60	"	"
2,00,000	63.86	72.07	62.12	62.62	65.23	65.75	70.66	72.30			64.19	71.36	65.94	"
3,00,000	69.71	78.78	67.46	67.79	70.63	71.18	76.64	78.83			68.46	75.57	70.79	"
4,00,000	73.77	82.52	70.12	70.37	73.63	73.89	79.63	82.09			70.59	77.68	73.22	"
5,00,000	76.51	84.77	71.72	71.92	75.31	75.82	81.42	84.05			71.87	78.94	74.67	"
5,50,000	77.51	85.52	72.31	72.49	75.98	76.11	82.07	84.76			72.34	79.40	75.20	"

Conti.

	E.	U. E.	E.	U. E.	E.	U. E.	E.	U. E.	E.	U. E.	E.	U. E.
1,000	N11	N11	N11	N11	N11	N11	N11	N11	N11	N11	N11	N11
2,000	N11	N11	N11	N11	N11	N11	N11	N11	N11	N11	N11	N11
3,000	N11	N11	N11	N11	N11	N11	N11	N11	N11	N11	N11	N11
4,000	0.3	0.3	0.32	0.32	N11	N11	N11	N11	N11	N11	N11	N11
5,000	0.84	0.84	0.88	1.01	1.20	1.20	0.7	0.7	0.22	0.22	As in	As in
7,500	2.89	2.89	3.04	3.47	4.13	4.13	2.8	3.8	3.89	3.89	1967-	1967-
10,000	4.91	5.64	As in 1962-		6.85	6.85	5.35	5.35	5.61	5.61	68	68
15,000	8.00	9.16	"	"	10.40	11.03	8.87	8.57	9.24	9.24	"	"
20,000	11.64	13.32	"	"	12.80	14.40	11.42	12.43	12.60	13.70	"	12.60
25,000	16.57	18.94	"	"	17.96	20.21	15.34	17.14	16.55	18.75	"	16.55
30,000	20.33	24.38	"	"	21.63	24.88	19.88	22.28	21.12	24.42	"	21.12
40,000	28.34	32.39	"	"	29.98	34.47	26.86	31.72	29.96	34.82	"	32.34
50,000	34.64	39.59	"	"	34.96	40.23	31.87	37.37	35.67	40.06	"	39.07
75,000	47.07	53.79	"	"	46.99	54.03	41.88	50.33	45.50	55.32	"	54.00
1,00,000	54.33	62.09	"	"	52.99	63.44	47.89	58.06	51.99	63.84	"	62.85
2,00,000	71.45	74.55	"	"	68.25	75.78	57.77	69.66	63.53	75.61	"	75.11
3,00,000	75.42	78.70	"	"	73.00	78.59	62.36	73.52	68.57	80.86	"	80.53
4,00,000	77.41	80.77	"	"	75.37	81.96	65.45	75.45	71.98	82.99	"	82.74
5,00,000	78.60	82.03	"	"	76.60	83.19	67.21	76.61	74.03	84.27	"	84.07
5,50,000	79.04	82.47	"	"	77.32	83.64	67.82	77.03	74.78	84.73	"	84.55

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COMBINED BURDEN OF INCOME AND WEALTH TAXES ON EARNED (BUSINESS) INCOME
 (For the assessment year 1962-63)

(In Rupees)

Income Before Tax	6% average return		8% average return		10% average return	
	50% wealth	100% wealth	50% wealth	100% wealth	50% wealth	100% wealth
	Income and Wealth taxes	Disposable Income	Income and Wealth taxes	Disposable Income	Income and Wealth taxes	Disposable Income
5,000	48	4,952	48	4,952	48	4,952
7,500	217	7,283	217	7,283	217	7,283
10,000	491	9,509	491	9,509	491	9,509
25,000	3,651	16,349	3,826	17,173	2,208	17,772
30,000	9,400	20,600	8,180	21,820	7,400	22,600
40,000	16,008	23,992	14,205	25,787	12,205	25,787
50,000	23,658	26,342	21,857	28,485	20,219	28,485
75,000	47,676	27,324	42,676	32,324	40,801	34,123
1,00,000	72,999	27,001	66,709	33,291	62,202	37,098
2,00,000	2,01,714	-1,714	1,80,801	19,119	1,62,201	31,619
3,00,000	3,26,767	-66,767	2,56,807	4,408	2,52,399	23,208
4,00,000	4,51,798	-51,798	4,10,121	-20,121	3,89,999	14,999
5,00,000	5,76,809	-76,809	5,94,797	-94,797	4,99,999	4,999

Note: The liability is in respect of a married individual with more than one child.

APPENDIX - D TABLE - 2

**COMBINED BURDEN OF INCOME AND WEALTH TAXES ON UNEARNED INCOME
(For the assessment year 1962-63)**

(In Rupees)

Income Before Tax	6 % average return on Health		8 % average return on Health		10% average return on Health	
	Income and Health Taxes	Disposable Income	Income and Health Taxes	Disposable Income	Income and Health Taxes	Disposable Income
5,000	42	4,958	42	4,958	42	4,958
7,500	217	7,283	217	7,283	217	7,283
10,000	394	9,606	394	9,606	394	9,606
20,000	2,997	17,003	2,264	17,736	2,994	17,006
30,000	10,214	19,786	9,064	20,936	9,214	21,086
40,000	17,921	22,079	15,954	24,046	14,954	25,046
50,000	25,127	24,873	21,044	28,829	22,794	27,206
75,000	52,719	22,281	47,719	27,562	45,944	29,126
1,00,000	81,761	18,239	71,499	28,561	70,094	29,966
2,00,000	2,07,927	-7,927	1,27,094	12,906	1,74,994	25,006
3,00,000	3,28,594	-28,594	2,05,344	-594	2,98,994	12,006
4,00,000	4,55,261	-55,261	4,28,594	-594	3,98,994	1,006
5,00,000	5,82,928	-82,928	5,41,844	-1,844	5,10,994	-10,994

Notes: Tax liability is in respect of a married individual with more than one child.

APPENDIX-D : TABLE-3

**COMBINED BURDEN OF INCOME AND WEALTH TAXES ON EARNED (BUSINESS) INCOME
(For the assessment year 1967-68)**

(In Rupees)

Income Before Tax	5% return on wealth		2 1/2% return on wealth		10% return on wealth	
	Income & Wealth taxes	Disposable Income	Income & Wealth taxes	Disposable Income	Income & Wealth taxes	Disposable Income
5,000	42	4,958	42	4,958	42	4,958
7,500	132	7,368	132	7,368	132	7,368
10,000	432	9,568	432	9,568	432	9,568
20,000	2,706	17,294	2,289	17,711	2,089	17,911
30,000	7,236	22,764	6,671	23,329	6,236	23,764
40,000	12,285	27,715	12,021	27,979	11,521	28,479
50,000	19,232	30,768	12,216	31,034	17,021	32,979
75,000	32,421	42,579	32,121	42,858	32,761	42,239
		56,509	32,579	42,281	32,761	42,239
1,00,000	61,022	38,978	52,571	47,429	52,371	47,629
2,00,000	1,60,371	39,629	1,47,571	52,429	1,41,371	52,629
3,00,000	2,62,371	37,629	2,42,221	52,379	2,32,371	67,629
4,00,000	3,64,371	35,629	3,32,371	60,629	3,24,371	72,629
5,00,000	4,66,371	33,629	4,22,221	64,579	4,16,371	82,629

Note:

Tax liability is in respect of a married individual with more than one child.

APPENDIX-D : TABLE-4

COMBINED BURDEN OF INCOME AND WEALTH TAXES ON UNEMPLOYED INDIVIDUALS
(For the assessment year 1967-68)

(In Rupees)

Income	5% return on wealth		8% return on wealth		10% return on wealth	
	Income & Wealth taxes	Disposable Income	Income & Wealth taxes	Disposable Income	Income & Wealth taxes	Disposable Income
5,000	48	4,952	48	4,952	48	4,952
7,500	192	7,308	192	7,308	192	7,308
10,000	500	9,500	500	9,500	500	9,500
20,000	2,997	17,003	2,580	17,420	2,390	17,670
30,000	8,113	21,887	7,488	22,512	7,113	22,887
40,000	14,347	25,653	12,513	27,487	13,013	26,987
50,000	21,680	28,320	20,518	29,482	19,968	30,032
75,000	42,193	32,807	41,361	33,646	40,449	34,551
1,00,000	68,377	31,623	64,510	36,790	63730	37,360
2,00,000	1,74,710	25,290	1,62,210	27,720	1,55,710	44,290
3,00,000	2,82,710	16,290	2,64,980	25,040	2,52,710	46,290
4,00,000	3,92,710	7,290	3,87,710	32,290	3,52,710	47,290
5,00,000	6,01,710	-1,710	4,70,480	29,540	4,51,710	48,290

Note: Tax liability is in respect of a married individual with more than one child.

APPENDIX-B

**A SHORT NOTE ON
COMPANY TAX RATES IN FOREIGN COUNTRIES**

Country	Rates %	Notes
• ALGERIA	50	
• ARGENTINA	37.95	33% + Emergency Surcharge 15%, non-residents- 44.11%
• AUSTRALIA	42.5	On excess over \$ 10,000 income (first \$ 10,000, 37.5%)- public companies.
• AUSTRIA	51.99	On incomes exceeding 545,400 S. Lower rates are 28.82%, 35.45 and 47.2% . There is marginal relief at the change points. For 1967, an additional 3% surcharge will be levied, and the rates including the two surcharges will be 29.04%, 36.2%, 48.45 and 53.24%.
• BRAZIL	30.8	i) + 7.7% on distributed profits of certain companies. ii) Non-resident companies - 30.8%-37.5% (generally) on net branch profits after the 30.8% tax. iii) All rates include a 10% surcharge, at present imposed only for 1966.
• BURMA	99	On slice of income on excess of 300,000 Kyats. 99% on slice of income between 100,000 and 300,000 Kyats. Scale begins at 7% at 1,501 Kyats income. Non-resident companies- Minimum rate 65% .
• CAMBODIA	25	
• CANADA	50	i) Includes Old Age Security Tax. ii) 21% on first \$ 25,000. iii) + Provincial Taxes 9-11% for which 9% credit given against Federal Tax.

Cont...

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APPENDIX -B (Cont.)

II	Country	Rates	Notes
			iv) 4% refundable tax on each profits.
	• Ceylon	50	<ul style="list-style-type: none"> • 33% on distributed profits. Non-resident companies - 50% + 6% in lieu of death duties + 33% on remittances (Maximum 33% x taxable income).
	• Colombia	38	<ul style="list-style-type: none"> On slice of income in excess of 1,000,000 pesos: reduced rates of 18 and 24%. • Additional taxes and surcharges amounting to 4-6% of income. • Excess Profits Tax dependent on ratio of profits to capital.
	• Denmark	44	<ul style="list-style-type: none"> Transitional rates may apply dependent on ratio of profits to capital and level of profits. As 80% of previous year's tax and 80% of taxable income (upto maximum of 2% of paid-up capital) are deductible, effective rate is lower.
	• France	50	<ul style="list-style-type: none"> Non-resident companies operating in France pay an additional tax on net profits after French tax in so far as they are distributed, and distributed to non-residents of France.
	• Germany	51	<ul style="list-style-type: none"> Distributed profits 15%. Non-resident companies 40%.
	• Ghana	50	<ul style="list-style-type: none"> 70% of profits not retained in Ghana. Lower rates for certain companies.
	• Greece	38.25	<ul style="list-style-type: none"> Undistributed profits only. Rate= 38% + 15% surcharge deductible from following

APPENDIX -E (Conti.)

Country	Rate%	Notes
		year's profit.
• INDIA	55	General rate for public companies. Other rates for private companies. + Companies (Profits) Surtax. + 7½% tax on excess dividends. Non-resident companies 70%.
• INDONESIA	60	Scale starts at 20% (details not available).
• JAPAN	35	Undistributed Profits (35 on slice below 3,000,000 Yen). Distributed Profits (22 on slice below 3,000,000 Yen). + Local taxes - minimum 17.7% of National tax.
• KENYA	37.6	
• MALAYA	40	
• MEXICO	42	On slice of income in excess of 1,000,000 pesos. Scale starts at 2%.
• NEW ZEALAND	50	Reduced rates (20 - 26%) on first 23,000. Rates include 7½% Social Security Tax. Non-resident companies pay an additional 2% tax.
• NIGERIA	40	
• NORWAY	30	+ Local Taxes 19-24% and Special Development Levy 0.6%.
• PAKISTAN	45	Non-resident companies 60%, various other rates for small companies, or companies in certain industries. + 10% redeemable surcharge (Placed in bonds carrying interest at 5% per annum, redeemable after 10 yrs).
• SWEDEN	40	+ Local tax 10-17% (deductible for the National tax).

Conti...

APPENDIX -B (Contd.)

Country	Rate%	Notes
• U.S.A.	48	Includes 28% surtax, On first \$ 25,000 profits, 22% income tax only. Many states and some cities levy income tax on corporations- not rates, say 2-5%.
• U.K.	40	Rate fixed by the 1966 Budget.

Source: Finance and Commerce, January, 1967.

The above Table compares the rates of taxes on companies in India with those in some foreign countries and indicates that the rates in India are higher than those in most of these countries both developed and developing countries.

The pitfalls of any such bland comparison of tax rates in various countries are noted in Chapter Seven in connection with personal taxation. Most of them remain true in the case of company taxation also. Companies are often taxed at flat rates, and this facilitates easy comparisons of the tax rates prevailing in different countries. But the different systems followed for taxing corporate profits and the different kinds of industrial incentives granted in various countries make such comparison rather misleading.

From the above Table, three distinct methods of taxing corporate profits may be noticed. They are: (i) to tax profits at a flat rate of tax as in India, the U.S.A., the U.K., Malaya, Sweden and France; (ii) to tax them at progressive

rates of tax as in Austria, Burma, Columbia and Mexico and (iii) to exempt from tax the distributed profits as in Greece or to tax the distributed profits at lower rates than the ^{un}distributed profits as in Germany and Japan. Industrial incentives often take the following main forms: (i) accelerated depreciation and initial allowance; (ii) tax-free reserves; (iii) development rebate or investment allowance and (iv) tax-holiday. Each one of these methods of taxing companies and of granting allowances brings about significant differences in ultimate tax burden and it is next to impossible to bring all these variations into the comparative picture with a single norm.

However, if the tax burden is computed on the basis of hypothetical balance sheets and profit and loss accounts embodying various situations, it would give fairly accurate burden of company taxation in different countries. A recent study of this kind reveals that a newly registered company operating with total capital of Rs.2 crores would have to pay over a period of 15 years a little over 41 per cent of its gross profits at the rates of taxation prevailing in 1965-66 and 42.6 per cent at the rates for 1966-67 in India. The same company would have paid a little less than 44 per cent at the 1965-66 rates in the United Kingdom. In the U.S.A., the incidence of the tax on the same size of gross profits at 38.5 per cent for 1965-66 was comparatively much lower than in the U.K. as well as in India. This study however does not take into account the taxes charged by the various States in the U.S.A.

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* For details see: B.M.Mitra, "Corporate Taxation: A Comparative View of Incidence in India, the U.K. and the U.S.A.", Company News & Notes, Vol.V (1966), P.16.

APPENDIX

TABLE I

**SHARES OF PRE-TAX AND POST-TAX INCOMES BY RANGES OF TOTAL INCOME
(Individuals) (Percentages)**

Range of Income Rs.	No. of Assessors			Pre - Tax Income			Post - Tax Income		
	1953-54	1955-55	Change	1953-54	1955-55	Change	1953-54	1955-55	Change
5,001 - 10,000	60.75	60.65	-0.09	20.05	22.02	2.96	25.27	27.74	2.47
10,001 - 15,000	17.41	18.69	1.28	15.07	17.53	2.46	17.59	19.71	2.12
15,001 - 25,000	11.89	12.30	0.41	15.13	15.25	0.12	17.71	19.20	1.49
25,001 - 40,000	5.62	5.11	-0.51	12.22	12.22	..	12.30	11.55	-0.75
40,001 - 70,000	2.94	2.33	-0.61	10.29	9.25	-1.04	2.75	7.25	-4.50
70,001 - 1,00,000	0.73	0.52	-0.21	4.25	3.41	-0.84	3.02	2.13	-0.89
1,00,001 and above	0.75	0.39	-0.36	11.51	5.94	-5.57	5.51	2.42	-3.09

Note : The analysis is confined to individuals having income of Rs.5,001 or above in order to avoid changes in the number of assessors due to changes in exemption limit.

APPENDIX
VIII

SHARES OF PRE-TAX AND POST-TAX INCOME
(Percentages)

Proportion of Incomes	Pre - tax		Post - tax	
	1955-61	1965-75	1955-61	1965-75

A. All Individuals:

Lower	70 %	57.0	41.3	4.3	44.0	47.0	3.0
MIDDLE	20 %	29.5	26.0	1.5	26.0	26.7	0.7
Upper	10 %	20.5	23.8	-6.7	20.0	26.3	-3.7

B. Salary Earners:

Lower	70 %	41.6	42.7	1.1	46.6	47.8	1.3
MIDDLE	20 %	24.2	22.8	-0.4	25.9	25.5	-0.4
Upper	10 %	24.2	23.5	-0.7	27.5	26.7	-0.8

C. Non-salary Earners:

Lower	70 %	24.5	40.5	6.0	42.0	43.5	4.5
MIDDLE	20 %	22.5	25.6	2.1	27.5	27.5	0.0
Upper	10 %	42.0	23.9	-8.1	20.5	26.0	-4.5

APPENDIX F
TABLES

DISTRIBUTION OF WEALTH TAX LEVY - INDIVIDUALS

Range of Wealth (In Lakhs of Rs.)		No. of Assessors		Wealth (Crores)		Wealth Tax (Crores)		
		1961-62	1964-65	1961-62	1964-65	1961-62	1964-65	
Below	2	NIL	19,271	NIL	282.9	NIL	0.8	
2	-	5	17,540	22,525	522.4	626.7	1.7	2.8
5	-	12	4,297	5,117	349.6	323.6	2.3	5.1
12	-	15	542	424	72.2	54.9	0.6	0.8
15	-	25	322	500	99.2	93.4	0.9	1.0
25	-	50	267	214	81.9	71.8	1.0	1.0
Over	50	91	74	82.3	65.1	1.1	1.6	
Total		29,615	49,126	1,294.1	1,617.5	7.6	13.7	

A P P E N D I X -0

NORMAL RATE OF INCOME TAX ON COMPANIES

Assessment Year	Income Tax	Surcharge on income tax	Super-tax	Surcharge on super-tax	Total	Remarks
1904/05 to 1915/16	5 pias	...	...	...	5 pias (2.6%)	
1916/17	12 pias	...	...	...	12 pias (6.5%)	
1917/18 to 1920/21	12 pias	...	12 to 26 pias	...	24 pias (12.5%)	
1920/21	12 pias	...	12 pias	...	24 pias (12.5%)	
1921/22	16 pias	...	13 pias	...	29 pias (14.6%)	
1922/23 to 1929/30	18 pias	...	12 pias	...	30 pias (16.6%)	
1930/31	19 pias	...	12 pias	...	31 pias (16.3%)	
1931/32	25 pias	3-3 pias	13 pias	1-5 pias	42-8 pias (22.3%)	
1932/33 to 1934/35	25 pias	6-5 pias	12 pias	3 pias	47-8 pias (26.7%)	

In 1917 super-tax was introduced and charged at progressive rates on undistributed profits when the undistributed profits exceeded Rs.50,000. Super-tax was charged on distributed as well as on undistributed profits over Rs.50,000.

1	2	3	4	5	6	7
1935/36	26 pies	4.3 pies	12 pies	2 pies	44.3 pies (23.1%)	
1936/37 to 1938/39	26 pies	2.2 pies	12 pies	1 pie	41.2 pies (21.4%)	
1939/40	30 pies	...	12 pies	...	42 pies (21.9%)	Super-tax was charged on entire income and the exemption limit was withdrawn.
1940/41	30 pies	2.5 pies	12 pies	1 pie	45.5 pies (23.7%)	The excess profits tax was introduced.
1941/42	30 pies	10 pies	12 pies	4 pies	56.0 pies (29.2%)	
1942/43	30 pies	15 pies	18 pies	...	63.0 pies (32.8%)	
1943/44	30 pies	20 pies	24 pies	...	74.0 pies (38.5%)	
1944/45	30 pies	24 pies	28 pies	...	82.0 pies (42.9%)	In 1944/45 and 1945/46 a rebate of 12 pies was allowed on retained profits.
1945/46	30 pies	27 pies	28 pies	4-	89.0 pies (48.4%)	
1946/49	60 pies	...	12 pies	...	72.0 pies (37.5%)	The rebate on retained profits was withdrawn and an additional super-tax at progressive rates was charged when the distribution exceeded 30% of the total income or 25% of the capital whichever was greater. Initial depreciation allowance was introduced.

1	2	3	4	5	6	7
1947/48 to 1949/50	60 pias	...	24 pias	...	84.0 pias (43.8%)	In 1947, the excess profits tax was abolished and the business profits tax and capital gains tax were introduced. They were withdrawn as from 1949/50. Instead of imposing additional tax on excess distribution rebate was allowed on profits retained over 7 years in the rupee in 1948. In the same year distinction was made between a domestic and a foreign company. Small companies were taxed at a lesser rate. In 1949 additional depreciation was allowed and the tax-holiday was introduced.
1950/51	48 pias	...	30 pias	...	78.0 pias (40.6%)	
1951/52 to 1956/57	48 pias	2.4 pias	33 pias	...	83.4 pias (43.4%)	Development rebate was introduced in 1955. In 1956 capital gains tax was reintroduced, super-tax was charged on bonus issues and initial depreciation was withdrawn. Instead of allowing rebate on retained profits additional super-tax was charged on excess dividend.
1957/58 to 1959/60	30 \$	1.55	20 \$	...	51.5 \$	In 1957 wealth was introduced. Additional depreciation allowance was withdrawn in 1959.
1960/61 to 1961/62	20 \$	...	25 \$	...	45.0 \$	New scheme of company taxation came into force. Wealth tax on companies and the tax on excess dividend were abolished in 1960.

