Taxology & H[illegible] At Financial Decisions

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ABSTRACT

Income tax plays a dominant role in shaping financial policies of large corporations. The decisions may be, financing, investment or dividend, depend to some or the other extent on income-tax policies of the Government. The purpose of study is to highlight the importance of the tax factor in financial management of large corporates and to know the bearing different tax variables have on various types of major financial decisions, so that, on one hand, the corporations can thoroughly analyze the impact of tax provisions on financial decision-making to arrive at sound decisions and on the other, the Government can shape its tax policies in a manner most beneficial for the country as a whole. The conclusions derived confirm the hypothesis that sound tax planning and management leads to better financial management. For business to be successful, regular, rather constant, analysis of tax implications is a Must for Large Corporations.

[illegible]sent study is based on author's major research project titled "[illegible]" fully financed by University Grants Commission

Golden rule

Have solid tax management and witness a fantastically successful financial management.

DOs

1. Establish a separate Tax Management Cell.
2. Plan your financial affairs by examining all tax factors on a constant basis.
3. Hire outside tax consultancy only for specific tax problems, if absolutely necessary.
4. Give the taxation head a status parallel to that of the finance head.
5. Take investment, financing and dividend decisions focusing on tax policies.

DONTs

1. Never ignore tax factor while taking any financial decision.
2. Do not bank only on the tax factor while striking at a financial decision.
3. Do not copy blindly what others have followed, as your own circumstances/requirements may be different.
4. Do not depend on outside tax consultancy.
5. Do not entrust the job of taxation as a miscellaneous one to one man or group in the organization.

Watchwords

1. Beware of changes made or likely to be made by government in tax laws: foresightedness/leaping forward.
2. Be cautious in your approach while examining pros and cons of tax provisions: expertise.
3. Do consider other aspects-financial and non-financial also: pragmatism/broader outlook.
4. Make a cost-benefit analysis of hiring tax consultancy vis-à-vis employing a taxman within the organization: cost effectiveness.
5. Give the tax plan proper leverage, whenever required: flexibility.

Tax planning and management lends you into a hell or a heaven is a million dollar question mark???.... Just as statistics is like clay of which you can make a god or a devil as you please (depends on the user), similarly taxology is an instrument, which can be used to hammer at financial decisions to break them or to mould them (depends again on the user). Correct decisions may be a boon for the enterprise-intelligent, skillful, creative, imaginative and innovative approach which may lead to successful expansion, diversification and modernization of the business or may prove to be a curse. An otherwise "high tax" company can become a "zero-tax" company by a "zero-defect" tax approach. The tricky tax game played without any foulness but with care, caution, ingenuity, and genius planning may be won eventually with a miraculous score. However, in this game, you have opposite you, the government, which can bring your heavily guarded fort to ransom, any time. And your entire structure may be doomed. The tax shelters can be withdrawn and you may be left in a quandary. Crores of rupees of investment may be left blocked. You cannot retrace your steps either. This declothing will place you in a bewildering situation and then you can simply hammer your head for hammering at the decision. The magic medicine of taxology has slain your hen rather than make her lay golden eggs.

The advice, therefore, is "play a safer game, may be, it is not that scoring" and at least never play a game that, though is not foul, gives an impression of being foul. Tax avoidance may be legal and may not be stained with the stigma of the foulness as the tax evasion is, but still it is unethical, as the unintended benefits are availed of compelling the government to take them off.

The hue and cry over modification of a single incentive provision is so great that one can easily understand what the industry is practising, of course, not everyone in it. However, it is really appalling for the genuine person. The dilemma before the government is that it does not want to hit the honest, but in order to check dishonesty, it finds itself helpless, may be, in the process, the honest also suffer.

The cherished dream of a finance man in an organization, as is well known, is profit optimization ultimately directing to wealth maximization or maximization of owners' funds. How can this dream be materialized - the answer is: through sound tax management. Enlightened managements are recognizing the importance of taxology day by day. Hence, the emerging management technology in the arena of finance is: "Have solid tax management, and witness a fantastically successful financial management". It is not like this that tax factor had not played a role in the days gone by for striking at financial decisions but it is a matter of how crucial the factor is in the present day context. With well-knitted taxology, effective financial decisions can be hammered at and a finance man can be honored as a finance wizard. It is something different that the government may pour buckets of water on a tax plan, with howsoever ingenuity, it might have been engineered and thus once upon thought as a sound financial decision may eventually flop clumsily and prove to be a fiasco - the hammering may break the iron instead of molding it in the desired design.

Given the complexities of tax laws and presuming that the tax laws would not be simplified rather they would become more and more complicated during the process of simplification and rationalization, the consideration of each and every minute detail of a tax provision becomes at once a dire necessity.

How are we affording a criminal waste of thousands of man-hours on brain exercises of top intelligentsia of the nation for reducing the burden of tax totally un-understandable? Can't we increase the national productivity substantially by diverting the mental faculties of this top brass of society to some other productive channels?

Well, one should always have a ray of hope - the government may seriously think of it some day, by simplifying the laws in the real sense. Though, today it is just a Utopian idea, nonetheless, today has always to be sacrificed for a bright tomorrow - we may become wiser after experiencing miseries - i may still not be too late.

An economist observed during discussions with the company executives: "I would like to see the day when none of us needs a tax manager (to interpret complicated tax provisions) at all". Alas, it can come true ever in our country. The bare truth is that we badly need a tax manager in every organization."

Case Studies

Out of the Sample, 3 case studies of Indian IT MNC's are being presented here. The questionnaire, which forms the basis for discussions with top corporate executives, has also been appended.

A Case Study Of Wipro Ltd.

Discussing the matter with Vice-President (finance) cum Corporate Controller and Vice-President (Corporate Taxation), the following observations were noted:

1. Tax implications of various financial decisions are fully studied, since tax factor has a major bearing on the decisions. The study is undertaken on a constant basis and thus tax planning is a continuous affair, for which a separate Tax Management Cell exists in the organization, headed by Vice- President Corporate Taxation and assisted by Tax Manager and four other officers. Outside tax consultancy is also hired whenever necessary. However, the company prefers the position of Taxman below the rank of Finance man, as tax is a sub-function of finance and Finance Man is also conversant with tax matters. Tax Management Cell is absolutely essential for such a vast corporate empire. However, outside tax consultancy is essential for legal points, but only desirable for financial decisions.

2. The bearing tax factor has on financial decisions is brought to the focus simply by response to a hypothetical question that in case corporate tax rate is changed by 10 per cent, what effect would it have on financial decisions, the response was that it would have a moderate impact. Even if maximum marginal rate of personal tax rate is changed by 10 per cent, it would have a moderate effect; whereas if the rate is changed by 25 per cent, it would greatly affect.

3. The dependence of income-tax factor on financing decisions is moderate. Company finances its projects through loans and issue of debentures only slightly. Most of the financing has been through equity and retained earnings. The response of moderate dependence is corroborated by the response of an imaginary question that if dividend declared is allowed as a deduction like other business expenses and interest on loan, what effect it would have - the same effect, a moderate one, was told.

4. The dependence of income-tax factor on investment decisions is also moderate. The policies of diversification and modernization are there partly because of tax incentives and advantages; however, the policy of expansion is there slightly on account of tax benefits, as even otherwise expansion is required for survival in the present-day competitive business environment. Exports have boosted up partly because of tax incentives. Export benefits available under section 80 HHC of IT Act greatly affect the company. Restrictions on allow ability of expenses affect the company

moderately and full allow ability would moderately benefit. Accelerated depreciation rates will moderately affect the company. Company adopts straight-line method of depreciation for accounting and foresees a very favorable impact if straight line method is allowed as per IT Act. Amalgamation benefits greatly affect the decisions of mergers and acquisitions. Amortization of Research & Development expenditure benefits the company moderately. All these observations lead us to clearly interpret that tax plays a very significant role in shaping major investment decisions of this corporate group.

5. The impact of income-tax policies of the Government regarding dividend decisions has been moderate, though there has been little tax planning in this respect by the company. Exemption of dividend income in the hands of shareholders would affect the company fully and it would reduce their expectations regarding the extent of dividend payable moderately. Similarly, exemption of capital gains in the hands of shareholders would reduce the expectations of shareholders to a moderate degree. If the personal tax rates are substantially reduced, it would result in more investment by people in shares/debentures, and it would affect the dividend policy of the company to a moderate level. However, if the corporate tax rates or personal tax rates are substantially reduced, it would not result in payment of less or more dividend/bonus, Similarly, exemption of dividend income or capital gains in the hands of shareholders would also not change the dividend rate. All this goes to suggest that the company does not study in depth the repercussions of changes in different tax provisions affecting the shareholders' sentiments in the long run, though the influence of personal tax rates on dividend policy has been admitted.

6. The company is in favor of stability of tax laws and against retrospective amendments. It is quite understandable as frequent changes in laws as well as retrospective amendments vitiate tax planning and sometimes, major decisions, which are irreversible, turn out to be unprofitable. Company does not like to practice tax avoidance, i.e., taking advantage of legal loopholes.

7. Financial management of the company has been very sound and pragmatic. Capital budgeting has been there and even the quantitative techniques like sensitivity analysis, probability assignment etc. are applied. Internal rate of return is the major technique followed by pay back method. The cut-off rate for the projects is taken as 20 per cent. The major yardstick of profitability adopted is return on capital employed. Dividend policy is that of stability with growth and can be taken as a conservative one. Financing through debt is not preferred to as the company is a cash surplus one. Sales, profit and production -all have been increasing year by year.

8. Tax planning consumes about 20 per cent of the time of Tax management cell and 80 per cent time is devoted to tax compliance. As a matter of fact, tax provisions are so much complicated that legal interpretations waste the precious time, which could have been otherwise effectively utilized.

9. Cash flow projections are on a monthly basis and projections, by and large, come true. Shareholders of the company are happy on the whole. The company considers its share as an investor's share, though shareholders prefer capital gains to dividends. Top management and FIIs hold 90 per cent of the shares, whereas the rest 10 per cent are with about 60,000 shareholders. The decision-making process of the company is democratic- the proposals initiate both from the top and the bottom and then healthy discussions take place before a final decision is struck. The company was not required to prepone/postpone a decision ever because of subsequent change in tax policy.

Thus, the company is more or less following a correct approach. Its financial policy is a tax exploitative policy. However, tax planning should be emphasized more and should consume more time rather than legal implications. Besides, the status of Taxman should be parallel to that of Finance man.

A Case Study Of Satyam Computer Services

Discussing the matter with the Finance Manager, the following general and specific observations were noted:

1. Tax implications of various financial decisions are fully studied through a separate Tax Management Cell headed by tax manager and assisted by five officers. Tax planning is on a constant basis and the cell is

almost devoted to fu'filling tax planning and tax management functions. The company considers Tax Management Cell to be vital for a large organization.

2. Tax factor has a complete bearing on financial decisions, though the dependence of tax factor on financing decisions is major and that on investment decisions moderate. For dividend decisions also, the dependence is moderate.

3. Finance man and Taxman are two separate posts, though the top finance man is an expert in tax matters too, and others are also conversant. Outside tax consultancy is hired by the company for legal points only occasionally, as the experts are available in-house. For financial decisions, outside tax consultancy is not required because of the same reason that in-house expertise is there. The company considers hiring of outside tax consultancy for legal points as well as for financial decisions, desirable.

The company's financial policy can be termed as a tax based policy, though other factors also play a role in arriving at financial decisions. The company takes the advantages available under section 10A, 10B, 80HHC of the Income-tax Act as also relating to export-oriented units and free trade zones.

The company has not issued debentures so far, as the company is a cash-rich company being in the field of software business. Loans have been raised but financing of projects has been there through loans slightly on account of tax advantages. The concept of leverage does not apply in the case of this software company. Debt is not preferred to as the money inflows are very high. Actually the debt-equity ratio is 1:99. Raising funds through American Depository Receipts is preferred to. ADRs have been floated, because the cost of floating an ADR is much less than other sources of finance, the reason being that in USA, interest rates are very low and the expectations of the investors is also very low. In case dividend declared is allowed by way of deduction as a business expense for computing taxable profits, it will fully affect the company, as the cost of equity will go down dramatically. The drastic cut in cost of equity (which is roughly 10 per cent at the moment) will make equity issue much cheaper. The retained earnings also cost the same, as equity and therefore ploughing back of profits would also become cheaper on account of reduced expectations of shareholders.

6. The company has a policy of expansion, diversification and modernization slightly on account of tax incentives, as expansion and diversification are required mainly for the growth of the company and modernization is a basic necessity in the present-day competitive world for survival and existence., New focus is there on diversification every year, but expansion has been there only to a minor tune every year. Exports have boosted up partly because of tax advantages, though the export benefits fully affect the company. Accelerated depreciation rates will greatly affect the company, as depreciation allowance is very significant for the company. Restrictions on allow ability of expenses fully affects the company and, therefore, as a corollary, if full allow ability of expenses is there, it will have a full impact on the company. Hypothetically speaking, if the corporate tax rate is changed by 25 per cent, even by 10per cent, it will have a complete bearing on the company. Besides, the change of maximum marginal personal income tax rate by 25 per cent or, so to say, even by 10 per cent will have a full impact on the company (on account of influence on shareholders' pockets). Amalgamation benefits greatly affect the company. Amortization of Research and Development expenditure moderately benefit the company. If the capital gains were exempted for the company, it would fully influence the company. All these factors clearly highlight the significance of tax factor on company's investment decisions, which, as a matter of fact, can be termed as a major impact.

7. The effect of tax factor on dividend decisions is not much. The company considers that exemption of dividend income in the hands of shareholders would not affect the dividend policy, though the expectations of shareholders shall be slightly reduced. However, if capital gains were exempted from tax in the hands of shareholders, it would have a moderate bearing on the dividend policy, though the expectations of the shareholders would be reduced slightly. The company has a progressive dividend policy otherwise also, i.e., of stability with growth. The company may not like to change its dividend policy on account of exemption of dividend income or capital gains in the hands of shareholders.

8. If the corporate tax rate is substantially reduced, it may not result in payment of more dividends, but more bonuses may be declared, as the expectation of the shareholders shall be greatly affected. If the personal tax rates were substantially reduced, it would result in more investment by people in shares/debentures, but it would not affect the dividend policy of the company; the dividend and bonus rates may not be changed. Mainly on account of the above reasons, there has not been any systematic tax planning for striking at dividend decisions.

9. Frequent changes in income-tax law should be there in today's context, as the environment keeps on changing and laws should be dynamic accordingly. However, retrospective amendments should not be there. The company does not favor adoption of tax avoidance. Changes in tax laws vitiate tax planning but this company practises a flexible approach and hence favors a dynamic governmental tax policy.

10. Capital budgeting has been there in the organization; the cut off rate ranges from 38 per cent to 50 per cent. The company is generally getting more than this rate, it being a software company. The methods preferred for analysis are internal rate of return, net present value and pay back in that order. In addition, sophisticated quantitative techniques of sensitivity analysis and probability assignment are also applied. The index of profitability used is net profit as a percentage to gross revenue. Sales, profit and production- all have a tendency of growth year by year. This way the company is a successful one.

11. Cash flow projections are made on a monthly basis, though they come true only to a moderate extent. The method of depreciation used in the books is Written Down Value and in case the I.T. Act is amended to allow straight-line method in place of WDV method, it would have a moderate impact on the company. The company does not favor abolition of income tax in Toto. However, the corporate tax rate should not be more than 25/30 per cent in place of 35 per cent at present (2.5 per cent surcharge extra for the Assessment Year 2004-05,as reduced from 5 per cent).

12. The shareholders of the company are happy. The company considers its share to be a speculator's share as well as an investor's share, because of being a software company. The company's share is one of the most highly traded share. Shareholders prefer capital gains more to dividends. Most of the shares of the company are with Foreign Institutional Investors (about 50 per cent) and promoters (10 per cent to 15 per cent); public holds about 10 per cent- the profile of general investors is of low-income group. Foreign participation in ADRs, listed in New York Stock Exchange, is roughly 10 per cent to 20 per cent.

13. The decision-making process in the company is quite democratic, as the proposals emanate both from the bottom and the top. Final decisions are, however, taken by the top management after group discussions. The company prefers two separate posts for Finance man and Taxman - and of equal status. Outside tax consultancy should be hired whenever necessary, i.e., on a case-to-case basis.

In nutshell, the company's financial policy appears to be on a sound footing. The hypothesis that there is a major impact of tax factor in hammering at financial decisions stands confirmed. Financial management is via sound tax management, as it ought to be. Corporate governance of the day demands even a higher devotion of time in performing the functions of tax planning and tax management.

A Case Study Of HCL Technologies Limited

Discussing the matter with Finance manager, the following observations were noted:

1. HCL Technologies fully studies the tax implications of its financing or investment decisions and the tax factor has a major bearing on its decisions, though changes in tax policy has moderately resulted in either postponement or preponement of its decisions. Primarily this is due to the fact that the company tries to optimize its tax incidences while formulating the financial policies but the decisions are never reversed solely due to tax consequences. The Company had major dependence on tax factors for its investment decisions whereas dependence has been minor on financing decisions. This is largely because the company is a cash surplus company and the finance has only a minor role to play.

2. Tax management cell exists in the organization and for legal points, mainly on complex decisions; the

company refers to outside tax consultancy and considers it vital for legal points. Although the people entrusted for taking investment decisions are well conversant with tax matters but the company considers tax management cell as essential and as a practice, the company has separate tax management cell.

3. Being a software company, the company financed the projects moderately because of tax advantages. The company issued equity share capital for raising money and the cost of capital is approximately around 20%. The company ploughs back its retained earnings and has not raised any loans or issued debt instruments.

4. The company had policy of expansion, diversification, modernization, and exports moderately because of tax advantages. The accelerated depreciated rates will affect the company adversely since it presently enjoys the tax holiday under section 10A. For the same reason, restrictions on allow ability of expenses or changes in corporate tax rate does not affect the company presently. However, this may affect the company moderately, once it becomes taxable on expiry of tax holiday period.

5. Effect of personal tax rate change will moderately affect the company since it is people intensive and could affect the compensation levels and hence, the cost of personnel for the organization.

6. Dividend income exemption and capital gains exemption would moderately affect the company. Similarly, dividends allow ability and capital tax exemption for the company would also affect HCLT moderately since it also earns income from investments of surplus cash.

7. Export benefits fully affect since the company is 100% export oriented company. Similarly since the company actively pursues the mergers and acquisitions, therefore, amalgamation benefits greatly affect the company. Since, the company has hardly R&D expenditure, therefore amortization does not affect it.

8. Exemption of dividend or capital gains in hands of shareholders will only slightly reduce the expectation of shareholders only slightly since the investors expect regular dividends. Changes in personal rate will not affect the dividend policy of the company. Substantial corporate tax reduction will affect the expectation only slightly, as its most of the income is exempt under 10A and only the income from investments is taxable. However, going forward (upon expiry of tax holiday), substantial reduction in corporate tax rate could result in more dividend payments, whereas substantial personal rate reduction is unlikely to have any impact. Exemption of dividend or capital gains in hands of shareholders is unlikely to have impact in payment policy of dividends since shareholders/ investors expect regular dividends and HCLT has declared policy of payment of regular dividends subject to availability of profits and subject to law.

9. HCLT believes that there should not be frequent changes to the Income tax law and no retrospective amendments should be there. These cause instability for tax planning and are not reflective of the faith in government policies. The company is neither supportive of future interest capitalization. Constant tax planning is supported and tax avoidance is a strict bar from Company's perspective. The company gives full consideration to tax but the ultimate decisions do not depend on tax considerations alone.

10. The company adopts capital budgeting methods and quantitative techniques (like sensitivity analysis, probability assignment etc) for valuations and the cut off rate varies from time to time depending upon market conditions. NPV and IRR are preferred methods of evaluation in that order. Cash flows and EBITDA (Earnings before Interest, Tax, Depreciation and Amortization) to gross investments are indices of profitability more frequently used. Company's sales and profit are on a constantly increasing trend during the last 5 years and the company has followed increasing dividend payment policy. Company's debt is almost negligible compared to equity. Company spends reasonable time in tax planning and has specific tax department that function under Corporate Vice President- Finance. The tax department has 4 personnel headed by taxation head.

11. The company formulates the cash flow projections from time to time and monitors cash flow projections monthly. These greatly come true as a practice. In its views, the abolition of income tax is not at all necessary but is a healthy levy from corporate and country's perspective. The law should provide for straight-line method of depreciation in line with the company

law and this would greatly affect the company. The share of investors is more in the company compared to speculator's interest and the shareholders of the company are indeed happy. As far as the company has learnt, the investors prefer dividend more to the capital gains.

In summary, company recommends two separate posts for tax man and finance man although the same could be line function, with appropriate advice from outside tax consultancy depending upon situation to situation. The company is slightly in favor of tax planning for dividend decision-making but greatly to fully in favor of tax planning for investment decision making.

APPENDIX

QUESTIONNAIRE

TAXATION POLICIES AND FINANCIAL DECISIONS

Name of the Company ____________________

Person Contacted ____________________

Date of Discussion ____________________

Please tick mark any one against each question

1. **Tax implications of financing/ investment decisions whether studied or not-**

   ☐ Fully ☐ Greatly ☐ Moderately
   ☐ Slightly ☐ No

2. **Tax factor has a bearing on decisions-**

   ☐ Complete ☐ Major ☐ Moderate
   ☐ Minor ☐ No

3. **Preponed/ Postponed your decisions on account of change in tax policy-**

   ☐ Fully ☐ Greatly ☐ Moderately
   ☐ Slightly ☐ No

4. **(a) Dependence of tax factor on financing decisions**

   ☐ Complete ☐ Major ☐ Moderate
   ☐ Minor ☐ No

   (b) Dependence of tax factor on investment decisions

   ☐ Complete ☐ Major ☐ Moderate
   ☐ Minor ☐ No

5. **(a) Tax management cell exists**
   ☐ Yes ☐ No

   (b) Outside tax consultancy
   (i) For legal points ☐ Yes ☐ No
   (ii) For financial decisions ☐ Yes ☐ No

   (c) Finance man is a tax expert also
   ☐ Yes ☐ No

   (d) Finance man is conversant with tax matters
   ☐ Yes ☐ No

   (e) Finance man and tax man-two separate posts
   ☐ Yes ☐ No

6. **Tax management cell is—**
   ☐ Vital ☐ Essential ☐ Desirable
   ☐ Luxury ☐ Waste

7. **Outside tax consultancy-**
   (a) For legal points
   ☐ Vital ☐ Essential ☐ Desirable
   ☐ Luxury ☐ Waste

   (b) For financial decisions
   ☐ Vital ☐ Essential ☐ Desirable
   ☐ Luxury ☐ Waste

8. **You finance your projects through loans/ issue of debentures----**

   ☐ Only ☐ Mainly ☐ Partly ☐ Slightly
   ☐ Not at all Because of tax advantages

9. **You had a policy of expansion-**

   ☐ Only ☐ Mainly ☐ Partly ☐ Slightly
   ☐ Not at all Because of tax incentives

10. **You had a policy of diversification**

   ☐ Only ☐ Mainly ☐ Partly ☐ Slightly
   ☐ Not at all Because of tax incentives

11. **Modernisation decision was taken-**

   ☐ Only ☐ Mainly ☐ Partly ☐ Slightly
   ☐ Not at all Because of tax advantages

14. **(a) Restriction on allow ability of expenses affected-**
   ☐ Fully ☐ Greatly ☐ Moderately
   ☐ Slightly ☐ Not at all

APPENDIX

QUESTIONNAIRE

Section A

(b) Full allow ability of expenses would affect-
☐ Fully ☐ Greatly ☐ Moderately
☐ Slightly ☐ Not at all

15. (a) Effect of corporate tax rate change by 25%
☐ Fully ☐ Greatly ☐ Moderately ☐ Slightly
☐ Not at all

(b)Effect of corporate tax rate change by 10%
☐ Fully ☐ Greatly ☐ Moderately ☐ Slightly
☐ Not at all

16. (a) Effect of maximum marginal rate of personal tax rate change by 25%
☐ Fully ☐ Greatly ☐ Moderately ☐ Slightly
☐ Not at all

(b)Effect of maximum marginal rate of personal tax rate change by 10%
☐ Fully ☐ Greatly ☐ Moderately ☐ Slightly
☐ Not at all

17. (a) Dividend income exemption for shareholders would affect-
☐ Fully ☐ Greatly ☐ Moderately ☐ Slightly
☐ Not at all

(b)Capital gains exemption for shareholders would affect–
☐ Fully ☐ Greatly ☐ Moderately ☐ Slightly
☐ Not at all

18. Dividend allow ability for company would affect-
☐ Fully ☐ Greatly ☐ Moderately ☐ Slightly
☐ Not at all

19. Capital gains exemption for company would affect–
☐ Fully ☐ Greatly ☐ Moderately ☐ Slightly
☐ Not at all

20. Export benefits affect-
☐ Fully ☐ Greatly ☐ Moderately ☐ Slightly
☐ Not at all

21. Amalgamation benefits affect the company-
☐ Fully ☐ Greatly ☐ Moderately ☐ Slightly
☐ Not at all

22. Amortization of R&D expenditure benefited the company-
☐ Fully ☐ Greatly ☐ Moderately ☐ Slightly
☐ Not at all

23. Exemption of Dividend income in the hands of shareholders would reduce the expectations of shareholders-
☐ Fully ☐ Greatly ☐ Moderately ☐ Slightly ☐ Not at all

24. Exemption of Capital gain in the hands of shareholders would reduce the expectations of shareholders-
☐ Fully ☐ Greatly ☐ Moderately ☐ Slightly ☐ Not at all

25. Substantial personal tax rate reduction would result in more investment by people in shares/debentures hence would affect the dividend policy of the company-
☐ Fully ☐ Greatly ☐ Moderately
☐ Slightly ☐ Not at all

26. Substantial corporate tax rate reduction would affect the expectation of shareholders-
☐ Fully ☐ Greatly ☐ Moderately
☐ Slightly ☐ Not at all

27. Substantial corporate tax rate reduction would result in payment of
☐ More Dividend ☐ Less Dividend
☐ No Change ☐ More Bonus
☐ Less Bonus ☐ No change

28. Substantial personal tax rate reduction would result in payment of-
☐ More Dividend ☐ Less Dividend
☐ No Change ☐ More Bonus
☐ Less Bonus ☐ No change

29. Exemption of Dividend income in the hands of shareholders would result in payment of -
☐ More Dividend ☐ Less Dividend
☐ No Change ☐ More Bonus
☐ Less Bonus ☐ No change

30. Exemption of capital gains in the hands of shareholders would result in payment of-
☐ More Dividend ☐ Less Dividend
☐ No Change ☐ More Bonus
☐ Less Bonus ☐ No change

APPENDIX

Section B

1. Frequent Changes in Income tax law should be there
☐ Yes ☐ No

2. Retrospective amendments should be there
☐ Yes ☐ No

3. Future interest capitalisation done
☐ Yes ☐ No

APPENDIX

QUESTIONNAIRE

Section B

4. Tax planning
- ☐ Constant ☐ Regular
- ☐ Intermittent ☐ Casual
- ☐ No

5. Tax avoidance-views-

6. Tax based policy/ Tax Exploitative Policy/ Full consideration of tax but decisions don't depend on it alone/ not at all

7. (a) Capital Budgeting
☐ Yes ☐ No

(c) Cut off rate

(d) Method preferred
☐ NPV ☐ IRR ☐ ARR
☐ Pay back Ranking

(e) Quantitative techniques

8. Index of profitability

9. Sales/ Profit/ Production increasing/ Decreasing (during last 5 years)
☐ +- ☐ +- ☐ +- ☐ +- ☐ +-

10. Dividend policy
(a) stable rate
☐ Constant Pay-out ratio
☐ Stability with growth

(c) Conservative/ Progressive

11. Debt Equity ratio
(a) Standard (b) Actual

12. Organisational structure of tax
☐ Planning ☐ management

13. Time consumed in tax planning

14. A Cash flow projections
(a) periodicity
(b) come true
☐ Fully ☐ Greatly ☐ Moderately/
☐ Slightly ☐ No

15. Abolition of income tax- views

16. Method of Depreciation in books- straight line

17. Effect of change in income tax from WDV to straight line
☐ Fully ☐ Greatly ☐ Moderately
☐ Slightly ☐ No

18. Decision making process

19. Shareholders happy
☐ Yes ☐ No

20. Speculators' share/ investors' share

21. Shareholders prefer capital gains/ Dividend more (Give , Ranking 1 2)

22. Profile of investors
(a) Income group
(b) No. of holdings

23. Recommendation:
☐ Two in one
☐ Two separate posts- Status- line
☐ staff with outside tax consultancy

24. Tax planning for dividend decisions-
☐ Fully ☐ Greatly ☐ Moderately
☐ Slightly ☐ No

DATA

Section C

1. Cost of Capital

Equity/ preference	Foreign currency loans	Long term loans /Institutional loans	Debentures Convertible	Debentures Non-convertible	Retained Earnings	Overall

Section C

2. Income Tax Assessed

FY	I	II	III	IV	V
Income tax assessed					
Income tax paid					

3. Methods of financing adopted during last five years

Ranking of preferences	Equity / preference	Long term loans Institutional loans	DebenturesConv / Non-Conv	Retained OverallEarnings	Lease Financing
FY					
I					
II					
III					
IV					
V					

4. Projects undertaken

FY	Expansion of existing projects	Diversification (New products or new units set up)	Modernization of existing plant
I			
II			
III			
IV			
V			

5. Dividend/ Bonus

FY	Dividend Declared	Bonus	Market price as on last day of balance sheet
I			
II			
III			
IV			
V			