

CHAPTER I

RESEARCH DESIGN

**A SURVEY OF INCENTIVES FOR NEW
INDUSTRIAL UNDERTAKING UNDER
DIRECT TAX LAWS:**

The tax incentives are the concessions provided for in Tax Statutes with a view to attract the tax payers to pursue those courses of economic activity which are generally designed to result in promotion of economic growth and achievement of social objectives like social justice.

Such tax incentives serve to attain various goals such as development of exports, agro-industries, encouragement of specific types of business activities or occupations.

In the context of industrial development tax incentives play a positive and helpful role and it is in this light the tax incentives are discussed in this work.

The incentives to industrial undertakings are classified as exemptions, deductions, / allowances on the basis of statutes.

- 1) Exemptions/Deductions are allowed to an assessee other than companies.
- 2) Exemptions/Deductions are allowed only to companies
- 3) Exemptions/Deductions are allowed to all types of assessees including companies.

1.2

OBJECTIVES OF THE STUDY

The objectives of the present study are :

- 1) to assess the statutory provisions under the Direct Tax Laws relating to concessions/incentives etc. as measures for industrial development.**
- 2) to examine critically the statutory provisions under Direct Tax Law.**
- 3) to further examine the relevant case laws in respect of selective incentives.**

RESEARCH METHODOLOGY

In this study, the major emphasis was on library work.

In order to study various tax incentives, a number of books and experts were examined, e.g. Recent Income Tax Report, Current Tax Report and Taxman's Books. Whenever necessary, personal discussions with various Chartered Accountants, Income Tax Officers were also conducted.

SCOPE OF THE STUDY

The study is being confined only to tax incentives to industrial undertakings under Direct Tax Laws. In this study the emphasis is placed on

1. Exemptions under Income Tax Act.

- i) Special provision in respect of newly established industrial undertaking In Free Trade Zone section - 10-A.
- ii) Tax exemption for remuneration of foreign technicians in India - Section 10(6) (viiia)
- iii) Exemption From Income-tax on interest payable by industrial undertakings on foreign loan. - Section 10 (15)

2. Deductions/Allowances under Income tax Act.

- i) Investment Allowance - Section 32 - A
- ii) Investment Deposit Account - Section 32 A B
- iii) Development Allowance - Section 33 A
- iv) Expenditure on Scientific Research -
Section 35

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- v) Expenditure on Know-how - Section 35 A B
- vi) Deduction in respect of investment in certain new shares - Section 80 - CC
- vii) Deduction in respect of profits and gains from newly established industrial undertakings or hotel business in backward areas - Section - 80 H H
- viii) Deduction in respect of profits and gains from newly established small - scale industrial undertakings in certain areas -
- Section - 80 H H A
- ix) Deduction in respect of profits and gains from industrial undertaking after a certain date etc. - Section 80 - I
- x) Deduction in respect of profits and gains from newly established industrial undertakings or ships or hotel business in certain cases - - Section 80 J.

3. Incentives under Wealth tax Act. 1957.

- i) Exemption in respect of residential houses for low paid employees - Section - 5(1) (xxxa)**
- ii) Exemption in respect of value of assets of industrial undertakings owned by an entrepreneur - Section 5(1) (xxxi) (xxxi)**
- iii) Exemption in respect of equity shares as well as new activities of certain industrial companies. - Section - 5(1) (xx) (xxa) (xxi) (xxxiii) (xxxiv) and 45(d)**

LIMITATIONS OF THE STUDY

There are a wide range of tax incentives under Direct tax laws. However in this study incentives which are related only to new industrial undertakings are studied.

Some incentives are related to new as well as existing industries (such as depreciation) which however are not studied in this work.