

Implications of Corporate Taxation on Financing Decisions with special reference to Textile Industries in India

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Abstract

Wealth maximisation and profit maximisation is the ultimate goal of a business enterprise. Achieving this goal calls for augmentation of production and sales on the one hand and effecting reduction in business costs, on the other. In modern society, taxes constitute major cost of doing business and they take away a big slice of business income. This is true in a country like India because of the omnipotent and omnipresent character of its taxation which has now entered in to all departments of a business enterprise. The notable features of Indian tax system include multiplicity of taxes, recurring changes in tax system and gradual but certain upgrading of the incidence of tax. Tax consideration helps the finance manager in making financial decisions in such a way as may be conducive to the accomplishment of profit and wealth maximisation and there by maximise the value of the firm. Hence, in this paper an attempt is made to study the implications of corporation taxation on the financing decisions of the companies.

I. Introduction

WEALTH AND PROFIT maximisation is the ultimate goal of a business enterprise. Achieving this goal calls for augmentation of production and sales on the one hand and effecting reduction in business costs, on the other. Modern management is more concerned with cost control because it helps maintaining other objectives too. In modern society, taxes constitute major cost of doing business and they take away a big slice of business income. This is true in a country like India because of the omnipotent and omnipresent character of its taxation which has now entered in to all departments of a business enterprise. The notable features of Indian tax system include multiplicity of taxes, recurring changes in tax system and gradual but certain upgrading of the incidence of tax. At present, a business enterprise is surrounded on all sides by the taxes and is confronted with problems of taxation in every walk and phase of life. When it goes to buy, it pays purchase

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