"EFFECT OF CORPORATE TAX RATE ON FOREIGN DIRECT INVESTMENT: ANALYSIS FOR INDIA"

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Abstract:
It is not easy to do business in India. Investment in India is not straightforward or well-ordered. However, it is the era to earn supernormal profit and it offers the golden opportunity to invest. It will not be without risks and disappointment, but rewards will correspond to it. The attitude toward inward foreign direct investment has changed substantially over the last couple of decades as most countries have liberalized their policies to attract investment from foreign multinational companies on the belief of that foreign MNC s will raise the employment opportunity, export or tax revenue or that some knowledge, ideas, skills brought by the foreign companies may spill over to the host country's entrepreneurship at the domestic market, authorities across the world have lowered various entry barriers and opened up new sectors to foreign investment. The government of the host country also provides various forms of investment incentives to encourage foreign investment companies to invest in the jurisdiction. This includes that tax holidays* diminish tax rate for foreign investors, financial incentives such as grants and preferential loans to MNC s. Because of the trade liberalism (EU, NAFTA, WTO, GATT), a small country may now compete for FDI if it can provide a sufficiently attractive package. However, on another side sometimes the policymakers cannot make head or tail, so they have lost many of the instruments traditionally used to promote local competitiveness, employment, and welfare. Because of trade liberalization, the opportunity for active trade policy has diminished.
Keywords: Foreign direct investment, Tax, Role of the host country.