



COMPARATIVE STUDY ON THE US FORM 1120, 1120S AND ITR6

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Abstract: In today's globalized world, multinational enterprises (MNEs) are expanding across borders and must navigate a wide range of corporate tax laws. This study, "A Comparative Study on US Form 1120, 1120S, and ITR 6," takes a closer look at three important tax forms—Form 1120 for US C Corporations, Form 1120S for S Corporations, and India's ITR 6 for companies not claiming exemption under Section 11 of the Income Tax Act. The goal is to explore how these forms differ in terms of tax treatment, eligibility, disclosure requirements, tax rates, and overall compliance obligations. Using a comparative approach, the study relies on secondary sources like official tax documents, government reports, academic research, and expert commentary. It finds key differences in how each system handles corporate taxation. The US's pass-through taxation for S Corporations versus the corporate-level taxation used for C Corporations and Indian companies. It also highlights variations in form structure and the level of detail required for compliance. This research aims to help multinational companies, tax professionals, and policymakers better understand their tax responsibilities across jurisdictions. While acknowledging that tax laws are constantly evolving and that some aspects of each system don't directly align, the study offers practical insights into streamlining tax strategies and encourages greater consistency in global tax practices.

Index Terms: Comparative Tax Study, US Tax System, Indian Tax System, Form 1120, Form 1120S, ITR 6, C Corporation, S Corporation, Tax Disclosure, Corporate Tax Compliance.

1. INTRODUCTION

In the current global economy, companies function in various jurisdictions, making adherence to corporate tax laws crucial. Tax forms serve as the primary means for companies to report their financial activities and fulfill their tax obligations. This study focuses on three critical tax forms: the US Form 1120, Form 1120S, and India's ITR 6, each of which caters to specific types of corporate taxpayers. Form 1120 is used by C Corporations in the United States to report income, gains, losses, and tax liabilities. This form requires detailed information about the corporation's financial activities, ensuring accurate reporting and calculation of corporate tax liability. Form 1120S, on the other hand, is designed for S Corporations that follow a pass-through taxation model, where the corporation's income, deductions, and credits are passed through to the shareholders and reported on their individual tax returns. India's ITR 6 is applicable to companies not claiming exemptions under Section

11 of the Income Tax Act. This form requires comprehensive disclosure of income, deductions, and tax computations, ensuring that all financial activities are reported and taxed appropriately.

This comparative study aims to explore the similarities and differences between these forms, offering insights into their structure, eligibility criteria, tax rates, and compliance requirements. By analyzing these forms, the study seeks to assist multinational enterprises in navigating the complexities of tax compliance across the US

and Indian jurisdictions. Additionally, the study provides valuable lessons for policymakers and tax professionals, highlighting best practices and areas for improvement in corporate tax reporting and compliance. Understanding these forms enables businesses to efficiently and accurately fulfill their tax obligations, ensuring compliance with respective tax authorities.

II. LITERATURE REVIEW

Swenson, Hao Qu, and Xiao Song (2024) Using textual analysis, this research finds that tax-reducing sections of the US tax code are more complex to limit free-riding and misuse of tax benefits. The study highlights the disproportionate impact of such complexity on compliance time and costs, suggesting that these challenges may be inherent to tax policy design.

Marilyn Hajj (2024) Tax errors are common in filings, and the IRS provides informal guidance such as FAQs to assist taxpayers. This study analyzed the readability and effectiveness of these FAQs, particularly for lower-income taxpayers. It found that while the FAQs aim to simplify tax information, their accessibility and clarity need improvement. The findings contribute significantly to both tax and poverty law research by highlighting gaps in taxpayer support and offering insights for improving the effectiveness of IRS guidance.

Bibek Adhikari, James Alm, and Timothy F. Harris (2021) The introduction of Form 1099-K modestly improved tax compliance. Businesses in high card-use areas reported more receipts, showing increased compliance due to third-party reporting requirements.

Barbara Weltman (2021) "JK Lasser's Small Business Taxes 2022" is a comprehensive guide to minimizing tax liability for small businesses. It provides a detailed list of deductible expenses, tax credits, and strategies for navigating changes in tax laws like the American Rescue Plan Act (ARPA) and Consolidated Appropriations Act (CAA). The book also offers practical tools, such as checklists and sample forms, to help small business owners efficiently manage their taxes and make informed decisions in a tax-advantaged manner.

III. METHODS AND MATERIALS

A descriptive research design is adopted in this study to conduct a comparative analysis of corporate tax forms, specifically the US Form 1120, Form 1120S, and India's ITR 6. The research relies solely on secondary data sources, which include scholarly articles, academic papers, books, official tax forms and instructions issued by the Internal Revenue Service (IRS) and the Indian Income Tax Department, as well as government publications, reports from the Ministry of Finance (India), and content from reputable tax advisory firms and online databases. The study involves a qualitative and document-based analysis to examine the structure, filing requirements, tax computation methods, and entity-specific obligations associated with each form. While offering valuable insights into the differences and similarities in corporate taxation between the US and India, the study is limited by its exclusive reliance on secondary data, possible interpretational differences, and potential changes in tax laws that may affect the relevance of the findings over time.

IV. DATA ANALYSIS AND INTERPRETATION COMPARATIVE ANALYSIS

1. Filing Requirement

Form 1120 (C Corporations) and Form 1120S (S Corporations) both require annual filing with the IRS, with C Corporations typically due by the 15th day of the fourth month after the fiscal year ends and S Corporations by the 15th day of the third month. ITR 6 in India is filed by companies other than those claiming exemptions under Section 11, with the deadline usually set for September 30th of the following year, though it can be extended by the Income Tax Department.

2. Tax Structure

C Corporations (Form 1120) are taxed at the corporate level, with profits subject to a 21% corporate tax rate, leading to double taxation on dividends. S Corporations (Form 1120S), however, are pass-through entities, meaning the income is taxed at the shareholder level, avoiding double taxation. In India, companies filing ITR 6 are taxed at the corporate level, with varying rates depending on the income level, and eligible foreign income can receive tax credits under tax treaties.

3. Treatment of Domestic and Foreign Income

C Corporations (Form 1120) report both domestic and foreign income, with foreign income potentially eligible for foreign tax credits to mitigate double taxation. S Corporations (Form 1120S) pass income through to shareholders, who report both domestic and foreign income on their personal returns. ITR 6 in India taxes both domestic and foreign income, with tax credits available for foreign taxes paid under India's Double Taxation Avoidance Agreements (DTAA).

4. Treatment of Income and Deductions

C Corporations (Form 1120) and S Corporations (Form 1120S) can deduct business expenses such as wages, depreciation, and operational costs, though S Corporations allocate deductions to shareholders. In India, companies filing ITR 6 can similarly deduct business expenses, including salaries and depreciation, in line with Indian tax laws, provided they are substantiated with appropriate documentation.

5. Schedule K

Form 1120 (C Corporations) and Form 1120S (S Corporations) both include Schedule K, which reports shareholder information and income allocations, with Form 1120S detailing the pass-through income to shareholders. In contrast, ITR 6 does not have a direct equivalent but requires a detailed disclosure of shareholder information and ownership structure, such as changes in share capital.

6. E-filing

E-filing is mandatory for both Form 1120 and Form 1120S, with most corporations required to submit these forms electronically through the IRS e-file system. Similarly, e-filing is mandatory for ITR 6 in India, with taxpayers required to submit returns through the government's online portal.

7. Depreciation and its Treatment

Both C Corporations (Form 1120) and S Corporations (Form 1120S) follow the IRS's depreciation guidelines, primarily using the Modified Accelerated Cost Recovery System (MACRS) for deducting asset depreciation. In India, companies filing ITR 6 must adhere to the depreciation schedules under the Indian Income Tax Act, which includes specific provisions for methods like the Written Down Value (WDV) and Straight-Line Method (SLM).

8. Retained Earnings and its Treatment

C Corporations (Form 1120) retain earnings at the corporate level, which are not taxed until distributed as dividends, creating a potential for double taxation. S Corporations (Form 1120S) do not retain earnings for tax purposes; instead, income passes through to shareholders, who are taxed directly. ITR 6 in India similarly reflects retained earnings that are not taxed unless distributed as dividends, subject to Dividend Distribution Tax (DDT).

9. Treatment of Payroll and Salary

C Corporations (Form 1120) deduct employee salaries and wages as business expenses, with additional payroll taxes such as Social Security and Medicare contributions. S Corporations (Form 1120S) also deduct employee salaries but must ensure that shareholder-employees receive "reasonable compensation" for services, subject to payroll taxes. In India, companies filing ITR 6 also deduct salaries and wages, including required payroll taxes like Provident Fund (PF), Employee State Insurance (ESI), and Professional Tax (PT).

10. Shareholder Disclosure (Including 5472)

C Corporations (Form 1120) and S Corporations (Form 1120S) must disclose foreign shareholder information and transactions with foreign affiliates on Form 5472 if applicable. This form reports related-party transactions and ownership details. ITR 6 in India requires disclosure of foreign shareholders and any transactions with foreign entities, including ownership stakes and cross-border dealings.

11. Schedule M-1 (Reconciliation)

C Corporations (Form 1120) use Schedule M-1 to reconcile the company's accounting income with taxable income, identifying differences in how income and expenses are treated for tax purposes. S Corporations (Form 1120S) do not need to file Schedule M-1 since their income is passed directly to shareholders. ITR 6 does not have a specific Schedule M-1 equivalent, but companies must reconcile their profit and loss accounts with tax calculations.

12. Regulatory Body

The IRS (Internal Revenue Service) oversees the filing and compliance of Form 1120 and Form 1120S, ensuring adherence to US tax laws. In India, the Income Tax Department regulates the filing of ITR 6, ensuring that companies comply with the provisions of the Indian Income Tax Act, 1961.

TABULAR COMPARISON

Basis of Comparison	Form 1120 (C Corporation)	Form 1120S (S Corporation)	ITR-6 (India)
1. Filing Requirement	Mandatory for C Corporations in the U.S.	Mandatory for S Corporations in the U.S. (electing pass-through taxation status).	Applicable to companies, except those claiming exemption under Section 11.
2. Tax Structure	Taxed at the corporate level, with a flat tax rate (currently 21%).	Income is passed through to shareholders and taxed at individual rates.	Corporate tax rates vary (basic rate plus surcharge and cess).
3. Treatment of Domestic and Foreign Income	Global income is taxable for U.S. corporations.	Global income is passed through and taxed at the shareholder level.	Global income is taxable. Relief may be available under DTAA (Double Taxation Avoidance Agreement).

4. Treatment of Income and Deductions	Income and expenses are reported, and deductions reduce taxable income.	Income and deductions are passed to shareholders for personal reporting.	Business income and deductions are comprehensively reported under Profit and Loss Schedule.
5. Schedule K	Not applicable.	Detailed allocation of income, deductions, and credits to shareholders via Schedule K-1 .	Not applicable.
6. E-filing	Mandatory for most corporations.	Mandatory for most corporations.	E-filing is mandatory for companies.
7. Depreciation and its Treatment	Reported under MACRS (Modified Accelerated Cost Recovery System).	Reported under MACRS; passed to shareholders on Schedule K-1.	Depreciation calculated as per the Income Tax Act, 1961, reported under Schedule DPM.
8. Retained Earnings and its Treatment	Taxed as part of corporate income.	Retained earnings are reported in shareholder equity but not taxed directly (pass-through).	Reported in the balance sheet; part of reserves and surplus.
9. Treatment of Payroll and Salary	Deductible as a business expense.	Deductible as a business expense; salaries to shareholder-employees are reported on K-1.	Salary expenses claimed as business deductions, subject to Indian tax laws.
10. Shareholder Disclosure (Including 5472)	Shareholder information not generally required unless foreign ownership >25% (Form 5472 required).	Shareholder details provided in Schedule K-1; no foreign shareholders allowed.	Detailed disclosure required for unlisted companies in Schedule SH-1 .
11. Schedule M-1 (Reconciliation)	Mandatory for reconciling book income with taxable income if total assets > \$25M.	Mandatory if required, similar to Form 1120.	Part of the financial reporting in ITR-6 via schedules for reconciliation.
12. Regulatory Body	Internal Revenue Service (IRS).	Internal Revenue Service (IRS).	Income Tax Department, Government of India.

V. LIMITATION

There are several factors that limit this research on taxation and its implications. The study was conducted within tight time and resource constraints, which restricted the depth of investigation. Frequent changes in tax laws and regulations may also render some of the findings outdated over time. The legal frameworks considered are current at the time of the study, but these may not be uniformly applicable to multinational corporations with more complex tax structures. Furthermore, differences in tax systems across countries make direct comparisons challenging, as certain features are unique and may not have clear equivalents. As a result, the findings of this research should be interpreted with caution and within the context of these limitations..

VI. CONCLUSION

In conclusion, this comprehensive comparative study of the US Form 1120, 1120S, and India's ITR 6 provides valuable insights into the complexities and nuances of corporate tax reporting in two distinct jurisdictions. Highlighting the key differences and similarities in tax treatment, eligibility criteria, and compliance requirements, the study underscores the importance of understanding these tax forms for multinational enterprises. With the increasing interconnectedness of global business operations, it is crucial for companies to navigate diverse tax laws effectively to ensure accurate reporting and compliance. By expanding the scope and

incorporating more variables, this research can be further enhanced, offering deeper evaluations of the challenges faced by businesses operating in both the US and India. Ultimately, this study contributes to a better understanding of corporate tax forms and provides practical solutions for businesses and policymakers, fostering a more efficient and effective tax reporting environment across international borders.

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