

Taxation

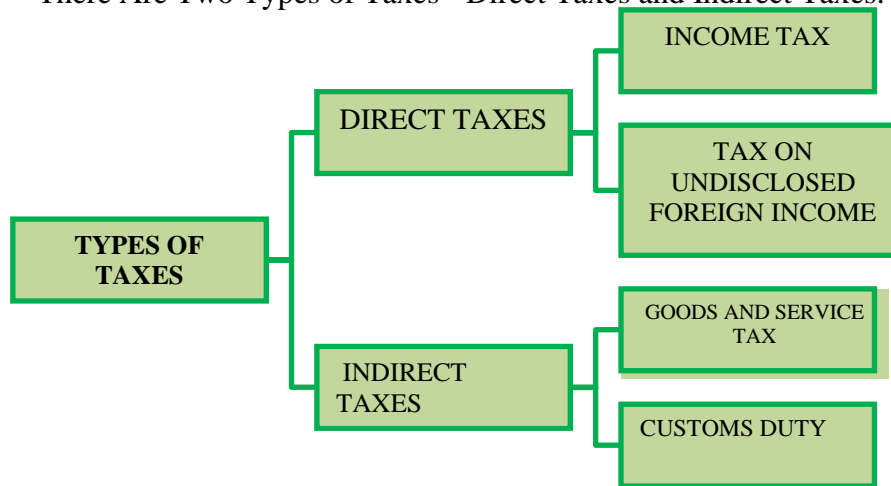
Prof. Dr. Waman N. Wirkhade

Bhauasaheb Bhore Shivshakti, M.V. Babhulgaon Dist. Yavatmal

Let us understanding the meaning of tax.

The taxation is the primary source of revenue to the Government for incurring such public welfare Expenditure, On the other words, Government is taking taxes from public through its one hand and through another hand; it incurs welfare expenditure for public at large Taxes are considered to be the “cost of living in a society”. Taxes are levied by the Governments to meet the common welfare expenditure of the society. Every year, the Finance Minister of the Government of India introduces the Finance Bill in the Parliament’s Budget Session.

There Are Two Types of Taxes - Direct Taxes and Indirect Taxes.



Fiscal Policy Play an Important Role for the Growth of An Economy Which Is Depend On the Proportion of Employment of Direct And Indirect Taxes, Taxes Are The Greatest Source Of Revenue For Government In Order To Carry Their Operations.

Direct Tax

A Direct Tax is that tax whose burden is borne by the person on whom it is Levied. Following are the Example of Direct Tax-Corporation Tax, Income Tax, Wealth Tax, Gift Tax, Property Tax....

Indirect Taxes

If tax is levied on the price of a Good or service, then, It is an Indirect tax e.g. Goods and Services Tax (GST) or Custom Duty. In the case of Indirect taxes, the person paying the tax passes on the incidence to another person.

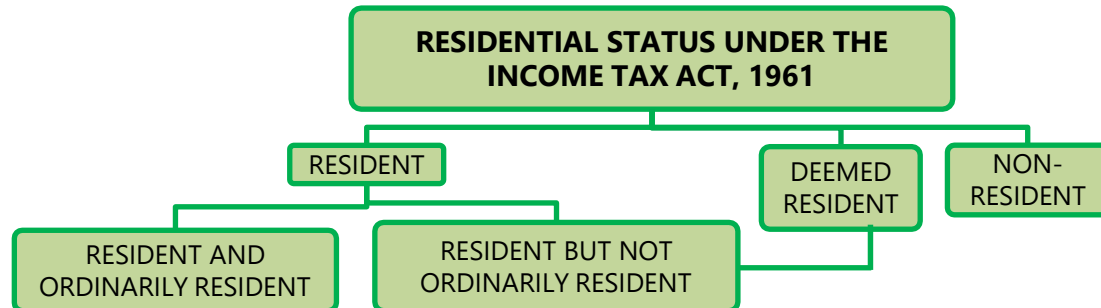
Example of Indirect Taxes, Excise Duty, Sales Tax, Custom Duty, value added tax

Defination

: The levy of income-tax in India is governed by the Income-tax Act, 1961. In this Paper, we shall briefly refer to this as the Act.

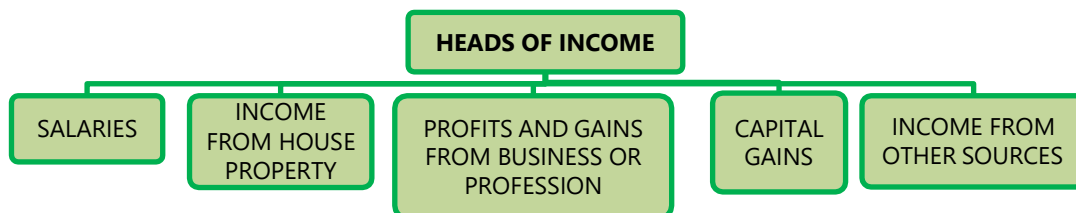
- It extends to the whole of India. It came into force on 1st April, 1962, The Administration of Direct Taxes Is Look by The Central Board of Direct Taxes (CBDT), Circulars Are Issued by The CBDT From Time to Time and Also Notifications Are Issued by The Central Government to Give Effect to The Provisions of The Act. Amendments are made every year. Case Laws Refer to Decision Given by Courts, A person includes an individual, Hindu Undivided Family (HUF), Association of Persons (AOP), Body of Individuals (BOI), a firm, a company etc.

- The Residential status of a person has to be determined to ascertain which Income is to be included in computing the total income. Firm / LLP, local authority and Co-operative society: Rate of 30% on the whole total income as applicable for A.Y. 2022-23.



- The residential status of a person determines the taxability of the Income "Classification of Income under different heads A person may earn income from the different sources. Say For Example, a Salaried person earns income by way of salary. He has invested in shares, he would be getting dividend he also gets interest from bank saving account, a part from this, if and when he sells these shares, he may earn profit on such sale. If he owns a residential property which he has let out, he would earn rental income. Computation of total income, all income of a tax payer are classified into five different heads of income. These are shown

Below:



- Salary, pension earned is taxable under the head "Salaries".
- Rental income is taxable under the head "Income from house property".
- Income derived from carrying on any business or profession is taxable under the head "Profits and gains from business or profession".
- Profit from sale of a capital asset (like land) is taxable under the head "Capital Gains".
- Income which is chargeable to tax but not taxable under the first four heads will be taxed under the head "Income from other sources".

Important' Points

There Are Certain Incomes Which Are Wholly Exempt from Income-Tax. E.g. Agricultural Income. Incomes will not form part of Total Income. Some Incomes Are Partially Exempt from Income-Tax Allowance. There are Deductions and Allowances include under each head of Income.

Deduction u/s 80 C An Individual can save up to Rs.1,50,000/- deposits in GPF, LIC, Housing Loan Principle, School fee Paid, Fee paid for, Deduction u/s 80 CCC – up to Rs.1,50,000/-...contribution to Annuity Plan of LIC, Deduction u/s 80D Individual/HUF..... contribution towards Medical Insurance, (Deduction u/s 80G Donations made to approved charitable institutions). Deduction u/s 80DD, Medical Treatment or maintenance of handicapped dependents For Individual/HUF – up to Rs.75,000, (Deduction u/s 80TTA – Only for individual and HUF...Exempted Up to Rs.10,000 Interest received on Savings Bank A/c).

- An Assessee have an option to Set-off or carry forward and set-off of losses, allowing inter-head adjustment. Income Or Loss Under Each Head of Income, After Allowing The Deductions, Allowances To Arrive At The Gross Total Income. The rates of tax for the different classes of Assessee are prescribed by the Annual Finance Act.

- As per Section 194P w.e.f. 01.04.2021 Those attained 75 years of age and their source of income is Pension and interest only ---- No need to file as per “Income-tax Return” Section 194P of Income-tax Act, 1961.
- Special income like long term capital gains, lottery income, short term capital gains slab rates are not applicable. these incomes are taxable at special rates of taxation. some of the examples of capital asset: sale of plots, sale of houses/apartments compulsory acquisition of the assets under any law, short term capital gain ... if any land or building is held in your hands.
- Surcharge is an Additional tax payable over and above the income- tax and education cess on income-tax @4%.
- Rebate under section 87A: In order to provide tax relief to the individual tax payers ,section 87A provides a rebate from the tax payable by an Assessee Although the tax liability of an assessee is determined only at the end of the year, tax is required to be paid in advance in four installments ,Tax Payable or Tax Refundable After adjusting the advance tax and tax deducted at source, the assessee would arrive at the amount of net tax payable or Refundable .The assessee has to pay the amount of tax payable is called self-assessment tax on or before the due date of filing of the return. Computation of Gross Total Income One, In the new regime, the number of tax slabs have increased, accompanied by lowering of rates in the sub-Rs. 15 lakh range. Two, all the exemptions and deductions that were being used by taxpayers in the existing regime won't be available in the new regime.

Here is a comparison between the old and new tax slabs

As you can see under the new system, income between Rs. 5 lakh and Rs. 7.5 lakh would be taxed at 10 percent, while income between Rs. 7.5 lakh to Rs. 10 lakh would be taxed at 15 percent. This was 20 percent flat on the entire range for the existing regime. The earlier Rs. 10 lakh+ slab where you paid 30 percent, has been broken into three parts with rates of 20 percent for Rs. 10-12.5 lakh, 25 percent for Rs. 12.5 lakh-15 lakh and then 30 percent for Rs. 15 lakh and above.

As per new tax Regime and old Tax Comparison Difference.

| Tax Slab In (Rs.) | Old Tax Rates | New Tax Rates | Difference In(Rs.) (Old -New Tax) |
|-------------------|---------------|---------------|------------------------------------|
| 0 -250000 | 0% | 0% | 0 |
| 250000-500000 | 5% | 5% | 0 |
| 500000-750000 | 20% | 10% | 25,000 |
| 750000-1000000 | 20% | 15% | 12,500 |
| 1000000-1250000 | 30% | 20% | 25,000 |
| 1250000-1500000 | 30% | 25% | 12,500 |
| 1500000-Above | 30% | 30% | 0 |
| Total | | | 75,000 |

In the Given Example,

As Per Old Scheme Professional Tax (PT) Rs,2500, Standard Deduction Rs 50,000, Deduction under 80C..Rs 1,50,000 & If there is HRA and Housing Loan Interest and All the Other Remaining Deduction Totals on which 30% is Calculated and the Difference Between Such Benefit If excess of Rs,75000 Then Adopt The

Old Scheme.

References

1. ICAI study Material,
2. From Wikipedia, Encyclopedia etc...
3. Refer website www.incometaxindia.gov.in