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A CRITICAL STUDY OF INCOME TAX IN INDIA WITH REFERENCE TO GST

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ABSTRACT

After independence in 1947, India has developed into an open market economy. In early 1990's the process of liberalization and reduced control on foreign trade and investment. It has served to accelerate the country's growth rate with a forecast to rise to 75% in the financial year 2015-16. The power to levy taxes and the duties is divided among the 3 tires of Indian Gov. – in conformance with the provisions of the Indian Constitution, the main taxes that are income tax, (excluding the tax on farming or agricultural income which the Indian state Gov. can levy), custom duties, central excise, sales tax and the service tax.

INTRODUCTION

TAX THE CONCEPT

Tax is a free charged by a government on a product income or activity Manu, ancient law given had let down that the traders and artisans should pay 1\5th of their profit in gold and silver. The concept of tax is also found in Shrimad Bhagwat, Chanakya has also mentioned in Arthashastra. Chanakya has referred tax as KoshMooloDand.

The term tax can be defined as follow:

The view point of Professor Seligman: Define- "A tax is mandatory contribution or donation from the person to the gov. to delay the expenses incurred in the common intension of all without referred to special benefits conferred."

The view point of Bastable: - "A tax is a mandatory contribution or donation of wealth of a person or body of persons for the services of public powers.

The view point of Hector Deleon: "Taxation is levying a tax, i.e. the procedure or a kind of mechanism by which the autonomous and through its law making body raises income to meet the necessary and important expenses of the government. It is only a way of allocate, the cost of gov. among 3 whom in sum quantify are advantage to enjoy its profits, therefore, it should be must bear its burden."

According to Deviti De Marce: "A tax is the share of the income o citizen which the state appropriates in order to procure for its means necessary for the production of general public service.

WHY ARE TAXES LEVIED?

The main reason behind the levy of taxes is that they comprise the fundamental origin of revenue to the Gov. Revenue so raised is make use for meeting the charge of government live defenses, provision of education, health care, infrastructure facilities live roads, dams, etc.

INCOME TAX ACT 1961

The levy of income tax in India is governed and authorized by the Income Tax Act 1961. The Income Tax Act 1961 had come into force on 1st April 1962. The act contains 298 sections and XIV schedules.

THE BASIC OBJECTIVE OF TAXATION IN ANY ECONOMY CAN BE ENOMERATED AS FOLLOWS:

1. **Revenue Generation:** The first and foremost objective of taxation is to generate revenue for managing the economy. As the size of economy grows, the amount of public expenditure also grows. In order to meet the requirement for public expenditure, the government has to generate revenue. Tax is the one of the important source of revenue for the Indian government.
2. **Redistribution of Income and Wealth:** There can been seen the inequality in the distribution of Income and Wealth. This equality leads to many social evils. In order to reduce this inequality, the government changes the tax from the rich people and distributes the proceeds among the poor though social welfare scheme.
3. **Reducing Social Evils:** The consumption of drugs, alcohol, tobacco, etc. is the social evils. It is the responsibility of the government to fight with such trial evils. The government imposes heavy tan on such commodities, so that the consumption of such commodities gets reduced.

4. **Accelerating Economic Growth:** An efficient tax system is required for the economic growth of the country. With the help of efficient tax system, the government mobilizes the resources from useless to useful areas of economy. Tax policy help to use the rate of capital formation and investment of the capital in the production revenue.
5. **Maintaining Economic Stability**: Maintaining Economic Stability is an important objective of the tan policy. The government modifies the tax rates in such a way that the stability can be achieved. In case of inflation, the rates of direct tax are inversed so as to reduce the purchasing power of the people and as a result the inflation reduces. In the (case of inflation, the taxes of direct taxes are increases so as) the situation of recession, the rates of direct taxes are reduced to increases. The purchasing power of the people and this result. In the increasing in demand and as a result the recession is controlled.

ACCOUNTING STANDARD (22)
(ACCOUNTING FOR TAXES ON INCONE)

Scope:

1) This quality should be put in the accounting for type of taxes on income. This includes the determination of the Amount of Expenses or saving associated to taxes on income in esteem of an accounting period of time and the revelation of such an amount in the financial disclosure.
2) For the purpose of this quality, the taxes on income include all national and foreign taxes which are totally based upon the taxable income.
3) This type of standard can't be specifying when, or how, an organization should account for taxes that are payable on division of dividends and other types of distribution made by the organization.
4) Taxable income is calculated in accordance with tax laws. In some situation the necessary requirements of these kinds of laws to calculate the taxable income that is different from the accounting policies which is applied to determine accounting income.

The difference between taxable income and accounting income can be classified into permanent differences and timing difference. We can also say that Permanent differences and that type of difference between taxable income and accounting income which originate in one period and do not reverse subsequently.

RATES OF INCOME TAXES

(Rate of Income Taxes in respect of income liable to tax for the assessment year 20-21)

1) In Case of every Individual (other than those mentioned in I and III under) or HUF or each association of persons or body of individuals, whether incorporated or not, every certificial juridical person referred to in sub. Claim VIII of clauses (31) od Sec. 2 of the Act (not being a case to which any other paragraph of part II applies) are as under –

Up to Rs. 2,50,000	**Nil**
Rs. 2,50,000 to Rs. 5,00,000	**5%**
Rs. 5,00,000 to Rs. 10,00,000	**20%**
Above Rs. 10,00,000	**30%**

2) This case basically deals with all individual who are resident of India of age of sixty or above but less than eighty years at any time during the preceding year -

(More than sixty but less than eighty)

Up to Rs. 3, 00,000	**Nil**
Rs. 3, 00,000 to Rs. 5, 00,000	**5%**
Rs. 5, 00,000 to Rs. 10, 00,000	**20%**
Above Rs. 10, 00,000	**30%**

3) This case basically deals with altogether individuals who are residents of India of age of eighty or exceeding at any time during the previous year –

Up to Rs. 5, 00,000	**Nil**
Rs. 5,00,0000 to Rs. 10, 00,000	**20%**
Above Rs. 10, 00,000	**30%**

The sum of income tax computed in accordance with the Preceding Provision of the Paragraph with capital gain under the Sec.111A, 112 and 112A also income tax computed U/S 115BAC, shall be increased by an added at the rate of –

a) Which having an all inclusive revenue which also comes under the income under the Provision of the Sec.111A and 112A of the Act, exceeding 50 LAKH rupees but not exceeding one crore rupees, at the rate of 10% of such Kind of income tax.

b) A sum total of the income including the income which is under the Provision of Sec. 111A and 112A of the Act. Also, it exceeding one crore rupees at the rate of fifteen percent of such income tax.

c) Having a whole income which is including the income below the Provision of Sec. 111A and 112A of the Act, which exceeds two crore rupees but not exceeding five crore rupees at the rate of 25% of such income tax.

d) A total income which is exceeding the income under the provision of Sec. 111A and 112A of the Act, and is exceeding five crore rupees at the rate of 37% of such income tax.

e) Having the total income as well as the income under the Provision of Sec. 111A and 112A of the Act, it is also exceeding two crore rupees but not covered U/C (c) and (d) intend to be valid at the rate of 15% of such income tax.

On condition that in case when the overall income includes any income chargeable U/S 111A and Sec. 112A of the Act, the rate of surcharge on the amount of income tax calculated in respect of that part of income shall not exceed fifteen percent.

From the assessment year 2021-22 (FY 2020-21) individual and HUF tax payer have an opportunity to choose for taxation under the newly insert Sec. 115BAC of the Act, and the resident of the co-operative society has a choice to opt for taxation under the newly Sec.115BAD of the Act.

A. There is various type of Direct Tax. Few most prominent are as follows:

- The first one is, **Corporative Tax**
- Second goes as, **Taxes of Income**
- Succeeding with, **Estate duty**
- Forth is, **Interest Tax**
- Then comes, **Gift Tax**
- Subsequent, **Wealth Tax**
- Seventh goes as**, Land Revenue**
- Eighth is , **Agricultural Tax**
- Then comes, **Hotel Receipts Tax**

- Followed with, **Expenditure Tax, etc.**

There are various types of Indirect Tax. Few most noticeable types are as follows:

- First is,**Customs**
- Then comes, **Union Excise Details**
- Third goes as, **Service Tax**
- Forth is, **State Excise Duty**
- Fifth is, **Stamp and Registration Fees**
- Sixth is**, General Sales Tax**
- Next comes, **Taxes of Vehicle**
- Then comes, **Entertainment Tax**
- Succeeding with, **Taxes on Goods and Passengers**
- Subsequently, **Taxes and Duties on Electricity**
- Followed with, **Taxes on purchase of Sugarcane, etc.**

DIRECT TAX:-

i. **Corporation Tax:** Corporative Taxes are the taxes on capital value of the assets, exclusive of agriculture land of Individuals and Companies, Taxes on capital of companies. A corporation is deemed to be resident in India and if it is incorporated in India and if it's regulated and managed then is situated entirely in India.

ii. **Estate Duty:** Estate Duty is completely in respect of agricultural income.

iii. **Property Tax:** Property Tax is also known as House Tax. It is a local tax on building along with the apartment land and is imposed on the owner. The tax control is nested in the states and it is basically delegated by law to the law to the local bodies. The properties lying under regulator of central and exempt from the taxation.

iv. **Inheritance Tax:** Inheritance Tax is also called Estate Tax or Dealth Duty. It is a tax which generally arises on the death of the individual. It is a tax on the estate, overall value of money and property of a person who had died. In India, estate duty started from the year 1953 to 1985. Estate Duty Act, 1953 came into existence after 15th October, 1953.

v. **Gift Tax:** Gift Tax came into existence on 1st April, 1958; it came into existence in all over part of the country except Jammu and Kashmir. In the Gift Act 1958, all gifts in excess of Rs Twenty five thousand which is in the form of cash and draft, check or other, received from one who doesn't have blood relation with the recipient, were taxable.

INDIRECT TAX:-

i. **Customs Duty:** The Customs Act came into force in the year 1962 to prevent illegal import and exports of goods. Beside, all importations are sought to be subject to a duty with a view to affording protection to indigenous industries as well as to keep the importations to the least in the interests of safeguarding the exchange rate of Indian currency.

ii. **Central Excise Duty:** Under the Central Excise Act, 1944 and the Central Excise Draiff Act, 1985 the Central Government levies excise. This tax is basically charged on excisable goods that are manufactured in India and are mean for domestic consumption.

iii. **Service Tax:** Service Tax came into existence on 1st July, 1994, U/S 67 of this Act.

iv. **Sale Tax:** Sale Tax is forced under both Central Government (Central Sales Tax) and State Government (Sale Tax). Sale Tax Act as foremost revenue – generator for the numerous state governments.

v. **VAT:** The full form of VAT is Value Added Tax. In India, it is categorized under the tax slabs as 0% on essential commodities, 1% on the gold imports plus on the expensive stones, 4% on industrial inputs, capital merchandise as well as commodities of mass consumptions and at last 12.5% on the other items.

Securities Transaction Tax (STT): It basically deals with the taxes that are being levied on transactions done the stock exchanges. STT is also applicable for purchase or sale of the equity shares, *derivative,* equity oriented funds as well as equity oriented mutual funds.

DEVELOPMENTS IN INDIAN INTERNATIONAL TAXATION:

Taxation is a notion that is fully based upon the sovereignty of the nation, where each nations taxes income derivative from business within its sovereign control.

The major role in increasing the cross border economic activities is played by globalisation. It has made international investment easy and convenient. Trade and Industry policies of government had worldwide supported by development in the transportation sectors as well as communication have made boundary between countries insignificant from the point of view of economic activities.

GST:

Also well known as Goods and Service Tax, is an indirect tax which is levied on supply of goods and services. GST had played one of the most prominent roles and had extended to the whole of India including Jammu and Kashmir. It is also charged on the alcoholic liquor which is used for human consumption. It is a type of value added tax and these tax paid on the inputs are adjusted with the tax payable on the outputs.

Taxes Subsumed in GST:

GST Subsumes following taxes:

I. Central Taxes Subsumed in GST:

- Central Excise Duty
- Additional Excise Duty
- The Excise Duty levied under the Medicinal and *Toiletries* Preparation Act.
- Service Tax
- Additional Customs Duty, usually known as Counter *Vialing* Duty(CVD)
- Special Additional Duty of customs 4% (SAD) surcharges, as well as
- Cess as they are related to Goods and Services.

II. State Taxes Subsumed in GST:

- VAT/Sales Tax
- Entertainment Tax(unless it is levied by the local bodies)
- *Lurmy*Tax

- Purchase Tax
- Taxes on lottery, betting and gambling
- State Cesses and Surcharges in so far as they are related to supply of Goods and Services
- Entry Tax(all form)
- Taxes Advertisement
- State Surcharges and Cess so far as they are related to Goods and Services.

Taxes not Subsumed in GST:

Many of the indirect taxes are not subsumed in GST; few of these are illustrated as follows:

- Custom Duty
- Stamp Duty
- Electricity Duty
- State Excise on Alcohol
- Central Excise on 5 Petroleum Products, Tobaccos
- Securities Transaction Tax
- VAT on Petroleum Products, Alcohol, Tobacco
- Profession Tax
- Property Tax levied by local bodies
- GST does not cover the road tax so the vehicle tax are charged under GST, and remains under the Motor Vehicle Act
- Entertainment Tax (levied by the local bodies).

CONCLUSION

India has developed into an open market economy. In early 1990's the process of liberalization and reduced control on foreign trade and investment. It has served to accelerate the country's growth rate with a forecast to rise to 75% in the financial year2015-16.The power to levy taxes and the duties is divided among the 3 tires of Indian Gov. The main reason behind the levy of taxes is that they comprise the fundamental origin of revenue to the Gov. The levy of income tax in India is governed and authorized by the Income Tax Act 1961. The Income Tax Act 1961 had come into force on 1st April 1962. The act contains 298 sections and XIV schedules. The difference between taxable income and accounting income can be classified into permanent differences and timing difference.

We can also say that Permanent differences and that type of difference between taxable income and accounting income which originate in one period and do not reverse subsequently. The assessment year 2021-22 (FY 2020-21) individual and HUF tax payer have an opportunity to choose for taxation under the newly insert Sec. 115BAC of the Act, and the resident of the co-operative society has a choice to opt for taxation under the newly Sec.115BAD of the Act. **Securities Transaction Tax (STT):** It basically deals with the taxes that are being levied on transactions done the stock exchanges. STT is also applicable for purchase or sale of the equity shares, derivative, equity oriented funds as well as equity oriented mutual funds. Taxation is a notion that is fully based upon the sovereignty of the nation, where each nations taxes income derivative from business within its sovereign control. The major role in increasing the cross border economic activities is played by globalisation. It has made international investment easy and convenient. GST had played one of the most prominent roles and had extended to the whole of India including Jammu and Kashmir. It is also charged on the alcoholic liquor which is used for human consumption. It is a type of value added tax and these tax paid on the inputs are adjusted with the tax payable on the outputs.

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