

## Economics Class 21

### TAXES (CONTINUES) (09:01 AM)

- **Corporate tax**

- It is nothing but the income tax of corporate.
- A company whether Indian or foreign is liable to taxation under the income tax act 1961.
- The registrar of companies and the company law board administers the provisions of the act.
- Presently base corporate tax is 22%.
- Several companies try to avoid tax payments using loopholes in the taxing system.
- Therefore, the government decided to levy a minimum percentage of tax on book profits (MAT).

- **Minimum Alternate Tax (09:29 am)**

- MAT is a provision in Direct Tax laws to limit tax exemptions availed by companies.
- MAT is fundamentally a means for the IT department to get the companies to pay a minimum tax at a rate of 15% on their book profits.
- Once a company pays MAT it need not pay Corporate Tax.

- **Book profit**

- It refers to the profit earned by a business entity from its operations and activities and is calculated by deducting all the business expenses incurred within a financial year from all the sales revenue and other income generated from selling goods and services within the same financial year.

- **Fringe benefits tax:**

- It was applied to every fringe benefit passed by the employer to their employees
- It covered employee welfare, accommodation, entertainment, employer stock option plan etc.
- It was started in 2005 and scrapped in 2009.


- **Capital Gains Tax:**

- Any profit or gain that arises from the sale of capital assets is a capital gain.
- The profit from the sale of capital is taxed.
- Capital assets include land, building, jewellery, patents, financial instruments, etc.

- **Short-Term Capital Assets:**

- An asset that is held for 36 months or less is a short-term capital asset.
- From 2017-18, the criteria of 36 months have been reduced to 24 months in the case of immovable properties like land and buildings.

- **Long-term Capital Assets:**

- An asset that is held for 36 months is a long-term capital asset.
- Tax on long-term capital gain is 20% plus surcharge and education cess. 
- Tax on short-term capital gains, when Securities Transaction Tax is not applicable, the gain is added to income tax returns and the taxpayer is taxed according to its income tax slab.
- If STT is applicable, the short-term capital gain is paid at a rate of 15% plus surcharge plus cess.

there is some exemptions  
also in this if we buy  
property immediately after a  
particular time period

- **Banking Cash Transaction Tax:**

- It was in force between 2005- 2009 at a rate of 0.1% on every bank transaction.

## **TAX ON WEALTH AND CAPITAL (10:20 AM)**

- **Estate Duty:**

- It was first introduced in 1953.
- It was levied on the total property passing on after the death of a person.
- The whole property of the deceased person constituted his wealth and is liable for the tax.
- The tax now stands abolished with effect from (w.e.f) 1985.

- **Wealth Tax:** ( Direct Tax )
- It was first introduced in 1957.
- It was levied on the excess of net wealth over 30 lakhs at a rate of 1%.
- Wealth tax has been a minor source of revenue and the tax stands abolished w.e.f 2015.
- **Dividend Distribution Tax (DDT):**
- Dividends refer to the distribution of profits to shareholders of a company.
- Thus, the dividend distribution tax is a type of tax i.e. payable on the dividends offered to its shareholders by the corporation.
- Higher dividends mean a greater tax liability on the corporate entity.
- In the budget 2020, DDT was abolished and the incidence of dividend income taxation is shifted to investors from the companies.

#### **BUDGET (10:51 AM)**

- **Components of Budget-** Receipts and Expenditure
- **Revenue Receipts:**
- These receipts do not lead to a claim against the govt.
- They can further be divided into tax and non-tax receipts.
- **Capital Receipts:**
- All those receipts from the govt which create liability or reduce assets are termed capital receipts.
- **Revenue Expenditure:**
- These expenditures do not lead to the creation of physical or financial assets.
- This expenditure is related to the normal functioning of the govt.
- **Capital Expenditure:**
- These are expenditures of the govt which result in the creation of physical or financial assets or a reduction in financial liabilities.

#### **TOPIC OF NEXT CLASS- DISCUSSION OF BUDGET (TO CONTINUE)**