**Day-10**

**Objectives of Income Tax Act 1961:**

The Income Tax Act 1961 serves several important objectives that shape the tax landscape of India. These objectives include:

### **Price Stability**

The Act contributes to price stability in the economy by regulating direct taxes. By controlling private spending through taxation, it helps mitigate inflationary pressures on commodity prices.

### **Full Employment**

To promote full employment, the Income Tax Act 1961 reduces income tax rates. This measure stimulates higher demand for goods and services, leading to increased employment opportunities.

### **Non-Revenue Objective**

The Act incorporates a progressive taxation system, where wealthy individuals are subject to higher tax rates compared to the less affluent. This approach aims to address wealth inequality and achieve non-revenue objectives.

### **Cyclical Fluctuations Control**

The Income Tax Act 1961 provides a mechanism to control cyclical fluctuations in the economy. During economic booms, tax rates may be increased to curb excessive spending, while during recessions, tax rates may be lowered to stimulate economic activity.

### **Balance of Payment Management**

By imposing customs duties on certain imported goods, the Act encourages domestic production. This helps reduce the country's balance of payment difficulties by promoting self-sufficiency and reducing dependence on imports.