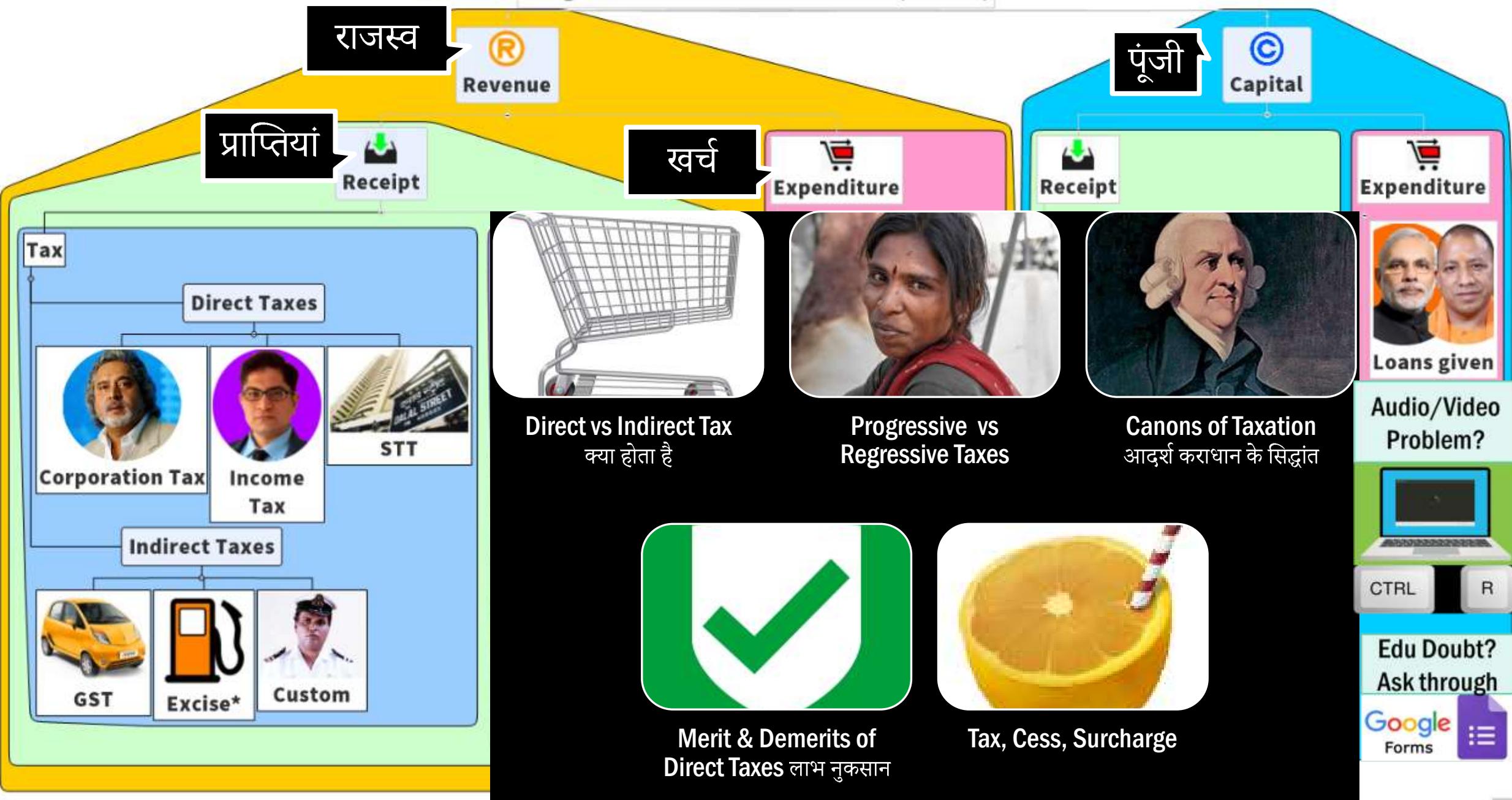
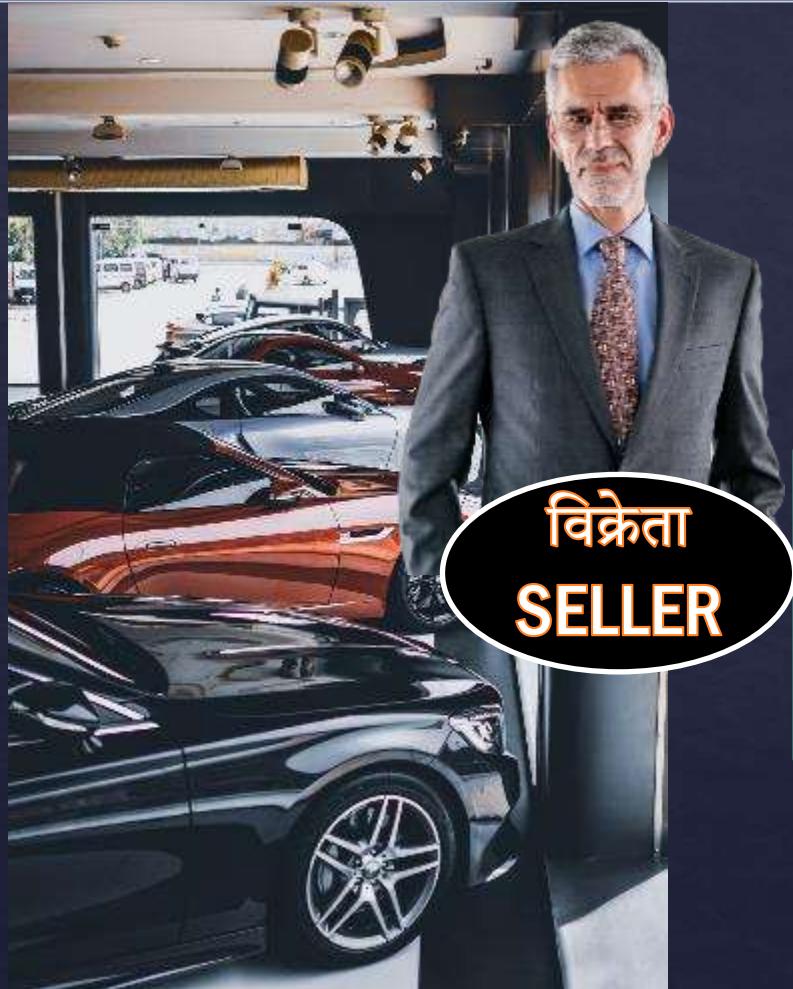


Budget: Annual Financial Statement (Art.112)



Indirect tax: incidence & impact of does not fall on the same entity.

परोक्ष कर का मतलब: करापात और कराधात अलग-अलग लोगों पर



28% GST on sale of car

14% to union as CGST

14% to SGST as SGST

Tax Incidence (करापात)

@car-dealer

(he collects and pay to Govt)

ग्राहक Buyer



आप से सरकार टैक्स सीधा नहीं ले रही है, परोक्ष रूप से ले रही है



Indirect tax e.g. GST= incidence & impact of does not fall on the same entity.

परोक्ष कर का मतलब: करापात और कराधात अलग-अलग लोगों पर



28% IGST on sale of car

14% to union as CGST

14% to State as SGST

Tax Incidence(करापात)

@car-dealer (he collects and pay to Govt)



Tax impact (कराधात) @car buyer. He feels the 'real effect or burden' 😢 of the tax. Afterall he pays {Car price + GST} कराधात

Not going directly to pay the govt.



Direct taxes e.g. Income Tax = incidence & impact felt by same entity

प्रत्यक्ष कर का मतलब: करापात और कराधात एक ही व्यक्ति पर होता है



Point @which the tax is collected.
= “Tax Incidence” (करापात)
@Individual assessee
सरकार इस आदमी से आयकर ले रही है



आपने स्वयं ही स्वयं की आमदनी ने सीधा सरकार में कर देना है
सरकार टैक्स का पैसा सीधा आपकी जेब से ले रही है

What is a direct tax? e.g. Income Tax प्रत्यक्ष कर का मतलब क्या



Point @which the tax is collected.
= “Tax Incidence” @Individual assessee | सरकार में आप जमा करते हैं



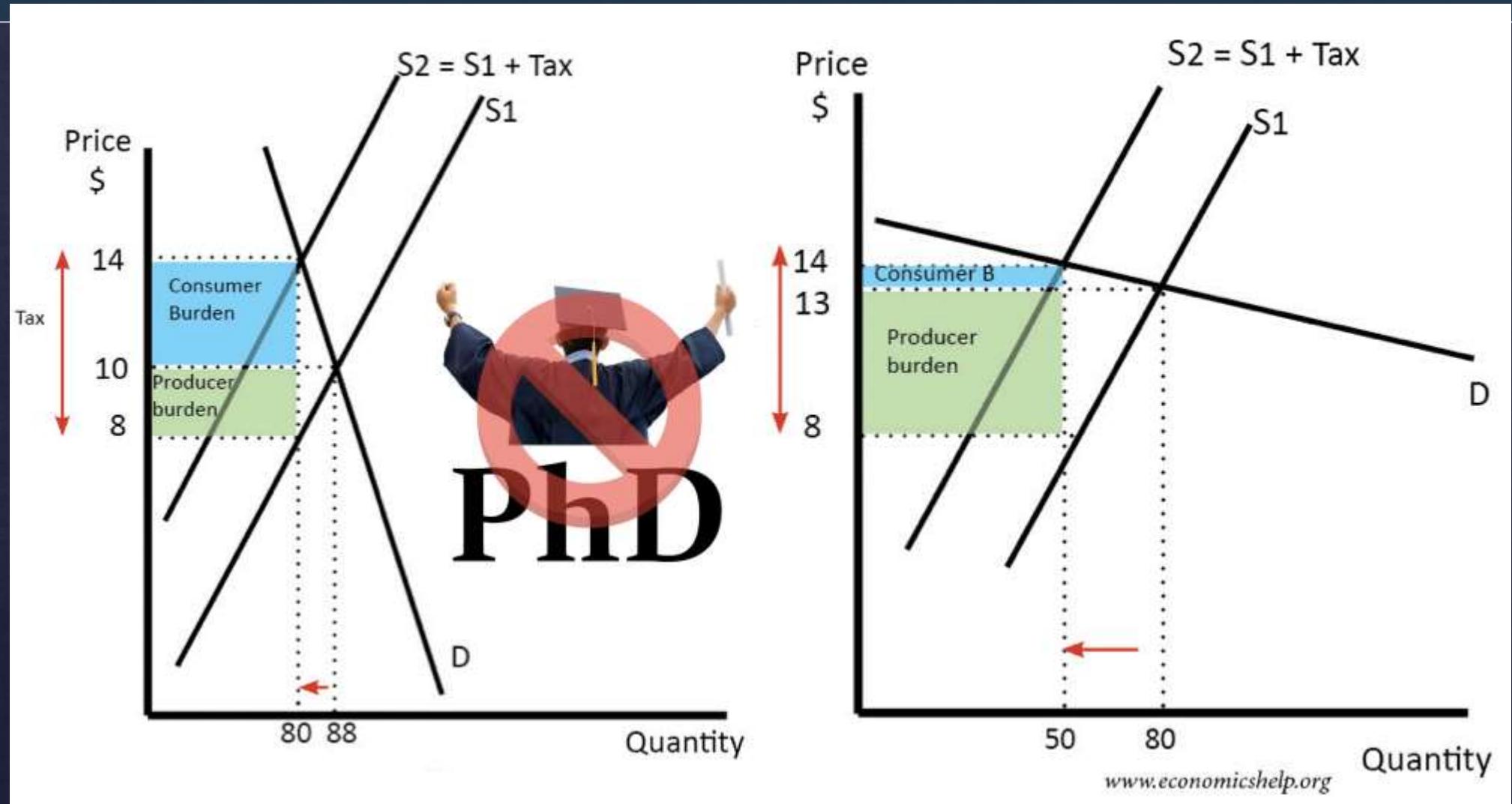
Point @which tax burden is really ‘felt’.
= “Tax Impact” @Individual assessee
इसका बोझ भी आप ही सहते हैं

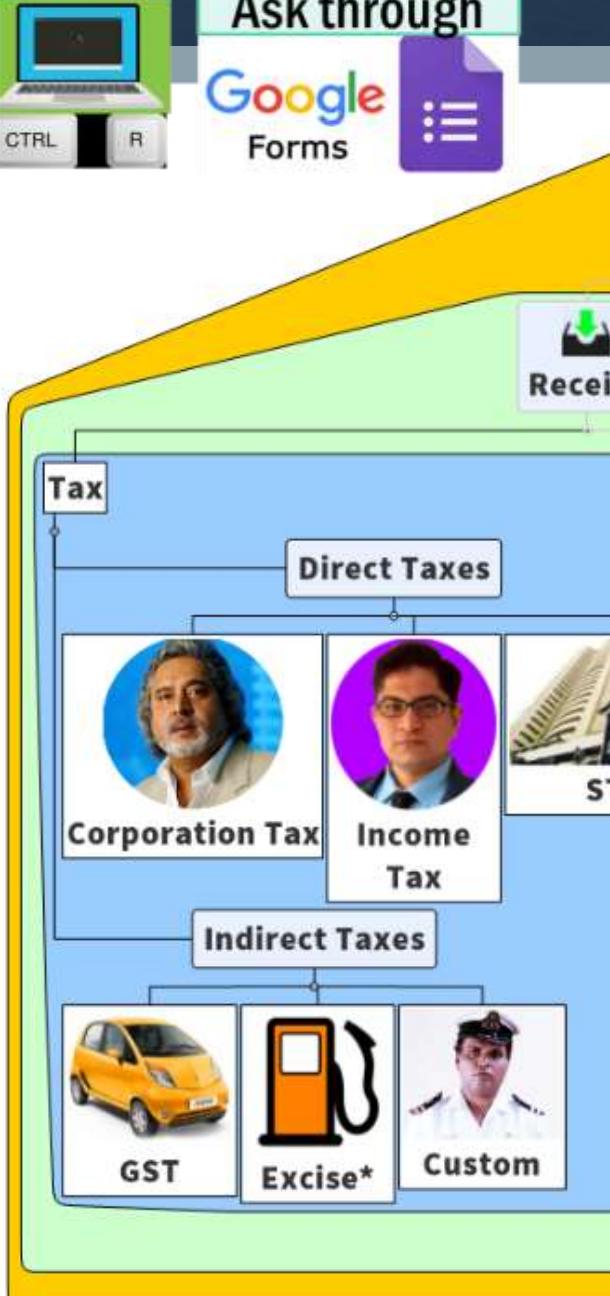
Haay haay my money is gone...some one plz tell me how to save this tax 😞😞😞 कैसे मैं अपना टैक्स बचाऊ, 😞 कोई मदद करो मैं लूट गया बर्बाद हो गया 😞 नींबू की तरह निचोड़ दिया आयकर विभाग ने



Direct Taxes means
➤ @incidence
➤ @impact
is on the same person.
He can't shift the burden
on another person.

Real explanation is more nuanced and complex but we'll not waste time



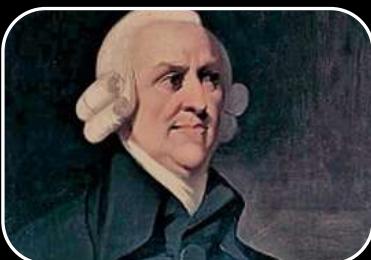


Pillar2A-2: Taxation- Basics

Page 265 onwards



Direct vs Indirect

Progressive vs
Regressive TaxesCanons of
TaxationMerit & Demerits
of Direct TaxesTax, Cess,
Surcharge

20.8.1 Types of taxes: direct / indirect: प्रत्यक्ष कर/ अप्रत्यक्ष कर

Parameter	Direct Tax (e.g. 5% Tax on your income)	Indirect Tax (e.g. 18% GST on purchase of Biscuit)
Incidence of Tax: Point from where government collects the tax. (करापाता)	Income Tax Assessee	Shopkeeper/seller (विकेता)
Impact of Tax: point where the burden of tax is ultimately felt and can't be transferred elsewhere. (कराधाता/कर का प्रभाव)	Income Tax Assessee (प्रत्यक्ष करदाता खुद)	Customer/buyer (याहक)
The incidence and impact of tax is....	On the same person	Not on the same person.

20.8.2 Types of taxes: Progressive vs Regressive vs Proportional

Type of Tax	Example
Proportional समानुपाती	If Govt. had a single 10% flat rate direct tax on income irrespective of whether you're a poor, middle class, upper middle class or a rich person. Then each taxpayers' same proportion of income(10%) will go into taxes.
Progressive (प्रगामी)	<ul style="list-style-type: none"> - 5%-20%-30% income tax slabs depending on your income. - Thus, richer the person, bigger proportion of his income will go into taxes. Thus, direct taxes are progressive in nature. - Misc. term: Degressive tax: It is a blend of progressive tax and proportional tax. If a direct tax increases upto a point & after that limit, a uniform rate is charged (5-5-10-10...10). So, it's partly proportional because tax rate remains unchanged even if income increases. (But further PHD/hairsplittery not req on this term.)
Regressive (प्रतिगामी)	<ul style="list-style-type: none"> - 18% GST on Biscuits worth ₹100 = ₹18 paid as (indirect) tax. - When Mukesh Ambani buys one packet, and a poor man buys one packet, greater proportion of poorman's income is gone in taxes. Thus, indirect taxes are regressive in nature.

MCQ. Which one of following is a progressive tax structure? [UPSC-CDS-2015-II]

- (a) Tax rate is the same across all incomes (b) Tax rate increases as income increases
(c) Tax rate decreases as income increases (d) Each household pays equal amount of tax

20.8.3 Adam Smith's 4 canons of taxation (कराधान के चार सिद्धांत)

1. Canon of Equality (समानता का सिद्धांत): Tax should be equal /proportionate to income. Rich people should pay more taxes than poors.
2. Canon of Certainty (निश्चितता का सिद्धांत): dates, slabs, % should be definite & told in advance. Randomly govt should not demand "x%" tax to build statue, temple or mosque.
3. Canon of Convenience (सुविधा का सिद्धांत): tax payer shouldn't be made to walk kilomryt long queue & fillup 50 pages worth tax forms.

continued

Suppose, 12% of GST on bicycle. (so if ₹5000 ki bicycle pe ₹600 GST)

Monthly income

Poor (9k/pm)

How much gone in tax?

8400

600



Price
5000
+
GST
600

मान लीजिए

साइकल पर 12% **GST** (वस्तु और सेवा कर) लगता है
तो ₹5000 की साइकिल पर ₹600 **GST** लगेगा

$600/9000 = 6\% \text{ of income gone in GST}$

Rgregressive Tax: e.g. 12% of GST on bicycle. (so if 5k ki bicycle=₹600 GST)

Monthly income ₹9000

Poor (9k/pm)

मध्यमवर्गीय परिवार जिसकी महीने की आमदनी ₹15,000 हो

Middle Class (15k/pm)

How much gone in tax?

8400

600



6% income gone in GST

How much gone in tax?

14400

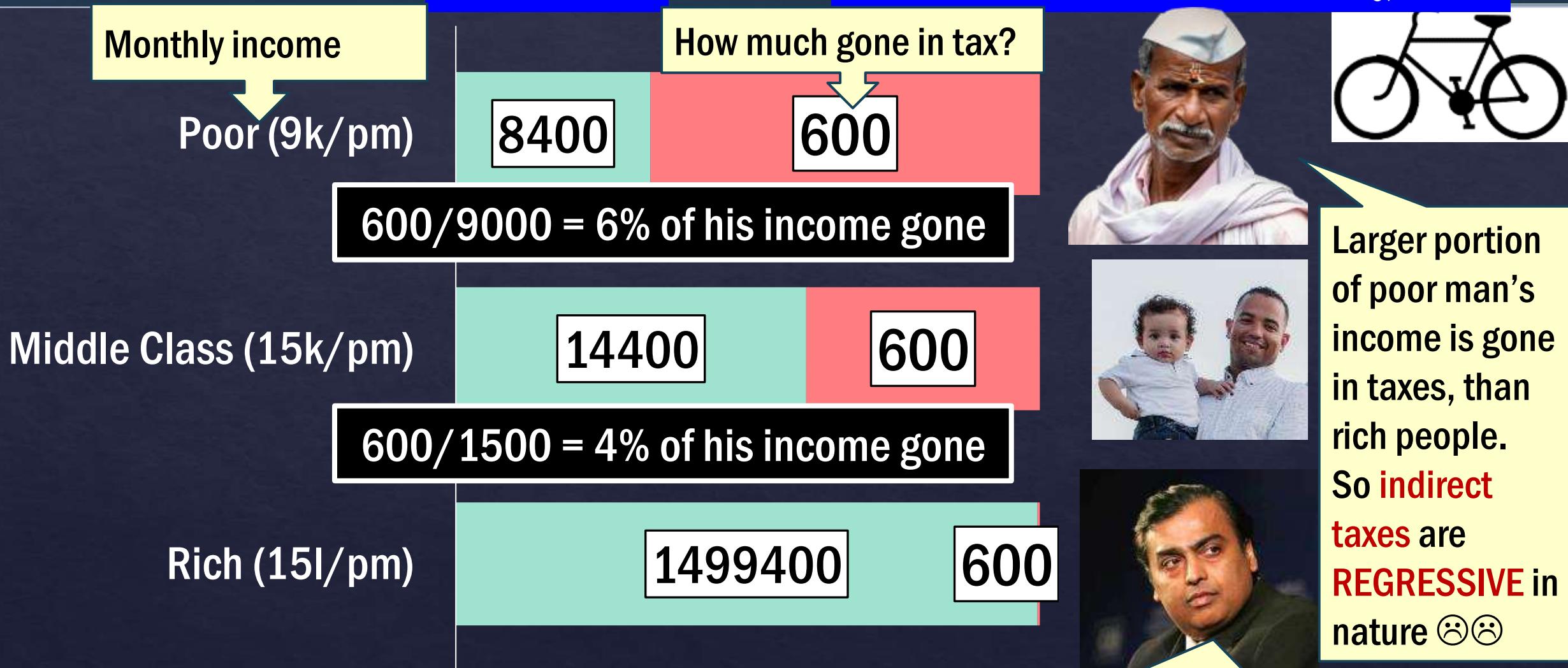
600



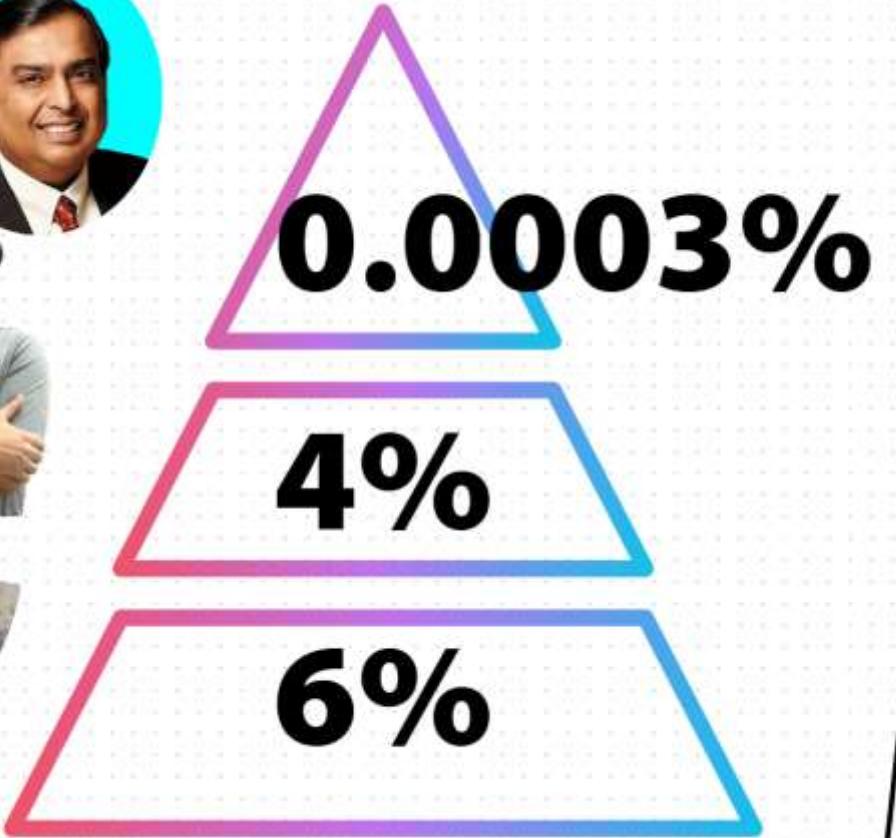
- $600/15000 = 4\%$ of income gone in GST
- Proportionately, middle class आमदनी का कम हिस्सा इस tax में जा रहा है।
- 😢 लेकिन गरीब आदमी की आमदनी का ज्यादा पैसा tax में जा रहा है

Regressive Tax: e.g. 12% of GST on bicycle. (so if 5k ki bicycle=₹600 GST)

जीएसटी जैसे परोक्ष कर प्रतिगामी किस्म के होते हैं- गरीब की आमदनी का ज्यादा पैसा चूस लेते हैं



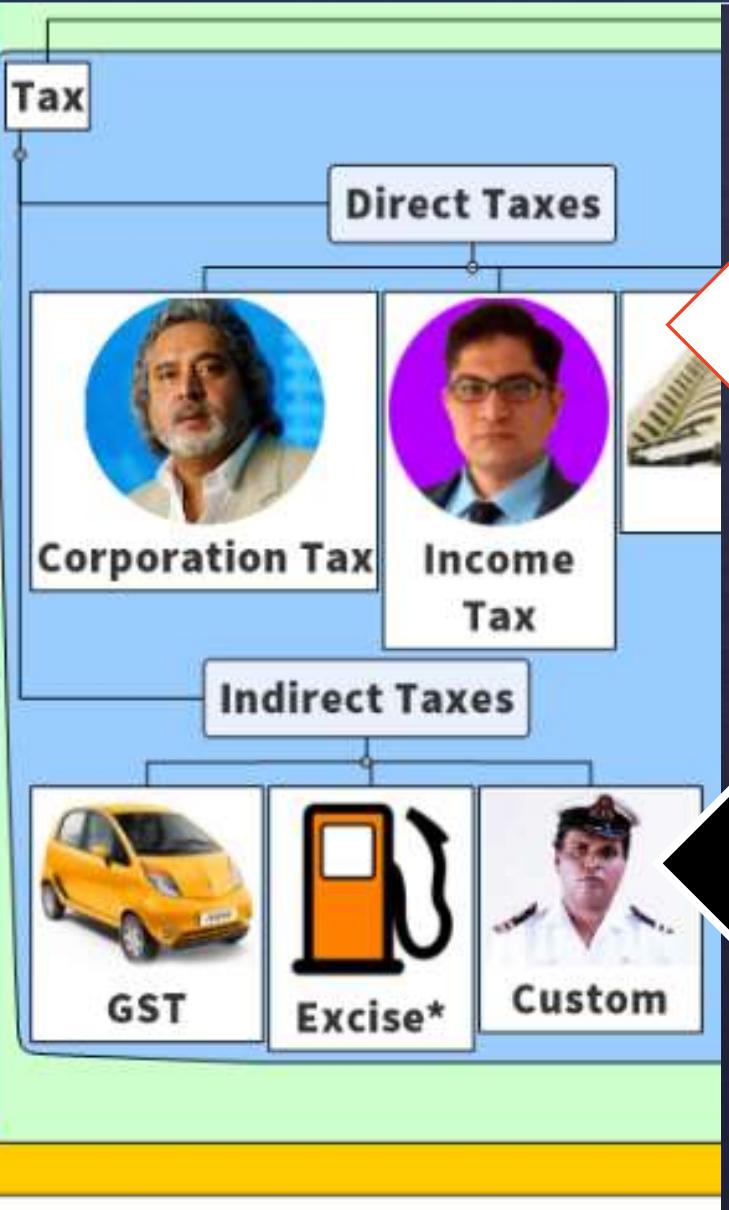
अमीर के लिए तो समंदर में एक बून्द के बराबर
Small drop in the ocean



- how much income gone in GST?
- indirect tax
- regressive in nature



Taxation : Progressive vs Regressive Tax



Direct Tax = Progressive in nature
प्रत्यक्ष कर प्रगामी किस्म के क्योंकि गरीब की जेब से कम और अमीर की जेब से ज्यादा चूसते हैं

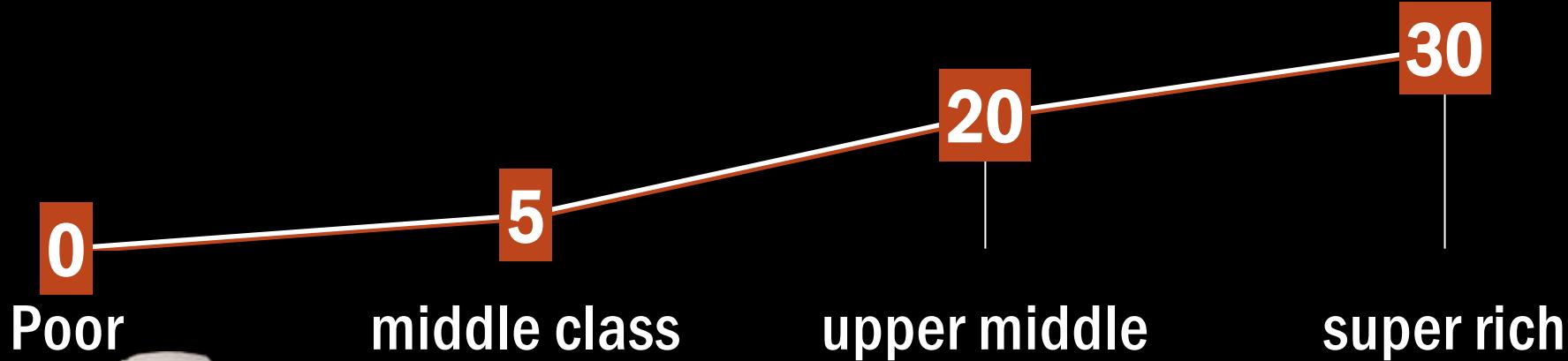
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Indirect Tax = Regressive in nature
परोक्ष कर प्रतिगामी किस्म के होते हैं- गरीब की आमदनी का ज्यादा पैसा चूस लेते हैं

Direct Tax → income tax= depends on level of income

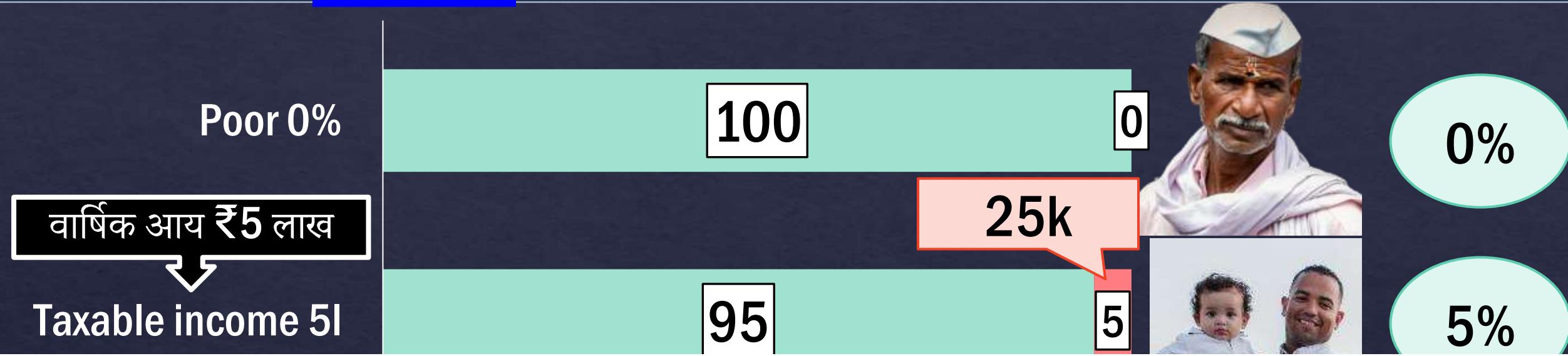
आपकी आमदनी जितनी ज्यादा होगी उस हिसाब से उतना ज्यादा आयकर लगेगा

INCOME TAX % PERCENTAGE ON YOUR INCOME



Progressive Tax: e.g. Direct Tax → Income Tax

आयकर, प्रत्यक्ष कर प्रगामी किस्म के क्योंकि गरीब की जेब से कम और अमीर की जेब से ज्यादा चूसते हैं



Poor man's less money gone in Direct Tax (Income Tax)
Compared to rich man

Progressive Tax: e.g. Direct Tax → Income Tax

आयकर, प्रत्यक्ष कर प्रगामी किस्म के क्योंकि गरीब की जेब से कम और अमीर की जेब से ज्यादा चूसते हैं

Poor 0%

वार्षिक आय ₹5 लाख

Taxable income 5I

वार्षिक आय ₹10 लाख

Taxable income 10I

100

0

0%

95

25k

5

5%

70

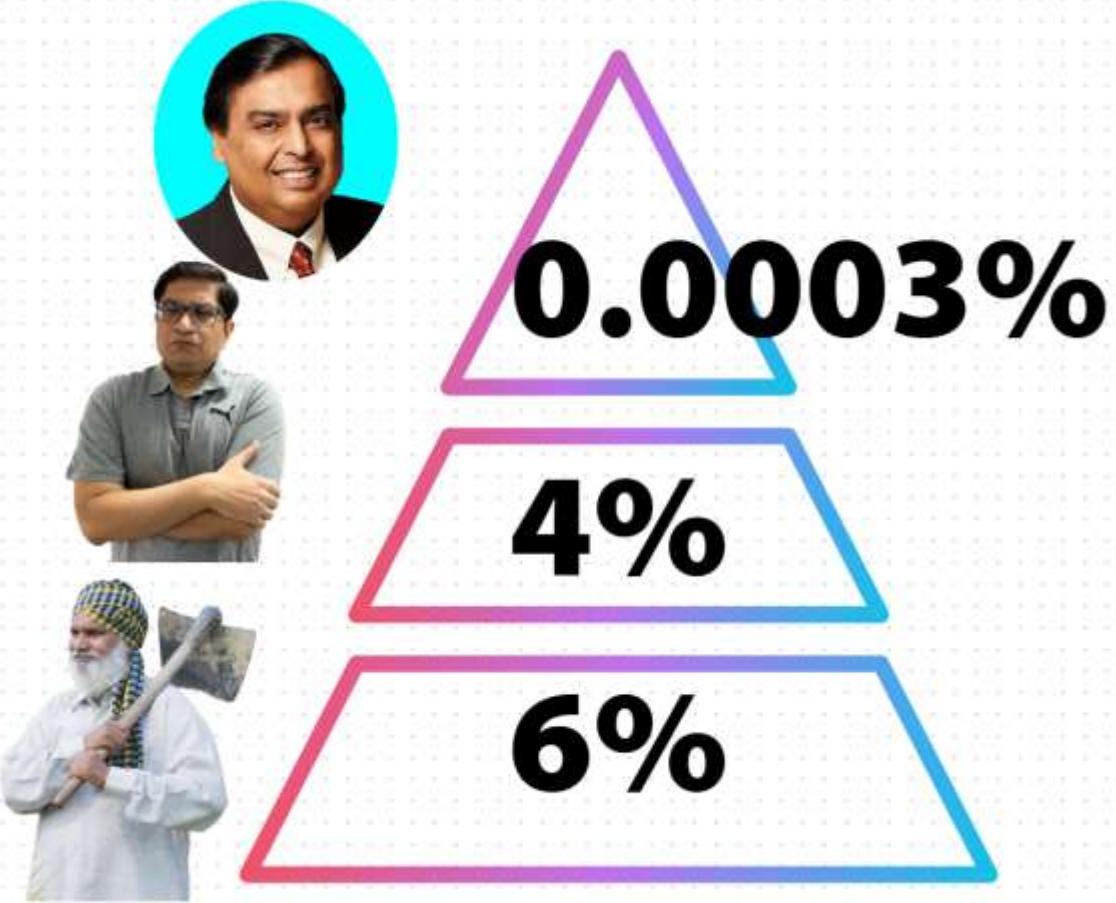
3 LAKH

30

30%



Larger portion of our income is gone in taxes, than poor people. So **Direct Taxes** are “**Progressive**” in nature. गरीब पे कम बोज, अमीर पे ज्यादा बोज 😢 😢



- how much income gone in GST?
- indirect tax
- regressive in nature



- how much income gone in income tax?
- direct tax
- progressive in nature

IS POOR MAN'S % INCOME GOING MORE THAN RICH MAN'S INCOME %?



**Yes, REGRESSIVE
GST / indirect taxes**



**No, Progressive
income tax/ direct taxes**

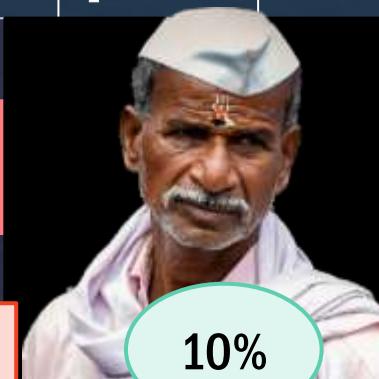
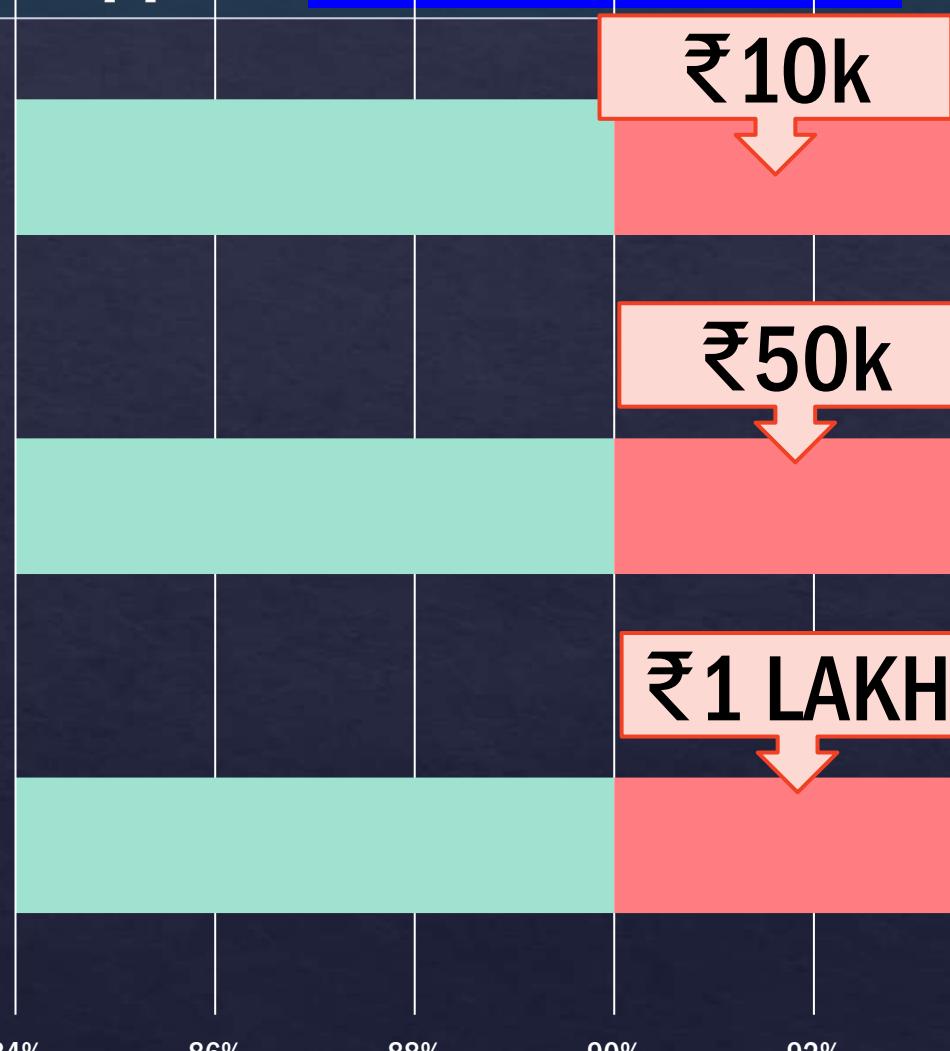
**normally
0-5-20-30%**

**Proportional Tax
10-10-10-10
(hypothetical)**

(hypothetical) Proportional Tax: समानुपाती कर: अगर सब पर एक समान आयकर लगाएं

Suppose IF Income Tax 10% irrespective of income

Poor
(Income ₹1L)



10%



10%



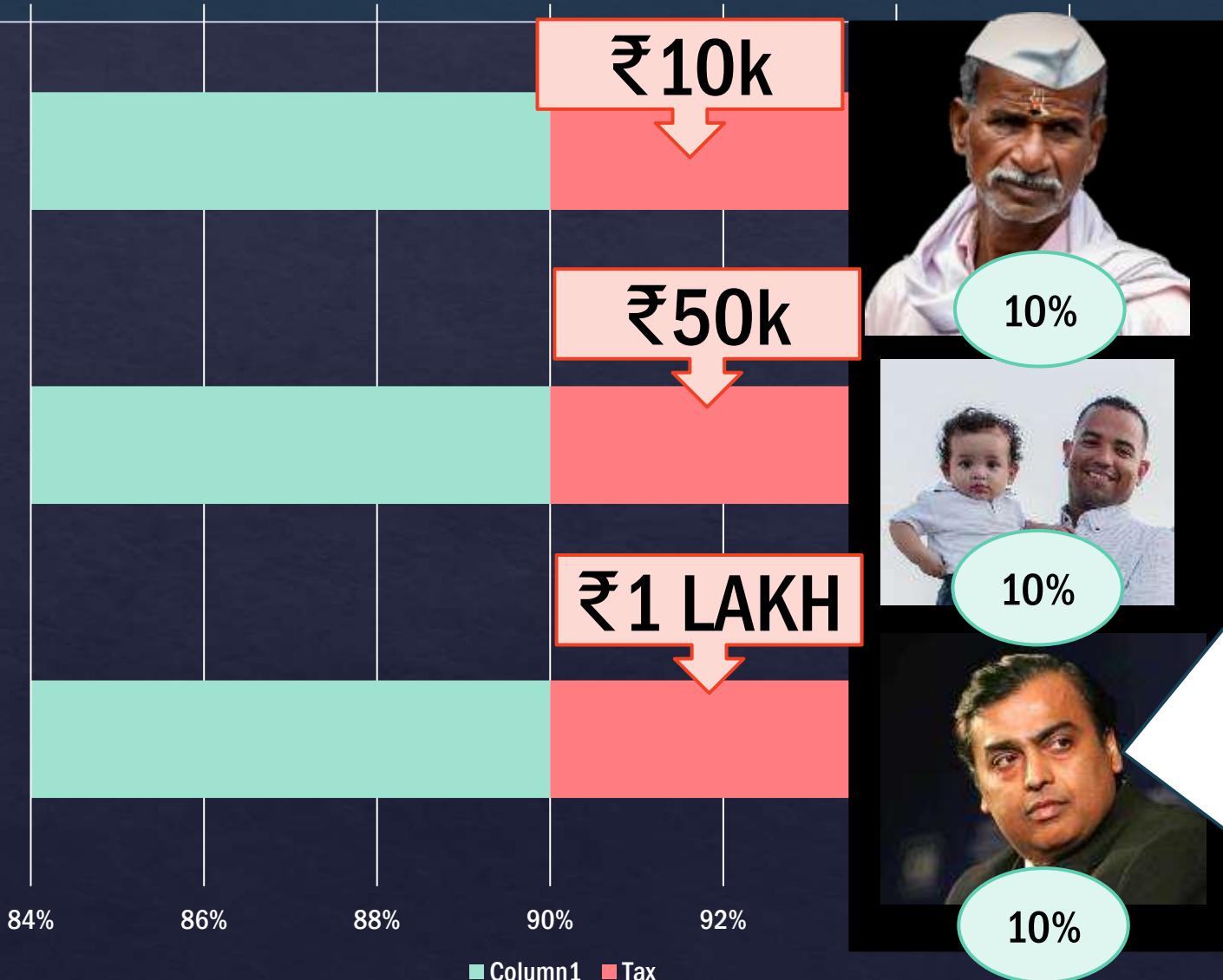
10%

This is for
Direct tax only

Direct tax-> (hypothetical) Proportional Tax: समानुपाती कर: अगर सब पर एक समान आयकर लगाएं

Suppose IF Income Tax 10% irrespective of income

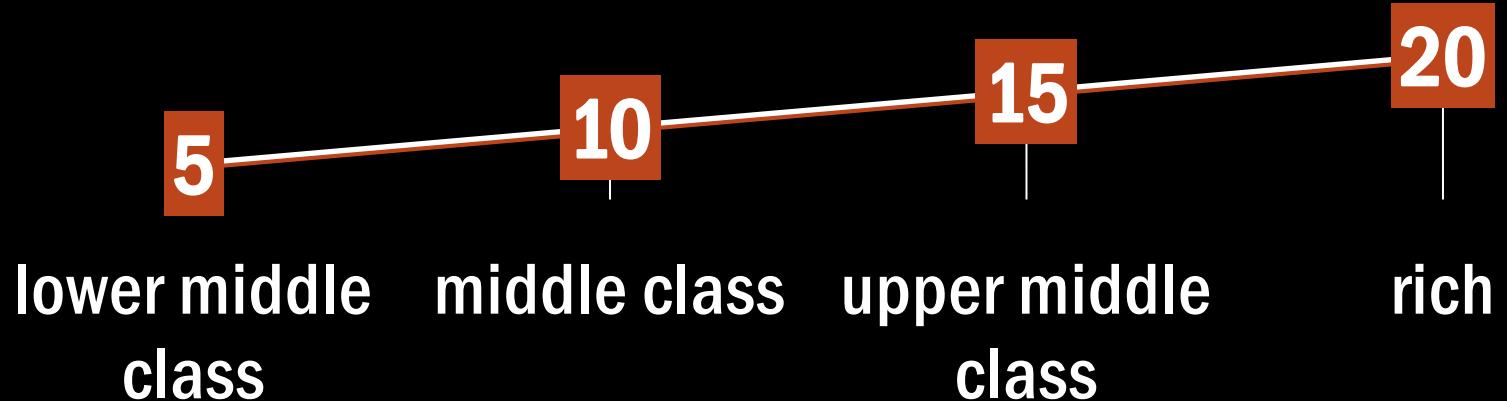
Poor
(Income ₹1L)



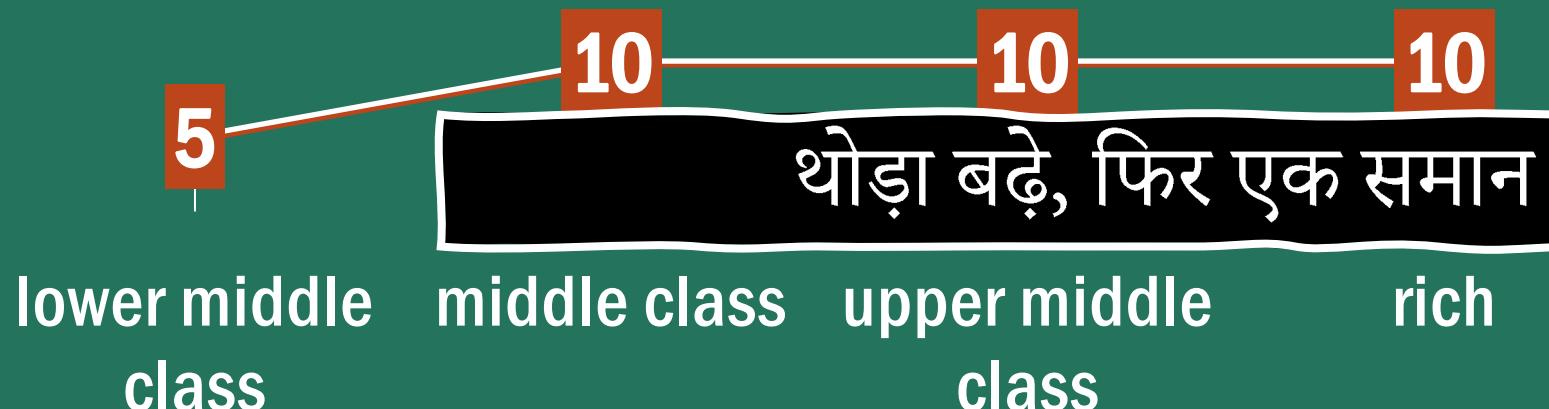
- But then in absolute quantity Mukesh pays less than 30%-walla regime लेकिन इस व्यवस्था में अमीर आदमी तो पहले से कम आयकर देगा
- = less ₹ for Govt to run schemes.
- So its impracticable व्यावहारिक नहीं है

Direct Tax → Degressive / Digressive tax?

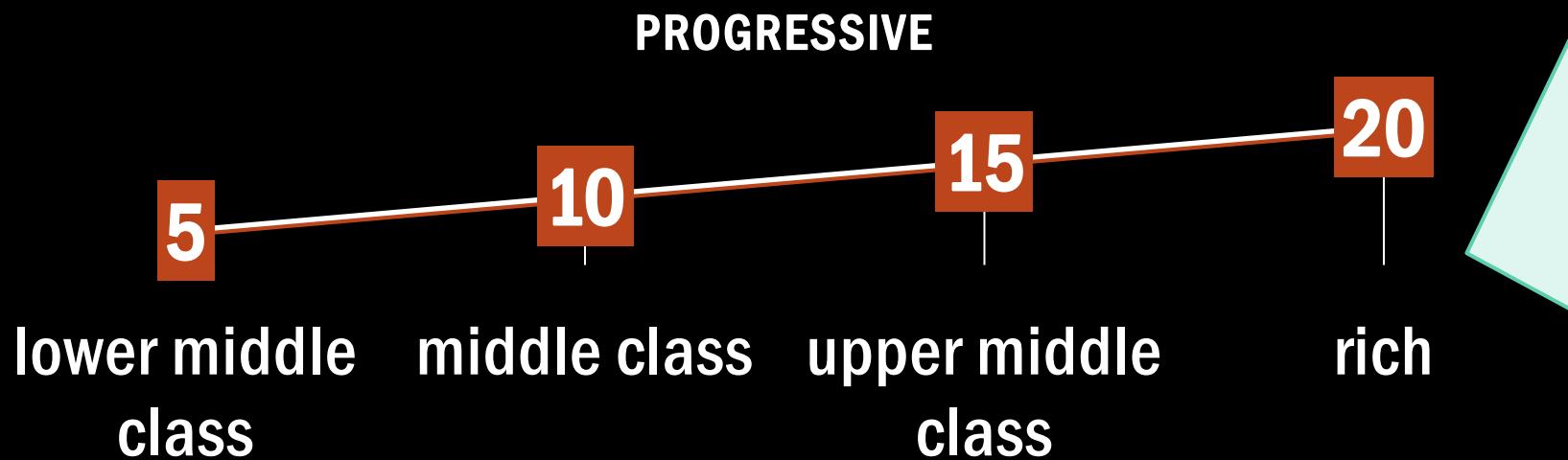
PROGRESSIVE



DEGRESSIVE / DIGRESSIVE TAX?



Direct Tax → Degressive / Dige



Degressive / Digressive Tax = If a direct tax ↑ upto a point & after that limit, a uniform rate is charged



**Term given in textbook.
So we learned. किताबों में
दिया तो हमने शब्द का मतलब
जान लिया**

For MCQ: income tax= progressive tax प्रश्न
आयकर पूछा जाए तो हमने प्रोग्रेसिव tick करना है

जरूरत से ज्यादा वकालत वाली वेबसीरीज देखकर कुछ लोगों का दिमाग भ्रष्ट हो जाता है



यूपीएससी के
बाबू शोने

Income Tax is
Degrессive /
Digressive

"ABC" law's "X" word has
some microscopic loophole,
so I'll use it to win million\$ dollar case.

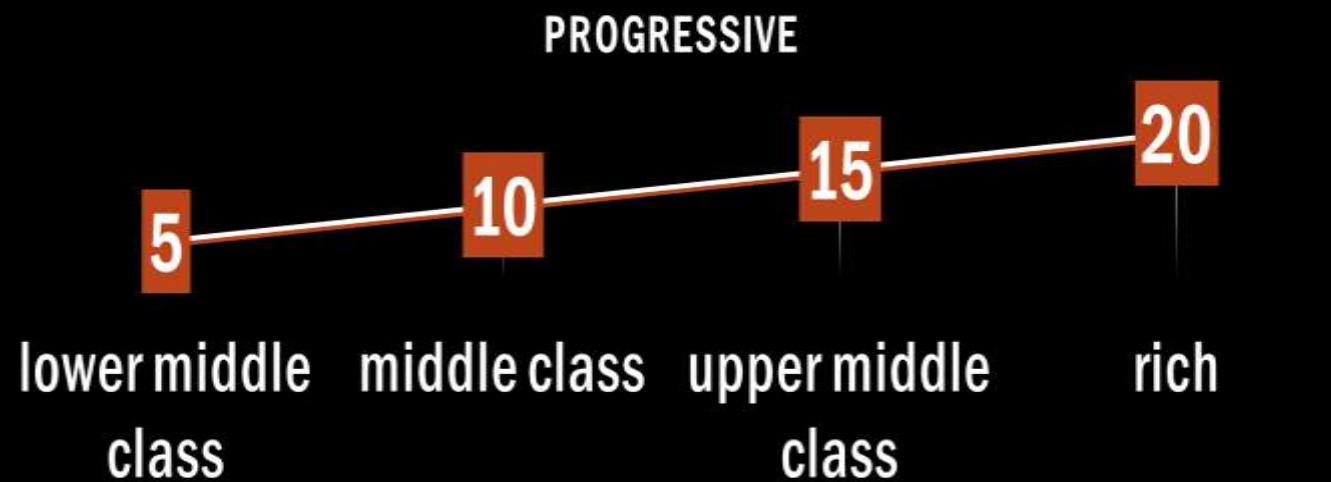
कानून के किसी एक शब्द में बहुत बारीक सा नुक्स निकाल के
मैं अरबों रुपये का केस जीत जाऊंगा

For UPSC MCQ
Income Tax =
Progressive Tax =
Correct Statement.



MCQ. Which one of following is a **progressive** tax structure?

- (a) Tax rate is the same across all incomes
- (b) Tax rate ↑ as income ↑
- (c) Tax rate ↓ as income ↑
- (d) Each household pays equal amount of tax



आसान चीजें पूछी जाती हैं
लोग खुद मुद्दों को जटिल बना देते हैं
Unnecessarily people
overcomplicate

Other concepts related to Taxation

- ◆ Tax Elasticity,
- ◆ Tax Buoyancy,
- ◆ Laffer Curve,
- ◆ Tax to GDP
- ◆ More in Pillar#2B → black money lecture यह सब
भी पढ़ेंगे लेकिन बाद वाले अगले हफ्ते





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Adam Smith: 4 canons of taxation (अच्छे/आदर्श कराधान के चार सिद्धांत)

Canon of Equality

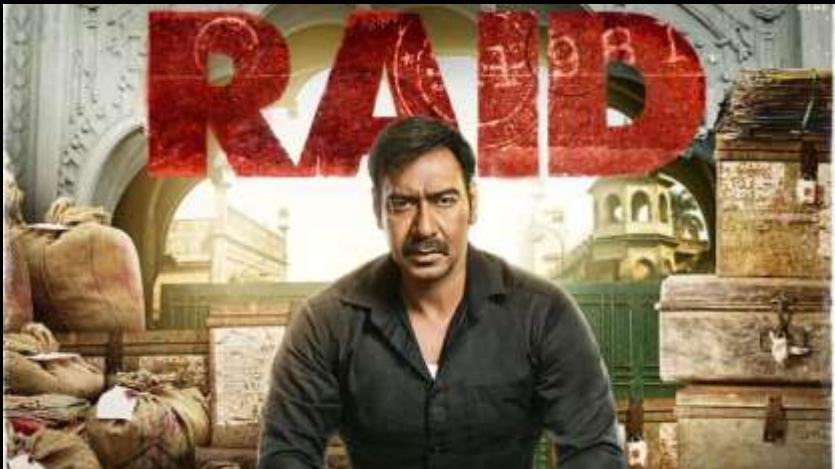
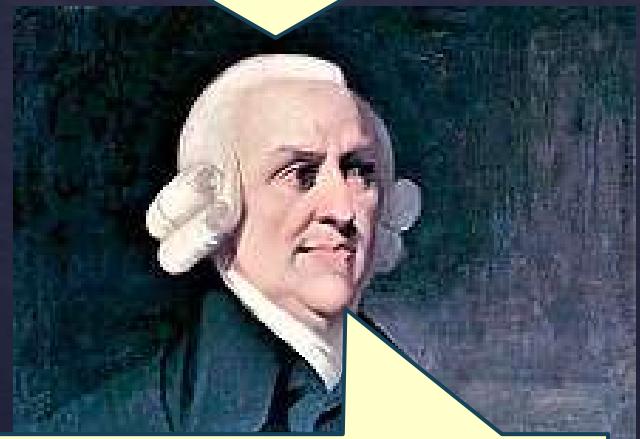
Tax should be **Proportionate** to income.

गरीब पे कम, अमीर पे ज्यादा होना चाहिए

Canon of Certainty

about deadline and rates. Randomly govt
should not demand “x%” tax to build **statue,**
temple or mosque. निश्चितता होनी चाहिए

- Scotland Economist
- “Father of Economics”
- Book: “Wealth of Nations”



If tax doesn't follow these canons, eventually it'll be removed.

Adam Smith: 4 canons of taxation (अच्छे/आदर्श कराधान के चार सिद्धांत)

Canon of Convenience

to the tax payer. सुविधा होनी चाहिए

Waiting in long queue, filling 50 pages form.



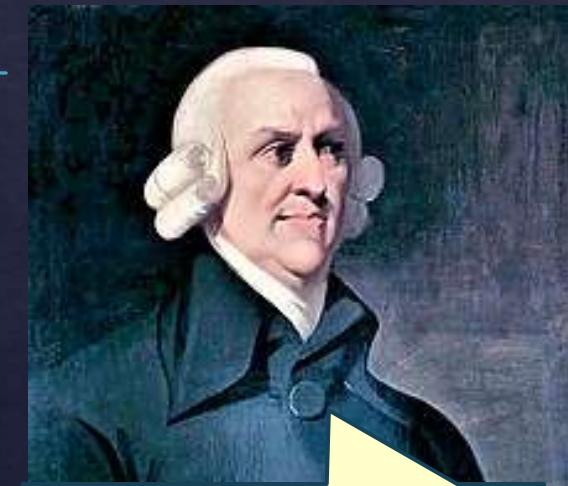
Canon of Economy

collection cost should be minimum.

👉 if 100cr tax collection → 90 cr Income tax officers' salary. = inefficient tax system



कर वसूलने का सरकार का खर्च न्यूनतम होना चाहिए
ऐसा नहीं कि 100 cr का टैक्स लेने के चक्र में
आयकर अफसरों को ही 90cr तनख्वाह देने पड़े



If tax doesn't follow these canons, eventually it'll be removed.

Adam Smith: 4 canons of taxation (अच्छे/आदर्श कराधान के चार सिद्धांत)

Canon of Equality

Tax should be **Proportionate** to income.

गरीब पे कम, अमीर पे ज्यादा होना चाहिए

Canon of Certainty

about deadline and rates. Randomly govt
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Canon of Convenience

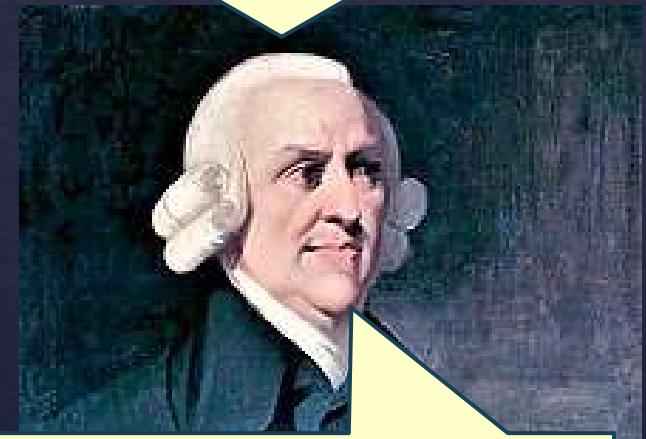
to the tax payer. सुविधा होनी चाहिए

Waiting in long queue, **filling 50 pages form.**

Canon of Economy

collection cost should be minimum. ⌘ if
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If tax doesn't follow
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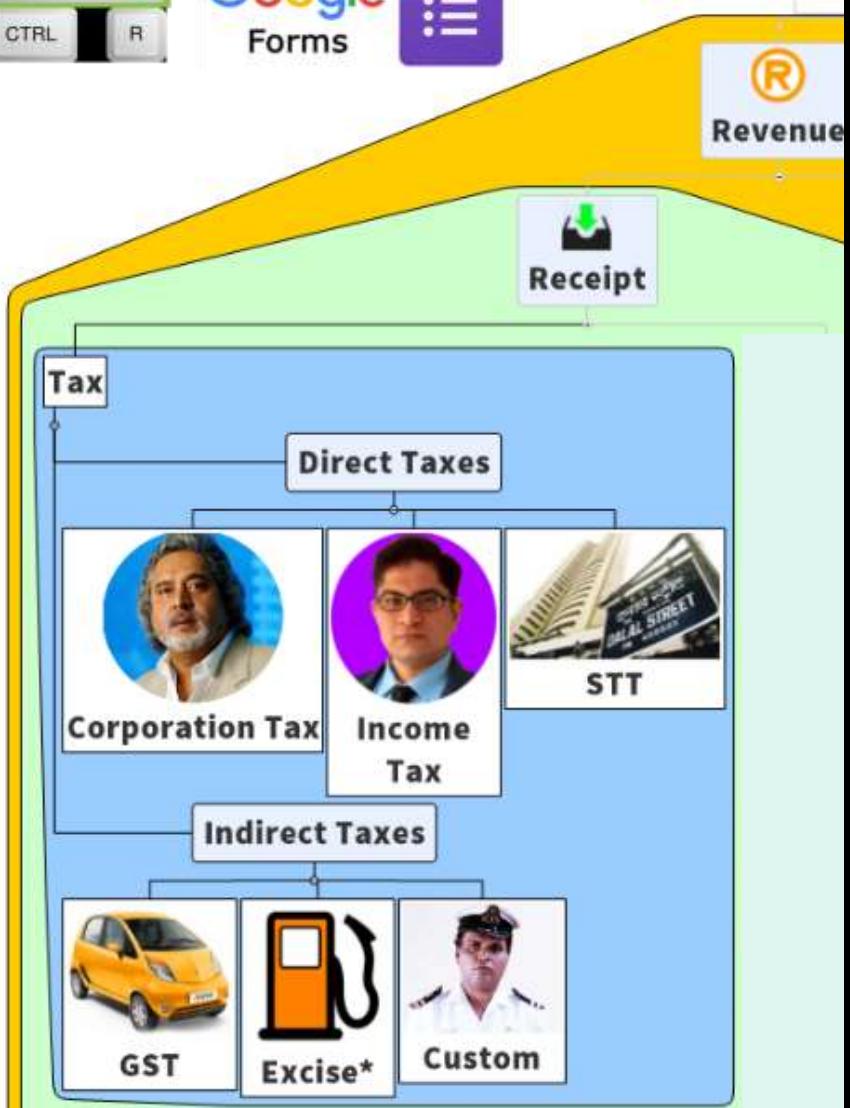
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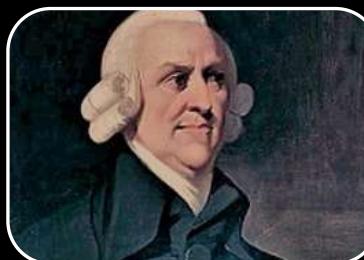
Page 265 onwards

Pillar2A-2: Taxation- Basics

Page 265 onwards



Direct vs Indirect

Progressive vs
Regressive TaxesCanons of
TaxationDirect Taxes of
Union and StatesMerit & Demerits
of Direct TaxesTax, Cess,
Surcharge

20.8.2 Types of taxes: Progressive vs Regressive vs Proportional

Example

If Govt. had a single 10% flat rate direct tax on income irrespective of whether you're a poor, middle class, upper middle class or a rich person. Then each taxpayers' same proportion of income(10%) will go into taxes.

- 5%-20%-30% income tax slabs depending on your income.
- Thus, richer the person, bigger proportion of his income will go into taxes. Thus, direct taxes are progressive in nature.
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MCQ. Which one of following is a progressive tax structure? [UPSC-CDS-2015-II]

- (a) Tax rate is the same across all incomes
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- (c) Tax rate decreases as income increases
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20.8.3 Adam Smith's 4 canons of taxation (कारणान के चार सिद्धांत)

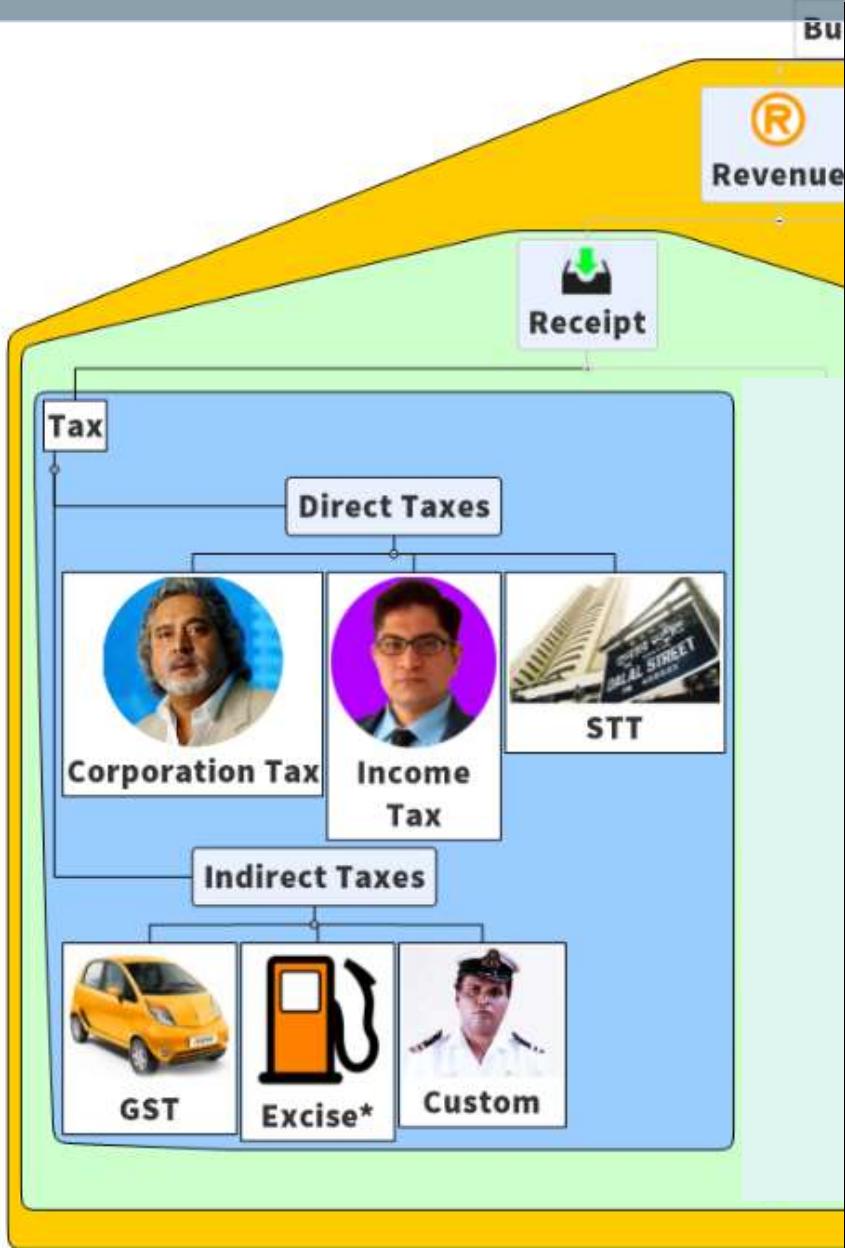
1. Canon of Equality (समानता का सिद्धांत): Tax should be equal /proportionate to income. Rich people should pay more taxes than poors.
2. Canon of Certainty (निश्चयता का सिद्धांत): dates, slabs, % should be definite & told in advance. Randomly govt should not demand "x%" tax to build statue, temple or mosque.
3. Canon of Convenience (सुविधा का सिद्धांत): tax payer shouldn't be made wait for a kilomryrt long queue & fillup 50 pages worth tax forms.
4. Canon of Economy (मितव्यता का सिद्धांत): to collect ₹ 100 crore tax, govt shouldn't be spending ₹ 99 crores in salaries of tax officials.

Q. Which of the following was not advocated by Adam Smith? (UPSC-CDS-2019-1)

- a) Canon of equality
- b) Canon of certainty
- c) Canon of convenience
- d) Canon of fiscal adequacy

Pillar2A-2: Taxation- Basics

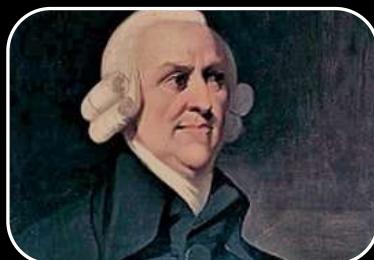
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Direct vs Indirect



Progressive vs
Regressive Taxes



Canons of
Taxation



Direct Taxes of
Union and States



Merit & Demerits
of Direct Taxes



Tax, Cess,
Surcharge

20.8.2 Types of taxes: Progressive vs Regressive vs Proportional

Example

If Govt. had a single 10% flat rate direct tax on income irrespective of whether you're a poor, middle class, upper middle class or a rich person. Then each taxpayers' same proportion of income(10%) will go into taxes.

- Progressive** (प्रगामी)
- 5%-20%-30% income tax slabs depending on your income.
 - Thus, richer the person, bigger proportion of his income will go into taxes. Thus, direct taxes are progressive in nature.
 - Misc. term: **Decessive tax:** It is a blend of progressive tax and proportional tax. If a direct tax increases upto a point & after that limit, a uniform ratio is charged (5-5-10-10-...10). So, its partly proportional because tax rate remains unchanged even if income increases. (But further PHD/hairsplittery not req on this term.)

- Retrogressive** (प्रतिगामी)
- 18% GST on Biscuits worth ₹100 = ₹18 paid as (indirect) tax.
 - When Mukesh Ambani buys one packet, and a poor man buys one packet, greater proportion of poorman's income is gone in taxes. Thus, indirect taxes are retrogressive in nature.

MCQ. Which one of following is a progressive tax structure? [UPSC-CDS-2015-II]

- Tax rate is the same across all incomes
- Tax rate increases as income increases
- Tax rate decreases as income increases
- Each household pays equal amount of tax

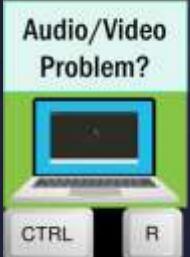
20.8.3 Adam Smith's 4 canons of taxation (करधान के चार सिद्धांत)

- Canon of Equality (समानता का सिद्धांत): Tax should be equal /proportionate to income. Rich people should pay more taxes than poors.
- Canon of Certainty (निश्चयता का सिद्धांत): dates, slabs, % should be definite & told in advance. Randomly govt should not demand "x%" tax to build statue, temple or mosque.
- Canon of Convenience (सुविधा का सिद्धांत): tax payer shouldn't be made wait for a kilomryrt long queue & fillup 50 pages worth tax forms.
- Canon of Economy (मितव्यता का सिद्धांत): to collect ₹ 100 crore tax, govt shouldn't be spending ₹ 99 crores in salaries of tax officials.

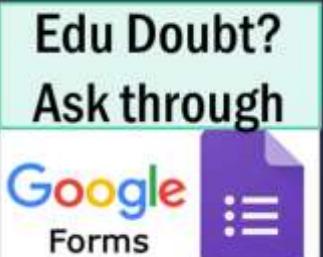
Q. Which of the following was not advocated by Adam Smith? (UPSC-CDS-2019-1)

- Canon of equality
- Canon of certainty
- Canon of convenience
- Canon of fiscal adequacy

(Batch:PCB1) Mrunal's Economy Pillar#2A: Budget → Revenue Part → Tax-Receipts → Page 200



Audio/Video
Problem?



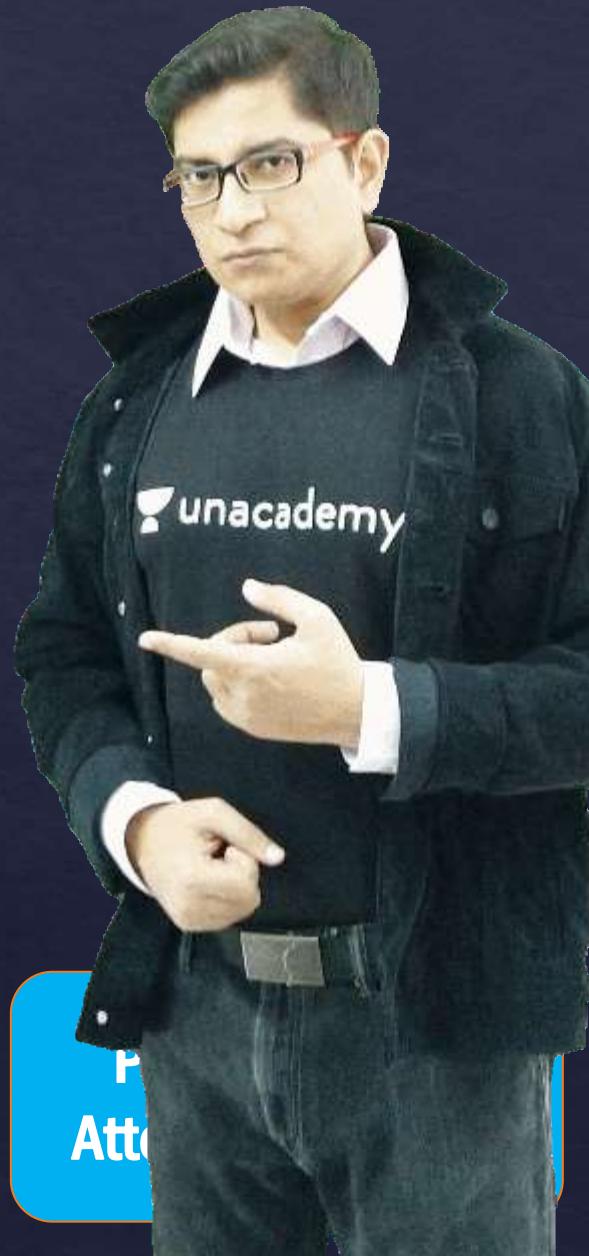
Edu Doubt?
Ask through
Google
Forms

Find correct statement(s)

1. The Rajya Sabha has no power either to reject or to amend a Money Bill. राज्यसभा धन विधेयक में खारिज / कोई सुधार नहीं सकती
 2. The Rajya Sabha cannot vote on the Demands for Grants. राज्यसभा अनुदान की मांगों पर वोटिंग नहीं कर सकती
 3. The Rajya Sabha cannot discuss the Annual Financial Statement. राज्यसभा में वार्षिक वित्तीय विवरण की चर्चा नहीं हो सकती

Codes:

- (a) 1 only** **(b) 1 and 2 only**
(c) 2 and 3 only **(d) 1, 2 and 3**



Find correct statement(s)

1. The Rajya Sabha has no power either to reject or to amend a Money Bill.
 2. The Rajya Sabha cannot vote on the Demands for Grants.
 3. The Rajya Sabha **cannot discuss the Annual Financial Statement.**



Codes:

- (a) 1 only** **(b) 1 and 2 only**

(c) 2 and 3 only **(d) 1, 2 and 3**

चर्चा करने की कोई मनाई नहीं है

Discussion is no prohibited!

A and B left. Both have 1 common
so 1 is definitely right.

100% Surety

50:50

Skip

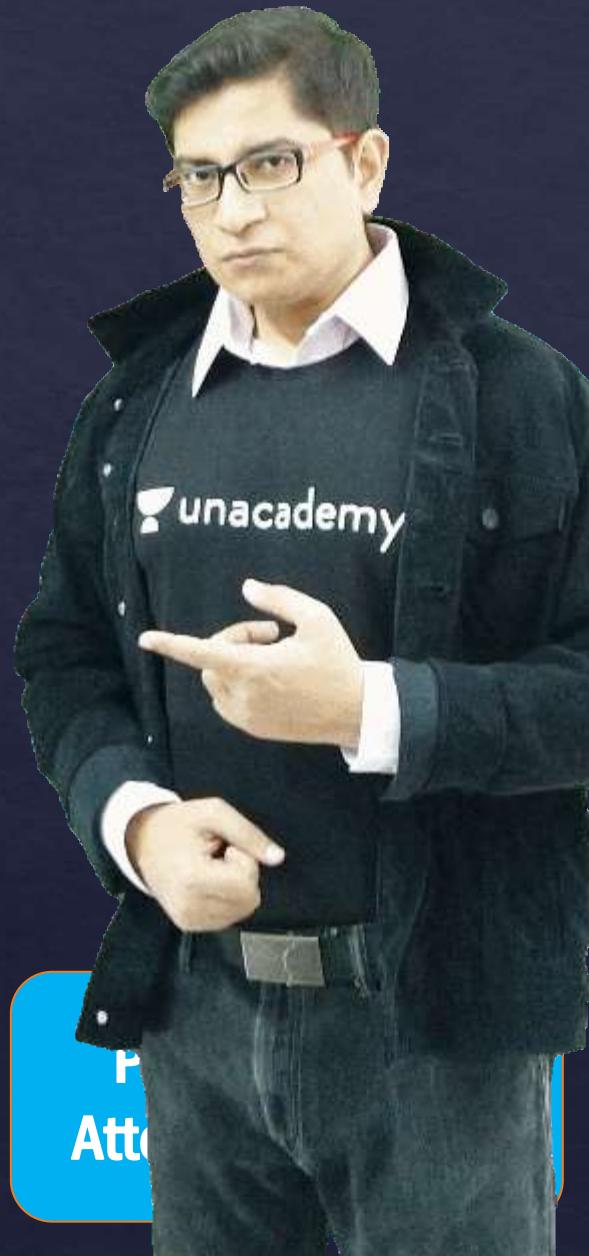
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Find **correct statement(s)**

1. The Rajya Sabha has **no power** either to reject or to amend a Money Bill.
2. The Rajya Sabha **cannot vote** on the Demands for Grants.
3. The Rajya Sabha **cannot discuss** the Annual Financial Statement.

Codes:

- | | |
|-----------------------------|---------------------------|
| (a) 1 only | (b) 1 and 2 only |
| (c) 2 and 3 only | (d) 1, 2 and 3 |



100% Surety

50:50

Skip

P
Atte

But of course, what is UPSC without answer key debates!! यूपीएससी की परीक्षा की क्या जहाँ पर लोग answerkey की लड़ाई ना करें??

MCQ-Prelims-2015

Find correct statement(s)

1. The Rajya Sabha has no power either to reject or to amend a Money Bill.
 2. The Rajya Sabha cannot vote on the Demands for Grants.
 3. The Rajya Sabha cannot discuss the Annual Financial Statement.

Codes:

100% Surety

50:50

**Second statement
is correct so Ans is
B: 1 and 2 only.**



- Rajya Sabha can vote/amend.
 - And give to Loksabha
 - LS may or may not accept it.
 - So #2 is wrong. And ans should be “A: 1 only” राज्यसभा भी सुधार तो प्रस्तावित कर सकती है तो उसके पास पावर तो है, ये बात सही है कि लोकसभा उस प्रस्ताव को खारिज कर सकती है लेकिन फिर भी राज्यसभा के पास पावर तो है

जब तक आपको यह परीक्षण पुस्तिका खोलने को न कहा जाए तब तक न खोलें

टी.बी.सी. : B-AQN-O-JUA

क्रम संख्या

परीक्षण पुस्तिका अनुक्रम

0455398

परीक्षण पुस्तिका

सामान्य अध्ययन

प्रश्न-पत्र—I



52. Consider the following statements :

1. The Rajya Sabha has no power either to reject or to amend a Money Bill. ✓
2. The Rajya Sabha cannot vote on the Demands for Grants.
3. The Rajya Sabha cannot discuss the Annual Financial Statement. ↗

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 1 and 2 only
- (c) 2 and 3 only ↗
- (d) 1, 2 and 3 ↗

UPSC-Pre-2015 Official Answer Key

Examination		CIVIL SERVICES (PRELIMINARY) EXAM. 2015									
Series		B		Subject		GENERAL STUDIES PAPER - I					
Maximum Marks		200		No. of items		100					
No. of Items to be taken for scoring		100		No. of items dropped		NIL					
1	C	16	D	31	D	46	D	61	D	76	A 91 B
2	B	17	D	32	C	47	C	62	A	77	D 92 D
3	A	18	D	33	B	48	C	63	D	78	B 93 A
4	C	19	C	34	B	49	B	64	D	79	B 94 A
5	B	20	A	35	A	50	C	65	B	80	B 95 D
6	B	21	A	36	C	51	D	66	B	81	D 96 A
7	D	22	B	37	B	52	B	67	D	82	B 97 C
8	D	23	A	38	A	53	B	68	A	83	C 98 D
9	C	24	C	39	B	54	C	69	D	84	A 99 C
10	C	25	C	40	A	55	D	70	C	85	C 100 A
11	C	26	C	41	B	56	C	71	B	86	D
12	C	27	A	42	B	57	C	72	C	87	B
13	A	28	B	43	A	58	B	73	B	88	C
14	B	29	A	44	C	59	C	74	A	89	C
15	B	30	B	45	D	60	B	75	C	90	B

MCQ-UPSC-CDS-2016-1

Find Correct Statements

1. Ability to pay principle of taxation holds that the amount of taxes people pay should relate to their income or wealth. व्यक्ति पर उसकी संपत्तियां आय के अनुपात में कर होना चाहिए
 2. The Benefit Principle of taxation states that individuals should be taxed in proportion to the benefit they receive from Government programmes. व्यक्ति को सरकार से जितने लाभ मिल रहे हैं उस अनुपात में उस पर कर होना चाहिए
 3. A progressive tax takes a larger share of tax from poor families than it does from rich families. प्रगामी कर व्यवस्था में कर का ज्यादा हिस्सा अमीरों के अनुपात में गरीबों की जेब से ज्यादा आता है
 4. Indirect taxes have the advantage of being cheaper and easier to collect. परोक्ष कर वसूलने में सस्ते और आसान होते हैं



Answer Codes:

- (a) 1 and 3 only** **(b) 2 and 4 only**
(c) 1, 2 and 4 only **(d) 1, 2, 3 and 4**

Ofcourse I've not taught this yet, but in real exam this can happen. Try or skip. मैंने

यह सभी वाक्य नहीं पढ़ाये लेकिन
फिर भी कोशिश करे

100% Surety

50:50

10

Find Correct Statements

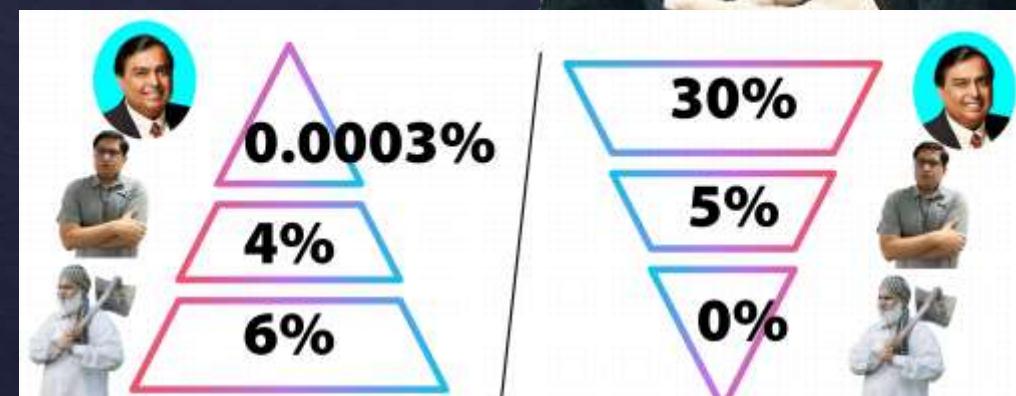
1. Ability to pay principle of taxation holds that the amount of taxes people pay should relate to their income or wealth
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Answer Codes:

- (a) ~~1 and 3 only~~ (b) ~~2 and 4 only~~
(c) ~~1, 2 and 4 only~~ (d) ~~1, 2, 3 and 4~~

100% Surety

50:50



- how much income gone in GST?
- indirect tax
- regressive in nature

- how much income gone in income tax?
- direct tax
- progressive in nature



Find Correct Statements

1. Ability to pay principle of taxation holds that the amount of taxes people pay should relate to their income or wealth
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Answer Codes:

- (a) ~~1 and 3 only~~ (b) **2 and 4 only**
(c) **1, 2 and 4 only** (d) ~~1, 2, 3 and 4~~

100% Surety

50:50

After elimination, both B and C contain “2 and 4” so we’ve to accept them as true instead of OVERTHINKING. हमें उन्हें सच मान ही लेना है



Find Correct Statements

1. Ability to pay principle of taxation holds that the amount of taxes people pay should relate to their income or wealth
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Answer Codes:

(a) ~~1 and 3 only~~

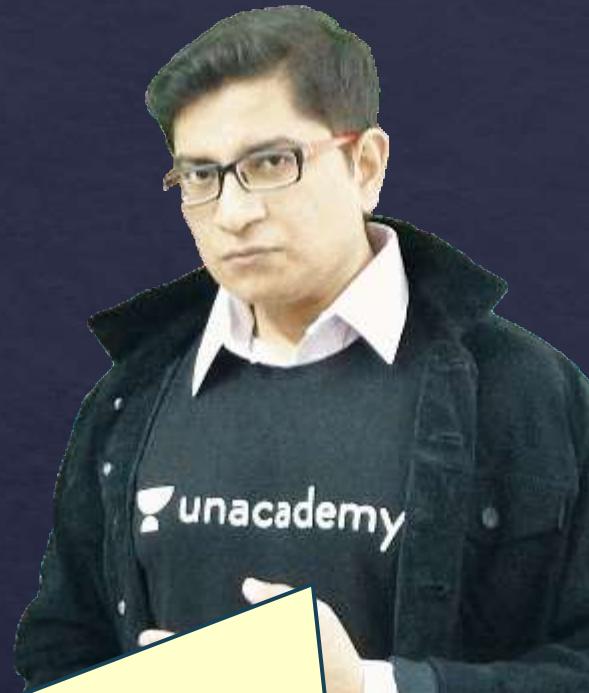
(c) ~~1, 2 and 4 only~~

(b) ~~2 and 4 only~~

(d) ~~1, 2, 3 and 4~~

100% Surety

50:50



- First statement is also right.
- Although did not teach it / gave in handout because Many such principles,
- poor cost: benefit beyond a point
- अलग-अलग अर्थशास्त्री होने इतने सारे सिद्धांत दिए हैं कि वह सब पढ़ने गए तो फायदा कम नुकसान ज्यादा. 50:50 kro

Direct Taxes on INCOME



Union

- Corporation tax,
- Minimum Alternate tax (MAT)
- Income Tax (except Agri)
- Capital Gains Tax (CGT)

Will study them in detail in next segment

Direct Taxes on INCOME



Union

- Corporation tax,
- Minimum Alternate tax (MAT)
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Will study them in detail in next segment



State

Although not taken in most states due to vote bank populism. कृषि आय पर आयकर

- Agriculture Income tax
- Professional tax (Although Constitutional ceiling of maximum ₹2500 per year)

व्यावसायिक कर: professional tax = डॉक्टर, चार्टर्ड अकाउंटेंट वगैरा पेशेवरों ने थोड़ा पैसा भरना पड़ता है

Direct Taxes on Assets, Transactions



Shares-bond etc
buying/ selling

Union

- Securities Transaction Tax (STT)
- & Commodities Transaction Tax (CTT)
- *Dividend Distribution Tax (DDT)- 2020
- *Wealth Tax removed in 2016
- *Banking Cash Transaction Tax
- *Estate Duty

Pink = Abolished over the years.



State

- Land Revenue
- Property tax in urban areas* (sometimes assigned to Municipal Corporation)
- Stamp Duty/Registration duty on purchasing property

Because very
little income

Yellow= debatable “direct taxes”. Some cases buyer submits, some cases seller.
 Don't lose sleep

Direct Taxes on Assets, Transactions → 2005-09: Banking Cash Transaction Tax (BCTT)



खुद के बैंक खाते से पैसा निकाला तो भी टैक्स लगता था 😠

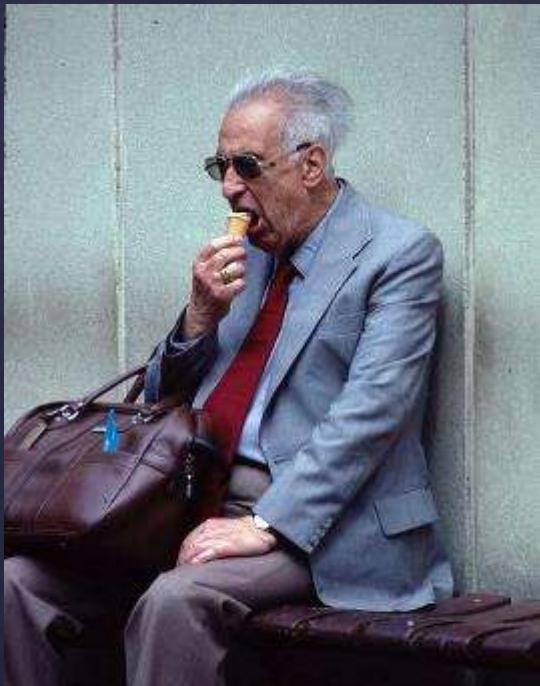


withdrawal of cash on a single day of
₹10,000/ or more from banks.
= 0.1% BCTT

- Helped in **data-mining** of source and destination of cash-transactions. Bogus bills, dummy firms used **for tax evasion.** करचोरी पर निगरानी रखने के लिए आंकड़े मिल गए
- Encouraged **cashless transactions**

Direct tax on “assets”: Estate duty (Inheritance tax) (abolished in 80s)

बापदादा की मृत्यु पर विरासत में जो संपत्ति मिली उस पर लगने वाला विरासत कर



1) Dies. Property, estate,
land goes to the nominee



2) Estate Duty

- No certainty for the tax authority के when will a person die and we'll get this tax. 😠
- Scope for evasion by not reporting death / inheritance to tax officials. 😠



Direct tax on “expenditure”: Gift tax (abolished in 90s)

उपहार कर- किसी को कीमती चीज उपहार में देने पर लगने वाला कर



Gift tax abolished. Now what happens when receiving gift?

खेर अब तो रहू कर दिया, तो अगर कीमती गिफ्ट मिले → उसपे कोई टैक्स लगता है कि नहीं?



Direct tax on “expenditure”: Fringe Benefit Tax (FBT)

आपका मालिक, तनख्वाह के अलावा कर्मचारी को और भी जो लाभ देता हो उस पर कर



1) Salaries to employees

3) Other Fringe benefits

- ✓ golf membership fees
- ✓ gymkhana membership fees

Fees pe 30% FBT

Fees pe service tax



Direct tax on “expenditure”: Fringe Benefit Tax (FBT)

अब इस प्रकार के लाभ को कर्मचारी की आमदनी में गिनके आयकर मांगते हैं



1) Salaries to employees

3) Other Fringe benefits

- ✓ golf membership fees
- ✓ gymkhana membership fees

Fees pe 30% FBT

Fees pe service tax-GST



Fringe benefits counted in
taxable income** → Income
Tax



Direct Taxes on expenditure



Union



Customer himself had to pay tax on the hotel bill.

Pink = Abolished over the years.



State



- #Road Tax on buying vehicles: buyer submits to State Govt
- Although debatable as in some States/categories of vehicles- seller will collect & submit.
- But don't lose sleep.

- हालांकि विद्वानों में मतभेद है कि ये वाला प्रत्यक्ष कर है या परोक्ष कर क्योंकि कुछ राज्यों में buyer भरता है तो कुछ राज्यों में seller भरता है.
- लेकिन हम इस पर PHD नहीं करेंगे

Direct Taxes	 of Union Govt. * Means Abolished	 Of State Govt.
 On income (आय पर)	<ul style="list-style-type: none"> - Corporation Tax, Minimum Alternate Tax (MAT) - Income Tax on income except agri. - Capital Gains Tax (CGT) -  *Dividend Distribution Tax (DDT) 	<ol style="list-style-type: none"> 1. Agriculture Income tax 2. Professional Tax (Constitutional ceiling of max ₹2500 per year)
 On assets, transactions (संपत्ति, लेनदेन पर)	<ul style="list-style-type: none"> - Securities Transaction Tax (STT) & Commodities Transaction Tax (CTT) -  *Wealth Tax (संपत्ति कर) -  *Banking Cash Transaction Tax -  *Estate Duty 	<ol style="list-style-type: none"> 1. Land Revenue (भू राजस्व) 2. Stamp/Registration duty 3. Property tax in urban areas (शहरी क्षेत्रों में संपत्ति कर)
 On expenditure (खर्च)	<ul style="list-style-type: none"> -  *Hotel Receipt Tax, *Gift Tax -  *Fringe Benefit Tax i.e. When the 	#Road Tax (although debatable as in some States/categories of

Corporation tax, MAT, CGT, IT
= upcoming lectures

Paper Taxes (कागजी कर)

◆ Govt never earned large amount of money from

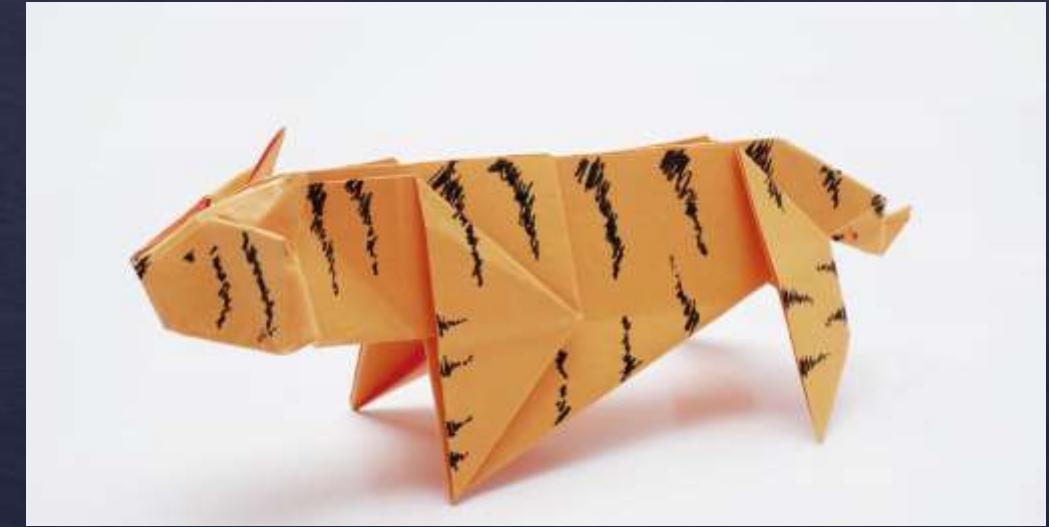
◆ wealth tax

◆ gift tax

◆ estate duty.

◆ So informally called ‘paper taxes’.

◆ (सरकार को कभी भी संपत्तिकर, भेंट कर, और एस्टेट छ्यूटी में से बहुत ज्यादा माला में आमदनी नहीं हुई इसलिए इनको कागजी कर कहा जाता था.)



Audio/Video
Problem?

Edu Doubt?
Ask through

Google
Forms

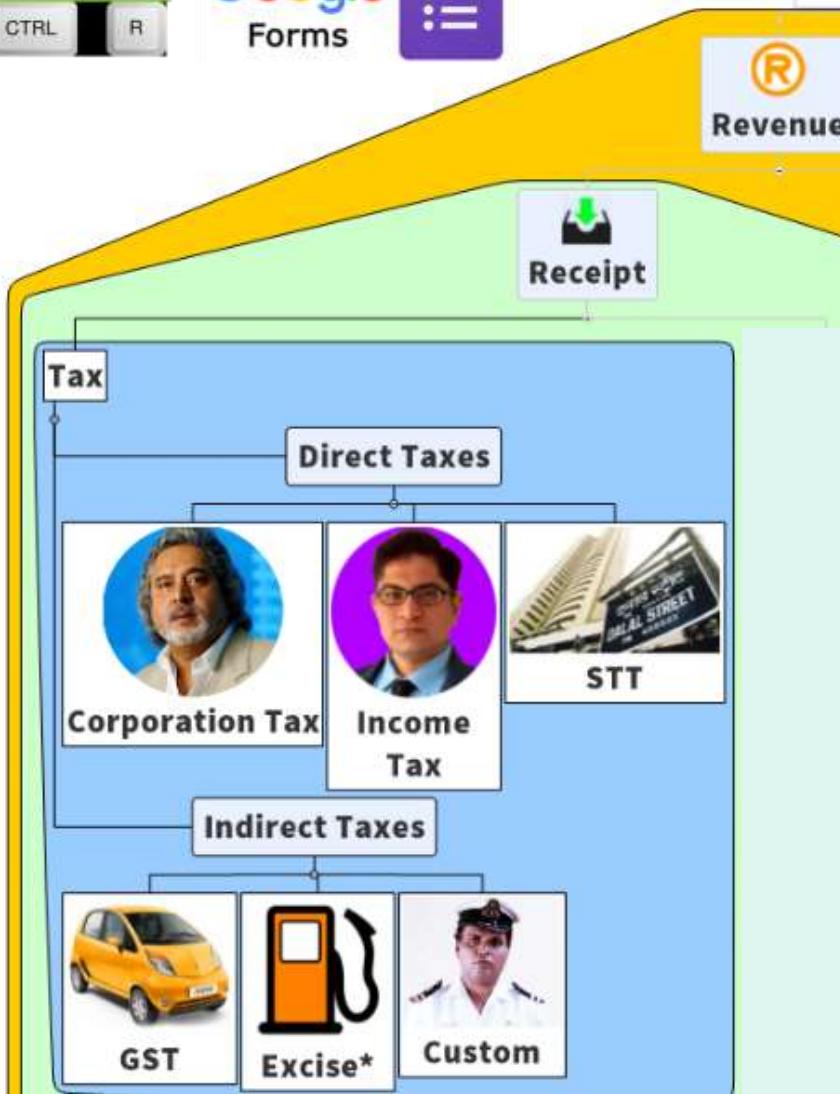


CTRL R

Ctrl R

Pillar2A-2: Taxation- Basics

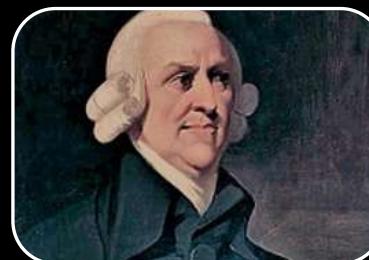
handout



Direct vs Indirect



Progressive vs
Regressive Taxes



Canons of
Taxation



Direct Taxes of
Union and States



Merit & Demerits
of Direct Taxes



Tax, Cess,
Surcharge

20.8.2 Types of taxes: Progressive vs Regressive vs Proportional

Example

If Govt. had a single 10% flat rate direct tax on income irrespective of whether you're a poor, middle class, upper middle class or a rich person. Then each taxpayers' same proportion of income(10%) will go into taxes.

- Progressive** (प्रगामी)
- 5%-20%-30% income tax slabs depending on your income.
 - Thus, richer the person, bigger proportion of his income will go into taxes. Thus, direct taxes are progressive in nature.
 - Misc. term: **Degressive tax**: It is a blend of progressive tax and proportional tax. If a direct tax increases upto a point & after that limit, a uniform ratio is charged (5-10-10-...10). So, its partly proportional because tax rate remains unchanged even if income increases. (But further PHD/hairsplittery not req on this term.)

- Regressive** (प्रतिगामी)
- 18% GST on Biscuits worth ₹100 = ₹18 paid as (indirect) tax.
 - When Mukesh Ambani buys one packet, and a poor man buys one packet, greater proportion of poorman's income is gone in taxes. Thus, indirect taxes are regressive in nature.

MCQ. Which one of following is a progressive tax structure? [UPSC-CDS-2015-II]

- (a) Tax rate is the same across all incomes (b) Tax rate increases as income increases
(c) Tax rate decreases as income increases (d) Each household pays equal amount of tax

20.8.3 Adam Smith's 4 canons of taxation (करधान के चार सिद्धांत)

1. Canon of Equality (समानता का सिद्धांत): Tax should be equal /proportionate to income. Rich people should pay more taxes than poors.
2. Canon of Certainty (निश्चयता का सिद्धांत): dates, slabs, % should be definite & told in advance. Randomly govt should not demand "x%" tax to build statue, temple or mosque.
3. Canon of Convenience (सुविधा का सिद्धांत): tax payer shouldn't be made wait for a kilomryrt long queue & fillup 50 pages worth tax forms.
4. Canon of Economy (मितव्यता का सिद्धांत): to collect ₹ 100 crore tax, govt shouldn't be spending ₹ 99 crores in salaries of tax officials.

Q. Which of the following was not advocated by Adam Smith? (UPSC-CDS-2019-1)

- a) Canon of equality b) Canon of certainty
c) Canon of convenience d) Canon of fiscal adequacy

Merits of Direct Taxes- प्रत्यक्ष करों के फायदे क्या है

1. **Progressive** (richer the person higher the tax) So, income inequality can be ↓ समानुपाती. आमिर की जेब से ज्यादा जाता है. गरीब कल्याण योजना में इस्तेमाल → आय की असमानता काम कर सकते हैं



2. To encourage savings & investment: Income tax deduction/exemptions can be given on NPS/PPF/LIC policy etc. आयकर में माफी या छूट देकर लोगों में बचत की भावना बढ़ा सकते हैं.

3. **Elasticity**: quick results when raised / lowered.
लचीलापन है- प्रतिशत में थोड़ी भी बढ़ोतरी या कटौती से तुरंत प्रभाव दिखता है



Merits of Direct Taxes-प्रत्यक्ष करों के फायदे क्या है



4. Certainty (when and how) निश्चिता है

5. Can ↓ volatility in International currency

exchange rates by imposing **Tobin Tax** on such transactions. (more in Next class) विनिमय दर में स्थिरता

6. Promotes **civic consciousness** as the citizen directly feels the ‘pinch of tax’. आप को चुभता है इसलिए नागरिक चेतना फैलाता है

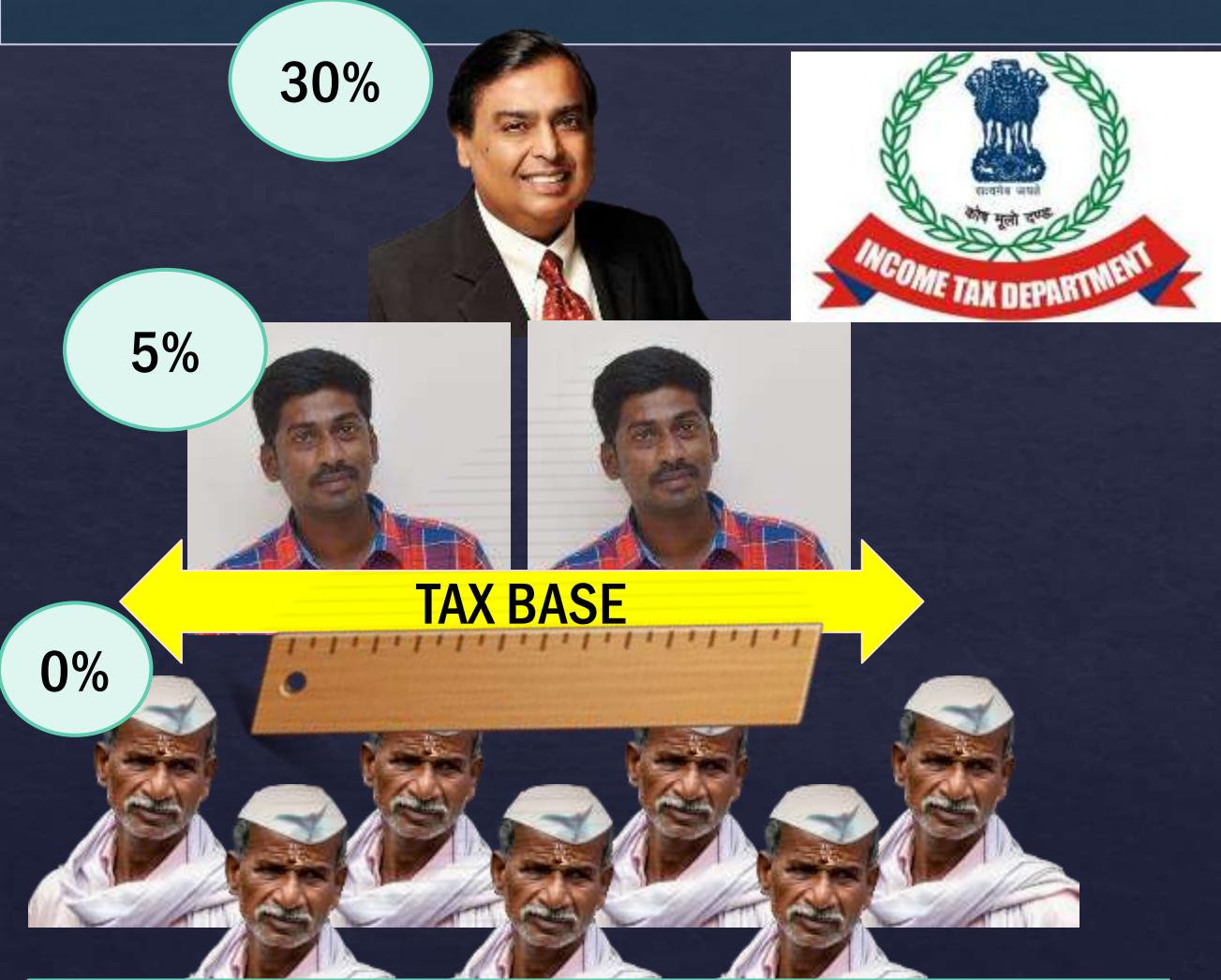
“civic consciousness”: Income tax payers feel outraged, may file PILs



Rs 400 Crore of Taxpayers' Money Spent on New Secretariat a 'National Waste': Madras HC

The state government had earlier informed the court that it would not revive the Raghupathy Commission of Inquiry set up by the then AIADMK government in 2011 to probe alleged irregularities in construction of the new secretariat in Chennai during the DMK rule.

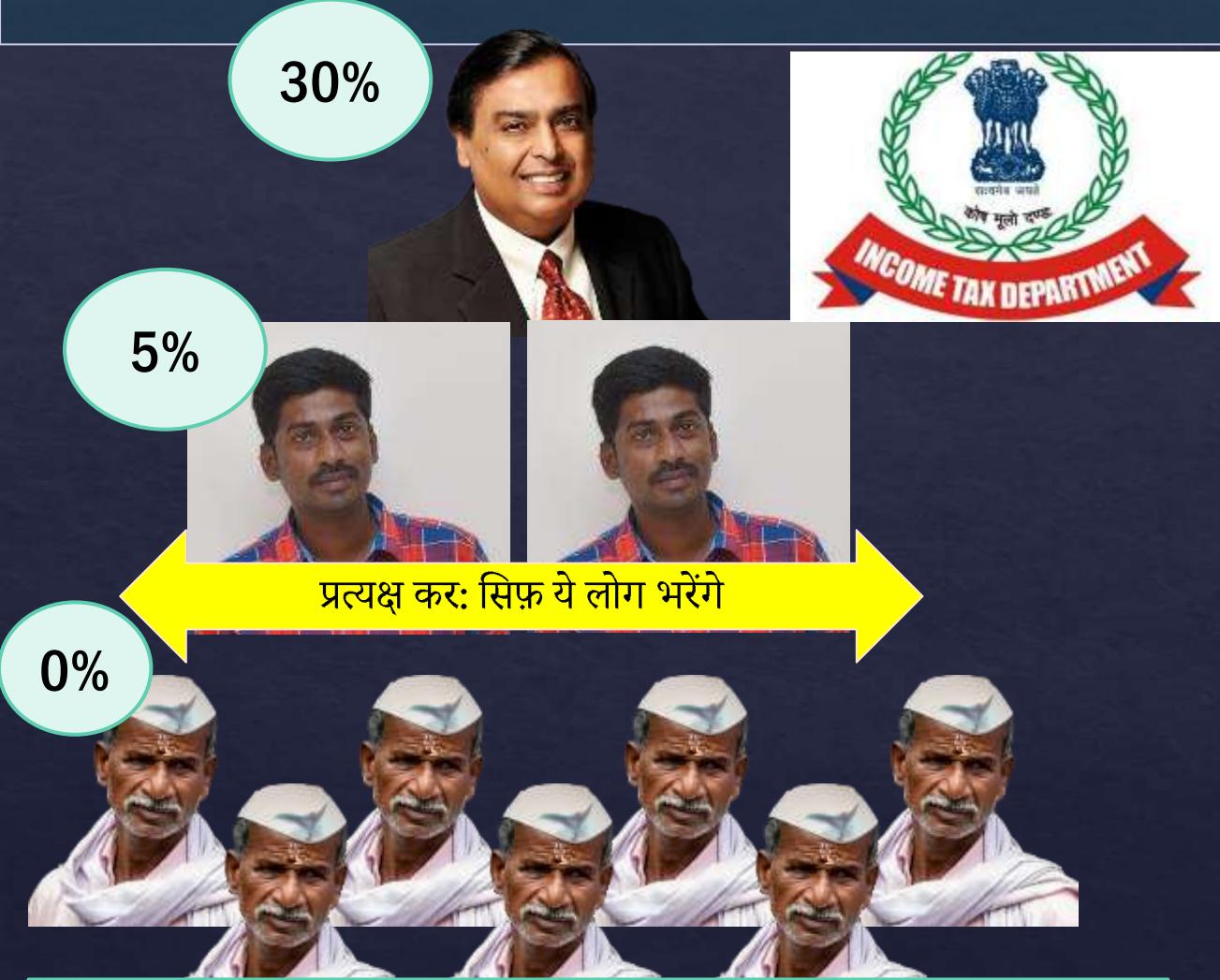
direct taxes have narrower base



Upto 2.5 lakh taxable income =0% IT.
Adam Smith's Canon of Economy.

आयकर जेसे प्रत्यक्ष कर
एकदम गरीब लोगों से तो लेते
ही नहीं तो यानी
इस पिरामिड की चौड़ाई
कम होगी

Indirect taxes have wider base



Upto 2.5 lakh taxable income = 0% IT.
Adam Smith's Canon of Economy.



Anyone buying biscuit = GST

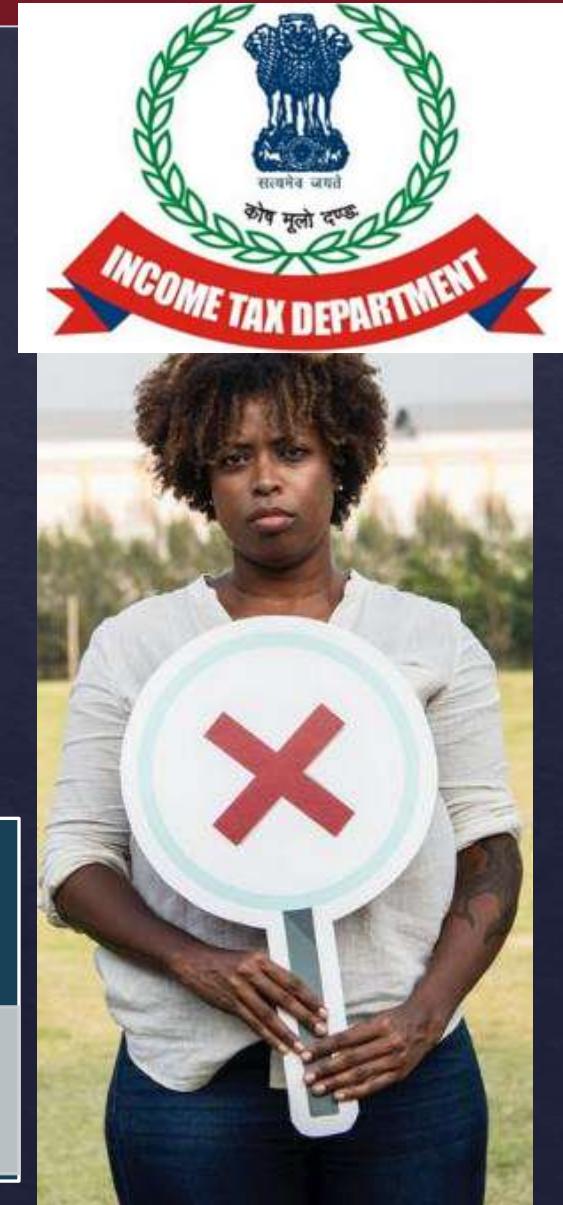
Demerits of Direct Taxes- प्रत्यक्ष कर - नुकसान क्या है

- ❖ 😟 Collection expensive (Tax officers/ staff salary, database Management etc.)
- ❖ 😟 narrow base. Because 'uneconomic' to charge 1% income tax on annual ₹100,000 earning family. सब गरीबों से आय कर मांगने गए तो स्टाफ की तनख्वाह महंगी पड़ेगी
- ❖ 😟 Hardship not counted: (आपकी मेहनत और असुविधा को नहीं देखता)

Suppose 5% Income Tax on ₹3 lakh income

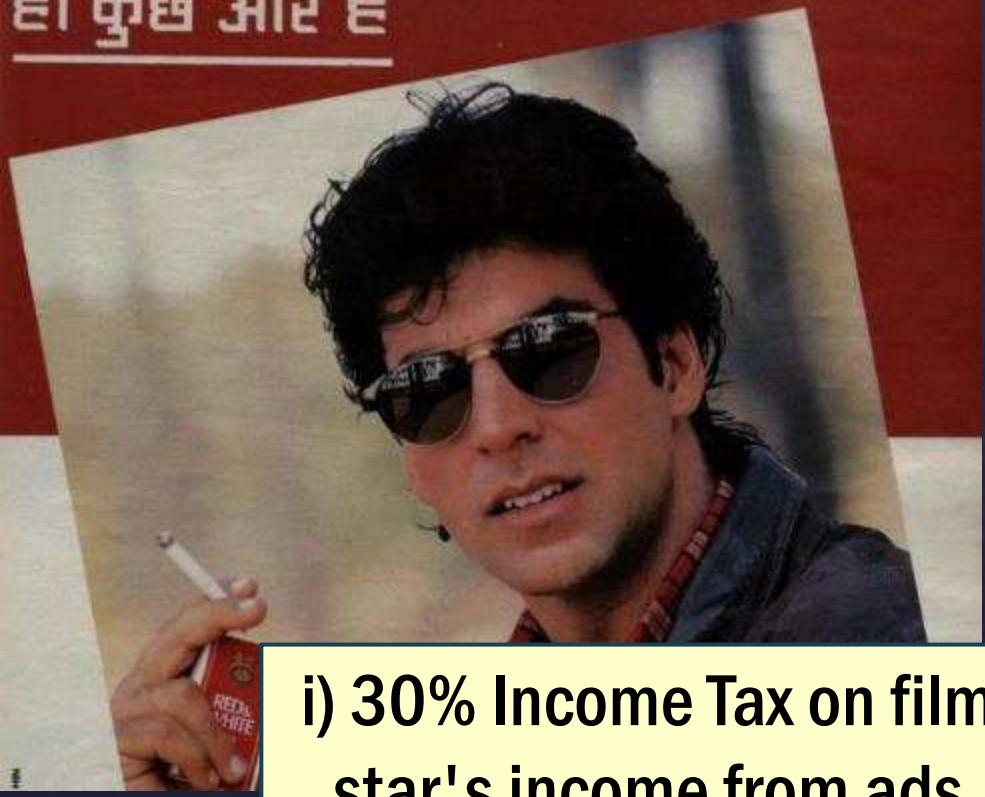
😟 Working Carpenter 2400 calories burned each day

😴 sleeping landlord: 100 calories burden each day

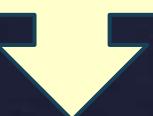


“Externality” = impact on unrelated third party

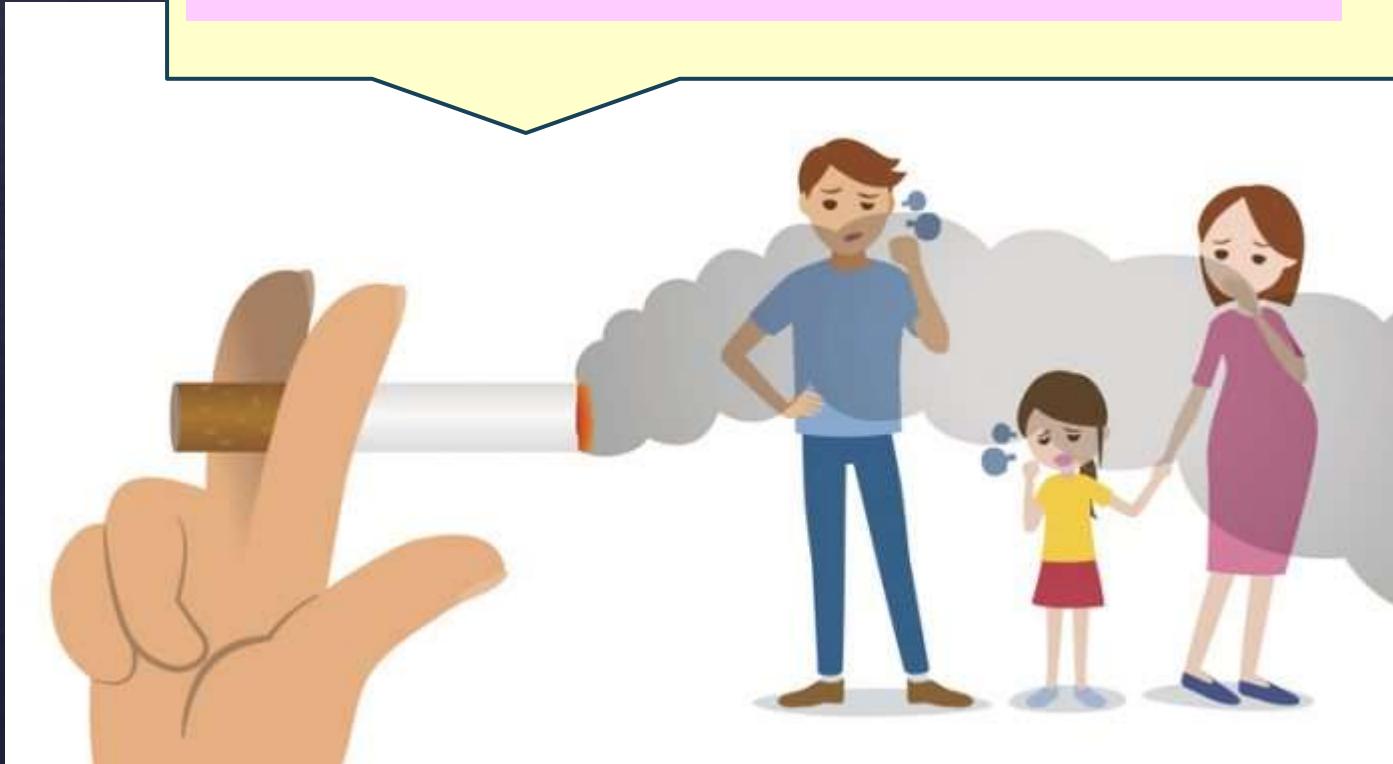
हम दें एक व्हाइट
पीने वालों की बात
ही कुछ और है



i) 30% Income Tax on film
star's income from ads



ii) Unrelated parties harmed by
“Passive smoking”
= NEGATIVE Externality नकारात्मक बाह्यता



“Externality” = impact on unrelated third party

2) Max. 30% IT on author's
royalty from a book



1) Book: “We should respect women. We must not ask for Dowry. महिला सम्मान, दहेज निषेध

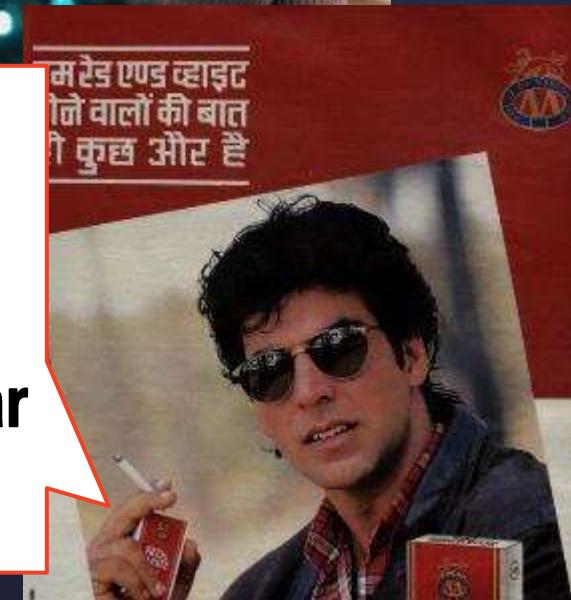
3) Unrelated parties
benefitted in “Gender
empowerment, equality”
= Positive Externality

सकारात्मक बाह्यता



4) लेखक महाशय ने महिला सशक्तिकरण की
किताब लिख दी तो क्या हुआ??...

Income Tax on author = MAX 30%
जितना cigarette ad income of film star
= MAX 30%!!! 😊



Demerits of Direct Taxes- प्रत्यक्ष करो के नुकसान 😢



😢 Externality not counted.

- Irrespective of whether person earns from books or cigarettes same% Direct Tax on his income.



😢 High level of direct tax= बहुत ज्यादा माला में लिया तो

- laziness, no encouragement to work,** आलस्य उत्पन्न करेगा
- less foreign investment विदेशी निवेशक भी कम आएगा, कि इतना टैक्स कौन भरे



😢 Prone to litigation & loopholes,

- tax evasion, Tax avoidance. कर चोरी, मुकदमे बाजी
- (More in future Pillar2B: Blackmoney lecture)

राजा सी बड़ी- राजा के वकीलों की फौज



Audio/Video
Problem?

Edu Doubt?
Ask through

Google
Forms

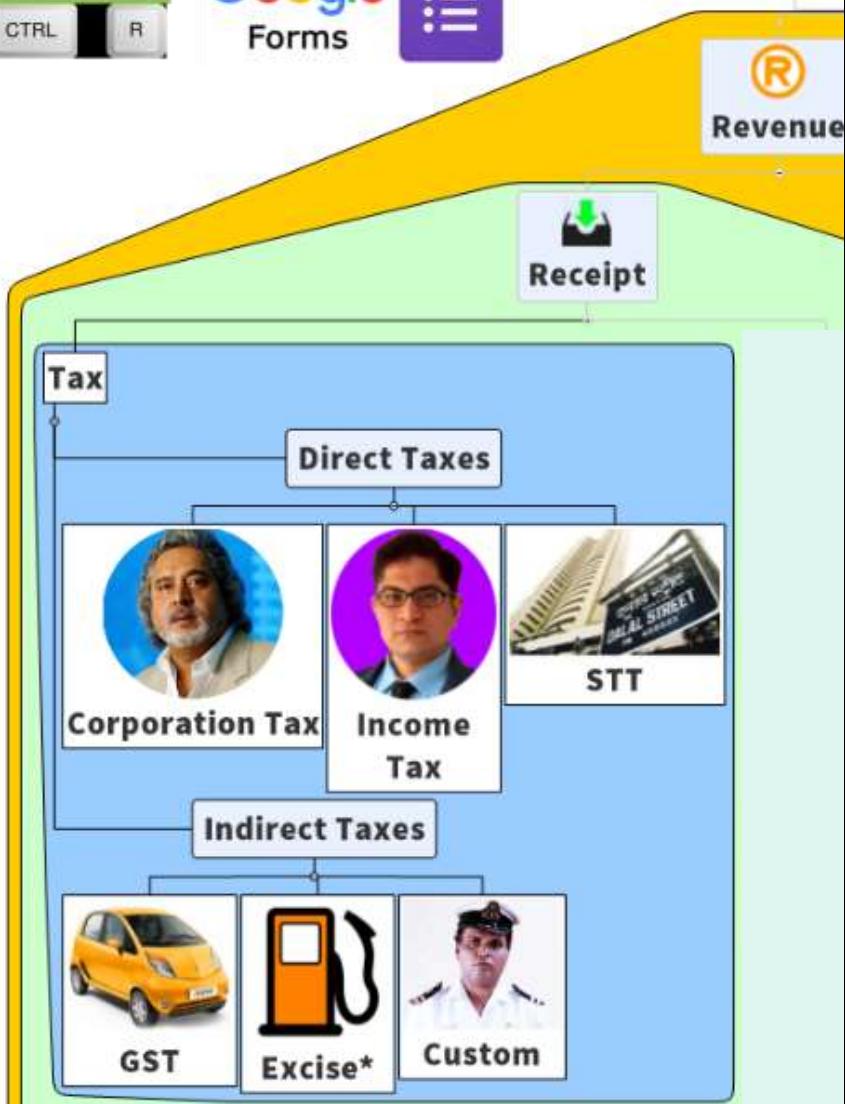


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Pillar2A-2: Taxation- Basics

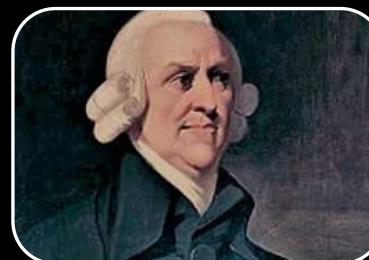
handout



Direct vs Indirect



Progressive vs
Regressive Taxes



Canons of
Taxation



Direct Taxes of
Union and States



Merit & Demerits
of Direct Taxes



Tax, Cess,
Surcharge

20.8.2 Types of taxes: Progressive vs Regressive vs Proportional

Example

If Govt. had a single 10% flat rate direct tax on income irrespective of whether you're a poor, middle class, upper middle class or a rich person. Then each taxpayers' same proportion of income(10%) will go into taxes.

- Progressive** (प्रगामी)
- 5%-20%-30% income tax slabs depending on your income.
 - Thus, richer the person, bigger proportion of his income will go into taxes. Thus, direct taxes are progressive in nature.
 - Misc. term: **Degressive tax**: It is a blend of progressive tax and proportional tax. If a direct tax increases upto a point & after that limit, a uniform ratio is charged (5-10-10-...10). So, its partly proportional because tax rate remains unchanged even if income increases. (But further PHD/hairsplittery not req on this term.)

- Retrogressive** (प्रतिगामी)
- 18% GST on Biscuits worth ₹100 = ₹18 paid as (indirect) tax.
 - When Mukesh Ambani buys one packet, and a poor man buys one packet, greater proportion of poorman's income is gone in taxes. Thus, indirect taxes are retrogressive in nature.

MCQ. Which one of following is a progressive tax structure? [UPSC-CDS-2015-II]

- (a) Tax rate is the same across all incomes (b) Tax rate increases as income increases
(c) Tax rate decreases as income increases (d) Each household pays equal amount of tax

20.8.3 Adam Smith's 4 canons of taxation (करधान के चार सिद्धांत)

1. Canon of Equality (समानता का सिद्धांत): Tax should be equal /proportionate to income. Rich people should pay more taxes than poors.
2. Canon of Certainty (निश्चयता का सिद्धांत): dates, slabs, % should be definite & told in advance. Randomly govt should not demand "x%" tax to build statue, temple or mosque.
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Q. Which of the following was not advocated by Adam Smith? (UPSC-CDS-2019-1)

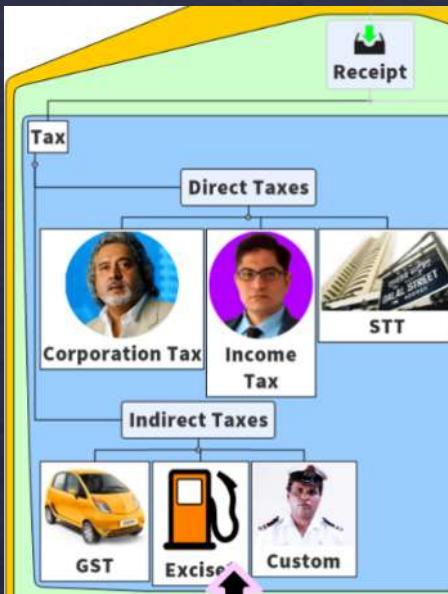
- a) Canon of equality b) Canon of certainty
c) Canon of convenience d) Canon of fiscal adequacy

Finance Commission is setup under Article 280

केंद्र और राज्यों को अपने करो से हिस्सा नहीं देगा तो प्रादेशिक संतुलन बिगड़ेगा



41% vertical tax devolution



Union



Guj



KERALA



Bihar

- State government's taxation powers is low.
- so if union doesn't share of its revenue with states in equitable manner
- Then ↑ regional disparities
- Therefore FC required

मान लो, Rich man: pay 50k as IT + 10% surcharge + 4% CESS

₹50,000
Income
Tax

10%
Surcharge
on Tax

4% CESS
on Tax &
Surcharge

??



Consolidated
Fund of India



- “TAX” ₹₹ will go to consolidated fund of India
 - ₹₹ be shared with States as per Finance Commission Formula. वित्त आयोग की सिफारिश के हिसाब से राज्यों को हिस्सा
- **GST slightly different. We'll learn it later.

Rich man: pay 50k as IT + 10% surcharge + 4% CESS

surcharge: अधिभार की रकम केंद्र अपनी मर्जी से खर्च करेगी वित्त आयोग चूं नहीं करेगा

50000
Income
Tax



CFI



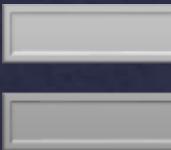
10%
Surcharge
on Tax



CFI



4% CESS
on Tax &
Surcharge



??

- Modi can spend surcharge as per his wish. सरकार मनचाहे रूप से यह पैसा खर्च करेगी
- Usually, motive not specified. सामान्य रूप से इस्तेमाल का उद्देश्य बताया नहीं जाता
- Except Budget 2018 introduced 10% Social Welfare Surcharge on customs duty on imported items. हालांकि बार एक बार उद्देश्य बताकर लगाया था

Cess (उपकर) = Tax on (Tax + surcharge)

उपकर की रकम केंद्र अपनी मर्जी से खर्च करेगी. वित्त आयोग चूं नहीं करेगा

Ispe bhi CESS

50000
Income Tax



CFI



Ispe bhi CESS

10%
Surcharge
on tax



CFI



4% CESS
on
surcharge
& Tax

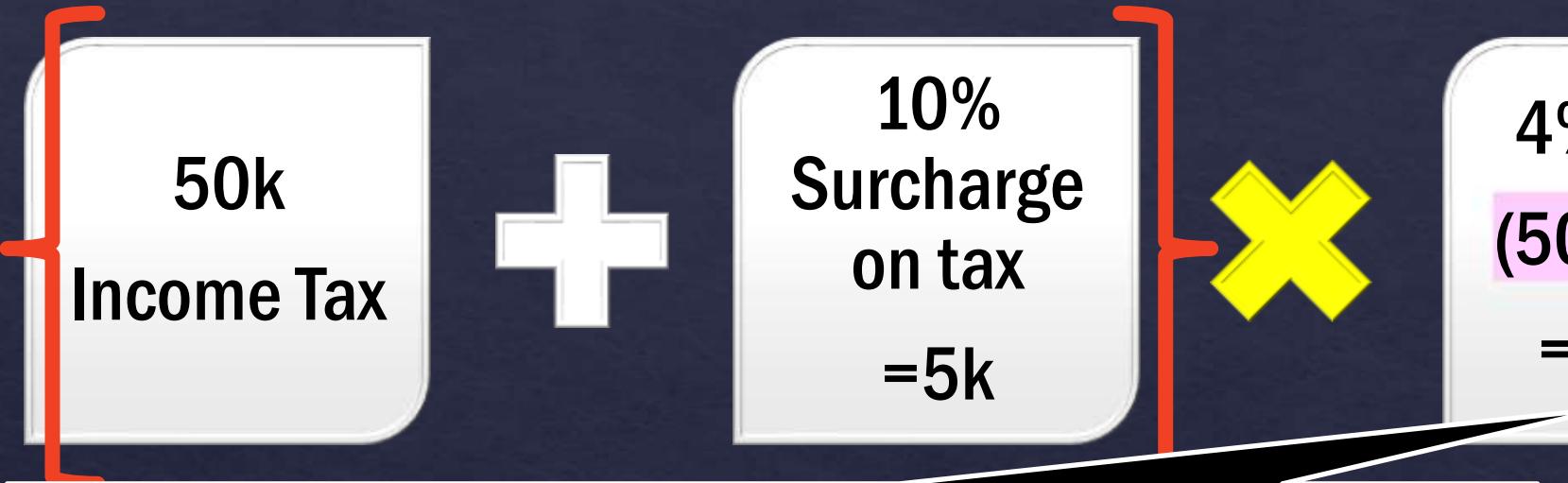


Public Account



??

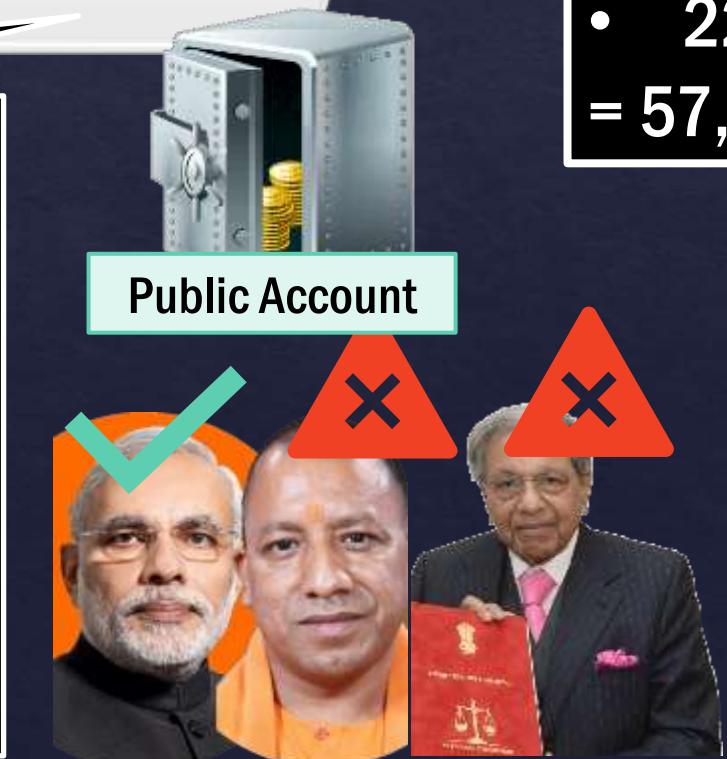
Cess (उपकर) = Tax on (Tax + surcharge)



Total

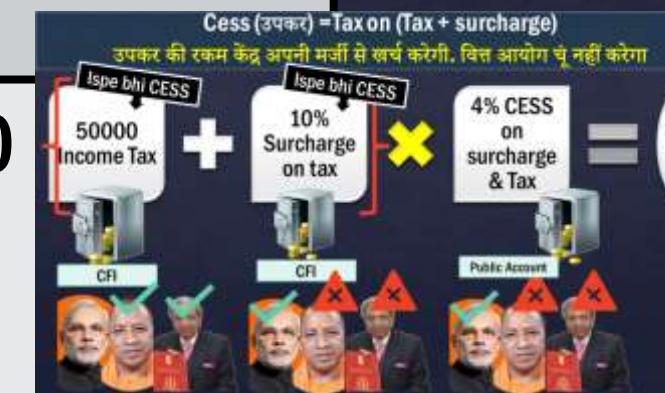
- 50k IT
- 5k Surcharge
- 2200
- = 57,200

- MOTIVE / objective is specified e.g. 4% health edu cess, infrastructure cess, Swatchh Bharat cess etc. स्पष्ट उद्देश्य बताकर ली जाती है
- Modi has to spend it on specific objective only.
- **GST cess compensation mechanism slightly different. We'll learn it later.



pay 50k as IT + 10% surcharge + 4% CESS

	Item	Percentage	Amount
A	Income	--	5 lakh
B	Income Tax	10% of income (5 lakh)	50,000
C	Surcharge on Income tax	10% on income tax (50,000)	5000
D	Cess on (Income Tax + Surcharge)	4% ($50,000+5,000$)	2200
	Total Tax + surcharge + Cess	B+C+D	57,200





Public Account setup under Art.266

Union Tax →	Cess on Tax →	Goes to Public Account's →	Will this Cess ₹ ₹ goto States? Who decides?
Petrol & Diesel → Excise Duty (indirect tax)	Road and Infrastructure Cess →	Central Road & Infrastructure Fund →	👉 Finance Commission can't SAY

पेट्रोल डीजल के उत्पादन पर लगता है उत्पाद शुल्क और उस उत्पाद शुल्क पर लगता है उपकर



Public Account setup under Art.266

Union Tax →	Cess on Tax →	Goes to Public Account's →	Will this Cess ₹ ₹ goto States? Who decides?
Petrol & Diesel → Excise Duty (indirect tax)	Road and Infrastructure Cess	Central Road & Infrastructure Fund	👉 Finance Commission can't SAY

- 1) fund was setup under **Central Road Fund Act 2000**. So while enacting that Act, **Parliament permission taken.** पहली बार फंड/ कोष बनाने के लिए संसद की अनुमति लेनी होगी- एक कानून पास करवा कर
- Afterwards, parliament **permission not req.** to **withdraw money** from it every time. उसके बाद हर बार खर्च करने के लिए संसद की अनुमति



Public Account setup under Art.266

Union Tax →	Cess on Tax →	Goes to Public Account's →	Will this Cess ₹ ₹ goto States? Who decides?
Petrol & Diesel → Excise Duty (indirect tax)	Road and Infrastructure Cess	Central Road & Infrastructure Fund	Union 2) Not necessary at every Cess has a dedicated fund named after them in Public Account. Some simply go in Public Account हालांकि यह जरूरी नहीं कि हर cess का अपना अलग फंड हो

- 1) fund was setup under **Central Road Fund Act 2000**. So while enacting that Act, **Parliament permission taken**. पहली बार फंड/ कोष बनाने के लिए संसद की अनुमति लेनी होगी
- Afterwards, **parliament permission not req. to withdraw money from it every time**. हर बार खर्च करने के लिए संसद की अनुमति

Pradhan Mantri Swasthya Suraksha Nidhi (PMSSN) 2021-March

उपकार का पैसा इस फंड में डालेंगे और विविध स्वास्थ्य योजनाएं चलाएंगे

- ◆ Govt levies 4% Health & Education Cess on direct taxes such as income tax & corporation tax. (What is Cess? Ref: Pillar#2A) प्रत्यक्ष करों पर स्वास्थ्य व शिक्षा उपकर
- ◆ 2021-March: govt created a new “Non-Lapsable” fund under Public Account. लोक लेखा में एक गैर-व्यप्तगत निधि बनायी जाएगी
- ◆ (What is “Non-Lapsable fund? Ref: Pillar#2D).

Income Tax, Corp Tax

Ke upar 4% cess



Name-Pradhan
Mantri Swasthya
Suraksha Nidhi
(PMSSN)

Pradhan Mantri Swasthya Suraksha Nidhi (PMSSN) 2021-March

उपकर का पैसा इस फंड में डालेंगे और विविध स्वास्थ्य योजनाएं चलाएंगे

- ◆ Health ministry will use ₹₹ for money for
- ◆ 1) Ayushman Bharat & its sub schemes like PM-JAY (5L-Health insurance),
- ◆ 2) Pradhan Mantri Swasthya Suraksha Yojana (setting up AIIMS-like institutions in every state & upgrading government medical colleges).
- ◆ 3) National Health Mission (NHM) राष्ट्रीय स्वास्थ्य मिशन
- ◆ 4) Health emergencies like Corona स्वास्थ्य आपदाएँ

More in  Pillar#6:HRD → Health

IT, Corp Tax

Ke upar 4% cess



Name-Pradhan
Mantri Swasthya
Suraksha Nidhi
(PMSSN)

स्वाभाविक है कुछ लोग भावुक हो जाते हैं 😢 some people get very emotional



What is the name of the act / law using which
Pradhan Mantri Swasthya Suraksha Nidhi
(PMSSN) कौन से कानून से यह बनाया



1. Government press release never bothered to explain / highlight it in great manner.
2. Most probably under Finance Act
3. But we need not waste time google search over it.
4. जो ढिलोरा पीटकर सरकार ने घोषित नहीं किया हो तो खुद से हम ढूँढने नहीं बैठेंगे



All you wanted to know about Agriculture Infrastructure Development Cess

Shishir Sinha | Updated on February 15, 2021



AGRICULTURE INFRASTRUCTURE DEVELOPMENT CESS

The Budget for 2021-22 may have refrained from tinkering with your taxes, but it has proposed a

– Agriculture Infrastructure Development Cess.



Where is this given
in hand out ?

 **Budget-2021 introduced
it on indirect taxes
So wait till
Pillar#2 Handout#2
on Indirect taxes & GST**



► **FAQ: IS it compulsory that every tax MUST have Cess and Surcharge on it?**

Not compulsory. Depends on Govt's mood / discretion. (सरकार की मर्जी पर निर्भर)

I've 500 jaat ke doubts

► **FAQ: Is Cess applicable only on direct taxes OR on indirect taxes?**

Some of them applicable on direct taxes. Some of them applicable on indirect taxes.

Cess examples →	Applicable on
Health & Education Cess →	Levied on Direct Taxes such as Income Tax, Corporation Tax
Health Cess →	Levied on Customs Duty on Imported Medical Devices
Agriculture Infrastructure and Development Cess	Levied on Customs Duty on some products Levied on Excise Duty on some products
Road & Infrastructure Cess	Levied on Excise Duty on Petrol, Diesel
GST Compensation Cess	Levied on GST on some products e.g. Vimal Gutkha, cars etc.

► **FAQ: Is “Health Cess” and “Health & Education Cess” same or different?**

Ans. Different. Observe table given above.

Answered in latest handout

► **FAQ: I've 500 other doubts.** Ans. Not important for UPSC exam. # થોડા-પઢો-આગે-બઢો

Audio/Video
Problem?

Edu Doubt?
Ask through

Google
Forms

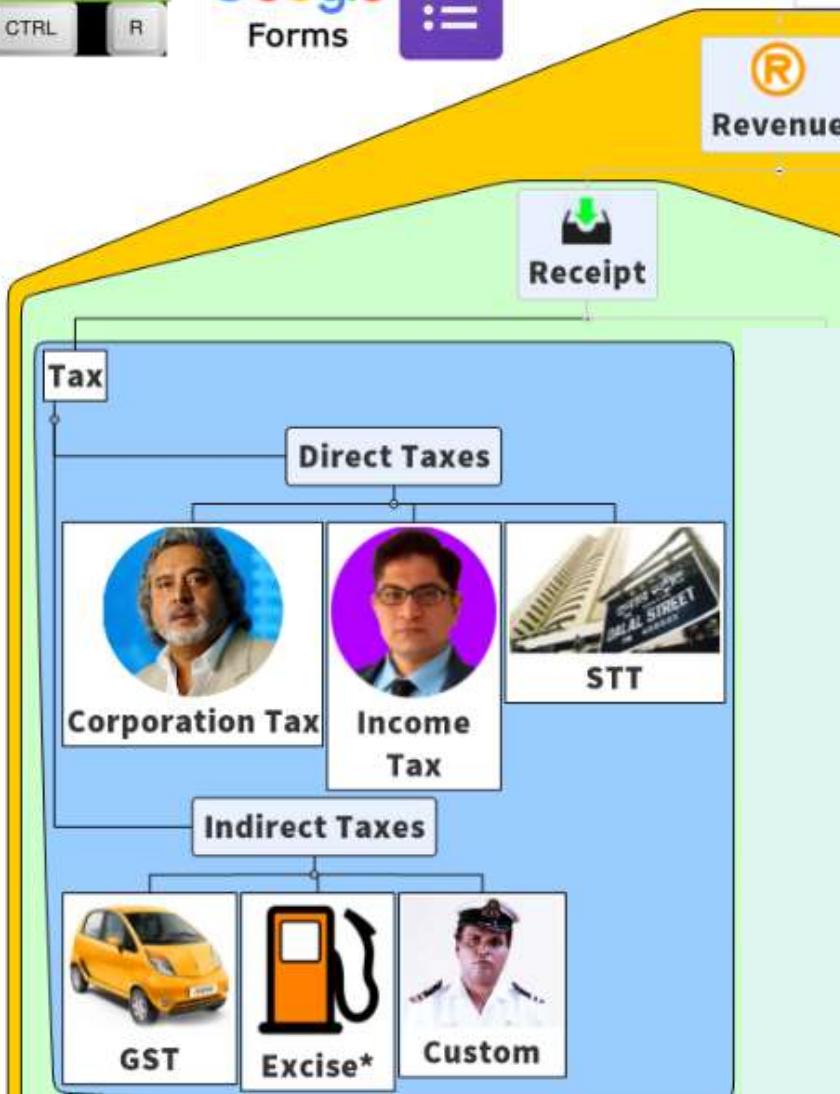


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Pillar2A-2: Taxation- Basics

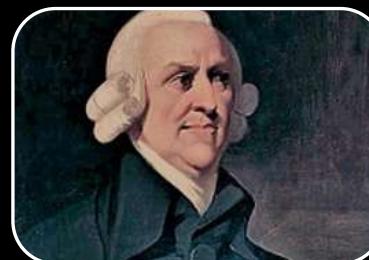
handout



Direct vs Indirect



Progressive vs
Regressive Taxes



Canons of
Taxation



Direct Taxes of
Union and States



Merit & Demerits
of Direct Taxes



Tax, Cess,
Surcharge

20.8.2 Types of taxes: Progressive vs Regressive vs Proportional

Example

If Govt. had a single 10% flat rate direct tax on income irrespective of whether you're a poor, middle class, upper middle class or a rich person. Then each taxpayers' same proportion of income(10%) will go into taxes.

- Progressive** (प्रगामी)
- 5%-20%-30% income tax slabs depending on your income.
 - Thus, richer the person, bigger proportion of his income will go into taxes. Thus, direct taxes are progressive in nature.
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- Regressive** (प्रतिगामी)
- 18% GST on Biscuits worth ₹100 = ₹18 paid as (indirect) tax.
 - When Mukesh Ambani buys one packet, and a poor man buys one packet, greater proportion of poorman's income is gone in taxes. Thus, indirect taxes are regressive in nature.

MCQ. Which one of following is a progressive tax structure? [UPSC-CDS-2015-II]

- (a) Tax rate is the same across all incomes (b) Tax rate increases as income increases
(c) Tax rate decreases as income increases (d) Each household pays equal amount of tax

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Q. Which of the following was not advocated by Adam Smith? (UPSC-CDS-2019-1)

- a) Canon of equality b) Canon of certainty
c) Canon of convenience d) Canon of fiscal adequacy



Edu Doubt?
Ask through

Google
Forms

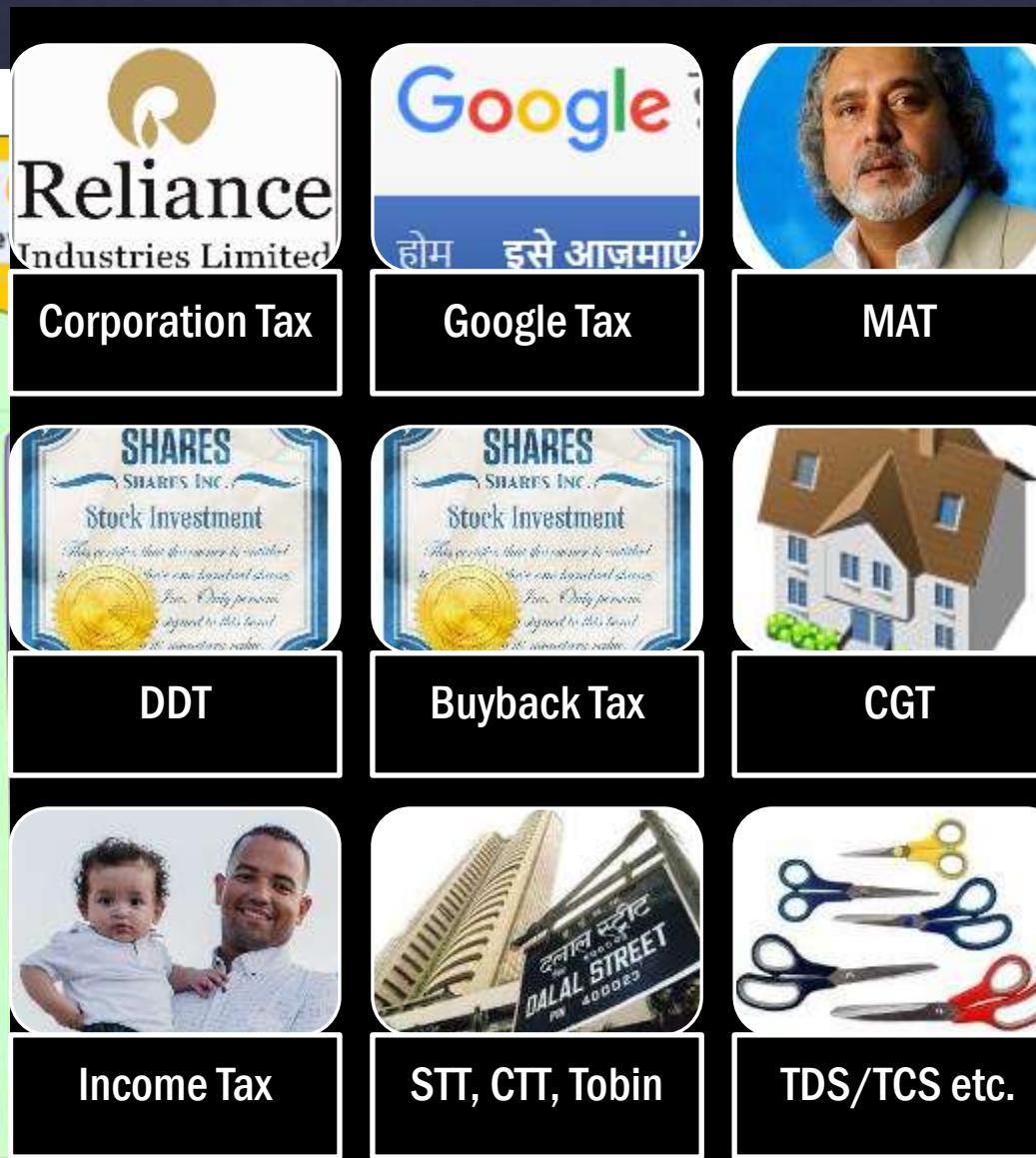
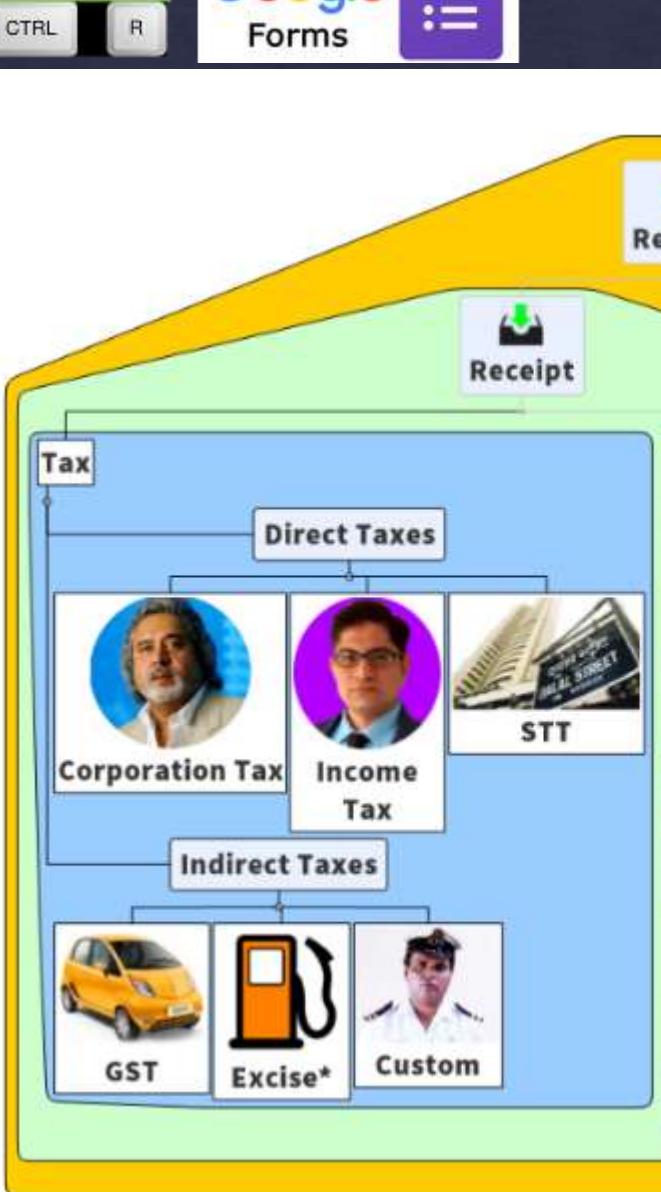


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Pillar2A: Taxes → Direct

handout



21.3 DIRECT TAX → CORPORATION TAX (निगम कर)



Figure 1: नियोड नियोड के कर लेंगे, जिसी को नहीं बख़लानी।

- ⇒ Also known as "Corporate Income Tax (CIT)"
- ⇒ It's Levied on Company's profit, under the Income-tax Act, 1961. (Technically levied on "NET Income" but we're not here for CA exam's pedantry)

Table 2: Corporation Tax Rates before 2019-sept

25%	If Indian company's turnover is upto ₹ 400 cr.** 99.3% companies fall here.
30%	If Indian company's turnover is higher than ₹ 400 cr.** 0.7% companies fall here.
40%	foreign company's profit from India

- ⇒ Additionally "x%" surcharge (अधिभार) amount on above Corporation Tax amount, depending on the company's turnover.
- ⇒ Additionally 4% health and education cess (उपकर) on above [Corporation Tax + Surcharge] amount. (Before Budget-2018, there was only 3% Education Cess).

21.3.1 Corporation Tax Cut in 2019-Sep

Since Indian corporate sector was facing a slowdown, Nirmala S announced tax-cuts:

Corporation Tax	Before	After
Existing Indian companies	25-30% depending on turnover + 0-12% surcharge depending on profit + 4% health edu cess	22 % tax +10% surcharge on (tax) +4% cess (on tax + surcharge) = 25.17%
New INDIAN MFG company registered from 1/10/2019. (but they must start manufacturing by 31/3/2023)	--	15 % +surcharge & cess as given above = 17.01%
Budget-2020: new INDIAN electricity cos also eligible in this		
Foreign Company's profit from India	40%+surcharge+cess	no change
Zero profit companies	18.5% MAT	15% MAT

Related Topics: Laffer Curve, Tax elasticity etc in 2B: black money handout.

21.3.2 Corporation Tax Cut on Cooperative Societies

Corporation Tax on	Before	From Budget-2020
Cooperative Societies	30% + surcharge + cess	22% + 10% surcharge + 4% Cess.

21.3.3 Corporation Tax: announcements in 2019 and 2020 budgets

- ⇒ Full Budget-2019:
 - Additional tax benefits to companies producing solar power, electric batteries, computer server, laptop etc. in any part of India.

Suppose Mukeshbhai sold ₹1500 jiophone x 1 Unit.

	Amount
Turnover (Sales)	Rs1,500.00
Salary	-Rs100.00
Electricity Bill	-Rs100.00
Research Development	-Rs100.00
Depreciation (Repair Maintenance)	-Rs100.00
Profit	Rs1,100.00



25% Corporation
Tax on this

Corporation Tax: not for CA Exam, just understand basics.

निगम कर में अलग अलग किसम की रियायत दी जा सकती है

	REAL Amount	Incentives	
Turnover (Sales)	Rs1,500.00		If u use solar then 2X Tax benefit
Salary	-Rs100.00		
Electricity Bill	-Rs100.00	-200	We'll give 2X Tax benefit to encourage R&D
Research Development	-Rs100.00	-200	
Depreciation (Repair Maintenance)	-Rs100.00		
Profit	Rs1,100.00	Rs900.00	Mukeshbhai will have to pay ↓ tax

Corporation Tax

2019 reform

New MFG company registered
from 1/10/2019 →

15% + cess + surcharge =
17.01%

Existing Indian companies →

22% + cess + surcharge =
25.17%

Foreign companies' Indian profit

40% Tax + cess
+ Surcharge

Health and education cess



Zero profit companies : not for CA Exam, just understand basics.

	REAL Amount	Incentives	
Turnover (Sales) 	Rs1,500.00		
Salary 	-Rs100.00	####	
Electricity Bill 	-Rs100.00	-200	Deduction manipulation ##
Research Development <small>High voltage</small>	-Rs100.00	-200	
Depreciation (Repair Maintenance)	-Rs100.00	manipulation ##	
Profit	Rs1,100.00	Rs 00.00	he will have to pay  tax

Direct Taxes → Minimum Alternate Tax (MAT)

◆ Companies use tax deduction, exemptions to become “Zero TAX companies” & escape tax liability

◆ 1987: Rajiv:- Minimum Corp.Tax

◆ 1996: Chidambaram- MAT

◆ MAT: 15% on book profit. It is a special formula which can help detecting such nuisance.

◆ AMT (Alternative Minimum Tax): similar thing cooperative societies etc How computed? Ans. NOT4CA.Exam

What's the formula for book profit?

Ans. Not CA-Exam

ये देखो हमारा तो taxable income ही शून्य है तो हम क्यों टेक्स भरेंगे?
हम नहीं भरेंगे!!



चुन-चुन कर टेक्स लेंगे, किसी को नहीं बख्शेंगे

- Explain for one HOUR
- How he managed to show taxable income zero
- What is book profit
- What is its formula?



21.5

MINIMUM ALTERNATE TAX (MAT: न्यूनतम वैकल्पिक कर)

Org made profit but showing ZERO Taxable Income then pay this tax →



For Companies

MAT

AMT



For cooperative societies

More in
Pill4A

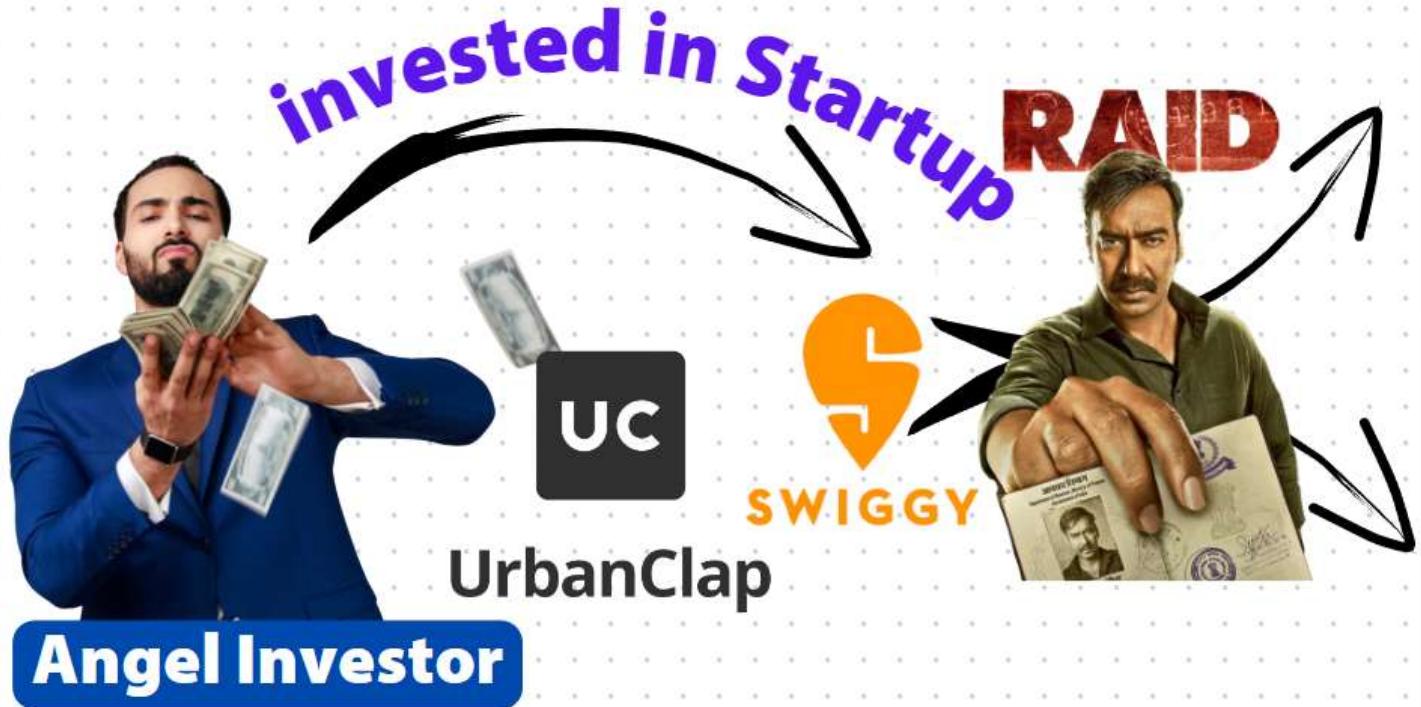
What is a Startup Company? Commerce Ministry definition (More Pillar#4B)

Startup company is as a company which works towards innovation & development of goods / services AND →



Not older than →	10 years &
Not having annual turnover more than →	100 cr

✓ 0% income tax / corporation tax= for 3 years out of 10 years from birth.



**1) Pay Corporation
Tax on Profit**

**2) pay 30% Angel Tax on
investment received,
if Startup not registered with
DPIIT**

- **DPIIT: Department for Promotion of Industry and Internal Trade under Commerce Ministry**
- जिस स्टार्टअप ने **DPIIT** में रजिस्टर नहीं किया, उस स्टार्टअप ने मिलने वाले निवेश पे **एंजेल टेक्स** भरना होगा.

Angel Tax



When such
Startup receives
money from

✓ Yes
local
investor



✓ Yes
on foreign
investor



this provision added
in budget 2023

देशी और विदेशी दोनों स्लोट से
मिलने वाले निवेश पे ये लगेगा.

- 2) Startup has to pay 30% Angel Tax on investment received,
- if Startup not registered with DPIIT of Commerce Ministry



In future lecture in Pillar#2B: Black money

❖ यह सब अगले हफ्ते पढ़ेंगे

BEPS

DTAA

GAAR

Round Tripping

Tax evasion

Avoidance

Tax Terrorism

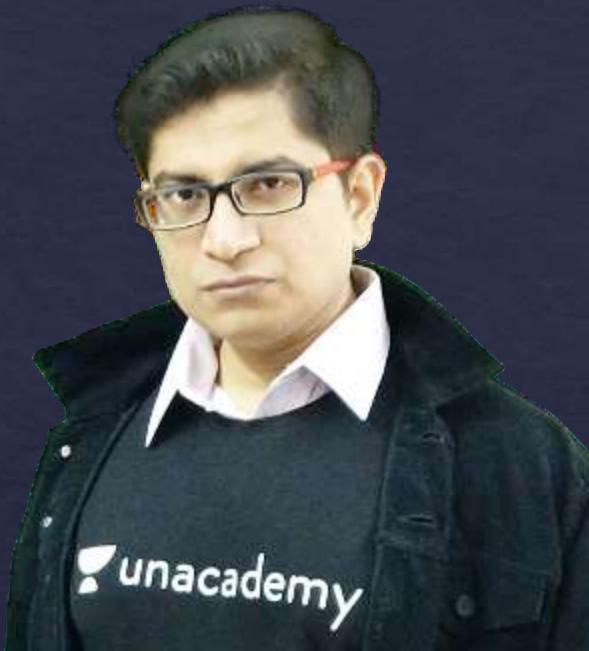
Laffer Curve

Black Money

Shell Firms

PM Garib Kalyan Yojana

Demonetization etc.





Edu Doubt?
Ask through

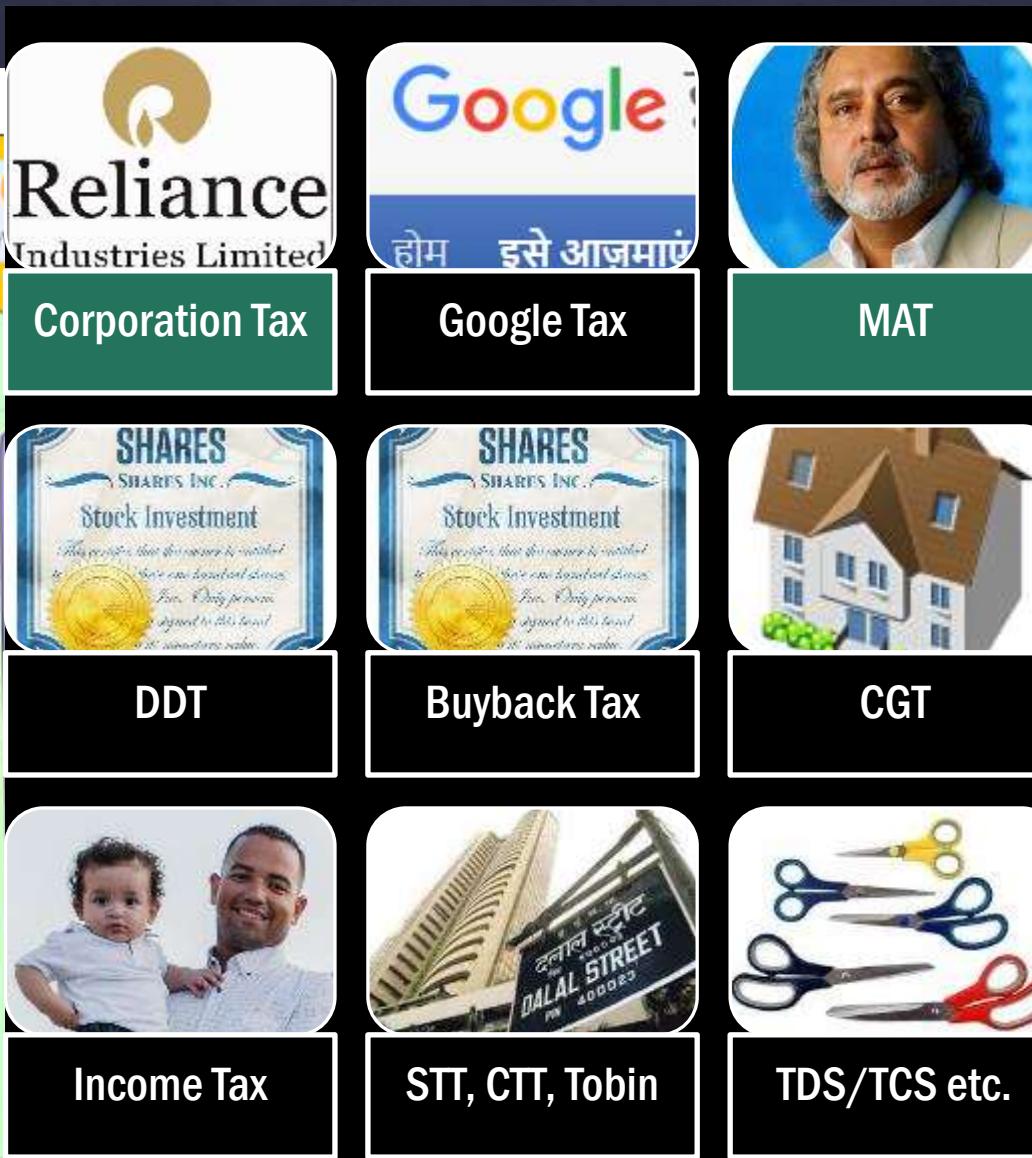
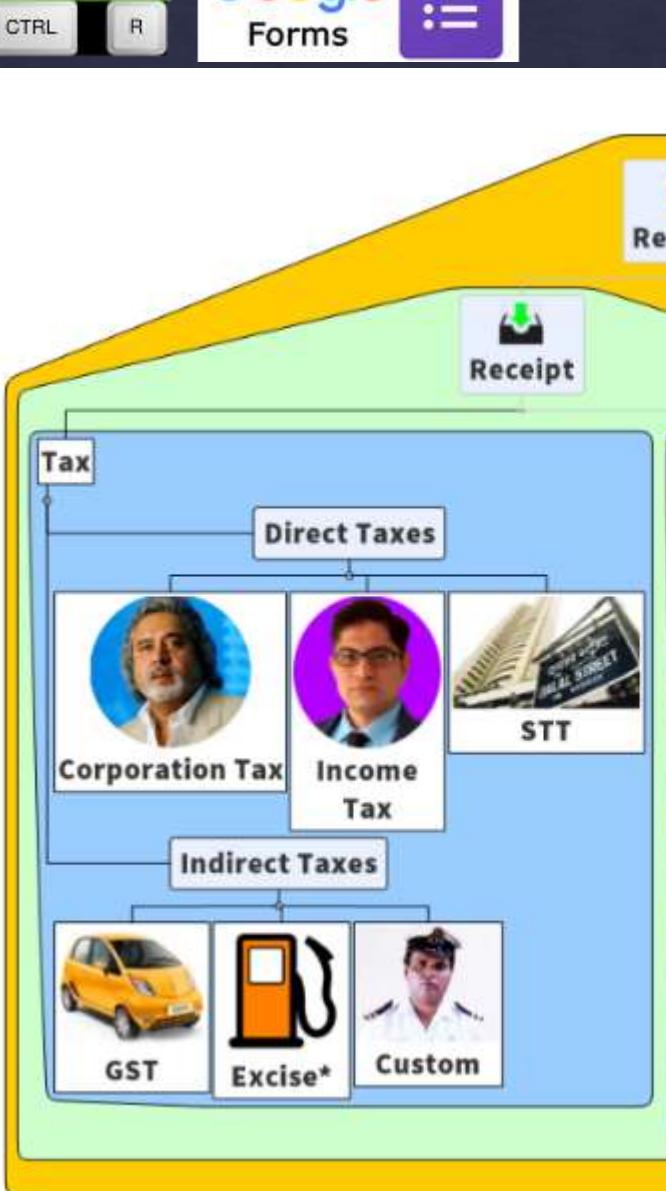
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Pillar2A: Taxes → Direct

handout



21.3 DIRECT TAX → CORPORATION TAX (निगम कर)



Figure 1: नियोंड नियोंड के कर लेंगे, जिसी को नहीं बख़ोंगी।

- ⇒ Also known as "Corporate Income Tax (CIT)"
- ⇒ It's Levied on Company's profit, under the Income-tax Act, 1961. (Technically levied on "NET Income" but we're not here for CA exam's pedantry)

Table 2: Corporation Tax Rates before 2019-sept

25%	If Indian company's turnover is upto ₹ 400 cr.** 99.3% companies fall here.
30%	If Indian company's turnover is higher than ₹ 400 cr.** 0.7% companies fall here.
40%	foreign company's profit from India

- ⇒ Additionally "x%" surcharge (अधिभार) amount on above Corporation Tax amount, depending on the company's turnover.
- ⇒ Additionally 4% health and education cess (उपकर) on above [Corporation Tax + Surcharge] amount. (Before Budget-2018, there was only 3% Education Cess).

21.3.1 Corporation Tax Cut in 2019-Sep

Since Indian corporate sector was facing a slowdown, Nirmala S announced tax-cuts:

Corporation Tax	Before	After
Existing Indian companies	25-30% depending on turnover + 0-12% surcharge depending on profit + 4% health edu cess	22 % tax +10% surcharge on (tax) +4% cess (on tax + surcharge) = 25.17%
New INDIAN MFG company registered from 1/10/2019. (but they must start manufacturing by 31/3/2023)	--	15 % +surcharge & cess as given above = 17.01%
Budget-2020: new INDIAN electricity cos also eligible in this		
Foreign Company's profit from India	40%+surcharge+cess	no change
Zero profit companies	18.5% MAT	15% MAT

Related Topics: Laffer Curve, Tax elasticity etc in 2B: black money handout.

21.3.2 Corporation Tax Cut on Cooperative Societies

Corporation Tax on	Before	From Budget-2020
Cooperative Societies	30% + surcharge + cess	22% + 10% surcharge + 4% Cess.

21.3.3 Corporation Tax: announcements in 2019 and 2020 budgets

- ⇒ Full Budget-2019:
 - Additional tax benefits to companies producing solar power, electric batteries, computer server, laptop etc. in any part of India.

Google Adsense/Adwords: Digital advertisement company

यह अलग-अलग वेबसाइट पर विज्ञापन की दलाली का काम करते हैं



INDIA WORLD CITIES OPINION EXPLAINED SPORTS ENTERTAINMENT LIFESTYLE TECHNOLOGY PARENTING VIRAL VIDEOS PHOTOS AUDIO

The Indian EXPRESS

English Today's Paper ePaper

PAKISTAN

By Express Web Desk |
New Delhi |
Updated: February 23, 2019 10:19:38
pm



Lufthansa
Fares At Its
Lowest!



SHOUT OUTS 7 effective ways to make money using Instagram This free demo A/C will help you earn money by trading

Jaish-e-Mohammed chief Masood Azhar (File)

The Pakistan government on Friday took administrative control of the

Post Pulwama, Pakistan govt takes control of Jaish-e-Mohammad headquarters

Pakistan is under immense international pressure to rein in the terror groups emanating from its soil. The latest development comes a day after PM Imran Khan chaired a meeting of the National Security Committee at the Prime Minister's Office in the wake of the Pulwama attacks.



RELATED NEWS



Mention of JeM only in general terms, not a judgment: China downplays UNSC statement on Pulwama



France to move UN to blacklist Jaish chief Masood Azhar; all eyes on China



Explained: Why is China shielding the Jaish-e-Mohammed?



I am an Indian bizman who want to book digital ad through google ad-sense

digital ads e.g. facebook

1 google & foreign e-commerce e.g. Netflix, Adobe etc



Ps | Adobe Photoshop
Pay ₹1000 (SP)

Cost Price	₹700
+ Profit	₹300
= Selling Price	₹1000



3 40% Corporation tax on profit (₹300)
under Income Tax Act, 1961





Double Taxation Avoidance Agreement (DTAA)

More in pillar2B
black money

दोहरे कराधान को टालने के लिए समझौता

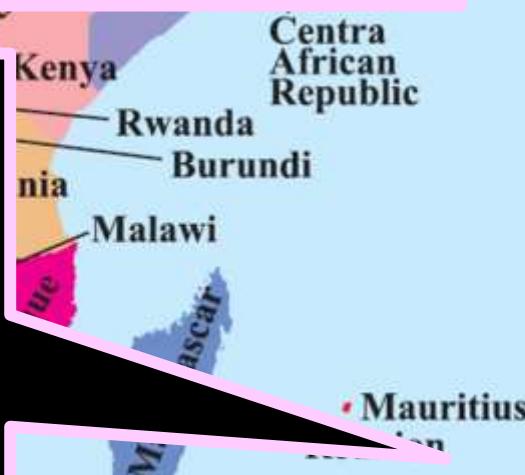


1) Mauritius person making profit in India → only Mauritius will tax.
India will not tax it. मोरिशस का आदमी भारत में पैसा कमाएगा तो सिर्फ मॉरीशस सरकार टैक्स मांगेगी भारत सरकार टैक्स नहीं मांगेगी



Indian person making profit in Mauritius → only India will tax. Mauritius will not tax it.

भारत का व्यक्ति मॉरीशस में पैसा कमाए → सिर्फ भारत सरकार टैक्स मांगेगी



Indian
Ocean





1

digital ads e.g. facebook
google & foreign e-commerce e.g. Netflix,
Adobe etc

4

- but we're in Singapore/Mauritius
- so we don't have to pay as per Double Taxation Avoidance Agreement (DTAA)



Adobe
Photoshop

Pay ₹1000 (SP)

2

Cost Price	₹700
+ Profit	₹300
= Selling Price	₹1000



under Finance Act, 2016
3 2-6% equilisation levy on SP (₹1000)

40% Corporation tax on profit (₹300)
under Income Tax Act, 1961



5

you'll have to pay, even if there is DTAA!



Google tax: Related terms-

- ❖ OECD has used a phrase '**Tax challenges of digitisation**' 😠
- ❖ to denote above type of problems where **digital services type MNC companies** are **avoiding taxes**.
- ❖ (What is OECD = Ans. Pillar#3. if eager before that, then google search yourself.)
- ❖ France implemented tax on large technology companies called **GAFA Tax (Google Apple Facebook Amazon)** from 1st Jan 2019.
- ❖ G20: Proposal for **Global Minimum Tax** (More in Pillar2B: Black Money)

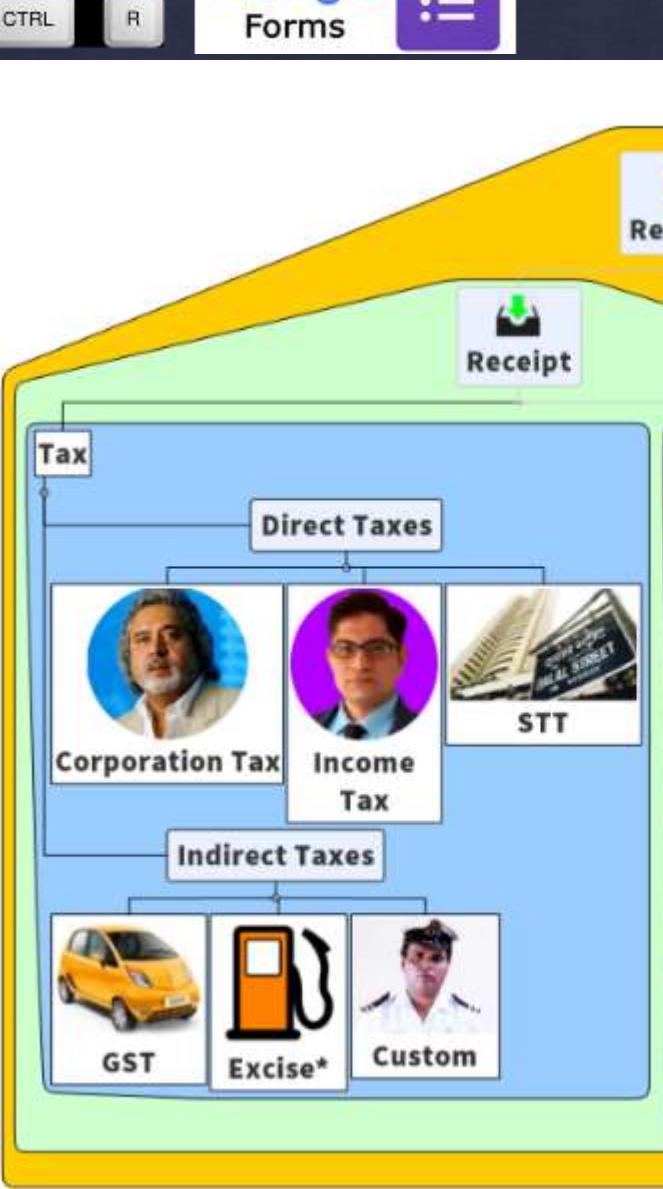


Indian Government may remove Google tax when this comes.



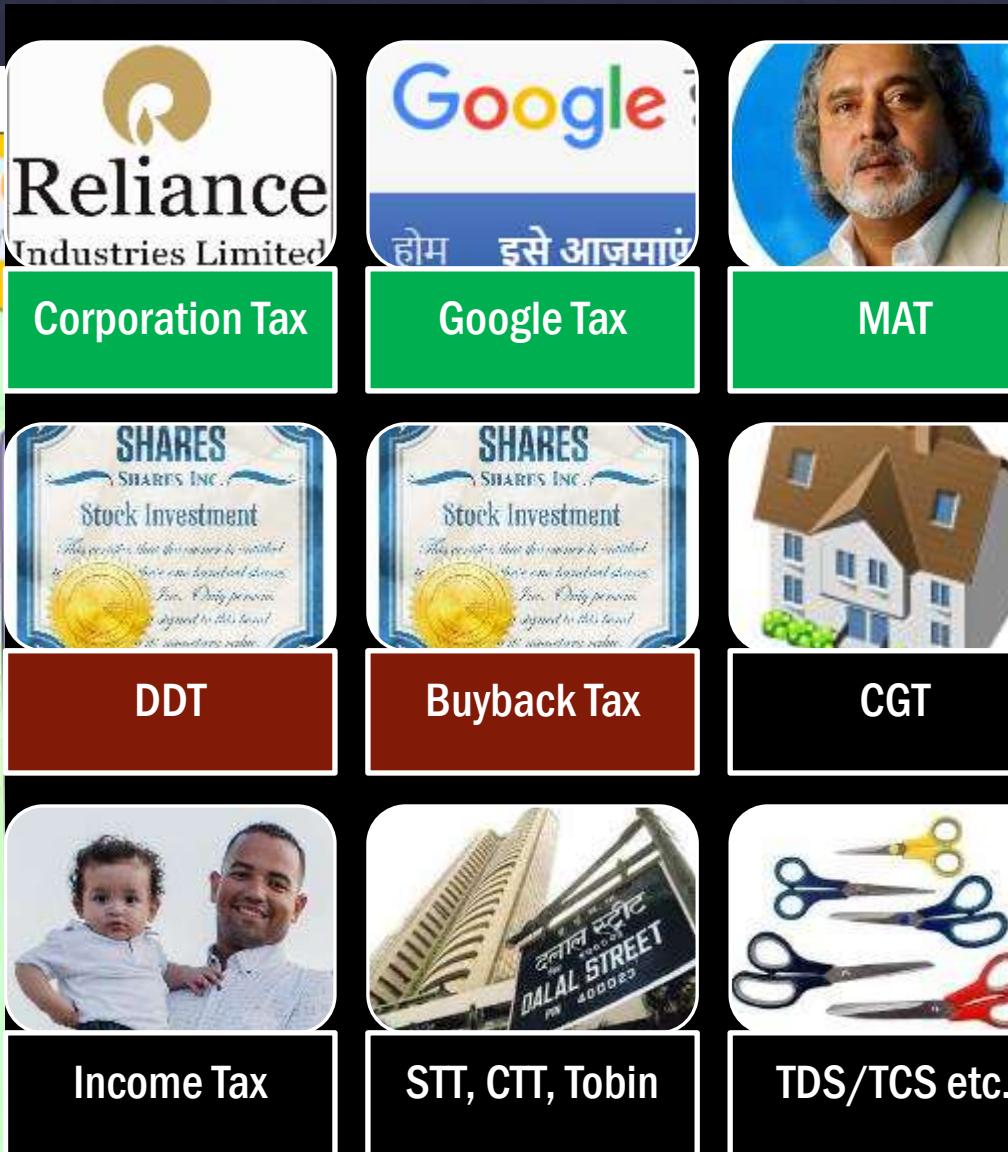
Edu Doubt?
Ask through

Google
Forms



Pillar2A: Taxes → Direct

handout



21.5 MINIMUM ALTERNATE TAX (MAT: न्यूनतम वैकल्पिक कर)



Figure 4: मेरा मुलाका शून्य है। मुझे कछा दो मालिका! IT Dept: तुमको तो बिल्कुल ही नहीं कछाएगो!!

- Some industrialists use tax-deduction-exemptions-deprecations and accounting tricks to become "Zero Profit Companies" & escape paying Corporation Tax. So,
- Budget-1996 (Chidambaram) introduced 18.5% MAT on book profit using a different type of formula. (What was the formula, not important).

Zero profit Company's location	%MAT on its book-profit
Outside GIFT city International Financial Services Centre (IFSC) (More in Pill#3)	15%
Inside GIFT city	9%

- AMT (Alternative Minimum Tax): Concept similar to MAT but for Non-Corporate assesses e.g. Individual or Hindu Undivided Family (HUF) or Cooperative Society who are earning more than ₹"xx" lakh but not paying direct tax. Howmuch/why/HOTIMP.
- Both MAT and AMT subjected to + surcharge + cess.

21.6 DIVIDEND DISTRIBUTION TAX (DDT: लाभांश वितरण कर)



Reliance
Industries Limited

- 1997: FM Chidambaram started to levy DDT on a shareholder's dividend income. In reality, company (=source) will cut that much ₹ ₹ portion from shareholders' dividend, & directly deposit that ₹ ₹ to the govt, as DDT.
- Shareholder did not have to pay Income tax on it.
- DDT Rate: 15% + cess + surcharge = 20.56% on dividend paid.
- Full-Budget-2019: Companies in GIFT-city-IFSC given some exemptions from DDT.
- Budget-2020: abolished DDT. But, dividend will be taxable in the hands of shareholder (i.e. he'll pay income tax on it). Benefits?
 - ✓ Previously even lower middle-class shareholder's ~ 20% dividend was cut in the name of DDT. But now he may have to pay barely 0-5% income tax on income from dividend. Thus, Shareholders get to keep more ₹ ₹ for spending → shopping spree → demand, production, economic growth.
 - ✓ Foreign investors may feel more attracted to invest in Indian shares.

21.7 BUYBACK TAX (शेयर की वापसी-खरीद पर कर)

Profit making companies sometimes repurchase their own shares back from shareholders

In a company there are shareholders

2) Income tax on salary as chairman of reliance



Board of Directors

SHARE-HOLDERS

1) Middle class share holder:

Income tax on salary received from his Government / private job



Full time running company



Direct Taxes → Dividend distribution tax (DDT) since 1997

कंपनी अपने मुनाफे में से शेयरधारकों को लाभांश यानी डिविडेंड देती है उस पर लगने वाला कर

2) Income tax on
salary as chairman
of reliance



MD & CEO

3) PROFIT

Board of Directors

SHARE-HOLDERS

5) Dividend

4) Corporation Tax



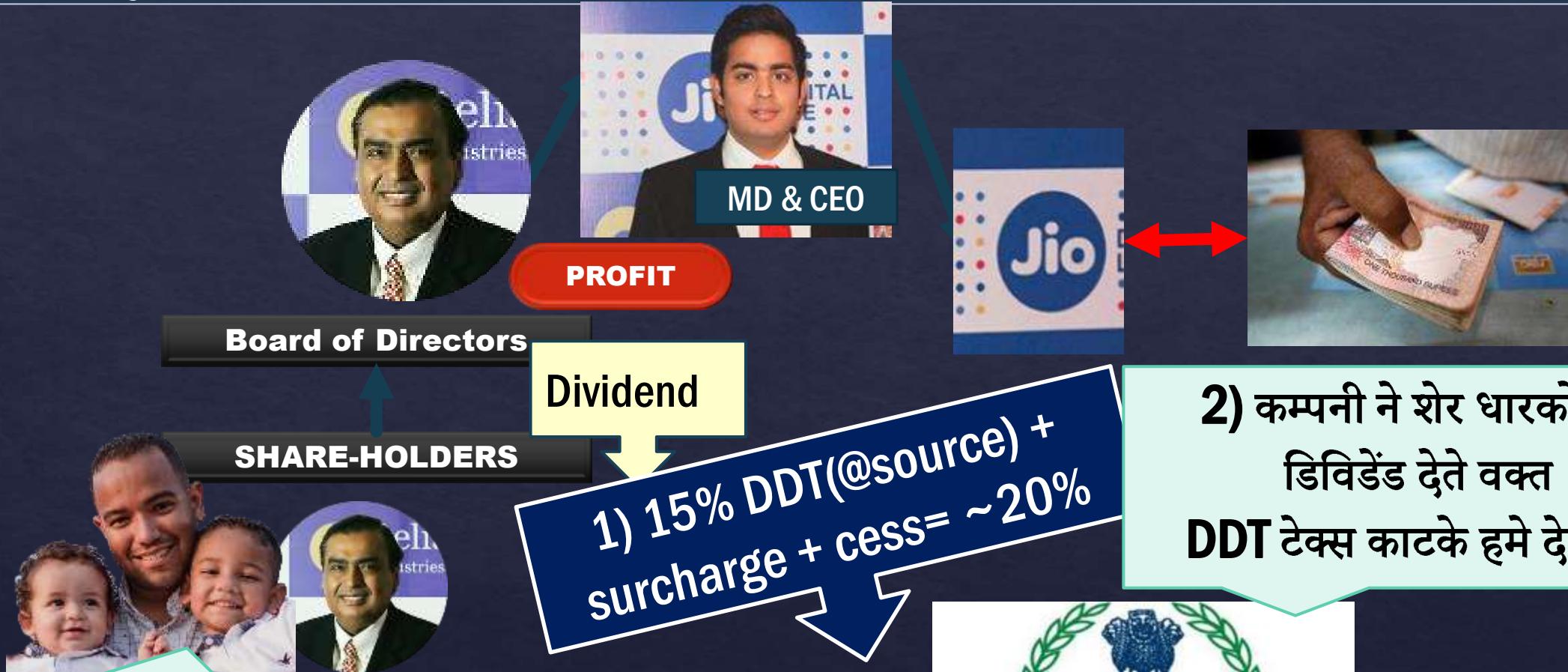
1) Middle class share holder:

Income tax on salary received from his
Government / private job



Dividend distribution tax (DDT) लाभांश वितरण कर

कंपनी अपने मुनाफे में से शेयरधारकों को लाभांश यानी डिविडेंड देती है उस पर लगने वाला कर



3) This is a direct tax. Because burden is on me, and I'm supposed to pay it but for Administrative convenience, IT dept takes it from company.

2) कम्पनी ने शेर धारको को डिविडेंड देते वक्त DDT टेक्स काटके हमे देना है.

Dividend
MINUS DDT

Pay



Pay

DDT



Shareholder

BEFORE

No Income Tax
on Dividend



Adam Smith Canon of Equality: tax should be proportionate to income

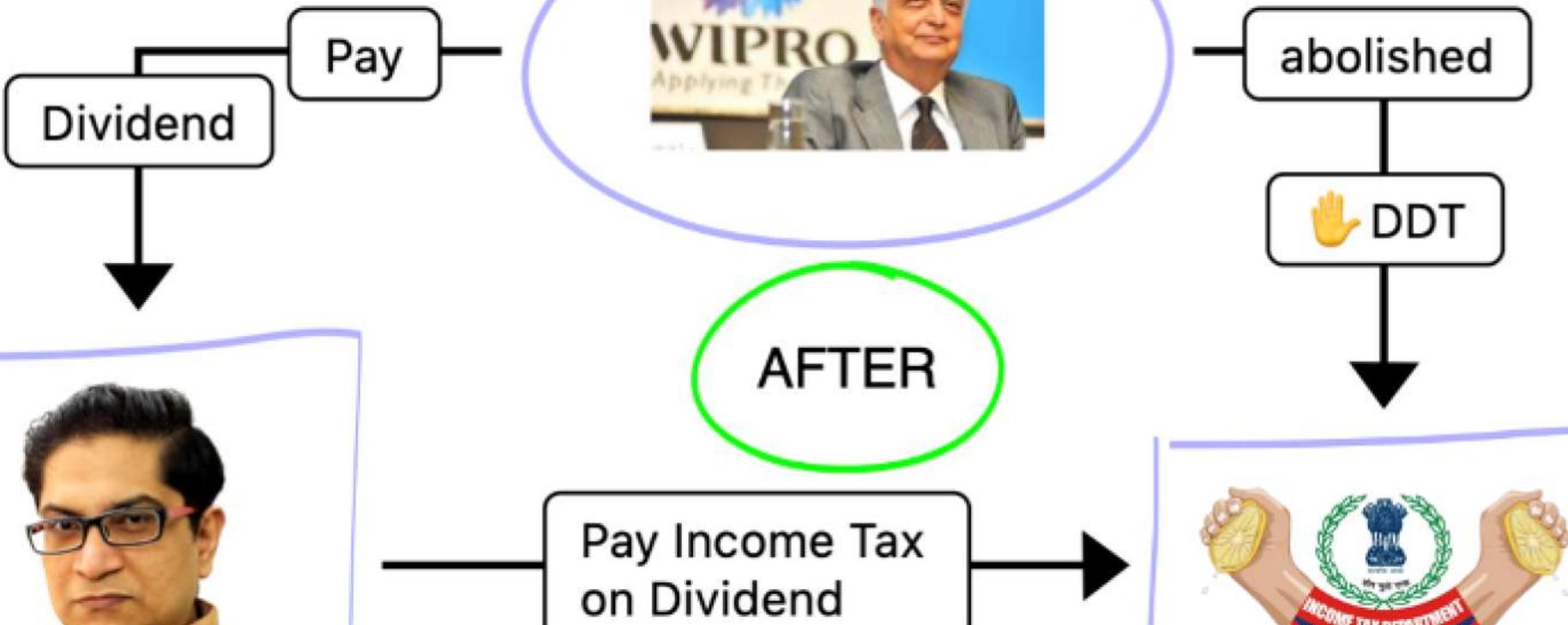
समता का सिद्धांतः कर लगता है वह आमदनी के अनुपात में होना चाहिए



Person →	Poor	Middle Class	Rich
DDT on Dividend	₹100 pe 20%	₹1000 pe 20%	₹500cr pe 20%
Income Tax from other income	0%	5%	30%



Budget-2020
Abolished
Dividend
Distribution Tax



Shareholder



AFTER

Pay Income Tax
on Dividend



abolished



Adam Smith Canon of Equality: tax should be proportionate to income



Person →	Poor	Middle	Rich
DDT on Dividend	N/A	N/A	N/A
Dividend counted in taxable income Income Tax	(2 lakh income from VadaPau stall + ₹100 dividend from reliance) = 0% 	(₹5 lakh salary from job + ₹1000 dividend) = 5%	(50 lakh salary + ₹500 cr dividend) = 30%

Technically called

“dividend will be taxable in the hands of recipient”

लाभांश पर सरकार लाभांश वितरण

कर नहीं लगाएगी हालांकि वह

आपकी आमदनी में गिनके उस पर

आयकर मांगेंगे



Edu Doubt?
Ask through

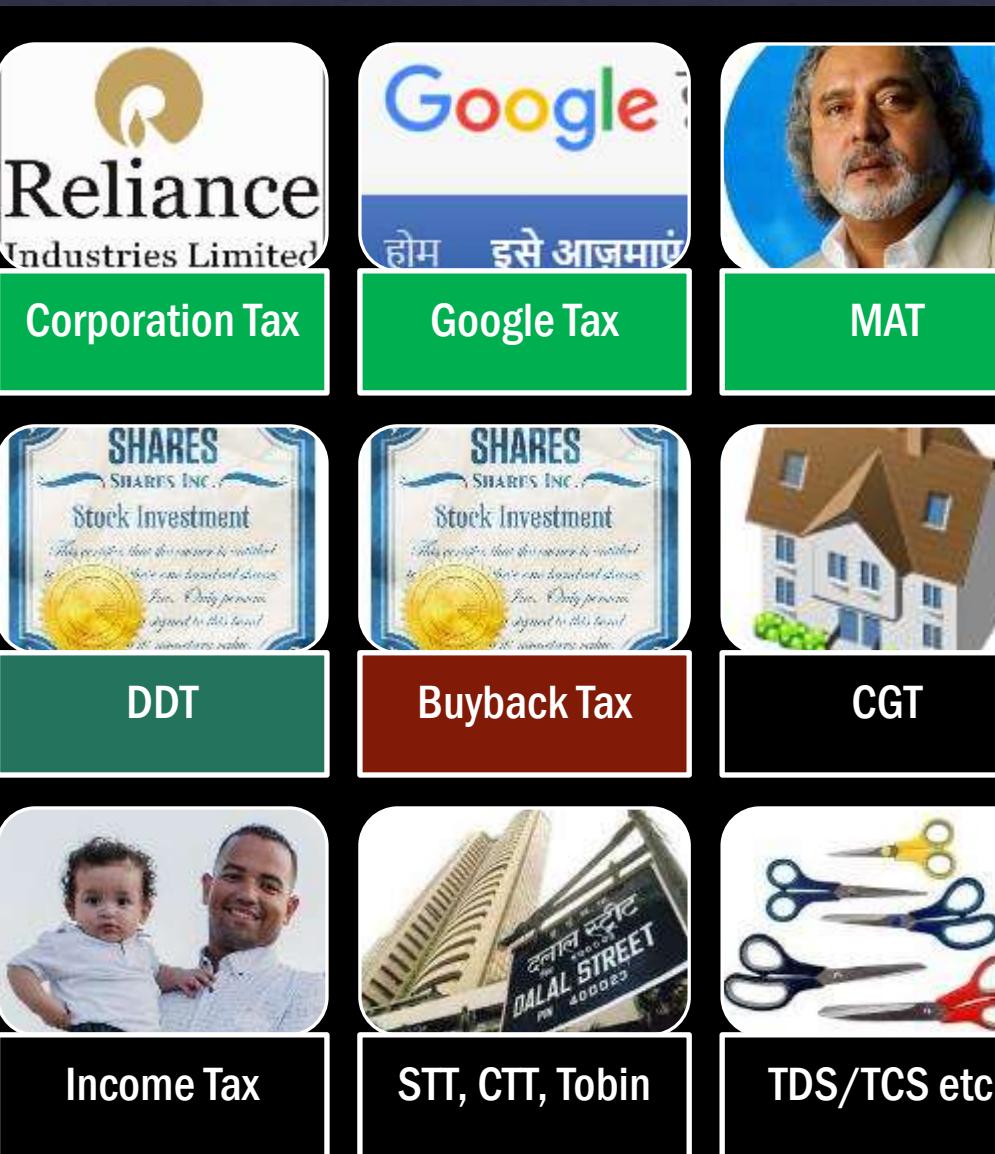
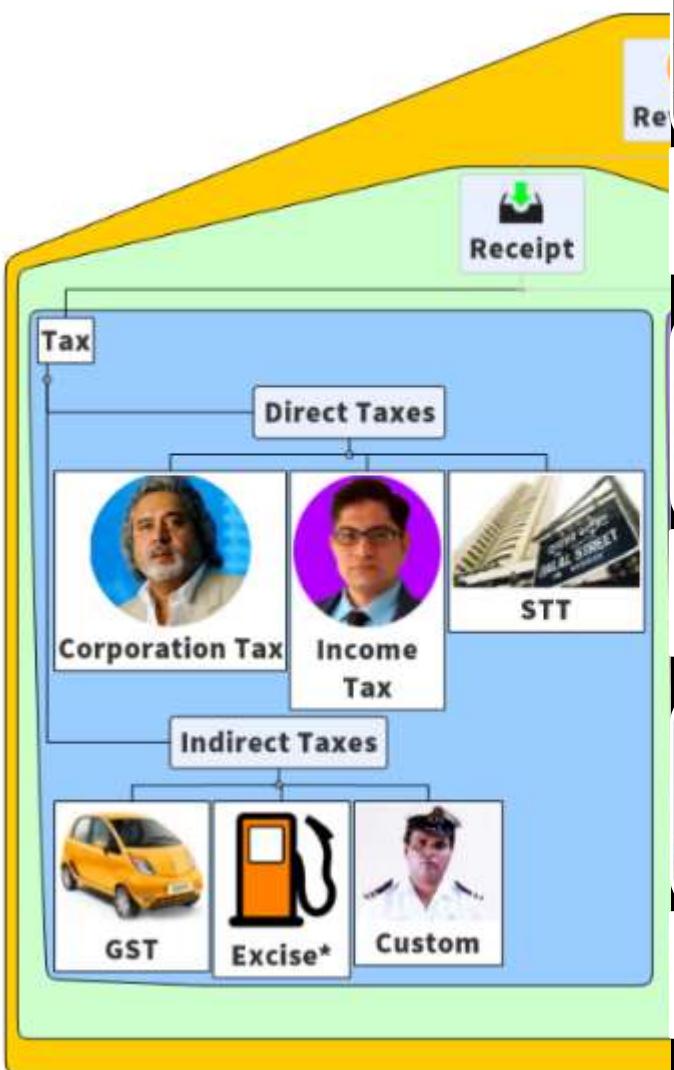
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Pillar2A: Taxes → Direct

handout



21.5 MINIMUM ALTERNATE TAX (MAT: न्यूनतम वैकल्पिक कर)



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- ✓ Foreign investors may feel more attracted to invest in Indian shares.

21.7 BUYBACK TAX (शेयर की वापसी-खरीद पर कर)

Profit making companies sometimes repurchase their own shares back from shareholders

Share buyback



**Suppose People have
50 shares of TCS**

Current price
In secondary market
Rs. 3900



- **Out of your 50 shares, we'll BUY back 14 Shares at Rs. 4500 EACH**
- DEAR shareholders, u may apply for this '**buyback lucky draw**'.
- We are **not pointing gun** at your head.
जबरदस्ती नहीं है! तुम को ठीक लगे तो अर्जी डालो

(Misc. Direct Tax) buyback tax when company buys back share

कंपनी जब अपने शेयर्स वापस खरीद लेती है तब लगने वाला टैक्स



1) buyback



2) Buyback tax

4) Q) लेकिन यह लोग अपने शेयर वापस क्यों बेचेंगे? जवाब: भाई उसको पैसों की ज़रूरत होगी तो बेचेगा, कोई बंदूक दिखाकर जबरजस्ती नहीं है.



CONSULTANCY SERVICES

- 3) Company repurchases some of its own shares from investors. → “liability extinguished from balancesheet”
 - = no need to pay them dividend in future. ताकि हिसाब में से वह शेयर की देयता खत्म हो जाए → दूसरी बार उस शेयर धारक को डिविडेंड नहीं देना पड़े.
- how much %? not imp.

Company
buyback shares
from Mrunal &
pays ₹₹ to him



CONSULTANCY SERVICES



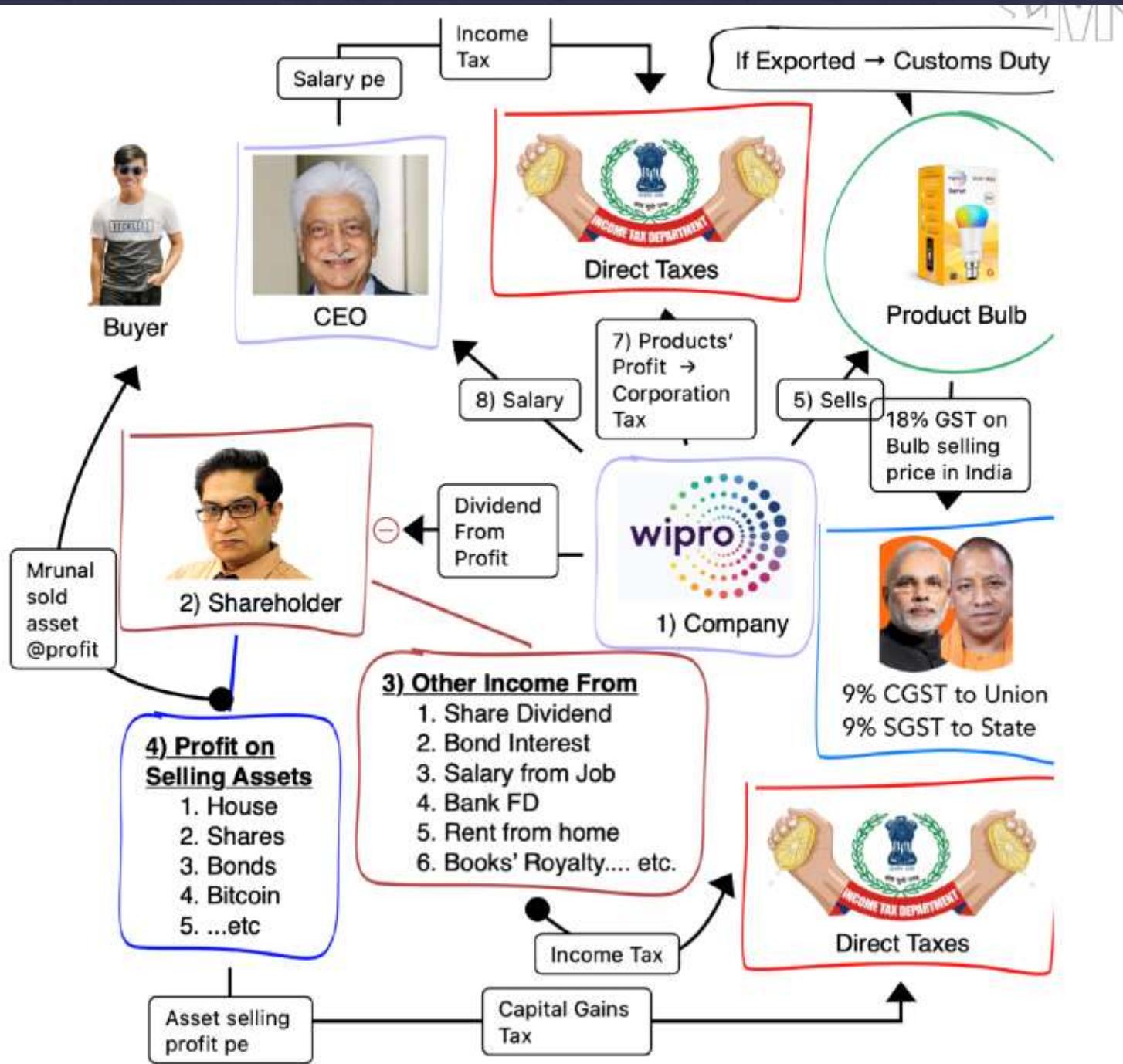
Shareholder

Capital Gains
Tax (CGT) on
Profit from
Buyback

Pay

Buyback Tax





Will make sense
once we complete
income tax

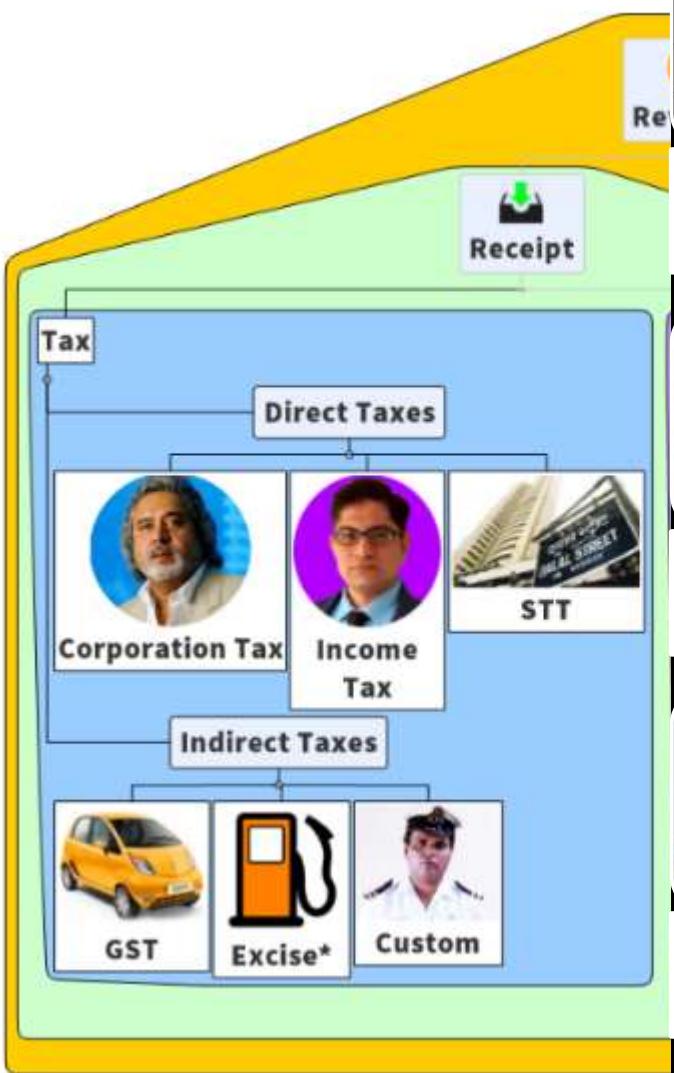


Edu Doubt?
Ask through

Google
Forms

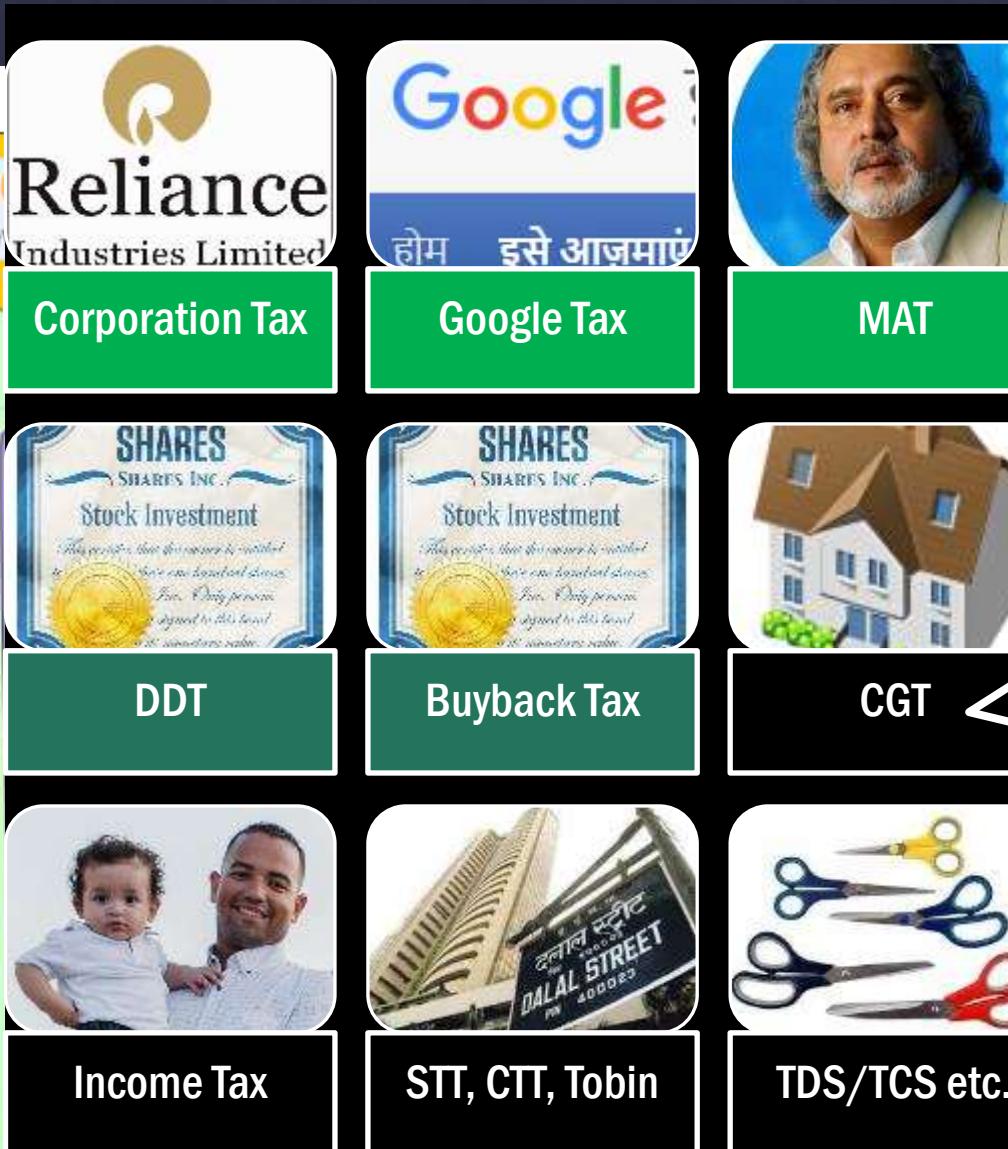
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Pillar2A: Taxes → Direct

handout



21.5 MINIMUM ALTERNATE TAX (MAT: न्यूनतम वैकल्पिक कर)



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- Budget-1996 (Chidambaram) introduced 18.5% MAT on book profit using a different type of formula. (What was the formula, not important).

Zero profit Company's location	%MAT on its book-profit
Outside GIFT city International Financial	15%

Continued. ये जितना रट के खत्म करो भाई

- Shareholder did not have to pay Income tax on it.
- DDT Rate: $15\% + \text{cess} + \text{surcharge} = 20.56\%$ on dividend paid.
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21.7 BUYBACK TAX (शेयर की वापसी-खरीद पर कर)

Profit making companies sometimes repurchase their own shares back from shareholders

Capital Gains Tax (CGT: पूँजीगत लाभ कर)

मैं अपनी कोई भी मकान/पूँजीगत संपत्ति मुनाफे पर बेचूं तो मुनाफे में सरकार टैक्स मांगती है



- 1) If I bought a house for ₹ 10 lakh
- sold it after “X” years @ profit of ₹ 2 lakh.



Capital Gains Tax (CGT: पूँजीगत लाभ कर)

मैं अपनी कोई भी मकान/पूँजीगत संपत्ति मुनाफे पर बेचूं तो मुनाफे में सरकार टैक्स मांगती है



- 1) If I bought a house for ₹ 10 lakh
- sold it after “X” years @ profit of ₹ 2 lakh.

2) Short term capital gains tax on 2 lakh PROFIT

- If sold within 2 years of ownership-
- अगर खरीदने के 2 साल भीतर ही बेच दूं तो मुझे लघु अवधि पूँजीगत लाभ कर देना होगा

OR

Long term capital gains (LTCG) tax on 2 lakh PROFIT

- If sold after 2 years.
- खरीदने के 2 साल बाद बेच तो दीर्घ अवधि वाला कर देना होगा



- Only one of this tax will apply.
- Either short term
- Or Long term
- Capital Gains Tax.



Capital Gains Tax (CGT: पूँजीगत लाभ कर)

मैं अपनी कोई भी मकान/पूँजीगत संपत्ति मुनाफे पर बेचूं तो मुनाफे में सरकार टैक्स मांगती है



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Long term capital gains (LTCG) tax on 2 lakh PROFIT

- If sold after 2 years.



This is only for Simple illustration

- Duration could be different depending on asset (Shares/bonds) संपत्ति के हिसाब से यह अवधि अलग-अलग हो सकती है
- Some assets may be exempt from short- or long-term CGT BUT CA-PHD NOTIMP

Capital Assets which are subjected to Capital Gains Tax?

- ❖ Non-agricultural land
 - ❖ Property,
 - ❖ Jewelry, Paintings,
 - ❖ Vehicles, Machinery,
 - ❖ Patents, Trademarks
(pillar4B: IPR)
 - ❖ Shares, Bonds Etc.
 - ❖ Bitcoin & other virtual Digital Assets (Ref: Pill1A1)
 - ❖ ~~Personal articles
(belt, tshirt, shoes)~~
 - ❖ ~~Consumer goods (biscuit,
mobile)~~
- 

अगर इन में से कोई भी
पूँजीगत संपत्ति
ग्राहक ने खरीदी →
उसने मुनाफे पर
दूसरी व्यक्ति को बेची
→ तो उस मुनाफे पर
लगेगा
पूँजीगत लाभ कर

Economy Pillar1A-1: Money Evolution → Bitcoin



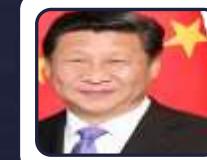
Commodity Money

Metallic Money

Paper Money

Bank Money,
digital payment

Crypto
Currency
blockchain



Cryptocurrency: 3 ways to obtain?

Cryptocurrency is dangerous

- RBI & India Govt's stand?

Blockchain Technology

- Useful

Global initiatives: world Bank, Marshal Island Venezuela, El-Salvador



Govt's Stand on Bitcoins

⌚ 30% Tax on profit,
1% TDS

⌚ Ponzy Schemes

Bill 2 Ban it

China's CBDC, India's Budget 2022

NFT



A diagram showing the calculation of selling price. A dashed arrow points from the seller's side towards a table. The table has three rows:

Cost Price	₹200
+ Profit	₹100
= Selling Price	₹300



virtual digital assets (VDA)
e.g. cryptocurrency, bitcoin,
Non-Fungible tokens (NFT)



SELLER

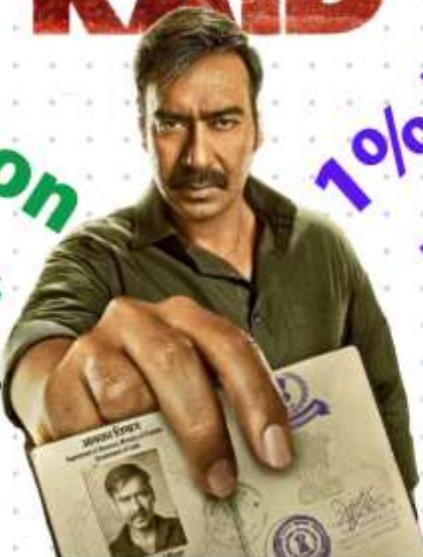
virtual digital assets (VDA)
e.g. cryptocurrency, bitcoin,
Non-Fungible tokens (NFT)

Pay 99% of ₹300 (SP)

Cost Price	₹200
+ Profit	₹100
= Selling Price	₹300

30% CGT on
₹100 profit

RAID



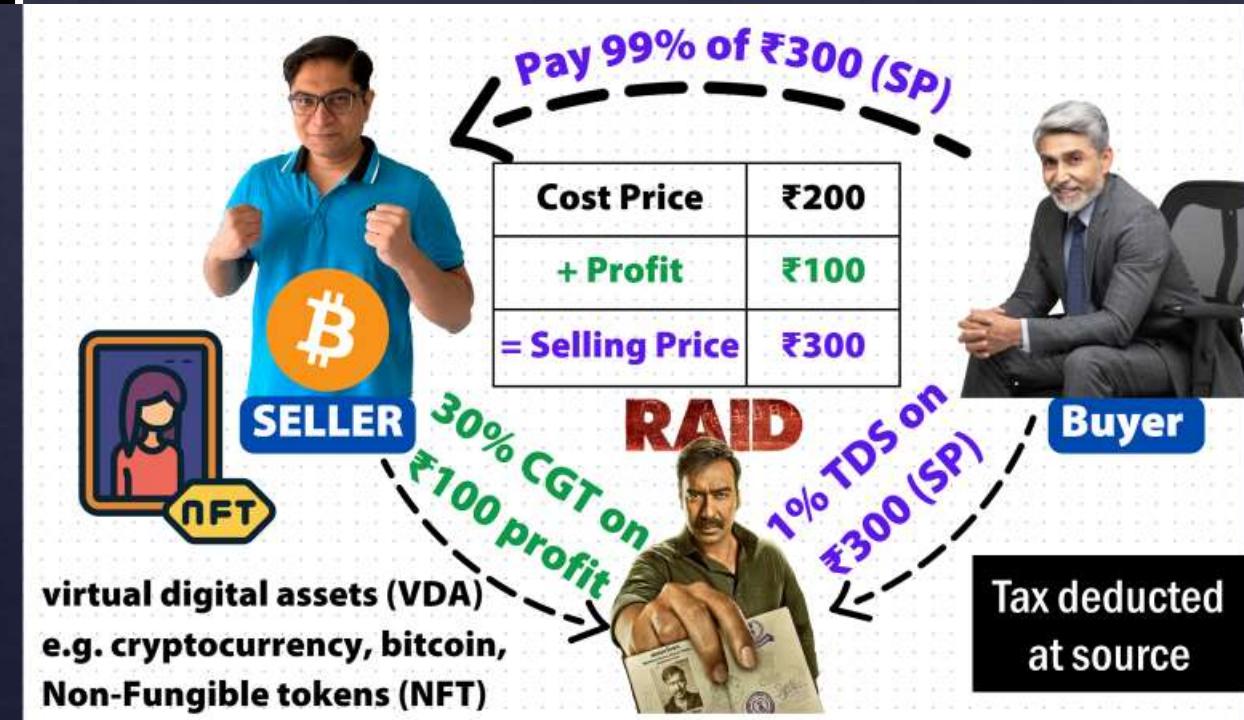
1% TDS on
₹300 (SP)



Buyer

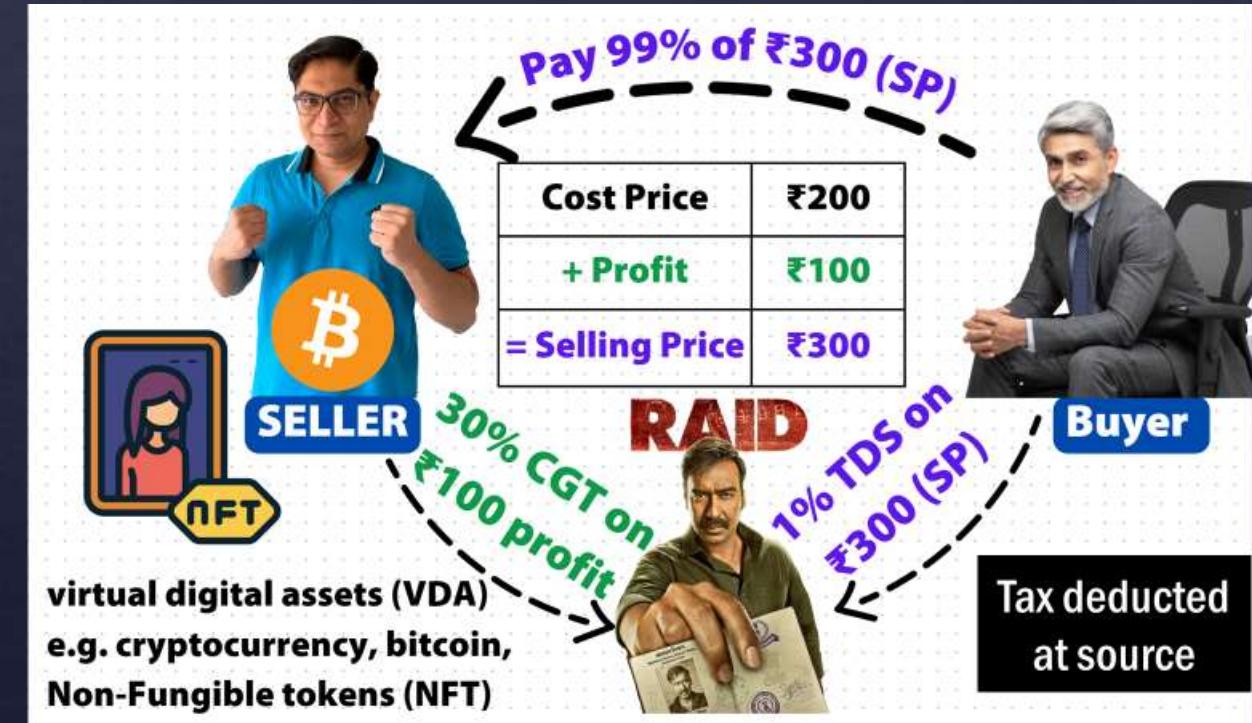
Tax deducted
at source

But u said bitcoin difficult to trace, then how will govt enforce this? लेकिन आपने तो सिखाया कि इसको ढूँढ़ना मुश्किल है तो फिर टैक्स कैसे लगाएगी सरकार



Yes, critiques also argue the same.
That it's difficult to trace & tax.
हाँ इसको असल में ढूँढ़ना मुश्किल है तो टैक्स मांगना मुश्किल है - ऐसा आलोचकों का भी मानना है लेकिन हम को परीक्षा में पढ़ना था तो बजट पढ़ लिया

Will this 1% TDS get
adjusted later for the
30% tax on profit that
I've to pay?



Real life Chartered
Accountant stuff is
 Not imp4exam.
Basic understanding
sufficient.



Audio/Video
Problem?



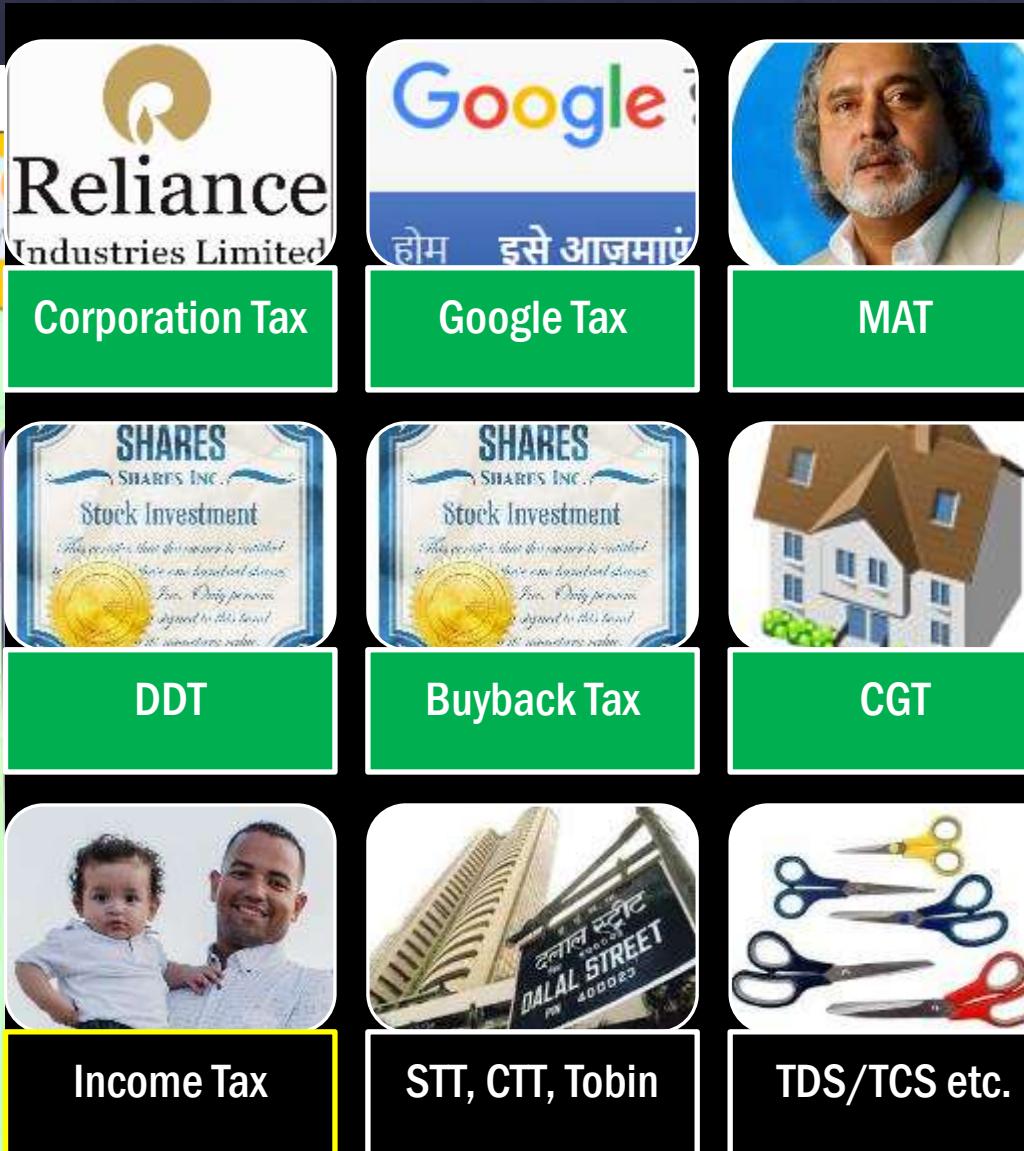
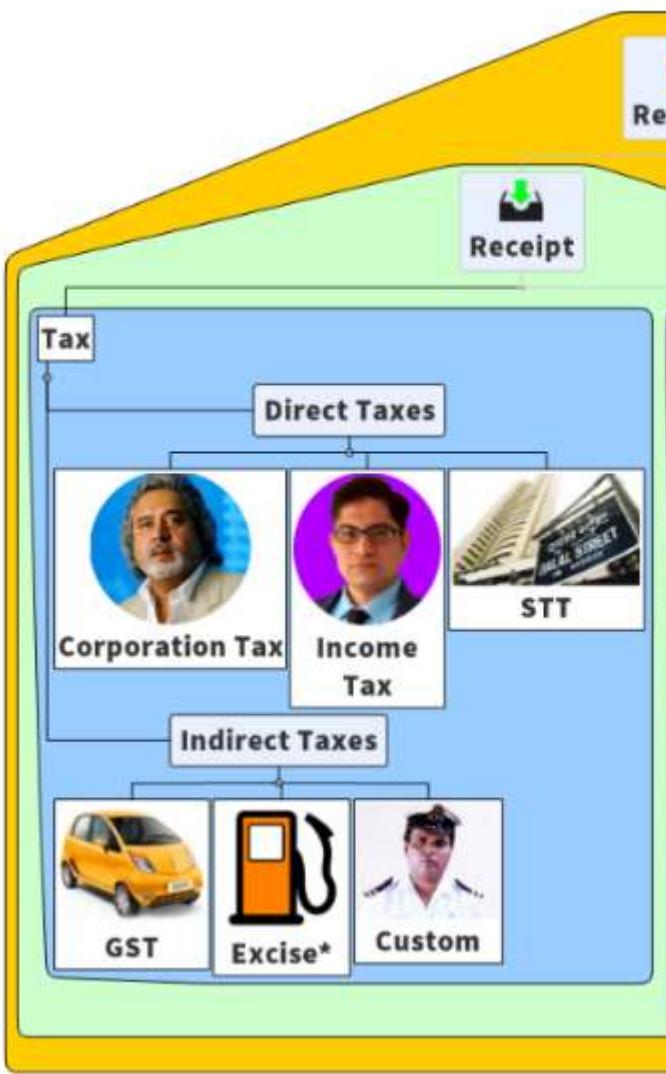
Edu Doubt?
Ask through
Google
Forms

CTRL

R

Pillar2A: Taxes → Direct

handout



21.9 📊 INCOME TAX ON INDIVIDUALS (व्यक्तिक आयकर)



James Wilson (financial member of the Council of India, founder of the Economist magazine and Standard Chartered Bank) introduced income tax in India on 24 July 1860 to compensate the British losses during 1857's Sepoy mutiny. So, 24th July is celebrated as Income Tax Day (Aaykar Diwas).

Suppose the gross income of an Indian Resident (age less than 60) is ₹9 lakhs.

- Out of this gross income, first we have to subtract the tax-deductions and tax-exemptions (कर-कटौती और कर-छूट) like income from agriculture, investments made in Provident Fund, NPS, LIC, Medical Insurance etc (upto a certain limit), house rent allowance (HRA), repayment of home/education loan, money donated in eligible charitable funds etc
- Full-Budget-2019: additional tax deduction (कर कटौती) given
 - if took loans to buy electric vehicle
 - if taking home loan for the first time. Amount, deadline etc NOTIMP
- After subtracting such things, suppose taxable Income is: ₹5,50,000/-
- From this amount, Salaried individuals get standard deduction of ₹50,000.
 - (Previously, it was ₹40k but Interim-Budget-2019 raised it to 50k).
- So, ₹5,50,000 - 50,000 = ₹5 lakh is the taxable income, THEN...

Total Taxable Income: ₹5 lakh	Income Tax	Amount
Out of that upto 2.5 lakhs	0%	0%
From 2,50,001 to 5 lakhs = ₹2.5 lakhs left	5% of 2.5 lakhs*	12500
From 5,00,001 to 10 lakhs = ₹5 lakhs	20% of that 5 lakhs	N/A
From 10,00,001 & above	30% of that amount	N/A
	Total Income Tax	₹12,500
Minus Tax Rebate of ₹12,500 (if taxable income is upto ₹5L)**	(MINUS) ₹12,500	
	Total Income Tax to be paid	0
Surcharge (अधिभार): 10%-37% surcharge on Tax amount, IF taxable-income is above ₹50 lakhs	0% of 0% = 0	
Cess (उपकर): 4% Health and education cess on (Tax + Surcharge). (Before Budget-2018, there was only 3% Education Cess).	4% x (0+0) = 0	
Total payment to IT Dept: Income Tax + Surcharge + Cess	0	

*Previously, rebate was ₹2500 if taxable income upto ₹3.5 lakhs but Interim-Budget-2019 raised it to keep middle-class voters happy before General Elections.

**Previously, rebate was ₹2500 if taxable income upto ₹3.5 lakhs but Interim-Budget-2019 raised it to keep middle-class voters happy before General Elections.

Sr	Matter	OTR
Sr.1	Gross Income of salaried employee aged less than 60YR	750000
Sr.2	minus Standard deduction	-50000
Sr.3	minus NPS	-50000
Sr.4	minus LIC, ELSS, Home Loan etc	-150000
Sr.5	Taxable Income: (Sr.1-2-3-4)	500000

आपको छूट
मिलेगी



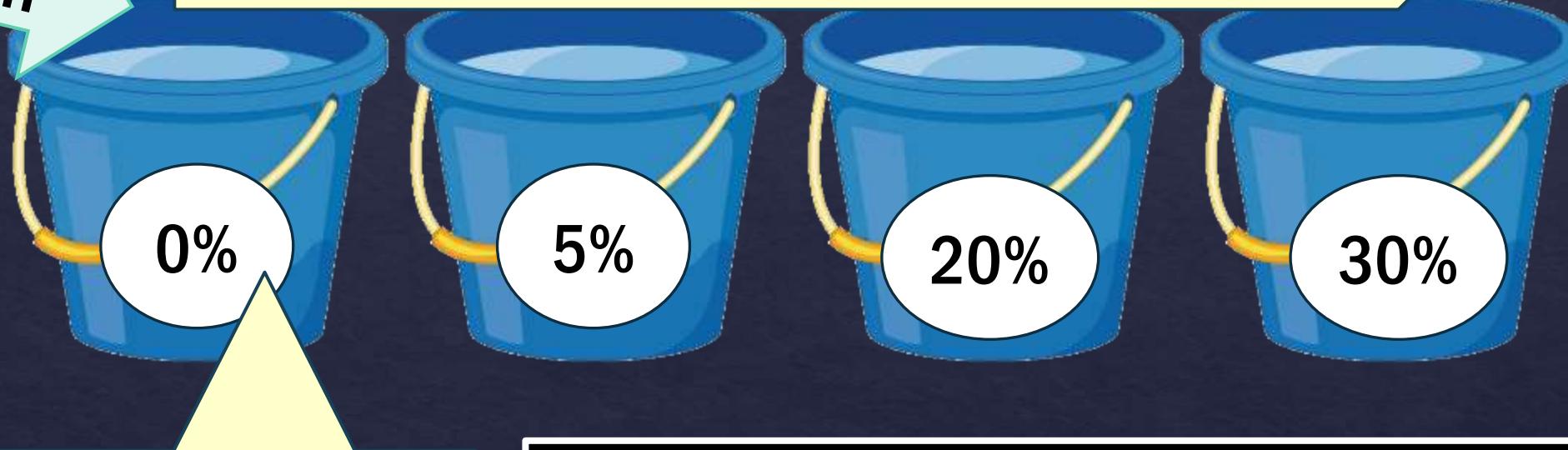
ये रकम पे आपको इनकम टेक्ष भरना है

OTR-income slabs for NOT-Senior Citizen

अलग-अलग बाल्टी में पैसा रखना है। और बाल्टी के नंबर के हिसाब से टैक्स लगेगा

₹5 lakh

Fill your taxable income in this order only, from left to right



Max. 2.5 lakh can be filled in this bucket. →
0% IT Tax.
0-2,50,000

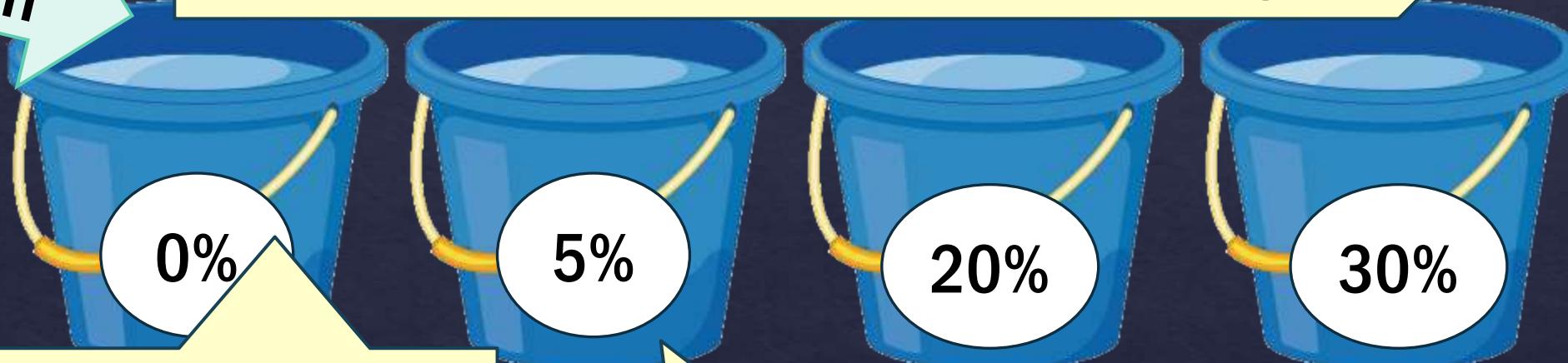
पहली बाल्टी में आप महत्तम ढाई लाख रुपए ही डाल सकते हैं और उस पर कोई आयकर नहीं लगेगा

OTR-income slabs for NOT-Senior Citizen

अलग-अलग बाल्टी में पैसा रखना है। और बाल्टी के नंबर के हिसाब से टैक्स लगेगा

₹5 lakh

Fill your taxable income in this order only, from left to right



Max. 2.5 lakh can be filled in
this bucket. → 0% IT Tax

0-2,50,000

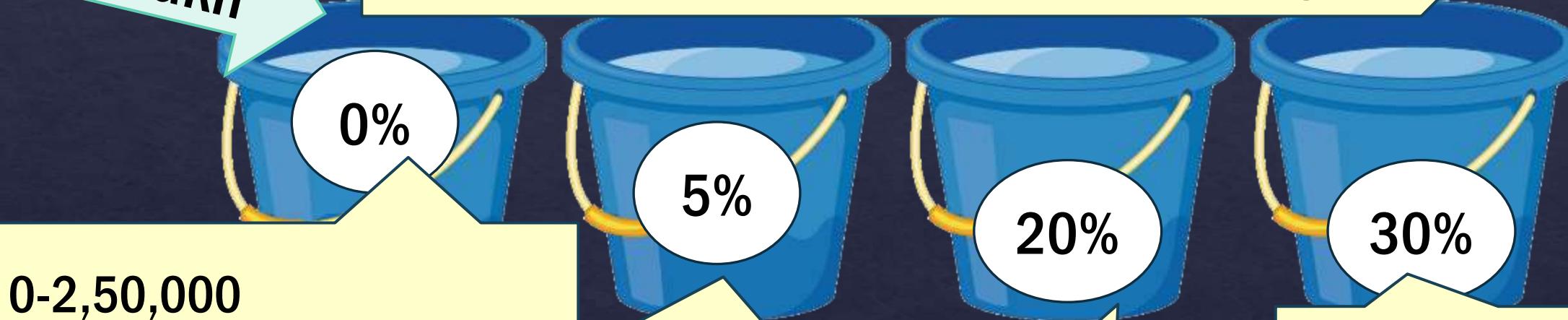
Max. 2.5 lakh can be filled in this bucket.
₹2,50,001 to ₹5,00,000

OTR-income slabs for NOT-Senior Citizen

अलग-अलग बाल्टी में पैसा रखना है। और बाल्टी के नंबर के हिसाब से टैक्स लगेगा

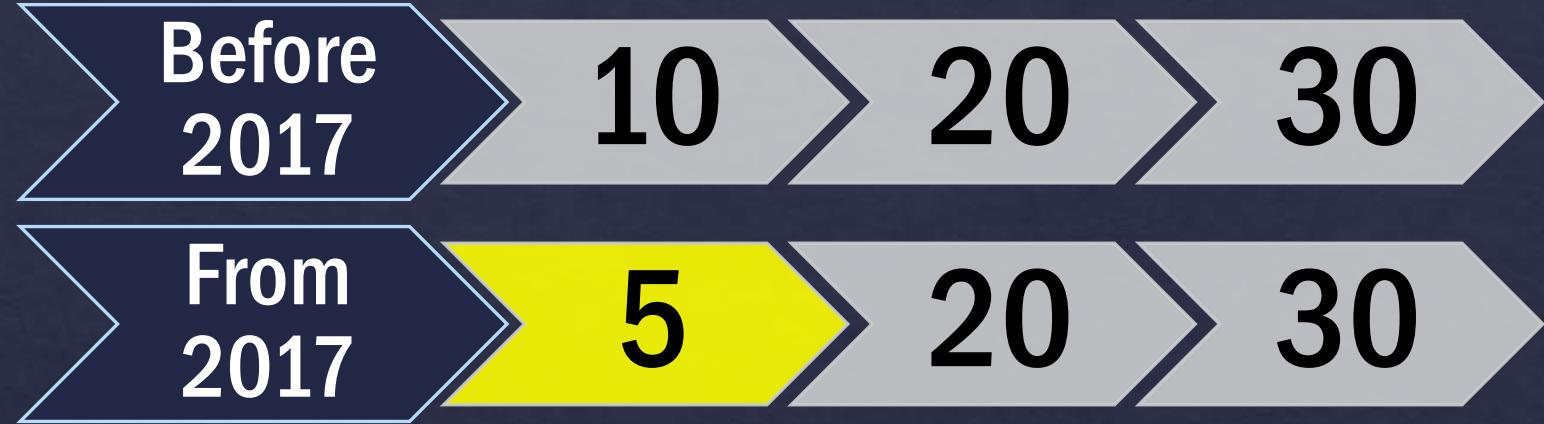
₹5 lakh

Fill your taxable income in this order only, from left to right



Max. 5 lakh can be filled in this bucket.
From 5,00,001 se leke 10,00,000

Fill all the remaining money in this bucket!
अंत में शेष जितनी रकम बची है सारी इसमे में डालो और उस पर 30% आयकर भरो



To keep people
happy after
demonetization

नोटबंदी के बाद,
लोग जरा खुश रहें



(Old tax regime) Income tax slab

Income slab	Individual (below 60 age)	Senior citi (60 to <80)	Very senior (80/>)
Upto 2.5 lakh	NA	NA	NA
>2.5-3lakh	5%	5%	NA
>3-5 lakh	5%	5%	
>5-10	20%	20%	20%
>10	30%	30%	30%
50L onwards.	30% tax + 10-37% surcharge **		82 years

Since, Budget 2018 : 4% Health and education cess on (Tax + Surcharge).

Taxable income is ₹ 5,00,000 for NOT-Senior Citizen

अपनी उदाहरण वाले भाई साहब की रकम बाल्टी में भरना शुरू करते हैं

2,50,000

2,50,000

0

0



0 to 2,50,000

2,50,001 se leke 5,00,000

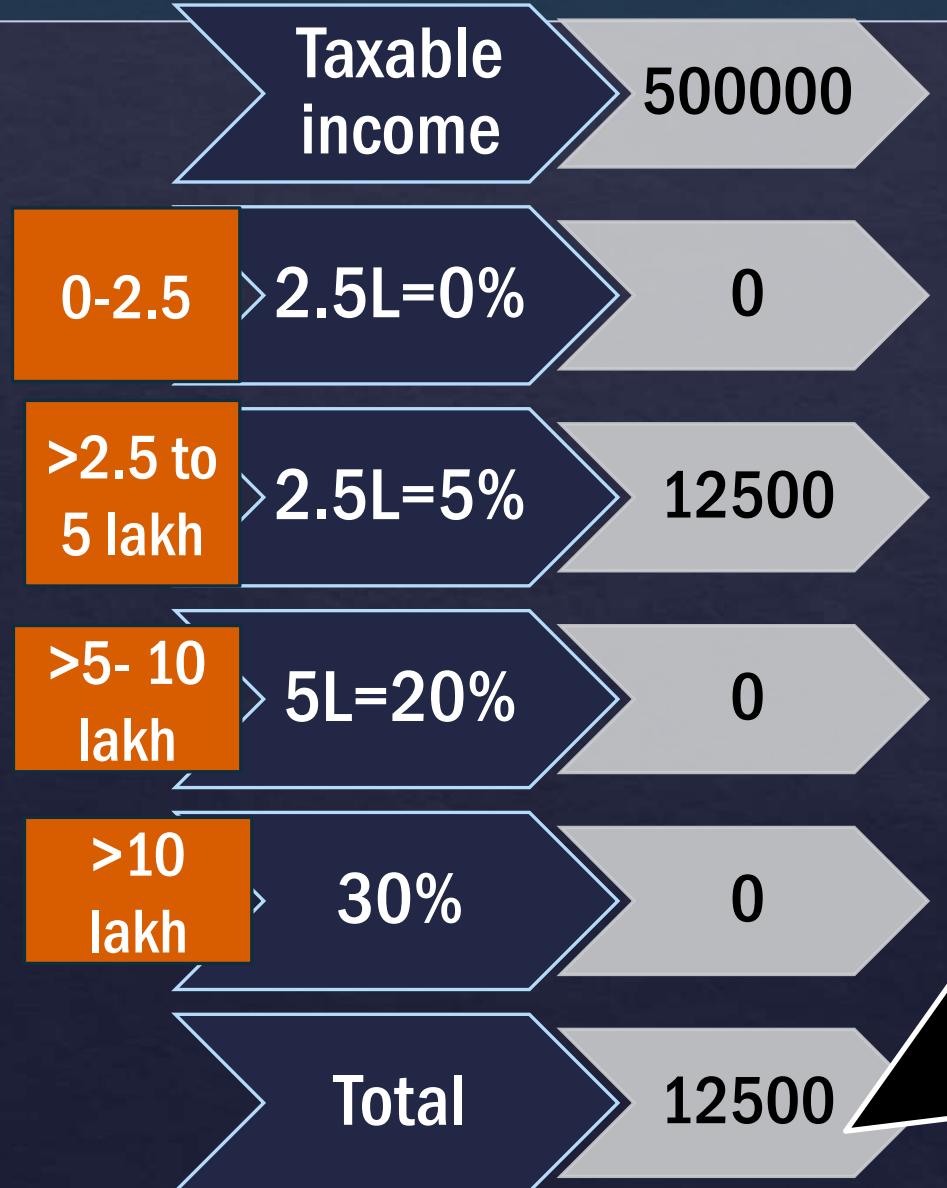
लेकिन यहां कुछ भी भरने की नौबत ही नहीं आई क्योंकि पहले ही सारा माल खाली हो गया



Income tax for UPSC not CA



Income tax for UPSC not CA



To keep people happy in election year.

ताकि चुनावी वर्ष में लोग जरा खुश रहें

Interim Budget 2019

If taxable income upto ₹ 5 lakh
then tax rebate upto ₹ 12500



Tax to be paid

= 12500 minus(-) tax rebate 12500
= ₹0 income tax

Tax rebate is 'upto' 12500 IF taxable income upto ₹5 lakh

यह रिबेट सिंफ मध्यम वर्ग के परिवारों के लिए है. मुकेश अंबानी के लिए नहीं है



Has to pay
IT = 12500

Income
Tax
12500

Rebate
12500

IT to be
paid 0



Has to pay
IT = 10000

Income
Tax
10000

Rebate
10000

IT to be
paid 0

Govt will not give him 2500 cashback

I'll not get this tax rebate as my taxable income more than 5 lakh. मेरे को ये लाभ नहीं मिलेगा



Sr	Matter	OTR
Sr.1	Gross Income of salaried employee aged less than 60YR	750000
Sr.2	minus Standard deduction	-50000
Sr.3	minus NPS	-50000
Sr.4	minus LIC, ELSS, Home Loan etc	-150000
Sr.5	Taxable Income: (Sr.1-2-3-4)	500000
Sr.6	Income Tax on taxable income (Sr.5)	12500
Sr.7	REBATE on Income Tax (Sr.6)	-12500
Sr.8	Income tax to be paid (Sr.6-7)	0



Sr	Matter	OTR
Sr.1	Gross Income of salaried employee aged less than 60YR	750000
Sr.2	minus Standard deduction	-50000
Sr.3	minus NPS	-50000
Sr.4	minus LIC, ELSS, Home Loan etc	-150000
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Sr.6	Income Tax on taxable income (Sr.5)	12500
Sr.7	REBATE on Income Tax (Sr.6)	-12500
Sr.8	Income tax to be paid (Sr.6-7)	0

यह सब दिमाग में नहीं उतरता हो तो  चिता करने की जरूरत नहीं है।
लेकिन गलत वाक्यों को हटाने के लिए थोड़ा बहुत अंदाज है जरूरी है।

- If this doesn't go in your head, don't worry. UPSC will not ask to illustrate how exactly is income tax computed.
- But at the same time, some idea is necessary to eliminate wrong statements.
E.g. senior citizens are completely exempt tax: Ans.  incorrect statement. Ratan Tata
- Every Indian citizen is given 12500 rebate. Ans. No - Mukesh Ambani will not get tax rebate.

Too many exemption/deduction = very complicated for common person

आपने कितना निवेश किया, लोन लिया चंदा दिया, उस हिसाब से अलग-अलग फॉर्म भरो 😠



Sr	Matter	OTR
Sr. 1	Gross Income of salaried employee aged less than 60YR	750000
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Sr.7	REBATE on Income Tax (Sr.6)	-12500
Sr.8	Income tax to be paid (Sr.6-7)	0

2) Budget 2020

- then forget about deductions,
- Directly pay tax @lower slabs.

- 1) Which deduction applicable to me?
- Which form I've to submit?
- Always help of C.A. required.
- 😠 500 जात के फॉर्म भरने में परेशान हो गया



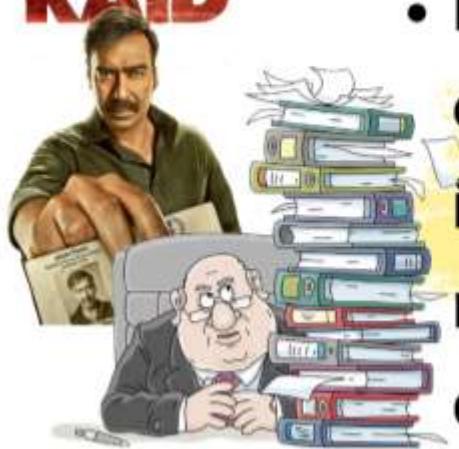
Old Tax Regime (OTR)

5/20/30%



- to save Income tax
- you had to lock money in NPS, LIC etc for long time.

RAID



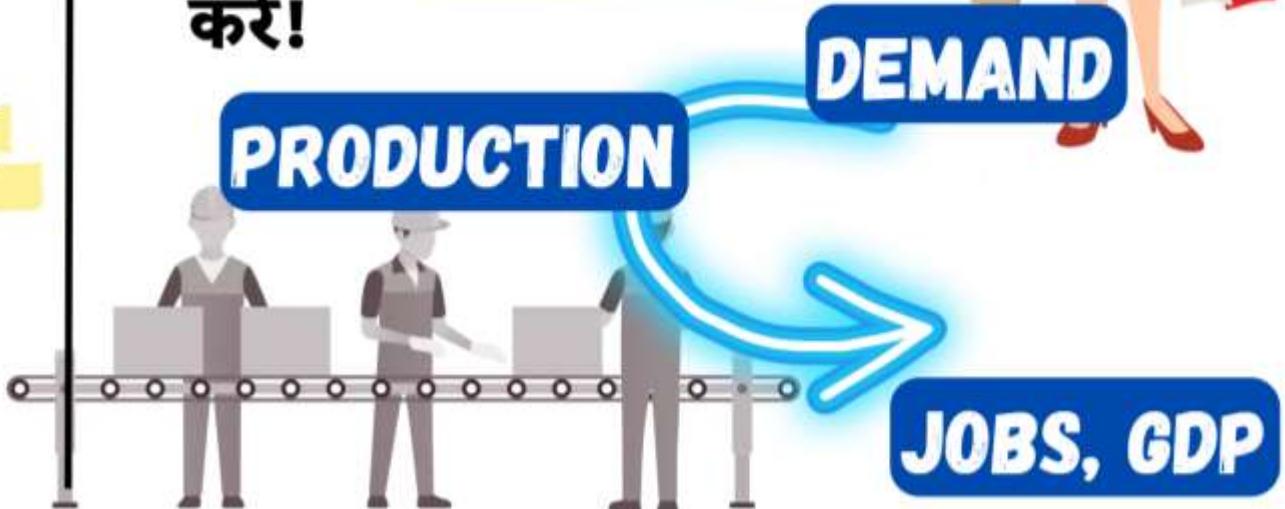
- Income Tax officers' workload increased in monitoring deduction claims

New Tax Regime (NTR)

5/10/15/20/30%



- Income tax बचाने के लिए NPS, LIC वगैरा में ज्यादा पैसा lock करना ज़रूरी नहीं।
- चलो दे-धनाधन shopping करे!



INCOME TAX

Old Tax Regime (OTR)

Total Income	Tax
Upto ₹ 2.50 lakh	0%
₹ 2.50-5 lakh	5%
₹ 5-10 lakh	20%
Above ₹ 10 lakh	30%

New Tax Regime (NTR)

this is
'default'

NTR 2023

Up to 3 lakh	Nil
Rs 3-6 lakh	5%
Rs 6-9 lakh	10%
Rs 9-12 lakh	15%
Rs 12-15 lakh	20%
NA	NA
Above Rs 15 lakh	30%

Pick either
OTR
Or NTR-2023

- NTR is such that
- you'll not get NPS/LIC etc ka tax deduction
- But % slabs are lower than OTR

		Old tax regime	New tax regime
Sr	Matter	OTR	NTR-2023
Sr. 1	Gross Income of salaried employee aged less than 60YR	750000	750000
Sr. 2	minus Standard deduction	-50000	-50000
Sr. 3	minus NPS	-50000	No deduction
Sr. 4	minus LIC, ELSS, Home Loan etc	-150000	No deduction
Sr. 5	Taxable Income: (Sr. 1-2-3-4)	500000	700000

NTR is such that you'll not get NPS/LIC etc ka tax deduction
 But % slabs are lower than OTR

Sr	Matter	OTR	NTR-2023
Sr. 1	Gross Income of salaried employee aged less than 60YR	750000	750000
Sr. 2	minus Standard deduction	-50000	-50000
Sr. 3	minus NPS	-50000	No deduction
Sr. 4	minus LIC, ELSS, Home Loan etc	-150000	No deduction
Sr. 5	Taxable Income: (Sr.1-2-3-4)	500000	700000
Sr. 6	Income Tax on taxable income (Sr.5)	12500	25000
Sr. 7	REBATE on Income Tax (Sr.6)	-12500	-25000
Sr. 8	Income tax to be paid (Sr.6-7)	0	0
Sr. 9	surcharge on IT if taxable income >50 lakh	0	0
Sr. 10	4% health & Education Cess on (Sr8+9)	(0+0)x4%=0	(0+0)x4%=0
	Total Tax to be paid	0	0

NTR 2023	
Up to 3 lakh	Nil
Rs 3-6 lakh	5%
Rs 6-9 lakh	10%
Rs 9-12 lakh	15%
Rs 12-15 lakh	20%
NA	NA
Above Rs 15 lakh	30%

Upto 7 lakh
taxable
income
0 income tax

7 लाख तक की taxable income पे income tax = ₹0

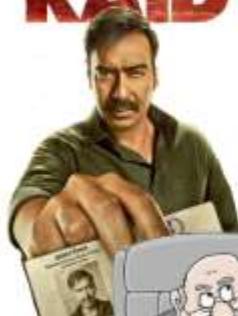
Old Tax Regime (OTR)

5/20/30%



- to save Income tax
- you had to lock money in NPS, LIC etc for long time.

RAID



- Income Tax officers' workload increased in monitoring deduction claims

New Tax Regime (NTR)

5/10/15/20/30%

- Income tax बचाने के लिए NPS, LIC वगेरा में ज्यादा पैसा lock करना ज़रूरी नहीं।
- चलो दे-धनाधन shopping करे!



DEMAND

PRODUCTION



JOBs, GDP

NTR leaves u with more disposable income (assuming u did not save in LIC/NPS etc)

Sr	Matter	OTR	NTR-2023
Sr. 1	Gross Income of salaried employee aged less than 60YR	750000	750000
Sr. 2	Money LOCKED in NPS	-50000	0
Sr. 3	Money LOCKED in LIC, ELSS, etc	-150000	0
Sr. 4	Income tax to be paid	0	0
Sr. 5	Money LEFT for spending/ disposable income?	550000	750000

Beyond 7 lakh income tax then income tax will be there...

Sr	Matter	OTR	NTR-2023
1	Gross income	Rs.5.50 cr	Rs.5.50 cr
2	Std. Deduction	(-) 50,000	(-) 50,000
3	NPS	(-) 50,000	N/A
4	LIC, Home Loan etc	(-) 2,00,000	N/A
5	Taxable income: 1-2-3-4	5,47,50,000	Rs. 5,49,50,000
6	Tax rebate	N/A bcoz income >5 lakh	N/A bcoz income >7 lakh
7	Tax+Surcharge+Cess on Sr5=	Rs.2,31,35,190	Rs. 2,10,40,500

आप करोड़ पति हैं तो फिर तो इनकम टेक्स लगेगा. क्योंकि रिबेट नहीं मिलेगी

Rich people have to pay **surcharge** on income tax

Surcharge if taxable income is	OTR (Old Tax Regime)	NTR (New Tax Regime)
More than ₹50 lakh upto 1 cr.	10%	10%
More than ₹1 cr upto 2 cr.	15%	15%
More than ₹ 2 cr upto 5 cr.	25%	25%
More than ₹5 cr	37%	25%

Effective Tax on super-rich person earning >5 cr

Sr	Item	OTR	NTR
Sr1	Income Tax Highest Slab	30%	30%
Sr2	Surcharge on Income Tax	37% of 30% IT = 11.1%	25% of 30% IT = 7.5%
Sr3	Heath Edu Cess on (Sr1+Sr2)	4% (30%+11.1%)=1.64%	4% (30%+7.5%)=1.5%
	Effective Tax = Sr1+2+3	42.74%	39%

Sr	Matter	OTR	NTR-2023
1	Gross income	Rs.5.50 cr	Rs.5.50 cr
7	Tax+Surcharge+Cess	Rs.2,31,35,190	Rs. 2,10,40,500

NTR= approx 20 lakh less
need to be paid than OTR



**REVENUE FORGONE
TAX EXPENDITURE**

मेरे
लिए



TAX SAVINGS

INCOME TAX SLABS

Old Tax Regime (OTR)

5/20/30%

New Tax Regime (NTR)

5/10/15/20/30%

henceforth
this is the
'default'
system

can u change/switch between NTR/OTR?



YES

- yes every year
- u can opt any system you like
- आप हर साल चुन सकते हैं। जो आपको ठीक लगे।

salaried employee

Bizman,
Freelance professional



only once in a lifetime,
you've to opt OTR/NTR.
then u can't change.
सिर्फ़ एक बार चुन सकते हैं।

Union's Direct taxes levied under Income Tax Act 1961

पुराने आयकर कानून को बदल कर प्रत्यक्ष कर संहिता लाते हैं

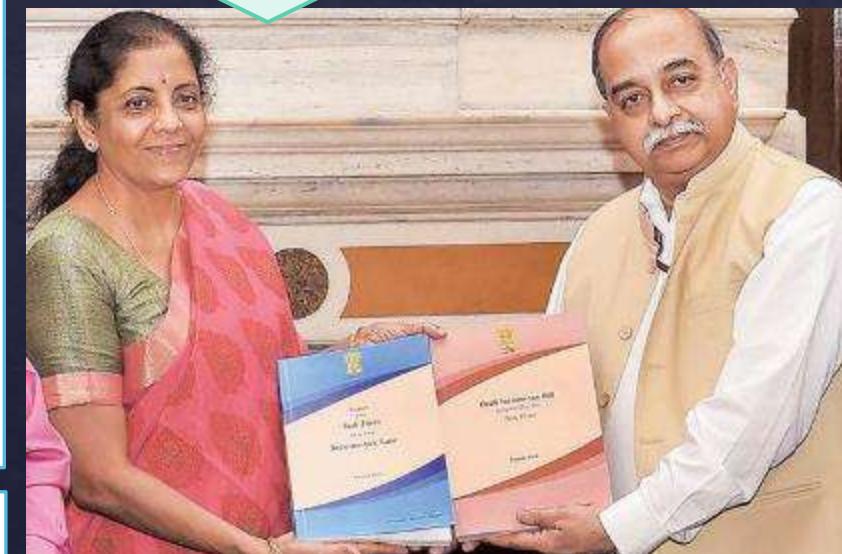
2017

- DIRECT TAX CODE (DTC) TASK FORCE
- Under CBDT member Arbind Modi

just like we have a law
insolvency and bankruptcy
code, we should have a law
“DIRECT TAX CODE ”

2018-19

- Arbind Modi retired so another CBDT member Akhilesh Ranjan was made Chairman.
- CEA Subramanian K. was also a member of this taskforce.



2019-Aug

- Report Submitted.

DIRECT TAX CODE (DTC) TASK FORCE (2017-2019): NOTABLE REFORMS SUGGESTIONS

मुख्य परीक्षा में आपको आसानी से याद रह जाए ऐसे 2-3 मुद्दे याद कर लो, सब मुद्दे नहीं करने

- ❖ Replace the Income Tax Act 1961 with a simpler Direct Tax Code (प्रत्यक्ष कर संहिता).
- ❖ ↓ the corporation tax further.
- ❖ Tax rates for domestic and foreign companies should be same. This will encourage ease of doing business in India.
- ❖ Give additional tax relief for the startup companies.

 Don't loose sleep.
Remember 2-3 good points for Mains ans
“what more can we do to reform direct taxes?”



DIRECT TAX CODE (DTC) TASK FORCE (2017-2019): NOTABLE REFORMS

मुख्य परीक्षा में आपको आसानी से याद रह जाए ऐसे 2-3 मुद्दे याद कर लो, सब मुद्दे नहीं करने

- ◆ the number of tax slabs from present three (5%, 20%, 30%) to four (10%, 20%, 30% and lastly 35% for super-rich earning ₹ 2 cr />).
- ◆ Abolish Dividend Distribution Tax (DDT).
- ◆ Setup Litigation Management Unit (मुकदमों की प्रबंधन इकाई) to look after the tax related court cases in an efficient manner.
- ◆ ++ many other reforms, but poor cost benefit.

 Don't loose sleep.
Remember 2-3 good points for Mains ans
“what more can we do to reform direct taxes?”



Audio/Video
Problem?



Edu Doubt?
Ask through

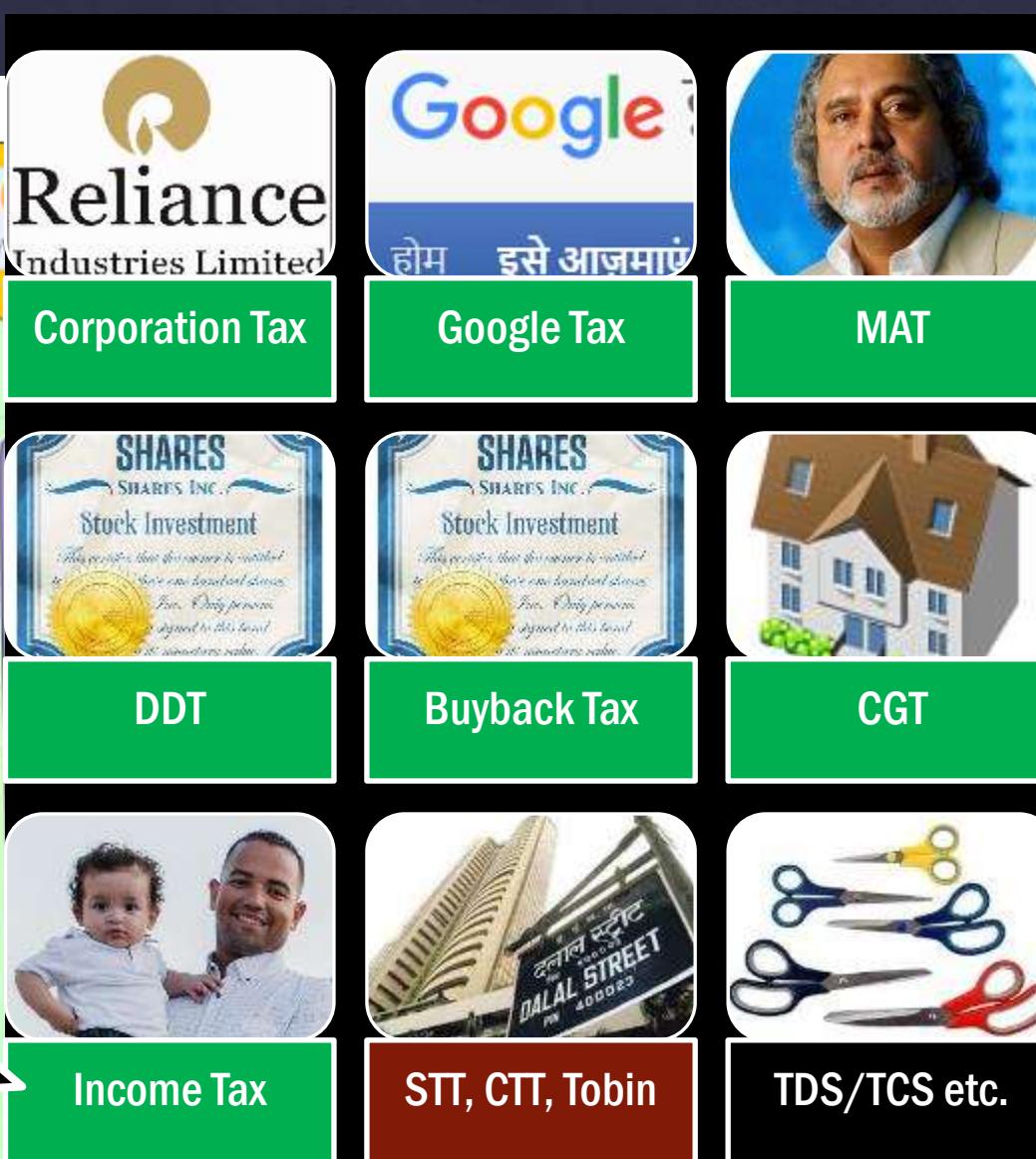
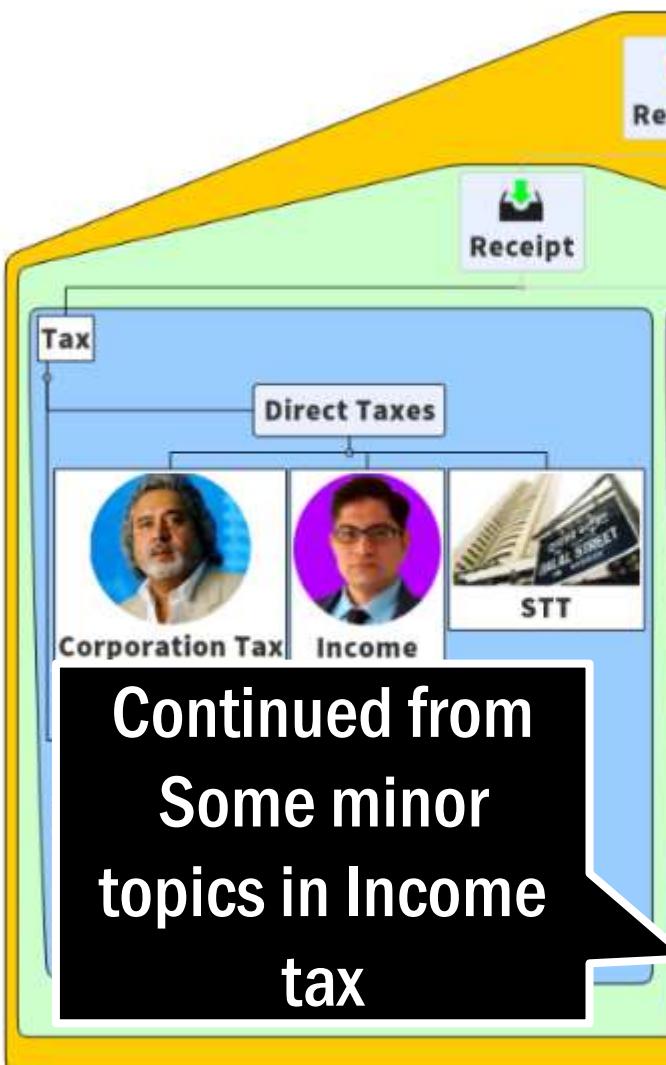
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Pillar2A: Taxes → Direct

Handout



21.12 MISC. DIRECT TAXES - FINANCIAL TRANSACTION TAXES (वित्तीय लेनदेन कर)

21.12.1 (Concept) Tobin Tax / Robinhood Tax

- 1970s: Nobel recipient American economist James Tobin proposed a small tax everytime currency is converted into another currency (e.g. \$ to ₹).
- Such tax will discourage short term speculative investment and flight of capital from one country to another = stabilizing the global economy and currency exchange rates.
- In India, foreign currency conversions subjected to (previously Service Tax) & now GST. So not really direct tax. @ some nations levied as direct tax. *More in pillar#3*

21.12.2 STT & CTT (प्रतिभूति लेनदेन कर और वस्तु लेनदेन कर)

- Securities Transaction Tax (STT: प्रतिभूति लेनदेन कर) is levied on the sale and purchase of shares, ETF-units, derivatives and other securities at stock-exchanges. Its rate (0.001%-2%) varies as per the nature of the securities. *Full-Budget-2019 relaxed certain STT norms on Option contracts. How? NOTIMP*
- Commodities Transaction Tax (CTT: वस्तु लेनदेन कर) is levied on non-agricultural commodities traded at Commodities-Exchanges. Rate ~0.01%.

Table 6: Not here for C.A. Exam, #धोड़ा-पढ़ा-आगे-पढ़ा

Direct Tax	By	Description
Capital Gains Tax	Union	Applicable when share (or any capital asset e.g. home) is "sold at profit" by its previous owner.
Securities Transaction Tax	Union	= Applicable on the selling price of share, bond and other securities. → Irrespective of whether seller is making profit or loss.

black money?
tax payer charter?
Vivad se Vishwas?
Etc

= NEXT WEEK Pill2B

MCQ-Prelim-2018:

Find correct statements about equalization tax of 6% on online advertisement services offered by non-resident entities:

1. It is introduced as a part of the Income Tax Act. आयकर कानून के हिस्से के रूप में
2. Non-resident entities that offer advertisement services in India can claim a tax credit in their home country under the “Double Taxation Avoidance Agreements”. दोहरे कराधान समझौतों के अंतर्गत ऐसी कंपनियों को माफी मिलेगी

Answer Codes:

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2



गैर निवासी इकाइयों पर
6% इक्विलाइजेशन
लेवी नाम का कर
लगाया सही विधान
ढूँढिए

100% Surety

50:50

Skip



1

digital ads e.g. facebook
google & foreign e-commerce e.g. Netflix,
Adobe etc

4

- but we're in Singapore/Mauritius
- so we don't have to pay as per Double Taxation Avoidance Agreement (DTAA)



5

you'll have to pay, even if there is DTAA!



Adobe Photoshop
Pay ₹1000 (SP)

2

Cost Price	₹700
+ Profit	₹300
= Selling Price	₹1000



under Finance Act, 2016

3

 2-6% equilisation levy on SP (₹1000)
40% Corporation tax on profit (₹300)
under Income Tax Act, 1961



IT Dept.

MCQ-Prelim-2018:

With reference to India's decision to levy an equalization tax of 6% on online advertisement services offered by non-resident entities, find correct statements :

1. It is introduced as a part of the Income Tax Act. **NO SEPARATE**
2. Non-resident entities that offer advertisement services in India can claim a tax credit in their home country under the “Double Taxation Avoidance Agreements”. **CANNOT CLAIM**

Answer Codes:

- a) 1 only b) 2 only
c) Both 1 and 2 d) **Neither 1 nor 2**

- 😰 Tough because 2016's technical asked in 2018
- In real exam, better to skip if you have no idea.
- Cut off is never 200/200 marks.
- Don't spend 90% time on such 10% random questions #⚠️ થોડા-પઢો-આગે-કઢો

100% Surety

50:50

Skip

Atte



**UNION PUBLIC SERVICE COMMISSION
CIVIL SERVICES EXAMINATION , 2015**

Current Time & Date :-12:20:23 PM (Wed,25th Nov 2017)

**UNION PUBLIC SERVICE COMMISSION
MARKSHEET**

Civil Services (PRELIMINARY) Examination , 2015

Roll Number	0256747
Name	TINA DABI
Marks Obtained	
Paper I	96.66
Paper II	98.73
Total	195.39

REMARKS : QUALIFIED FOR CS(MAIN) EXAMINATION, 2016

DISCLAIMER : The contents of this site is informative in nature.

**UNION PUBLIC SERVICE COMMISSION
CIVIL SERVICES EXAMINATION , 2017**

Current Time & Date

**UNION PUBLIC SERVICE COMMISSION
MARKSHEET**

Civil Services (PRELIMINARY) Examination , 2017

Roll Number	0156266
Name	DURISHETTY ANUDEEP

Marks Obtained

108.66
141.68

REMARKS : QUALIFIED FOR CS(MAIN) EXAMINATION, 2017

Marks Obtained

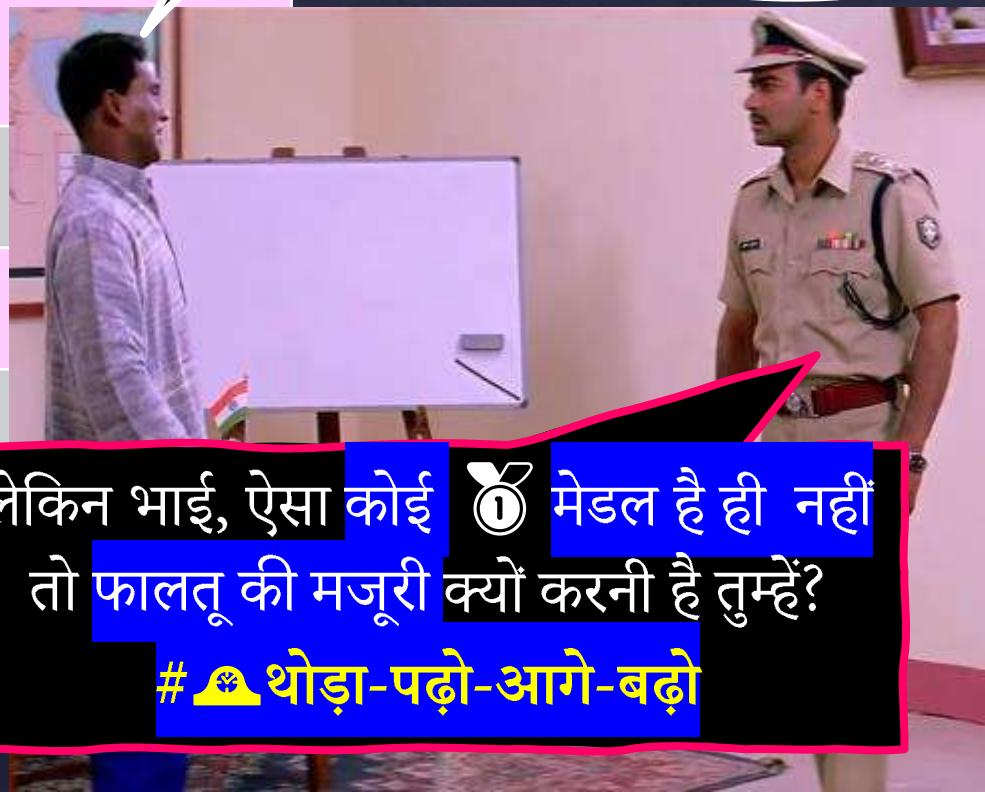
Paper I	106.00
Paper II	147.50

REMARKS : QUALIFIED FOR CS(MAIN) EXAMINATION, 2018

**Paper1 (GS)
Maximum marks 200**

Only {mains + interview} score counted in final merit list.

AIR_Name	Score in Prelim GSPaper1 (out of 200)
2015: #1: Tina Dabi	96.66/200
2015: #99: Gaurav Sogarwal (Hindi माध्यम)	138/200
2017: #1: Anudeep	108.66/200
2017: # 205 Preetesh	114.66/200
2018: #1: Kanishk	106.00/200
2018: #274 Priyank	118.67/200



Sir, हम PHD Intellectual
बनेंगे ताकि Toughest MCQ
tick कर पाए और
BEST Prelim SCORE- का
① medal लेंगे आपसे!

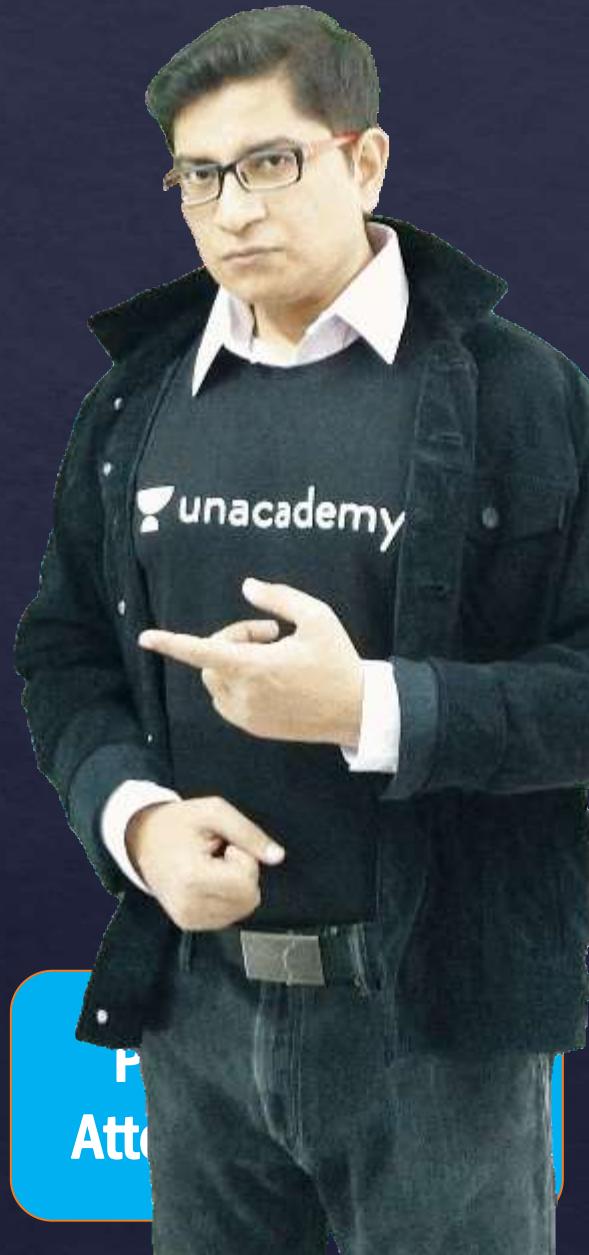
लेकिन भाई, ऐसा कोई ① मेडल है ही नहीं
तो फालतू की मजूरी क्यों करनी है तुम्हें?
🇮🇳 थोड़ा-पढ़े-आगे-बढ़ो

In which of the following circumstances may ‘capital gains’ arise? पूँजीगत लाभ कब हो सकता है

1. When there is an increase in the sales of a product. किसी वस्तु की बिक्री बढ़े
2. When there is a natural increase in the value of the property owned. संपत्ति का मूल्य बढ़े
3. When you purchase a painting and there is a growth in its value due to increase in its popularity. चित्र की लोकप्रियता के चलते कीमत बढ़े

Answer Codes:

- (a) 1 only (b) 2 and 3 only (c) 2 only (d) 1, 2 and 3



100% Surety

50:50

Skip

P
Atte

Capital Gains Tax (CGT: पूँजीगत लाभ कर)

मैं अपनी कोई भी मकान/पूँजीगत संपत्ति मुनाफे पर बेचूं तो मुनाफे में सरकार टैक्स मांगती है



- 1) If I bought a house for ₹ 10 lakh
- sold it after “X” years @ profit of ₹ 2 lakh.



2) Short term capital gains tax on 2 lakh PROFIT

- If sold within 2 years of ownership-
- अगर खरीदने के 2 साल भीतर भीतर ही बेच दूँ तो मुझे लघु अवधि वाला पूँजीगत लाभ कर देना होगा



Long term capital gains (LTCG) tax on 2 lakh PROFIT

- If sold after 2 years.



This is only for Simple illustration

- Duration could be different depending on asset (Shares/bonds) संपत्ति के हिसाब से यह अवधि अलग-अलग हो सकती है
- Some assets may be exempt from short- or long-term CGT BUT CA-PHD NOTIMP

Capital Assets which are subjected to Capital Gains Tax?

- ❖ Non-agricultural land
- ❖ Property,
- ❖ Jewelry, Paintings,
- ❖ Vehicles, Machinery,
- ❖ Patents, Trademarks
(pillar4B: IPR)
- ❖ Shares, Bonds Etc.
- ❖ ~~Personal articles
(belt, tshirt, shoes)~~
- ❖ ~~Consumer goods
(biscuit, mobile)~~



अगर इन में से कोई भी पूँजीगत संपत्ति ग्राहक ने खरीदी → उसने मुनाफे पर दूसरी व्यक्ति को बेची → तो उस मुनाफे पर लगेगा पूँजीगत लाभ कर

In which of the following circumstances may 'capital gains' arise?

1. When there is an increase in the sales of a product. (biscuit / mobile sales: GST and indirect taxes)
2. When there is a natural increase in the value of the property owned.
3. When you purchase a painting and there is a growth in its value due to increase in its popularity.

Answer Codes:

- (a) 1 only (b) 2 and 3 only (c) 2 only (d) 1, 2 and 3

100% Surety

50:50

Skip



CGT

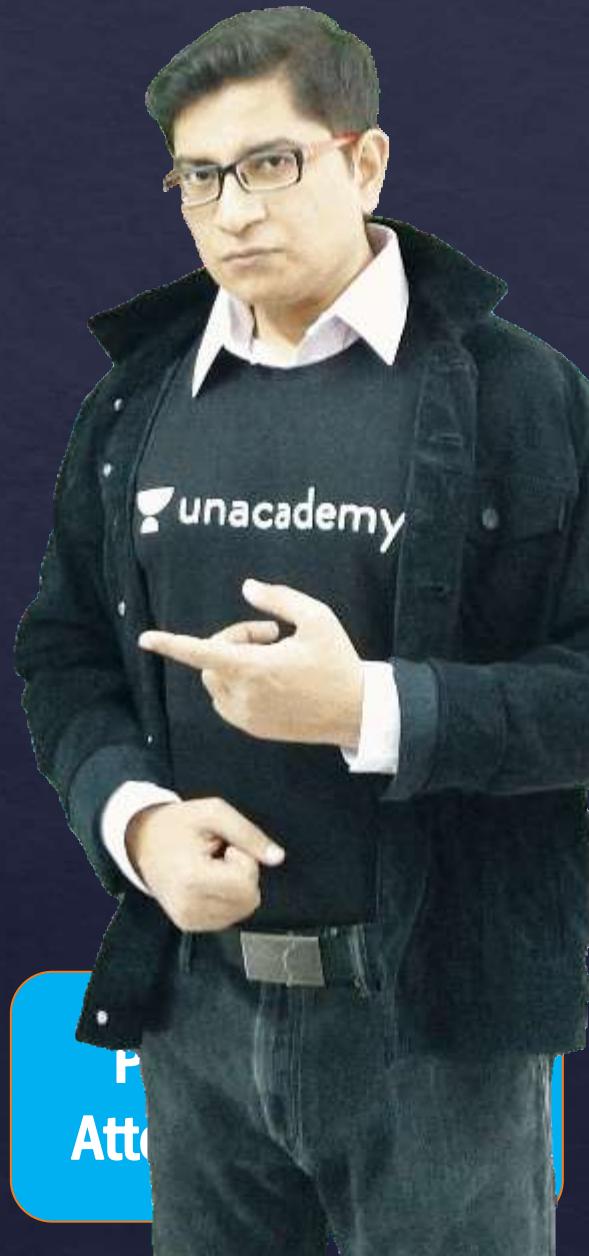
पूंजीगत संपत्तियों पर
सामान्य वस्तु पर नहीं

In which of the following circumstances may ‘capital gains arise?

1. When there is an increase in the sales of a product. (biscuit / mobile sales: GST and indirect taxes)
2. When there is a natural increase in the value of the property owned.
3. When you purchase a painting and there is a growth in its value due to increase in its popularity.

Answer Codes:

- (a) 1 only (b) 2 and 3 only (c) 2 only (d) 1, 2 and 3



100% Surety

50:50

Skip

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2012, Series A Q76: official Answer 'B'

यूपीएससी की प्रिलिम ही क्या जहां पर लोग लड़ाई ना करें

76. Under which of the following circumstances may 'capital gains' arise?

1. When there is an increase in the sales of a product
2. When there is a natural increase in the value of the property owned
3. When you purchase a painting and there is a growth in its value due to increase in its popularity

Select the correct answer using the codes given below :-

- (a) 1 only
- (b) 2 and 3 only
- (c) 2 only
- (d) 1, 2 and 3

Examination: Civil Services (P) Exam 2012

Paper: Paper-I

Test Booklet Series:A

No. of Maximum Marks : 200

No. of items : 100

No. of items to be scored : 100

No. of Items to be dropped: Nil

1	B	16	B	31	B	46	A	61	D	76	B	91	D
2	A	17	C	32	A	47	D	62	D	77	C	92	A

But what if property value  but is not sold, then no CGT would arise... मकान की कीमत बढ़ी लेकिन आप उसको बेचो नहीं तो कहां से मिलने वाला है पूँजीगत लाभ



... directive word is
‘may’ arise. हो सकता है

In which of the following circumstances **may** ‘capital gains arise?

1. When there is an increase in the sales of a product.
( GST and indirect taxes on biscuit/mobiles)
2. When there is a natural increase in the value of the property owned.
3. When you purchase a painting and there is a growth in its value due to increase in its popularity.

Answer Codes:

- ~~(a) 1 only~~ **(b) 2 and 3 only** ~~(c) 2 only~~ ~~(d) 1, 2 and 3~~



Observe both statement 2 and 3- neither place examiner said ‘sold / selling’ so either both 2 & 3 need to be wrong on that logic ‘no selling’ mention, but no such option so then both have to be right in this “may arise” context

100% Surety

50:50

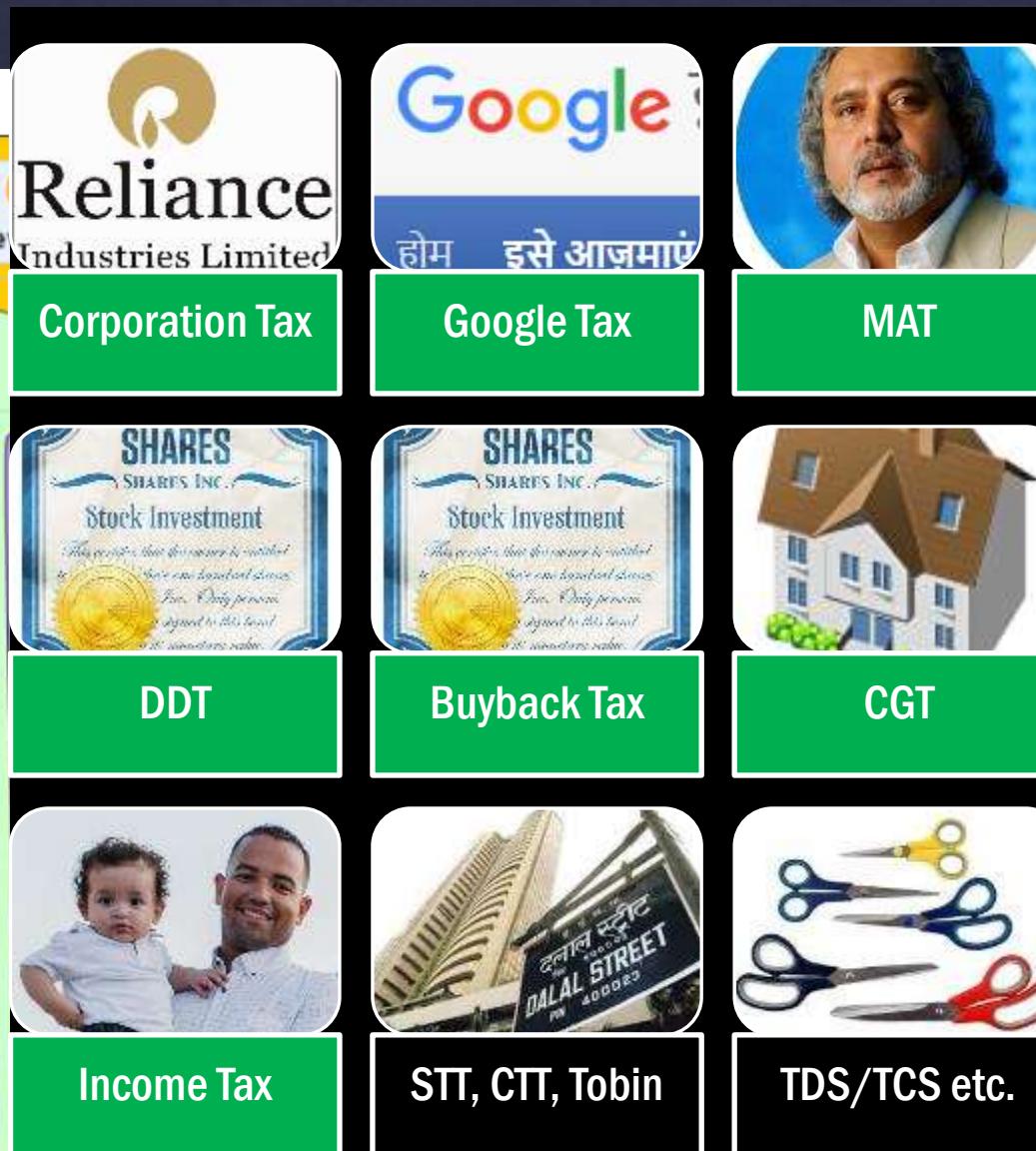
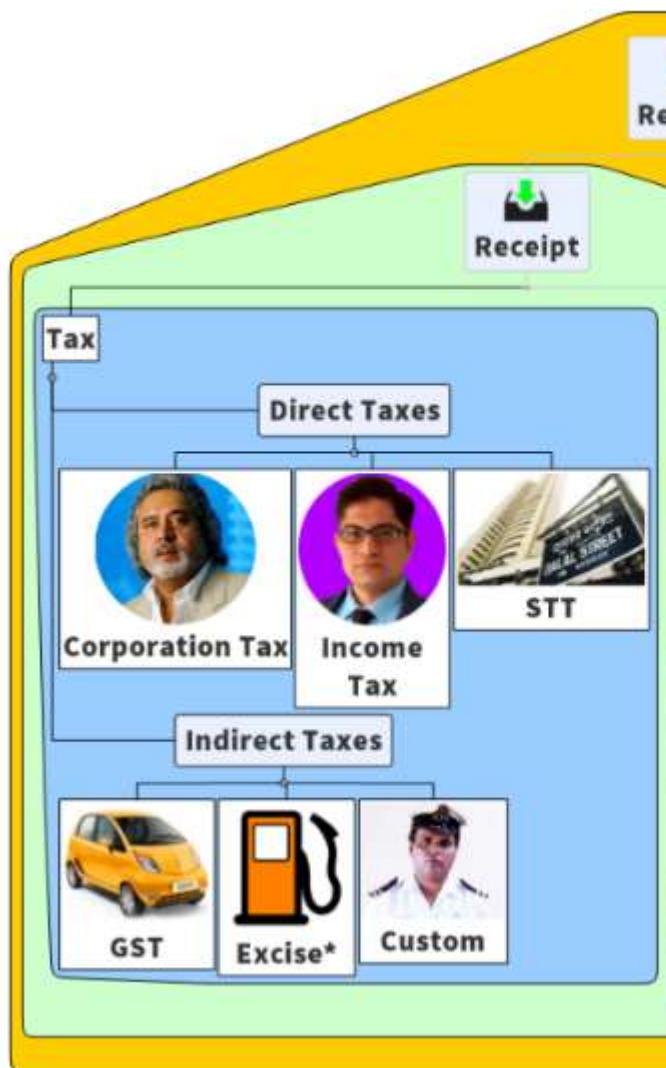
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Edu Doubt?
Ask through

Google
Forms

Pillar2A: Taxes → Direct



21.12

- 1970s: I everythin
- Such ta one cou In India So not i

21.12.2

- Securit of share (0.001%-2%) varies as per the nature of the securities. Full-Budget-2019 relaxed certain STT norms on Option contracts. How? NOTIMP
- Commo commo

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agreements e.g. rent agreement etc.
⇒ Irrespective of whether seller is making profit or loss.
⇒ 2020: Union govt amended the Indian Stamp Act. 1899 so

Stamp D
(स्टैम्प शुद्धि)

22 BU

HUF

Advance Tax

Presumptive Taxation

Direct Taxes → Misc. Concepts: Hindu Undivided Family

- ◆ A Hindu, Buddhists, Jains, or Sikhs family can come together, pool their assets and form an HUF under the Income Tax Act.
- ◆ HUF is taxed separately from its members, & helps saving taxes
 - ◆ due2 some provisions/loopholes of Income Tax Act.
 - ◆ How exactly? Ans. not here for CA exam.

हिंदू अविभक्त परिवार
के रूप में पंजीकरण
किया तो आयकर कम
भरना पड़ता है

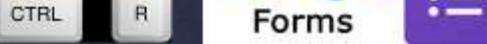




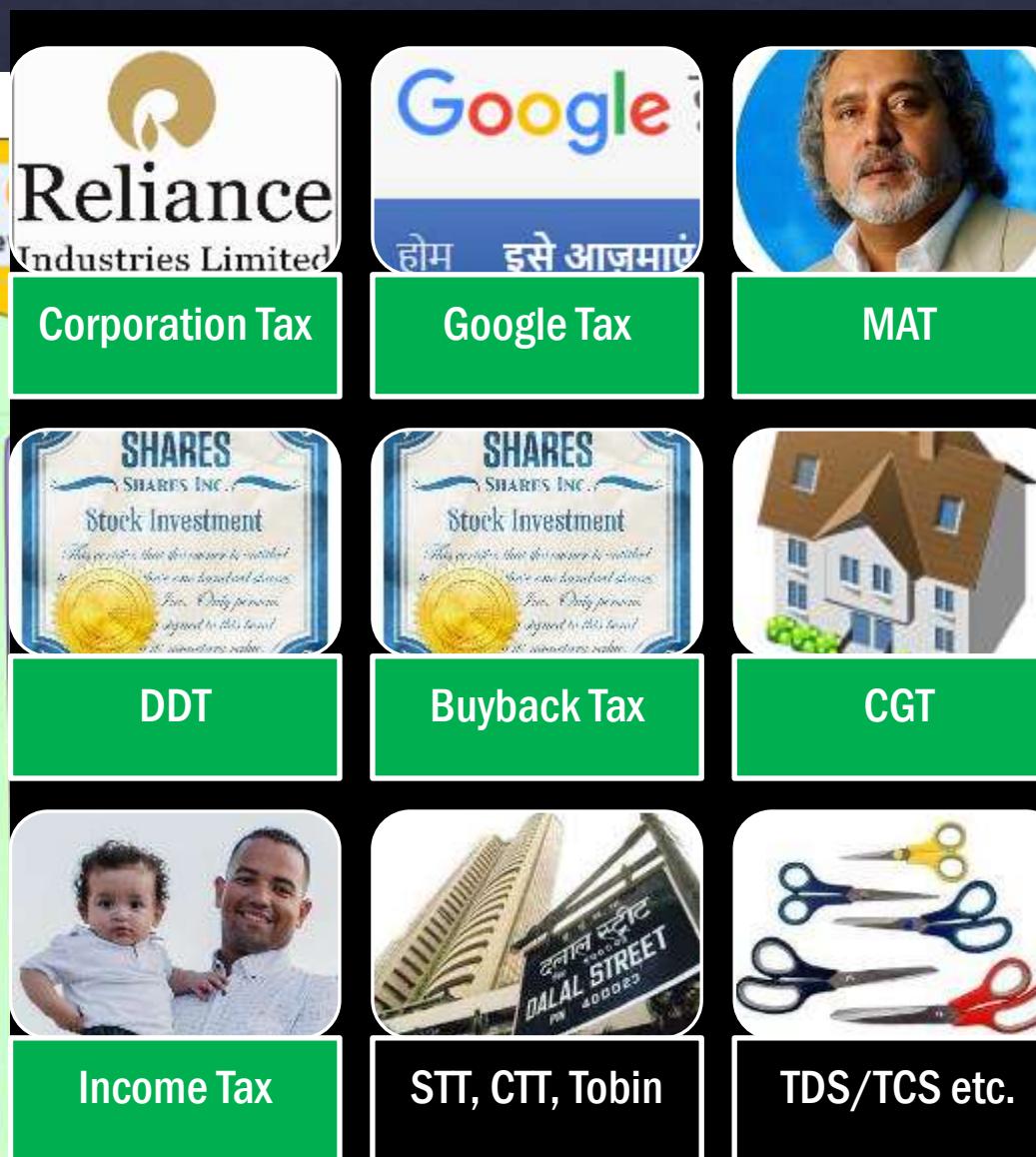
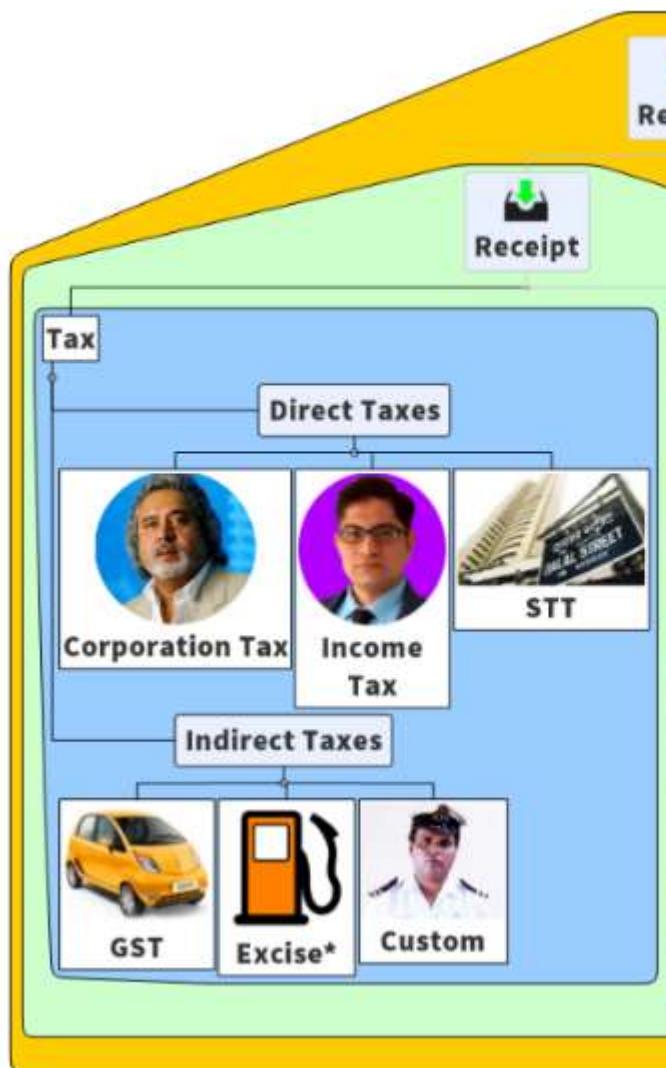
Edu Doubt?
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Pillar2A: Taxes → Direct



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agreements e.g. rent agreement etc.
⇒ Irrespective of whether seller is making profit or loss.
⇒ 2020: Union govt amended the Indian Stamp Act. 1899 so

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ECT TAXES

HUF

Presumptive Taxation

Advance Tax

Paying income tax / corporation taxes



Salaried employee= Easily compute income tax on salary.

Corporate Co. has **full time accountants** to compute balance sheet, corporation tax.



But self-employed freelance consultants / professionals such as lawyers, doctors, fashion designers = ☹☹☹



Difficult to hire full time accountant ☹

Difficult to compute exact profit sometimes. ☹



Solution: Presumptive Taxation



1. It is ‘formula’ to calculate Income tax.
2. It is not a separate tax.

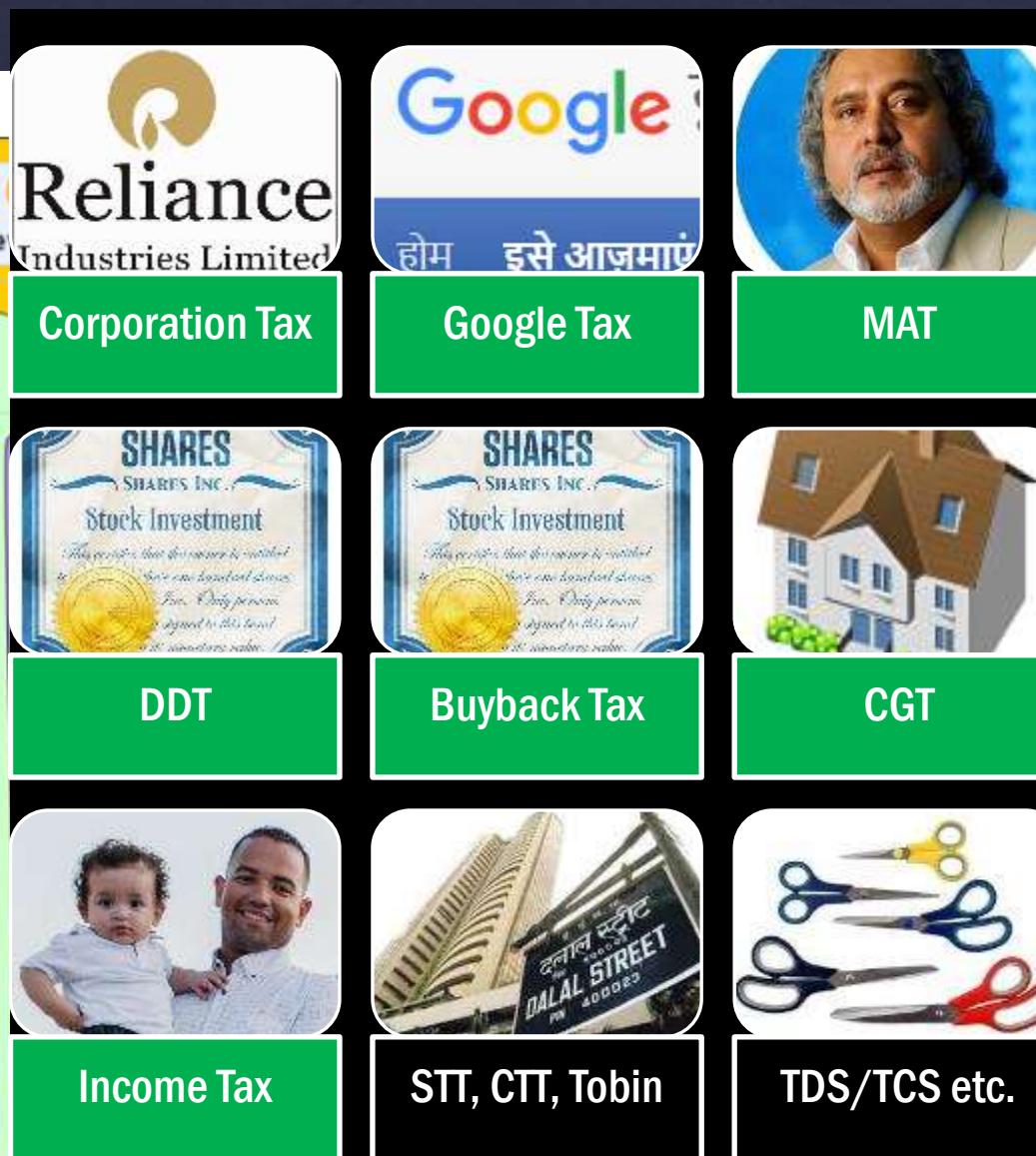
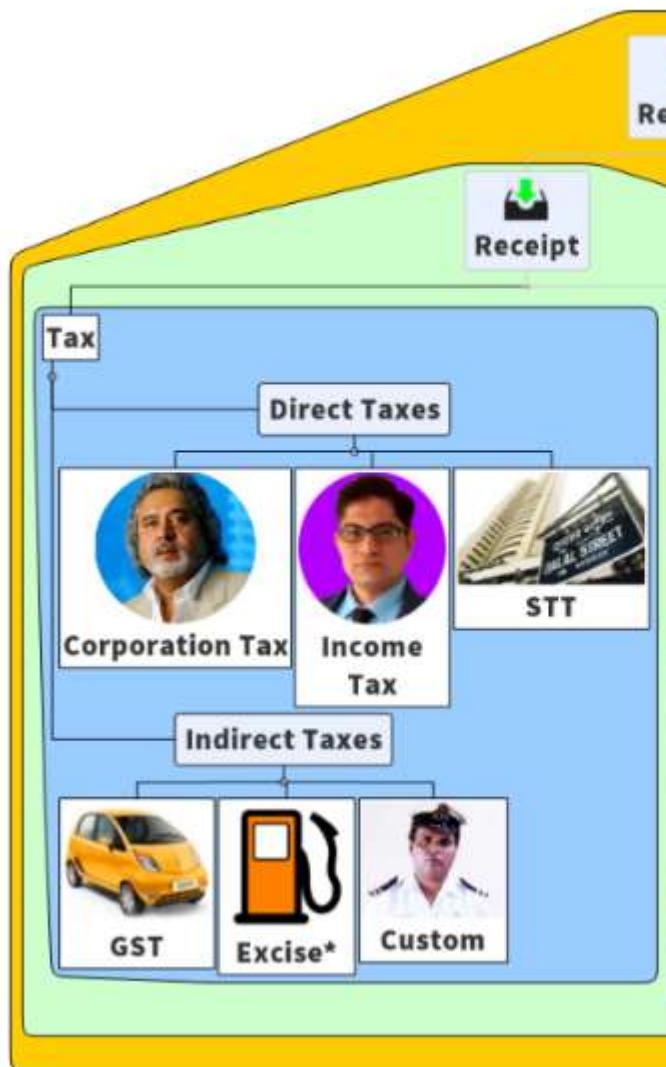


1) What is your gross income? Ans ₹ “100”

- Its “X”% of that will be considered your profit.
- Pay Income tax on it as per slabs (5-20-30 etc/new slabs). Depending on amt.



Pillar2A: Taxes → Direct



21.12

21.12.1
- 1970s: I
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⇒ Irrespective of whether seller is making profit or loss.
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Advance Tax

HUF

Presumptive Taxation

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ECT TAXES

Budget 2020

2021

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MAR

JAN

FEB

MAR

APR

MAY

JUN

APR

MAY

JUN

JUL

AUG

SEP

SEP

SEP

SEP

OCT

NOV

DEC



I will pay all of my direct taxes on 31st March, 2021 at 11:59 p.m. 😞

- But in between, I have to pay ₹ 2000 x 3 = 6k. To each farmer in PM-KISAN scheme. 😞😞😞
- Parliament passed Appropriation bill, but CFI will not fill itself automatically.
- Tax has to come!!



Suppose for entire year, Mukeshbhai
has to pay Rs.10 cr income tax



Q4 (Jan-Mar)

- 2.5 cr Advance tax

Q1(Apr-Jun)

- 2.5 cr Advance tax

Q3(Oct-Dec)

- 2.5 cr Advance tax

Q2(Jul-Sep)

- 2.5 cr Advance tax

Advance tax is not separate tax. It is just Administrative mechanism

21.11 DIRECT TAX CODE (DTC) TASK FORCE (2017-2019)



- ⇒ 2017: Finance Ministry setup this taskforce under CBDT member Arbind Modi. Later, he retired so another CBDT member Akhilesh Ranjan was made Chairman.
- ⇒ Taskforce had noted IRS officer, Chartered Accountant, Tax Lawyer, Corporate Consultant etc.
- ⇒ While Government did not disclose full report in public domain, but according to journalists, it contains following suggestions:

 1. Replace the Income Tax Act 1961 with a simpler Direct Tax Code (प्रत्यक्ष कर संहिता).
 2. Reduce the corporation tax further. निगम करो में और कटौती की जाए
 3. Tax rates for domestic and foreign companies should be same. This will encourage ease of doing business in India. (भारतीय और विदेशी कंपनियों पे एक समान निगम कर लगे ताकि व्यापार में सुगमता)
 4. Give additional tax relief for the startup companies. (More in Pillar4B)
 5. Increase the number of tax slabs from present three (5%, 20%, 30%) to four (10%, 20%, 30% and lastly 35% for super-rich earning ₹ 2 crore />).
 6. Abolish Dividend Distribution Tax (DDT). [which is actually done in Budget-2020]
 7. Setup Litigation Management Unit to look after the tax related court cases in an efficient manner. (मुकदमों की प्रबंधन इकाई बनाई जाए ताकि कराधान के केसों का प्रभावी रूप से निपटारा हो सके)

++ many other reforms, but poor cost:benefit chasing them. #योड़ा-पढ़ो-आगे-बढ़ो

21.12 DIRECT TAXES: MISC. CONCEPTS (इधर उधर के छिटपुट मुद्दे)

21.12.1 Hindu Undivided Family (HUF) (हिंदू अविभाजित परिवार):

- A Hindu, Buddhists, Jains, or Sikhs family members can come together, pool their assets and form an HUF under the Income Tax Act. (उनको आयकर बचाने में कुछ फायदे होते हैं)
- HUF is taxed separately from its members, & helps saving taxes due to certain provisions/loopholes of Income Tax Act. **How exactly? Ans: not here for CA exam.**

21.12.2 Presumptive Taxation (प्रकल्पित कराधान)

- Salaried employees can easily compute their taxable income from their annual salary, & pay income tax. (तनब्जाह-शुदा/ वेतन-भोगी कर्मचारी के लिए आयकर गिनना बहुत आसान होता है)
- Companies hire full time Chartered Accountants to computer their taxable income and pay Corporation tax. (और कंपनी के मालिक तो हिसाब किताब रखने के लिए CA को नौकरी पे रखेंगे)
- But self-employed freelance consultants / professionals such as lawyers, doctors, fashion designers, DJ-walle-babu etc. face difficulty in keeping such account books. (लेकिन स्वरोजगारियों के लिए हिसाब किताब रखना योड़ा मुश्किल होता है)

- So, for above persons, Income Tax Act has Presumptive Taxation System. It is not a separate tax but a 'method/formula' to calculate their income tax. How it works? NotIMP. (यह कोई अलग कर नहीं है किंतु आयकर गिनने का एक अलग किस्म का सूत्र है. वह क्या सूत्र है हम पढ़ने नहीं बैठेंगे)

Table 2: *don't confuse the terms and at the same time no need for CA-giri*

Income Tax on income other than agri → (आयकर)	⇒ A direct tax levied by Union. ⇒ Every resident has to pay it on his taxable income. ⇒ Within that income tax: lawyers, doctors, fashion designers etc. self-employed/freelance professionals do calculation of income tax using Presumptive Taxation
Professional tax (व्यवसाय कर) →[गैर-किसान पेशेवर पर राज्य सरकार का कर]	⇒ It is a separate direct tax Levied by State Govt on the professionals (who are not farmers). ⇒ Constitution says it can't be more than ₹2,500 per yr per person.

21.12.3 Advance Tax ? (अप्रियं कर)

- New financial year starts from 1st April 2019 and ends on 31st March 2020.
- If everyone paid all of their direct taxes at 11:59PM on 31st March 2020, then govt. will face money-shortage for the whole year till 31st March midnight comes.
- So, Advance Tax mechanism requires people to pay their Income tax and Corporation tax in advance-instalments on quarterly basis (every 3-3 months), If their annual tax liability is ₹10,000 or more. (बड़े आयकरदाता और कंपनियों ने हर तीन तीन महीने पर किसीसे में कर जमा करना होगा)

21.12.4 ATMA NIRBHAR BHARAT → Tax Ordinance 2020 [कर अध्यादेश]

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Edu Doubt?
Ask through
Google Forms

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1) Seller of Share/Bond

Selling Price pe Stamp Duty



State Govt



2) Cost Price + Profit = Selling Price

Selling Price (SP) pe STT

Profit pe

Capital Gains Tax



Dividend/Interest pe

Income Tax

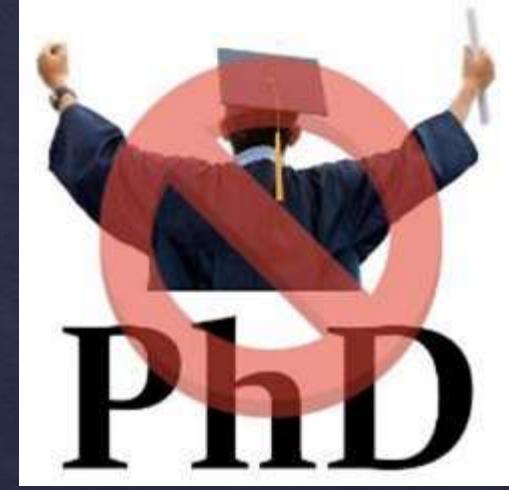
(Financial Transaction Tax) Direct taxes of Union- STT, CTT

शेयर वगेरा प्रतिभूतियों की खरीदी पर लगने वाले कर

Securities Transaction Tax (STT: प्रतिभूति लेनदेन कर)

- levied on the sale and purchase of shares, bonds ETF-units, derivatives and other securities at stock-exchanges.
- It's rate (0.001%-2%) varies as per the nature of the securities.

Full-budget-2019: some tech.reforms in option contracts but NOTIMP



👉 Refer to Pillar1C
SEBI-Sharemarket if u don't know these terms

(Financial Transaction Tax) Direct taxes of Union- STT, CTT

Securities Transaction Tax (STT: प्रतिभूति लेनदेन कर)

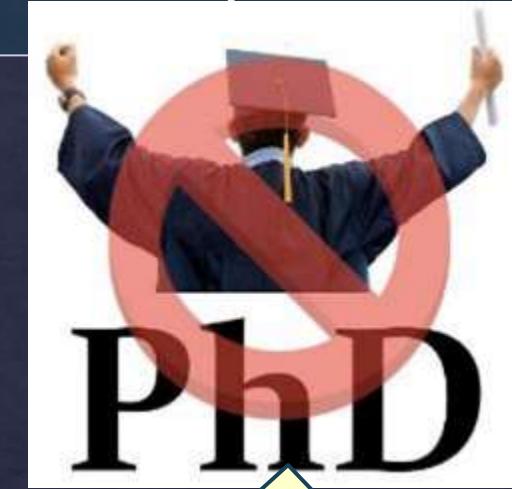
- levied on the sale and purchase of shares, ETF-units, derivatives and other securities at stock-exchanges.
- It's rate (0.001%-2%) varies as per the nature of the securities.



Refer to Pillar1C
SEBI-Sharemarket if u don't know these terms

Commodities Transaction Tax (CTT: वस्तु लेनदेन कर)

- levied on non-agricultural commodities traded at Commodities-Exchanges.
- Rate ~0.01%.



They are levied under the powers of Contracts (Regulation) Act, 1952 → the Income-tax Act, 1961 so we have to accept them as direct tax.
आयकर कानून के द्वारा लिया जाता है इसलिए प्रत्यक्ष कर मानना है



1) Seller of
Share/Bond

2) Cost Price + Profit = Selling Price

Selling Price
(SP) pe STT



3) Buyer



1) Seller of
Share/Bond



2) Cost Price + Profit = Selling Price



3) Buyer

Selling Price
(SP) pe STT

Profit pe

Capital Gains
Tax



Dividend/
Interest pe

Income Tax



Selling Price pe Stamp Duty

2) Cost Price + Profit = Selling Price

Selling Price (SP) pe STT

Profit pe
Capital Gains Tax



State Govt



3) Buyer

Dividend/
Interest pe

Income Tax



Direct Tax on

Selling price पे→

Reselling → IF profit

Dividend पे →

Interest पे →



Don't confuse

Share

STT

Profit pe CGT

DDT but now Income Tax

N/A (Shares give dividend not interest)



STT

Profit pe CGT

Bond interest → IT

Income Tax (IT)



STT on Value
(Price)

CGT, If Profit



Stamp
Duty

State → Stamp Duty

- ✓ Applies on **value of**
- ✓ **share/bond/securities,**
- ✓ **Selling / renting of immovable properties (e.g. building)**
- ✓ certain types of legal agreements e.g. **rent agreement, partnership agreement** etc.
- ✓ **Irrespective** of whether seller is making **profit or loss.**



STT on
Value

CGT, If
Profit



- Union collects →
distributes it to State
Govt of domicile of the
buyer.
(शेयर/बॉन्ड खरीदार जिस राज्य
का है?, उधर की राज्यसरकार
को Stamp Duty मिलेगा)

Stamp duty: Whether it's direct tax or indirect tax?

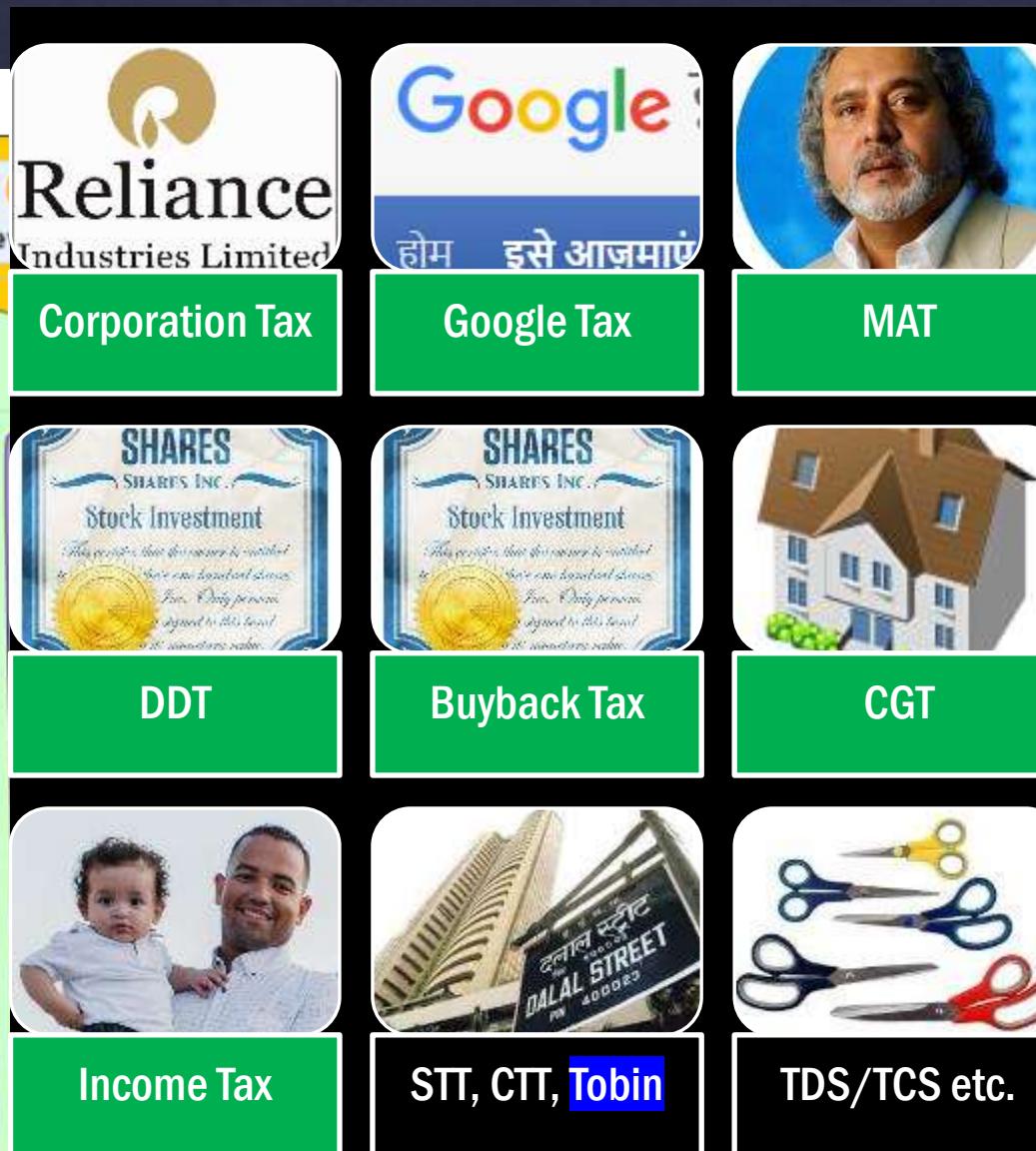
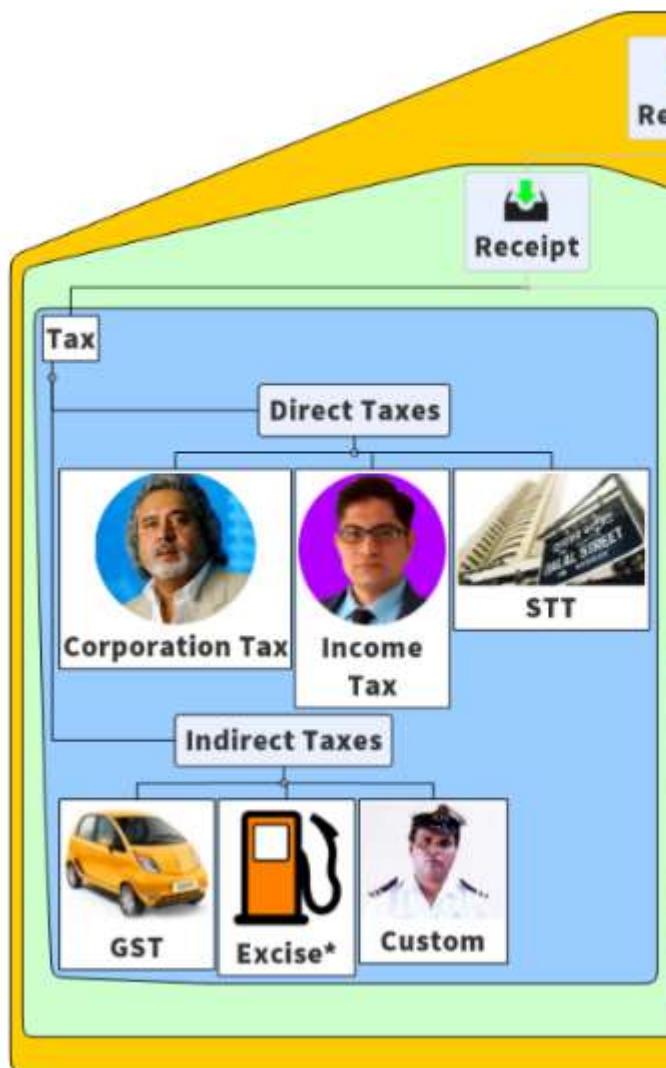
इसे हम प्रत्यक्ष कर माने या परोक्ष कर



- Similar situation in “**road tax**” on sale of vehicle.
- 3) Most State Government’s annual financial statements don’t clearly bifurcate data as “**Direct tax / indirect tax**”
- **Textbooks** also chose to be vague about this.
- So, we need **not** loose sleep over whether its direct / indirect? किताबों में स्पष्टीकरण नहीं है। हमने उसकी डिबेट में जाना नहीं



Pillar2A: Taxes → Direct



21.12

- 1970s: I everything
- Such ta one cou In India So not r

21.12.2

- Securit of share (0.001%-2%) varies as per the nature of the securities. Full-Budget-2019 relaxed certain STT norms on Option contracts. How? NOTIMP
- Commo commo

Direct T
Capital G
Securit
Transact
Tax
Divide
Distribut
Tax

Stamp D

(स्टैम्प शु

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agreements e.g. rent agreement etc.
⇒ Irrespective of whether seller is making profit or loss.
⇒ 2020: Union govt amended the Indian Stamp Act. 1899 so

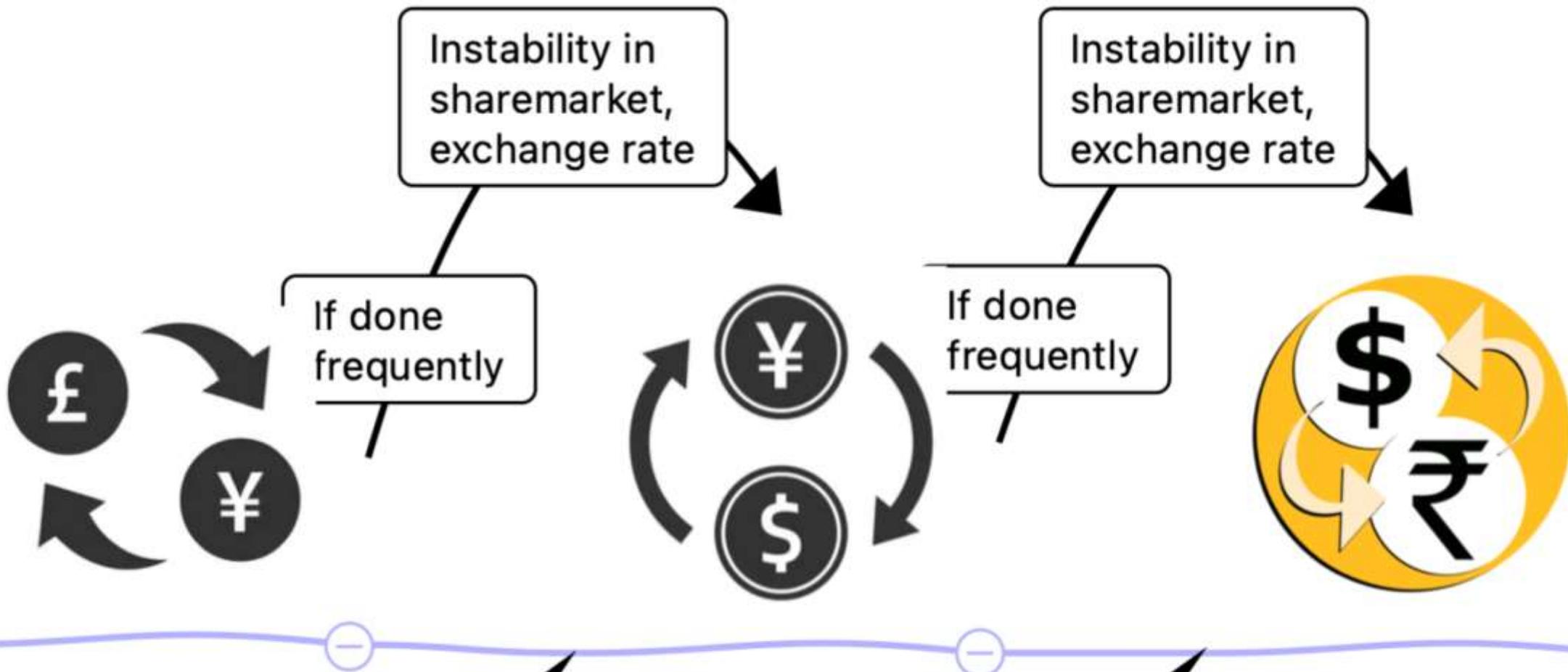
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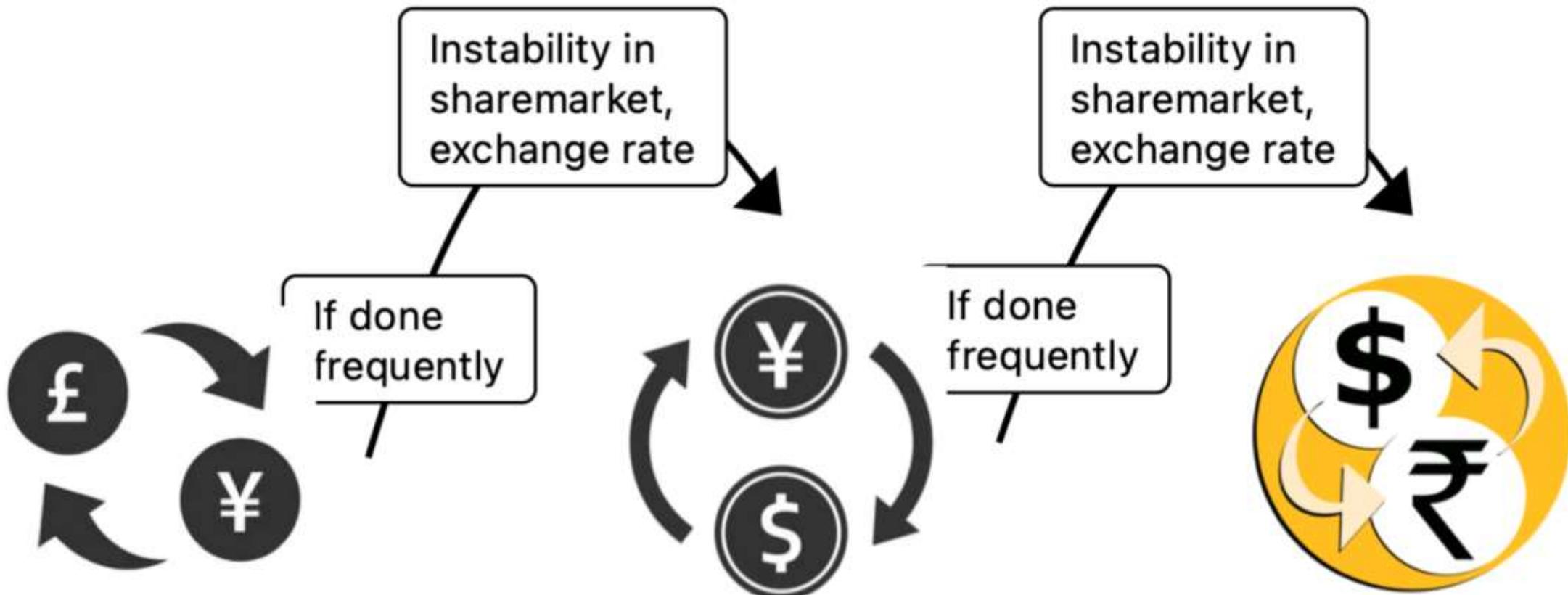
ECT TAXES

HUF

Advance Tax

Presumptive Taxation





Solution?

Demand Tobin Tax

Demand Tobin Tax

American Economist James Tobin/Robinhood Tax: हर बार व्यक्ति एक मुद्रा को दूसरी मुद्रा में तब्दील करें तो उस पर टैक्स मांगो ताकि वह बेफिजूल तितली की उड़ना बंध करे



1) Due to this tax now speculative investment does not look profitable to me. 😞 हर बार अपने पैसे को विदेशी मुद्रा में परिवर्तित करता हूं तो टोबिन टैक्स लगता है इसलिए अब मुझे मुनाफा कम दिख रहा है 😞



Negative consequences:

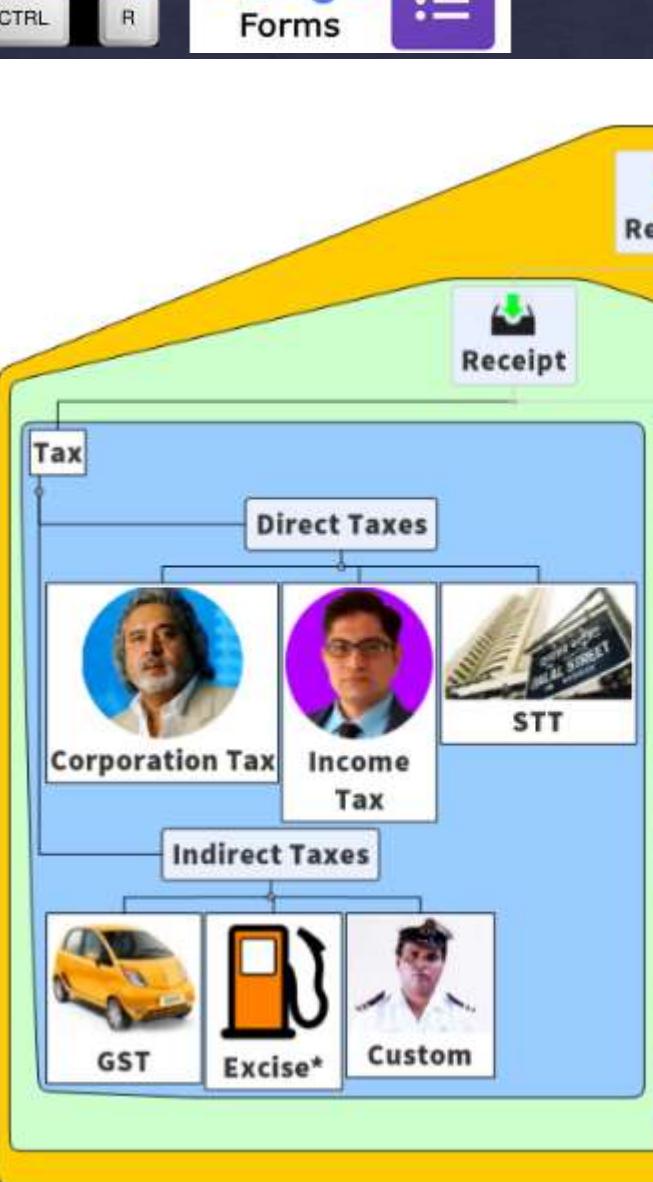
1. Volatility in the exchange rate.
2. Volatility in the share market.

- 2) In India, foreign currency conversions are subjected to GST.
- so not really direct tax but in some nations they're levied as direct tax

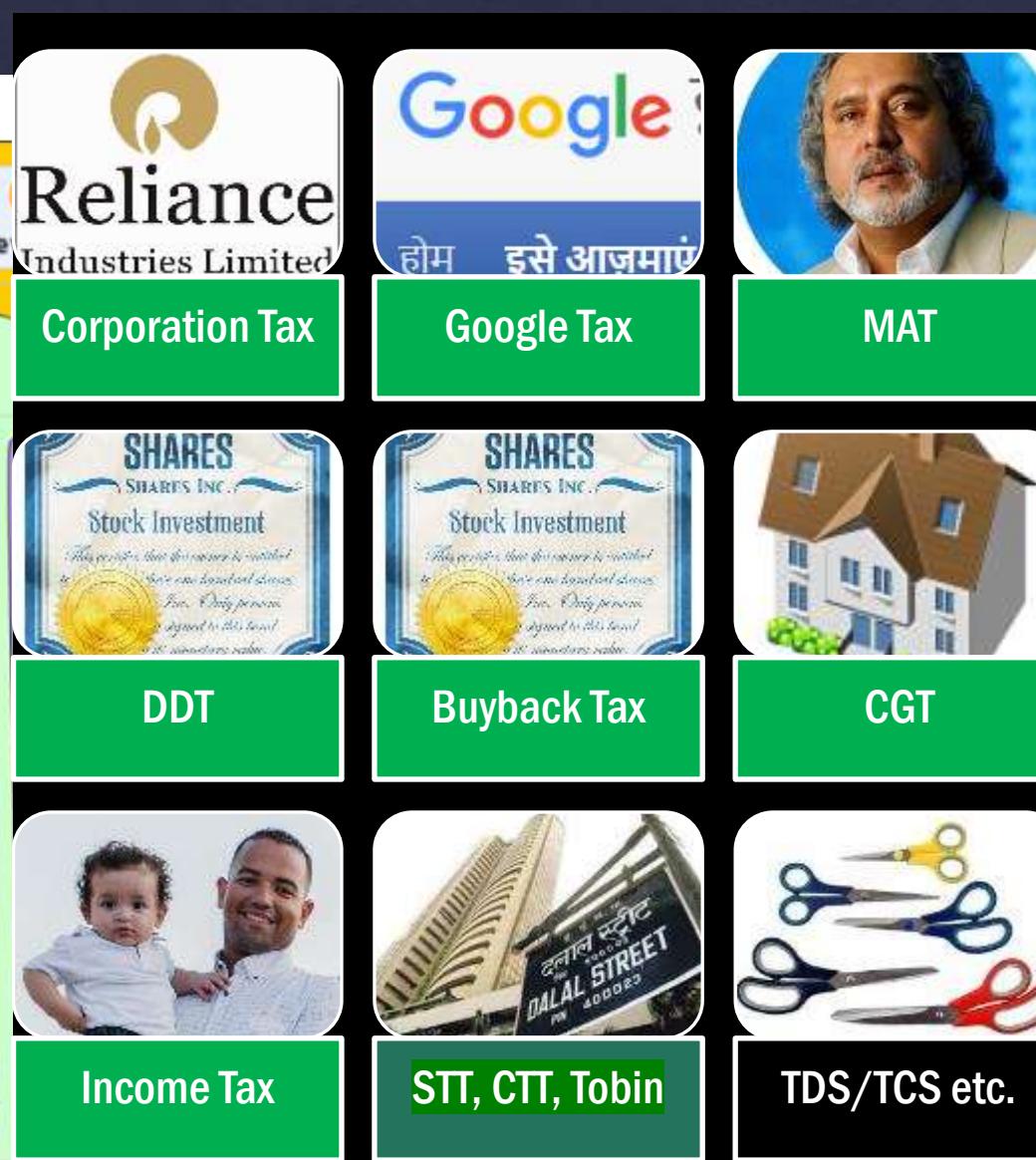


Edu Doubt?
Ask through

Google
Forms



Pillar2A: Taxes → Direct



21.12 MISC. DIRECT TAXES - FINANCIAL TRANSACTION TAXES (वित्तीय लेनदेन कर)

21.12.1 (Concept) Tobin Tax / Robinhood Tax

- 1970s: Nobel recipient American economist James Tobin proposed a small tax everytime currency is converted into another currency (e.g. \$ to ₹).
- Such tax will discourage short term speculative investment and flight of capital from one country to another = stabilizing the global economy and currency exchange rates.
- In India, foreign currency conversions subjected to (previously Service Tax) & now GST. So not really direct tax. @ some nations levied as direct tax. *More in pillar#3*

21.12.2 STT & CTT (प्रतिभूति लेनदेन कर और वस्तु लेनदेन कर)

- Securities Transaction Tax (STT: प्रतिभूति लेनदेन कर) is levied on the sale and purchase of shares, ETF-units, derivatives and other securities at stock-exchanges. Its rate (0.001%-2%) varies as per the nature of the securities. *Full-Budget-2019 relaxed certain STT norms on Option contracts. How? NOTIMP*
- Commodities Transaction Tax (CTT: वस्तु लेनदेन कर) is levied on non-agricultural commodities traded at Commodities-Exchanges. Rate ~0.01%.

Table 6: Not here for C.A. Exam, #विद्या-पक्ष-आगे-बढ़ा

Direct Tax	By	Description
Capital Gains Tax	Union	Applicable when share (or any capital asset e.g. home) is "sold at profit" by its previous owner.
Securities Transaction Tax	Union	= Applicable on the selling price of share, bond and other securities. = Irrespective of whether seller is making profit or loss.
Dividend Distribution Tax	Union	= Applicable on the dividend paid by company to a shareholder. And Budget-2020 abolished this tax.
Stamp Duty (स्टैम्प शुल्क)	State	= Application on value of share/bond/securities, immovable properties (e.g. building) and certain types of legal agreements e.g. rent agreement etc. = Irrespective of whether seller is making profit or loss. = 2020: Union govt amended the Indian Stamp Act, 1899 so that the Stamp duty rates on share/bonds/securities become uniform across the states. (प्रतिभूतियाँ पर स्टेम्प शुल्क के दरों को सभी राज्योंमें एकसमान किया). Union collects → distributes it to State Govt of domicile of the buyer. (प्रतिभूति खरीदार जिस राज्य का है, उधर की राज्यसरकार को मिलेगा) = Corona crisis → Union Govt deferred implementation date to 1st July 2020. = Further operational mechanism/rules= poor cost:benefit.

What is TDS?



“Buyer” of
Teaching Service

2) I'll not report my income to tax authorities. मैं आयकर विभाग से अपनी आय छुपाऊंगा! देखता हु क्या उखाड़ लेते है मेरा !? 😠

1) University pays ₹ 10,000 for lectures to a freelance visiting faculty



Freelance Faculty

3) what if the faculty does not report this income to me? How to track his income?

हम को कैसे पता चलेगा कि फैकल्टी को कितना पैसा मिला



Tax Deducted at Source (TDS)



1) What if the faculty does not report this income to me? → solution
@College, deduct 10% tax at source.

2) College pays ₹ 9,000
Instead of ₹ 10,000



3) University pays deposits 10% TDS (₹ 1,000).
And gives PAN card no. of faculty.



निकल गई मेरी सब हेकड़ी 😢
3) Freelance Faculty forced to file income tax return form.



Tax refund?



- 1) If my income tax liability was ₹20,000
- Then I'll have to pay only ₹19,000
- (Because already ₹1000 TDS deposited)
मैंने वास्तव में जो आयकर भरना है उसमें ये रकम को
एडजस्ट कर लिया जाएगा



Freelance Faculty forced to file income tax return form.

2) what if the faculty taxable income was upto ₹ 5 lakh?

Then, ₹ 0 income tax to be paid by him (as we learned earlier). So, IT dept will refund his ₹ 1000 with interest.

अगर मैं आयकर की सीमा में नहीं हूँ तो पैसा रिफंड में आ जाएगा





Income giver
(University)

I'll try to hide my income from Govt! नहि बताऊँगा
सरकार को, की मैंने लेक्चर में कितना पैसा कमाया है!!!!

Payment
₹10k MINUS
- 10% TDS

= ₹9,000

For
lecture



Income Reciever
(Visiting Faculty)

TDS ₹1,000

With Mrunal's
PAN Number.



Forced to
declare income

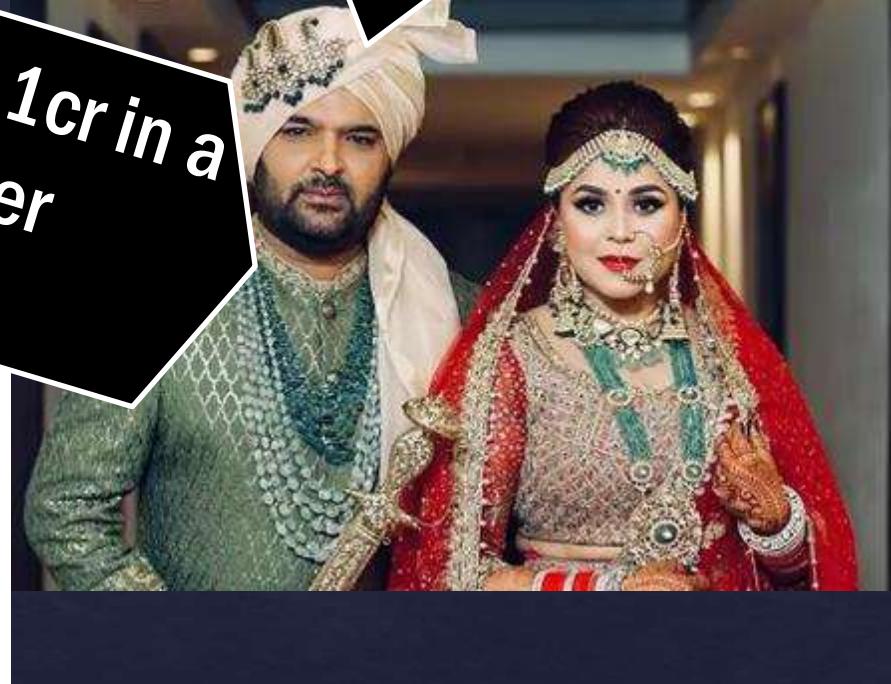
“Buyers” of
Your savings deposits

भारतीय डाक



budget-2019: more TDS

2) If withdrawing >₹ 1cr in a year, from a single user account



1) Even I'll have to withdraw money to pay for marriage reception & home buying



अपने ही बैंक खाते से ₹1 करोड़ से ज्यादा रकम नगरी में उठाओगे एक ही साल में तो बैंक वाले टीडीएस काट लेंगे

**“Buyers” of
Your savings deposits**

भारतीय स्टेट



2% TDS

3) Less cash economy ↑ =
↓ scope for tax evasion

budget-2019: more TDS

2) If withdrawing > ₹ 1cr in a year, from a single user



1) Even I'll have to withdraw money to pay for marriage reception & home buying



4) ‘how to use x loophole to circumvent it?’...

👉 Administrative things not imp for exam.

Economy → Pillar2A → Direct Taxes continued



States' Direct Taxes



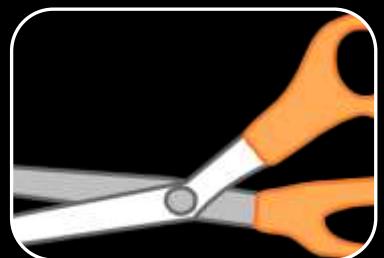
Gift Tax, Wealth Tax, FBT etc



Presumptive Taxation



Advance Tax



TDS/TCS



THEN to indirect taxes & GST

21.12 📈 🎨 ✂️ TDS & TCS

To keep track of income/payment & reduce o
requires TDS/TCS to be collected in certain p

Who collects/cuts it?

Buyer cuts TDS

⇒ Company paying dividends

Seller cuts TCS

NOT necessary
that in every
transaction mein
TDS/TCS is
applicable.

TDS understood. Basically “BUYER” cuts. now what is TCS?

टीडीएस = खरीदार कुछ रकम काट लेता है | टीसीएस = विक्रेता कुछ रकम काट लेता है



Price + 28% GST

2) Buys ₹ 25 lakh car.

1) earns in cash



Buyer of Posh CAR

TDS understood. Basically “BUYER” cuts. now what is TCS?

टीडीएस = खरीदार कुछ रकम काट लेता है | टीसीएस = विक्रेता कुछ रकम काट लेता है



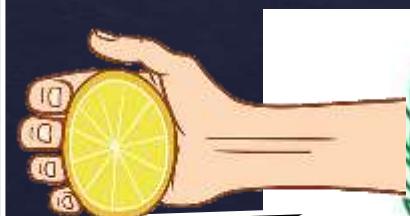
2) Buys ₹ 25 lakh car.

1) earns in cash



Buyer of Posh CAR

3) Where did he get this money to buy luxury car!!? I would like to know about his source of income & Whether you're paying income tax or not? मंहगी गाड़ियां खरीदने के लिए तुम्हारे पास पैसा आया कहां से? हम जानना चाहते हैं कि तुम आयकर भरते भी हो कि नहीं



Seller=Tax Collected at Source (TCS)



These are Administrative mechanisms to discourage tax evasion.

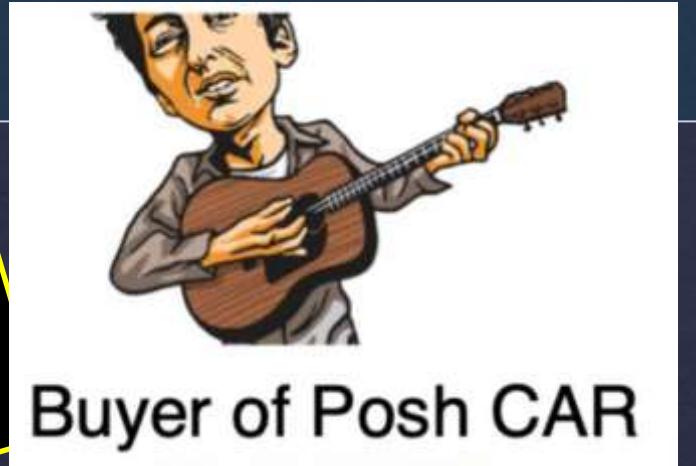
👉 Don't confuse TDS/TCS with the concept of direct / indirect taxes.

यह सब प्रशासनिक व्यवस्थाएं हैं
यह अलग से tax नहीं है. This ₹₹ going
towards your Income Tax Calculation

Buys ₹25 lakh car.

1) Seller charges 1% TCS extra over car price

2) ₹ 25000 deposited with customers PAN number.



3) Forced to file income tax return form to reclaim ₹ 25,000





Posh car seller

I'll try to hide my income from Govt!

₹25 lakh + 1%
TCS (25,000)



Buyer of Posh CAR

TCS
(₹25,000)

With buyer's
PAN Number.



Forced to
declare income

Economy → Pillar2A → Direct Taxes continued



States' Direct Taxes



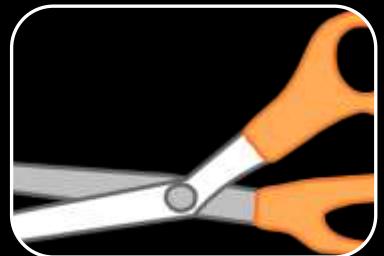
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TDS/TCS



THEN to indirect taxes & GST

21.12 📈 🎨 ✂️ TDS & TCS

To keep track of income/payment & reduce o
requires TDS/TCS to be collected in certain p

Who collects/cuts it?

Buyer cuts TDS

⇒ Company paying dividend

Seller cuts TCS

Handout

NOT necessary
that in every
transaction mein
TDS/TCS is
applicable.

Why is Bank deposit interest subjected to TDS.

Why not call it TCS?



यूपीएससी के
बाबू शोने

Send suggestion to
Government
Until implemented
Prepare as given in Handout
#PRELIMS RAFTAAR

1.12 TDS & TCS		
To keep track of income/payment & reduce opportunities of tax-evasion/blackmoney, Government requires TDS/TCS to be collected in certain payments.		
	Who collects/cuts it?	From whose payment?
TDS TAX DEDUCTED AT SOURCE	(खरीदार) Buyer of goods/services/investment before making ⇒ Un ⇒ Boo ⇒ Bar ⇒ Company paying dividend to shareholder	Buyer cuts TDS or ⇒ Seller's fees (e.g. wedding-DJ/Catering walla) ⇒ Employee's salary, ⇒ Depositor/ lender's interest ⇒ Shareholder's dividend etc.
TCS TAX COLLECTED AT SOURCE	(विक्रेता) Showro Customer who is buying specified types of goods/services/foreign currency. (चुनिया वस्तुओं और सेवाओं के ग्राहक)	Seller cuts TCS

FAQ/Moral Outrage/कुछ लाग अनावश्यक रूप से भावूक हो जाते हैं:



Mrunal's Economy: pillar2- Budget Taxation Public Finance



2A) Handout#1 (Already uploaded)

- Budget Introduction, Direct Taxes



35 pages खेल खत्म



2A) Handout #2

- Indirect Taxes & GST



2B)

- Black Money, 15th FC



आपने 35 pages कब/कैसे खत्म कर दीये? मैंने तो अभी तक एक भी नहीं पढ़ा!
मेरे पास टाइम ही नहीं बचता



2C)

- Subsidies, Salaries, Revenue Expenditure

यूपीएससी के
बाबू शोने

रोज़ का काम रोज़ खत्म करो!
वरना कल्याण हो नहीं सकता।
टाइम होता नहीं है टाइम
निकालना पड़ता है

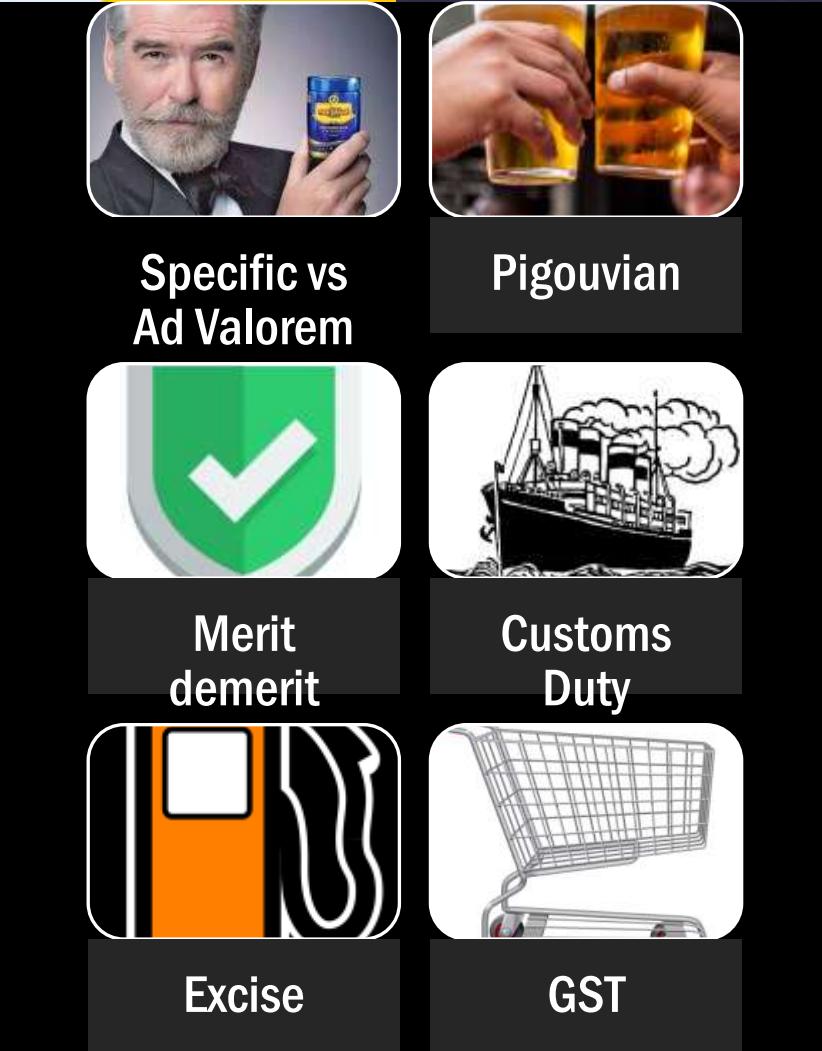
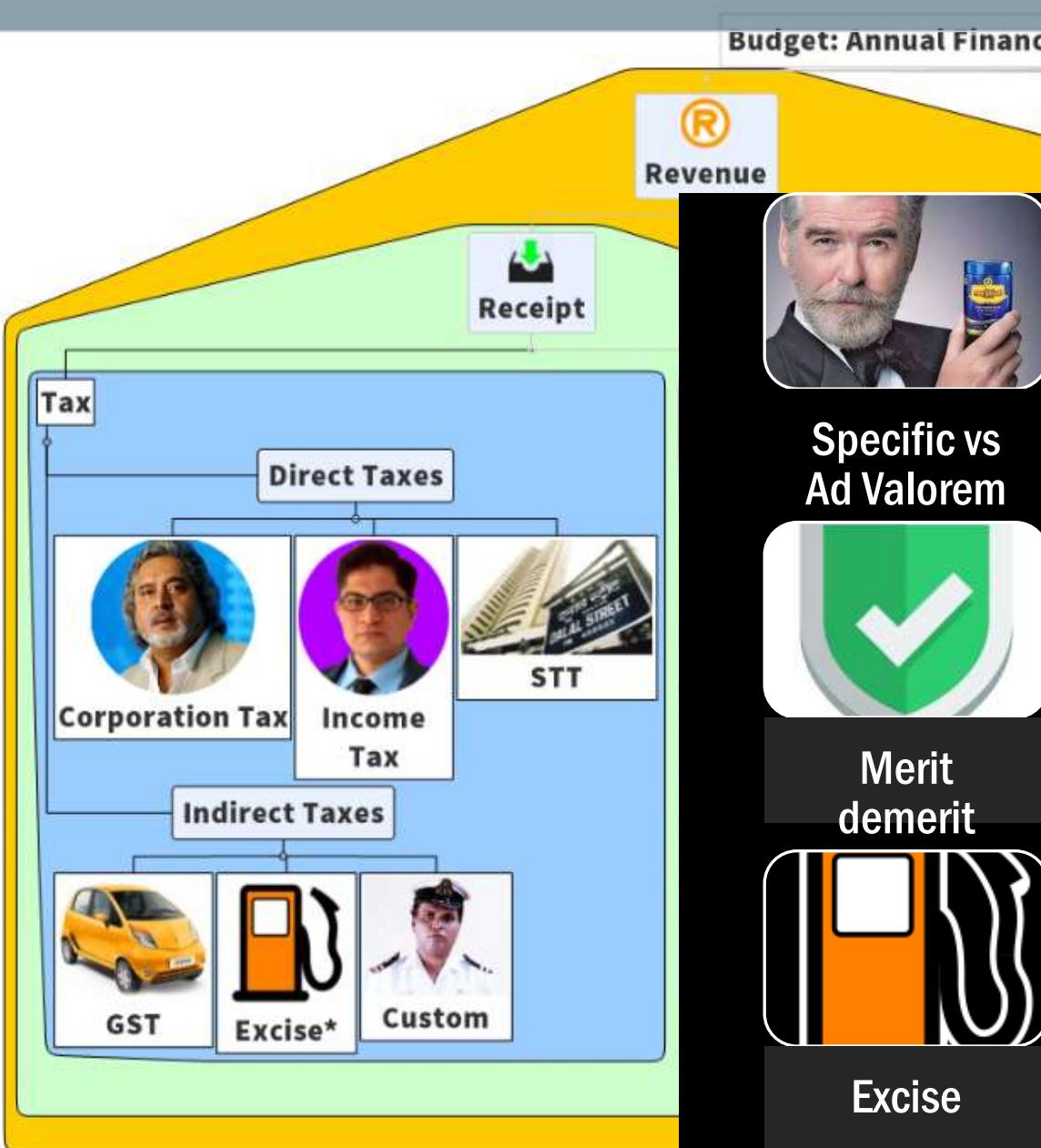


2D)

- Disinvestment, Deficits, FRBM Act



Pillar2A → Budget → Revenue Part → Taxes → Indirect Taxes



Handout uploaded

22.2 INDIRECT TAXES: TYPES (लाभ व नुकसान)

Ad- Valorem tax (यथामूल्य कर) Taxes based on the value of something. E.g. 35% Customs Duty on import of orange juice. So, if juice priced at ₹1000 imported, then ₹350 as tax. Easier to administer.	per unit (विशेष कर प्रति यूनिट) of items. E.g. ₹ 260 Excise on every 1000 cigarettes of 65mm. We're taxing them irrespective of their manufacturing price or selling price. Difficult to administer, leads to inspector-raj & litigation. But, if slight increase in this tax, then greater burden passed on to the consumer so it helps reducing harmful consumption. (How exactly? Ans. microeconomics graph is not imp)
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22.2 INDIRECT TAXES: MERITS AND DEMERITS (लाभ व नुकसान)

Merits	Demerits
<ul style="list-style-type: none"> Convenient (सुगम) to collect because the traders act as honorary (=unpaid) tax collectors. Wider base because everyone covered e.g. 18% GST on Biscuit. Elastic (लचीला): small ↑ brings large revenue, because everyone is affected. Although they're "relatively" less elastic than Direct taxes. (Poor cost benefit interpreting its Microeconomics graph) Can ↑ harmful consumption by imposing higher taxes on cigar, alcohol, soft drinks & fast food. 	<ul style="list-style-type: none"> Regressive (परिवर्गाती) in nature, both poor and rich taxed equally for the same item then poor people end up paying more portion of their income in indirect taxes. This tax is hidden in the price. Customers do not always feel the pinch of paying indirect tax so it promotes less civic consciousness than direct taxes. Indirect taxes ↑ → product becomes expensive → demand ↓ so uncertainty involved in how much ₹ ₹ will Government actually earn? High level of corruption, evasion, cascading effect if input credit is not given e.g. erstwhile sales tax system.

(Batch:PCB1) Mrunal's Economy Pillar#2A: Budget → Revenue Part → Tax-Receipts → Page 215