

Tax Structure of India

Presented by-
Susmita Paul Das

Taxation

- A tax is a compulsory levy and those who are taxed have to pay the sums irrespective of any corresponding return of services or goods by the government.



Characteristics of Taxes

- Compulsory Contribution
- No Quid Pro Quo
- Personal Obligation
- General Benefit

That's why it is said that, “Taxes are paid nation are made”.

Types of Taxes

- On the basis of *Volume*:
 - ✓ *Single* Tax System
 - ✓ *Multiple* Tax System
- On the basis of *Form*:
 - ✓ *Direct* Tax
 - ✓ *Indirect* Tax

Contd..

- On the basis of *Income / Consumption Method*:
 - ✓ Progressive Tax
 - ✓ Proportional Tax
 - ✓ Regressive Tax

On the basis of Volume

- **Single Tax System:** A tax system comprising of only **one tax** is known as Single tax system. On the other words a tax on **one thing**.

Example: poll tax, or the head tax which is imposed on a person **irrespective of his income, or wealth or profession**, etc. Single tax on income, or a tax on land rent.

- **Multiple Tax System:** A multiple tax system **more than one** tax are levied with **different tax and rate**. It tries to forge ahead simultaneously along the paths of **growth, equitable distribution of income and wealth, economic stabilisation**, and soon.

SINGLE TAX AND MULTIPLE TAXES

| Single taxes | Multiple taxes |
|--|--|
| The single tax is the tax on some one-class of commodities only once in the revenue system of a country. | A multiple tax system is preferably preferable to a single tax system, but too great a multiplicity of taxes would be undesirable. |
| The Physiocrats proposed a single tax on the economic rent of land. | A large number of taxes, however small, would involve a large cost and difficult to collect. |

On the basis of Form

- **Direct Tax:** A direct tax is really paid by a **person** on whom it is **legally imposed**.

Examples- **Income tax, Wealth tax, Interest tax, corporation tax etc.**

- **Indirect Tax:** An Indirect tax is imposed on **one person**, but **paid** partly or wholly by **another**.

Indirect taxes are those that affect the income and property of persons through their consumption expenditure.

Examples- **Customs duties, Sales tax, Service tax etc.**

DIRECT TAXES

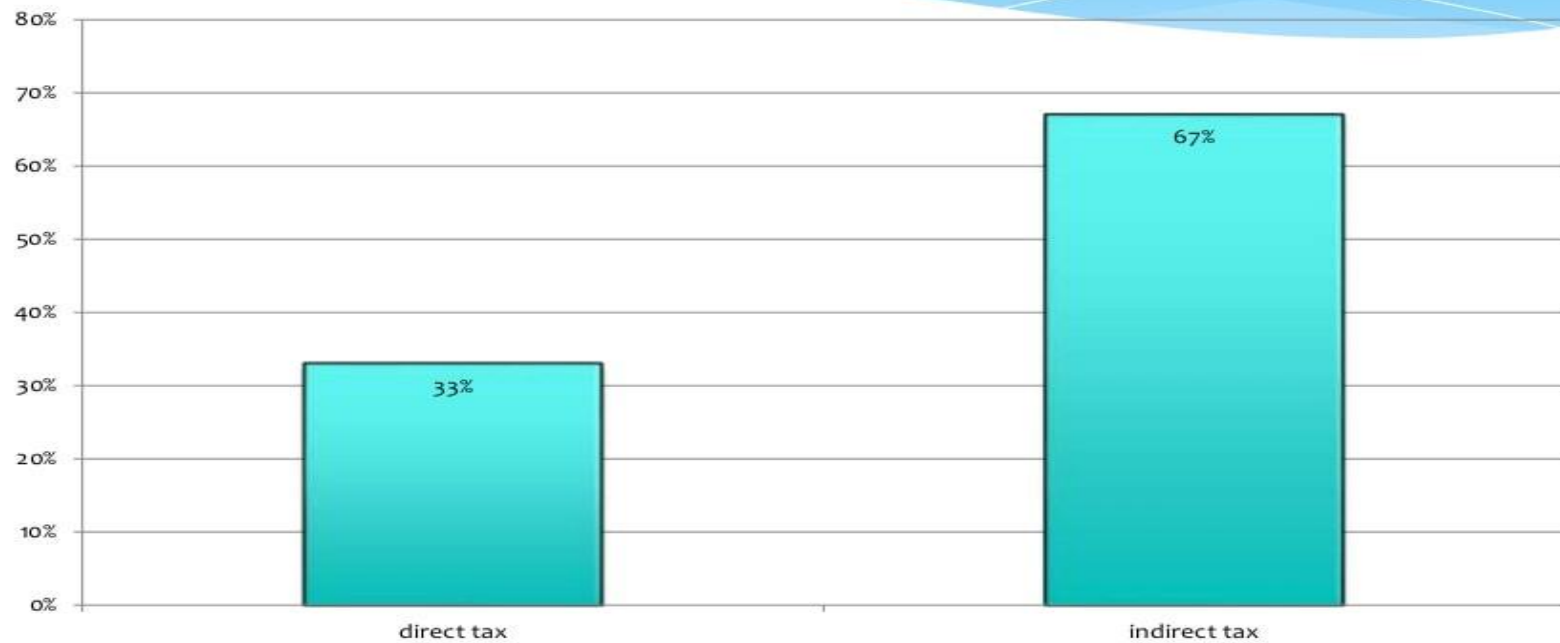


VS

INDIRECT TAXES



Tax shares



| Basis | Direct Taxes | Indirect Taxes |
|--------------------------------|---|--|
| 1. Meaning | If a tax levied on the income or wealth of a person is paid by that person (or his office) directly to the Government, it is called direct tax. | If tax is levied on the goods or services of a person is collected from the buyers by another person (seller) and paid by him to the Government it is called indirect tax. |
| 2. Incidence and Impact | Falls on the same person. Imposed on the income of a person and paid by the same person. | Falls on different persons. Imposed on the sellers but collected from the consumers and paid by sellers. |
| 3. Burden | More income attracts more income tax. Tax burden is progressive on people. | Rate of tax is flat on all individuals. Therefore more income individuals pay less and lesser portion of their income as tax. Tax burden is regressive. |
| 4. Evasion | Tax evasion is possible. | Tax evasion is more difficult |
| 5. Inflation | Direct tax helps in reducing the inflation. | Indirect tax contributes to inflation. |
| 6. Shiftability | Cannot be shifted to others | Can be shifted to others |
| 7. Examples | Income Tax, Wealth Tax, Capital Gains Tax, Securities Transaction Tax, Perquisites Tax. | GST. Excise Duty. |

Types of Tax Name

Direct Taxes

Income Tax

Capital Gains Tax

Securities Transaction
Tax

Perquisite Tax

Corporate Tax

Indirect Taxes

Sales Tax

Service Tax

Custom Duty and
Octroi (on Goods)

Excise Duty

Value Added Tax (VAT)

Direct Taxes

- **Income Tax:**

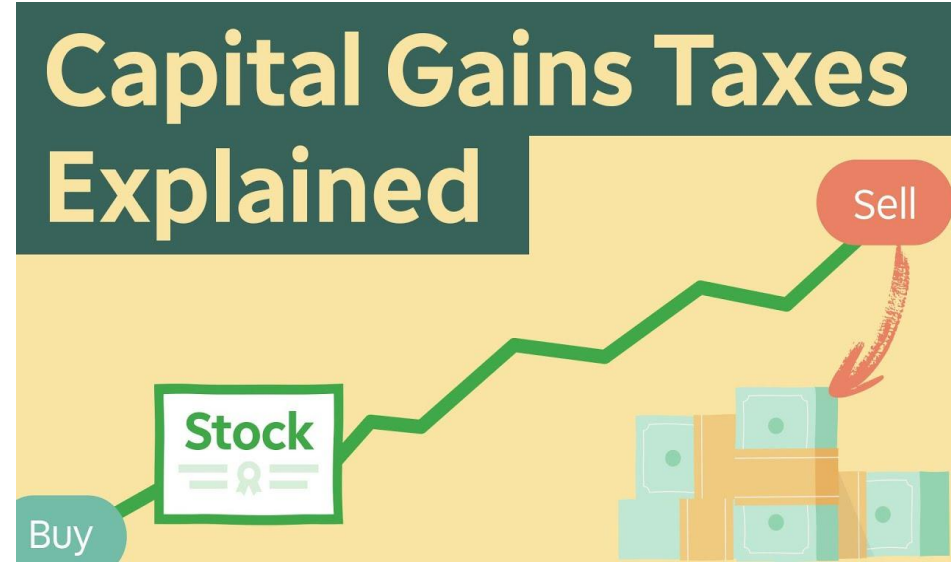
Income tax is a type of tax that governments impose on income generated by businesses and individuals within their jurisdiction.



- **Capital Gains Tax:**

Capital gains tax is due only after the **investment is sold**.

Capital gains taxes apply only to “**capital assets**,” which include stocks, bonds, jewellery, coin collections, and real estate.



- **Security Transaction Tax:** STT is a kind of turnover tax where the investor has to pay a **small tax** on the total consideration paid or received in a **share transaction**.
- **Perquisite Tax:** A perquisite is a **non-cash benefit** granted by an **employer to the employee**.

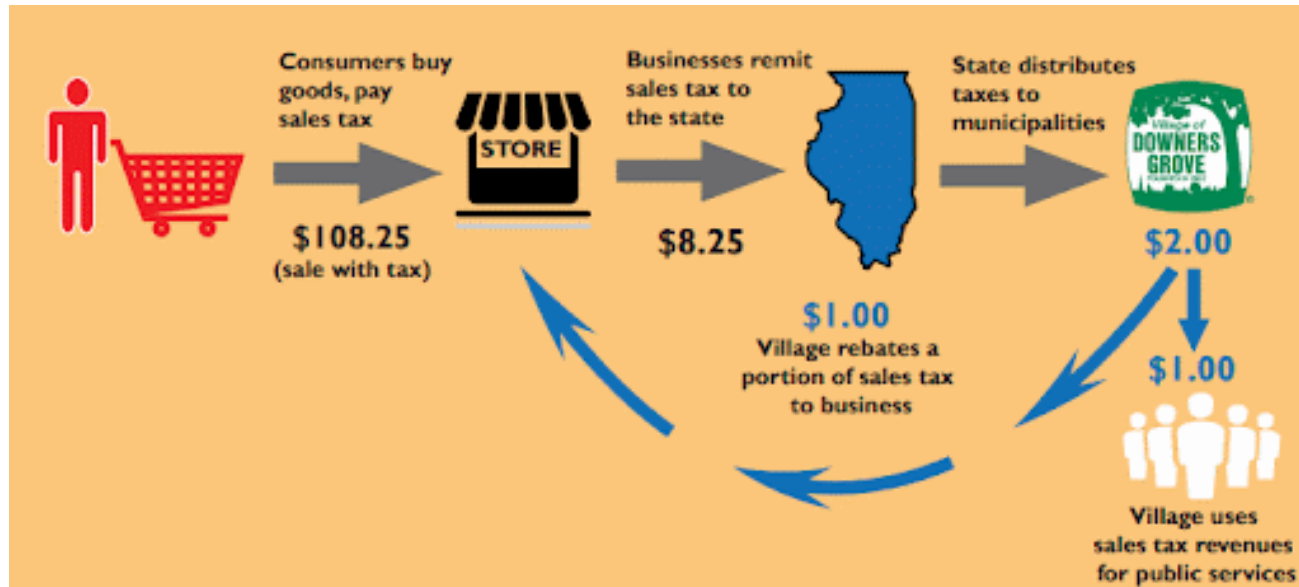
Example- If your company provide non monetary benefit like car driver, club membership etc.

- **Corporation Tax:** A corporate tax is a tax on the **profits** of a corporation. The taxes are paid on a **company income**. For the purpose of taxation, companies in India are broadly classified into **domestic companies and foreign companies**.

Indirect Taxes

- Sales Tax:

Sales tax is a form of indirect tax imposed on the **sale and purchase of goods** within India. The seller of the goods can recover sales tax from the purchaser.



- **Service Tax:** Service tax is levied on **aggregate amount** charged by the **service provider** on the receiver.
- **Custom Duty:** Customs duty refers to the tax imposed on goods when they are **transported across international borders**. In simple terms, it is the tax that is levied on **import and export of goods**.



- **Excise Duty:**

An excise tax is a legislated tax on **specific goods or services** at purchase such as **fuel, tobacco, and alcohol**. Excise taxes are international taxes imposed within a government infrastructure rather than international taxes imposed across country borders.

Excise

Tax levied on certain items



To remove by cutting



The surgeon excised the tumor

- Value Added Tax:

A value-added tax (VAT) is collected on a product at **every stage of its production** during which value is added to it, from its initial production to the point of sale.

Value Added Tax (VAT)

VAT to be paid to Government = Output VAT – Input VAT



Step 1

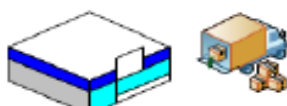
Producer



Sell price: 100,000 €
 VAT (23%): 23,000 €
 VAT to Government: 23,000 €

Step 2

Retail



Purchase price: 123,000 €
 Sell price: 150,000 €
 VAT (23%): 34,500 €
 VAT to Government: 34,500 € - 23,000 €

Step 3

Final consumer



Purchase price: 184,500 €

Step 4

VAT Form

Period: January 2011

(1) VAT Received = (1.1) * (1.2)
 23,000.00 €
 (1.1) Sales values without VAT
 100,000.00 €
 (1.2) VAT rate
 23.00 %
 (2) VAT Paid = (2.1) * (2.2)
 0.00 €
 (2.1) Purchases values without VAT
 0.00 €
 (2.2) VAT rate
 23.00 %
 Total to send = (1) - (2)
 0.00 €

VAT Form

Period: January 2011

(1) VAT Received = (1.1) * (1.2)
 34,500.00 €
 (1.1) Sales values without VAT
 150,000.00 €
 (1.2) VAT rate
 23.00 %
 (2) VAT Paid = (2.1) * (2.2)
 23,000.00 €
 (2.1) Purchases values without VAT
 100,000.00 €
 (2.2) VAT rate
 23.00 %
 Total to send = (1) - (2)
 11,500.00 €

Goods and Service Tax (GST)

- The goods and services tax (GST) is a **value-added tax levied on most goods and services** sold for domestic consumption. The GST is paid by consumers, but it is remitted to the government by the businesses **selling the goods and services**.
- New tax regime implemented on **1st July 2017**.

IMPACT OF GST

PRE-GST INDIRECT TAX STRUCTURE IN INDIA



GST STRUCTURE IN INDIA



Salient Features of GST

1. GST would be a destination based **consumption tax**.
2. GST would apply to all goods **except alcoholic liquor for human consumption and five petroleum products** such as, Petroleum crude, motor spirit, high speed diesel, natural gas and aviation turbine fuel.
3. GST would **replace**:
 - i. Central Excise Duty
 - ii. Service tax
 - iii. Value added tax
 - iv. Surcharges etc.



GST Tax Slab Rate

Tax rate

Indicative items

0%

50% of the consumer price basket, including foodgrains



18%

Soaps, oil, toothpaste, refrigerator, smartphones



5%

Mass consumption items like spices and mustard oil



28%

White goods, cars



12%

Processed foods



28%
plus cess

Luxury cars, pan masala, tobacco, aerated drinks



Source: GST council

On the basis of Income/ Consumption Method

- **Progressive Tax**: A tax is called progressive when the rate of **taxation** increases as **tax payer's income** increases.

| New Tax Regime – Income Tax Slabs, Rates | |
|--|-------------|
| Total Income (Rs) | Rate |
| Up to 2,50,000 | Nil |
| From 2,50,001 to 5,00,000 | 5 per cent |
| From 5,00,001 to 7,50,000 | 10 per cent |
| From 7,50,001 to 10,00,000 | 15 per cent |
| From 10,00,001 to 12,50,000 | 20 per cent |
| From 12,50,001 to 15,00,000 | 25 per cent |
| Above 15,00,000 | 30 per cent |

| Income Slab | Senior Citizen (Above 60 years) | Super Senior Citizen (Above 80 Years) |
|---|---|--|
| Taxable Income Not exceeding Rs 3,00,000/- (Rs 3 Lacs) | Nil | Nil |
| Rs 3,00,001 to Rs 5,00,000/- | 5% of the Amount above Rs 3,00,000/- | Nil |
| Rs 5,00,001/- to Rs 10,00,000/- | Rs 10,000/- Plus 20% of the amount exceeding Rs 5,00,000/- | 20% of the Amount above Rs 5,00,000/- |
| Above Rs 10,00,001/- | Rs 1,10,000/- Plus 30% of the amount exceeding Rs 10,00,000/- | Rs 1,00,000/- Plus 30% of the amount exceeding Rs 10,00,000/- |

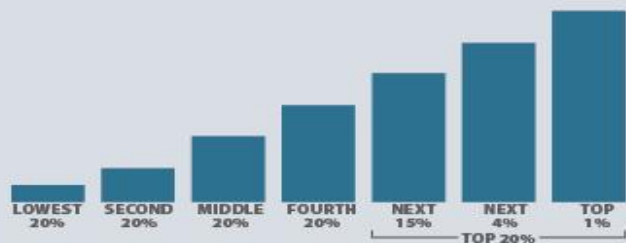
***Additionally, Health & Education Cess @ 4% levied on Income Tax Payable. Taxable Income up to 5 lacs to get 100% rebate U/S 87A.**

<https://wealthtechspeaks.in>

Contd..

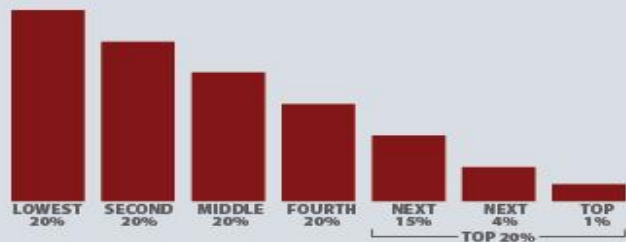
- **Proportional Tax:** Proportional tax is a tax which is levied at the **same at all income levels**.
- **Regressive Tax:** A tax which takes a **decreasing proportion of income as income rises** is known as regressive tax.
- **Degressive Tax:** In degressive taxation, a tax may be **slowly progressive** up to a certain limit, after that it may be charged at a flat rate.

PROGRESSIVE, REGRESSIVE, OR PROPORTIONAL?



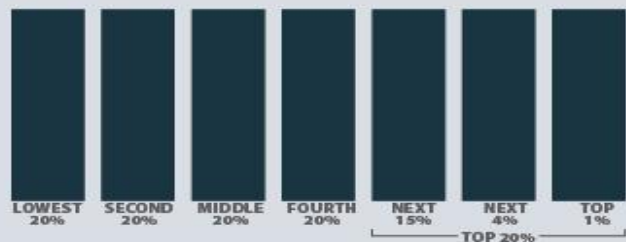
A PROGRESSIVE TAX

A progressive tax is one in which upper-income families pay a larger share of their incomes in tax than do those with lower incomes.



A REGRESSIVE TAX

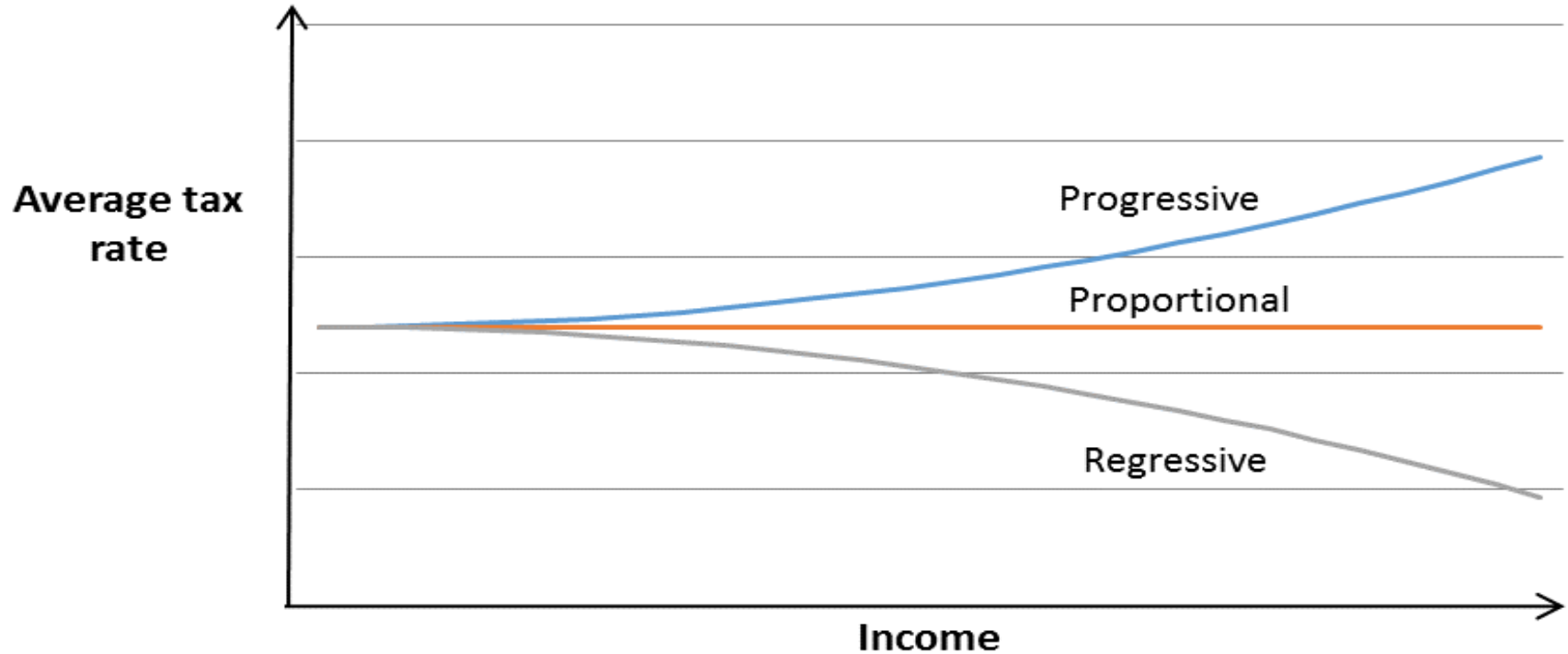
A regressive tax requires the poor and middle-income to pay a larger share of their incomes in taxes than the rich.



A PROPORTIONAL TAX

A proportional tax takes the same percentage of income from everyone, regardless of how much or how little they earn.

To sum up



Thank You

Sample Questions

- Which of the following "tax" is levied at every stage of production?

- A. VAT
- B. Income tax
- C. Custom duty
- D. GST

Ans- A

- Which of the following is a form of indirect tax?

- A. Income tax
- B. Wealth tax
- C. Corporation tax
- D. Sales tax

Ans- D

- Which of the following taxes are abolished by the Goods and Services Tax.

- A. Property tax
- B. Corporation tax
- C. VAT
- D. All of the above

Ans- C

- What kind of tax system is found in India?

- A. Progressive
- B. Degressive
- C. Proportional
- D. None of the above

Ans. -B

- Under this system of taxation, the tax rate diminishes as the taxable amount increases. Which system are we talking about?

- A. Progressive Taxation
- B. Regressive Taxation
- C. Degressive Taxation
- D. Proportional Taxation

Ans .-B

- Which model of GST has been chosen by India?

- A. USA
- B. Canada
- C. UK
- D. China

Ans. -B

- Which of the following is not imposed by the Central Government?

- A. Agricultural tax
- B. Corporation tax
- C. Custom duty
- D. Sales tax

- Ans. -A

- Income tax is the most important source of revenue in India. Income tax is
 - A. Direct and proportional
 - B. Indirect and proportional
 - C. Direct and progressive
 - D. Indirect and progressive

Ans:- C

- Which one of the following taxes/cess is levied by states in India?
 - A. Tax on motor vehicles
 - B. Tax on hotels
 - C. Educational cess
 - D. Tax on wealth

Ans:- A

- Which one of the following body will decide the tax rates for goods and services under GST regime?
 - A. Central and State government
 - B. Finance Commission
 - C. NITI Aayog
 - D. GST Council

• Ans:-D