Golden Jubilee year
2014-15

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University Grants Commission

Kasegaon Education Society's,

Arts and Commerce College, Ashta.

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National Seminar

On

Implementation of Direct Tax Code in India

DTC


EDITORS

Dr. Pratapsinh V. Mohite
Dr. Dinkar K. More
Dr. Ram N. Naik

Principal

Dr. Vilas G. Kale

PROCEEDING

About the Institution

Kasegaon Education Society is one of the leading educational Societies in the Western Maharashtra. It was established by the leading statesman Late Shri. Rajarambapu Patil in 1945 considering the need of time, the Society focused attention on taking the education to the threshold of the rural masses by starting schools in the nearby villages and a hostel for backward class students at Kasegaon. From 1985 Shri Jayantrao Patil (MLA and Ex. Minister of Rural Development, Government of Maharashtra) entered his public life through educational activities. He shouldered the responsibility of Kasegaon Education Society. He took the Society with time, diversifying its educational facilities. Today the Society has 31 primary & secondary schools and 11 higher educational institutes under its umbrella. This includes three arts, commerce & science colleges, three information technology institutes, an engineering college, two management institutes, a nursing institute and a pharmacy college. Hon. President Shri Shamrao Patil and Hon.Secretary Prin. R.D.Sawant as well as the member of the governing Council are leading the institution to compete the new challenges and expanding the strengths for further development.

About the College

The college is one of the leading institutions of KES` Society which was established in Ashta in the year 1965. Now the College is Celebrating Golden Jubilee year. It has successfully completed 50 years of education service. It is located near Semi Urban Area of Sangli. The students from the local and nearby villages are regularly admitted in the college. B.A and B.Com courses are started from the establishment of college and BCA under Commerce was started from 2007. From last twenty years the post graduation courses are also started in the college. It is an Rural based college, however the college has received B grade from NAAC for its contribution in educational and research activity.

About the Department of Commerce

The department of Commerce was started from 1965 in the college. It is now celebrating the golden jubilee year of establishment. It has successfully completed 49 years of establishment. The department has conducting B.Com and M.Com Courses in the College. Around 410 students are studying in Commerce Department. There are three full time faculties and four part time faculties serving their duties for B.Com and M.Com Courses. The department is also conducting three different Career Oriented Certificate Courses for the student of B.Com. From 2007 BCA under Commerce was also started.

Golden Jubilee year 2014-15

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Preface

It is our immense pleasure to publish the proceeding of UGC sponsored Two Day National Seminar on ' **Implementation of Direct Tax Code in India'** organized by Department of Commerce, Arts and Commerce College, Ashta, Tal- Walwa, Dist- Sangli, Maharashtra State. The seminar was organized on 27th and 28th February,2015 in collaboration with Shivaji University Commerce and Management Teachers Association (SUCOMATA), Kolhapur.

Tax is the main source of revenue of each and every Government. But in the changing environment the objectives behind tax system also changed. The present Indian Tax System is very old and the Income Tax Act, 1961 has also 50 years old. Therefore it is necessary to make necessary changes in it. Direct Tax Code (DTC) is a draft proposal that is going to replace the 50 years old Income Tax Act, 1961 which has become complex mechanism due to several amendments and re-amendments over a period of time. DTC is an outcome of the recommendations made by the Task Force under the chairmanship of Mr. Vijay Kelkar. While recommending the reforms in tax system Mr. Vijay Kelkar supported the reforms in the words "The transition from a predominantly centrally planned development strategy to market based resource allocation has changed the perspective of the role of the state in development. The transition from a public sector based, heavy industry dominated, import substituting industrialization strategy to one of allocating resources according to market signals has necessitated systemic changes in the tax system. In an export-led open economy, the tax system should not only raise the necessary revenues to provide the social and physical infrastructure but also minimize distortions. Thus the tax system has to adjust to the requirements of market economy to ensure international competitiveness". There was a discussion on DTC from 2010, but yet the Government cannot able to take decision to implement DTC. Discussion, deliberations are going on from 2010 suggesting various valuable suggestions. Our college has also made one attempt to participate in this discussions through organizing a Two Day National Seminar on `Implementation of Direct Tax Code in India` which is sponsored by UGC, New Delhi.

We invited eminent resource persons for guiding the different issues, regarding DTC, also invites research papers from academicians, professionals, research students. The response was overwhelming, 125 participants are present and 55 research papers are presented in the seminar. The research papers are on the main theme as well as sub themes like Income Tax Act,1961, Challenges before Auditors, Tax Consultants and Practitioners, Challenges before academicians, challenges and opportunities before the common man and other related topics. We have come out with the 55 research papers in this proceeding. We hope that the deliberations, discussions made in the seminar would be fruitful to all stake holders.

It is our duty to express gratitude towards all the persons, institutions who are one or another way helps and guides us to make this seminar grand success. First of all we are thankful to UGC who sanctioned our proposal and give us the opportunity to organize this seminar. We are thankful Hon. Jayant Patil (Ex. Rural Development Minister, Government of Maharashtra) our motivational source who encouraged us to organize this Seminar and also the Governing Council Members of Kasegaon Education Society, Kasegaon for their support. We are thankful to Dr. A.M.Gurav, President, SUCOMATA and Executive Council Members for their participation with us as a knowledge partner. We are also thankful to the chief guest Prof. (Dr.) J.F.Patil (Eminent Economist), Hon. Prin. R.D.Sawant (Secretary, Kasegaon Education Society, Kasegaon), Dr. V.G.Kale (Principal, Arts and Commerce College, Ashta), Smt. Dr. Deepa Deshpande (Retired Principal, Arts and Commerce College, Ashta), Dr. V.D.Surve (Former Principal, Arts and Commerce College, Ashta), CA R.N.Hargude (Senior Chartered Accountant, Belgaum), Dr. R.G.Phadtare (Dean, Faculty of Commerce, Shivaji University, Kolhapur), Dr. H.P.Shirke (Chairman, BOS in Commerce, Shivaji Unvirsity, Kolhapur), Dr. S.A. Patil (Chairman, BOS in Business Management, Shivaji University, Kolhapur), Prin. S.M.Joshi (Principal, SET's Arts and Commerce College, Ugar Khurd (Karnataka) Dr. V.A.Patil (Head, Department of Accountancy, DRKCC, Kolhapur), Dr. V.B.Kodag (Principal, GA College of Commerce, Sangli), Dr. P.M.Herekar (I/C Principal, Devchand College, Arjunagar, Dist- Kolhapur) Dr. R.B.Teli (Head, Department of Commerce, Shivaraj College, Gadhinglaj) Dr. V.K.Sawant (Savitribai Phule Mahila Mahavidyalaya, Satara), Dr. S.R.Pawar (Arts and Commerce College, Kasegaon), Dr. B.K.Mane (Smt. Kusumtai Rajarambapu Patil Kanya Mahavidylalaya, Islampur). We also thankful to all organizing committee members, paper presenters and all participants, all administrative staff of our College, may in absence of them the seminar cant seen success. We are also thankful to Shri. Umesh B. More, Proprietor, Supreme Graphics, Ashta for nicely printing the Seminar Proceeding in time. Last but not least we are thankful to all those who helps us directly or indirectly to organize this Seminar successfully.

Dr. P. V. Mohite

Dr. D. K. More

Dr. R. N. Naik

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Seminar Title 'Implentation of Direct Tax Code in India'

UGC Sponsored Two Day
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Index

Direct Tax Code and Common Man

Dr. Ram N. Naik, Assistant Professor,
Arts and Commerce College, Ashta, Dist Sangli

Dr. Narahar S. Pandit, Associate Professor,
Department of Commerce, SGM College,
Karad, Dist- Satara.

Introduction

In the 19th century India had seen British Rule. In those period British Government felt acute financial difficulties consequent to the Freedom Struggle of 1857 and to fill up this gap Treasury Income Tax Act was introduced for the first time in February, 1860 by James Wilson who became India's first Finance Member.

'At present, the Income Tax Act 1961 is in force in India on the basis of recommendations of Law Commission and Direct Taxes Administration Enquiry Committee under the chairmanship of shri Mahavir Tyagi. The present Income Tax Act was enacted in 1961, which came into force on 1st April, 1962.

Different Committees

The Government of India has constituted various committees after Independence–Investigation commission under Srinivasa Varadachariar (1947), Taxation Enquiry Commission under Dr. John Mathai (1954), Direct Taxes Administration Enquiry Committee-Tyagi Committee under Shri Mahavir Tyagi (1958), Committee for Rationalisation and simplification of Tax Structure under Bhoothalingham (1967), Direct Taxes Enquiry Committee under Wanchoo (1971), Committee on Taxation of Agricultural wealth and Income under K. N. Raj (1972) , Tax Reforms Committee under Dr. R. J. Chelliah(1971), Advisory group on Tax policy and Tax Administration under

Parthasarathi Shome(2001), Task Force under Dr. Vijay Kelkar in 2002 - to study the various aspects of tax revenues, administration, tax policy, structure of tax and also simplify various provision of law and procedures and make them more effective.

The Finance Ministry had released a new draft Direct Tax Code (DTC)-2013, which is a document containing changes in Exemptions, Tax slab etc. This will be a big change to five-decade old Income Tax Act. The new DTC would be implemented from April 1, 2015. The existing Income Tax Act and Wealth Tax Act are going to be abolished and single code of tax, DTC would be in place. Concept of assessment year and previous year will be abolished. Status of Resident but not ordinarily resident will stand cancelled. The DTC would make dramatic impact on Indian Economy.

Statement of Probl\em

A sound tax system is vital for the development of the public finances of any country. Treasury Income Tax Act was introduced for the first time in February, 1860 by James Wilson who became India's first Finance Member. The present Income Tax Act was enacted in 1961, which came into force on 1st April, 1962. The new Direct Tax Code (DTC) would be implemented from April 1, 2015 instead of April 1, 2012 and other subsequent dates, but Tax rates of individual are implemented from April 1, 2012. The DTC would make dramatic impact on Indian Economy. Therefore researcher has selected the subject to study in detail.

Objectives

The research paper considered following objectives for study.

1. To understand the concept of DTC and its origin
2. To understand the effect of DTC on common man
3. To understand the importance of DTC.

Methodology

It is an analytical study. Researcher has used secondary data for detailed study. The data is made available from different website and various books on Tax. The DTC Bill 2009, DTC Bill 2010 and DTC Bill 2013 were also used for this research.

Scope and Limitation

Direct tax is subject concern to Government of India. Therefore the whole India is considered for the study. The paper is basically related the DTC and covers effect of DTC on common man.

Review of Literature

Pande (2006) studied about Direct Tax Reforms in India and cross country comparison of Tax- GDP Ratio. He found that Tax-GDP ratio was 9.3% in 2003-04 in India which was the lowest among the developing countries while countries like Sweden Tax to GDP ratio as high as 54% in 2003-04.

Deshpande (2011) studied about Indian Tax Reforms and Issues related to Direct Tax Code. She found that systematic reforms in Indian Tax system are seen after 1990. She also found that DTC would have great positive impact on Indian Economy and it would be help to lower fiscal deficit to less than 3% of GDP.

Mittal P. (2012) studied about impact of DTC on different issues (factors). He also give emphasis on the major highlights of DTC in India. Also studied the concept of DTC and its evaluation.

Patel R. K. (2012) has studied impact of direct tax on Indian Economy. He had investigate d the Tax contribution to GDP in India and impact of Direct Tax Code -2010 on Individual Income. He found that Direct Tax to GDP ratio, Indirect Tax to GDP ratio and Total tax to GDP ratio have increased in the post reforms period. However Indirect Tax to GDP ratio and Total tax to GDP ratio were declined study period.

Dr. Ransariya S.N. (2012) has studied the impacts of The Direct Tax Code on Individual income by comparison of existing income tax Act and New Direct Tax Code. However he had firmly concluded because of not getting firm documents.

DTC and Common Man

The much-awaited Direct Tax Code (DTC) Bill, which aims to replace the existing Income-Tax Act, 1961, has finally been presented in the Parliament and once approved by both Houses, it will be enacted as a law, effective from April 1 2015. While a lot had been anticipated from the DTC in terms of widening of tax slabs and reduction in tax rates, the proposal in its current form does not have a great deal for the Common man.

Changes in Income Tax Rates

Income Slab (Rs)	Income Tax Rates					
	Individual		Women		Senior Citizen	
	Current	Proposed	Current	Proposed	Current	Proposed
160000	Nil	Nil	Nil	Nil	Nil	Nil
190000	10	Nil	Nil	Nil	Nil	Nil
200000	10	Nil	10	Nil	Nil	Nil
240000	10	10	10	10	Nil	Nil
250000	10	10	10	10	10	Nil
500000	10	10	10	10	10	10
800000	20	20	20	20	20	20
1000000	30	20	30	20	30	20
1200000	30	30	30	30	30	30

The DTC proposes to increase the limit of income exempt from tax to Rs 2 lakh from the current Rs 1.6 lakh for individual and to Rs 2 lakh from Rs 1.9 lakh for working women. This will result into a minimum saving of Rs 4,000 per annum for individuals and Rs 1,000 per annum for women.

On the positive note, the new proposal aims to abolish the distinction between the individual and a women tax payer, bringing both of them at par — at least as far as payment of taxes is concerned. But given the rising cost of living with each day, an additional disposable income of about Rs 4,000 and Rs 1,000, respectively, does not sound much appealing.

Moving higher on slab rates, income falling between Rs 2 lakh and Rs 5 lakh will now attract a tax rate of 10% while that falling between Rs 5 lakh and Rs 10 lakh will be taxable at 20%. This proposal, if implemented, will replace the current tax structure where income falling between Rs 1.6 lakh and Rs 5 lakh is taxed at 10% while that between Rs 5 lakh and Rs 8 lakh is taxed at 20%. Thus, there is a marginal relief for those who have income between Rs 8 lakh and Rs 10 lakh.The DTC also proposes to raise the income slab rate, which attracts the maximum tax rate of 30% from the current Rs 8 lakh to Rs 10 lakh. The maximum amount that a tax payer can save, if the DTC proposals are approved in its current form, is Rs 24,000 per annum.

Deduction

Under the current tax laws, Section 80C is probably one of the most popular sections of the Income-Tax Act as it allows a deduction up to Rs 1.2 lakh from the taxable income if the same has been invested productively in selected investment avenues. The DTC has not only proposed to retain the structure but also enhanced the limit of the deductions up to Rs 1.5 lakh. It has, however, modified the basket of investment avenues eligible for deduction under this clause.

The DTC proposes to include only contribution to funds like PPF, PF, superannuation fund and the New Pension Scheme (NPS), up to a maximum of Rs 1 lakh, as eligible investments for deduction under this clause. An additional deduction of Rs 50,000 shall be allowed for payments made towards insurance premium, tuition fees and premium paid towards mediclaim.

Conclusion

It is true as per the study that the new Direct Tax Code will helps lot to common man, Because it is in simple form and more suitable. The Direct Tax Code (DTC) seeks to consolidate and amend the law relating to the direct taxes, which consists of Income Tax, Distribution Tax and Wealth tax so as to enable to establish an economically efficient, effective and equitable Direct Tax system which will facilitate voluntary, compliance and help to increase in the tax GDP Ratio. Another objective is to reduce the scope for dispute and minimize litigation. The provisions of the proposed direct tax code will kept very simply so that even an average tax payer will be able to understand what exactly is meant. Although the prime objective of DTC is to simplify the provisions, but taxpayers do expect to see simplifications on ground, that is, timely receiving of refunds, less hassles at tax offices etc. One will have to wait for the final print to see what the DTC actually brings.

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"Problems And Propect in The Implementation of Direct Tax Code 2013"

Dr. Hansaraj Vishnu Ambawade
Chintamanrao College of Commerce, Sangli

INTRODUCTION

The Income Tax Act was passed in 1961 and has been amended every year through the Finance Act. A lot of things have changed since then no doubt; many things have been implemented by modifying the Income Tax Act from time to time. Thus the Income Tax Act today is very difficult to interpret and has resulted in many disputes and court cases. Different countries have made several changes in their tax system. These changes were either due to their development strategy or different economic policies. In developing economies the tax system to generally changed to increase the revenue to meet the increasing fiscal deficit. Now such tax system is required which is broad base, simple and transparent as well as which fulfills the international need. Keeping this in view, there has been proposal to replace the existing Income Tax Act, 1961. Direct Tax Code,2009 is a draft proposal to make existing tax structure easy and simple so that tax payers themselves can compute and file Income Tax return .DTC is designed to provide stability in the tax regime as it is based on well accepted principles of taxation and best international practices. DTC is a new code and simplified version of an Income Tax Code which would eventually replace five decades old Income Tax Act. 12th August 2009, DTC Bill 2009 discussion paper released. If the DTC is implemented there will be big changes in Taxation and also it is going to impact people in big way. An opt statement for the DTC is "Better late than never" DTC which is supposed to replace the old Income Tax Act, 1961 is delaying. The tax code makes radical changed in all areas of taxation. It lowers the incidence of tax on corporate and individual incomes but reintroduces wealth tax and capital gains tax albeit at lower levels. The basic objective of this tax code is to broad base the tax umbrella. It is expected that the new code will facilitate higher consumerism and thereby promote economic growth. Experts have already started to analyze the proposed changed of the existing direct tax system. The DTC

already attain mixed reactions from different corners regarding different changes of the existing tax system. The thrust of the code is to improve the efficiency and equity of the Indian tax system by eliminating distortions in the tax structure, introducing moderate levels of taxation and expanding the tax base. The attempt is to simplify the language, remove ambiguity, provide stability and adopt best international practices.

STATEMENT OF THE PROBLEM

Concept of Assessment year and previous year is abolished only the "Financial Year" terminology exists. Only status of "Non Resident" and "Resident of India" exists. The other status of "Resident but not ordinarily Resident" goes away. In this DTC Government and non – Government Taxation difference removed. All the direct taxes have been brought under a single code and compliance procedures unified. At present, the states of taxes are stipulated in the Finance Act of the relevant year. Therefore, there is a certain degree of uncertainty and instability in the prevailing rates of taxes. Under the code, all rates of taxes are proposed to be prescribed in the First to the Fourth schedule to the code. It is designed to provide stability in the tax regime as it is based on well accepted principles of taxation and best international practices.

Proposal of Direct Tax Code would give more benefit to the upper class group than that of lower group. Charging tax on withdrawals of PPF (Public Provident Fund) and other pension Scheme will have adverse impact on the retirees and pensioners. This would reduce their willingness to contribute less amount of this fund to avoid tax burden. From this proposal loss of revenue for the exchequer and impact fiscal deficit. Tax exemption on LTA (Leave travel allowance) is

abolished. Allowances like leave travel, furnishing, entertainment expenditure, conveyance, medical etc., will be added to income from this proposal some of other pains are women will not get any additional tax benefits – fund houses face 5% tax on distribution income for ULIPs, equity-

linked MFS. More nonprofits firms will come under the tax net and area based incentives and some of the spectral sops will be discontinued.

OBJECTIVES OF THE STUDY

1. To study the problems and advantages of direct tax code.
2. To study the comparative analysis of Income tax act 1961 and DTC 2013
3. To study the Important points included in DTC-2013

ADVANTAGE OF DIRECT TAX CODE

1. **Single code for direct taxes:** The new code envisages a system where all the direct taxes are brought under one single code and a common procedure for them.

2. **Jargon free:** The number of taxpayers in the country is on the rise due to various factors like higher incomes, better technology and stricter enforcements.

3. Read less, understand better: Unlike earlier each sub-section will be limited to a couple of sentences and convey only one point. To further simplify the understanding tables and formulae will be used which will give a pin-point explanation of the applicable rule.

4. **Avoid ambiguity**: Ambiguity in terms of interpretation by all stakeholders (taxpayers, collectors and facilitators) will be avoided.

5. Flexibility: The new code has been developed to give it the highest levels of flexibility to ensure that any changes occurring due to economic conditions/requirements can easily be imbibed with actually doing any amendments to the rules.

6. Consolidation of provisions: All the provisions including definitions, procedures, rates of taxes and incentives have been combined together into one set of documents.

7. Deregulation: Earlier, the tax laws were asked to play the secondary role of regulators of various components of the industry.

8. More stability: The current system involves the need for a separate finance bill each year to prescribe clearly the prevailing rates for the coming year. This creates a lot of confusion as the tax laws are independent of the finance act of the particular year.

9. Increase Tax to GDP: · It means the ratio of tax collection against the national Gross Domestic Product (GDP) · Right government's tax collection is not optimum, because people get so many tax exemptions. · Under DTC, men and women are treated same. Women would cease to enjoy income –tax exemptions

1. Salary - Exempt Exempt Exempt (EEE) scheme will be applicable for GPF, PPF, RPFs, Pension Scheme, Approved pure life insurance products and annuity schemes instead of Exempt Exempt Tax(EET)
2. Retirement Benefits Account scheme not to be introduced
3. Amount received under Gratuity, voluntary retirement scheme, commutation of encashment of leave will be exempt, subject to specified limits, for all employees
4. Rules for valuation of perquisite to be made
5. Rent free accommodation will not be taxed at market value
6. House Property - Rent - Gross rent will not be computed at a presumptive rate of six per cent of the ratable value or cost of construction/ acquisition.
7. In case of house property which is not let out, the gross rent will be nil.
8. In case of self occupied property exemption upto 1.5 Lakhs will be allowed
9. Capital Gains - Income under the head 'Capital Gains' will be considered as income from ordinary sources in case of all taxpayers including non-residents.
10. Listed equity shares or units of an equity oriented fund held more than one years will be computed at adjusted rate (a deduction will be allowed)
11. Capital gains on other assets held for more than one year will be computed on indexed cost method basis (base year will be 1.4.2000)
12. Income arising on purchase and sale of securities by an FII will be deemed to be income chargeable under the head 'capital gains'
13. Non-Profit Organization (NPO) - No fresh registration is required for existing NPOs

    15% (or 10%) carry forward of surplus will be allowed
14. Donation from NPO to NPO will be considered as application of income
15. Basic exemption limit will be provided to NPOs
16. SEZ units -to protect profit linked deductions of units already operating in SEZs for the unexpired period will be incorporated.

17. Company incorporated outside India - Place of effective management' to be defined
18. Passive income earned by a foreign company which is controlled directly or indirectly by a resident in India will be taxable
19. Wealth Tax will be payable by all taxpayers except non-profit organizations on all unproductive assets

TABLE 4: DIFFERENCE BETWEEN INCOME TAX ACT, 1961 AND DIRECT TAX CODE BILL, 2009

1. At present there are two legislation i.e. Income Tax Act,1961 and Wealth Tax Act,1957	1. At present there are two legislation i.e. Income Tax Act,1961 and Wealth Tax Act,1957
2. There are three kinds of Residential status i.e. 'Resident' 'Non Resident' and 'resident but not ordinarily resident'	2. Residential status of "Resident but not ordinarily resident" has been done away with.
3. There are 'previous year' and 'assessment year'	3. To eliminate confusion only 'Financial Year' will prevail.
4. Date of filing of tax returns 31st July for non-business, Non-corporate assesseand 30th Sept for others	4. Date of filing of tax return preponed to 30th June for non-business no corporate assesse and 31st Aug for others.
5. The corporate tax rate of domestic company is 30% and for foreign company ,it is 40% business losses can be carry forward for 8 yrs. dividend distributionis at 15%	5. The corporate Tax rate of all companies reduced to 25%, business losses can be carry forward for unlimited period. Dividend Distribution Tax remains at 15%.

6. MAT at 15% is levied on 'Book Profit'. Further MAT tax credit is allowed to becarried forward up to ten assessment year.	6. Basis for levy of MAT is 2% on gross assets, carry forward of such MAT tax credit has been denied.
7. There is no such provision for to declare an arrangements as impermissible..	7. General Anti-Avoidance rule to introduce to empower the commissioner of Income Tax (CIT) to declare an arrangement.
8. Tax incentives were based on location or on export turnover up to a specified period. Further capital investment were not allowed to amortized	8. All capital investment and revenue expenditure allowed to be amortizedindefinitely and the period of such amortization will be called as Tax Holiday'
9. Income from salary includes all perquisites such as house rent, leave travel assistance, children education allowances, encashment of unaveiled earned leave on retirement, medical reimbursement and free/ concessional medicaltreatment paid/provided etc. is exempt up to a certain limit.	9. All such exemption withdrawn
10. As per 80C certain investment/ saving up to Rs 1 lack were deductible fromtaxable income.	10. Exempt Exempt-Taxation (EET) method of taxation of savings/ investment, will be applied on new contribution after commencement of the code.

11. Self occupied house property whose gross rent is taken as NIL, used to getdeduction for repair based on annual value in case of rented house propertyis 30%	11. Self-occupied house property whose gross rent is taken as NIL, will not get deduction of interest on loan. Deduction for repair on annual value in case of rented house property is proposed to reduce to 20%.
12. There is no such provision for upfront determination of the arm's lengthpricing or pricing methodology.	12. Transfer Pricing matter will be well settled under proposed Advance PricingAgreement (APA), under which an agreement between the taxpayer and the tax authorities for the upfront determination of the arm's length pricing/pricing methodology of an international transaction will be made butshall not be effective for more than five consecutive years.
13. As per IT Act 1961 loss on sale of business capital assets will be treated as short term capital loss and will be allowed to be carried forward up to 8assessment years.	13. As a disincentive to asset stripping and loss manipulation, the loss on sale of business capital assets will be treated as intangible asset and depreciation will be allowed at the same rates applicable to the relevant block of assets,therefore allowing a fraction of the loss every year.
14. There is provision of choice between Income Tax Act and Double TaxationAvoidance	14. The code states that neither a Double Taxation Avoidance Agreement (DTAA)nor the code shall have a preferential status by

Agreement, whichever is beneficial to the assesse.	reason of its being a DTAA or law. However in case of a conflict between the code and DTAA, the one that is later in point of time shall prevail.
15. Carry forward and set-off of losses of unlisted companies in the hands ofamalgamated company will lapse with change in shareholding of 50% or more.	15. Such carry forward and set-off of losses will not lapse even with change in shareholding of 50% or more.

FINDINGS:

1. While the clauses of tax laws have been reduced to 319 in DTC from the combined provisions of Income Tax Act and Wealth Tax Act (around 750), the schedules are increased to 22 from 14. The DTC is stated to be simplified, fifth schedule which deals with procedure for recovery of tax runs into 7 parts and 96 sections.
2. The Direct Taxes Code Bill, 2010 consolidates and integrates all direct tax laws and. The proposed DTC Bill, 2010 comprises of (i) 22 Chapters,(ii) 319 Clauses,(iii) 22 Schedules
3. The Finance Minister on August 27, 2010 explains that the 1961 Income Tax Act was amended not less than 34 times resulting in complexity in tax law. The new tax code has the object of revising, consolidating and simplifying the language and structure of Direct taxes Laws.
4. It simplifies the language of the legislation by the use of direct, active speech, expressing only a single point through one sub-section and rearranging the provisions into a rational structure.
5. The DTC maintains a balance in applying the principles of Equity, Simplicity and Efficiency. It promotes equity by having progressive rates of personal income tax and a wealth tax on assets beyond a specified limit; it also maintains a moderate level of tax on corporate incomes by ensuring that no substantial exemptions are given to incomes in a particular sector and also through the provisions of Minimum Alternate Tax (MAT).

6. Concept of Assessment year and previous year is abolished only the “Financial Year” terminology exists. Only status of “Non Resident” and “Resident of India” exists. The other status of “Resident but not ordinarily Resident” goes away. In this DTC all the direct taxes have been brought under a single code and compliance procedures unified.
7. DTC is proposed to remove most of the categories of exempted income. Equity Mutual Funds (ELSS), Term deposits, NSC (National Savings certificates), Unit Linked Insurance Plans (ULIPs), Long term infrastructures bonds, house loan principal repayment, stamp duty and registration fees on purchase of house property will lose tax benefits. The Parliamentary panel on Direct Taxes Code in its report tabled in LokSabha today has suggested raising the income tax exemption limit to Rs 3 lakhs.
8. DTC will replace the Income Tax Act, 1961. The Standing Committee also suggested that 10% tax will be levied on taxable income between Rs 3-10 lakhs, 20% between Rs 10-20 lakhs and 30% on over Rs 20 lakhs. At present, 10% tax is levied on income between Rs 1.8-Rs 5 lakhs, 20% on income between Rs 5-8 lakh and 30% above Rs 8 lakhs. The DTC is to proposed income tax exemption limit at Rs 2 lakhs, 10% tax for income between Rs 2-5 lakhs, 20% for Rs 5-10 lakhs and 30% above Rs 10 lakhs.
9. The tax code makes radical changed in all areas of taxation. It lowers the incidence of tax on corporate and individual incomes but reintroduces wealth tax and capital gains tax albeit at lower levels. The basic objective of this tax code is to broad base the tax umbrella. It is expected that it will facilitate & promote economic growth.
10. The attempt of DTC is to simplify the language, remove ambiguity, provide stability and adopt best international practices.
11. There are several reasons behind the need of DTC as follows: Provides stabilities in direct tax rates , Increase tax to GDP ratio , Corporate tax 30%(no surcharge and cess) ,Wealth tax “cut off” increased

SUGGESTIONS

1. The Department has to give training to be imparted on the income tax officials on both income tax software and the law itself
2. Government of India has to take a appropriate step to educate the taxpayer, auditor, others relating to DTC
3. Tax authorities need to be educated regarding the DTC

4. The Government of India has to take a required step to implement DTC as early as possible, because implementation of DTC will bring uniformity tax

5. system which helps to economic progress of our country

6. In order to help the people Government can increase taxable slabs (until a certain point),and reduce tax rates

7. Government of India has to settle the disputes of created regarding DTC and implement DTC because everyone is eagerly waiting for the new type of tax system.

8. It has to considered all type of tax payee and give justice to all class of people

9. The implementation of the proposed DTC should reduce both tax evasion and costs of compliance and should eliminate most of the distorted behavior coming from tax avoidance

CONCLUSIONS:

When the first draft of DTC i.e., Direct Tax Code 2009, which had more than 5000amendments to the current tax system, Income Tax Act 1961,was opposed by all stakeholders, but the second draft, Direct Tax Code 2010, was introduced with the various favorable changes which helps to the individual taxpayer and also for corporate then many stakeholders welcomed it, it still has not yet satisfied majority of the corporate houses. Here it must also be noted that when Government implement VAT in 2005. It was widely criticized by many but it is moving successfully.

The code aims to reduce tax rate which seems to be a very positive and progressive initiative from the government. The government will need to ensure the provisions of the DTC to be implemented effectively and successfully to safeguard the country's long term ambitions. The DTC in India is very much discussed and criticized now a day, even though, the basic aim behind DTC is simple and helpful to the people. It will surely help in the growth of our economy because the tax rate has been reduced for person who earns up to ten lakhs. This reduction in tax may motivate them to contribute their money in the development of the economy, like establishing business firms, building hotels etc., which play major role in the growth of economy.

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General Anti Avoidance Rules:
A major provision of Direct Taxes Code

Sanjyoti S. Shinde
Dr. Mrs. S. S. Kulkarni

1.1 Introduction:

The Direct Taxes Code ('DTC') is an attempt by the Government of India (GOI) to simplify the direct tax laws in India. DTC will revise, consolidate and simplify the structure of direct tax laws in India into a single legislation. The DTC, when implemented will replace the Income-tax Act, 1961 and other direct tax legislations like the Wealth Tax Act, 1957.

1.2 Statement of the problem

Feasibility in implementing GAAR. To understand the need of GAAR and to suggest more suitable provisions and precautions for GAAR.

1.3 Objectives of the Study:

Themainobjectives of the study are-

1. To analyse the effect of GAAR on Revenue of Government of India tax officers
2. To study the opinion of tax-payers about GAAR
3. To offer suitable suggestions on the basis of findings
4. Making general study of GAAR

1.4 Methodology of the Study

This research study is based on secondary data. The researcher has collected secondary data from the Direct Taxes Code 2013, publications of chartered accountant firms, journals, Internet etc.

1.5 Regime of DTC so far 2009-2014

● The first version of DTC was introduced in August 2009 when Government unveiled the DTC along with a discussion paper to replace the Income-tax Act, 1961 (the Act) and the Wealth Tax Act, 1957

● In June 2010, the Government released the revised discussion paper incorporating several changes to address concerns over some major issues arising therefrom

● In August 2010, the Government tabled a revised version in the form of DTC 2010 in the Lok Sabha which was then referred to the Standing Committee on Finance (SCF) for its review and comments

● The Standing Committee after deliberating with the recommendation given by various stakeholders submitted their report to the Parliament on 9 March 2012

● Thereafter, in September 2012, Kelkar Committee in its report on 'Road Map for Fiscal Consolidation' suggested a comprehensive review of DTC. Hence, Government decided to revise the DTC after considering suggestions given by SCF and present the revised version in the parliament

● As per news reports, out of 190 recommendations made by SCF, 153 are proposed to be accepted wholly or in part. Some of the key recommendations accepted include exemption to taxation of income from indirect transfer for shareholders having small shareholdings (upto 5 per cent), modification in definition of place of effective management, broad based General Anti-avoidance Rules (GAAR), etc

● he Finance Ministry has released the Direct Tax Code 2013 for public discussion and comments.

● The DTC 2013 proposes to introduce:- Taxation of income from Indirect transfer of shares of an Indian Company;

- Place of Effective Management (POEM) rule as a test to determine residency and tax indirect transfer of Indian assets

- Levy of Branch Profit tax in addition to Income tax payable on every foreign company

- Taxation of Controlled Foreign Companies (CFC),

- Also contains expanded source rules for taxation of royalty, fees for technical services (FTS) and interest

- General Anti Avoidance Rules (GAAR)

1.5 What is GAAR?

In Indian law, **GAAR** is an acronym for General Anti-Avoidance Rules which are framed to minimize tax avoidance, for example by siphoning off profits to tax havens. GAAR could be termed as a general set of rules enacted to limit tax avoidance. Introduction of GAAR is a major provision in DTC 2013. Further, GAAR was also proposed by the Union Budget 2012-13 to be part of Income Tax Act, 1961. The finance bill 2012 introduced chapter X-A to the income Tax Act, 1961. Currently, GAAR is proposed to be effective from April 2016.

The main aim of GAAR in India is to bar companies from aggressive tax planning by using opaque low tax jurisdictions for residence as well as for sourcing capital. Indian Government is trying to give powers to income tax authorities as implementation of GAAR provides tremendous powers to deny tax benefit to an entity if a transaction has been carried with the sole intention of tax avoidance.

1.6 Need of GAAR

Tax avoidance, like tax evasion, seriously undermines the achievements of the public finance objective of collecting revenues in an efficient, equitable and effective manner. Sectors that provide a greater opportunity for tax avoidance tend to cause distortions in the allocation of resources. Tax avoidance also leads to cross-subsidization of the rich. Therefore, there is a strong general presumption in the literature on tax policy that all tax avoidance, like tax evasion, is economically undesirable and inequitable. On considerations of economic efficiency and fiscal justice, a taxpayer should not be allowed to use legal constructions or transactions to violate horizontal equity. As a result, it is necessary and desirable to introduce a General Anti-Avoidance Rule which will serve as a deterrent against such practices and hence, Shome Committee recommended introduction of GAAR.

1.7 Overview of provisions of GAAR

- Under the GAAR provisions of the Code (for detailed text refer to Annexure C), an arrangement (including a step in or a part) shall be considered to be an impermissible tax avoidance arrangement, if it is undertaken with the main purpose of obtaining a 'tax benefit' and it:

1. creates rights or obligations, which would not be created if the transaction was implemented at arm's length; or
2. results, directly or indirectly, in the misuse of the provisions of the Code; or
3. lacks commercial substance in whole or in part; or
4. is entered into or carried out by means, or manner which would not be normally adopted for bonafied purposes

- The GAAR provisions permit application of the principles of lifting the corporate veil, substance over form test, economic substance test, and thin capitalization rules (i.e. re-characterization of debt into equity or vice versa). Thus, under the Code, the Commissioner of Income-tax ('CIT') is empowered to declare an arrangement as impermissible if it has been entered into with an objective of obtaining a 'tax benefit' and it lacks commercial substance or bonafide purpose.
- GAAR necessarily involves granting discretion to the tax authorities to invalidate arrangements as impermissible tax avoidance
- GAAR has a broader application resulting in it being interpreted in a more extensive manner
- GAAR can more effectively counter the taxpayers 'out of the box thinking' in devising new means of tax avoidance

1.8 Scope and applicability of GAAR

- It may be noted that the GAAR provisions would be applicable to all taxpayers irrespective of their residential or legal status (i.e. resident or non-resident, corporate entity or non-corporate entity)
- The provisions also apply to all transactions and arrangements irrespective of their nature (i.e. business or non-business) if, the tax benefit accrues to the taxpayer and he fails to establish that the main purpose of entering into that transaction/ arrangement was not to obtain tax benefit
- For GAAR provisions, it is also not relevant whether transactions/ arrangements are entered into with group concerns or third parties and whether they are domestic or cross-border transactions. Threshold limits and guidelines for circumstances where the GAAR provisions can be

invoked are expected to be provided under the Rules. GAAR covers within its ambit nearly all the arrangements

1.9 Pros and cons of introducing GAAR:

- Introduction of GAAR may create a great amount of uncertainty in terms of tax and other implications of any such arrangement;
- Introduction of GAAR may result in long drawn tax litigation;
- The onus lies on the tax payer to prove that there is no tax benefit and the transaction is not an avoidance transaction
- A common man gets hit from both sides as he gets lesser money in form of pay and also ensures that he pays the tax timely and correctly by way of tax deduction at source
- Tax- avoidance may be reduced to great extend

1.10 Suggestions in implementing GAAR:

- The current GAAR provisions appear to have been conceived primarily from the Revenue angle. The better approach would be to involve all the stake holders in conceiving and formulating such provisions having far-reaching implications
- GAARs should be enacted carefully so that they are designed to address real mischief only and go no further
- To ensure the tax system does not fall into disrepute, GAARs must be administered transparently and with abundant due process commensurate with their often draconian consequences
- GAAR should be designed in achieving consensus on what the GAAR should focus on and how the rules work fairly, quickly and efficiently to effectively apply in those cases in a way that is certain, subject to judicial review and administered based on evidence of all relevant facts
- Considering it is necessary to introduce a GAAR, it would be a better approach to introduce it in a phased manner. The scope of the GAAR provisions should be limited in the initial years to gain experience of its implementation. Gradually, as and when need arises, the scope of such provisions can be expanded

- It is also recommended that the initial burden of proof of the allegation that the arrangement was not entered into with a commercial purpose but a preordained colorable or artificial device with the sole purpose of obtaining a tax benefit should be on the Authority. The taxpayer's responsibility in such a case would be to prove that the arrangement was entered into mainly for a commercial purpose

1.11 Conclusion:

In view of the above, serious consideration needs to be given to these provisions by persons operating at all levels in an organization including at the level of policy and decision making. In fact, while taking all commercial decisions and determining the manner of their implementation, the tax implications of these provisions may play a vital role.

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Lesson from Tax System of Chhatrapati Shivaji

Dr. P. V. Mohite
Associate Professor and Head,
Department of Commerce,
Arts and Commerce College, Ashta
Kedarnath Mahadev Phalke
Research Student,
Shivaji University, Kolhapur

Introduction:

The importance of tax has increased considerably day by day. It is a major source of income and revenue to the state. It is to be utilized for the social and economic development of the country. It is one of the effective instruments of reducing unequal distribution of wealth between the rich and poor.The present system is based on the British system. In India, the present tax system has so many weaknesses and it is necessary to revise it. It is necessary to overview the system in the Indian context. Therefore, this topic selected for the study titled, “Lesson from Tax System of *Chhatrapati* Shivaji.”

Objectives of the Study:

The objective of the study is to take review of tax system of *Chhatrapati* Shivaji to draw the conclusion which will guide to revise the present tax system of the country.

Methodology of the Study:

The primary sources and secondary sources have been collected with specific reference to the different areas of career of Shivaji. The written sources used for this study are divided in two periods:

1. Contemporary - Public Documents, Court Histories, Other Marathi Literature, SabhasadBakhar, Ballads

2. Later - Persian, Marathi, Books, Periodicals, Journals, Articles, Bakhars

3. Observation - Forts, Archaeologists, Coastal line, Rivers, Hills, Valleys

Majority of the information was collected from the following sources.

Bharat Itihas Sanshodhak Mandal, Pune,

Itihasacharya V.K. Rajwade Sanshodhan Mandal,

Library of Mumbai Archives,

Library of Goa Archives,

Andhra Pradesh State Archives, Hyderabad

Data Analysis and Interpretation:

To appreciate properly the revenue reform of Shivaji, it is essential to have a clear idea of the taxes and *cesses* that a peasant or artisans had to pay. Peasants and artisans had to make invaluable contribution for the development of village community and state. At the time of threshing, peasants had to give certain measure of grain to village *watandars* and when he would sell his crop at market, the *Patil* and *Kulkarni* took a handful in pursuance of a very old practice.

The state paper mentioned no less than fifty taxes, *cesses* and *abwabs* (extra duties) a formidable list indeed. Out of these, some taxes were recurring in nature and some were paid only once in lifetime. All these three concepts cesses, *abwabs* and taxes were divided in two or three parts i.e. Direct taxes, Indirect taxes and Muslim Taxes. Researcher has found direct taxes being levied during this period, an income of persons, professions and property. Indirect taxes include custom duties, transit dues, octroi, sales tax, excise duties, etc.

The importance of tax has increased considerably day by day. It is a major source of income and revenue to the state. It is to be utilized for the social and economic development of the country. It is one of the effective instruments of reducing unequal distribution of wealth between the rich and poor. Shivaji had practiced same concept to equalize the society and he introduced taxes like *mirsapatti*, *inampatti,* etc. Tax is a compulsory contribution or payment of money by various persons to the government by virtue of its powers conferred under the constitution of state. The collected tax is used for public purposes. There were many taxes levied in the reign of Shivaji. They can be classified into a. Direct taxes b. Indirect Taxes and c. Muslim Taxes.

A. Direct taxes- Direct taxes are those taxes where the impact and incidence of such taxes fall on the same person only. There is no shifting of the burden of taxes to another person. Income- tax, wealth tax, interest tax, etc. are the instances of direct taxes. These taxes do not affect the persons with low income and wealthy group and they come from the principle of equity. The imposition of direct taxes do not create imbalance in the use of productive resources.

B. Indirect taxes- Indirect taxes are those taxes where the impact and incidence of such taxes fall on the different persons. There is shifting of the burden of taxes to other persons. Excise duty, custom duty, sales tax, etc. are the instances of indirect taxes. These taxes affect the persons with low income and wealthy group and they do not confirm to the principle of equity. The imposition of indirect taxes creates imbalance in the use of productive resources.

C. Muslim Taxes- Above mentioned two taxes were general and routine in nature. After the down fall of Vijaynagar kingdom, all provinces and regions had been fallen in Muhammadan kings hands. Mughal Empire was one of the important states in Shivaji's age. All these rulers introduced their own taxes which was suitable to the subjects and their own conditions. In 1645, first time Shivaji captured provinces of Adilshahi kingdom and in 1657; he won some part of Mughal Deccan. After that he continued some Muslim taxes which were in the interest of the Muslim community in those areas and abolished the others.

Direct taxes – Direct tax was more important tax in 17th century. Tax on profession, income of person, property, etc. have been levied in Direct taxes.

They are-

1. Government dues- To collect tax rent or revenue was the work and responsibility of village *watandars*. These *watandars* were the hereditary

officers of government. Tax levied on their collection and income was a government dues and it must be paid.

2. *Sinhasanpati* or Coronation tax – This tax, levied on the *watandars* at the time of Shivaji's coronation. It was also called as *Takhtapatti*. After the coronation of Shivaji, he levied this tax on *watandars* to recoup the expenditure of coronation. From that it was an important direct tax.

3.*Miraspatti*-*Mirasdar*is a headman of peasants. This tax was levied on only *watandars* and who made some profit on their *watan* not on *mirasdars*. There was an irregularity in collection of this tax. It was sometimes maintained that *Sinhasanpatti* and *Miraspatti* are the same. But it is wrong.

4. *Inampatti*- This was an occasional tax imposed in times of exigency on *Inamdars*. This tax was levied on rent-free landholders. Few persons were excluded from it. i.e. *Gosavis.*

5. *InamatiKhandani*- It was similar to *inampatti*. This tax was levied on newly created *inamdars* for a specific period. In many of the provinces it was a regular tax.

6. *Sardeshmukhpatti* – Dr. Sen does not explain this tax. But Dr. Kulkarni stated that, 'we find that in the Maval territory *miraspatti* was levied on the *Deshmukh, DeshKulkarni, Patil and Kulkarni*, because they were enjoying rights and also making profits out of their offices. It was to be collected from other *mirasdars* as well but not in the same proportion as it was from the hereditary officials."

Researchers found that in Shirwal province, *Deshmukh* paid 366 *hons* as a tax of *miraspatti*, *Deshkulkarni* (*Deshpande*) paid a sum of 134 hons. A *Patil* of 139 villages paid together 250 *hons*, *Kulkarni* 200 *hon* and *Chougula* 14 *hons* respectively. In 1674 Shirwal province paid a sum of *miraspatti* of 1000 *hons* of which 30 hons paid by *Shete* and *Mahajan*.

What we should learn from *Chhatrapati* Shivaji's tax system?

Taxation is the major source of revenue to the government. It plays an important role in the economic development of the country. Taxation also acts as an instrument for achieving the socio-economic objectives. This practice was very old in nature. In Shivaji's rule initially he imposed the same old taxes which were introduced by old rulers. But he switched on his own taxes according to the condition and situation. Researchers find following taxes regularly in Shivaji's letters, they are *Sailbail, Sadivar, Tutpati, Tup, Deshmukhpati, Karchpati, Paiposi, Padewari, Tejipati, Mohimpati, Thanebab, Dasrapati, Thanebheti, Belekati, Tambakhu, Thaljakati, Beth Begari,* etc. Some of the important findings of this research are as under-

1. **Major source of revenue**- Tax has become a major source of revenue to the government to be utilized for the social and economic development of the country. Shivaji, therefore sighted rules realized this concept.

2. **Reducing unequal distribution of wealth-** He also realized that it is one of the effective instruments of reducing unequal distribution of wealth between rich and poor specially *watandars* and subjects. Many of the *watandars* were wealthy with corruption, governance, continuous oppression on subjects, etc.

3. **Rationalizing the tax structure**- It was the need of the hour in Shivaji's reign to reform tax system. The above practice was also one of the means to solve the acute problem of unemployment. The above objectives were achieved by Shivaji by introducing a progressive system of taxation. Tax has an immense impact on the tax payers creating hardships on them. Such hardships had to be reduced by Shivaji with rationalizing the tax structure.

4. **Introduction of Ardhali**- Shivaji's career started in 1642 when he was only twelve. Dadaji Konddev settled Shahji's *jagir* and earlier phase of Shivaji's career. But after his death all the responsibility of Shivaji's kingdom came down on his own shoulders. Firstly he continued all old and same taxes which were regular in practice. But in 1649 he introduced '*Ardhal'* means payment of 50 percent tax once in a year and abolished all other taxes. This practice was useful to king and subjects but not for *watandars. Patil* suffered loss due to this practice; because of as a village headman he was responsible for all activities and expenses in case of regular administration. Due to this policy, Patil's expenditure was increased and income gradually decreased. Many of *Patils* and other *watandars* leaved the service of Shivaji.

Immediately Shivaji changed his policy and continued old system. But again in 1669-1670 he introduced *'Ardhalicha Taha'*. But this system was not so long continued and Shivaji imposed some other taxes after his coronation also i.e. *Sihasanapati* or *Miraspati,* etc.

5. **Experimenting power of Shivaji-** All these practices showed that experimenting power of Shivaji. He made many of the experiments in tax system, but finally continued those systems which were suitable to his government, officials and subjects.

6. **Generate revenue for financing the expenditure-** The main objective of taxation in Shivaji's rule was to generate revenue for financing the expenditure on various plans and also government expenditure. Shivaji achieved the socio-economic development by utilizing the tax revenue for public purpose.

7. **To prevent the concentration of wealth-** Shivaji prevented the concentration of wealth in the hands of a few persons only. For that he imposed the levy of *Miraspatti* and *Sinhasanpati* on *watandars* and wealthy people. He imposed some extra taxes on businessmen and traders. This policy was useful to the equal distribution of wealth between the rich and poor. Shivaji provided the necessary amenities to the common people by utilizing the revenue in this connection. The policy of redistribution of wealth was useful for common benefit of people.

8. **To solve the problem of unemployment-** Shivaji created employment opportunities to the people with a view to solve the acute problem of unemployment. In this case he levied a tax of *Beth Begari* and successfully imposed this levy.

In Shivaji's rule initially he imposed the same old taxes which were introduced by old rulers. But he switched on his own taxes according to the condition and situation. Shivaji didn't impose any community or religious tax. Shivaji didn't make any oppression in case of tax collection on his subjects because subjects had paid tax voluntarily, that's why he is king of populace. In this manner a sound and progressive system of taxation run and ruled by Shivaji Raja. In present circumstances the government should create such type of environment that people should pay their taxes voluntarily. For this necessary reforms should be made by government in tax system.

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"Evaluation of Personal Income Tax Structure in India during the 2000-01 to 2015-16"

Dr. B. K. Mane

K.R.P. Kanya College, Islampur

Dr. Anil D. Satre

M.P. Patil Mahavidyalaya, Borgaon

Introduction:

Indian government accepts the federal finance system for our Economy. Tax is a very important source of revenue of State as well as Central government in India. There are two major types of tax direct tax and indirect tax.

Direct Tax:

"A **direct tax** direct tax is one imposed on individual person. Income tax, Property tax these are the examples of direct tax."

Indirect Tax:

"A tax which is collected by an intermediary from the person, who bears the ultimate economic burden of tax, is known as Indirect Tax." sales tax, a specific tax, value added tax , goods and services tax these are the major examples of indirect tax.

Personal income tax one of the most important direct tax and this research disused on various aspects regarding the personal income tax.

Objectives of Study:

Followings are the major objectives of the study.

1. To measure the trend of personal income tax structure in India.
2. To study the Gender wise limitation of tax free Income
3. To study the limitation of tax free Income for Senior citizen.
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Table No 1

Gender wise limitation of tax free Income

Financial Year	Male	Female
2000-01	50,000	50,000
2005-06	50,000	50,000
2006-07	1,00,000	1,35,000
2007-08	1,10,000	1,45,000
2008-09	1,50,000	1,80,000
2009-10	1,60,000	1,90,000
2010-11	1,60,000	1,90,000
2011-12	1,60,000	1,90,000
2012-13	1,80,000	1,90,000
2013-14	2,00,000	2,00,000
2014-15	2,50,000	2,50,000
2015-16	2,50,000	2,50,000

Table no. 1 shows that the gender wise limitation of tax free income in Indian tax system. Up to 2005-06 Indian tax system was not made the discrimination in maximum limit of tax free income according to gender base. It means up to FY 2005-06 our tax system was equally treated to male and female. This table also shows that, during the FY 2006-07 to 2012-13 our tax system is provide more concision in taxable income for female tax payers as compare to male tax payers. It means during this period our government was more focused on women empowerment and also gender budget. However, up to FY 2013-14 there was not any type of concision for female tax payers as compare to male tax payers. It seems that, recently there is not any type of discrimination in limitation of taxable income according to gender issues.

Table No 2

Limitation of tax free Income of Senior and very senior citizen

Financial Year	General Tax Payers	Senior citizen	Very senior citizen
2000-01	50,000	50,000	
2005-06	50,000	50,000	
2006-07	1,00,000	1,85,000	
2007-08	1,10,000	1,95,000	
2008-09	1,50,000	2,25,000	
2009-10	1,60,000	2,40,000	
2010-11	1,60,000	2,40,000	
2011-12	1,60,000	2,40,000	5,00,000
2012-13	1,80,000	2,50,000	5,00,000
2013-14	2,00,000	2,50,000	5,00,000
2014-15	2,50,000	3,00,000	5,00,000
2015-16	2,50,000	3,00,000	5,00,000

Table no. 2 shows that the Limitation of tax free Income of senior and very senior citizen in Indian tax system. Peoples who have age between 60 years to 80 years are included in senior citizen and who have age more than 80 years are included in very senior citizen. Up to FY 2005-06 Indian tax system was not made the discrimination in maximum limit of tax free income according to gender base and also senior citizen. Up to FY 2005-06 for male, female and senior citizen limit of tax free income was Rs. 50000. It means up to FY 2005-06 our tax system was equally treated to male, female and senior citizen.

This table also shows that, after the FY 2006 our tax system is provide more concision in taxable income for senior citizen as compare to male and female tax payers. It means after the FY 2006 our government was more focused on senior citizen.

Table No 3
Trends in tax rate and tax slab in India

Financial Years	Income (in)	Rate	Liability (In)	Income (in)	Rate	Liability (in)	Income (in)	Rate	Liability (In)
2000-01	50,001 to60,000	10%	1000	60,001 to1,50,000	20%	18,000	1,50,001T0 11,00,000	30%	285,000
2005 -06	100,001 to150,0 00	10%	5000	1,50,001 to2,50,000	20%	20,000	2,50,001T0 11,00,000	30%	255000
2006 -07	1,00,001 to1,50,000	10%	5000	1,50,001 to2,50,000	20%	20,000	2,50,001T0 11,00,000	30%	255000
2007 -08	1,10,001 to1,50,000	10%	4000	1,50,001To 2,50,000	20%	20,000	2,50,001T0 11,00,000	30%	255000
2008 -09	1,50,001 to3,00,000	10%	15,000	3,00,001 to5,00,000	20%	40,000	5,00,001T0 11,00,000	30%	180,000
2009 -10	1,60,001 To3,00,000	10%	14,000	3,00,001 to5,00,000	20%	40,000	5,00,001T0 11,00,000	30%	180,000
2010-11	1,60,001To 5,00,000	10%	34,000	5,00,001 to8,00,000	20%	60,000	8,00,001T0 11,00,000	30%	90,000
2011-12	1,80,001to5,00,000	10%	32,000	5,00,001to8,00,000	20%	60,000	8,00,001T0 11,00,000	30%	90,000
2012-13	1,80,001to5,00,000	10%	32,000	5,00,001to8,00,000	20%	60,000	8,00,001T0 11,00,000	30%	90,000
2013-14	2,00,001 to5,00,000	10%	30,000	5,00,001to10,00,000	20%	1,00,000	10,00,001T0 11,00,000	30%	30,000
2014-15	2,00,001 to5,00,000	10%	30,000	5,00,001to10,00,000	20%	1,00,000	10,00,001T0 11,00,000	30%	30,000
2015-16BE	2,00,001 to5,00,000	10%	30,000	5,00,001to10,00,000	20%	1,00,000	10,00,001T0 11,00,000	30%	30,000

From the FY 2011-12, our government added a new category "Very senior citizen" in our tax system for people above 80 years. Recently in our tax system there are two types of senior citizens

1.Senior citizen : up to 60 years of age

2. Senior citizen: age of 80 year or above.

The threshold limit of income exempted from tax for newly created category of assesses is Rs. 500,000. It means recently our government is more focus on social welfare.

For the purpose of counting tax load, the taxable income is taken into consideration income up to 11, 00,000. In the first tax slab (10 per cent) Tax liability is varies from 1000 to 34,000 during the study period.

In the second tax slab (20 per cent) Tax liability is varies from 18000 to 1,00,000 and it seems that it was increased continually during the study period.

In the third tax slab (30 per cent) Tax liability is varies from 30000 to 2, 85,000 and it was decreased continually during the study period. It was happen due to rising the taxable income level in first and second stage.

Conclusions:

1. Up to 2005-06 Indian tax system was not made the discrimination in maximum limit of tax free income according to gender base. It means up to FY 2005-06 our tax system was equally treated to male and female.

2. During the FY 2006-07 to 2012-13 our tax system is provide more concision in taxable income for female tax payers as compare to male tax payers. It means during this period our government was more focused on women empowerment and also gender budget.

3. It seems that, recently there is not any type of discrimination in limitation of taxable income according to gender issues.

4. It means up to FY 2005-06 our tax system was equally treated to male, female and senior citizen.

5. After the FY 2006 our government was more focused on senior citizen. The limit of income exempted from tax for newly created category Very senior citizen of assesses is Rs. 5,00,000. It means recently our government is more focus on social welfare with such provisions for senior citizen.

These are the major conclusions of our study entitled “Evaluation of Personal Income Tax Structure in India during the 2000-01 to 2015-16 BE”

Suggestions:

1. For the purpose of women empowerment it is need of time to provide more tax concession to female workers.

2. Government also provide more concession to Workers who’s are working in more sensitive and dangerous zone like Nakshli area.

3. It is necessary that Indian tax system restructure and make it more progressive for reducing regional as well as economic imbalance in our economy.

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Implimentation of Direct Tax Code in India

Principal S. m. Joshi,

Dr SET’S Arts and Commerce College

Ugar-Khurd.

Paper Presented To

CHALLENGES BEFORE THE COMMON MAN

AN INTRODUCTION TO TAXATION

INTRODUCTION

Income tax is an annual tax on income. The Indian Income Tax Act (Section 4) provides that in respect of the total income of the previous year of every person, income tax shall be charged for the corresponding assessment year at the rates laid down by the Finance Act for that assessment year. Section 14 of the Income tax Act further provides that for the purpose of charge of income tax and computation of total income all income shall be classified under the following heads of income:

A. Salaries

B. Income from house property

C. Profits and gains of business or profession.

D. Capital gains

E. Income from other sources.

The total income from all the above heads of income is calculated in accordance with the provisions of the Act as they stand on the first day of April of any assessment year. In this booklet an attempt is being made to discuss the various provisions relevant to the salaried class of taxpayers as well as pensioners and senior citizens.
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FILING OF INCOME TAX RETURN

Section 139(1) of the Income-tax Act, 1961 provides that every person whose total income during the previous year exceeded the maximum amount not chargeable to tax shall furnish a return of income. The Finance Act, 2003 has introduced Section 139(1B) which provides for furnishing of return of income on computer readable media, such as floppy, diskette, magnetic cartridge tape,

CD- ROM etc., in accordance with the ***e-filing*** scheme specified by the Board in this regard.

The return of income can be submitted in the following manner:

(i) a paper form;

(ii) e-filing

(iii) a bar-coded paper return.

Where the return is furnished in paper format, acknowledgement slip attached with the return should be duly filled in. Returns in new forms are not required to be filed in duplicate.

Returns can be e-filed through the internet. E-filing of return is mandatory for companies and firms requiring statutory audit u/s 44AB. From A.Y. 2011-12, it is now also mandatory for all business entities (including individuals/HUF) liable to tax audit to e-file their return of income. E-filing can be done with or without digital signaturea) If the returns are filed using digital signature, then no further action is required from the tax payers.

b) If the returns are filed without using digital signature, then the tax payers have to file ITR-V with the department within 15 days of e-filing.

c) The tax payer can e-file the returns through an e-intermediary also who will e-file and assist him in filing of ITR-V within 15 days.

e) e-Filing has been made compulsory for A.Y.2012-13 onwards for an individual and HUF having annual income of more than Rs. 10 Lakhs. These persons will have to electronically file return, for which digital signature are not necessary. Where the return of income is furnished by using bar coded paper return, then the tax payers need to print two copies of Form ITR-V. Both copies should be verified and submitted. The receiving official shall return one copy after affixing the stamp and seal.

Vide notification dated 28.03. 2012, e-filing has been made compulsory for A.Y. 2012-13 onwards for an individual/HUF if the total income during the previous year exceeds Rs. 10 lakh. However digital signature is not mandatory for these tax payers and they can transmit the data electronically and there after submit the verification of return in Form ITR-V. Filing of return electronically under digital signatures is mandatory for any individual required to submit return in ITR-4 and to whom provisions u/s 44AB are applicable. Apart from faster refunds, through e-filing, one can also avail of some value added services such as viewing tax credit status (Form 26AS), tracking of refunds emails/SMS alerts for processing status etc. Vide notification dated 01.05.2013 e-filing has how been made mandatory for individuals & including salaried taxpayers earning more than Rs 5 lakh taxable income during the year.

The Finance Act, 2005 has provided that w.e.f. 01.04.2006 every person shall file a return of income on or before the relevant due date even if his total income exceeds the maximum amount not chargeable to tax.

The Central Board of Direct Taxes has notified the scheme for exempting salaried taxpayers with total income up to Rs. 5 lakhs from filing income tax return for Assessment Year 2011-12, which will be due on July 31, 2011. Individuals having total income up to Rs. 5,00,000 for FY. 2010-11, after allowable deductions, consisting of salary from a single employer and interest income from deposits in saving bank account up to Rs. 10,000 are not required to file their income tax return. Such individuals must report their Permanent Account Number (PAN) and the entire income from bank interest to their employer, pay the entire tax by way of deduction of tax at source and obtain a certificate of tax deduction in Form No. 16. Persons receiving salary from more than one employer, having income from sources other than salary and interest income from a saving bank account or having refund claims shall not be covered under the scheme. The scheme shall also not be applicable in cases where in notices are issued for filing the income tax return under section 142(1) or Section 148 or Section 153A or Section 153C of the Income Tax Act, 1961. It may be noted that CBDT has clarified that the above exemption from filing of return was available only for A.Y. 2011-12 and 2012-13. Hence, this exemption for salaried tax payers having total income upto Rs. 5 lakh is NOT extended for A.Y. 2013-14.

DUE DATES FOR PAYMENT OF ADVANCE TAX & FILING OF RETURN

Liability for payment of advance tax arises where the amount of tax payable by the assessee for the year is Rs.10,000/- or more. The due dates for various instalments of advance tax are given below:

DUE DATE AMOUNT PAYABLE

(i) On or before 15th September Amount not less than 30% of the previous year of such advance tax payable

(ii) On or before 15th December Amount not less than 60% of the previous year of such advance tax payable

(iii) On or before 15th March of Entire balance amount of the previous year such advance tax payable

Also, any amount paid by way of advance tax on or before 31st March is treated as advance tax paid during the financial year. The due date of filing of return of income in case of salaried employees is 31st of July. If the return of income has not been filed within the due date, a belated return may still be furnished before the expiry of one year from the end of the assessment year or completion of assessment, whichever is earlier.

FORMS TO BE USED:- The forms to be used for filing the return of income from A.Y. 2012-13 onwards are mentioned below:-

ITR 1 ITR 1 For individuals (SAHAJ) SAHAJ whose total income includes a) income from salary/pension or b) income from house property (excluding cases whose loss is brought forward from previous years) or c) income from other sources (excluding winning from lottery or income from race horses). ITR 2 ITR 2 for individuals and HUFs not having income from Business or Profession. ITR 3 ITR 3 for Individuals and HUFs being partners in firms and not carrying out business or profession under any proprietorship. ITR 4 ITR 4 for individuals & HUFs having income from a proprietary business or profession. ITR 4S- For A.Y. 2011-12 and A.Y. 2012-13 SUGA M Presumptive business income tax return for individual/HUF whose total income includes

a) Business income computed in accordance e-provisions in S44AD or 44AE or

b) Income from salary/pension or

c) Income from one house property excluding cases of b/f loss from previous years or

d) Income from other sources excluding winning from lottery or horse race previous year or

ITR 5 ITR 5 for Firms, AOPs and BOIs ITR 6 ITR 6 For Companies other than companies claiming exemption under section 11 ITR 7 ITR 7 For persons including companies required to furnish return under Section 139 (4A) or Section 139 (4B) or Section 139 (4C) or Section 139 (4D). ITR V ITR V Where the date of the Return of Income/Fringe Benefits in Form ITR-

1, ITR-2, ITR-3, ITR-4, ITR-5, ITR- 6 is transmitted electronically without digital signature.

Acknow- Acknowl- Acknowledgement for e-Return and ledgement ledgement non e-Return.

IMPORTANT FEATURES OF SAHAJ & SUGAM:

• These are the simplest technology enabled and taxpayer friendly forms designed to facilitate faster digitalization and speedy processing.

• These are coloured forms. Taxpayers can download forms from website and print using a colour printer or A4 size white paper. It is advisable for taxpayer to set the 'properties' in printing options to 'fit to page' and print the forms on good quality paper.

• The Acknowledgement copy (ITR-V) to be retained by taxpayer may be printed in black & white.

Challan No. Nature of Payment

ITNS 280 (0020) Income Tax on Companies

(Corporation Tax)

(0021) Income Tax (Other than Companies)

ITNS 281 (0020) Tax Deducted/Collected at Source from

Company Deductees

(0021) Non-Company Deductees

ITNS 282 (0034) Securities Transaction Tax

(0023) Hotel Receipts Tax

(0024) Interest Tax

(0028) Expenditure/other Tax

(0031) Estate Duty

(0032) Wealth Tax

(0033) Gift Tax

ITNS 283 (0036) Banking Cash Transaction Tax

(0026) Fringe Benefits Tax

All the columns in the challan form should invariably be filled in, details such as PAN, assessment year, Assessing Officer and his code, status and full address of the assessed in capital letters, the relevant columns of tax, interest etc., should also be filled in properly.

RATES OF INCOME TAX:-

(A) The rates for charging income tax for F.Y. 2012-13 i.e.

A.Y. 2013-14 will be as follows:-

I. In case of an individual other than those covered under II and III below:

(1) Where the total income Nil does not exceed Rs. 2,00,000

(2) Where the total income 10% of the amount by exceeds Rs. 2,00,000 but which the total income does not exceed exceeds Rs. 2,00,000/-. Rs. 5,00,000

(3) Where the total income Rs. 30,000 plus 20% of exceeds Rs. 5,00,000 but the amount by which the total does not exceed income exceeds Rs. 5,00,000. Rs. 10,00,000

(4) Where the total income Rs. 1,30,000 plus 30% of exceeds Rs. 10,00,000 the amount by which the total income exceeds Rs. 10,00,000. Surcharge is nil education cess @ 3% of Income Tax will apply.

II. In the case of every individual, being resident in India, who is of the age of sixty years or more but less than eighty years at any time during the previous year:-

(1) Where the total income Nil does not exceed Rs. 2,50,000

(2) Where the total income 10% of the amount by exceeds Rs. 2,50,000 which the total income but does not exceed exceeds Rs. 2,50,000. Rs. 5,00,000

(3) Where the total income Rs. 25,000 plus 20% of exceeds Rs. 5,00,000 the amount by which the total but does not exceed income exceeds Rs. 5,00,000. Rs. 10,00,000

(4) Where the total income Rs. 1,25,000 plus 30% of exceeds Rs. 10,00,000 the amount by which the total income exceeds Rs. 10,00,000 Surcharge -Nil Education cess as in I above :

III. In the case of every individual, being a resident in India, who is of the age of eighty years or more at any time during the previous year:

(1) Where the total income Nil does not exceed Rs. 5,00,000

(2) Where the total income 20% of the amount by exceeds Rs. 5,00,000 which the total income but does not exceed exceeds Rs. 5,00,000. Rs. 10,00,000

(3) Where the total income Rs. 1,00,000 plus 30% of exceeds Rs. 10,00,000 the amount by which the total income exceeds Rs. 10,00,000 Surcharge -Nil Education cess as in I above :

(B) The rates for charging income tax for F.Y. 2013-14 i.e.A.Y. 2014-15 will be as follows :-

I. In case of individual other than those covered under II and

III below:

(1) Where the total income Nil does not exceed Rs.2,00,000/-

(2) Where the total income 10% of the amount by which the exceeds Rs. 2,00,000/- toal income exceeds but does not exceeds Rs. 2,00,000/- Rs. 5,00,000/-

(3) Where the total income Rs. 30,000/- plus 20% of the exceeds Rs. 5,00,000/- amount by which the total but does not exceed income exceeds Rs.5,00,000/- Rs. 10,00,000/-

(4) Where the total income Rs.1,30,000/- plus 30% of the exceeds Rs.10,00,000/- amount by which the total income exceeds Rs.10,00,000/

a) Surcharge @10% of tax where total Income is more than Rs. 1 crore.

b) Education cess @3% fo Income tax and Surcharge. II. In the case of every individual , being a resident in India, who is of the age of sixty years or more but less than eighty years at any time during the previous year:-

(1) Where the total income Nil does not exceeds Rs. 2,50,000/-

(2) Where the total 10% of the amount by which the income exceeds total income exceeds Rs. 2,50,000/- but does Rs. 2,50,000/- not exceed 5,00,000/-

(3) Where the total income Rs. 25,000/- plus 20% of the exceeds Rs. 5,00,000/- amount by which the total but does not exceed income exceeds Rs. 5,00,000/- Rs. 10,00,000/-

(4) Where the total income Rs. 1,25,000/- plus 30% of the exceeds Rs. 10,00,000/- amount by which the total income exceeds Rs.10,00,000/- Surcharge and Education Cess shall apply as in I above :

III In the case of every individual, being a resident in india, who is of the age of eighty years or more at any time during the previous year:

(1) Where the total income Nil does not exceed Rs. 5,00,000/-

(2) Where the total income 20% of the amount by which the exceeds Rs. 5,00,000/- total income exceeds but does not exceed Rs. 5,00,000/- Rs.10,00,000/-

(3) Where the total income Rs. 1,00,000/- plus 30% of the exceeds Rs. 10,00,000/- amount by which the total income exceeds Rs. 10,00,000/- Surcharge and Education Cess shall apply as in I above :

CALCULATION OF INTEREST

The Income Tax Act provides for charging of interest for non- payment/ short payment/deferment in payment of advance tax which is calculated as below:

(i) INTEREST U/S 234A:

For late or non furnishing of return, simple interest @ 1% for every month or part thereof from the due date of filing of return to the date of furnishing of return, on the tax as determined u/s 143(1) or on regular assessment as reduced by TDS/advance tax paid or tax reliefs, if any, under Double Tax Avoidance Agreements with foreign countries.

(ii) INTEREST U/S 234B:

For short fall in payment of advance tax by more than 10%, simple interest @1% per month or part thereof is chargeable from 1st April of the assessment year to the date of processing u/s 143(1) or to the date of completion of regular assessment, on the tax as determined u/s 143(1) or on regular assessment less advance tax paid/ TDS or tax reliefs, if any, under Double Tax Avoidance Agreements with foreign countries.

(iii) INTEREST U/S 234C: For deferment of advance tax. If advance tax paid by 15th September is less than 30% of advance tax payable, simple interest @ 1% is payable for three months on tax determined on returned income as reduced by TDS/TCS/Amount of advance tax already paid or tax relief, if any, under Double Tax Avoidance Agreement with forgiving **contribution**. Similarly, if amount of tax paid on or before 15th December is less than 60% of tax due on returned income, interest @ 1% per month is to be charged for 3 months on the amount stated as above. Again, if the advance tax paid by 15th March is less than tax due on returned income, interest @ 1% per month on the shortfall is to be charged for one month.

(iv) INTEREST U/S 234D:

Interest @ 0.5% is levied under this Section when any refund is granted to the assessee u/s 143(1) and on regular assessment it is found that either no refund is due or the amount already refunded exceeds the refund determined on regular assessment. The said interest is levied @ 0.5% on the whole or excess amount so refunded for every month or part thereof from the date of grant of refund to the date of such regular assessment.

IMPORTANT CONCEPTS & PROCEDURES UNDER THE INCOME TAX ACT

1 Assessee (Section 2(7)): An assessee is a person by whom any tax or any other sum of money is payable under the Act.

2 Assessment Year (Section 2(9)): Assessment year means the period of 12 months starting from 1st April of every year and ending on 31st March of the next year.

3 Previous year (Section 3): Income earned in a year is taxable in the next year. The year in which income is earned is known as the previous year and the next year in which income is taxable is known as the assessment year.

4 Receipt Vs. accrual of income: Income is said to have been received by a person when payment has been actually received whereas income is said to have accrued to a person if there arises in the person a fixed and unconditional right to receive such income.

5 Belated Return: Section 139(4) provides that a return which has not been furnished by the due date may still be furnished as a belated return

before the expiry of one year from the end of the assessment year or before the completion of assessment, whichever is earlier. However, on any return of income that has not been filed by the end of the relevant assessment year, penalty of Rs.5000/- u/s 271F shall be levied.

6 Revised Return: If a person having filed his return within the due date, discovers any omission or wrong statement therein, he may file a revised return before the expiry of one year from the end of the assessment year or completion of assessment whichever is earlier.

7 Processing u/s 143(1): The Finance Act 2008 has reintroduced provisions in respect of correcting arithmetical mistakes or internal inconsistencies at the stage of processing of returns. It has, thus been provided that, during the stage of processing, the total income shall be computed after making adjustments in respect of any arithmetical error in the return or any incorrect claim apparent from information in the return and if on such computation, any tax or interest or refund is found due on adjustment of TDS or advance tax or self assessment tax, then an intimation specifying the amount payable shall be prepared/generated or issued to the assessee. If any refund is found due, it is to be sent along with intimation to such effect. If no demand or no refund arises, the acknowledgement of the return is deemed to be intimation. Such intimation is to be sent within one year from the end of the financial year in which the return is filed.

8 Assessment u/s 143(3): If the Assessing Officer, on the basis of the return filed by the assessee, considers that it is necessary to ensure that the assessee has not understated his income, he shall serve on the assessee a notice u/s 143(2) and, after obtaining such information as he may require, complete the assessment (commonly referred as scrutiny assessment) u/s 143(3).

9 Rectification of mistake u/s 154: If any order passed by an income tax authority suffers from a mistake apparent from record, the assessee may make an application for rectifying the same before the expiry of four years from the end of the financial year in which the above order was passed. The Finance

Act 2001 has provided that where an application for rectification under this Section is made by the assessee on or after 1.6.2001, the same shall

have to be acted upon by the income tax authority within a period of six months from the end of the month in which the application is received.

10 Interest on refunds u/s 244A: If the refund due to the assessee is more than 10% of the tax payable by him, he shall be entitled to receive simple interest thereon at rate of 0.5% per month (substituted in place of 0.67% per month w.e.f. 8.9.2003) or part thereof, from 1st April of the assessment year to the date on which the refund is granted.

11 Tax Return Preparers Scheme:- For enabling specified classes of tax payers in preparing and furnishing income tax returns, the Board has notified the ‘Tax Return Preparer Scheme’ under which specially trained and authorized Tax Return Preparers will provide assistance to tax payers in this regard. Details of the Scheme may be viewed at www.incometaxindia.gov.in. Individuals or HUFs may furnish his return of income through a Tax Return Preparer who has been authorized and certified for this purpose.

12 Set off of refund: It may be mentioned here that the Income tax Act provides that in case there in any demand payable by an assessee, any refund arising to him in any other assessment year may be set off after giving an intimation in writing to such person of such proposed action.

13 The Finance Act 2013 has provided that if, any tax or interest that is payable under the Act has not been paid on or before the date of furnishing or return, then such return will be a defective return and, hence, invalid.

14 W.e.f. 1.4.2013 a new section 115JC has been introduced which is applicable an individual or HUF with ‘adjusted total income’ not below Rs. 20 lakh. Adjusted total income is total income as increased by deductions claimed under chaper VI A. In such case, the tax payable shall be regular income tax payable or 18.5% of the adjusted total income, whichever is higher.

Components of Income Tax Law and Union & States Taxes.

Dr. Sawant Vitthal Kundalika

Associate Professor and HOD

Accountancy

Savitribai Phule Mahila Mahavidyalaya,

Satara (Maharashtra) India.

Introduction

There are two types of taxes viz: direct taxes and indirect taxes. Income tax is a tax on income. Income tax is a part of direct taxes. Income tax is imposed on ***assessee***. Here, ***assessee*** means a person by whom income tax or any other sum of money is payable under this the Act. Income tax is payable by persons. The term person includes seven categories

1. An Individual

2. A Hindu Undivided Family (HUF)

3. A Company

4. A firm

5. An Association of Persons (AOP) or Body of Individuals (BOI), whether incorporated or not, 6. A Local Authority and

7. Every Artificial Judicial Persons (not following within above categories).

As per Income Tax Law, in India, the income arising to a person is classified into five heads namely: 1. Income from Salaries

2. Income from House Properties

3. Capital Gains

4. Profits and Gains of Business and Profession

5. Income from Other Sources.

The income received by a person (i.e.7 Categories of person) from various sources is required to be computed under each head separately as there are specific expenses allowed from each head of income. The total of the incomes of different heads is called Gross Total Income. Some deductions are allowed to be made from the Gross Total Income by the Act and the balance of income them remains is termed as Total or Taxable Income, According to the Act certain incomes are totally exempt from tax and as such incomes are not to be included in the term income.

Objectives of the Study: The specific objectives of the present study are:

- To know and understand tax.
- To study elements of taxes.
- To study components of Income Tax Law.
- To highlight powers of the Union and the States to levy taxes.

Data Base: The present study is totally based on secondary sources of data. The secondary data has been collected from books in order to fulfill designed objectives of the present study. **Tax**: Tax is a compulsory payment to the Government by the subjects without expectations of definite return or benefit to the tax-payer. ***Dalton defines*** "A tax is a compulsory contribution imposed by a public authority irrespective of the exact amount of service rendered to the tax-payer in return ant not imposed as a penalty for any legal offence".

Tax is generally levied to augment the public revenue which is utilized for public benefit and it cannot be predicted as to what extent the amounts paid by an individual to the State come back to him in the form of services rendered by the authority or State.

Elements of 'Taxes':

- Taxes are imposed by the Government only.
- A tax is a compulsory contribution of the tax-payer.
- In the payment of tax, the element of sacrifice is involved.
- Payment of tax is personal obligation of the tax-payer.

- The aim of taxation is welfare of community as a whole.
- A tax is a legal collection.
- An element of force is there.
- A tax is not imposed to realize the cost of benefits provided.
- Taxes may be assessed on the income or capital, but they are actually paid out of income.
- A tax may be imposed upon the property or occupation or commodities, but they are actually paid by individuals.
- Taxes do not involve quid pro quo between the tax-payer and the public authority
- The purpose of the tax is raising public revenue.
- Tax is used for the public purpose or common benefit of all.
- Tax involves appropriation of private property.
- Taxes are paid in cash, but not in kind.

Components of Income Tax Law: Income tax is a tax levied on the total income of the previous year of every person. A person includes an individual, Hindu Undivided Family (HUF), Association of Persons (AOP) or Body of Individuals (BOI), a firm, a company etc.

The Income Tax Law in India consists of the following five components-

I. Income Tax Act

II. Financial Act

III. Income Tax Rules

IV. Circular/Notification

V. Legal Decisions

The various insturments of law containing the law relating to income-tax are mentioned below:

I. Income Tax Act, 1961

Income Tax governed by Income Tax Act, 1961.

It came into force with effect from 01.04.1962.

It contains 298 Sections and XIV Schedules.

Finance Act shall bring amendment to this Act.

II. Finance Act

Finance Minister presents Finance Bill in both Houses of Parliament.

Once the Finance Bill is approved by the Parliament and gets the assent of the President it becomes the Finance Act.

Finance Act brings amendments to both the Direct Tax (i.e. Income Tax, Wealth Tax etc.) and Indirect Tax (i.e. Central Excise, Custom Duty, Service Tax etc.)

III. Income Tax Rules, 1962

The Amendment of Direct Tax is vested with Central Board of Direct Taxes (CBDT).

Under Section 295 of Income Tax Act, gives power to CBDT to frame Rules.

IV. Circular and Notification from CBDT

In exercise of the powers under section 119, CBDT issued Circular & Notification from time to time

These Circular clarify doubts regarding of this subject-matter of the Act.

V. Supreme Court & High Court Decisions

Both the court can give judgment only on the question of Law.

Union, States and Concurrent Taxes: The Union parliament and State Legislatures are empowered under the Constitution to make laws for levy and collection of taxes within the ambit of their legislative jurisdiction as per the Articles 245(1), 246(1) and 246(3) of the Constitution of India. The Seventh Schedule to the Indian Constitution gives 3 lists.

Union list (List I)

- Taxes on income other than agricultural income;
- Duties on customs including export duties;
- Duties on excise on tobacco and other goods, manufactured or produced in India except:-

a) Alcoholic liquors for human consumption

b) Opium, Indian hemp and other narcotic drugs and narcotics, but including medical and toilet preparations containing alcohol or any substance including in sub paragraph (b) of this entry;

- Corporation tax;

- Taxes on the capital value of the assets, exclusive of agricultural land, of individuals and companies; taxes on the capital of companies;
- Estate duty in respect of property other than agricultural land;
- Duties in respect of succession to property other than agricultural land;
- Terminal taxes on goods or passengers carried by railway, sea or air; taxes on railway fares & freights;
- Taxes other than stamp duties or transactions in stock exchanges and future markets;
- Rates of stamp duty in respect of bills exchange, cheques, promissory notes, bills of landing, letters of credit, policies of insurance, transfer of shares, debentures, proxies and receipts.
- Taxes on the sale or purchase of newspapers and on advertisements published therein;
- Taxes on the sale or purchase of goods other than newspapers, where such sale or purchase takes place in the course on inter-state trade or commerce.
- Taxes on the consignment of the goods (whether the consignment is to the person making it or to any other person) where such consignment takes place in the course of interstate trade or commerce;
- Fees in the respect of any of the matters in this list but not including fees taken in any court;
- Any other matter not enumerated in List II or List III including any tax not mentioned in either of this lists

State List (List II)

- Land revenue, including the assessment and collection of revenue, the maintenance of land records, survey for revenue purpose and records of rights and alienation of revenues;
- Taxes on agricultural income;
- Duties in respect of succession of agricultural land;
- Estate duty in respect of agricultural land;
- Taxes on lands and buildings;

- Taxes on the minerals rights subject to any limitation imposed by Parliament by law relating to mineral development;
- Duties of excise on the following goods manufactured or produced in the state and countervailing duties at the same or lower rates on similar good manufactured or produced elsewhere in India:-

a) Alcoholic liquors for human consumption;

b) Opium, Indian hemp and other narcotic drugs and narcotics; but not including medicinal and toilet preparations containing alcohol not including medicinal and toilet preparations containing alcohol or any substance included in sub paragraph (b) of this entry;

- Taxes on the entry of goods into a local area for consumption, use or sale therein;
- Taxes on the sale or consumption of electricity;
- Taxes on the sale or purchase of goods other than newspapers, subjects to the entry of provisions of entry 92A of List I;
- Taxes on advertisements other than advertisements published in the newspapers and advertisements broadcast by radio or television;
- Taxes on goods and passengers carried by road or on inland waterways;
- Taxes on vehicles, whether mechanically propelled or not, suitable for use on roads, including tramcars subject to the provisions of entry 35 of List III;
- Taxes on animals and boats;
- Tolls;
- Taxes on professions, traders, callings and employments;
- Capitation taxes;
- Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling;
- Rates of stamp duty in respect of documents other than those specified in the provisions of the List I with regard to the rates of stamp duty;
- Fees in respect of any of the matters in this List, but not including fees taken in any court;

Concurrent List (List III)

Both Parliament and the State Legislatures can pass legislation in respect of List III on the following items:

- Transfer of property other than agricultural land; registration of deeds and documents;
- Stamp duties other than duties or fees collected by means of judicial stamps, but not including rates of stamp duty;
- Fees in respect of any of the matters in this List, but not including fees taken in any court;
- Parliament has exclusive powers to make any law with respect to any matter not enumerated in the Concurrent List and State List.

A law passed for the levy and collection of taxes within the legislative competence of the Union Parliament or State Legislature is valid, provided that it has not violated other constitutional provisions. A law passed overstepping the legislative competence of the Union Parliament or State Legislature is simply void.

Conclusion: Income tax is one of the major sources of revenue to the Government. The Government needs heavy funds for the social and economic development of the country and this need of funds of the Government is mainly met by income tax & other taxes like central excise, custom duty, service tax etc. India has adopted progressive system of taxation for equitable distribution of income and wealth. The purpose of the tax is raising public revenue. The aim of taxation is welfare of community as a whole.

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A Study On Taxation Policy Of India Direct Tax

Dr. Dattatraya T. Chavare
Dept. of Commerce and Management,
D. G. College of Commerce, Satara.Shivaji
University,Kolhapur (MS)

Introduction

In a time of global economic uncertainty, businesses are increasingly paying close attention to the challenges posed by tax regimes all over the world. With mounting concerns over transfer pricing adjustments, uncertainties surrounding taxability of transactions and the multiplicity of indirect levies, taxpayers in India are no exception to this global trend.

Taxes in India are levied by the Central Government and the state governments. Some minor taxes are also levied by the local authorities such as the Municipality. The authority to levy a tax is derived from the Constitution of India which allocates the power to levy various taxes between the Centre and the State. An important restriction on this power is Article 265 of the Constitution which states that “No tax shall be levied or collected except by the authority of law”. Therefore each tax levied or collected has to be backed by an accompanying law, passed either by the Parliament or the State Legislature. In 2013-2014, the gross tax collection of the Centre amounted to13.64 Trillion.

Objectives

The key objectives of the study are as follows:

- To study the Indian Tax Constitution
- To understand the current taxation policy;
- To become aware about direct and indirect taxes.

Scope of the Study

This study entertains with conceptual framework of taxation, its Structure, Brief types of different taxes, different taxation powers, areas of taxation and Organizational Structure of the Central Board of Direct Taxes etc.

Design of the Study

This is descriptive study. The data has been collected through the secondary sources i.e. books, magazines, journals and websites. Collected data has been analyzed in form of simple tables. Simply interpretation is made independently.

Concept: Tax

A tax may be defined as a *"pecuniary burden laid upon individuals or property owners to support the government, a payment exacted by legislative authority. A tax "is not a voluntary payment or donation, but an enforced contribution, exacted pursuant to legislative authority"*. Taxes consist of *direct tax* or *indirect tax,* and may be paid in *money* or *as its labour equivalent*. India has a well-developed taxation structure. The tax system in India is mainly a *three tier system*which is based between the *Central, State Governments* and *the local government organizations.* In most cases, these local bodies include the local councils and the municipalities.

According to the Constitution of India, the government has the right to levy taxes on *individuals and organizations*. However, the constitution states that no one has the right to levy or charge taxes except the authority of law. Whatever tax is being charged has to be backed by the law passed by the legislature or the parliament. Article 246 (SEVENTH SCHEDULE) of the Indian Constitution, distributes legislative powers including taxation, between the Parliament and the State Legislature.

Taxation Power is divided under three categories which are as follows:

A. Areas on which only the parliament is competent to make laws

Sr. No.	Parliament of India
01.	Taxes on income other than agricultural income (List I, Entry 82)
02.	Duties of customs including export duties (List I, Entry 83)
03.	Duties of excise on tobacco and other goods manufactured or produced in India except (i) alcoholic liquor for human consumption, and (ii) opium, Indian hemp and other narcotic drugs and narcotics, but including medicinal and toilet preparations containing alcohol or any substance included in (ii). (List I, Entry 84)
04.	Corporation Tax (List I, Entry 85)
05.	Taxes on capital value of assets, exclusive of agricultural land, of individuals and companies, taxes on capital of companies (List I, Entry 86)
06.	Estate duty in respect of property other than agricultural land (List I, Entry 87)
07.	Duties in respect of succession to property other than agricultural land (List I, Entry 88)
08.	Terminal taxes on goods or passengers, carried by railway, sea or air; taxes on railway fares and freight (List I, Entry 89)

B. State governments

Sr. No.	State Legislature
01.	Land revenue, including the assessment and collection of revenue, the maintenance of land records, survey for revenue purposes and records of rights, and alienation of revenues (List II, Entry 45)
02.	Taxes on agricultural income (List II, Entry 46)
03.	Duties in respect of succession to agricultural income (List II, Entry 47)
04.	Estate Duty in respect of agricultural income (List II, Entry 48)
05.	Taxes on lands and buildings (List II, Entry 49)
06.	Taxes on mineral rights (List II, Entry 50)
07.	Duties of excise for following goods manufactured or produced within the State (i) alcoholic liquors for human consumption, and (ii) opium, Indian hemp and other narcotic drugs and narcotics (List II, Entry 51)

08.	Taxes on entry of goods into a local area for consumption, use or sale therein (see Value added tax) (List II, Entry 52)
09.	Taxes on the consumption or sale of electricity (List II, Entry 53)
10.	Taxes on the sale or purchase of goods other than newspapers (List II, Entry 54)
11.	Taxes on advertisements other than advertisements published in newspapers and advertisements broadcast by radio or television (List II, Entry 55)
12.	Taxes on goods and passengers carried by roads or on inland waterways (List II, Entry 56)
13.	Taxes on vehicles suitable for use on roads (List II, Entry 57)
14.	Taxes on animals and boats (List II, Entry 58)
15.	Tolls (List II, Entry 59)
16.	Taxes on profession, trades, callings and employments (List II, Entry60)
17.	Capitation taxes (List II, Entry 61)
18.	Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling (List II, Entry 62)
19.	Stamp duty (List II, Entry 63)

Provisions have been made by 73rd Constitutional Amendment, enforced from 24th April, 1993, to levy taxes by the Panchayat. A State may by law authorise a Panchayat to levy, collect and appropriate taxes, duties, tolls etc. Similarly, the provisions have been made by 74th Constitutional Amendment, enforced from 1st June, 1993, to levy the taxes by the Municipalities. A State Legislature may by law authorise a Municipality to levy, collect and appropriate taxes, duties, tolls etc.

Central Board of Direct Taxes

The *Central Board of Direct Taxes* (CBDT) is a part of the Department of Revenue in the Ministry of Finance, Government of India. It provides essential inputs for policy and planning of direct taxes in India and is also responsible for administration of the direct tax laws through Income Tax Department. The CBDT is a statutory authority functioning under the Central

Board of Revenue Act; 1963.It is India's official FATF unit. The Central Board of Revenue as the Department apex body charged with the administration of taxes came into existence as a result of the Central Board of Revenue Act, 1924.

Initially the Board was in charge of both direct and indirect taxes. However, when the administration of taxes became too unwieldy for one Board to handle, the Board was split up into two, namely the Central Board of Direct Taxes and Central Board of Excise and Customs with effect from 1.1.1964. This bifurcation was brought about by constitution of the two Boards u/s 3 of the Central Boards of Revenue Act, 1963.

Organizational Structure of the Central Board of Direct Taxes: The CBDT is headed by CBDT Chairman and also comprises six members, all of whom are *Special Secretary to Government of India.*

- Member (Income Tax)
- Member (Legislation and Computerization)
- Member (Revenue)
- Member (Personnel & Vigilance)
- Member (Investigation)
- Member (Audit & Judicial)

The CBDT Chairman and Members of CBDT are selected from *Indian Revenue Service* (IRS), a premier civil service of India, whose members constitute the top management of *Income Tax Department.*

Income Tax Department functions under the *Department of Revenue*in *Ministry of Finance.*It is responsible for administering following direct taxation acts passed by Parliament.

- Income Tax Act
- Wealth Tax Act
- Gift Tax Act
- Expenditure Tax Act
- Interest Tax Act
- Various Finance Acts *(Passed Every Year in Budget Session)*

Income Tax Department is also responsible for enforcing Double Taxation Avoidance Agreements and deals with various aspects of international taxation such as Transfer Pricing. Finance Bill 2012 seeks to grant Income Tax Department powers to combat aggressive Tax avoidance by enforcing General Anti Avoidance Rules.

Direct Taxes

Direct Tax is the *tax paid to the government directly by the assessee*like the Income Tax or the Capital Gains Tax. There has been a steady rise in the net Direct Tax collections in India over the years.

A Direct tax is a kind of charge, which is *imposed directly on the taxpayer*and *paid directly to the government by the persons*(juristic or natural) on whom it is imposed. A direct tax is one that *cannot be shifted by the taxpayer to someone else.*

All the collections of the direct taxes in India like the Corporate Tax, Personal Income Tax, Securities Transaction Tax, Banking Cash Transaction Tax, and the Fringe Benefit Tax have been going through a healthy ascent.

One of the main forms of Direct Tax is the *Taxes on Corporate Income,*under which the companies residing in this country pays a tax on their global income arising from all sources. The payment of the tax follows the provisions of the Income Tax Act. On the other hand, the non-resident companies pay the Direct Tax on the income obtained from an India-based business connection.

The resident companies pay a tax at the rate of 35% with a surcharge of 2.5% while for the non-resident companies the basic tax rate goes up to 40% along with the same 2.5% surcharge. Along with these the corporate companies also pay an education tax at the rate of 2% and a wealth tax at the rate of 1%. Moreover, a Minimum Alternative Tax at 7.5% also requires to be paid by the Domestic corporations.

- *The Capital Gains Tax*is another important form of Direct Tax in India which is payable on capital gains received upon the sale of assets. If the capital assets are in possession for more than three years and regarding the shares, stock exchange securities, mutual fund units the time frame for possessing the asset is one year. The basic tax rate of the long-term capital gains is fixed at 20% while for the short-term capital gains the rate is fixed at the normal corporate income tax rate. A rate of 10% is fixed on the transfer of equity shares from which the short-term capital gain emerges.
- *Personal Income Tax*is another type of Direct Tax, which is under the Central Government controlled by the Central Board of Direct Taxes. Income Tax is imposed by the Indian government on an individual, company, business, Hindu undivided families (HUFs), co-operative organization and trusts. The tax rates are different on different organization/entity. Indian

income tax is governed by The Income Tax Act, 1961. Under Indian Income Tax, the rate of tax for individual based on the slabs varies between 10 % to 30 %.

- *Corporation Tax:*The companies and business organizations in India are taxed on the income from their worldwide transactions under the provision of Income Tax Act, 1961. A corporation is deemed to be resident in India if it is incorporated in India or if it's control and management is situated entirely in India. In case of non resident corporations, tax is levied on the income which is earned from their business transactions in India or any other Indian sources depending on bilateral agreement of that country.
- *Property Tax:*Property tax or 'house tax' is a local tax on buildings, along with appurtenant land, and imposed on owners. The tax power is vested in the states and it is delegated by law to the local bodies, specifying the valuation method, rate band, and collection procedures. The tax base is the annual ratable value (ARV) or area- based rating. Owner-occupied and other properties not producing rent are assessed on cost and then converted into ARV by applying a percentage of cost, usually six percent. Vacant land is generally exempted from the assessment. The properties lying under control of Central are exempted from the taxation. Instead a 'service charge' is permissible under executive order. Properties of foreign missions also enjoy tax exemption without an insistence for reciprocity.
- *Inheritance (Estate) Tax:*An inheritance tax (also known as an estate tax or death duty) is a tax which arises on the death of an individual. It is a tax on the estate, or total value of the money and property, of a person who has died. India enforced estate duty from 1953 to 1985. Estate Duty Act, 1953 came into existence w.e.f. 15th October, 1953. Estate Duty on agricultural land was discontinued under the Estate Duty (Amendment) Act,1984. The levy of Estate Duty in respect of property (other than agricultural land) passing on death occurring on or after 16th March, 1985, has also been abolished under the Estate Duty (Amendment) Act, 1985.
- *Gift Tax:*Gift tax in India is regulated by the Gift Tax Act which was constituted on 1st April, 1958. It came into effect in all parts of the country except Jammu and Kashmir. As per the Gift Act 1958, all gifts in excess of Rs. 25,000, in the form of cash, draft, check or others, received from one who doesn't have blood relations with the recipient, were taxable. However, with effect from 1st October, 1998, gift tax got demolished and all the gifts made

on or after the date were free from tax. But in 2004, the act was again revived partially. A new provision was introduced in the Income Tax Act 1961 under section 56 (2). According to it, the gifts received by any individual or Hindu Undivided Family (HUF) in excess of Rs. 50,000 in a year would be taxable.

Following probable services are in direct tax area:

- *Tax Advisory*on the implication of Income tax on business transactions like capital gain tax, dividend distribution tax, tax deduction at source;
- *Professional Assistance*for Tax Compliance, overall compliance in relation to Indian Income Tax possible to offer e.g. withholding tax, issuance of tax deduction at source certificate, filing of income tax returns, Calculation of advance tax etc.;
- *Tax Planning*for proactive action to mitigate the tax implications on the business transaction and individual financial affairs;
- *Tax Structuring*for appropriate tax structuring plays a significant role in the success of the business.
- *Advisory Services*on specific issues of Corporate Taxes.

Indirect Tax: An indirect tax is *a tax collected by an intermediary*(such as a retail store) *from the person who bears the ultimate economic burden of the tax*(such as the customer). An indirect tax is one that can be shifted by the taxpayer to someone else. An indirect tax may increase the price of a good so that consumers are actually paying the tax by paying more for the products. The some important indirect taxes imposed in India are as under:

Customs Duty: The *Customs Act*was formulated in *1962* to prevent illegal imports and exports of goods. Besides, all imports are sought to be subject to a duty with a view to affording protection to indigenous industries as well as to keep the imports to the minimum in the interests of securing the exchange rate of Indian currency. *Duties of customs are levied on goods imported or exported from India at the rate specified under the customs Tariff Act, 1975 as amended from time to time or any other law for the time being in force.*

Under the custom laws, following are the various **Types of the LeviableDuties**:

Sr. No.	Leviable Duties	Description
01.	**Basic Duty**	This duty is levied on imported goods under the Customs Act, 1962.
02.	**Additional Duty (Countervailing Duty) (CVD)**	This is levied under section 3 (1) of the Custom Tariff Act and is equal to excise duty levied on a like product manufactured or produced in India.
03.	**Additional Duty to compensate duty on inputs used by Indian manufacturers**	This is levied under section 3(3) of the Customs Act.
04.	**Anti-dumping Duty**	Sometimes, foreign sellers abroad may export into India goods at prices below the amounts charged by them in their domestic markets in order to capture Indian markets to the detriment of Indian industry. This is known as dumping. In order to prevent dumping, the Central Government may levy additional duty equal to the margin of dumping on such articles. There are however certain restrictions on imposing dumping duties in case of countries which are signatories to the GATT or on countries given "Most Favoured Nation Status" under agreement.

05.	**Protective Duty**	If the Tariff Commission set up by law recommends that in order to protect the interests of Indian industry, the Central Government may levy protective anti-dumping duties at the rate recommended on specified goods.
06.	**Duty on Bounty Fed Articles**	In case a foreign country subsidises its exporters for exporting goods to India, the Central Government may impose additional import duty equal to the amount of such subsidy or bounty. If the amount of subsidy or bounty cannot be clearly determined immediately, additional duty may be collected on a provisional basis and after final determination; difference may be collected or refunded, as the case may be.
07.	**Export Duty**	Such duty is levied on export of goods. At present very few articles such as skins and leather are subject to export duty. The main purpose of this duty is to restrict exports of certain goods.
08.	**Cess on Export**	Under sub-section (1) of section 3 of the Agricultural & Processed Food Products Export Cess Act, 1985 (3 of 1986), 0.5% ad valorem as the rate of duty of customs be levied and collected as cess on export of all scheduled products.

09.	**National Calamity Contingent Duty**	This duty was imposed under Section 134 of the Finance Act, 2003 on imported petroleum crude oil. This tax was also leviable on motor cars, imported multi-utility vehicles, two wheelers and mobile phones.
10.	**Education Cess**	Education Cess is leviable @ 2% on the aggregate ofduties of Customs (except safeguard duty under Section 8B and 8C, CVD under Section 9 and anti-dumping duty under Section 9A of the Customs Tariff Act, 1985). Items attracting Customs Duty at bound rates under international commitments are exempted from this Cess.
11.	**Secondary and Higher Education Cess**	Leviable @1% on the aggregate of duties of Customs.
12.	**Road Cess**	Additional Duty of Customs on Motor Spirit is leviable and Additional Duty of Customs on High Speed Diesel Oil is leviable by the Finance Act (No.2), 1998. and the Finance Act, 1999 respectively.
13.	**Surcharge on Motor Spirit**	Special Additional Duty of Customs(Surcharge) on Motor Spirit is leviable by the Finance Act, 2002.

Central Excise Duty

The Central Government levies excise duty under the Central Excise Act, 1944 and the Central Excise Tariff Act, 1985. Central excise duty is tax which is charged on such excisable goods that are manufactured in India and are meant for domestic consumption.

Following are the Various Central Excise Duties:

Sr. No.	Duty	Excisable Goods
01.	**Basis Excise Duty**	Excise Duty, imposed under section 3 of the 'Central Excises and Salt Act' of 1944 on all excisable goods other than salt produced or manufactured in India, at the rates set forth in the schedule to the Central Excise tariff Act, 1985, falls under the category of Basic Excise Duty In India.
02.	**Special Excise Duty**	According to Section 37 of the Finance Act, 1978, Special Excise Duty is levied on all excisable goods that come under taxation, in line with the Basic Excise Duty under the Central Excises and Salt Act of 1944. Therefore, each year the Finance Act spells out that whether the Special Excise Duty shall or shall not be charged, and eventually collected during the relevant financial year.
03.	**Additional Duty of Excise**	Section 3 of the 'Additional Duties of Excise Act' of 1957 permits the charge and collection of excise duty in respect of the goods as listed in the Schedule of this Act.
04.	**Road Cess**	(a) Additional Duty of Excise on Motor Spirit: This is leviable by the Finance Act (No.2), 1998. (b) Additional Duty of Excise on High Speed Diesel Oil: This is leviable by the Finance Act, 1999.

05.	**Surcharge**	(a) Special Additional Duty of Excise on Motor Spirit: This is leviable by the Finance Act, 2002. (b) Surcharge on Pan Masala and Tobacco Products: This Additional Duty of Excise has been imposed on cigarettes, pan masala and certain specified tobacco products, at specified rates in the Budget 2005-06. Biris are not subjected to this levy.
06.	**National Calamity Contingent Duty (NCCD)**	NCCD was levied on pan masala and certain specified tobacco products vide the Finance Act, 2001. The Finance Act, 2003 extended this levy to polyester filament yarn, motor car, two wheeler and multi-utility vehicle and crude petroleum oil.
07.	**Education Cess**	Education Cess is leviable @2% on the aggregate of duties of Excise and Secondary and Higher Education Cess is Leviable @1% on the aggregate of duties of Excise.
08.	**Cess**	A cess has been imposed on certain products.

Service Tax

The service providers in India except those in the state of Jammu and Kashmir are required to pay a Service Tax under the provisions of the Finance ~~Act of 1994. The interesting thing about Service Tax in India is that the~~ Government depends heavily on the voluntary compliance of the service providers for collecting Service Tax in India.

Sales Tax

Sales Tax in India is a form of tax that is imposed by the Government on the sale or purchase of a particular commodity within the country. Sales Tax is imposed under both, Central Government *(Central Sales Tax)* and State Government *(Sales Tax)* Legislation. Generally, each State follows its own Sales Tax Act and levies tax at various rates. Apart from sales tax, certain States also imposes additional charges like works contracts tax, turnover tax and purchaser tax. From 10th April, 2005, most of the States in India have supplemented sales tax with a new Value Added Tax *(VAT).*

Value Added Tax (VAT)

The practice of VAT executed by State Governments is applied on each stage of sale, with a particular apparatus of credit for the input VAT paid. VAT in India classified under the tax slabs are 0% for essential commodities, 1% on gold ingots and expensive stones, 4% on industrial inputs, capital merchandise and commodities of mass consumption, and 12.5% on other items. Variable rates *(State-dependent)* are applicable for petroleum products, tobacco, liquor, etc.

Securities Transaction Tax (STT)

STT is a tax being levied on all transactions done on the stock exchanges. STT is applicable on purchase or sale of equity shares, derivatives, equity oriented funds and equity oriented Mutual Funds.

Conclusion

With the tax and regulatory landscape in India all set to witness a major overhaul, the time is right for businesses to re- evaluate their level of preparedness in light of these factors. For this, businesses would need to re-familiarise themselves objectively with the internal reporting systems, documentation policies, litigation history and positions adopted before tax authorities.

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Direct Tax Code

Prof. D. S. Jadhav,

Assistant Professor

Dr SET'S Arts and Commerce College,

Ugar-Khurd. KARNATAKA

INTRODUCTION

The **Income Tax department** set up by the Government is governed by the Central Board for Direct Taxes (CBDT). The CBDT is a part of Department of Revenue in the Ministry of Finance. It has been charged with all the matters relating to various direct taxes in India. It provides essential inputs for policy and planning of direct taxes in India and is also responsible for administration of direct tax laws through the Income Tax Department. For all the matters relating to Income tax, the Income Tax Act, 1961 is the umbrella Act which empowers the Central Board of Direct Taxes to formulate rules (The Income Tax Rules, 1962) for implementing the provisions of the Act.

Direct Taxes Code

The **Direct Taxes Code** (**DTC**) is said to replace the existing **Indian Income Tax Act, 1961.** The direct tax code seeks to consolidate and amend the law relating to all direct taxes, namely, income-tax, dividend distribution tax, fringe benefit tax and wealth-tax so as to establish an economically efficient, effective and equitable direct tax system which will facilitate voluntary compliance and help increase the tax-GDP ratio. Another objective is to reduce the scope for disputes and minimize litigation. It is designed to provide stability in the tax regime as it is based on well accepted principles of taxation and best international practices. It will eventually pave the way for a single unified taxpayer reporting system.

Highlights of the Direct Taxes Code

- from 20.5 percent.
- Proposal to levy dividend distribution tax at 15 per cent.
- Exemption for investment in approved funds and insurance schemes proposed at Rs. 150,000 annually, against 120,000 currently
- Proposed bill has 319 sections and 22 schedules against 298 sections and 14 schedules in existing IT Act.
- Once enacted, DTC will replace archaic Income Tax Act.
- However, many provisions in Income Tax Act will be a part of DTC as well.
- Mutual Funds/ULIP dropped from 80C deductions : Income from equity-oriented mutual funds or ULIP shall be subject to tax @ 5%
- Fringe benefits tax will be charged to the employee rather than the employer.
- Political contribution of up to 5 percent of the gross total income will be eligible for deduction.

Salient features

Single Code for direct taxes: all the direct taxes have been brought under a single Code and compliance procedures unified. This will eventually pave the way for a single unified taxpayer reporting system.

Use of simple language: with the expansion of the economy, the number of taxpayers can be expected to increase significantly. The bulk of these taxpayers will be small, paying moderate amounts of tax. Therefore, it is necessary to keep the cost of compliance low by facilitating voluntary compliance by them. This is sought to be achieved, inter alia, by using simple language in drafting so as to convey, with clarity, the intent, scope and amplitude of the provision of law. Each sub-section is a short sentence intended to convey only one point. All directions and mandates, to the extent possible, have been conveyed in active voice. Similarly, the provisos and explanations have been eliminated since they are incomprehensible to non-experts. The various conditions embedded in a provision have also

been nested. More importantly, keeping in view the fact that a tax law is essentially a commercial law, extensive use of formulae and tables has been made.

Reducing the scope for litigation: an attempt has been made to avoid ambiguity in the provisions that invariably give rise to rival interpretations. The objective is that the tax administrator and the tax payer are ad idem on the provisions of the law and the assessment results in a finality to the tax liability of the tax payer. To further this objective, power has also been delegated to the Central Government/Board to avoid protracted litigation on procedural issues.

Flexibility: the structure of the statute has been developed in a manner which is capable of accommodating the changes in the structure of a growing economy without resorting to frequent amendments. Therefore, to the extent possible, the essential and general principles have been reflected in the statute and the matters of detail are contained in the rules/schedules.

Ensure that the law can be reflected in a Form: for most taxpayers, particularly the small and marginal category, the tax law is what is reflected in the Form. Therefore, the structure of the tax law has been designed so that it is capable of being logically reproduced in a Form.

Consolidation of provisions: in order to enable a better understanding of tax legislation, provisions relating to definitions, incentives, procedure and rates of taxes have been consolidated. Further, the various provisions have also been rearranged to make it consistent with the general scheme of the Act.

Elimination of regulatory functions: traditionally, the taxing statute has also been used as a regulatory tool. However, with regulatory authorities being established in various sectors of the economy, the regulatory function of the taxing statute has been withdrawn. This has significantly contributed to the simplification exercise.

Providing stability: at present, the rates of taxes are stipulated in the Finance Act of the relevant year. Therefore, there is a certain degree of uncertainty and instability in the prevailing rates of taxes. Under the Code, all rates of taxes are proposed to be prescribed in the First to the Fourth Schedule to the Code itself thereby obviating the need for an annual Finance Bill. The changes in the rates, if any, will be done through appropriate amendments to the Schedule brought before Parliament in the form of an Amendment Bill.

Challenges before Common Man

Unfair Taxation

- As governments have been living beyond their means and creating ever expanding debt levels to serve special interest groups and having avoided taxation that leads to lack of popularity, the inevitable tipping point comes were the state is in potential crisis as far as the interest rates on their credit and the purse needs to tighten and austerity and taxation hikes come into effect.
- The imminent withdrawal of benefits for the needy will be a very painful symptom of this problem with weak and disabled people being pushed into work or face losing the social safety net
- Tax comes in direct and indirect ways and lead for well over 50% of income going back to the government (VAT, fuel duty, capital gains, income tax etc etc)
- The large companies often avoid paying tax and engage in tax evasion and tax avoidance through loopholes in tax laws. This creates a greater and greater tax burden on the ordinary citizens.
- In Islam, taxes are levied on wealth and this doesn't disproportionately penalise the less privileged classes of society. This system ensures that wealth is not accumulated and instead is reinvested back into the wealth cycle which benefits all market participants.
- In Islam, the families of the weak act as the safety net lowering the burden on the state which only gets involved in the person has no family member obligated to supporting them.

CONCLUSION:

Individuals are subject to income tax. Income tax is a direct tax levied on the income earned by individuals, corporations or on other forms of business entities. The Indian constitution has empowered only the Central Government to levy and collect income tax. The Income Tax Act provides that in respect of the total income of the previous year of every person, income tax shall be charged for the corresponding assessment year at the rates laid down by the Finance Act for that assessment year. So it is the duty of every individual to pay the tax for the all over development of the nation.

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A Study of Direct Taxes In India

Dr. Mane Vijay Annaso

Associate Professor in Commerce

Mahatma PhuleMahavidyalaya

Pimpri Pune-17

INTRODUCTION

The tax agencies are particularly vulnerable to corrupt acts. Where tax laws are not clear and are subject to different interpretations, the wages of tax administrators are low, the administrators have wide lacks transparency. The land tax is what has been called a 'real' tax; it deals with the object, land, and takes no note of the position of the proprietor.First of all we have to settle the meaning of the word 'tax.' This term, so clear and simple to the ordinary citizen, has been very variously defined, sometimes at astonishing length, and often with the it may be unconscious. A tax is a compulsory contribution of the wealth of a person of body of persons for the service of the public powers. As the source principle taxation in fact replaces the residence principle taxation in practice, international competition for tax rate reduction becomes a mere intense reality.With respect the methods of imposing indirect taxes under international taxation context, two major ways exist. Consideration has to be given to the effect of high duties on he minds and habits of those who are the accumulators of great stores of wealth.

Objective of the Study

1. To know and understand concept of direct taxes
2. To Identify tax slabs and Rates for the assessment year 2015-16
3. To indicate major Deductions applicable under tax incentives for an individual
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Methodology of the study

The present paper is based on secondary source of data. The secondary data has been collected from various sources i.e. books journal and websites for the fulfillment of present research work

Direct Taxes in India :A Direct tax is a kind of charge, which is imposed directly on the taxpayer and paid directly to the government by the persons on whom it is imposed. A direct tax is one that cannot be shifted by the taxpayer to someone else**.**

The some important direct taxes imposed in India are as under:

Income Tax: Income Tax Act, 1961 imposes tax on the income of the individuals or Hindu undivided families or firms or co-operative societies (other tan companies) and trusts (identified as bodies of individuals associations of persons) or every artificial juridical person. The inclusion of a particular income in the total incomes of a person for income-tax in India is based on his residential status. There are three residential status, viz., (i) Resident & Ordinarily Residents (Residents) (ii) Resident but not Ordinarily Residents and (iii) NonResidents. There are several steps involved in determining the residential status of a person. All residents are taxable for all their income, including income outside India. Nonresidents are taxable only for the income received in India or Income accrued in India. Not ordinarily residents are taxable in relation to income received in India or income accrued in India and income from business or profession controlled from India.

Corporation Tax: The companies and business organizations in India are taxed on the income from their worldwide transactions under the provision of Income Tax Act, 1961. A corporation is deemed to be resident in India if it is incorporated in India or if it's control and management is situated entirely in India. In case of non-resident corporations, tax is levied on the income which is earned from their business transactions in India or any other Indian sources depending on bilateral agreement of that country.

Property Tax: Property tax or 'house tax' is a local tax on buildings, along with appurtenant land, and imposed on owners. The tax power is vested in the states and it is delegated by law to the local bodies,

specifying the valuation method, rate band, and collection procedures. The tax base is the annual ratable value (ARV) or area-based rating. Owner-occupied and other properties not producing rent are assessed on cost and then converted into ARV by applying a percentage of cost, usually six percent. Vacant land is generally exempted from the assessment. The properties lying under control of Central are exempted from the taxation. Instead a 'service charge' is permissible under executive order. Properties of foreign missions also enjoy tax exemption without aninsistence for reciprocity.

Inheritance (Estate) Tax: An inheritance tax (also known as an estate tax or death duty) is a tax which arises on the death of an individual. It is a tax on the estate, or total value of the money and property, of a person who has died. India enforced estate duty from 1953 to 1985. Estate Duty Act, 1953 came into existence w.e.f. 15th October, 1953. Estate Duty on agricultural land was discontinued under the Estate Duty (Amendment) Act, 1984. The levy of Estate Duty in respect of property (other than agricultural land) passing on death occurring on or after 16th March, 1985, has also been abolished under the Estate Duty (Amendment) Act, 1985.

Gift Tax: Gift tax in India is regulated by the Gift Tax Act which was constituted on 1' April, 1958. It came into effect in all parts of the country except Jammu and Kashmir. As per the Gift Act 1958, all gifts in excess of Rs. 25,000, in the form of cash, draft, check or others, received from one who doesn't have blood relations with the recipient, were taxable. However, with effect from 15' October, 1998, gift tax got demolished and all the gifts made on or after the date were free from tax. But in 2004, the act was again revived partially. A new provision was introduced in the Income Tax Act 1961 under section 56 (2). According to it, the gifts received by any individual or Hindu Undivided Family (HUF) in excess of Rs. 50,000 in a year would be taxable.

Income Tax Slabs & Rates for the Assessment Year 2015-16

Following are the income Tax Slabs and Rates for the Assessment Year 2015-16 (applicable on income earned during 01.04.2014 to 31.03.2015) for various categories of Indian Income Tax payers.

- Individual resident (Age below 60Yrs) or any NRI/HUFI/AOP/BOI/ AJP
- Senior Citizen
- Super Senior Citizen
- Co-operative Society
- Firm
- Local Authority
- Domestic Company
- Other Company

I Individual Resident aged below 60 years (i.e born on or after 1st April 1955) **or any NRI/HUF/AOP/BOI/AJP***

Income Tax: **Tax Calculator: AY 2015-16**

Income Slabs	Tax Rates
i. Where the taxable income does not exceed Rs. 2,50,000/-	Nil
ii. Where the taxable income exceeds Rs. 2,50,000/- but does not exceed Rs. 5,00,000/-	10% of the amount by which the taxable income exceeds Rs. 3, 00,000/-. Less: Tax Credit us 87A-10% of taxable income upto a maximum of Rs. 2,000/-
iii. Where the taxable income exceeds Rs. 5,00,000/- but does not exceeds Rs. 10,00,000/-	Rs. 20,000/- + 20% of the amount by which the taxable income exceeds Rs. 5, 00,000/-
iv. Where the taxable income exceeds Rs. 10,00,000/-	Rs.1,20,000/- + 30% of the amount by which the taxable income exceeds Rs. 10,00,000/-

Surcharge: 10% of the Income Tax, where taxable income is more than Rs. 1 crore. (Marginal Relief in Surcharge, if applicable)

Education Cess: 3% of the total of Income Tax and Surcharge.

***Abbreviations used:**

NRI- Non Resident Individual, HUF- Hindu Undivided Family, AOP-Association of Persons, BOI- Body of Individuals, AJP- Artificial Judicial Person.

II Senior Citizen (individual resident who is of the age of 60 years or more but below the age of 80 years at any time during the previous years i.e. born on or after 1st April 1934 but before 1st April 1954)

Income Tax: **Tax Calculator: AY 2015-16**

Income Slabs	Tax Rates
i. Where the taxable income does not exceed Rs. 3,00,000/-	Nil
ii.Where the taxable income exceeds Rs. 3,00,000/- but does exceed Rs. 5,00,000/-	10% of amount by which the taxable income exceeds Rs. 2, 50,000/-. Less (in case of Resident Individual only): Tax credit u/s 87A-10% of taxable income upto a maximum of Rs. 2000/-
iii. Where the taxable income exceeds Rs. 5, 00,000/- but does not exceeds Rs. 10, 00,000/-.	Rs. 25,000/- + 20% of the amount by which the taxable income exceeds Rs. 5, 00,000/-
iv. Where the taxable income exceeds Rs. 10, 00,000/-.	Rs. 125,000/- + 30% of the amount by which the taxable income exceeds Rs. 10, 00,000/-

Surcharge: 10% of the Income Tax, where taxable income is more than Rs. 1 crore. (Marginal Relief in Surcharge, if applicable)

Education Cess: 3% of the total of Income Tax and Surcharge.

III Super Senior Citizen (individual resident who is of the age of 80 years or more at any time during the previous years i.e. born on or after 1st April 1934)

Income Tax: Tax Calculator: AY 2015-16

Income Slabs	Tax Rates
i. Where the taxable income does not exceed Rs. 5,00,000/-	Nil
ii. Where the taxable income exceeds Rs. 5,00,000/- but does exceed Rs. 10,00,000/-	20% of the amount by which the taxable income exceeds Rs. 5, 00,000/-.
iii. Where the taxable income exceeds Rs. 10, 00,000/-.	Rs.1,00,000/- + 30% of the amount by which the taxable income exceeds Rs. 10,00,000/-

Surcharge: 10% of the Income Tax, where taxable income is more than Rs. 1 crore. (Marginal Relief in Surcharge, if applicable)

Education Cess: 3% of the total of Income Tax and Surcharge.

IV. Co-operative Society

Income Tax: Tax Calculator: AY 2015-16

Income Slabs	Tax Rates
i. Where the taxable income does not exceed Rs. 10,000/-	10% of the income
ii. Where the taxable income exceeds Rs. 10,000/- but does exceed Rs. 20,000/-	Rs. 1,000/-+ 20% of income in excess of Rs. 10,000/-
iii. Where the taxable income exceeds Rs. 20,000/-.	Rs.3,000/- + 30% of the amount by which the taxable income exceeds Rs. 20,000/-

Surcharge: 10% of the Income Tax, where taxable income is more than Rs. 1 crore. (Marginal Relief in Surcharge, if applicable)

Education Cess: 3% of the total of Income Tax and Surcharge.

V Firms Tax Calculator : AY 2015-16

Income Tax: 30% of taxable income

Surcharge: 10% of the Income Tax, where taxable income is more than Rs. 1 crore (Marginal Relief in Surcharge, if applicable)

Education Cess: 3% of the total of Income Tax and Surcharge.

VI Local Authority Tax Calculator : AY 2015-16

Income Tax: 30% of taxable income

Surcharge: 10% of the Income Tax, where taxable income is more than Rs. 1 crore (Marginal Relief in Surcharge, if applicable)

Education Cess: 3% of the total of Income Tax and Surcharge.

VII Domestic Company Tax Calculator : AY 2015-16

Income Tax: 30% of taxable income

Surcharge: The amount of income tax as computed in accordance with above rates, and after being reduced by the amount of tax rebate shall be increased by a surcharge.

- At the rate of 5% of such income tax, provided that the taxable income exceeds Rs. 1 crore. (marginal Relief in Surcharge, if applicable)
- At the rate of 10% of such income tax, provided that the taxable income exceeds Rs. 10 crores.

Education Cess: 3% of the total of Income Tax and Surcharge.

VIII Company other than a Domestic Company **Tax Calculator : AY 2015 -16**

Income Tax:

· @ 50% of so much of the taxable income as consist of (a) royalties received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 31st day of March, 1961 but before the 1ST day of April, 1976; or (b) fees for rendering technical services received from Government or an Indian concern in pursuance of an agreement made by it with the government or the Indian concern after the 29th day of February, 1964 but before the 1st day of April, 1976, and where such agreement has, in either case, been approved by the Central Government.

- 40% of the balance

Surcharge:

The amount of income tax as computed in accordance with above rates, and after being reduced by the amount of tax rebate shall be increased by a surcharge as under

- At the rate of 2% of such income tax, provided that the taxable income exceeds Rs. 1 crore. (Marginal Relief in Surcharge, if applicable)
- At the rate of 5% of such income tax, provided that the taxable income exceeds Rs. 10 crores.

Education Cess: 3% of the total of income Tax and Surcharge.

Marginal Relief Surcharge

When an assessee's taxable income exceeds Rs. 1 crore, he is liable to pay Surcharge at prescribed rates mentioned above on Income Tax payable by him. However, the amount of Income Tax and Surcharge shall not increase the amount of income tax payable on a taxable income of Rs. 1 crore by more than the amount of increase in taxable income.

Example:

In case of an individual assesseee (< 60 years) having taxable income of Rs. 1, 00, 01,000/-

1. Income Tax
   Rs 28,30,300

2. Surcharge @ 10% of Income Tax
   Rs. 2,83,030
3. Income Tax on income of Rs. 1 crore
   Rs. 28,30,000
4. Maximum Surcharge payable

Rs. 700/- (1,000-300)

(Income over Rs. 1 crore less income tax on income over Rs. 1 crore)

5. Income Tax + Surcharge payable
   Rs. 28,31,000
6. **Marginal Relief in Surcharge**
   Rs. 2,82,330/-(2,83,030-700)

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MAJOR DEDUCTIONS APPLICABLE UNDER TAX INCENTIVES FOR AN INDIVIDUAL

1. Investments through PFRDA approved agencies (Max of 3 Lakhs)
2. Payment of tuition fees
3. Medical treatment
4. Health insurance
5. Donations
6. Interest on loan taken for higher education
7. Maintenance of a disabled dependent
8. Interest income on Govt. bonds

DEDUCTIONS FROM SALARIES

1. Allowed are only, PT, Transport Allowances (limit prescribed) and special allowances given exclusively to meet duties (to the extent actually incurred).

2. Also deduction is allowed for PF as tax incentives.

3. And last, deduction are allowed for Voluntary retirement, Gratuity on retirement and pension received.

4. No deductions on HRA, Medical reimbursements etc.

5. Employer part of PF paid will be exempt from tax as Tax Incentives under EET methodology (to employees)

HOUSE PROPERTY

1.No deduction for Housing loan repayment of Self-Occupying property. This includes interest as well as part of principal.

2. Only Let out properties are considered and the Gross rent and specified deductions are taken with simple calculations.

COMPUTATION OF TOTAL INCOME

1. Income are broadly divided into 2 sources, namely Special Sources and Ordinary Sources.

2. Special sources are given no deduction and what is earned is taxed directly (generally at a lower rate).

SPECIAL SOUCES INCLUDE

1) This includes incomes like:

a) Any assesse

A. On income by way of winnings from

a. Any lottery or crossword puzzle

b. Race, including horse race (not being the income from the activity of awning and maintaining race horses)

c. Card game or any other game or gambling or betting.

b) Non-resident

A. On investment income by way of Interest, dividends on which distribution tax has not been paid, capital gains, any other investment income

B. On income by way of royalty or fees for technical services

c) Non-resident sportsman who is not a citizen of India

A. On income by way of participation in India in any games, advertisement or contribution of articles relating to any game or sport in newspapers, magazines or journals in India

d) Non-resident sports association or institution

A. On income by way of guarantee money in relation to any games or sports played in India.

2) The income on such way will be aggregated “Current Income from Ordinary Sources”.

3) Then this value has to be aggregated with “unabsorbed losses as of immediate preceding financial year”. Such aggregated income will be treated as “Gross Total income from Special Sources”. If such result is negative, then Gross Total Income will be NIL and value will be treated as “Unabsorbed current loss from Special sources”.

4) Such Gross Total Income will be calculated separately and adjusted will losses. Then the resulting values will be aggregated and the resultant amount will be ‘Total income from Special sources’.

Ordinary sources are divided into further categories, namely:

1. Income from employment.
2. Income from House Property
3. Income Business
4. Capital gains

CONCLUSION

It is a welcome step for millions of people in India as it allows them to save some more money. It an attempt to simplify the direct tax provisions. The provisions of the Direct tax specially relating to Minimum Alternate Tax (MAT) on gross assets, corporate tax, capital gain and changes in the tax slab structure. The guidelines issued by the Central Government would need careful examination to assess the scope and impact of these provisions. A suitable may be provided for this purpose.

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Provisions Relating To Tax Deducted At Source Under The Income Tax Act 1961

Sou. Asha Vinod Sawant

M.Com. M.Phil. NET & G.D.C.&A.

Assistant Professor

Department Of Commerce

Shikshan Marharshi Bapuji Salunkhe

Mahavidyalaya, Karad Tal- Karad Dist- Satara.

And

Dr. Shivaji Ramchandra Pawar

M.com. M.Phil. Ph.D.

Associate Professor

Arts & Commerce College, Ashta

Tal- Walwa Dist- Sangli

INTRODUCTION

Income tax is the main source of fund of the Government for the infrastructure development of country. Hence every year government presents financial Bill i.e. Financial Budget. Where the source of Income of Income Tax provisions are explained and all other sources of income provisions are explained i.e. Excise, Customs and service taxes etc.

Tax Deduction at Source (TDS) and Tax collections at Source (TCS) are introduced for collection of Income tax at proper time and to avoid tax evasion and to expansion of Income Tax return filing base.

OBJECTIVES OF THE STUDY :-

1. To known the proper provisions of the TDS
2. To known the TDS defaults and their consequences
3. To known the procedure of e-filing returns of TDS
4. To known defaults and the mismatch in the e-filing returns of TDS
5. To known procedure for correcting mismatch and the actions to be taken for correcting mismatches

RESEARCH METHODOLOGY :-

1. The Researcher used Secondary data for the study. In this study researcher has collected provisions from Income Tax Act 1961. Secondary data were collected from various books, Internet, magazines, books and journals.

2. The Researcher used Primary data i.e.Quarterly Returns and default reposts of various deductors for finding defaults and the mismatch in the e-filing returns of TDS

PROVISIONS OF TAX DEDUCTION AT SOURCE UNDER INCOME TAX ACT 1961

As per Section 190 of The Income Tax Act, 1961, notwithstanding that the regular assessment in respect of any income is to be made in a later assessment year, the tax on such income shall be payable by deduction [or collection] at source or by advance payment as the case may be, in accordance with the provisions of this Chapter.

Persons (Other than Individual & HUF) as defined u/s 2(31) of the Income Tax Act 1961, while making specified types of payments has to deduct tax at the time of making payment or at the time of credit of such income in the books of account, whichever is earlier at the prescribed rates and remit the same into Government Account. However all such Individuals & HUFs whose books of accounts are required to be audited u/s 44AB of the Income Tax Act for immediately preceding financial year, are also required to deduct tax at source under provisions of sections 192, 194A, 194C, 194H, 194I and 194J of the Income Tax Act 1961.

Section of I T Act & Nature of Payment	When to deduct tax at source	TDS Rate
192 Salary	Monthly at the time of payment where estimated taxable salary p.m. exceeds Rs.20833/- (Sr. Citizen) /Rs. 16667/- (Others)	Average rate based on the rates in force as per Finance Bill
193 Interest on Securities	At the time of credit or payment whichever is earlier	10%
194Dividend	Before making payment to resident shareholder	10%
194AInterest other t than Interest on Securities	At the time of credit or payment whichever is earlierWhen interest exceeds Rs. 10000/- in case Banks & Rs. 5000/- in case of others	10%
194B Winning from lottery or cross-word puzzle or card game or other game	At the time of payment when it exceeds Rs. 5000/-	30%
194BBWinning from horse race	At the time of payment when it exceeds Rs. 10000/-	30%
194CPayment to contractors/ sub-contractors	At the time of credit or payment whichever is earlierWhen payment exceeds Rs. 30000/- at one time & Rs. 75000/- aggregate in the financial year	If contractor is an indivi-dual/HUF 1% If contractor is other than an individual/ HUF 2%

194D Insurance Commission	At the time of credit or payment whichever is earlierWhen the aggregate sums payable during the financial year exceeds Rs. 20000/-	10%
194 DAPayment in respect of life insurance policy other than exempt U/S 10(10D)	At the time of payment When the aggregate sums payable during the financial year exceeds Rs. 100000/-	2%
194EPayment to non-resident Sportsman or Sport association	At the time of credit or payment whichever is earlierNo Limit	20%
194EEPayments out of deposits under National Savings Scheme ref. to in sec. 80CCA	At the time of payment When the aggregate sums payable during the financial year exceeds Rs. 2500/-No deduction if paid to heirs of the Depositor	20%
194FPayments on account of repurchase of units by Mutual Fund or Unit Trust of India referred to in sec 80CCB	At the time of payment of any amount referred to in sec. 80CCB(2)	20%
194GCommission, etc., sale of lottery tickets	At the time of credit or payment whichever is earlierwhere it exceeds Rs. 1000/-	10% on the

194HCommission or brokerage	At the time of credit or payment whichever is earlierWhen the aggregate sums credited or paid during the financial year exceeds Rs. 5000/-	10%
194IRent	At the time of credit or payment whichever is earlierWhen the aggregate sums credited or paid during the financial year exceeds Rs. 180000/-	2% for the use of any machinery or plant or equipment 10% for the use of any land or building (including factory building) or land appurtenant to a building (including factory building) or furniture or fittings
194IAPayment on transfer of Land & Building other than agricultural land	At the time of credit or payment whichever is earlierWhere the consi-deration exceeds Rs. 5000000/-	1%
194J(1)Fees for profe-ssional or technical services (2) any remuneration or fees or	At the time of credit or payment whichever is earlierWhen the aggregate sums	10%

commission (3) royalty or (4) any sum ref. to in sec. 28(va)	credited or paid during the financial year exceeds Rs. 30000/-	
194LA Payment of compensation / the enhanced compensation on acquisition of any land (other than agricultural land) or any building or part of a building	At the time of payment in cash/cheque/draft Where the aggregate payment during the financial year exceeds Rs. 200000/-	10%
194LBIncome by way of interest from infra-structure debt fund payable to non-resident	At the time of credit or payment whichever is earlierNo Limit	5%
194LBACertain income from units of a business trust	At the time of credit or payment whichever is earlierNo Limit	Resident 10% Non-resi-dent 5%
194LCIncome by way of interest from Indian company payable to non resident	At the time of credit or payment whichever is earlierNo Limit	5%
195Other sum payable to non-resident	At the time of credit or payment whichever is earlierNo Limit	At the rates in force

Non-deduction or lower deduction certificates u/s 197

Assessing Officer may issue a certificate addressed to the payer authorizing him to deduct tax at lower rate, with the approval of Jt./Addl. CIT. / CIT. This certificate is valid for the period as mentioned in the certificates. Similarly, certificate may be issued by the AO u/s 195(2)/195(3) or u/s206(9) for non-deduction/lesser deduction under relevant sections.

In case of a resident individual, tax is not to be deducted u/s 193 or 194 or 194A or 194EE, if such an individual furnishes to the payer a declaration in writing in duplicate in the prescribed Form No. 15G

In case of a resident individual who is a senior citizen, tax is not to be deducted u/s 193 or 194 or 194A or 194EE, if such an individual furnishes to the payer a declaration in writing in duplicate in the prescribed Form No. 15H

Due Date to Deposit of TDS in the Government A/C

In case of tax deducted by Govt. Office – Tax deposited without challan i.e. by transfer voucher, tax should be deposited same day and when tax deposited with challan - On or before 7 days from the end of the month in which the deduction of TDS is made

In case of tax deducted by Others – If Tax deducted in march, On or before 30th April of the next year and if tax deducted in other months and tax on perquisites opted to be deposited by employer, On or before 7 days from the end of the month in which the deduction of TDS is made

The Assessing Officer may, with the prior approval of the Joint / Addl. Commissioner, permit quarterly payment of the tax deducted under section 192 or section 194A or section 194D or section 194H for the quarters of the financial year specified to in column (2) of the Table below by the date referred to in column (3) of the said Table

Sr. No.	Quarter ended on	Date of payment
1	30th June	7th July
2	30th September	7th October
3	31st December	7th January
4	31st March	30th April

Due Dates For e-TDS statements

e-TDS statements - Form 24Q for salary and 26Q for contractors and others, Form 27Q for Non-resident should be filed within due dates

Sr No.	Quarter Ending	For Govt. Deductor	For other Deductor
1	30th June	31st July	15th July
2	30th September	31st October	15th October
3	31st December	31st January	15th January

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A Brief Review Of Direct Tax In India

Associate Professor (Dr.) R. G. Phadtare,

Dean (Commerce Faculty),

Shivaji University, Kolhapur, 9881373626

INTRODUCTION:

The tax payers are in a continuous state of nervousness because of the complex tax regime in India and hence the disputes are always on a rise. With regard to cross-border transactions, the constant evolution of principles regarding what constitutes a Permanent Establishment and attribution of profits, the arm's length margins for transactions between Associated Enterprises and characterization of income are just a few of the many frequent points of dispute on the direct taxes side. This study reports the results of a survey of tax compliance culture of tax practitioners and their and customer service needs to boost tax compliance. Tax practitioners prefer communication via email, internet, letters in the post, television and telephone calls, computer skills for accounting, and knowledge of tax codes. A similar host of issues exist on the indirect taxes side. The tax rules should be efficient, keeping the compliance costs of business and the administration costs of government to the minimum compatible with effective tax administration. Measures to counter evasion or avoidance should be proportionate to the risks which they seek to address.

REVIEW OF RELEVANT LITERATURE:

The present researcher has given relevant literatures which is aid to overall tax payers and specific literatures are as follows;

Nerre (2011), state that tax system as well as the actual tax practice which form parat of a country's tax culture, but the relationship between the tax authorities and the taxpayers also accounts for its uniqueness.
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Hofstede (1983), suggests no scientific language to define culture, but refers exclusively to the national culture. It is to be understood as the collective programming of the mind.

Nerre (2008), suggests that tax mentality consists of the two components of tax moral and tax discipline and solely aims at the relationship of the taxpayer to the tax state. Tax culture contains more than the culture of taxation and tax-paying culture and provides an embedded framework of tax culture.

Roth et. al. (1989), suggest that one of the most important influences on compliance behavior is the community of tax practitioners. They conclude that tax practitioners play a major role in increasing the level of taxpayer compliance.

Pentony (1991) put their roles into six categories viz: acting (1) as independent advisers of their clients, (2) as unpaid employees of the internal revenue office, (3) as intermediaries between the internal.

Luscombe (2004), state that they should be able to think creatively to help solve business problems with favorable tax ramifications; and which can be utilized effectively in assisting both individuals and businesses to carry out their tax obligations.

Beck et. al. (1991), they reduce compliance costs by reducing legal uncertainties find that an expert‘s participation will discourage non-compliance on legally unambiguous income sources but encourage non-compliance on ambiguous sources.

Mckerchar (2005), found that the income tax complexities have an enormous impact on tax practitioners in Australia, since the implementation of self assessment system.

Walsh et. al. (2000), finds that in the United States, the use of a new tax filing technology has a different appeal for various groups. This is because each group adopts the new technology based on a cost benefit trade-off specific to that cohort.

Skillman (1998), suggests that tax practitioners as a group apparently do not see that the conversion to electronic filing offers much to them in terms of return on their investment, considering the cost of software and hardware needed to adopt the e-filing technology.

Randall (2004), state that influences affecting compliance performance can be understood as normative.

Rothengatter (2005), claims that the extent of the influence of cultural norms and values on business conduct and one's payment of taxes may vary from one ethnic group to another.

Above relevant literature has help in encouraging in-depth research and analysis of the tax data and other economic trends. Such research will be of vital importance for improving our tax policies. The preset researcher believes that the proposals laid out in this Report will enable our country to reach this worthy objective. Finally, our proposals should be seen as an integral part of the second generation of reforms, aimed to meet India's strategic needs, i.e., to accelerate the growth rate while meeting the challenges of globalization. To achieve this, our fiscal policy should promote transparency, reward efficiency, provide economic security to employees, protect economic rights of shareholders and discourage rent seeking and crony capitalism.

OBJECTIVES OF THE STUDY:

The main objective of the study is to Indian tax scenario and tax practitioners' procedure to collect tax and pay to the government agencies through proper channel.

1. To study Indian tax scenario and tax practitioners.
2. To study tax trends and development policy.

SIGNIFICANCE OF THE STUDY:

The present study is support to service sector, salaried persons, industry bank employee, state government employee, manufacturing industry, automobile industry, to take decision about the taxpayer, tax consultant, share brokers etc. This study is more benefited to reduce the income of salaried person who are doing government service. This study is guides to the take more decision about the service tax sector.

RESEARCH METHODOLOGY:

The present researcher has used appropriate research methodology to collect data from various sources and specific methodology also used to data presentation.

Data Collection:

The present researcher has used various secondary sources such as books, research papers, sound recording, conference proceedings, book section, films, websites, articles, government reports, income tax information about the taxpayer, periodicals, and scanned documents etc.

Research Method:

The present study is based on descriptive analysis because the present researcher has used secondary sources but which types of data are already collected by the past researcher or any other.

RESULTS AND DISCUSSION:

Tax as a Tool of Developmental Policy:

One of the important points made by some commentators is that our proposals imply a reduction in the developmental role of the State. According to them, tax exemptions are aimed to meet certain development objectives, and a policy of abstaining from tax exemption is synonymous with vitiating these objectives. Our proposals in no way dilute the role of the State. Force regarding the removal of tax incentives is no different from that proposed in the Tenth Five Year Plan, which embodies the development aspirations of the State. That was recently approved by the National Development Council. Our approach seeks to improve the role of the State by making it more efficient, transparent, and better targeted and more accountable. Tax exemptions are opaque since their incidence as well as implicit cost is nontransparent. In terms of administration, exemptions more often than not lead to tax leakage and tax abuse thus increasingly making the system counterproductive and dysfunctional. Consequently, it has increased tax rates for tax complying sectors, thereby leading to an all-round increase in the ex-ante costs of .risk. This adversely affects investment, growth dynamics and employment generation. Today, full taxpaying corporations, including small and medium enterprises pay almost 50 per cent tax ex ante on risk capital since they can avail. This complexity is one of the major reasons for tax leakage and tax abuse. Hence, the Task Force is of the view that this is not an efficient way of achieving the developmental objectives and that there are better and more efficient alternatives to achieve these goals. For instance, if we want to promote investment in economically backward

regions, the government should give an up-front capital subsidy to a project in place of tax exemptions. Such an expenditure-based instrument will make the policy transparent and directly accountable. More examples can be given.

Tax trends and finance issues:

Conventionally, the tax function has been in charge of providing technical tax expertise for a wide range of tax issues. For the finance function, tax was only an adviser in special situations. The day-to-day accounting and reporting functions were carried out by finance. However, the primary task tended to focus on the local operating integrity of tax compliance; data was extracted and analyzed only locally to fulfill tax declaration and filing responsibilities. Its function was mainly technically orientated, leaving little room for involvement in strategic business decisions.

Essential features of Service Tax in India:

The present researcher has given service tax feather which is presently benefited by the service sector as are follows;

1. Service tax is payable only on receipt of payments for service rendered.

2. There is no separate enactment covering service tax. The provision of service tax is contained in

3. Half early returns have been prescribed.

4. It vastly relies in Self Compliance.

5. The Service Tax is administrated more by way of notifications and circulars.

6. The term service has not been defined. Only individual services have been defined.

7. It is a feature of services that the location of supply or of consumption is often elusive.

8. This is particularly important for international trade in services, where two problems arise.

9. Rules must be devised to define what actually constitutes as export or import of a service; defining the location of a service supply is a prerequisite for effective treatment of traded items.

10. Second, the non-tangibility of services makes it difficult to deter purchases of services by physical checks at border points or inland.

One general problems of taxing service is that it is very difficult to define service sector precisely and to measure its output. A service may be defined as a change in the conditions of a person, or of a goods belonging to some economic unit brought about as a result of the activity of some other economic unit.

Tax practitioners:

Taxation has become increasingly complex, making it necessary for more taxpayers to take guidance from practitioners. They act as personal advisors to taxpayers. Some of the researchers have indicated that they should be able to think creatively to help solve business problems with favorable tax ramifications; and which can be utilized effectively in assisting both individuals and businesses to carry out their tax obligations.

The role of tax practitioners:

The term tax practitioner covers a diverse group of individuals, business structures and professional groups who provide a range of tax services for their clients. Self-employed and in-house accountants, tax advisers and registered tax agents, tax agent franchises and legal practitioners in the tax area are all embraced by the term. The role of tax practitioners in the tax system is very important. Roth et al. (1989), suggest that one of the most important influences on compliance behaviour is the community of tax practitioners. Tomasic put their roles such as independent advisers of their clients, as unpaid employees of the internal revenue office, as intermediaries between the internal revenue office and the taxpayer, as tax advisers, as protectors of their practice and finally as influences on the systems.

Different Approaches to Tax Administration:

There are different approaches to conceptualizing the role of the tax administrator vis-à-vis tax advisers which emerge from different perspectives regarding the relationship between the individual and the state. From the perspective of liberal individualism, taxation might be seen to be a

compulsory expropriation of a person's private property, and so from this perspective the individual is entitled to minimize by legal means the extent to which the state 'puts its shovel' into the individual's store of wealth.

CONCLUSION:

This study reports the results of a survey of tax compliance culture of tax practitioners and their and customer service needs to boost tax compliance. The needs analysis is the process by which the taxpayer segment compliance levels are evaluated and their compliance needs are identified. The use of excel spread sheet is also popular among them. They file tax returns on behalf of their clients and they do so electronically. Private sector tax practitioners are good e-filers. Majority of the tax practitioners' organizations that filed or submitted their organizations tax returns did so on time. Tax practitioners prefer communication via email, internet, letters in the post, television and telephone calls, computer skills for accounting, and knowledge of tax codes.

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Direct Taxes Code : Utility for tax practices implementation

Mrs. Dixit Megha Atul
Associate Prof. and Head,
Dept. of Commerce, KRP
Kanya Mahavidyalay,
Islampur and
Dr. Mrs. Maindargi Varsha
Vivekanand, Associate Professor and
Head, Dept. of Accountancy,

Introduction

The Direct Taxes Code (DTC) is said to replace the existing Indian Income Tax Act, 1961. It seeks to consolidate and amend the law relating to all direct taxes, i.e. income-tax, dividend distribution tax, fringe benefit tax and wealth-tax so as to establish an economically efficient, effective and equitable direct tax system. It will facilitate voluntary compliance and help increase the tax-GDP ratio. It also aims at reducing the scope for disputes and litigation. The code is designed to provide stability in the tax regime. It is based on well accepted principles of taxation and best international practices.

The present paper is an attempt to understand the highlights of direct taxes code and its utility in the practices in tax implementation.

II Objectives of the study –

- To understand the salient features of Direct Tax Code
- To identify the utility of DTC in implementation practices
- To offer conclusions and suggestions
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Highlights of Direct Tax Code

- The draft tax code proposes a new tax rate of 35 per cent for individuals having income exceeding Rs 10 crore.

- The Standing Committee on Finance headed by senior BJP leader Yashwant Sinha had proposed no tax on income of up to Rs 3 lakh per annum; 10 per cent for Rs 3 lakh to Rs 10 lakh; 20 per cent, for Rs 10 lakh to Rs 20 lakh and 30 per cent on annual income beyond Rs 20 lakh. But these recommendations did not make into the draft Direct Tax Code. “The recommendation is not acceptable as it will result in huge revenue loss. The total revenue loss on account of recommended changes in income tax slabs and removal of cess works out to Rs 60,000 crore approximately,” says the proposed Direct Taxes Code - 2013. As per the current structure, there is no tax on income of up to Rs 2 lakh per annum; 10 per cent on Rs 2 lakh to Rs 5 lakh; 20 per cent on Rs 5 lakh to Rs 10 lakh and 30 per cent on income beyond Rs 10 lakh.

- The draft Direct Taxes Code - 2013 proposes to reduce the age for tax exemption for senior citizens to 60 years from 65 years.

- The new draft tax code widens the base for levy of wealth tax. The revised code captures all assets for wealth tax, whether physical or financial, thereby removing the distinction between physical and financial assets. Wealth tax is proposed to be levied on individuals, Hindu Undivided Family (HUF) and private discretionary trusts at the rate of 0.25 per cent. The threshold for levy of wealth tax in the case of individual and HUF shall be Rs 50 crore. According to the current tax norms, every individual and Hindu Undivided Family (HUF) who has wealth exceeding Rs 30 lakh is required to pay wealth tax and the wealth tax rate is 1 per cent.

- With a view to provide parity in treatment of insurance products and mutual fund products,the new Direct Tax Code proposes to levy income distribution tax on equity linked insurance products on the lines of equity oriented mutual funds.

- The new tax code proposes additional tax @10 per cent on recipient of dividend (liable to dividend distribution tax) exceeding Rs 1 crore. Under the Income-tax Act, the dividend distribution tax is to be levied at the rate of 15 per cent.

- The revised DTC says the provisions of ‘Income from house property’ shall not apply to the house property, or any part of the house property, which is used for business or commercial purposes.

- The new tax code says the amount of rent received in arrears or the amount of rent which is not realised from a tenant and is realised subsequently shall be deemed to be the income from house property of the financial year in which such rent is received or realised.

- For the purposes of deduction in respect of interest on loan taken for self-occupied house property, the loan given by the employer should also qualify for this concession.

III Utility of Direct Tax Code in the implementation of taxes practices

1. Single Code for direct taxes: All the direct taxes have been brought under a single Code and compliance procedures unified. This will eventually pave the way for a single unified taxpayer reporting system.

2. Use of simple language: With the expansion of the economy, the number of taxpayers can be expected to increase significantly. Therefore, it is necessary to keep the cost of compliance low by facilitating voluntary compliance by them. This is sought to be achieved by using simple language in drafting so as to convey, with clarity, the intent, scope and amplitude of the provision of law.

3. Reducing the scope for litigation: Wherever possible, an attempt has been made to avoid ambiguity in the provisions giving rise to rival interpretations. For this power has also been delegated to the Central Government/Board to avoid protracted litigation on procedural issues.

4. Flexibility: The structure of the statute has been developed in a manner which is capable of accommodating the changes in the structure of a growing economy without resorting to frequent amendments. Therefore, to the extent possible, the essential and general principles have been reflected in the statute and the matters of detail are contained in the rules/ schedules.

5. Ensure that the law can be reflected in a Form: The structure of the tax law has been designed so that it is capable of being logically reproduced in a Form.

6. Consolidation of provisions: In order to enable a better understanding of tax legislation, provisions relating to definitions, incentives, procedure and rates of taxes have been consolidated. Further, the various provisions have also been rearranged to make it consistent with the general scheme of the Act.

7. Elimination of regulatory functions: Traditionally, the taxing statute has also been used as a regulatory tool. However, with regulatory authorities being established in various sectors of the economy, the regulatory function of the taxing statute has been withdrawn.

8. Providing stability: At present, the rates of taxes are stipulated in the Finance Act of the relevant year. Therefore, there is a certain degree of uncertainty and instability in the prevailing rates of taxes. Under the Code, all rates of taxes are proposed to be prescribed in the First to the Fourth Schedule to the Code itself thereby obviating the need for an annual Finance Bill. The changes in the rates, if any, will be done through appropriate amendments to the Schedule brought before Parliament in the form of an Amendment Bill.

IV Conclusion:

The DTC 2013 drafted keeping in mind the loopholes in the prevailing Act. The proposed direct tax code will provide better and more efficient tax structure by eliminating & reducing loopholes prevailing at present in economy. It will provide smooth transition from IT Act to Direct Taxes Code.

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Jump up^ *DTC's impact on India Inc*

Direct Tax Code Bill & Existing Direct Tax Laws India

A comparative Analysis

Dr. H.P. Shirke

M.COM., M.PHIL.,PHD.

S. V. Bacche

M.COM, NET, LLB (SPL)

Arts & Commerce college, Kadepur

Mahavir Mahavidyalaya,Kolhapur

1. Introduction:-

Direct taxes are the main source of revenue for the government of India. Out total Budget direct taxes collection having 55% which provided for welfare & development activities. In India, Direct Tax comprises Income Tax Act 1961, The Indian Tax Rules, circulars notifications & Case laws. It also includes Wealth Tax, Corporation Tax, Property Tax, Gift Tax etc.

- Income Tax Act – The levy of income tax in India is governed by the Income Tax Act 1961.This act come's into force on 1st April 1962. The Act contains 298 sections & XIV schedule. The as undergo charge every year with addition & deletion brought by the finance Act passed by parliament.
- Income Tax Rules - The administration of direct taxes is looked after by the Central Board of direct Taxes (CBDT). The CBDT is empowered to make rules for carrying out the purposes of the Act. For the proper administration of the Income Tax Act, the CBDT frames rules from time to time. These rules are collectively called Income Tax Rules, 1962.
- Circulars/Notifications - Circulars are issued by the CBDT from time to time to deal with certain specific problems and to clarify doubts regarding the scope and meaning of the provisions. The department is

bound by the circulars while such circulars are not binding to the assesses, they can take advantage of beneficial circulars.

- Case Laws - This is an unavoidable part of income tax law. It is not possible for Parliament to visualize and provide for all possible issues that may arise in the implementation of the Act. Hence the judiciary will hear the disputes between the assesses and department and give decisions on various issues. Supreme Court decisions become the law of the land and decisions by various high courts will apply in the respective states.

- The wealth Tax Act 1957 -The levy of Wealth Tax in India is governed by the wealth Tax Act 1957. This act comes into force on 12th Sept. 1957. Wealth tax at flat 1%, the undergo change every year with addition & deletion brought by the finance Act passed by parliament.

2. Need for comprehensive review of the Income Tax & Wealth tax Act. :-

The Income Tax Act, 1961 has been subjected to numerous amendments since its passage Fifty Four years ago. It has been considerably revised, not less than Thirty Four times, by amendment Acts besides the amendments carried out through the annual finance Acts. As a result of all these amendments, the basic structure of the Income Tax Act has been overburdened & its language has became complex.

The Wealth Tax Act 1957 has also witnessed amendments. The Government therefore, decided to revise, consolidate & Simplicity the language and structure of the direct tax laws. Also, new principles that have gained international acceptance have been adopted in the code.

3. Why Direct tax code bill?

This existing both Acts has been criticized for being economically insufficient, incompatible wish current requirement & inequitable to all tax payers. Numerous amendment over the year's are said to have overburdened the basic structure of the Income Tax Act 1961 & Wealth Tax 1957, made it's language more complex so in August 2009, the ministry of bill finance came out with draft of Direct Tax Code (DTO) with the purpose of replacing the existing Income & Wealth Tax.

4. The Direct Taxes Code Bill:-

The Ministry of Finance released the Direct Taxes Code (DTC) Bill, 2009 on 12th August 2009. The code has been drafted in a transparent, logical and simplified manner and is ease for an ordinary man to comprehend.

Discussion Paper on DTC has been brought on March 2013 in response to the suggestions received from different quarters, various classes of assesses, Chamber of Commerce and public at large and the Ministry issued a new revised Direct Taxes Code Bill.

Some of he significant changes proposed in the DTC have been reversed.

The main purpose of replacing the Income Tax Act 1961 with this new Direct Taxes Code is to improve the efficiency and equity of the tax system by eliminating distortions in the tax structure, improving new level of taxation and expanding the tax base.

5. Salient Features of the Direct Taxes Codes - 2010:-

The Government seeks to provide a modern tax code, which is in step with the needs of a fast growing economy and is aimed at widening the tax net and increasing public revenue. The salient features of the Code, as per the Government of India, are follows:

i) It consolidates and integrates all the Direct Tax laws.

ii) It simplifies the language of the legislation. The existing concept of 'previous year' and 'assessment year' has been dropped. Under the Code, all rights and obligations of the taxpayer and the tax administration will be with reference to the 'financial year'.

iii) It enhances the stability in direct tax rates. Under the Code, all rates of taxes are proposed to be prescribed in Schedules to the Code, thereby obviating the need for annual Finance Bill, if no change in the tax rate is proposed.

iv) It makes into account increased cross border mergers and acquisition by Indian corporate.

v) It streamlines tax rates and administration for Foreign Institutional Investors.

vi) Strengthening of tax provisions for international transactions. The salient new provisions with regard to international taxation are :

a. Introduction of Advance pricing Agreements (APA) for International Transactions.

b. Alignment of concept of residence (of a Company) with India's tax treaties by introduction of concept of "place of effective management" instead of "wholly controlled" in India.

c. Controlled Foreign Company Regulations.

d. Introduction of Branch profit Tax on foreign companies in lieu of higher rate of taxation.

e. Introduction of General Anti Avoidance Rules (GAAR), to curb aggressive with investment linked incentives.

vii) Rationalization of exemptions and replacement of profit linked tax incentives with investment linked incentives.

viii) Simplification of Appellate Procedure for public Sector Undertakings.

6. Direct Taxes Code (DTC) and Income Tax Act 1961 (ITA) – A Comparison

1. Existing Income Tax Act 1961 & wealth tax Tax (Covering Income Tax, TDS, FBT & wealth taxes) are totally abolished & single code of tax, Direct tax code in place.

2. Earlier Income tax Act has concept of Assessment year & previous year is abolished. Only the 'financial year' concept exists in DTC which means income tax paid on the basis of financial year not on the basis of assessment year.

3. Under ITA the terminology of assesses was meant's for the person who is paying tax & or who is liable for proceeding under the Act. Under DTC it has been extended. The scope namely a person, whom the amount is refundable, and or who voluntarily files tax return irrespective of tax liability.

4. Compare with ITA there is no changes in the system of Advance Tax, self Assessment Tax & also TDS.

5. Under ITA deduction for Housing Loan repayment of self occupying properly is available. Under DTC No deduction for housing loan repayment of self occupying house property, This includes interest as well as part of principal.

6. Under ITA Government assesses are not liable for Income Tax and wealth Tax. DTC Government assesses is covered in DTC with provision of Tax deducted at source & Tax collected at Source.

7. Under DTC Income has been proposed to be classified into two broad groups :

i. Income from Ordinary Sources refers to:

§ Income from Employment

§ Income from House Property

§ Income from Business

§ Capital Gains

§ Income from residuary sources (similar to other sources).

ii. Income from Special Sources to include specifies income of non-residents, winning from lotteries, horse laces, gambling, betting, crossword puzzle, etc. Accordingly, such income would be liable to tax on net income basis.

8. Under DTC five categories of ordinary source can have multiple source can have multiple source under each head for e.g. multiple employee, multiple business, multiple properties etc. After aggregate all the heads & arrive the figure of current income from ordinary source. Then this value has to be aggregated. With "unabsorbed losses as of immediate preceding financial year." Such aggregated income will be treated as "Gross Total income from ordinary sources." Such Gross Total income will be further reduced by incentive's similar to earlier chapter VIA deductions. The resultant amount will be "Total income from ordinary sources."

9. Losses arising from Ordinary Sources to be eligible for set off or carry forward and set-off against income only from ordinary sources without any time limit. Similar treatment would apply for set off and carry forward of losses from Special Sources. Loss arising from speculative business, losses under the head capital gains, and losses from the activity of owning and maintaining horse race to be set off only against such income in the same or succeeding financial years. Under ITA losses can be set-off and carry forward only for a limited period of time.

10. Under ITA short term capital gain shall be taxable @15%. Under DTC the effective rate of tax for short term capital gain will be 5%, 10%, & 15% according to income slab in which an individual investor will fall.

11. MAT now applicable to SEZ developers and SEZ units and SEZ developers now subject to Dividend Distribution Tax (DDT) similar to SEZ units. DTC also allow a 100% tax exemption to SEZ units on the profits for 2 years further after it will come into force.

12. Income distributed by mutual fund to its unit's holders of equity oriented fund- Under ITA No tax on income distributed but under DTC 5% tax on income distributed.

13. Income distributed by life insurance companies to policy holders of equity oriented life insurance schemes - Under ITA No tax on income distributed but under DTC 5% tax on income distributed.

14. General Anti Avoidance Rules (GAAR) - No such provisions under ITA but under DTC, it empowers tax authorities to declare an arrangement impermissible under certain condition.

15. Treaty Override Proposal - Under ITA Treaty or the ACT whichever is more beneficial, to prevail but under DTC Treaty or the ACT whichever is more beneficial, is to prevail subject to some specific limitation (it can impact foreign business dealing adversely).

16. Residential Status of Foreign Companies - Under ITA a foreign company Resident in India only if controlled and managed wholly in India. Under DTC the focus will be shifted to place of effective management.

7. Direct Taxes Code (DTC) and Wealth Tax Act 1957 - A Comparison

Wealth tax collection in India is rather measly, both in absolute terms and relative terms.

Wealth tax at a flat 1%, as proposed n the DTC, is highly regressive and should be

increased. With a very low wealth tax to GDP ratio, India performs very poorly in wealth

tax collection as compared to a number of other countries.

Under Wealth Tax Act 1957, no wealth tax on companies. Under DTC wealth tax is

proposed on companies on wealth exceeding One Crore, tax generally on non productive

assets. However value of equity in preference shares held by a resident in controlled

foreign company will be liable to tax .

8. Observation of Direct Tax code (DTC) :-

a. Despite the simplification of DTC, it does not appear to be user friendly. Further, it is found that there is no significant structural change in chapterisation and the design of DTC.

b. The bulkiness of the statute has been sought t be reduced by creating large number of schedules, creating more confusion than clarity. While the clauses of tax laws have been reduced to 319 in DTC-2010 from the combined provisions of Income Tax Act and Wealth Tax Act (around 750), the schedules are increased from 14 to 22. The arrangement of chapters and sequence of clauses also lack coherence.

c. Some definition provisions like Clause 314 have been sequenced towards the end of the Code, rather than at the very beginning as per established practice.

d. Some of the definitions of the terms connected with the provisions relating to international taxation and anti-avoidance are open-ended and ambiguous, leaving scope for avoidable litigation.

e. Accountability of assessing officers is present neither in the existing tax administration nor in the proposed DTC.

f. Extensive rule-making powers are provided in the Code, which could compromise the supreme authority of parliament.

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Impact of Direct Tax Code on Investment Strategy

Dr. M. A. Koli

M.Com, M. Phil, Ph. D.

Sadashivrao Mandlik Mahavidyalay,

Murgud, Tal. Kagal, Dist. Kolhapur

Introduction

Every person with an income in excess of a prescribed limit has to pay a tax. Such tax charged on excess income is called income tax. Income tax is an important source of revenue to the Government. Progressive rate of income tax also serves as an effective device of minimizing the inequalities in the distribution of income and wealth.

Indian Income tax act 1961, provides the mechanism for the computation of taxable income of a person. It defines the term ‘person’ in such a manner that each and every entity is brought within the jurisdiction of the act. There are 298 sections of income tax act 1961, as amended up to date. The finance act passed every year during the budget session of the parliament prescribes the rates of tax applicable on the income during the forthcoming financial year.

Economic Crisis

The economic crisis of 1991 lead to structural tax reform in India with main purpose of correcting the fiscal imbalance. Subsequently, the Tax Reforms Committee headed by Raja Chelliah (Government of India, 2002) and Task Force on Direct Taxes headed by Vijay Kelkar (Government of India,2002) made several proposals for improving income tax system. These recommendations have been implemented by the Government in phases from time to time. The main objective of these reforms has been to enhance
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tax revenue by enlarging tax base, encouraging voluntary tax compliance and simplifying procedural rules.

Indian Tax Structure

Tax structure refers to the various taxes that constitute the tax system of a country, broadly comprising of direct and indirect taxes. Income tax and wealth tax are the main direct taxes while excise duty and custom duty are the main indirect taxes of the central Government of India. Income tax can be categorized in two parts viz. Personal Income Tax and Corporate Tax. Income tax levied on individuals, Hindu undivided families (HUFs), firms, association of persons (AOPs), body of individuals (BOIs), local authorities and artificial juridical persons is called Personal Income Tax and income tax levied on companies is called Corporate Tax.

Direct Tax Code Concept

The Finance Minister recently announced the proposed Direct Tax code. The code aims at a comprehensive reform in the sphere of personal and corporate taxation. We would however discuss the impact of the direct tax code on common people. To safe guard the interest of business, industry and workmen there are number of chambers of commerce and trade unions but for common self employed people and retired people there are none.

There is a difference between 'Code' and the 'Act'. The government is trying to bring in 'Direct Tax Code' instead of present system of 'Tax under Finance Act'. The code would be permanent affairs. Once tax act is converted into a code it would generally not be necessary to introduce changes every year along with budget. This is a reform which the government wants to bring in for the good of the people.

Impact of Direct Tax Code on Mutual Funds

Equity-linked saving schemes (ELSS): The main reason why investors invest in ELSS funds is to save tax. At the end of every financial year there is a rush to subscribe to ELSS funds. The major change that will come under the new DTC is that tax exemptions for ELSS funds will no longer be valid. They are treated like any other equity mutual fund for tax purposes. ELSS along with NSC and 5-year tax saving bank fixed deposits (FDs) will also be stripped off the Section80Cdeduction.

Impact-on-Insurance

The DTC will have a significant impact on insurance as it will apply to existing policies too. According to the code, any amount you receive at maturity from an insurance policy (including bonus) will be taxed. However, this rule will not apply to policies where premium paid in a year is less than five percent of sum assured each year and the policy is kept till maturity. The DTC aims to nudge policyholders to take a long-term view on investments. To be eligible for tax deduction under DTC, a policy should have a life cover of at least 20 times the annual premium.

Conclusion

The code would be permanent affairs. Once tax act is converted into a code it would generally not be necessary to introduce changes every year along with budget.The Direct Tax Code (TDC) is nothing but a step in that direction. Investors have to now get used to having fewer exemptions and plan their investments from a returns perspective rather than a tax perspective.

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An Overview of Investment Avenues and Strategies for Tax planning for Investors.

Asso. Prof. R. B. Teli,
HOD, Commerce and Management,
Shivraj College, Gadhinglaj,
Dist- Kolhapur-416502

1) Introduction:

It is important to save and invest in order to get financial freedom. Every person wants to become wealthy and live satisfied life, which need money and its best investment. Investment is the activity, which is made with the objective of earning some sort of positive return in the future. It involves sacrificing the present consumption to get return in future. In fact the returns in future may be uncertain, which indicates risk. To get better returns, liquidity, security, appreciation, annual returns, tax rebates, and proper management of funds is needed. To put all eggs in one basket is very risky, so one has to invest money in different types of avenues like cash, shares, mutual funds, bonds, debentures, deposits, mutual funds, bonds, real assets gold, insurance postal investments, health and in social cause like donation etc. The present study attempts to focus on different avenues of investments and strategies for tax planning for individuals.

2) Review of literature:

According to Uppalli and Aleem (2012), ' The first reason for saving is to build an emergency fund, which provides for expenses that can occur from unplanned events such as job loss, health problems, accidents and home repairs. Savings are a good way to fund investing'.

Vyas and Monnat, (2012) studied the perception and behavior of mutual funds investors and revealed that 'Lump sum investment was the most preferred mode followed by Systematic Investment Plan (SIP). Gold was the most important among investors and mutual funds ranked 6th in this regard. Further, mutual funds got an average score on all parameters like safety, liquidity, reliability, tax benefits and high return'.

Renu Ghosh, (2014) opined that 'the returns in a mutual fund depend upon the performance of the fund in the capital market'.

Nagarkar A.A. (2013), concluded 'In her study that, in the current scenario, investment is very important and investment in stock markets is a major challenge ever for professionals. The young people should start investing earlier so that they can reap the benefits of investing in future. People should keep their eye open and keep updating themselves about various investment avenues so that they can get safe returns'.

Sopan K. (2012), explained in this article that 'government is of the people by the people and for the people, Hence, the sole objective of it is welfare of the general public. Direct and indirect taxes are one of the sources of revenues to the govt. for the welfare of the general public'.

Rajesh kumar and Arrora (2013) found that a majority of the respondents expressed their agreement with regard to the statements 'Mutual Fund are useful for small investors', 'MFs have better professional expertise than an individual investor' 'Tax incentives on MF investments should be increased', Private sector MFs perform better than public sector MFs'.

Y. Rama Krisha, (2010) concluded that investment in common stocks provided more returns than any other financial assets. Seventy Three percent sample stocks reported annualized returns of 50% and above and 18% of stock between 25% and 50%.

3) Investment Avenues-

Traditional investment avenues were real estates, fixed assets, schemes of post offices, banking products, insurance policies etc. Now-a-days a wide variety of investment avenues are open to investors according to their needs and expectations. Different Investment avenue are explained here and tax benefits are also discussed silmulateneoulsy.

a) Cash and Bank Balance-

Cash and bank balances are needed daily transactions as like blood in human body. But more than fifty percent of people in India have no bank account. The central government has launched different schemes to cover unbanked population to open bank accounts and succeeded to have crore of amounts as bank deposits. Current deposits have more interest but savings deposits have 3 to 4 percent interest. Fixed deposits for the period from one month to 5 years have different rates of interest ranging from 7 to 10 percent. Some institutions attract depositor by offering more rate of interest, but people must assess such institutions working and then only go for investment.

b) Post Office Investment –

Post office offers deposits, monthly income schemes (MIS), recurring deposits, NSC, PLI etc. MIS is a popular scheme which offers 13% rate of interest and bonus of 10% after 6 years. Postal investment offers the rate of return ranging from 5% to 13%.

c) Life Insurance –

It is a mixture of risk and investment, which protects family of the deceased person and also provides for future with tax benefits. There are schemes which covers only risk with minimum premium. Mediclaim policies reimburse medical expenses of the insured person. Pension policies offer retirement benefits

d) Tax saving schemes –

The qualified savings is raised to Rs.1,50,000/- for Assessment year 2014-15 under section 80C. The annual ceiling limit for investment in Public provident fund has been raised from Rs. 1 lakh to 1.5 lakh. Tax savings schemes cover the following avenues –

The employees contribution to provident fund, PPF, tution fees of 2 childern, principal amount of the housing loan repaid, annual premium paid or 20% of the LIC policy whichever is less, covering lives of family members, contribution to Equity link of Insurance scheme (ELSS) superannuation fund, NSC, Mutual funds, fixed deposits in banks, which should have lock in period of 5 years and above, pension fund, units of UTI, environment funds etc.

e) Negotiate Instruments-

The financial securities, which are transferable are known as negotiable instruments which include – equity shares, preference shares, debentures, bonds, kisan vikas patra (KVP), treasury bills, commercial paper, Certificate of Deposits (CDs) etc.

f) Gold, Silver -

Investment in gold, silver ornaments and a jewellary is known as traditional. It should be kept in minimum. To get benefit of market fluctuations go for investment in gold fund. The investment in Gold Exchange Traded Fund has been raised by five times.

g) Real Estate -

Investment in real estate, land, agricultural land, plot, house, flat etc. gives higher returns in long-term. It is vital to ensure legalities before any purchase of real estate. For tax-payers the interest paid or payable on housing loan is deductible under section 24 of IT Act which opens a way to reduce higher rate of tax saves rent. Under section 80C, principal amount of housing loan paid is deductive from income maximum up to Rs. 1.50 lakh.

h) Donations-

Donations paid for certain funds like Prime Minister's National Relief Fund, National Communal Harmony fund etc. are cent percent deductible from total income under section 80G. Further other donations to approval Temples/Churches/Mosques/Gurudwara/Trusuts are qualified for deduction up to 50% of donations given and should not exceed dedection 10% of the adjusted gross total income. Taxpayers can reduce tax liability by paying donations.

i) Other Investments -

Payment and Investment made in the following avenues are being considered for tax deductions –

i. Provident fund
ii. Public Provident Fund
iii. Unit Linked Insurance Plan
iv. Mutual Fund (specified)
v. Subscription to national housing bank deposit

vi. Time deposits in Post Office for 5 years

vii. Shares and debentures of infrastructure development companies

viii. Contribution to pension fund up to Rs. 100000/-

ix. Maintenance and medical treatment of handicapped dependent under section 80 DD.

x. Interest on loan taken by individual for his higher education under section 80 E

xi. Rent paid by individual under section 80GG who is not in receipt of house rent allowance (HRA). The deduction can be claimed for the amount which is least of the following three-

a. Actual Rent paid less 10% of his total income

b. 25% of his total income

c. Rs. 2000/- P.M.

j) Portfolio Management -

The main objective of investment is to offset inflation, to get benefit of the investment appreciation by compounding Interest, to save tax etc. A list of investments held is known as Portfolio. Portfolio management is decision designed to meet the multi- faced needs of investors. Portfolio decisions are affected by the stage in life cycle, family responsibilities, investors experience, liquidity needs, tax considerations, assurance of income attitude towards risk etc.

4) Conclusions and Suggestions-

Investors should learn about new investment avenues in order to get better returns and for safety of their investments. To reduce black money (near about Rs. 25 lakh crore in India). The income tax rates should be reduced. RBI should keep eye on institutions doing wrong in the field of finance. On-line trading of securities should be increased by educating the people in this regard.

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Prologue of Goods and Services Tax in India

Dr.U.R.Shinde

(Sadashivraov Mandlik Mahavidyalay,

Murgud)

Introduction-

Economist **De Marw** has stated *"A tax is a price which each citizen pays to the Government to cover his share of the cost of general public services which he consumes"*. The indirect tax system in India has undergone extensive reforms for more than two decades. Even after these reforms, it is still a highly fragmented and distortionary tax structure featured by multiple tax rates, barriers to interstate trade, and cascading of taxes. However, these reforms have succeeded in preparing the ground for the introduction of a comprehensive goods and services tax (GST). Goods and Services Tax (GST) is significant logical step towards a comprehensive indirect tax reform in the India. India is planning to implement a dual GST system. Under dual GST, a Central Goods and Services Tax (CGST) and a State Goods and Services Tax (SGST) will be levied on the taxable value of a transaction. All goods and services, barring a few exceptions, will be brought under one unified tax i.e. GST. There will be no distinction between goods and services. The proposed dual GST system is considered as one of the biggest taxation reforms in India. It is all set to integrate State economies and boost overall growth. It is expected that the proposed Goods and Services Tax will create a single, unified Indian market to make the economy stronger. In the year 2009 while presenting annual budget of the country, then Finance Minister Pranab Mukharjee has announced that the proposed Goods and Services Tax will be levied on and after 1st April, 2010. But still lot of discussion is going on among Empowering Committee specially formed for this purpose and state Governments for its

better structure and implementations. It is announced that the goods and services tax is set to be implemented on 1st April, 2016.

2. Objectives of the research –

As we know the proposed GST is one of the major tax reforms in India, while framing the structure the tax maximum transparency, homogeny and clarity is expected. Therefore, a wide discussion on the tax has been still going on. In this regard the present research paper has following objectives.

1. To study the proposed structure of Goods and Services Tax to be implemented in India.

2. To review shortcomings of present tax structure i.e. VAT and justification of GST thereby.

3. To know, which of the present central and state taxes will be subsumed under GST?

3. Research Methodology-

The present research is of descriptive in nature. It is based purely on secondary data. The theoretical inputs used in this paper are taken from the First Discussion Paper on Goods and Services Tax presented by Empowered committee of State Finance Ministers in 2009. The contents of the said discussion paper are summarized and simplified in order to make it digestible to common citizen.

4. What is Goods and Services Tax?

Goods and Services Tax (GST) is a comprehensive tax levy on manufacture, sale and consumption of goods and services at a national level. Through a tax credit mechanism, this tax is collected on value-added goods and services at each stage of sale or purchase in the supply chain. The system allows the set-off of GST paid on the procurement of goods and services against the GST which is payable on the supply of goods or services. However, the end consumer bears this tax as he is the last person in the supply chain. Therefore this tax may be called as 'Destination Point Tax' instead of Entry Level Tax. The proposed GST intends to remove other taxes such as octroi, Central Sales Tax, State-level sales tax, entry tax, stamp duty, telecom licence fees, turnover tax, tax on consumption or sale of electricity, taxes on transportation of goods and services, etc, thus avoiding multiple layers of taxation that currently exist in India.

5. Justification of Goods and Services Tax on VAT -

Despite the success of VAT, there are still certain shortcomings in the structure of VAT, both at the Centre and at the State level.

1. There is still non-inclusion of several Central taxes CST additional customs duty, surcharges etc under CEVAT etc., and thus keeping the benefits of comprehensive input tax and service tax set-off out of reach for manufacturers/dealers.

2. There is no step has yet been taken to capture the value-added chain in the distribution trade below the manufacturing level in the existing scheme of CENVAT.

3. There are several taxes which are in the nature of indirect tax on goods and services, such as luxury tax, entertainment tax, etc., and yet not subsumed in the VAT.

4. In the present State-level VAT scheme, CENVAT load on the goods remains included in the value of goods to be taxed under State VAT, and contributing to that extent a cascading effect on account of CENVAT element. This CENVAT load needs to be removed.

5. At present excise duty paid on the raw material consumed is being allowed as Input Tax Credit (ITC) only. For other taxes and duties paid for post-manufacturing expenses, there is no mechanism for input tax credit under the Central Excise Duty Act.

6. Input tax credit for service tax paid is being allowed manufacturer/ service provider to a limited extent. In order to give the credit of service tax paid in respect of services consumed, it is necessary that there should be a comprehensive system under which both the goods and services are covered.

7. At present, the service tax is levied on restricted items only. Much other large number of services could not be taxed. It is to reduce the effect of cascading of taxes, which means levying tax on taxes.

8. A major defect under the State VAT is that the State is charging VAT on the excise duty paid to the Central Government, which goes against the principle of not levying tax on taxes.

9. In the present State level VAT scheme, Cenvat allowed on the goods remains included in the value of goods to be taxed which is a cascading effect on account of Cenvat element.

10. Many of the States are still continuing with various types of indirect taxes, such as luxury tax, entertainment tax, etc.

11. As tax is being levied on inter-state transfer of goods, there is no provision for taking input tax credit on CST leading to additional burden on the dealers.

12. Central Excise duty, additional excise duty, services tax and additional duty of customs (equivalent to excise), state VAT entertainment tax, taxes on lotteries, betting and gambling and entry tax (not levied by local bodies)would be subsumed within GST.

6. Salient Features of proposed Goods and Services Tax –

The features of proposed Goods and Services Tax are follows

1. It would be applicable to all transactions of goods and service.

2. It to be paid to the accounts of the Centre and the States separately as dual GST model implemented through multiple statutes

3. GST have two components i.e. levied by the Centre Central Goods and Services Tax (CGST), levied by the States State Goods and Services Tax (SGST).

4. CGST and SGST applicable to all transactions of goods and services made for a consideration except the exempted goods and services

5. Allowed to be taken as input tax credit (ITC). Credit of CGST to be used against payment of CGST only and Credit of SGST to be used against payment of SGST

6. In proposed GST cross utilization of input tax credit between the CGST and the SGST would not be allowed except in the case of inter-State supply of goods.

7. Uniform procedure for collection of both Central GST and State GST would be prescribed in the respective legislation for Central GST and State GST along with making refund of GST should be avoided by both the Centre and the States except in the cases such as exports,

8. The taxpayer would need to submit common format for periodical returns, to both the Central and to the concerned State GST authorities.

9. Each taxpayer would be allotted a PAN-linked taxpayer identification number with a total of 13 or 15 digits.

10. Threshold limit of gross annual turnover of RS.10 lakh both for goods & services for all States for small trader or SSI to keep him out of purview of SGST and Threshold limit for CGST for goods Rs. 1.5 crore.

11. Composition/Compounding Scheme for the purpose of GST cut-off at Rs. 50 lakh of gross annual turnover and a floor rate of 0.5% across the States.

12. Assessment, enforcement, scrutiny and audit by the authority collecting the tax, with information sharing between the Centre and the States.

7. Taxes to be subsumed under proposed Goods and Services Tax-

Central Taxes to be subsumed under GST	State Taxes to be subsumed under GST
➢ Central Excise Duty	➢ VAT/Sales tax
➢ Additional Excise Duties	➢ Entertainment tax (unless it is levied by the local bodies).
➢ The Excise Duty levied under the Medicinal and Toiletries Preparation Act	➢ Luxury tax
➢ Service Tax	➢ Taxes on lottery, betting and gambling.
➢ Additional Customs Duty, commonly known as Countervailing Duty (CVD)	➢ State Cesses and Surcharges in so far as they relate to supply of goods and services.
➢ Special Additional Duty of Customs – 4% (SAD)	➢ Entry tax not in lieu of octroi
➢ Surcharges, and Cesses	

8. Taxes that may or may not be subsumed –

There are few other indirect taxes that may or may not be subsumed under the GST regime as there is no consensus among States and Centre & States –

1. Purchase tax -Food grains producing States and certain other States were appreciated as substantial revenue is being earned by them from Purchase Tax.Purchase Tax has to be subsumed then adequate and

continuing compensation has to be provided to such States. This issue is being discussed in consultation with the Government of India.

2. Tax on items containing Alcohol - Alcoholic beverages would be kept out of the purview of GST. Sales Tax/VAT can be continued to be levied on alcoholic beverages as per the existing practice.Excise Duty, which is presently being levied by the States may not be also affected.

3. Tax on Tobacco products - Tobacco products would be subjected to GST with ITC. Centre may be allowed to levy excise duty on tobacco products over and above GST without ITC.

4. Tax on Petroleum Products -Crude, motor spirit (including ATF) and HSD would be kept outside GST. Sales Tax could continue to be levied by the States on these products with prevailing floor rate, ssimilarly, Centre could also continue its levies. To keep Natural Gas outside the GST will be decided after further deliberations

5. Taxation of Services - Centre and the States will have concurrent power to levy tax on all goods and services. Constitution requires amendment for levy tax on services by the states. At present only Centre can levy tax on services.

6. Stamp Duty -

7. Vehicle Tax -

8. Electricity Duty -

9. Other Entry taxes and Octroi -

9. Conclusion –

The present tax structure of goods and services in India has been known as a cascading and distortionary tax on production which results into improper distribution of resources and lower productivity and economic growth. It is well recognized that this problem can be effectively addressed by shifting the tax burden from production and trade to final consumption. But it is criticized that CGST, SGST and IGST are nothing but new names for Central Excise/Service Tax, VAT and CST, and hence GST brings nothing new to the table. Near about 140 plus countries have already implemented the GST. Most of the countries have a unified GST system. Brazil and Canada follow a dual system where GST is levied by both the Union and the State governments. Therefore, it may be said that, a well designed end consumer level value added tax on all goods and services is the most elegant method of eliminating distortions and taxing consumption. Under this structure, all different stages of production and distribution can be considered as a mere tax pass-through, and the tax essentially charged on final consumption within the taxing jurisdiction. To optimize efficiency, equity and effectiveness, a flawless structure of proposed Goods and services Tax should be implemented in a country like India and let's hope that the Empowered Committee will take all necessary care.

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Direct Tax Code and Common Man

Dr. Ram Ningappa Naik
Assistant Professor,
Department of Commerce,
Arts and Commerce College,

Introduction

In the 19th century India had seen British Rule. In those period British Government felt acute financial difficulties consequent to the Freedom Struggle of 1857 and to fill up this gap Treasury Income Tax Act was introduced for the first time in February, 1860 by James Wilson who became India's first Finance Member.

'At present, the Income Tax Act 1961 is in force in India on the basis of recommendations of Law Commission and Direct Taxes Administration Enquiry Committee under the chairmanship of shri Mahavir Tyagi. The present Income Tax Act was enacted in 1961, which came into force on 1st April, 1962.

Different Committees

The Government of India has constituted various committees after Independence–Investigation commission under Srinivasa Varadachariar (1947), Taxation Enquiry Commission under Dr. John Mathai (1954), Direct Taxes Administration Enquiry Committee-Tyagi Committee under Shri Mahavir Tyagi (1958), Committee for Rationalisation and simplification of Tax Structure under Bhoothalingham (1967), Direct Taxes Enquiry Committee under Wanchoo (1971), Committee on Taxation of Agricultural wealth and Income under K. N. Raj (1972) , Tax Reforms Committee under Dr. R. J. Chelliah(1971), Advisory group on Tax policy and Tax Administration under
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Parthasarathi Shome(2001), Task Force under Dr. Vijay Kelkar in 2002 - to study the various aspects of tax revenues, administration, tax policy, structure of tax and also simplify various provision of law and procedures and make them more effective.

The Finance Ministry had released a new draft Direct Tax Code (DTC)-2013, which is a document containing changes in Exemptions, Tax slab etc. This will be a big change to five-decade old Income Tax Act. The new DTC would be implemented from April 1, 2015. The existing Income Tax Act and Wealth Tax Act are going to be abolished and single code of tax, DTC would be in place. Concept of assessment year and previous year will be abolished. Status of Resident but not ordinarily resident will stand cancelled. The DTC would make dramatic impact on Indian Economy.

Review of Literature

Pande (2006) studied about Direct Tax Reforms in India and cross country comparison of Tax- GDP Ratio. He found that Tax-GDP ratio was 9.3% in 2003-04 in India which was the lowest among the developing countries while countries like Sweden Tax to GDP ratio as high as 54% in 2003-04.

Deshpande (2011) studied about Indian Tax Reforms and Issues related to Direct Tax Code. She found that systematic reforms in Indian Tax system are seen after 1990. She also found that DTC would have great positive impact on Indian Economy and it would be help to lower fiscal deficit to less than 3% of GDP.

Mittal P. (2012) studied about impact of DTC on different issues (factors). He also give emphasis on the major highlights of DTC in India. Also studied the concept of DTC and its evaluation.

Patel R. K. (2012) has studied impact of direct tax on Indian Economy. He had investigate d the Tax contribution to GDP in India and impact of Direct Tax Code -2010 on Individual Income. He found that Direct Tax to GDP ratio, Indirect Tax to GDP ratio and Total tax to GDP ratio have increased in the post reforms period. However Indirect Tax to GDP ratio and Total tax to GDP ratio were declined study period.

Dr. Ransariya S.N. (2012) has studied the impacts of The Direct Tax Code on Individual income by comparison of existing income tax Act and

New Direct Tax Code. However he had firmly concluded because of not getting firm documents.

Some Issues in DTC

The Finance Ministry on Tuesday released a revised Direct Taxes Code (DTC) for comments. The new tax code is meant to create an efficient direct tax system by replacing the archaic Income Tax Act.

1. The draft tax code proposes a new tax rate of 35% for individuals having income exceeding Rs. 10 crore.

2. There is no tax on income of up to Rs 2 lakh per annum, 10% on Rs 2 lakh to 5 lakh ,20% on 5 lakh to Rs. 10 lakh and 30% on income beyond Rs. 10 lakh.

3. The draft Direct Tax Code-2013 proposes to reduce the age for tax exemption for senior citizens to 60years from 65years.

4. The new draft tax code widens the base for levy of wealth tax. The revised code captures all assets for wealth tax, whether physical or financial, thereby removing the distinction between physical and financial assets. Wealth tax is proposed to be levied on individuals, Hindu Undivided Family (HUF) and private discretionary trusts at the rate of 0.25%. The threshold for levy of wealth tax in the case of individual and HUF shall be Rs 50 crore

5. With a view to provide parity in treatment of insurance products and mutual fund products, the new Direct Tax Code proposes to levy income distribution tax on equity linked insurance products on the lines of equity oriented mutual funds.

6. The new tax code proposes additional tax @10% to recipient of dividend (liable to dividend distribution tax) exceeding Rs 1 crore. Under the Income-Tax Act, the dividend distribution tax is to be levied at the rate of 15%.

7. The revised DTC says the provisions of 'Income from house property' shall not apply to the house property, or any part of the house property, which is used for business or commercial purposes.

8. The new tax code says the amount of rent received in arrears or the amount of rent which is not realised from a tenant and is realised subsequently shall be deemed to be the income from house property of the financial year in which such rent is received or realized.

9. For the purposes of deduction in respect of interest on loan taken for self-occupied house property, the loan given by the employer should also qualify for this concession

10. Salary Income - The limit for medical reimbursement is proposed to be enhanced from Rs 15,000 to Rs 50,000. But the exemptions in relation to Leave Travel Assistance, children education allowance and hostel allowance are missing in the DTC. Salaried class, in fact, would need to wait to know the real impact as rules for valuation of perquisites have still not been rolled out.

11. Rental Income-Those having rental income will have to pay little more under DTC as the standard deduction is proposed to be reduced from 30 per cent to 20 per cent. The concept of taxing income from house property on notional basis has been done away and it is the income from actual letting which would be taxed.

12. Capital gains -The concept of long term capital gains (LTCG) and short term capital gains (STCG) has been done away with, in the DTC. Capital gains would be taxable as income from ordinary sources at applicable slab rates. Individuals falling under 30per cent tax bracket having any taxable LTCG are presently taxed at 20 per cent. Such individuals may end up paying 30 per cent tax on such gains under the DTC regime. The LTCG gain arising from shares or equity linked mutual funds (assets) on which STT has been paid would continue to be not taxable as under the DTC 100 per cent deduction is to be allowed from such gains. However, individuals falling in the tax bracket of 10 per cent or 20 per cent and having STCG would pay lower tax at 5 per cent or 10 per cent respectively as 50 per cent deduction has been proposed from such gains under the DTC. STCG from such assets presently suffer tax at 15 per cent.

13. The benefit of indexation is proposed to be provided in respect of assets transferred after one year from the end of the fiscal year in which it is purchased. The date of considering the fair market value as on April 1,1981 is also proposed to be advanced to April 1,2000.

14. Deductions- DTC proposes to restrict the deduction of Rs 1,00,000 only to the approved funds, namely, approved provident fund, pension fund, superannuation fund, PPF etc. However, an additional deduction of Rs 50,000 has been proposed to cover payments such as life insurance

premiums (where premium not to exceed 5 per cent of sum insured),health insurance premiums and the tuition fee. The principal repayment of housing loan,5 year term deposits with banks or post offices or deposits in senior citizens saving schemes, non pure life insurance premiums etc will no longer be eligible for deduction under the DTC.

15. Others - Currently, Indian citizens qualifying to be ordinarily resident are subjected to wealth tax in India on their wealth situated anywhere in the world. Assets situated outside India are excluded from the taxable wealth in case of non-residents or even for any ordinarily resident foreign nationals. Under the DTC, ordinary residents be taxed on their wealth situated anywhere in the world irrespective of whether such individuals are citizens of India or not. Although the taxable wealth exemption limit is proposed to be enhanced from Rs 30 lakh to Rs 1 crore,but the definition of taxable wealth is also proposed to be expanded.

16. Also, Indians settled abroad who come to India on visit may trigger global taxation in India sooner due to certain changes in the tax residency provisions under DTC.

DTC and Common Man

The much-awaited Direct Tax Code (DTC) Bill, which aims to replace the existing Income-Tax Act, 1961, has finally been presented in the Parliament and once approved by both Houses, it will be enacted as a law, effective from April 1 2015. While a lot had been anticipated from the DTC in terms of widening of tax slabs and reduction in tax rates, the proposal in its current form does not have a great deal for the Common man.

Changes in Income Tax Rates

Income Slab (Rs)	Income Tax Rates					
	Individual		Women		Senior Citizen	
	Current	Proposed	Current	Proposed	Current	Proposed
160000	Nil	Nil	Nil	Nil	Nil	Nil
190000	10	Nil	Nil	Nil	Nil	Nil
200000	10	Nil	10	Nil	Nil	Nil
240000	10	10	10	10	Nil	Nil
250000	10	10	10	10	10	Nil
500000	10	10	10	10	10	10
800000	20	20	20	20	20	20
1000000	30	20	30	20	30	20
1200000	30	30	30	30	30	30

The DTC proposes to increase the limit of income exempt from tax to Rs 2 lakh from the current Rs 1.6 lakh for individual and to Rs 2 lakh from Rs 1.9 lakh for working women. This will result into a minimum saving of Rs 4,000 per annum for individuals and Rs 1,000 per annum for women.

On the positive note, the new proposal aims to abolish the distinction between the individual and a women tax payer, bringing both of them at par — at least as far as payment of taxes is concerned. But given the rising cost of living with each day, an additional disposable income of about Rs 4,000 and Rs 1,000, respectively, does not sound much appealing.

Moving higher on slab rates, income falling between Rs 2 lakh and Rs 5 lakh will now attract a tax rate of 10% while that falling between Rs 5 lakh and Rs 10 lakh will be taxable at 20%. This proposal, if implemented, will replace the current tax structure where income falling between Rs 1.6 lakh and Rs 5 lakh is taxed at 10% while that between Rs 5 lakh and Rs 8 lakh is taxed at 20%. Thus, there is a marginal relief for those who have income between Rs 8 lakh and Rs 10 lakh.The DTC also proposes to raise the income slab rate, which attracts the maximum tax rate of 30% from the current Rs 8 lakh to Rs 10 lakh. The maximum amount that a tax payer can save, if the DTC proposals are approved in its current form, is Rs 24,000 per annum.

Deduction

Under the current tax laws, Section 80C is probably one of the most popular sections of the Income-Tax Act as it allows a deduction up to Rs 1.2 lakh from the taxable income if the same has been invested productively in selected investment avenues. The DTC has not only proposed to retain the structure but also enhanced the limit of the deductions up to Rs 1.5 lakh. It has, however, modified the basket of investment avenues eligible for deduction under this clause.

The DTC proposes to include only contribution to funds like PPF, PF, superannuation fund and the New Pension Scheme (NPS), up to a maximum of Rs 1 lakh, as eligible investments for deduction under this clause. An additional deduction of Rs 50,000 shall be allowed for payments made towards insurance premium, tuition fees and premium paid towards mediclaim.

Conclusion

Although the prime objective of DTC is to simplify the provisions, but taxpayers do expect to see simplifications on ground, that is, timely receiving of refunds, less hassles at tax offices etc. One will have to wait for the final print to see what the DTC actually brings.

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History Of Income-Tax

Prof. HIRAMANI JAYAPPA MOLERAKHI
DEPARTMENT OF COMMERCE
M.M.'S ARTS AND COMMERCE
COLLEGE KHANAPUR

INTRODUCTION

INCOME tax is one of the effective instruments of reducing unequal distribution of wealth between the rich and the poor. The important of income tax has increased considerably in the present days because it has become a major source of revenue to the Government to be utilized for the social and economic development of the country. Income tax is also one of the means to solve the acute problem of unemployment and underemployment. Income-tax is a direct tax and has an immense impact on tax payers creating hardships on them. Such hardships have to be reduced by rationalizing the tax structure. On the whole this type of taxation is inevitable to our country. The above objectives can be achieved by introducing a progressive system of taxation. Tax is a compulsory contribution or payment of money by various persons to the government by virtue of its powers conferred under the constitution. The tax collection is used for public purposes. The contribution, so received is not for any specified services rendered to the tax payers.

Income Tax Act:1961, Sec, 2(43)

Tax means the income-tax chargeable under the provision of the Income Tax Act. However, in general sense income-tax means, a tax on the income of the assesses whose income exceeds the specified limit in the previous year and is chargeable at the prescribed rates.

Definition of tax under HISTORY OF INCOME-TAX

The British rules incurred some expenditure to suppress the freedom movement started in India in 1857 called by them as **"Soldiers mutiny".** They introduced income-tax for the first time in India in the year 1860 as a temporary measure to tide over the financial difficulties. However, it became a permanent feature of the tax system only after passing the Indian Income-tax Act of 1886. Due to several amendments made in this Act, it was repealed by passing the Income-tax Act in 1918. Further recommendations made by the All India Tax Enquiry Committee a new Income-tax Act was passed in 1922. This Act also did not remain static. It underwent number of amendments from time to time and hence this Act become very complicated, cumbersome and confusion one. It was, therefore, referred to Law Commission in 1956 to suggest the measures for simplification of the Act. The Direct Taxes Administration Committee was also appointed by the Government for suggestion of the means and measures to minimize the inconveniences caused to tax-payers and for preventing of tax. It is on the recommendations made by them that the new Income-tax Act, 1961 was passed and it came into force from 1st April 1962 and is now applicable to the whole of India.

This Act has also not remained stationary. Number of amendments dynamic in nature, are being made since the passing of the Act. It has been drastically amended by Direct Tax Law (Amendment) Act 1975, 1987, 1979 and by the Income-tax (Amendment) Act, besides being amended by the Finance Act every year.

In spite of the fact that the new Act of 1961 retained the basic structure of the old Act of 1922, vast changes are made in the Act in the matter of the contents, as compared to the old Act. It is mentioned that the provisions in the new act are simplified and logically arranged and some new provisions have been introduced with a view to simplify the taxation process and to prevent avoidance and evasion of tax. But the result is that this Act has also become more complicated and cumbersome. However, some measures have been taken in the recent Finance Acts for simplification and rationalization of certain provision of the Act.

In view of the above facts, the Central Government has decided to bring out a new tax law altogether, namely, **"Direct Taxes Code"** which deals with not only income-tax but also all the other direct taxes such as wealth tax, dividend tax, etc. the tentative Bill of this Code has already been published for discussion and announced that the Code would come into force in the future. The following are its **objectives:**

1) To reduce the complexity in the procedure and also to reduce the compliance costs.

2) To check the evasion and avoidance of the tax.

3) To broaden the tax base for increasing the revenue productivity and to minimize the tax exemptions.

4) To remove ambiguity in drafting of the Code.

5) To reduce the scope for scope for litigation between the department and the tax payers.

The following are the salient features of the Code:

a) There will be a single Code for all direct taxes.

b) Delegation of powers to the Central Government and Central Board of Direct Taxes to avoid the litigation on the procedural issues.

c) Using simple language in drafting of the Code.

d) The structure of the tax law will be properly designed.

e) Incorporating the essential and general principles in the statues.

f) Avoiding the need for Annual Finance Bill since the rate of taxes would be prescribed in the Schedules of the Code itself.

Characteristic features of tax:

a) It is a compulsory payment of money by the people to the government.

b) The tax collected by the government is used for public purposes.

c) The contribution received by the government is not for any specific service rendered by it to the tax payers.

Types of taxes:

There are many taxes levied by the government. They can be classified into **(a) Direct taxes and (b) Indirect taxes.** These taxes are classified under:

a) Direct taxes: Direct taxes are those taxes where the impact and incidence of such taxes fall on the same person only. There is no shifting of the burden of taxes to another person. Income-tax, wealth tax, interest tax, etc, are the instances of direct taxes. These taxes do not affect the persons with low income and wealth group and they conform to the principle of

equity. The imposition of direct taxes do not create imbalance in the use of productive resources.

b) Indirect taxes: Indirect taxes are those taxes where the impact and incidence of such taxes fall on different persons. There is shifting of the burden of taxes to other persons. Excise duty, custom duty, sales tax, etc, are the instances of indirect taxes. These taxes affect the persons with low income and wealth group and they do not conform to the principle of equity. The imposition of indirect taxes creates imbalance in the use of productive resources.

Objectives of taxation:

- Taxation is the major source of revenue to the government. It plays an important role in the economic development of a country. Taxation also acts as an instrument for achieving the social-economic objective which is as follows:
- The objective of taxation is to generate revenue for financing the expenditure on various plans and also government expenditure.
- Its objective is to achieve the social-economic development by utilizing the tax revenue for public purposes, etc.
- Its objective is to prevent the concentration wealth in the hands of a few persons only.
- Its objective is to reduce the unequal distribution of wealth between the rich and the poor.
- Its objective is to provide the necessary amenities to the common people by utilizing the revenue in this connection.
- Its objective is the redistribution of wealth for the common benefit of the people.
- Its objective is also to create employment opportunities to the people with a view to solve the acute problem of unemployment.

In this matter a sound and progressive system of taxation is necessary.

ADMINISTRATION OF THE ACT

According to the legal frame work, execution of the Act is made by the department of the income tax:-

1. Central Board of direct tax
2. Chief commissioners of income tax

3. Commissioners of income tac
4. Additional commissioners of income tax
5. Joint commissioners of Income-tax
6. Deputy commissioners of Income-tax
7. Assistant commissioners of Income-tax
8. Assessing officers
9. Income-tax officers
10. Tax recovery officers
11. Inspectors

Conclusion:-

The Central Board of Direct Taxes which is the supreme authority in the Income-tax Department has been empowered to frame rules subject to the control of the Central Government. According, the Board has framed the rules which are called the Income-tax Rules, 1962 for the purpose of administration of the Income-tax Act. These rules are also being amended from time to time to suit the requirements and for better administration of the Act. These many be income from any of the bellow heads to a person. For each head of income there are specific expenses to be allowed. Hence the income should be computed each head separately. The total of such net amount from each head of income is called the **"Gross total income".** There are other permissible deductions under the Act which are to be deducted from the gross total income. The balance is called the taxable income or "Total income." The incomes which are exempt from tax are not includible in the above income. The taxpayer is also entitled for set off and carry forward of losses under the Act in addition to rebate and relief of tax. According to the scheme for levy of income-tax first of all the taxable income of a person should be determined as per the provisions of the act and Rules. The income arising from any of the following heads is chargeable to tax:

- Income from Salary
- Income from House Property
- Profits and Gains of Business or Profession
- Capital Gains
- Income from Other Sources

Income Tax Act-1961

Prof: S. G. Shrouti.
Assistant Professor in Commerce
Dr SET'S Arts and Commerce College
Ugar-Khurd.
Seminar Paper Submitted

The Income-tax Act, 1961 is the charging Statute of Income Tax in India. It provides for levy, administration, collection and recovery of Income Tax. Recently the Government of India has brought out a draft statute called the "Direct Taxes Code" intended to replace the Income Tax Act,1961 and the Wealth Tax Act, 1956. Public Commentary has been called for the Draft Bill. The redrafted bill is supposed to be made public soon.

Scope of Total Income

• 1) Subject to the provisions of this Act, the total income of any previous year of a person who is a resident includes all income from whatever source derived which—(a) is received or is deemed to be received in India in such year by or on behalf of such person ; or(b) accrues or arises or is deemed to accrue or arise to him in India during such year ; or(c) accrues or arises to him outside India during such year :Provided that, in the case of a person not ordinarily resident in India within the meaning of sub-section (6) of section 6, the income which accrues or arises to him outside India shall not be so included unless it is derived from a business controlled in or a profession set up in India.(2) Subject to a the provisions of this Act, the total income of any previous year of a person who is a non-resident includes all income from whatever source derived which—(a) is received or is deemed to be received in India in such year by or on behalf of such person ; or(b) accrues or arises or is deemed to accrue or arise to him in India during such year. Explanation

• 1.—Income accruing or arising outside India shall not be deemed to be received in India within the meaning of this section by reason only of the fact that it is taken into account in a balance sheet prepared in India.Explanation

• 2.—For the removal of doubts, it is hereby declared that income which has been included in the total income of a person on the basis that it has accrued or arisen or is deemed to have accrued or arisen to him shall not again be so included on the basis that it is received or deemed to be received by him in

The Income Tax Act-1961

The Income-tax Act, 1961 is the charging Statute of Income Tax in India. It provides for levy, administration, collection and recovery of Income Tax. Recently the Government of India has brought out a draft statute called the "Direct Taxes Code" intended to replace the Income Tax Act,1961 and the Wealth Tax Act, 1956. Public Commentary has been called for the Draft Bill. The redrafted bill is supposed to be made public soon.

Short title, extent and commencement.

(1) This Act may be called the Income-tax Act, 1961.

(2) It extends to the whole of India.

(3) Save as otherwise provided in this Act, it shall come into force on the 1st day of April, 1962.

Charge of income-tax.

(1) Where any Central Act enacts that income-tax shall be charged for any assessment year at any rate or rates, income-tax at that rate or those rates shall be charged for that year in accordance with, and [subject to the provisions (including provisions for the levy of additional income-tax) of, this Act] in respect of the total income of the previous year of every person :

Provided that where by virtue of any provision of this Act income-tax is to be charged in respect of the income of a period other than the previous year, income-tax shall be charged accordingly.

(2) In respect of income chargeable under sub-section (1), income-tax shall be deducted at the source or paid in advance, where it is so deductible or payable under any provision of this Act.

Scope of Total Income

1) Subject to the provisions of this Act, the total income of any previous year of a person who is a resident includes all income from whatever source derived which—(a) is received or is deemed to be received in India in such year by or on behalf of such person ; or(b) accrues or arises or is deemed to accrue or arise to him in India during such year ; or(c) accrues or arises to him outside India during such year :Provided that, in the case of a person not ordinarily resident in India within the meaning of sub-section (6) of section 6, the income which accrues or arises to him outside India shall not be so included unless it is derived from a business controlled in or a profession set up in India.(2) Subject to a the provisions of this Act, the total income of any previous year of a person who is a non-resident includes all income from whatever source derived which—(a) is received or is deemed to be received in India in such year by or on behalf of such person ; or(b) accrues or arises or is deemed to accrue or arise to him in India during such year. Explanation

• 1.—Income accruing or arising outside India shall not be deemed to be received in India within the meaning of this section by reason only of the fact that it is taken into account in a balance sheet prepared in India.Explanation

• 2.—For the removal of doubts, it is hereby declared that income which has been included in the total income of a person on the basis that it has accrued or arisen or is deemed to have accrued or arisen to him shall not again be so included on the basis that it is received or deemed to be received by him in

Residence in India.

For the purposes of this Act,—

(1) An individual is said to be resident in India in any previous year, if he—

(*a*) Is in India in that year for a period or periods amounting in all to one hundred and eighty-two days or more; or (*b*) having within the four years preceding that year been in India for a period or periods amounting in all to three hundred and sixty-five days or more, is in India for a period or periods amounting in all to sixty days or more in that year.

[*Explanation.*—In the case of an individual,—

(*a*) being a citizen of India, who leaves India in any previous year [as a member of the crew of an Indian ship as defined in clause (18) of section 3 of the Merchant Shipping Act, 1958 (44 of 1958), or] for the purposes of employment outside India, the provisions of sub-clause (*c*) shall apply in relation to that year as if for the words "sixty days", occurring therein, the words "one hundred and eighty-two days" had been substituted ;

(*b*) being a citizen of India, or a person of Indian origin within the meaning of *Explanation* to clause (*e*) of section 115C, who, being outside India, comes on a visit to India in any previous year, the provisions of sub-clause (*c*) shall apply in relation to that year as if for the words "sixty days", occurring therein, the words "one hundred and [eighty-two] days" had been substituted.]

(2) A Hindu undivided family, firm or other association of persons is said to be resident in India in any previous year in every case except where during that year the control and management of its affairs is situated wholly outside India.

(3) A company is said to be resident in India in any previous year, if—

(*i*) it is an Indian company ; or

(*ii*) during that year, the control and management of its affairs is situated wholly in India.

(4) Every other person is said to be resident in India in any previous year in every case, except where during that year the control and management of his affairs is situated wholly outside India.

(5) If a person is resident in India in a previous year relevant to an assessment year in respect of any source of income, he shall be deemed to be resident in India in the previous year relevant to the assessment year in respect of each of his other sources of income.

[(6) A person is said to be "not ordinarily resident" in India in any previous year if such person is—

(*a*) an individual who has been a non-resident in India in nine out of the ten previous years preceding that year, or has during the seven previous years preceding that year been in India for a period of, or periods amounting in all to, seven hundred and twenty-nine days or less; or

(*b*) a Hindu undivided family whose manager has been a non-resident in India in nine out of the ten previous years preceding that year, or has during the seven previous years preceding that year been in India for a period of, or periods amounting in all to, seven hundred and twenty-nine days or less.]

Income deemed to be received.

7. The following incomes shall be deemed to be received in the previous year :—

(*i*) the annual accretion in the previous year to the balance at the credit of an employee participating in a recognised provident fund, to the extent provided in rule 6 of Part A of the Fourth Schedule ;

(*ii*) the transferred balance in a recognised provident fund, to the extent provided in sub-rule (4) of rule 11 of Part A of the Fourth Schedule;

[(*iii*) the contribution made, by the Central Government [or any other employer] in the previous year, to the account of an employee under a pension scheme referred to in section 80CCD.]

Dividend income.

8. [For the purposes of inclusion in the total income of an assessee,—

(*a*) any dividend] declared by a company or distributed or paid by it within the meaning of sub-clause (*a*) or sub-clause (*b*) or sub-clause (*c*) or sub-clause (*d*) or sub-clause (*e*) of clause (22) of section 2 shall be deemed to be the income of the previous year in which it is so declared, distributed or paid, as the case may be;

[(*b*) any interim dividend shall be deemed to be the income of the previous year in which the amount of such dividend is unconditionally made available by the company to the member who is entitled to it.]

Income deemed to accrue or arise in India.

9. (1) The following incomes shall be deemed to accrue or arise in India:—

(*i*) All income accruing or arising, whether directly or indirectly, through or from any business connection in India, or through or from any property in India, or through or from any asset or source of income in India, or through the transfer of a capital asset situate in India

[*Explanation* 1].—For the purposes of this clause—

(*a*) in the case of a business of which all the operations are not carried out in India, the income of the business deemed under this clause to accrue or arise in India shall be only such part of the income as is reasonably attributable to the operations carried out in India ;

(*b*) in the case of a non-resident, no income shall be deemed to accrue or arise in India to him through or from operations which are confined to the purchase of goods in India for the purpose of export ;·[(*c*) in the case of a non-resident, being a person engaged in the business of running a news agency or of publishing newspapers, magazines or journals, no income shall be deemed to accrue or arise in India to him through or from activities which are confined to the collection of news and views in India for transmission out of India ;]

[(*d*) In the case of a non-resident, being—

(1) An individual who is not a citizen of India ; or

(2) A firm which does not have any partner who is a citizen of India or who is resident in India ; or

(3) A company which does not have any shareholder who is a citizen of India or who is resident in India,

no income shall be deemed to accrue or arise in India to such individual, firm or company through or from operations which are confined to the shooting of any cinematograph film in India.]

[*Explanation* 2.—For the removal of doubts, it is hereby declared that "business connection" shall include any business activity carried out through a person who, acting on behalf of the non-resident,—

(*a*) Has and habitually exercises in India, an authority to conclude contracts on behalf of the non-resident, unless his activities are limited to the purchase of goods or merchandise for the non-resident; or

(*b*) Has no such authority, but habitually maintains in India a stock of goods or merchandise from which he regularly delivers goods or merchandise on behalf of the non-resident; or

(*c*) Habitually secures orders in India, mainly or wholly for the non-resident or for that non-resident and other non-residents controlling, controlled by, or subject to the same common control, as that non-resident:

Provided that such business connection shall not include any business activity carried out through a broker, general commission agent or any other agent having an independent status, if such broker, general commission agent or any other agent having an independent status is acting in the ordinary course of his business:

Provided further that where such broker, general commission agent or any other agent works mainly or wholly on behalf of a non-resident (hereafter in this proviso referred to as the principal non-resident) or on behalf of such non-resident and other non-residents which are controlled by the principal non-resident or have a controlling interest in the principal non-resident or are subject to the same common control as the principal non-resident, he shall not be deemed to be a broker, general commission agent or an agent of an independent status.

Explanation 3.—where a business is carried on in India through a person referred to in clause (*a*) or clause (*b*) or clause (*c*) of *Explanation* 2, only so much of income as is attributable to the operations carried out in India shall be deemed to accrue or arise in India.]

[*Explanation* 4.—For the removal of doubts, it is hereby clarified that the expression "through" shall mean and include and shall be deemed to have always meant and included "by means of", "in consequence of" or "by reason of".

Explanation 5.—For the removal of doubts, it is hereby clarified that an asset or a capital asset being any share or interest in a company or entity registered or incorporated outside India shall be deemed to be and shall always be deemed to have been situated in India, if the share or interest derives, directly or indirectly, its value substantially from the assets located in India;]

(*ii*) Income which falls under the head "Salaries", if it is earned[3] in India.

[*Explanation.*—For the removal of doubts, it is hereby declared that the income of the nature referred to in this clause payable for—

(*a*) Service rendered in India; and

(*b*) The rest period or leave period which is preceded and succeeded by services rendered in India and forms part of the service contract of employment,

Shall be regarded as income earned in India ;]

(*iii*) Income chargeable under the head "Salaries" payable by the Government to a citizen of India for service outside India;

(*iv*) A dividend paid by an Indian company outside India ;

[(*v*) Income by way of interest payable by—

(*a*) The Government; or

(*b*) a person who is a resident, except where the interest is payable in respect of any debt incurred, or moneys borrowed and used, for the purposes of a business or profession carried on by such person outside India or for the purposes of making or earning any income from any source outside India ; or

(*c*) a person who is a non-resident, where the interest is payable in respect of any debt incurred, or moneys borrowed and used, for the purposes of a business or profession carried on by such person in India ;

(*vi*) Income by way of royalty payable by—

(*a*) The Government; or

(*b*) a person who is a resident, except where the royalty is payable in respect of any right, property or information used or services utilized for the purposes of a business or profession carried on by such person outside India or for the purposes of making or earning any income from any source outside India ; or

(*c*) a person who is a non-resident, where the royalty is payable in respect of any right, property or information used or services utilized for the

purposes of a business or profession carried on by such person in India or for the purposes of making or earning any income from any source in India :

Provided that nothing contained in this clause shall apply in relation to so much of the income by way of royalty as consists of lump sum consideration for the transfer outside India of, or the imparting of information outside India in respect of, any data, documentation, drawing or specification relating to any patent, invention, model, design, secret formula or process or trade mark or similar property, if such income is payable in pursuance of an agreement made before the 1st day of April, 1976, and the agreement is approved by the Central Government :

[**Provided further** that nothing contained in this clause shall apply in relation to so much of the income by way of royalty as consists of lump sum payment made by a person, who is a resident, for the transfer of all or any rights (including the granting of a license) in respect of computer software supplied by a non-resident manufacturer along with a computer or computer-based equipment under any scheme approved under the Policy on Computer Software Export, Software Development and Training, 1986 of the Government of India.]

Explanation 1.—For the purposes of the [first] proviso, an agreement made on or after the 1st day of April, 1976, shall be deemed to have been made before that date if the agreement is made in accordance with proposals approved by the Central Government before that date; so, however, that, where the recipient of the income by way of royalty is a foreign company, the agreement shall not be deemed to have been made before that date unless, before the expiry of the time allowed under sub-section (1) or sub-section (2) of section 139 (whether fixed originally or on extension) for furnishing the return of income for the assessment year commencing on the 1st day of April, 1977, or the assessment year in respect of which such income first becomes chargeable to tax under this Act, whichever assessment year is later, the company exercises an option by furnishing a declaration in writing to the [Assessing] Officer (such option being final for that assessment year and for every subsequent assessment year) that the agreement may be regarded as an agreement made before the 1st day of April, 1976.

Explanation 2.—For the purposes of this clause, "royalty" means consideration (including any lump sum consideration but excluding any consideration which would be the income of the recipient chargeable under the head "Capital gains") for—

(*i*) The transfer of all or any rights (including the granting of a license) in respect of a patent, invention, model, design, secret formula or process or trade mark or similar property ;

(*ii*) The imparting of any information concerning the working of, or the use of, a patent, invention, model, design, secret formula or process or trade mark or similar property ;

(*iii*) The use of any patent, invention, model, design, secret formula or process or trade mark or similar property;

(*iv*) The imparting of any information concerning technical, industrial, commercial or scientific knowledge, experience or skill;

[(*iva*) the use or right to use any industrial, commercial or scientific equipment but not including the amounts referred to in section 44BB;]

(*v*) the transfer of all or any rights (including the granting of a license) in respect of any copyright, literary, artistic or scientific work including films or video tapes for use in connection with television or tapes for use in connection with radio broadcasting, but not including consideration for the sale, distribution or exhibition of cinematographic films ; or

(*vi*) the rendering of any services in connection with the activities referred to in sub-clauses (*i*) to [(*iv*), (*iva*) and] (*v*).

[*Explanation* 3.—For the purposes of this clause, "computer software" means any computer programme recorded on any disc, tape, perforated media or other information storage device and includes any such programme or any customized electronic data.]

[*Explanation* 4.—For the removal of doubts, it is hereby clarified that the transfer of all or any rights in respect of any right, property or information includes and has always included transfer of all or any right for use or right to use a computer software (including granting of a license) irrespective of the medium through which such right is transferred.

Explanation 5.—For the removal of doubts, it is hereby clarified that the royalty includes and has always included consideration in respect of any right, property or information, whether or not—

(*a*) The possession or control of such right, property or information is with the payer;

(*b*) Such right, property or information is used directly by the payer;

(*c*) The location of such right, property or information is in India.

Explanation 6.—For the removal of doubts, it is hereby clarified that the expression "process" includes and shall be deemed to have always included transmission by satellite (including up-linking, amplification, conversion for down-linking of any signal), cable, optic fibre or by any other similar technology, whether or not such process is secret;]

(*vii*) Income by way of fees for technical services payable by—

(*a*) The Government ; or

(*b*) a person who is a resident, except where the fees are payable in respect of services utilised in a business or profession carried on by such person outside India or for the purposes of making or earning any income from any source outside India ; or

(*c*) a person who is a non-resident, where the fees are payable in respect of services utilised in a business or profession carried on by such person in India or for the purposes of making or earning any income from any source in India :

[**Provided** that nothing contained in this clause shall apply in relation to any income by way of fees for technical services payable in pursuance of an agreement made before the 1st day of April, 1976, and approved by the Central Government.]

[*Explanation* 1.—For the purposes of the foregoing proviso, an agreement made on or after the 1st day of April, 1976, shall be deemed to have been made before that date if the agreement is made in accordance with proposals approved by the Central Government before that date.]

Explanation [2].—For the purposes of this clause, "fees for technical services" means any consideration (including any lump sum consi-deration) for the rendering of any managerial, technical or consultancy services (including the provision of services of technical or other personnel) but does not include consideration for any construction, assembly, mining or like project undertaken by the recipient or consideration which would be income of the recipient chargeable under the head "Salaries".]

(2) Notwithstanding anything contained in sub-section (1), any pension payable outside India to a person residing permanently outside India shall not be deemed to accrue or arise in India, if the pension is payable to a person referred to in article 314 of the Constitution or to a person who, having been appointed before the 15th day of August, 1947, to be a Judge of the Federal Court or of a High Court within the meaning of the Government of India Act, 1935, continues to serve on or after the commencement of the Constitution as a Judge in India.

[*Explanation.*—For the removal of doubts, it is hereby declared that for the purposes of this section, income of a non-resident shall be deemed to accrue or arise in India under clause (*v*) or clause (*vi*) or clause (*vii*) of sub-section (1) and shall be included in the total income of the non-resident, whether or not,—

(*i*) The non-resident has a residence or place of business or business connection in India; or

(*ii*) The non-resident has rendered services in India.]

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Tax Deduction At Source
With Special Reference to Salary Income

Dr. Mansingh S. Dabade*

1.1 Introduction:

Any person responsible for payment of salary is liable to deduct tax at the rate applicable to individual employees, for the financial year in which payment is made, in respect of income chargeable under the head 'Salaries'. Therefore, the status of the employer is not relevant for the purpose of deducting tax u/s 192. There is no distinction whether the employer is an individual, HUF, firm or a corporate entity. It does not matter as to whether the individual employer is carrying on business or profession or claiming such salary as deduction or not.

Tax deduction under this section is warranted only at the time of actual payment of salary. Therefore, in case where an employer follows mercantile system of accounting and provides for salary on accrual basis, tax shall not be deducted u/s 192 till such time salary is paid. It may be noted that u/s 15, salary income of an employee shall be chargeable to tax on due or receipt basis, whichever is earlier. Still, for the purposes of Sec.192, tax deduction shall always be made only on actual payment of salary irrespective of the method of accounting followed by the employer.

*Assistant Professor and Head, Department of Commerce, Sahakarbhushan S.K.Patil College, Kurundwad.

1.2 Objectives of the Study:

1. To know the TDS scheme.
2. To know the payments covered by the TDS scheme.
3. To know the TDS rates.
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4. To know the time of tax deduction.

5. To know the tax certificate.

1.3 Payments covered by TDS scheme:

TDS scheme covers payments like salary to resident /non-resident, payment to other than salary to resident (viz, interest, dividend, rent, commission/brokerage, lottery winnings of races, technical/ professional fees, royalty, compensation etc.) and payment to non-residents/foreign companies.

1.4 TDS rates during the financial year 2013-14:

Normal TDS rates are generally the Income Tax rate applicable for that particular Assessment Year covered under the particular income group. If the recipient does not furnish his/her PAN to the deductor, tax will be deducted at the normal rate or at the rate of 20 per cent, whichever is higher.

Moreover, where any person located in a notified jurisdictional area is entitled to receive any sum on which tax is deductible under any provision of the Act, the payer will deduct tax

a) At the rates in force or at the rate specified in the relevant provision of the Act. **Or**

b) at the rate of 30 per cent

whichever is higher.

1.5 Surcharge on TDS payments during the financial year 2013-14:

Surcharge will be applicable for the purpose of TDS during the financial year 2013-14 is:

i. Payment of salary to a resident of non-resident – surcharge is applicable @ 10 per cent of TDS if amount subject to TDS during the financial year 2013-14 exceeds Rs. 1 crore.

Education cess and secondary and higher education cess during the financial year 2013-14 is:

i. Tax deduction from payment of salary where recipient is resident or non-resident.

1.6 When and how tax is to be deducted at source from salary (Sec.192):

The summerised provisions of section 192 are given below:

Who is the payer	Employer
Who is the recipient	Employee
Payment covered	Taxable salary of the employee
At what time tax has to be deducted at source	At the time of payment
Maximum amount which can be paid without tax deduction	The amount of exemption limit.Exemption limit for A.Y. 2014-15 is Rs.200000
Rate of tax deducted at source	Normal rates applicable to an individual.
When the provisions are not applicable	__________
Is it possible to get the payment without tax deduction or with lower tax deduction?	The employee can make an application in Form no. 13 to the Assessing Officer to get a certificate of lower tax deduction or no tax deduction.

The employer may, at the time of deducting tax at source, increase or decrease the amount to be deducted for the purpose of adjusting any previous deficiency or excess deduction.

1.7 Tax liability:

1.7.1 Single Employer:

Tax is deductible on the taxable income at the rates applicable for the financial year. If the employee does not have PAN, tax is deductible either at the normal rate or at the rate of 20 per cent, whichever is higher. Tax is not deductible, if estimated salary of an employee does not exceed exemption limit (this rule is applicable even if the employee does not have PAN).

1.7.2 When a person is employed by two or more employers during the financial year:

In such a case, tax will be deducted by each employer separately. However, the employee is under obligation to declare salary received (and tax deducted thereon) from other employers to one of the employers by submitting information in Form No. 12B. The employer to whom Form No. 12B is submitted shall deduct tax on the basis of aggregate salary.

1.7.3 TDS Certificate:

TDS certificate will be given to the employee in the Form No.16 annually on or before May, 31 after the end of the financial year. This certificate has to be given in paper format. However, if a few conditions are satisfied Form No.16 can be given with digital signature. The employer should also give a statement of perquisites/profits in lieu of salary in Form No. 12BA if salary exceeds Rs.150000.

1.7.4 Salary without TDS or with lower TDS:

To get salary without TDS or with lower TDS, the employee will have to approach the Assessing Officer by submitting an application in Form No. 13 u/s 197.

1.8 Statement of Tax Deducted at Source (Sec. 200A):

Section 200A has been inserted by the Finance Act,2009, w.e.f. April 1, 2010, to provide for processing of statements of tax deducted at source on computer so that liabilities on account of interest and other defaults in TDS payment are promptly calculated and intimated to the deductor.

Following adjustments can be made during the computerized processing of statements of TDS:

i. Any arithmetical error in the statement; or

ii. An incorrect claim, if such incorrect claim is apparent from any information in the statement.

After making adjustments, tax and interest would be calculated and sum payable by the deductor or refund due to the deductor will be determined. An intimation will be sent to the deductor informing him of his tax liability or granting him the refund due within one year from the end of the financial year in which the statement is filed.

Conclusion:

To avoid cases of tax evasion, the Income-Tax Act has made provisions to collect the tax at source on accrual of income. Cases included in the

scheme are, generally, those where income can be computed at the time of accrual of income. Under this scheme, persons responsible for making payment of income covered by the scheme are responsible to deduct tax at source and deposit the same to the Government's treasury within the stipulated time.

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Research Paper On Direct Tax in India

1.Dr.Pratibha Ajit Jagtap

Assistant Professor

Rajarambapu Institute of Technology,

Rajaramnagar

Tal., Walwa, Dist-Sangli

2. Adv.Ramchandra Bapu Patil

Tax Consultant

Islampur,Tal-Walwa,Dist-Sangli

Introduction-

Income tax is a key source of funds that the government uses to fund its activities and serve the public. Tax is imposition financial charge or other levy upon a taxpayer by a state or other the functional equivalent of the state There are two types of Taxes in India – 1.Direct Taxes, 2.Indirect Taxes. The Taxes whose burden falls directly on the Tax payers are the Direct Taxes like Income Tax, Wealth Tax etc., The taxes in which the burden is passed on to a third party are called Indirect Taxes like Service Tax, VAT etc., An income tax is a tax levied on the financial income of persons, corporations, or other legal entities. A person, corporations or other legal entities, whose earned income in India exceeds a prescribed limit has to pay tax. Levy of tax is separate on each of the persons. The levy is governed by the Indian Income Tax Act, 1961. The Indian Income Tax Department is governed by CBDT and is part of the Department of Revenue under the Ministry of Finance, Govt. of India. The Income Tax Department is the biggest revenue mobilizer for the Government.

The total income of a person is segregated into five heads:-Income from salaries ,Income from house property, Profits and gains of business or profession, Capital gains and Income from other sources.

Income from salaries

All income received as salary is taxed under this head, on due or receipt basis, whichever arises earlier. Employers must withhold tax compulsorily if income exceeds minimum exemption limit, as Tax Deducted at Source and provide their employees with a Form 16 which shows the tax deductions and net paid income.

Income from house property

If the assesses is the owner of a property consisting of building or land appurtenant thereto and is not used by him for his business or professional purpose, is liable to tax under Income from House property.

Profits and gains of business or profession

Incomes chargeable as “Income from Business or Profession” shall be computed in accordance with the provisions contained in sections 30 to 43D.

Income from capital gains

Transfer of capital assets results in capital gains. A Capital asset is defined as property of any kind held by an assessee such as real estate, equity shares, bonds, jwellery, paintings, art etc. ,but does not include some items like any stock-in-trade for businesses and personal effects.

Income from other sources

Income by way of Dividends, Income from horse races/lotteries, Employees’ contribution towards staff welfare scheme/ provident fund/ superannuation fund or any fund set up under the provisions of ESIC Act, received from the employees by the employer ,Interest on securities any amount received from key man insurance policy including the sum allocated by way of bonus on such policy, Interest on compensation/enhanced compensation ,Income from renting of other than house property, Family pension received by family members after the death of the pensioner, Income by way of interest on other than securities are considered as Income from other sources.

Every year the income tax rates are changed and it is important to get the latest income tax rates. Income Tax Rates and Slabs applicable for the FY 2014-15 or AY 2015-16 are as follows-

Income Range	General (non-senior citizens) Category	Women (Below 60 yearsof age)	Senior Citizens (Men and Womenabove 60 years ofage but below80 years)	Very Senior Citizens(Men and Women above 80 yearsof age)
Upto Rs. 2,50,000	Nil	Nil	Nil	Nil
Rs. 2,50,001 to Rs. 5,00,000	10%	10%	Nil	Nil
Rs. 5,00,001 to Rs. 10,00,000	20%	20%	20%	Nil
Above Rs. 10,00,000	30%	30%	30%	30%

- The education cess is of 3 percent.
- Surcharge of 10% will be payable, if income is above Rs.1 crore

Tax Deducted at Source (TDS)

Tax deduction at source means the tax required to be paid by the assesses, is deducted by the person paying the income to him. Thus, the tax is deducted at the source of income itself. The income tax act enjoins on the payer of such income to deduct the given percentage of income as income tax and pay the balance amount to the recipient of such income. The tax so deducted at source by the payer is to be deposited in the income tax department account. The tax so deducted from the income of the recipient is deemed to be payment of income tax by the recipient at the time of his assessment. Tax Deducted at Source (TDS) is a means of collecting income tax in India, governed under the Indian Income Tax Act of 1961. It is managed by the Central Board for Direct Taxes (CBDT) and is part of the Department of Revenue managed by Indian Revenue Service (IRS).It has a great importance while conducting Tax Audits.

Section	For Payment of	On Payments Exceeding	Individual/ HUF	Others
192	Salary	Above Rs.2,50,000 Upto Rs.5,00,000 Rs.5,00,000-10,00,000 Above 10,00,000	Nil 10% 20% 30%	
193	Interest on Securities	Rs. 5000/-	10%	10%
194	Deemed Dividend	No minimum	10%	10%
194 A	Interest other than on securities by banks	Rs. 10000/-	10%	10%
194 A	Interest other than on securities by others	Rs. 5000/-	10%	10%
194 B	Winnings from Lotteries / Puzzle / Game	Rs. 10000/-	30%	30%
194 BB	Winnings from Horse Race	Rs. 5000/-	30%	30%
194C 1	Payment to Contractors	Rs. 30000/- for single payment Rs. 75000/- for ggregate payment	1%	2%
194 D	Payment of Insurance Commission	Rs. 20000/-	10%	10%
194 EE	Payment of NSS Deposits	Rs. 2500/-	20%	NA
194 F	Repurchase of units by Mutual Funds / UTI	Rs. 1000/-	20%	20%
194 G	Commission on Sale of Lottery tickets	Rs. 1000/-	10%	10%
194 H	Commission or Brokerage	Rs. 5000/-	10%	10%
194 I	Rent of Land, Building or Furniture	Rs. 180000/-	10%	10%
194 I	Rent of Plant & Machinery	Rs. 180000/-	2%	2%
194 IA	Transfer of Immovable Property	Rs. 50 lacs	1%	1%
194J	Professional/technical services, royalty	Rs. 30000/-	10%	10%
194J(1)	Remuneration to director of the company		10%	10%
194J (BA)	Any remuneration / fees / commission paid to a director of a company, other than those on which tax is deductible u/s 192.		10%	10%

About Direct Tax Code (DTC) -

Direct Tax Code is an attempt by the Government of India under the leadership of Standing Committee on Finance headed by senior BJP leader Yashwant Sinha who had proposed for many years to revise, consolidate and simplify the language and structure of direct tax laws in India into a single legislation. The Direct Taxes Code Bill, 2010, was introduced in the Lok Sabha in 2010 The direct tax code seeks to consolidate and amend the law relating to all direct taxes, namely, income-tax, dividend distribution tax, fringe benefit tax and wealth-tax so as to establish an economically efficient, effective and equitable direct tax system which will facilitate voluntary compliance and help increase the tax-GDP ratio. Another objective is to reduce the scope for disputes and minimize litigation. It is designed to provide stability in the tax regime as it is based on well accepted principles of taxation and best international practices. It will eventually pave the way for a single unified taxpayer reporting system.

Highlights of Direct Tax Code-

- Once enacted, DTC will replace archaic Income Tax Act.
- Provisions in Income Tax Act will be a part of DTC .
- Proposed bill has 319 sections and 22 schedules against 298 sections and 14 schedules in existing IT Act.
- Proposal to levy dividend distribution tax at 15 per cent.
- Exemption for investment in approved funds and insurance schemes proposed at Rs. 150,000 annually, against 120,000 currently
- Mutual Funds/ULIP dropped from 80C deductions : Income from equity-oriented mutual funds or ULIP shall be subject to tax @ 5%
- Fringe benefits tax will be charged to the employee rather than the employer.
- Political contribution of up to 5 percent of the gross total income will be eligible for deduction.

Proposals of the DTC-

<u>First Proposal highlights-</u>

Finance Minister floated the first draft of the DTC in August 2009 which contains major points such as-

- New tax slab would be

§ 0% : Less than 1.6 lacs

§ 10% : 1.6 – 10 Lacs

§ 20% : 10 – 25 Lacs

§ 30% : 25+ Lacs

- Deduction levels for savings raised to Rs. 3,00,000
- Wealth tax to be levied on wealth over Rs. 50 crore
- Proposal of a uniform corporate tax rate of 25 %
- Abolishment of securities transaction tax

Revised Proposal Highlights-

The second proposal of DTC brought certain changes in retirement schemes, home loans and capital gains, to name a few. The revised draft was aimed towards promoting long term savings.

Changes impacting on a Common person of DTC

1. Tax Exemptions upto 3 Lacs under section 80C.

2. Proposes tax on Maturity amount from Insurance Policies, PPF, EPF and GPF

As per the new draft, the amount any one get on maturity from his PPF, EPF or Insurance policies will be taxable, just like NPS right now. As per the proposal, the amount accrued till 2011 will be non-taxable, this will be applicable to all the proceedings after 2011.

3. Interest paid for housing loans cannot be exempted and tax burden increases.

4. Recommends Long term capital gains tax to be reintroduced and Short Term Capital gain tax to be added in Income

5. Proposal for abolishing the Securities Transaction Tax (STT).

6. Perks will be included as a part of the income for purpose of tax calculation, so tax burden may be slightly more.

7. Lowering corporate tax to 25% from 30%.

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Prepared By

1 .Dr.Pratibha A.Jagtap

Asst.Professor, RIT,Rajaramnagar

2.Adv.R.B.Patil

Tax Consultant, Islampur

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Title : Key Aspects Of Direct Tax Code vs Income Tax 1961 In India

Mr. Purushottam Arvind Petare.

(Assistant Professor, Sanjay Ghodawat Institute, Faculty of Management, Kolhapur.

Co-Author : Dr. Pratapsinh.V.Mohite

(Associate Professor & Head; Arts, Commerce College Ashta.)

OBJECTIVES OF RESEARCH PAPER:-

1. To understand the background behind Direct Tax Code over Income Tax 1961 implementation in India.

2. To take overview with comparison between Direct Tax Code and Income Tax 1961 in India.

3. To assess the impact of Implementing Direct Tax Code over Income Tax 1961 on Common Man.

INTRODUCTION

Background behind Implementation of Direct Tax Code over Income Tax 1961.

Recently, the Finance Minister has released the Direct Taxes Code, 2013 (DTC2013) for public discussion/comments. The first version of DTC was introduced in August 2009 when Government unveiled the DTC along with a discussion paper to replace the Income-tax Act, 1961 (the Act) and the Wealth Tax Act, 1957. In June 2010, the Government released the revised discussion paper incorporating several changes to address concerns over some major issues arising there from. In August 2010, the Government tabled a revised version in the form of DTC 2010 in the Lok Sabha which was then
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referred to the Standing Committee on Finance (SCF) for its review and comments. The Standing Committee after deliberating with the recommendation given by various stakeholders submitted their report to the Parliament on 9 March 2012.Thereafter, in September 2012, Kelkar Committee in its report on 'Road Map for Fiscal Consolidation' suggested a comprehensive review of DTC. Hence, Government decided to revise the DTC after considering suggestions given by SCF and present the revised version in the parliament as per news reports, out of 190 recommendations made by SCF, 153 are proposed to be accepted wholly or in part. Some of the key recommendations accepted include exemption to taxation of income from indirect transfer for shareholders having small shareholdings (upto 5 per cent), modification in definition of place of effective management, broad based General Anti-avoidance Rules (GAAR), etc.

A COMPARISON DIRECT TAXES CODE (DTC) AND INCOME TAX ACT' 1961:

1.Earlier Income Tax Act and Wealth Tax Act are abolished and single code of tax, DTC in place.

2. Concept of Assessment Year and Previous Year is abolished. Only the "Financial Year" terminology exists in DTC which means a period of 12 months beginning from the 1st day of April.

3.Under ITA residential status are "Non Resident", "Resident of India", and "Resident but not ordinary" are exits under DTC only status of "Non -Resident" and "Resident of India" exits.

4.Under ITA the terminology of assessee means the per son, who is paying tax or/and who is liable for proceeding under the Act. Under DTC it has been added with two more definitions namely a person whom the amount is refundable and/or who voluntarily files tax return

Irrespective of tax liability.

5. Government assessees are covered in DTC even though they are not liable for Income Tax/Wealth Tax. Government assessees are required to comply with provisions of TDS/TCS and ITA is not covered with Government assessees.

6.Best judgment assessment under section 144 of ITA, a best judgment assessment is allowed in cases where there is a failure to file a return or

failure to comply with the terms of certain notices etc. Under the DTC, in addition to the existing requirements, a best judgment assessment can also be made if the assessee fails to follow regularly the prescribed method of accounting or if the Assessing Officer is not satisfied with the correctness or completeness of

the accounts of the assessee.

7.Under DTC income has been proposed to be classified into two broad groups: Income from Ordinary Sources and Income from Special Sources

i) Income from Ordinary Sources refers to: Income from Employment, Income from House Property, Income from Business, Capital Gains.Income from residuary sources (similar to other sources).

Ii) Income from Special Sources to include specified income of non-residents, winning from lotteries, horse races, gambling, betting, crossword puzzle, etc. Accordingly, such income would be liable to tax on net income basis.

8.Losses arising from Ordinary Sources to be eligible for set off or carry forward and set -off against income only from ordinary sources without any time limit . Similar treatment would apply for set off and carry forward of losses from Special Sources.

Loss arising from speculative business, losses under the head capital gains, and losses from the activity of owning and maintaining horse race to be set off only against such income in the same or succeeding financial years. Under ITA losses can be set - off and carry forward only for a

limited period of time.

9 . Basic exemption limit under present Income Tax Act shall be Rs. 200,000 and proposed DTC it shall be Rs. 300,000.

10. Indirect Transfer -Under ITA, when there is a transfer of a share/ interest outside India, there is no transfer of a capital asset in India and no part of the consideration whatsoever is

chargeable in India.

HOW TAX WILL AFFECT ON A COMMON PERSON:

1. Tax Exemptions upto 3 Lacs: At present we get exemptions upto 1 lac under section 80C . This may be raised to 3 lacs . This will encourage people to invest and help.

2. Proposes tax on Maturity amount from Insurance Policies, PPF, EPF and GPF: This is a big turnoff. So as per the new draft, the amount you get on maturity from your PPF, EPF or Insurance policies will be taxable, just like NPS right now. As per the proposal, the amount accrued till 2011 will be non-taxable, this will be applicable to all the proceedings after 2011. So some relief here.

3. Interest you pay for housing loans cannot be exempted and your tax burden increases: I know it can spill water on your plans to buy home, but that's true. If new proposal becomes a law you will then be paying tax on that 1.5 lac which you could have saved. **Business Pundit** has a view that removing the tax benefit on Home Loan Interest part is positive news and will impact positively.

4. Recommends Long term capital gains tax to be reintroduced and Short Term Capital gain tax to be added in Income: Enough is enough- is what you may be thinking. But tax on long term capital gains may be introduced which means that you will have to pay some tax on that profit from Mutual funds or Shares which was tax-free after 1 yrs. Short term capital gains will be added in Income and taxed at applicable rate. Also Short Term capital gains would be before 3 yrs and Long Term capital gain after 3 yrs. Long term Capital Gains will be less than regular tax slab, I think around 10% or 15%.

5. Suggested abolishing the Securities Transaction Tax (STT): So the STT which was paid while buying shares will be abolished. Currently when you buy shares you pay a small tax called STT which is included in share cost by your Share broker, this will be no longer there.

6. Perks now will be included as a part of the income for purpose of tax calculation, so tax burden may be slightly more: All the perks you were getting from your employer like interest free loan, free lunch etc will get added to your income and be taxed.

7. Lowering corporate tax to 25% from 30%: This will cheer up companies as their tax burden would reduce. I am not sure about its impact on common person.

Comparison of New Vs Old Tax Code :

Lets see an Example

Name : Ajay Patel

Salary : 8 lacs per year

Investments : Investment of 30k in Mutual funds , 30k in EPF , 20k in PPF and 20k in Insurance Policy .

Home Loan : Taken a Home loan and pays 80k as Principle and 1.4 lacs as Interest .

Tax as per Current System

Amount Exempted = 1.4 lacs as home loan interest + 1 lac in 80C = 2.4 Lacs

Taxable Income = 5.6 lacs

Tax = 14k (10% from 1.6 to 3 lacs) + 40k (20% from 3 – 5 lacs) + 18k (30% on 5 – 5.6 lacs) =Rs 72,000

Tax as per New Tax Code

Amount Exempted = 1 lac from (mutual funds , PPF , EPF , Insurance) + 80k as Home loan principle = 1.8 lacs

Taxable Income = 6.2 lacs

Tax = Rs 44,000 (10% on 1.6 lacs – 6.2 lacs)

CONCLUSION

This was just an analysis of the proposed DTC and how the changes can impact if it is approved. Lot of debates and discussion will happen on this and this can take totally new direction or may be it does not happen at all and we continue with current tax system. But this paper will help to understand the challenges and opportunities of Implementation of Direct Tax Code in India.

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Direct Taxes Code : Utility for tax practices Implementation

(Mrs. Dixit Megha Atul, Associate Prof. and Head, Dept. of Commerce, KRP Kanya Mahavidyalay, Islampur and Dr. Mrs. Maindargi Varsha Vivekanand, Associate Professor and Head, Dept. of Accountancy, Kamala College, Kolhapur)

Introduction –

The Direct Taxes Code (DTC) is said to replace the existing Indian Income Tax Act, 1961. It seeks to consolidate and amend the law relating to all direct taxes, i.e. income-tax, dividend distribution tax, fringe benefit tax and wealth-tax so as to establish an economically efficient, effective and equitable direct tax system. It will facilitate voluntary compliance and help increase the tax-GDP ratio. It also aims at reducing the scope for disputes and litigation. The code is designed to provide stability in the tax regime. It is based on well accepted principles of taxation and best international practices.

The present paper is an attempt to understand the highlights of direct taxes code and its utility in the practices in tax implementation.

II Objectives of the study –

- To understand the salient features of Direct Tax Code
- To identify the utility of DTC in implementation practices
- To offer conclusions and suggestions

Highlights of Direct Tax Code

- The draft tax code proposes a new tax rate of 35 per cent for individuals having income exceeding Rs 10 crore.
- The Standing Committee on Finance headed by senior BJP leader Yashwant Sinha had proposed no tax on income of up to Rs 3 lakh per
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annum; 10 per cent for Rs 3 lakh to Rs 10 lakh; 20 per cent, for Rs 10 lakh to Rs 20 lakh and 30 per cent on annual income beyond Rs 20 lakh. But these recommendations did not make into the draft Direct Tax Code. "The recommendation is not acceptable as it will result in huge revenue loss. The total revenue loss on account of recommended changes in income tax slabs and removal of cess works out to Rs 60,000 crore approximately," says the proposed Direct Taxes Code - 2013. As per the current structure, there is no tax on income of up to Rs 2 lakh per annum; 10 per cent on Rs 2 lakh to Rs 5 lakh; 20 per cent on Rs 5 lakh to Rs 10 lakh and 30 per cent on income beyond Rs 10 lakh.

- The draft Direct Taxes Code - 2013 proposes to reduce the age for tax exemption for senior citizens to 60 years from 65 years.
- The new draft tax code widens the base for levy of wealth tax. The revised code captures all assets for wealth tax, whether physical or financial, thereby removing the distinction between physical and financial assets. Wealth tax is proposed to be levied on individuals, Hindu Undivided Family (HUF) and private discretionary trusts at the rate of 0.25 per cent. The threshold for levy of wealth tax in the case of individual and HUF shall be Rs 50 crore. According to the current tax norms, every individual and Hindu Undivided Family (HUF) who has wealth exceeding Rs 30 lakh is required to pay wealth tax and the wealth tax rate is 1 per cent.
- With a view to provide parity in treatment of insurance products and mutual fund products,the new Direct Tax Code proposes to levy income distribution tax on equity linked insurance products on the lines of equity oriented mutual funds.
- The new tax code proposes additional tax @10 per cent on recipient of dividend (liable to dividend distribution tax) exceeding Rs 1 crore. Under the Income-tax Act, the dividend distribution tax is to be levied at the rate of 15 per cent.
- The revised DTC says the provisions of 'Income from house property' shall not apply to the house property, or any part of the house property, which is used for business or commercial purposes.
- The new tax code says the amount of rent received in arrears or the amount of rent which is not realised from a tenant and is realised subsequently shall be deemed to be the income from house property of the financial year in which such rent is received or realised.

- For the purposes of deduction in respect of interest on loan taken for self-occupied house property, the loan given by the employer should also qualify for this concession.

III Utility of Direct Tax Code in the implementation of taxes practices

1. Single Code for direct taxes: All the direct taxes have been brought under a single Code and compliance procedures unified. This will eventually pave the way for a single unified taxpayer reporting system.

2. Use of simple language: With the expansion of the economy, the number of taxpayers can be expected to increase significantly. Therefore, it is necessary to keep the cost of compliance low by facilitating voluntary compliance by them. This is sought to be achieved by using simple language in drafting so as to convey, with clarity, the intent, scope and amplitude of the provision of law.

3. Reducing the scope for litigation: Wherever possible, an attempt has been made to avoid ambiguity in the provisions giving rise to rival interpretations. For this power has also been delegated to the Central Government/Board to avoid protracted litigation on procedural issues.

4. Flexibility: The structure of the statute has been developed in a manner which is capable of accommodating the changes in the structure of a growing economy without resorting to frequent amendments. Therefore, to the extent possible, the essential and general principles have been reflected in the statute and the matters of detail are contained in the rules/ schedules.

5. Ensure that the law can be reflected in a Form: The structure of the tax law has been designed so that it is capable of being logically reproduced in a Form.

6. Consolidation of provisions: In order to enable a better understanding of tax legislation, provisions relating to definitions, incentives, procedure and rates of taxes have been consolidated. Further, the various provisions have also been rearranged to make it consistent with the general scheme of the Act.

7. Elimination of regulatory functions: Traditionally, the taxing statute has also been used as a regulatory tool. However, with regulatory authorities being established in various sectors of the economy, the regulatory function of the taxing statute has been withdrawn.

8. Providing stability: At present, the rates of taxes are stipulated in the Finance Act of the relevant year. Therefore, there is a certain degree of uncertainty and instability in the prevailing rates of taxes. Under the Code, all rates of taxes are proposed to be prescribed in the First to the Fourth Schedule to the Code itself thereby obviating the need for an annual Finance Bill. The changes in the rates, if any, will be done through appropriate amendments to the Schedule brought before Parliament in the form of an Amendment Bill.

IV. Conclusion:

The DTC 2013 drafted keeping in mind the loopholes in the prevailing Act. The proposed direct tax code will provide better and more efficient tax structure by eliminating & reducing loopholes prevailing at present in economy. It will provide smooth transition from IT Act to Direct Taxes Code.

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Jump up^ *DTC's impact on India Inc*

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"Implementation of Direct Tax Code In India"

A. K. Ganbawle,

Shri Venkatesh Mahavidyalaya,

Ichalkaranji.

Introduction:

Income Tax is a very important direct tax. It is an important and most significant source of revenue of the government. The Government need money to maintain law and order in the country, safeguard the security of the country from foreign powers and promote the welfare of the people. The Central government requires mobilization of funds from various sources to implement the welfare program. These sources may be direct or indirect. Income tax being a direct tax is an important tool to achieve balanced socio-economic growth by providing concessions and incentives in income tax for various developmental purposes.

Indian Tax System is a high dependence on Indirect taxes, low average effective tax rates and tax productivity. The taxation system in the republic of India is quite well structured. The department of revenue of the Ministry of Finance of Govt. of India is responsible for the computation i.e. levy as well as collection of the taxes in the country. However, some of the taxes are levied solely by the State Governments and Local bodies of different States in the country.

Over a period of 12 to 15 years, the tax system in the country has undergone some significant changes. The entire system has been tremendously reformed. The slab for the imposition of taxes has been modified. The taxes rates have been restructured as well as the various laws governing levying of taxes were simplified. The main objective of these reformations is better compliance, better enforcement and easy payment of levied tax.
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History of Income tax Act 1961:

In the year 1857, government incurred heavy losses on account of military mutiny. To meet the loss, Sir James Wilson introduced income tax for the first time in India in the year 1860. Since 1860, numerous amendments were made and in the year 1886 first Income tax Act was passed. The scheme of taxation specified in the Income tax act 1886 for levying tax continuous to operate even today with some changes. This Act was replaced by Income tax Act 1918. In the year 1922, a new Income tax Act was passed and this Act remained in force till 31/3/1961.

Numerous amendments made the tax structure so complicated that the government referred the Act to law commission in 1956. The law commission submitted its report in September 1958. The government of India also had appointed the Direct Tax Administration Enquiry Committee (DTAEC) to suggest measures for minimizing tax evasion. The recommendations of these two committees were examined by the special committee of the central board of revenue and a bill was prepared and introduced in the parliament in 1961. The bill was passed by the parliament in sept. 1961. The Act came into force on 1st April 1962. It applies to the whole of India and Sikkim including Jammu and Kashmir. Since 1962 several amendment of far reaching nature has been made in the Income tax Act by the finance Act of every year. Amendments have also been made by various Amendment Act. Taxation Law Amendment Act 1984, Direct Tax Amendment Act 1987. Direct Tax Laws Act 1988 7 1989, Taxation Law Act 1991. The Amendment in the Finance Act 1992 & 1993 are mostly based on the recommendations of Chelliah Committee report. The present law of Income tax is supported by four pillars via Income tax Act 1961, Income tax Rules 1962, Finance Act and Case laws.

The Income Tax Act 1961:

1) Income tax in India is governed by the Income Tax Act 1961.

2) It came in to force w.e.f. 1.4.1962.

3) The Act contains 298 Sections and XIV Schedules.

4) The Finance Act shall bring amendments to this Act.

5) The Law provides for determination of taxable income, tax liability and procedure for assessment, appeal, penalties and prosecutions.

Annual Amendments through Finance Act:

1) Finance minister presents this as Finance bill in both the houses of parliament.

2) Part A of the Budget contains proposed policies of the Government in fiscal areas.

3) Part B contains the detailed tax proposals.

4) Once the Finance Bill is approved by the Parliament and gets the assent of the president, it becomes the Finance Act.

5) The rate of tax at which income shall be charged is prescribed in the Schedule I of Finance Act.

The Finance Act brings amendments to both the Direct Tax Laws and Indirect Tax Laws.

Circulars/Notifications from Central Board of Direct Taxes (CBDT):

1) In exercise of the powers u/s 119, CBDT issues circulars and notifications from time to time.

2) These circulars clarify doubts regarding the scope and meaning of the various provisions of the Act.

3) These circulars act as guidance for officers and assesses.

4) These circulars are binding on Assessing Officers but not on assessees and courts.

5)

Supreme Court and High Court Decisions:

1) The Supreme Court and the High Court can give judgment only on the question of law.

2) The law laid down by the Supreme Court is the law of land.

3) The decision of High Court will apply in the respective States, within its jurisdiction.

Determining the Rates of Tax under the Income Tax Act 1961:

1. Income Tax shall be charged at the rates fixed for the year by the Annual Finance Act.

2. The First Schedule to the Finance Act provides the following rates of taxation.

Part I The tax rates applicable to income of various types of assesses for the assessment year

Part II Rates of TDS for the current financial year.

Part III Rates of TDS for salary and advance tax

Income Tax Rules 1962:

The Central Board of Direct Taxes which is the Supreme authority in the income tax department has been empowered to frame rules subject to the control of the Central Government. The CBDT has framed the rules which are called the Income tax Rules 1962 for the purpose of administration of the Income tax. These rules are also amended from time to time to suit the requirements and for better administration of the Act.

Levy of Income Tax:

Under the Income tax Act, an assessed has to pay income tax on his total income of a particular previous year provided it exceeds a certain minimum limit which is prescribed each year by the finance act. The total income is computed in the manner provided & is classified into following five heads.

1) Income from Salary
2) Income from House Property,
3) Profits and Gains of Business or Profession,
4) Income from other sources,
5) Capital Gains.

Persons Liable to Tax:

Every person who has a taxable income should pay tax to the government. The general rule is that the income of previous year of a person is taxed in the succeeding year at the rate prescribed by the finance act. The following are the persons who are liable to tax on their taxable income:

1) Individual
2) Hindu undivided family
3) Firm
4) Association of persons or body of individuals
5) Company
6) Local authority
7) Any artificial juridical person.

Residence of Persons:

The quantum of taxable income is determined by reference to the residential status of a person. Hence all the persons are further classified into resident, not ordinarily resident and non-resident in India.

Administration of the Act:

The execution of the Act is made by the Department of Income tax consisting of the following authorities:

1) **Central Board of Direct Taxes**: This is the supreme authority in the Department of Income tax.

2) **Directors-General or Directors or Joint Directors**: They include Deputy Director, Additional Directors and Assistant Directors and perform the duties as are assigned to them by the Board.

3) **Chief Commissioners or Commissioners or Joint Commissioners**: They are also subordinates to the Board.

4) **Deputy Commissioners**: They are subordinates to the Commissioners and Directors of their respective jurisdiction.

5) **Assessing Officers**: They are the Assistant Commissioners or Income tax Officers and are subordinates to the Deputy Commissioners, Commissioners and Directors of their respective jurisdiction.

6) **Income tax Officers**: They are the assessing officers and are subordinates to their higher authorities.

7) **Tax Recovery Officers**: They are the Income tax Officers who have been entrusted exclusively with the work of recovery of income tax.

8) **Inspectors:** They are subordinates to the assessing officers and other higher officials of their respective jurisdiction.

Appellate Authorities:

The following are the appellate authorities to whom a person or the department may prefer an appeal under the provisions of the Act:

1) **Commissioners (Appeals)**: They include Additional Commissioners (appeals). A person may file an appeal against certain orders of the Assessing officers, Assistant Commissioners and Deputy Commissioner.

2) **Appellate Tribunal**: A person may file an appeal against certain orders of the Commissioner or the Commissioner and Deputy Commissioner.

3) **Reference to the High Court**: A person or the Commissioner may apply to the Tribunal to refer the case to High Court on the question of law or may apply to the High Court.

4) **Reference to High Court**: A person or the Chief Commissioner or the Commissioner may file an appeal against the order of the Tribunal directly to the High Court.

5) Reference directly to the Supreme Court: In case of conflicting decisions of different High Courts on the same question of law, it may be referred directly to the Supreme Court.

6) Appeal to the Supreme Court: This is the last appeal against the judgement of High Court.

Revision by Commissioner:

If an order passed by the Assessing Officer is prejudicial to revenue the Commissioner may revise such orders. But the person may file an appeal to the Tribunal against the order. The Commissioner may also revise the order passed by his subordinate officers on his own motion or on an application made to him by the person.

Settlement of Cases:

A separate Commission has been appointed by the Government for settlement of certain cases. A person may make an application to the Commission for settlement of his case. Wide discretionary powers have been vested with the Commission. The order of settlement passed by this Commission is final and conclusive.

Conclusion:

The importance of Income tax has increased considerably in the present days because it has become a major source of revenue to the Government. The Income tax Act 1961 retained the basic structure of the old Act of 1922, but vast changes are made in the Act in the matter of the contents. The provisions in the new Act are simplified and logically arranged to prevent avoidance and evasion of tax. Income tax Act 1961 has been amended and reamended more often and more drastically during fifty years of its existence than 1922 act was amended during forty years of its existence. Therefore, income tax has become very complicated both for administering authorities & the tax payers.

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Service Tax On Builders :- Issues In Classification and Valuation

Prof. M. M. Bagban

Associate Professor in Accountancy

Devchand College Arjunanagr

We All are well aware that with effect from 1st July 2012 service tax is being lived under the negative list regime, which means that any service not exempted either under the negative list of by way of any exemption notification and provided in India (excluding J &K) is taxable. The word service has been defined in the widest possible manner ,meaning any activity carried by person for another for consideration.Consrtuction sector has wide range of activity including selection of site, devlopmentploting, sale of land, architecture, constructing ,construction, finishing , letting, sale of structure, etc. thus many aspects merit analysis under the new service Tax repine.

The basic fundamental of taxing construction service is gathered from the landmark judgment of the supreme court on composite transaction in BSNL vs. UOI [2006(2) STR 161 (SC)]. It has held that apart from two exceptions provided in the Article 366(29A). viz, works contacts and supply of food as part of service the state would not the power to separate a composite contracts unless the transaction in truth represents two separate contracts of sale and service and discernible as such . That is the transaction determined by an element which determines the dominant nature of the transaction, e.g. if a patient is given a pill in the hospital , the dominant nature is service and state cannot therefore charge vat on the pill. Similarly, when one orders customized laddoos to be made as per specifications from a sweets shop, the dominant nature of the transactions is sale and , therefore, the centre cannot charge service tax on the same. It court judgments that service tax and VAT are mutually exclusive . refer to the supreme court judgment in imagic creative's Pvt. Ltd. Vs commissioner of commercial taxes [2008(9) STR 337(S.C)]

In simple terms in the context of construction services, at the outside, one has to clearly classify contract into one of the following three (further splitting in the chart below is explained later in the article)

Types of construction contracts.

Labour sale contract composite contract

Manpower supply other works contract construction of complex intended for sale

I) Loabour Contaract II) Sale Contaract III) Works Contracts

IV) Constructin of Complex Or Building Intended for sale to Buy

Reference :

1) Management accountant Journal

2) Chartered Accountant Journal

Interpretation of Sec 87 A & 80 TTA

Presented by Prof. M R Thite
Asso. Professor and H O D
Accountancy Department.
Night College of Arts & Com.
Ichalkaranji.

Objects : The main object of the paper is to highlight the new section 87 A and 80 TTA which have been introduced by finance bill 2013. To familiarise the sections with readers of income tax and to state its applicability in computing total income as well as tax liability of a individual or H U F .

A new section 87A by finance bill 2013 has been introduced for rebate on income tax of Rs. 2000 for the assessment year 2014-15 . This rebate can be availed to tax payers/ assesses under section 87A. It is necessary to read clauses 19 and 20 of the bill to make it clear.

Clause 19 and 20 of the bill seeks to amend section 87 and insert a new section 87A in the Income Tax Act relating to rebate of income tax in case of certain individuals .The section 87A seeks to provide that an assessee being an individual resident in India, whose total income does not exceed five hundred thousand rupees, shall be entitled to a deduction from the amount of income tax . (as computed before allowing the deductions under chapter VI th of the Income Tax Act) on his total income with which he is chargeable for any assessment year, of an amount equal to 100% of such income tax or an amount of rupees 2000 whichever is less.

- These amendments have taken place from 1st. April 2014and will apply in relation to the Assessment year 2014-15 and subsequent assessment years.
- Rebate is available only to individuals
- No rebate to non resident

- If the total tax payable is less than Rs. 2000, rebate is restricted to total tax payable.
- It is not applicable to super senior citizen since he is already fully exempted up to Rs. Five lakh
- This amendment does not mean that basic exemption limit raised from Rs.200000 to 220000.

Rebate of income tax under section 87A as applicable for assessment year 2014-15 also available for assessment year 2015-16 and subsequent years as it has not restricted to any particular financial or assessment year. Further in recently presented budget 2014 finance minister Arun Jaitley section 87A was not amended.

Section 80TTA

This section has been introduced for income tax deduction of Rs. 10000 for the assessment year 2013-14. This deduction is in respect of interest on deposits in saving accounts with bank, co-operative bank or post office. This deduction is available only to individual or Hindu undivided family. The object of this amendment is to give incentives to the savings by the citizens of India. This deduction will also be continued for the subsequent assessment years as it not for any particular financial or assessment year and has not withdrawn in the finance bill 2014 by the finance minister.

This deduction is allowed from the gross total income of individual or HUF while computing total/ taxable income. Maximum amount of deduction will be actual amount of interest on saving account or Rs. 10000 whichever is less.

Conclusion : From the above it is clear that the amendment in section 87A is made for the relief of tax liability to low income group assessees. And the aim of introducing section 80TTA is to give incentive to small savings in India.

Reference ; Finance Bill 2013

Finance Bill 2014.

To Understand the Direct Tax Code in India

Prof. Gadave Bhanudas
Ramchandra
Prof. Arage Laxman Tavanappa
M.Com.,M. Phil. M.Com., M. Phil.
HOD & Associat
Assistant Professor
Shri Shiv-Shahu Mahavidyalaya, Sarud
Tal- Shahuwadi, District- Kolhapur

INTRODUCTION:

The Income Tax Act was passed in 1961 and has been amended every year through the Finance Acts. A lot of things have changed since then. No doubt, many things have been implemented by

modifying the IT Act from time to time. Income Tax department of India has put the new proposal for direct tax in front of Government of India and Government has unveiled the draft of a brand new direct tax law, which will replace the five-decade old Income- Tax Act. This is known as Direct Tax Code (DTC). The aim of New Direct Tax Code (DTC) is to make the current tax structure in India straight forward. An important part of the budget every year has been the detailing of the tax rates.

However, with the introduction of the new direct tax code, the tax rates will not be part of the budget presented to Parliament every year. The new code will completely overhaul the existing tax proposals for not only Assessee, but also corporate houses and foreign residents. It is a topic of interest and a matter of concern for every taxpayer in India. India wants to modernize its direct tax laws, mainly its income tax act which is now nearly 50 years old. The government needs a modern tax code in step with the needs of an economy which is now the third largest in Asia.

The new tax code is expected to widen the tax base, end unnecessary exemptions, moderate rates and add to the government's coffers. The direct tax code seeks to consolidate and amend the law relating to all direct taxes so as to establish an economically efficient, effective and equitable direct tax system which will facilitate voluntary compliance and help increase the tax-GDP ratio. Another objective is to reduce the scope for disputes, minimize litigation and formulate the strategy relates to checking of erosion of the tax base through tax evasion. It is designed to provide stability in the tax regime as it is based on well accepted principles of taxation and best international practices

The Philosophy behind such replacement is to make the Direct Taxes Code very easy and simple so that tax payers themselves can, without help of experts compute and file Income Tax Returns.

OBJECTIVES OF THE STUDY:

1. To study the awareness of the respondents about Direct tax code.

2. To overview of the Direct Taxes Code in India..

RESEARCH METHODOLOGY:

The study examines Income-Tax System and Direct Tax Code in India. For the purpose of the study, the data has been collected from secondary sources which include the various books, journals, Finance Acts, Indian Economic Survey, and Income Tax Act 1961.

HIGHLIGHTS OF DIRECT TAX CODE:

Earlier Income Tax Act and Wealth tax Act are abolished and single code of Tax, Direct Tax Code in place. Some of the major highlights of New Direct Tax Code are as follows:

1. Concept of Assessment year and previous year is abolished. Only the "Financial Year" terminology exists.

2. Only status of "Non Resident" and "Resident of India" exits. The other status of "resident but not ordinarily resident" goes away.

3. Earlier the terminology of 'Assessee' was meant for the person who is paying tax and/or, who is liable for proceeding under the Act. Now it has been added with 2 more definitions namely a

person, whom the amount is refundable, and/or, who voluntarily files tax return irrespective of tax liability.

4. Income to be now classified under two broad categories:

i) Income from special sources; and

ii) Income from ordinary sources.

5. Income from Special Sources includes income taxable at special rates like income of non-residents, winning from lotteries and horse races etc. Income from Ordinary Sources includes:

i) Income from employment;

ii) Income from house property;

iii) Income from business;

iv) Income from capital gains; and

v) Income from residuary sources.

6. Housing Loan Interest for Self Occupied house disallowed.

7. Returns to be processed within one year, otherwise no demand notice can be raised.

8. VRS Gratuity and commuted pensions, taxable if not invested in approved savings, will be taxable on withdrawals.

9. Government and Non-Government Taxation Difference removed.

10. Savings limit eligible for deduction increased to Rs. 3 lakhs from the current Rs. 1 lakh.

11. Deductions like 80D, 80DD, 80DDE, 80U, 80E, 80 GG retained.

12. No changes in the system of Advance Tax, Self-Assessment Tax and also TDS.

13. Government assessee is covered in Direct Tax Code.

SALIENT FEATURES OF THE CODE:

The Code is a sincere attempt towards simplifying the direct tax laws in India. Briefly, the salient features of the Code are as under:

1. Single Code for Direct Taxes.

2. Use of Simple Language.

3. Reducing the Scope for Litigation.

4. Flexibility.

5. To Ensure that the Law can be reflected in a form.

6. Consolidation of Provisions.

7. Elimination of Regulatory Functions.

8. Providing Stability.

CONCLUSION:

The Code shall replace the five-decade old Income-tax act. The new tax code aims to make the system more efficient and easy for tax payers, with simplified rules and regulations. Direct Tax Code has integrated all Direct Taxes as a single Act. The aim of the Direct Tax Code is to simplify tax legislation minimize litigation, broaden tax base and eliminate tax exemptions in part to attract foreign business and investment. But, there are always two sides of any coin. The Direct Tax code in India is very much discussed and criticized now a day. Even though, the basic aim behind Direct Tax Code is simple and helpful to the people, it is very much criticized because many provisions under this proposal may harm the investors. The Direct Tax Code change in the whole taxation system of India.

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New Direct Tax Code in India

Mr. Abhijeet Kamble

Asst. Prof. in Commerce

Night College of Arts and Commerce,

Kolhapur

Introduction

The New Direct Tax Code (DTC) is said to replace the existing Income Tax Act of 1961 in India. DTC bill was tabled in parliament on 3oth August, 2010. There are big changes now in monsoon session and There are now much less benefits as compared to what were in the original proposal.During the budget 2010 presentation, the finance minister Mr. Pranab Mukherjee reiterated his commitment to bringing into fore the new direct tax code (DTC) into force from 1st of April, 2011, but same could not be fulfilled. **Again, as per budget presented on 16th March, 2012, Implementation of Direct tax code has again been deferred and won't be applicable from 1st April, 2012.**

Research Methodology:

The research paper is conceptual in nature. In order to develop basic insight regarding the concept, the researcher has made use of secondary data. The researcher has referred books, journals, magazines, newspapers and various websites.

Direct Taxes Code (DTC)

The **Direct Taxes Code** (DTC) is an attempt by the Government of India (GOI), for many years, to revise, consolidate and simplify the language and structure of **direct tax** laws in India into a single legislation.

OBJECTIVES OF THE CODE

The Code seeks to consolidate and amend the law relating to direct taxes, that is, income-tax, dividend distribution tax, fringe benefit tax and wealth-tax, so as to enable to establish an economically efficient, effective and equitable direct tax system which will facilitate voluntary compliance and help increase in the tax-GDP ratio. Another objective is to reduce the scope for dispute and minimize litigation.

Highlights of Direct Tax code

1. **Removal of most of the tax saving schemes:** DTC removes most of the categories of exempted income. Unit Linked Insurance Plans (ULIPs), Equity Mutual Funds (ELSS), Term deposits, NSC (National Savings certificates), Long term infrastructures bonds, house loan principal repayment**,** stamp duty and registration fees on purchase of house property will loose tax benefits.

2. **New tax saving schemes:** Tax saving based investment limit remains 100,000 but another 50,000 has been added just for pure life insurance (Sum insured is atleast 20 times the premium paid) , health insurance, mediclaims policies and tuition fees of children. But the one lakh investment can now only be done in provident fund, superannuation fund, gratuity fund and new pension scheme (NPS).

3. **Tax slabs:** The income tax rates and slabs have been modified. The proposed rates and slabs are as follows:

Annual Income	**Tax Slab**
Up-to INR 200,000 (for senior citizens 250,000)	**Nil**
Between INR 200,000 to 500,000	**10 %**
Between INR 500,000 to 1,000,000	**20 %**
Above INR 1,000,000	**30 %**

Men and women are treated same now.

4. **Home loan interest:** Exemption will remain same as 1.5 lakhs per year for interest on housing loan for self-occupied property.

5. **Short and long term gains:** Only half of Short-term capital gains will be taxed. e.g. if you gains 50,000, add 25,000 to your taxable income.

Long term capital gains (From equities and equity mutual funds, on which STT has been paid) are still exempted from income tax.

6. **EEE and EET:** As per changes on 15th June, 2010, Tax exemption at all three stages (EEE) —savings, accretions and withdrawals—to be allowed for provident funds (GPF, EPF and PPF), NPS (new pension scheme administered by PFRDA), Retirement benefits (gratuity, leave encashment, etc), pure life insurance products & annuity schemes. Earlier DTC wanted to tax withdrawals.

7. **Education Cess:** Surcharge and education cess are abolished.

8. **Income arising from House Property**: Deductions for Rent and Maintenance would be reduced from 30% to 20% of the Gross Rent. Also all interest paid on house loan for a rented house is deductible from rent.

Before DTC, if you own more than one property, there was provision for taxing notional rent even if the second house was not put to rent. But, under the Direct Tax Code 2010 , such a concept has been abolished.

9. **LTA (Leave travel allowance)**: Tax exemption on LTA is abolished.

10. **Education loan**: Tax exemption on Education loan to continue.

11. **Corporate tax**: Corporate tax reduced from 34% to 30% including education cess and surcharge.

12. **Taxation of Capital gains from property sale** : For sale within one year, gain is to be added to taxable salary.

For long term gain (after one year of purchase), instead of flat rate of 20% of gain after indexation benefit, new concept has been introduced. Now gain after indexation will be added to taxable income and taxed at per the tax slab.

Base date for cost of acquisition has been changed to 1st April, 2000 instead of earlier 1st April, 1981.

14. **Medical reimbursement** : Max limit for medical reimbursements has been increased to 50,000 per year from current 15,000 limit.

15. **Tax on dividends:** Equity mutual fund will attract 5% dividend distribution tax (DDT). DDT has been removed from debt and non-equity based mutual funds but now dividends on non-equity funds will be taxable in investor's hand as per his slab rates. There will also be a TDS 0f 10% (20% in case of NRI and companies) if dividend is more than 10,000 Rs for non-equity funds.

16. **News for NRIs :** As per the current laws, a NRI is liable to pay tax on global income if he is in India for a period more than 182 days in a financial year. But in new bill, this duration has been changed to just 60 days.An NRI will be deemed as resident only if he has also resided in India for 365 days or more in the preceding four financial years, together with 60 days in any of these fiscal years. Even if an NRI becomes a resident in any financial year, his global income does not immediately become liable to tax in India. Global income would become taxable only if the person also stayed in India for nine out of 10 precedent years, or 730 days in the preceding seven years. This is very unfair to Seafarers. To avoid any income tax, an Indian sailor employed with a foreign ship will have to stay maximum for 60 days in India

DRAWBACKS OF IMPLEMENTATION OF THE DIRECT TAX CODE

The various opinions of the chartered accountant regarding drawbacks of implementation of the direct tax code are given below:

In present situation, an individual with some basic knowledge of income tax is in a position to determine his self assessment tax. But with the introduction of the DTC, the whole procedure will be different and he will require a consultant at every point of time.

Leave travel allowance will not be allowed and all such allowance and expenditure is definitely the drawback for the general public of the direct tax code. The tax burden may increase.

Non exemption in house rent allowance (HRA/leave travel concession (LTC), Keeping investments in SCSS and Infra bonds out of scope of EEE, including several other critical issues like penalty, prosecution, service of notice, revision, stay of demand by the Appellant Tribunal, survey, search,

and seizure, method of and maintenance of accounts, depreciation etc. arising out of provisions of DTC are among the major drawbacks.

If total income exceeds Rs.10 crore of an individuals or HUF the tax rate will be 35% which is way to higher inclusive of cess. It will to lead to wrong interpretation of provisions, improper saving preference and difficulty in learning for the general public. Change is for the better when it is driven by belief and experiences, not when there is change for the sake of change. Some of the conceptual changes proposed in the direct tax code are highly debatable and may defeat the objective of implification.

Standard deduction on house rent will be reduced from 30% to 20% which means there will be an extra burden of tax liability of 10% of the house property income; tax exemption from leave travel allowance will be removed which will also increase the tax burden

The provision of DTC seems to make it more confusion and more litigation. The motto should be to enhance voluntary compliance and increased tax collection whereas the DTC does not fulfill the desired goal in totality.

The direct tax code system can make the company to pay more tax. The overall tax amount paid is less in the present system because of the incentive as well as the special tax holidays. The tax holiday would get eliminated in the direct tax code.

Tax rate for the company is high. Minimum alternate tax will be raised and will increase the tax burden of the companies. Direct Tax Code can make even the loss making companies to pay the minimum alternate tax.

The DTC also eliminates the entire region and location based tax exemptions. Special tax holidays are given for years in some regions. This system will get eliminated in the DTC. The overall tax amount paid by companies will be less in the present system because of the incentives and exemptions. The new system will make them to pay more tax even if some of them are making losses.

STT is required for regulation of daily trading; hence its abolition will affect the trading mechanism;

Negative impact on the insurance industry due to levy of dividend distribution tax and on distribution of income;

Company in the low tax area will suffer hugely. There is ample scope for litigation in respect of definition of 'Place of Effective Management' including 'Controlled Foreign Corporation' (CFC) provisions. Parameters CFC, specified income to be taxed in the hands of Indian Shareholders etc. also not clearly spelt out. The major problem for the company would be classifying the income under various direct tax codes.

Present Scenario

The Direct Taxes Code (DTC) Bill 2010 has lapsed with the dissolution of the 15th Lok Sabha, Parliament was informed on Friday.Finance Minister Arun Jaitley conveyed this to the Lower House in a written reply in response to a question on whether DTC implementation would make avoiding tax tougher for foreign companies. The Modi-led Government—which has completed six months in office— is yet to take a call on whether a new Bill to replace the existing income tax law need to be introduced or not.While the new Government is keen to fast tract goods and services tax (GST) implementation, it is not showing any urgency when it came to enacting a new income tax law.

One Word

It can be concluded that direct tax code has been framed to rationalize the existing tax system and facilitate voluntary compliance. There are many loopholes in the existing tax system. The direct tax code has been designed to take care of all lacunae prevailing in present act. The policy makers have draft the various provisions of the code a few years back and modification of the code is on as of now taking into account opinions received from the many quarters. But final shape of the code is still to be given to make it fruitful one in the future.

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Direct Tax Code in Indi

Paper Presented By
Prof. Kshirsagar Vikas Vasant
(M.A., M.Phil Economics)
T.K. Kolekar Arts and Commerce Collge,
Nesari Tal-Gadhinglaj
Dist-Kolhapur 416504

1) Introduction :

Taxes are the main sources of revenue for the Government to and finance its welfare and development activities. In India Tax Act 1961. (DTC) The Direct Taxes Code is said to replace the existing Indian Income Tax Act 1961.

The Direct tax code seeks consolidate and amend the law relating to all direct taxes, namely viz. 1) Income Tax 2) Divided distribution tax 3) Fringe benefit tax 4) Wealth Tax so as to establish an economically efficient, effective and equitable direct T ax system which will facilitate voluntary compliance and help increase the Tax-GDD ratio. Another objective is to reduce the scope for disputes and minimize litigation.

It is designed to provide stability in the tax regime as it is based on well accepted principles of taxation and best international practices. It will eventually pave the way for a single unified taxpayer reporting system.

2) Background on the Direct Taxes Code :-

The Direct Taxes Code is an attempt by the Government of India to simplify the direct Tax laws in India. DTC will revise consolidate and simplify the structure of direct tax laws in India. Into a single legislation. The DTC,

when implemented will replace the Income-Tax Act 1961. (ITA) and other direct tax legislations like the wealth Tax Act last.

3) Why India Need Direct Tax Code :-

There are several reasons behind the need of DTC as follows.

1) Provides stabilities in direct tax rates.
2) Increase tax to GDP ratio.
3) Corporate tax 30% (no surcharge and cess).
4) Wealth Tax “cut off” increased.

DTC is proposed to remove most of the categories of exempted income. Equity Mutual Funds, Term Deposits, National saving certificates, Unit linked Insurance plans, Long Term infrastructures bonds, house loan principal repayment, stamp duty and Registration fees on purchase of house property will lose tax benefits.

4) Salient Features of the DTC :-

1) The code is a move towards the rationalization of tax rate structure.

2) The tax base has been broadened and more number of assesses would be brought under the
tax net.

3) This code is a single code for all direct Taxes including wealth Tax.

4) As the code is drafted in a simple and a lucid manner, it is expected to decrease the scope
for lawsuit.

5) Tax would levy on the basis of the ability of the person to pay which depends on his
income and consumption.

6) For the purpose of better understanding and to reduce complexity, related sections have
been grouped under the respective chapters.

e.g. Exemptions related to salary would now fall under the need “Income from Employment”.

5) Some Highlights of Direct Tax Code :-

1) 10% tax on annual income between Rs. 2-5 lacks, 20% on between 5-10 lacks, 30% for
above Rs. 10 lacks.

2) Proposal to leave dividend distribution tax at 15 %.

3) Exemption for investment in approved funds and insurance schemes proposed at Rs. 1.5

lacks annually, against Rs. 1.2 lacks currently.

4) Proposed bill has 319 sections and 22 schedules against 298 sections and 14 schedules in

existing IT Act.

5) DTC replaced archaic Income Tax Act.

6) However, many provisions in Income Tax Act are also a part of DTC as well.

7) Fringe benefits tax will be charged to the employ rather than the employer.

8) DTC rates proposed to be introduced for personal Income Tax.

9) Exemption limit for the general category of individual taxpayers proposed to be enhanced

from Rs. 1,80,000 to Rs. 2,00,000 giving tax relief Rs. 2,000.

6) Conclusions :-

The last Tax code in India was designed in 1961 and that is why we call it Income Tax Act 1961. But after half a century everything is changed and we cannot simply rely on the age old tax system. There are some disadvantages also but over all right now it looks that it has many advantages.

The DTC is proposed to make all the tax laws simple. It has also increased the limits of income tax and wealth Tax by several folds. This is surely a reason to smile. India's social security system is still in developing stages, and any change in this method might have posed significant challenges for tax payers as well as collectors.

DTC will have a direct impact on Tax saving and calculations. With the implementation of DTC, government encourages savings and contributed to infrastructural development.

7) References :-

1) Jump up – DTC India 2009.

2) Jump up – Business Line – Features/Mentor.

3) http://www.ijmra.us

4) http://www.new-DTC-pay-lessintaxes-from-april-roll.47396.

5) http://www.india.gov.in

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Study of Income Tax Payer Teachers

Pravinkumar Bharatkumar Lupane &

Pratap Bhagawan Gaikwad,

Research Scholars,

Shivaji University, Kolhapur

1. Introduction-

India is presumed to be one of the oldest civilizations of the world. Various references about tax has found in the Hindu Dharmashastra and its literature. During Vedic period, King was the supreme authority to levy and collect tax. Tax collected from public formed part of State's Revenue. The references about sacrifice, argument for progressive taxation are found in the Institute of 'Manu'. Also during 'Mauryan Period', taxation had got importance for meeting the expenses of administration. The well-known 'Kautilya Neeti' was presented by Arya Chanakya (Kautilya) in which the reference of a well planned and systematic approach to levy and collect taxes is found.

After Independence, India had become an independent democratic republic nation. After the study of Law commission (1956) as well as the Direct Taxes Administration Enquiry Committee (1953-54), the reports in April 1961 in consultation with the Ministry of Law and the Income-Tax Bill, 1961 was introduced in Parliament. It was passed in September, 1961 and the Income-Tax Act, 1961 came into force.

Income-tax is a tax of Central Government which is collected by taxing income earned by the persons. Under which the procedures of taxing the incomes of the persons and collection of income-tax has been envisaged.
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The Central Government under its yearly financial budget decides the rates of income-tax to be charged on taxable income of 'person'. For the proper administration and collection of income-tax, the Government has formed a separate department known as 'Income-Tax Department' which is solely responsible for collection of income-tax and completing all the procedures in this regard. The income-tax is levied and collected according to the residential status of an assessee. Salaried group, who cannot hide its income and it, was the only honest tax-payer group.

Since year 1991, Indian tax system has under gone a drastic change in accordance with liberal economic policy and WTO commitments of the country. Now the Government of India has decided to introduce the Direct Tax Code from 2016 and onwards. The today's tax laws are modified and the recent tax system will totally changed by this new tax code.

2. Objects -

1. To know the awareness about tax assessment.
2. To give proper suggestions.

3. Research Methodology-

There is 79 staff in Pratinidhi High school & Junior College, Kundal. Out of which, 68 are teaching (59 are permanent and 9 are temporary) and 11 are non-teaching staff which includes 6 peons and 5 clerks. The paper is based on primary data and related information collected through internet. 'Purposive Sampling Method with 100 per cent population' has been taken for selecting sampling. Researcher has taken only 59 permanent teachers (44 are male teachers and 15 are female teachers) for research paper. Researcher has studied teacher's awareness, satisfaction of tax consultancy facilities, knowledge about the tax procedure and expectations about the tax consultant.

4. Data Analysis & interpretation-

Table No 1: Teaching experience in years

Sr. No.	Teaching experience (years)	Frequency	percentage
1.	01-05	12	20
2.	06-10	11	19
3.	11-15	08	14
4.	16-20	13	22
5.	21-25	09	15
6.	25-30	06	10
	Total	**59**	**100**

(**Source**: Field work)

The above table highlighted that 22 teachers are experienced less than 10 years. Moreover 15 teachers are more than 20 years teaching experience. 26 teachers are about 11 to 20 years experience. It means that 53 per cent of the teachers are quite young and are less than 15 years experience while 47 per cent of the teachers are old aged.

Table No 2: Person to whom tax calculated

Sr. No.	**tax calculated person**	**Frequency**	**percentage**
1.	Tax Consultant	47	80
2.	Chartered Accountant (C. A.)	06	10
3.	Self	02	03
4.	Other	04	07
	Total	**59**	**100**

(**Source**: Field work)

The above table elaborated that 80 per cent of the teachers are calculated their tax through tax consultant. 6 teachers are assessed their tax by C. A. Only 2 teachers are self assed their tax and 4 from others. It means teachers get salary but did not calculate their own tax. They are dependent by others. 53 teachers have calculated their own tax by tax professionals. Very low (2) teachers have calculated tax by self. 97 per cent of the teachers are dependent by others to assess their tax.

Table No 3: Method of payment of income tax

Sr. No.	payment of tax	Frequency	percentage
1.	Monthly salary	57	96
2.	One Installment	01	02
3.	Not proper method	01	02
4.	Other	00	00
	Total	**59**	**100**

(**Source**: Field work)

Table No 3 showed that 57 of the teachers are paid their income tax through monthly salary. Only one teacher paid their income tax at one installment and one could not used proper method for payment of income tax. It is cleared that 96 per cent of the teachers are paid their income tax through deducting the salary income. It is good sign to pay tax regularly. The method/ mode of income tax payment is very good. Moreover remaining two teachers will also be paid their income tax at regular basis, so the burden of one installment released and consistent method for paying the income tax.

Table 4: Knowing the information about Income Tax Act (per cent)

Sr. No.	Information about Income Tax Act (%)	Frequency	Percentage
1.	00 - 20	42	71
2.	21 - 40	07	12
3.	41 -60	03	05
4.	61 -80	01	02
5.	81- 100	00	00
6.	Couldn't know	06	10
	Total 59	**100**	

(**Source**: Field work)

The above table explained that the percentage of knowing information about income tax act. It showed that 71 per cent of the tax payee teachers known 0- 20 per cent information about tax act. 7 teachers know only 21-40 per cent information about income tax act. 3 teachers know 41-60 per cent information about tax act. Only one teacher knows 61-80 per cent information about tax act. 10 per cent of the teachers (06) couldn't know any information about income tax act. It means 81 per cent of the teachers know little information about income tax act. It is quite dangerous because teachers did not aware about income tax act. They paid tax blindly. They have dependent on the instructions given by the tax consultant. They earned money but they did not know the information about income tax act.

Table No 5: Sources of information about income tax

Sr. No.	Sources of information	Frequency	percentage
1.	Tax Consultant	50	85
2.	Income Tax Books/ Magazines	03	05
3.	Govt.'s Annual Budget	02	03
4.	Others	04	07
	Total	**59**	**100**

(**Source**: Field work)

The above table enlightened that 85 per cent teachers (50) getting the information about income tax through tax consultant. 3 teachers getting information through income tax books/ magazines like 'Vyapari Mitra'. Only two teachers have taking the little information through Govt.'s annual budget. 4 teachers taking the information about income tax from others like friends, colleagues, spouse etc. It has clearly showed that very much (85%) of the teachers are getting the income tax information through tax consultant. Teachers did not read the information about income tax in books or magazines. Also very few (2) teachers have getting the information through the Govt.'s Annual Budget. It has also dangerous because the teachers, the reading source of society, could not aware about their income tax.

Table No 6: Satisfaction about tax consultant (Per cent)

Sr. No.	Satisfaction about tax consultant (Per cent)	Frequency	percentage
1.	00-20	31	53
2.	21-40	12	20
3.	41-60	09	16
4.	61-80	03	05
5.	81-100	02	03
6.	Can't satisfied	02	03
	Total	**59**	**100**

(**Source**: Field work)

It has focused that 31 teachers out of 59 are satisfied 0-20 per cent about consultancy given by tax consultant. 31 teachers are satisfied 21-60 per cent about consultancy given by tax consultant. 5 teachers are satisfied 61-100 per cent about consultancy given by tax consultant and 2 teachers are not satisfied (100%) about consultancy given by tax consultant. It has depicted that only 8 per cent teachers' has satisfied about services provided by tax consultant. 54 teachers are not satisfied to providing services by tax consultant. There have reasons like inconsistency, providing consultancy through their clerks, filling forms through school's clerks etc.

Table No 7: Getting information through 'Yes'/ 'No' questions

Sr. No.	**Questions**	**Yes**	**No**
1.	Do you fill Income Tax regularly?	59	00
2.	Do you fill on your own income tax in Income Tax Office?	00	59
3.	Is the proper consultancy done by the tax consultant?	04	54
4.	Are you taken individual guidance by the tax consultant?	03	55
5.	Are you discussed on financial budget by Govt. in staffroom?	12	47
6.	Is it necessary to give tax to the Government?	31	28
7.	Are you appreciated, if our college will be started 'Tax Consultancy and Guidance Centre'?	56	03

(**Source**: Field work)

From the above questions and its analysis, it has found that 100 per cent teachers paid income tax regularly but they did not fill/pay their income tax directly/individually in Income Tax Office. There have lack of proper consultancy by the tax consultant. 54 teachers told that, there is not proper consultancy given by the tax consultant. Only 4 teachers are in favour of getting proper consultancy. 93 per cent (55) of teachers have not been taking individual guidance through the tax consultant. It means that they have paid tax assessed by the tax consultant. They should not be aware about tax practices. 47 teachers out of 59 have discussed on financial budget in staffroom. Moreover 12 teachers have not discussed about it. 28 teachers have said that it is necessary to give tax to the Government. Also 31 teachers are against for given tax to the Government. 56 teachers (95%) are appreciated, if our college will be started 'Tax Consultancy and Guidance Centre'. It should be noted that there is extreme need to start 'Tax Consultancy and Guidance Centre' in college premises. There is a need of hour to start in that type of services.

5. Suggestions -

From the above discussion, the researcher has given the following suggestions-

1) Teachers must be aware to calculate their own tax. It is not practically good for calculating tax by other persons. They should be capable and fully literate to calculate their own tax.

2) The awareness among the tax payer teachers must be increased to calculate their own tax liability and therefore they should be able to avoid the misguidance about tax from tax consultant.

3) Teachers must know all about income tax act through reading the various books on Income Tax also watch news and programmes about Income Tax and discuss about Annual Budget of Central Government.

4) Teachers may be arrange discussion on Govt.'s Annual Budget immediately after Annual Budget, Therefore the awareness of budget may be increased in the minds of teachers and also students.

5) Tax consultant must provide prompt services to their clients; otherwise teachers should be consulting their issues by another tax consultant. The teachers are also suggested that they must consult with well experienced tax consultant for their issues related to Income Tax.

6) Teachers may be taken individual guidance for their own income tax. They may be discussing on taxation in staffroom. Some issues may be solved or may be known through such discussion.

6. Conclusion -

In short, teachers get their salary but they are not aware about their income tax. They are depending upon tax consultant. Tax consultancy is the profession of tax consultant. There are lots of clients of tax consultant. Therefore tax consultant should not be consult individually. Teachers may be taking proper guidance about Income Tax and it is our duty to pay proper

income tax to the Government timely. This is useful for social welfare and nation building.

7. Reference –

a) Various websites

b) Self generated questionnaire

Income Tax Act 1961

Mrs. S.R. Bhilawade.
Associate Professor (Dept of Accountancy)
G.A. College of Commerce, Sangli.

Introduction

Central Government has been empowered by Entry 82 of the Union List of Schedule VII of the Constitution of India to levy tax on all income other than agricultural income (subject to Section 10(1)).The Income Tax Law comprises The Income Tax Act 1961, Income Tax Rules 1962, Notifications and Circulars issued by Central Board of Direct Taxes (CBDT), Annual Finance Acts and Judicial pronouncements by Supreme Court and High Courts.

The government of India imposes an income tax on taxable income of all persons including individuals, Hindu Undivided Families (HUFs), companies, firms, association of persons, body of individuals, local authority and any other artificial judicial person. Levy of tax is separate on each of the persons. The levy is governed by the Indian Income Tax Act, 1961. The Indian Income Tax Department is governed by CBDT and is part of the Department of Revenue under the Ministry of Finance, Govt. of India. Income tax is a key source of funds that the government uses to fund its activities and serve the public.

The Income Tax Department is the biggest revenue mobilizer for the Government. The total tax revenues of the Central Government increased from ₹ 1392.26 billion in 1997-98 to ₹ 9884.09 billion in 2014-15.

History

Income tax was introduced in 1860, abolished in 1873 and reintroduced in1886 Income tax levels in India were very high during 1950-1980, in 1970-71 there were 11 tax slabs with highest tax rate being 93.5% including surcharges. In 1973-74 highest rate was 97.75%. But to reduce tax evasion tax rates were reduced later on, by 1992-93 maximum tax rates were reduced to 40%.

Total income means what???

Indian income is always taxable in India notwithstanding residential status of the taxpayer.

Foreign income is not taxable in the hands of a non-resident in India. For resident (in case of firm, association of persons, company and every other person) or resident & ordinarily resident (in case of an individual or an HUF), foreign income is always taxable. For resident but not ordinarily resident foreign income is taxable only if it is business income and business is controlled wholly or partly in India or it is a professional income and profession is set up in India.

Foreign income is the one which satisfies both the following conditions:-

Income is not received (or not deemed to be received under section 7) in India, and Income doesn't accrue (or doesn't deemed to be accrued under section 9) in India. If such an income satisfies one or none the above conditions then it is an Indian income.

Heads/ Categories of income

The total income of a person is segregated into five heads:-

- Income from salaries
- Income from house property
- Profits and gains of business or profession
- Capital gains and
- Income from other sources

Agricultural income

Agricultural income is exempt from tax by virtue of section 10(1). Section 2(1A) defines agricultural income as :-

Any rent or revenue derived from land, which is situated in India and is used for agricultural purposes.

Any income derived from such land by agricultural operations including processing of agricultural produce, raised or received as rent-in-kind so as to render it fit for the market or sale of such produce.

Income attributable to a farm house (subject to some conditions).

Income derived from saplings or seedlings grown in a nursery.

Advance tax

Under this scheme, every assessee is required to pay tax in a particular financial year, preceding the assessment year, on an estimated basis. However, if such estimated income is less than ¹ 10000, then no advance tax is payable.[16]

The due dates of payment of advance tax are:-

	In case of carporate assessee	**Otherwise**
On or before 15 June	Up to 15% of advance tax payable	
On or before 15 Sep	Up to 45% of advance tax payable	Up to 30% of advance Tax payable
On or before 15 Dec	Up to 75% of advance tax payable	Up to 60% of advance Tax payable
On or before 15 Mar	Up to 100% of advance tax payable	Up to 100% of advance Tax payable

Any default in payment of advance tax attracts penalty under section 234B and any deferment of advance tax attracts penalty under section 234C.

Implementation of Direct Tax Code And Its Impact On Direct Factors

Mrs. Sunita Hansraj Ambawade
Shree Venkatesh Mahavidyalaya,
Ichalkaranji

INTRODUCTION

The Income Tax Act was passed in 1961 and has been amended every year through the Finance Act. A lot of things have changed in the Income Tax Act from time to time, as well as different countries have made several changes in their tax system. These changes were either due to their development strategy or different economic policies. In developing economies the tax system to generally changed to increase the revenue to meet the increasing fiscal deficit. Now such tax system is required which is broad base, simple and transparent as well as which fulfills the international need. Keeping this in view, there has been proposal to replace the existing Income Tax Act, 1961. Direct Tax Code,2009 is a draft proposal to make existing tax structure easy and simple so that tax payers themselves can compute and file Income Tax return . Recently the finance minister has released the direct Taxes Code ,2013 (DTC-2013) for public discussion comments.

DTC is designed to provide stability in the tax regime as it is based on well accepted principles of taxation and best international practices. DTC is a new code and simplified version of an Income Tax Code which would eventually replace five decades old Income Tax Act. 12th August 2009, DTC Bill 2009 discussion paper released. If the DTC is implemented there will be big changes in Taxation and also it is going to impact people in big way.

The tax code makes radical changed in all areas of taxation. It lowers the incidence of tax on corporate and individual incomes but reintroduces wealth tax and capital gains tax albeit at lower levels. The basic objective of this tax code is to broad base the tax umbrella. It is expected that the new code will facilitate higher consumerism & will promote economic growth.

The thrust of the code is to improve the efficiency and equity of the Indian tax system by eliminating distortions in the tax structure, introducing moderate levels of taxation and expanding the tax base. The attempt is to simplify the language, remove ambiguity, provide stability and adopt best international practices.

IMPORTANCE OF THE STUDY

The Income-tax Act, 1961, has been subjected to numerous amendments since its passage fifty years ago. It has been considerably revised, not less than thirty-four times, by amendment Acts besides the amendments carried out through the annual Finance Acts. These amendments were necessitated by policy changes due to the changing economic environment, increasing sophistication of commerce, increase in international transactions as a result of globalization, development of information technology, attempts to minimize tax avoidance and in order to clarify the statute in relation to judicial decisions. As a result of all these amendments, the basic structure of the Income-tax Act has been over burdened and its language has become complex. The Government, therefore, decided to revise, consolidate and simplify the language and structure of the direct tax laws. A draft Direct Taxes Code along with a Discussion Paper was released in August, 2009 for public comments. It proposed to replace the Income-tax Act, 1961 and the Wealth-tax Act, 1957 by a single Act, namely the Direct Taxes Code. Public and stakeholder feedback on the proposals analysed and suggestions for amendments received from members of the public, business associations and other bodies were taken into account by the Government. Thereafter, a Revised Discussion Paper addressing the major issues was released in June, 2010. The present Bill is the outcome of this process

STATEMENT OF THE PROBLEM

At present, the states of taxes are stipulated in the Finance Act of the relevant year. Therefore, there is a certain degree of uncertainty and instability in the prevailing rates of taxes. Under the code, all rates of taxes are proposed to be prescribed in the First to the Fourth schedule to the code. It is designed to provide stability in the tax regime as it is based on well accepted principles of taxation and best international practices. Proposal of Direct Tax Code would give more benefit to the upper class group than that of lower group. Charging tax on withdrawals of PPF (Public Provident Fund) and other pension Scheme will have adverse impact on the retirees and pensioners. This would reduce their willingness to contribute less amount of this fund to avoid tax burden. Concept of Assessment year and previous year is abolished only the “Financial Year” terminology exists. Only status of “Non Resident” and “Resident of India” exists. The other status of “Resident but not ordinarily Resident” goes away. In this DTC Government and non – Government Taxation difference removed. All the direct taxes have been brought under a single code and compliance procedures unified.

.OBJECTIVES OF THE STUDY

1. To study the direct taxes code bill, 2010.
2. To study the need of direct code bill 2010
3. To study impact of DTC on different factor.

A. Income Tax Act, 1961 lays down the frame work or the basis of charge and the computation of total income of a person. The Act has been amended annually through the Finance Act. Income Tax Act, 1961 comprises of (i) 23 Chapters (ii) 656 Sections (iii) 14 Schedules

B. Wealth Tax Act, 1957 is levied in India under Wealth-tax Act, 1957. Wealth tax is a tax on the benefits derived from property ownership. The tax is to be paid year after year on the same property on its market value, whether or not such property yields any income. Similar to income tax the liability to pay wealth tax also depends upon the residential status of the assesses. The Wealth Tax Act, 1957 comprises of (i) 8 Chapters (ii) 47 Sections

PROPOSED DIRECT TAXES CODE BILL, 2010 This DTC bill consolidates and integrates all direct tax laws and. The proposed DTC Bill, 2010 comprises of (i) 22 Chapters (ii) 319 Clauses (iii) 22 Schedules

SALIENT FEATURES OF THE DIRECT TAXES CODE, 2010

The Government seeks to provide a modern tax code in step with the needs of a fast growing economy and is aimed at widening the tax net and increasing Government revenues. The salient features of the code are as follows:

(i) It consolidates and integrates all direct tax laws and replaces both the Income Tax Act, 1961 and the Wealth Tax Act, 1957 by a single legislation.

(ii) It simplifies the language of the legislation. The use of direct, active speech, expressing only a single point through one sub-section and rearranging the provisions will assist person to understand the provisions of the Direct Taxes Code (DTC).

(iii) It indicates stability in direct tax rates. Currently, the rates of tax for a particular year are stipulated in the Finance Act for that relevant year. Therefore, even if there is no change proposed in the rates of tax, the Finance Bill has still to be passed indicating the same rates of tax. Under the Code, all rates of taxes are proposed to be prescribed in Schedules1 to the Code, thereby obviating the need for annual finance bill, if no change in the tax rate is proposed.

(iv) One of the key aims of tax code is to provide a system which takes into account increased cross border mergers and acquisition by Indian corporates.

(v) It is also expected to streamline tax rates and administration for foreign institutional investors.

(vi) It strengthens taxation provisions for international transactions. This has been reflected in the new provisions.

(vii) Only half of Short-term capital gains will be taxed.

(viii) Surcharge and education cess will be abolishing.

(ix) For incomes arising out of House Property: Deductions for Rent and Maintenance would be reduced from 30% to 20% of the Gross Rent. Also all interest paid on house loan for a rented house is deductible from rent.

(x) Tax exemption on Education loan to continue.

(xi) Tax exemption on LTA (leave travel allowance) will abolish. 6. Taxation of Capital gains from property sale: For sale within one year, gain is to be added to taxable salary.

(xii) Medical reimbursement: Max. Limit for medical reimbursements has been increased to rupees 50,000 per year from current level of rupees 15,000 limit.

IMPACT OF DIRECT TAX CODE:

Impact on Tax Liability (Income Slab)

DTC has redefined the Tax Slabs which brought smile on the face of salaried class as Income tax exemption limit is now proposed at Rs2 lakhs per annum, up from Rs1.6 lakh. Following tax slab has been applied under the new direct tax regime.(For general tax payer and woman for F.Y.2014-15 and A.Y. 2015-16)

Income Tax slab (in Rs.)	Tax rate(in Rs.)
Up to 2,50,000	Nil
Between 2,50,001 to 5,00,000	10% of the amount by which total income exceeds 2,50,000.
Between 5,000,01 to 10,00,000	25,000 +20% of the amount by which total income exceeds 5,00,000
More than 10,00,000	1,25,000 + 30% of the amount by which total income exceeds 10,00,000.

According to new proposal Tax burden at highest level came down by Rs 41,040 annually. This

generates some more disposable income for people falling under different tax slab. For senior citizens (65+), there will be no tax on income up to 2, 50,000. Earlier exemption limit was 2, 40,000.

Exemptions Exemption for investment in approved funds and insurance schemes is nownat Rs 1.5 lakh annually. Earlier it was Rs 1.2 lakh annually.

Deduction of 1 lakh under 80C

The DTC maintained the existing deduction of Rs1 lakh under 80C but DTC removes most of the categories of exempted income like ULIPs, ELSS funds, NSC, Infrastructure bonds, and term deposits. Additionally Tax deduction in principal part of the housing loan under 80C is also removed. The instruments available for tax saving purpose will be: New pension system (NPS),

?Provident fund (EPF and PPF) ,?Superannuation fund .

Deduction of 50,000

There will be another 50,000 deduction which will be allowed for the following:

- Pure Life Insurance where the sum assured is 20 times the annual premium.
- ?Health insurance, Med claim Policies
- Tuition fee (up to 2 child's)

Impact on PPF

With implementation of DTC, PPF will come under the EET (exempt, exempt, tax) regime. Under the EET model proposed by the DTC, contributions to PPF would be taxed at the time of withdrawal. However, balance accumulated or investments made till 31 March 2011 and the interest they earn will not be taxed. Hence only new contributions made on or after the commencement of the code will be subject to tax. There are various reasons for investing in PPF i.e. good investment, flexibility & convenience, tax benefits, extension after 16 years etc. Hence it is still good to start an investment in PPF and it would be great if we can invest the maximum during year to make the most before DTC is implemented.

Impact on Individual

The Tax Code will raise income tax slabs significantly, lowering the tax burden on individuals. The draft proposed exempting the general tax payer from paying tax for income up to Rs 1.60 lakhs a year. According to the proposal, a tax payer will pay at the rate of 10 per cent for income above Rs 1.60 lakhs and up to Rs 10 lakhs, at 20 per cent on income between Rs 10

lakhs and Rs 25 lakhs and at 30 per cent for income beyond Rs 25 lakhs. At present, while the basic exemption limit remains at Rs 1.60 lakhs a year, the limit for tax slabs are much lower — one pays 10 per cent tax on income ranging between Rs 1.60 lakh and Rs 3 lakhs, 20 per cent between Rs 3 lakhs and Rs 5 lakhs and 30 per cent beyond Rs 5 lakhs. Thus, for an individual with taxable income of Rs 10 lakh a year tax payment will drop from Rs 1.68 lakhs to Rs 51,000, a net annual saving of Rs 1.17 lakhs. The exemption limit for women and senior citizens will continue to be Rs 1.90 lakhs and Rs 2.40 lakhs, respectively.

Impact on Wealth Tax

The proposed Tax Code can sought to make major changes in wealth tax calculations and rates. The threshold limit for wealth tax will be raised to Rs 50 crores from the present Rs 30 lakhs and the tax rate is reduced from 1 per cent to 0.25 per cent. But, in a smart move, to expand the scope of taxation the Tax Code included financial assets like shares, corporate bonds, fixed deposits, etc in wealth tax. The valuation of these assets will be done at cost or at market price, whichever is lower. In case of capital gains tax too, the Tax Code proposed some sweeping changes. It has done away with the present system of short-term and long-term capital gain tax, and replaced it with a uniform structure and gains will be taxed at the marginal tax rate as applicable to the tax payer. The implications of these changes are clear: The period of holding has no bearing on the tax payable and bigger investors will be taxed at higher rates than the smaller ones.

Impact on Mutual Funds

It is important to clarify what the DTC means when it says "any income which accrues to them". Mutual funds can only pay dividends out of equalized and realized profits so the need to mention

The world of investments is about the future. It is about planning for tax-adjusted returns for future years. As investors do their maths of investments today, they have to keep in mind that the income tax map is set for a substantial change in April, 2012. The new tax codes will have an impact on most investment avenues such as insurance policies, home loans, PPF, mutual funds and stocks. Many tax exemptions in existence today will no longer be valid as the government slowly migrates from the exempt-exempt-exempt (EEE) regime to a simpler and straighter forward tax structure.

Impact on Insurance

The DTC will have a significant impact on insurance as it applied to existing policies too. According to the code, any amount you receive at maturity from an insurance policy (including bonus) will be taxed. However, this rule will not apply to policies where premium paid in a year is less than five percent of sum assured each year and the policy is kept till maturity. The DTC aims to nudge policyholders to take a long term view on investments. To be eligible for tax deduction under DTC, a policy should have a life cover of at least 20 times the annual premium.

Impact on Tax Evasion

Like Honey bee sucks nectar from each flower & does not leave any impact on that, in this way new tax code will promote tax revenue & lessen tax evasion.

Impact on Income Inequalities

Greater tax revenue will be more utilized for uplifting poor provided lesser corruption & more education is there; hence will have negative effect on income inequalities.

Need for comprehensive review of the existing Income Tax and Wealth tax Acts .

The Income-tax Act, 1961, has been considerably revised not less than 34 times. These amendments were necessitated by policy changes due to the changing economic environment, increasing sophistication of commerce, increase in international transactions as a result of globalization, development of information technology, attempts to minimize tax avoidance and in order to clarify the statute in relation to judicial decisions. As a result of all these amendments, the basic structure of the Income-tax Act has been over burdened and its language has become complex. In particular, the numerous amendments have rendered the Act difficult to decipher by the average tax-payer. The Wealth-tax Act, 1957 has also witnessed amendments. The Government, therefore, decided to revise, consolidate and simplify the language and structure of the direct tax laws. A draft Direct Taxes Code along with a Discussion Paper was released in August, 2009 for public comments. It proposed to replace the Income-tax Act, 1961 and the Wealth-tax Act, 1957 by a single Act, namely the Direct Taxes Code. Public and stakeholder feedback on the proposals outlined in these documents was analysed and suggestions for amendments received from members of the public, business associations and other bodies were taken into account by the Government. Thereafter, a Revised Discussion Paper addressing the major issues was released in June, 2010. The present Bill is the outcome of this process.

FINDINGS:

1. While the clauses of tax laws have been reduced to 319 in DTC from the combined provisions of Income Tax Act and Wealth Tax Act (around 750), the schedules are increased to 22 from 14. The DTC is stated to be simplified, fifth schedule which deals with procedure for recovery of tax runs into 7 parts and 96 sections.

2. The Direct Taxes Code Bill, 2010 consolidates and integrates all direct tax laws and. The proposed DTC Bill, 2010 comprises of (i) 22 Chapters,(ii) 319 Clauses,(iii) 22 Schedules

3. The Finance Minister on August 27, 2010 explains that the 1961 Income Tax Act was amended not less than 34 times resulting in complexity in tax law. The new tax code has the object of revising, consolidating and simplifying the language and structure of Direct taxes Laws.

4. It simplifies the language of the legislation by the use of direct, active speech, expressing only a single point through one sub-section and rearranging the provisions into a rational structure.

5. The DTC maintains a balance in applying the principles of Equity, Simplicity and Efficiency. It promotes equity by having progressive rates of personal income tax and a wealth tax on assets beyond a specified limit; it also maintains a moderate level of tax on corporate incomes by ensuring that no substantial exemptions are given to incomes in a particular sector and also through the provisions of Minimum Alternate Tax (MAT).

6. Concept of Assessment year and previous year is abolished only the "Financial Year" terminology exists. Only status of "Non Resident" and "Resident of India" exists. The other status of "Resident but not ordinarily Resident" goes away. In this DTC all the direct taxes have been brought under a single code and compliance procedures unified.

7. DTC is proposed to remove most of the categories of exempted income. Equity Mutual Funds (ELSS), Term deposits, NSC (National Savings certificates), Unit Linked Insurance Plans (ULIPs), Long term infrastructures bonds, house loan principal repayment, stamp duty and registration fees on purchase of house property will lose tax benefits. The Parliamentary panel on Direct Taxes Code in its report tabled in LokSabha today has suggested raising the income tax exemption limit to Rs 3 lakhs.

8. DTC will replace the Income Tax Act, 1961. The Standing Committee also suggested that 10% tax will be levied on taxable income

between Rs 3-10 lakhs, 20% between Rs 10-20 lakhs and 30% on over Rs 20 lakhs. At present, 10% tax is levied on income between Rs 1.8-Rs 5 lakhs, 20% on income between Rs 5-8 lakh and 30% above Rs 8 lakhs. The DTC is to proposed income tax exemption limit at Rs 2 lakhs, 10% tax for income between Rs 2-5 lakhs, 20% for Rs 5-10 lakhs and 30% above Rs 10 lakhs.

9. The tax code makes radical changed in all areas of taxation. It lowers the incidence of tax on corporate and individual incomes but reintroduces wealth tax and capital gains tax albeit at lower levels. The basic objective of this tax code is to broad base the tax umbrella. It is expected that it will facilitate & promote economic growth.

10. The attempt of DTC is to simplify the language, remove ambiguity, provide stability and adopt best international practices.

11. There are several reasons behind the need of DTC as follows: Provides stabilities in direct tax rates , Increase tax to GDP ratio , Corporate tax 30%(no surcharge and cess) ,Wealth tax "cut off" increased

12. DTC doesn t provide any extra benefit to women.

SUGGESTIONS

1. The Department has to give training to be imparted on the income tax officials on both income tax software and the law itself

2. Government of India has to take a appropriate step to educate the taxpayer, auditor, others relating to DTC

3. Tax authorities need to be educated regarding the DTC

4. The Government of India has to take a required step to implement DTC as early as possible, because implementation of DTC will bring uniformity tax

5. system which helps to economic progress of our country

6. In order to help the people Government can increase taxable slabs (until a certain point),and reduce tax rates

7. Government of India has to settle the disputes of created regarding DTC and implement DTC because everyone is eagerly waiting for the new type of tax system.

8. It has to considered all type of tax payee and give justice to all class of people

Conclusion

India follows a progressive direct tax policy. The strategy is to abolish income tax, the main beneficiaries of which will be the wealthy and rich. The other is to completely overhaul the indirect tax regime and abolish sales tax, excise duties and service tax. Taxation policies are of utmost importance and paramount for good governance, social welfare and economic growth of the country. Any wrong policy has far reaching consequences on investment, savings, consumption, inflation and other macroeconomic factors. Thus, such policies must be articulated with precision and without political motives.

The Code aims to reduce tax rate which seems to be a very positive and progressive initiative from the government side. Moreover, the implementation of the proposed fiscal reforms will reduce both tax evasion and costs of compliance, and eliminate most of the distorted behavior coming from tax avoidance. Thus in market oriented economy like us it is expected that the tax structure brought forward by this bill reduce conspicuous consumption and make it difficult for people to evade and avoid tax, and thus will promote horizontal equity. In short, DTC will have a direct impact on tax saving and calculations. With the implementation of DTC, government encourages savings and contributed to infrastructural development.

Conclution

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Implementation of Direct Tax code In India
And It's Impact On Individual Tax Payer

Ms. Supriya Chougule
D.R.K. College of Commerce, Kolhapur

Introduction:

The Central Government of India is empowered by Entry 82 of the Union List of Schedule VII of the Constitution of India to levy tax on all income other than Agricultural Income. The Income tax law comprises Indian Income tax Act 1961 and Rules 1962 and notifications, guidelines issued by Central Board of Direct Taxes (CBDT); it provides the details of the assessment of income from various sources.

Background:

Direct Tax:

A government levy on the income, property or wealth of people or companies. A direct tax is borne entirely by the entity that pays it, and cannot be passed on to another entity. Examples include corporation tax, income tax and social security contributions. Unlike consumption taxes, direct taxes are based on the ability to pay principle but they sometimes work as a distinctive to work harder and earn more because that would mean paying more tax.

A tax that is paid directly by an individual or organization to the imposing entity. A taxpayer pays a direct tax to a government for different purposes, including real property tax, personal property tax, income tax or taxes on assets. Direct taxes are different from indirect taxes, where the tax is levied on one entity, such as a seller, and paid by another, such a sales tax paid by the buyer in a retail setting.

Discussion:

IMPLEMENTATION OF DIRECT TAX CODE BILL 2016 IN INDIA AND ITS IMPACT ON INDIVIDUAL TAX PAYER

It was suggested in the year 2008 to renovate the old direct tax regime with an effective system which can bring equitable direct tax system and reduce the disputes. So the Indian government released a revised version of Direct Tax Code, 2013 (DTC) for the revision of the old direct tax code.

Mr. Girish Vanvari, Co-head of Tax, KPMG, India said that in the revised draft, the government has been guided by the overarching principle of progressively taxing higher income, bringing greater clarity on applicability of tax provisions and improving the tax administration. The new version has also included material changes impacting the individual taxpayer.

1. New Tax Slabs:

The Parliamentary Standing Committee on Finance (SCF) to recommend rationalization of tax brackets applicable to individuals and HUF – no tax levy on income up to Rs.3 lakhs and the highest tax rate of 30% to apply to taxable income over Rs.20 lakhs.

Rationale: The government India suggested reducing the tax liability of the individual tax payer to provide relief from the problem of rising inflationary conditions. This change in the tax regime will surely bring the more disposable income in the hands of Individual Tax payer.

And it was aimed to provide the relief to the small taxpayers and concentrated on increasing the tax rates for higher income group. It leads to the reduction in transaction cost of the Income Tax Department and will help it to focus much attention to the areas of tax avoidance.

Impact: Recommendation of the reducing the slabs is favorable on the side of the small tax payers but on another hand it will bring burden on the tax revenues. The great source of collection of revenues will be minimized if such reduction is implemented. And the Income tax department is going to suffer and then economy is also going to be hampered by such reduction. So this recommendation was not accepted on this ground.

2. Higher tax rate to the super- rich class:

Rationale: Additionally, the 2013 draft has introduced the higher tax rate of 35% to tax the 'super-rich' with taxable income in excess of Rs.10 crores. The increased tax rate for super rich class will benefit to increase the revenue.

Impact: Surely the increased tax rate for super rich class will positively taken because it is going to benefit the tax department and even super rich class can bare such increased tax rates.

3. Linking of the Tax Slabs to the consumer Price Index:

Rationale: It was suggested that the tax slabs to be linked to the Consumer Price Index (CPI) so that they are automatically adjusted to inflationary trends.

Impact: The linkage of the tax slabs to the consumer price index will lower the burden of inflationary conditions on small individual tax payer. But to implement the linkage of tax slabs to the consumer price index is quiet difficult because it had some difficulties on practical ground. Due to practical challenges, it was not accepted yet.

4. Lower the Age Eligibility

Rationale: The direct tax code claimed the relaxation for higher age group. The Higher slab is to be suggested to claim benefit from 65 years to 60 years to give relief to the senior citizens from tax payment.

Impact: The decision was accepted and the relaxation was to be implemented for claiming the benefit of higher tax slabs.

5. Income from House Property:

It was recommended for a distinction between commercial and non-commercial letting out of property which has found place in the revised draft of 2013. The rental income from commercially letting out of property is proposed to be now taxable as business income, eligible for allowance of expenses and depreciation also recommended that the deduction for repairs and maintenance of house property be restored to 30% of the annual rent in order to make the deduction commensurate to the prevailing costs. But

it was not accepted before and till date; deduction of 20 % of the annual rent has been proposed to be allowed.

6. Wealth Tax:

The limit of maximum net wealth not subject to tax has been drastically increased from the existing Rs.30 lakhs to Rs.50 crores. This move was taken to widen the wealth tax net and to avoid discrimination against conservative investors who invest primarily in physical assets. The rate of wealth tax is proposed to be 0.25%. The assets chargeable to wealth tax do not include assets used for charitable activities, agricultural land, one house up to 500 square meters and foreign assets of non-resident Indians. (Ref. *inputs from Nitika Mehta, Director - International Tax and Regulatory, KPMG in India)*

Conclusion:

The Government of India has taken some measures to gain investors confidence and faith on Indian economy. Revision of the direct tax code bill is the right step for that. But the decision of the acceptance of the Direct Tax Code bill will come into existence when it will go through legislative process.

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Direct Tax Code In India : A Study

Mrs.Vandana Kharat
Assistant Professor (Dept. of Commerce and Management)

1. INTRODUCTION

The draft of direct tax bill is introduced as a bill of parliament. Direct Tax code is a draft bill to change Income tax act 1961. It is originally proposed to be applicable from 01.04.2012. But it is unlikely to happen so and it is proposed to come in effect from 01.04.2013. The Direct Taxes Code (DTC) is said to replace the existing Indian Income Tax Act, 1961.This code is the combination of the relief from major tax liabilities and as well as removal of many tax exemption benefits. The aim of code is to eliminate the distortions in tax structure.(It also introduced moderate level of tax liabilities as well as expands the basis for taxation.)The code for direct taxation also covers tax compliance and simplification of litigations regarding the tax liabilities.

2. OBJECTIVES OF THE STUDY

1. To study the objectives of Direct Tax Code in India.
2. To study the Draft of Direct Tax Code in India.

3. METHODOLOGY OF THE STUDY

The present study has been descriptive; the data for this study were obtained from secondary sources. The secondary data has been collected from various references which already existed in published form; part of the paper is based on literature review the method comprising of collecting all the available papers relating to the theme and selecting relevant papers/

books for the review purpose. Selection of the paper is done on the basis of their relevance and contribution to the body of knowledge. The author has made an attempt to do primary reading of the selected papers which will constitute the core of this review study.

4. OBJECTIVES OF DIRECT TAX CODE

The Direct Tax Code consolidated and amend the law relating to direct taxes that is income tax, Dividend distribution tax, Fringe Benefit Tax and Wealth Tax, So as to enable to establish an economically efficient, effective and equitable direct tax system which will facilitate voluntary compliance and help in the increase GDP Ratio

I. SINGLE CODE FOR DIRECT TAXES

All the direct taxes have been brought under a single Code and compliance procedures unified. This will eventually pave the way for a single unified taxpayer reporting system.

II. USE OF SIMPLE LANGUAGE

With the expansion of the economy, the number of taxpayers can be expected to increase significantly. The bulk of these taxpayers will be small, paying moderate amounts of tax. Therefore, it is necessary to keep the cost of compliance low by facilitating voluntary compliance by them. This is sought to be achieved, inter alia, by using simple language in drafting so as to convey, with clarity, the intent, scope and amplitude of the provision of law. Each sub-section is a short sentence intended to convey only one point. All directions and mandates, to the extent possible, have been conveyed in active voice. Similarly, the provisos and explanations have been eliminated since they are incomprehensible to non-experts. The various conditions embedded in a provision have also been nested. More importantly, keeping in view the fact that a tax law is essentially a commercial law, extensive use of formulae and tables has been made.

III. REDUCING THE SCOPE FOR LITIGATION

Wherever possible, an attempt has been made to avoid ambiguity in the provisions that invariably give rise to rival interpretations. The objective is that the tax administrator and the tax payer are ad idem on the provisions of the law and the assessment results in a finality to the tax liability of the tax payer. To further this objective, power has also been delegated to the Central Government/Board to avoid protracted litigation on procedural issues.

IV. FLEXIBILITY

The structure of the statute has been developed in a manner which is capable of accommodating the changes in the structure of a growing economy without resorting to frequent amendments. Therefore, to the extent possible, the essential and general principles have been reflected in the statute and the matters of detail are contained in the rules/schedules.

V. ENSURE THAT THE LAW CAN BE REFLECTED IN A FORM

For most taxpayers, particularly the small and marginal category, the tax law is what is reflected in the Form. Therefore, the structure of the tax law has been designed so that it is capable of being logically reproduced in a Form.

VI. CONSOLIDATION OF PROVISIONS

In order to enable a better understanding of tax legislation, provisions relating to definitions, incentives, procedure and rates of taxes have been consolidated. Further, the various provisions have also been rearranged to make it consistent with the general scheme of the Act.

VII. ELIMINATION OF REGULATORY FUNCTIONS

Traditionally, the taxing statute has also been used as a regulatory tool. However, with regulatory authorities being established in various sectors of the economy, the regulatory function of the taxing statute has been withdrawn. This has significantly contributed to the simplification exercise.

VIII. PROVIDING STABILITY

At present, the rates of taxes are stipulated in the Finance Act of the relevant year. Therefore, there is a certain degree of uncertainty and instability in the prevailing rates of taxes. Under the Code, all rates of taxes are proposed to be prescribed in the First to the Fourth Schedule to the Code itself thereby obviating the need for an annual Finance Bill. The changes in the rates, if any, will be done through appropriate amendments to the Schedule brought before Parliament in the form of an Amendment Bill.

5. DIRECT TAX CODE IN INDIA

I. DRAFTS OF THE DIRECT TAX CODE

First Draft - The Finance Minister floated the first draft of the DTC in August 2009 and kept it open for public comments. Here is a peek on a few of the proposals made in the first draft.

Proposal to exempt tax if income is Rs 1.6 lakhs in a year. The tax slabs further would be 10% from Rs 1.6 lakhs to Rs 10 lakhs, 20% between Rs 10 lakhs and Rs 25 lakhs, and 30% above Rs 25 lakhs.

- Deduction levels for savings raised to Rs 3, 00,000.
- Wealth Tax to be levied on wealth over Rs 50 crore.
- Proposal of a uniform corporate tax rate of 25%.
- Securities Transaction Tax abolished.

II. REVISED DRAFT OF THE DTC

Further to the 1600 comments received, the second draft of the DTC was floated recently. It brought certain changes in retirement schemes, home loans and capital gains, to name a few.

III. DIRECT TAX CODE REVISED DRAFT– WHAT IT OFFERS INVESTORS

The second draft of the DTC is much simpler and offers investors a whole deal of exemptions, unlike the first draft. The revised draft was aimed towards promoting long term savings. Here are a few of the proposals for investors.

i. Capital Gains Tax

Equity - Investments in Shares and Equity based Mutual Funds would now be taxed using a new concept of "Deduction" instead of the earlier Indexation method.

Certain deductions will be applied to long term capital gains of one year and above. This would be a percentage of the profits earned. After the deductions are made, the balance amount would be added to the income and then taxed at applicable rates. Currently there is not much clarity on the percentage of deduction. Also, the holding period of shares, as of now, will be 1 year, from the end of the financial year, when the shares were bought.

For short term capital gains of less than one year, the entire amount will be included as a part of the income and taxed at applicable rates.

Debt, Gold and Real Estate - Capital gains of less than a year, from gold, gold ETFs, debt and real estate investments would be added to the taxable income, and normal slabs would apply. For all capital gains of more than a year old, gains will be added to the taxable income after adjusting for indexation benefit. The base date for indexation values would however now be shifted to April 1, 2000 instead of the earlier April 1, 1981.

ii. Life Insurance Policy, Pension or Annuity Plans and Provident Funds

All pure Life Insurance policies, Pension or Annuity Plans, PPF and EPF would come under "EEE" and not "EET" structure. This means that it would be completely tax free.

Understanding "EEE" and "EET"

EEE - Amount invested or contributed would be "Exempt", the returns or the interest generated would be "Exempt" and lastly the final maturity amount would also be "Exempt" from tax.

EET - Amount invested or contributed would be "Exempt", the returns or interest would be "Exempt", but the final maturity amount would be "Taxed".

This proposal of EEE status for all retirement products would prove beneficial to pensioners and senior citizens. The first draft of the DTC included such schemes under "EET" Status.

iii. ULIP's and Endowment Plans

The Direct Tax Code includes ULIPs and Endowment Plans under EET. The money received on maturity from such plans would now be taxed.

iv. Tax on Rental Income

Tax would be applicable only on the actual rent received for the house. So, if there is no rental income earned, no tax is to be paid. Earlier, it was proposed that tax was to be paid even if your house was not rented, by considering a notional rental amount.

v. Home Loans

The interest on home loans would be exempt up to 1.5 lakhs. However, the principal portion would now not be covered under section 80C. The first draft had proposed to remove all tax benefits on home loans, both on the principal and the interest. This has now been changed, bringing a relief for all home loan borrowers.

6. CONCLUSION

The Direct Taxes Code (DTC) is said to replace the existing Indian Income Tax Act, 1961. The direct tax code seeks to consolidate and amend the law relating to all direct taxes, namely, income-tax, dividend distribution tax, fringe benefit tax and wealth-tax so as to establish an economically efficient, effective and equitable direct tax system which will facilitate voluntary compliance and help increase the tax-GDP ratio. Another objective is to reduce the scope for disputes and minimize litigation. It is designed to provide stability in the tax regime as it is based on well accepted principles of taxation and best international practices. It will eventually pave the way for a single unified taxpayer reporting system.

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A Study of Direct Tax Code Bill and Its Impact In India

Shri. Amey A. Desai.
(Asst. Prof.)
Shri. Sangramsing V. Nalawade.
(Asst. Prof.)
Amdar Shashikant Shinde
Mahavidyalaya, Medha.
Tal.- Jawali, Dist.- Satara.

Introduction:

If late, Income Tax department of India has put the new proposal for direct tax in front of Government of India and Government has unveiled the draft of a brand new direct tax law, which will replace the five-decade old Income-Tax Act .This is known as Direct Tax Code (DTC). The aim of New Direct Tax Code (DTC) is to make the current tax structure in India straightforward. An important part of the budget every year has been the detailing of the tax rates. However, with the introduction of the new direct tax code, the tax rates will not be part of the budget presented to Parliament every year. The new code will completely overhaul the existing tax proposals for not only individual tax payers, but also corporate houses and foreign residents. It has been drawn with inspiration from the prevailing tax legislation in US, Canada and UK. It is a topic of interest and a matter of concern for every taxpayer in India. India wants to modernize its direct tax laws, mainly its income tax act which is now nearly 50 years old. The government needs a modern tax code in step with the needs of an economy which is now the third largest in Asia. The new tax code is expected to widen the tax base, end unnecessary exemptions, moderate tax rates and add to the government's coffers. The direct tax code seeks to consolidate and amend the law relating

to all direct taxes, namely, income-tax, dividend distribution tax, fringe benefit tax and wealth-tax so as to establish an economically efficient, effective and equitable direct tax system which will facilitate voluntary compliance and help increase the tax-GDP ratio. Another objective is to reduce the scope for disputes and minimize litigation. It is designed to provide stability in the tax regime as it is based on well accepted principles of taxation and best international practices. It will eventually pave the way for a single unified taxpayer reporting system. The Code shall replace the five-decade old Income-tax Act ('the Act') from FY 2011 onwards, and true to its promise, proposes to make sweeping and radical changes to the taxation framework in India. There are many features of the Code such as rationalization/ reduction of tax rates, removal of profit based exemptions to introduce investment based exemptions, EET scheme of taxation for savings instruments, introduction of general anti-avoidance measures, so on and so forth. The overall objective is that a plethora of exemptions will be limited. Income tax slabs will be three. Rate of taxes will be taken in the schedule so that they need not be changed every year.

Objectives of the Study:

1) To study proposed direct tax code.
2) To Study Impacts of direct tax code.

Methodology:

In this research Explorative and Descriptive Research method was adopted. The articles and information on various websites have been consulted as a secondary source of information. Secondary data has also been collected through the various books and articles in newspapers, magazines & Journals.

Limitations of Study:

1) The paper is based on secondary data only.
2) The period of study is Assessment years 2011-12 & 2012-13.

The Direct Taxes Code Bill:

The Ministry of Finance released the Direct Taxes Code (DTC) Bill, 2009 on 12th August' 2009. The code has been drafted in a transparent, logical and simplified manner and is ease for an ordinary man to comprehend. A Revised Discussion Paper on DTC has been brought on 15th June' 2010 in response to the suggestions received from different quarters, various classes of assesses, Chamber of Commerce and public at large and the

Ministry issued a new revised Direct Taxes Code Bill. Some of the significant changes proposed in the DTC have been reversed. The main purpose of replacing the Income Tax Act'1961 with this new Direct Taxes Code is to improve the efficiency and equity of the tax system by eliminating distortions in the tax structure, improving new level of taxation and expanding the tax base. As per the discussion paper issued by the Ministry of Finance in the context of DTC, the plan for broadening the tax base essentially comprises of three elements;

- Minimization of Exemptions, which would result in higher TAX-GDP ratio, improves equity; reduce compliance cost, lower administrative burdens.
- Removal of ambiguity in law which facilitates tax avoidance.
- Checking of erosion of tax base through tax evasion.

Some of recent developments about DTC:

(a) 16th March, 2012 : Finance Minister, Pranab Mukherjee takes a tough stand and announces that the government will crack down on tax avoidance effective from fiscal year 2012-13

(b) 7th May, 2012 : Finance Minister, Pranab Mukherjee forced to eat his words and agreed to defer DTC by a year as his announcements spooked oversea investors

(c) 28th June, 2012 : Finance Ministry releases first draft on DTC; There is wide criticism of the provisions.

(d) 14th July, 2012 : PM, Manmohan Singh, forms review committee under Parthasarathi Shome, for preparing a second draft by 31st August and final guidelines by 30th September,2012

(e) 1st September, 2012 : Shome Committee recommends to defer DTC by three years. It also recommends some more investor friendly measures.

(f) 14th January,2013 : GoI partially accepts the recommendations of Shome Committee and has decided to defer the same for 2 years and will now be effective from the year 2016-17

(g) On 27th September, 2013, GoI issued notification and as per this notification DTC would be applicable to only to foreign institutional investors that have not taken the benefit of an agreement under Section 90 or Section 90A of the I-T Act or Double Taxation Avoidance Agreement (DTAA).

Salient Features of the DTC:

1. The code is a move towards the rationalization of tax rate structure.

2. The tax base has been broadened and more number of assesses would be brought under the tax net.

3. This code is a single code for all direct taxes including wealth tax.

4. As the code is drafted in a simple and a lucid manner, it is expected to decrease the scope for lawsuit.

5. Tax would levy on the basis of the ability of the person to pay which depends on his income and consumption.

6. For the purpose of better understanding and to reduce complexity, related sections have been grouped under the respective chapters. E.g. Exemptions related to salary would now fall under the head "Income from Employment".

IMPACT OF DIRECT TAX CODE:

Impact on Tax Liability: (Income Slab-AY 2012-13 considered)

DTC has redefined the Tax Slabs which brought smile on the face of salaried class as Income tax exemption limit is now proposed at Rs2 lakhs per annum, up from Rs1.6 lakh. Following tax slab has been applied under the new direct tax regime.

According to new proposal Tax burden at highest level came down by Rs 41,040 annually. This generates some more disposable income for people falling under different tax slab. For senior citizens (65+), there will be no tax on income up to 2, 50,000. Earlier exemption limit was 2, 40,000. Exemptions Exemption for investment in approved funds and insurance schemes is now at Rs 1.5 lakh annually. Earlier it was Rs 1.2 lakh annually.

Deduction of 1 lakh under 80C The DTC maintained the existing deduction of Rs1 lakh under 80C but DTC removes most of the categories of exempted income like ULIPs, ELSS funds, NSC, Infrastructure bonds, and term deposits. Additionally Tax deduction in principal part of the housing loan under 80C is also removed. The instruments available for tax saving purpose will be:

- New pension system (NPS)

- Provident fund (EPF and PPF)
- Superannuation fund

	Current Slab Under Income Tax Act-2011-12		Original DTC (Proposed for 2012-13)	
Tax Rate	**For Senior Citizen**	**For Others**	**For Senior Citizen**	**For others**
Nil	Up to 240000	Up to 160000	Up to 250000	Up to 200000
10%	240001 to 500000	160001 to 500000	250001 to 500000	200001 to 500000
20%	500001 to 800000	500001 to 800000	500001 to 1000000	500001 to 1000000
30%	Above 800000	Above 800000	Above 1000000	Above 1000000

Impact on PPF:

With implementation of DTC, PPF will come under the EET (exempt, exempt, tax) regime. Under the EET model proposed by the DTC, contributions to PPF would be taxed at the time of withdrawal. However, balance accumulated or investments made till 31 March 2011 and the interest they earn will not be taxed. Hence only new contributions made on or after the commencement of the code will be subject to tax. There are various reasons for investing in PPF i.e. good investment, flexibility & convenience, tax benefits, extension after 16 years etc. Hence it is still good to start an investment in PPF and it would be great if we can invest the maximum during year to make the most before DTC is implemented.

Impact on Individual:

The Tax Code will raise income tax slabs significantly, lowering the tax burden on individuals. The draft proposed exempting the general tax payer from paying tax for income up to Rs 1.60 lakhs a year. According to the proposal, a tax payer will pay at the rate of 10 per cent for income above Rs 1.60 lakhs and up to Rs 10 lakhs, at 20 per cent on income between Rs 10 lakhs and Rs 25 lakhs and at 30 per cent for income beyond Rs 25 lakhs. At present, while the basic exemption limit remains at Rs 1.60 lakhs a year, the limit for tax slabs are much lower — one pays 10 per cent tax on income ranging between Rs 1.60 lakh and Rs 3 lakhs, 20 per cent between Rs 3 lakhs and Rs 5 lakhs and 30 per cent beyond Rs 5 lakhs. Thus, for an individual

with taxableincome of Rs 10 lakh a year tax payment will drop from Rs 1.68 lakhs to Rs 51,000, a net annual saving of Rs 1.17 lakhs. The exemption limit for women and senior citizens will continue to be Rs 1.90 lakhs and Rs 2.40 lakhs, respectively.

Impact on MAT:

The Tax Code will also change the calculation of minimum alternate tax (MAT) payable by corporate. MAT will now be levied at 2 per cent of the value of gross assets of a firm in case of all companies except for banks which will pay tax at 0.25 per cent. This shift in MAT from book profits to gross assets is aimed at encouraging optimal utilization and increased efficiency of assets. But Ernst & Young Partner- Tax & Regulatory Services, Sudhir Kapadia feels that this proposal seems to run counter to the objective of encouraging of capital investments for productive growth. Vasal of KPMG also of the view those changes in MAT rule will cause hardship to loss making companies as they will have to pay tax on assets.

Minimum Alternative Tax-MAT (as per Financial Year 2012-13)

Category	As Per ITA	As Per DTC
Indian Company (IC)	18.5%	20%
Foreign Company (FC)	18.5%	20%
Surcharge	(5% and 2%)	* No
Education Cess	(+SHEC) 03%	No
MAT Credit	10 Years	15 Years

*When book profits exceeds from Rs. 1 Crore.

Impact on Wealth Tax:

The proposed Tax Code can sought to make major changes in wealth tax calculations and rates. The threshold limit for wealth tax will be raised to Rs 50 crores from the present Rs 30 lakhs and the tax rate is reduced from 1 per cent to 0.25 per cent. But, in a smart move, to expand the scope of taxation the Tax Code included financial assets like shares, corporate bonds, fixed deposits, etc in wealth tax. The valuation of these assets will be done at cost or at market price, whichever is lower. In case of capital gains tax too, the Tax Code proposed some sweeping changes. It has done away with the present system of short-term and long-term capital gain tax, and replaced it with a uniform structure and gains will be taxed at the marginal tax rate as applicable to the tax payer. The implications of these changes are clear: The period of holding has no bearing on the tax payable and bigger investors will be taxed at higher rates than the smaller ones.

Impact on Mutual Funds :

It is important to clarify what the DTC means when it says "any income which accrues to them". Mutual funds can only pay dividends out of equalized and realized profits so the need to mention accruals seems out of place and needs to be remedied lest it results in chaotic accounting requirements for mutual funds and confusion for investors. Therefore, whilst the dividend from corporate will be subjected to DDT as now, the dividends paid by Mutual funds it seems will be taxed as there seems to be no mention of DDT to be recovered by mutual funds. This also seems to hold true for debt funds as the DTC does not make any distinction between debt and equity funds.

Impacts on Capital Gains:

DTC proposal may change the perspective of short and long term capital gains. Only half of Short-term capital gains will be taxed. According to DTC proposal income from capital gains will be categorized as income from normal sources for all tax payers and hence will be taxed as per the individual's tax slab. DTC also proposes indexation base year change from 1-Apr-81 to 1-Apr-2000.

- Short term capital gain on stocks: As per DTC only half of short term gain will be added to your taxable income and taxed as per the category you fall into.
- Long term capital gain on stocks: Holdings sold after a year will come under long term capital gains and not taxed.
- Short term capital gain on property sale: The gain will be added to the taxable salary and taxed as per your category/slab.

· Long term capital gain on property sale: The gain, after indexation, will be added to your salary and taxed as per your tax slab. Earlier, the tax on long term capital gain on property sale was flat 20%.

Impact on Corporate:

The rate of tax for corporate tax payers shall be 30 percent (inclusive of surcharge and cess). Carry forward of losses shall be allowed without any time limit. Due date of filing the tax return shall be 31st August following the financial year, replacing 30th September. The rate of CDT will be 15%.

Corporate tax (as per Financial Year 2012 - 13)

Category	As Per ITA	As Per DTC
Indian Company (IC)	30%	30%
Foreign Company (FC)	40%	30%
Surcharge	(5% and 2%)	* No
Education Cess (+SHEC)	03%	No

*Surcharge is chargeable only if total income is exceeded from Rs. One Crore.

However, profits of Indian branches of foreign companies will be subject to additional 'Branch Profits Tax' leviable @15% under proposed DTC.

Impact on Investment Strategy:

The world of investments is about the future. It is about planning for tax-adjusted returns for future years. As investors do their math's of investments today, they have to keep in mind that the income tax map is set for a substantial change in April, 2012. The new tax codes will have an impact on most investment avenues such as insurance policies, home loans, PPF, mutual funds and stocks. Many tax exemptions in existence today will no longer be valid as the government slowly migrates from the exempt-exempt-exempt (EEE) regime to a simpler and straighter forward tax structure.

Impact on Insurance :

The DTC will have a significant impact on insurance as it applied to existing policies too. According to the code, any amount you receive at maturity from an insurance policy (including bonus) will be taxed. However, this rule will not apply to policies where premium paid in a year is less than five percent of sum assured each year and the policy is kept till maturity. The DTC aims to nudge policyholders to take a long term view on investments. To be eligible for tax deduction under DTC, a policy should have a life cover of at least 20 times the annual premium.

Impact on Tax Evasion:

Like Honey bee sucks nectar from each flower & does not leave any impact on that, in this way new tax code will promote tax revenue & lessen tax evasion.

Conclusion:

Thus it appears that new tax bill to be implemented on 1st April 2016 has some good news and some bad news. The aspects of taxation that need to be taken

into consideration while framing taxation policy has been taken into consideration

by lowering the personal tax rate. This will have a positive effect on the work and

consumption /savings rates. costs. The tax base will increase as the tax rate are

simple to understand .These rates have greater revenue potential . It seems that

Implementation of tax reforms will further decrease the marginal tax burden on

investment and reduce tax-induced distortions. But the cost of collection tax still

remains to be examined.

It seemed the reforms proposed in new direct tax code shall have great positive implication for India's outlook and made the most of tax system, as part of efforts to cancel revenue deficit and lower fiscal deficit to less than 3.0 percent of GDP. DTC doesn t provide any extra benefit to women. Women giving men tough fight seems to be a reality as per DTC. DTC proposed to levy dividend distribution tax at 15%. Moreover, the implementation of the proposed fiscal reforms will reduce both tax evasion and costs of compliance, and eliminate most of the distorted behavior coming from tax avoidance. These tax reforms are largely in response to the massive reforms enacted in the UK and the US in the 1980 s. Therefore, this bill will introduce a total departure from multiple tax brackets and high rates of tax prior to reforms. Thus in market oriented economy like us it is expected that the tax structure brought forward by this bill reduce conspicuous consumption and makes it difficult for people to evade and avoid tax, and thus will promote horizontal

equity. In short, DTC will have a direct impact on tax saving and calculations. With the implementation of DTC, government encourages savings and contributed to infrastructural development.

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Income Tax Authorities And Their Powers

Prof. Kamble Bajirao Namdeo
Assitant Professor
Shri Venkatesh Mahavidyalaya,
Ichalkaranji
Dist. Kolhapur, Maharashtra

1. Introduction:

Every person with an income in excess of a prescribed limit has to pay a tax. Such tax charged on excess income is called income – tax. Income tax is an important source of revenue to the Government. Income tax is a direct tax as the incidence of this tax falls directly on tax payer. Hence continuous efforts are being made for retionalising the tax structures with a view to minimize the hardship to tax payers.

Income tax is an important and significant source of revenue of a tax government. In the present age its importance has increased much on account of the policy of the Government to bring about economic equality in the community. It is an important tool to achieve balanced socio-economic growth by providing incentives and concessions in income tax for various developmental purposes.

2. Brief History of Income Tax in India:

In India this tax was introduced for the first time in 1860 by Sir James Wilson in order to meet the losses sustained by the Government on account of Military Mutiny of 1857. There after servants amendments were made in it in 1863, 1867, 1871, 1873 and 1878. At last in 1886 a new bill was introduced in the legislative Assembly as a result of which income tax become a permanent feature of the Indian tax system. This Act remained in force up to 1917 with various amendments from time to time. In 1918 a new Income tax Act was passed but as a result of the passage of Government of India Act 1919 income tax become a central subject and consequently a new Income tax was passed in 1922. Under this Act the central board of revenue was established in 1924. This Act remained in force up to the
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assessment year 1961-62 with numerous amendment that were made in it from time to time. In 1939 this Act was improved by considerable and significant amendments, which were passed in the form of Indian tax (Amendment) Act of 1939.

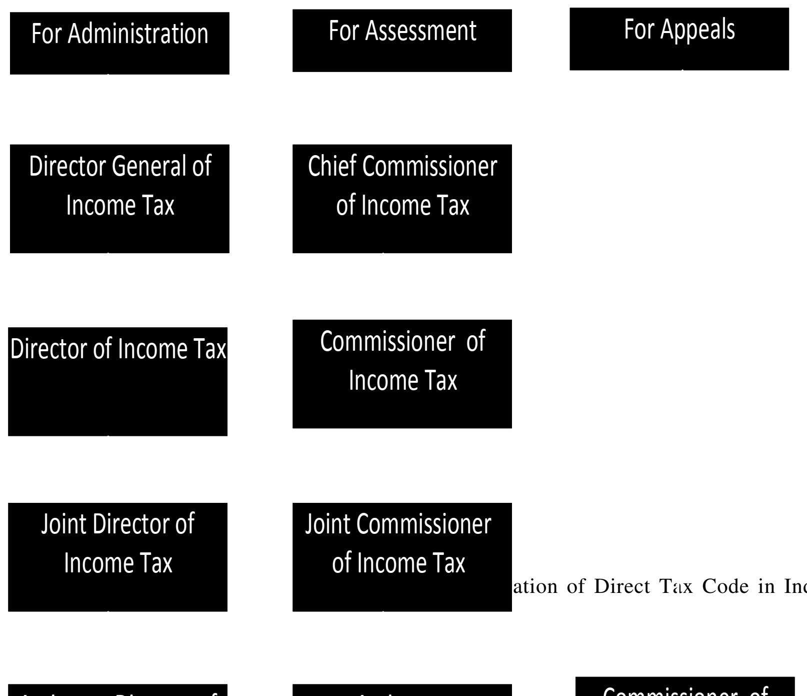
This income tax act of 1992 had become very complicated on account of innumerable amendments. The government of India therefore referred it to the law commission in 1956 with a view to simplify and prevent the evasion of tax. The law commission submitted its report in September 1958 but in the meantime the Government of India had appointed the Direct Taxes Administration Enquiry Committee to suggest measures to minimize inconvenience to assesses and to prevent evasion of tax. This committee submitted its report in 1959.

The central Board of Revenue appointed a committee of its senior officers to consider the reports of the law committee and direct taxes administration enquiry committee. It examined the reports in consultation with the ministry of law and finally the Income tax bill 1962 was introduced in the parliament on 24^{th} April 1961. On 1^{st} May 1961 this bill was referred to a select committee headed by Sri M.C. Dubey whose report was placed before the parliament on 10^{th} August 1961 and the Income tax act 1961 was passed by the parliament in September 1961.

The Income Tax Act 1961 has been brought into force with effect from 1^{st} April 1962. It applies to the whole of India. (Including Jammu & Kashmir). Since then several amendments of far reaching nature have been made in the Income Tax Act by the finance Act of every year. Besides this amendments have also been made by various Amendments Act. As a matter of fact the Income Tax Act 1961 which come into force on 1^{st} April, 1962 have been amended and the amended more often and more drastically during the twenty two years of its existence than the 1922 Act was amended during the forty years of its existence.

The Direct Tax Laws committee headed by Shri C. C. Choksi submitted its final report in October 1978. Its main recommendation are to simplify and rationalize the Laws relating to Direct Taxes in a number of ways. It has also recommended to simplify laws in regard to charitable trust depreciation amalgamation of industrial units under section 72A of the Income Tax Act, taxation of casual incomes additional income tax on undistributed profits, assessment, procedure registration of firms advance tax, settlement of cases, appeals and revisions and acquisition of immovable properties. Some of the recommendations have been implemented by the Gove of India.

3. Income Tax Authorities :



Central Board of Direct Taxes

1. Central Board of Direct Tax (CBDT)

Height executives authority of department of Income – Tax. It works under the ministry of finance of central government.

Powers of Board

a) The board may from time to time issue such orders, instructions and directions to other income – tax authorities as it may deed fit for the proper administration of Act

b) The board may issue from time to time general or special orders in respect of any class of incomes or class of cases setting forth directions in respect of principles or procedures to be followed by Income tax authorities in the work relating to assessment or collection of revenue or imposition of penalties. This is done for efficient management of work of assessment and collection of revenue.

c) The board may authorize any income tax authority to not being a commissioner (appeals) to admit an application or claim for any exemption, deduction refund or any other relief under this Act after the expiry of specified period.

2. Direct General (DGIT) or Chief Commissioner (CCIT)

They are appointed by central Government and are subordinates to the board.

Powers :

i) To appoint income tax authorities below the rank of an Assistant Commissioner

ii) To issue order conferring power of AO on a Deputy Commissioner

iii) To transfer cases from one AO to another AO working under him.

iv) To exercise power of a court for making any enquiry or investigation into concealment.

v) To authorize the officers or the department to conduct search and seizure.

vi) To make a survey or an enquiry.

3. Commissioner of Income Tax (CIT) or Director of Income Tax (DIT)

They are appointed by Central Government to head the Income Tax administration of specified area.

Powers :

i) Registration of charitable trust or institution

ii) Appointment of (Class II) income tax officers and income tax inspectors.

iii) Instruction to subordinate authorities.

iv) Assigning jurisdiction and functions to inspecting assistant commissioners and income tax officers.

v) Power of transfer of cases.

vi) Power regarding discovery production of evidence

vii) Power of search and seizure.

viii) Power to requisite books of account.

ix) Power to make any enquiry.

x) Power to award or withdraw recognition to provident fund.

xi) Power to reduce or waive off penalty in certain cases.

4. Commissioners (Appeals)

The commissioners of Income Tax (Appeals) is an appellate authority appointed by central government.

Powers :

i) Power regarding discovery of evidence (sec. 131)

ii) Power to call for information. (Sec.133)

iii) Power to inspect register of companies (Sec. 134)

iv) Disposal of appeals

v) Imposition of penalty.

vi) Set off of refund against tax remaining payable.

5. Joint Commissioners

They are appointed by central Government. Their main duty is to detect tax evasion and supervise subordinate officers.

Powers :

i) Instructions to income tax officers

ii) Powers regarding discovery, production of evidence.

iii) Search and Seizure

iv) Power to call information

v) Power to survey

vi) Power to inspect register of companies

vii) Power to make enquiry.

viii) Imposition of penalty

ix) Power to exercise power of Income tax officers.

6. Income Tax Officers (ITO)

The income tax officers of class I service are appointed by the Central Government where as Income Tax officers of Class II service are appointed by commissioner of Income tax.

Powers :

i) Discovery and production of evidence.

ii) Search of seizure.

iii) Requisition of books of accounts.

iv) Call for information

v) To survey.

vi) To inspect register of companies.

vii) Allot permanent account numbers.

viii) Make assessment.

ix) Impost penalties

x) To issue direction for getting the accounts audited

xi) To re-assess escaped income

xii) Rectification of mistakes.

xiii) Approval for deduction of tax at source at lower rates.

xiv) Demand advance payment of Tax.

xv) To grant refund.

7. Inspectors of Income Tax (IIT)

They are appointed by commissioner of Income Tax. They are subordinates to Income tax officers and other higher authorities.

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Evaluation of Personal Income Tax Structure In India

Shri. Bharat Shankar Kharat
M.Com, M.Phil, NET(JRF). DIM. PGDIM,
GDC&A.Assistant Professor
Department of Commerce
Smt. Kusumtai Rajarambapu Patil Kanya
Mahavidyalaya
Dr. P.V. Mohite
M.com. M.Phil. Ph.D.
Associate Professor
Arts & Commerce College, Ashta Tal-
Walwa Dist- Sangli

Introduction :-

Taxes are the main source of revenue for the Government to finance its welfare and development activities. In India, Income Tax Act. 1961 Comprises Income Tax Act, Finance Act, Tax rules, Circulars/ Notifications etc. The levy of income tax in India is governed by the Income Tax Act' 1961. This act comes into force on 1st April' 1962. The Act contains 298 sections and XIV schedules. These undergo change every year with addition and deletions brought by the Finance Act passed by parliament. As per Income Tax Act 1961, every person (Individuals, Companies, Hindu undivided families, Firms, Cooperative Societies and all other artificial judicial persons) whose total income exceeds maximum exemption limit is liable to pay income tax at the rates prescribed in the act. It is not a voluntary payment but an enforced contribution that is why tax is known as financial charge or levy. Despite the fact that money provided by taxation is used to carry out many functions for the welfare of the society, it usually gives a feeling of displeasure to tax payee. Actually, tax payer does not want that his hard core earned money should be taken away from him. History is witness that there is always a struggle between tax payer and tax collector. This may be due to the irrational structure of Personal Income tax. The tax rates, tax base and tax slabs in Personal Income Tax schedule were exorbitantly higher by any standards during the period under review. The need for rationalization of tax structure was felt long back but very little reform has been seen so for.

Objective of The Study :-

1. To measure the trend of personal income tax structure in india.
2. To determine the present scenario and future prospects of prevailing income tax structure.

Limitations of the study :-

Individual or personal income tax in India may be said to consist of taxes on the non agricultural income as per income tax rules assesses may be three types i.e. Individual, Hindu Undivided families, Association of person, firm. However, present study is confined only personal Tax payers. Hence, there is further scope of study.

Research Methodology :-

The present study mainly uses secondary data. This study is descriptive and exploratory in nature. In this study researcher has taken five Assessment years (2010-11 to 2014-15) personal income tax rate and calculated tax Burdon accordingly. Various Income tax books on direct taxes, Income tax ready reckner, Income tax rules, Quick references- Income tax, reports in newspaper, Research papers in Journals and Magazines, statistics based on various issues of economic survey of government of India, various internet sites, and other relevant literature were consulted. Guidance of the experts in the field and view of public is also considered for carrying out the study.

Analysis and Interpretation of Data :-

Table No. 1. Tax free income for Male, Female, Senior Citizen and Super Senior citizen

Assessment Year	Male Rs.	Female Rs.	Senior Citizen (65 years till 31.03.2011)Rs.	Senior Citizen(65 years till 31.03.2011)Rs.
2010-2011	160000	190000	240000	240000
2011-2012	160000	190000	240000	240000
2012-2013	180000	190000	250000	250000
2013-2014	200000	200000	250000	250000
2014-2015	250000	250000	300000	300000

Source :- Quick Referencer -Income Tax and Wealth Tax.

'Above Table No.1 reveals Tax free income for Male, female, senior citizen and Super senior citizen. It is observed that the tax free income of first two Assessment Year is constant. From the AY 2012-13 New category inserted in tax slab that's called as super senior citizen, in this year slab rate is increased. In 2014-15 tax free rate of all categories increased by Rs. 50000.

Graphically presented as follows

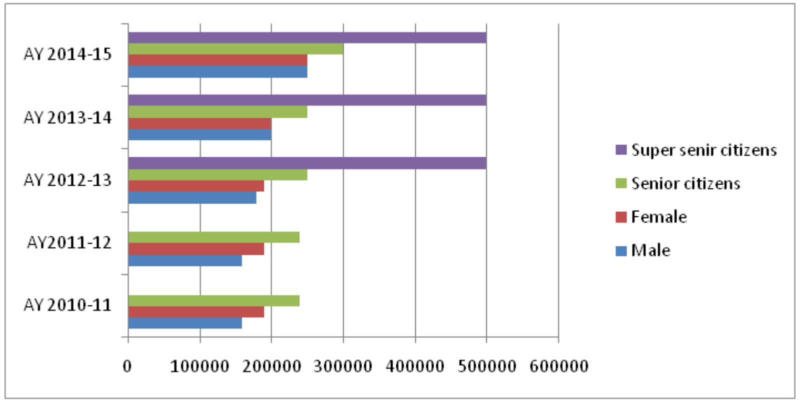

Table No. 2 Trend of Tax Rates and Tax Liability For General Tax Payers

A.Y.	Income Rs.	Liability Rs.	Income Rs.	Rate %	Liability Rs.	Income Rs.	Rate %	Liability Rs.
2010-11	160001 to 300000	14000	300001 to 500000	20	40000	500001 to 1500000	30	300000
2011-12	160001 to 500000	34000	500001 to 800000	20	60000	800001 to 1500000	30	210000
2012-13	180001 to 500000	32000	500001 to 800000	20	60000	800001 to 1500000	30	210000
2013-14	200001 to 500000	30000	500001 to 1000000	20	100000	1000001 to 1500000	30	150000
2014-15	250001 to 500000	25000	500001 to 1000000	20	100000	1000001 to 1500000	30	150000

Source :- Quick Referencer -Income Tax and Wealth Tax.

Table No.2 Shows that trends of tax rates and tax liability for general tax payers. Hear taxable income is Rs. 15 lack taken into consideration and tax load on each slab is calculated accordingly. Tax liability in first slab varies between 14000 to 32000 for entire period under review. In first slab AY 2011-12 tax liability was increased it is high liability amount compared to other AY. In the year of 2014-15 first slab liability decreased because of increase tax slab rate amount it means tax free income slab was increased.

Table No. 3 Growth Rate of Tax Liability

A.Y.	I slab Tax Load	II slab Tax Load	III slab Tax Load	Total tax load	Total taxable income Rs.	Tax liability in %
2010-11	14000	40000	300000	354000	1500000	23.60
2011-12	34000	60000	210000	304000	1500000	20.27
2012-13	32000	60000	210000	302000	1500000	20.13
2013-14	30000	100000	150000	280000	1500000	18.67
2014-15	25000	100000	150000	275000	1500000	18.33

Source :- Above table No.2

Table No. 3 states that Slab wise Growth rate of tax Liability from 2010-11 to 2014-15. It is observed from the above table tax liability is between 18.33 to 20.27 percentage. In the year of 2013-14 & 2014-15 tax liability percentage was near about same. Total tax load of first slab was decreased by Rs.5000 in AY 2014.-2015, second slab was remain constant in this year. Tax liability of second & third slab in the AY 2013-14 and 2014-2015 was again same.

Graphically Presented as follows.

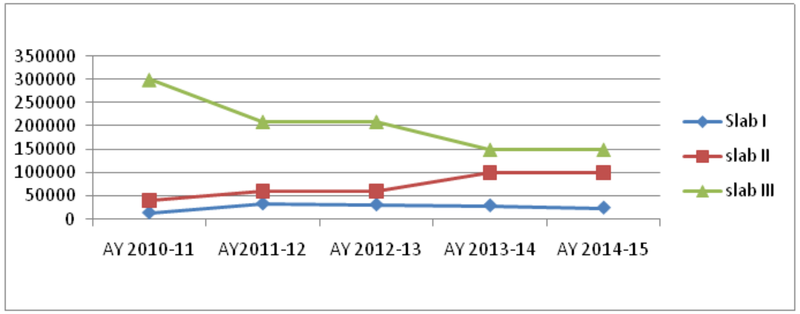

Table No. 4 Total Weight on General Tax of Different slab

A.Y.	Tax Burdon on first slab	Tax Burdon on second slab	Tax Burdon on Third slab
2010-11	14000	40000	300000
2011-12	34000	60000	210000
2012-13	32000	60000	210000
2013-14	30000	100000	150000
2014-15	25000	100000	150000

Table No. 5 Trend of Tax load on First slab

A.Y.	Growth Rate in %
2010-11	-
2011-12	142.86
2012-13	128.57
2013-14	114.28
2014-15	78.57

Tax toll is quite heavy on those who fall in first tax bracket, which is portrayed in the form of corresponding high growth rate in tax burden, in table 5. Continuously higher dose of tax on low income is exposing inverse relationship between incomes earned by assesses and degree of tax imposed on them. Proper care therefore is, needed on the part of tax administration to have low tax liability at lowest level so that people should act in accordance with tax law.

Table No. 6 Trend of Tax load on second slab

A.Y.	Growth Rate in %
2010-11	-
2011-12	50
2012-13	50
2013-14	150

Table No. 7 Trend of Tax load on Third slab

A.Y.	Growth Rate in %
2010-11	-
2011-12	-30
2012-13	-30
2013-14	-50
2014-15	-50

Source :- Above table no.4.

Table No. 6 & 7 depicts that trend of tax loan on second and third slab. It indicate that growth rate of tax is increasingly in subsequent year. In the year of 2011-12 to 2013-13 its growth rate was 30 present, and in the year of 2014-15 it was increased by 20 present.

Findings :-

- It clear from Table no. 1 that though the personal income tax rates have been fixed at 10, 20 and 30 percent.
- From the AY 2012-13 New category inserted in tax slab that's called as super senior citizen. (above the age group of 80)
- In AY 2014-15 tax free rate of all categories except super senior citizen increased by Rs. 50000.
- In first slab AY 2011-12 tax liability was increased it is high liability amount compared to other AY.
- It is observed from the Table No.3 tax liability is between 18.33 to 20.27 percentage.
- Total tax load of first slab was decreased by Rs.5000 in AY 2014.-2015, second slab was remain constant in this year.
- It indicate that growth rate of tax is increasingly in subsequent year.

Suggestions :-

- The Government should be increase tax free income limit for next Assessment year up to Rs. 25000. Tax payers may be saved Rs. 2500.
- The deduction limits of U/s 80 c also required for increase up to Rs. 1.5 lakh to 1.75 lakh.it will be beneficial for tax payers.
- The Government has cancelled standard deduction from AY 2006-2007, it is suggested that this deduction again start for salaried person.

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Tax Evasion In India- Causes, Effects and Remedies

Shri. D. D. Patil
Assistant Professor in Accountancy
Arts and Commerce College,
Pusegaon,Tal. Khatav, Dist. Satara

Introduction

India is socialist, republic and democratic country. Government is having power to collect revenue which is generally used for social welfare. Tax collection is major source of revenue for Government. Direct tax is one of the part of revenue collection . Direct tax includes income tax, wealth tax, professional tax etc. By collecting tax government provides various facilities to society. Tax policy is the principal instrument for transferring private savings to public consumption and investment. Tax policy is also used to encourage savings and investment, reduce inequalities of income and wealth, foster balanced regional development.

Income tax evasion is prevalent in India. Service holders generally pays regular tax. But most of the persons do not pay their taxes. Persons try to avoid this by some illegal means or by taking the benefit of some loopholes in the Indian tax system. Tax evasion is effort by individuals and persons to evade taxes by illegal means. It is the deliberate, misrepresentation or concealment of the true state of their affairs to the tax authorities to reduce their tax liability or to avoid the tax liability by declaring less incomes, profits or gains than actually what they earned or overstating their expenses. Tax Evasion is a crime in all major countries and penal provisions including imprisonment and fines are made for that in India. High tax rates, corruption in public sector units, multiple tax rates and inefficient tax authorities are the main causes of tax evasion.

Objectives of the study

1. To study the Concept and Current Position of Tax Evasion in India.
2. To study Causes of Tax Evasion in India.
3. To study Effects of Tax Evasion in India.
4. To suggest remedies for curb Tax Evasion in India.

Concept and Current Position of Tax Evasion in India

Tax evasion is the illegal practice of not paying taxes, by not reporting income, reporting expenses not legally allowed, or by not paying taxes owed. It is the deliberate, misrepresentation or concealment of the true state of their affairs to the tax authorities to reduce their tax liability or to avoid the tax liability by declaring less incomes, profits or gains than actually what they earned or overstating their expenses. Tax evasion is most commonly in relation to income tax, wealth tax as well as tax evasion is practiced by businesses and on employment/professional taxes. According to the report released by Indian Finance Ministry, estimated number of taxpayers for financial year 2011-12 at just 3.24 crore people. That means, less than 3 people in 100 pay taxes .Out of these 3.24 crore people, 89 per cent pay taxes in the tax slab of 0 – 5 Lakh rupees, while on the other end of spectrum, only 1.3% of all tax payers have income about 20 Lakh.

India was placed 158th position in the overall ranking of paying taxes, above Brazil (159th) and below the Russian Federation (56th) and China, which was ranked 120th. The United Arab Emirates was in first place, followed by Qatar and Saudi Arabia in second and third positions in the overall ranking.

Research Methodology-

The present paper depends on secondary data which is collected from Reports,Reference Books, Journals, Periodicals, Blogs, Newspapers and websites etc.

Causes of Tax Evasion in India

1. High Tax Rates–

Tax rates in India are high as compared to other countries. It covers wide range from 10% to 30% also includes 10% surcharge, Education Cess etc. It is one of the causes of tax evasion in India.

2. Multiple Tax Rates-

Indian taxes are multiple in nature. Various types of taxes has been implemented in tax structure. It creates major cause to tax evasion.

3. Complex Tax Laws and loopholes in tax system-

Indian tax laws are complex and rigid which creates various problems. Even though tax payers cannot comply tax payment within reasonable time. Even there are various loopholes in tax system. It adversely affects on tax payers.

4. Inefficient and Dependent Tax Authorities-

Tax authorities are inefficient in India. As compare to tax payers and complex tax system more officials are needed for better implementation of tax. Even officials are generally dependent on Politicians and other persons.

5. Corruption-

Corrupt tax officials co-operate with the taxpayers who intend to evade taxes. When they detect an instance of evasion, they refrain from reporting it in return for bribes. Corruption by tax officials is a serious problem for the tax administration in many less developed countries and developing countries.

6. Politicians Interfere-

Politicians are always interfering in tax officials in India. It greatly affects into non payment of tax or willfully showing false incomes and wealth.

7. Lack of Awareness-

Most of peoples are not aware for tax payment within time. Due to lacking of awareness tax collected is only to some extent.

Impacts of Tax Evasion in India

1. Impact on Infrastructure Development-

Infrastructure needs heavy funds. These are made available from revenue. Tax collection is major source of revenue for Government. From collection of revenue infrastructural facilities are provided for society. Due to tax evasion less revenue is collected. So infrastructure facilities are not provided in full extent.

2. Reduction of Development Growth-

Lack of Infrastructure facilities and societal imbalance, development growth of economy is not possible. It badly affects on development of country.

3. Increase in Inflation-

Due to increase in tax evasion, inflation is increased. Inflation badly affects in economic development. It is vicious circle of poverty.

4. Loss of Revenue-

Tax collection is major source of revenue in India. Due to different causes loss of revenue occurred. It mainly affects on balance of payment of country.

5. Social Imbalance-

Tax is collected from financially sound and rich persons. It is used for upliftment of weaker section. But increase in tax evasion leads to social imbalance in India.

6. Increase in Black Money-

Huge amount of black transactions use to take place in the system to evade tax payment and which helps in growth of black money in the economy.

Remedies for Curb on Tax Evasion in India

1. Reducing Tax Rates-

Heavy and multiple tax rates must be reduced in upcoming direct tax code for effective collection of tax. It will positively affect on tax collection and increase in revenue will be possible.

2. Implementation of Direct Tax Code-

Effective implementation of direct tax code will help in reduction in tax evasion. So collection of tax will be increased.

3. Simplified and Rational Tax System-

Complex tax system adversely affects on tax payment. Simplified and Rational taxes would not only lead to lower evasion, but also increase in productivity.

4. Increase in Awareness-

Government should increase awareness in tax payers by arranging conferences, seminars and through media. Eco friendly atmosphere is must for increasing awareness among peoples.

5. Independent and Efficient Tax Administration-

The level of evasion also depends on the efficiency of the tax administration. For collecting more taxes administration must be efficient and independent. Politicians must not interfere in tax matters.

6. Implementation of Anti Corruption Policies-

Government must implement strong anti corruption policies. It will help reducing tax evasion in India.

Tax evasion is a crime. Penal provisions are made for that purpose. But only provisions on paper are not useful. Tax administrators must strictly implement these provisions.

8. Relief for Huge Tax Payers-

Government must provide different scheme of relief for huge tax payers. It will help in increase in tax collection in India.

Conclusion-

From the above discussions tax evasion adversely affects on economy. Amount which would have been used for economic and social development is used for anti social activities. All this creates black money and social evils in the society. Thus tax evasion is not a problem in development of country but also harmful for the country. The level of Evasion also depends on the chartered accountants and tax lawyers who helps to individuals evade paying taxes. Tax evasion and thereby establishment of parallel economy has been creating the following serious impacts on the social and economic system of the country. Tax evasion has been causing reduction in country's economic growth. Therefore there is a need for creating transparent, friendlier and less discriminatory administrative system. Further there is also a need to educate the people about Indian Tax law and create such an environment in which they pay their due taxes, do not evade the tax and feel proud in discharging their duty to pay the taxes. Direct Tax Code must include effective system for curb on tax evasion. It will result in a more balanced development of the society and economy.

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Tax Planning And Management of an Employee

Pramod Kamble
Assistant Professor,
Department of Commerce,
Sahakar Bhushan S.K. Patil,
College, Kurundwad, Tal. Shirol,
Dist.Kolhapur, Sate
Maharashtra.

Introduction

Tax is a financial charge imposed by the government to fund various expenditure. Taxes consist of direct tax and indirect tax and may be paid in money or its equivalent as per the provision of the law. Tax planning may be defined as an effort of tax players to reduce tax liability by availing full advantages of all tax exemptions, rebates, allowances and other reliefs or benefits permitted under the Act and without violating in any way the legal provisions. It is an exercise made by a taxpayer to meet his tax obligation in a proper, systematic and orderly manner by availing all possible exemptions, reliefs, rebates and deductions available under the Statute as may be applicable to his case. Tax planning is an application of a knowledge and expertise to planning of an investment and expenditure to reduce the tax liability. For tax planning one should have through knowledge of various laws relation to income tax. Tax planning helps person to achieve his financial goals as tax planning involves selection of an appropriate and profitable investment option under which tax benefits are available. By selecting proper investment option one can not only reduce tax liability but also earn fair return on his investment.

Objectives

The objectives of the present paper are

1. To know the concept tax planning and tax management.
2. To know current tax slabs and rates.
3. To know various investment options available and tax benefits available under them.

Research Methodology

The present research paper is based on the secondary data. The data is collected from various books, journals, research articles and web-sites form internet. The inferences are based on the analysis of the secondary data.

Tax Evasion

If any person reduces tax liability by an illegal method it is said to be tax evasion. Every tax payer is expected to make faithful disclosures truly and fully with reference to particulars of his income and pay taxes by abiding to fiscal law. When a tax payer deliberately conceals material particulars or furnishes false or inaccurate particulars or attempt to defraud the State by violating any of the mandatory provisions of law, it shall be termed as tax evasion. It is illegal, unethical and immoral.

Tax Avoidance

Tax avoidance is a practice of taking advantages of certain loopholes and lacunae in the law in order to reduce tax liability. It is an art of escaping the burden of tax without breaking the law. Under tax avoidance taxpayer arranges his financial activities in such a manner that although it is within the corner of tax law but takes advantages of loopholes which exist in the tax law for reducing tax liability. Initially tax avoidance was not prohibited. It was considered that every tax player has right to plan and execute transaction with a view to avoid paying tax. However legislative amendments made from time to time have taken care to plug loopholes and lacuna in the provisions so as to prevent tax avoidance. However this king of tax planning demands a thorough knowledge of provisions of law and this practice provides only short term benefits.

Types of Tax Planning

Tax planning may be classified as short term planning and long term planning as explained under

1. Short Term Planning

Short term planning is a planning made for a year to achieve specific goal or objective. For example an individual whose income is likely to register 50000 more than the normal yearly income decided to invest it in PPF or NSE within prescribed limit in order to enjoy substantive tax relief. By investing in such a way, he is not making permanent commitment but he is substantially making savings in the tax. Short term goals for each year should be identified and it should be consistent with the long term goals.

2. Long Term Planning

Long term plan as name suggest is a planning for long term may be more than one year and made to achieve long term goals. Long term plan must be flexible so as to change according to changes in laws and must be strong enough to accommodate short term plan. Long term plan may not even gives short term tax benefits buts its benefits are spread over longer duration. For example if an assessee transferred shares held by him to his spouse, though the income from such transferred shares will be clubbed with his income u/s 64, yet is the income is invested by the son or spouse, then the income from such investment will be treated as income of the son or spouse. Moreover, if the company issue any bonus shards for the shares transferred, that will also be treated as income in the hands of the son or spouse

Tax Management

Tax management is an exercise by which one ensures that defaults are avoided and compliance of law in a proper manner is secured. Tax management is an important aspect of tax planning. Tax management consists of compiling and preserving data and supporting documents evidencing transactions, claims etc., making timely payment of taxes, TDS and TCS compliance, following procedural requirements, timely filing of returns, responding to notices received from the authorities, preserving record for the prescribed number of years, mentioning PAN, TAN etc. at appropriate places. Tax management is essential to avoid levy of interest and penalties as a consequence of filing various returns in time or non compliance of applicable provisions of law for instance any delay in furnishing tax audit report u/s 44AB attracts penalty up to Rs. 1.5lakh, which can be avoided by proper tax planning and management.

Tax Planning of an Employee

Employees, next to the business community, constitute the biggest sector of income taxpaying public and contribute the most to the income tax in the country. Since income from salary has been accounted correctly and there is less or no scope for evasion, this class of tax payers is considered as the most honest in the records of Income Tax Department. The main objective of tax planning is to reduce the tax liability under the preview of law. For this purpose it is necessary to by availing all possible exemptions, reliefs, rebates and deductions available under law. Hence in order to make tax planning one should have through knowledge of tax and recent provisions in this respect. An employee can follow above steps to make tax planning.

1. Calculate Tax Liability

The first step to do in tax planning is to calculate tax liability. For this one should recent provisions in respect of taxable income. The following income tax rates are E applicable for the Financial Year ending March 31, 2015 (Financial Year 2014-15)-Assessment Year 2015-16)

For Individuals below 60 years age (including Woman Assessees):

For Individuals aged 60 years and above but below 80 years (Senior Citizen):

Income	Tax Rate
Upto 2,50,000	Nil
250,000 to 5,00,000	10% of the amount exceeding 250,000
500,000 to 10,00,000	Rs.25,000 + 20% of the amount exceeding 5,00,000
10,00,000 & above	Rs.1,25,000 + 30% of the amount exceeding 10,00,000

Income	Tax Rate
Upto 3,00,000	Nil
3,00,000 to 5,00,000	10% of the amount exceeding 3,00,000
5,00,000 to 10,00,000	Rs.20,000 + 20% of the amount exceeding 5,00,000
10,00,000 & above	Rs.1,20,000 + 30% of the amount exceeding 10,00,000

For Individuals aged 80 years and above (Very Senior Citizen):

Income	Tax Rate
Upto 5,00,000	Nil
5,00,000 to 10,00,000	20% of the amount exceeding 5,00,000
10,00,000 & above	Rs.1,00,000 + 30% of the amount exceeding 10,00,000

2. To Undertake the study of deduction

In the second step of tax planning a tax payer should take information of all deductions available so that he can take maximum benefits of it. According to the budget presented by Finance Minister Arun Jaitly on 10.07.2014 for financial year 2014-15 following deductions are available.

2.1 Deductions from Taxable Income (Section 80C) :-

This section was first time introduced in financial year 2005-06 by replacing section 88. For financial year 2014-15 under this section a deduction of up to Rs.1,50,000/- is allowed from Taxable Income in respect of the investments made in some specified schemes. The various scheme covered under this scheme are as follows

- Public Provident Fund
- National Saving Certificate

- Life Insurance Premium
- Tuition fees paid for children's education (maximum 2 children)
- Principal component of home loan repayment
- Equity Linked Savings Schemes (ELSS)
- 5-Year fixed deposits with banks and Post Office

A tax payer should carefully evaluate these options available for savings. While evaluating the possible returns, lock in period and tax benefits on earnings on these savings should be considered.

2.2 Deductions Under Section 80CCC(1)

Under this section, the contributions by individuals towards "Pension" schemes of LIC or any other Insurance company, is allowed as deduction of Rs.10,000/-. However, as provided under section 80CCE, the aggregate deduction u/s 80C, and u/s 80CCC and 80CCD cannot exceed Rs.1,50,000/-. Thus effectively, now these are covered under the maximum limit of Rs.1,50,000/- under section 80C.

2.3 Deductions Under Section 80 D :

Under this section health insurance premium paid by a tax payer for himself or dependents or parents are all considered for tax benefit up to Rs. 30000/- on taxable income and if parents are of senior citizens the deductable amount goes up to Rs.35000/-.

2.4 Deductions Under Section 80 E :

Under this section, deduction is available for payment of interest on a loan taken for higher education from any financial institution or an approved charitable institution. The loan should be taken for either pursuing a full-time graduate or post-graduate course in engineering, medicine or management, or a post-graduate course in applied science or pure science. The deduction is available for the first year when the interest is paid and for the subsequent seven years.

2.5 Deductions Under Section 24(b) :

Under this section, interest on borrowed capital for the purpose of house purchase or construction is deductible from taxable income upto Rs.2,00,000/- is deductible from income. (Certain conditions are to be fulfilled)

3. Selection of Investment Options

After comparative study of all the deductions available tax planner should take appropriate decision regarding investment of savings in order to take tax benefits. A tax payer should carefully evaluate these options available for savings. While evaluating the possible returns, lock in period and tax benefits on earnings on these savings should be considered along with long term financial goal.

Conclusion:

Tax planning has vital role in achieving financial goals. By systematic, proper and timely tax planning one can reduce tax liability under the framework of law. The comparative study of investments options available and the tax benefits under them are the key aspect of tax planning. Proper selection of investments options not only reduce tax liability but also give higher return on investments.

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An Overview Of Service Tax

Dr. P. V. Mohite
Associate professor& Head,
Department of Accountancy,
Arts & Commerce College, Ashta. Dist
Sangli.
Shri. A. H. Desavale
PhD Student, Department of Commerce &
Management Shivaji University, Kolhapur.

Introduction

Service tax is a tax on Service. A service means value addition to a product that is intangible. Service tax is an indirect tax. The indirect tax levied on certain services specified by the central Government. It extends to whole of India except Jammu and Kashmir. Service taxes defined are as follows.

"Service tax is a tax levied by the government on service providers on certain service transactions, but is actually borne by the customers. It is categorized under Indirect Tax and came into existence under the Finance Act, 1994".

"Service Tax is a tax imposed by Government of India on services provided in India. The service provider collects the tax and pays the same to the government. It is charged on all services except the services covered in the negative list (Section 66d of Finance Act' 1994) of services & services covered under Mega Exemption Notification (Notification NO. 25/2012 ST dated 20.06.2012)".

From Wikipedia, the free encyclopedia

At present there are totally 119 services liable to tax. This tax levied as per section 66 chapter V of the finance act 1994 on the services specified in section 65 of the Act. The central government has the power to make rules and provision of the act. The rate of service tax applicable is 10% on the value of services plus Education Cess at 2% plus secondary and Higher Education cess at 1%.

Research Methodology:

The research paper is conceptual in nature. The researcher has made use of secondary data. The researcher has referred books, journals, magazines, newspapers and various websites.

Direct Tax Code and Service Tax:

Both Direct Tax Code and Goods and Service Tax are 2 key tax reforms which will enable India to increase the tax revenue and establish a transparent and simple tax regime. Although government has not been able to work within a clearly defined time line, but once implemented they will help boost India's economy.

Objective:

Different countries have made several changes in their tax system. The changes have been made only globalization there is a one reason of change the tax system. Now such tax system is required to simple and transparent as well as which fulfils the international needs. In India currently there is transition from licensed industrial regime to open market system. The market system indicated that there should be change in the recent tax system to adjust with the needs of a market economy to ensure international competitiveness. Many changes have been seen in Indirect tax like service tax, VAT as well as in Direct tax. The objective of this paper is to take overview of Service tax in India.

Need for Service Tax:

In India give to the welfare facility to the people is a prime responsibility of the Government and to fulfill the increasing developmental needs of the country it's by way of public expenditure. Hence, the Government's primary sources of revenue are direct and indirect taxes. The Central Excise Duty on the goods manufactured / produced in India and Customs Duties on imported goods constitute the two major sources of indirect taxes in India. It is also well known that consumption of services is an income elastic demand of services. While most of the developed countries tax all the services with very few and limited exemptions, some of the developing countries tax select services only. Here to, India has adopted a selective approach to taxation of services.

Know you're Service Tax Today:

1] What is it

It is tax on the transaction of providing a service for a consideration. Presently it is collected on 119 services.

2] Who pays it

Normally it is to be paid by the service provider or service provider is located outside of India. However, in certain cases the responsibility is on the service receiver like services provided by a good transport agency for transport of goods by Road.

Small service provider turnover is less than 8 lakh in previous year he is exempt from service tax.

3] Service Tax Rate

Service Tax Rate	12%
+ Education cess	2%
+ Secondary and higher education cess	1%
Effective Service Tax Rate	12.36%

4] Registration of Taxpayer

Application for registration in Form ST – 1 is to be filed with the local central Excise and Service Tax office. Registration is granted within 7 days of filling of application. Every taxpayer is required to take registration with the department.

5] Records and invoices

In the tax records including computerized records, maintained by taxpayer in compliance of any other law are acceptable. The service provider would issue invoice/challan within 14 days from providing the services. The invoice should be serially numbered and record the details of receiver of service.

6] Manner of payment

Individuals, proprietorship or partnership concerns are required to pay this tax quarterly basis. All other taxpayers are required to pay it on monthly basis. Tax is to be paid on the value of services received during the month or quarter.

7] CENVAT Credit

A service provider requires certain goods and services as inputs for providing service to his customer. These inputs may have suffered central excise duty or service tax, the credit of which can be taken by the service provider. This credit is referred to as CENVAT Credit and it can be utilized by taxpayer for payment of tax on fulfilling of certain conditions. The CENVAT is not used for tax free services.

8] Availability of Forms

All forms and challan for payment of tax could be downloaded from the website of department www.cbec.gov.in .

9] Return

Return is to be filed twice in a year by every taxpayer. For the period from April to September, return has to fill by the 25th October and 25th April. It is to be filed in Form ST-3.

Challenges before the Service Tax Administration in India:

Service tax administration in India has before it multi-dimensional challenges because some of them are related to the very nature and growth of service sector in the economy and others relate to procedural aspects of the service tax collection. The growth of service sector at a high rate offers opportunities as well as challenges to bring under the tax net hitherto uncovered services. This offers tremendous revenue potential to the Government. It is expected that in due course Service Tax would reduce the tax burden on international trade (Customs duty) and domestic manufacturing sector (Excise duty). So a planned growth of service tax would be commensurate with the goals of economic liberalization and globalization. This process requires levy of taxes on new services without substantial rise in the rate or cost of collection. The effort to prepare for a smooth integration with the GST without any hardship to public is a big challenge that needs to be handled at the field as well policy level.

Growth of Service tax in India:

Continued growth in GDP accompanied by higher rate of growth in service sector promises new & wider avenues of taxation to the Government. If the tax on services reduces the degree of intensity of taxation on manufacturing and trade without forcing the Government to compromise on the revenue needs, then one of the basic objectives of taxing the service sector would be achieved.

Advanced economies of Western Europe, North America and Far East have share of service sector in their GDP ranging from 60% to 80%. The growth in absolute quantum of GDP and proportion of Service-sector in GDP holds promise for larger revenue generation without increasing the existing level of taxation

Conclusion:

The proposed Goods and Service Tax is a part of the tax reforms that centre on evolving an efficient and harmonized consumption tax system in the country. Presently, there are parallel systems of indirect taxation at the Central and State level. The existing Service Tax System poses an imminent challenge, to reform its synergies, to eventually harmonize itself in the GST regime, as and when it is rolled out. Successful integration of goods and service tax would give India a world-class tax system and will bring in improved tax collection. In a way, it will boost our economy and enable us to compete at the global front.

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A Study Of Impact Of Value Added Tax On Different Sectors

Mr. Alim A. Jafar, Senior Research Fellow,
Department of Commerce & Mgt, Shivaji University Kolhapur
Mr. Sanket Ravan , Assistant Professor ,
Department of commerce and Management, M.B.A. Unit ,S.U.K.
Mr.Sushant Mane , Research scholar
Department of Commerce & Mgt, Shivaji University Kolhapur

Introduction

VAT is a multi-stage tax levied at each stage of the value addition chain, with a provision to allow input tax credit (ITC) on tax paid at an earlier stage, which can be appropriated against the VAT liability on subsequent sale.VAT is intended to tax every stage of sale where some value is added to raw materials, but taxpayers will receive credit for tax already paid on procurement stages. Thus, VAT will be without the problem of double taxation as prevalent in the earlier Sales tax laws. Presently VAT is followed in over 160 countries. The proposed Indian model of VAT will be different from VAT, as it exists in most parts of the world. In India, VAT has replaced the earlier State sales tax system. One of the many reasons underlying the shift to VAT is to do away with the distortions in our earlier tax structure that carve up the country into a large number of small markets rather than one big common market. In the earlier sales tax structure tax is not levied on all the stages of value addition or sales and distribution channel which means the margins of distributors/ dealers/ retailers at large not subject to sales tax earlier.

Statement of the Problem

The study of value added tax is an important subject matter, consequent upon its recent implementation in different states in India. The value added tax has been introduced in different states after severe opposition from the trade unions and political parties. It is expected that VAT revenue will add additional income to the state governments. The state governments have frequently changed the VAT rates for different commodities and this situation leads to conflict between government and consumers. The study of revenue impact of VAT on state governments is an important aspect of policy analysis. The revenue generation through VAT is an additional source of revenue on the part of the state governments. VAT has become important source of revenue to the States in India. The Federal Government of India is intending to increase percentage of VAT imposed on goods and services because of its relevance to income base of the states but citizenries' perception is different. It is therefore appropriate to carry out a research to determine the impact of VAT on the state's economic and human development. The citizenries' perceptions of the impact of VAT on the human and economic developments of the state seems not to be at par with claims of the state government thus there is the need to understand with empirical facts the impact of VAT on the human and economic development and the perception of these impacts by the citizenries of the state.

DATA COLLECTION

The data has been base of collection of secondary sources. The relevant data are collected from the various statistical reports such as reports of state commercial tax department, central statistical organization, reports of planning commission, reports of finance ministry and reports of various committees.

*** IMPACT OF VALUE ADDED TAX ON DIFFERENT SECTORS**

There is impact of value added tax on the different sector described as under.

IMPACT OF MANUFACTURER/PRODUCER

The manufacturer would be required to purchase raw material after paying full tax on the rate applicable on such material. Unlike the present system wherein the manufacturer can purchase the goods at a concessional

rate of tax against the declaration form no. which will be required to be issued by the manufacturer (Glen et al.,2006). The input tax suffered by him would be adjusted off from the sale of the finished product. Here, the calculation made by the manufacturer as VAT is calculated by deducting tax credit from tax collected during the payment period.

IMPACT OF WHOLESALER

The wholesaler who purchases good in large quantities form the producer or manufacturer has the responsibility in turn to charge VAT rate from the consumer for the price paid. The wholesaler sells the product at a lower price in comparison to the retail price to promote sale of the bulk commodity.

IMPACT OF VAT ON TRADERS

The trader would be required to collect tax on the sales Made by him and the tax liability would be set off or adjusted from the purchase or input tax credit of the goods locally purchased by the consumers. The third intermediary in the supply chain has the most effective role of maintaining good relationship with the customers (Ravi, 2005). They directly deal with the regular customers the prices charged by them includes retailer, government and producer share. Let us discuss the impact of VAT on the traders. The manufacturer will pay VAT on the goods purchased as raw materials but the VAT paid on raw materials will be deducted on the sale of the goods manufactured. Thus duplication of tax burden will be avoided. The impact of tax on the wholesaler or retailer would be limited to the value addition. The tax paid at earlier stages would be available as set off for payment of VAT on sale. Therefore traders would prefer to buy with an invoice. The tax payable as a percentage of the sale value would be small where the compliance would have more cost effective that of evasion. Cost of products would reduce due to the cascading effect of tax not being there. Lastly, traders can now concentrate on growth into large entities instead of remaining small and fragmented.

IMPACT OF VAT ON CONSUMERS

Firstly, the purchase prices would reduce as tax content of most of products would come down. However, the product, which hitherto has evaded the entire tax may find the increase. Similarly, those items where the tax rate earlier was zero may be more expensive. Secondly, the tax paid would be transparent in the invoice given to the consumer. No hidden earlier stage taxes would have been paid. Thirdly, the difficult choice of paying more if bill demanded and less if without would over a period of time disappear as this is a self policing system. The consumers, the ender user are overburdened with the high VAT paid by them due to product or service reaching to them is through the channel of intermediaries.

PROBLEMS OF IMPLEMENTATION OF VALUE ADDED TAX IN INDIA

In this study it is found that there are number of problems to introduce Value Added Tax on commodities in different states in India, but in this paper only major problems have been taken which are facing by different states for imposing of VAT, as follows:

Problems of Billing:

The main problem of VAT is billing because billing is essential for traders to get the rebate on inputs. Without billing it is difficult to get rebate on inputs .The billing of the commodities must be a separate entry of basic price and sales tax, so therefore traders gets the rebates but it is very difficult for the traders to pass the separate entry of basic price and sales tax.

Lack of Uniformity:

In India there are number of state which had already implemented VAT, but some state are not agreed to impose VAT in their state. In this situation it is very difficult for inter- state transactions of the commodities, because those states, which are not implementing, VAT in their state they prefer to buy goods from those state that are not implementing VAT.

Concession for New Industry:

Central Government announced concession for new Industries, which are to be established in rural areas. After establishment of industries in rural areas government does not given any concession for such as industries. Practically government does not make any provision for concession of such an industry. Government announced concession for new industries only in Air not in practically.

Number of Taxes imposed by the Government:

The main problem of Value Added Tax is other taxes which are imposed by the State Government due to economic problems of the state. Although traders are ready to pay VAT but they are having demand that government should remove other taxes i.e. Entry tax, Octori, Toll tax, Local body tax etc.

Lack of infrastructure facilities:

In VAT billing is essential for the traders but it is difficult to maintain the infrastructure, computers etc. facilities for the same. In rural areas and even in urban areas do not have such sufficient infrastructure facilities because India is a developing country and have a scarcity of finance and technology etc.

Dealing in Variety of Goods:

Most of the traders in India deal in variety of goods in their shops. Different commodity has different VAT rates. In that situation it is very difficult for traders to maintain billing on VAT on their goods, for example a trader deals consumables items

as well as durable items in their shop, a consumer purchase one item of both the Variety of both the items have separate rate of VAT in that situation it is very difficult in billing of VAT.

*** SUGGSETIONS**

1. Since the Consumers and Retailers are Unaware of certain Implementation process of Value added tax. It is suggested the government should come with transparent norms to enlighten the retailers and consumers.

2. VAT features are highly competent to allot benefit to the government. So the channel of distribution and flow of VAT must be reformed.

3. A transparent approach Rate of Tax, Refund Procedure, Maintaining and improving accounting procedure are the immediate need for an hour.

4. It is strongly recommended that the tax consultant and the government should periodically to monitor the procedure.

*CONCLUSION

Value added tax would change the nature of trade in the coming years, but the medium level of trade would face problems as the companies would reduced the tier of Marketing. Similarly, small retail dealers would be required to maintain more accounts or pay composition money which cannot be collected from the customers. The present provision of central sales tax and Value added tax cannot go together. After the abolition of central sales tax the direct marketing concept may gain ground and the necessity of having warehouse, go downs etc. in all states may decrease or finish. Value added tax in India has been introduced in modified variants over the past two decades. However, value added tax in its original form is yet to be introduced in India, at Central or State level. After the negative and positive impact on the Indian consumers, Value added tax has been identified as the real goal maker by the Indian government in the coming years to foster growth and prosperity in the country. The change in the standard of livings has increased the purchasing power of the high class society but the medium and the poor class society has to work hard in order to achieve there living and meet extravagances.

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Effects Of Local Body Tax On Traders : A Study Of Selected Wards In Kolhapur Muncipal Corporation

Mr. Muhammadriyaj Munna Faniband
Research Student (M.Phil.)
Department of Commerce and Management
Shivaji University, Kolhapur

1. INTRODUCTION

In modern period size, type and transaction of goods or commodities have increased tremendously. In Octroi, employees for collection, time, classification of goods and its complexities as well as corruption were increased. But in that proportion collection of Octori had not been increased. Problem of traffic, wastage of fuel, pollution, time consuming procedure at the Octroi check post, Corruption etc. were the basic problems in Octroi. To overcome these problems, LOCAL BODY TAX (LBT) has been implemented in the Kolhapur Municipal Corporation (KMC) with effect from 1st April 2011. Maharashtra is the only state in the India where local tax like Local Body Tax has been implemented.

Entry 52 in List II of the Seventh Schedule to the Constitution of India empowers the States to levy taxes on entry of goods into local area for consumption, use or sale therein. List II of Seventh Schedule of the Constitution of India enumerates the matters on which the state has exclusive powers to levy tax.

The powers to levy LBT are derived from section 127(2) (aaa) of the Bombay Provincial Municipal Corporation Act, 1949. In exercise of the powers conferred by sub section (1) of Section 152T and of all other powers enabling it in that behalf, the Government of Maharashtra, made rules vide Noti. No. LBT-0209/CR-65/09/UD-34, dt. 25th March 2010 namely "Bombay Provincial

Municipal Corporations (local body tax) Rules, 2010" (Now The Maharashtra Municipal Corporation (Local body Tax) Rules, 2010) and levied LBT in all Corporations of Maharashtra from 21.08.2012, the name of the Act is changed as *The Maharashtra Municipal Corporations Act (Act No. LIX of 1949).* The concerned sections are sec. 152B to sec. 152 O except 152C in chapter XI–A and sec 152 P to sec 152 T in chapter XI-B. The Act is governed by Urban Development Department. It extends to the areas of Municipal Corporation. Hence if any trader is carrying on business in more than one Municipal Corporations, he has to obtain registration certificate in each such Corporation separately.

LBT is the main source of income for civic bodies. It contributes between 50-70 per cent of the actual revenues of the corporation.

Meaning of Local Body Tax (LBT):

LBT means Taxes on the entry of goods into a local area for consumption, use or sale.LBT is another name of Octroi. Octroi is collected at check posts. In LBT there will be no check posts. It will be collected by Corporations on the basis of documents and books of accounts. Any dealer who brings goods into the Corporation area (import) from outside Corporation area for use, consumption or sale is liable for LBT. It is a tax on purchase and not on the sale of goods. LBT is governed by the provision of Maharashtra Municipal Corporation act, 1949 (the act) and Bombay Provincial Municipal Corporation (Local Body Tax) Rules, 2010 (LBT Rules).

2. STATEMENT OF THE PROBLEM:

After implementation of LBT in Kolhapur Municipal Corporation; unions of traders, businessmen, traders were stand against the LBT, because of the rules laid down under the LBT Act. Self-declaration, record maintenance, accounts books, additional paperwork, extra labour for accounting etc. these are main causes behind the resistance of the traders.

As of now conflict is going on between the Government of Maharashtra and the traders regarding implementation of LBT. At present though there is resistance of traders to the LBT, revenue of the corporation has been increasing. One side corporation is supporting to LBT and on the other hand traders are opposing LBT. At present though there is resistance of traders to the LBT, revenue of the corporation has been increasing.

In the light of the above perspective, it becomes necessary to understand why traders are opposing Local Body Tax? What are the effects of LBT on traders? On the other hand it is also important to know in what proportion revenue of the corporation is increasing.

3. SIGNIFICANCE OF THE STUDY:

Local Body Tax (LBT) is a subject which is related with the social and economic aspect of the state of the Maharashtra, much research work has been done in the field of Local Body Tax. But "A STUDY OF EFFECTS OF LOCAL BODY TAX (LBT) ON TRADERS IN KOLHAPUR WITH SPECIAL REFERENCE TO 'C' AND 'D' WAED" remains neglected area. This study covers the effects of LBT on traders and corporation. This is the first attempt of such study in Kolhapur Municipal Corporation.

Moreover no study has been covered the "A STUDY OF EFFECTS OF LOCAL BODY TAX (LBT) ON TRADERS IN KOLHAPUR WITH SPECIAL REFERENCE TO 'C' AND 'D' WAED"**.** The present study tries to cover up this gap. The present study will be helpful to understand reasons of resistance of traders to LBT. The findings and suggestions of this study may be very useful in the successful functioning of Local Body Tax (LBT) Department of Kolhapur Municipal Corporation. The study may be valuable to the LBT Department of Kolhapur Municipal Corporation in particular. Hence the present study is identical in nature.

4. OBJECTIVES OF THE STUDY:

1) To study the concept of Local Body Tax.
2) To study the growth of collection of Local Body Tax (LBT) in Kolhapur Municipal Corporation (KMC).
3) To study the effects of LBT on traders in Kolhapur.
4) To offer suitable suggestions.

5. HYPOTHESIS:

$H_{0:}$ There is no significant difference between C and D ward in respect of rate for commodities.

6. RESEARCH METHODOLOGY:

6.1 Sample Design:

For the purpose of collection LBT, Six wards have been made in Kolhapur Municipal Corporation, namely A, B, C, D, E and N (Area located outside the KMC).

For the present study only two wards have been considered.

Sample size is selected (Yamane 1967, with 10% margin of error) using Simple Random Sampling method.

6.2 Reference Period:

Sr. No.	Ward	Area included	Population	Sample
1	C	Laxmipuri, Mahadwar road, Shivaji chowk, Chatrapai Pramila Raje Hospital (CPR), Dasra chowk.	2356	98
2	D	Gangawesh, Bazar gate, Old Budhawar peth, Toraskar chowk	503	89
		Total	**2859**	**187**

The primary and secondary data as on 28/02/2014 has been taken into account. However the statistical data of last two years i.e. from 2011-2012 to 2012-2013 was taken into account.

6.3 The present study is based mainly based on Primary data. Secondary data have been also used.

7. LIMITATIONS OF THE STUDY:

1. Wards other than 'C' and 'D' are not the coverage of the study.
2. Only two year's data i. e. financial year 2011-12 and 2012-13 have been taken into account.
3. Primary data have been collected only from permanent registered traders.

8. DATA ANALYSIS AND INTERPRETATION:

8.1 Data Analysis of Growth of collection of LBT of Kolhapur Municipal Corporation.

Sr. No.	Months	Total receipts(In Crores)		Growth rate (In %)	
		2011-12	2012-13	2011-12	2012-13
1	April	0.20	5.82	100	100
2	May	2.90	4.44	1450	76.28
3	June	4.34	4.61	149.65	103.82
4	July	4.07	5.14	93.77	111.49
5	August	4.34	4.25	106.63	82.68
6	September	5.03	4.66	115.89	109.64
7	October	5.94	7.73	118.09	165.87
8	November	6.83	6.55	114.98	84.73
9	December	4.71	6.62	68.96	101.06
10	January	6.72	8.65	142.67	130.66
11	February	7.03	6.86	104.41	79.30
12	March	6.91	9.25	98.29	134.83
Total		**59.02**	**74.58**		

Source: LBT Department, Kolhapur Municipal Corporation

It was found that there are variations in growth rate of LBT collection. In Kolhapur Municipal Corporation Local Body Tax has been implemented w. e. f. 1st April 2011. Almost all the traders were not ready to pay LBT in the initial period, because traders were not satisfied with the rules let down under the act. Due to poor response to Local Body Tax, Kolhapur Municipal Corporation could not collect adequate tax through LBT in the first two months i.e. April and May 2011.

According to the LBT rules, the traders have to get their profession, income and transaction details registered with the local body within 90 days since the beginning of a financial year. However, most traders in the city have failed to get registered with the KMC and due to this corporation could not collect the LBT with these unregistered traders who were liable to registered and to pay the LBT. Even after passing one year protest or resistance was going on to revoke Local Body Tax. Though some traders were registered under LBT, they were not paying LBT. Some traders were responsible for registration and liable to pay LBT, but they were violating the rule. To overcome this problem Kolhapur Municipal Corporation was seal the accounts of such traders who were not paying Local Body Tax and punish them with thousands of rupees fine.

The variations have been found in LBT collection. The reason behind is that some temporary registration had taken place like registration for building construction, purchase of vehicle etc. such type of transactions take place only in one time and LBT has to be paid only in that month. After completion of construction or purchase of commodities nobody is liable to pay LBT. That is why in some month registration for such transaction was more, collection of LBT was high and in particular month it was low, collection of LBT is Low.

8.2 Data Analysis of LBT collection according to Ward in different Financial Years

(Collection from Permanent registered traders)

WARD	Collection of LBT	
	2011-2012	2012-2013
A	1,92,20,353 (03.60%)	3,11,45,434(04.44%)
B	3,94,90,288(07.39%)	4,58,51,405(06.54%)
C	**7,83,43,681(14.70%)**	**11,31,21,187(16.14%)**
D	**77,51,656(01.45%)**	**99,79,791(01.42%)**
E	27,97,70,696(52.40%)	34,78,14,860(49.64%)
N	10,92,59,379(20.46%)	15,28,90,662(21.82%)
Total	**53,38,36,053**	**70,08,03,339**

Source: LBT Department, Kolhapur Municipal Corporation

Kolhapur Municipal Corporation has collected highest LBT from ward "E" and lowest from ward "D". Following is the order of ward about collection of LBT from lowest to highest: D, A, B, C, N and E. There are variations in LBT collection according to Ward, because of the size of the ward. E ward is biggest ward among the other wards that is why highest LBT amount has been collected from E ward whereas size of D ward is less, so LBT collection is also less.

8.3 Data Analysis of effect of Local Body Tax (LBT) on Traders.

1. Most of the traders in 'C' (89 traders) and 'D' wards (88 traders) are not satisfied with rates laid down under the Act "Bombay Provincial Municipal Corporations (local body tax) Rules, 2010" in Schedule "A", goods on which and the rates at which LBT is leviable has been given. High rates of commodities lead to increase in prices of commodities and customers have to pay more amount. On the other hand very few traders in 'C' wards (9 traders) and 'D' (only

one trader) are satisfied with rates and rate of commodities should be as it is.

2. Every trader has to keep documents such as Audited balance sheet, profit and loss A/C, Tax Audit Report, LBT Payment Challan (showing all information clearly), Purchase invoice for verification, VAT/CST Return (Form 231), Sales register month wise, Stock register month and item wise. Purchase register and other documents for three years etc. and whenever LBT department require these document trader has to send these documents. So ultimately it is very complicated and time consuming procedure.

3. It was analyzed that, Procedure of manual payment of LBT is completely time consuming & expensive for all types of selected traders (100%). All the registered dealers have to pay LBT before 20th of every month by way of challan and amount to be deposited in the bank account of the municipal corp. In case of Late payment of LBT even for one day, will be charge @2% interest for entire month and then after amount to heavy penalty and interest @ 3%. Every trader in KMC has to submit payment of LBT per month in IDBI bank, Bank of Maharashtra. It means that trader has to approach to bank, fill up the form, and wait for number. Inappropriate procedure of payment of tax will adversely affect the trading activity.

4. LBT is negatively affecting by the way of extra financial burden and extra burden on human resources. Every trader has to record transaction of purchase and sale. For this purpose trader should maintain account books. This is additional paperwork that is involved with the payment of the tax. It means that self declaration, record maintenance, account books etc. could be an added cost under the LBT. Every trader has to pay LBT after assessment of and for that purpose trader have to pay cost of work.

5. It was observed that due to LBT there is neither any increase in turnover nor income of any traders because of the above reasons.

9. FINDINGS:

1. Majority of traders in both the wards are not satisfied with rates laid down on goods under LBT.
2. As discussed above documentation is negatively affecting on traders**.**
3. There is negative impact in respect of financial burden and human resources.
4. Considering above findings it lead to decrease in turnover and also in income of traders of Laxmipuri area.
5. Kolhapur Municipal Corporation has been collected more amount of LBT in financial year 2012-13 as compared to financial year 2011-12.

10. SUGGESTIONS:

1) Digitalization of document:

There should be the digitalization of document so as to reduce extra work and time for maintaining documents for longer time.

2) Online payment system

Instead of manual payment of LBT, there should be online payment of Local Body Tax. So that it will be helpful for reducing time and for suitability.

3) Low rate:

Rates of the commodities like educational material, medicine etc. should not be high because poor people cannot afford high rates, such type of material is important for sustainable development of human being. And due to low rate traders of these commodities can get benefit.

4) Exclude essential commodities from LBT

Essential commodities like Red chilli, oil, salt etc. should not be under LBT. Traders who are selling these commodities can get concession in LBT. Kolhapur Municipal Corporation should adopt the policy of Aurangabad Municipal Corporation, where fifty nine (59) essential commodities are excluded under the LBT.

Conclusion:

It is concluded that traders are completely dissatisfied with LBT mechanism. Though traders were saying due to LBT their income and turnover is consistently declining, the fact is that customer bears any indirect tax customer. So the question is how income and turnover is declining? While collecting primary data, traders were orally saying that they do not pay true amount of LBT. There is big gap between actual tax amount and the amount which they pay for LBT. It means still corruption is going on. Traders must have to change this tendency because this tax is utilized for the development of the Corporation area. Traders also said that they record less amount of quantity purchased than actual quantity amount of quantity. Some of the traders do not want any tax. Before LBT, traders opposed Octroi and now they are opposing LBT. But on the other hand it is also true that LBT mechanism is complicated, time consuming and expensive rather than Octroi. But we also cannot ignore the problems in Octroi, i.e. Problem of traffic, wastage of fuel, pollution, time consuming procedure at the Octroi check post, Corruption etc. It is the responsibility of traders that they should pay true amount of LBT to the Municipal Corporation for the development of city.

Though the present study is restricted to ‘C’ and ‘D’ ward of Kolhapur Municipal Corporation, the findings and suggestions of the study may be applicable to rest of the wards of KMC and whole Maharashtra.

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Revolution In Taxtion Of India:
A Descriptive Analysis

Mr. Suryawanshi S. R., Mr. Kalel N.S.,
(Research Students), Department of
Commerce and Management, Shivaji
University, Kolhapur

Introduction

E-filing is the process of filling your tax documents through internet with the help of software's or by registering yourself to the income tax website. In India, e-filing of income tax was introduced in September, 2004, initially on a voluntary usage basis for all categories of income tax assessed. But from July, 2006, it was made mandatory for all corporate firms to e-file their income tax returns. Taking this process further, from assessment year 2007 to 2008, e-filing of income tax return was made mandatory for all companies and from 2013 Individuals having more than INR 10 lakh income are mandate for filling income tax online.

Income tax is an annual tax on income. The Indian Income Tax Act (Section 4) provides that in respect of the total income of the previous year of every person, income tax shall be charged for the corresponding assessment year at the rates laid down by the Finance Act for that assessment year. Section 14 of the Income tax Act further provides that for the purpose of charge of income tax and computation of total income all income shall be classified under the following heads of income, Salaries, Income from house property, Profits and gains of business or profession. , Capital gains, Income from other sources.

PROBLEMS OF THE STUDY:

Income-tax which is one of the major direct taxes has got much importance due to rising level of income in the recent years. In last few decades the number of income-tax consultants as well as income-tax payers has been increased by many folds. Though the relation between tax consultants and tax-payers is cordial, there are some difficulties on both the sides in maintaining cordial relationship. Tax consultants have formed their associations, which deal with their problems.

OBJECTIVE OF THE STUDY:

The main objective of the study is to study the e-filing of income tax and specific objective of the study are as follows;

1. To study the e-filing of income tax.

2. To study on tax trends and finance issues.

3. To discuss the difficulties faced by the tax consultants in providing consultancy services.

RESEARCH METHODOLOGY:

The present study is based on secondary sources such as books; research paper, periodicals, sound recording, websites, and researcher have used descriptive method for data analysis. This study is benefited for the developing countries like India.

Data Collection:

For the study purpose the required secondary data is collected by using various published sources. The data regarding tax collection, number of assesses etc.

LIMITATIONS OF THE STUDY:

Under the Income-Tax Act, all types of incomes are covered for tax purpose. Much care has been taken for inclusion of all types of legal income under its fold. Illegal income if it is detected is also taxed under the Income-Tax Act, 1961.

RESULTS AND DISCUSSION:

FILING OF INCOME TAX RETURN:

Section 139(1) of the Income-tax Act, 1961 provides that every person whose total income during the revious year exceeded the maximum amount not chargeable to tax shall furnish a return of income. The Finance Act, 2003 has introduced Section 139(1B) which provides for furnishing of return of income on computer readable media, such as floppy, diskette, magnetic cartridge tape.

E-filing of Income Tax is mandatory from AY 2013-14:

It is mandatory for every person (not being a co. or a person filing return in ITR 7) to e-file the return of income if its total income exceeds INR. 5,00,000. (b) An individual or a Hindu undivided family, being a resident, having assets (including financial interest in any entity) located outside India or signing authority in any account located outside India and required to furnish the return in Form ITR-2 or ITR-3 or ITR-4, as the case may be. (c) Every person claiming tax relief under Section 90, 90A or 91 shall file return in electronic mode. (d) Those who are required to get their Account under Section 44AB (e) A firm required to furnish the return in Form ITR-5 or an individual or Hindu Undivided Family (HUF) required to furnish the return in Form ITR-4 and to whom provisions of section 44AB are applicable. (f) A company required to furnish the return in Form ITR-6.

TAX ACCOUNTING:

Over the past few years, we have seen a huge increase in new tax technology vendors and applications – the most popular being the new tax provision tools that have hit the market. These applications are designed to replace the array of tax provision spreadsheets that exist in typical tax departments. In most companies, tax provision spreadsheets began modestly, with functionality added on as the years progressed. Eventually these spreadsheets became so complicated that only their designers really understood the winding flow of calculations. A strange but effective analogy is to compare working with today's typical tax provision spreadsheet to your last visit to an old hospital. Within the hospital there may have been an original wing that was fairly simple to navigate: however, the original blueprint of the wing did not contemplate nor allow for easy expansion. Subsequently, over the years, new wings were added and countless improvements were made until no human being would be able to navigate their way through without endless signs to guide their way. Ultimately, only the people who work there every day know where they are going.

TAX TRENDS AND FINANCE ISSUES:

Conventionally, the tax function has been in charge of providing technical tax expertise for a wide range of tax issues. For the finance function, tax was only an adviser in special situations. The day-to-day accounting and reporting functions were carried out by finance. However, the primary task tended to focus on the local operating integrity of tax compliance; data was extracted and analyzed only locally to fulfill tax declaration and filing responsibilities. Its function was mainly technically orientated, leaving little room for involvement in strategic business decisions.

ADVANTAGES OF E-FILING:

1. Convenience – Returns can be filed at anytime (day or night);

2. Fast refunds – It allows taxpayers receiving refunds to get them sooner,

3. Taxpayers get instant acknowledgement of receipt.

4. Value added services like viewing Form 26AS, tracking of refunds, email, SMS alerts regarding status of processing and refunds.

RECOMMENDATIONS:

If we have identified the processes and issues that offer potential for project improvement in your group through an integration with the finance function, it is time to define the goals for this venture. The following goals could be part of a project.

CONCLUSIONS:

The main focus of this paper is to show the changing scenario of income tax due to implementation of e-filing. The above facts and figure clearly shows that India is in the phase of revolutionary changes in information technology which also gives great advancement in e-filing field of income tax department. It has highlighted the benefits and challenges of such a system and has shared some countries experiences with these systems. Income tax department just have to promote e-filing campaigning and enhance some job opportunities as TRPs in the society so that people become more aware about this new opportunity. Various researchers have different opinion regarding the benefits of e-filing; however according to some researchers many challenges are there regarding adoption of e-filing by mass population. Main challenge is risk of security. This study shows that the e-filing is the new effective method of filing income tax return through online and make e-payment tax. It saves our golden time, energy and cost and also reduces our tension and continuous advancement in technology makes it more simple and effective.

1. Certainty of delivery and quick confirmation – provides immediate confirmation from tax administration that returns have been received,

2. Taxpayers can correct their mistakes or make and save changes in their ITR many times before the final submission of ITR form.

3. Eliminates error notices from tax administrations caused by data entry errors,

4. Increment in freelance job opportunities as Tax Consultant and TRPs etc.

5. Reduction in Documents handling and storage space.

6. Reduced operating costs for tax administration by reducing the cost of handling paper returns and eliminating unnecessary staff.

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Income Tax Act 1961 Filing of Returns An Insight

Paul D. Madhale

Introduction

Filing of income tax return is compulsory if the taxable income exceeds the basic exemption limit even if the tax payable is nil or even refundable by the tax department as per the Income Tax Act of 1961 and the rules framed there under by the individual tax payers and filing of income tax return is mandatory for the companies and partnership firms irrespective of any income.

Any individual could file the Income Tax Return:

The Income Tax Act 1961 provides that any other person who is desirous of filing the income return even in cases if his / her income is below the maximum amount not chargeable to income tax could also file the income tax return with "NIL" refund / "NIL" tax.

Time limit for filing the income tax return:

By and large, in each year, the individual assesses are required file their returns by 30th of June and any further extension granted by the income tax department. For the last two to three years, the tax department has been extending the income tax return date by 31st of July of each year for individuals. While in respect of companies, for those whose accounts are to be audited, working partner of a firm etc., the due date of filing the return is 30th September of each year which is pursuant to section 139(1) Expl of the Income Tax Act of 1961.

Revised Return:

If any mistake / defect / omission in the original return are noticed by the assessee subsequently, after filing his / her income tax return, then he / she could file a revised return before the assessment has been made or within one year whichever is earlier from the end of the relevant assessment year. A revised return cannot be filed in a case where the original return has been filed late i.e. after the due date. As per the provision in section 148 of the Income Tax Act, the revised return in such a case could be accepted and regularized by the assessing officer.

The Following information will clear the doubts of filing the returns

I. **Who should File Return**
II. **Tips for Filling the Return of Income**
III. **Documents to be enclosed with return**
IV. **New Procedure for Filling Tax Return**

I. Who should File Return

Following persons are required to file return of their income, duly filled in completely and correctly:

1) Individuals, Hindu undivided families, Association of Persons (AOP)/ Body of Individuals (BOI) (where individual shares of the members are known) and artificial juridical persons (such as deities of temples), having taxable income exceeding Rs. 1,00,000 (Rs. 1,35,000 in case of a resident women below 65 years or Rs 1,85,000 in case of a senior citizen of 65 years or more).

Note: *Filing of return is compulsory if the taxable income exceeds the basic exemption limit (as above) event if the tax payable is nil or refundable.*

2) Non-resident Indians except1 those covered u/s 115AC and 115G: having taxable income exceeding Rs. 1,00,000.

3) Individuals (including NRls), HUFs, AOPs/BOls and artificial juridical persons, having total income (before making deduction u/ss 10A or 10B or 10BA or Chapter VI-A) exceeding Rs. 1,00,000 (Rs. 1,35,000 in case of a resident women below 65 years or Rs. 1,85,000 in case of a senior citizen of 65 years or more).

[Sec. 139(1) Fourth Proviso]

4) Societies and Trusts deriving income from property held for charitable or religious purposes or receiving voluntary contribution for such purposes, and having total income (before giving effect of Sec. 11 and 12) exceeding Rs. 1 ,00,000.

[Sec. 139(4A)]

5) A scientific research institution, news agency, association or institution, fund or trust or university or other educational institution or any hospital or other medical institution or trade union claiming exemption u/s 10(21), (22B), (23A), (23B), (23C) 1[iiiad)/ (iiiae)/](iv)/(v)/(vi)/(via) or (24), whose total income, before claiming exemption, exceeds Rs. 1,00,000. [Sec. 139(4C)]

5A. A university, college or other institution referred to u/s 35(1)(ii)/ (iii), not otherwise required to furnish return of income.] [Sec. 139(4D)]

6) AOP/BOI where shares of the members are indeterminate or unknown, irrespective of income.

7) All partnership firms irrespective of income.

8) Co-operative society, company and local authority, irrespective of income.

Note: Filing of return by companies and partnership firms is mandatory.

9) Any person who has suffered a loss from business or profession or speculative business or capital loss, should furnish his return of income by the due date otherwise the facility of set off and carry forward of loss shall not be allowed.

10) Units/undertakings claiming deduction u/s 10A 2[or 10B] are also required 'to furnish their return of income before the due date specified u/s 139(1).

11) Units/undertakings claiming deduction u/s SO-lA, 80-IAB, 80-IB or 80-IC are also required to furnish their return of income before the due date. [Sec. 80AC]

12) Any person who has paid tax (by way of TDS or advance tax) in excess of tax payable on total income, or who has paid tax but does not have taxable income, is advised to file his return for claiming refund of tax excess paid.

Persons who have not filed their return and have received a notice for assessment under section 142(1) or reassessment u/s 148.

Note: Any other person, who so desires, can file its return of income even if its come is below the maximum amount not chargeable to tax.

Contents of the Return

Acknowledgement Slip (in Duplicate) : It is a summary of the return containing name, address, status, Permanent Account Number, a brief statement of taxable income, deductions and. tax paid, verification, etc.

Return Form 3 :

Schedule A: Salaries

Schedule B: Income from House Property Schedule C: Capital Gains

Schedule D: Income from Other Sources

Schedule E: Statement of Set Off of current year's and Brought Forward Losses.

Schedule F: Statement of Total Income Schedule G: Statement of Taxes

II. Tips for Filling the Return of Income

1) First of all, prepare a statement of computation of income and tax for the previous year, This statement will help you in filling the return directly and it will also avoid cuttings or overwriting in the return. A copy of this statement should also be enclosed with the return.

2) Carefully choose appropriate return Form.

3) Fill in the return form first and thereafter the acknowledgement slips, with the help of the return form.

4) Carefully read the return form and the instructions contained therein.

5) Write the PAN No. and the Ward No. correctly. In case of a new assessee write 'NOT ALLOTTED'.

6) Carefully choose the correct status code number from Notes in the return form.

7) The blocks given for specifying codes should be filled in only with therelevant code number. No other number, letter or word should be written in the blocks.

8) Round off the income under each head to the nearest rupee a ignore paisa. Do not qualify the figures by 'About' or 'Approximately'

9) Incase of any loss under any head of income or in the aggregateindicate it with a (-) minus sign.

10) Total income should be rounded off to the nearest multiple of 10.

11) The verification is to be signed by the assessee himself, or by .the Managing partner/any partner in case of a firm, or by the Karta case of a HUF, or by the Managing Director/any director in case (company, or in case of an association by any of its members principal officers. In unavoidable circumstances, return may be sigl by a duly authorised person, whose power of attorney should attached with the return.

12) The assessees should furnish their bank account particulars in I return so as to enable the department to send the refund due, if any through, Electronic Clearing System.

Precautions to taken while filing return

1) Write neatly and preferably in block letters. Write in ink prefer. blue. Losses may be highlighted in red ink.

2) All parts of the return and verification should be filled in neatly and properly, so that the form is not rejected by the department.

3) Alterations/cuttings, if any, should be duly authenticated.

4) Do not leave any column blank. Write Nil/Not Applicable (N.A.), wherever necessary and not any mark or symbol.

5) Pay all 'taxes due' before furnishing the return.

III. Documents to be enclosed with return

1) Acknowledgement Slip in duplicate.

2) Statement of Computation of Income and Tax.

3) Challan Identification number (CIN) should be furnished. Photocopy of tax payers count should be attached.

4) T.D.S. Certificates in Form 16 or 16A as applicable.

5) Certificate/Receipts of payment of insurance premium, provident purchase of NSCs, new equity shares, mutual fund, NSS, medical ance, donations, etc. in support of deductions claimed.

Requisite evidence wherever prescribed by law in support of your, for any deduction/exemption, must be attached along with the n Failure to do so will deprive you of the deduction and such evidence even if produced later shall not be entertained by the Assessing Officer.

6) Copy of audit report, balance sheet, trading, profit and loss account, personal account of proprietor or partners and documents as specified in the notes

7) Statement of receipts and payments, where no regular books of account are maintained

8) Tax-audit report obtained under section 44AB wherever required Where the audit report has been furnished prior to the filing of ret copy of the report together with proof of furnishing the report, should be attached with the return.

9) Accountants report under section 80-IA, 80-IAB, 80-IB or 80-IC.

10) Certificate of interest on housing loan from the lender, in support of deduction from house property income.

11) Other documents/statements as specified in the return itself and in sup- port of income.

Note: Persons, who do not have any income from business or profession, need not fumish their balance sheets or statement of assets, showing the plot, house, agricultural land, jewellery, gold and silver, shares, securities, units, cash, etc., held by them. However, it 'is advisable to declare major investments made or maturity proceeds/capital receipts received during the year. Purchase of house- hold goods like TV, VCR, etc. may not be mentioned.

12) In case the assessee has applied for PAN but has yet not received allotment, a copy of PAN application filed earlier and its acknowledgement should be enclosed with the return.

13) In case the assessee has not applied for PAN, a PAN application form duly filled in and 2 passport size photographs should be enclosed with the return.

14) A copy of the Acknowledgement or Assessment Order for the preceding assessment year should also be enclosed.

IV. New Procedure for Filling Tax Return

The Income-tax Department has introduced a simplified system for payment of taxes called Online Tax Accounting System (OLTAS). The salient features of the new system are:

(a) Four copy challans have been replaced by single copy challans as under:

Challan No. 280 - For payment of Income Tax (advance tax/ self-assessment tax/tax on regular assessment) by all categories of tax payers.

Challan No. 281 - For Tax Deducted at Source

Challan No. 282 - For other Direct Taxes (including Wealth tax and Securities Transaction Tax)

Challan No. 283 - For Banking Cash Transaction Tax and Fringe Benefit Tax.

Were to File Return

The return should be filed with the Assessing Officer who assessed tax-payer in the preceding assessment year or to whom the records have since been transferred. The new assessees should file return to the Assessing Officer, who has territorial jurisdiction over the residence or the principal place of business of the assessee or with the assessing Officer having special jurisdiction over specific assessees or classes of assessees or classes of income. For example, assessees having income from contract business, should file their Income Tax -returns with the Assessing Officer having jurisdiction over the contractor's circle. A doctor or lawyer or chartered accountant should file is return in the respective professional circle. [Sec. 124]

The return in the prescribed form duly stapled with acknowledgement slip should be delivered in person or through a messenger at counter against a receipted copy of the acknowledgement slip. In special circumstances, the return may be sent by registered post.

Filing of Returns on Computer Readable Medium

A salaried tax-payer may, at his option, furnish his return of income to his employer, in accordance with the scheme for bulk filing of returns'. The employer shall furnish all such returns received by him on or before the due date, on a floppy, diskette, magnetic cartridge, tape, CD-ROM or any other computer readable media, in the prescribed manner. [Sec. 139(1 A) & (1 B)]

Conclusions: Return of Income should be filed within due date and with utmost care. If bonafidely some mistakes still happens in the original return then the benefit of filing revised return can be taken. It is advisable that if any mistake has happened in the original return then revised should be filled before any action on the mistake is taken by AO to escape penalty u/s 271(1)(c).

Income Tax Act 1961 And E-Commerce

Mr. Pawar S.S. (Research Student),
Department of Commerce and Management,
Shivaji University, Kolhapur

INTRODUCTION:

E-commerce is a new buzzword in the last decade and is likely to grow exponentially every year in a developing country like India. It is expected that e-commerce might have a growth in overall trade market. According to IAMAI report it is found that 40% of internet users in India use e-commerce websites to find the price of product. Google revealed in the survey that 67 percent of e-commerce happens on mobile devices and as many as 40% of all Google searches in India are done using mobile phones. Further in IAMAI report, it states that 80% market share of current online commerce industry is dominated by travel business in which 63% by domestic air ticket booking and 27% by online Railway ticket, and remaining 20% share constitutes of non-travel businesses such as electronic retailing, digital download, paid content subscription, financial services, online classifieds, etc. The statistics shown in figure 1 also reveal that, online travel industry i.e., service sector is dominating the online e-commerce industry since last 5 years. However, online users in India have exhibited willingness to make purchases over the internet, which is evident from the increasing awareness and growth of net commerce industry. Electronic retailing is also growing very fast in India. The wide range of business activities related to e-commerce brought a new range of terms and phrases to describe Internet phenomenon in business sectors. The words I-commerce, web-commerce, business-commerce are rarely used due to transactions go through Internet. The words like Web-Store, Web-mall, Virtual-mall, cybermall, virtual stores or cyber stores are terms for new shop

or business firms. The term e-business a analogy of e-commerce is the conduct of the business on the Internet, not only buying and selling but also servicing customers and collaborating with business partners. Like apparels and jewelry and other accessories had a market share of worth Rs. 2,550 crore, which is expected to grow by 30% next year. E-commerce has a variety of impacts on direct and Indirect taxes imposed in India. Although many legal or economic analyses of e-commerce taxation have been published. India faces the difficulty in taxing e-commerce justly and efficiently, but a feasible solution is to be found which depends on economic conditions, social and political features.

E-COMMERCE:

There are different definition given by different person or academicians depending on the technology and working process. General definition in terms of accounting is that E-commerce is the process of buying, selling, or exchanging products, services, or information via computer networks.

According to the editor-in-chief of International Journal of Electronic Commerce, Vladimir Zwass, "Electronic commerce is sharing business information, maintaining business relationships and conducting business transactions by means of telecommunications networks. Further Zwass said that electronic commerce has been re-defined by the dynamics of the Internet and traditional e-commerce is rapidly moving to the Internet. With the progress of the e-commerce the term e-commerce includes:

1. Electronic trading of physical goods and of intangibles such as information.

2. All the steps involved in trade, such as on-line marketing, ordering payment and support for delivery.

3. The electronic provision of services such as after sales support or on-line legal advice.

4. Electronic support for collaboration between companies such as collaborative on-line design and engineering or virtual business consultancy teams. The wide range of business activities related to e-commerce brought a new range of terms and phrases to describe Internet phenomenon in business sectors. The words I-commerce, web-commerce, business-commerce are rarely used due to transactions go through Internet. The words like Web-Store, Web-mall, Virtual-mall, cybermall, virtual stores or cyber stores are terms for new shop or business firms. The term e-business

a analogy of e-commerce is the conduct of the business on the Internet, not only buying and selling but also servicing customers and collaborating with business partners.

IMPACT OF E-COMMERCE IN AREA OF BUSINESS

E-commerce is new concept which incorporates all business process, management and policies concept of traditional business. So of the area where E-commerce has a strong impact are as follows:

1. Marketing:

In the past door-to-door marketing, home parties, catalogues, leaflets, telemarketing, TV, radio and other forms were used for marketing. Today Internet is a biggest tool for marketing of products. The advertisements are posted on the websites, information and promotional schemes are sent through emails, etc.

2. Manufacturing:

The production of the company is now changed from mass production to demand production. Web based Enterprise Resource Planning systems (ERP) can be used to forward orders directly to designers or production floor directly in seconds thus cutting down or increase in production with immediate effect.

3. Management information system:

The information can be used for analysis, design and implementation of e-business system in an organization. The system helps us to integrate the front-end and back-end systems.

4. Tax and ethics:

The ecommerce supports online payments of taxes and different legal and ethical issues such as copyright law, privacy of customer information, legality of electronic contracts etc.

TAX EVASION:

Governments are continuously striving to reduce the problem of tax evasion because without taxation survival of any government is at stake. Therefore, there is a need to properly understand tax evasion dimensions and develop a sound strategy to tackle it. This paper aims to explore the possibility of tax evasion during the transaction through E-commerce. Tax evasion is not a new phenomenon; it has been in existence for a long time and still continues to prevail and impose growing challenges on tax authorities and governments. Tax evasion is the minimization of one's tax

liability by way that violates the provisions of the tax codes. It is therefore observed an offence, and could lead to the imposition of criminal proceedings against the offender.

ISSUES IN TAX EVASION

Government of India imposes different taxes on business house. Value Added Tax is a multi point sales tax with set off for tax paid on purchases. It is basically a tax on the value addition on the product. In many aspects it is equivalent to last point sales tax. It can also be called as a multi point sales tax levied as a proportion of Valued Added. The second one is the service tax, which is imposed on the services or consultancy provided by the professional. So looking to the figures and the table, we can conclude that:

1. Vat tax as it is a multipoint tax, as per the nature of E-business, it directly involves consumer with business (B2C). Since the different points are decreased so the tax is reduced and it result is tax loss of the Government.

2. Service sector covers approx 80% of the share of total turnover of E-commerce transactions. Service sector on recommendation of finance commission gives some share to the state. But the services provided by dot com companies give the whole tax to one state only. So the other state income is lost due to nature of the business.

3. The provision of services and the licensing of intangible assets, each of which is subject to some form of taxation and other taxes such as municipal taxes, professional taxes, are too reduced of the state Government.

CONCLUSION:

The e-commerce presents both challenges and huge opportunities for taxation and tax administration. The tools and techniques of e-commerce that can assist tax payers in their dealings with e-government should be designed and developed. At the same time the Government is working to develop the policy for the taxation on e-commerce, with business and its international partners. The Indian Government had constituted the High Powered Committee ("HPC") in December 1999, to examine the position of e-commerce transactions under existing taxation laws. With a view to provide a global perspective on the taxation of e-commerce to the Government of India, Mr. Nishith Desai, the founder member of Nishith Desai Associates ("NDA"), a legal and tax counseling firm has through his firm NDA, approached renowned and eminent experts in the field of international taxation, including academicians, professionals and industry experts around the world both from developed and the developing countries.

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Impact of Direct Tax Code on Indian Economy

Walvekar Sagar Baburao

ICSSR Doctoral Research Fellow

Department of Commerce & Management

Shivaji University, Kolhapur

Introduction:

Taxation plays a critical and pivotal role in the process of advancement and growth of any country. Taxes constitute major sources of revenue for the government. Taxes are levied so that investment is made in the resources to enable to country to develop, grow and make progress. A sound tax system is vital for development of the public finances of any country. The main objectives of tax policy can be said to be allocation, distribution and stabilization.

The 19th century saw the establishment of British Rule in India. The British Government felt acute financial difficulties consequent to the Freedom Struggle of 1857 and to fill up the gap Treasury Income Tax Act was introduced for the first time in February, 1860 by James Wilson who became India's first Finance Member. At present, the Income Tax Act 1961 is in force in India on the basis of recommendations of Law Commission and Direct Taxes Administration Enquiry Committee under the chairmanship of shri. Mahavir Tyagi. The present Income Tax Act was enacted in 1961, which came into force on 1st April, 1962. Various Committees like Wanchoo Committee, Choksi Committee and Chellaya Committee had been appointed to simplify the direct tax laws and make them more effective. The Finance Ministry has released a new draft Direct Tax Code (DTC)-2010, which is a document containing changes in Exemptions, Tax slab etc. This will be a big change to five-decade old Income Tax Act (Patel, 2012).

Review of Literature:

Mittal P. (2012) has examined the impact of DTC on different issues (factors). Throughout this study, he also gives emphasis on the major highlights of DTC in India. This paper studies the concept of DTC and its evaluation. The aim of code is to eliminate the distortions in tax structure. (It also introduced moderate level of tax liabilities as well as expands the basis for taxation.) The code for direct taxation also covers tax compliance and simplification of litigations regarding the tax liabilities.

Patel R. K. (2012) has studied impact of direct tax on Indian Economy. The rest of the paper has been divided into six sections. Section II provides a brief outline of available literature on tax reforms in India. The main objectives of this study are described in section III. The methodological aspects are given in section IV. Section V describes the results of data analysis and the conclusions are given in section VI. This paper concluded that Tax to GDP ratio is very low in India. Tax to GDP would decrease after implementation of DTC.

Ransariya S. N. (2012) has studied the Impacts of Direct Tax Code on Individual Income this is an empirical study. He has to studied The new tax code is expected to widen the tax base, end unnecessary exemptions, moderate tax rates and add to the government's coffers. In this paper, the researcher has attempted to study the impacts of The Direct Tax Code on Individual income by comparison of existing income tax Act and New Direct Tax Code.

Rakesh, C. (2013) has examined the Direct Tax Code in India: A Major Tax Reform for The Emerging Economy. They have to highlight the overview of direct tax code and features of direct tax code. Therefore they covered difference between direct tax system and direct tax code. They conclude that the survey reveals that several positive aspects in relation to survey, more than three –fourth of the people or super majority feel that law is simple, easy to understand; it will avoid litigation, which we tend to slightly disagree with because there are certain aspects in the law that could lead to litigation.

Objectives of the Study:

The main objective of this study is to analyze the various issues prevalent in India relating to Direct tax code. The other objectives are:

1. To investigate the Tax contribution to GDP in India.
2. To study the impact of Direct Tax Code -2010 on Individual Income

Scope of the Study:

Geographical scope of the study is restricted only India. Operational scope of the study is to identifying new challenges facing the direct tax code in Indian economy.

Research Methodology:

The present researcher has adopted secondary source for data collection for this purpose. It is analytical and descriptive methods are used for this study for achieving objectives.

Data Collection:

The secondary data have been collected by going through reports of this corporation, books, research papers, articles, different web-sites etc.

Results and Discussion:

Trend of Tax Revenues:

The trends in tax revenues can be measured on the basis of Direct tax to GDP ratio, Indirect tax to GDP and Total tax to GDP ratio.

Table-1

Direct Tax, Indirect Tax and Total Tax to GDP Ratio

Year	Direct tax to GDP Ratio (%)	Indirect Tax to GDP Ratio (%)	Total Tax to GDP Ratio (%)
1961-62	2.43	5.93	8.37
1970-71	2.18	8.09	10.27
1980-81	2.25	11.40	13.65
1990-91	2.15	13.25	15.40
2000-01	3.41	11.11	14.52
2001-02	3.21	10.59	13.80
2002-03	3.56	10.96	14.51
2003-04	3.98	11.06	15.03
2004-05	4.23	11.02	15.25
2005-06	4.54	11.38	15.92
2006-07	5.39	11.77	17.16
2007-08	6.39	11.06	17.45
2008-09	5.88	10.52	16.40
2009-10 (RE)	5.93	9.15	15.08
2010-11 (BE)	5.48	9.25	14.73

Source: Indian Journal of Accounting

RE= Revised Estimate, BE= Budget Estimate.

Table 1 shows in 1961-62 Direct Tax to GDP ratio was 2.43% and by the year 1990-91 decreased to 2.15%. The ratio increased to 3.41% in 2000-01 which jumped to 6.39% in 2007-08 in the post reforms period. The ratio declined to 5.48% (BE) in 2010-11 Indirect Tax to GDP Ratio in 1961-62 Indirect Tax to GDP ratio was 5.93% and by the year 1990-91 it increased to

13.25%. The ratio decreased to 11.11% in 2000-01 in the post reforms period. In the post reforms period the ratio was nearest to 11% up to 2008-09. The ratio declined to 9.25% (BE) in 2010-11. Total Tax to GDP Ratio in 1961-62 Total Tax to GDP ratio was 8.37% and by the year 1990-91 it increased to 15.40%. The ratio decreased to 14.52% in 2000-01 in the post reforms period. The ratio jumped to 17.45% in 2007-08.The ratio declined to 14.73% in 2010-11 (BE).

The Tax Trend:

Tax Rate for Individual (Men, HUF and HUF)

Table-2

Tax rate and Income Tax Slab for Individual (Men and HUF)

Tax Rate	DTC Bill - 2010	Tax slab under Income Tax Act for FY 2012-13	Tax Slab under for Income Tax Act FY 2011-12	Original DTC Draft introduced in 2009
Nil	Up to Rs 2,00,000	Up to Rs. 200000	Up to Rs 1,80,000	Up to Rs. 1,60,000
10%	From Rs 2,00,001 to Rs 5,00,000	From Rs 2,00,001 to Rs 5,00,000	From Rs 1,80,001 to Rs 5,00,000	From Rs 1,60,001 to Rs 10,00,000
20%	From Rs 5,00,001 to Rs10,00,000	From Rs 5,00,001 to Rs 10,00,000	From Rs 5,00,001to Rs 8,00,000	From Rs 10,00,001 to Rs 25,00,000
30%	Above Rs 10,00,000	Above Rs 10,00,000	Above Rs 8,00,000	Above Rs. 25,00,000

Source: Indian Journal of Accounting

Table-3

Tax rate and Income Tax Slab for Women

Tax Rate	DTC Bill - 2010	Tax slab under Income Tax Act for FY 2012-13	Tax Slab under for Income Tax Act FY 2011-12	Original DTC Draft introduced in 2009
Nil	Up to Rs 2,00,000	Up to Rs. 200000	Up to Rs 1,90,000	Up to Rs. 1,60,000
10%	From Rs 2,00,001 to Rs 5,00,000	From Rs 2,00,001 to Rs 5,00,000	From Rs 1,90,001 to Rs 5,00,000	From Rs 1,60,001 to Rs 10,00,000
20%	From Rs 5,00,001 to Rs 10,00,000	From Rs 5,00,001 to Rs 10,00,000	From Rs 5,00,001to Rs 8,00,000	From Rs 10,00,001 to Rs 25,00,000
30%	Above Rs 10,00,000	Above Rs 10,00,000	Above Rs 8,00,000	Above Rs 25,00,000

Source: Indian Journal of Accounting

Above Table No.2 and Table No.3 shows the big change is that the same tax slabs will apply to men and women. Now both are eligible for basic exemption of Rs 2 lacs, whereas for Financial Year (FY) 2011-12 it was Rs 1.8 lacs for men and Rs 1.9 lacs for women. Tax rate and Income Tax Slab for Men and HUF and for women are given.

Conclusion:

At this point in time, it is difficult to draw any firm conclusions about the DTC, given that it is not due to be introduced until April 2012. The aim of the DTC is to simplify tax legislation in part to attract foreign business and investment. While the Code's streamlined provisions may well achieve this, given the scope of the legislation's proposed anti-avoidance measures, companies and investors may face further uncertainty in relation to tax in the future. "Finally, consideration should be given to considering certain actions or modifying or unwinding structures prior to the DTC taking effect in the event that a review highlights that existing arrangements may lead to

adverse consequences in the future." Income Tax Act 1961 will soon be history. Direct Taxes Code will rule our lives and money now.

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Direct Taxes Code 2013 : An Overview

Mrs. Phadtare S. V.

M.com, M.phil., SET, NET, B.Ed

S.G.M College,Karad.

1.1 Introduction-

The Direct Taxes Code (DTC) is said to replace the existing Indian Income Tax Act, 1961 .The direct tax code seeks to consolidate and amend the law relating to all direct taxes, namely, income-tax, dividend distribution tax, fringe benefit tax and wealth-tax so as to establish an economically efficient, effective and equitable direct tax system which will facilitate voluntary compliance and help increase the tax-GDP ratio. Another objective is to reduce the scope for disputes and minimize litigation. It is designed to provide stability in the tax regime as it is based on well accepted principles of taxation and best international practices. It will eventually pave the way for a single unified taxpayer reporting system.

1.2 Objectives of the study

The current study has the following major objectives:

1) To explore the background of drafting the direct Tax Code in India.

2) To highlight the major changes proposed in the direct tax legislation of India through DTC 2013.

1.3 Research Methodology

This paper is based mainly on secondary data. Secondary data is collected from books, magazines, newspapers & various websites.

1.4 Limitations of the study –

The study is primarily based on secondary data so the limitations of secondary data may creep in the study.

1.5 Background-

According to the union ministry of finance, the I.T. Act 1961 has been subjected to a numerous amendments since its passage of 50 years ago. It has been considerably amended, not less than thirty four times. As a result of the amendments, the basic structure of the I.T Act has been overburdened & its language has become complex. The Wealth Tax Act, 1957 has also witnessed amendments. The government therefore decided to revise, consolidate & simplify the language and structure of the direct tax laws.

The draft Direct Taxes Code (DTC), which aims to replace the archaic Income Tax Act,1961 and Wealth Tax Act, 1957, was released, along with a Discussion Paper (DP-I) on August 12, 2009 for public discussion and comments. Since then, a number of valuable inputs on the proposals were received from a large number of organizations and individuals. The inputs were examined and the major issues on which various stakeholders had given their views were identified. The Revised Discussion Paper addresses these major issues. The revised Direct Taxes Code (DTC-II) making changes in the earlier DTC (DTC-I), subsequent to the issue of Discussion Paper-II (DP-II) was introduced in the Lok Sabha on August 30, 2010. The Bill shows that in DTC-II, not only the changes mentioned in DP-II have been made, but a host of other changes and new provisions, like those relating to settlement of cases and settlement commission have also been incorporated (Gupta, 2012). Various stakeholders have submitted their suggestions to the SCF on the DTC 2010. The SCF, after deliberating with various stakeholders, submitted their report to the Parliament on March 9, 2012. Since the Direct Taxes Code Bill, 2010 (DTC-II) was introduced in the Parliament, a good number of amendments were carried out in the Income-tax Act, 1961 and the Wealth-tax Act, 1957 through Finance Acts, 2011, 2012 & 2013. Incorporating these amendments and recommendations of SCF in the DTC Bill, 2010 would have made the Bill incomprehensible and the legislative process cumbersome. So, it was decided to present the Direct Taxes Code as a fresh Bill incorporating the amendments and most of the recommendations of SCF. Accordingly, a new revised Direct Taxes Code was drafted and unveiled on April 1, 2014 as Direct Tax Code, 2013.

1.6 Highlights of Direct Tax Code 2013

1. The draft tax code proposes a new tax rate of 35 per cent for individuals having income exceeding Rs 10 crore.

2. The Standing Committee on Finance headed by senior BJP leader Yashwant Sinha had proposed no tax on income of up to Rs 3 lakh per annum; 10 per cent for Rs 3 lakh to Rs 10 lakh; 20 per cent, for Rs 10 lakh to Rs 20 lakh and 30 per cent on annual income beyond Rs 20 lakh. But these recommendations did not make into the draft Direct Tax Code. "The recommendation is not acceptable as it will result in huge revenue loss. The total revenue loss on account of recommended changes in income tax slabs and removal of cess works out to Rs 60,000 crore approximately," says the proposed Direct Taxes Code - 2013. As per the current structure, there is no tax on income of up to Rs 2 lakh per annum; 10 per cent on Rs 2 lakh to Rs 5 lakh; 20 per cent on Rs 5 lakh to Rs 10 lakh and 30 per cent on income beyond Rs 10 lakh.

3. The draft Direct Taxes Code - 2013 proposes to reduce the age for tax exemption for senior citizens to 60 years from 65 years.

4. The new draft tax code widens the base for levy of wealth tax. The revised code captures all assets for wealth tax, whether physical or financial, thereby removing the distinction between physical and financial assets. Wealth tax is proposed to be levied on individuals, Hindu Undivided Family (HUF) and private discretionary trusts at the rate of 0.25 per cent. The threshold for levy of wealth tax in the case of individual and HUF shall be Rs 50 crore. According to the current tax norms, every individual and Hindu Undivided Family (HUF) who has wealth exceeding Rs 30 lakh is required to pay wealth tax and the wealth tax rate is 1 per cent.

5. With a view to provide parity in treatment of insurance products and mutual fund products, the new Direct Tax Code proposes to levy income distribution tax on equity linked insurance products on the lines of equity oriented mutual funds.

6. The new tax code proposes additional tax @10 per cent on recipient of dividend (liable to dividend distribution tax) exceeding Rs 1 crore. Under

the Income-tax Act, the dividend distribution tax is to be levied at the rate of 15 per cent.

7. The revised DTC says the provisions of 'Income from house property' shall not apply to the house property, or any part of the house property, which is used for business or commercial purposes.

8. The new tax code says the amount of rent received in arrears or the amount of rent which is not realised from a tenant and is realised subsequently shall be deemed to be the income from house property of the financial year in which such rent is received or realised.

9. For the purposes of deduction in respect of interest on loan taken for self-occupied house property, the loan given by the employer should also qualify for this concession.

10. With a view to provide smooth transition from IT Act to Direct Taxes Code, the new tax code says provisions will be made for treatment of losses remaining to be carried forward and set off as per the provisions of the existing Income-tax Act on the date on which DTC comes into effect.

1.7 Conclusions

The Code shall replace the five-decade old Income-tax act. The new tax code aims to make the system more efficient and easy for tax payers, with simplified rules and regulations. DTC has integrated all Direct Taxes as a single Act. The aim of the DTC is to simplify tax legislation minimize litigation, broaden tax base and eliminate tax exemptions in part to attract foreign business and investment. But, there are always two sides of any coin. The Direct Tax code in India is very much discussed and criticized now a day. Even though, the basic aim behind DTC is simple and helpful to the people, it is very much criticized because many provisions under this proposal may harm the investors and FIIs. The Direct Tax Code changes the whole taxation system of India. It will surely help in the growth of our economy because the tax rate has been reduced for person who earns up to ten lakhs. This reduction in tax may motivate them to contribute their money in the development of the economy, like establishing business firms, building hotels etc., which play major role in the growth of economy.

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Direct Taxes Code Changes Impacting Taxation Of Foreign Institutional Investors

Mr. Sidharth R Patil. (PhD Student at VTU Belgium.)

Dr. Pratapsinh.V.Mohite (Associate Professor & Head, Department of Accountancy; Arts & Commerce College Ashta.)

Introduction:

Finance Minister has released the Direct Taxes Code, 2013 (DTC 2013) for public discussion/comments. The first version of DTC was introduced in August 2009 when Government unveiled the DTC along with a discussion paper to replace the Income-tax Act, 1961 (the Act) and the Wealth Tax Act, 1957. In June 2010, the Government released the revised discussion paper incorporating several changes to address concerns over some major issues arising there from.

In August 2010, the Government tabled a revised version in the form of DTC 2010 in the Lok Sabha which was then referred to the Standing Committee on Finance (SCF) forits review and comments. The Standing Committee after deliberating with the recommendation given by various stakeholders submitted their report to the Parliament on 9 March 2012 Thereafter, in September 2012; Kelkar Committee in its report on 'Road Map for Fiscal Consolidation' suggested a comprehensive review of DTC. Hence, Government decided to revise the DTC after considering suggestions given by SCF and present the revised version in the parliament.

The share or interest shall be deemed to derive its value substantially from the assets (whether tangible or intangible) located in India, if on the specified date, the value of such assets:
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· Exceeds the amount as may be prescribed; or

· Represents at least twenty per cent of the Fair Market Value (FMV) of all the assets owned by the company or entity, as the case may be.

DTC 2010 provided for a 50 per cent threshold of global assets to be located in India for taxation of income from indirect transfer in India. Based on the recommendation of SCF, that the threshold was too high, the DTC 2013 now provides for a threshold of 20 per cent of global assets to be located in India for taxation of income from indirect transfer in India

DTC 2013 proposes to exempt small shareholder who does not hold the right of management or control exceeding 5 per cent directly or indirectly and on satisfaction of certain prescribed condition. This was also recommended by SCF. However, recommendations related to exemption on transfer of listed shares outside India and overseas intra- group restructuring are not accepted

SCF had also recommended that the criteria for computing the FMV of the assets could be applied on a particular date instead of any time during the 12 months preceding the transfer. This recommendation is accepted in DTC 2013 which provided the definition of 'specified date' as the date on which accounting period of company /entity whose share/ interest is transferred ends and which immediately precedes the date of transfer of the asset share/interest in the company

OBJECTIVES:-

1. To take an overview of Direct tax code

2. To study the Impact of Direct Tax Code on Foreign Institutional Investors.

RESEARCH METHODOLOGY:-

DATA COLLECTION METHOD:-

Data is collected by varies websites, journals, articles, newspapers & books.

INTRODUCTION:

As a result of numerous amendments to the Income-tax Act, 1961 ("the Act") from time to time, the basic structure of the Act is burdened and its language complex. The Government, therefore, decided to revise, consolidate and simplify the language and the structure of the direct tax laws.

A draft Direct Tax Code 2009 ('DTC 2009') along with a Discussion Paper was released in August 2009 for public comments. Based on the feedback received from the various stakeholders, DTC 2009 was revised in June 2010. The present Bill, the Direct Tax Code 2010 ('DTC 2010') was tabled in the Parliament on 30 August 2010. DTC 2010 is proposed to come into force on 1 April 2012.

The key changes as proposed by DTC 2010 that affects the taxation of Foreign Institutional Investors ("FIIs") are as follows:

At the outset, the DTC 2010 has put to rest the controversy surrounding the benefits available under the Double Taxation Avoidance Agreements

(DTAA). It provides that between the Act and the relevant DTAA, the one which is more beneficial to the taxpayer shall apply. However, there would be limited treaty override in accordance with internationally accepted principles. Thus, DTAA will not have preferential status over the domestic law when GAAR is invoked; or, when CFC provisions are invoked; or, when Branch Profits Tax is levied.

Distinction between long-term capital gains and short-term capital gains eliminated

Under the DTC 2010, income from all sources has been proposed to be classified into two broad groups: income from ordinary sources and income from special sources.

Income from *ordinary sources* includes:

• Income from Employment;
• Income from House-Property;
• Income from Business;
• Income from Capital Gains; and
• Income from Residuary Sources.

Income from *special sources* in the case of a non-resident shall include income by way of:

- Interest;
- Dividends on which dividend distribution tax has not been paid;
- Profit distributed by a fund on which tax on distributed income has not been paid;
- Income by way of royalty or fees for technical services; and
- Income by way of insurance including reinsurance.

Income of FIIs from transfer of investment assets is capital gain

The term 'asset' has been defined to mean a 'business asset' or an 'investment asset'. Any security held by a FII is an investment asset. Income arising on transfer of investment asset shall be computed under the head "Capital Gains" and shall be considered as income from ordinary sources in case of all taxpayers including non-residents.

The term 'securities' includes derivative as defined in section 2(h) of the Securities Contract Regulation Act, 1956.

No Specific Code for FIIs

Section 115AD of the Act specifies the tax rates in respect of the income streams of FII investments in India. The DTC 2010, however, has no specific provision which deals with the tax treatment of income of FIIs. The tax rates have been provided in the Schedules to the DTC 2010.

General Tax Rates

Taxpayer	Tax Rate
Company	30 percent
Unincorporated body1	30 percent

The general tax rate in the case of income of the FII is 30 percent in case of a company or an unincorporated body. This rate is applicable to all companies including corporate FIIs.

Description	Current (held for more than 12 months from the date of acquisition)	Proposed (held for a period of more than one year from the date of acquisition)**	Current (held for less than 12 months from the date of acquisition)	Proposed (held for a period of less than one year from the date of acquisition)**
	(Amount in INR)	(Amount in INR)	(Amount in INR)	(Amount in INR)
Date of Acquisition	1st April 2011	1st April 2011	1st April 2011	1st April 2011
	Long-Term Asset if sold on or after 1 April 2012	Asset sold on or after 1 April 2012	Short-Term Asset if sold before 1 April 2012	Asset sold on or before 1 April 2012
Sale Value	100	100	100	100
Less: Cost of acquisition and Cost of Improvement	50	50	50	50
Capital Gains	50	50	50	50
Less: Deduction at specified rates on capital Gains*	Not Applicable	50(specified rate is 100 percent of capital gains)	Not Applicable	25(specified rate is 50 percent of capital gains)
Taxable Capital Gains	Fully Exempt	Nil	50	25
Tax on Capital Gains	Nil	Nil	50 (tax @ 15 percent) plus applicable surcharge and education cess	7.5(tax @ 30 percent plus additional income-tax)

Tax Rate on Interest

Interest income will be taxed at the rate of 20 percent.

Taxability of listed equity shares and units of equity oriented Mutual Funds subject to Securities Transaction Tax ("STT")

In case of an equity shares in a company or a unit of an equity oriented Fund, transferred at any time after one year from the date the asset is acquired and such transaction is chargeable to securities transaction tax, a deduction amounting to 100 percent of the income is to be allowed and if the income is negative, 100 percent of the income is to be reduced from such income.

It may be noted from the above table that in effect the long-term capital gains on sale of listed shares continue to be tax exempt and short-term capital gains on the sale of such shares will be taxed at half the applicable rates.

Aggregation of Income

The income (after providing for the deductions) from transfer of an investment asset during the financial year shall be aggregated and the net result shall be income from capital gains. The income from capital gains shall be aggregated with the unabsorbed preceding year capital loss, and the net result shall be current income under capital gains. The income under the head capital gains shall be NIL if the net result of aggregation is negative and the absolute value of the net result shall be the amount of 'unabsorbed current capital loss' for the financial year

Various scenarios are provided as under:

The earlier year returns of income have been filed by the due date

Observations:

a) If the return is filed by the due date, the unabsorbed capital loss of current year is allowed to be carried forward. This includes portion of the unabsorbed capital loss of the preceding year

b) The loss is allowed to be indefinitely carried forward for set-off

c) Loss under any head within ordinary sources can be set-off against income under the head capital gains.

d) In case of delayed filing of the returns of income for any particular year, losses pertaining to that year would not be allowed to be carried forward for set-off in future years.

Taxability of securities other than listed equity shares and units of equity oriented Mutual Funds

For the purpose of computation of income from transfer of investment assets other than listed equity shares and units of equity oriented Mutual Funds, deduction of indexed cost of acquisition, indexed cost of improvement, will be allowed if such asset is transferred after one year from the end of the financial year in which the asset is acquired.

If the asset is acquired before 1 April 2000, then the fair market value of such an asset as on 1 April 2000 shall be substituted at the option of the taxpayer.

Withholding tax on Capital Gains and Interest income

No tax is to be deducted at source from payments made to a FII, on any consideration for sale of securities listed on a recognized stock exchange. Although payments made to FIIs for sale of shares listed on a stock exchange are free from any tax withholding, payment of interest income and unit income (other than by a equity oriented mutual fund) is subject to tax withholding of 20 percent. Further, a FII which invests through the Foreign Direct Investment ("FDI") route and participates in an open offer faces a tax withholding of 30 percent on the sale consideration.

Interest income of the non-resident is considered as income from special source and tax at the rate of 20 percent is to be deducted at source on the interest paid to non-resident.

Broken Period Interest

The DTC 2010 provides that the income accruing from a debt instrument, transferred by a person at any time during a financial year, shall not be less than the amount of broken-period income from the instrument. The term "broken-period income" shall be calculated as if the income from such securities had accrued from day to day and been apportioned accordingly for the broken period.

Income not includible for purposes of arriving at taxable income of the taxpayer

• Dividend declared, distributed or paid to a company or a non-resident, in respect of which dividend distribution tax ("DDT") has been paid by the Indian company at the rate of 15 percent

• Any income received from an equity oriented fund in respect of which tax on distribution has been paid by the Fund at the rate of 5 percent.

Computation of income from special sources

While computing income from special sources, any amount by way of accrual or receipt shall be taken and no deduction or allowance or set-off of any loss shall be allowed. Such income shall be presumed to have been computed after giving full effect to every loss, allowance or deduction.

Delayed filing of return of income

In case of delayed filing of return of income for any particular year, losses pertaining to that year would not be allowed to be carried forward for set off in future years.

Test of Residence

Companies

Currently, a foreign company is treated as resident in India if, at any time in the financial year, the control and management of its affairs is situated wholly in India In line with the international practice, it is now proposed that a company incorporated outside India will be treated as resident in India if its "place of effective management is situated in India. The term "place of effective management of the company" means:

(i) The place where the board of directors of the company or its executive directors, as the case may be, make their decisions; or

(ii) in a case where the board of directors routinely approve the commercial and strategic decisions made by the executive directors or officers of the company, the place where such executive directors or officers of the company perform their functions.

Other Person

Every other person shall be resident in India in any financial year, if the place of control and management of its affairs, at any time in the year, is situated wholly, or partly, in India.

General Anti Avoidance Rule ('GAAR')

The DTC 2010 seeks to provide that any arrangement entered into by a person may be declared as an impermissible avoidance arrangement and the consequences, under this Code, of such arrangement may be determined by

-a) disregarding, combining or re-characterizing any step in the arrangement;

b) treating the arrangement as if it had not been entered into or carried out or in such other manner as in the circumstances of the case, the Commissioner deems appropriate for the prevention or reduction of the relevant tax benefit;

c) Disregarding any accommodating party or treating any accommodating party and any other party as one and the same person;

d) Deeming persons who are connected persons in relation to each other to be one and the same person;

e) Re-allocating, amongst the parties to the arrangement, any accrual, or receipt, of a capital or revenue nature, or any expenditure, deduction, relief or rebate; or

f) Re-characterizing any equity into debt or vice versa, any accrual, or receipt, of a capital or revenue nature, or any expenditure, deduction, relief or rebate.

It is further provided that the above provisions may be applied in the alternative for, or in addition to, any other basis for determination of tax liability and they shall apply with such guidelines as may be prescribed.

Presumptions:

• An arrangement shall be presumed to have been entered into, or carried out, for the main purpose of obtaining a tax benefit, unless the person obtaining the tax benefit proves that obtaining the tax benefit was not the purpose of the arrangement

• An arrangement shall be presumed to have been entered into, or carried out, for the main purpose of obtaining a tax benefit, if the main purpose of a step in, or part of, the arrangement is to obtain a tax benefit, notwithstanding the fact that the main purpose of the whole arrangement is not to obtain a tax benefit.

CONCLUSION

The Direct Tax Code seeks to provide that the Central Government may enter into an agreement with the Government of any country or specified territory for the granting of relief or avoidance of double taxation ('DTAA'), for exchange of information for the prevention of evasion or avoidance of income-tax or wealth-tax, for tax recovery, etc.

Particulars		ROI filed by the due date			ROI not filed by due date		
		Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6
income of the current year - equity shares held less than one year	A	5000	5000	(5000)	0	(5000)	5000
deduction @ 50 percent	B	(2,500)	(2,500)	2,500	0		2,500
current income under the head capital gains	C =A -B	2,500	2,500	(2,500)	0	2,500	(2,500)
Unabsorbed capital loss- preceding year #	D	-	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
unabsorbed capital loss - current year to be c/f	E=	NIL	(7,500)	(12,500)	(10,000)	(10,000)	(7,500)
unabsorbed capital loss - current year to be c/f	C+ D	-					
income under the head capital gains	F	2,500	NIL	NIL	NIL	NIL	NIL

It is further provided that where such an agreement has been entered into, then the provisions of this Code will apply to the taxpayer to whom the DTAA is applicable, if such provisions are more beneficial to him except for provisions regarding General Anti Avoidance Rule, levy of Branch Profit Tax and Control Foreign Company Rules which will apply, whether or not such provisions are beneficial to him.

A person shall not be entitled to claim relief under the provisions of the DTAA unless a certificate of his being a resident in the other country or specified territory is obtained by him from the tax authority of that country or specified territory, in such form as may be prescribed.

DTC 2013 includes some of the key recommendations of SCF and also tries to align with the provisions of the Act. Despite acceptance of many of the recommendations given by SCF, several clauses of DTC 2013 may compel taxpayers to rethink on their existing structures and mode of conducting business/transactions. These clauses include reduction in threshold of value of assets in India as a percentage of global assets to 20 per cent for taxation of income from indirect transfer, no reduction in individual tax rates, levy of additional taxes on dividends exceeding INR 10 million, no deduction on CSR expenditure, absence of machinery for settlement commission, higher tax rate of 35 per cent for taxable income above INR 100 million, etc.

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Impact Of Direct Taxes Code On Investors And Administrators

Miss. Moholkar Jyoti Vinayak
Miss. Shinde Varsha Tanaji
Research Student, Research Student,
Dept. of Commerce and Management,
Dept. of Economics,
Shivaji University, Kolhapur

INTRODUCTION:-

Income Tax department of India has put the new proposal for direct tax in front of Government of India and Government has unveiled the draft of a brand new direct tax law, which will replace the five-decade old Income-Tax Act .This is known as Direct Tax Code (DTC). The aim of New Direct Tax Code (DTC) is to make the current tax structure in India straight forward. An important part of the budget every year has been the detailing of the tax rates. However, with the introduction of the new direct tax code, the tax rates will not be part of the budget presented to Parliament every year.

The new code will completely renovate the existing tax proposals for not only individual tax payers, but also corporate houses and foreign residents. It has been drawn with inspiration from the prevailing tax legislation in US, Canada and UK. It is a topic of interest and a matter of concern for every taxpayer in India. India wants to modernize its direct tax laws, mainly its income tax act which is now nearly 50 years old. The government needs a modern tax code in step with the needs of an economy which is now the third largest in Asia. The new tax code is expected to widen the tax base, end unnecessary exemptions, moderate tax rates and add to the government's coffers.

Meaning of Direct Tax Code:-

The Direct Tax Code (or DTC) has recently been proposed by the Government of India, to bring about a change in the whole taxation system of the country. The new tax code aims to make the system more efficient and easy for tax payers, with simplified rules and regulations. It is a step towards replacing the four decade old Income Tax Act of India.

The Direct Taxes Code (DTC) is said to replace the existing Indian Income Tax Act, 1961. The direct tax code seeks to consolidate and amend the law relating to all direct taxes, namely, income-tax, dividend distribution tax, fringe benefit tax and wealth-tax so as to establish an economically efficient, effective and equitable direct tax system which will facilitate voluntary compliance and help increase the tax-GDP ratio. Another objective is to reduce the scope for disputes and minimize litigation. It is designed to provide stability in the tax regime as it is based on well accepted principles of taxation and best international practices. It will eventually pave the way for a single unified taxpayer reporting system.

2. REVIEW OF LITERATURE:-

William G. Gale and Andrew A. Samwick (2014), studied on Effects of Income Tax Changes on Economic Growth. Study examines how changes to the individual income tax affect long-term economic growth. They suggested that not all tax changes will have the same impact on growth. Reforms that improve incentives, reduce existing subsidies, avoid windfall gains, and avoid deficit financing will have more auspicious effects on the long-term size of the economy, but may also create trade-offs between equity and efficiency.

Nelson Maseko (2014), indicated that the perceptions of SME operators about tax fairness, tax service quality and government spending priorities greatly affect their tax compliance decisions. The study concluded that the current tax law in Zimbabwe does not cater for the special tax compliance concerns of SMEs and thus recommended that the tax law be amended to incorporate provisions that grant special tax incentives to SMEs in order to improve voluntary tax compliance by SME taxpayers.

Sarbapriya Ray (2011), study attempt to evaluate the new direct tax code promulgated by India govt. Even though, the basic aim behind Direct Tax code is simple and helpful to the people, it is very much criticized because many provisions under this proposal may harm the investors, taxpayers, and Foreign Institutional Investors.

Sukhen Kali and Lalit Kumar Joshi (2011), revealed study attempts to identify the changes proposed in the new Direct Taxes Code and the effect thereof on taxpayers, especially on individual assessee.

3. OBJECTIVES OF THE STUDY:

Based on the existing review of literature the following objectives were formulated by the researcher.

1. To study the **revised draft of Direct Tax Code.**
2. To examine the impact of Direct Tax Code in India.
3. To identify the revised rate of tax.

4. METHODOLOGY ADOPTED FOR THE STUDY:

For accomplishing the objectives of the study secondary data were collected. Data published by various books, journals, articles, and government reports etc. are used for the purpose of the present study.

5. FEATURES OF DIRECT TAX CODE:-

1. Single Code for direct taxes:

All the direct taxes have been brought under a single Code and compliance procedures unified. This will eventually pave the way for a single unified taxpayer reporting system.

2. Use of simple language:

With the expansion of the economy, the number of taxpayers can be expected to increase significantly. The bulk of these taxpayers will be small, paying moderate amounts of tax. Therefore, it is necessary to keep the cost of compliance low by facilitating voluntary compliance by them. This is sought to be achieved, inter alia, by using simple language in drafting so as to convey, with clarity, the intent, scope and amplitude of the provision of law. Each sub-section is a short sentence intended to convey only one point. All directions and mandates, to the extent possible, have been conveyed in active voice. Similarly, the provisos and explanations have been eliminated since they are incomprehensible to non-experts. The various conditions embedded in a provision have also been nested. More importantly, keeping in view the fact that a tax law is essentially a commercial law, extensive use of formulae and tables has been made.

3. Reducing the scope for litigation:

Wherever possible, an attempt has been made to avoid ambiguity in the provisions that invariably give rise to rival interpretations. The objective is that the tax administrator and the tax payer are ad idem on the provisions of the law and the assessment results in a finality to the tax liability of the tax payer. To further this objective, power has also been delegated to the Central Government/Board to avoid protracted litigation on procedural issues.

4. Flexibility:

The structure of the statute has been developed in a manner which is capable of accommodating the changes in the structure of a growing economy without resorting to frequent amendments. Therefore, to the extent possible, the essential and general principles have been reflected in the statute and the matters of detail are contained in the rules/schedules.

5. Ensure that the law can be reflected in a Form:

For most taxpayers, particularly the small and marginal category, the tax law is what is reflected in the Form. Therefore, the structure of the tax law

has been designed so that it is capable of being logically reproduced in a Form.

6. Consolidation of provisions:

In order to enable a better understanding of tax legislation, provisions relating to definitions, incentives, procedure and rates of taxes have been consolidated. Further, the various provisions have also been rearranged to make it consistent with the general scheme of the Act.

7. Elimination of regulatory functions:

Traditionally, the taxing statute has also been used as a regulatory tool. However, with regulatory authorities being established in various sectors of the economy, the regulatory function of the taxing statute has been withdrawn. This has significantly contributed to the simplification exercise.

8. Providing stability:

At present, the rates of taxes are stipulated in the Finance Act of the relevant year. Therefore, there is a certain degree of uncertainty and instability in the prevailing rates of taxes. Under the Code, all rates of taxes are proposed to be prescribed in the First to the Fourth Schedule to the Code itself thereby obviating the need for an annual Finance Bill. The changes in the rates, if any, will be done through appropriate amendments to the Schedule brought before Parliament in the form of an Amendment Bill.

6. RATES OF TAX:-

India is a country having mostly middle income group people and has an oriental Tax Regime since before introduction of DTC bill 2010.Being 3rd Largest Economy in Asia and Emergent Global Economy, Tax- GDP ratio has increased from 2.97 at the beginning of this decade to 6.45 percent in 2009-2010. In India, 95.75 % of tax payers are in 1- 5 lacs income group and 2% of tax payers are in 5-8lacs income group ;2.2% of tax payers are in greater than 8 lacs income and

New Tax Code aimed at benefiting 1-5 Lacs slab significantly. The most striking feature is the rationalization level of tax slabs at various levels. The proposed slabs suggest a major renovate in the intent of CBDT (Central Board of Direct Taxation). A sight of the intended structure has already been seen in the Union Budget 2010 wherein the tax slabs have been liberalized to a great extent. The so-called Direct Tax Code, which is scheduled to come into force from financial year 2012-13, i.e. from April 1, 2012, had prescribed removal of almost all tax rebates in individual investments but also proposed raising the income limits for various tax slabs drastically. The following is the comparison of income tax which the assessee will be paying for this financial year and the next financial year when new direct tax code is implemented.

Table 1:

Income Tax Slab for the Assessment Year 2011-12 and Financial Year 2012-13

Sr. No.	Tax percentage	AY 11-12 / FY 10-11	FY 12-13
1	No tax / exempt	Up to 2,40,000/-	Up to 2,50,000/-
2	10 %	2,40,001/- to 5,00,000/-	2,50,001/- to 5,00,000/-
3	20 %	5,00,001/- to 8,00,000/-	5,00,001/- to 10,00,000/-
4	30% Above	8,00,000/- Above	10,00,000/-

Income Tax Slabs for Others and Men & Women

Sr. No.	Tax percentage No tax / exempt	AY 11-12 / FY 10-11 (Income Tax Act,1961)	FY 12-13
1	10 %	Up to 1,60,000/-	Up to 2,00,000/-
2	20 %	1,60,001/- to 5,00,000/-	2,00,001/- to 5,00,000/-
3	30% Above	5,00,001/- to 8,00,000/-	5,00,001/- to 10,00,000/-
4		Above 8,00,000/-	10,00,000/-

On going through the above proposed amendments, proposed by the government, it looks pretty clear that it is nothing but a cosmetic change, and one can even go to the extent to say that the Direct Tax Code is more of a bane than a boon, since people earning at the higher end of the spectrum of the tax slab have never been the biggest contributors towards the exchequer, since they form a very small chunk of the Salaried Employee's matrix.

7. ROLE OF THE TAX ADMINISTRATION:-

If "tax administration is tax policy", as is widely recognized, it is imperative to identify the role of the tax administration, so that responsibility and accountability is clearly established. The existence of a tax administration is a necessity, even in the most law – abiding society. Where there is full compliance, the role of the tax administration would be restricted

to the provision of facilities for citizen to discharge their responsibility. In case there is noncompliance, it will have to play the role of a policeman. Since it cannot play the role of a policeman to all taxpayers, its action must provide sufficient deterrence so as to induce voluntary compliance. Collection of taxes is merely transfer of resources from the large masses of taxpayers to the Government. The resources used in the collection of taxes are a dead-weight loss4 unless the benefit flowing from the expenditure policy exceeds the dead – weight loss. Hence, it is necessary to use minimum resources in the collection of taxes. Therefore, the fundamental role of tax administration is, in order of priority:-

1. To render quality taxpayer services to encourage voluntary compliance of tax laws; and
2. To detect and penalize non-compliance.

The extent of success of the tax administration in its role would be reflected in higher revenue growth. These functions of the tax administration comprise the following separable component activities:

1. Taxpayers' education and services
2. Collection of information
3. Collation of information
4. Dissemination of information
5. Storage and retrieval of information
6. Verification (appraisal/assessment of information)
7. Collection of taxes
8. Taxpayers' grievances redressed system
9. Accountability

8. DIRECT TAX CODE REVISED DRAFT–OFFERS FOR INVESTORS:-

The second draft of the DTC is much simpler and offers investors a whole deal of exemptions, unlike the first draft. The revised draft was aimed towards promoting long term savings. Here are a few of the proposals for investors.

1) Capital Gains Tax

Equity **–**

Investments in Shares and Equity based Mutual Funds would now be taxed using a new concept of "Deduction" instead of the earlier Indexation method. Certain deductions will be applied to long term capital gains of one year and above. This would be a percentage of the profits earned. After the deductions are made, the balance amount would be added to the income and then taxed at applicable rates. Currently there is not much clarity on the percentage of deduction. Also, the holding period of shares, as of now, will be 1 year, from the end of the financial year, when the shares were bought. For short term capital gains of less than one year, the entire amount will be included as a part of the income and taxed at applicable rates.

***Debt, Gold and Real Estate* –**

Capital gains of less than a year, from gold, gold ETFs, debt and real estate investments would be added to the taxable income, and normal slabs would apply. For all capital gains of more than a year old, gains will be added to the taxable income after adjusting for indexation benefit. The base date for indexation values would however now be shifted to April 1, 2000 instead of the earlier April 1, 1981.

2) Life Insurance Policy, Pension or Annuity Plans and Provident Funds:

All pure Life Insurance policies, Pension or Annuity Plans, PPF and EPF would come under "EEE" and not "EET" structure. This means that it would be completely tax free.

Understanding "EEE" and "EET"

EEE - Amount invested or contributed would be "Exempt", the returns or the interest generated would be "Exempt" and lastly the final maturity amount would also be "Exempt" from tax.

EET - Amount invested or contributed would be "Exempt", the returns or interest would be "Exempt", but the final maturity amount would be "Taxed".

This proposal of EEE status for all retirement products would prove beneficial to pensioners and senior citizens. The first draft of the DTC included such schemes under "EET" Status.

3) ULIP's and Endowment Plans:

The Direct Tax Code includes ULIPs and Endowment Plans under EET. The money received on maturity from such plans would now be taxed.

4) Tax on Rental Income:

Tax would be applicable only on the actual rent received for the house. So, if there is no rental income earned, no tax is to be paid.

Earlier, it was proposed that tax was to be paid even if your house was not rented, by considering a notional rental amount.

5) Home Loans:

The interest on home loans would be exempt up to 1.5 lakhs. However, the principal portion would now not be covered under section 80C. The first draft had proposed to remove all tax benefits on home loans, both on the

principal and the interest. This has now been changed, bringing a relief for all home loan borrowers.

Conclusion:-

It is welcome step for millions of people in India as it allow them to save more money. It an attempt to simplify the direct tax provisions the provisions of the direct tax code. Specially, relating to Minimum Alternate Tax (MAT) on gross assets, corporate tax, capital gain and charges in the tax slab structure. There are many features of the Code such as rationalization/ reduction of tax rates, removal of profit based exemptions to introduce investment based exemptions, EET scheme of taxation for savings instruments, introduction of general anti-avoidance measures, so on and so forth. The new code is expected to streamline tax rates and administration for foreign institutional investors, for whom India is a top destination. The code aims to provide greater tax clarity and stability to investors who want to invest in Indian projects and companies. The Direct Tax code in India is very much discussed and criticized now a day. Even though, the basic aim behind DTC is simple and helpful to the people, it is very much criticized because many provisions under this proposal may harm the investors.

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The Impact Of Tax Revenues On The Economic Development In ndia

Miss. PATIL GAURI BHIMRAO
Research Student
Dept. of Commerce & Management
Shivaji University, Kolhapur.
Mr. JADHAV ANIKET HANAMANT
Research Student
Dept. of Commerce & Management
Shivaji University, Kolhapur.

1. INTRODUCTION:

The economic crisis of 1991 led to structural tax reforms in India with main purpose of correcting the fiscal imbalance. Subsequently, the Tax Reforms Committee headed by Raja Chelliah (Government of India, 1992) and Task Force on Direct Taxes headed by Vijay Kelkar (Government of India, 2002) made several proposals for improving Income Tax System. These recommendations have been implemented by the Government in phases from time to time. Income tax is a tool to achieve economic growth in any country. Income tax is accepted not only as a means of raising the required public revenue, but also as an essential fiscal instrument for managing the economy (Burgess, 1993). All the taxing systems, income tax plays a major role in generation of revenue and distribution of income in any country. If income taxation is poorly designed, it may lead to fiscal imbalance, insufficient tax revenue and distortions in resource allocation that can reduce economic welfare and growth (World Bank, 1991). The Patterns of income taxation (both in level and in composition) differ from country to country because of economic, cultural and historical factors. Hence, an ideal tax system would achieve a balance between resource allocation, income distribution and economic stabilization (Lewis, 1984). A

high tax rate would deter saving and development, while a lower tax rate would lead to less revenue to the state. The income tax financing the current social security benefits such as health, security and provision of utilities draws heavily upon income that otherwise would have been saved.

a) Definition:

Tax:

"Tax is imposition financial charge or other levy upon a taxpayer by a state or other the functional equivalent of the state."

Income Tax:

"An income tax is a tax levied on the financial income of persons, corporations, or other legal entities."

b) Indian Tax Structure:

Tax structure refers to the various taxes that constitute the tax system of a country, broadly comprising of direct and indirect taxes. Income tax and wealth 106 tax are the main direct taxes while excise duty and custom duty are the main indirect taxes of the central Government of India. Income tax can be categorized in two parts viz. Personal Income Tax and Corporate Tax. Income tax levied on individuals, Hindu undivided families (HUFs), firms, association of persons (AOPs), body of individuals (BOIs), local authorities and artificial juridical persons is called Personal Income Tax and income tax levied on companies is called Corporate Tax.

2. REVIEW OF LITERATURE:

Gupta (2012): In the present paper an attempt has been made to analyses the economic impact of personal income tax on different types of assesses. Paper further high lights how high income tax rates reduces the incentive to work on the one hand and reduces the incentive to save and invest on the other. In the end, researcher concludes that there is still a need to bring more reforms in the personal income tax structure so that people could feel encouraged for investments which is the vital tool not only for their personal affluence but also for economic development of the nation.

Rao (2000): The objective of this paper is to analyze the evolution of the tax system in India since the early 1990s. The paper describes and assesses the introduction of new forms of direct and indirect taxes, their revenue and equity implications and the successes achieved in their implementation. The paper concludes that after eight years of reform improving the tax system remains a major challenge in India.

Bartik (1994) suggested that a 10% lowering of taxes would raise employment and investment between 1 and 6%. World Bank periodically relates that economic development is directly correlated to the level of taxation, more so in developing nations where the lower marginal tax rates have higher economic growth.

(Wasylenko, 1997) In addition, policy makers in these countries have a "keen interest in the elasticity of economic activity with respect to taxes, suggesting that states and regions are interested in manipulating their tax systems in an attempt to attract business or to foster growth".

(Fossati, 1992) On the income tax rates are increased due to factors such as enormous reduction in the purchasing power of money, heavy tax erosion, urgent need for yield and dynamic public expenditure.

3. OBJECTIVE OF THE STUDY:

The main objectives of the study impact of income tax rate on economic development in India. They are as follows;

1. To study the growth in total tax revenue in India.
2. To examine the relationship between tax and GDP ratio in India
3. To make necessary suggestion for improvement in economic development through income tax in India.

4. RESEARCH METHODOLOGY:

Researcher used secondary sources of data collection. For this study data and information has been collected with the help of Magazines, Newspapers, Research Articles, Research Journals and E-Journals etc. The researcher has make study for the period of six years from 2007-08 to 2012-13.

5. RESULTS AND DISCISIONS:

I] Growth in Total Tax Revenue in India:

Table no.1

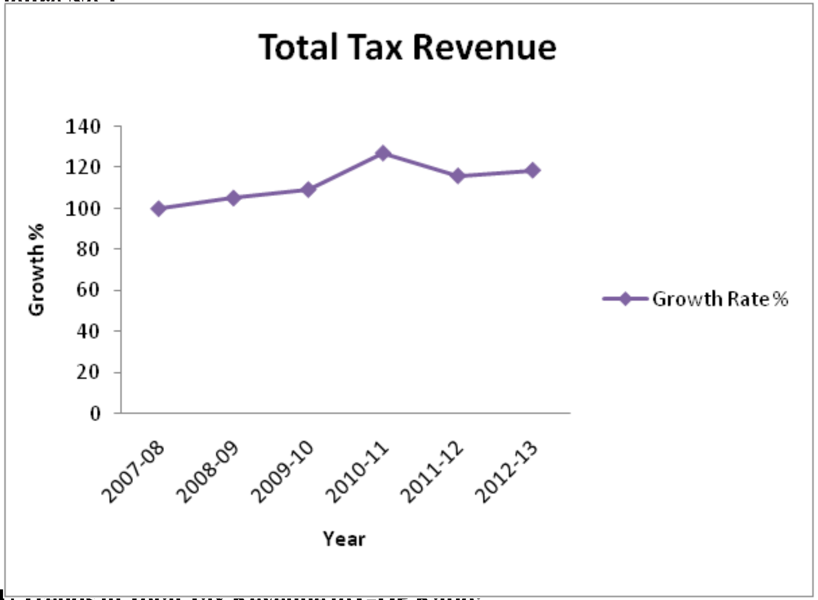
Growth in Total Tax Revenue in India

Year	Total Tax Revenue	Growth Rate %
2007-08	870329.09	100.00
2008-09	915449.99	105.18
2009-10	1000843.7	109.32
2010-11	1271665.4	127.05
2011-12	1475032.3	115.99
2012-13	1751123.5	118.71
Total	**7284444**	

(Source: Reports of Comptroller and Auditor General of India of relevant years)

Table no.1 shows the growth in total tax revenue in India for last 6 years from 2007-08 to 2012-13. In year 2007-08 total tax revenue is 870329.09 which was increased year after year and become 1751123.5 in year 2012-13. The growth rate percentage is also shows that there is continuous growth in tax revenue in India. The growth percentage is 127.05% in year 2010-11 which is higher in these six years of study.

Figure No. 1



II] Trends in Total Tax Revenue to GDP Ratio:

Level of taxation in a country can be judged from its tax to GDP ratio.

It indicates the percentage of national income that is collected by the Government in form of tax revenue. So, higher the ratio better it is for the economic development of the country.

Table No. 2

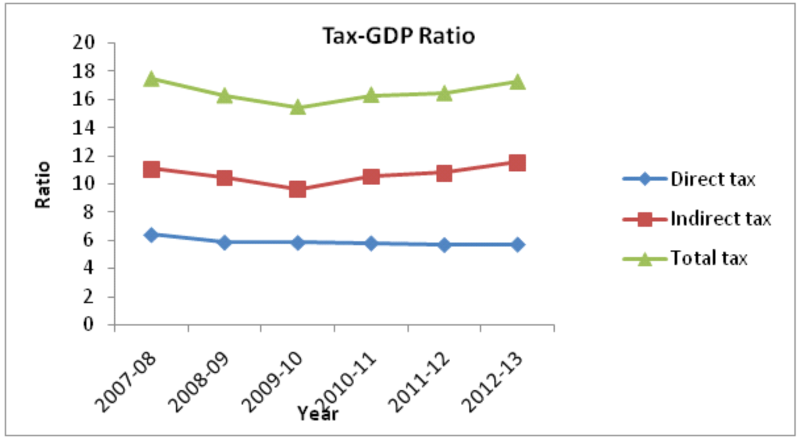
Tax-GDP Ratio

year	Total tax revenue and GDP Ratio in India		
	Direct tax	**Indirect tax**	**Total tax**
2007-08	6.39	11.06	17.45
2008-09	5.83	10.43	16.26
2009-10	5.82	9.63	15.45
2010-11	5.78	10.53	16.31
2011-12	5.66	10.78	16.43
2012-13	5.69	11.54	17.24

(Source: 1 GDP at current market prices based on CSO's National Accounts 2004-05 series is used).

Table no. 2 expresses the tax-GDP ratio in India from year 2007-08 to 2012-13. The direct tax and GDP ratio was 6.39% in year 2007-08 which was become 5.69% in year 2012-13 and indirect tax and GDP ratio was 11.06% in year 2007-08 it was goes to 11.54% in year 2012-13. This situation shows that in the study period the tax-GDP ratio was not changed in big way. It is almost same over the study period. The total tax to GDP ratio also expresses the same situation in India.

Figure No. 2



FINDINGS:

1. In over the study period total tax revenue in India increased year after year (105% to 118%).

2. The direct tax to GDP ratio shows there is constantly increases in year by year.

3. The indirect tax to GDP ratio reduced in year 2009-10 was 9.63% but after that it was increase constantly.

4. Over the study period total tax to GDP ratio constantly increased and become 17.24% in year 2012-13.

5. The overall position of India in tax revenue was constantly growing up and it will helpful to increase GDP and ultimately economical development in India.

SUGGESTION:

1. Government should start more centers for central processing of assessments.

2. Government should reduce number of taxes, rationalize tax rates, use TDS extensively, simplify tax laws, widen Annual Information Return network, increase publicity, create awareness among general public regarding tax morality, minimize discretionary powers available with income tax authorities and inculcate a sense of integrity among tax officials for achieving this objective.

3. Income Tax Department should utilize information available under the Annual Information Return properly for detecting tax evaders.

4. The internal audit should be strengthened to minimize mistakes in assessments.

5. For getting full benefit of computerization, Income Tax Department should provide proper training to manpower, proper tax software's and upgrade technology

CONCLUSION:

The foregoing analysis reveals that tax reforms introduced during nineteen nineties succeeded in changing the composition of tax structure in India in favor of direct taxes. DTC proposals regarding NRI s taxation seems to be slightly harsh. For NRI s, if we stay in India for at least 60 days and earn money, we will be taxed. The limit earlier was 182 days. Thus it appears that new tax bill implemented from 1st April 2013 has some good news and some bad news. This will have a positive effect on the work and consumption/savings rates. The tax base increased as the tax rate is simple to understand. These rates will have greater revenue potential. The implementation of tax code, government encourages savings and contributed to infrastructural development and economical development in India.

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Impact of Direct Tax In Infrastructure Sector In India

Samadhan Vishnu Bhagre
Student, Dept of Commerce & Management
Shivaji University Kolhapur.
Jyoti Mahadeo Patil
Research Student
Student, Dept of Commerce & Management
Dhanajayrao Gadgil Collage of Commerce
Satara

1. INTRODUCTION:

Income tax is a tool to achieve economic growth in any country. Income tax is accepted not only as a means of raising the required public revenue, but also as an essential fiscal instrument for managing the economy. Of all the taxing systems, income tax plays a major role in generation of revenue and distribution of income in any country. If income taxation is poorly designed, it may lead to fiscal imbalance, insufficient tax revenue and distortions in resource allocation that can reduce economic welfare and growth. Hence, an ideal tax system would achieve a balance between resource allocation, income distribution and economic stabilization. Income tax means a tax that governments impose on financial income generated by all entities within their jurisdiction. By law, businesses and individuals must file an income tax return every year to determine whether they owe any taxes or are eligible for a tax refund. Income tax is a key source of funds that the government uses to fund its activities and serve the public.

What is Tax? Tax is imposition financial charge or other levy upon a taxpayer by a state or other the functional equivalent of the state.

What is Income Tax? An income tax is a tax levied on the financial income of persons, corporations, or other legal entities.

Direct Tax:

The **Direct Taxes Code** (**DTC**) is said to replace the existing Indian Income Tax Act, 1961. The direct tax code seeks to consolidate and amend the law relating to all direct taxes, namely, income-tax, dividend distribution tax, fringe benefit tax and wealth-tax so as to establish an economically efficient, effective and equitable direct tax system which will facilitate voluntary compliance and help increase the tax-GDP ratio. Another objective is to reduce the scope for disputes and minimize litigation. It is designed to provide stability in the tax regime as it is based on well accepted principles of taxation and best international practices. It will eventually pave the way for a single unified taxpayer reporting system.

A government levy on the income, property, or wealth of people or companies. A direct tax is borne entirely by the entity that pays it, and cannot be passed on to another entity. Examples include corporation tax, income tax, and social security contributions. Unlike consumption taxes (see indirect tax), direct taxes are based on the ability to pay principle but they sometimes work as a disincentive to work harder and earn more because that would mean paying more tax. See also progressive tax.

2. REVIEW OF LITERATIURE:

1) Bonu and Motou (2009): He focused that the impact of change of income tax rates on the economic development of Botswana. He analyzed that the various parameters were taken into account including income tax rates, income tax revenue, total revenue and GDP of the country in the nominal and real value of the money. He observed that the lower tax rates have lead to higher tax collection, revenue generation and economic development. Higher tax rates lead to economic development. **2) Gupta (2012):** In the present paper an attempt has been made to analyses the economic impact of personal income tax on different types of assesses. Paper further high lights how high income tax rates reduces the incentive to work on the one hand and reduces the incentive to save and invest on the other. In the end, researcher concludes that there is still a need to bring more reforms in the personal income tax structure so that people could feel encouraged for investments which is the vital tool not only for their personal affluence but also for economic development of the nation. **3) Rao (2000):** The objective of this paper is to analyze the evolution of the tax system in India since the early 1990s. The paper describes and assesses the introduction of new forms of direct and indirect taxes, their revenue and equity implications and the successes achieved in their implementation. The paper concludes that after eight years of reform improving the tax system remains a major challenge in India. **4) Barry and Jules:** This article explores the impact of tax policy on economic growth in the states within the framework of an endogenous growth model. Regression analysis is used to estimate the impact of taxes on economic growth in the states from 1964 to 2004. He observed that the significant negative impact of higher marginal tax rates on economic growth. He suggests that the importance of controlling for progressivity, convergence, and regional influences in isolating the effect of taxes on economic growth in the states.

3. OBJECTIVE OF THE STUDY:

The present study is undertaken with the following objectives:

1) To study the role of direct tax in developing economies.

2) To impact of direct tax code 2010 on infrastructure sector.

4. SCOPE OF THE STUDY:

The present study is selected area in India. The study entirely based on secondary data, and the analytical scope of the present study role of direct tax in developing economies, impact of direct tax code 2010 on infrastructure sector in India.

5. METHODOLOGY:

The present study is a secondary source of data. The primary data will be supplementary.

A) Data Collection:

1) Primary data: The primary data will be supplementary.

2) Secondary data: The researcher has been collected data through the various sources.

a) Published Sources- the researcher has been collected data from Books, Newspaper, Article, and Internet.

b) Unpublished Sources- Ph.D Thesis, M.phil Dissertation.

6. ANALYSIS OF THE DATA:

A) The Role of Direct Tax in Developing Economics:

1) Resource Mobilization:

Taxation enables the government to mobilize a substantial amount of revenue. The tax revenue is generated by imposing. Direct taxes such as personal income tax, corporate tax etc. indirect taxes such as customs duty, excise duty, etc.

2) Reduction in Inequalities of Income:

Taxation follows the equity. The direct taxes are progressive in nature. Also certain indirect taxes, such as taxes on luxury goods are also progressive in nature. This means the rich class has to bear the higher incidence of taxes, whereas, the lower income group is either exempted from tax (direct taxes) or has to pay lower rate of duty (indirect taxes) on goods consumed by the masses. Thus, taxation helps to reduce inequalities of income and wealth.

3) Social Welfare:

Taxation generates social welfare. The social welfare is generated due to certain undesirable products like alcoholic products, tobacco products are heavily taxed, which restricts their consumption, which in turn facilities social welfare.

4) Foreign exchange:

Taxation encourages exports and restricts imports. Generally, developing countries and even the developed countries do not impose taxes on export items. For instance, in India, exports are exempted from excise duty, VAT, customs duty and other duties.

5) Regional Development:

Taxation plays an important role in regional development, tax incentives such as tax holidays for setting up industries in backward regions, which induces business firm to set up industries in such regions, tax revenue collected by govt is also utilized for development of infrastructure in backwards regions.

6) Control of Inflation:

Taxation can be used as a tool of controlling inflation; the government can control inflation as follows:

a) If inflation is due to high rise in prices of essential items, then the govt may reduce the rate of indirect taxes.

b) If inflation is due to increasing in demand, the govt may try to cut down the effective demand by increasing the tax rate. Increase in tax rate may restrict consumption, which may reduce demand, and subsequently inflation may be controlled.

B) Direct Tax Code 2010 - Impact on Infrastructure Sector:

1) Profit-linked incentives to continue for SEZ developers if SEZ is notified on or before 31 March, 2012; incentives to continue only for balance unveiled period of deduction

2) New Special Economic Zone ('SEZ') developers and units post 31 March, 2012 eligible for investment-linked incentives

3) Minimum Alternate Tax ('MAT') applicable @ 20% of book profits

4) MAT credit allowed to be carried forward up to 15 years

5) SEZ Developers also to pay MAT as above and dividend distribution tax @ 15%

6) Branch profits tax @ 15% livable on income attributable directly or indirectly to a Permanent Establishment or immovable property of a foreign company situated in India as reduced by the corporate tax (@ 30%) on the same

7) Providing services / supplying plant and machinery in connection with prospecting for, or extraction or production of, mineral oil or natural gas - increased from 10% to 14% of gross receipts.

7. CONCLUSION:

The DTC has done more good to the power industry, for instance, relief by way of grandfathering clause and removal of MAT based on Gross assets, there are certain provisions where further clarity would be required. In short, DTC will have a direct impact on tax saving and calculations. With

the implementation of DTC, government encourages savings and contributed to infrastructural development. New direct tax code shall have greater positive implication for Indies out locks and made of the tax system as part of efforts to cancel revenue deficit and lower fiscal deficit to less than 3% of GDP DTC doesn't provide any extra benefit to women. DTC aims to replace archaic income tax act and simplify the whole direct tax regime in the country. They could aims to reduce tax rate which seems to be very positive and progressive initiative from the govt side. More over the implementation of proposed fiscal reforms will reduce both tax evasion and cost of compliance and eliminate most of the distorted behavior coming from tax avoidance.

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Direct Taxes

Smita Ananda Patil

Arts & Commerce College, Ashta.

INTRODUCTION:

A Tax may be defined as a "pecuniary burden laid upon individuals or property owners to support the government, a payment exacted by legislative authority. A Tax "is not a voluntary payment or donation, but an enforced contribution, exacted pursuant to legislative authority". Taxes consist of Direct tax, Indirect tax and may be paid in money or as it's labour equivalent. India has a well developed taxation structure.

DEFINITION:

"Direct Taxes, as the name suggests, are taxes that are directly paid to the government by the taxpayer. It is a tax applied on individuals and organization directly by the government."

"A direct Tax is a kind of charge, which is imposed directly on the taxpayer and paid directly to the government by the persons on whom it is imposed. A direct tax is one that cannot be shifted by the taxpayer to someone else."

TYPES OF DIRECT TAXES:-

1] Income Tax

2] Corporation Tax

3] Tax on Wealth

4] Estate tax

5] Gift tax

6] Professional tax

1] INCOME TAX:-

Income tax is paid by an individual based on his taxable income in a given financial year. Under the Income Tax Act, the term 'individual' also includes HINDU Undivided Families (HUFs), Co-operative Societies, Trusts and any artificial; judicial person. Taxable income refers to total income deduction and exemption.

Income Tax Rate 2013-2014

Male and Female	**Rate**
2 Lack Rs.	0%
2-5 Lack Rs.	10%
5-10 Lack Rs.	20%

Income Tax of Collection Payment

Tax of Collection	**2,29,502**
Surcharge	**4,400**
Education Cess	**7,017**
Security Transaction tax	**6,720**
Total Income Tax	**2,47,639**

2] CORPORATION TAX:-

Corporation Tax is paid by Companies and Businesses operation in India on the income earned worldwide in a given financial year. The rates of taxation vary based on whether the company is incorporated in India or abroad. A corporation is deemed to be resident in India if it is incorporated in India or it's control and management is situated entirely in India. In case of non Resident Corporation's tax is levied on the income which is earned from their business transaction in India or any other Indian sources depending on bilateral agreement of that country.

Corporation Tax Rate 2013-2014

Company	Corporate tax Rate	Surcharge	Education Cess
Indian	30%	10%	3%
Foregin	40%	5%	3%

Corporation collection of Tax 2013-2014

Collection of Tax	3,76,782
Surcharge	30,519
Education Cess	12,219
Total corporation Tax	4,19,520

3] Tax on Wealth:-

Wealth tax is applicable individuals, HUFs or companies on the value of their assets in a given financial year on the date of valuation. It is taxed at the rate of 1%of the net wealth of any assesse exceeding Rs.30,00,000.

'Net wealth' her includes, unproductive assets like cash in hand above Rs.50,000, second residential property not rented out, cars ,gold jewellery or bullion, boats, yachts, aircrafts urban land.

4] Estate Tax:-

An inheritance tax is which arises on the death of an individual. It is a tax on the estate, or total value of the money and property, of a person who has died. India enforced estate duty from 1953 to 1985. Estate duty act 1953 came into existence w.e.f. 15th 1984. The levy of Estate duty in respect of property passing on death occurring on or after 16th march, 1985, has also been abolished under the estate Duty Act, 1985.

5] Gift Tax:-

Gift tax in India is regulated by the Gift tax Act which was constituted on 1st April 1958. It came into effect in all parts of the country except Jammu and Kashmir. As per the Gift act 1958,all gifts in excess of Rs.25,000, in the form of cash , drafts, check or others , received from one who doesn't have blood relations with the recipient,were taxable .

6] Professional Tax:-

1. Professional Tax is the tax charged by the state government in India.
2. The state has started Rojgar Hami Yojana on 1972-73. In this Yojana collected fund on tax.
3. The current Year recovered professional tax Rs.2500.

Conclusion:

As per the above discussion here, concluded that income tax income has increased as compare to corporation tax. Income tax income year 2013-14 as Rs.247639 and corporation tax year 2013-14 is Rs. 419520. Hence, corporation tax more beneficial to Government Revenue to develop the Nation.

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Indirect Taxes

Madhuri Masal.

Arts & Commerce College ,Ashta.

INTRODUCTION

A fee charged by a government on a product, income ,or activity. If tax is lived directly on personal or corporate income then it is a direct tax. If tax is charged on the price of good or service, then it is called an indirect tax. The purpose of taxation is to finance government expenditure. One of the most important uses of taxes is to finance public goods and services do not allow a nonpayer to be excluded, or allow exclusion by a consumer, there cannot be a market in the good or services, and so they need to be provided by the government or a quasi-government agency. Which tend to finance themselves largely through taxes?

DEFINITION:-

1] Indirect Taxes are applied on the manufacture or sale of goods and services. These are initially paid to government by an intermediary, who then adds the amount of the tax paid to the value of goods, services and passes on the total amount the end user.

2]An Indirect Tax is a tax collected by an intermediary from the person who bears the ultimate economic burden of the tax. An indirect tax is one that can be shifted by the taxpayer to someone else.

TYPES OF INDIRECT TAXES:-

1] Sales Tax

2] Service Tax

3] Excise Duty

4] Customs Duty

5] Value Added Tax (VAT)

6] Securities Transaction Tax (STT)

1] Sales Tax:-

Sales Tax is charged on the sale of movable goods. It is collected by the Central Government in case of inter-state sales and by the State Government for intra-state sales. The rates of taxation vary depending on the product type. Sales Tax Acts as a major revenue-generator for the various State Governments. From 10th April, 2005, most of the States in India have supplemented sales tax with a new Value Added Tax.

2] Service Tax:-

Service Tax is applicable on all services provided in India except a specified negative list of services that are exempt. It is paid by the service provider to the government who in turn collects it from the end user by the service provider at the time of provision of such service. The Service providers in India except those in the state of Jammu and Kashmir are required to pay a service tax under the provision of the finance Act of 1994.

SERVICE TAX RATE

Year	Service Tax Rate
2011-12	10%
2012-13	12%
2013-14	12%

SERVICE TAX OF COLLECTION 2013-14

Tax of Collection	1,74,846
Education Cess	3,530
Medium and Higher Education Cess	1,765

4] Customs Duty:-

The Custom Act was formulated in 1962 to prevent illegal imports and export of goods. Besides, all imports are sought to be subject to a duty with a view to affording protection to indigenous industries as well as to keep the imports to the minimum in the interests of securing the exchange rate of Indian currency.

CUSTOMS DUTIES COLLECTION OF RATE

Import Tax	1,80,178
Export Tax	7,130
Total Custom Duty	1,87,308

5] Value Added Tax:-

The practice of VAT executed by State Government is applied on each stage of sale, with a particular apparatus of credit for the Import VAT paid. VAT in India classified under the tax slabs are 0% for essential commodities, 1% on gold ingots and expensive stones, 4% on industrial inputs, capital merchandise and commodities of mass consumption, and 12.5% on other items. Variable rates are applicable for petroleum products, tobacco, liquor, etc.

6] Securities Transaction Tax (STT):-

STT is a tax being lived on all transactions done on the stock exchanges. STT is applicable on purchase or sale of equity shares, derivatives, equity oriented funds and equity oriented Mutual Funds. Current STT on purchase or sell of an equity share is 0.075%. A person becomes investor after payment of STT at the time of selling securities.

CONCLUSION:-

AS per the above discussion, conclude that Customs Duties income has increased as compare Service Tax. Customs Duties Tax income year 2013-14 is Rs.1,87,308 and Service Tax income year 2013-14 is Rs. 1,80,141. Hence, Customs Duties Tax is more beneficial to Government Revenue to develop the Nation.

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Implametation of Direct Tax Code In Inda
Challenges & Oppprtunities Before Common Man

Miss. Radha Gajanan Parab
Research Student
Department Of Commerce and Management
G.A.Collage of Commerce, Sangli.

INTRODUCTION

Income tax generally is computed as the product of a tax rate times taxable income. The tax rate may increase as taxable income increases (referred to as graduated rates). Tax rates may vary by type or characteristics of the taxpayer. Capital gains may be taxed at different rates than other income. Credits of various sorts may be allowed that reduce tax. Some jurisdictions impose the higher of an income tax or a tax on an alternative base or measure of income.

An income tax is a government levy (tax) imposed on individuals or entities (taxpayers) that varieswith the income or profits (taxable income) of the taxpayer. Details vary widely by jurisdiction. Many jurisdictions refer to income tax on business entities as companies' tax or corporation tax. Partnerships generally are not taxed; rather, the partners are taxed on their share of partnership items. Tax may be imposed by both a country and subdivisions thereof. Most jurisdictions exempt locally organized charitable organizations from tax.

The Direct Taxes Code (DTC) is said to replace the existing Indian Income Tax Act, 1961. The direct tax code seeks to consolidate and amend the law relating to all direct taxes, namely, income-tax, dividend distribution tax, fringe benefit tax and wealth-tax so as to establish an economically efficient, effective and equitable direct tax system which will facilitate voluntary compliance and help increase the tax-GDP ratio. Another objective is to reduce the scope for disputes and minimize litigation.

It is designed to provide stability in the tax regime as it is based on well accepted principles of taxation and best international practices. It will eventually pave the way for a single unified taxpayer reporting system.Regulated finance act contained lots of ambiguities in the provisions so that the common tax payer facing challenges.

Direct tax code will be giving more opportunities to common tax payers to serve their contribution in wealth of nation.

Highlights of the DTC

- Proposal to levy dividend distribution tax at 15 per cent.
- Exemption for investment in approved funds and insurance schemes proposed at Rs. 150,000 annually, against 120,000 currently
- Proposed bill has 319 sections and 22 schedules against 298 sections and 14 schedules in existing IT Act.
- Once enacted, DTC will replace archaic Income Tax Act.
- However, many provisions in Income Tax Act will be a part of DTC as well.
- Fringe benefits tax will be charged to the employee rather than the employer.
- Political contribution of up to 5 percent of the gross total income will be eligible for deduction.

TAX STRUCTURE:

Income tax slab & rates for assessment of FY 2015-16

Individual resident aged below 60 years (i.e. born on or after 1st April 1955) **or any NRI/ HUF/ AOP/ BOI/ AJP***

Income Slab	**Tax Rate**
Where the taxable income does not exceed Rs. 2,50,000/-.	Nill
Where the taxable income exceeds Rs. 2,50,000/- but does not exceed Rs. 5,00,000/-.	10% of amount by which the taxable income exceeds Rs. 2,50,000/-. **Less** (in case of Resident Individuals only): Tax Credit u/s 87A - 10% of taxable income upto a maximum of Rs. 2000/-.
Where the taxable income exceeds Rs. 5,00,000/- but does not exceed Rs. 10,00,000/-.	Rs. 25,000/- + 20% of the amount by which the taxable income exceeds Rs. 5,00,000/-.
Where the taxable income exceeds Rs. 10,00,000/-.	Rs. 125,000/- + 30% of the amount by which the taxable income exceeds Rs. 10,00,000/-.

Surcharge: 10% of the Income Tax, where taxable income is more than Rs. 1 crore. (Marginal Relief in Surcharge, if applicable)

Education Cess : 3% of the total of Income Tax and Surcharge.

Abbreviation

NRI - Non Resident Individual; HUF - Hindu Undivided Family; AOP - Association of Persons; BOI - Body of Individuals; AJP - Artificial Judicial Person

Senior Citizen (individual resident who is the age of 60 years or more but below the age of 80 years at any time during the previous year i.e. born on or after 1st April 1934 but before 1954)

Income Slab	Tax Rate
Where the taxable income does not exceed Rs. 3,00,000/-.	Nill
Where the taxable income exceeds Rs. 3,00,000/- but does not exceed Rs. 5,00,000/-	10% of the amount by which the taxable income exceeds Rs. 3,00,000/-.**Less:** Tax Credit u/s 87A - 10% of taxable income upto a maximum of Rs. 2000/-.
Where the taxable income exceeds Rs. 5,00,000/- but does not exceed Rs. 10,00,000/-	Rs. 20,000/- + 20% of the amount by which the taxable income exceeds Rs. 5,00,000/-.
Where the taxable income exceeds Rs. 10,00,000/-	Rs. 120,000/- + 30% of the amount by which the taxable income exceeds Rs. 10,00,000/-.

Surcharge : 10% of the Income Tax, where taxable income is more than Rs. 1 crore. (Marginal Relief in Surcharge, if applicable)

Education Cess: 3% of the total of Income Tax and Surcharge.

Super Senior citizen (individual resident who is the age of 80 years or more at any time during the previous year i.e. born on or after 1st April 1934 but before 1934)

Income slab	Tax Rate
Where the taxable income does not exceed Rs. 5,00,000/-.	Nill
Where the taxable income exceeds Rs. 5,00,000/- but does not exceed Rs. 10,00,000/-	20% of the amount by which the taxable income exceeds Rs. 5,00,000/-.
Where the taxable income exceeds Rs. 10,00,000/-	Rs. 100,000/- + 30% of the amount by which the taxable income exceeds Rs. 10,00,000/-.

Surcharge : 10% of the Income Tax, where taxable income is more than Rs. 1 crore. (Marginal Relief in Surcharge, if applicable)
Education Cess: 3% of the total of Income Tax and Surcharge.

Source: www.directtax.com

OBJECTIVES OF THE STUDY

- Ø To study the basic concept of DTC.
- Ø To study the role of DTC & opportunities before common man.
- Ø To identify innovative ideas overcome the challenges before common tax payers.

LITERATURE REVIEW

Vaibhav B. Barodiya (January 2013), made a study on "Impact of Direct Tax code in India in global context" in this article he analyze the differential between Indian tax structure & foreign based structure and also simplifying the tax structure from upper classes to lower it shows the fair slab of tax rate.

Subhash Kumar Jha (September 1st, 2010),made a study on "Direct Tax Code, Lost the original", in his article he has said that when the actual proposal for DTC bill was presented, it still gave a very positive signal with some areas of concerns like bringing EET regime for all including PF, MAT based on asset base.

C.A. Uma Kothari (November 12th, 2010), made a study on "Direct Tax Code 2010- some suggestions for simplifications and with a long-term perspective", she has given some suggestion in this article for simplifications for DTC, like she has advised that the provisions (DTC) should be drafted with a long term perspective to cover all Direct Taxes without any doubt or ambiguity and in a simple manner

METHOD OF RESEARCH

The data has been collected using Descriptive research method because, the data collection has based on secondary source.

OPPORTUNITIES BEFORE COMMON MAN

1. Single code for transaction:

DTC is the single code for direct tax common tax payer can use the new code system where all the direct taxes are brought under one single code and a common procedure for them.

2. Fewer ambiguities:

In the DTC concept avoid ambiguities so that the common tax payer can make his transaction more easily.

3. **Consolidate provisions:**

The common tax payer can easily understand the tax structure because of all the provisions including definitions, procedures, rates of taxes and incentives have been combined together into one set of documents.

4. **Stability & certainty in tax structure:**

Under the direct tax code, all rates of taxes are proposed to be prescribed in the First to the Fourth Schedule to the Code itself thereby obviating the need for an annual Finance Bill. The changes in the rates, if any, will be done through appropriate amendments to the Schedule brought before Parliament in the form of an Amendment Bill. So that, the common man can feels stability & certainty in the tax structure.

5. **Opportunity to take participation:**

DTC is the unified code hence more tax payers will have participated in contribution of tax structure.

CHALLENGES BEFORE COMMON MAN

1. **Lack of awareness:**

DTC is upcoming tax structure and here knowledge constraint about Direct tax code so that, the common man may not be aware about the amendments.

2. **Resistant to change:**

At the present time the common tax payers paying various types of taxes in different ways and they having knowledge about previous finance act so that, resistant to change will be happened.

3. **Political & social views:**

In the India different political & social views regard to DTC hence, the common tax payers will not be predicting their property taxes.

4. **Constraint in extra benefits:**

The single unified tax code constraint in extra benefits so that the common tax payer may not be incurring more values from system.

INNOVATIVE IDEAS TO OVERCOME CHALLENGES

1. **Increase awareness towards DTC:**

The department of tax code to take initiative in awareness of common tax payers towards direct tax code

2. **To educate tax followers:**

Government of India has to take appropriate step to educate the taxpayer, auditor, others relating to DTC.

3. **To make fair slab for all class:**

The tax department has to make fair slab for different type of tax payers under single unified code and need to educate to common tax payers, auditors and other relating tax followers.

4. **Follow single window concept:**

With the help of single window system government can raise the number of tax payers. In this system the common man suppose to do all procedures in single way.

5. **Consideration:**

Government has to consider all type of tax payee and all give fair justice to all class of people.

6. **To inform updated Tax amendments:**

The tax department has to inform updated amendments of Direct tax code act to common tax payers initially.

CONCLUSION

It is revolutionary step in Indian tax structure the Direct tax code will be raised the numbers of tax payers. In the society the person who is playing various role and he has to take some efforts to earning wealth and for the developing country the valid system has to regulated and charged some of monetary terms on the wealth in other hand due to system designed critical norms the common tax payer facing issues. The Indian government has to replaced the current tax structure and giving favorable opportunities to tax payers to take initiative in concept of developing India.

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