

# TAX AND TAXATION

## ❖ TAX

Tax is an involuntary fee levied on individuals, corporations or any other body corporate and enforced by a Government entity (local, state or union) in order to finance the government activities.

## ❖ TAXATION

Taxation refers to the existing set of rules and norms which enable a particular Government entity to levy and collect taxes.

# OBJECTIVES OF TAXATION

- ❖ **Raising Revenue for the government**
- ❖ **Regulation of Consumption and Production**
- ❖ **Undertaking Social initiatives**
- ❖ **Reducing Income inequalities**
- ❖ **Enables Economic Growth**
- ❖ **Development of Exploited Sectors**

# TYPES OF TAXES

Taxes can be broadly divided in two types -

1. Direct Taxes
2. Indirect Taxes

1. **Direct Taxes** – These are taxes paid by a person directly to the government entity who is imposing it. For e.g. – Income tax, Corporation tax, Property tax, etc.
2. **Indirect Taxes** – These are taxes which are indirectly collected by the government from the consumers of goods and services. For e.g. – GST, Excise duty, Customs duty, etc.

# DIRECT TAXES

- ❖ As the name suggests, DTs are collected directly from the Assessee.
- ❖ The burden of direct taxes cannot be transferred to anyone else.
- ❖ All the direct taxes are controlled by the **CBDT** (Central Board of Direct Taxes) which comes under the control of the **Union Finance Ministry**

As far as our syllabus is concerned we will be studying only one type of direct tax and that is the **INCOME TAX** .....

# INCOME TAX

- ❖ It is the tax levied on the total taxable income of the assessee in the previous year.
- ❖ Entry 82 in the Union List of the Constitution of India
- ❖ It came into effect from 1<sup>st</sup> April, 1962.
- ❖ It is governed by the Income Tax Act, 1961, Income Tax Rules, 1962, Notifications and circulars issued by CBDT.

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# “PERSON”

- ❖ Individual
- ❖ HUF
- ❖ Firm
- ❖ AOP and BOI
- ❖ Local Authority
- ❖ Any other Artificial Juridical person

THANK YOU !

