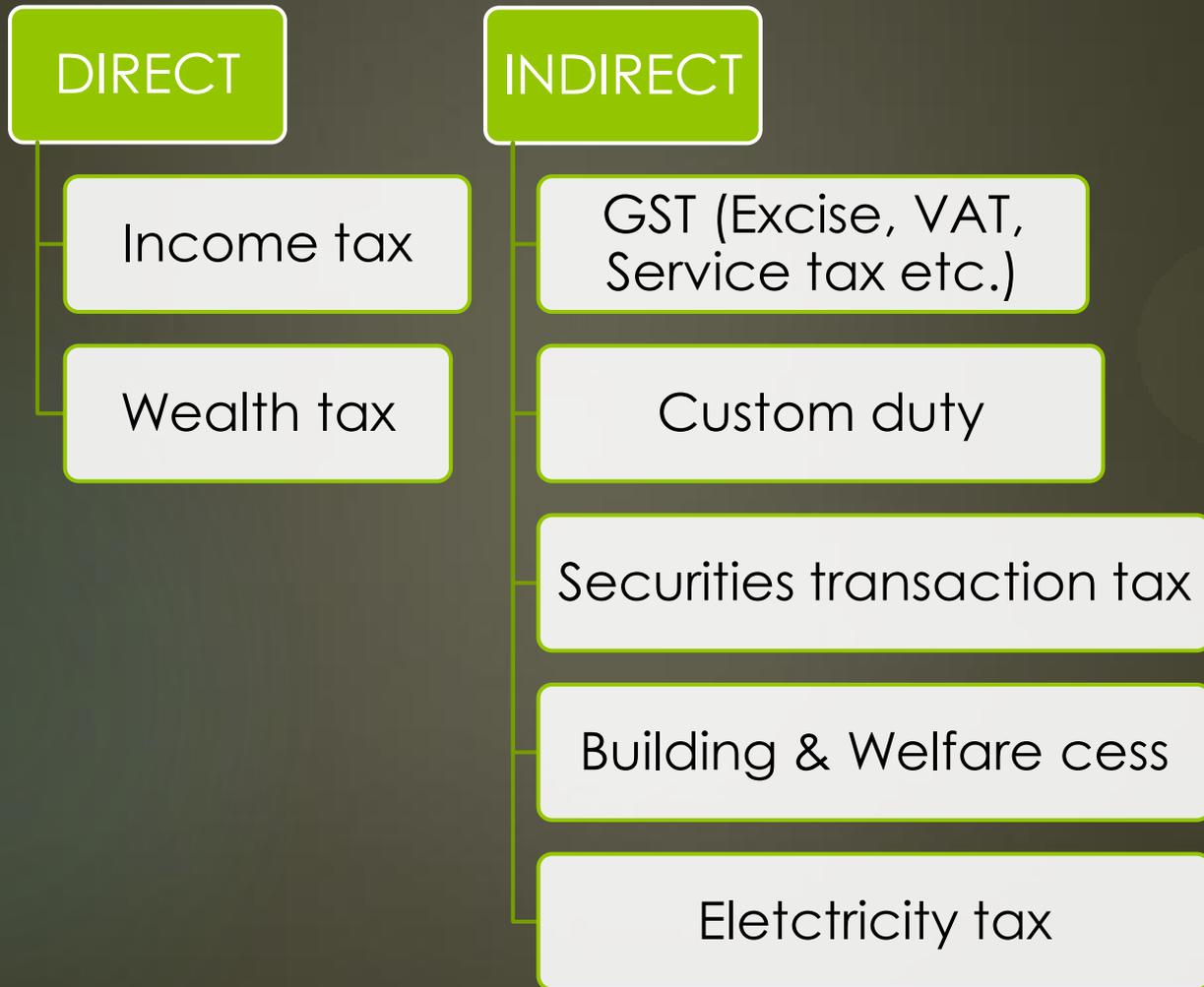
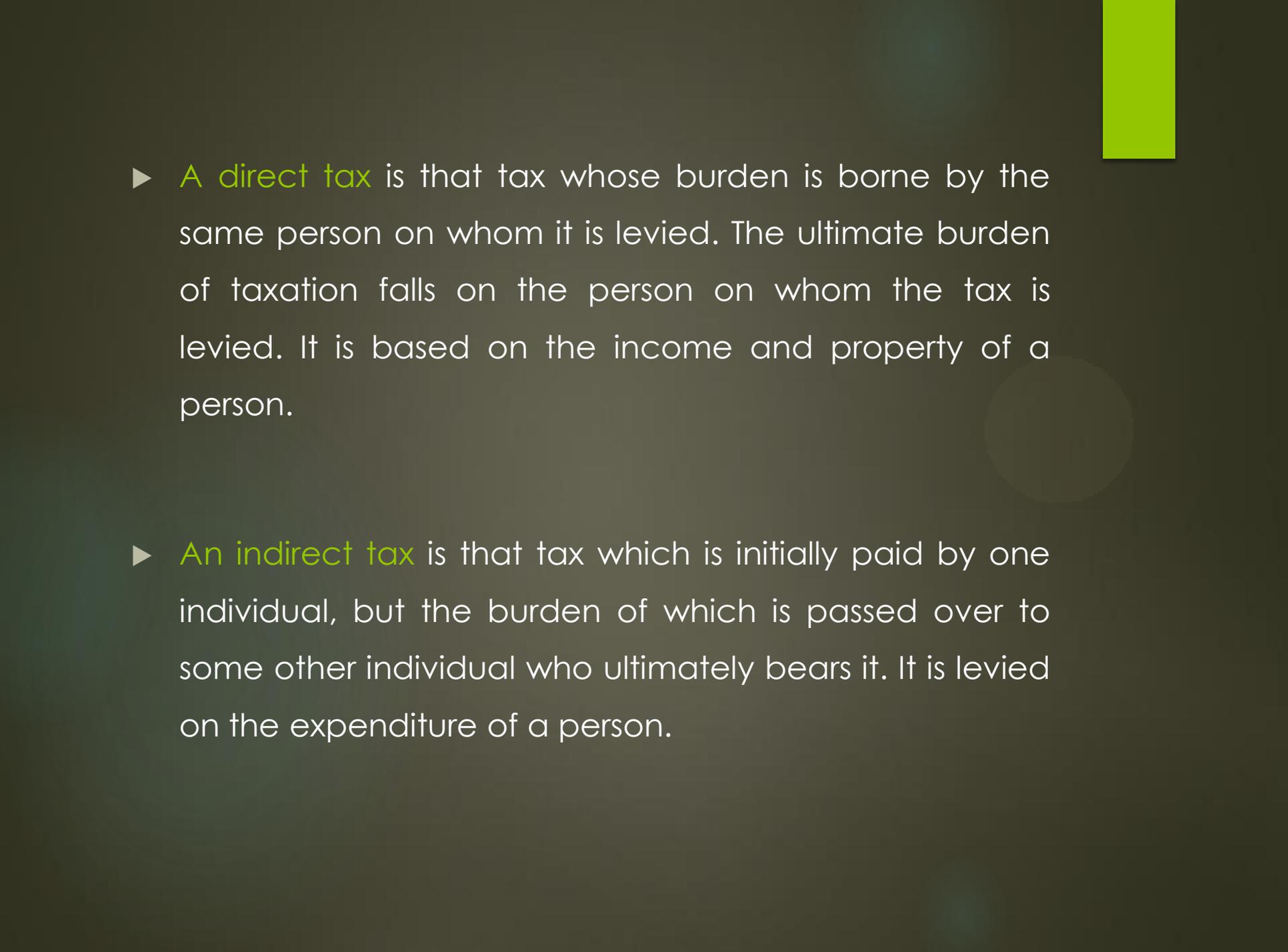


INDIAN TAXATION STRUCTURE

PREPARED BY:
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Types of taxes



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- ▶ **A direct tax** is that tax whose burden is borne by the same person on whom it is levied. The ultimate burden of taxation falls on the person on whom the tax is levied. It is based on the income and property of a person.
 - ▶ **An indirect tax** is that tax which is initially paid by one individual, but the burden of which is passed over to some other individual who ultimately bears it. It is levied on the expenditure of a person.

Direct vs. Indirect taxes

Particulars	Direct Tax	Indirect Tax
Meaning	Direct Taxes are the taxes in which the incidence and impact falls on the same person/assessee	Indirect Taxes are such type of taxes where incidence and impact fall on two different persons.
Nature of tax	Direct Tax is progressive in nature.	Indirect Taxes are regressive in nature.
Taxable Event	Taxable Income / Taxable Wealth of the Assessee.	Purchase / Sale / Manufacture of goods and /or rendering of services.
Levy & Collection	Levied and collected from the Assessee.	Levied & collected from the consumer but paid / deposited to the Exchequer by the Assessee / Dealer.
Shifting of Burden	Tax Burden is directly borne by the Assessee. Hence, the burden cannot be shifted.	Tax burden is shifted to the subsequent / ultimate user.
Tax Collection	Tax is collected after the income for a year is earned or valuation of assets is determined on the valuation date.	At the time of sale or purchases or rendering of services.

Features/principles/ canons of a good taxation system

1. Canon of Equality

- ▶ persons should be taxed according to their ability to pay taxes.
- ▶ Equality does not mean equal amount of tax, but equality in tax burden.
- ▶ Canon of equality implies a progressive tax system.
- ▶ Richer should pay more tax than the poorer.

2. Canon of Certainty

- ▶ The tax which each individual is required to pay should be certain and not arbitrary
- ▶ The time of payment, the manner of payment and the amount to be paid should be clear to every tax payer.

3. Canon of Convenience

- ▶ The mode and timings of tax payment should be convenient to the tax payer. It means that the taxes should be imposed in such a manner and at the time which is most convenient for the tax payer. Eg: TDS

4. Canon of Economy

The canon of economy implies that the cost of tax collection should be minimum.

5. Canon of Productivity

Tax shall be able to provide revenue to the government and should not resort to fiscal deficit.

6. **Canon of Buoyancy:** Tendency to increase with increase in income

7. **Canon of Flexibility:** Shall have the ability to change (revise) whenever required

8. **Canon of Simplicity:** Not be complicated.

9. **Canon of Diversity:**

10. **Must ensure maximum social advantages**

11. **Must ensure international competitiveness**

12. **Must promote economic growth**

Objectives of taxation

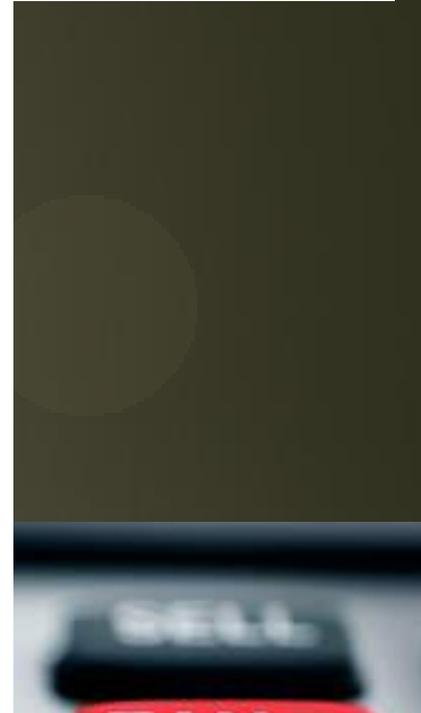
- ▶ Source of government revenue
- ▶ Financing of govt. expenditure
- ▶ To maintain economic equality
- ▶ Reduce the consumption of Harmful good.
- ▶ Control inflation
- ▶ Favorable Balance of Payment
- ▶ Domestic industries
- ▶ Reducing regional economic inequalities
- ▶ Capital formation





Tax Planning

- ▶ It is an arrangement of one's financial affairs to avail *EXEMPTIONS, DEDUCTIONS, CONCESSION, REBATES AND RELIEF* which is permitted under income tax act.
- ▶ It is legal. And legitimate right of tax payer.
- ▶ It is an act of prudence & farsightedness on the part of assessee to reduce his tax burden remaining under four corners of the law.



Features of Tax Planning

- ▶ Reduce tax liability
- ▶ Within the framework of law.
- ▶ No colorable devices are used.
- ▶ No intention to deciet
- ▶ Legal
- ▶ Encourages savings & investments
- ▶ Resources to tax payer
- ▶ Stress-less and honest efforts.

Example of Tax planning

Without availing any tax benefit	
GTI (Before any deductions)	Rs. 5,00,000
Deductions	NiL
Taxable Income	Rs. 5,00,000

Availing Tax Benefit	
GTI (Before any deductions)	Rs. 5,00,000
Deductions (80C, 80D)	Rs. 2,00,000
Taxable Income	Rs. 3,00,000

TAX PLANNING

Those who **PLAN**



Those who **DON'T**



Give us the
opportunity to help
you plan well for your future.

Objectives of tax planning

- ▶ Increase in disposable income
- ▶ Shield against high taxation
- ▶ Inequity in tax burden
- ▶ Maximum deductions allowed to business persons
- ▶ Avoidance of litigation
- ▶ Curb on tax evasion

Thank you



