BUSINESS TAXATION

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SYLLABUS

Course Code : U23BB511 Core III BBA

Unit I Introduction:

Objectives of Taxation - Canons of Taxation - Tax System in India - Direct and Indirect Taxes - Meaning and Types.

Unit II Income Tax Act:

Income Tax Act 1961 - Basic Concepts and Definitions - Income, Assessee, Person, Previous year, Assessment Year, Gross Total Income, Total Income - Meaning of Permenant Acount Number, Return of Income, TDS - Meaning - Rates - Filling and Return, Advance Tax, Rates of Taxation, Assessment Procedure.

Unit III Customs Act :

Customs Act 1962 — Introduction, Objectives Definition, Functions and Powers of customs authorities, Different types of customs duties. Classification of goods, Procedure for assessment and Methods of Valuation for customs, demand and Recovery of customs duty, Procedure for claiming customs duty drawback.

Unit IV GST :

Definition of GST - Business related Person's Capital goods - Levy and Collection of tax - Mixed supply, Composite Supply - Meaning, advantages and disadvantages of unregistered Supplier - time and Value of Supply - goods, Services - input tax credit - Registration

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of GST - Person liable for registration, not liable for registration, Registration of casual taxable person, deemed on cancellation of registration, revocation of cancellation of registration - VAT.

Unit V Tax

Tax Invoice, credit and Debit notes - Return of GST, Refunds, Payment of Tax assessment and audit. An overview of Tax credit - Tax incentives and Export Promotions, deductions and Exemptions.

Taxation.

Meaning:

Taxation is the means by which a government or the taxing authority imposes or levies a tax on its citizens and business entities. It is the main sources of Govt.,

Definition:

A tax is a Compulsory financial charge or some other types of Levy imposed on a taxpayer by a governmental Organisation in order to fund government spending and various Public expenditures.

The system by which a government takes money from people so that it can pay for public services.

Features of Taxation:

(1) Tax is a legal collection. It has "statutory sanction". It cannot be imposed arbitrarily. Certain legal requirements are to be followed in imposing a tax

(2) It creates personal responsibility on the tax payer

(3) It is a Compulsory Contribution. Nobody can refuse to pay taxes. Refusal to pay tax is a punishable offence

(4) Tax is imposed by Government alone

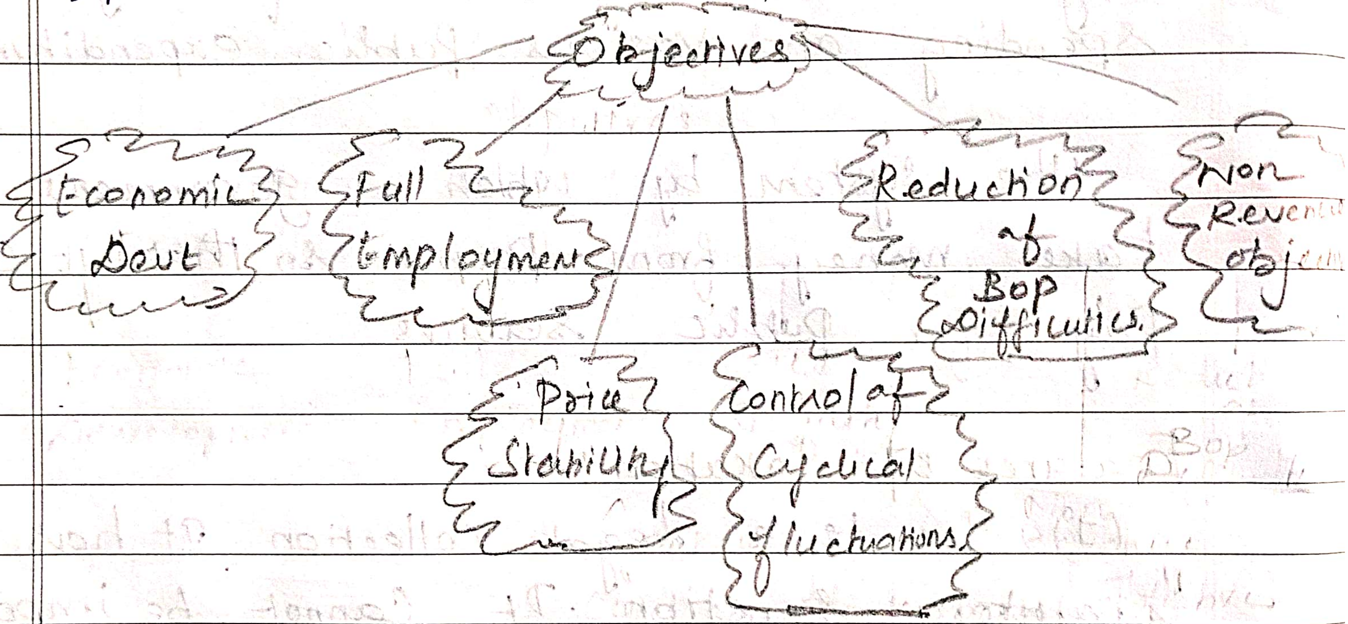
(5) Tax is a contribution for the common benefit of the society. The tax payer is not promised any specific benefit.

(b) A tax may be imposed on a Commodity or Property or individual But tax is actually Paid by individuals.

Objectives of Taxation:

* To raise revenue of the government
* To reduce the inequality of rich and poor
* To boost-up the economic development

it is illustrated below,



I Economic Development:

* One of the important objectives of taxation is economic Development

Economic Development of any Country is largely Conditioned by the growth of Capital formation.

It is said that Capital formation is the kingpin of Economic development

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II Full Employment:
Second Objective is the full employment. A country desires of achieving the goal of full employment must cut down the rate of taxes.

III Price Stability:
Thirdly, taxation can be used to ensure price stability.
A short run objective of taxation
By raising the rate of direct taxes Private spending can be controlled.
Naturally the pressure on the commodity market is reduced.

IV Control of cyclical fluctuations:
fourthly, control of cyclical fluctuations.
Period of strong economic growth. Economic decline.
periods of Boom and depression.
During Depression taxes are lowered down
During Boom Taxes are increased
So that cyclical fluctuations are tamed.

V Reduction of BoP Difficulties:
Fifthly, taxes like custom duties are also used to control imports of certain goods with the objective of reducing the intensity of balance of payments difficulties and encouraging domestic production of import substitutes.

VI Non Revenue Objective:
Finally, another Extra-revenue or Non Revenue objective of taxation is the reduction of inequalities in Income and wealth. This can be done by taxing the rich at higher rate than the poor.

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CANONS OF TAXATION

Adam Smith first devised the Principles or Cannons of taxation in 1776 in his book Wealth of Nations.

By cannons of taxation we simply mean the characteristics qualities which a good tax system should possess. Cannons of taxation are related to the administrative Part of a tax.

Cannons of Taxation

(1) Cannons of Equality or Equity
(2) Cannon of Certainty
(3) Cannon of Economy
(4) Cannon of Convenience
(5) Cannon of Productivity
(6) Cannon of elasticity
(7) Cannon of simplicity
(8) Cannon of diversity
(9) Cannon of fiscal adequacy
(10) Cannon of Flexibility

(1) Cannons of equality or equity:

It states that the burden of taxation must be distributed equally or equitably among the taxpayers!

Rich people are capable of paying more taxes than poor people pay less taxes.

However it might be a little ironical to fit equality among different sets of People like the rich and poor, Priviledged or unprivileged.

(2) Canons of Certainity:

The tax which an individual has to Pay should be certain and not arbitrary. (தன்னிச்சையாக)

A tax payer should be certain about the amount of taxes one should Pay, when to pay, how to pay, whom to pay and should also be certain about the consequences of non payment.

(3) Canons of Economy:

This Canon implies that the cost of collecting or payment of tax should be as minimum as possible so as to make the process economical.

(4) Canons of Convenience:

Taxes should be levied and collected in such a manner that it provides the greatest convenience not only to the taxpayer but also to the government. It boost the levels of tax compliance level of individuals.

(5) Canon of productivity:

According to a well-known classical economist in the field of public finance, Charles F. Bastable, taxes must be productive or cost effective. This implies that the revenue yield from any tax must be sizable one and also be put to use optimally.

(6) Canon of Elasticity:

This canon implies that a tax should be flexible or elastic in nature and not regid.

It should be levied in such a way that the rate of taxes can be changed according to the need or demand of the particular Economic situation.

7) Canon of Simplicity:
Every tax must be simple so that People understand the Process easily.
A tax payer should be able to calculate it without taking the help of tax Consultants or aid of any external source. A complex as well as a complicated tax is bound to yield undesirable outcomes.

(8) Canon of Diversity:
It refers that it is better to collect taxes from multiple sources rather than Concentrating on a single tax source.
A variety of taxes could also spread the burden of taxes over a longer Spectrum.

(9) Canon of Fiscal Adequacy:
This canon emphasizes that a tax should bring in a substantial amount of Money to the Treasury.
This Policy making bodies formulate several long term and short term plans for the betterment of nation.
This system helps to generate sufficient fund in order to meet the fiscal demands of the government.

10) Canon of Flexibility:
It means that the entire tax system should be flexible enough that the taxes can easily be increased or lowered in accordance with the government needs.

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Tax System in India.

Tax Structure in India is a three tier federal structure.

(1) Central Govt.
(2) State Govt.
(3) Local Municipal bodies.

According to Article 256 of the Indian Constitution: " No tax shall be Levied or Collected except by the authority of Law"

Tax is determined by the Central and State Governments along with local authorities.

I Central Government

The Central Government of India Levis taxes Such as.

Customs duty, Income tax, Service tax and Central Excise duty.

II State Government :

The State Government of India to Levy

(i) income tax on Agricultural Income, (ii) Professional tax, (iii) Value added tax (VAT), (iv) State excise duty, (v) Land Revenue and (vi) Stamp duty.

III Local Bodies :

Local bodies are allowed to collect octroi, Property tax and other taxes on various Services like drainage and water supply.

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Types of Taxes

Taxes are classified into 2 Categories
(1) Direct Tax
(2) Indirect Tax

(I) Direct Tax :

Direct Taxes are levied on Individuals and Corporate entities and cannot transfer to others. These include
(a) Income tax (d) Corporate Tax
(b) Wealth tax (e) Capital Gain Tax
(c) Gift tax

Direct Taxes are Paid by the assessee.

(1) Income Tax

The Income Tax Act is also called the IT Act 1961. The Income taxed by this act can be generated from any source such as Profits received from Salaries, investments
Owing a Property or a house,
a business, etc.

(2) Wealth Tax :

The Wealth tax Act 1957 as amended by the Finance Act 2005, imposes a tax of 1% on the amount by which the aggregate value of taxable assets exceeds RS. 30 Lakhs.

(3) Gift tax :

Tax on gifts in India falls under the Preview of the income Tax Act as there is no Specific gift tax in India after the Gift Tax Act 1958 was repealed in 1998.

Gift Tax Slab.

Gifts upto Rs. 50000 Per annum are exempt from tax in India.

Ex 1

If you receive Rs. 75000 as a Gift from your friend the entire amount of Rs. 75000 would be added to your Income and taxed at your slab rate.. It would be considered "Income from other sources".

Ex 2.

Incase you receive Rs. 50000 from one friend as a gift and Rs. 25000 from another friend the limit of Rs. 50000 would be considered to be breached. The entire Gift value Rs 75000 would be taxable in your hands.

Income Tax slab

New Tax regime income tax slab rates for financial year 2025 - 2026.

Basis of Budget 2025

New Income Tax slabs

for FY 2025-26 (AY 26-27)	Tax Rate
Upto RS. 4,00,000	Nil
From 400000 to 800000	5 %
800001 to 1200000	10 %
1200001 to 1600000	15 %
1600001 to 2000000	20 %
2000001 to 2400000	25 %
Above 24,00,001	30 %

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Note:

* Income tax rebate has been increased from 25000 to Rs. 60000 under the New tax regime. As a result of this individual anual income upto 12 Lakhs will have No tax Liability.

* Salaried taxpayers can benefit from a standard deduction Rs. 75000 which means earnings upto " 12.75 lakh annually will not be required to pay any income tax under the revised structure.

* For Senior Citizens tax deduction limit has been double from 50000 to Rs. 1 lakh. Providing further releif to elderly tax payers.

New tax regime
income tax slab rates for FY 2025-26.

Taxable Income	Tax Rate
0 - 12,00,000	Nil
1200001 - 1600000	15 %
1600001 - 20,00,000	20 %
20,00,001 - 24,00,000	25 %
Above 24,00,000	30 %

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(4) Corporate Tax :

Corporate Tax in India refers to the tax levied on the profits earned by the Companies operating within the Country.

The tax rate vary based on the types of the Company, its income and turnover.

Domestic Company.

Income	Tax Rate	Surcharge	
Turnover upto ₹ 400 crore	25 %.	Upto 1 crore	Nil
		1 crore to 10 crore	7 %.
		Above 10 crore	12 %.
Section 115BAA	22 %.		
Section 115BAB	15 %.		

Foreign Company.

Foreign Companies with permanent establishment in India 35 %. to 40 %.

(effective rate ranges from 36.40 %. to 43.68 %. depending on income and Surcharge).

Surcharge (Foreign company)

Upto 1 crore	Nil
1 crore to 10 crore	2 %.
Above 10 crore	5 %.

5) Capital Gain Tax

Tax on Profits earned from the sale of assets, such as Stocks, real estate or investments. It may be divided into 2

1) Long term CG (LTCG) 2) Short Term (STCG)

Long term capital Gains (LTCG) Tax Rates:

I Long term capital Gains (LTCG) Tax Rates:

(a) * Listed Equity Shares:
12.5% (above gain of 1.25 lakhs)
* Provided Securities Transaction Tax (STT) has been paid on both Purchase and Sale

(b) Equity Oriented Mutual Funds:
12.5% (above gain of 1.25 lakhs)
Provided STT has been Paid on Sale

(c) other Assets.
12.5%

II. Short term Capital Gain (STCG) Tax Rates:

* STT Applicable cases 20%.

* Non STT Applicable Case: Taxed according to Normal slab rate
(income tax individual Same slab rate)

III Indirect Tax:

Indirect Taxes are Leived on goods and services, and the burden can be shifted to the end consumer.

Here are the main types of indirect taxes in India.

Types of Indirect Taxes:

1) Goods and Service Tax (GST)
2) Customs Duty
3) Excise duty
4) Service Tax

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5) Value Added Tax (VAT)
6) Sales Tax
7) Entertainment Tax
8) Toll Tax

7) Goods and Services Tax (GST)

Comprehensive tax levied on the supply of Goods and Services with different slab rates for various commodities.

GST Slab Rate :

0 % – Exempted goods and Services
5% – Essential goods and services
12% – Standard rates for many goods
18% – Standard rate for many goods and services
28% – Luxury goods and services.

(i) Exempted Goods: (0%)
1) Fresh fruits and vegitables.
2) Fresh Milk.
3) Salt
4) Unbranded grains (like rice, wheat and pulses)
5) Certain agricultural products like seeds, fertilizers and pesticides
6) Educational services. (upto certain level)
7) Heathcare services (– do –)
8) Electricity
9) Human blood and blood components

These goods and services are exempt from GST. No tax is levied on their supply.

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(ii) Essential Goods and Services (5%)
Low taxed Goods.
Daily Use items: Sugar, Tea, edible oils, domestic LPG, footwear (< ₹ 500), and apparel (< 1000) have a 5% GST rate.
Services: Railways, air travel and restaurants (without AC or Liquor License) also fall under this category.

(iii) Moderate Taxed Goods (12% GST)
Textiles and Garments
Butter
Cheese and Ghee have 12% GST

(iv) (18%) Standard Rate for Many Goods and Services:
Goods: 1) Baked Goods (cakes, Pastries)
2) Soap, toothpaste, and Shaving Products
3) Hair oil, Shampoos, and Conditioners
4) Capital goods (Machinery, equipment)
5) IT and telecom services Related goods
Services:
1) Restaurant services (with AC or Liquor License)
2) Hotel services (mid-range)
3) Telecom services.
4) IT and IT Enabled Services
5) Courier services

(v) 28 % GST Rate include:

Goods: 1) Luxury Cars.

2) High - end motorcycles.

3) Private aircraft and Yachts படகுகள்

4) cigarettes and other tabacco Products

5) Pan Masala and gutkha

Services: 1) High End hotel services.

(5 Star and above)

2) Casino Services. சூதாட்ட நிலையங்கள்

3) Betting and gambling Services

4) Horse racing events.

The 28% GST rate is typically applied to luxury items and Services that are considered non-essential or discretionary.

2) Customs duty:

A tax levied on imported goods, with rates varying depending on the type of goods and country of origin.

3) Excise duty:

Although largely replaced by GST for goods excise duty is still applicable in certain cases.

4) Service Tax:

Merged with GST Service tax was Previously levied on service provided.

5) Value Added Tax (VAT)

Replaced by GST VAT was a tax on the value added to goods at each stage of production and distribution.

keep in mind that VAT rates can vary depending on the state and goods or services.

Income Tax Slab Rate

- * upto 700000 — Nil
- * above 700000 (700000 to 1000000) — 10 %
- 1000001 - 1200000 — 15 %
- * (above 1000000)
- * 1200001 - 1500000 — 20 %
- * above 1500000 — 30 % above

Rate for Higher income Brackets :-

5000001 - 10000000	–	10 %
1,00,00,001 - 200,00,000		15 %
2,00,00,001 - 5,00,00,000		25 %
Above 5,00,00,000		37 %

6) Sales Tax :

(Sales Tax) A tax levied on the sale of goods, now subsumed under GST

7) Entertainment Tax:

A tax levied on entertainment services such as movie tickets.

8) Toll tax :

A tax levied on the use of certain roads and highways.

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III other Taxes in India.

a) Property Tax
b) stamp duty.
c) Professional tax
d) Road Tax

a) property Tax:

Property tax is a yearly or semi-annual fee imposed by local authorities on real estate owners.

The tax amount is based on a percentage of the property's assessment value, which can vary depending on location, type and value of the property.

b) Stamp duty:

Stamp duty is a tax Paid on legal documents, typically to property transactions such as 1) property deeds 2) sale agreements c) Martage documents.

c) Professional tax:

It is a state level tax levied on individuals earning income through employment, profession, or trade.

d) Road Tax

Road tax is a state level tax levied on vehicle owners to fund road infrastructure development and Maintanance. The tax amount varies by state, vehicle type, and engine capacity.

Summary:

(1) Compulsory Contribution to state Govt.
(2) Voluntary fees Levied on individuals (or) Corporations.
(3) The Act of impose taxes is Called Taxation.
(4) Important Source of Govt.

Objectives: (1) Raising Revenue
(2) Regulation of Consumption and Production
(3) Encouraging Domestic industries, Reduce import
(4) Reducing income Equality.
(5) Promoting Economic Growth.
(6) Ensuring Price Stability.
(7) Development of background Region.

* Adam Smith gave the Concept of Canons of taxation in the year 1776

* Canons of taxation: Equality => Tax distributed equally

Canon of Certainity: The Principles of Certainity requires. Not arbitrary.

Canon of Convenience: it must convenient for both tax payer and Government

Canon of Economy: Tax should be kept to a minimum.

Canon of Productivity: Tax system should be designed to generate Suffient amount of Revenue to the Government

Canon of Elasticity : tax system should be flexible enough to adopt to the changing Economic needs of the country.

Canon of Simplicity : Straightforward and understandable to the public. so the tax payer can calculate it without any complications.

Canon of Diversity : Better to collect tax from multiple sources rather than single tax source

Canon of Fiscal Adequacy : Generate sufficient fund inorder to meet the fiscal demand.

Canon of Flexibility : Tax can easily be increased or lowered in accordance with the Government Needs.

Acts:

x——x.

Income Tax Act 1961

Wealth Tax Act 1957

Gift Tax Act 1958

Adam Smith : Father of Modern Economics

Canons of Taxation : Adam Smith.

year: 1776

Book: Wealth of Nation.