



Economics Class Notes for IAS and PCS

Chapter 7: Taxation

Taxation	
➤	Art 112 – Annual financial statement called “Budget”
➤	Art 265 – If government applied Tax then need approval of Parliament
➤	Art 266 – Appropriation Bill for vote on account charged from Consolidate Fund India (CFI) & Public fund and CFI – Contingency fund of India (President)
➤	Art 110 – Money Bill
➤	Direct Tax – Income Tax, Corporate Tax, Wealth Tax, Property Tax, MAT, Gift, MAT
➤	Indirect Tax – Excise duty, custom duty, central sales tax (CST), GST
➤	Reform after 1991 – Reduce custom & excise duties, lower corporative tax, law SLR, CRR, Simplifying Tax Return (Saral, SAHAJ, SUGHM).
➤	SARAL– Toward better tax payer, SAHAJ (for sales tax payer), SUGHAM (Small tax payer available)
➤	Tax got by GOI: Corporation Tax > Income tax > Custom Tax > excise Tax > Service Tax
➤	7 th Schedule of Constitution – under Art 246, relating to Taxes on services was not specially mention in any union & state list.
➤	88 th Amendment of 2004 – Insert under union list collect tax on service.
➤	Tax collect by Indirect Tax more than Direct Tax
➤	In initial after 1991, tax revenue (↓) but after some year it (↑)
GST	
➤	115 th Amendment – introduced GST Council & Parliament has power to make laws on manufacture of goods and provision of sales.
➤	Art 279 –President shall established GST Council (chairmen as finance minister) within in 60 days
➤	GST Dispute body – 3 Members <ul style="list-style-type: none"> • Chairperson • SC Judge • CJ of HC • Remaining member expert in fiscal law, economic, public affair.
➤	Only SC have jurisdiction over GST dispute
Note	



- Tax heaven – is country/ territory where certain tax are levied at a low rate or not at all
- Tax base – tax base (↑) they mean a wider range of goods and services.
- Tax avoidance – It is lawful to take all available tax deduction
- Tax evasion – Punishable offence
- Hidden tax – Indirect tax
- Proportional tax – Tax same if income (↑) or (↓)
- Progressive tax – Tax (↑) if income (↑)
- Regressive tax – tax (↓) if income (↓)
- Pigovian tax – Tax on negativity. Ex: Pollution, smoke, Tabaco etc
- Octroi tax– entry in state list
- Tax Buoyant – Revenue (↑) tax base – constant
- Tax elasticity – Revenue (↑), tax base – not constant
- Tobin tax – all foreign exchange transaction which levied 1st time – entry & other – out

MAT

- Minimum Alternative Tax – There are large no. of company show book Profit & loss account. But do not pay any tax, so MAT apply (zero tax companies)

Presumptive Tax

- Establishment income method of assessment for certain category of business is prevent in several countries.
- No. of Business assessment do not maintain books of account/ one irregular
- Capital Gain Tax – On gain made from buying & selling asset like – land & share
- Wealth Tax – Tax on non-productivity asset (Motor car, Jewelry, Urban Land)
- Central Tax – Excise duty, Custom duty & service duty
- State Tax – Agriculture tax, entertainment tax, surcharge, sales tax, Professional tax
- Direct Tax – “R. Chelliaph Committee”
- Indirect Tax – “R.L. Rekhi Committee”



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