FUNDAMENTALS OF INCOME TAX REGIME

PRESENTATION BY
CA DR SRINATH N G

INTRODUCTION & NEED OF TAXATION

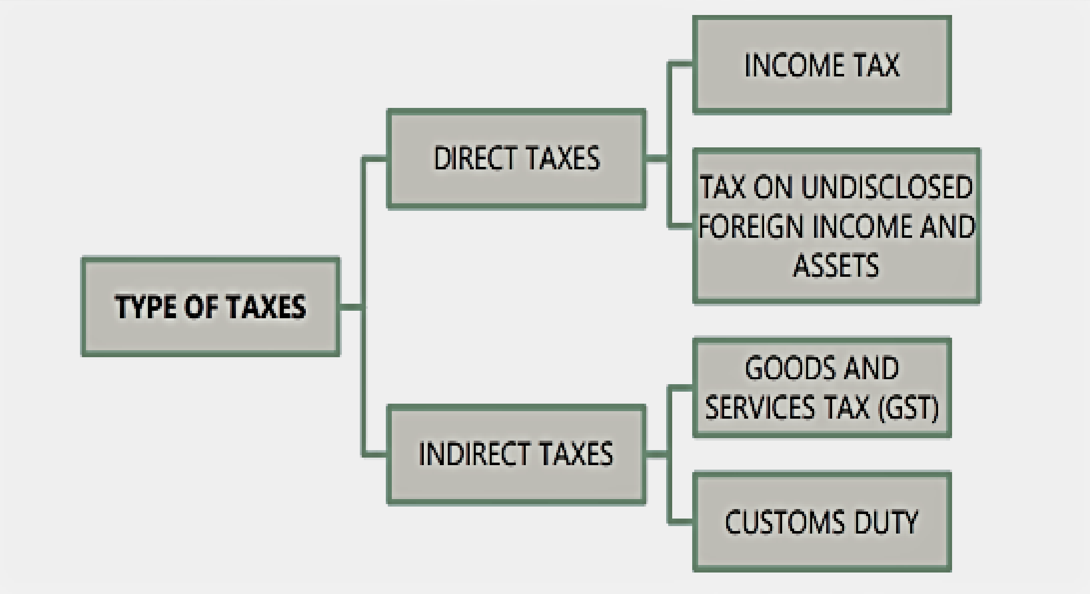
- The government takes primary responsibility for the welfare of its citizens, as in matters of health care, education, employment, infrastructure, social security and other development needs and to facilitate these, government needs revenue.
- Taxation is the primary source of revenue to the government for incurring such public welfare expenditure. Indirectly government is collecting money from the public in the form of taxes and utilizing it for the welfare of the public at large.

TYPES OF TAXES

- There are 2 types of taxes – Direct Tax and Indirect Tax

➢ Direct Tax – Incidence and impact which falls on same person is Direct tax. Such as Income Tax which is directly collected from the assesse.

➢ Indirect Tax – Incidence and impact which falls on two different persons is Indirect tax. Such as GST, Customs duty etc., which is recovered from assesse who passes such burden to another person to pay the same which is ultimately borne by customers/consumers of such goods and services.

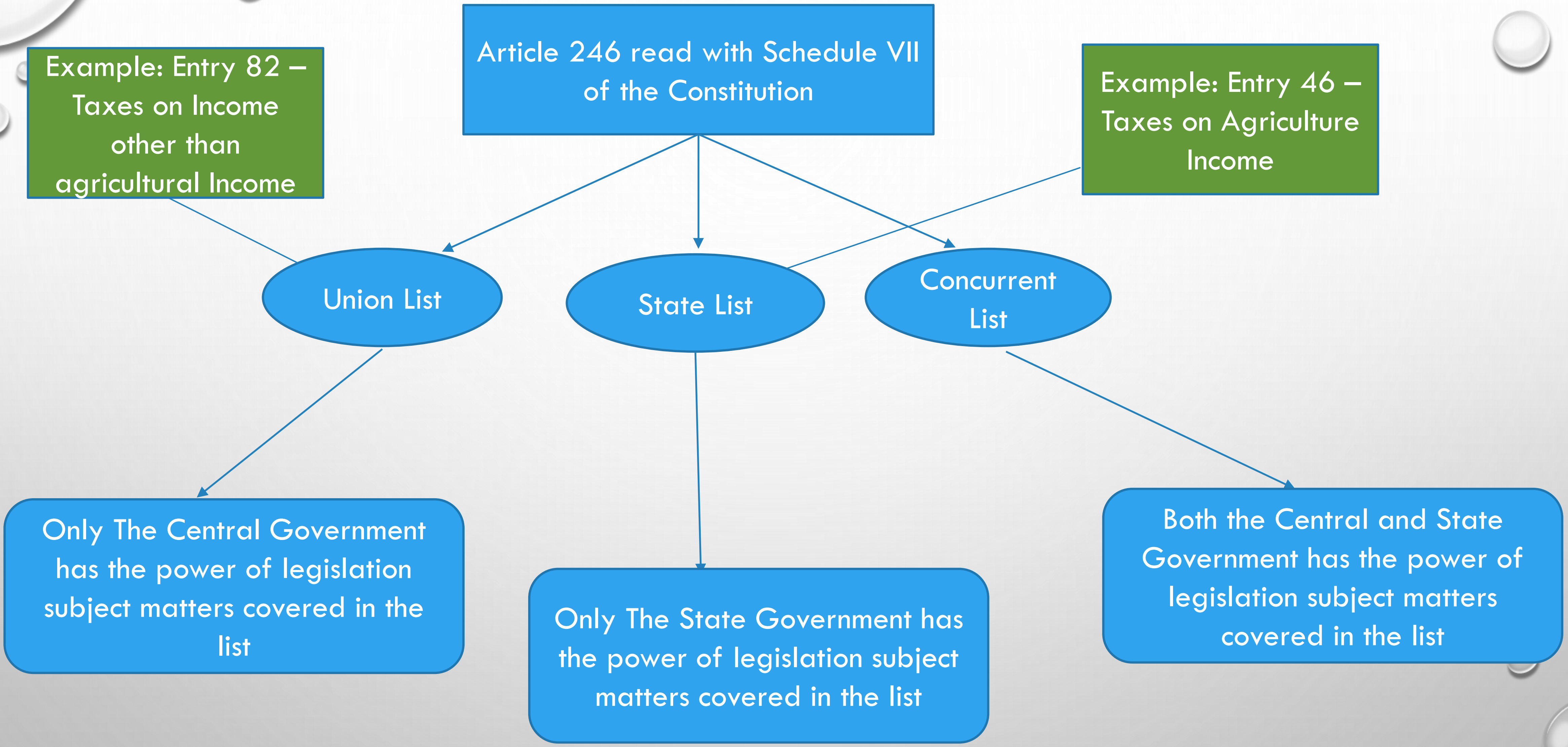


DIFFERENTIATION

Direct Tax	Indirect Tax
Incidence and Impact fall on same person	Incidence and impact falls on 2 different persons
Assesse himself pays the taxes	It is recovered from assesse and payment of tax is passed on to another person
Direct tax is levied on Income earned by assesse/Persons	Levied on Goods and Services
Examples – Income Tax	Examples – GST, Customs duty
Progressive in Nature	Regressive in Nature

CONSTITUTIONAL VALIDITY OF TAXES

- The Constitution of India is the supreme law of India.
- It consists of a preamble, 22 parts containing 444 articles and 12 schedules. Any tax law, which is not in conformity with the constitution, is called **ultra vires** the constitution and held as illegal and void.
- ARTICLE 265 of the constitution lays down that no tax shall be levied or collected except by the authority of law. It means the tax proposed to be levied must be within the legislative competence of the legislature imposing the tax.


Article 246 read with Schedule VII of the Constitution
Example: Entry 82 – Taxes on Income other than agricultural Income
Example: Entry 46 – Taxes on Agriculture Income
Union List
State List
Concurrent List
Only The Central Government has the power of legislation subject matters covered in the list
Only The State Government has the power of legislation subject matters covered in the list
Both the Central and State Government has the power of legislation subject matters covered in the list

ADMINISTRATION OF TAX LAWS

Ministry of Finance

Came into existence as a result of Central Board of Revenue Act, 1924

Central Board/Department of Revenue

Initial apex body charged with the administration of both direct and indirect taxes

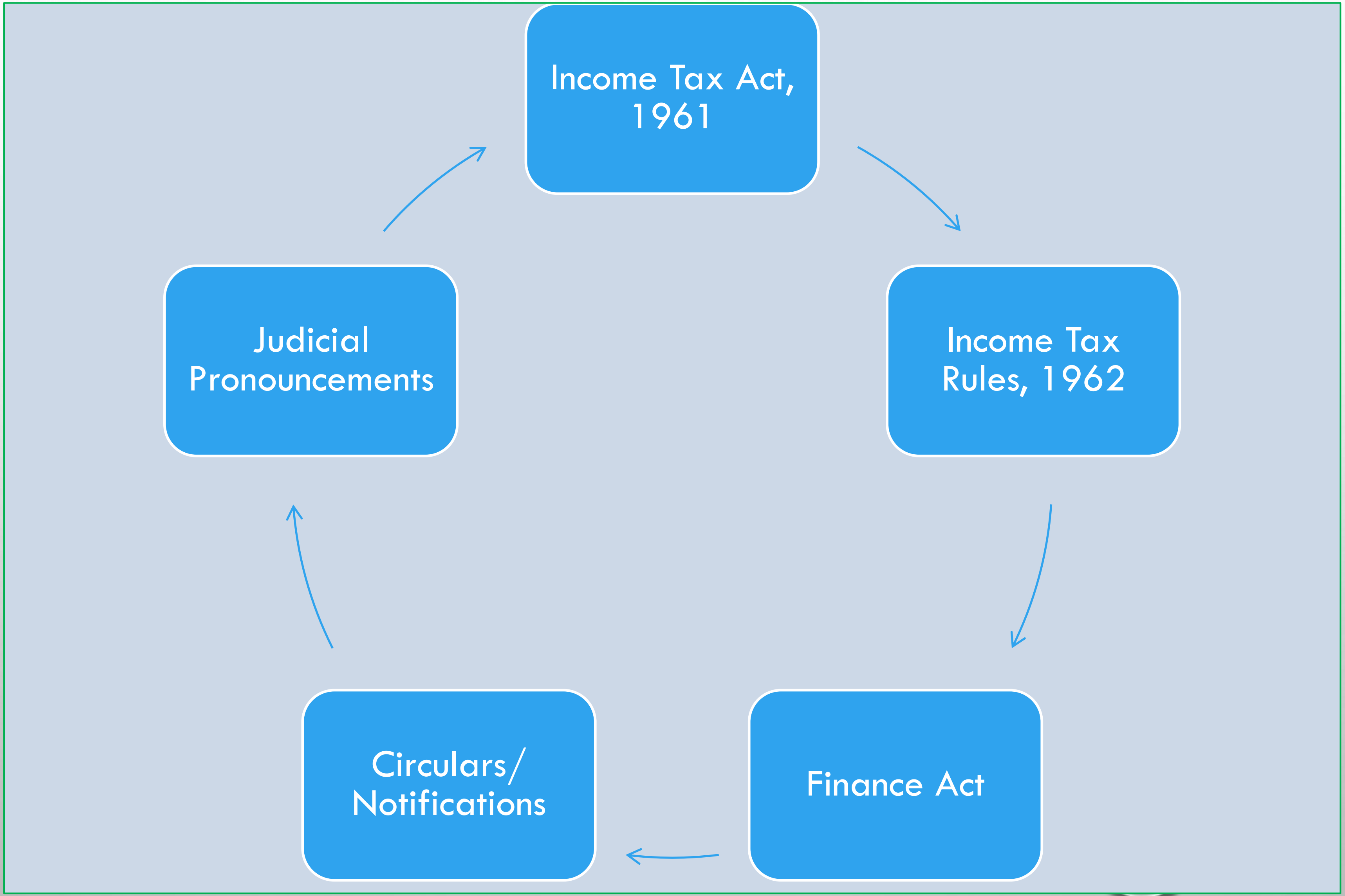
Responsible for administration of Direct Taxes

Central Board of Direct Tax {CBDT}

Central Board of Indirect tax & Customs {CBIC}

Responsible for administration of Indirect Taxes

SOURCES OF INCOME TAX LAW IN INDIA



QUESTIONS PLEASE

THANK YOU

CA Srinath N G

Partner

Srinath & Associates CA's

Hyderabad

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