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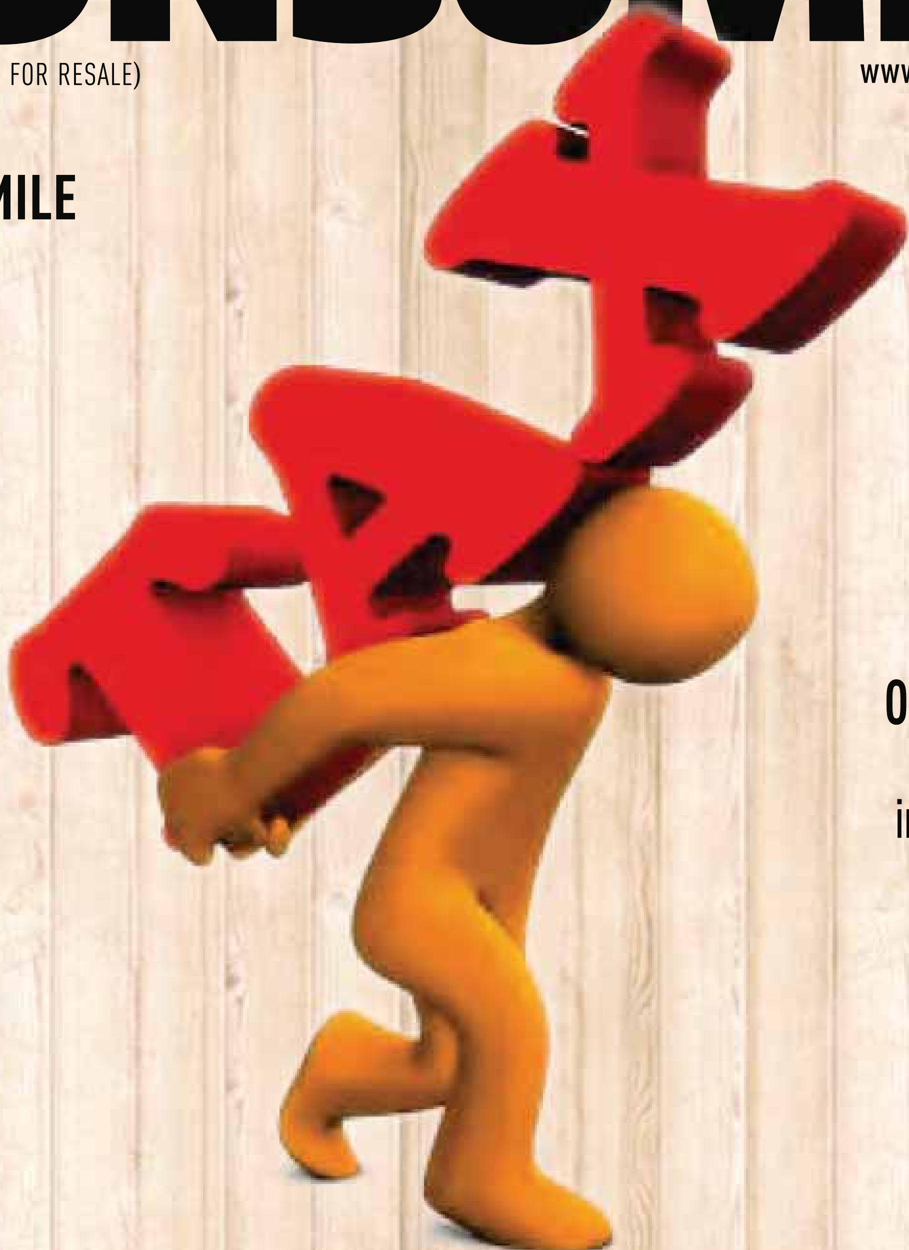

THE LAST MILE
GST...The Good, Bad and The Unaffected

IN FOCUS
Taxpayers must have a feeling of relief from unnecessary taxes

OUT OF THE BOX
Taxation policies impacting inflation thus affecting consumers

How long is the Indian Consumer to bear the Burden?

PLUS ROUND UP • MY MARKET • THE PRESCRIPTION

SUPPORT THE CAMPAIGN

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BE RESPONSIBLE

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VIEW POINT

BEJON KUMAR MISRA | bejonmisra@consumerconexion.org

Know All About TAXATION

Taxes are levied by governments on their citizens to generate income for undertaking projects to boost the economy of the country and to raise the standard of living of its citizens.

GOING BACK CENTURIES, history speaks for itself. Times have witnessed numerous kinds of taxes from the Mahabharata era and what we have all read in our textbooks relating to Mughal and British period. After Independence in 1947, India framed its own constitution elaborating on the rights and duties of the citizens. It also specifies about the taxes to be levied at different stages on different sections of society. Purpose of such implementation was to generate income/ revenue for the government. This enabled the law makers to step ahead in the developing economy. Although there were initial hiccups and inhibitions in the mind of people,gradually, the people began to accept such strategies and made it a part and parcel contributing to the nation's progress.

Today we find taxes as imposed in many forms. Direct and Indirect Taxes are the major heads. Income Tax, wealth tax comes under the direct purview of direct taxes. On the other side, indirect taxes include, Value Added Taxes (VAT) and the newly introduced Goods and Services Tax (GST).

Centre and the states have reconciled to bring the nation in a uniform manner providing a single taxation rate doing away with the burden on the ultimate consumer.

What could not be achieved in about 7 decades of independence has seen its way paving through enormous hurdles and opposition from different political parties. The turbulent period ultimately came out with a unanimous decision accepting the advantages of single tax rate for goods produced and services provided across the nation. The Centre and States both shall be instrumental implementing such provisions in respective areas. The current prevailing system of VAT shall be done away along with states owned taxation policies.

The above reconciliation provides a beginning of new era giving pace to the development to the economy and an all-round progress in the country.

These taxes now shall be the backbone of our financial structure providing stability to the Government. The production and services sector shall also be benefitted immensely by innovative policies of the government.

We find this to be the only way out for our thriving economy as prosperous India seemingly is the fastest going economy in the world leaving behind its competitors like USA and China. Today our country is a pioneer achieving such milestones.

"Let's Not Fall Victims to Fraud Be Aware"

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THE AWARE CONSUMER | MAY 2017

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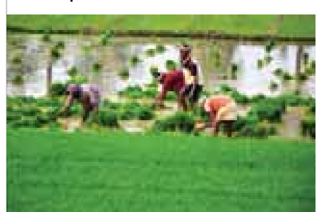
13 | Overall Analysis of Taxes in India

According to Income Tax Act 1961, taxes in India are controlled and levied upon individuals by the Central and State Governments. There are other kinds of minor taxes as well which are levied by the local authorities like Municipality.

HORIZONS

17 | KRISHI KALYAN CESS (KKC)



KKC is a new tax that has been introduced by our Finance Minister Arun Jaitley in the Union Budget 2016. KKC began to be levied upon and came after the Swach Bharat Mission by our Prime Minister.

IN FOCUS

19 | TAX STRUCTURE IN INDIA

Revenue collection is the most important tool for any government to bring about all round development for its countrymen.

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Dr. SAURABH AGARWAL
PROFESSOR OF ACCOUNTING & FINANCE AND DEAN, INDIAN INSTITUTE OF FINANCE

Goods and Service Tax (GST) is the next big tax transformation that India will be going through & it would substantially affect the business environment. The government has left no stone unturned in trying to reduce the conflicts between Centre and states to ensure timely enforcement of the GST Act.

ROUNDUP

TAXATION IN INDIA

GST to smoothen taxation, bring in transparency: Experts

ACCORDING TO INCOME Tax Act 1961, taxes in India are controlled and levied upon individuals by the Central and State Governments. There are other kinds of minor taxes as well which are levied by the local authorities like Municipality.

The authority or the power to levy tax upon individuals is taken from the Constitution of India by the Central and State Governments. However, the power is not unlimited. There has been some form of restriction on this power so that there is no misuse of it. According to Article 265 of the Constitution, “No tax shall be levied upon individuals except by the authority of law”.

The Central Board of Direct Taxes (CBDT) is the board which is charged with the administration of taxes. The duty of the board is to control both types of main taxes that are Direct and Indirect Tax.

1. DIRECT TAX - Direct tax is the kind of tax which is directly charged by the Government from the individual. Example of such tax is INCOME TAX. Another example includes Wealth Tax and Gift Tax.

In direct tax, the individual himself or herself has to pay the tax to the government i.e. the liability to pay tax cannot be transferred to others.

The taxation level or the amount of tax to be charged by the individuals depends upon the residential status of individuals. The basic rule or the criteria determining that whether a person is a resident of India is that if he has remained in India for more than 182 days in a particular residential year.

INCOME TAX

According to Income Tax Act 1961, tax is levied upon Persons. The following act imposes a tax on income under the following five heads:

DATA BRIEFING

Tax rate for lowest income slab slashed to

5%

from 10%, surcharge of 10% slapped on incomes over Rs 50 lakh

1. Income from House Property
2. Income from business and profession
3. Income from salaries
4. Income in the form of capital gains
5. Income from other sources

In terms of the Income Tax Act, a Person includes the following;

1. Firm
2. Hindu Undivided Family (HUF)
3. Artificial Judicial Person
4. Individual

WEALTH TAX

The liability for such tax arises from the ownership of properties and it is to be paid every year based on the market value of property. The owners of the property are liable to pay this tax irrespective of the fact whether the property earns them any income or not.

GIFT TAX

Gift tax according to Gift Tax Act 1958, is defined as the tax to be paid by the individuals receiving monetary gifts or valuables. The tax to be paid was 30%. Later however this was abolished in 1998 and gifts received from family members are no longer liable for such tax.

2. INDIRECT TAX

Indirect taxes are those taxes which are not directly paid by the assessee to the authorities of the government. These taxes are levied upon goods and services and are collected by intermediaries. Examples include SERVICE TAX and Value added tax.

VALUE ADDED TAX

Value added tax is levied upon by the State Government and but was not imposed by all the states when implemented. It is mainly imposed on goods which are sold in the state and its rates are decided by the state authorities.

DIFFERENT TYPES OF TAXES IN INDIA

THERE HAS BEEN a steady rise in the net Direct Tax collections in India over the years, which is healthy signal. Taxes, which are imposed by the Central and State government areas follows:

Net Income Range	Income Tax rates	Education Cess	Secondary and Higher Education Cess
Upto 3,00,000	Nil	Nil	Nil
Rs 3,00,001-Rs 5,00,000	10% of (Total income – 3,00,000)	2% of income tax	1% of income tax
Rs 5,00,001-Rs 10,00,000	Rs 20,000 + 20% of (Total income – 5,00,000)	2% of income tax	1% of income tax
Above Rs 10,00,000	Rs 1,20,000 + 30% of (Total income – 10,00,000)	2% of income tax	1% of income tax

Income Tax:

Income tax, this tax is mostly known to everyone. Every individual whose total income exceeds the taxable limit needs to pay income tax based on prevailing rates applicable time to time.

Capital Gains Tax:

Capital Gain tax as name suggests it is tax on gain in capital. The capital gain is the difference between the money received from selling the asset (property, shares, bonds & precious material etc.) and the price paid for it.

Capital gain tax is categorized into short-term gains and long-term gains. The Long-term Capital Gains Tax is charged if the capital assets are kept for more than certain period 1 year in case of share and 3 years in case of property. Short-term Capital Gains Tax is applicable if these assets are held for less than the above-mentioned period.

Securities Transaction Tax:

Most of the people do not declare their profit and avoid paying capital gain tax, as government can only tax those profits, which have been declared by people. To fight with this situation Government has introduced STT (Securities Transaction Tax) which is applicable on every transaction done at stock exchange. That means if you buy or sell equity shares, derivative instruments, equity oriented Mutual Funds this tax is applicable.

This tax is added to the price of security during the transaction itself, hence you cannot avoid (save) it. As this tax amount is very low people do not notice it much.

Perquisite Tax:

Earlier to Perquisite Tax, there was a tax called FBT (Fringe Benefit Tax) which was abolished in 2009.

The perquisite tax is on benefit given by employer to employee.

Corporate Tax:

Corporate Taxes are annual taxes payable on the income of a corporate operating in India. For the purpose of taxation companies in India are broadly classified into domestic companies and foreign companies.

Sales Tax:

Sales tax charged on the sales of movable goods. Sale tax on Inter State sale is charged by Union Government, while sales tax on intra-State sale (sale within State) (now termed as VAT) is charged by State Government.

Sales can be broadly classified in three categories. (a) Inter-State Sale

(b) Sale during import/export (c) Intra-State (i.e. within the State) sale. State Government can impose sales tax only on sale within the State.

Service Tax:

Service Tax is a tax charged on the services provided by a service provider. Over the past few years, service tax been expanded to cover new services.

Custom duty & Octroi:

Custom Duty is a type of indirect tax charged on goods imported into India. One needs to pay the custom duty duty, on goods that are imported from a foreign country into India. This duty is often payable at the port of entry (like the airport, seaports). Custom duty rate varies based on the nature of items.

Octroi is tax applicable on goods entering in to municipality or any other jurisdiction for use, consumption or sale. In simple terms one can call it as Entry Tax.

Excise Duty:

An excise duty is a type of tax charged on the goods produced within the country. This is opposite to custom duty which is charged on bringing goods from outside of country. Another name of this tax is CENVAT (Central Value Added Tax).

Anti-Dumping Duty:

Dumping is said to occur when the goods are exported by a country to another country at a price lower than its normal value. This is an unfair trade practice which can have a distortive effect on international trade. In order to rectify this situation Central Govt. imposes an anti-dumping duty not exceeding the margin of dumping in relation to such goods.

Professional Tax:

Professional tax is imposed by respective Municipal Corporations. Most of the States in India charge this tax.This tax is paid by every employee working in Private organizations. It is mandatory like income tax and the rate on which this tax is applicable is not same in all states.

Municipal Tax:

Owner of every property has to pay themunicipal tax. The tax rate varies city to city.Municipal Corporation in every city imposed tax in terms of property tax.

Entertainment Tax:

Tax is also applicable on Entertainment; this tax is imposed by state government on every financial transaction that is related to entertainment such as movie tickets, major commercial shows exhibition, broadcasting service, DTH service and cable service.

Toll Tax:

At some of the places one need to pay tax in order to use infrastructure (road, bridge etc.) as Tax. This tax is called as toll tax. This tax amount is very small amount but, to be paid for its construction and maintenance.

Multi-tiered system

Tax rate	Indicative items
0%	50% of the consumer price basket, including foodgrains
5%	Mass consumption items like spices and mustard oil
12%	Processed foods
18%	Soaps, oil, toothpaste, refrigerator, smartphones
28%	White goods, cars
28% plus cess	Luxury cars, pan masala, tobacco, aerated drinks

Source: GST council

TAX FREE INCOMES IN INDIA

THERE ARE SOME incomes which do not form part of total income. That is, there are certain incomes which are exempted from income tax which means for that particular income, the individual does not have to pay tax. Also such income can be used by the resident Individual assessee with profit. Such incomes are covered under Section 10 of the Income Tax Act 1961.

Exemptions granted under this act may be divided into two parts:

A. Incomes exempted from income tax and not included in the total income of the assessee.

B. Income exempted from income tax but included in the assesse's total income.

SECTION 10

Section 10 provides that in computing the total income of previous year of any person, any income falling within anyone of the following clauses shall not be included:

1. Agricultural Income(Section 10(1): The present position is that agricultural income is not included in computing the total income of a previous year of any person but for and from assessment year 1974-75, it is taken into account in determining the rate of tax applicable to non-agricultural income of the assessee.

2. Sums received by any member from Hindu Undivided Family (Section 10(2): Any sum received by an individual as a member of Hindu undivided family, where such sum has been paid out of the income of the estate belonging to the family will not be included in the total income of the member for the purpose of Income Tax.

3. Partner of a firm (Section 10(2A): For the purposes of this clause, the share of a partner in the total income of the firm separately assessed as such shall, which bears to the total income of the firm the same proportion as the amount of his share in the profits of the firm in accordance with the partnership deed bears to such profits.

4. Interest on savings certificates (Section 10(4B): In the case of an individual, being a citizen of India or a person of Indian origin who is a non-resident, any income from interest on such savings certificates issued before 1-6-2002 by the Central Government as that Government by notification in the Official Gazette, specified in this behalf as will not be included in his total income.

5. Scholarship(Section 10(16): This clause exempts from income tax of all scholarships granted to meet the cost of education and therefore scholarships granted to meet the cost of education is not included in the total income of the recipient for the purpose of income tax.

6. Gratuities: Any form of gratuity received by persons covered under the Payment of Gratuity Act, 1972 will be tax free subject to some limits which are as follows:

The amount of gratuity shall not exceed Rs 3, 50,000/-.

7. Commutation of Pension: Any payment in commutation of pension received under the Civil Pensions(Commutation) Rules of the Central Government or under any similar schemes applicable to the members of the civil posts under the union or to the members of the All-India services or to the member of defence services or to the member of the civil services of a state or holders of civil posts under a state or employees of a local authority of a corporation established by Central, State or Provincial Act, will be exempted from tax without any limit.

8. Payment from a Statutory Provident Fund(Section 10(11): Any payment from a provident fund to which the Provident Fund Act, 1925 applies or from any other provident fund set up by the Central Government and notified by it in this behalf in the Official Gazette , is exempted from tax.

9. Interest and Income from certain Certificates and other securities (Section 10(15): Section 10(15) exempts from income tax-

Income by way of interest, premium on redemption or other payment on such securities, bonds, annuity certificates, saving certificates other certificates issued by the Central Government and deposits as the Central Government may, by notification in the Official Gazette, specifies in this behalf, subject to such conditions and limits as may be specified in the said notification.

10. Payment by Indian Company engaged in the business of operation of aircraft, etc.(Section 10(15A): It exempts from the income tax any payment made by an Indian Company engaged in the business of operation of aircraft, to acquire an aircraft or an aircraft engine on lease from the Government of a foreign State or a foreign enterprise under an agreement approved by the Central Government in this behalf. For this purpose, foreign enterprise means a person who is a non-resident.

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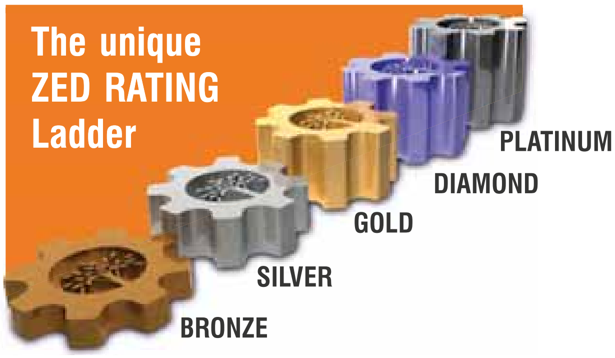

HIGHLIGHTS

- A scheme by Ministry of MSME, Govt. of India
- Certification on the systems and processes of MSMEs
- Handholding MSMEs towards world class manufacturing
- Special emphasis on MSMEs supplying to Defence Sector
- Direct subsidy to participating MSMEs
- Creating a credible database of MSMEs for OEMS/CPSUs/Foreign Investors under "Make in India initiative"
- Quality Council of India (QCI) to function as the NMIU (National Monitoring and Implementing Unit) of the scheme

"Let's think about making our product which has 'Zero Defect'; so that it does not come back (get rejected) from the world market and 'Zero Effect' so that the manufacturing does not have an adverse effect on our environment"

SHRI NARENDRA MODI
Hon'ble Prime Minister

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OVERALL ANALYSIS OF TAXES IN INDIA

According to Income Tax Act 1961, taxes in India are controlled and levied upon individuals by the Central and State Governments. There are other kinds of minor taxes as well which are levied by the local authorities like Municipality.

The authority or the power to levy tax upon individuals is taken from the Constitution of India by the Central and State Governments. However, the power is not unlimited. There has been some form of restriction on this power so that there is no misuse of it. According to Article 265 of the Constitution, "No tax shall be levied upon individuals except by the authority of law".

The Central Board of Direct Taxes (CBDT) is the board which is charged with the administration of taxes. The duty of the board is to control both types of main taxes that are Direct and Indirect Tax.

DEFINITION OF TAX

According to Sec 2(43), "tax" in relation to the assessment year commencing on the 1st day of April, 1965, and any subsequent assessment year means income tax chargeable under the provisions of this Act, and in relation to any other assessment year income-tax and super-tax chargeable under the provisions of this Act.

DIRECT TAX - Direct tax is the kind of tax which is directly charged by the Government from the individual. Example of such tax is INCOME TAX.Another example includes Wealth Tax and Gift Tax.

In direct tax, the individual himself or herself has to pay the tax to the government i.e. the liability to pay tax cannot be transferred to others.

The taxation level or the amount of tax to be charged by the individuals depends upon the residential status of individuals. The basic rule or the criteria determining that whether a person is a resident of India is that if he has remained in India for more than 182 days in a particular residential year.

INCOME TAX

According to Income Tax Act 1961, tax is levied upon Persons. The following act imposes a tax on income under the following five heads:

1. Income from House Property
2. Income from business and profession
3. Income from salaries
4. Income in the form of capital gains
5. Income from other sources

In terms of the Income Tax Act, a Person includes the following;

1. Firm
2. Hindu Undivided Family(HUF)
3. Artificial Judicial Person
4. Individual

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The liability for such tax arises from the ownership of properties and it is to be paid every year based on the market value of property. The owners of the property are liable to pay this tax irrespective of the fact whether the property earns them any income or not.

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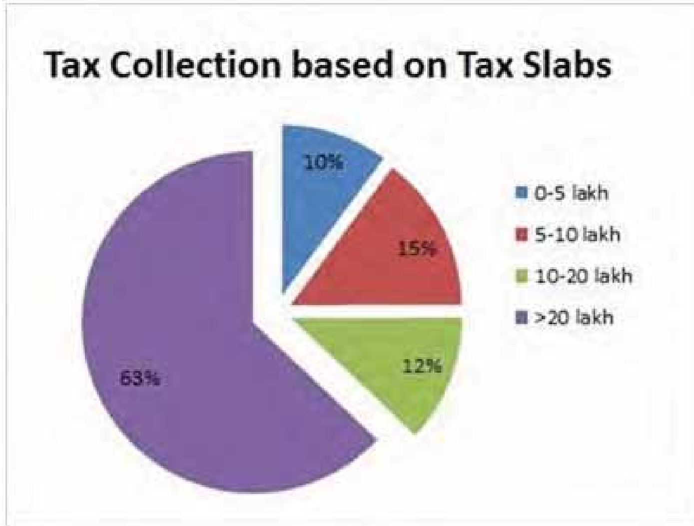
Gift tax according to Gift Tax Act 1958, is defined as the tax to be paid by the individuals receiving monetary gifts or valuables. The tax to be paid was 30%. Later however this was abolished in 1998 and gifts received from family members are no longer liable for such tax.



Slab	Number (in lakhs)
0-5 lakh	288.44
5-10 lakh	17.88
10-20 lakh	13.78
>20 lakh	4.06

INDIRECT TAX - Indirect taxes are those taxes which are not directly paid by the assessee to the authorities of the government. These taxes are levied upon goods and services and are collected by intermediaries. Examples include SERVICE TAX and Value added tax.

VALUE ADDED TAX

Value added tax is levied upon by the State Government and but was not imposed by all the states when implemented. It is mainly imposed on goods which are sold in the state and its rates are decided by the state authorities.

RESIDENTIAL STATUS AND TAX INCIDENCE

Section 5 of the Income Tax Act provides for the assessment of income on the basis of residential status of the assessee. Residence is the basis of taxation. Thus a person may be resident in more than one country at the same time for tax purposes. It is not necessary that a person who is resident in India will be non-resident for all other countries for the assessment year.

The 'residence' of a person has to be determined with reference to a particular assessment year, but as an assessment year is related to a particular 'previous year' the question of residence will be dependent on the conditions obtaining in such 'previous year'.

It may be noted that the residential status is to be determined every year, as it may be different in different years. A person may be resident in one previous year but may not be so in the next. This is so because the residential status is determined solely on the basis of physical presence.

For the purpose of determining residence, Sec 6 divides 'person' into four categories:

1.An Individual
2.A HUF, firm or other association of persons;
3.A Company
4.Every other person

Residence in India: Section 6

Residence of an individual

Section 6(1) provides that an individual would be "resident" if:

A. He stays in India for 182 days or more during the previous year; or

B. He stayed in India for 365 days or more during four preceding years and stays in India for at least 60 days during the previous year.

Residence of a Hindu Undivided Family

A HUF is said to be resident in India in any previous year in every case except where during that year the control and management of its affairs is situated wholly outside India.

Residence of a Company

According to Sec 6(3), a company is said to be 'resident' in India in any previous year, if it is an Indian company, or during that year, the control and management of its affairs is situated wholly in India. If a company does not satisfy either of these conditions, it will be 'non-resident' company.

Budgeting is the essence of any household. The inflow of funds and the outflow of expenditure have always been on priority of all individuals. The residue in hands can be called little extra what has been earned.

Likewise, a nation for a healthy functioning requires revenue from the public.

Subsequently, expenditure on the part of government is foremost for the national progress and development. The various sources of revenue need to be identified by the constitutional authorities. Emphasis need to be laid for methodical upliftment of the masses in all areas. Here, rural sector cannot be ignored as it is the backbone of any economy producing food grains, giving out the natural resources to its optimum level. The utilization of these resources remains in the hand of the government running the country.

The living conditions, social structure of the society basic needs of the people have to be underlined to progress. Just as there is a saying that "Healthy mind has a healthy body", similarly, for taking the country to the new heights towards overall development each factor must be taken into consideration. Rural connectivity to the urban areas is the core necessity for any country. The basic infrastructure kike roads, transport, educational facilities, medical aid and other social welfare activities keep the people healthy in any economy. The per capita income, gross domestic product cannot be overlooked in this concept. Once all these standards have been achieved, the direction can be shifted now to town planning and urban areas. Better employment opportunities bring about the financial security and economic stability to the people and the government as well.

Setting up of new industries, developing the banking sectors and competing with the global standards now come on the top to increase the credibility of any country. Lesser amount of imports and larger area of exports bring about huge piling of foreign exchange in any country. Imports are benefitted by the stock of foreign exchange. Exports generate the circulation and bring about the foreign currency to the economy. Healthy competition amongst industries, banks, production houses, business establishments are the sure sign of the round development of a nation.

In the above context, we must not forget, the revenue generation needs to be the dynamic strategy of any government. Taxes are the only sources where the government gives out many subsidies and relaxations, incentives to the various parts of societies. Hence the economy prospers to new heights.

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Krishi Kalyan Cess

KRISHI KALYAN CESS (KKC) - KKC is a new tax that has been introduced by our Finance Minister ArunJaitley in the Union Budget 2016. KKC began to be levied upon and came after the Swach Bharat Mission by our Prime Minister. This tax was proposed to be levied at the rate of 0.5% on the value of all taxable services. And it is to be imposed or levied upon the Service Tax and the Swachh Bharat Tax. Swachh Bharat which is being levied for cleanliness, in the same manner, KrishiKalyanCess has been introduced for improving agricultural facilities. There is always some specific purpose behind the Cess Tax that is collected. But what is to be noted here is that it should be only used for the purpose for which it has been collected and not for any other purpose. The KrishiKalyanCess is not levied upon the income of an individual but on all services on which service tax is levied.

Lastly, the input credit of KrishiKalyanCessis to be allowed to be claimed against KrishiKalyanCess. However, it is to be noted that input credit of Swach Bharat Cess is not allowed to be claimed otherwise.

The Taxable Services on which service tax is levied on a certain percentage of value of taxable service will attract KKC on the same percentage of value as provided in the Notification No.26/2012-Service Tax dated 20th June, 2012. So, this notification would apply for KKC also in the same manner as it applies for Service Tax.

For instance in case of GTA Service, it would be 15*30= 4.50%.

(a) No tax shall be levied to the extent that the invoice which has been issued and the payment received against such invoice before the service became taxable.

(b) No tax shall be payable if the payment has been received before the service becomes taxable and invoice has been issued within fourteen days of the date when the service is taxed for the first time.

Here it is important to note that KKC is new levy and not new service. But the government has extended the scope of this rule by inserting two explanation provisions thus resulting which new levy being covered under the ambit of Rule 5.

Swachh Bharat Tax

Swachh Bharat Tax- The Swachh Bharat Cess has come into force from 15 November 2015 at the rate of 0.5% on all taxable services.

This effectively amounts to a 14.5% tax including service tax of 14% plus Swachh Bharat Cess of 0.5% on taxable services.

Swachh Bharat Cess is not leviable on services that are fully exempt from service tax i.e. tax free incomes or those covered under the negative list of services.

The boost or the thrust by the Modi Government towards clean India has made the government to impose Swachh Bharat Cess".

This Cess was to be levied from the date to be notified by the Central Government.

Dividend Distribution Tax

Dividend Distribution Tax- There is another tax known as Dividend Distribution Tax. This has to be paid over and above normal income tax chargeable in respect to the total income of an assessee. As per income e tax act 1961, DDT referred to as Dividend Distribution Tax, comes under Sec 115-0. This tax is levied even if there is no tax payable on total income computed. The shareholders of any domestic company need to pay dividend tax whenever such distributions are declared by the company. However, no such DDT is payable in the case of foreign companies.

The Finance Act 2013 provides for the reduction of benefit on dividend from foreign subsidiary company to a domestic company. Dividend received by a company from a subsidiary which has been subjected to DDT shall be liable to have the reduction of amount of dividend distributed by such receiving share holder company. So the dividend received by domestic company from its foreign or domestic subsidiary is bound to be reduced from the amount of dividend declared. Such DDT distributed or paid by the domestic company is levied on the reduced amount.

Infrastructure Cess

Infrastructure Cess - The Central Government has imposed such infrastructure cess on the production on

vehicles. 1% on small petrol, LPG, CNG Cars. Rate of 2.5% is levied on diesel cars of certain capacity. Another 4% tax is levied on high engine capacity vehicles SUVs' (Sports Utility Vehicles). This has been initiated to finance the ongoing infrastructure projects in the country.

On 1st march 2916, the infrastructure cess has come into effect as was announced in the budget 2016-17. This cess will not be available for any credit of any other tax or duty to be utilized for paying the cess.

State Imposed Fat tax

State Imposed "Fat tax"- The name state imposed fat tax is little amusing to hear about. This brings about a discipline in public to shun junk food and encourage them to go for a healthy diet and promote the standard lifestyle of the general public. The Kerala government has taken in the first initiative in the country to impose 14.5% fat tax on burgers, pizzas and other junk food served in branded restaurants. Officials have clarified this as detrimental for consumption.

We find that such fat tax on junk food is presently prevalent in all European countries such as hungry and Denmark.

The imposition of fat tax shall be added to the cost of foods served at restaurants like pizza hut, burger king and Mac Donald. The content of calorie and fat carried in the food crossing the permissible limits is subject to such fat tax. This has been levied in order to curtail the obesity levels as are rising alarmingly in the growing middle class. We find this definitely a positive action taken by the government taking its responsibility education the youth to go for a wholesome healthy diet.

Benefits of Fat Tax

Medical counsels all over the world, the scholars, dieticians and public health practitioners have always advocated to ban unhealthy food being served to the society. The food trends as followed by the west and now spreading it brings in the east have made a considerable loss to the society. Obesity, diabetes, heart ailments are the biggest negative outcomes of such dietary habits. Research indicates all such diseases kinked with the obesity epidemic. Traditional restaurants have been pushed out of business and the fast food industry has taken its place serving junk food which is very harmful for the generations to come. Another part of dangerous things for consumption is like tobacco and smoking, there has been constant public demand to stop production for Gutka, pan masala, cigarettes and other tobacco products. In the first of all, the fat tax is a welcome step taken by the Governments who are very serious promoting general health and awareness for society reforms. This ultimate shall create a healthy nation.

TAX STRUCTURE IN INDIA

We all know India being a democratic country, is comprised of well-structured and a proper functioning taxation department which is divided into State Government, Central Government and local bodies. Taxes which levy on service tax, custom duties and central excise lie under the Central Government. Those which are levied upon Profession tax, VAT, stamp duty, state excise and land revenue lie under the State Government. Lastly, those which are levied upon basic utilities like water supply, drainage lie under the local bodies. Income Tax is levied upon the income of the individuals, or firm, companies, HUF etc.

Income tax in its modern form was introduced in India in 1860. In 1886, the first Income Tax Act was enacted. An All India Committee was formed in 1921 to reconsider the existing law relating to income tax and to make suggestions for its improvement. Besides this, the Central Government appointed a committee to suggest measures to prevent tax evasion and to minimize the inconvenience to the assessee. On the basis of the recommendation of this committee the present Income Tax Act, 1961 was enacted. The Income Tax Act, 1961 contains the present law of income-tax. The Income Tax Act, 1961 extends to the whole of India. It has come into force on 1st April, 1962.

Direct Taxes- Direct taxes are those taxes which are directly levied upon individual by the Government. The liability to pay tax is of the individual himself and he cannot transfer this liability to another tax payer. The taxation level is of the residential status of an individual. Example of Direct Tax is Income Tax.

Indirect Taxes- Indirect Taxes are those taxes which are indirectly paid by the assessee to the government authorities in the form of VAT or any excise duty.

EFFECTS OF TAXATION ON ECONOMY

Effects of Taxes:

Revenue collection is the most important tool for any government to bring about all round development for its countrymen. Achieving this government needs to impose taxation to fulfill all its requirements. The expenditure can only be met in the form of collection from taxes. Production and the distribution thus can be calculated guided by the pattern of consumption in any economy.

Economic effects of taxation can be studied under the following headings:

1. Effects of Taxation on Production:

Production is influenced by taxation in the manner.

Taxation can influence production and growth. Such effects on production are analyzed under three heads:

1. Allocation of cash resources
2. Inculcating saving and investment
3. None the least, work ability

2. Effects on the Ability to Work Save:

Taxation reduces end income in the hands of tax payers. The necessary expenditure for improving the life standard goes on a decline. This has a negative effect on ability to work. The savings and investments go down as people do not have available the extra amount of cash with them.

On the contrary, taxation has least effect on the affluents. Thus resultingly have adverse effects on work ability. The need of hour imposing taxes on the unnecessary products counting their harmful effects to reduce their consumption.. The economic growth of a country depends upon the gravity of investment. Rich people are able to save more whereas middle class has a dampening effect with lower rate of investment. Concludingly, the taxation has disadvantages to save and invest with an eye to work ability.

3. Effects on the will to Work, Save and Invest:

The cash availability with a tax payer is the biggest factor contributing to savings and investment along with work ability. Temporary taxes as imposed for certain emergencies like drought, floods, and wars never produce negative effects on work ability or habit to save and invest. But at the same time, the prolonging of such taxes will decline to meet their aims ultimately work capacities and savings habits of the tax payers can stoop low. Any tax in a country has a feeling of burden on taxpayers which resultantly pulls back the extra working responsibility towards the country. Knowingly, working late putting in extra hours to work might result in some extra income but again, this would be taken away in the form of taxes by the government.

4. Effects on the Allocation of Resources:

The pattern of production can always be influenced by the taxation volume. Some harmful products may lose their demand with higher rates of taxation on them.

The masses at large, very specially targeting the youth the government is able to discourage the production of such harmful products helping to root out the negative effects being hurdle for any growing economy. On the other hand, there is an advocacy for few tax concessions on certain commodities as given in for certain locality or backward areas. A balanced development of resources allocation in the backward areas may help remove the regional disparity.

5. Effects of Taxation on Income Distribution:

Income and wealth in the hands of taxpayers has both positive and negative effects on the basis on taxation. The equality of income deviates with the reduction or increase in the taxation system. Social reforms with little tax burdens on rich people brings the country in the category of progressive economy.

Heavy imposition of taxes on non-essential goods and luxury items always has a positive effect on income distribution. This brings in a steep reduction in inequality of income. At the same time, necessary items should never be imposed with a heavier tax to have a wrong effect of income distribution. The emphasis has always been laid by the government to reduce the inequalities of income with a higher percentage of income tax. Subsequently, work ability here falls unfavorably to investments and savings. It can be seen the larger output and the equitable income can never be achieved on the same lines.

6. Other Effects of Taxation:

In order to increase the ability of people for desire to work brings in healthy habit of savings and investment. This is called a favorable effect on the employment channels available in any country. Taxes collected must be necessarily utilized for development projects. This in turn shall bring about increased employment opportunities in the nation. In the opposite situation, if the taxes affect the volume of savings, investment goes down, the problem of unemployment and recession may take an ugly turn. The price index also is affected by the taxation laws in any country. Many a times the government needs to impose taxes to curb rising prices and in order to bring down the rising prices and deal with the inflation. On the other hand, on the negative turn, the taxes can also lead to the high rising cost of production.

It is amply clear that both advantageous and disadvantageous affects can be seen by the parameters of taxation policies in any emerging economy. However, the taxes should not be made to stay in the long run. The taxpayers must have a feeling of relief from unnecessary taxes in order to contribute to save and invest giving a healthy economy.

SECTION 80C

Overview of Deduction under Section 80c:

Lack of awareness makes one ignorant. We have often seen people shine away when it comes to tax planning. It is a very simple process that one can save the taxes in proficient manner very especially under section 80C of Income Tax act 1961. Deductions available under this head include LIC premiums, ELSS mutual funds, bank FD, tuition fee and investment in pension schemes. The limit for deduction is Rs 1.5 lakh. It clarifies that all investments made up to the limit of Rs 1.5 lakh will be exempted from tax. Home loans, education fee and other investments fall in this category.

Eligible Deductions under Section 80c:

The following is a list of dedications that are included under section 80C.

Home Loan Payments:

Under this head, two major constituents are principle and interest when we pay home loan EMI. We can claim the tax benefits under sec 80c of income tax act 1961.

Stamp Duty and Registration Charges for House:

Incidental expenses for buying anew home for example registration of property and stamp duty. All expenses incurred in this regard is eligible for deduction under section 80c.When you buy a house, one of the expenses you incur will be payments for the stamp duty and the registration of the property. Whatever is spent on these expenses is eligible for benefits under section 80C

Life Insurance:

All life insurance premium under insurance plans among whether including union linked and traditional plans available in the market are eligible for deduction under sec 80c. The premiums paid for our spouse is also entitled to be claimed as benefit under this section.

Health Insurance:

The med claim policy generally known as health insurance is done by the general insurance companies. This can be in the form of individual or a family floater policy. The annual premium paid to the tune of Rs 25,000 annually is allowable for deduction under sec 80c. The benefits derived are concurrent to the risk and the rising medical costs of treatment in the country. The lifestyle, standard and health habits contribute taking the health insurance.

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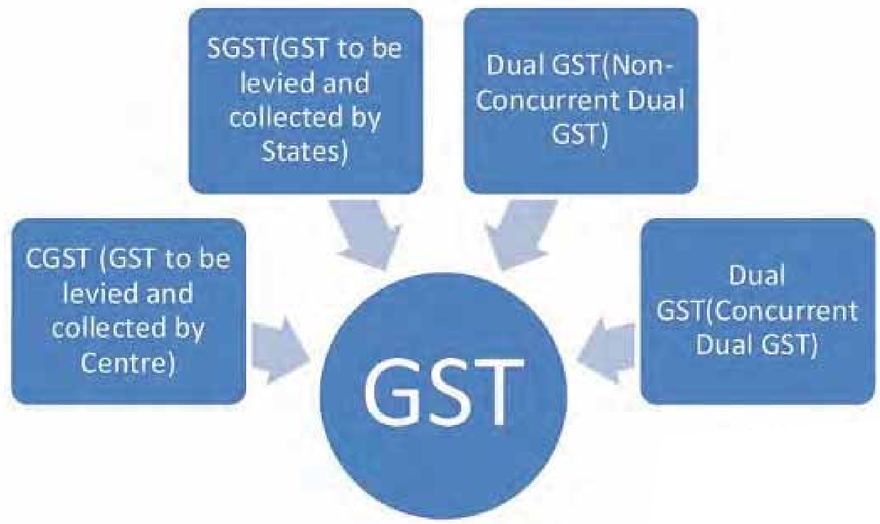
Pyush Misra
Director
Consumer Online Foundation

GOODS AND SERVICES TAX (GST)

GOING BY THE commitment of universal tax policy in the nation, the Government has finally been able to table the GST in Parliament. The bill has been approved and passed unanimously in both the houses of parliament. This is going to bring along great financial reforms in the country since our independence. All major industries, business houses and traders are going to be benefitted by this transformation. The path ahead is now very clear with a roadmap being laid down for the course of implementing GST with effect from 1st July 2017. The approval and the green signal has been given by the finance ministry. Centre and states have jointly constituted the GST Council. It consists of representatives from states and the centre.

Several meetings have been held and various discussions have been taken upon on issues of dual control, rate structure, GST laws, and exemptions. In the LokSabha during the budget session, the bill was introduced in the Parliament to include Central GST (CGST) Integrated GST (IGST) and Union Territory GST (UTGST). This comes along with the bill for compensation to states. The approval to the bill making it a success took along course of debate and discussion. Further modalities shall be worked upon time to time paving way for any amendments required under bilateral consent. A general understanding on the GST shall help doing away with the various levels of taxation between states and the centre. This is going to benefit the end consumer in the long run thus preventing him from multiple levels of taxation, occurring on certain goods between interstate trades.



The maximum transparency shall be enforced with regards to tax rates. All prevalent taxes will be gone making way for two Levels, one Central GST and the second State GST. There shall be considerable reduction of total taxes taking into account the central vat on manufacturing goods too. The taxes which are going to be taken over by GST will be as under:

Here's a list of taxes that the GST will likely replace:

1. Excise duties on medicines and toiletries
2. Special addition duty of customs.
3. Excise duty on goods of special importance
4. Service tax
5. Central excise duty
6. Cess and surcharge on supply and services
7. Additional custom duties(CVD)
8. Excise duties on textile products.

The implementation of the proposed GST is going to see a lightening effect in the country's social and financial reforms. The maintained rate of GDP has further boosted the country's economy. According to Asian Development Bank, India is to remain the fastest growing major economy in the coming times. The growth is expected to be over 7.4% in 2017 and 7.6% in 2018. The world shall witness Indian expansion to a new high. The growth in China being our major competitor is likely to slow down in the next two years as ADB (the Asian Development Bank) said in its latest forecast.

Asia development outlook (ado) reports that the slowing pace of 7.1% registered last year was due to declined investment opportunities and the demonetization effect initiated by the government in Nov 2017.

An array of important reforms has propelled economic success for India in the recent years. In the continued commitments for such reforms the banking sector shall help India in maintaining its strategic status as the worlds' fastest growing major economy.

CORPORATE TAXES IN INDIA

TAXES IMPOSED ON the net income of any company are called Corporation Tax.

Description: Any company which is registered under the Companies Act 1956, both private and public limited are liable to pay corporate tax for the income earned during an assessment year. The rate of tax however, is 30%. Surcharge at the rate of 5% may be levied extra if the net income falls between Rs 1 crore to 10 crore. Beyond 10 Crores of income, the surcharge is hiked to 10%. Another cess known as education cess at the rate of 3% is levied on the income tax irrespective of its level.

On the other hand, foreign companies who receive royalties and fees in a particular time frame are subjected to a higher tax of rate of 50%. Other income is taxed at 40%. Surcharge 2% if the income falls between Rs 1 crore to 10 Crore.

In case the income exceeds Rs 10 crore, surcharge is increased to 5%. Education cess here again is 3%; levied on income tax and surcharge. Net profit of any company is imposed with the corporate tax. The rules and regulations laid by the income tax act 1961, and the amendments there upon are complied. The tax such imposed may have an alternative ways depending upon its company's assets, payroll, or income computed in the alterative manner. There is a practice of exempting certain types of corporate taxes in most countries in the event or transactions from income tax. It may relate to the capital cost as per the specific rules of taxation.

At certain point of time, financial costs are allowed at reductions of the tax base. Here the different rules may apply as per the classification of the groups providing such financing. Few items at interest may be allowed for deduction subject to certain limitations. Whereas the dividends do not get this treatment. Certain other systems might have more complex rules limiting the deduction based on simple formulas such as debt to equity ratio.

We also get to find a mechanism where certain groups of corporations may be benefitted from losses and credits. This mechanism may include combined or consolidated returns as well.

In certain cases the shareholders are additionally taxed for the dividend and other distributions made by the corporation. Also there is a provision for partial integration of entity and member taxation. This is called as franking credits or imputations system. Earlier this kind of mechanism has existed for advanced payment of member tax by corporations.

We also come across sub country level systems. Here the tax imposition is on a particular corporate attributes. These non-income taxes are based on capital stock issued or authorized by no of shares or value. The total equity, net capital and other measures are unique constituents to corporations. At certain levels, corporations like other entities may be subjected to withhold tax obligations on various payments to others.

These might not be the obligations related to the corporation tax. However, the system may impose penalties on such companies or its officers and employees failing to withhold and comply with such tax payment. A company always has a separate legal entity defined as a juristic person differently existing from its shareholders. The net income earned by any corporation is computed and assessed in the hand of the company. Other distributions made to its shareholders in the form of dividends are taxed in the hands of shareholders. Property tax, payroll tax, excise tax, value added tax and duties are certain other common taxes which do not come under the ambit of corporate tax.

Citizens' voice has always been the reason as the need of hour, specifically pointing out that the government's need to work on lowering corporate taxes in order to create job opportunities. Personal income tax on the other hand may not be lowered because job creation can only be feasible on reduced corporation taxes.

Many renowned scholars and leading economist have pointed out the need of relief so as to compensate people for the inconvenience and loss caused by demonetization. The negative effects need to be given some incentives, applying balm to the wounds.

The corporate sector has always raised the issue for the tax reduction on the industry. The industry needs to reduce the burden of surcharge and cess making stricter and astringent enforcement provisions for noncompliance of tax laws.

Observers have reported the increased tax collection in the recent times therefore argument goes well for reducing the corporation tax which will not be a revenue loss to the government. At the same time, the high tax burden shall be removed from corporations. Thus India can be in parity with most attractive international investment destinations.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IMPACT OF GST IN INDIA

> One of the biggest benefits of implementation of GST will be seen in the logistics sector. Indian trucks which clocks around 280 km per day (on average) much below world average of 400 km per day will get a boost.

THE LOK SABHA has finally passed the Goods and Services Tax Bill which will take effect from 1st July 2017 and it is expected to have a significant impact on every industry and every consumer. It is expected that it will have both positive and negative effects like any other thing. Apart from filling the loopholes of the current system and making it stronger, it is also aimed at boosting the Indian economy. This is going to be done by simplifying and unifying the indirect taxes for all states throughout India.

Below are the few things that will be influenced by the GST:

What will be expensive?

Eating Out

Dining out will be expensive after the implementation of GST. This is going to happen as:

In a restaurant, for example, if a consumer spends Rs.100. Currently one has to pay an average of 18.5% as service tax and VAT. So apart from the service charge, you usually shell out Rs 118.5.

But now, according to GST, it's expected that the rates can be fixed at 18 to 20%.

Accordingly at 20% approximate tax rate, the bill will be 120 rupees.

Phone Bills

Similarly in the case of phone bills, if a bill of Rs 100 on which consumer pays service tax of 15 % and finally pays Rs 115 as total amount to his service provider.

After GST, if the tax rate is fixed at 18 % then he will be paying Rs 118 for the same.

After implementation of GST, internet packs and call rates are also likely to get raised.

Jewellery

Jewellery is also all set to become expensive. At this point of time, only 2% tax is paid by the buyers, but sadly this is going to rise after the implementation of GST. At least 6 % is expected to be paid by buyers. This will highly impact sales of jewellery.

The Constitution (122nd Amendment) Bill GST

Highlights of the Bill:

1. Goods and Services Tax (GST) has been introduced by amendment in the constitution.
2. All the states willing to implement this new amendment shall have concurrent powers to make law on GST. On the other hand, the interstate supply of goods and services including imports may be levied with an integrated GST (IGST).
3. Five petroleum products will also come in the ambit of GST at a later stage. However, alcohol for human consumption has been granted exemption from GST.
4. Special provisions to certain states will be decided and recommended by the GST council for the implementation of tax rates. Also the period of levy shall also come under this purview. The council for GST will constitute Union Finance Minister, Union Minster of State for Revenue and Finance Minister of respective states. The Bill empowers the centre to impose an additional tax of up to 1%, on the inter-state supply of goods for two years or more. This tax will accrue to states from where the supply originates.
5. Centre shall be empowered to levy an additional tax of 1% which will apply to the interstate trade for two years or more as decided. The supply originating from the state shall have the accrual of such tax.
6. On the grounds of compensation to states in the event of loss revenue of such introduction of GST, Parliament may comply by the law for a period of 5 years.

The rolling out of GST shall be on uniform basis of taxation across the country.

Online Shopping

Well, don't be surprised if E-commerce companies suddenly stop giving discounts that they offer.

Soon, for every purchase from its sellers, the e commerce companies will pay a fixed TDS.

Consequently, the cost for example commerce will increase. This will impact the sales as customers will be expected to shell out more money for the same goods.

Travelling

Air tickets too will become expensive after the implementation of the GST.

Currently, Service tax on airline fares ranges between 6%-9%. GST will drive the taxes up further to 15%-17%

What will be cheaper?

Buying a car

The luxury of a car will now seem reachable for the common man. Yes call it a dream come true or anything else!

Buying a car will now be hassle free in different states with same prices everywhere.

Thus, Rs.5 lakh car with excise duty of 12.5 % and with VAT roughly totals to Rs 6.25 lakh. But now under the GST, it is expected to get lower up till Rs 35,000. If the rate is fixed at 18%, the price will now be Rs 5.9 lakhs. Automobile industry surprisingly looks upwards.

Movie Tickets

Entertainment Taxes are likely to reduce by 2-4%.

Multiplex chains will increase their revenues as current high rate of entertainment tax will be uniform in all parts of the country. Lower the ticket price, higher the ticket sales will be. The film producers will also get benefit from this advancement.

Processed Foods

Companies manufacturing processed food pay various taxes summing up to 24%-25%. With the coming of GST, it will sum up to 17%-19%. Such huge savings from the taxes may issue a decrease in prices of products, ultimately making it cheaper for end consumers.

Further Impact of GST in Indian Economy:

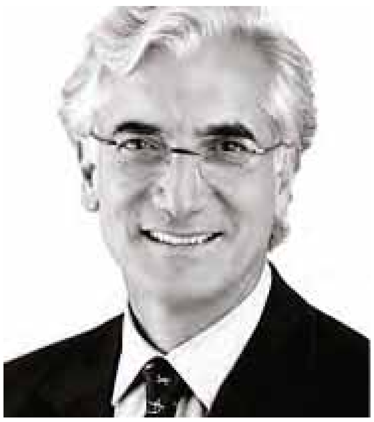
POSITIVE IMPACT:

1. Reducing tax burden on producers and foster growth through more production. This process of double taxation prevents manufacturers from producing to their optimum capacity and retards growth. GST would take care of this issue by providing tax credit to the manufacturer. Thus, GST is expected to have a favorable outcome on the economy.
2. Also, transparency is highly expected to indulge in the system as the customers would know exactly how much taxes they are being charged and on what base.
3. Removal of cascading effect of taxes which are embedded in cost of production of goods and services, significantly reducing cost of indigenous goods and indirectly promoting 'Make in India'. This is yet another major pros of GST in the economy.
4. Benefit of GST for the Centre and the States: According to experts, by implementing the GST, India will gain $15 billion a year. This is because; it will promote more exports, which will result in creating more employment opportunities and boost growth. It will also divide the burden of tax between manufacturing and services.

DISADVANTAGES OF GST OR THE NEGATIVE IMPACT:

1. According to some Economists, GST in India would impact negatively on the real estate market. It would add up to 8 percent to the cost of new homes and reduce demand by about 12 percent.
2. GST is being referred to as a single taxation system but in reality it is a dual tax in which state and centre both collects separate tax on a single transaction of sale and service.
3. Currently, majority of dealers are not covered with the central excise but are only paying VAT in the state. From now onwards, all the Vat dealers will be required to pay “Central Goods and service tax”.

India should consider using unclaimed funds in banks



Sir Ronald Cohen
known as the rock star of social impact investing in the world, was on a whirlwind tour of India from March 17 to March 22 last year to promote a unified view of impact investment and to encourage policy change to help the $2-billion nascent industry in India.

Interview By: Prasanta Sahu of FINANCIAL EXPRESS EXCERPTS:

Q How do you see the social impact investment gaining globally?

It's going to grow more than $4-5 trillion in 20-30 years from a few billions of dollars now (according to an estimate $60 billion). It will overtake private equity and venture capitals.

Q How do you find the social impact investment eco-system in India?

What is very striking is that the profit with purpose impact investments started here many years ago. On top of that, the CSR rules, which are unique in the world in taking 2% of corporate profit and allocating it to charitable use, have started the eco-system in the country. (Under current rules, philanthropic trusts can't put even a single rupee in impact investing because there is some profit being made. So, India's Impact Investors Council has sought a change in tax law that they should be allowed to do this).

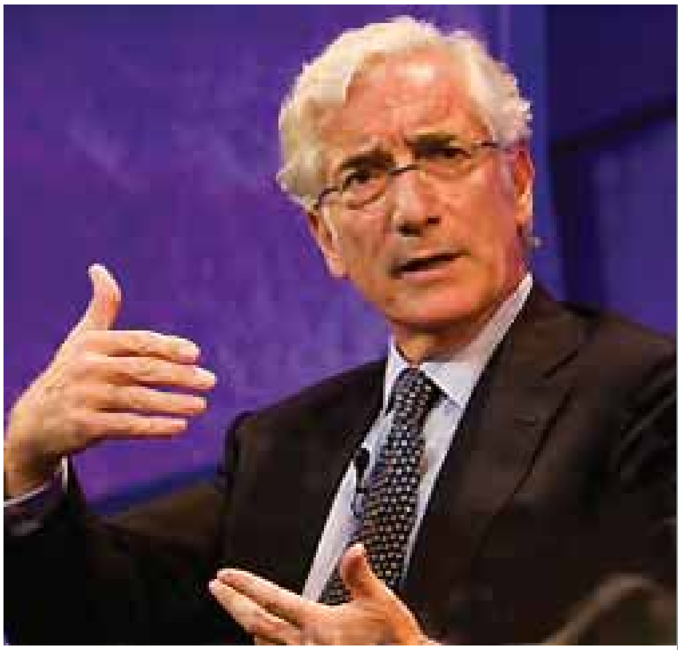
Q What can India learn from global practices?

One area to look at is unclaimedassets in the banking sector. In the UK, the government allowed us to create a social investment bank, which is a wholesaler of capital for impact investment organisations, mainly, not-for-profit. We created an investment firm called Big Society Capital with £600 million of equity capital. I think for India, to have an organisation of this kind whose goal is to develop the sector on lines of the British experience, will make sense.

Q How can funding be enhanced for social impact investments in India?

I think one of the most exciting potential developments in India which we have been working for the last few days is the creation of charitable outcome funds. These would receive money from CSR allocations and contract with issues of social impact bonds to address different social issues in areas like

In an interview with Prasanta Sahu, Cohen, Chairman of the Global Social Impact Investment Steering Group, says India should consider using unclaimed funds in banks to set up a body to provide capital to impact investment organisations and ease rules to allow the corporate social responsibility (CSR) funds to the sector.



education, health and skills. This would have the effect of crowding in money from investors, who might otherwise not provide money in grants, because they feel grants would not achieve the desired outcome. It is a way of adding a multiplier to the impact of CSR money.

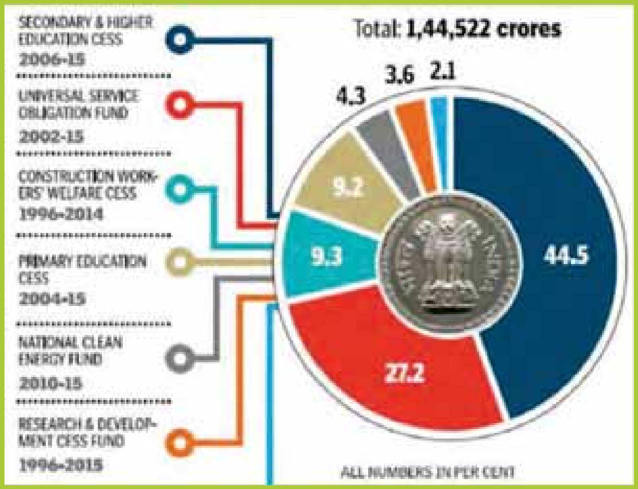
Q Has the idea of social impact investment gained currency?

I see social entrepreneurs beginning to measure the impact of what they do and also express a desire to attract capital rather than just grant funding. So, today, the world we live in is one where a social entrepreneur can opt to choose a not-for-profit model supported by social impact bonds or a profit with purpose model supported by venture capital, impact venture capital, impact investment of other kinds. In India, there are 50 impact investment management firms with over $2 billion in core investments.

Q Is time ripe for social impact bonds in India?

A development impact bond in India has already been used in Rajasthan for checking dropout rates from primary schools for girls. I think India is on road to launching a number of social impact bonds. India could lead the world in tackling social issues.

Rs. 1.4 lakh crore cess money lies idle



The funds collected can be used only for the designated purpose and cannot be diverted

More than Rs. 1.4 lakh crore of funds collected by the government under various cesses for purposes as varied as higher education, road development and the welfare of construction workers are lying unutilised, shows an analysis by The Hindu of a Comptroller and Auditor-General report on government finances and answers by Ministers in the Lok Sabha.

Despite these unutilised funds, the government has shown that it is still keen on cesses. It has already levied a 0.5 per cent Swachh Bharat cess and is proposing a 2 per cent regional connectivity cess in aviation and increasing the cess on sugar production.

At a time when students are protesting the discontinuation of the non-National Eligibility Test fellowship, the CAG report, tabled in Parliament has found that a whopping Rs. 64,288 crore collected during 2006-15 under the Secondary and Higher Education Cess (SHEC) is lying unutilised. The SHEC is levied on all tax payers at the rate of 1 per cent.

"Neither a fund was designated to deposit the proceeds of SHEC thereto nor schemes identified on which the cess proceeds were to be spent... Thus, the possibility of the diversion of funds for purposes not mandated under the Finance Act cannot be ruled out," says the CAG report. Over the years, the government has levied a number of cesses for spreading education, the welfare of workers, road development and research and development. The nature of a cess is such that if the money is not used for the designated purpose, it will remain dormant. As a normal process, the cesses are allowed for a specific purpose. For example, the education cess can only be used for education. Using the funds in other areas would amount to misuse.

At a time when cash flow is a necessity, unutilised funds lying locked away in such a manner would have a huge detrimental impact on finances.

The CAG report finds that more than Rs. 39,000 crore, or 60 per cent, of the Universal Service Obligation (USO) Fund's resources between 2002-03 and 2014-15, raised through a levy of up to 5 per cent of the revenue of all telecom service providers, is lying unutilised. The amount collected has not even been transferred to the USO Fund.

Additionally, answers given in Parliament by Labour and Employment Minister BandaruDattatreya in April 2015 show that "as per information received from the State governments, Rs. 2,859.86 crore, that is 17.63 per cent, has been spent for the welfare of the construction workers out of the total cess amounting to Rs. 16,214.51 crore collected till December 31, 2014". In other words, around Rs. 13,300 crore is lying unutilised. The Primary Education Cess netted Rs.1,54,818 crore from 2004-05 to 2014-15. Of this, Rs. 13,298 crore is lying dormant.

The National Clean Energy Fund, the Research & Development Cess Fund, the Central Road Fund, the Income Tax Welfare Fund, the Customs & Central Excise Welfare Fund and several dormant funds have Rs. 14,500 crore lying unused.

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Farm incomes not to be taxed: Arun Jaitley

Union Finance, Defence and Corporate Affairs Minister Arun Jaitley has categorically dismissed any prospect of the government bringing agricultural income into the income tax net, a day after the Centre's think tank NITI Aayog mooted the idea.

“I have read the paragraph in NITI Ayog Report entitled 'Income tax on agriculture income'. To obviate any confusion on the subject, I categorically state that the Central Government has no plan to impose any tax on agriculture income,” Mr. Jaitley said in a statement.

“As per the Constitutional Allocation of Powers, the Central Government has no jurisdiction to impose tax on agricultural income,” he added.

Mr. Jaitley's swift clarification to the NITI Aayog proposal is being seen as an attempt to nip in the bud any potential controversy on a sensitive issue pertaining to farmers and rural India.

The NITI Aayog as part of its three year action plan for the country, had recommended a review of the tax exemption on agricultural income. The proposal was circulated during a meeting of the Governing Council of the think tank chaired by Prime Minister Narendra Modi and includes all Chief Ministers.

The Aayog has reasoned that non-agricultural entities sometimes use the blanket relief to evade taxes.

“On the personal income tax side exemption should go... also tax rural sector, including agriculture income above certain threshold,” said Aayog member Bibek Debroy, pointing out two-thirds of the 225 million households in India are in rural India, which is effectively out of the purview of all personal income taxation.

“All agricultural income is currently exempted from income tax regardless of its size. While the provision is meant to protect farmers, non-agricultural entities sometimes use it to evade taxes by declaring agriculture as the source of their income,” an Aayog official had said, terming it a loophole in the war against black money.

Investments and Mutual Funds

POOJA KHAITAN

Higher the sensex, one earns huge profits. On the contrary, when the sensex is lower, the investment is made for multiple units, Hence; the investor is always in a win win situation.

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISK; READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

FAILING TO PLAN is planning to fail. Investments secure our future and at the same time, support us with immediate liquidity. They do not only earn us the interest but provide an umbrella to our increasing age and save us from any rainy day. We ourselves and our family and dependents need a secured tomorrow with methodical investments and planned future.

Mutual funds have come to the rescue of the common man in the current scenario. The work is done under the expert workmanship of the fund manager, who is responsible in making the fundamental policies instrumenting the funds in flow of investors in the diversified plans to the best interests of investors lobby.

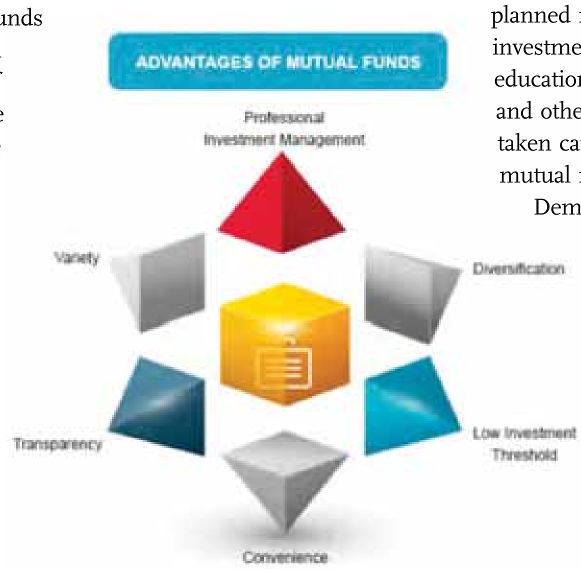
The basics of mutual funds never require a person to make huge investments. One can do so through Systematic Investment Planning (SIP). Monthly ECS are debited to the investor's account and transferred to their choice of mutual funds. This can begin with a meager amount of Rs 500 per month. Subsequently one can go up to his maximum paying capacity for savings, looking to his future targets. One needs to understand that retaining in mutual funds for a longer period gets rewarded with huge corpus fund in a given period of time. Liquidity is easily available at the touch of a laptop sitting at home. One doesn't need to make rounds of the concerned mutual fund company. Investor's account gets immediate credit as per his wish pertaining to partial or complete withdrawal. These kind of mutual funds are called open ended. There is another variant of close ended mutual funds. Locking period of 3-5 years is a stipulation mentioned therein in the closed ended funds. These are most suitable for tax saving purposes. Equity Linked Savings Schemes (ELLS) are instrumental in tax savings with locking period, which again gets investor into a profitable situation.

Systematic Investment Planning (SIP) in mutual funds can take along the highs and lows of the sensex chart prevailing in the country. Higher the sensex, one earns huge profits. On the contrary, when the sensex is lower, the investment is made for multiple units, Hence; the investor is always in a win win situation.

Investments in mutual funds though subjected to market risks are directed into various plans thus reducing volatility.

These days, Investment in gold has come up to a sticking point not enabling the retaining power of investment in gold. Bank fixed deposits and recurring deposits are not able to earn interest beyond certain limit of percentage. Even Provident Fund and Public Provident Fund have witnessed falling percentage of interest rate. Entering directly into sensex, and trading into shares, is highly dicey. Looking at all the above adversities we find the investments in mutual funds is a planned manner of safe and secured investment for one's future. Be it higher education of the children, wedding expenses and other incidental over heads are easily taken care of by systemic investments in mutual funds.

Demat has made the above option very handy online, resulting into saving one's time money and energy, At the click of a mouse, one can go through the current status and the financial stability of invested amount into mutual funds. As and when required the switch can be made to the better performers.



BENEFITS OF INVESTING IN MUTUAL FUNDS

- Easy to buy and sell.
- Investments can be made in lump sum or periodic payments (easy on the pocket).
- Mutual fund industry in India is very well regulated and transparent.
- Professional management – saves time, costs and reduces risk.
- Diversification – to protect from downside risk.

OUTOFTHEBOX

INFLATION AND TAX POLICY

THE TAXATION POLICIES have always impacted inflation thus effectinga burden on the consumers. Any goods that are imposed with taxes, the consumers have to bear the brunt to pay more which leads to rising prices resulting in inflation. On the other hand, when taxes are reduced on the products, this also leads to reduced inflation impact as consumers have to pay less.

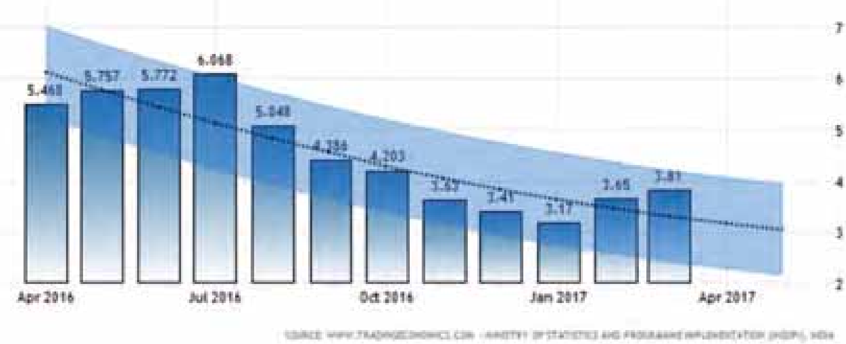
At times it has come to the notice of researchers, that reducing the taxes on consumer products so as to contain the inflation is a short term measure. This cannot be prolonged. A Long term solution needs to be found out for reducing the burden on the consumers. The analytics have found that even if the taxes are not high on the particular products,in that particular situation, the graph of inflation is constant. In cases where the taxes are brought down to zero, to curb the inflation the positive effects are seen missing in their given scenario. There is a tendency in market of buying more when the prices are low. Resultantly this leads to high inflation due to the variation in demand and supply for particular products. However, the taxes, both direct and indirect are a source of revenue for the government. In the larger issue, when the taxes are reduced, the government revenue also dips down very low. This is a condition of fiscal deficit as in the case of India where the Central government needs to resort for deficit financing.

Taking measures for deficit financing can be seen in two forms: The first is issuance of bonds, and printing of more currency. Excessive liquid currency in the market again leads to inflation thus nullifying all effects of tax reduction. Such inflation resulting from printing more currency can prove disastrous for any economy.

New bonds issued cannot be imagined to fetch sufficient funds from the general public. This will only lead to withdrawing money from other investment for these particular bonds. Subsequently, higher interest rates may decide the inflation rate in the country.

Maintaining the price stability has always been the foremost objective of the Central banks in any country. Hence inflation is impacted by the monitory policy and taxation as imposed by the government. The effects are always unpredictable which could be for short or long term, temporary or permanent nature or direct or indirect.

INDIA INFLATION RATE



It is a common factor that the change in tax rates has always been related to change in prices. This has been very instrumental in determining the inflation and its related term. The relation of goods and services to the changing prices can also change the graph of inflation all over. The economic activity of any country depends on the tax structure and incentives given thereupon. The capacity of general public towards investment and capital determine the potential growth rate of the nation. The ups and downs prevalent in any economy seen as jerks in the market and their potential to adjust depend on the tax structure to a large extent.

We know that the elasticity of demand and the availability of supply for various goods, services, capital and labor are always affected by direct taxes. The increasing cost of labor, payroll taxes and the employers' contribution towards social security reduces the firm's net profit marginally. The higher consumer prices depend on the business environment as per the government rules and regulations. Tax policies have a great impact on the gains and losses for any business house or establishment. The relaxation of taxes must be passed on the customers so as to contain the inflation.

In the demand sector, changes in direct taxes such as Income Tax as capital gains have a direct impact on the available disposable incomes of the taxpayers. In the case of taxes being on the higher side, the demand for goods and services goes considerably down. Prices have pressure again being related to such demands.

Indirect taxes such as VAT and Excise duties usually have a direct and immediate impact on the gross price of the affected goods. Overall effect on consumer prices may be visualized being implied by the increased duty. Alternatively producers can also be encouraged to reduce the net prices to compensate for part of tax increase by reduction in profit margins. Higher prices for consumer goods always relate directly into the higher nominal vat obligations. Many a times income limits are fixed in nominal terms towards wages. This takes them to the higher tax brackets in such a manner the high inflation is liable to prevail making distortions in the economy created by the taxation policy of the government.

It is evidently clear that taxation has an important role to play having its impact on inflation in any economy. The creation of money beyond needs again leads to higher prices. The general perception of the public is the incentives granted by the governments. Convenient tax policies and the encouragement towards small savings can always contribute to reduce the market prices.

Taking right steps toward nation building, the policy makers need to emphasize on the social standards of its countrymen. The urban and the rural areas must also be seen as determining factors of such formulation and implementation of taxes towards various sectors. Increased prices always lead to inflation, and the prices on the low lead to deflation. The government needs to maintain proper balance to bring about the parity in its duty and agriculture. The disparity between the rich and the poor must always be on priority which can be attained taking its effective measures controlling rising prices and preventing inflation. These are the basic principles where the researchers have found the tax structures always impacting the prevalent prices.

TIPS TO SAVE TAXES

Taxes have seemingly always been a burden on the general public. The call of time is to bring about the awareness of paying taxes. Althoughthere are means for tax savings if channelized in the right direction. Another term is Tax Evasion or Avoidance. This falls in the illegal category and must always be discouraged.

Paying taxes genuinely brings about a sense of pride in the taxpayer. He is able to contribute towards the growth of his nation and the economy as a whole. What we pay as taxes to the government comes around back to us in the form of development, infrastructure, and overall progress of the masses and the nation building process.

The Income Tax Act 1961 has laid down a few steps for tax savings by giving a relief to the taxpayer and bringing him in to genuinely lobby for the honest responsible citizen of the country.

As we know the government has given out a basic assumption of Rs 2.5 Lakhs to be free from any income tax. There after slabs have been specified according to the income structure. Now, income of up to Rs 5 Lakh, the tax rate is 5%. Earlier this was 10%. Tax rebate of maximum Rs 500 will be allowed for total income up to Rs 3.5 Lakhs.

Section 80C of Income Tax Act allows us to save tax to the tune of Rs 1.5 lakhs. This can be in the form of life insurance premium, provident fund, tuition fee, NSC'S, home loans, equity linked savings schemes and bank fixed deposit for minimum 5 years.

Health insurance for up to Rs 25,000 helps us to save tax under Sec 80D of Income Tax Act 1961.

House Rent Allowance has also been allowed for tax reductions and savings subject to certain terms and conditions. This varies between urban and sub urban areas.

National Pension Scheme has recently been introduced by the Central Government where one can save taxes up to an investment of Rs 2 lakh, This was earlier limited to Rs 1.5 lakh.

Additional rebate under sec 87A for income up to Rs 5 Lakh gives out a relief or Rs 5000 to the taxpayer.

Government has also promoted the higher education loan taken for the taxpayer for himself or spouse or children. This can be claimed as deduction under sec 80E of Income tax act 1961. However this is only allowed for the repayment of interest and not for the principle amount of education loan. This education loan is only available to the individual taxpayers. No maximum limit has been specified for claiming such reduction.

Income tax reductions for donations given for charity to social organizations, contribution towards national relief fund have been allowed under sec 80G of Income Tax Act. The Finance Ministry has pre specified the organizations to which these donations can be made and are allowed for such reductions under Income Tax Act.

In certain cases, 100% of such donations are allowed as deductions. Whereas, in other cases only 50% of such donations are allowed to be claimed as deduction.

Donations cannot be in kind. It needs to be in cash or through bank.

In the above context, we have tried to explain the various modes where a taxpayer gets tips to save taxes. At the same time, he is contributing towards nation building simultaneously. All this has been provided to educate the honest tax payers, identify them by encouraging and bringing them into the mainstream. Thus, it is apparently evident that there is no place for tax evasion or avoidance as these carry heavy penalties and stricter prosecutions.

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