

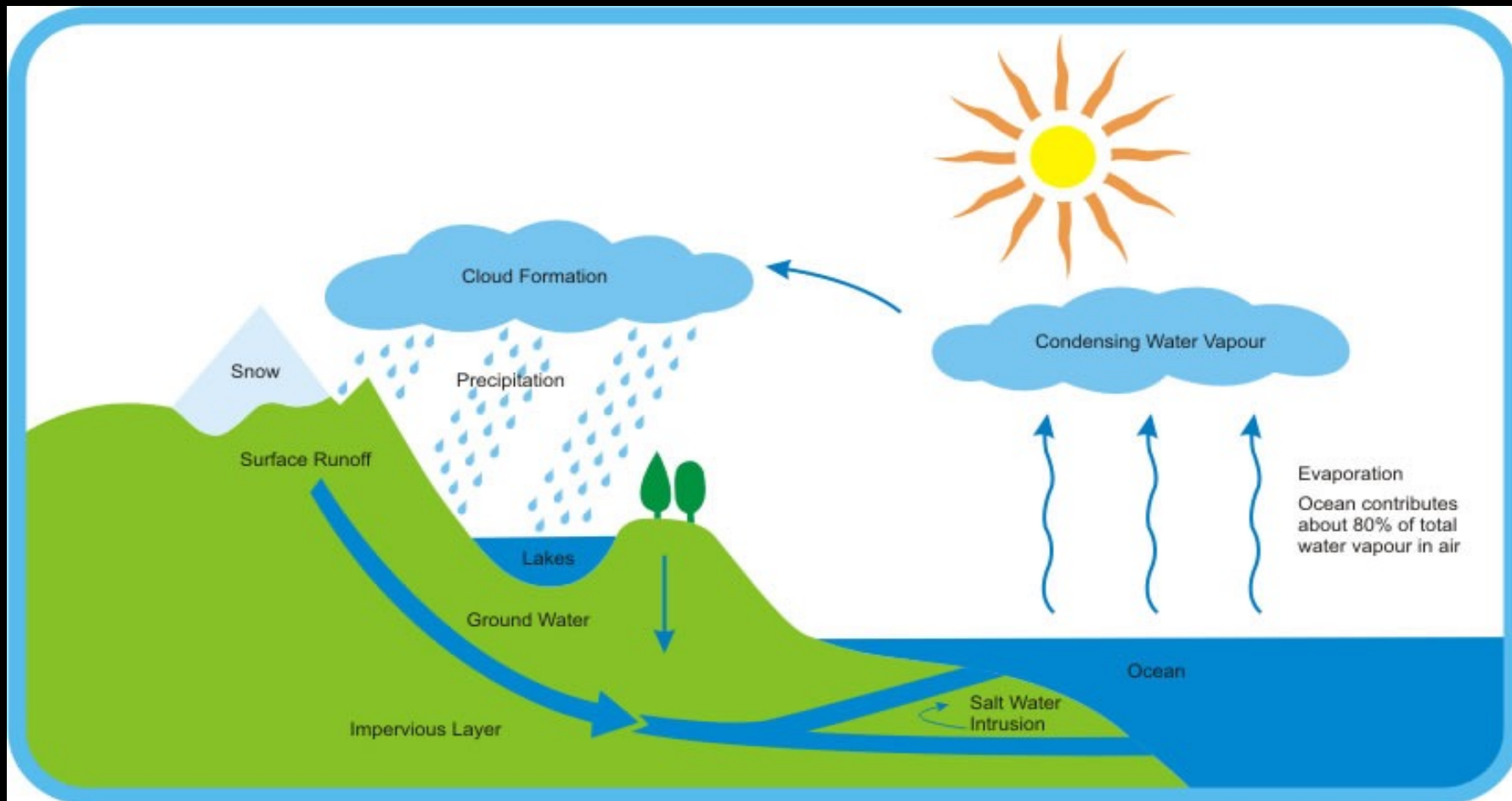
Taxation

by
Sivakumar G

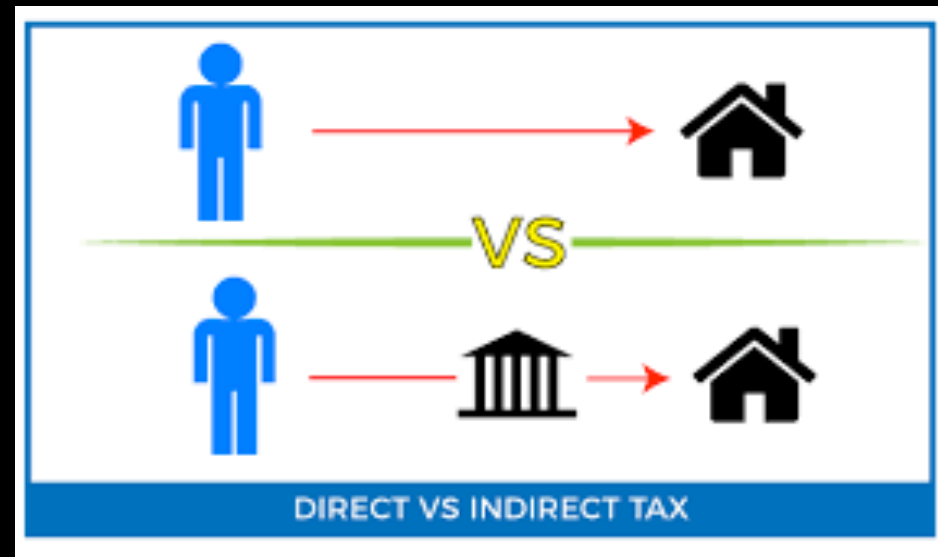




Levy, Collection and Appropriation of Tax

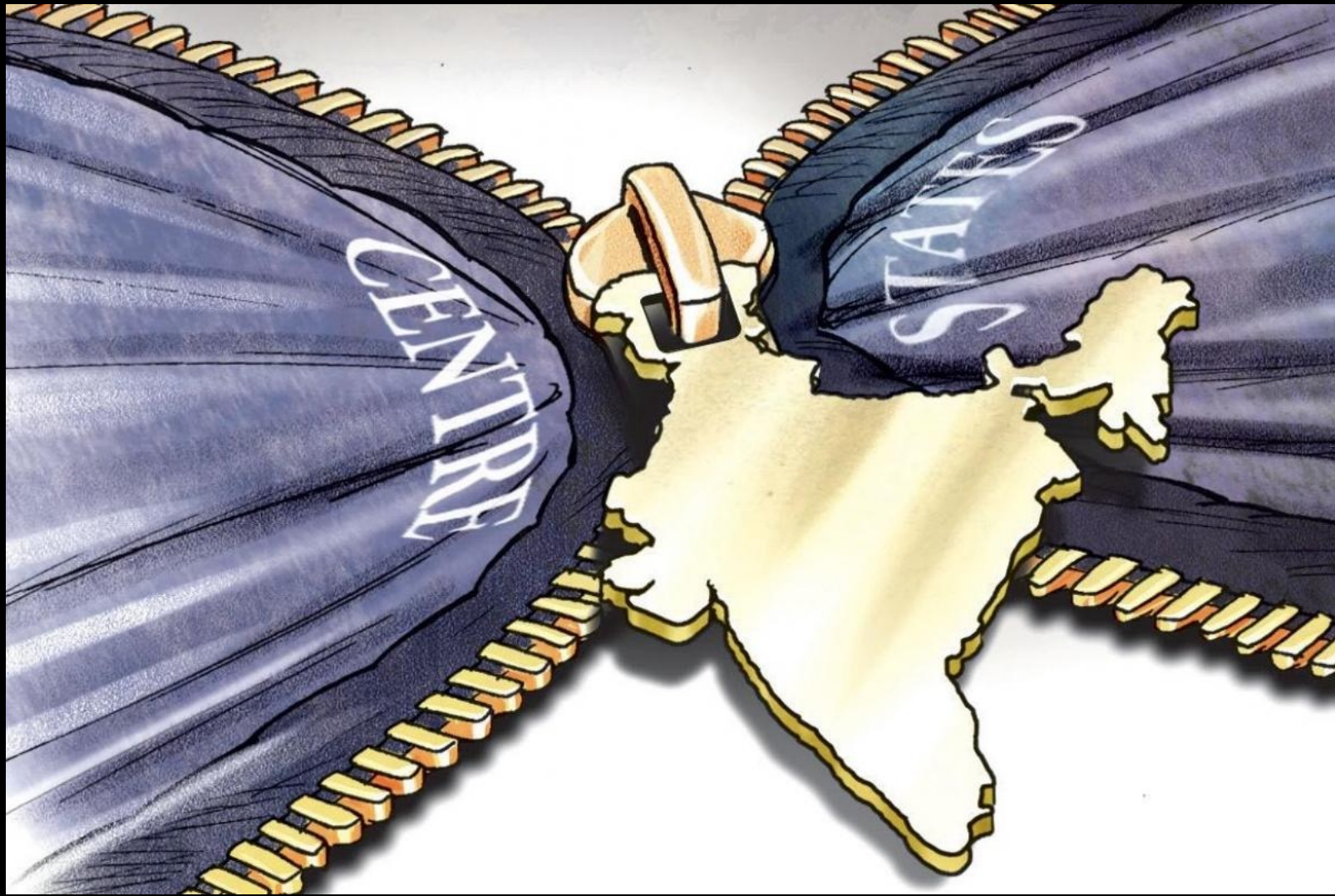




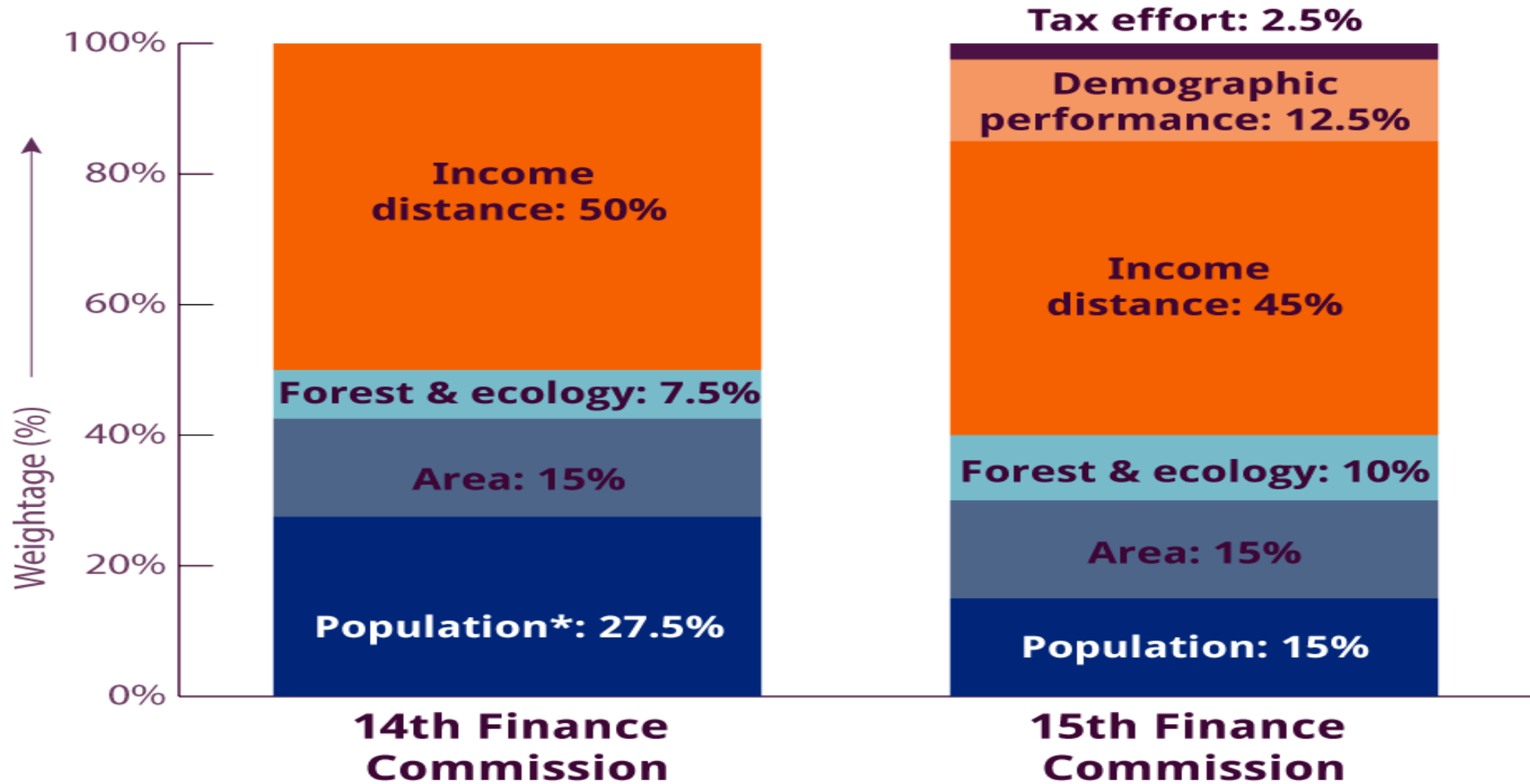


Q) A redistribution of income in a country can be best brought about through:

- (a) Progressive taxation combined with progressive expenditure
- (b) Progressive taxation combined with regressive expenditure
- (c) Regressive taxation combined with regressive expenditure
- (d) Regressive taxation combined with progressive expenditure



Revenue-sharing formulas in the 14th and 15th Finance Commissions



Consider the following:

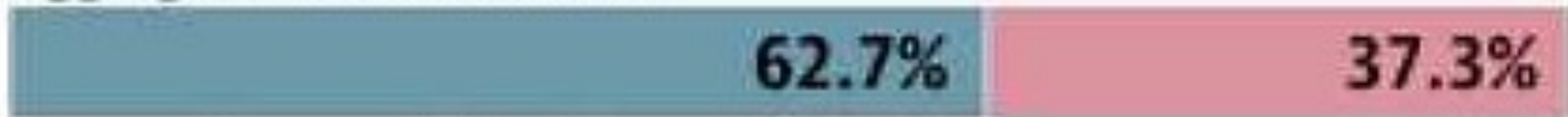
1. Demographic performance
2. Forest and ecology
3. Governance reforms
4. Stable government
5. Tax and fiscal efforts

For the horizontal tax devolution, the Fifteenth Finance Commission used how many of the above as criteria other than population area and income distance?

- (a) Only two
- (b) Only three
- (c) Only four
- (d) All five

Chart 1 | The chart shows the Union government's (■) and States' share in total resources raised and total expenditure borne in FY19 (■)

Aggregate resources raised



Aggregate expenditure incurred



Chart 2

The chart shows the States' share in the divisible pool of taxes mandated by the Finance Commission and the actual share devolved to the States (figures in %)

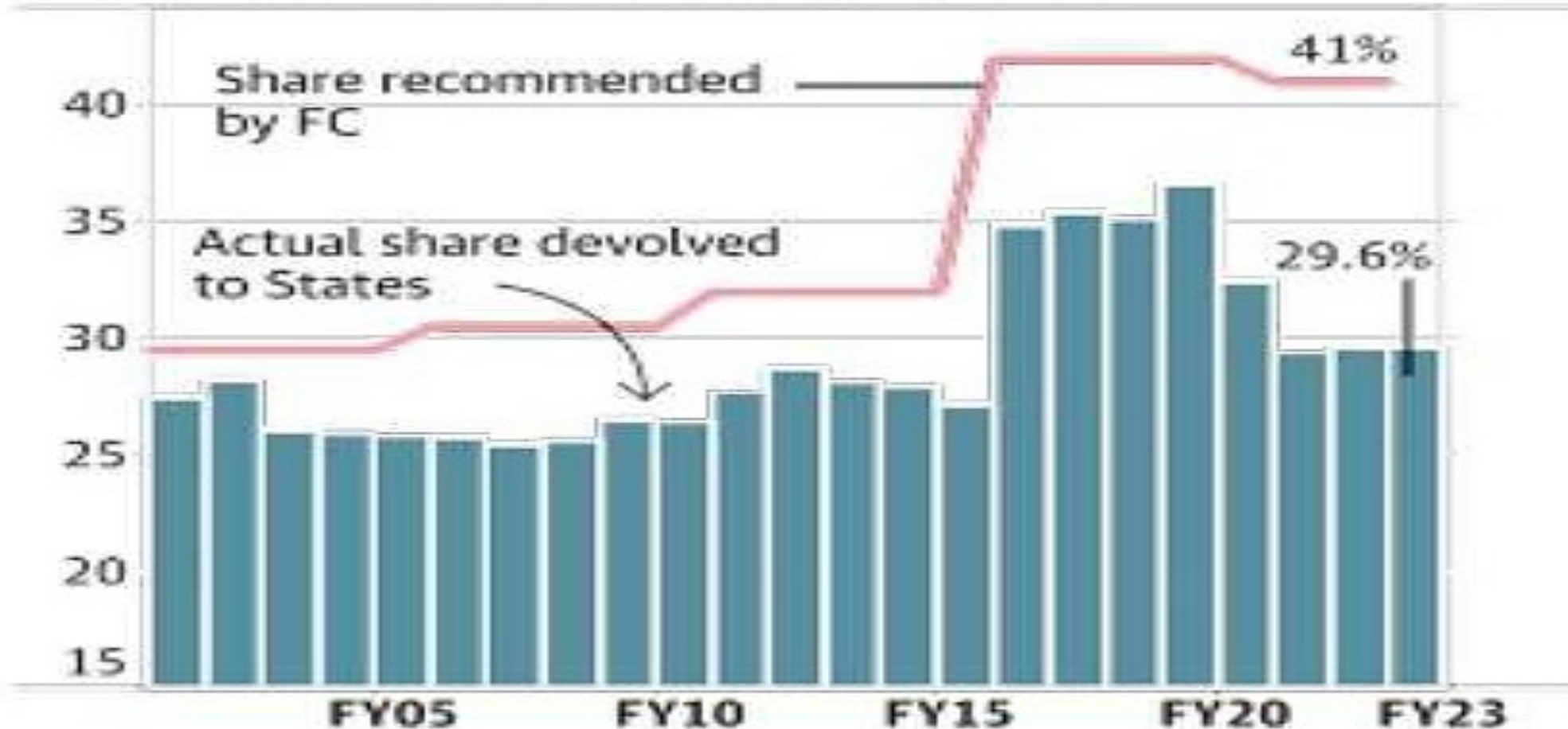


Chart 3

The chart shows the States' and Union government's share of gross tax revenue in ₹ lakh crore. States' share of Centre's taxes recorded a steep fall in FY20 and FY21. But, the Union government's share continued to rise

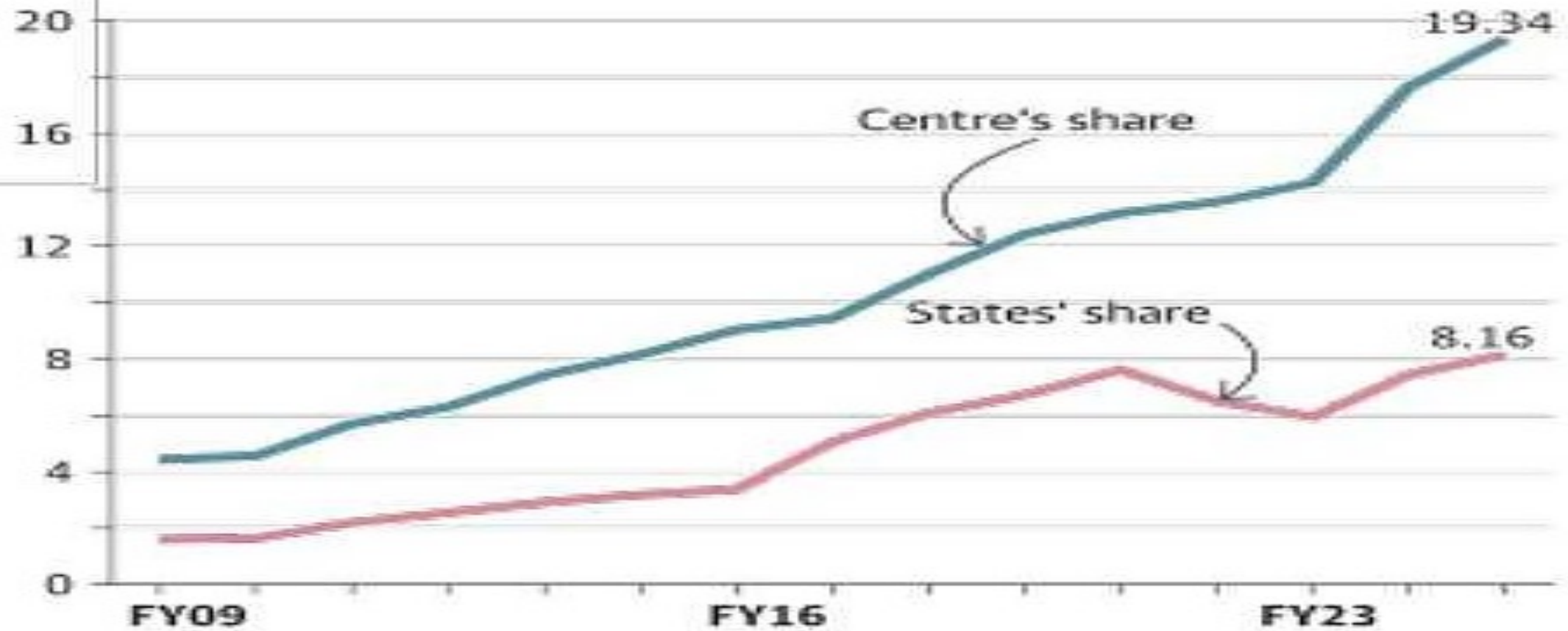


Chart 4

The chart shows the share of cesses and surcharges in gross tax revenue. From 10.4% in FY12, their share climbed up to 20% by FY21, suggesting an excessive reliance by the Centre on these instruments to raise revenue

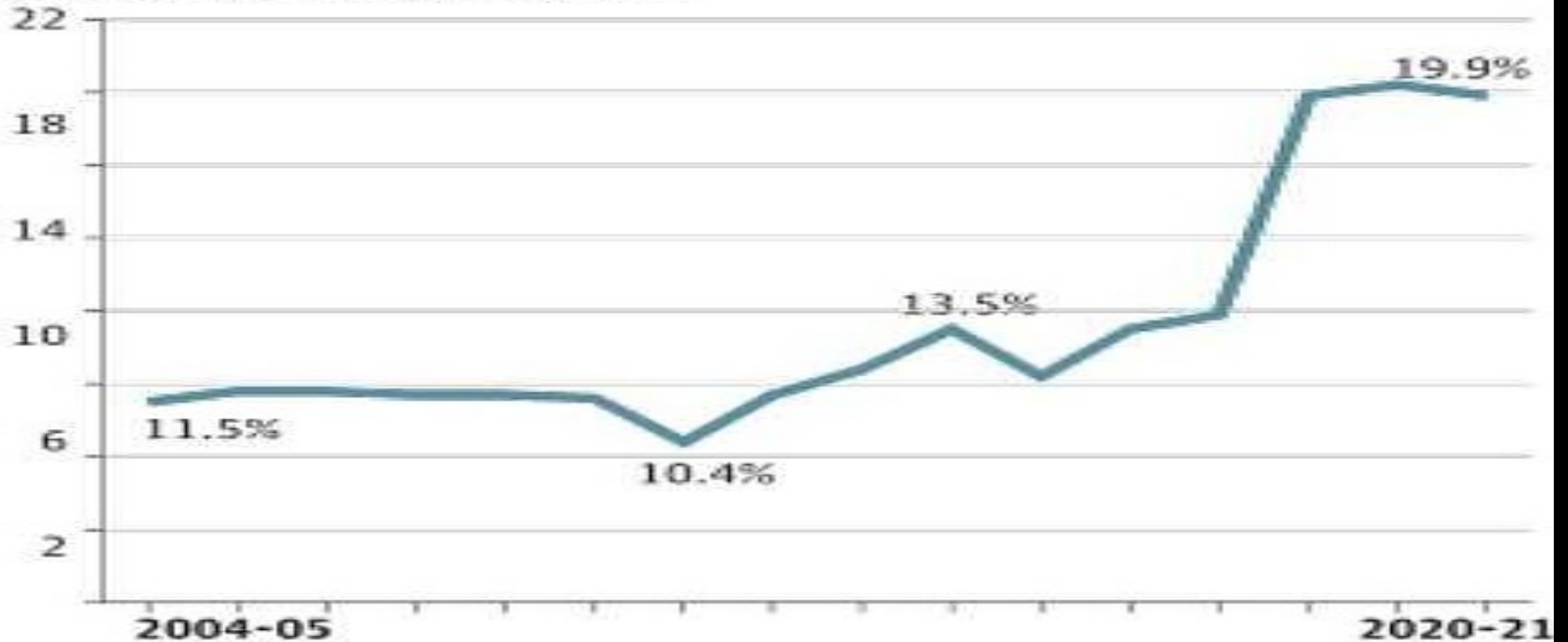
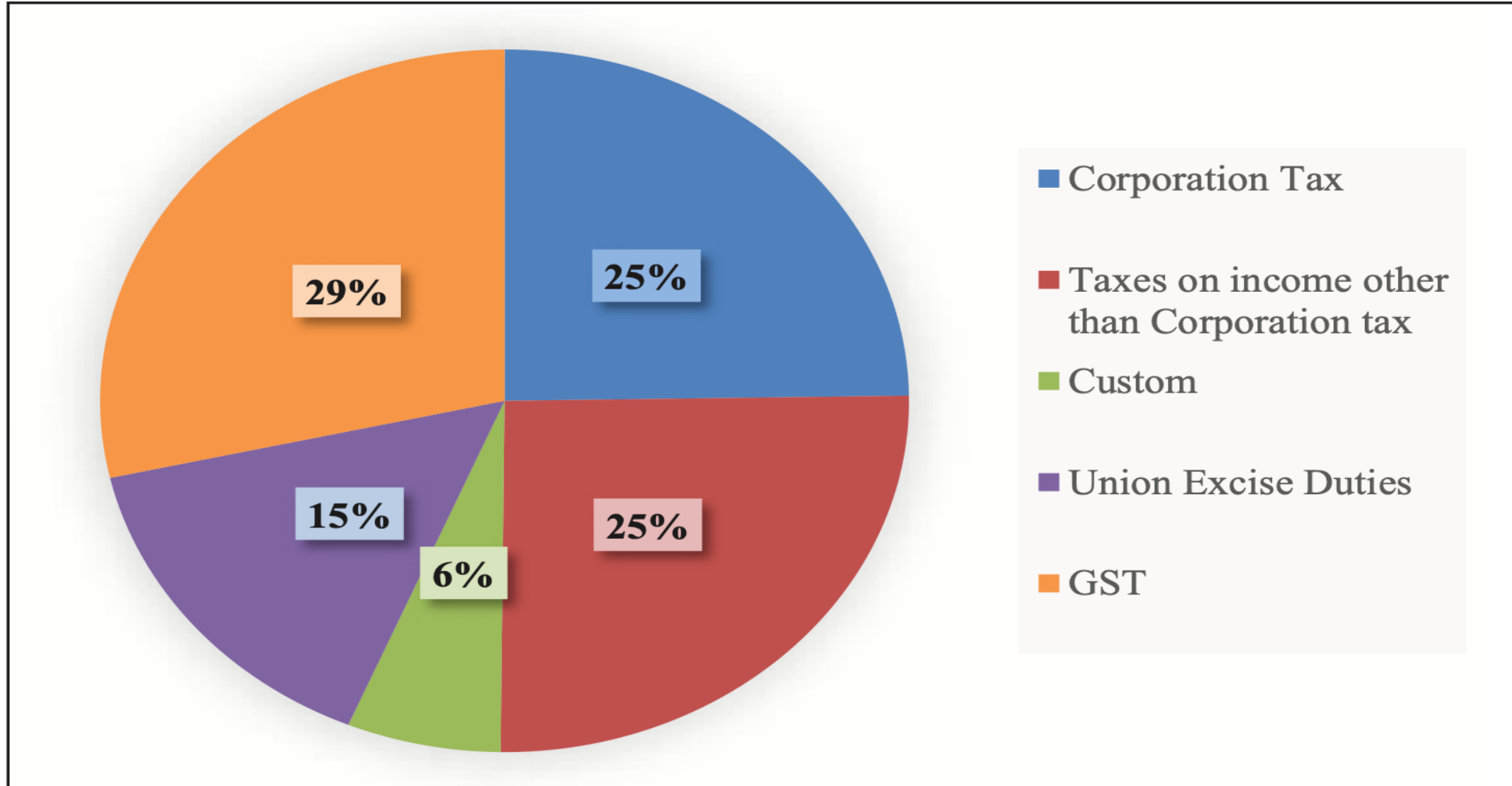
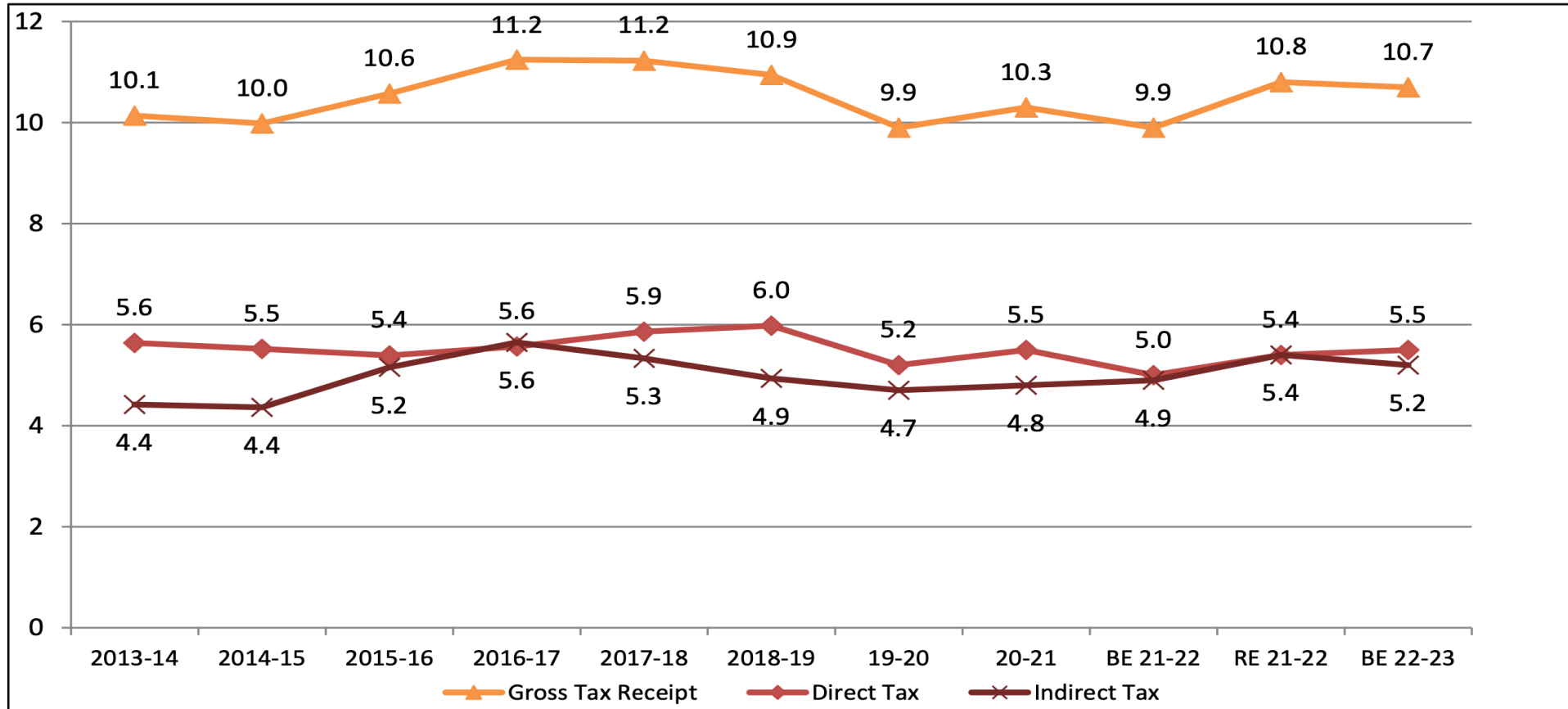


Figure 14: Composition of taxes in Gross Tax Revenue in 2021 -22 BE



TREND IN TAX RECEIPTS

(% of GDP)



Note : GDP is as per the latest estimates published by CSO.



How to increase the
tax revenue?



What is the meaning of the term 'tax expenditure'? Taking the housing sector as an example, discuss how it influences the budgetary policies of the government.



Q) Agricultural income tax is assigned to the State Government by:

- (a) Finance Commission
- (b) National Development Council
- (c) Inter-State Council
- (d) The Constitution of India

Q) Which one of the following statements regarding the levying, collecting and distribution of Income Tax is correct?

- (a) The Union levies, collects and distributes the proceeds of income tax between itself and the states
- (b) The Union levies, collects and keeps all the proceeds of income tax to itself
- (c) The Union levies and collects the tax but all the proceeds are distributed among the states
- (d) Only the surcharge levied on income tax is shared between the Union and the states

Q) Under which of the following circumstances may "capital gains' arise?

1. When there is an increase in the sales of a product
2. When there is a natural increase in the value of the property owned
3. When you purchase a painting and there is a growth in its value due to increase in its popularity

Select the correct answer using the codes given below:

- (a) 1 only
- (b) 2 and 3 only
- (c) 2 only
- (d) 1,2 and 3

Q) Corporation tax:

(a) Is levied and appropriated by the States

(b) Is levied by the Union and collected and appropriated by the States

(c) Is levied by the Union and shared by the Union and the States

(d) Is levied by the Union and belongs to it exclusively

Q) Consider the following taxes:

1. Corporation tax
2. Customs duty
3. Wealth tax
4. Excise duty

Which of these is/are indirect taxes?

- (a) 1 only
- (b) 2 and 4
- (c) 1 and 3
- (d) 2 and 3

Q) Which one of the following is the correct statement? Service tax is a/an:

- (a) Direct tax levied by the Central Government
- (b) Indirect tax levied by the Central Government.
- (c) Direct tax levied by the State Government.
- (d) Indirect tax levied by the State Government.

The sales tax you pay while purchasing a toothpaste is a

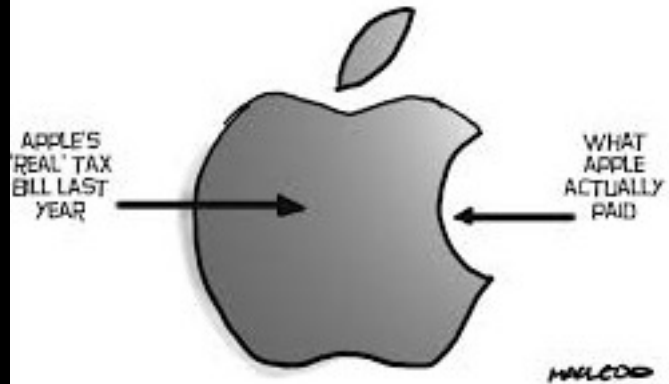
- (a) Tax imposed by the Central Government
- (b) Tax imposed by the Central Government but collected by the State Government
- (c) Tax imposed by the State Government but collected by the Central Government
- (d) Tax imposed and collected by the State Government

Which one of the following effects of creation of black money in India has been the main cause of worry to the Government of India?

- a) Diversion of resources to the purchase of real estate and investment in luxury housing
- b) Investment in unproductive activities and purchase of precious stones, jewellery, gold etc.
- c) Large donations to political parties and growth of regionalism
- d) Loss of revenue to the State Exchequer due to tax evasion

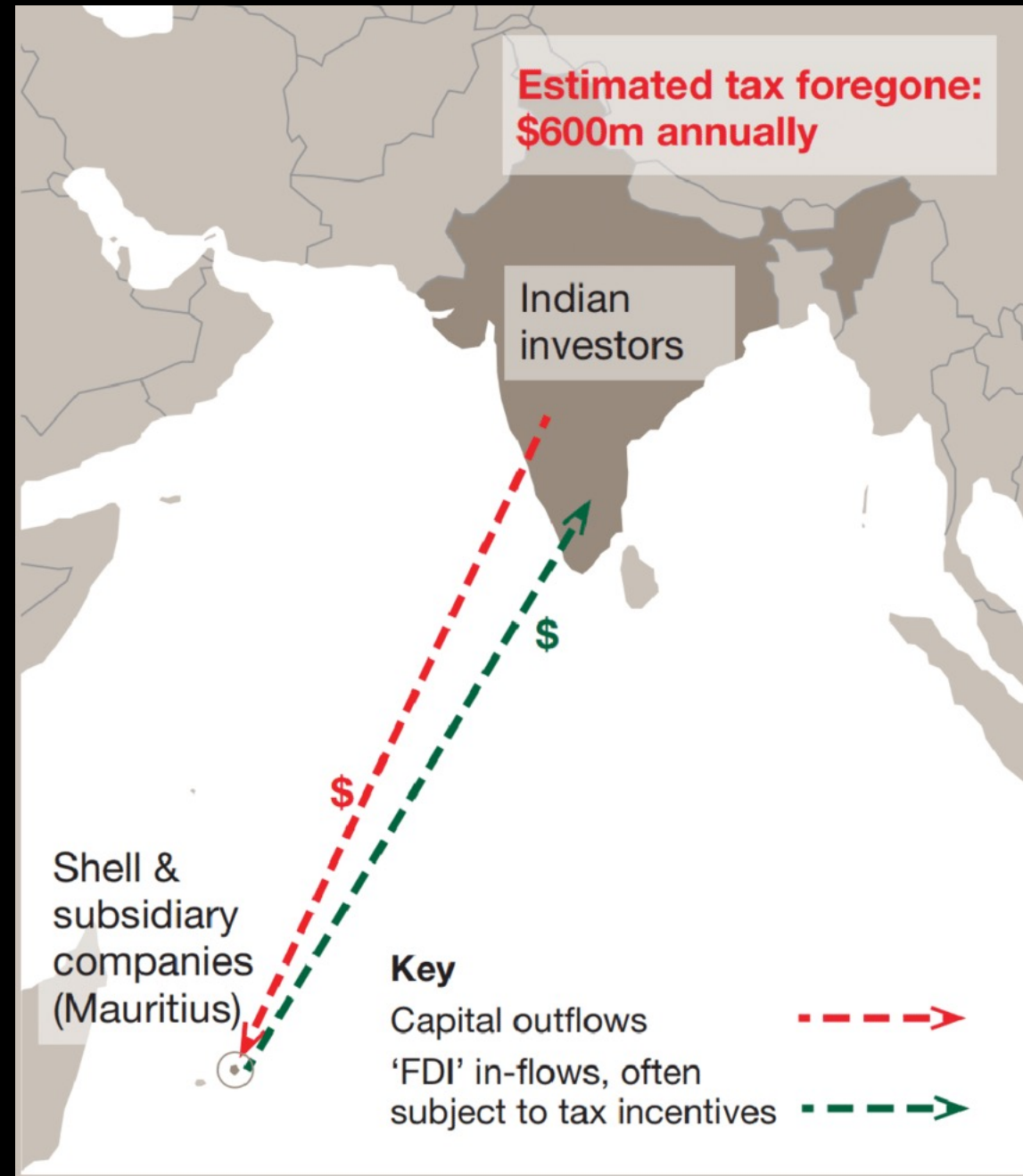


iAvoid



Apple iEvade

Double Taxation Avoidance Agreement



Q) A great deal of Foreign Direct Investment (FDI) to India comes from Mauritius than from many major and mature economies like UK and France. Why?

(a) India has preference for certain countries as regards receiving FDI

(b) India has double taxation avoidance agreement with Mauritius

(c) Most citizens of Mauritius have ethnic identity with India and so they feel secure to invest in India

(d) Impending dangers of global climatic change prompt Mauritius to make huge investments in India

Which one of the following situations best reflects “Indirect Transfers” often talked about in media recently with reference to India?

- (a) An Indian company investing in a foreign enterprise and paying taxes to the foreign country on the profits arising out of its investment
- (b) A foreign company investing in India and paying taxes to the country of its base on the profits arising out of its investment
- (c) An Indian company purchases tangible assets in a foreign country and sells such assets after their value increases and transfers the proceeds to India
- (d) A foreign company transfers shares and such shares derive their substantial value from assets located in India

The term 'Base Erosion and Profit Shifting' is sometimes seen in the news in the context of

- (a) Mining operation by multinational companies in resource-rich but backward areas
- (b) Curbing of the tax evasion by multinational companies
- (c) Exploitation of genetic resources of a country by multinational companies
- (d) Lack of consideration of environmental costs in the planning and implementation of developmental projects

Issues related to Indirect Taxes



What is/are the most likely advantages of implementing 'Goods and Services Tax (GST)'?

(1) It will replace multiple taxes collected by multiple authorities and will thus create a single market in India.

(2) It will drastically reduce the 'Current Account Deficit' of India and will enable it to increase its foreign exchange reserves.

(3) It will enormously increase the growth and size of the economy of India and will enable it to overtake China in the near future.

Select the correct answer using the code given below:

(a) 1 only

(b) 2 and 3 only

(c) 1 and 3 only

(d) 1, 2 and 3

Comment on the important changes introduced in respect of the Long term Capital Gains Tax (LCGT) and Dividend Distribution Tax (DDT) in the Union Budget for 2018-2019.

Enumerate the indirect taxes which have been subsumed in the goods and services tax (GST) in India. Also, comment on the revenue implications of the GST introduced in India since July 2017.

Explain the rationale behind the Goods and Services Tax (Compensation to States) Act of 2017. How has COVID-19 impacted the GST compensation fund and created new federal tensions?

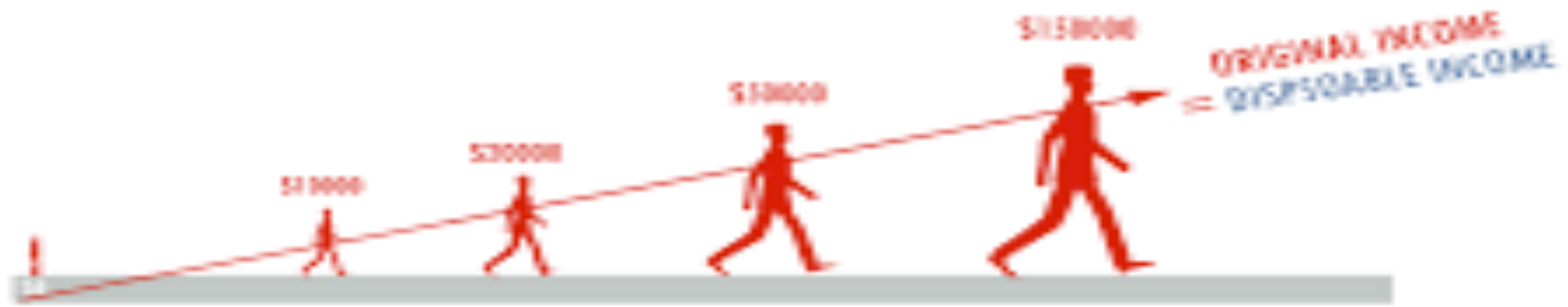
GVA Method to Compute GDP

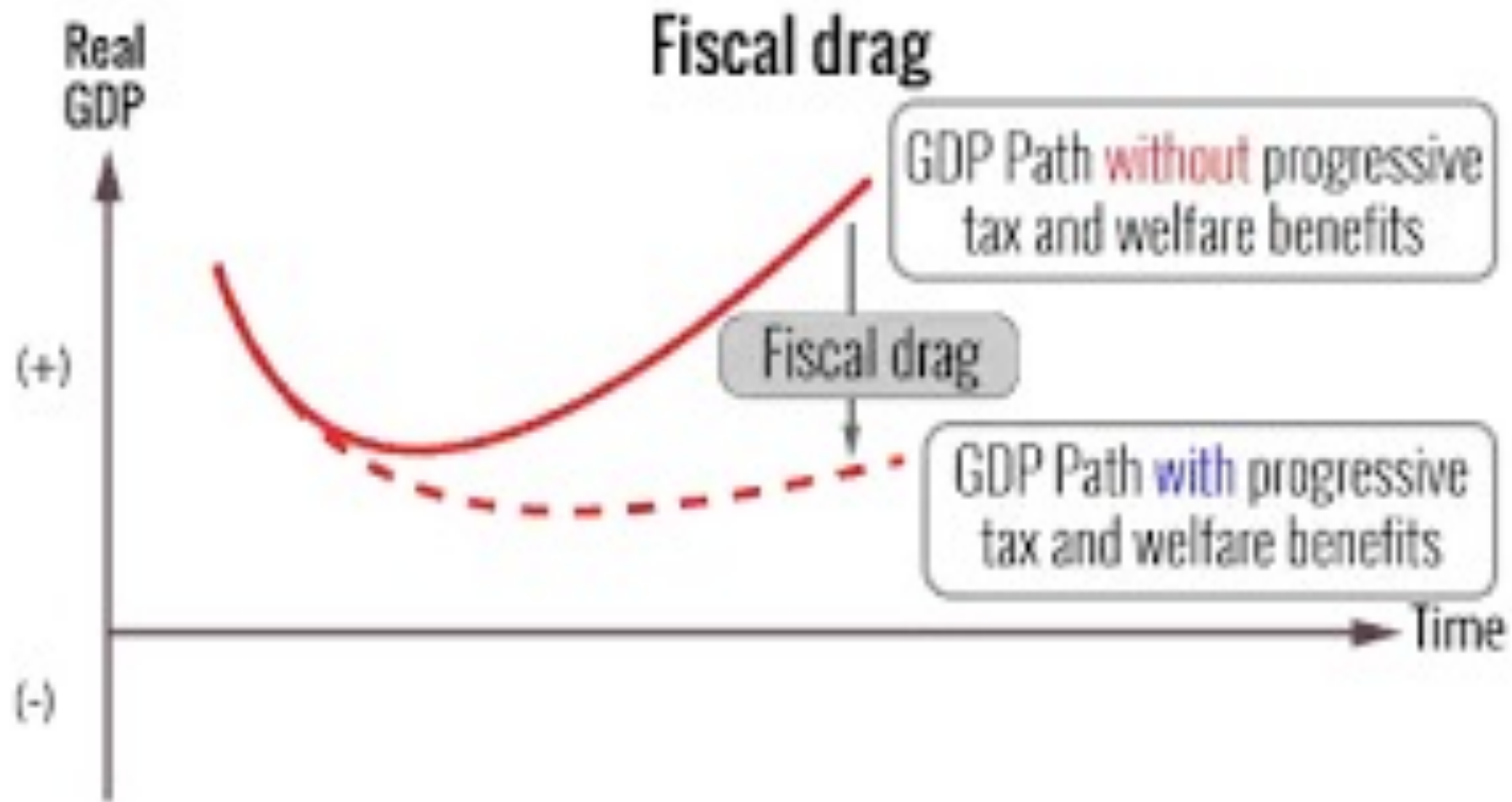
Explain the difference between computing methodology of India's Gross Domestic Product(GDP) before the year 2015 and the after the year 2015. (2021)

Table 2: Share of Sectors in Nominal GVA (per cent)

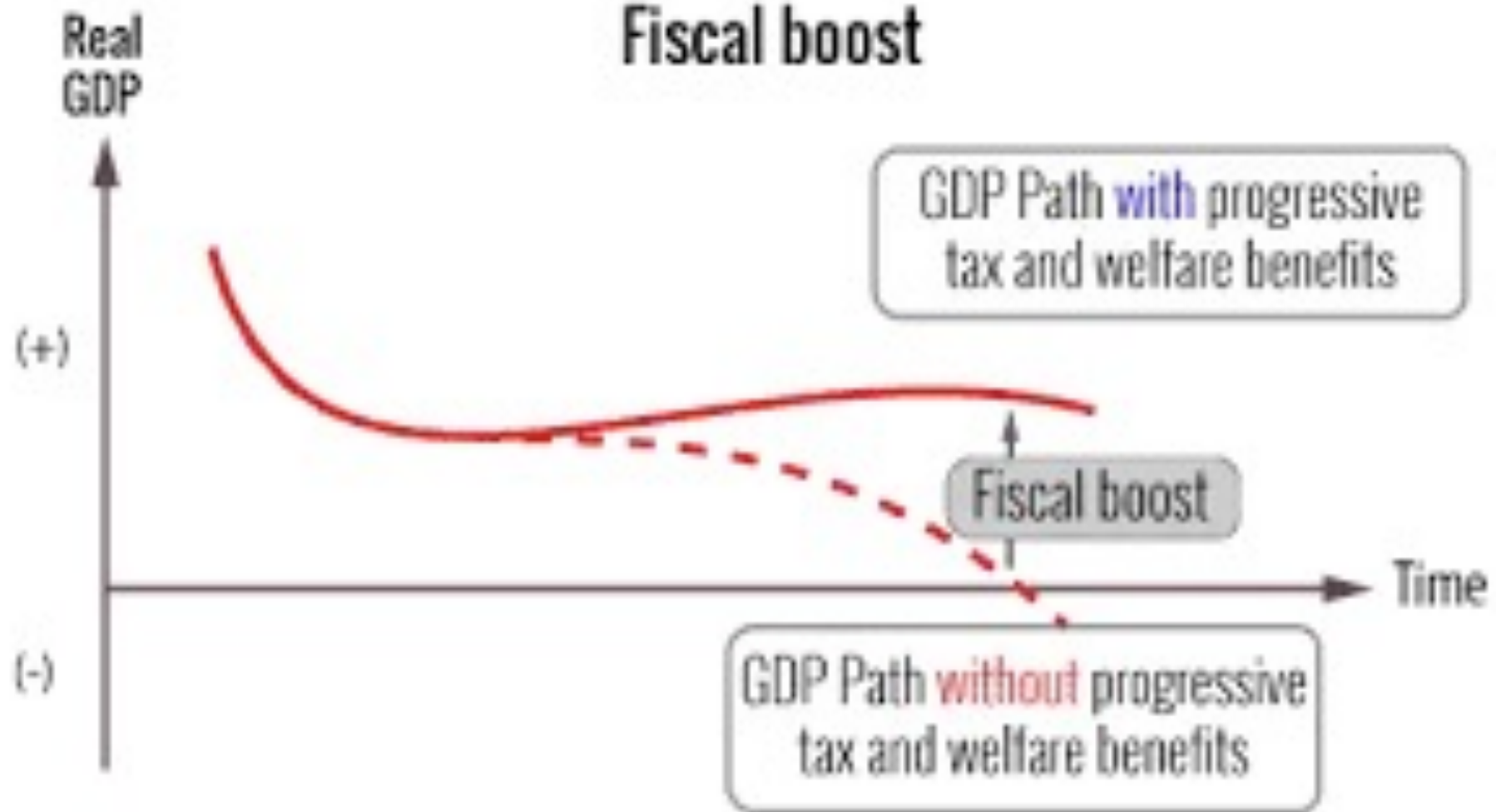
Sectors	2019-20 (1st RE)	2020-21 (PE)	2021-22 (1st AE)
Agriculture & Allied Sectors	18.4	20.2	18.8
Industry	26.7	25.9	28.2
Mining & quarrying	1.9	1.6	2.3
Manufacturing	14.7	14.4	15.4
Electricity, gas, water supply & other utility services	2.6	2.7	2.5
Construction	7.4	7.2	8.0
Services	55.0	53.9	53.0
Trade, hotels, transport, communication and services related to broadcasting	18.9	16.4	16.9
Financial, real estate & professional services	21.2	22.1	20.9
Public administration, defence and Other Services	14.9	15.4	15.2
GVA at basic price	100.0	100.0	100.0

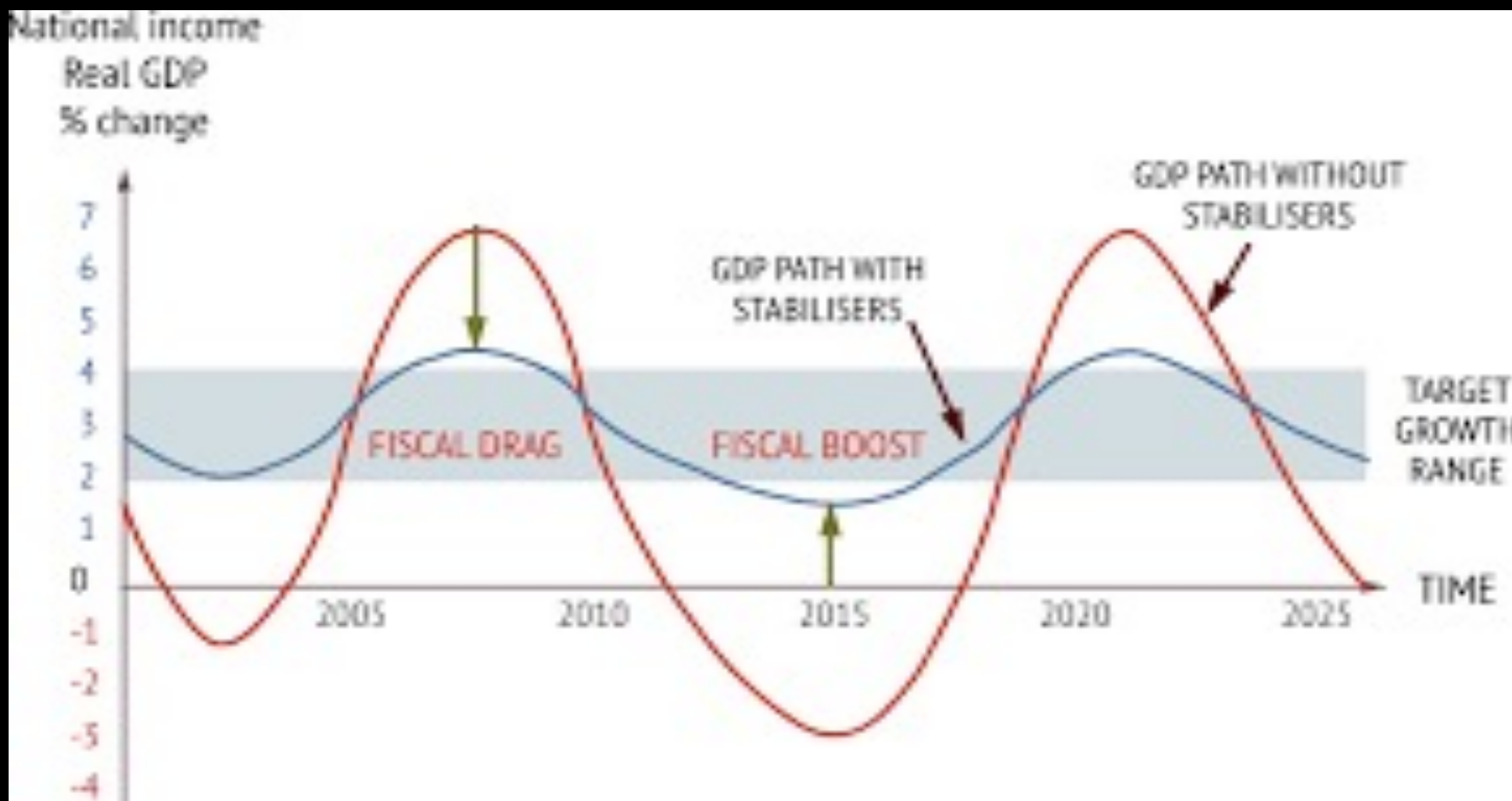
Source: NSO





Fiscal boost







Thank You