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# REVENUE SYSTEM OF INDIA

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## ABSTRACT

*Taxes can be defined as "a financial burden imposed on individuals or property owners to support the state, a payment required by the legislative authority. ". Taxes include direct taxes or indirect taxes, and may be paid in cash or in proportion to the number of employees (usually but not the regular payroll). India has a well-developed tax framework. and local government organizations. In most cases, these local organizations include local councils and municipalities. According to the Indian Constitution, the government has the right to levy taxes on individuals and organizations. In this research paper, for the purpose of comparing these types of taxes in India, we have taken a sample of tax revenue collected under the direct and indirect tax headings. Taxation is the way a government or a tax official imposes or imposes taxes on its citizens and business entities. From income tax to goods and services (GST), taxes apply at all levels. Central and regional governments play a key role in determining taxes in India. Simplify the tax system and ensure transparency in the country.*

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***Keywords:*** *Legislative Authority, Direct Taxes, Indirect Taxes, Tax System, Tax Framework.*

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## Introduction

### Taxes; In the Present Tense

Although tax management has a long history, it played a relatively small role in ancient times. Taxes were levied in Greece and Rome. Taxes - duties on imported goods - were often more important than domestic costs as revenue generation continued. As a way to raise extra money during the war, property taxes will be levied temporarily. The ancient Roman taxes included taxes, duties, and taxes that were levied on the “real”. The principal of this was to pay taxes, which were paid by the citizens and which were usually taxed as head tax; later, when more money is needed. During the Middle Ages many of these ancient taxes, especially direct taxes, were replaced by a variety of mandatory services and a “service” system (many of which were gifts). The main indirect taxes were transportation duties (payment for goods passing through a particular country) and market costs. In the cities the concept is built on a tax liability that includes all citizens. During the Middle Ages some cities in Germany and Italy introduced a number of specific taxes: the head tax on the poor and the total value tax or, in some cases, the tax on the rich income of the rich. tax collection began as a new era of war in France, the United States, and Britain. World War II was a turning point in many lands’ taxes from high taxes. Taxation of mandatory levies on individuals or businesses by the government. Taxes are levied on virtually every country in the

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world, mainly to collect government revenue, although it also serves other purposes. In the modern economy taxes are a major source of government revenue. Taxes differ from other sources of income because they are mandatory and non-refundable taxes. They are usually not paid for in certain exchanges, such as public service, sale of public goods, or the issuance of public debt. Although taxes are likely to be collected for the benefit of general taxpayers, each taxpayer's debt is independent of any particular income received.

**Tax Objectives**

During the 19th century, the prevailing view was that taxes should be used primarily to finance government subsidies. In the past, and today, governments have used taxes for other purposes.

Primary objective, resource allocation,

The second purpose, the redistribution of revenue,

The tax structure in India can be divided into two main categories:

- Direct Taxes
- Indirect Tax

**Direct Tax**

It is defined as a tax levied directly on the taxpayer and is required to be paid to the government. Also, one cannot pass or assign to another person to pay taxes. Some of the specific taxes imposed on the Indian taxpayer are.

In public finances, taxes are categorized according to who pays them, who bears the brunt of them; direct taxes are those that the taxpayer cannot change to another person, while indirect taxes can be direct taxes. Direct taxes are primarily taxes on natural persons (e.g., individuals), and are usually based on the taxpayer's ability to pay as measured by income, consumption, or total wealth. Total taxes are charged on the total amount of a person's total income - that is, the value of his property deducted from his debts. As income tax, the personal circumstances of the taxpayer can be considered. Personal or direct taxes levied on all income not included in savings.

**Indirect Taxes**

Indirect taxes are levied on the production or use of goods and services or services, including imports and exports. Typical sales taxes applicable to a large portion of a consumer's expense. The same tax rate can be applied to all taxpayers, or different items (such as food or clothing) may be below different levels. Single-level taxes can be collected at the sales level, as do U.S. states, or they can be collected at the previous sales level (i.e., production or sale), as is the case in other developing countries. Multi-category taxes are applied to each category in the production-distribution process. Although commonly used in many products, sales taxes are sometimes unnecessary to reduce the tax burden on low-income households. Some taxes and duties are specific - that is, they are charged on the basis of price, weight, length, volume, or other specific features of the taxable goods or services. Other taxes, such as sales taxes, are ad valorem - the amount charged on the goods as measured by the price. Legal transaction taxes are levied on the issue of stocks, in the sale (or transfer) of real estate, and in the case of stock exchanges. For administrative reasons, they usually take the form of stamp duty; that is, a legal or commercial document is stamped to reflect the payment of taxes. Balanced, continuous, and reversible taxes

Taxes can be divided by the effect they have on the distribution of income and wealth. A limited tax is one that places a similar burden on all taxpayers - that is, when tax debt and income increase at an equal rate. Continuous taxation is characterized by an excessive increase in the tax liability associated with an increase in revenue, and a retrospective tax is characterized by a lesser than a relative increase in the related liability. Thus, continuous taxes appear to reduce inequality in the distribution of revenue, while declining taxes may contribute to increasing this inequality. Taxes generally considered continuous include personal income tax and property taxes. The so-called improved income taxes, however, may be less in the high-income categories - especially if the taxpayer is allowed to reduce his or her tax base by declaring deductions or by excluding certain portion of his or her taxable income. Estimated tax rates for low-income groups will also improve when a personal exemption is announced. Sales taxes and expenses (other than those found in luxury items) tend to decrease, because part of the revenue spent or spent on a decline is somewhat positive as the level of personal income rises. It is difficult to distinguish business taxes from business taxes. When considering the economic impact of taxation, it is important to distinguish between several types of tax estimates.

**Modern Styles**

Recent tax developments can be summed up in the following general statements, although they must be agreed upon by the country's major divisions: now usually sitting in parliament. Taxes today are collected on money, not on property. Tax farming - the collection of taxes by foreign contractors - has been eliminated, and taxes are instead being monitored and collected by government officials. At the end of the 20th century, the rise of e-commerce created major challenges for managers.

Income tax (individual and corporate), income tax, general sales taxes, and (in some cases) property taxes bring a significant amount of revenue to modern tax systems. Income tax has ceased to be a "rich" tax; is now paid for by the general public, and in a number of countries is being taxed in full.

**Tax Regulations**

The 18th-century economist and philosopher Adam Smith attempted to dictate the laws that should govern the rational tax system. In the book The Wealth of Nations (Book V, chapter 2) he lists four common books.

**Principles**

These are: (1) the belief that taxes should be based on the individual's ability to pay, known as the principle of payment, and (2) the principle of profitability, the notion that there must be some equality between individuals. pays and subsequent benefits from government services. some of the most important principles that can make decisions about taxes. The principle of affordability requires that the entire tax burden be distributed among individuals according to their ability to bear it. The principle of affordability is also often interpreted as requiring that personal taxes have a continuous rate structure.

Taxes in India are levied by the Central Government and the Provincial Governments for the powers conferred on them in the Constitution of India. Some minor taxes are also levied on local authorities such as the Municipality. The authority to levy taxes is based on the Constitution of India which provides for the levying of various taxes between the Institute and the States. An important barrier to this power is Article 265 of the Constitution which states: "No tax should be collected or collected outside the jurisdiction of the law." Therefore, each tax collected or collected must be based on the relevant legislation, passed by either Parliament or the State Legislature.

The Indian government's shortfall in government spending is largely due to widespread tax evasion. Compared to other developing countries, the fact that India's tax code accounts for 5% of its GDP is because about 2-3% of the population is subject to income tax. India is facing more difficulties in increasing its income tax than a country like China, which has less than 20% of its population, due to the very low level of legal income earners.

You have a responsibility to raise tax evasion:

- Complex tax structure
- Frequent updates
- Lack of staff
- High tax rate
- Non-payment of restrictive fines
- Functional prosecution equipment
- Impairment of poorly controlled controls
- Price adjustment without proper control of production and distribution
- Tax evasion
- Property tax

**Impact of Tax Avoidance**

The high rate of tax evasion has encouraged the creation of a black economy. Black money causes inflation and undermines the government's ability to lower commodity prices.

**Government Anti-Tax Prevention Efforts**

The Indian government has taken a number of steps to reduce the impact and rate of tax evasion. Among the actual rules, searches, arrests, surveys, and the processing of income tax returns by the Tax Department. The government also created Voluntary Revenue Disclosure Schemes, in which black people's money and property could be declared without punishment or prosecution.

**Central Government Tax**

| Sl. No. | Taxes as per Union List |
|---|---|
| 82 | **Income tax:** Taxes on income other than agricultural income. |
| 83 | **Custom Duty**: Duties of customs including export duties |
| 84 | **Excise Duty**: Duties of excise on the following goods manufactured or produced in India namely (a)Petroleum crude (b)high speed diesel (c)motor spirit (commonly known as petrol) (d)natural gas (e) aviation turbine fuel and (f)Tobacco and tobacco products |
| 85 | Corporation Tax |
| 86 | Taxes on capital value of assets, exclusive of agricultural land, of individuals and companies, taxes on capital of companies |
| 87 | Estate duty in respect of property other than agricultural land |
| 88 | Duties in respect of succession to property other than agricultural land |
| 89 | Terminal taxes on goods or passengers, carried by railway, sea or air; taxes on railway fares and freight. |
| 90 | Taxes other than stamp duties on transactions in stock exchanges and futures markets |
| 92A | Taxes on sale or purchase of goods other than newspapers, where such sale or purchase takes place in the course of inter-State trade or commerce |
| 92B | Taxes on the consignment of goods in the course of inter-State trade or commerce |
| 97 | All residuary types of taxes not listed in any of the three lists of Seventh Schedule of Indian Constitution |

**State Government's Tax**

| Sl. No. | Taxes as per State List |
|---|---|
| 45 | Land revenue, including the assessment and collection of revenue, the maintenance of land records, survey for revenue purposes and records of rights, and alienation of revenues etc. |
| 46 | Taxes on agricultural income |
| 47 | Duties in respect of succession to agricultural land. |
| 48 | Estate Duty in respect of agricultural land |
| 49 | Taxes on lands and buildings. |
| 50 | Taxes on mineral rights. |
| 51 | Duties of excise for following goods manufactured or produced within the State (i) alcoholic liquors for human consumption, and (ii) opium, Indian hemp and other narcotic drugs and narcotics. |
| 53 | **Electricity Duty**: Taxes on the consumption or sale of electricity[25] |
| 54 | Taxes on sale of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), Natural gas aviation turbine fuel and alcohol liquor for human consumption but not including sale in the course of inter state or commerce or sale in the source of international trade or commerce such goods. |
| 56 | Taxes on goods and passengers carried by roads or on inland waterways. |
| 57 | Taxes on vehicles suitable for use on roads. |
| 58 | Taxes on animals and boats. |
| 59 | Tolls. |
| 60 | Taxes on profession, trades, callings and employments. |
| 61 | Capitation taxes. |
| 62 | Taxes on entertainment and amusements to be extent levied and collected by a panchayat or Municipality or a regional council or a district council. |
| 63 | Stamp duty |

**Tax Benefits**

There are a few benefits to paying taxes that a taxpayer enjoys. For example, it is possible to use the income tax documents as proof of claim to apply for a loan / financial assistance.

- **Loan Approvals:** When applying for a larger loan such as a home and car loan, a copy of the ITR for the past 3 years is requested by the banks. If you attach a copy of your completed income tax from 3 years ago, you can apply for a higher loan or re-apply if your application was rejected for the first time. The reason for this is that banks calculate your repayment and credit risk based on your income. An ITR is a document that can be used as proof of your income to get a bigger loan faster.

- **Visa:** The foreign embassy requests your ITR return during the visa interview to ensure that you do not flee your country to avoid paying taxes. If you are going abroad, especially to countries like the UK, US, Canada, Middle East and European countries, it is a good idea to keep your ITR receipts and your passport.
- **Self-employed / independent / advisors:** If the annual income exceeds the exemption limit, ITR receipts may be used as proof of their income in any financial / business transaction.
- **Government Tenders:** ITR receipts are used as proof of income when applying for government tenders.
- **Tax Refunds:** You may only want tax refunds if you have completed your Income Tax Returns. If your income is below the release limit, you may want to be reimbursed for savings tools such as fixed deposits.
- **Life Insurance:** If you have a life insurance policy of a higher value, such as 50L or 1 crore, you should offer your IT returns for profit.
- **Accident Compensation:** In the event of a car accident, self-employed people must provide Income Tax Return receipts to claim compensation.

## Conclusion

Taxes are a major source of revenue for any government to run its operations. Monetary policy plays an important role in economic growth through direct and indirect taxes and at what rate. In this paper, we have tried to define India's direct and indirect tax revenue, Indian monetary policy makers need to carefully analyze long-term planning. Pay close attention to direct taxes otherwise the widening gap between rich and poor could be detrimental to the country. Remedial action should also be taken to reduce tax evasion, tax base should be increased to generate more revenue, and the major problem of corruption should be given more attention.

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