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DR. THAKUR AKASH ASHOK
FLYING OFFICER
SD/NCC/09130004
NO.01 MAH AIR SQN NCC
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The Analytical study of Personal Income Tax Collection from Non Corporate Assessee in India from assessment year 2012-13 to 2017-18

Rohit Bhagwat Pagare,
Department of Accountancy,
R.N.C ARTS, J. D. B. COMMERCE & N. S. C. SCIENCE COLLEGE,
Nashik Road.
Mobile 7507120022.

Abstract:

Tax revenue constitutes the life line of any economy. In a developing economy like our special approach should be designed to tax poor less and the rich more. After following all these approaches it's a matter of great intrigue that how the total collection is classified. The research article aims to simply the total tax collection, its total cost of collection, per capita (effective assessee as per permanent account number) collection of tax and lastly per capita (effective assessee as per permanent account number) cost of collection.

Keywords: Revenue, Direct Tax, Indirect Tax, Gross Domestic Product (GDP), non-corporate assessee, cost of collection etc.

Introduction: In a socialist style of economy the government plays a vital role in the overall developmental work of the country. This entails a high amount of revenue. Indians not only look at the government for all its essential needs but also cast the responsibility for providing jobs opportunity on the government. To carry out the never ending Indian aspirations the government has to play multiple roles. All governmental activities shall prove futile due to lack of funds. On the governments receipts side there are various funds. These funds comprise of the tax receipt and non tax receipts. Among the tax receipts the Direct taxes and indirect taxes forms it's constituents. Direct taxes are paid by the assessee while indirect taxes are levied on goods and services. Direct taxes are those which the tax payer pays directly from his income/ wealth/estate etc. They are levied on individuals and corporate entities and cannot be transferred to others. These include Income Tax, Wealth Tax, Gift Tax, Corporate Tax, Estate Duty, Fringe Benefit Tax etc. Indirect taxes are taxes which levied on goods and services purchased by the subjects viz. Value Added Tax (VAT), Customs Duty, Excise Duty, Goods and Service Tax etc

With the abolishment of Gift tax and wealth tax the Income tax act is the principle act for revenue generation for the government. Further the tax collection under the head income tax can be

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4) The percentage rise in the personal income tax as compared to the last year had constantly increased by one percent except in the year 2015-16 and 2016-17 where the percentage rise stood at 0.17% and 0.57% respectively.
5) During the assessment year 2017-18 the percentage rise in the personal income tax is the highest rocketing to 2.33%.

Table B: A table showing the share of personal income tax to Gross Domestic product.

Source: first two column Time series Data

(Rupees in crores)

year	Personal income tax	Gross domestic product	% of personal tax to GDP	% rise as compared to last year
2012-13	170181	9009722	1.89%	----
2013-14	201840	10113281	2.00%	0.11%
2014-15	242888	11355073	2.14%	0.14%
2015-16	265772	12541208	2.12%	-0.02%
2016-17	287637	13567192	2.12%	0.00%
2017-18	349270	15183710	2.30%	0.18%

Interpretation:

1) The percentage of personal income tax to the gross domestic product does not show a constant rise.
2) The percentage of personal income tax to GDP fell down in the year 2015-16 to 2.12 % thereby shrinking down to the -0.02% over the last year percentage ris.
3) During the year 2015-16 and 2016-17 the parentage rise of personal income tax to GDP has stagnated. The rise being marginal had been ignored.
4) The year 2017-18 percentage of personal income tax to GDP was the highest that is 2.30%.

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Table C: A table showing the of cost of collection share to personal income tax

Source: first column Time series Data

(Rupees in crores)

year	Personal income tax	****Cost of Collection	% cost of collection to personal income tax
2012-13	170181	1025	0.6%
2013-14	201840	1186	0.59%
2014-15	242888	1385	0.57%
2015-16	265772	1567	0.59%
2016-17	287637	1781	0.62%
2017-18	349270	2293	0.66%

***** cost of collection given the source time series data is the total cost of collection the figures are reduced by the percentage share of personal income tax to total direct tax so as to make comparison realistic.

Interpretation:

1) The cost of collection is almost the same.
2) However the cost of collection should have gone down with the rise in the share of personal income tax to the total direct tax.
3) During the year 2017 19 where the personal income tax has substantially improved but the cost of collection remained at the highest 0.66%.

Table D: A table showing the per capita (non corporate assessee) to cost of collection

Source: first and third column Time series Data

Year	Personal	****Cost of	Number of	Per capita	Per capita cost

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income tax contributed by each effective assessee has gone up each year.

Hence the hypothesis is accepted

H2) the total cost of collection is constantly decreasing as compared with it's the total collection and per capita effective non corporate assesses.

Rejected: from table C and table D when read with its respective interpretation it is inadvertently clear that the cost of collection is constantly rising.

Conclusion:

Though the non corporate assesses are constantly rising but the effective assesses are still very low. Efforts must be made to attract more and more effective assesses. The cost of collection must also drop down so as to generate funds for the developmental activities of the government. The tax contributed by each tax payer must also increase as compared to the size and scale of the GDP. More substantial efforts are required to bring down the cost of collection. Every government is in need of funds which can be effectively mobilized through a sound tax policy. Tax policies should be so designed to increase the total tax collection and reduce the cost of collection. Tax policies should be such that the ultimate payer should not feel the pinch of paying taxes.

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DR. THAKUR AKASH ASHOK
FLYING OFFICER
SD/NCC/09130004
NO.01 MAH AIR SQN NCC
(NASHIK DETACHMENT)

DK Tiwari

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The Study of Impact of New Tax Regime on Individual Assessee as per Finance Bill Feb. 2020

Rohit Bhagwat Pagare
Gokhale Education Society's
R. N. C. Arts, J. D. B. Commerce & N. S. C. Science College,
Nashik Road

Abstract

The study relates to the impact of changes in Income Tax Slab as envisaged by Finance Bill February 2020 on the resident taxpayer. The budget Feb 2020 gave birth to two types of taxation regime the "New Tax Regime" and the "Old Tax regime". In the research paper one of the options newly available at the disposition of the tax payer to be termed as New Tax regime or New Tax Slab while the other old option to be termed as Old Tax regime or the Old Tax slab. In her tirade, the Finance Minister, Nirmala Sitaraman, gave the liberty to the individual taxpayer to opt for any desired scheme. The article tries to compare between the option available to the taxpayer and which option is likely to be best suitable for him. The case study approach is adopted in the research paper. If the taxpayer forgoes the seventy tax deduction then only he can opt for the lucrative new scheme, whereas, if he decides to befriend with the deductions, the assessee is serrated down to the mundane old tax regime. To foster easy comparison with two distinctive tax slab the paper assumes the higher tax slab of each regime to be the level of Income.

Keywords: Finance Act, Budget, Income Tax, Capital Assets, Capital Gain, Long term Assets, Short Term Assets, Long Term Capital Gain, Short Term Capital Gain.

Objectives of the Study:

1. To compare between in the two schemes made available at the option of the taxpayer by the finance budget Feb 2020.
2. To Analyse the net saving or dissaving as envisaged by the Feb Budget 2020 if the individual assessee opt for the new scheme.

Hypothesis:

The new income tax scheme is beneficial for the resident individual taxpayers as compared to the option of old scheme available for the tax payer.

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Assumptions:

1. The research is applicable only to resident individual only.
2. The research cover only the tax rates applicable from Feb. 2020

Working Definitions:

1. Income tax: The charge levied by the government on the income.
2. Tax rate: the rates at which income tax is charged by the government.
3. Budget: the planning of the government for the financial year.
4. Assessee: the person liable to pay Income tax.
5. Assessment year: any year which commences on the first of April of any year and ends on thirty first of march of the subsequent year:
6. Previous year: also regarded as financial year is the year exactly before the assessment year. Means the year that commences on the first of April of any year and ends on thirty first of march of the subsequent year before the assessment year.
7. Individual: Means the naturally living persons.

Research methodology:

The study is based on case study model. However for the purpose of the study questionnaire is prepared and information is gathered from the selective respondents. The selection is based on the two fold criteria income and various other deductions claimed by the individual to the full extent. Hence the method of sample selection can be said as deliberate sampling method.

Introduction:

The finance minister, Nirmala Sitharaman, in her longest tirade which lasted for two hours and forty minutes pronounced the Union Budget of 2020-21. She also proclaimed the title for the longest speech by any other finance minister after independence. Her termed optimist budget focuses on the revival of the economy, to increase the purchasing power of the individual and with the old conventional saga of boosting agricultural sector. The budget for the first time gave away two tax slabs one with the new rates without exemptions and deductions and the other to be as per the old rates if the taxpayer wishes to continue with his thefty deductions.

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The point of discussion is that if the new tax system is to be adopted the assessee forgoes his seventy deductions. So is the new tax rates so attractive that the taxpayer should sacrifice his option of old tax rates with deductions?

The list of exemptions and deduction foregone are:

The total income of the individual or Hindu undivided family shall be computed,—

(i) without any exemption or deduction under the provisions of clause 5 (regarding leave travel concession) or clause 13A (as regards House rent allowance) or under clause 14 (relation to allowances under first and second half) or clause 17 (allowances for member of parliament) or clause 32 (pertaining to clubbing of income of a minor child), of section 10 or section 10AA(units in special economic zone)

(ii) or section 16 (deductions from salary) or clause (b) of section 24 (in respect of the property referred to in sub-section (2) of section 23 for a self occupied property).

(iii) or clause (iia) of sub-section (1) of section 32 for claiming additional depreciation or section 32AD (Investment in new plant or machinery in notified backward areas in certain States)

(iv) or section 33AB (tea development account) or section 33ABA (Site Restoration Fund) or sub-clause (ii) or sub-clause (iia) or sub-clause (iii), of sub-section (1) (any sum paid to a research association which has as its object the undertaking of research in social science or statistical research or to a university, college or other institution to be used for research in social science or statistical research).

(v) or sub-section (2AA), of section 35 (National Laboratory or a University or an Indian Institute of Technology or a specified person with a specific direction that the said sum shall be used for scientific research) or section 35AD (Deduction in respect of expenditure on specified business).

(vi) or section 35CCC (Expenditure on agricultural extension project).

(vii) or clause (iia) of section 57.

(viii) or under any of the provisions of Chapter VI-A other than the provisions of sub-section (2) of section 80CCD or section 80JJAA;

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(ix) further disallowing the following losses:

a. Carry forward loss
b. .Accumulated depreciation.
c. Loss under the head "Income from house property" with any other head of income.

Findings

Mr. X gave his particulars for the financial year 2019-20 for the purpose of the research the same amount of income is assumed ignoring the increments if any:

Tax calculated as per old scheme:				
Particulars	A	B	c	D
income from salary	1872000	2565000	5168000	11872000
Deduction under Sec 16				
16 (1) Standard deduction	-50000	-50000	-50000	-50000
16 (2) Entertainment Allowance	0	0	0	0
16 (3) Professtional tax	-2500	-2500	-2500	-2500
taxable Salary	1819500	2512500	5115500	11819500
Income from House Property				
House property (self occupied)	-200000	-200000	-200000	-200000
Income from Business	0	0	0	0
Income from Capital Gain	0	0	0	0
Income from Other Sources				
Sources other than saving bank interest	62586	102692	98569	88672
Saving bank interst	6435	7892	12458	26427
Gross total income	1688521	2423084	5026527	11734599
Deduction under chapter VI A				
1) 80 C	-150000	-150000	-150000	-150000
2) 80 CCB (1) National pension scheme	-36752	-45691	-50000	-50000
3) Section 80 EEA	-150000	-150000	-150000	-150000
4) Section 80 D	-15000	-15000	-15000	-15000
5) Section 80 TTA	-6435	-7892	-10000	-10000
Net Taxable Income	1330334	2054501	4651527	11359599
Net Taxable Income (after round up)	1330330	2054500	4651530	11359600
Tax payable	220063	446004	1256277	3349195
Tax calculated as per new scheme: (without deduction)				
Particulars	A	B	c	D
Net Taxable Income	1872000	2565000	5168000	11872000
Tax payable	311064	527280	1473358	3945724

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Tax Dis- saving when new scheme is adopted	91001.04	81276	217080.2	596528.4

1) The above table clearly reflect that there is no tax saving if the new tax regime is selected over the old tax regim.

2) The new tax regime will not simply the existing tax system but instead will complicate things for the beginners of taxation.

3) For the purpose of simplicity only the salaries tax payers were covered things will further dampen if Alternate Minimum Tax levied under section 115JB come in the picture.

4) It's the third consecutive year that the individual taxpayer's tax slab has not changed. Though the new tax slab option is available but it will result into a higher tax payment. So for tax saving the individual assessee will not forgo the option of old tax regime.

Head to Head comparison between two tax regime the new tax regime and the old tax regime. For the purpose of simplicity the table I will provide the rates of taxes and table II will prove the efficacy of the regimes.

Slab	Level of income of individual assessee					
	250000	500000	750000	1000000	1250000	1500000
New Tax Slab	0	0	37500	75000	125000	187500
Old Tax Slab	0	0	62500	112500	187500	262500
Total saving as new slab is adopted	0	0	25000	37500	62500	75000
Total dis-savings because of deductions not availed assumed to be Rs 400000	-7500	-40000	-67500	-87500	-107500	-120000
Net dissaving when the new model is adopted	-7500	-40000	-42500	-50000	-45000	-45000

* after Rs. 15,00,000 income is ignored for the limitation of space and both the New tax slab and old tax slab runs hand in hand at 30%.

** Surcharge and educational cess are being ignored.

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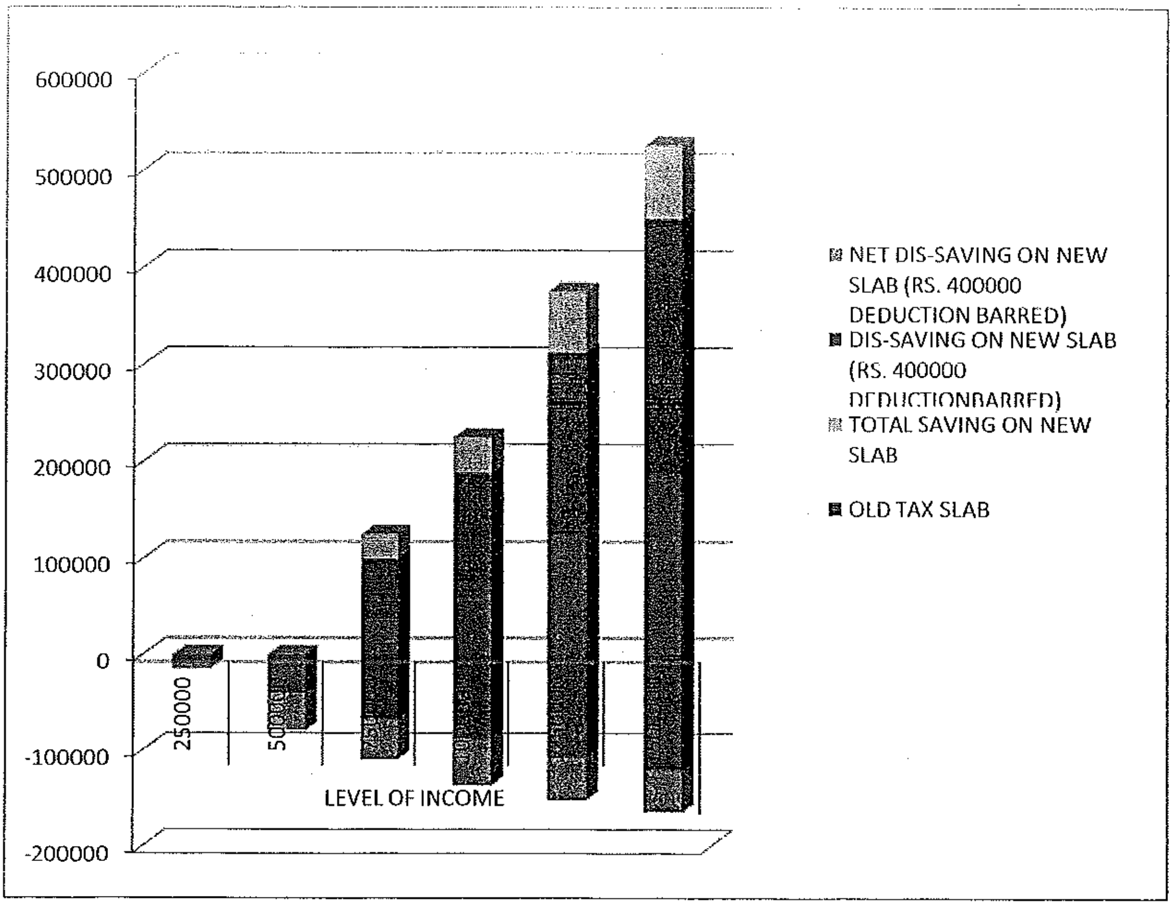
The graph showing the comparative analysis of the New Income tax slabs and Old income tax Slab.



From the above graph it is net saving occasioned on account of new tax regime is on the negative region of the plane making it aptly clear for those assesses availing benefits to stick to the old regime of tax.

Hypothesis testing:

The new tax regim is not beneficial for the assessee claiming benefits up to Rs. 400000. Rs. 200000 under section 24(b), Rs. 150000 under section 80C and Rs. 50000 towards National Pension scheme.

Conclusions:

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1) The new tax regime is not beneficial for assesses using tax deductions.
2) The government's offer for the taxpayer's to choose between the existing income tax regime and the new income tax regime without deductions cannot avail exempting by investing in various tax efficient instrument.
3) The new tax slabs has developed uncertainties for key investment mobilizers such as the insurance and mutual funds. Where in insurance alone attract its thirty to forty percent of the total flow in the tax saving bracket.
4) Equity linked saving scheme which manages rupees one trillion worth of assets at present may stand to loose due to the new tax regime.
5) The impact of new tax cuts in the personal income tax will have a limited impact, given the withdrawal of exemption to avail the new lower tax rates.

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