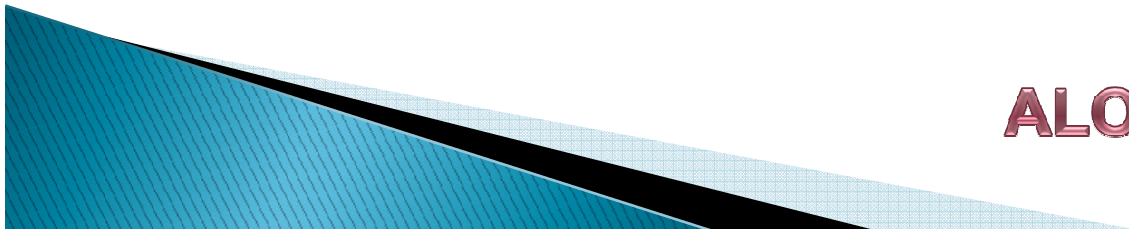


APPLICABILITY OF PROFESSIONAL TAX ALL INDIA

ALOK AGARWAL
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PROFESSIONAL TAX

Professional Tax is tax imposed on the salaried people working government or non government offices. Professional Tax deducted from the salary is payable to the State Government where the employees office / company situated. But not all the state government imposed professional Tax. In some states there is no Professional tax.



PROFESSIONAL TAX

-- DEFINITIONS

- "Employee" means a person employed on salary and includes,
 - a Government servant receiving pay from the revenue of the Central Government or any State Government;
 - a person in the service of a body whether incorporated or not, which is owned or controlled by the Central Government or any State Government, where, such body operates within the municipal limit even though its headquarters may be outside the municipal limit; and
 - a person engaged in any employment by an employer not covered above;
- "employer" in relation to an employee earning any salary on a regular basis under his means, the person or the officer who is responsible for disbursement of such salary and includes the head of the office or any establishment as well as the Manager or Agent of the employer;

PROFESSIONAL TAX

-- DEFINITIONS

- "half-year" shall be from the 1st day of April to the 30th day of September and from the 1st day of October to the 31st day of March of a year;
- "person" means any person who is engaged actively or otherwise in any profession, trade, calling or employment in the State of Tamil Nadu and includes a Hindu undivided family, firm, company, corporation or other corporate body, any society, club, body of persons or association, so engaged, but does not include any person employed on a casual basis;
- "Tax" means the tax on profession, trade, calling and employment levied

PROFESSIONAL TAX

-- DEFINITIONS

"Salary" or "wage" includes

1. Pay or wages, dearness allowance and all other remunerations received by any person on regular basis, whether payable in cash or kind, and also includes perquisites and profits in lieu of salary, as defined in section 17 of the Income-tax Act, 1961, but does not include bonus in any form, and on any account or gratuity;
2. Leave encashment and ex-gratia paid is a part of salary.

PROFESSIONAL TAX

Every company which transacts business and every person, who is engaged actively or otherwise in any profession, trade, calling or employment with in the Town Panchayat on the first day of the half-year for which return is filed, shall pay half-yearly tax at the prescribed rates.

The categories of person liable for Professional Tax are:

- Any individual;
- A Hindu Undivided Family;
- Firm;
- Company;
- Corporation or other corporated body; and
- Society, Club or Association.

HOW TO CALCULATE PROFESSIONAL TAX



- Professional tax or employment tax is a state-based tax. It is allowed as a deduction from the gross income before computing the tax.
- In case professional tax is allowed as a credit from the net tax payable (instead of the current process of allowing it as deduction from the income), the individual would definitely stand to gain to the extent of at least 66.34% of the amount paid as professional tax.
- But one need to consider the fact that professional tax is not part of direct tax applicable on your income.
- Accordingly, there should be a legislative change for allowing the credit for professional tax from the direct tax payable by you.

WHO COLLECTS PROFESSIONAL TAX

Professional tax is levied by state governments or local municipal bodies and is in addition to the income tax that the central government collects from you.

Currently, 12 Indian states collect revenue through this source and most of them have already imposed the maximum permissible levy of Rs 2,500 a year. Delhi, Uttar Pradesh, Uttarakhand, Jharkhand and Arunachal Pradesh are the some of the exceptions and have not levied professional tax.

Kerala, Karnataka, and Tamil Nadu have empowered their municipal bodies to collect professional tax while Maharashtra, Madhya Pradesh and Andhra Pradesh impose this tax themselves.

EXEMPTED FROM PROFESSIONAL TAX

Exemptions from paying Professional Tax is granted to :

- ✓ Members of defence as defined in Army Act 1950, Airforce Act 1950, Navy Act 1950 reserve and auxiliary services drawing pay and allowances under the budgetary allocations of Defence Services excluding persons drawing pay and allowances from the establishments of Defence Ordnance Factories situated in any part of the Maharashtra State,
- ✓ the badli workers in the textile industry,
- ✓ any person suffering from permanent physical disability as specified in rule 32(1),

EXEMPTED FROM PROFESSIONAL TAX

- ✓ women exclusively engaged as agents under Mahila Pradhan Kshetriya Bachat Yojana of Directorate of Small Savings,
- ✓ Parents or Guardian of any person suffering from mental retardation specified in rule 32(2),
- ✓ person who has completed the age of sixty five years,
- ✓ parents or guardians of a child suffering from a physical disability as specified in rule 32(1).

REGISTRATION & ENROLMENT CERTIFICATE

Any of the categories of person described earlier, who is paying salary or wages to one or more employee, wherein this salary or wages paid to anyone or more employees exceeds Rs. 2500/- per month, is liable for registration under Profession Tax Act. Such a person can only apply for registration certificate.

Every employer, other than Government officer, who is liable to deduct & pay Profession Tax on behalf his employees, is given a registration certificate.

REGISTRATION & ENROLMENT CERTIFICATE

Every person liable to pay profession tax, other than a person whose profession tax is payable and paid by his employer, is given a enrolment certificate i.e. enrolment certificate is issued to an individual person, company, society etc. as the case may be only while registration certificate may be issued to any of categories of persons described earlier.

An employer who wishes to obtain Registration Certificate, has to apply for the same within thirty days of his becoming liable to pay tax.

NOTE: There is penalty prescribed for giving false information in application for Registration Certificate or Enrolment Certificate under the Profession Tax Act.

DOCUMENTS REQUIRED (REGISTRATION)

- You need to take the registration certificate number for your company and then for the staff.
- The registration forms will be available at professional tax offices.
- You would have to fill up this form and also submit the following documents at the same office.
 - ✓ Memorandum of Articles
 - ✓ Board resolution for authorized signatory
 - ✓ If it is a new establishment, then the lease agreement for the premises being occupied
 - ✓ Number of directors
 - ✓ Number of employees
 - ✓ Registration fess for each director

You will be issued a registration certificate. From that month onwards you can submit the challan based on the slabs for deduction of Professional Tax.

PROFESSIONAL TAX IN NEWS

The tax on professions, trades, callings and employments, is a tax that the Constitution assigns to state governments/local bodies. In eight states, the state government itself collects the tax while in several others with active panchayats; the local bodies levy and collect the tax. Article 276 puts the ceiling on the tax at Rs 2,500.

The Constitution has been amended in the past to raise the tax level to bring it to the present level. Many states have been demanding that the Article should be amended again to hike the tax level to Rs 7,500 a year.

Eight states, including Maharashtra, Tamil Nadu, Karnataka, Gujarat, Madhya Pradesh, Andhra Pradesh and West Bengal, levy this tax on an annual basis. An increase in the ceiling is expected to substantially help these states in overcoming their revenue constraints.

PROFESSIONAL TAX IN NEWS

A proposal in this regard is likely to be taken up by the cabinet soon. The present level of Rs 2,500 was fixed in 1988 through the 60th amendment. This time, the Centre wants to carry out another amendment through which it wants to retain the executive power to enhance the ceiling as and when required without having to go to Parliament for the same.

The amount paid to a local body/state government as tax on professions, etc is eligible for deduction from income while computing income tax payable to the central government. Therefore, a hike in the tax level could adversely impact personal income tax collections. States collect close of about Rs 3,000 crore by way of professional tax.

TAX SLABS IN INDIA

The set of professional **tax slabs in India** are different for all the 12 states in India and some of the states have formulated different professional tax slabs for men, women, and the senior citizens of the respective states.

KARNATAKA

GUJARAT

MADHYA PRADESH

ASSAM

ORISSA

MAHARASHTRA

WEST BENGAL

CHENNAI

ANDHRA PRADESH

KERALA

TAMIL NADU

CHATTISGARH



PROFESSIONAL TAX IN ANDHRA PRADESH

WAGES/SALARY PER MONTH	TAX
UPTO Rs 5,000	NIL
Rs. 5,001 – 6,000	Rs. 60
Rs. 6,001 – 10,000	Rs. 80
Rs. 10,001 – 15,000	Rs. 100
Rs. 15,001 – 20,000	Rs. 150
Rs. 20,000 and above	Rs. 200

PROFESSIONAL TAX IN CHENNAI

WAGES/SALARY PER MONTH	TAX
UPTO Rs. 1,499	NIL
Rs. 1,500 – 1,999	Rs. 16
Rs. 2,000 – 2,999	Rs. 25
Rs. 3,000 – 3,999	Rs. 35
Rs. 4,000 – 4,999	Rs. 45
Rs. 5,000 – 5,999	Rs. 60
Rs. 6,000 – 9,999	Rs. 80
Rs. 10,000 – 14,999	Rs. 100
Rs. 15,000 – 19,999	Rs. 150
Rs. 20,000 & above	Rs. 200

PROFESSIONAL TAX IN KARNATAKA

Professional tax in **Karnataka** on Salary or wage earners whose salary or wage or both, as the case may be, for a month is,

WAGES/SALARY PER MONTH	TAX p.m.
Not less than Rs. 3,000 but less than Rs. 5,000	Rs. 30
Not less than Rs. 5,000 but less than Rs. 8,000	Rs. 60
Not less than Rs. 8,000 but less than Rs. 10,000	Rs. 100
Not less than Rs. 10,000 but less than Rs. 15,000	Rs. 150
Rs. 15,000 & above	Rs. 200

PROFESSIONAL TAX IN MAHARASHTRA

WAGES/SALARY PER MONTH	TAX
UPTO Rs. 2,500	NIL
Exceeds Rs. 2,500 but less than Rs. 3,500	Rs. 60 p.m.
Exceeds Rs. 3,500 but less than Rs. 5,000	Rs. 120 p.m.
Exceeds Rs. 5,000 but less than Rs. 10,000	Rs. 175 p.m.
Exceeds Rs. 10,000*	Rs. 2,500 p.a.

*It must be paid at Rs. 200 per month except for the month of February it is Rs. 300.

PROFESSIONAL TAX IN WEST BENGAL

WAGES/SALARY PER MONTH	TAX
UPTO Rs. 1,500	NIL
Rs. 1,501 – 2,000	Rs. 18
Rs. 2,001 – 3,000	Rs. 25
Rs. 3,001 – 5,000	Rs. 30
Rs. 5,001 – 6,000	Rs. 40
Rs. 6,001 – 7,000	Rs. 45
Rs. 7,001 – 8,000	Rs. 50
Rs. 8,001 – 9,000	Rs. 90
Rs. 9,001 – 15,000	Rs. 110
Rs. 15,001 – 25,000	Rs. 130
Rs. 25,001 – 40,000	Rs. 150
More than Rs. 40,001	Rs. 200

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PROFESSIONAL TAX IN MADHYA PRADESH

AVERAGE HALF YEARLY INCOME	TAX (YEARLY)	TAX (MONTHLY)
UPTO Rs. 75,999	NIL	NIL
Rs. 76,000 – 89,999	Rs. 1,000	Rs. 83 for 11 months & Rs. 87 for 12 th month
Rs. 90,000 – 1,50,000	Rs. 1,500	Rs. 125
Above Rs. 1,50,000	Rs. 2,500	Rs. 208 for 11 months & Rs. 212 for 12 th Month

PROFESSIONAL TAX IN ASSAM

AVERAGE HALF YEARLY INCOME	TAX (MONTHLY)
UPTO Rs. 3,499	NIL
Rs. 3,500 – 3,999	Rs. 50
Rs. 4,000 – 4,999	Rs. 65
Rs. 5,000 – 5,999	Rs. 80
Rs. 6,000 – 6,999	Rs. 95
Rs. 7,000 – 7,999	Rs. 110
Rs. 8,000 – 8,999	Rs. 125
Rs. 9,000 – 9,999	Rs. 140
Rs. 10,000 – 11,499	Rs. 155
Rs. 11,500 – 12,999	Rs. 175
Rs. 13,000 – 14,999	Rs. 195
Above 15,000	Rs. 205

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PROFESSIONAL TAX IN KERALA

AVERAGE HALF YEARLY INCOME	TAX (HALF YEAR)
UPTO Rs. 11,999	NIL
Rs. 12,000 – 17,999	Rs. 120
Rs. 18,000 – 29,999	Rs. 180
Rs. 30,000 – 44,999	Rs. 300
Rs. 45,000 – 59,999	Rs. 450
Rs. 60,000 – 74,999	Rs. 600
Rs. 75,000 – 99,999	Rs. 750
Rs. 1,00,000 – 1,24,999	Rs. 1,000
Above Rs. 1,24,999	Rs. 1,250

PROFESSIONAL TAX IN TAMIL NADU

AVERAGE HALF YEARLY INCOME	TAX (HALF YEAR)
UPTO Rs. 21,000	NIL
Rs. 21,001 – 30,000	Rs. 75
Rs. 30,001 – 45,000	Rs. 188
Rs. 45,001 – 60,000	Rs. 390
Rs. 60,001 – 75,000	Rs. 585
Rs. 75,001 & above	Rs. 810

PROFESSIONAL TAX IN ORISSA

INCOME – MONTHLY	TAX (MONTHLY)
UPTO Rs. 5,000	NIL
Rs. 5,001 – 6,000	Rs. 30
Rs. 6,001 – 8,000	Rs. 50
Rs. 8,001 – 10,000	Rs. 75
Rs. 10,001 – 15,000	Rs. 100
Rs. 15,001 – 20,000	Rs. 150
Rs. 20,001 & above	Rs. 200

PROFESSIONAL TAX IN CHATTISGARH

AVERAGE HALF YEARLY INCOME	TAX (HALF YEAR)
UPTO Rs. 1,00,000	NIL
Rs. 1,00,001 – 1,50,000	Rs. 1,560
Rs. 1,50,001 – 2,00,000	Rs. 1,800
Rs. 2,00,001 – 2,50,000	Rs. 2,400
Rs, 2,50,001 & above	Rs. 2,500

PROFESSIONAL TAX IN GUJARAT

Professional tax in **Gujarat** on Salary or wage earners whose salary or wage or both, as the case may be, for a month is,

WAGES/SALARY PER MONTH	OLD TAX p.m.	TAX (APRIL 1, 2008) p.m.
Not less than Rs. 3,000 but less than Rs. 6,000	Rs. 20	Rs. 20
Not less than Rs. 6,000 but less than Rs. 9,000	Rs. 40	Rs. 80
Not less than Rs. 9,000 but less than Rs. 12,000	Rs. 60	Rs. 150
Rs. 12,000 & above	Rs. 80	Rs. 200

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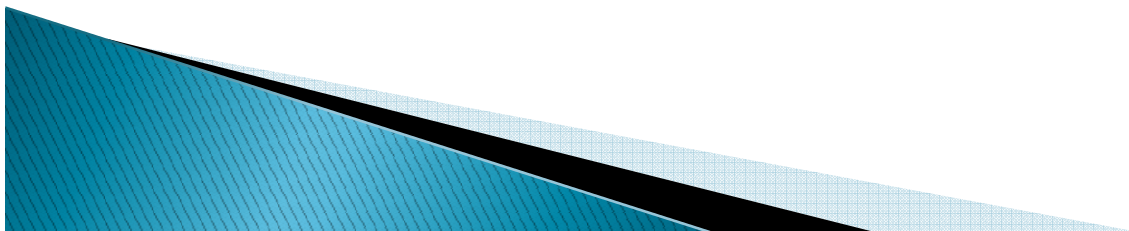
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