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Step By Step

Indirect Tax laws

CA. C.K.Bajpai
M.Com,FCA,DISA(ICAI)
Certificate in International Taxation
Contact:- S-561, Ist Floor,
Shakarpur,Delhi-92
Near laxmi Nagar metro Station
www.ckb.co.in
email:- ckbclasses@gmail.com
85888 27340, 9560037408

ckbclasses@gmail.com
S-561, Shakarpur,
Near Laxmi Nagar Metro Station
Delhi-110092

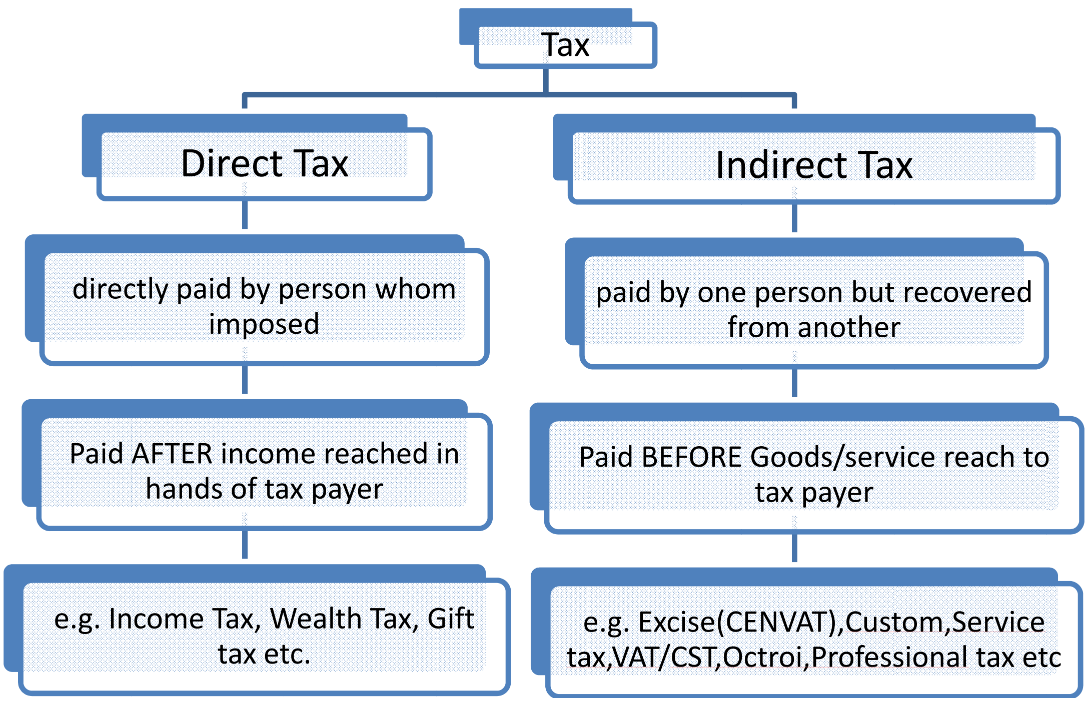
CA. C.K. Bajpai
95600 37408, 85888 27340

Tax:-

(i) It is money which is extracted by the Government from people to be used to provide public service.

(ii) It is not a voluntary payment but enforced by authority of law

(iii) Tax is of two types Direct Tax and Indirect Tax. Same can be understood by following chart:-



- The Constitution of India (COI) has given power to levy tax to Central government and State government under **seventh schedule**.
- The taxation in India is either charged by the state governments or by the central government.
- Article 245 - gives power to Parliament (say Central Government) to make laws for the whole or any part of the territory of India.
- Article 245 gives power to the Legislature of a State (Say State Government) to make laws for the whole or any part of the State.
- **List- I** of seventh schedule state the matters in which **Central** Government may make law for Tax.
- **List-II** of seventh schedule state the matters in which **State** Government may make law for Tax.
- **List-IIT** of Seventh Schedule, called **"concurrent list",** includes matters where both Central Government and State Government can make laws.
- Taxation matters are administered by the Finance Ministry through Board (i.e. central Board of direct taxes (CBDT) and Central Board Of Excise & Custom (CBEC)]
- CBDT or CBEC Board are created under the Central Board of Revenue Act, 1963.

List-I

Item No. 82 Item No. 83	Tax on income other than agricultural income Duties of customs including export duties
Item No. 84	Duties of excise on tobacco and other goods manufactured or produced in India except alcoholic liquors for human consumption, opium narcotics, but including medical and toilet preparations containing alcohol, opium or narcotics
Item No. 85	Corporation Tax
Item No. 92A	Taxes on the sale or purchase of goods other than newspapers, where such sale or purchase takes place in the course of interstate trade or commerce.
Item No. 92B	Taxes on consignment of goods, where such consignment takes place during interstate trade or commerce
Item No. 92C Item No. 97	Taxation of Services Any other matter not included in the List II, List III and any tax not mentioned in List II or List III

List-II-State List

Item No. 46	Taxes on agricultural income
Item No. 51	Excise duty on alcoholic liquors, opium and narcotics
Item No. 52	Tax on entry of goods into a local area for consumption, use or sale therein (usually called as Octroi)
Item No. 54	Tax on sale and purchase of goods other than newspapers except tax on interstate sale or purchase

List-III : Concurrent List
List III of Seventh Schedule, called "concurrent list", includes matters where both Central Government and State Government can make laws.

Features of Indirect Taxes

(i) An important source of revenue to the Government
(ii) It is a tax on Commodity or services
(iii) Burden of tax can be shifted to others
(iv) No direct pinch to tax payer as it becomes part of price for goods or services
(v) Indirect Tax affects the price of goods & Services directly thus cause inflation also.
(vi) Wider tax base
(vii) Promote social welfare by imposing higher tax on harmful goods like tobacco, liquor etc. These goods are known as SIN GOODS.
(viii) Regressive in Nature- Rich & poor both have to pay same rate of tax which may lead disparity of income.