Taxation

Presented by

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Introduction

- Taxation means simply, Compulsory some part of wealth transfer from household sector to firm sector to the government.
- Tax is a compulsory payments levied on everyone who consume. No one can reject it.
- It is a contribution to collect state revenue levied by the government.
- It is a government activity and collected revenue can be utilized for social welfare.
What is tax?

- Tax is a compulsory payment to get services from government.
- Common benefits or general purpose of the state.
- Tax should be distinguished by a fee.
- The amount of fee is always less than the cost of services.
Classification of Taxes

1. Direct & Indirect
2. Specific & Ad-valorem
3. Progressive & Regressive Taxes
<table>
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<th>Canons of Equality</th>
<th>Canons of Certainty</th>
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<td>Canons of Convenience</td>
<td>Canons of the economy</td>
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Other Principles of good Tax System

- Productivity
- Elasticity of Taxation
- Diversity
- Economic Growth
- Instrument for income distribution
- Ensuring economic stability
- Internal saving ratio
1. Effects on Production: The tax amount is directly depends upon the earning, capacity to work, income and investment of the consumers.

   a. Effects on saving
   b. Effects on investment
   c. Elasticity of demand
Effects of Taxation

- Effects on Production:
  - Ability to work
  - Saving & Investment
  - Income Distribution
2. Distribution: Taxation effects the distribution of income and wealth among various sections of the economy depends upon what type of tax charged and what is nature of tax rate.
Effects of Taxation

3. Inflation

4. Depression
Effects of Taxation

5. Consumption

6. Employment
Taxation in India is classified in direct and indirect taxes.

It mainly levied by central and state government. Ex. Income tax, Sales tax

Some minor taxes are levied by municipality and local governments. Ex. Housing tax, Water tax etc.

Goods and service Tax(GST) is levied same at the national level for manufacturing, selling and luxorious consumption.
Thanks for Watching...