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DIRECT AND INDIRECT TAX

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DIRECT & INDIRECT TAX

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Tax

Direct Tax

Person pays tax from own pocket

Example

Income Tax

Indirect Tax

Person collects Tax from Customer Pays to Government

Example

~~Vat. Service Tax, Excise, Customs etc.~~ ***GST***

DIFFERENCE DIRECT & INDIRECT

Basis	Direct Taxes	Indirect Taxes
1. Meaning	If a tax levied on the income or wealth of a person is paid by that person (or his office) directly to the Government, it is called direct tax.	If tax is levied on the goods or services of a person is collected from the buyers by another person (seller) and paid by him to the Government it is called indirect tax.
2. Incidence and Impact	Falls on the same person. Imposed on the income of a person and paid by the same person.	Falls on different persons. Imposed on the sellers but collected from the consumers and paid by sellers.
3. Burden	More income attracts more income tax. Tax burden is progressive on people.	Rate of tax is flat on all individuals. Therefore more income individuals pay less and lesser portion of their income as tax. Tax burden is regressive.
4. Evasion	Tax evasion is possible.	Tax evasion is more difficult
5. Inflation	Direct tax helps in reducing the inflation.	Indirect tax contributes to inflation.
6. Shiftability	Cannot be shifted to others	Can be shifted to others
7. Examples	Income Tax, Wealth Tax, Capital Gains Tax, Securities Transaction Tax, Perquisites Tax.	GST. Excise Duty.

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TAXES

Direct Taxes	Indirect Taxes	Other Taxes
Income Tax	Sales Tax	Property Tax
Wealth Tax	Goods & Services Tax (GST)	Professional Tax
Gift Tax	Value Added Tax (VAT)	Entertainment Tax
Capital Gains Tax	Custom Duty	Education Cess
Securities Transaction Tax	Coctroi Duty	Toll Tax
Corporate Tax	Service Tax	Registration Fees

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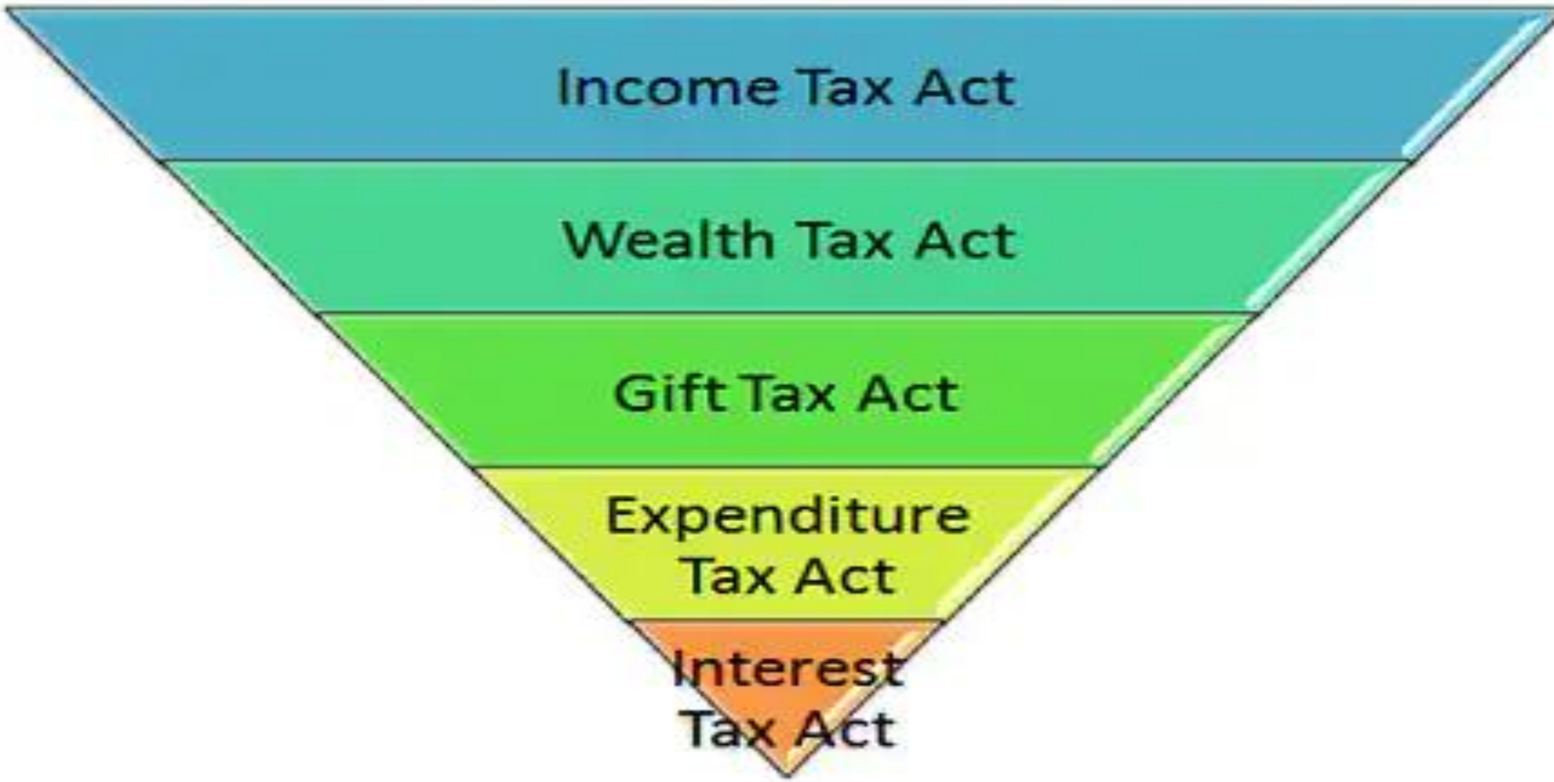
WHAT IS DIRECT TAXES

- As stated earlier, you pay these taxes directly. The government levies such taxes directly on an individual or an entity and it cannot get transferred to any other person or entity. There is only one such federation that winks at the direct taxes, i.e. the Central Board of Direct Taxes (CBDT) governed by the Department of Revenue. The CBDT has, to assist it with its sense of duties; the backup of several acts that preside over several aspects of the direct taxes.


Income Tax Act
Wealth Tax Act
Gift Tax Act
Expenditure Tax Act
Interest Tax Act

INCOME TAX ACT

- Income Tax Act is also called the IT Act, 1961. Income Tax in India is governed by the rules set by this act. The income taxed by this act can be generated from any source such as profits received from salaries and investments, owning a property or a house, a business, etc. The IT Act defines the tax benefit you can avail of on a life insurance premium or a fixed deposit. It also decides the savings from your income via investments and the tax slab for your income tax.

WEALTH TAX ACT

- The Wealth Tax Act came into effect in the year 1951 and is in charge of the taxation linked with an individual's net wealth, a Hindu Unified Family (HUF), or a company. The easiest computation of wealth tax was:
- If the net wealth of an individual exceeds Rs. 30 lakhs, then 1 percent of the exceeded amount is payable as a tax. It was put to an end in the budget that was announced in 2015. Since then, it has been substituted with a surcharge of 12 percent on the individuals that generate an income of more than Rs. 1 crore p.a. It is also pertinent to the companies, which have generated revenue of over Rs. 10 crores p.a. The fresh guidelines radically raised the sum the government would accumulate in taxes as disparate the amount they would accumulate via wealth tax.

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GIFT TAX ACT

- This Act was brought into existence in the year 1958 and assured that if a person received gifts or presents, valuables, or monetary, he has to pay a tax on those gifts. The tax on the aforementioned gifts was sustained at 30 percent but it was put to an end in the year 1998. Originally, if a gift was given, and it was somewhat like shares, jewelry, property, etc. it was subject to tax. As per the new rules, the present given by the members of the family like parents, spouses, uncles, aunts, sisters, and brothers is not subject to tax. Even presents you receive from the local authorities are also exempted from such taxes. If somebody, other than that of the exempted entities, presents you anything, which has a value beyond Rs. 50,000 then the whole gift amount is subject to tax.

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EXPENDITURE TAX ACT

- The Expenditure Tax Act came into existence in the year 1987 and cope with the expenditure made by you, as a person, may incur whilst you avail the services of a restaurant or a hotel. It is appropriate to the entire nation other than Jammu and Kashmir. It asserts that some expenses are liable under the act if the amount is beyond Rs. 3,000 contingents upon a hotel and all the expenses drawn in a restaurant.

INTEREST TAX ACT

- This Act of 1974 copes with the tax, which was chargeable on interest produced in some specific situations. In the Act’s last amendment, it is stated that this act does not apply to interest earned after March 2000.

CAPITAL GAIN TAX

- Capital Gains Tax is payable whenever you get a considerable sum of money. It could be from the sale of any property or from an investment. This is generally of two types of capital gains, that is:
- Long term Capital Gains
- Short term Capital Gains
- Long-term capital gains from the investment made for a period of more than 36 months and short-term capital gains from the investments made for not more than 36 months. The tax that is applicable for each of these is also different since short-term gains tax is computed basis the income bracket, which you fall in and the long-term capital gain tax is 20 percent. The interesting thing about the capital gain tax is that the profit does not always should be in the money form. It could also happen to be barter in kind in this the worth of the exchange will be taken into consideration for taxation.

Securities Transaction Tax:

- It is not a tough nut to crack to know about the proper trading on the stock market, and exchange securities, you stay still to make an extensive sum of money. This too is a mine of income but has its own tax that is called the Securities Transaction Tax. How is this tax levied? This tax is levied by combining the share’s price and the tax. This means every time you purchase or sell a share, you make payment of this tax. All the securities traded on the Indian Stock Exchange, have this affixed with them.

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THANK YOU