



# EVALUATION OF PERSONAL INCOME TAX STRUCTURE IN INDIA

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## ABSTRACT:

Taxation prevailed in India since ancient times in one form or another. Manu Smriti's, the most authoritative book on Hindu code gave a detailed analysis on the subject clearly showing the existence of a well-planned taxation system, even in ancient times, where taxes were paid in the shape of gold-coins, cattle, grains, raw-materials and also by rendering personal service by all the class of people. Arthashastra, the extensively offered book on statecraft, economic policy and military strength also advocated to a variety of tax measures. On the contrary, history has witnessed the unfortunate struggle between the state – the collector and the subjects- the tax payer for the payment of the taxes. In the present paper an attempt has been made to throw light on prevailing personal income tax structure in India. The paper briefly analyses the issues relating to high tax burden on people falling under low and medium income groups.

Key Words: Taxation, analyses, ancient, tax burden

## 1. INTRODUCTION:

Income Tax Act 1961 has given a very inclusive definition of a person (trying to cover every possible form of entity) where a person includes an individual, a Hindu Undivided Family, a Firm, any Company, Cooperative Societies and all other artificial judicial person. It states that any person whose total income exceeds the maximum exemption limit (laid down in the Finance Bill/ Budget every year) is liable to pay income tax at the rates prescribed in the Finance Act (the Finance Bill when accepted and passed is known as Finance Act) This statutory payment is not a voluntary payment but an obligatory action, which every tax payer despite of the slab he/she falls into attempts to evade. The low and medium income group of individual (especially the salaried Class) has a feeling of discontentment for paying taxes in facts, the tax payer does not want to part of with/share a substantial percentage of his hard earned money with the state under the name of tax. History has been witnessing this struggle between the tax collector

and tax payer, are reason for which may be the irrational structure of Personal Income Tax. Income Tax structure for individual (also known as Personal income Tax Structure) for the period from the financial year 2017-18 to 2021-22 has been considered for the review in this paper. The tax slabs and the tax rate for the Individual assesses (An assesses is a person who is liable to be assessed for tax and the tax liability may or may not arise) in Personal income Tax schedule were prodigiously high by any standards during the initial period (under review) which gradually settled during the latter period under the review.

## 2. LITERATURE REVIEW:

Every person who is liable to be assessed to tax to discharge his duties. (The income Tax Act, 1961) Taxes, both, income tax and Wealth tax have been levied since the ancient times by the rulers on the traders for trading in their kingdoms and the business clans and merchant for possessing wealth. (IT Circulars). Most of the time, the tax payers are confused as to the change in their taxability status is due to the amendments in the income Tax Act done by the respective finance Bill or due to their financial status. Under both the circumstances, the tax payer is reluctant to discharges his tax liability and is in a constant search to evade tax. (The Chartered Accountant Journals) A Competent and fair tax administration is the pre requisite for implementing tax policy in the true spirit and for achieving the objectives of taxation. (V. Rani, 2011) the levy of taxes should be according to Shastras and in concomitant to the income and expenditure of the subject. However, both the extremities should be avoided i.e., the extortionate of taxation or the complete absence it. The collection should be such that the pinch of the taxation should not be felt, in fact, the benefits of payment of taxes should encourage voluntary payment from the subject (Arthashastra).

## 3. OBJECTIVE OF THE STUDY:

The objective of the study are: -

1. Measuring the trend of Personal Income Tax structure in India.
2. Determine the present scenario and future prospects of prevailing income tax structure.
3. Suggesting suitable measures for rational personal income tax structure.
- 4.

## 4. LIMITATIONS AND SCOPE OF THE STUDY:

In India, agriculture income is exempted from tax. The present study is confined to Personal Tax Structure of the non agricultural taxable income of the individual, Hindu Undivided Family, unregistered firms (profits of which are taxable in the hands of partners in the capacity of individual), Association of Persons and body of individuals known as general tax payers. Hence, there is further scope of study for other assesses (known as corporate tax payers.)

## 5. RESEARCH METHODOLOGY

The nature of the present study is descriptive and exploratory. The Researcher has considered Personal income tax rate for 05 financial years 2017-18 to 2021-22 and accordingly have calculated the tax burden. In certain financial year there was no surcharge, hence to maintain uniformity in information and interpretation the same is ignored. The Income Tax Act 1961, various circulars of CBDT, books on direct and indirect taxes, articles published in the journals by ICAI, research papers in journals and magazines, internet site and other relevant literature were referred. Guidance of the senior Chartered Accountants being experts in the field and view of general tax payers are also well-through-out while carrying out the study.

Present study has passed through the following stage:

1. Composition and Comparative analysis of basic income exempted from tax.
2. Structure of tax slabs and tax rates for general tax payer.
3. Computation of tax liability and growth rate of tax burden.
4. Composition of tax liability on different income slabs.
5. Conclusion and suggestion.

## 6. Composition and comparative analysis of basic Income exempted from Tax.

No.1 Basic Tax free Income for Individual Assesses.

Financial years	Male	Female	Senior Citizen 60 – to 80 years	Above 80 years
2014-15	250000	250000	300000	500000
2015-16	250000	250000	300000	500000
2016-17	250000	250000	300000	500000
2017-18	250000	250000	300000	500000
2018-19	250000	250000	300000	500000
2019-20	250000	250000	300000	500000
2020-21	250000	250000	300000	500000
2021-22	250000	250000	300000	500000
2022-23	250000	250000	300000	500000
2023-24	300000	300000	300000	500000

Sources: Data Compiled from Financial Budgets of every year.

The Financial year 2019 to 2020 – Up to 2022 to 2023 the financial bill introduced a new concept of providing additional basic standard exemption Rs. 50,000 to Male and Female. For the above statement the benefit was enjoyable only in the first slab no changes for second and third slab in the period 2022-23 and 2023-24 to provide either old or new slab rate any one benefited to choice of them.

## STRUCTURE OF TAX SLABS AND TAX RATE FOR GENERAL TAX PAYERS

## FINANCIAL YEAR 2017-18

Below 60 years Age

60 to 80 years Age

Above 80 year

Amount in Rupees	in Rs.	Tax rate	Amount in Rupees	in Rs.	Tax rate	Amount in Rupees	in Rs.	Tax rate
Upto 2,50,000		Nil	Upto 3,00,000		Nil	Upto 5,00,000		Nil
2.5 lakh to 5 lakh		5%	3 lakh to 5 lakh		5%	5 lakh to 10 lakh		20%
5 lakh to 10 lakh		20%	5 lakh to 10 lakh		20%	Above 10 lakh		30%
Above 10 lakh		30%	Above 10 lakh		30%			

For the Financial year 2018-19 and 2019-20 is one and same of the above table slab rate is not change.

## FINANCIAL YEAR 2023-24

Below 60 years Age

60 to 80 years Age

Above 80 year

Amount in Rupees	in Rs.	Tax rate	Amount in Rupees	in Rs.	Tax rate	Amount in Rupees	in Rs.	Tax rate
Upto 3,00,000		Nil	Upto 3,00,000		Nil	Upto 5,00,000		Nil
3 lakh to 6 lakh		5%	3 lakh to 5 lakh		5%	5 lakh to 10 lakh		20%
6 lakh to 9 lakh		10%	5 lakh to 10 lakh		20%	Above 10 lakh		30%
9 lakh to 12 lakh		15%	Above 10 lakh		30%			
12 to 15 lakh		20%						
Above 15 lakh		30%						

Sources: Data compiled from financial Budget for every year and direct tax report of relevant years

The new tax rate boosts the spending capacity of Indians, middle class by swelling its disposal Income. Almost the people will ultimately move to new tax rate because it makes tax planning and tax filing easier. However, any significant change in ground level the investment is un likely because the new tax policy cannot given the exemption of under section 80C to 80 U and Home loan interest. This is because the core concern savings of children in feature once old age remain the same. It is the effect on bank offers and insurance company and the investing company

## DIRECT TAX COLLECTION FOR THE PERIOD 2014-15 TO 2021-22

## RUPEES IN CRORES

Financial Year	Corporate Tax	Personal Income	Other direct tax	Total
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		Tax		
2014-15	428925	265772	1095	695797
2015-16	453228	287637	1079	741945
2016-17	484924	349503	15286	849713
2017-18	571202	420084	11452	1002738
2018-19	663575	473179	967	1137718
2019-20	556876	492717	1088	1050681
2020-21	457719	487560	1867	947176
2021-22	712037	696604	3781	1412422

Sources :Union Finance account of respective years report of C and AG/ Receipt Budget

## 7. CONCLUSION:

The funds generated from the payment of direct tax are the major source of Income for any Government. These funds enable the government to carry out the welfare activities of the society. Payment of taxes is a moral obligation of every person assessable to tax. But due to high inflationary tendencies and equally higher income tax rates, people are demoralized to contribute to the country's coffer. The wide disparity of the tax rates encourages the middle and lower income group people to evade taxes as a result of which the economy faces the set back in the growth and development. The need of the hour is to make the Income Tax Act assesses friendly by widening the tax brackets and lowering the slab rate as a result of which those who earn more and fall in the higher slab should be levied more and contribute to the nation building generously. On the other hand, the lower and middle income group of tax payers should be proportionately charged after allowing reasonable margin for accommodating inflationary tendencies.

## 8. REFERENCE :

1. The Income Tax Act 1961
2. Direct Tax code Bill.
3. The chartered Accounts Journal the Institute of Chartered Accounts.
4. Income Tax M.B. Kadakol, 8<sup>TH</sup> EDITION, 2022.