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INDIAN TAXATION MANAGEMENT IN TRADE AND COMMERCE

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Introduction

Indian taxation management plays an important role in the field of trade and commerce. Trade and commerce have a large contribution to the taxation management system. Distribution of taxes is dependent on income through trade. In this article, we will discuss the role of trade and commerce in Indian taxation management. In the article, we will discuss the importance of direct tax as well as indirect tax. We will also study the advantages of paying taxes.

Role of trade and commerce in Indian Taxation management

Trade has a major impact on the Indian taxation management system. According to Nayyar and Singh (2018), good and Services tax has an impactful change in the field of trade and commerce as it has changed the structure of import and export of the goods and services. Trades and commerce help the country to make more economically sound. It provides funding through various kinds of taxes to the country's economy which helps in performing the various functions and duties such as developing the country's infrastructure, financing public welfare and operating public institutions. For these facilities, the government generates revenues which act as taxes for the public. Indian trade and commerce have major contributions in the taxes paid to the government. There are two attributes which define the importance of taxes. According to Rahayu et al. (2017), the proportional attributes define the importance of taxes as the rate of tax levied is proportional to the amount of income. The progressive attributes define the tax is levied at increasing rates to increasing brackets of revenue.

Table: Income Tax Rate with Total income

Total Income	Income Tax Rate
Up to 25 Lakh	0 percent
From 2,50,001 to Rs 5,00,000	5 percent
From 5,00,001 to Rs 7,50,000	10 percent
From 7,50,001 to 10,00,000	15 percent
From 10,00,001 to Rs 12,50,000	20 percent
From 12,50,001 to 15,00,000	25 percent
More than 15,00,000	30 percent

Types of Taxes

Various types of taxes are paid by the trade and commerce of India. India has mainly two types of taxes: direct taxes and indirect taxes. According to Beer and Loeprick (2018), direct taxes are of various types such as Income tax, gift tax. Wealth tax, capital gains tax, securities transaction tax and corporate tax are direct taxes. Indirect taxes compromises as sales tax, service tax, goods and service tax, value-added tax, customs duty tax and toll tax. In this section, we will describe the types of taxes in detail.

Direct Tax

In the Indian Taxation Management system, direct taxes are those taxes which are directly paid to the government. Individuals are bound to pay these kinds of taxes to the government and it can't be transferred to another person. According to Alvaredo et al. (0217), the taxpayer has levied the money by himself; he can't shift the payment to the other person. There are several advantages of direct taxes such as it maintains the social and economic equity which means everyone has to pay the taxes according to his ability. Progressive nature of direct taxation can decrease the inequalities in income. Senior citizens, women, have been depicted by the slabs and exemption limits. In the direct tax, there is the certainty of tax which is paid to the government. The government has not to spend much in tax collection in the case of personal income tax. In the personal income tax, the salary of the individuals can be deducted in the form of TDS. According to Burke et al. (2019), the direct taxes get increased as the income of the person gets increased. Inflation can be controlled through the direct taxes and during the inflation period the government increases the tax rate. The consumption and demand get decline as the tax rates get increases which helps in reducing inflation.

Various kinds of direct taxes are discussed below

According to the different tax brackets as defined by the department of income tax the amount which is levied on and paid by the same entity. All the people have to pay income tax according to the basis of their income. Every year, the individuals have to file income tax returns through the government to determine that they are eligible for any tax refund or they owe any taxes. Corporate tax is another kind of direct taxes which is also known as corporation tax. According to Alstadsaeter et al. (2018), this kind of taxes is imposed on the corporation. The corporation has to pay the taxes on the gain generated by it as it is levied on the profits earned. Under the Income Tax rules provision, the business organizations, as well as the company, pay the income taxes. Inheritance taxes are also known as Estate tax. This tax is imposed on the individual's death which means the tax is imposed on the properties of the person. The gift tax is also a kind of direct tax which is paid to the government as a gift tax.

Indirect taxes

Indirect tax is the kind of tax which is collected by the person who bears the economic burden of the tax. This kind of tax can be easily shifted to someone. Anyone can pay the taxes. Customers have to pay indirect taxes when they buy any products. According to Raj and Aithal (2018), the increment in the price of the products means that the indirect taxes are increased on that product. There are several benefits of indirect taxes as it doesn't sound like a burden as the direct taxes sound. Indirect taxes are the same for all the categories of the society which means the poor can also have to pay the same taxes as the rich can pay. Indirect taxes are not obvious which means the people have to pay the taxes in a very small amount which is added to the price of the products. The indirect taxes can be only seen on the purchase receipt, not on the price tag. The indirect tax is dependent on the purchasing of goods which means they can avoid paying the taxes by avoiding purchasing the products. According to Sharipoy (2020), the harmful products such as alcohol have heavy taxes. People can avoid buying these kinds of products because they are highly-priced.

Various types of indirect taxes are Goods and services tax, value-added tax, customs duty and octroi tax, excise tax and anti-dumping tax. Gross Service tax which is also known as GST is a kind of

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indirect tax which covers all the indirect taxes that are operating inside the country. It is the highly regarded indirect tax in India. It applies to all the goods and products we buy or the billing in the hotels as well as on the tickets of the theatre. According to Saravanan et al. (2018), value Added Tax which is also known as VAT is an indirect tax which is collected by the state governments. The additional tax we pay during the purchase of goods is known as Value Added Tax. Customs Duty and Octroi Tax are imposed on the goods which are imported from the other countries to our country. This tax is paid at the airport where the products are imported from the other country. Excise Duty is a form of indirect taxes which is applied to the products that are manufactured inside our country. This is also known as Central Value Added tax.

Indian Gross Fiscal Deficit

The Indian Gross Fiscal Deficit arises due to the major hike in capital expenditure. The total expenditure such as loans net of recovery over revenue receipts comes under the Gross Fiscal Deficit.

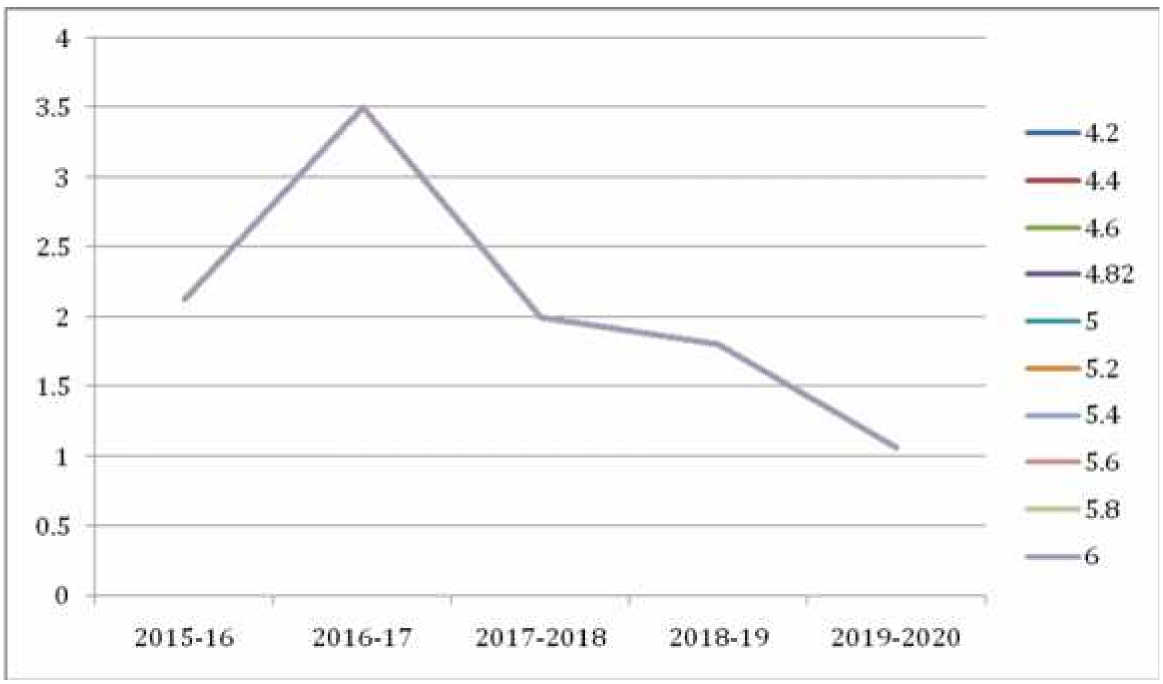

Figure 2: Indian Gross Fiscal Deficit
(Source: Tillin and Pereira 2017, p.768)

Importance of taxes

Trade and commerce are the major contributors to the Indian taxation management system. As there are several advantages of paying the taxes. In this section, we will discuss the importance of paying taxes in trade and commerce.

Loan approvals- For having trade and business loans the bank demands for income tax returns the copy. According to Radcliffe et al. (0218), Income Tax written which is also known as ITR helps to get the loan up to a higher amount. ITR helps the bank to know the ability to return the amount to the bank based on the income. ITR also helps the bank to know clearly about the incomes as well as taxes that paid last year.

Government tenders- For the government tenders, there are no specific strict rules; it depends on the individuals' government department. For applying the government tender the copy of Income Tax Returns is required. According to Pradhan et al. (2017), the income tax return will help the government to know the individual has sufficient income or not.

Carrying forward of losses Capital gain is adjusted through the long terms and short term capital loss which is made in the subsequent years. Short terms can be adjusted against both the long term as well as short term gain.

High-cover life insurance- Income Tax Returns are mandatory for getting Life terms insurance and this policy can ensure the amount up to one crore starting from 50 lakh. According to Reuter (0217), income Tax Return is used for the verification of the annual income of the individual. Range of the amount is ensured according to the income of the individuals. It means forgetting the high range of policy; the individual has a high income.

Compensation- According to Gnangnon and Brun (2017), Income Tax Returns help the self-employed individuals to claim for the compensation in any kind of accident, disability or death. For getting the compensation, the individual must have the Income-tax return slip. Based on the income tax slip, he will get the compensation amount.

Visa application- According to Choi and Luo (2019), income tax returns copy is required when anyone applies for the visa. Income tax returns are proof that the person will not leave the country in between and it will also help the individuals during the emergency in the other country when he needs the consulate's help.

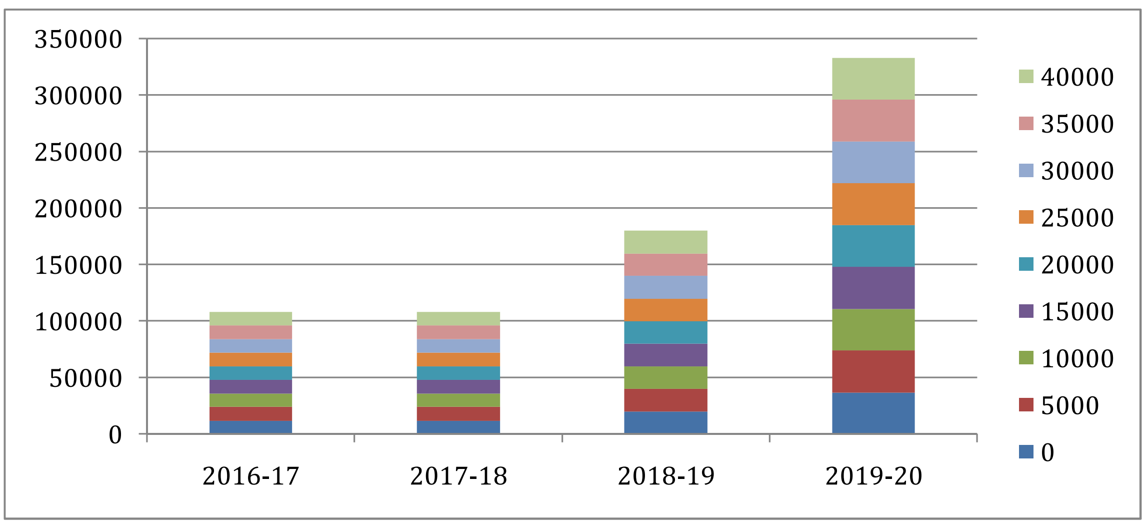

Figure 3: India's Disinvestment Target
(Source: Awasthi and Engeelschalk 2018, p.457)

Disadvantage of Taxes

Despite there being several advantages of direct taxes there are some drawbacks of the direct taxes such as tax evasion, impacts capital formation, arbitrary rate of taxation, inconvenient and imbalance in sectoral taxation. According to Slemrod (2019), tax evasion means due to the poor documentation and corrupt tax administration the correct information about the incomes gets suppressed and due to which the accounts get manipulated which increases the tax evasion problem in our country. Saving and investments of the individual get affected by paying the direct taxes which reduces his income which affects the capital formation in our country. According to Cook and Chu (2018), the major problem about the direct taxed is they are arbitrary means they have no proper objective for determining the direct taxes. The requirement of equity can't be always fulfilled by direct taxes. The procedure for filing the returns for the income tax is also inconvenient and lengthy. Maintenance of accounts becomes more inconvenient in paying the direct taxes which leads to the problem of tax evasion. In India, due to the direct taxes, there is a sectoral imbalance which means that agricultural sectors are completely tax-free whereas the corporate sector is heavily taxed.

Conclusion

In this article, we have studied the Indian Taxation Management System in trades and commerce. We found that trade and commerce have major contributions in the tax system of India. The Government imposed various kinds of taxes by providing various facilities to the public. We also knew that the taxes are of various kinds such as direct taxes which are directly paid to the government as well as the Indirect taxes which are paid to the company from which we buy the products. In this article, we also knew the benefits of paying taxes. Taxes are the financial charges which are imposed by the government as revenue to the public in exchange for providing public facilities. Direct taxes and Indirect taxes both have their importance and both are mandatory in balancing our taxation system. With various advantages, there are some drawbacks of taxes like tax evasion and unawareness about the direct taxes such as GST. Overall, taxes are important for balancing the economy of the country.

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