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TAXATION OF SMALL BUSINESS IN INDIA

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ABSTRACT

Expense is the significant wellspring of income for the public authority, the advancement of any nation's economy to a great extent relies upon the duty structure it has received. A Taxation Structure which encourages simple of working together and getting no opportunity for tax avoidance carries success to a nation's economy. Then again tax assessment structure which has arrangements for tax avoidance and the one which doesn't encourage simplicity of working together hinders the development of nation's economy. In this way as tax collection structure assumes a significant part in nation's turn of events. India has a very much evolved charge structure. The ability to demand charges and obligations is circulated among the three levels of Government, as per the arrangements of the Indian Constitution. Indian tax assessment structure has experienced numerous changes and still it is a long ways ahead from being an ideal tax collection structure. Numerous issues like Tax Evasion, Reliance on roundabout expenses, Black cash, presence of equal economy show that Indian tax collection framework requires some significant changes later on ahead to address this issues. In the accompanying paper, the examination is absolutely founded on optional information. Different figures are acquired from the various sites of administration of India. It is seen that there are different number of assessments and diverse duty assortment experts in India. Likewise it is seen that there is significant reliance on roundabout expenses for charge assortment than the direct duties. Both Indirect assessments and Direct expenses have their own preferences and impediments.

KEYWORDS: *Direct Taxes, Indirect Taxes, Tax Structure of India, Taxation, Tax Collection .*

INTRODUCTION

After Independence in 1947, India has formed into open Market Economy. In Early 1990's Started the Process of progression and decreased controls on unfamiliar exchange and venture. It has served to quicken the nation's development rate with a figure to ascend to 7.5% in monetary year 2015/16. (Business Knowledge Resource on the web, 2015)India has a very much evolved charge structure. The ability to impose charges and obligations is disseminated among the three levels of Government, as per the arrangements of the Indian Constitution. The primary charges/obligations that the Union Government is engaged to exact are:- Income Tax (aside from charge on farming pay, which the State Governments can collect), Customs obligations, Central Excise and Sales Tax and Service Tax. The chief charges exacted by the State Governments are:- Sales Tax (charge on intra-State offer of products), Stamp Duty (obligation on exchange of property), State Excise (obligation on assembling of liquor), Land Revenue (demand ashore utilized for farming/non-agrarian purposes), Duty on Entertainment and Tax on Professions and Callings. The Local Bodies are engaged to require charge on properties (structures, and so forth), Octroi (charge on section of products for use/utilization inside territories of the Local Bodies), Tax on Markets and Tax/User Charges for utilities like water gracefully, waste, and so on Small organizations in India are typically run as either ownership concerns, association firms, or little organizations. Ownership concerns are business run by people. Organization firms are set up under the Indian Partnership Act, 1932. Organizations are joined under the Companies Act. An exceptional sort of association, in particular Limited Liability Partnership (LLP), can be fused through the Ministry of Corporate Affairs. Unique expense arrangements are accessible for little organizations and independent companies. Expenses are exacted by governments on their residents to create pay for undertaking activities to help the economy of the nation and to increase the expectation of living of its residents. The authority of the public authority to exact expense in India is gotten from the Constitution of India, which assigns the ability to require duties to the Central and State governments. All charges imposed inside India require to be upheld by a join law passed by the Parliament or the State Legislature.

1. Tax holiday for three years:

To give innovative endeavors a truly necessary lift, the public authority in the association spending plan 2016-17 has declared to give a derivation of 100% expense exclusions during the initial three years of activity. Just the organizations that are enlisted as new companies under the Department of Industrial Policy and Promotion (DIPP) that include in advancement, sending, improvement or commercialization of new items and administrations driven by innovation would be qualified for the long term tax reductions. In addition, in the initial three years the qualified new businesses would not need to pay any assessment for benefits aside from MAT (Minimum Alternate Tax). Tangle is determined on 'book benefit'.

2. 20% exemption on Capital Gains:

Capital increases are the assessments charged on benefits picked up from offer of capital resources, for example, stocks and bonds. The public authority has as of late made arrangement for an exception of 20% capital increases charge. This arrangement was a long-forthcoming interest by the new companies. Prior to this arrangement, most interests in Indian new businesses were constrained to course their speculation through Maurititius as the capital addition charge on venture from that point postponed following arrangements in the Double Tax Avoidance Treaty..

3. Taxes on Turnover:

The public authority demand 25% duty in addition to cess and overcharge on new assembling firms. Notwithstanding, organizations with a turnover of under 50 crore for each annum need to cover 29 percent charge. Medium and little organizations with a turnover of not as much as Rs. 50 crore are charged at a pace of 25 percent. Also, the time of guaranteeing benefit connected expense exception is currently expanded from 5 years to 7 years. This progression by the public authority would profit around 6.67 lakh organizations in the nation.

4. Payment of EPF by the Government:

The public authority will currently give EPF (Employees' Provident Fund) commitment of 8.33% for the time of three years. Prior, the level of the commitment was 12% of workers essential compensation. This move will ease numerous businesses by reducing expenses of new companies by 12% for straight three years and will give occasions to enlist skilled contender for their organization as applicants will have employer stability. Numerous organizations have begun enlisting themselves with EFPO to profit the advantages..

5. Presumptive tax:

It is compulsory for the business people to keep up the books of record. Be that as it may, under Presumptive tax assessment plot, it isn't needed to keep up the books of record and consequently will decrease the weight of the business person. Anybody whose pay acquired stands at 8% is qualified for this plan. Nonetheless, an individual whose pay acquired is more than 8 %, higher rate can be proclaimed. Besides, all the private venture man with a turnover of up to Rs 2 crore and expert with net pay of up to Rs 50 lakh can profit advantage of this plan.

Every one of these strategies goes under "Startup India" mission of the public authority and were proposed in the Union financial plan 2016-17. These strategies were made with a goal to give a truly necessary lift to the maturing innovative endeavors. It is an auxiliary of the 'Make in India' plan and intends to make more positions inside the nation. This startup charge strategy will give the truly necessary lift to the new companies.

Examples of Direct Taxes

These are some of the direct taxes that you pay

a) Income Tax:

This is one of the most well-known and least understood taxes. It is the tax that is levied on your earning in a financial year. There are many facets to income tax, such as the tax slabs, taxable income, tax deducted at source (TDS), reduction of taxable income, etc. The tax is applicable to both individuals and companies. For individuals, the tax that they have to pay depends on which tax bracket they fall in. This bracket or slab determines the tax to be paid based on the annual income of the assessee and ranges from no tax to 30% tax for the high income groups.

The government has fixed different taxes slabs for varied groups of individuals, namely general taxpayers, senior citizens (people aged between 60 to 80, and very senior citizens (people aged above 80).

b) Capital Gains Tax:

This is a tax that is payable whenever you receive a sizable amount of money. It could be from an investment or from the sale of a property. It is usually of two types, short term capital gains from investments held for less than 36 months and long term capital gains from investments held for longer than 36 months. The tax applicable for each is also very different since the tax on short term gains is calculated based in the income bracket that you fall in and the tax on long term gains is 20%. The interest thing about this tax is that the gain doesn't always have to be in the form of money. It could also be an exchange in kind in which case the value of the exchange will be considered for taxation.

CONCLUSION:

The primary charges/obligations that the Union Government is engaged to exact are:- Income Tax , Customs obligations, Central Excise and Sales Tax and Service Tax. There are many facets to income tax, such as the tax slabs, taxable income, tax deducted at source , reduction of taxable income, etc. The tax is applicable to both individuals and companies. This bracket or slab determines the tax to be paid based on the annual income of the assessee and ranges from no tax to 30% tax for the high income groups. The tax applicable for each is also very different since the tax on short term gains is calculated based in the income bracket that you fall in and the tax on long term gains is 20%.

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