"It was only for the good of his subjects that he collected taxes from them, just as the Sun draws moisture from the Earth to give it back a thousand fold" – Kalidas.

Chapter No. 01:

Introduction and Framework of Study

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Introduction:

Income taxation is one of the various ways of raising revenue for the Government. There is enough evidence to show that taxes on income were levied since ancient times. The great aims of human endeavour have been classified as being ‘Dharma’, ‘Artha’, ‘Kama’ and ‘Moksha’. According to Kautilya’s Arthashastra – an ancient treatise on the study of economics, the art of governance and foreign policy - Artha has much wide are significance than wealth. An important part of the Arthashastra is the ‘science of economics’, which, inter alia, includes taxation, revenue collections, budget and accounts.¹ A list of taxes and dues is found in this treatise, which describes the duties of the chancellor and the officials responsible for revenue collection. The treatise also shows that taxes were collected in kind - grains, cattle, gold, forest produce, and so on.

India has a well-developed tax structure with clearly demarcated authority between Central and State Governments and local bodies. Central Government levies taxes on income (except tax on agricultural income, which the State Governments can levy), customs duties, central excise and service tax. Indian taxation system is highly organized and well developed. The entire tax structure of the country is managed by a three-tier federal arrangement, comprising of the Union Government, the respective State Governments and the various Local Bodies. Keeping in accord with the provisions of the Indian Constitution, the authority and power to levy various taxes and duties is distributed amongst these three Governmental tiers, in a planned manner. The Central Government holds power to charge taxes like Income Tax, Custom
Duties, Central Excise and Service Tax. On the other hand, the State Governments are empowered to levy taxes like VAT (Value Added Tax), Sales Tax, Stamp Duty, Land Revenue, State Excise, and Tax on Professions. State Governments can also impose taxes on various agriculture incomes.²

Income taxes or taxes levied on the income of an individual or any legal entity have been there for hundreds of years. They are a form of direct taxes. Income taxes can be classified as progressive, regressive or proportional and can be broadly divided into individual or personal income tax and corporate income taxes. For purposes of administration of income tax, individuals may be classified as residents, non-residents or not ordinarily resident in India. Non-residents enjoy greater benefits than not ordinarily residents in India who may have to pay taxes on their foreign income if it arises from a business controlled in or profession set up in India. The Government of India has entered into agreements with many national governments over the years to prevent its citizens being subjected to double taxation in those countries where the foreign income is earned.

**History of Taxation:**

It is a matter of general belief that taxes on income and wealth are of recent origin but there is enough evidence to show that taxes on income in some form or the other were levied even in primitive and ancient communities. The origin of the word ‘Tax’ is from ‘Taxation’ which means an estimate. These were levied either on the sale and purchase of merchandise or livestock and were collected in a haphazard manner from time to time. Nearly 2000
years ago, there went out a decree from *Ceaser Augustus* that the entire world should be taxed. In Greece, Germany and Roman Empires, taxes were also levied sometime on the basis of turnover and sometimes on occupations.³

For many centuries, revenue from taxes went to the Monarch. In Northern England, taxes were levied on land and on moveable property such as the Saladin title in 1188. Later on, these were supplemented by introduction of poll taxes, and indirect taxes known as ‘Ancient Customs’ which were duties on wool, leather and hides. These levies and taxes in various forms and on various commodities and professions were imposed to meet the needs of the Governments to meet their military and civil expenditure and not only to ensure safety to the subjects but also to meet the common needs of the citizens like maintenance of roads, administration of justice and such other functions of the State.⁴

In India, the system of direct taxation as it is known today has been in force in one form or another even from ancient times. There are references both in *Manu Smriti* and *Arthasastra* to a variety of tax measures. Manu, the ancient sage and law-giver stated that the king could levy taxes, according to *Sastras*. The wise sage advised that taxes should be related to the income and expenditure of the subject. He, however, cautioned the king against excessive taxation and stated that both extremes should be avoided namely either complete absence of taxes or exorbitant taxation. According to him, the king should arrange the collection of taxes in such a manner that the subjects did not feel the pinch of paying taxes. He laid down that traders and artisans should pay 1/5th of
their profits in silver and gold, while the agriculturists were to pay 1/6th, 1/8th and 1/10th of their produce depending upon their circumstances. The detailed analysis given by Manu on the subject clearly shows the existence of a well-planned taxation system, even in ancient times. Not only this, taxes were also levied on various classes of people like actors, dancers, singers and even dancing girls. Taxes were paid in the shape of gold-coins, cattle, grains, raw-materials and also by rendering personal service. Most of the taxes of Ancient India were highly productive. The admixture of direct taxes with indirect Taxes secured elasticity in the tax system, although more emphasis was laid on direct tax. The tax-structure was a broad based one and covered most people within its fold. The taxes were varied and the large variety of taxes reflected the life of a large and composite population.5

However, it is Kautilya’s Arthasastra, which deals with the system of taxation in a real elaborate and planned manner. This well known treatise on state crafts written sometime in 300 B.C., when the Mauryan Empire was as its glorious upwards move, is truly amazing, for its deep study of the civilization of that time and the suggestions given which should guide a king in running the State in a most efficient and fruitful manner. A major portion of Arthasastra is devoted by Kautilya to financial matters including financial administration. According to famous statesman, the Mauryan system, so far as it applied to agriculture, was a sort of state landlordism and the collection of land revenue formed an important source of revenue to the State. The State not only collected a part of the agricultural produce which was normally one sixth but also levied water rates, octroi duties, tolls and customs
duties. Taxes were also collected on forest produce as well as from mining of metals etc. Salt tax was an important source of revenue and it was collected at the place of its extraction. Kautilya described in detail, the trade and commerce carried on with foreign countries and the active interest of the Mauryan Empire to promote such trade. Goods were imported from China, Ceylon and other countries and levy known as a vartanam was collected on all foreign commodities imported in the country. There was another levy called Dvarodaya which was paid by the concerned businessman for the import of foreign goods. In addition, ferry fees of all kinds were levied to augment the tax collection.  

**Income Tax In India:**

The 19th century saw the establishment of British Rule in India. Following the Mutiny of 1857, the British Government faced an acute financial crisis. To fill up the treasury, the first Income-tax Act was introduced in February, 1860 by James Wilson, who became British-India's first Finance Minister. Thenceforth, there were many developments in the field of taxation. The tax system was modeled largely on the lines of the British system prevailing then.  

The history of Income Tax in modern India dates back to 1860 when the first Income Tax Act was introduced and which remained in force for a period of 5 years. This Act lapsed in 1865. Thereafter Act-II of 1886 was the next landmark. This Act of 1886 was a great improvement on its predecessor. The year 1918 saw the introduction of Act VII of 1918 which re-casted the entire tax laws. This Act was designed inter-alia to remedy certain inequalities in
the assessment of individual tax payers under the 1886 Act. The Act introduced, for the first time, the scheme of aggregating income from all sources for the purpose of determining the rate of tax.\(^8\)

James Wilson, while introducing the IT Act in 1860, quoted from *Manu* for levying income-tax in the country. The Act received the assent of the Governor General on July 24, 1860, and came into effect immediately. It was divided into 21 parts consisting of no less than 259 sections. The salient features of the Act were - Income was classified under four schedules:

i) income from landed property;

ii) income from professions and trade;

iii) income from securities, annuities and dividends; and

iv) income from salaries and pensions.

Tax was imposed on each of these sources. Exemption limit for the general public was fixed at Rs. 200 against the exemption limit of Rs. 4,980 to the military and police and Rs. 2,100 for the naval and marine officers. Agricultural income was subject to tax. The rate of tax was 2 per cent for incomes ranging from Rs. 200 to Rs. 499. And for incomes above this, 4 per cent. Of the 4 per cent charge, 1 per cent was to be retained by provincial governments and 3 per cent was to go to the Central Government. Compulsory returns were required to be submitted by all who were liable to tax. Except in Calcutta, the administration of the tax was left in the hands of the land-revenue officers. And the financial year commenced on August 1, 1860.\(^9\)
This first Act of 1860 yielded about Rs. 1.50 crores of tax revenue. This Act continued for five years before lapsing in 1865. The income-tax receipt in 1860-61 was 1.1 millions, in 1861-62, 2 millions; in 1862-63, 1.9 millions; in 1863-64, 1.5 millions; and in 1864-65, 1.3 millions. After the expiry of the Act, the important events in the history of tax laws in India were as follows:

- 1886 - license tax converted into the I-T Act (Act 11 of 1886);
- 1916 - graduated rates of taxation on income above Rs. 2,000 introduced;
- 1917 - super tax introduced;
- 1918 - I-T Act of 1918 passed;
- 1919 - Act X of 1919 imposed duty on excess profits;
- 1920 - Act X of 1919 abolished;
- 1922 - Indian I-Tax Act, 1922 passed; 1939 - substantial Amendments made to the I-T Act, 1922; and
- 1961 - A new act titled `Income-tax Act, 1961’ was drafted and came into force from April 1, 1962. This Act, with numerous amendments made from time to time by various Finance Acts, is currently in force.

The Indian Income Tax Act, 1922 which came into being as a result of the recommendations of the ‘All India Income Tax Committee’ is a milestone in the evolution of Direct Tax Laws in our country. Its importance lies in the fact that the administration of the Income Tax hitherto carried on by the Provincial Governments came to be vested in the Central Government. It marked an important change from the Act of 1918 by establishing the charge in the year of ‘assessment’ on the income of the
'previous year’ instead of merely adopting the previous year's income as a measure of income of the year of assessment. The Act of 1922 made a departure by abandoning the system of specifying the rates of taxation in its own Schedules. It left the rates to be announced by the Finance Acts, a feature which survives to this day. The Act of 1922 remained in force till 1961. Meanwhile, in 1956 the Government had referred the Act to the Law Commission in order to recast it on logical lines and to make it simple without changing the basic tax structure. Based on the Law Commission's report, the Income Tax Bill giving effect to its recommendations was submitted in the Lok Sabha in April, 1961. The Bill received the assent of the President on 13th Sept., 1961. The present Income Tax Act is this Act of Sept., 1961.\textsuperscript{11}

Income Tax is a form of direct tax, collected annually by the Central Government on all forms of income (other than agriculture income) and then shared with the states. Central Government levies income tax on the taxable income of individuals, Hindu Undivided Families (HUFs), companies, co-operative societies and trusts. Income Tax department of India is directed by the Central Board for Direct Taxes (CBDT) and forms a part of the Department of Revenue under the Ministry of Finance. According to the Income Tax Act of 1961, a person whose total income surpasses a certain ‘\textit{predetermined exemption limit}', shall be required to pay a certain amount of income tax at the rate or rates, as prescribed in the finance act. Apart from remuneration for work (\textit{Income from Salary}), an individual may be charged Income tax on this following list of incomes:\textsuperscript{12}
- Income from Salary;
- Income from House Property;
- Income from Business or Professions;
- Income from Capital Gains;
- Income from Other Sources.

Taxes like income tax, corporate tax, inheritance tax and gift tax fall under the category of direct taxation system in India. By contrast, indirect taxes are indirectly collected from someone, other than the individuals on whom they are imposed. Though this demarcation of direct and indirect taxes holds true in the perspective of economics, interpretations of both these terms may vary according to the difference in the contexts.

**Objectives of income taxation:**

Generally, competitive markets forces tend to attract resources into those activities which best satisfy the consumers of goods and services. Laissez faire is a policy that implies the absence of any governmental interference with private decision-making. This has, however, almost ceased to exist. Micro-economic policies of the governments alter the unrestricted working of the free-market system in an effort to effect either the allocation of resources among users or the distribution of income among people. The power to tax is an important element in such policies and is used not only to achieve re-distribution of incomes but also for attaining various other social and economic goals.

The basic objective of taxation is to raise money needed to finance government expenditure. But taxes have other effects too.
As a factor affecting the pricing of goods, they determine what to produce and in what measure. By taxing the affluent sections of society more, they change the distribution of incomes and wealth. There is a bewildering array of taxes in any economy, especially in developing countries. Some - such as sales-tax, income-tax and wealth tax - are visible, and yet others - such as excise, Customs duties, and so on - are invisible and are known as indirect taxes. At present, people are taxed on what they earn, on what they spend, on what they own and even on what they leave behind for their successors to inherit.

Central taxes such as income-tax tend to be, in aggregate, progressive. Whereas state and local authorities rely heavily on sales-tax and property tax, which are generally regressive. Taxation falls in the realm of public finance, the most rapidly developing branch of economic theory. But traditional economic theories are of little help in dealing with everyday tax problems of a country. In public-finance treaties, many of the theories and concepts are concerned with evaluating the economic effects of taxes by contrasting the characteristics of different types of taxes. But in reality, taxes have to be evaluated on a continuous basis so as to be in tune with the economic system of a country and for dealing with the problems therein.

In the long-term fiscal policy announced by the Government in 1986, the immediate problems to be tackled were identified as poverty and unemployment. The policy statement spelt out that the imperatives of the future lie in strengthening the growth momentum of the economy and in harnessing the rapid advances
in technology in the world so that the Government can effectively tackle the deep-rooted problems of poverty and unemployment in the country. In the various plans formulated so far, the emphasis had been on growth, modernization, self-reliance, social justice and generation of productive employment. Taxes play an important role in achieving these objectives. Thus, taxation, which started as an exercise to mobilizing revenue for the Government, has become an important instrument for achieving various objectives.

The tax system of a country, thus, reflects the social, economic and political aims of the Government. As a nation's economic goals expand, as its policy objectives change, and as its industry grows, diversifies or fails to expand, tax policy has to alter. Direct taxes, in addition to financing federal government expenditure, serve several functions. They help in resource allocation, encourage or discourage certain kinds of economic and social behaviour, redistribute income and wealth, stimulate and stabilize economic growth and even help in solving certain specific economic problems such as pollution, shortage of accommodation, and so on, through the mechanism of tax incentives.

Taxation has developed into an instrument that promotes economic growth, stability and efficiency and has become a major device through which governments implement their political thinking and secure the participation of the masses in its policies and progress. A well-administered tax system is a good weapon against many odds. In such a tax system, it is the government, and not the taxpayers, which decides the economic sectors to be
assisted and which not to. It has to be appreciated that nothing is so detrimental to a taxpayer's morale than the belief or knowledge that other taxpayers are not being required to carry their part of the tax load. Therefore, tax policies and law have to be framed and administered in a manner that punishes tax evaders and tax delinquents.

**Objectives of taxes**

The following are the main objectives of taxes:

1. **Raising revenue**: The primary purpose of taxes is to raise the revenue for the government. The modern government has to perform several functions for the welfare of the public. The performance of these functions involves substantial amount of public expenditure.

2. **Regulation of consumption and production**: Taxes are sometimes used to discourage the consumption ad production of unnecessary or harmful goods like liquor, tobacco etc. This also results in the diversion of production form luxury goods to necessities.

3. **Encouraging domestic industries**: Taxes in the form of custom duties are used to reduce the import of certain goods that are domestically available and thereby the domestic industries for the production of these goods. For example, high customs duties on goods like TV, AC etc switch over th demand for the foreign brands.
4. **Stimulating investments**: The instrument of taxation can also be used in the stimulating investment of the private sector. This can be done by providing various tax-incentives in the form of tax-holidays, investment allowance and lower profits.

5. **Reducing income inequalities**: Taxation policy of the government is often used in reducing the income inequalities of incomes and assets. Inequality of income can be reduced by the system of progressive taxation under which the rich people are required to pay much more taxes than poor. The taxes collected from the rich can further be utilized for providing social services which benefit the low income groups.

6. **Promoting economic growth**: Taxation policy can also be used for promoting economic development of the country. The revenue collected by the government can be used in promoting development of industries and agriculture. The government can also use these funds in building a better infrastructure like transport and communication, power etc.

7. **Development of backward regions**: Tax system can be used in ensuring the development of backward regions. Entrepreneurs can be motivated to set up their industries in the backward regions by providing tax concessions to them.

8. **Ensuring price stability**: Direct taxes like income tax can be used to ensure price stability. These taxes reduce the
disposable income of individuals and thereby reduce their purchasing power. This results in the fall in aggregate demand in the economy and thereby reducing demand-pull inflation.

**Tax Structure in India:**

The Tax Structure in India is quite strong and follows the financial year. The taxation under the tax structure in India is applicable for any kind of income pertaining to a person working as an employee under the public sector units, private sector units, foreign companies in India, Departments of the State Governments of India, and Departments of the Central Government of India or self employed individuals engaged in commercial activities which is legal in nature. The several corporations engaged in commercial activities also come under the taxation. The public bodies, state governments and central government have clear demarcation of their functioning. The central government imposes tax on all kinds of income such as central excise, customs duties, and service tax apart from income pertaining to agriculture. The State Governments of India is responsible for imposing tax pertaining to Value Added Tax (VAT), sales tax, income from agriculture, state excise duty, stamp duty, professional tax, land revenue, etc.\(^{15}\)

Taxes imposed by the local bodies are pertaining to octroi tax, water supply utilities, drainage and sewage utilities, property tax, etc. Different taxes levied under tax structure in India: Direct Taxes, Personal Income Tax, Tax on Corporate Income, Tax Incentives, Capital Gains Tax, Indirect Taxes, Securities Transaction Tax, Service Tax, Excise Duty, Customs Duty, Taxes
Levied by State Governments and Local Bodies, Other Taxes, Sales Tax or Value Added Tax, etc.

The taxation system in India is quite well structured. The Department of Revenue of the Finance Ministry of the Government of India is responsible for the computation; levy as well as collection of most the taxes in the country. However, some of the taxes are even levied solely by the Local State Bodies or the respective governments of the different states in the nation. Over a period of 20 years, the tax system in the nation has undergone some significant changes. The entire system has been tremendously reformed. The slabs for the imposition of taxes have been modified. Besides that, the rates at which any particular tax is being levied have been restructured as well as the various laws that govern the levying of taxes were being simplified. All of these reformations have resulted in the following:

- Better compliance
- Better enforcement
- Easy payment of the levied taxes

The Central Indian Government is responsible for the imposition of both direct taxes as well indirect taxes. Listed below are some of the taxes that are levied by the India Government:

**Direct Taxes**

- Banking Cash Transaction Tax
- Capital Gains Tax
- Corporate Income Tax
- Fringe Benefit Tax
- Personal Income Tax
• Securities Transaction Tax

**Indirect Taxes**

• Customs Duty
• Excise Duty
• Service Tax

**Taxes Imposed by the State Governments:**

Though the majority of the taxes are levied by the Central Government of the country, there are some taxes, which cannot be levied by them. These kinds of taxes are the one of the sole responsibilities of the governments of the individual states. To name a few of such taxes in India are - Dividend Tax, Endowment Tax, Estate Tax, Gift Tax, Flat Rate Tax or Flat Tax, Fuel Tax, Inheritance Tax, Transfer Tax, Payroll Tax, Poll Tax, S. E. T. or Self Employment Tax, Social Security Tax, Usage Tax, Value Added Tax or Sales Tax, Wealth Tax

**Tax Incentives in India:**

The India Government offers tax incentives that are subject to some specified conditions. Such incentives are provided for the following:

• Allowance for accelerated depreciation.
• Corporate profit.
• Certain expense deduction on the basis of some particular conditions.

A tax incentive is available for any fresh investment in any of the below mentioned sectors:
- Companies involved in Research and Development
- Development of housing projects
- Development by undertakings
- Food processing industry
- Infrastructure
- Mineral oil production and refining
- Operating industrial places
- Organizations handling food grains
- Power distribution
- Hospitals located in the rural areas
- Specialized economic zones
- Telecom services (For some specified services)
- Undertakings based in some specified hill states

Below is the table showing the following since 1990-91, Minimum Income for Tax, Lowest Tax Rate, Income at Which Highest Tax Rate Starts, Highest Tax Rate, Highest Tax Rate Including Surcharge, etc.
### Table No. 1.01:

**Income Tax in India during 1990-91 to 2011-12.**

<table>
<thead>
<tr>
<th>Year</th>
<th>Minimum Income for Tax</th>
<th>Lowest Tax Rate</th>
<th>Income at Which Highest Tax Rate Starts</th>
<th>Highest Tax Rate</th>
<th>Highest Tax Rate Including Surcharge</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-91</td>
<td>22,000</td>
<td>20%</td>
<td>100,000</td>
<td>50%</td>
<td>56.0%</td>
</tr>
<tr>
<td>1991-92</td>
<td>22,000</td>
<td>20%</td>
<td>100,000</td>
<td>50%</td>
<td>56.0%</td>
</tr>
<tr>
<td>1992-93</td>
<td>28,000</td>
<td>20%</td>
<td>100,000</td>
<td>40%</td>
<td>44.8%</td>
</tr>
<tr>
<td>1993-94</td>
<td>30,000</td>
<td>20%</td>
<td>100,000</td>
<td>40%</td>
<td>44.8%</td>
</tr>
<tr>
<td>1994-95</td>
<td>35,000</td>
<td>20%</td>
<td>120,000</td>
<td>40%</td>
<td>44.8%</td>
</tr>
<tr>
<td>1995-96</td>
<td>40,000</td>
<td>20%</td>
<td>120,000</td>
<td>40%</td>
<td>40.0%</td>
</tr>
<tr>
<td>1996-97</td>
<td>40,000</td>
<td>20%</td>
<td>120,000</td>
<td>40%</td>
<td>40.0%</td>
</tr>
<tr>
<td>1997-98</td>
<td>40,000</td>
<td>10%</td>
<td>150,000</td>
<td>30%</td>
<td>30.0%</td>
</tr>
<tr>
<td>1999-00</td>
<td>50,000</td>
<td>10%</td>
<td>150,000</td>
<td>30%</td>
<td>33.0%</td>
</tr>
<tr>
<td>2000-01</td>
<td>50,000</td>
<td>10%</td>
<td>150,000</td>
<td>30%</td>
<td>34.5%</td>
</tr>
<tr>
<td>2001-02</td>
<td>50,000</td>
<td>10%</td>
<td>150,000</td>
<td>30%</td>
<td>30.6%</td>
</tr>
<tr>
<td>2002-03</td>
<td>50,000</td>
<td>10%</td>
<td>150,000</td>
<td>30%</td>
<td>31.5%</td>
</tr>
<tr>
<td>2003-04</td>
<td>50,000</td>
<td>10%</td>
<td>150,000</td>
<td>30%</td>
<td>33.0%</td>
</tr>
<tr>
<td>2004-05</td>
<td>50,000</td>
<td>10%</td>
<td>150,000</td>
<td>30%</td>
<td>33.6%</td>
</tr>
<tr>
<td>2005-06</td>
<td>50,000</td>
<td>10%</td>
<td>150,000</td>
<td>30%</td>
<td>33.6%</td>
</tr>
<tr>
<td>2006-07</td>
<td>50,000</td>
<td>10%</td>
<td>150,000</td>
<td>30%</td>
<td>33.6%</td>
</tr>
<tr>
<td>2007-08</td>
<td>110,000</td>
<td>10%</td>
<td>250,000</td>
<td>30%</td>
<td>33.9%</td>
</tr>
<tr>
<td>2008-09</td>
<td>110,000</td>
<td>10%</td>
<td>250,000</td>
<td>30%</td>
<td>33.9%</td>
</tr>
<tr>
<td>2009-10</td>
<td>160,000</td>
<td>10%</td>
<td>500,000</td>
<td>30%</td>
<td>33.9%</td>
</tr>
<tr>
<td>2010-11</td>
<td>160,000</td>
<td>10%</td>
<td>500,000</td>
<td>30%</td>
<td>30.9%</td>
</tr>
<tr>
<td>2011-12</td>
<td>180,000</td>
<td>10%</td>
<td>800,000</td>
<td>30%</td>
<td>30.9%</td>
</tr>
<tr>
<td>2012-13</td>
<td>200,000</td>
<td>10%</td>
<td>1,000,000</td>
<td>30%</td>
<td>30.0%</td>
</tr>
</tbody>
</table>

**Source:** Income Tax Slabs History in India [http://apnaplan.com](http://apnaplan.com)

Highest Tax Rate Including Surcharge has come down from 56 per cent in FY 1990-91 to 30.9 per cent since 2010-11. The exemption limit for Income Tax has also increased 10 times from
Rs. 22,000 in 1990-91 to Rs. 2 Lakh in 2012-13. Even the lowest tax rate has gone down from 20 per cent to 10 per cent.

**Important Definitions in Taxation:**

**Assessee:** Income Tax Act 1961 (Act no. 43) defines 'assessee' as a person by whom any tax or any other sum of money is payable under this Act, and includes -

- Every person in respect of whom any proceeding under this Act has been taken for the assessment of his income or of the income of any other person in respect of which he is assessable, or of the loss sustained by him or by such other person, or the amount of refund due to him or to such other person;

- Every person who is deemed to be an assessee under any provision of this Act;

- Every person who is deemed to be an assessee in default under any provision of this Act;

**Previous year & Assessment year:** Assessment year means the period of twelve months commencing on 1st April every year and ending on 31st March of the next year. Income of previous year of an assessee is taxed during the following assessment year at the rates prescribed by the relevant Finance Act.

The Financial Year in which the income is earned is known as the previous year. Any financial year begins from 1st of April and ends on subsequent 31st March. The financial year beginning on 1st of
April 2011 and ending on 31st March 2012 is the previous year for the assessment year 2012-2013.

**Gross Total Income:** Under the scheme of computation of total income under the Income Tax Act, the income falling under each head is to be computed as per the relevant provisions of the Act relating to computation of income under that head. The aggregate of income under each head is known as 'Gross Total Income'.

**Income:** There is no specific definition of income but for statutory purposes there are certain items which are listed under the head income. These items include those heads also which normally will not be termed as income but for taxation we consider them as income. These items are included under section 2(24) of the income tax act, 1961. As per the definition in section 2(24), the term income means and includes:

- profits and gains
- dividends
- voluntary contributions received by a trust created wholly or partly for charitable or religious purposes or by an institution established wholly or partly for such purposes
- the value of any perquisite or profit in lieu of salary taxable under clause (2) and (3) of section 17 of the act
- any special allowance or benefit, other than those included above
- any allowance granted to the assessee either to meet his personal expenses at the place where the duties of his office or employment of profits are ordinarily performed by him or
at a place where he ordinarily resides or to compensate him for the increased cost of living

- capital gains
- any sum chargeable to income tax under section 28 of the income tax act
- any winnings from lotteries, crossword puzzles, races, including horse races, card games and games of any sort or from gambling or betting of any form or nature whatsoever
- any received as contribution to the assessee's provident fund or superannuation fund or any fund for the welfare of employees or any other fund set up under the provisions of the employees state insurance act
- profits on sale of a licence granted under the imports (control) order, 1955 made under the imports and exports (control) act, 1947

**Investment Income:** This mean any income other than dividends derived from a foreign exchange asset.

**Long term Capital Gains:** This mean income chargeable under the head "capital gains relating to a capital asset being a foreign exchange asset which is not a short term capital asset.

**Non Resident Indian (NRI):** NRI means an individual being a citizen of India or a person of Indian origin who is not a resident. A person shall be deemed to be of Indian origin if he or either of his parents or any of his grandparents was born in undivided India.
**Person:** The income tax is charged in respect of the total income of the previous year of every 'person'. Here the person means--

1. an individual: a natural human being i.e male, female minor or a person of sound or unsound mind
2. a Hindu undivided family (HUF)
3. a company:
   - any Indian company
   - anybody corporate incorporated by under the laws of a country outside India
   - any institution, association or body whether Indian or non Indian, which is declared by general or special order of the board to be a company
   - any institution, association or body which is or was assessable or was assessed as a company for any assessment year under the Indian Income tax Act, 1922 or which is or was assessable or was assesses under this act as a company for any assessment year commencing on or before the 1st day of April, 1970
4. a firm i.e a partnership firm
5. an association of persons or a body of individuals whether incorporated or not
6. a local authority-- means a municipal committee, district board, body of port commissioners, or other authority legally entitled to or entrusted by the government with the control and management of a municipal or local fund.
7. every artificial, juridical person, not falling within any of the above categories.
Objectives of Indian Taxation Law:

Taxation has four main purposes or effects: Revenue, Redistribution, Reprising, and Representation. The main purpose is revenue. Taxes raise money to spend on roads, schools and hospitals, and on more indirect government functions like good regulation or justice systems. This is the most widely known function. The second is redistribution. Normally, this means transferring wealth from the richest sections of society to poorer sections, and this function is widely accepted in most democracies, although the extent to which this should happen is always controversial. The third purpose of taxation is reprising. Taxes are levied to address externalities: tobacco is taxed, for example, to discourage smoking, and many people advocate policies such as implementing a carbon tax as a way of tackling global warming. A fourth, consequential effect of taxation in its historical setting has been representation. Several studies have shown that direct taxation (such as income taxes) generates the greatest degree of accountability and better governance, while indirect taxation tends to have smaller effects.18

Direct Tax Revenue:

Direct taxes, now the major source of tax revenues to the central government, have grown at an average annual rate of 24 per cent in the last five years and have nearly trebled from Rs. 1,32,771 Crore in 2004-05 to about Rs. 3,78,000 Crore in 2009-10. The contribution of Direct Taxes to the Central Tax Revenues has grown from 43.79 per cent to 60.5 per cent during the same period. The ratio of direct taxes has increased from 4.1 per cent of GDP in 2004-05 to 6.1 per cent in 2009-10. The Thirteenth Finance
Commission (2010-15) has projected direct tax revenue collection at Rs. 8,29,668 Crore by 2014-15 and direct tax to GDP ratio of 7.62 per cent.

**The Complications of Taxation Law:**

Taxation is a fascinating branch of law, though highly complex and complicated to comprehend. Its practice demands an adequate knowledge of accountancy and economics besides a fair knowledge of various commercial laws, personal laws, laws relating to property as also civil and criminal laws. The statutes imposing direct taxes on income or wealth are intricate, cast in language which is difficult to comprehend without concentrated effort. Moreover some of the sections of the Income Tax Act run into pages, comprised of sub-sections, sub-CLAUSES, provisos and explanations not forgetting the amendments. To the original Act have been made almost 3500 amendments till date.\(^9\) For a common man it is quite difficult to appreciate frequent changes brought about in the Act. It is a tragedy that millions of man-hours of tax gatherers, tax payers and tax advisors are squandered away in grappling with the torrential spirit of such amendments.

There is an urgent need to appreciate that fiscal policy must attempt at simplification of direct tax laws. The ambiguity in the enactment of tax laws, therefore, needs to be avoided to reduce the zone of uncertainty in tax administration as also to ensure uniform application of laws, which in the ultimate analysis, lead to reduction in litigation. Increased litigation because of ambiguity of legislation is counterproductive and fails to achieve the object of the legislation.
**Individual Income Tax in India:**

Income tax in India is a tax paid to the central government on personal income. It is the direct tax paid on income by an individual or a company/firm within a given financial year. The Indian Income Tax Department is governed by the Central Board for Direct Taxes and is part of the Department of Revenue under the Ministry of Finance. Individual income tax (IIT) in India is based on resident-status and the source of the income. Residents are taxed on their global income whereas non-residents are only taxed on their income that is sourced, received, or accrued in India. Work done in India, regardless of the employer’s international status, will be taxed. As residency determines the tax rate, it is important to understand how resident status is itself determined. This is not wildly complicated, just intricate. All taxes should be filed by the due date. Any failure in filing the taxes will attract an interest rate of 1 percent per month. The interest rate will increase for default in the payment of advance tax.
Table No. 1.02:
Income Tax Rates Across the World

<table>
<thead>
<tr>
<th>Country</th>
<th>Personal Income Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>0% - 48.5%</td>
</tr>
<tr>
<td>Canada</td>
<td>16% - 29%</td>
</tr>
<tr>
<td>Estonia</td>
<td>24% - 24%</td>
</tr>
<tr>
<td>Denmark</td>
<td>44% - 63%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>0% - 33%</td>
</tr>
<tr>
<td>India</td>
<td>10% - 30%</td>
</tr>
<tr>
<td>Israel</td>
<td>10% - 49%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>1% - 27%</td>
</tr>
<tr>
<td>Mexico</td>
<td>1.92% - 28%</td>
</tr>
<tr>
<td>Russia</td>
<td>13% - 13%</td>
</tr>
<tr>
<td>Singapore</td>
<td>0% - 22%</td>
</tr>
<tr>
<td>UK</td>
<td>10% - 40%</td>
</tr>
<tr>
<td>USA</td>
<td>10% - 35%</td>
</tr>
<tr>
<td>China</td>
<td>05% - 45%</td>
</tr>
<tr>
<td>Japan</td>
<td>05% to 40%</td>
</tr>
<tr>
<td>Koriya</td>
<td>6% - 35%</td>
</tr>
</tbody>
</table>

Source: Income Tax Slabs History in India http://apnaplan.com

India follows a moderately graduated personal income tax regime with marginal rates varying from 10 percent to 30 percent. The exemption limits are higher for female and senior citizens. In
UK, the personal income tax rates vary from 10 percent to 40 percent. The numbers of income tax slabs are higher in Denmark. Individuals pay income tax at graduated marginal rates, ranging from 10 percent to 30 percent. There is higher number of tax slabs in China with graduated marginal rates, ranging from 5 percent to 45 percent. The presence of higher number of tax slabs in China results in bracket creep and tax evasion. USA has the provision of filing joint and individual returns with graduated rates ranging from 10 percent to 35 percent. Japan has six graduated tax slabs with rates varying from 5 percent to 40 percent. Republic of Korea has moderate rates of income taxation, ranging from 6 percent to 35 percent. Progressive taxation follows in Malaysia, with rates varying from 1 percent to 27 percent. Federal Republic of Mexico has income tax rates ranging from 1.92 percent to 28 percent, subject to withholding taxes.

**Major Aspects Of The Personal Income Tax:**

Three major aspects of the personal income tax may be distinguished in appraising its economic effects: first, its automatic response to changes in total personal income; second, its effects on the allocation of personal income between consumption and saving; and, third, its impact on work and investment incentives.²¹

1. **Automatic flexibility:** The role of the personal income tax as a built-in stabilizer is one of its most significant features. Built-in flexibility operates in both the expansion and contraction phases of the business cycle, so that the personal income tax moderates the growth of incomes during a business recovery just as it cushions the fall in income during
contractions. The responsiveness of the income tax to changes in personal incomes is a useful characteristic for underdeveloped as well as for developed countries. An increasing proportion of the nation’s resources must be devoted to public and private investment to increase the rate of economic development. Since voluntary saving is usually inadequate, the bulk of the investment funds must be provided by government. A progressive income tax automatically provides some of the financing as incomes increase. Where development is associated with rising prices, the income tax serves the dual role of moderating inflationary pressures and of increasing the rate of national saving.

2. **Effect on consumption and saving**: A personal income tax applies to the income of an individual regardless of the allocation of this income between consumption and saving. By contrast, a general consumption or expenditure tax can be postponed or avoided by delaying or eliminating consumption. It follows that an income tax is less burdensome on consumption than an equal-yielding consumption or expenditure tax which is distributed in the same proportions by income classes. In practice, where the income tax is paid by the large mass of people, much of the tax yield comes from income classes where there is little room in family budgets for reducing consumption in response to tax incentives. Under these circumstances the differential effect of the two types of taxes on total consumption and saving is likely to be relatively small.
Graduated expenditure taxes have been proposed in recent years as a method of avoiding or correcting the effects of income tax erosion, particularly in the top income brackets where exemption or preferential treatment of capital gains permits accumulation of large fortunes without tax payment. Expenditure taxation, it is felt, would discourage lavish living by people with large amounts of property and thus increase saving and risk taking without resorting to regressive taxes. Despite its apparent advantages, the expenditure tax has not been widely used. Rates in excess of 100 per cent would be required to raise significant amounts of revenue from high-income taxpayers. Moreover, the expenditure tax is more difficult to administer than the income tax and also raises much more serious problems of compliance.

3. **Work and investment incentives:** It is difficult to evaluate the effect of personal income taxes on work and investment incentives. On the one hand, high tax rates reduce the net rewards of greater effort and risk taking and thus tend to discourage these activities; on the other hand, they may provide a positive stimulus to obtain more income because they cut down on the income left over for spending. These two effects tend to offset one another, and there is no basis for deciding which is more important.

A highly graduated income tax applying to all property incomes might reduce incentives to take risk somewhat, since it is impossible to reimburse taxpayers for losses at precisely the same rate at which their incomes are taxed. However, the
income tax actually applies to a small fraction of property income in all countries. The opportunity to earn income in the form of capital gains—which are either not taxed at all or are taxed at relatively low rates—is a great stimulant to risk taking in the face of high rates on other incomes. Moreover, risk investment is to a large extent undertaken by firms operating in the corporate form; such firms are generally permitted to retain earnings after payment.

**Income Tax Collection in India:**

The procedure of tax collection in India has evolved over the years and is now subject to several acts, rules, and regulations, as laid down by the Indian Income Tax department. The tax is imposed on any kind of income of an individual as an employee or a self-employed, or a corporation engaged in commercial activity. The amount of taxation depends on the type of income and the person or the organization earning the income. The tax collection in India has to follow several norms specified under the Income tax act of India. The tax is calculated under different heads of income such as Income from salary, Income from house property, Profit in business or profession, capital gains income, and Income other sources.

The tax amount also depends on the claims for rebates and exemptions under the Income tax act of India. The income tax is levied on all kinds of income and collected by the Central government of India apart from the income on agriculture which is not taxable under the Central government. The State government of India collects the tax pertaining to income from agriculture.
provisions under which the tax collection in India is performed are mentioned in the Income Tax Rules, 1962 and the Income Tax Act, 1961. The Tax and Revenue Department of the Central government of India's Ministry of Finance has the authority of legal administration pertaining to the tax collection in India.22

Table No. 1.03:
Sources of Tax Revenue of Government of India. (Rs. Crores)

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Year</th>
<th>Personal Income Tax</th>
<th>Corporate Income Tax</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2000-01</td>
<td>31764</td>
<td>35696</td>
<td>67460</td>
</tr>
<tr>
<td>2</td>
<td>2001-02</td>
<td>32004</td>
<td>36609</td>
<td>68613</td>
</tr>
<tr>
<td>3</td>
<td>2002-03</td>
<td>36856</td>
<td>46172</td>
<td>83028</td>
</tr>
<tr>
<td>4</td>
<td>2003-04</td>
<td>40269</td>
<td>62986</td>
<td>103255</td>
</tr>
<tr>
<td>5</td>
<td>2004-05</td>
<td>41441</td>
<td>63608</td>
<td>105049</td>
</tr>
<tr>
<td>6</td>
<td>2005-06</td>
<td>50929</td>
<td>88436</td>
<td>139365</td>
</tr>
<tr>
<td>7</td>
<td>2006-07</td>
<td>75081</td>
<td>144318</td>
<td>219399</td>
</tr>
<tr>
<td>8</td>
<td>2007-08</td>
<td>103470</td>
<td>186125</td>
<td>289595</td>
</tr>
<tr>
<td>9</td>
<td>2008-09</td>
<td>120604</td>
<td>226361</td>
<td>346965</td>
</tr>
<tr>
<td>10</td>
<td>2009-10</td>
<td>137568</td>
<td>239578</td>
<td>377146</td>
</tr>
</tbody>
</table>

Source: Economic Survey of India.

If we analyze the taxation system in India today, we will witness a healthy rise in the direct tax collections of the country. As recorded in the year 2000-01 overall direct taxes amounted to Rs. 67,460 crore, which is an increase by 559.07 per cent over the collection of Rs. 3,77,146 crore, last year. Corporate tax collections
ascended by 671.16 per cent at Rs. 2,39,578 crore, while personal income tax increased by 433.09 per cent at Rs. 1,37,568 crore. Moreover, Net Direct Tax collections have exceeded the predetermined targeted growth.

**Restructuring Of The Income-Tax Department:**

The restructuring of the Income-tax Department was approved by the Cabinet in its meeting held on 31-8-2000 to achieve the following objectives:

- Increase in effectiveness and productivity;
- Increase in revenue collection;
- Improvement in services to tax payers;
- Reduction in expenditure by downsizing the workforce;
- Improved career prospects at all levels;
- Induction of information technology; and
- Standardization of work norms

The aforementioned objectives have been sought to be achieved by the department through a multi-pronged strategy of:

a. Redesigning business processes through fictionalization;

b. Increasing the number of officers to rationalize the span of control for better supervision, control and management of workload and to improve tax-payer services and

c. Re-orient, retrain and redeploy the workforce with appropriate incentives in the form of career advancement.
Computerization of Income-tax Department:

Computerization in the Income-tax Department started with the setting up of the Directorate of Income tax in 1981. Initially computerization of processing of challans was taken up. For this 3 computer centers were first set up in 1984-85 in metropolitan cities using SN-73 systems. This was later extended to 33 major cities by 1989. The computerized activities were subsequently extended to allotment of PAN under the old series, allotment of TAN, and pay roll accounting. These computer centers used batch process with dumb terminals for data entry. In 1993 a Working Group was set up by the Government to recommend computerization of the department. Based on the report of the Working Group a comprehensive computerization plan was approved by the Government in October, 1993.24

In pursuance of this, Regional Computer Centers were set up in Delhi, Mumbai, and Chennai in 1994-95 with RS6000/59H Servers. PCs were first provided to officers in these cities in phases. The Plan involved networking of all users on LAN/WAN. Network with leased data circuits were accordingly set up in Delhi, Mumbai and Chennai in Phase-I during 1995-96. A National Computer Centre was set up at Delhi in 1996-97. Integrated application software were developed and deployed during 1997-99. Thereafter, RS6000 type mid range servers were provided in the other 33 Computer Centers in various major cities in 1996-97. These were connected to the National Computer Centre through leased lines. PCs were provided to officers of different level up to ITOs in stages between 1997 and 1999. In phase II offices in 57 cities were brought on the network and linked to RCCs and NCC.
Tax reforms in India:

The tax reforms in India are based on Chelliah's recommendations of simple broad-based taxes with a moderate and limited number of rates. The reduction in direct tax rates in the economy has not only increased revenue collection but also accelerated economic growth. India's direct taxes consist mainly of a personal income tax, a corporate income tax, a wealth tax, and a gift tax. Income tax is levied on individuals, firms, and corporations and includes tax on capital gains. Residents are taxed on worldwide income, while non-residents are taxed only on income received in India or which accrues or is deemed to accrue in India. Non-residents pay withholding tax on dividends, interests, royalties and fees for technical services. Like many other developing countries, India makes wide use of tax policies to alter investment decisions. It has used tax incentives, such as a significant cut in corporate and personal income tax rates, tax holidays, rapid depreciation and other means to promote investment. Certain important policy and administrative reforms carried out over the past few years are as follows:25

a. The policy reforms include:

- Lowering of rates;
- Withdrawals /reduction of major incentives;
- Introduction of measures for presumptive taxation;
- Simplification of tax laws, particularly relating to capital gains; and
- Widening the tax base.
b. The administrative reforms include:

- Computerization involving allotment of a unique identification number to tax payers which is emerging as a unique business identification number; and
- Realignment of the available human resources with the changed business needs of the organization.

Tax systems the world over have undergone significant changes during the last twenty years as many countries across the ideological spectrum and with varying levels of development have undertaken reforms. The wave of tax reforms that began in the mid-1980s and accelerated in the 1990s was motivated by a number of factors. In many developing countries, pressing fiscal imbalance was the driving force. Tax policy was employed as a principal instrument to correct severe budgetary pressures. In others, the transition from a planned economy to a market economy necessitated wide ranging tax reforms. Besides efficiency considerations, these tax reforms had to address the issues of replacing public enterprise profits with taxes as a principal source of revenue and of aligning tax policy to change in the development strategy. Another motivation was the internationalization of economic activities arising from increasing globalization. On the one hand, globalization entailed significant reduction in tariffs, and replacements had to be found for this important and relatively easily administered revenue source. On the other, globalization emphasized the need to minimize both efficiency and compliance costs of the tax system. The supply-side tax reforms of the Thatcher–Reagan era also had their impact on the tax reforms in developing countries.
Taxation in India in the New Millennium:

The new millennium has witnessed changes all around. The State as a custodian of the common good has pledged itself to economic growth, social development, environmental protection and simultaneously secure for India a place in the Global map. The old concept of taxation as a tool to raise revenues is no longer extant. The Income Tax Act contains provisions for economic growth by providing incentives to setting up industries in backward areas, incentives for exports, incentives for undertakings set up in Export Promote Zone and 100 per cent export oriented units with a view to encourage industrialization of the country, exemptions in respect of royalties for foreign enterprises, foreign remuneration to academicians, professional income from foreign sources and remuneration for services rendered outside India.\(^{27}\)

In order to encourage Information Technology and Computer related activities, deductions and allowances are provided to such businesses. With a view to secure infrastructure development, which improves the lot of the common men, sections 8o HHE and 8oHHF provide for concessions in respect of infrastructure development. Concessions are given to Senior Citizens and women, rebates to encourage savings and investments and to promote thrift.\(^{28}\) The Income Tax Act recognizes that development of society cannot be the sole responsibility of the State and Non-Governmental organizations contribute substantially to social development. In order to encourage such non-governmental organizations to work in conjunction with the Government to achieve the goal of social, educational and cultural development
tax concessions are allowed to Charitable Trusts which contribute substantially to developmental activities.

Environmental protection has been a major area which causes considerable concern. In order to secure these ends provisions has been made in the Income Tax Act to provide incentive for shifting businesses from urban to non-urban areas with a view to reduce imbalances in the ecology. This provision has also a social objective namely, promoting jobs in non-urban areas and to prevent exodus of people from non-urban to urban areas. Realizing the importance of Taxation, the Government of India constituted Tax Reforms Committee with Dr. Rajah J. Chelliah as its Chairman to review the existing structure of Direct and Indirect Taxes. The Committee under the able leadership of Dr. Chelliah has recommended many far reaching useful changes like lowering of tax for domestic and foreign companies, Taxation of agricultural income of non-farmers, gradual transformation of the present Excise Tax System to a genuine Value Added Tax (VAT) at the stage of manufacture, extension of Modvat to more items, reformation of the existing duty regime for textile sector, abolition of Interest Tax and retention of the general rate of depreciation on Plant and Machinery at 25%. The Committee has made various other recommendations and structural reforms in Taxation with a view to make this country progressive.
Objectives of the Study:
The following broad objectives are selected for the present study:

1. To understand the background of the taxation in India.
2. To know the role of taxation in the development of country.
3. To understand the structural and functional dimensions of Income Tax Authorities / Department in India.
4. To review the Income Tax policies, structure / Slab, various acts, amendments therein, etc. in India.
5. To study the trends of Income tax collection and highlight the impact of reforms on income tax during the study period.
6. To examine the positive and negative consequences and opinion of various tax payers about Income Tax.
7. To understand the reasons for tax avoidance and tax evasion by the tax payers and to make suggestions in this direction.

Hypotheses:

The following hypotheses based on objectives are selected for the study.

1. Tax Practitioner / Professionals are playing dominating role in personal income practices.
2. Income tax rate slab is very high in India.
3. There is Unreasonable delay in paying refunds by Income Tax department to the tax-payers.

Geographical Area of Study:

As far as the primary data is concern the study is restricted to the municipal geographical area of the Eight Districts places i.e. Aurangabad, Nashik, Pune, Ahemadnagar, Nagpur, Kolhapur, Solapur and Raigad but as far as secondary data is concern there is
no area restriction; the study is extended up to State and National level.

**Data Collection Period:**

The secondary data is collected for the last ten years from the back of the year 2009-10, the survey was conducted during the financial year 2011-12.

**Research Design:**

The study aims to investigate the effect of India's Income tax policy on individual income tax payers. Financial data about the taxation during the period 2000-01 to 2009-10 is considered for the study. The researcher decided the planned research design for the study work. Research design contents with the objectives, Hypotheses, Research Methodology, Scope and limitation, Geographical area, data collection period, Chapter schemes etc.

**Research Methodology:**

The research study undertaken by the researcher includes the collection of both primary and secondary data. The primary data is collected with the help of observation, questionnaires of selected respondents. The secondary data is collected from Income Tax Department, Government websites, Libraries, Journals, Magazines, Report of Central Board of Direct Taxes, Departmental Manual and Statistical Reports, Budget Report, Income Tax Act-1961, Income Tax Rules, Economic Survey of India and Maharashtra and related internet websites, etc. Primary data from selected respondents is also obtained.
The sampling procedure adopted for the collection of primary data is stratified random. The sample comprises of 400 Income Tax payers (assesses) from Salaried person and Business Man from selected study areas from Maharashtra State. There was in-depth discussion was conducted with tax practitioner in selected district to get qualitative insights into the issues relating to income tax matter. The structured questionnaire is prepared and fill up from income tax assesses. Data collected from the primary sources is analyzed in Tables and Graph with the help of some statistical tools i.e. percentages, averages, ratios, and computer software.

**Scope and Limitations of the Study:**

The study is going to focus on Income Tax Structure and Administration in India is vast in nature, due to limitation of time and resources, the researcher decide to select only eight Districts places i.e. Aurangabad, Nashik, Pune, Ahemadnagar, Nagpur, Kolhapur, Solapur and Raigad. The study is confined with these eight district places for the purpose of collection of primary data. The study covers all the selected districts in Maharashtra State. However, limited availability of comparable data on taxes for different districts has been the main reason for this limitation. Further, the period of study is confined for only ten year from 2000-01 to 2009-10.

Direct taxes itself a very broad subject; for the purpose of study only Individual Income Tax criterion is selected. Another limitation of the study is that it relies exclusively on the responses to questions or statements contained in a predominantly structured questionnaire. Hence the inductive analysis emanate
from the data collected mainly from the eight district places. The conclusion based on primary data is depends on co-operation of tax payers, tax practitioner and tax authorities. The survey was conducted during the financial year 2011-12. The data’s of secondary nature has its own limitations. For the purpose of the analysis, various statistical devices and ratios have been used and they have their own limitations. This study covers individual income tax assesse only and does not hold corporate taxpayers.

**Importance of Study:**

The present study is be undertaken is a significant one. The researcher takes the review of Income Tax Law (Acts) in India and is collected the data from primary and secondary sources from the ten years period. The important inferences and conclusion drawn from the study have practical implications for policy implementations and is definitely useful to the Government machinery, Research scholars, planners, Tax Practitioners and assesses also.

**Chapters Scheme:**

The entire study is divided into seven Chapters as follows.

1. Introduction and Framework of Study
3. Income Tax Structure in India.
5. Income Tax Administration.
7. Conclusion and Recommendations.
References:


4. Sarkar K. B. (1978) - The system of taxation in ancient India - "Public Finance in Ancient India"


