

## CHAPTER - 6

# TAX

Whether it is road or electricity, bridge or highway, market or playground, government school or government hospital, all these places are not meant for any one person whereas it is for the whole society which means these places can be used by every one either he is from village or city. All these are known as public facility or service.

Have you seen public facilities near your locality? Give some example :-

Who helps to perform the above mentioned list of work? for doing this work, from where is the money provided? Discuss it with your teacher and write :-

These all works has to be done by government. Also the facilities like providing water & establishment of hospital, electricity, construction of roads etc. are also jobs of the government. For these the government needs money which comes through “Taxation”. Now we will discuss how government collects these taxes.

### Budget: -

Government gets its income through taxation. How it spends on different sectors is decided by revenue department. This data of income-expenditure is known as budget. In this Budget, complete information of income of Government through taxation is available, along with the expenditure and where it has to be spend is also given.

With the help of your teacher on the basis of given points prepare a annual budget of your school:-

Budget of the school year ..... From ..... to .....

S. No.	Details	Money received	Details	Money paid
1.	Fees received from students		Science kit, mathematical kit, equipment for sports, newspaper & management	
2.	Subsidy from Government		Cost of teaching aids (Subject wise) prepared	
3.			Stationary, Building repair.	
	Income Total		Expenditure Total	

### Types of Taxations: -

Tax is mainly of two types:

1. Direct tax
2. Indirect tax

**Income tax:** - Now up to this, you have learnt about things or property tax. Now we will learn about income tax. This type of tax is imposed or charged upon a person's income. Government has decided a minimum level of income for the people to lead their own life. If the level of income crosses the limit then tax has to be paid. Income on agriculture is free from income tax.

But except that factories or industries run by the companies also have to pay taxes. Companies or business also have income. The expenditure (raw material, salary etc.) leaving or deducting, what ever is left in the profit of an industry or company. The Company owner has to pay tax on the profit earned to the government which are as follows-

**Property tax:** - In urban areas the local municipality collects the taxes for land and house property.



1. Find out near your locality why vehicle (scooter, motor cycle, jeep, car, bus, truck) drivers pay taxes? Why taxes are paid?

2. Have you heard about tax free cinema? Discuss about it with your teacher.
3. Discuss with your teacher about imposing taxes on goods item and how much government earn from it?

### Goods and service tax (GST) :

Goods and service tax is commonly known as GST. It is an indirect tax which is levied both on goods as well as service. By this the taxation system in the whole country has been brought into unified system. It indicates the same price for all the commodities in the whole country.

Previously a car of the same company was priced differently at Delhi and Raipur. This was because of the different in the taxation policy of the states. However no one can now take unnecessary tax from anyone. “One country one tax” policy has to be followed by everyone.



GST is a value added tax which is levied only on that part of its production which accounts for the increased or raised price of the product. We know that before a product reaches the consumer, it has to pass through several stages and every stage contributes to increase in the price of the object. This increase in price of commodity is known as value addition.

It is being hoped that by the application of GST policy, the prices of goods will decrease and goods will be available to consumers at a cheaper rate. It will make tax payment easy for the people and it will be helpful to eradicate the government’s problems related to tax payment. Government has kept some compulsory goods free from this tax where as in the rest of other goods are taxed at the rate of 5, 12, 18 and 28 percent.

You can understand this concept if you observe the picture given on the previous page carefully.

**Effect of Tax:-** While imposing tax two points are kept in mind.

1. How much can be earned from that tax?
2. Who will be affected by this type of tax, rich or poor?

Government earn by imposing taxes when tax is imposed on goods like - production tax, sale tax the cost of the products rises. If a person is rich or poor he has to pay tax on buying goods. To make it less effective government always tries to charge less taxes on things of daily needs like salt, soap, oil, food items, etc. And charges heavy taxes on luxurious items like T.V., fridge, Air conditioner, car, etc. But taxes are more accumulated from those items of daily needs because they are sold at much more quantity. But things or items like luxurious things are sold in less quantity and it is bought only by rich people, so less taxes are collected.

Tax should be paid to government compulsorily. To pay tax government decides a particular time. Therefore it is our duty to pay tax by that particular given time. Government should also do its duty by utilizing tax money in providing public facilities to the citizens.

**Discuss:-**

1. If tax on kerosene oil is increased who will be affected?
2. If tax on Fridge, T.V. or A.C. is increased who will be affected?
3. More money will be collected on which item - match box or motor cycle if the tax is raised and why?

### EXERCISE

**I. Fill in the blanks :**

1. Government gets its income through\_\_\_\_\_.
2. The data of income-expenditure is known as\_\_\_\_\_.
3. \_\_\_\_\_ and \_\_\_\_\_ are the types of taxes.
4. When tax is levied, the prices of commodity\_\_\_\_\_.

**II. Answer the following questions :**

1. Explain what is tax?
2. Why is tax imposed?
3. Compare between taxes on goods and Income Tax?
4. Give your ideas whether it is wrong or right if government charges taxes on agricultural production.
5. Explain value addition.
6. Explain G.S.T.
7. Prepare a budget :

Your father's monthly income is Rs. 5000 and you have to prepare budget for food, housing, clothes, education and other expenses.