

Unit 4

Government and Taxes

I] Choose the correct answer.

1. The 3 levels of government in India are
- a) Union, state, local
 - b) Central, state, village
 - c) Union, municipality, panchayat.
 - d) None of the above

Ans → a) Union, state & local

2. In India, taxes are including
- a) Direct taxes
 - b) Indirect taxes
 - c) Both (a) & (b)
 - d) None of these

Ans → c) Both (a) & (b)

3. Which is the role of government and development policies?
- a) Defence
 - b) Foreign Policy
 - c) Regulate the economy
 - d) All of the above.

Ans → d) All of the above

4. The most common & important tax levied on an individual in India is

- a) service tax
- b) Excise duty
- c) Income tax
- d) Central sales tax.

Ans → c) Income tax

5. Under which tax one nation, one uniform tax is ensured.

- a) value added tax (VAT)
- b) Income tax
- c) Goods & service tax
- d) Sales tax.

Ans → c) Goods & service tax

6. Income tax was introduced in India for the first time in the year _____.

- a) 1860 b) 1870 c) 1880 d) 1850

Ans → a) 1860

7. _____ tax is charged on the benefits derived from property ownership.

- a) Income tax b) Wealth tax
c) Cooperate tax d) Excise duty.

Ans → b) Wealth tax

8. What are identified as causes of Black money?

- a) Shortage of goods b) High tax rate
c) Smuggling d) All of the above.

Ans → d) All of the above

II] Fill in the blanks.

1. Tax is levied by the government for the development of the state's economy.

2. The origin of the word 'tax' is from the word Taxation.

3. The burden of the Direct tax cannot be shifted to others.

4. The Goods and Service Tax ^{act} came into effect on 1 July 2017.

5. The unaccounted money that is concealed from the tax administrator is called Black money.

III] Choose the correct statement.

1. Which of the following statement is correct about GST?
- GST is the 'one point tax'.
 - This aims to replace all direct taxes levied on goods and services by the central and state governments.
 - It will be implemented from 1 July 2017 throughout the country.
 - It will unified the tax structure in India.
- a) (i) & (ii) are correct b) (ii) (iii) (iv) are correct.
 c) (i) (iii) (iv) are correct. d) All are correct.

Ans → c) (i) (iii) & (iv) are correct

IV] Match the following:

- Income tax - Value added tax
- Excise duty - 1 July 2017
- VAT - Smuggling
- GST - Direct Tax
- Black money - Indirect tax

Ans →

- Income tax → Direct tax
- Excise duty → Indirect tax
- VAT → Value added tax
- GST → 1 July 2017
- Black money → Smuggling.

✓] Give short Answers:

1. Define tax.

→ The origin of the word 'tax' is from 'taxation' which means an estimate.

Tax is levied by the government for the development of state's economy. The revenue of the government depends on direct & indirect taxes.

2. Why we pay tax to the government?

→ The levying of taxes aims to raise revenue to fund government or to alter prices in order to affect the demand.

States and their functional equivalents throughout history have used money provided by taxation to carry out many functions such as expenditures on economic infrastructure (transportation, sanitation, public safety, education, healthcare systems), military, scientific research, culture & the arts, public works & public insurance & the operation of government itself.

3. What are the types of taxes. Give example.

→ There are 2 types of Tax - Direct tax & Indirect tax.

Direct tax - example: Income tax, ~~co~~ corporate tax, Wealth tax

Indirect tax - example: stamp duty, entertainment tax, excise duty.

4. Write short note on goods & service tax.

→ The Goods and Service taxes is one of the indirect taxes levied when a consumer buys a good or service. The tax came into effect on 1 July, 2017. The motto is 'one nation, one market, one tax'.

5. What is meant by black money?

→ Black money is unaccounted money. It is the income on which taxes have not been paid. In other words, the unaccounted money that is concealed from the tax administrator is called as black money.

6. What is progressive tax?

→ Progressive tax rate is one in which the rate of taxation increases (multiplier) as the tax base increases (multiplicand). In the case of progressive tax, when income increases tax rate also increases.

7. What is tax evasion?

→ Tax evasion is the illegal evasion of taxes by individuals, co-operation and trusts. Tax evasion activities include under-reporting income, inflating deduction or expenses, hiding money, hiding interests in offshore accounts.

8. Write any two difference between tax & payment.

TAX	PAYMENT.
• Tax is compulsory to the government without getting any direct benefits.	• Fee is the payment for getting any service.
• Tax is compulsory payment	• Fee is voluntary payment.

vi] Brief Answer.

1. Explain some direct & Indirect taxes.

- Taxes are compulsory payments to government without any expectation of direct return (or) benefit to the tax payer.
- Taxes are of two types :
 - Direct taxes
 - Indirect taxes.

a) Direct taxes : A tax imposed on an individual or organisation which is paid directly is called direct taxes.

Some of Direct taxes are :

① Income tax :

- It is charged directly based on income of the person.
- The rate at which it is charged varies, depending on the level of income.

② Corporate tax

- It is charged on companies that exist as separate entities from their shareholders.
- It is charged on interest gains from sale of capital assets located in India.
- It is also charged for fees for a technical services and dividends.

③ Wealth tax

- It is charged on the benefits derived from property ownership, on its current market value.

b) Indirect taxes :

① Stamp duty : It is a tax that is paid on official documents like marriage registration or documents related to a property in contractual agreements.

Page No. _____
Date _____

② Entertainment tax: It is a tax that is charged by the government on any source of entertainment provided.

Eg. Amusement parks, movie tickets, exhibitions.

③ Excise duty:

- It is levied on goods at the time of its manufacture.

• In addition to sales tax, this tax is imposed.

④ Goods and services tax

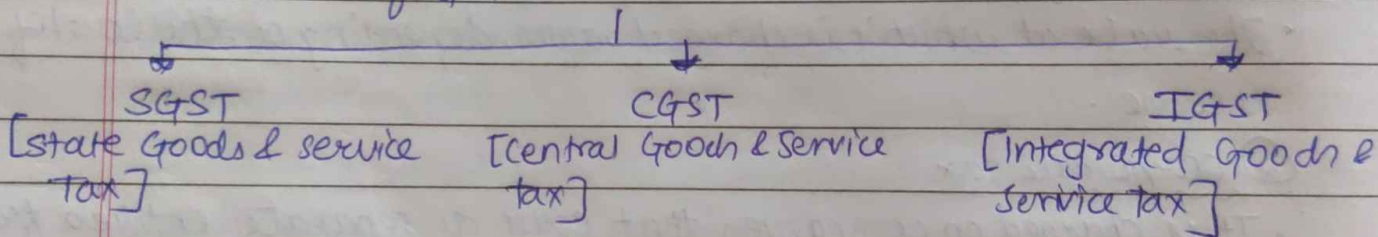
• It is levied when a consumer buys a goods or services.

• GST varies with the nature of the goods.

2. Write the structure of GST.

→ The goods and services tax [GST] is one of the indirect taxes.

Structure of GST:



a) SGST [State Goods & Services tax]:

Intra state (within the state) VAT/sales tax, purchase tax, entertainment tax, luxury tax, lottery tax & state surcharge and cesses.

b) CGST [Central Goods & services tax]:

Intra state (within the state) Central Excise duty, service tax, countervailing duty, additional duty of customs, surcharge, education & secondary/higher secondary cen.

c) IGST [Integrated Goods & services tax]:

Inter state (Integrated GST) There are 4 major GST rates (5%, 12%, 18% and 28%). Almost all the necessities of life like vegetables & food grains are exempted from this tax.

3. What is Black money? Write the causes of black money.

- • Black money is funds earned on the black market in which income & other taxes have not been paid. (or)
- The unaccounted money that is concealed from the tax administrator is called as Black money.

* CAUSES OF BLACK MONEY:

Several sources of black money are identified as sources

- Shortage of goods: can be natural or created artificially, it is root of cause of black money.
- Licensing proceeding:
Permit quota, license - all are associated with maldistribution of commodities in short supply which results in black money.
- Contribution of industrial sector
For eg. the controller of Public limited companies tries to buy commodities at lower prices & bill them at high amount & balance goes to them personally.
- Smuggling: Precious metals like gold & silver, electronic goods, textiles were levied heavy excise duty. To avoid paying these duties, smuggling is done illegally that results in black money.
- Tax structure: When tax rates are high, tax evasion naturally arises that leads to generation of black money.