

UGC CARE LISTED PAPER

A.Y. 2019-20

SR. No	Title of Paper	Name of the authors	Department of teacher	Name of Journal	Year of Publication	ISSN Number
1	Impact on income tax law on salaried people in Mumbai	Dr. Babita Kanojia	Commerce	E-Journal International Conference	2019-20	2455 – 722

IMPACT OF INCOME TAX LAW ON SALARIED PEOPLE IN MUMBAI CITY

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Abstract

This study highlights the impact of income tax law on salaried people. An income tax is a tax charged by the governments on the income of individuals. Income Tax is a tax on the income earned by the person. The Central Board of Direct Taxes (CBDT) had come up with new laws and amendments to give relief to the tax payers so that they can make more savings and investment. The aim behind this research is to study the Income Tax structure in India, to know the different slab rates and to study any new benefits given to the tax payers for the payment of income tax. The researcher has collected the data relating to personal income tax paid by salaried person, individuals, etc. The method used in this research to find the data is both primary as well as a secondary method. The researcher has collected the data from the salaried people who earn normal rate of salary or profits in the Mumbai city.

Key Words: Income tax structure, Slab rates, Salaried people, Saving and investment

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Introduction

Income tax in India is levied by the Government of India. The law has taken proper care to cover all source of income and receipts of gains in hands of person chargeable to tax. The computation of income depends upon the classification of income under different heads of income. Deductions have also been specified under each head of income to ascertain the income chargeable to tax under each respective head. Over and above there are certain admissible deduction which have been stated to be deducted from Gross Total Income so as to arrive at the Net Taxable Income. Income tax is a tax you pay directly to the government on the basis on your income or profit. Income tax in India is collected by Government of India.

Income-tax Act, 1961

The Income Tax Act includes and focuses on the different rules and regulations that govern the taxation system in the country. It includes levying, administering, collecting and recovering income tax for the Indian government. It was enacted in 1961.

The heads of income for computation of total income are:

1. Salary
2. Income from house property
3. Capital gains
4. Profit from business or profession
5. Income from other sources

The tax regime in India is currently governed under the Income Tax, 1961 as amended by the Finance Act, 2018 notwithstanding any amendments made thereof by recently announced Union Budget for assessment year 2018-19.

Income Tax Rules

The legislature enacts the Income Tax Act, 1961, to govern and income tax in the country, but the Income Tax Rules, 1962, were created in order to help the application and enforcement of the law as constituted in the Act. The Income Tax Rules can only be read in combination with the Income Tax Act. The Income Tax Rules are kept within the framework of the Income Tax Act and are not allowed to override its provisions.

Objectives of the study

1. To study the income tax structure in India
2. To study the different income tax slab rates
3. To study the impact of income tax law on salaried people
4. To examine whether income tax rates effect the income of an individual
5. To examine whether income tax law encourage saving and investment

Problems of the study

1. Higher income tax slab rates affect the income of salaried people

2. A high level of taxation discourages saving and investment of an individual which leads to economical obstacles for the nation

Hypothesis of the study

H1: There is significance relationship between income tax slab rate and income of salaried people

H0: There is no significance relationship between income tax slab rate and income of salaried people

H1: High tax slab rates affect savings of people

H0: A high tax slab rate does not affect savings of people

Research Methodology

The study took the qualitative method of research. The method we used to collect the data is primary and secondary method. It is based on a structured way of collecting and analyzing data obtained from different sources. Primary data are collected through survey method. Secondary data are collected through the search of data sources such as reports, databases, World Wide Web. The research instrument used for data collection been the questionable method. The sample size was 89 and this study is basically conducted in the Mumbai city.

Limitations of the study

While conducting the research study the researcher faced the problems such as

- Time Convenience
- Sample Size
- Lack of resource
- Area Limitation
- Lack of availability data

Literature Review

Amit Kumar Arora & Priya Rathi (2018), their study attempted to know the awareness and opinion regarding various tax saving options available to save tax for salaried classified employees. The study

was conducted to find out any difference in income, savings, and investment patterns done on the basis of gender and to find out the factors which are to be considered before investing in a particular investment option. It was found that Life insurance premium and tuition fees of children were the preferable investment options. Deduction under section 80D was found to be underutilization. It was found that most of the salaried people were of the opinion that the income tax rate should be reduced and the basic exemption limit should be increased.

Different Income Tax slab rates for Computation of Total Income

In India, income tax is imposed on individual taxpayers on the basis of a slab system where different tax rates have been prescribed for different slabs and such tax rates keep on increasing with an increase in the income slab of individuals.

Income Tax Slabs and Rates

➤ Income Tax Slabs and Rates for Individual Tax Payers (Less Than 60 Years)

Income Tax Slabs	Tax Rate
Up to Rs. 2,50,000	Nil
Rs. 2,50,001 to Rs. 5,00,000	5% of the amount by which the total income exceeds Rs. 2,50,000
Rs. 5,00,001 to Rs. 10,00,000	Rs. 12,500 + 20% of the amount by which the total income exceeds Rs. 5,00,000
Above Rs. 10,00,000	Rs. 1,12,500 + 30% of the amount by which the total income exceeds Rs. 10,00,000

An additional 4% Health & education cess will be applicable on the above tax amount calculated.

➤ Income Tax Slabs for Senior Citizens 60 Years Old but Less than 80 Years

Income Tax Slabs	Tax Rate
Up to Rs. 3,00,000	No Tax
Rs. 2,50,001 to Rs. 5,00,000	5%
Rs. 5,00,001 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

An additional 4% Health & education cess will be applicable on the above tax amount calculated

➤ Income Tax Slabs for Senior Citizens 80 Years Old Or More

Income Tax Slabs	Tax Rate
Up to Rs. 5,00,000	No Tax
Rs.5,00,001 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

An additional 4% Health & education cess will be applicable on the above tax amount calculated.

Source https://www.incometaxindia.gov.in/_layouts/15/dit/mobile/viewer.aspx?path=https://www.incometaxindia.gov.in/charts/-tables/tax-rates.htm&k&IsDlg=0

Surcharge on above Income

Income limit	Surcharge rate on the amount of Income Tax
Net income exceeds Rs. 50 lakhs but less than Rs. 1 crore	10%
Net income exceeds Rs. 1 crore but less than Rs. 2 crore	15%
Net income exceeds Rs. 2 crore but less than Rs. 5 crore	25%
Net income exceeds Rs. 5 crore or more	37%

Income Tax Budget 2020

Income Tax Budget 2020 announced by the Finance Minister Nirmala Sitharaman on 1st February 2020. The Union Budget 2020 proposes new income tax slabs and rates for taxpayers. Apart from this thing, the Budget scraps a few unneeded tax regimes such as DDT and others.

According to New Tax Regime the Simplified Personal Income Tax regime proposed in the Budget 2020 are:

Income Tax Slabs	Tax Rate
Up to Rs. 5 lakh Income	No Tax
From Rs. 5 lakh to Rs. 7.5 lakh	10%
From Rs. 7.5 lakh to Rs. 10 lakh	15%

From Rs. 10 Lakh to Rs. 12.5 lakh	20%
From Rs. 12.5 lakh to Rs. 15 Lakh	25%
Beyond Rs. 15 Lakh	30%

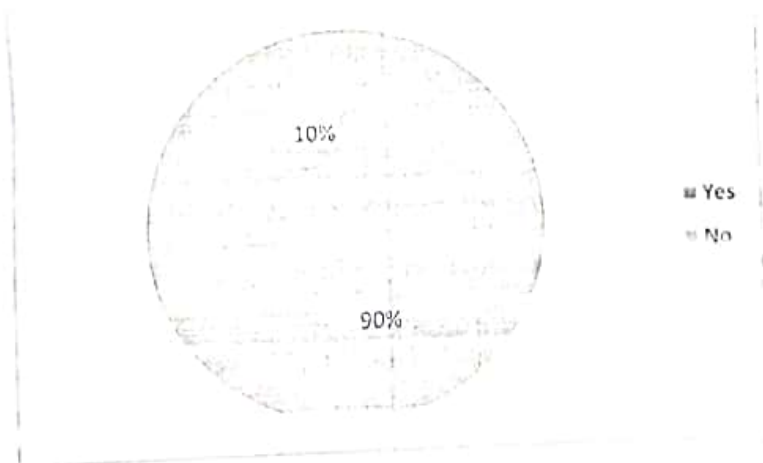
Source:

https://www.incometaxindia.gov.in/_layouts/15/dit/mobile/viewer.aspx?path=https://www.incometaxindia.gov.in/charts/+tables/tax+rates.htm&&IsDIg=0

The personal income tax regime is optional for taxpayers and the new tax rates are without deductions available under the old tax regime. Those who wish to claim rebates and concessions are free to file taxation under the old tax regime.

Data Analysis

Figure 1: Do you regularly pay Income Tax



Source: Primary Data

Interpretation: According to the analysis the researcher has interpreted that out of 80 respondents, 90% of the respondents had told that they regularly pay income tax and 10% of the respondents told that they do not regularly pay income tax.

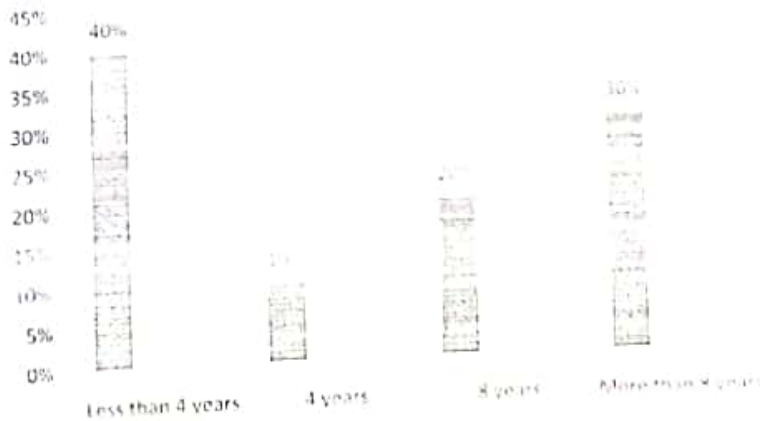
Figure 2: Are you aware of Income Tax law and slab rates



Source: Primary Data

Interpretation: According to the analysis the researcher has interpreted that out of 80 respondents, 84% of the respondents had told that they are aware of income tax law and slab rates, 13% of the respondents had told that they are not aware of income tax law and slab rate, and 3% of the respondents had told that they maybe knowing the income tax law and slab rates.

Figure 3: From when you started filing of Income Tax return

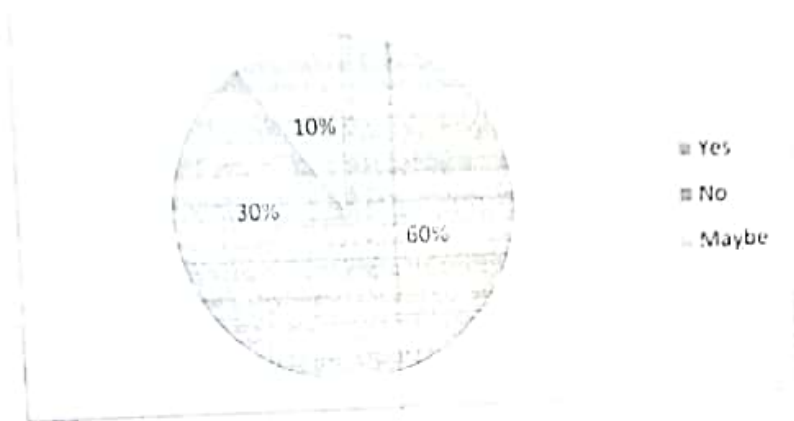


Source: Primary Data

Interpretation: According to the analysis the researcher has interpreted that out of 80 respondents, 40% of the respondents had told that they started filing of income tax return from less than 4 years.

10% of the respondents had told that they started filing of income tax return from 4 years. 20% of the respondents had told that they started filing of income tax return from 8 years and 30% of the respondents had told that they started filing of income tax return from more than 8 year.

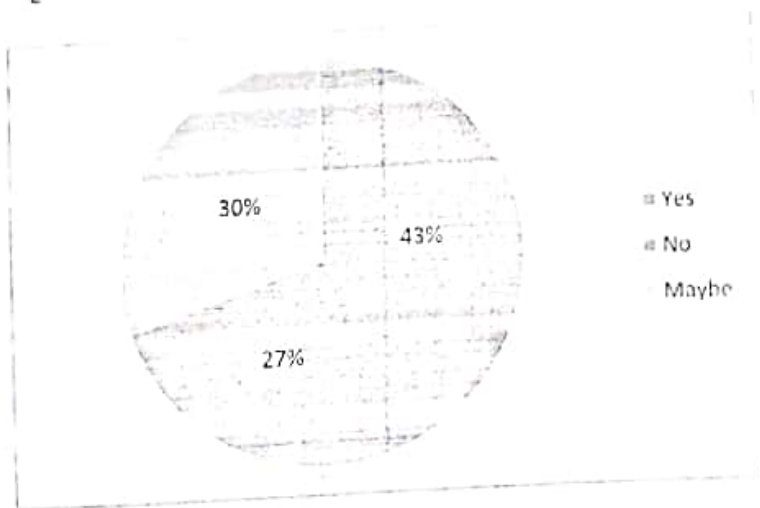
Figure 4: Did Income Tax slab rates have an effect on your income level



Source: Primary Data

Interpretation: According to the analysis the researcher has interpreted that out of 80 respondents, 60% of the respondents had told that income tax slab rates had effected their income level. 30% of the respondents had told that income tax slab rates had not affected their income level and 10% of the respondents had told that they are not aware that income tax slab rates had effected their income level or not.

Figure 5: Did Income Tax law give beneficial to your earnings



Source: Primary Data

Interpretation: According to the analysis the researcher has interpreted that out of 80 respondents, 43.30% of the respondents had told that income tax law give beneficial to their earnings, 26.70% of the respondents had told that income tax law does not give beneficial to their earnings and 10% of the respondents had told that they are not aware that income tax law give beneficial to their earnings or not.

Figure 6: What is your head of Income for filing Income Tax return



Source: Primary Data

Interpretation: According to the analysis the researcher has interpreted that out of 80 respondents, 86.70% of the respondents had told that there head of Income for filing Income Tax return is Income from salary, 10% of the respondents had told that there head of Income for filing Income Tax return is Income from house property, 13.30% of the respondents had told that there head of Income for filing Income Tax return is Income from Profit and Gains of Business and Profession, 6.70% of the respondents had told that there head of Income for filing Income Tax return is Income from Capital Gains and 6.70% of the respondents had told that there head of Income for filing Income Tax return is Income from Other sources.

Figure 7: Which are the deductions you claim while filing of Income Tax return



Source: Primary Data

Interpretation: According to the analysis the researcher has interpreted that out of 80 respondents, 83.30% of the respondents had told that the deductions they claim while filing of Income Tax return is Section 80C, 10% of the respondents had told that they claim deductions in Section 80CC, 23.30% of the respondents had told that they claim deductions in Section 80D, 0.70% of the respondents had told that they claim deductions in Section 80DD, 16.50% of the respondents had told that they claim deductions in Section 80E, 3.30% of the respondents had told that they claim deductions in Section 80TTA and 0% of the respondents had told that they claim deductions in Section 80U.

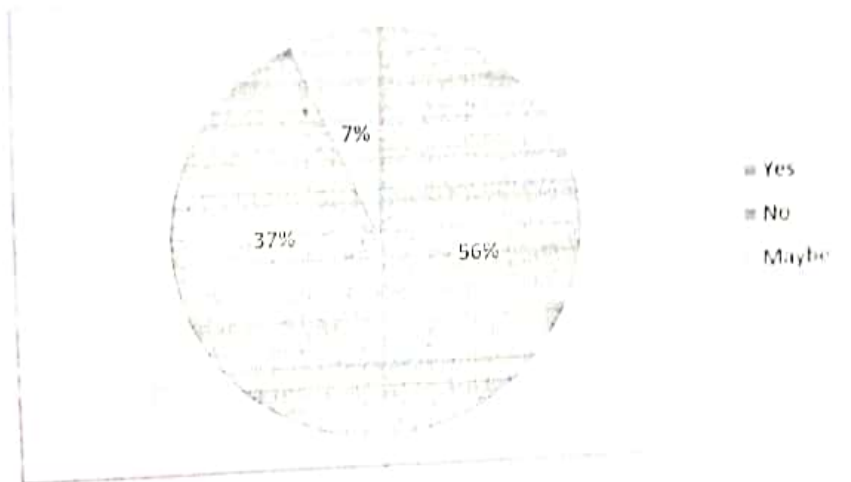
Figure 8: What is your Income Tax slab rate for filing of Income Tax return



Source: Primary Data

Interpretation: According to the analysis the researcher has interpreted that out of 80 respondents, 37% of the respondents had told that their Income Tax slab rate for filing of Income Tax return is upto Rs. 250000 @ 0%, 46.70% of the respondents had told that their Income Tax slab rate for filing of Income Tax return is Rs. 250000 to Rs. 500000 @ 5% and 13.30% of the respondents had told that their Income Tax slab rate for filing of Income Tax return is Rs. 500000 to Rs. 1000000 @ 20%.

Figure 9: Are you satisfied with Income Tax slab rates



Source: Primary Data

Interpretation: According to the analysis the researcher has interpreted that out of 80 respondents, 56.70% of the respondents had told that they are satisfied with Income Tax slab rates, 37% of the respondents had told that they are satisfied with Income Tax slab rates and 6.70% of the respondents had told that they do not have any proper opinion that they are satisfied with Income Tax slab rates or not.

Table 1: Data collection from salaried people on income tax law

Statement	Agree	Disagree	Neutral
Income Tax law helps to balance your savings and investments	53.30%	20%	26.70%
Income Tax law encourages you for savings	70%	13.30%	16.70%

and investments			
According to you new amendment in Income	70%	10%	20%
Tax law is beneficial to salaried people			

Source: Primary Data

Findings

By conducting the research the researcher has found the following things such as:

From the above analysis we have found that Income Tax Law have an impacted the income of the salaried people on the way that it affected the income as they have to pay a certain percentages of tax and in additional to a certain percentage of cess on their amount of tax paid

It is found that Income Tax Law also gives beneficial to their earnings on the way as they are eligible to a standard deduction as well as deductions under chapter VI A on their savings and investments in their investment avenues. Claiming deductions may decrease the amount of payment of Income Tax which gives beneficial to the earnings of the tax payers.

Income Tax Law helps to balance the savings and investments as well as it also encourages salaried people for savings and investments in different investment avenues. Higher tax slab rate effect the income of the people as the amount of paying tax increases and they have to pay more tax, which may also result in decline of savings and investments of the salaried people. The Income Tax Law acts beneficial to the income of the salaried people as the income tax slab rates has decreased prior to the before tax rates.

Suggestions

The suggestions by the researcher after conducting research are:

There must some agency free tax planner for those who are not aware to file an income tax return. The government should disclose the detail of the amount of tax money is utilized for betterment purpose, so the tax payer will believe the regular payment of tax. The tax payer should have proper detail information of the deductions available which will help them to utilize while payment of tax.

The tax system is still complex and complicated some serious efforts should be taken to simplify the procedure at government level.

Conclusion

After conducting the research the researcher has concluded the topic as follows:

The study attempted to know the awareness and perception regarding income tax saving options available to save the tax. It is found that the income tax has been imposed on the people in such terms that the income tax slab rates have affected the income of salaried people. It is observed that the income tax law helps to balance the savings and investments of the salaried people and also encourages the salaried people for savings and investments. The study concludes that they should be aware of the various deductions, reliefs, and rebates available as per the Indian income tax act.

It is observed that the salaried people who pay income tax feels satisfied with the income tax law and slab rates. In comparison to the past income tax slab rates and duties it is observed that there is a decrease in current slab. The new amendment in the Income Tax Law according to the budget 2019 gives relief to the income and earnings of the salaried people as the exemption limit has increased to Rs. 5 lakhs and the tax slab rates has decreased, which results in an increase in savings and investments of the salaried people.

So we conclude that Indian Government should take a step to simplify the income tax structure so that it can be favorable to the normal people to understand. The government should try to simplify the tax system so that anyone can easily understand and file the return by themselves. Simplify in Income Tax structure will lead to the increase in tax revenue as the payment of tax increases.

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