

Fiscal Policy - Budget

Operation Tayyari Jeet Ki

Theme

Don't stop studying until you are sleepy enough to make your study table a pillow;

Your study break should be during the power cut



Azad

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Parts of Budget

Ⓜ

Receipts

€

Expenditure

Revenue R

Capital R

Revenue E

Capital E

Any investment flowing from one country into another is **foreign investment**.

FDI	FII/ FPI
direct investment into the production and management. This can be one by either buying a company or by expanding operations of an existing business.	invest in a capital / money market FII/ FPI brings only capital
most beneficial form of foreign investment	FII inflows are hot money
more stable	less stable
It improves Infrastructure, expertise It brings permanent investment	have to get registered with stock market regulator SEBI 10% of the paid up capital



Tax

- Compulsory monetary contribution to the state's revenue, assessed and imposed by a government on the activities, enjoyment, expenditure, income, occupation, privilege, property, etc., of individuals and organizations.

Direct Tax and Indirect Tax

- **Incidence** : The point where tax looks being imposed
- **Impact**: the point where tax makes its effect

- **Direct Tax:**
 - Pt of Incidence and Pt of impact are same
 - Social and economic justice; ability to pay

- **Indirect Tax:**
 - Pt of Incidence and Pt of impact are different
 - Every member of the community is taxed

Direct Tax

- Progressive (Richer person higher tax)
- Inequality of income – reduced
- Quick results

- Collection Expensive
- Therefore narrow base
- Externality not counted : Tata vs Filmstar
- Hardship not counted : Carpenter vs Landlord



Parts of Budget

Ⓜ

Revenue

Ⓒ

Capital

Receipts

Expenditure

Receipts

Expenditure

Tax Non-Tax

Direct

Indirect

Direct Tax Union

#1: Income/expenditure

- Income Tax
- Corporate Tax 30% (MAT 18.5% of book profit)
- Interest Tax (on banks)
- Fringe Benefit Tax (FBT)

#2. On Property Assets / Capital Transaction

- Securities Transaction Tax
- Capital Gains Tax (Profit on asset sale)
- Estate Tax
- Banking Transaction Tax
- Gift Tax



Direct Tax State

#1: Tax on Income

- Agriculture Income Tax
- Professional Tax (max 2500)

#2. Tax on Properties

- Land Revenue
- Stamp Duty/ Registration Duty
- Property Tax in urban areas

Income Tax Slabs

Tax Slab	Income in Lakhs
10%	>2.5 to 5
20%	>5 to 10
30%	>10

Educational Cess 3%- educational purpose- goes to public account
Surcharge 12% - no specific purpose goes to CFI
– **not shared with states**

Find payable Tax

A person has an income of 12 lakh rupees per annum

Upto 2.5 lakh 0% = 0

From 2.5 to 5 lakh 10%=25000

From 5 lakh to 10 lakh 20%= 100000

From 10 lakh to 12 lakh 30% = 60000

Total tax= 1,85,000

Surcharge 12% of 1,85,000= 22,200

Total= 207200

Cess 3%(207200)= 6216

Total Tax to be paid=213416

Parts of Budget

Ⓜ

Revenue

Receipts

Expenditure

Ⓒ

Capital

Receipts

Expenditure

Tax

Non-Tax

Direct

Indirect

Non Tax Revenue

- Investment Interest Dividend



- Service Income



- Grants

- Interest given on Loans Given

Parts of Budget

Ⓜ

Revenue

Ⓒ

Capital

Receipts

Expenditure

Receipts

Expenditure

Tax

Non-Tax

Direct

Investment Interest Dividend

Indirect

Grants, Interest on Loans,
penalty



Revenue Expenditure

- Interest Payment
- Subsidies (Food, Fertilizer, LPG)
- Defense
- Grants to States
- Pension
- Police (Law and Order)
- General Election
- Tax Collection
- Salary

Parts of Budget

Ⓜ

Revenue

Ⓒ

Capital

Receipts

Expenditure

Receipts

Expenditure

Tax	Non-Tax	Interest Payment
Direct	Dividend	Subsidies (Food, Fertilizer, LPG)
	Grants,	Defense
	Interest on Loans,	Grants to States
Indirect	penalty	Pension
		Police (Law and Order)
		General Election
		Tax Collection
		Salary

Capital Receipts and Expenditure

Debt

- Borrowings
 - Long Term vs Short Term
 - Internal vs External
- Provident Fund
- Savings

Non - debt

- Disinvestment
- Loan Recovery (Principle)

Plan

- Central Plan
- State Plan

Non plan

- Defense
- Loan to PSU
- Loan to Foreign
- Loan to State

Parts of Budget

Revenue			Capital	
<u>Receipts</u>		<u>Expenditure</u>	<u>Receipts</u>	<u>Expenditure</u>
Tax	Non-Tax	Interest Payment	Debt	Plan
Direct	Dividend	Subsidies (Food, Fertilizer, LPG)	Borrowings	Central Plan
	Grants,	Defense		State Plan
	Interest on Loans,	Grants to States		
Indirect	penalty	Pension	Non-debt	Non-Plan
		Police (Law and Order)	Loan Recovery	Defense
		General Election	Disinvestment	Loan to
		Tax Collection		
		Salary		

IGNITED MINDS
Be the change..

Parts of Budget

Receipts

Revenue R

Capital R

Tax **Non-Tax**

Debt
Borrowings

Direct Dividend

Grants,
Interest on Loans,

Non-debt
Loan Recovery
Disinvestment

Indirect penalty

Expenditure

Revenue E

Capital E

Interest Payment
Subsidies (Food,
Fertilizer, LPG)
Defense
Grants to States
Pension
Law and Order
General Election
Tax Collection
Salary

Plan
Central Plan
State Plan

Non-Plan
Defense
Loan to

IGNITED MINDS
Be the change..



Thank You..

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