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TODAY'S IMPORTANT CURRENT AFFAIRS

UPSC PRELIMS

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TODAY'S DROPS OF NEWS:

<u>SUBJECT</u>	<u>IN NEWS</u>
POLITY	---
ECONOMY	Congress appeal against income tax demand on ₹199 cr. Rejected.
GEOGRAPHY	---
HISTORY AND ART & CULTURE	---
ENVIRONMENT	---
SCIENCE & TECH	---
MISCELLANEOUS	---

ECONOMY

In news: Congress appeal against income tax demand on ₹199 cr. Rejected.

Taxation: TAXES CAN BE DEFINED AS A “COMPULSORY CONTRIBUTION FROM A PERSON TO THE GOVERNMENT TO THE EXPENSES INCURRED IN THE COMMON INTEREST OF ALL, WITHOUT

REFERENCE TO SPECIAL BENEFITS CONFERRED”.

Canons of taxation:

- 1) **CANON OF EQUALITY:** Canon of equity or equality is the most important and basic Canon of taxation. It is based on the principle of social justice and ability to pay. Tax burden should be equally distributed among the tax payers according to their ability to pay.
- 2) **CANON OF CERTAINTY:** Taxation must have an element of certainty. That is, there must be certainty about the tax which an individual has to pay. Things like the time of payment, the manner of payment, and the quantity to be paid etc. should be plain and clear to the tax payer.
- 3) **CANON OF CONVENIENCE:** It explains that a tax should be levied in such manner or in such a time that it is convenient for the tax payer to pay it.
- 4) **CANON OF ECONOMY:** Canon of economy explains that taxes should be collected at minimum cost. The tax laws and procedures should be simple. The administrative machinery should not be elaborate and costly.

Classification of Taxes in India:

1) Based on Tax Burden Distribution:

- **Progressive Tax:** The tax rate increases as income rises, ensuring wealthier individuals contribute a larger share. E.g., Income tax in India follows a progressive structure, with higher slabs for higher earnings.
- **Proportional Tax:** A fixed tax rate applies to all taxpayers, regardless of income level. E.g., Corporate tax in India is applied at a uniform rate for companies in specific categories.
- **Regressive Tax:** The tax rate decreases as income increases, disproportionately affecting lower-income groups. E.g., Indirect taxes like GST on essentials impact lower-income individuals more than the wealthy.

2) Based on Calculation Method:

- **Specific Tax:** A fixed amount is levied per unit of a good or service, irrespective of its value. E.g., Excise duty on cigarettes, charged per pack rather than as a percentage of price.

- **Ad-Valorem Tax:** Levied as a percentage of the item's value, rather than its quantity or weight. E.g., GST, which is imposed as a percentage of the selling price of goods and services.

3) Based on Taxation Principle (Applicable to Indirect Taxes):

- **Production-Based Tax (Origin-Based Tax):** Applied at the place of production, regardless of where the good is consumed. E.g., Earlier versions of VAT in some countries were origin-based.
- **Consumption-Based Tax (Destination-Based Tax):** Levied at the point of consumption rather than production. E.g., India's GST follows a destination-based taxation model.

4) Based on Mode of Collection:

- **Direct Tax:** Paid directly to the government by the taxpayer without intermediaries. E.g., Income tax, property tax, corporate tax.
- **Indirect Tax:** Collected by an intermediary (e.g., retailers) from the end consumer, who bears the financial burden. E.g., GST, excise duty, customs duty.

Constitutional Provisions:

Article 265: No tax shall be levied or collected except by the authority of law, ensuring legality in taxation.

Article 246: Defines the distribution of taxation powers between the Union and the States through the Seventh Schedule.

New Income Tax Bill 2025 Objectives:

The New Income Tax Bill 2025 has been designed to make tax compliance simpler and more user-friendly. Here's how:

Simpler Legal Language: The bill replaces complex jargon with clear, straightforward language, making it easier for taxpayers to understand and comply without needing legal expertise.

Shorter, More Efficient Laws: The new legislation will be about half the length of the current tax laws, removing redundant sections and reducing legal disputes. This will streamline processing for both taxpayers and officials.

No New Taxes: This reform isn't about adding more taxes—it's about simplifying

existing laws. By cutting down on complexity, taxpayers can navigate the system with ease and minimal bureaucratic hurdles.

Budget Announcements Included: Key tax updates from the national budget, like income tax rate changes and TDS revisions, will be seamlessly integrated, ensuring clarity and smoother implementation.

This reform is all about making taxation simpler, more transparent, and easier to follow for everyone.

Tax slab in lakh	Tax rate in %
0-4	Nil
4-8	5
8-12	10
12-16	15
16-20	20
20-24	25
Above 24	30

MENTOR

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