An outline of Taxation Scenario- in realm of Indian Perceptive

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Abstract

Perceptions and policies with regard to the role of foreign (international) capital (savings) in the process of industrial and overall growth have changed in India since the beginning of economic planning. Income –Tax Act, 1961 is a comprehensive Act and consists of 298 sections and subsections which are supported by Acts and rules. This Act has been amended by several amending Acts since 1961. The annual Financial Bills presented to Parliament along with budget make far-reaching amendments in this Act every year. The Indian taxes are both direct and indirect. Double taxation occurs when the income of a foreign subsidiary is taxed both by host-country government and by the parent company’s home government. The central Government has so far entered into agreements for relief against or avoidance of double taxation with 72 countries and these agreements are in operation. The Indian tax system provides incentives to attract Foreign Direct Investment and to encourage exports. So, the taxation structure of the country plays a very important role in the working of the economy. It is a source of revenue and a measure of removal of economic disparity. While designing the taxation structure it has to be conformity with economic and social objectives.

Key words: Private Capital Flow, Primary Income, Foreign Direct Investment, Residential Status, Double Taxation, Tax Foregone, Expatriates

Perceptions and policies with regard to the role of foreign (international) capital (savings) in the process of industrial and overall growth have changed in India since the beginning of economic planning. The first 15-20 years were marked by caution in welcoming the foreign capital. A restrictive and selective approach characterized the next 10-15 years, while increasing relaxation, liberalization and receptivity was experienced during the 1980s. The period after 1991 can be called the halcyon days of eager welcome, open-door or open-arm policy, and an increasing thrust towards international integration and globalization. According to L M Bhole and Jitendra Mahakud, (2009) [1], the “beneficial” role of the foreign capital has increased in the economy. India is a three-tier economy, comprising a globally competitive services sector, a manufacturing sector and an agricultural sector. The service sector like trade, hotels, transport, telecommunications and information technology, business services and finance shows an increasing trend. Many foreign companies use a combination of exporting, licensing and direct investment in India. India permits 100 per cent foreign equity in most industries. Units setting up in special economic zones (SEZs), operating in electronic hardware or software, technology parks or operating as 100 per cent export-oriented units are fully foreign-owned. Nevertheless, the government has set sector-specific caps on foreign equity in certain industries, such as basic and cellular telecommunications services, banking, civil aviation and retail trading, Delotti, (2012).[2]

Significance of Foreign Investment

Foreign Investment is playing an increasing role in economic development. Economic reforms and the far-reaching political changes have resulted in very substantial changes in the international capital flows. FDI now contributes to a significant share of the domestic investment, employment generation, exports, etc., in a number of economies. Addressing a session on ‘moving to the market: sustaining reforms in India and Asia’, M. Gordon Wu, (1997) [3] has observed that
foreign investment brings four ‘E’s – efficiency, equity, experience and expertise. In return, there is a fifth ‘E’-expatriation of profits.

The changes in the composition of the capital flows and the substantial increase in the magnitude of some of the flows, like FDI, have remarkably changed the balance of payments and foreign exchange reserves position of several countries. The debt creating flows as a percentage of total flows in the Balance of Payment (BOP) of India averaged as much as 97 per cent during the Seventh Plan (1985-90) but declined to less than 20per cents by the mid-1990s. Eventually, India began to experience a surplus on the BOP and a very remarkable improvement in the reserves position. Foreign investment has assisted and is assisting the economic growth of many countries. As a World Bank report, (1991) [4] points out, for the developing countries FDI have the following advantages over the ODA:

- FDI shifts the burden of risk of an investment from domestic to foreign investors.
- Repayments are linked to the profitability of the underlying investment, whereas under debt financing the borrowed funds must be serviced regardless of the project costs.
- Further, it has also been observed that FDI is the only capital inflow that has been strongly associated with higher GDP growth since 1970.

The contribution of FDI to economic growth is high lightened by the fact that the ratio of FDI flow to domestic investment [gross capital formation] rose for most developed and developing countries in the past. Although the bulk of the FDI goes to developed countries, its share in their Gross Fixed Capital Formation (GFCF) is only about half of that in developing countries because of the massiveness of their GFCF, mentioned by Francis Cherunilam, (2010). [5]

Given the limitations of domestic savings, many developing countries will have to rely on foreign investment to accelerate economic growth. It may be noted that China has been able to maintain a high GDP growth –rate for a long time because of a high savings rate and huge inflow of FDI. The details of Net inflow and Primary Income of India from 2008 to 2011 have been shown in Table No: 1, the World Bank report, (2012). [6] Appendix A

Private capital flows consist of net foreign direct investment and portfolio investment. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments. Portfolio investment excludes liabilities constituting foreign authorities' reserves and covers transactions in equity securities and debt securities. Primary income on foreign direct investment (in US$) covers payments of direct investment income, which consist of income on equity (dividends, branch profits, and reinvested earnings) and income on the inter company debt (interest). The flow of direct foreign investment in India has been comparatively limited because of the type of industrial development strategy and the very cautious foreign policy followed by the nation.

Taxation of Foreign-Source Income

Tax planning is a crucial responsibility of the CFO because taxes can profoundly affect profitability and cash flow. This is especially true in international business. As complex as domestic taxation seems, it is simple compared to the intricacies of international taxation. The international tax specialist must be familiar with both home country’s tax policies on foreign operations and the tax laws of each country in which the international company operates. Taxation has a strong impact on several choices:

- Location of operations
- Choice of operating form, such as export or import, licensing agreement, overseas investment
- Legal form of the new enterprises, such as branch or subsidiary.
Possible facilities in tax-haven countries to raise capital and manage cash.  
Method of financing, such as internal or external sourcing and debt or equity.  
Capital budgeting decisions  
Method of setting Transfer prices  

Taxation of foreign-source income depends on the country where the parent company is domiciled.  
It is common for most developed countries to tax companies on their world-wide income and give them a credit for foreign corporate income taxes paid.  
But in certain countries like Hong Kong companies, for example, pay tax only on Hong Kong-source income, and their tax rate are only 17.5 percent.  
Likewise, U.S. companies are taxed on foreign-source income if dividends are remitted to the United States.  
However, Hong Kong companies do not have to pay tax on foreign-source income, even if remitted to Hong Kong.  

Perceptive on Indian taxation

Income –Tax Act, 1961 is a comprehensive Act and consists of 298 sections and subsections which are supported by Acts and rules.  
This Act has been amended by several amending Acts since 1961.  
The annual Financial Bills presented to Parliament along with budget make far-reaching amendments in this Act every year.  
The Indian taxes are both direct and indirect.  
Some of the major provisions relating to taxes which are mentioned by Jeevarathanam et al, (2012) [8] are discussed here.

Residential Status

Tax is levied on total income of the assessee.  
Under section of Income Tax Act, 1961 the total income of each person is based upon his residential status.  
The Act [Sec 6] divides the assessable persons into three categories:

i) Ordinary resident ii) Resident but Not Ordinarily Resident, and iii) Non-Resident

Residential status is a term coined under Income tax Act, i.e., An Indian, who is a citizen of India can be non-resident for Income-tax purposes, whereas an American who is a citizen of America can be a resident of India for Income-tax purposes.  
The residential status of a person depends upon the territorial connections of the persons in this country, i.e., for how many days he has physically stayed in India.

- Residential Status of an Individual and others
  A person is a resident in India for a given financial year if he/she fulfills the following conditions for that financial year:

  - Basic Conditions:
    (a) If the Individual stayed in India for a period of 182 days or more during the Relevant Previous Year he is Resident of India  
    (b) If he stayed in India for a period of 60 days or more during Relevant Previous Year and 365 days or more during the four preceding previous years he is Resident of India.

  If the above two conditions are not satisfied, he is Nonresident.

Exceptional Situations:

For the following persons, condition mentioned in (a) above only shall apply to determine their Residential Status:
(a) Individual, an Indian citizen, leaving India for employment outside India, or
(b) Indian Citizen being a crew member of an Indian ship leaving India, or
(c) Individual, Indian citizen or a person of Indian origin, visiting India.

- **Additional Conditions:**

  a. Resident in India for at least 2 years out of the preceding 10 previous years.
b. Physically present in India for at least 730 days during the 7 preceding previous years.

The status of an Individual and others, and their conditions has been shown in Box No: 1a, 1b & 1c *(Appendix B)*

If a person is a resident for one source of income in a previous year, he shall be deemed to be a resident for all other sources of income also i.e Income from salary, Income from House property, Income from Business or Profession and Income from Other sources like, Interest, Winning games and so on.

- **Status and Incidence of Income Tax as per the Income tax Act of 1961.**

  The incidence of tax on a taxpayer depends on his residential status as well as on the place and time of accrual or receipt of income, Box No.2 *(Appendix B)*. The income is compartmentalized into (1) Indian income and (2) Foreign income.

 Indian income is an:
a. Income that accrues/arises in India and is received/deemed to be received in India.
b. Income that accrues/arises outside India but is received/deemed to be received in India.
c. Income that accrues/arises in India but is received/deemed to be received outside India.

  On the contrary, foreign income is an income that accrues/arise outside India and is received/deemed to be received outside India.

  A resident assessee is taxed on both its Indian income and foreign income. But a non-resident/foreign company is not fixed on its foreign income. There are, of course, some foreign incomes which are treated as Indian income. The income of a business process out-sourcing (BPO) units in India, even if they are a permanent establishment of a non-resident foreign company, specific cases of interest, dividend, technical fees, royalty, etc., are opposite examples. However, many of them are exempted from tax.

**Taxes on the income of the Expatriates**

  The income of expatriates is taxable similarly as the income of an individual. However, the expatriates are grouped as: resident, ordinarily resident and non-resident. A resident one has to be physically present in the country for 60 days or more during the tax year or 365 days or more during the preceding four tax years. An ordinarily resident expatriate should be resident in India for at least two out of 10 years preceding the relevant tax year or he/she should have been in India for 730 days or more during seven years preceding the relevant tax year. If the expatriate does not fulfill the above-mentioned conditions, he/she is treated as non-resident.

  The expatriates of the first two categories pay taxes on the income earned in India as well as outside. But the non-resident expatriate taxes on his/her income earned and received only in India.
Indirect Taxes

Customs duty is the most important among the indirect taxes. It is imposed on the imports. It is either ad valorem or specific. The rate is amended from time to time. In the past one and a half decades, the rate has been slashed significantly. Besides the basic customs duty, there is countervailing duty. The purpose is to ensure that the protection provided by the basic customs duty to the domestic manufactures is not eroded. Again, additional duty is levied at 4.0 per cent in order to counter the local sales tax/Vat etc. The manufacturers of goods in India have also to pay excise duty normally at 16.0 per cent. However, the foreign investors operating in India get some credit in specific cases. Assuming the basic customs duty at 10.0, countervailing duty at 16.48 per cent, education cess at 3.0 per cent, additional duty at 4.0 per cent and allowing for credit at 10.84 percent, the impact of these indirect taxes comes to around 23.29 per cent.

Tax incentives

The Indian tax system provides incentives to attract Foreign Direct Investment and to encourage exports, *Vyuptakesh, 2011* [9]. Some important incentives are:

- A unit in Special Economic Zone set up after March 2002 is allowed 100 per cent tax deduction of export profit for a period of 5 years and 50 per cent for the next two years followed by 50 per cent deduction of export profit credited to a special reserve account for the next three years.

- The initial depreciation rate has been increased from 15 per cent to 20 per cent that will in effect lower the amount of tax. Moreover, the requirements of a 10 per cent increase in the installed capacity for availing the benefit of the initial depreciation have been removed so as to make easier the application of the scheme.

- Credit in respect of MAT will be available for the next five years.

- With a view to promote scientific research, capital and revenue expenditure in this respect is allowed as deduction while computing taxable income. This would enhance the capability of Indian firms to modify the imported technology.

- Specific deductions are allowed if FDI moves to backward regions of the economy.

- Similarly, deductions are allowed in specific conditions if FDI moves to infrastructure sector.

- Profits of a resident company are exempted from taxes if they are related to the development of computer software.

- Profit from export, if the export proceeds are received in convertible currencies within a specified period, is exempted from tax to a maximum of 30 percent.

Indian Tax Rates

The *Indian Tax* [10] rates for the current year as per the Income Tax Act of 1961:

- The tax in India on an individual's income is progressive from 10 percent to 30 percent for the financial year 2013-2014. An education tax cess of 3 percent is imposed too.
A limited company in India is liable for tax in the financial year 2013-2014 at the rate of 30 percent for a local company and 40 percent for a foreign company with the addition of surcharge (for income above INR 10 millions, 5 percent for domestic companies, 2 percent for foreign companies) as well as an education tax cess of 3 percent. The top effective tax rate in India is 32.45 percent for a local company and 42.02 percent for a foreign company.

Companies in India whose tax liability is less than 18.5 percent of the "book profits" pay an 18.5 percent minimum alternative tax (MAT) on the "book profits" with a surcharge and cess, bringing the effective tax rate of 20.01 percent for domestic companies and 19.44 percent for foreign companies.

The income is computed after adding certain disallowance, depreciation, loss on sale of assets, etc. to the declared profit and after deducting certain allowances and the fringe benefit accorded to the employees.

**Double Taxation**

Many nations follow the worldwide principle that they have the right to tax income earned outside their boundaries by entities based in their country. That is, the U.S. government can tax the earnings of the German subsidiary of an enterprise incorporated in the United States. Double taxation occurs when the income of a foreign subsidiary is taxed both by host-country government and by the parent company’s home government. However, according to Charles W. L. Hill, et al, 2010 [11], double taxation can be mitigated to some extent by tax credits, tax treaties, and the deferral principle.

**Double taxation relief**

- Agreement with Foreign countries for Avoidance or Relief against Double taxation [Sec 90]

  The income tax Act empowers the Central Government to enter into agreements with the Government of any country for the grant of relief against double taxation or for the avoidance of double taxation, V. P. Gaur, et al, 2012 [12]. It also empowers the Central Government to make such provisions as may be necessary for the implementation of such agreement and such provisions may be published in the Official Gazette. The Central Government entered into agreements with foreign countries like,

  a. For the granting of relief in respect of income on which have been paid both income-tax under this Act and income-tax in that country, or
  b. For the avoidance of double taxation of income under this Act and under the corresponding law in force in that country, or
  c. For exchange of information for the prevention of evasion or avoidance of income-tax chargeable under this Act or under the corresponding law in force in that country, or investigation of cases of such evasion or avoidance, or
  d. For recovery of income-tax under this Act and under the corresponding law in force in that country.

  The central Government has so far entered into agreements for relief against or avoidance of double taxation with 72 countries and these agreements are in operation. These agreements may be classified into two parts:

  i) Agreement for relief from Double taxation

  Under this category assessments provide for the payment of tax in both the countries under the respective laws of those countries but later on rebate of tax is given in both the countries on
doubly assessed income. In such case assessee must show that the identical income has been doubly
taxed and that he has paid tax both in India and in the foreign country on the same income.

   ii) Agreement for the avoidance of Double taxation (i.e., Double Taxation Avoidance Agreement
(DTAA).

   Under these agreements the assessee has first to pay the tax and then apply for relief in the
form of a refund. Each country recovers tax only on that portion of income which accrued within that
country and takes into account the income accruing in other country only for rate purposes. In such
cases no refund arises. With effect from 1.10.2009, the Central Government has also been empowered
to enter into an agreement with specified non-sovereign territories.

   • Unilateral Relief in Respect Foreign Income Taxed Abroad [Sec 91 (1)]

Subject to following conditions unilateral relief is granted in cases where Section 90 is not
applicable:

   i) Assessee should be resident of India in the previous year;
   ii) The income, in fact, should have accrued outside India and should not be deemed under
any provision of this Act to accrue in India;
   iii) The income should be taxed both in India and a foreign country with which India has no
agreement for relief against or avoidance of double taxation; and
   iv) The assessee should have, in fact, paid the tax in such foreign country by deduction or
otherwise.

• Relief in case of Agricultural income from Pakistan [sec91 (2)]

In case a resident of India has paid any tax on agricultural income which accrued or arose
to him during that previous year in Pakistan, he shall be entitled to a deduction from the Indian income
tax payable by him of the amount of tax paid in Pakistan or sum calculated at the Indian rate of tax,
whichever is less.

• Relief in case of Share in the Foreign Income of a Registered Firm

An assessee receiving shares in foreign income of a registered firm shall be entitled to the
relief of tax on such share provided the firm receives income from a foreign country with which no
agreement exists u/s 90 and assessee has paid in that foreign country.

➢ Tax Revenues and Tax Expenditure

The table No.2 (Appendix A) shows the projected tax revenues of the 28 states except
union territories. This is a list of States of India by projected own tax revenues of their governments
(excluding the shares from Union tax pool) assessed for the year 2010–15 by the Thirteenth Finance

Tax expenditure or revenue foregone statement was laid before Parliament for the first time
during Budget 2006-07 by way of Annex-12 of the Receipts Budget 2006-07. The tax policy gives rise
to tax preferences and this preference can be viewed as an indirect subsidy to preferred tax payers, by
P. Sainath, 2013 [14]. Such implicit subsidy payments are also referred to as ‘tax expenditures’. The
revenue foregone on account of such tax incentives has been estimated in respect of most of the “tax
preferences”. Table No: 3 (Appendix A) shows the revenue foregone under Corporate income tax,
excise duty and custom duty, from 2005-2006.
In view of large unmet development needs, it is better to achieve fiscal consolidation partly through a higher tax-GDP ratio than merely through a reduction in the expenditure to GDP ratio. After reaching a peak of 11.9 per cent in 2007-08, the tax-GDP ratio had declined to 9.6 per cent in 2009-10 and was placed at 9.9 per cent in 2011-12. Therefore, raising the tax-GDP ratio to above the 11 per cent level is critical for sustaining the process of fiscal consolidation in the long run. Of course, it is much better to achieve a higher tax-GDP ratio by broadening the base which is taxed rather than increasing marginal tax rates significantly—higher and higher tax rates impinge more and more on incentives to undertake taxable activities, while encouraging tax evasion., E. Augur (2012) [15]

Incidence Vs Effects

When a tax is imposed on a commodity, it produces certain effects on the producer, the consumer, and the economy, mentioned by Dr.H. Dalton (1954). [16] Suppose the government levy excise duty on tea, it will raise the price of tea, which will reduce its consumption. If the tea companies are not able to shift the full amount of the excise duty to the consumers (for fear of reduction in sales), their cost of production rises and the profit- margins are reduced. This will adversely affect investment and production. If they are not able to shift the incidence of the tax backward on the suppliers of factors of production, investment will again be adversely affected. These are the effects of a tax which may, in the long run, adversely affect production, employment, income, saving and investment in the economy. So every tax system produces various types of consequences on production, distribution, consumption and the level of economic activity. The effects may be good or bad, but the best system of taxation from the economic point is that which has the best, or the least bad, economic effects, as referred by M. L. Jhingan, (2006) [17]

This paper studies the major provision of the Income tax policy of the Indian economy. The taxation structure of the country plays a very important role in the working of the economy. It is a source of revenue and measure of removal of economic disparity. While designing the taxation structure it has to be conformity with economic and social objectives. The Tax policy and Tax costs vary widely by countries and industries respectively. A significant part of the tax revenue in a country is represented by a tax on personal income as well as corporate income tax. However, the rate of the tax varies widely among different countries or different tax jurisdictions with the result that the concept of neutrality or equity is hard to be adhered.

References:
10. www.indiantaxations.com

Appendix A

Table No: 1

<table>
<thead>
<tr>
<th>S.No</th>
<th>Year</th>
<th>Private capital flows (U.S. dollars)</th>
<th>Primary income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2008</td>
<td>9,074,959,515</td>
<td>11,988,871,923</td>
</tr>
<tr>
<td>2</td>
<td>2009</td>
<td>40,606,179,024</td>
<td>12,278,774,182</td>
</tr>
<tr>
<td>3</td>
<td>2010</td>
<td>49,869,991,944</td>
<td>15,344,000,000</td>
</tr>
<tr>
<td>4</td>
<td>2011</td>
<td>NA</td>
<td>16,787,000,000</td>
</tr>
</tbody>
</table>


Table No. 2 - Projected Tax Revenues of Indian economy, 2010-2015

<table>
<thead>
<tr>
<th>Rank</th>
<th>State</th>
<th>Tax Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Maharashtra</td>
<td>₹3033087 crore(s) (US$560 billion)</td>
</tr>
<tr>
<td>02</td>
<td>Tamil Nadu</td>
<td>₹451777 crore(s) (US$83 billion)</td>
</tr>
<tr>
<td>03</td>
<td>Uttar Pradesh</td>
<td>₹296417 crore(s) (US$54 billion)</td>
</tr>
<tr>
<td>04</td>
<td>Andhra Pradesh</td>
<td>₹273424 crore(s) (US$50 billion)</td>
</tr>
<tr>
<td>05</td>
<td>Karnataka</td>
<td>₹252620 crore(s) (US$46 billion)</td>
</tr>
<tr>
<td>06</td>
<td>Gujarat</td>
<td>₹179578 crore(s) (US$33 billion)</td>
</tr>
<tr>
<td>07</td>
<td>West Bengal</td>
<td>₹169910 crore(s) (US$31 billion)</td>
</tr>
<tr>
<td>08</td>
<td>Rajasthan</td>
<td>₹150741 crore(s) (US$28 billion)</td>
</tr>
<tr>
<td>09</td>
<td>Kerala</td>
<td>₹138221 crore(s) (US$25 billion)</td>
</tr>
<tr>
<td>10</td>
<td>Haryana</td>
<td>₹136291 crore(s) (US$25 billion)</td>
</tr>
<tr>
<td>11</td>
<td>Madhya Pradesh</td>
<td>₹127222 crore(s) (US$23 billion)</td>
</tr>
<tr>
<td>12</td>
<td>Punjab</td>
<td>₹118022 crore(s) (US$22 billion)</td>
</tr>
<tr>
<td>13</td>
<td>Chattisgarh</td>
<td>₹72382 crore(s) (US$13 billion)</td>
</tr>
<tr>
<td>14</td>
<td>Jharkhand</td>
<td>₹70748 crore(s) (US$13 billion)</td>
</tr>
<tr>
<td>15</td>
<td>Odisha</td>
<td>₹66181 crore(s) (US$12 billion)</td>
</tr>
<tr>
<td>16</td>
<td>Bihar</td>
<td>₹37036 crore(s) (US$6.8 billion)</td>
</tr>
<tr>
<td>17</td>
<td>Jammu and Kashmir</td>
<td>₹34644 crore(s) (US$6.3 billion)</td>
</tr>
<tr>
<td>18</td>
<td>Assam</td>
<td>₹32238 crore(s) (US$5.9 billion)</td>
</tr>
<tr>
<td>19</td>
<td>Uttar Pradesh</td>
<td>₹32202 crore(s) (US$5.9 billion)</td>
</tr>
<tr>
<td>20</td>
<td>Himachal Pradesh</td>
<td>₹27409 crore(s) (US$5.0 billion)</td>
</tr>
<tr>
<td>21</td>
<td>Goa</td>
<td>₹23251 crore(s) (US$4.3 billion)</td>
</tr>
<tr>
<td>22</td>
<td>Tripura</td>
<td>₹4725 crore(s) (US$860 million)</td>
</tr>
<tr>
<td>23</td>
<td>Meghalaya</td>
<td>₹4592 crore(s) (US$840 million)</td>
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<tr>
<td>24</td>
<td>Arunachal Pradesh</td>
<td>₹2711 crore(s) (US$500 million)</td>
</tr>
<tr>
<td>No</td>
<td>State</td>
<td>Revenue (rupees crore(s) (US$)</td>
</tr>
<tr>
<td>----</td>
<td>-----------</td>
<td>--------------------------------</td>
</tr>
<tr>
<td>25</td>
<td>Manipur</td>
<td>₹2685 (US$490 million)</td>
</tr>
<tr>
<td>26</td>
<td>Nagaland</td>
<td>₹1776 (US$330 million)</td>
</tr>
<tr>
<td>27</td>
<td>Mizoram</td>
<td>₹1547 (US$280 million)</td>
</tr>
<tr>
<td>28</td>
<td>Sikkim</td>
<td>₹1368 (US$250 million)</td>
</tr>
</tbody>
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Table No : 3

Revenue foregone under Corporate Income tax, Excise and Customs
(Figures are in rupees crores, one lakh crore= 1trillion)

<table>
<thead>
<tr>
<th>Year</th>
<th>Corporate Income Tax</th>
<th>Excise Duty</th>
<th>Customs duty</th>
<th>Total</th>
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<tbody>
<tr>
<td>2005-06</td>
<td>34618</td>
<td>66760</td>
<td>127730</td>
<td>229108</td>
</tr>
<tr>
<td>2006-07</td>
<td>50075</td>
<td>75475</td>
<td>137105</td>
<td>262655</td>
</tr>
<tr>
<td>2007-08</td>
<td>62199</td>
<td>87468</td>
<td>153593</td>
<td>303260</td>
</tr>
<tr>
<td>2008-09</td>
<td>66901</td>
<td>128293</td>
<td>225752</td>
<td>420946</td>
</tr>
<tr>
<td>2009-10</td>
<td>72881</td>
<td>169121</td>
<td>207949</td>
<td>449951</td>
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<tr>
<td>2010-11</td>
<td>57912</td>
<td>192227</td>
<td>172740</td>
<td>422879</td>
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<td>2011-12</td>
<td>61765</td>
<td>195590</td>
<td>236852</td>
<td>494207</td>
</tr>
<tr>
<td>2012-13</td>
<td>68008</td>
<td>206188</td>
<td>253967</td>
<td>528163</td>
</tr>
<tr>
<td>Total</td>
<td>474359</td>
<td>1121122</td>
<td>1515688</td>
<td>3111169</td>
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</table>

% increase in 2012-13 over 2005-06

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<thead>
<tr>
<th>Corporate Income Tax</th>
<th>Excise Duty</th>
<th>Customs duty</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>96.45</td>
<td>208.85</td>
<td>98.83</td>
<td>130.53</td>
</tr>
</tbody>
</table>

Source: P. Sainath, ‘The feeding frenzy of kleptocracy’-The Hindu,Saturday,March 16,2013

Appendix B
Box No: 1(a)
Residential status of Individual and condition

<table>
<thead>
<tr>
<th>Status of an Individual</th>
<th>Basic condition</th>
<th>Additional condition/(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident and ordinarily Resident</td>
<td>Satisfies</td>
<td>Satisfies both the conditions</td>
</tr>
<tr>
<td>Resident but not ordinarily Resident</td>
<td>Satisfies</td>
<td>May or may not satisfy any of the additional condition</td>
</tr>
<tr>
<td>Non Resident</td>
<td>Not Satisfy</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

Box No. 1(b )
Residential Status of Hindu Undivided Family/Firm/Association of Person/Every Other Person

<table>
<thead>
<tr>
<th>Control and Management</th>
<th>Residential Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Wholly or partly in India</td>
<td>Resident</td>
</tr>
<tr>
<td>2. Wholly outside India</td>
<td>Non-resident</td>
</tr>
</tbody>
</table>

Box No.1(c)
Residential status of a Company

| 1. Indian Company                             | Resident            |
| 2. Other Companies - Control and management is |                    |
| (a) Wholly in India                           | Resident            |
| (b) Wholly outside India                      | Non-resident        |
| 3. Wholly outside India                       | Non-resident        |
Box No.2

Different kinds of Income and its status

<table>
<thead>
<tr>
<th>S.No</th>
<th>Different Kinds of Income</th>
<th>Resident</th>
<th>Not Ordinarily Resident</th>
<th>Non-Resident</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Income received or deemed to be received in India. It is immaterial whether it is earned in India or in a foreign country.</td>
<td>Taxable</td>
<td>Taxable</td>
<td>Taxable</td>
</tr>
<tr>
<td>2.</td>
<td>Income earned in India whether received, paid in India or outside India</td>
<td>Taxable</td>
<td>Taxable</td>
<td>Taxable</td>
</tr>
<tr>
<td>3.</td>
<td>Income earned and received outside India from a business controlled or profession set up in India. Income may or may not be remitted to India.</td>
<td>Taxable</td>
<td>Taxable</td>
<td>Not-Taxable</td>
</tr>
<tr>
<td>4.</td>
<td>Income earned and received outside India from a business controlled or profession set-up outside India.</td>
<td>Taxable</td>
<td>Not-Taxable</td>
<td>Not-Taxable</td>
</tr>
<tr>
<td>5.</td>
<td>Income earned and received outside India from any other source (Except income under point 3)</td>
<td>Taxable</td>
<td>Not-Taxable</td>
<td>Not-Taxable</td>
</tr>
<tr>
<td>6.</td>
<td>Income earned and received outside India in the years preceding the previous year in question and if the same is remitted to India during the current previous year.</td>
<td>Not-Taxable</td>
<td>Not-Taxable</td>
<td>Not-Taxable</td>
</tr>
</tbody>
</table>

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