



BCM ARYA MODEL SENIOR SECONDARY SCHOOL

presents you the

Economics Newsletter

The Taxation System in India: A Comprehensive Overview



Principal's Address



Some systems silently hold a nation together—India's taxation system is one of them. Often unseen, yet always present, it fuels the growth of roads we walk on, schools we learn in, and hospitals we trust. At BCM Arya, we believe that true education lies not just in learning facts, but in understanding how our nation functions—and how we can give back to it.

This newsletter is more than a compilation of articles. It is a reflection of our students' curiosity, awareness, and growing sense of responsibility. It fills my heart with pride to see them engage with such a complex topic, not with fear, but with fascination. Their efforts remind us that when young minds are empowered with understanding, they don't just learn—they lead.

As you turn these pages, I invite you to pause and reflect: How do the policies we often ignore shape the future we all share? The taxation system is not just about figures and rules—it's about building a nation where progress is shared, and justice is ensured.

The knowledge you gain today will be the foundation of the India you build tomorrow. Let your education not just prepare you for exams, but for life—for responsibility, contribution, and change.

May every Aryan carry in their heart a spark of awareness, and may that spark light the path to a stronger, more compassionate India.

My deepest appreciation to the editorial team and all contributors for pouring their hearts into this edition.

With great pride,

Dr. Anuja Kaushal
Principal

Classification of Taxes



*Here's a **short story** between a father and son that clearly explains the classification of tax in India:*

One day, Rohan asked his dad, “What are the different types of taxes in India?”

His dad smiled and said, “Taxes are mainly of two types: Direct and Indirect.”

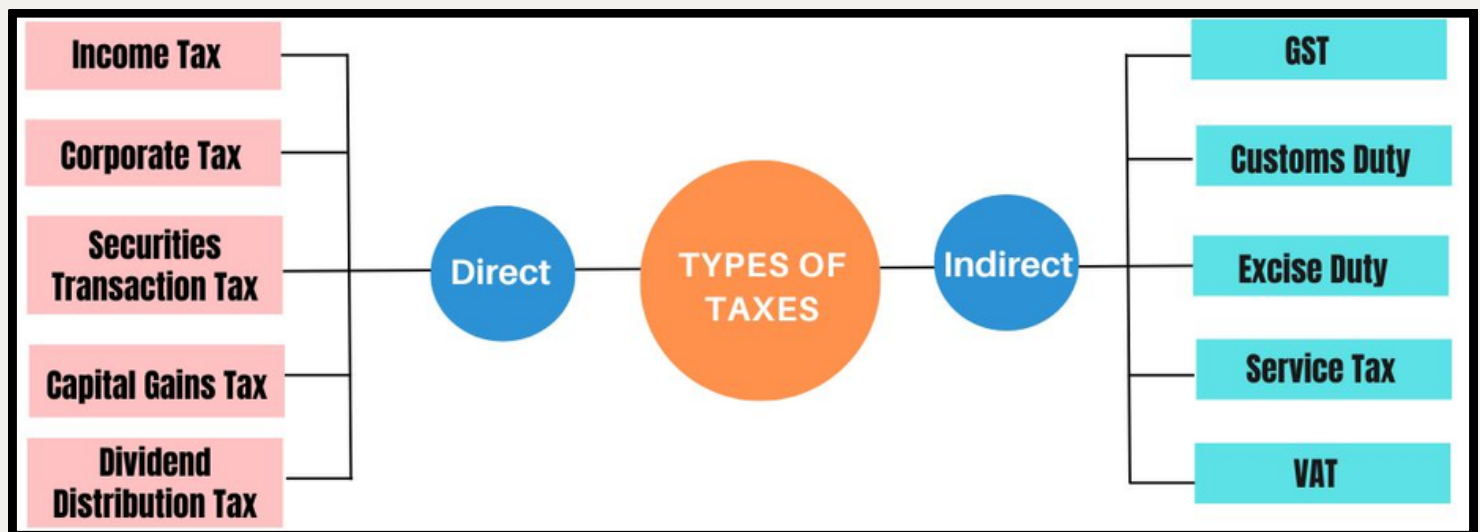
“**Direct Taxes** are paid straight to the government, like Income Tax on my salary or Corporate Tax paid by companies,” he explained.

“And **Indirect Taxes**,” he continued, “are included in the price of things we buy—like clothes or food. That’s called GST.”

“So, we pay direct taxes on what we earn and indirect taxes on what we spend?” Rohan asked.

“Exactly,” said his dad. “Both contribute significantly to the effective functioning and oversight of national affairs.”

Rohan grinned, “Got it!”



GST was implemented through the 101st Constitution Amendment Act, 2016.

Income Tax Rates & Deductions at a



Glance



Income tax slabs (Rs)	Income tax rate (%)
From 0 to 3,00,000	0
From 3,00,001 to 7,00,000	5
From 7,00,001 to 10,00,000	10
From 10,00,001 to 12,00,000	15
From 12,00,001 to 15,00,000	20
From 15,00,001 and above	30



Non-payment of GST can lead up to five years of imprisonment.

Tech-Driven Tax Reforms

*The new Income-tax Bill allows tax officers to access social media, digital accounts, and emails under the defined term “**Virtual Digital Space**” during surveys, searches, and seizures.*



Digital filing offers several benefits:

Enhanced Accessibility

- Quick Retrieval: Instant keyword searches.
- Easy Sharing: Instant digital file sharing.



Improved Security

- Data Protection: Reduced risk of loss and easy backups.

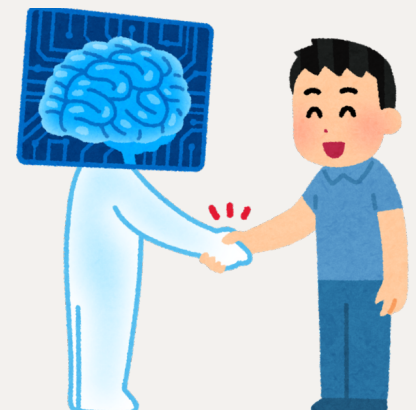
Space & Cost Savings

- Less Storage: No need for physical filing cabinets.
- Lower Costs: Savings on paper, ink, and storage.



Better Organization

- Easy Categorization: Tagging for efficient organization.
- Automated Workflow: Improved compliance.



In the Financial Year 2020, the Budget exempted individuals earning up to ₹5 lakh from tax.

Tax Intelligence Through Data Analytics

Top 5 Tax-Contributing States in India

Maharashtra- 35–40%

Key Driver: Financial hub and major industries.

Delhi (NCR)- 10–12%

Key Driver: High income and service sector.

Karnataka- 8–10%

Key Driver: IT sector, start-ups, tech companies.

Tamil Nadu- 6–8%

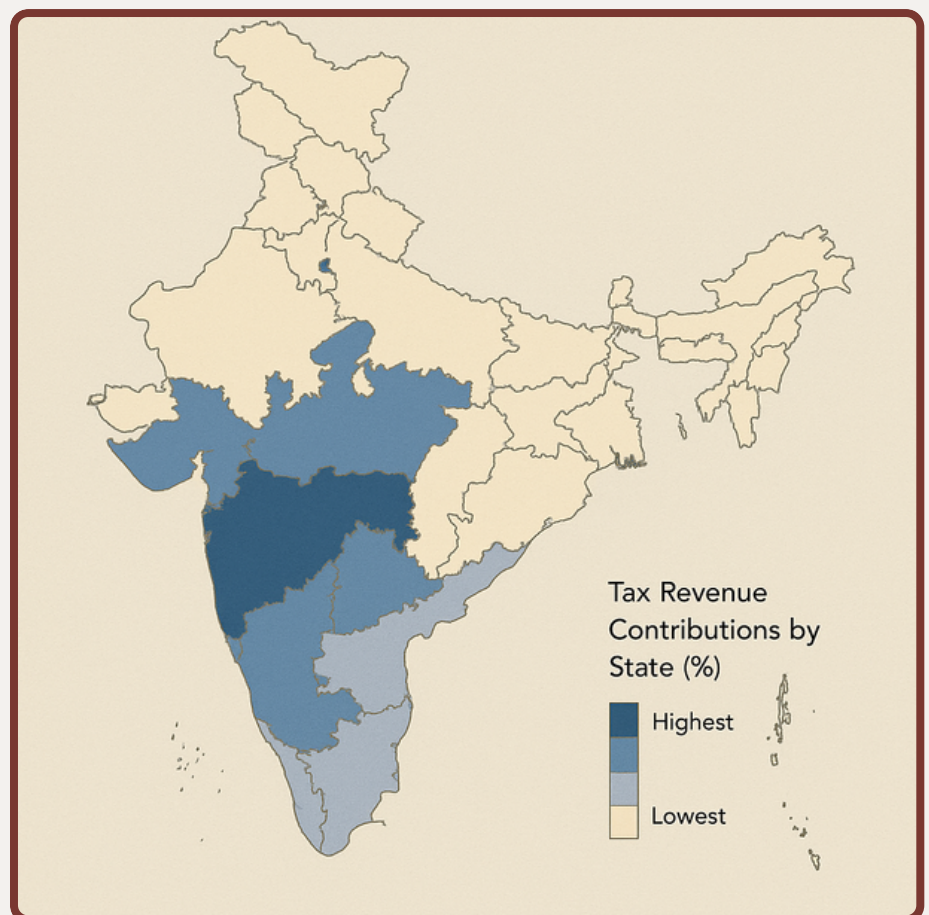
Key Driver: Manufacturing and ports.

Gujarat- 6–7%

Key Driver: Industrial base and trade ports.

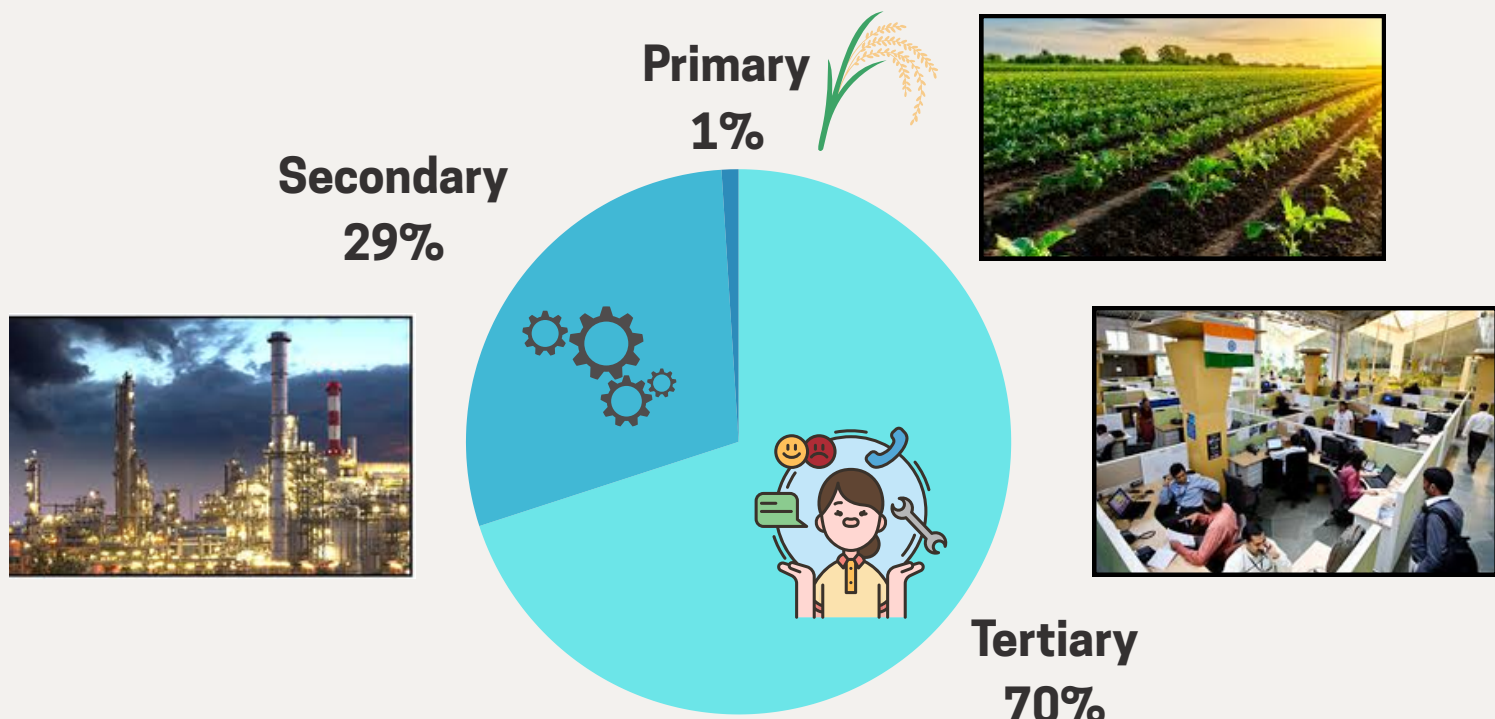


The choropleth map highlights these top five tax-contributing states, with Maharashtra leading, followed by Delhi, Karnataka, Tamil Nadu, and Gujarat. Darker shades show higher contributions, mainly from southwestern and southern regions.



Punjab surpasses ₹30,000 crore in revenue collection in nine months of current fiscal.

Sector-Wise Tax Revenue Insights



Primary Sector:

Agriculture's tax contribution is negligible due to income exemptions under Section 10(1) of the Income Tax Act and minimal GST on most agri-products.

Secondary Sector:

Industry contributes moderately through corporate taxes, GST on manufactured goods and excise duties on items such as fuel, tobacco and alcohol.

Tertiary Sector:

The service sector is the largest contributor to GDP and tax revenue generates direct taxes from professionals and corporates in IT, finance and significant indirect taxes via telecom, banking, transport and allied services.



Nearly half of the taxpayers have zero tax liability despite being assessed.

India's Tax-to-GDP Ratio: An Overview



What is the Tax-to-GDP ratio?

It represents the proportion of a nation's GDP collected as tax revenue, reflecting the government's fiscal capacity to fund public services and development.

India's Position

India's tax-to-GDP ratio for 2023–24 stands at approximately **11.7%**.

Raising the ratio-

- economic formalization
- tax simplification
- broader coverage
- stronger enforcement

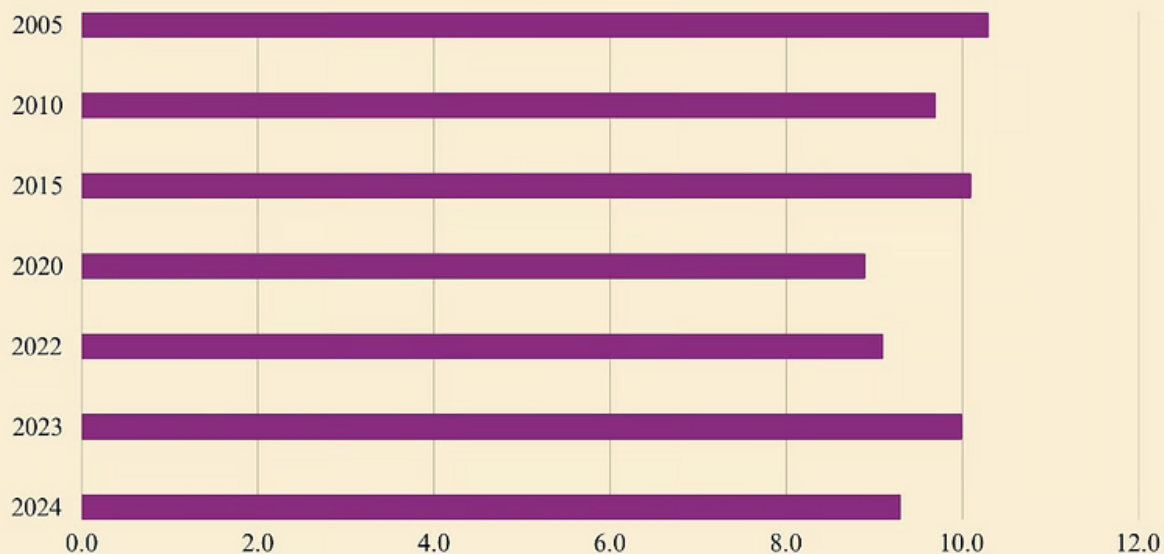
A Global Comparison

India's tax-to-GDP ratio remains **low compared to global standards**, with OECD nations averaging 33% and emerging economies like Brazil, South Africa and China outperforming.



Historical Tax-to-GDP Ratio of India

Source: CEIC Data



Between 2008–09 & 2014–15, Kerala, Sikkim, Mizoram, Nagaland, and Madhya Pradesh recorded the highest growth in income tax collections.

Think You Know Taxes?

Let's Bust Some Myths!

A common myth is that late tax payments incur no penalties. In reality, the Income Tax Department can freeze accounts & impose heavy fines for tax evasion.

Here are some common tax myths along with the actual facts:

Myth

Fact

Filing tax returns is only necessary if you owe tax.

Filing tax returns isn't just for those who owe tax; it's also useful for claiming refunds, proving income, applying for loans, or submitting visa applications.

Everyone in India pays the same tax rate.

India follows a progressive tax system, which means the more you earn, the higher the percentage of tax you pay. This ensures equity, so that low-income individuals aren't overburdened.

The black economy exists because taxes are too high.

While high tax rates can sometimes lead to tax evasion, the existence of the black economy is more closely tied to poor enforcement, loopholes, and lack of digital transactions.



Around 25% do not file returns, and of the 8.45 crore assessed, 6.33 crore ultimately have no tax liability, largely due to TDS and low income.

Spend Smart: Budgeting Tips For Students

Why Financial Habits Matter?

Building good financial habits at early stage foster independence and support both academic as well as long-term financial goals.



Smart Budgeting Basics :

Follow the 50/30/20 budgeting rule:

50% essentials | 30% wants | 20% savings/debt

Use apps or spreadsheets to track spending and improve habits.

Boosting Financial Literacy:

Learn key concepts like credit scores, interest rates, inflation, and compound interest.

Start saving early & build good credit for future financial opportunities.



Mindful Spending:

Spend with purpose—prioritize needs over wants and focus on long-term goals over short-term temptations.

“A budget doesn't limit your freedom; it gives you freedom.” - Rachel Cruze.



GST is an indirect tax in India that replaced other indirect taxes like VAT and CST.



Dive into the World of Model United Nations (MUN)!



What is MUN?

A UN simulation where students act as diplomats to debate and to resolve global issues collaboratively.

Why it matters?

MUN builds skills in public speaking, negotiation, research, diplomacy, and leadership, while enhancing global awareness.

Topics Covered:

Climate change, global security, inequality, technology, and humanitarian crisis.

The MUN Procedure:

Research the country and issue, draft position papers, engage in debates, negotiate and write resolutions.

What Students Gain:

Students gain critical thinking, collaboration, confidence, and global understanding.

Remember:

Your voice matters. Your leadership begins here!



Only about 15% of PAN holders file tax returns.



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