IMPACT OF CHANGES IN INCOME TAX POLICIES ON ECONOMIC DEVELOPMENT AND INDIVIDUAL PROGRESS

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Introduction :

The origin of the word "Tax" came from the word "Taxation" which means an estimate. These were levied either on income, sale and purchase of merchandise or livestock and were collected in a haphazard manner from time to time. Taxes were paid in the form of gold-coins, cattle, grains, rawmaterials and also by rendering personal service. Most of the taxes of Ancient India were highly productive.

A tax is a fee charged ("levied") by the government on a product, income, or activity. If tax is levied directly on personal or corporate income, then it is called a direct tax. If tax is levied on the price of a good or service, then it is called an indirect tax. The purpose of taxation is to finance the government expenditure. One of the most important use of taxes is to finance public goods and services, such as street lighting and street cleaning.

Income tax is a direct tax. It is an Annual charge levied on both earned income (wages, salaries, commission) and unearned income (dividends, interest, rents).

Its two basic types are:-

(A) *Personal income tax:-*

It is levied on incomes of individuals, households, partnerships, and sole-proprietorships; and

(B) *Corporation income tax:-*

It is levied on profits (net earnings) of incorporated firms. Income Tax Act, 1961 imposes tax on the income of the individuals or Hindu undivided families or firms or co-operative societies (other ten companies) and trusts (identified as bodies of individuals associations of persons) or every artificial juridical person.

Income Tax Slab

Under this tax structure, income is categorized into different groups and the criteria for grouping is the amount of earned income. Each such group is called a TAX SLAB. Tax is charged at different rates on the range of income falling under different tax slabs.

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Page 108

Income Tax Rates/Slabs

Income Tax Rates/Slabs for Assessment Year. (2023-2024) 1) For men and women less than 60 Yrs.

Slab (Rs.)	Tax (Rs.)	Surcharge on Income Tax (if TI > Rs. 1 Crores)
less than 3,00,000	Nil	Nil
3,00,001 to 6,00,000	(TI – 3,00,001) * 5%	15%
6,00,001 to 9,00,000	15000+10% above 6,00,000	15%
9,00,001 to 12,00,000	45000+ 15% above 9,00,000	15%
12,00,001 to 15,00,000	90000+20% above12,00,000	15%

2) Men and Women aged 60 years or more but less than 80 years

Slab (Rs.)	Tax (Rs.)	Surcharge on Income Tax (TI > Rs. 1crore) (Rs.)
less than 3,00,000	Nil	Nil
3,00,000 to 6,00,000	(TI – 3,00,000) * 5%	15%
6,00,000 to 9,00,000	10%	15%
9,00,001 to 12,00,000	15%	15%
12,00,001 to 15,00,000	20%	15%
Above 15,00,000	30%	15%

3) Men and Women aged 80 years or more.

Slab (Rs.)	Tax (Rs.)	Surcharge on Income Tax (if TI > Rs. 1 Crores) (Rs.)
less than 5,00,000	Nil	Nil
5,00,000 to 10,00,000	20%	15%
Greater than 10,00,000	30%	15%

Need and Objectives of Research

A) To study the consequences of changes in Income tax policies on Economic Development & Individual progress.

B) To study about the socio-economic development of the country due to changes in income tax policies.

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Indexed & Refereed

Page 109

C) To determine how Changes in Income tax policies play a vital role in the development of the economy.

RESEARCH METHODOLOGY

A) Place of Research

Nagpur is selected as the place of research. Nagpur is selected as a place of research as it is convenient from the point of view of researcher as he is a resident of Nagpur. In India, **C) Research Plan.**

Research plan includes two stages.

1. Sampling.

2. Data collection.

Determining Sample Size.

For the convenience of the research let us assume that the working population of government employees paying income tax is 100 and also working population of private employees paying income tax is 100, and if I want to work with 95% confidence level, then we get sample size by the formula:- $n=N/(1+Ne^2)$ where N=Total population, e=margin of error, n=sample size.

Margin of error determines how much higher or lower than the population mean you are willing to let your sample mean fall. (i.e 5%=0.05). Therefore, n(for each sector) = 100/[1+(100*0.05*0.05)]

$$= 100/ [1+ (0.25)]$$
$$= 100/ [1.25]$$
$$= 80$$

For the research, the sample is divided into two groups for the sake of our convenience: a) 80 employees from Private sector.

b) 80 employees from Government sector.

KINDS OF DATA.

A) Primary Data

Primary data is the actual information which is received by the researcher for study from the actual field of research. This data is attained by means of questionnaires and schedules. In some fields, primary data is collected through interview and observation method.

B) SECONDARY DATA

The sources of information through documents concerning individuals and institutions are known as secondary data. The secondary data represent social incidents, condition and systems. Information received through secondary sources is sufficient and useful. The Secondary data for the research "Impact of changes in Income tax Policies on Economic Development and Individual progress" will be derived from:

1) Journal 2) Magazines 3) Newspaper 4) Websites.

HYPOTHESIS

'**H0**' denotes **Null Hypothesis.**

'**H1**' denotes **Alternatives Hypothesis.**

1) Four projects of Malls in Jaripatka and Khamla have started constructing in the year 2022. Nagpur has many overbridges, highway, parks, private companies, private companies and Multinational companies. Overbridges of Ramjula one, Ramjula two, Somalwada, Butibori, Kamptee have been built. The four lane highway of Nagpur-Hyderabad, Nagpur- Raipur and Nagpur-Pune are also in progress.

A) The first hypothesis for this research is:(H01): "Changes in Income tax policies did not lead to the Economic development of the Country."

(H11): "Changes in Income tax policies led to the Economic development of the Country".

2) In the year 2024, 96% of the people are using mobile phones. Also in the year 2021-2024, televisions, air- conditioners, motor cycles, were considered as a symbol of status which became necessities of life. Each & every person is able to bear the cost of these goods. Nowadays even small cars, such as Maruti Alto, Tata Tigor are affordable which were away from the reach of common individual earlier.

B) The second hypothesis for this research is :

(H02): "Changes in Income Tax policies have not supported to increase the standard of living of the people."

(H12): "Changes in Income Tax policies have supported to increase the standard of living of the people."

3) The purchasing power of people increased in the year 2021-2024. Before 2021 there was limited consumption of luxury goods such as televisions, mobiles, air-conditioner, motorcycles, refrigerators etc. Only 75% of the people used refrigerators in 2021 which rose to 85% in the year 2021-2024. Luxury goods have become the necessity goods in the year

2021-2024.

C) *The third hypothesis for the research is:*

(H03): "Changes in Income tax policies did not increase the purchasing power of the people". (H13): "Changes in Income tax policies increased the purchasing power of the people".

DATA INTERPRETATION & ANALYSIS NULL HYPOTHESIS – 1.1

(Ho1): "Changes in income tax policies did not lead to the economic development of the country."

Sr. No.	Leads to eco development	Govt. Employee	Pvt. Employee	Total
1	**Yes**	60	55	115
2	**No**	15	5	20
3	**Can't say**	5	20	25
	Total	80	80	160

Table No.1.1. Observed frequency

H11): "Changes in income tax policies led to the economic development of the country."

Table No.1.2. Expected frequency

Sr. no.	leads to eco development	Govt. Employee	Pvt. Employee	Total
1	**Yes**	57.5	57.5	115
2	**No**	10	10	20
3	**can't say**	10	10	20
	Total	80	80	160

x^2 cal = 14.22 at 5% level of significance at 2 degree of freedom, x^2 tab = 5.991

Since calculated x^2 is greater than the tabulated value, the null hypothesis H01 is rejected.

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Page 112

Conclusion:

From the above calculation since null hypothesis H01 is rejected and alternative hypothesis H11 is accepted. It means *changes in income tax policies led to the economic development of the country.*

NULL HYPOTHESIS - 2

(H02) "Changes in income tax policies have not supported to increase the standard of living of the people."

Table No. 2.1.

Observed frequency

Sr. no.	improve std.	Govt. Employee	Pvt. Employee	Total
1	Yes	35	45	80
2	No	15	25	40
3	can't say	30	10	40
	Total	80	80	160

(H12): "Changes in income tax policies have supported to increase the standard of living of the people."

Table No.2.2. Expected frequency

Sr. no.	improve std.	Govt. Employee	Pvt. Employee	Total
1	Yes	40	40	80
2	No	20	20	40
3	can't say	20	20	40
	Total	80	80	160

x^2 cal = 11.75 at 5% level of significance at 2 degree of freedom, x^2 tab = 5.991 since calculated x^2 is greater than the tabulated value, the null hypothesis H02 is rejected.

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Indexed & Refereed

Page 113

Conclusion :-

From the above calculation it is seen null hypothesis H02 is rejected and alternative hypothesis H12 is accepted. It means *changes in income tax policies have supported to increase the standard of living of the people*.

NULL HYPOTHESIS - 3

(H03): "Changes in income tax policies did not increase the purchasing power of the people." Table No.3.1.

Observed frequency

Sr. no.	purchasing power increased	Govt. Employee	Pvt. Employee	Total
1	Yes	45	35	80
2	No	25	15	40
3	can't say	10	30	40
	Total	80	80	160

(H13): "Changes in income tax policies increased the purchasing power of the people." Table No.3.2.

Expected frequency

Sr. no.	purchasing power increased	Govt. Employee	Pvt. Employee	Total
1	Yes	40	40	80
2	No	20	20	40
3	can't say	20	20	40
	Total	80	80	160

x^2 cal = 11.75 at 5% level of significance at 2 degree of freedom, x^2 tab = 5.991 since calculated x^2 is greater than the tabulated value, the null hypothesis H03 is rejected.
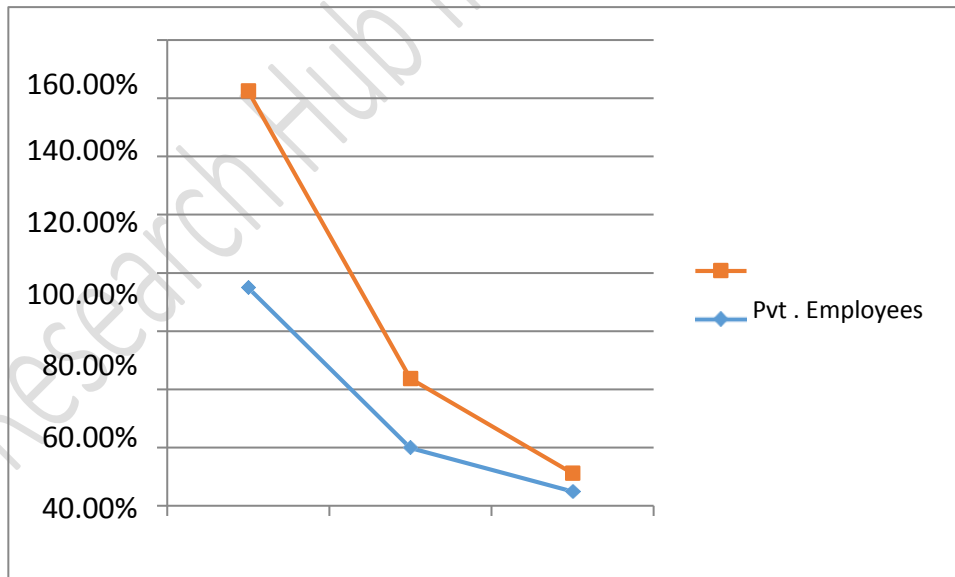
Conclusion:-

From the above calculation since null hypothesis H03 is rejected and alternative hypothesis H13 is accepted, it means *changes in income tax policies increase the purchasing power of the people..*

Table No. 3

Increase in purchasing power

Sr. no.	Purchasing power increased	Respondent		Percentage	
		Govt. Employee	Pvt. Employee	Govt. Employee	Pvt. Employee
1	Yes	60	65	75%	81.25%
2	No	12	8	15%	10%
3	Can't say	8	7	10.00%	8.75%
	Total	80	80	100.00%	100.00%

CONCLUSIONS

1.   After conducting research on "Impact of Changes in Income Tax Policies on economic

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www.researchhub.org.in/research-hub

Indexed & Refereed

Page 115

development and individual progress", it is clear that economic development is increased due to changes in income tax policies.

2. There is also increase in the purchasing power of the respondents as more luxurious goods are demanded by the respondents.

3. Standard of living of the respondents of Govt and Pvt Sector due to changes in income tax policies as a result of imported goods which came into existance.

4. More priority is given to education under various streams adopted by the respondents of both the sectors due to changes in income tax slab.

Limitations

1) The study also contains other types of taxes such as G.S.T , Excise, Custom Duty etc which are not considered in the project.

2) Income tax slab also contains exemptions, deduction & rebates which prove beneficial to the society which are not taken into consideration under our study.

3) The research is undertaken in the year 2024 onwards & the research period on the topic is 20212024 which can be little fit imbalance.

4) Sudden increase in population & migration is also another limitation of this research.

Suggestions To The Government

1) Govt should take steps to raise the income tax limit so that it can also be beneficial to the high salaried people.

2) New rebate facilities should be provided relief to the high salaried persons.

3) Saving schemes should be made attractive so that the number of persons investing in savings should be increased.

4) Most of the salaried people find difficulty in filling tax returns, So tax professionals should be trained & appointed so that it provides convenience to the tax payers.

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