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Punjab State Development Tax : An Overview

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Abstract – The Punjab government has announced a new tax called as The Punjab State Development Tax which is to be applicable on all persons earning income above the maximum exempted limit under Income Tax Act, 1962. The present study will enlighten the facts and circumstances of levy of Punjab Development Tax.

Key Words : Economy, Person, Punjab, Taxes

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INTRODUCTION

Constitution of India has given power to levy the taxes to central government & state government under Article 276 respectively. The finance minister of Punjab proposed a new tax on 24th March 2018, on income tax payers engaged in "professions, trades, callings and employments" named as The Punjab State Development Tax. The Act applicable to whole of the state of Punjab, it came into force on 19th April, 2018.

The government has imposed a tax @200 per month on all such persons who are liable to pay tax on income earn under the head Salary or under the head Business and Profession as per Income Tax Act,1961.

There are certain other states like Maharashtra, Gujarat, Karnataka, Andhra Pradesh and Tamil Nadu collecting Professional Tax from past four decades. Punjab has near about 12 lakh income tax assesses who earns monthly income of 30,000 or more would be liable to pay Punjab State Development Tax which would help the state to access to cheaper loans from international funding agencies like Asian Development Bank(ADB) as stated by finance minister, Sr. Manpreet Singh Badal, Punjab.

OBJECTIVE OF THE STUDY

1. To study the impact of The Punjab State Development Tax on general public of the State.
2. To study the Challenges ahead in implementation of Tax.
3. To study the overall tax structure of The Punjab Development State Tax.

CONCEPT OF PSDT (THE PUNJAB STATE DEVELOPMENT TAX)

This tax will be levy on persons under employment, professions, trades and callings for the benefit of the State of Punjab. The Act extends to whole of the state of Punjab and the offices of Government of Punjab covers all the persons by whom the tax is payable under Income tax Act,1962 i.e PSDT is to be paid by all the persons who are liable to pay tax under the Income Tax Act. The Act is applicable on all the employees working for salaries or wages including government servant, a person working under any associated body, whether incorporated or not, a person working under any other employer & a person working under any association owned & control by state of Punjab.

The tax payable under this Act is to be deducted by the employer from the salary or wages payable to the employee or worker and such employer would be liable to deposit the tax to the State Government whether he has deducted the amount of tax out of salary income of employee or not.

If the employee obtains a certificate of enrollment under section6(2) of this Act and declares that he will pay his Punjab State development tax himself, even if the employee is working under more than one employer none of the employer(s) shall liable to deduct or pay the tax on the behalf of employee.

REGISTRATION BY EMPLOYER/PERSON

Every employer liable to pay tax under section 4 has to get themselves registered from the designated officer within the period of sixty days from the date when this Act has came into force. However, State government may exempt any employer or class of employer's from obtaining the registration under this Act.

Every person who is liable to pay tax under this Act other than the person of whom the tax is payable by his employer has to get themselves enroll from the designated officer in the required manner.

FILING OF RETURN

Every person enroll under the Act has to make his own self assessment and file the return for the period in the specified form as may be prescribed showing therein their gross income from the profession, trade calling and tax payable thereof.

Every employer register under this Act shall make self assessment of tax and file return within specified time showing therein the salary and wages paid to their employees and tax deducted from their salaries or wages.

Every return must be accompanied by proof of full payment of tax. Every return which has filed without the proof of payment of tax shall be treated as not deemed to be duly filed. If the designated officer is satisfy that the return file by assessee is correct and complete he shall accept the return. If any tax found to be due on the basis of return file by the assessee an intimation shall send to the assessee specify the sum due therein and such notice shall deemed to be a notice of demand.

If the designated officer is not satisfy with the return filed by the assessee he shall serve the notice requiring the employer to meet him in person or through an authorized representative and to produce the accounts and paper in support of the return filed, thereafter, the designated officer shall assess the amount of the tax payable by the employer on the basis of documents examined.

Any amount of tax due on the basis of notice of demand shall be paid within 15days from the receipt of such notice.

Penalty on failure to deduct tax or pay tax or others

If the employer or person liable to pay tax fails to deduct/paid the tax or after deduction fails to deposit the tax to the required authority under this Act shall be liable to pay the tax along with simple rate of interest @2% p.m or part of the month during which such tax remains unpaid.

Where the employer or a person liable for the registration or enrollment fails to get themselves enroll or fails to get themselves registered without any reasonable cause, the designated officer, after giving the assessee the reasonable opportunity of being heard, may impose a penalty of Rs.50 for each day of default.

A penalty of Rs.5,000 may be levied by the designated officer on employer or person liable to registration who intentionally gave any false information in any application submitted under Punjab State Development Tax, after giving him the reasonable opportunity of being heard.

Where the employer or person liable for registration has fail to file the return under this Act, the designated officer, after giving him the opportunity of being heard, impose a penalty of rupees fifty only for each day of delay.

Any arrear of tax, interest or penalty levied under this Act from any assesse be recoverable as arrears of land revenue.

Appeals

An appeal may be filed within the period of sixty days from the date receipt of an order, made by designated officer to the appellate authority, by the employer or person aggrieved by such order. The appellate authority, if satisfy by the reason of being delayed given by the employer or person, has power to condone the delay.

No appeal shall be entertained, unless the appeal is accompanied by the proof of payment of at least fifty percent of the total amount of tax, penalty and interest thereof.

An appeal may be further filed to the Tribunal if the aggrieved person is not fully satisfy with the order made by appellate authority.

Rectification of mistakes/Review of an order

Any visible mistake on the face of the record can be rectified by the authority itself or on the basis of application being given by the aseessee for the same.

Any authority under this Act may, if discovers or has reason to belief that any person has committed fraud or willful neglect, or such person has misrepresented facts, reviews it own order with prior permission of the commissioner.

REFUND OF EXCESS PAYMENT

The designated officer shall refund any excess over the amount of the tax, interest, penalty or fees liable to deposit under the Act. Refund can be credited electronically to the bank account of the person given by him at the time of registration or enrollment or it may further be adjusted against any sum of tax , interest, penalty & fees due in future at the option of the person entitled to such refund.

CONCLUSION

There are many states in India like Maharashtra, Gujarat, Tamil Nadu which are collecting the professional tax from almost past four decades. Punjab has about 12lakhs income tax assesses who have a monthly income of 30,000Rs or above and are laible to pay the Punjab State Development Tax. The state government expected to raise Rs 1,500 crore during the current financial year in the form above mentioned Tax. The tax would not pinch much on the pocket of the tax payers if the money paid by them utilize effectively in different welfare schemes and Developmental works as promised by the Government.

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