

## **1.11 What is meant by income tax?**

Income tax is a tax on income. It is a direct tax. According to ITO 1984, **income tax is the tax which is levied on the taxable income of a person or entity as per the provisions of ITO 1984.**

Income tax is a compulsory direct tax, which enjoys a pride of place in the revenues of governments all over the world.

Finally we can say that **income tax is a direct and single tax charged on the total income of a person for a relevant income year in relevant assessment year.**

# **1.12 Explain the role/importance/objectives of income tax in the economic development of Bangladesh.**

- Income tax is the best revenue collection for the govt.
- Income tax ensures the re-distribution of income.
- Income tax increases savings of the country.
- Income tax increases the capital investment.
- Income tax helps for the economic development of a country.
- Income tax ensures the tax holiday schemes for industrial development.
- Income tax helps to get investment allowance.
- Income tax helps to get accelerated depreciation allowance.
- Income tax helps for tax incentives for small and cottage industries.
- Income tax helps for tax incentives for foreign investors.
- Income tax ensures tax exemptions in certain expenditures.
- Income tax ensures allowance for scientific research.
- Income tax helps for tax incentives for remittance to Bangladesh.

# 1.13 What are the purpose of Tax?

- **Revenue collection:** Income tax is the best revenue collection for the govt.
- **Re-distribution of income:** Income tax ensures the re-distribution of income of the people in a country.
- **Increase in savings:** An effective and efficient tax system increases savings of the people.
- **Increase in capital investment:** An effective and efficient tax system encourages local and foreign investors to create more capital investments.
- **Economic development:** Income tax helps for the socio-economic development of a country. It enforces for the development of govt. economy.

# 1.14 What are the characteristics of a good tax system?

- Tax should be easy and within the ability of the taxpayers.
- A good tax system has least collection cost to collect maximum taxes.
- Tax should have a canon of simplicity.
- Tax should have a canon of elasticity.
- Tax should have a character of functional efficiency.
- Tax should not be a burden for the taxpayers.
- Tax should have a canon of connivance for all.
- Tax limits should have easy ranges for the taxpayers.
- Tax should be equitable and convenient to pay.
- Tax should be used in social and economic development of a country.

## 1.15 Advantages and Disadvantages of indirect Tax.

- **Indirect tax:** When the impact of tax falls on one person and the incidence on another person, then the tax is called indirect tax.
- **Examples of indirect tax:** Sales tax, VAT, c
- **Advantages of indirect tax:**
  - It is very easy to pay.
  - It cannot be avoided by the taxpayers.
  - It is contributed by all people in the society.
  - It is very elastic for the taxpayers' categories.
  - It is used for the control of harmful goods.
  - It is applied on luxury goods.
  - It is used by the govt. to control the state economy.



## **Disadvantages of Indirect Tax:**

- It is one kind of uncertain tax.
- It has some bad economic effects.
- It creates unfair profits.
- It is uneconomical.
- It cannot create civic consciousness.
- It does not satisfy the canon of equality.
- It changes the living standards by higher and lower rates of taxes.