

Unit - 4

Government and Taxes



Learning Objectives

- To understand the role of the government and development policies
- To gain knowledge about tax and its types
- To study how is tax levied
- To gain insight into black money and tax evasion
- To know the difference between the tax and other payments
- To understand the taxes and its development



Introduction

Tax is levied by government for the development of the state's economy. The revenue of the government depends upon direct and indirect taxes. Direct taxes are levied on income of the persons and the indirect taxes are levied on goods and services by which the government mobilises its "financial resources".

4.1 Role of Government in Development Policies

1. **Defence:** This is an essential security function to protect our nation from our enemies. The Union government is responsible for creating and maintaining defence forces.
2. **Foreign policy:** In today's world, we need to maintain friendly relationships with all the other countries in the world. We should also maintain cordial economic relationships through exports and imports, sending and receiving investments and labour. This service is also provided by the Union government.
3. **Conduct of periodic elections:** India is a democratic country. We elect our representatives to Parliament and state assemblies. Similarly the state governments conduct elections to local bodies within the state.
4. **Law and order:** Both the Union and state governments enact numerous laws to protect our rights, properties and to regulate our economy and society. To settle disputes, the Union government has a vibrant judicial system. State governments take the responsibility for administering the police force in respective states.
5. **Public administration and provision of public goods:** The government generally administers the economy and society through various departments, for example, revenue department, schools, hospitals, rural development and urban development. The local governments provide public goods like local roads, drainage, drinking water and waste collection and disposal.