

Cess and Surcharge

October 3, 2020

In News

Cess is a form of tax charged/ levied **over and above the base tax liability of a taxpayer**. A cess is usually imposed additionally **when the state or the central government looks to raise funds for specific purposes**. Cess is not a permanent source of revenue for the government, and **it is discontinued when the purpose of levying it is fulfilled**. It **can be levied on both indirect and direct taxes**. The central government **does not need to share the cess with the state government** either partially or in full, unlike some other taxes.

Types of Cess

- **Education Cess:** Education Cess is levied in two parts majorly, and they are as follows.

- . Primary Education Cess
- . Secondary and Higher Education Cess

The Education Cess is a part of the Income Tax and is governed by the Income Tax Act.

- **Swachh Bharat Cess:** It was introduced in 2015 as a means to fund Swachh Bharat Abhiyan, a national campaign by the Indian Government that aims to clear the roads, streets and the infrastructure of India.
- **Krishi Kalyan Cess:** It is a form of tax that is imposed and amassed with an aim to develop the agricultural economy. It is a service tax implemented on every service at the rate of 0.5% of the on-paper price of such services.
- **Infrastructure Cess:** This cess is a tax that is imposed by the Government of India on the production of vehicles. The rate charged for this cess entirely

depends on the type and capacity of a specific vehicle.

Every cess is collected after Parliament has authorised its creation through an enabling legislation that specifies the purpose for which the funds are being raised.

Article 270 of the Constitution allows cess to be excluded from the purview of the divisible pool of taxes that the Union government must share with the States.

Surcharge

- Surcharge is an additional charge or tax levied on an existing tax. **Unlike a cess, which is meant to raise revenue for a temporary need, surcharge is usually permanent in nature.**
- It is levied as a percentage on the income tax payable as per normal rates. In case no tax is due for a financial year, then no surcharge is levied.
- The revenue earned via surcharge is **solely retained by the Centre** and, unlike other tax revenues, is not shared with States.
- Collections from surcharge flow into the **Consolidated Fund of India.**
- Surcharges, in India, are used to **make the taxation system more 'progressive'**. They are used to ensure that the rich contribute more to the tax kitty than the poor.