

Cesses and Surcharges

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About Cesses and Surcharges:

- Cess and surcharges are **levied by the Central government** for the purposes of the Union under Article 271 of the Constitution of India.
- A **cess is a tax on tax**. The Indian government **levies it on the tax liability, including surcharge**, and it is **used for a specific purpose**.
- Cesses are **named after the identified purpose**; the purpose itself must be certain and for the public good.
 - **Some different types** of cesses levied in India are infrastructure **cess on motor vehicles**, **Krishi Kalyan cess** on service value, **Swachh Bharat cess**, **education cess**, and cess on crude oil, among others.
- On the other hand, a **surcharge is charged on the income taxes paid**. It is usually **paid by taxpayers**, whether individuals, associations of persons, or companies, **who fall in a particular tax bracket**.
 - **Surcharge is not collected for any specific purpose** but can be **used for any reason as seen reasonable by the Central government**.
- The **proceeds** collected **from a surcharge and a cess** levied by the union form part of the **Consolidated Fund of India**.

- The funds need **not be shared with the State governments** and are thus at the **exclusive disposal of the union government**.
 - The proceeds of such surcharges and cesses go towards meeting certain specific needs, such as financing of centrally sponsored schemes.
 - The benefit of such expenditure also percolates to the states.
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Q1: What is the Consolidated Fund of India?

Constituted under Article 267 of the Constitution, the Consolidated Fund of India is one of the most important government accounts. All the income generated through direct taxes, indirect taxes, and other sources of revenue (excluding exceptional items) are part of the Consolidated Fund of India. This fund is used for all the expenditures carried out by the government, barring a few transactions which are funded by the Contingency Fund or the Public Account.

News: Dispute over cesses and surcharges a complicated issue: Arvind Panagariya

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