



## NITYA'S INSIGHT | Issue 30

Professional tax in India

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## PROFESSIONAL TAX IN INDIA

Professional tax is a direct tax levied by the State Governments in India. A salary earning person or a professional such as chartered accountant, lawyer, doctor etc. is required to pay such tax. Each State has its own mechanism for levy and collection of professional tax. Generally, such taxes are payable on a monthly basis. Professional tax is collected by the State Commercial Tax Department which transfers the amount to fund of municipality corporations. The ambit of professional tax extends to all type of companies, partnership firms, sole proprietor carrying on any profession, trade, calling or employment in India. Professional tax deducted from an employee's salary, is also exempt from its Income Tax liability.

### Applicability

The power to levy professional tax flows from Article 276 of the Constitution of India, 1950 ('Constitution'). It provides that every person engaged in a *profession, trade, calling and employment* is liable to pay professional tax to the State Government at the prescribed rate. Entry 60 of List II (State List) of Schedule VII of the Constitution empowers the States to legislate vis-à-vis to levy and collection of professional tax. Accordingly, each State in India has made its own set of rules and regulations for the levy and collection of professional tax. The respective State statute may also provide for the class of persons on whom such tax is leviable along with the rate of tax thereon.

### Amount

As per Article 276(2) of the Constitution, the total amount of professional tax payable for one person to the State or to any one municipality, district board, local board or other local authority in the State, shall not exceed ₹2,500 per annum.

### Liability for deduction / payment

The liability to deduct / pay professional tax in India is as follows:

- **In case of employers:** The employer is liable to deduct and pay professional tax to the State Government subject to monetary threshold, if any, provided by respective State's legislation. The employer including corporates, partnership firms, sole proprietorship etc., also being a person carrying on trade / profession is also required to pay professional tax on his trade / profession subject to the respective State laws.
- **In case of persons other than employers:** The person carrying on any profession, trade or calling (other than salaried employees) falling under the ambit of professional tax in the respective States, are liable to pay such tax themselves.

Also, certain States have exempted professional tax for certain categories of professionals. For example, parents or guardian of a person suffering from mental retardation, blind persons etc. are exempted among others from the levy of Karnataka Professional tax.

### Compliances:

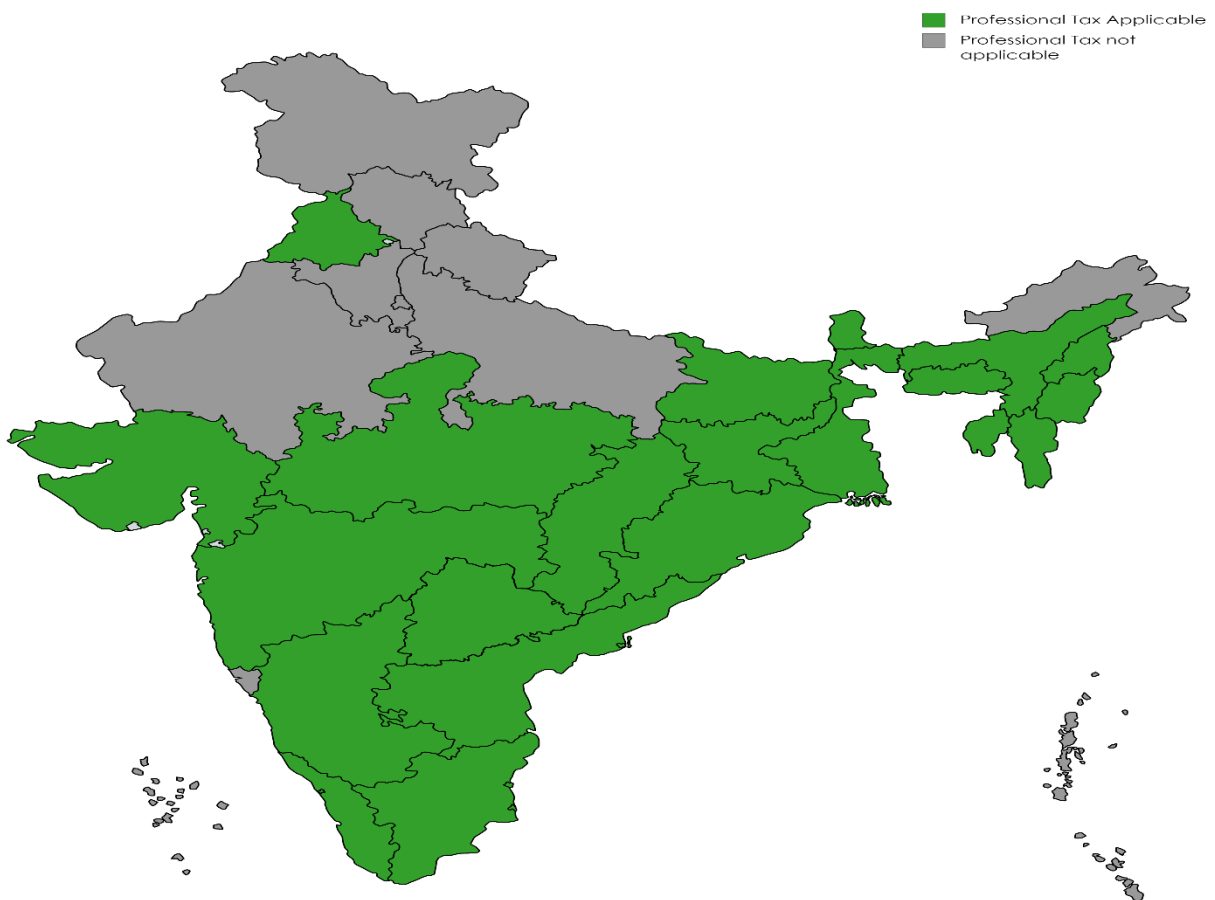
- Every person liable to pay professional tax under the respective State legislature, is required to obtain registration for payment of professional tax and also furnish returns within the prescribed period.

- Employers need to apply for the registration certificate from their respective State Tax Department within 30 days of employing the staff. In such cases, employer needs to register and obtain both professional tax registration certificate to be able to pay professional tax on his trade / profession and professional tax enrolment certificate to be able to deduct the tax from his employees and pay.
- Further, separate registration may be required for each office depending on respective State's legislation.

#### States in which professional tax applicable

States in which professional tax is applicable in India*		
<ul style="list-style-type: none"> <li>• Andhra Pradesh</li> <li>• Assam</li> <li>• Bihar</li> <li>• Chhattisgarh</li> <li>• Gujarat</li> <li>• Jharkhand</li> <li>• Karnataka</li> <li>• Kerala</li> </ul>	<ul style="list-style-type: none"> <li>• Madhya Pradesh</li> <li>• Maharashtra</li> <li>• Manipur</li> <li>• Meghalaya</li> <li>• Mizoram</li> <li>• Nagaland</li> <li>• Odisha</li> <li>• Puducherry</li> </ul>	<ul style="list-style-type: none"> <li>• Punjab</li> <li>• Sikkim</li> <li>• Tamil Nadu</li> <li>• Telangana</li> <li>• Tripura</li> <li>• West Bengal</li> </ul>

**\*Note:** Professional tax in India is levied by the respective State Governments and in some case, by local municipal bodies. The above list has been collated basis the information readily available on official public domains.



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## Penalty

In case of professional taxes, penalty may be levied in following cases:

- Not obtaining or delay in obtaining certificate of registration
- Non / late payment of professional tax
- Delay in filing of returns

In case of companies, the liability for non-compliance can also extend to the directors of such companies.

***NITYA Comments:*** Professional tax is a compulsory tax and mandatory in its State of application. With different State laws providing different rate of taxes, it is important to remain updated regarding such taxes. As is the case with every tax law, the rules and regulations governing Professional tax vary over time. It is thus advisable to consult an expert to check the current rules and the applicable rate of taxes in each State of application.

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### Disclaimer:

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