FAQ: Professional Tax

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Q1. What is Professional Tax?

A professional tax is a charge that a state government imposes on anybody who receives revenue in whatever way. Contrary to what the name might imply, professional tax applies to everyone. The list contains all different types of people from all other professions, occupations, callings, employment, and trades.

The professional tax is shown on the payslip's deductions side, the top limit has been established at INR 2,500 per person annually. Professional tax is deductible according to Section 16(iii) of the Income Tax Act of 1961. By this clause, an employee's professional tax payment may be deducted from their gross salary when completing their income tax reports.

Professional tax is a state government tax imposed on anyone who makes money from any profession, trade, or job. Not every state imposes this tax. The only conditions that do not impose this tax are Arunachal Pradesh, Rajasthan, and Haryana. Karnataka, Andhra Pradesh, Madhya Pradesh, West Bengal, Telangana, Maharashtra, Assam, Meghalaya, and Tamil Nadu are a few states that impose this tax.

Q2. Who Collects the Professional Tax?

The states are in charge of professional tax. States impose a direct tax on every person who earns money. Although state governments handle professional tax, not all states collect it from individuals.

The sole body having the authority to enact legislation about income tax is Parliament, as stated in Article 246 of the Indian Constitution. State governments have the power to pass legislation regarding certain taxes, such as the professional tax. States can enact legislation governing this state government tax under Article 276 of the Indian Constitution.

Q3. Eligibility

The following are subject to professional tax:

- An individual
- Hindu Undivided Family (HUF)
- Whether or whether it is incorporated by a company, firm, cooperative society, association of people, or group of people

The company owner is in charge of withholding this tax from their staff. They are also accountable for paying the appropriate government agency with their collected money. In addition, depending on the kind of company, tax payments may be made monthly, semi-annually, or yearly.

After the fiscal year, professional tax returns must also be submitted to the tax authorities. Professional tax returns must be filed in the pre-described format and within the allotted time frame (with tax payment documentation). Furthermore, a Professional Tax return filing would be ruled invalid or incomplete if the tax payment documentation is not included.

Q4. Exemption from Professional Tax

- Parents of kids with mental disabilities or lifelong disabilities.
- Members of the armed services, as specified under the Army Act of 1950, the Navy Act of 1957, and the Air Force Act of 1950. comprises those who are employed by the state and auxiliary force personnel.
- The textile industry's employees (Badli workers).
- People who are physically disabled permanently (including blindness).
- Women act as agents for the Mahila Pradhan Kshetriya Bachat Yojana or Director of Small Savings.
- Persons above the age of 65 are also included.

Q5. The Professional Tax Slab

The state government imposes the professional tax. Hence the rate varies from state to state. Each state has its own set of laws and rules to regulate professional taxes. However, a common slab structure is based on the income to pay this tax.

The Constitution's Article 276 gives the state government the authority to impose a professional tax. The highest limit set out in Article 276 is INR 2,500. Therefore, imposing this tax on anybody beyond this threshold is prohibited.

The slab rates for the important Indian states are as follows:

State	Gross Salary in INR (per month or annual)	Professional tax pa
Maharashtra	10,000+ (monthly)	INR 200 per month and I Feb
Karnataka	15,000+ (monthly)	INR 200
West Bengal	40,000+ (monthly)	INR 200
Madhya Pradesh	1.8 lakhs (annual)	INR 212
Tamil Nadu	75,001+ (half-yearly)	INR 1095
Andhra Pradesh	20,000+ (monthly)	INR 200
Gujarat	20,000+ (monthly)	INR 200
Odisha	20,000+ (monthly)	INR 200

Q6. Who is in Charge of Collecting and Disbursing This Tax?

The Commercial Tax Department of each state collects professional tax on behalf of the local corporation. Employers are responsible for collecting professional taxes from their workers.

The employer collects the tax through the relevant state’s laws and pays it to the Commercial Tax

Department. The employer must also pay professional tax since they are both businesses. Employer types include corporations, partnerships, and single proprietorships. If the relevant state government gives a financial threshold, they will be required to pay professional tax.

The employer must register and get a certificate of professional tax registration. They will be able to pay professional tax on their company thanks to this. They will also require a professional tax enrolment certificate to collect employee taxes and deliver them to the Commercial Tax Department. Each state requires a different registration if the company wishes to operate in more than one.

Any individual who operates a freelance business will also be required to pay professional tax by the monetary threshold made available by the laws of the various states if any. They will be required to register with the state and pay taxes based on their income levels.

Q7. How Professional Taxes Are Paid Online?

The Goods and Services Tax regulates the professional tax's applicability (GST). The steps that taxpayers may take to pay this tax online are as follows:

- Click the "e-Payments" tab on the state GST website.
- Choose the Statutory Order status that applies to you. The PAN/TAN number and captcha image must then be entered.
- Next, choose the appropriate choice:
  - 1. Professional Tax Registration Certificate (PTRC): Useful for an employer or business
  - 2. Professional Tax Enrolment Certificate (PTEC): Available to individuals, partnerships, and sole proprietors.

For instance, Mr Hemant must submit his professional tax registration number if he is a registered employer. He must also give the name of the business or firm and the same office for which he is making the payment in addition to the number (This applies if one has offices throughout India).

- Choose the bank account for which the professional tax is first due or payable. Next, choose the area and the sum by the tax slab rates. After inputting the mobile number,

click "Proceed to Payment."
- Choose a payment method (debit or credit card or net banking option)
- Download the acknowledgement receipt last (payment challan)

The detailed procedure listed above is for online payments. Furthermore, taxpayers can pay the tax in person at the district sales tax office. However, to do this, one must physically fill out the needed form with all the necessary information and pay cash.

Q8. What are the Repercussions of Breaking Professional Tax Laws?

A company has to register itself by professional tax legislation. Additionally, everyone is responsible for paying this tax based on their income level. Penalties will be assessed for failure to register or pay the tax.

In addition, late payments are subject to corrections. Additionally, several states impose fines for failure to file returns. Each state may have a different penalty amount.

Q9. Are There Professional Taxes in The Union Territories?

Union territories do not apply the professional tax. This is due to their small size and poorer revenue output than the states. Union territories do not impose this tax on their workers as a result. No other union territory, except Pondicherry, charges this fee.

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