

Difference Between Cess and Surcharge

The key difference between Cess and Surcharge is that Cess is collected from each citizen, whereas Surcharge is collected from citizens falling in specific criteria. Let us see the comparison of Cess and Surcharge in the table below.

Cess vs Surcharge

Difference Between Cess and Surcharge

Cess

Cess is calculated over and above the base tax charge of the taxpayer.

Cess is levied on all taxpayers of the country.

The Cess rate is 4%.

Cess tax is collected to raise funds for a particular cause like education, health, infrastructure, etc.

Cess tax goes to the CFI, but its use is restricted.

Surcharge

The Surcharge is levied on the payable tax and not the overall income.

The Surcharge is levied on citizens who earn more than 50 lakhs per annum.

Surcharges can vary between 10%, 15%, 25%, and 37%.

The government spends the Surcharge as it deems fit according to its requirements.

The Surcharge also goes to the CFI, but its usage is not restricted.

Cess and Surcharge

Both Cess and Surcharge are important revenues collected by the Government of India. Finance minister Arun Jaitley introduced the Cess tax in the 2018 Union Budget. Those individuals in India who earn more than Rs. 1 crore annually must pay a 15% Surcharge, separate from their tax obligations.

What is Cess?

Cess can be simply understood as a tax on the tax imposed by the Union Government to collect revenue for specific reasons. In India, Cess applies to all the citizens of the country who are taxpayers.

- It is calculated over and above the base tax charge of the taxpayer.
- All the collected tax is initially directed to the consolidated funds of India, i.e., CFI.
- Cess tax must be used for the purpose it has been collected.

The various types of Cess tax levied in India are -

- Health Cess
- Education Cess
- Tobacco products
- Road and Infrastructure Cess
- Export duty Cess
- Crude oil Cess
- Swachh Bharat Abhiyan Cess
- Krishi Kalyan Cess
- Motor car infrastructure Cess
- Clean Energy Cess

What is Surcharge?

The Surcharge is levied on the payable tax and not the overall income. Only those taxpayers who earn more than Rs 50 lakhs per annum must pay the Surcharge.

- The Surcharge tax is not collected for any specific reasons.
- The Union Government can use the Surcharge tax money any way it deems fit.
- All the Surcharge collected initially goes to the consolidated funds of India, i.e., CFI.
- Personal income tax and corporate income tax are two of the major Surcharges collected in India.

To conclude, the main difference between a cess and a surcharge is that Cess is a fixed tax and a surcharge is variable and levied upon a specific set of citizens, unlike a cess tax.