

# Corporate Tax Planning

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- Introduction

In India, the tax laws are perceived to be complicated because of various deductions, exemptions, relief and rebates. Therefore, generally tax payers plan their affairs so as to attract the least incidence of tax. Practice of tax avoidance is a global phenomenon and there is always a continuing battle in this regard between the Assessees and tax authorities. The perceptions of tax payer and the tax collector are different. While the taxpayer makes all relevant efforts in maximizing his profits and attracting the least incidence, the tax collector , on the other hand, tries to break the plans whose sole objective is to save taxes.

## Tax Planning

Tax planning is an arrangement of assessee's financial and economic **affairs** by making use of legitimate benefits of all deductions, exemptions, and allowances and rebates so that tax liability reduces to minimum.

## Tax Management

### Tax Management involves

- Complying with the necessary legal formalities.
- Making arrangement for availing various tax incentives.
- Saving from penal interest, penalties and prosecution.
- Constant review of orders from the tax department and applying for rectification of mistakes if any, filing for appeal, requesting for revision or settlement of case.

## **Tax Avoidance**

Tax avoidance is an activity of reducing or negating tax liability within the legal framework or legally permissible way and by taking help of loopholes in the law. Tax avoidance is legal and certainly not immoral for anybody to so arrange his affairs in such a way that the burden of taxation is the minimum. It excludes fraud, concealment or other illegal measures.

## **Tax Evasion**

Tax evasion is a method or device by which tax liability is illegally avoided. Tax evasion includes of presenting knowingly an untrue statement , submitting misleading documents, suppression of facts, not maintaining proper accounts of income earned, concealment or omission of material facts on assessment

## Objectives of Tax Planning

- To reduce the tax liability and save the surpluses for one's personal and social needs.
- To minimize the litigation tax administrators and tax assessees.
- To bring about the fiscal discipline in one's life and thereby retaining the income for productive investment.
- To reduce the overall cost of production, by not paying the tax that forms a part of cost of production.
- To promote the healthy growth of economy through saving and tax planning.
- To generate employment by investing and commencing the new business.
- To create job opportunities since large number of tax payers depend on the services of the Chartered Accountants.

# Limitations of Tax Planning

- The Assessee is not allowed to claim the exemptions and deductions after the completion of the assessment. In such cases, he is not eligible for appeals, rectification of mistakes and revisions.
- The ability of an assessee to reduce his tax burden depends on his tax burden depends on his competency in other economic factors and other relevant laws in force. Tax planning alone does not help an assessee in this regard.
- Tax planning requires the devotion of adequate time that might have been used for some productive purposes which may yield higher benefits.
- There is no certainty in long term tax planning due to frequent changes and amendments by the Finance Act. This Hesitation of tax payers in making long-term planning results in a slow growth of the economy.
- The tax payers are required to fulfil certain conditions to avail Exemptions, incentives and deductions. Sometimes tax payers may find it very difficult to comply with all the conditions to avail these benefits.



THANK YOU