



TAX PLANNING & MANAGEMENT

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ABSTRACT

Tax is indispensable. Death and taxes can't be escaped. That's why, Mark Twain said that, "In this world, nothing is certain except death and taxes." Assessee use different techniques to see to it that, the burden of taxes reduces. Some of the techniques are not acceptable according to law, whereas some other are perfectly acceptable. In this paper, the various concepts related to taxes, tax planning, tax avoidance, tax evasion, tax management are discussed.

KEY WORDS: tax planning, tax avoidance, tax evasion, tax management

Taxes are a compulsory contribution made by citizens of the country to meet various government expenses. There are three stages in government taxation. The first step is the declaration of debt by the Government, which means what income is taxable, the second is the examination and payment of taxes and the last is the method of obtaining tax if it is not paid on time. Tax planning and management focuses on the effective management of tax processes and the reduction of tax debt through appropriate schemes.

TAX PLANNING

Tax Planning is a work in progress to reduce tax liability by making the best use of all available deductions, discounts and discount discounts. Tax planning can be defined as the planning of personal and business matters by taking full advantage of all deductions, exemptions, benefits, discounts and rebates so that tax debt can be reduced to a minimum. In other words, all arrangements in which tax is maintained in ways and manner that are consistent with the obligations and requirements of the law and which are not practical or schemes to meet the legal requirements but not the spirit that supports this, may create tax planning.

Honorable Supreme Court at McDowell & Co v. CTO (1985) 154 ITR 148 has recognized that "tax

planning can be legal as long as it is within the framework of law. Diversified items cannot be part of the tax system and it is wrong to promote or entertain the belief that it is honorable to avoid paying taxes through questionable methods."

In fact, grants, deductions, exemptions, discounts and exemptions were granted in accordance with legal requirements for social and economic purposes. For example the 80C deduction of people and the HUF aims to promote savings and investment practices in the country's economic prosperity.

An example of tax planning: when a person buys equipment instead of renting it, he or she earns a discount. It is his exclusive right to buy or

rent it out. In the same way that choosing the type of organization, making money, buying or making products is a special right of the observer. One can seek various incentives for the above transactions referred to in the Income Tax Act, in reducing the tax liability. All of these transactions involve tax planning.

TAX AVOIDANCE

It refers to a situation in which a person attempts to reduce his or her tax debt by deliberately suppressing his or her income or by inserting incomes that show income lower than real income and using various forms of intentional fraud. A person who thinks he is guilty of



tax evasion is punished under the relevant laws. Under specific tax laws arrangements have been made for the imposition of heavy fines and ongoing prosecution proceedings against tax evaders.

Tax refugees reduce his tax-deductible income by one or more of the following steps:

- (a) Non-disclosure of profits in the sale of goods.
- (b) Non-disclosure of revenue from 'Binami activities'.
- (c) Deliberate recording or part of revenue. Eg: sales, rent, money, etc.
- (d) Charging personal expenses such as business expenses. Eg: car expenses, phone costs, medical expenses for you or your family recorded in business books.
- (e) Submission of counterfeit receipts for donations under section 80 G.

TAX EVASION

Tax evasion is a way to reduce tax incidence through certain gaps in the law. The Royal Canadian Tax Commission defines the concept of tax evasion as follows: For our purposes the term "tax evasion" will be used to describe all legal efforts to prevent or reduce potential tax liability otherwise, by taking advantage of certain provisions or lack of legal provisions. It does not involve fraud, concealment or other illegal activities.

The line of demarcation between tax planning and tax evasion is very narrow and blurred. Any arrangement that, although explicitly made in accordance with the requirements of the law, undermines the basic purpose of the legislature after the law may be cited as an example of tax avoidance. It is usually done with the full use of loopholes so that there are no tax violations and little is attractive.

DIFFERENCES BETWEEN TAX PLANNING, TAX AVOIDANCE AND TAX EVASION

Basis	Tax Planning	Tax Avoidance	Tax Evasion
Meaning	Assesse makes good use of tax law spaces in an illegal way to reduce tax debt by deliberately suppressing revenue or mountain travel costs.	The assessee legitimately takes advantage of loopholes in the tax laws	Illegal way of reducing tax liability by deliberately suppressing incomes or increases expenses.
Aim of Practice	Reducing of tax	Hedging of tax	Concealment of tax
Nature	Moral in nature	Immoral in nature	Illegal and objectionable as per law.
Result	Advantages arise in the long run for the assessee.	Advantages arise in the short run for the assessee.	Penalty and Prosecution for the assessee.
Legal implications	Uses benefits of the Law for reducing tax.	Loopholes in the law	Overrules the law

TAX MANAGEMENT

Tax management means compliance with income tax laws and regulations.

Tax management includes:

- (a) Taking steps to obtain various tax benefits
- (b) Compliance with tax laws and regulations (including the timely submission of tax returns)
- (c) To protect against the consequences of non-compliance with tax laws and regulations. which means fines, persecution etc.
- (d) Review of departmental directives and if necessary to apply for remediation, appeal, tax review or settling of tax cases.

TAX MANAGEMENT AREAS

The key areas of tax management are:

1. TDS (Source tax deduction): The people responsible for tax deduction from the source must deduct from the salary and that must be paid to the central government on time. In addition he must issue a tax deduction certificate and submit it to the income tax website.
2. Source tax collection: In some special cases, some people are responsible for tax collection from consumers (sec 206C). They must comply with those rules.
3. Tax payments: Included
 - (a) Payment of prepaid taxes
 - (b) Payment of tax on your self-examination.



(c) Payment of tax on demand (payment after receipt of notice from management)

4. Accounting: Every person who is an entrepreneur or a professional must keep books of account and other relevant documents so that the tax can be properly calculated and verified by the Auditing Officer. Accounting, discounts, debts, letters and agreements, etc. are part of tax administration.

5. Audit: If the business profit for a previous year exceeds the limit prescribed by tax act, , auditing is mandatory in terms of income tax laws).

6. Reimbursement: The tax administrator must ensure that the refund is given on time, otherwise the goat will lose the right to move forward and remove the loss and be liable to pay interest, fine, prosecution or fine or both.

7. Tax records and record keeping: The auditor must keep complete and up-to-date tax returns so that written evidence can be obtained if there are questions. Tax files include filed refunds, Form 16, documentary evidence supporting the deduction, discount and exemption, court orders, etc.

8. Review of Tax Department orders: Reviewing audit orders and other orders received from the tax department is an important function of tax administration. If there is an error in the order, a request for correction can be made. If the order jeopardizes the interests of the observer they may apply for a review, review or application for redress.

TAX PLANNING	TAX MANAGEMENT
It is broader term than tax management	It is the first step towards tax planning.
Purpose of tax planning is to reduce tax burden.	Aim of tax management is compliance by legal rules.
It is a guide for decision making	It is a normal process.
It is not essential for each and every assessee.	It is important for every individual.
It looks at future benefits derived from present actions	It is related to the past, present and future.

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