



RAMA UNIVERSITY

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FACULTY OF COMMERCE AND MANAGEMENT

COURSE: B.COM VI SEM.

SUBJECT: Corporate Tax Planning

SUBJECT CODE: BCH 403

LECTURE: 23

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LECTURE-23



TAX PLANING - NATURE AND FORMS OF BUSINESS, SEC 10A OF INCOME TAX ACT OF 1961

Tax Planning is an exercise undertaken to minimize tax liability through the best use of all available allowances, deductions, exclusions, exemptions, etc.. to reduce income and/or capital gains. Tax planning can be defined as an arrangement of one's financial and business affairs by taking legitimately in full benefit of all deductions, exemptions. allowances and rebates so that tax liability reduces to minimum. In other words, all arrangements by which the tax is saved by ways and means which comply with the legal obligations and requirements and are not colourable devices or tactics to meet the letters of law but not the spirit behind these, would constitute tax planning.

AREAS OF TAX PLANNING IN THE CONTEXT OF INCOME TAX ACT, 1961 Some of the important areas where planning can be attempted in an organized manner are as under:

- (a) Form of organisation/ownership pattern;
- (b) Location aspects;
- (c) Nature of business.
- (d) Tax planning in respect of corporate restructuring;
- (e) Tax planning in respect of financial management;
- (f) Tax planning in respect of employees remunerations;
- (g) Tax planning in respect of specific managerial decisions;
- (h) Tax planning in respect of Non-Residents.

NATURE OF BUSINESS Tax planning is also relevant while deciding upon the nature of business. There are certain businesses which are granted special tax treatment. Some of them are as follows:

- Newly established industrial undertaking in free trade zones. etc. (Section 10A). [Not allowed w.e.f.A.Y. 2012-13].
- Newly established units in special economic zones [Section 10AA].
- Newly established hundred per cent export-oriented undertakings [Section 10B). [Not allowed w.e.f. A.Y. 2012- 13].
- Tea Development Account. Coffee Development Account and Rubber Development Account [Section 33AB].
- Site restoration fund [Section 33ABA).
- Specified business eligible for deduction of Capital Expenditure [Section 35A01.
- Amortisation of certain preliminary expenses [Section 35D).
- Expenditure on prospecting for certain minerals [Section 35E).
- Special reserve created by a financial corporation under Section 36(1)(viii).
- Special provision for deduction in the case of business for prospecting for mineral oil [Sections 42 and 44BB].
- Special provisions for computing profits and gains of business on presumptive basis [Section 44AD].
- Special provisions in the case of business of plying. hiring or leasing goods carriages [Section 44AE].
- Special provisions in the case of shipping business in the case of non-residents [Section 44B).
- Special provisions in the case of business of operation of aircraft [Section 448BA).
- Special provisions in the case of certain turnkey power projects [Section

44BBB).

— Special provisions in the case of royalty income of foreign companies [Section 44D).

— Special provisions in case of royalty income of non-residents [Section 44DA].

— Certain income of offshore Banking Units and international Financial Service Centre [Section 80-LA].

— Profit and gains of industrial undertakings or enterprises engaged in infrastructure development. etc. [Section 80-IA).

— Profits and gains of an undertaking or an enterprise engaged in development of Special Economic Zone. [Section 80-IAB).

— Profits and gains from certain industrial undertaking other than infrastructure development undertaking [Section 80-113].

— Special provisions in respect of certain undertakings or enterprises in certain special category States (Section 80-IC).

— Deduction in respect of profits and gains from business of hotels and convention centres in specified area or a hotel at world heritage site. (Section 80-ID).

— Special provisions in respect of certain undertakings in North-Eastern States. (Section 80-IE).

— Profits and gains from the business of collecting and processing of bio-degradable waste [Section 80JJA).

— Employment of new workmen [Section 80JJA AJ.

— Special tax rate under Sections 115A. 115AB. 115AC. 115AD. 115B. 115BB. 115BA and 115D.