RAMA UNIVERSITY

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FACULTY OF COMMERCE AND MANAGEMENT

COURSE: B.COM VI SEM.

SUBJECT: Corporate Tax Planning

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LECTURE: 31

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LECTURE-31

TAX MANAGEMENT

Planning which leads to filing of various returns on time, compliance of the applicable provisions of law and avoiding of levy of interest and penalties can be termed as efficient tax management.

1. In short, it is an exercise by which defaults are avoided and legal compliance is secured. Through proper tax planning and management, the penalty of upto Rs. 100000 for delay in furnishing of tax audit reports u/s 44AB can be avoided.
2. Similarly by applying for Permanent Account Number (PAN), the penalty under the Act can be avoided. The borrowal of loan otherwise than by way of an account payee cheque or bank draft attracts 100% penalty and this can be avoided by conscious planning of the execution of loan transactions.
3. Planning is a perception conceived on legitimate grounds and achieved through genuine transactions within the framework of law e.g. contribution to Public Provident Fund and claiming rebate u/s 88 of the Act.
4. The filing of the returns with all proper documentary evidence for the various claims, rebates, reliefs, deductions, income computations and tax liability calculations would also be termed as tax management.
5. Tax management is also an important aspect of tax planning. Assessee is exposed to certain unpleasant consequences if obligations cast under the tax laws are not duly discharged. Such consequences take shape of levy of interest, penalty, prosecution, forfeiture of certain rights, etc.
6. Therefore, any effort in tax planning is incomplete unless proper discharge of responsibilities is not made.

Tax management includes:

1. Compiling and preserving data and supporting documents evidencing transactions, claims, etc.

2. Making timely payment of taxes e.g. advance tax, self assessment tax, etc.

3. TDS and TCS compliance

4. Following procedural requirements e.g. payment of expenses or acceptance of loans or repayment thereof, over Rs 20,000 by account payee bank cheque or bank draft, etc.

5. Compliance with the prescribed requirements like tax audit, certification of international transactions, etc.

6. Timely filing of returns, statements, etc.

7. Responding to notices received from the authorities.

8. Preserving record for the prescribed number of years.

9. Mentioning PAN, TAN, etc. at appropriate places.

10. Responding to requests for balance confirmation from the other assessees.

Tax Implications in Planning

The main objectives in any exercise on tax planning are to :—

1. Avail all concessions and relief ’s and rebates permissible under the Act.

2. Arrange the affairs in a commercial way to minimize the incidence of tax.

3. Claim maximum relief where taxes are paid in more than one country.

4. Become tax compliant and avoid penalties, prosecutions and interest payments.

5. Fruitful investment of savings.

6. Timely compliance of procedural requirements like tax audit, TDS, TCS, etc.

7. Appropriate record keeping

8. Avoidance of litigation.

9. Growth of economy and its stability.

10. Pay taxes – not a penny more, not a penny less.