

Topic: Corporate tax planning, Considerations & Justification

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UNIT 3 / FC02 / CTPM / MBA SEM III

Q. Corporate Tax Planning

This is way of lowering the liabilities on a registered company. One of the most used methods is by including the deductions on business transport, health insurance of employees, etc. With tax deductions and exemption provided under the IT Act 1961, your enterprise can largely reduce its tax burden in a legal way.

Rising Profit of an enterprise means higher liabilities of tax. In such a situation, it is important that they dedicate enough time on tax planning that reduce liabilities. With a tax plan, both direct tax and Indirect tax is lessened at the time of inflation. Not just this

Tax Planning means a proper planning of:

- * EXPENSES,
- * CAPITAL BUDGET
- * SALE & MARKETING COSTS.

A good corporate tax planning results from the following.

- All you need to do is to claim the tax benefits is invest in eligible instruments.
- Being well-informed of applicable laws and court judgements on the same
- Tax planning should be done completely under the purview of law.
- Planning should take into consideration business-objective and flexibility for the incorporation of future changes.
- Income tax clauses seem so complex that the common person is averse of dealing with taxes. But this is not honorable.
- you could be a long time tax payer or a first time payer, in case you did not plan your tax properly, you are probably paying more in tax than you should.

This is the arrangement of a taxpayer's business or financial dealings, in such a way that complete tax benefit can be availed by legitimate means, so that the amount of tax is minimal.

Corporate tax Planning plays an important role in supporting company's value-adding activities and strategic decisions. It helps businesses to ease tax burden and operate more smoothly and efficiently.

The basic objective of corporate tax planning involves the reduction of a company's EFFECTIVE TAX RATE (ETR) to achieve tax efficiency and remain competitive in its industry. In comparison to paying a huge amount of corporate tax annually, effective corporate tax planning is a better alternative for companies.

There are so many considerations while developing corporate tax planning. The primary reason for conducting CTP (Corporate tax Planning) is to avoid illegitimacy. Tax planning allows enterprises to cope with any changes in external environment, and lead to more systematic business operations. Effective CTP facilitates businesses to reduce tax cost, and therefore companies can enjoy higher earnings for shareholders or can gain money for reinvestment. Higher shareholders earnings and reinvestment capital are sign of flourishing business operations.

and can ~~not~~ attract more potential investment which will further improve the company's financial position.

Some other also reflects the planning of corporate tax. They are.

- Size of operation, transaction
- Foreign Collaboration
- Investment & Capital policy of Company
- Market Environment
- Trend of mark-up (B/M)
- Provisions & law about, deduction, incentives relief under income tax rule

Tax activities will reflected on the company's financial statement, and well-planned corporate tax contributes to more healthy looking financial statement. As tax and finance are closely connected, companies must conduct effective tax planning prior to financial planning in order to execute future financial activities as planned.

A comprehensive tax planning involves many methods that all aim to reduce expenses from every aspect of corporate tax. One of the most straight forward ways to do so is to make full use of tax benefits.