

TOPIC: MEANING OF TAX PLANNING AND MANAGEMENT, OBJECTIVES, NATURE & SCOPE, TYPES

⊙ TAX PLANNING

Tax planning is an honest and legal method of availing the full advantages of taxation laws. It is a way of effectively managing the income and taxes so that the tax liability arising on the assessee is minimum. It is all about planning of taxable income and planning of investment of the taxpayer.

⊙ TAX MANAGEMENT

TAX MANAGEMENT is an art of handling the financial affairs, while complying with the tax provisions, so as to avoid the payment of interest and penalties. It deals with the proper maintenance of financial records, audit of accounts, timely filing of the return, payment of taxes and appearing before the appellate authority, whenever required.

In the syllabus two words come together "Planning & Management". We know that planning is 1st function of management whereas management has wide scope but here

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the meaning are different. Planning ~~means~~ means act of plan which minimize tax liability under the law where the management means all function relating to preparing and filing of ROI and maintenance of records.

① TAX PLANNING VS TAX MANAGEMENT

Tax planning is all about planning of Taxable Income and Planning of investments of the Taxpayer.

Tax Management is limit scope & only handling the laws & provisions of Income tax with evidence.

Some of following comparable differences between TAX MANAGEMENT & TAX PLANNING given below

→ The objective of tax planning is to reduce the tax liability to the
The objective of Tax management is to comply with the provisions of law.

→ Tax Planning is futuristic in nature & its approaches, whereas
Tax Management relates to past (i.e. Assessment proceedings, rectification, revisions, appeals etc.) present (filing of ROI on time based on updated records) and future (corrective action)

↳ Tax planning is very wide in its coverage and includes tax management.

Tax management has a limited scope that is, it deals with specific activities such as filing of returns of income on time, drafting appeals, deduction of tax at source on time, updating records from time to time etc. and lastly

↳ The benefits arising from tax planning are substantial particularly in the long run. where as

As a result of effective tax management, penalty, interest, prosecution etc can be avoided.

OBJECTIVE OF TAX PLANNING & MANAGEMENT

- Minimal Litigation
- Productivity
- Reduction of tax liability
- Healthy Growth of Economy
- Economic Stability

② Nature of Tax Planning & Mgt. The following nature of tax planning are as follows:

- Public purpose: the nature of tax planning into make the public aware about their responsibilities toward the government. Tax Planning is done

purposefully for involving the people regarding their income. The contribution so made comes back towards the public in different forms by the government.

■ Personal obligations: The public is liable to pay taxes as per their income level. It's a compulsory contribution towards the government as a certain percentage of the individual's income.

■ Fees charged by government: It is a fee charged by the government on a product, income or activity. There are types of taxes — direct and indirect taxes.

■ Source of revenue to the government: It constitutes the basic source of revenue to the government. Revenue so raised is utilized by the government in expenses of defense, provision of education, infrastructure.

Scope of Tax Planning and Management

The following scope of Tax planning as under

- ⊗ Minimization of tax by way of legal effort
- ⊗ Knowledge of provision, rule cases, act ~~and~~ reliefs to deductions & relief

- ④ Compliance of statutory provisions of law
- ④ Some important areas
 - (a) Audit of accounts
 - (b) Documentation and maintenance of tax files
 - (c) Review of order
 - (d) Payment Procedure of cess duty bonus.
 - (e) Remit Refund procedure
- ④ Furnish return of Income include filing
- ④ Use of tax benefits
- ④ Economic strength & development
- ④ fair & clean environment setup for easy taxation

So, many areas are under covered effectively when an assessee/corp workout with tax planning. so tax planning is a tool, actually help to corporate sector as well as an assessee.

○ Types of Tax Planning

1. Short range and long range tax Planning: The tax planning which is done annually to arrive at specific objectives is called short range, whereas long range tax planning does not include immediate pay offs of any kind.
2. Permissive Tax Planning: Here the planning conforms to law & provision of law.
3. Purposive tax Planning: This is based on loopholes in the laws.

Tax Planning in India

Indian law offers a variety of tax saving options for the tax payers, allowing for a large range of options for exemptions and deductions through which you could limit your overall tax output.

- The deductions are available from Sec 80C through to 80U and ~~80~~ can be utilised by eligible taxpayers.
- All these deductions happen against quantum of tax liabilities.