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Class : M. Com Semester IV

Subject : Corporate Tax Planning and Management

Topic : Tax Planning and Tax Management

Tax Planning refers reduction in the tax liability of an assessee in the legal manner. When an assessee goes to reduce his or her tax liability by taking the benefit of the provisions of Tax laws, it is called Tax Planning. There are certain provisions under income Tax Act regarding exemptions, deductions,reliefs,rebate set off and carry forward of losses. With the help of these provisions tax liability of an assessee is going to be reduced to some extent which is known as Tax Planning.

Every assessee has the right to reduce their tax liability in the legal manner as per the provisions of Income Tax Act by taking the benefits as available for them which is always acceptable for the government, society as well as the court of law also.

So far the Corporate Tax Planning is concerned, it is related with the company. As company is also one of the important assesses like an individual, HUF, firm and AOP/BOI, hence the company is also in a position to take this benefit for reducing its tax liability which is known as corporate Tax Planning. There are contain features which we find in tax planning.These are:

(i) Tax Planning is generally done by the assessee for reducing their tax liability. However, some times, it is done by the government also where the purpose is to generate more and more revenue for the country.
(ii) It is ethical, moral and based on Law. No one is going to avoid or ignore the legal provisions of tax laws as made for doing tax planning.
(iii) The assessee needs to have a vast knowledge of the provisions of tax laws for taking the benefit of tax planning.
(iv) The purpose of tax planning is to promote savings, investment, business and industrial activities in the Economy.
(v) It is short term as well as long term both. There are certain benefit which are available immediately with the help of tax planning but some benefits may be available after a long period in future not in the current year. Hence, the benefit available under tax planning may be short term and long term.
(vi) Tax Planning is of permanent as well as of temporary nature. Some provisions may be permanent which are beneficial all the time for the assesses but some provisions may reduce the tax liability in the current year but may increase the tax burden in future which is known as temporary.
(vii) Tax Planning may be of different forms such as savings, investment, promotion, acquisition, transfer of capital asset etc.

There are contain precautions which must be taken into consideration while doing tax planning. These are:

(i) Tax laws and its provisions need to be critically analysed very carefully before doing tax planning. The detailed knowledge of tax laws must be available to the assessee so that most appropriate option may be selected to reduce their tax liability.
(ii) Tax Planning should be flexible and it must be done for the short term period.
(iii) Tax Planning is not possible without tax management. Tax management provides the space for tax planning.
(iv) Tax planning should not be based on the judgement given by the court of law.
(v) Tax Planning should be done as per existing provisions of tax laws not on the basis of the provisions which are going to be incorporated in future.

Thus, on the basis of the above discussion, we find that the main objectives of tax planning is not only to reduce the tax liability of an assesses but it is done with the intention to promote production and business activities in the country which will ultimately ensure economic prosperity and create employment opportunities as well as reduces litigation and court cases.

In this way we find that tax planning is beneficial not only for the assessee but also for the country as a whole.

Tax Management

Tax Management is a part of tax planning Tax Planning includes in itself the area of tax management. Tax Planning is not possible without tax management. Tax management is first step and tax planning is next step. Every assessee liable to pay tax needs to manage his/her taxes. Tax management relates to management to finances for payment of tax, assessing the advance tax liability to pay tax in time. Tax Management has nothing to do with planning to save taxes, it is just related with operational aspect of payment of tax. It means that while managing his taxes, a person ensures that he/she is making timely payment of taxes without recurring out of the money and he is complying with all the provisions of law. It is related with present, past and future. It is related with the knowledge of tax laws, terms & conditions provisions regarding exemptions, deductions and procedure of assessment.

Tax Management goes to consider the following things:

(i) All legal formalities regarding taxation are required to be followed as per the provision of Income Tax Act.

(ii) Procedure for taking the benefit of exemptions, deductions & reliefs need to be carried out.

(iii) Statutory obligations need to be completed by assessee in order to protect from penal interest, penalties & prosecutions.

(iv) Assessee review & comply departmental orders and file petition for revision, rectification & appeal before the Tax authority.

The following areas are generally included under Tax Management.

(i) TDS (ii) TCS (iii) Payment & Advance Tax

(iv) Payment of Tax on demand (v) Payment of certain Dues

(vi) Fulfilment of conditions to claim certain exemptions & deductions

(vii) Filing of return (viii) Documentation & Maintenance of records

(x) Review of orders etc.

Thus, after discussing the concept of tax planning and tax management. We find the following points of difference between two:

(i) Tax Planning is basically concerned with the knowledge of the different provisions of income Tax regarding exemptions, deductions, rebates and other allowances through which on assessee can take their benefit in reducing their tax liability.
Where as Tax management implies timely and regular adherence to the tax laws and arrangement of financial affairs, in a way that reduces the taxes.

(ii) The objective of Tax planning is to minimize the tax liability where as the objective of Tax Management is to comply with the provisions of income Tax laws and its allied rules.

(iii) Tax Planning is optional but Tax management is essential for every assesses.

(iv) Tax Planning is much wider which includes tax management also but Tax management is a part of tax planning which mainly deals with filing of return in time, getting the account audited, deducting of tax at source etc.

(v) Tax Planning relates to future but Tax Management relates to past, present and future.
Past-Assessment, Proceedings, Appeals, Revisions,
Present-Filing of return, Payment of advance tax and
Future- To take corrective action.

(vi) Tax Planning helps in minimizing tax liability in short term and in long term where as Tax Management helps in avoiding payment of interests, penalty, prosecution etc.

In this way, it is quite obvious that Tax planning is completely based on tax management. It is the tax management which makes the tax planning see successful.

Thanking You.