Income Tax Planning And Recent Amendments in Union Budget 2018

• By

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What we are going to see…

1) What is meant by Tax?

2) What is Tax Evasion/Avoidance/Planning.

3) Objectives of Tax Planning

4) Importance of Tax Planning

5) How we can do Tax Planning
What is meant by Tax

• Compulsory monetary contribution to the state's revenue, assessed and imposed by a government on the activities, enjoyment, expenditure, income, occupation, privilege, property, etc., of individuals and organizations.
Now let us see...

Tax Evasion?
Tax Planning?
Tax Avoidance?
Tax Evasion

• When any individual makes false claims to reduce his total income or by not providing any information regarding his total income, then it is called as Tax Evasion. By doing so, his tax liability is reduced, and it will result in less tax being paid by him.

• Tax Evasion is an illegal act as well as an immoral, anti-social and anti-national act. To deal with such kind of activities, Direct Tax Laws have made strict provisions which impose heavy penalties or even tax evaders can be put behind the bars.
How can a person reduce his taxable income:-

• By not recording sale made by him,
• Claiming bad debts or losses which never occurred,
• Making personal expenses as business expenses,
• Claiming false donation made under different sections like u/s 80G,
• By not showing capital gain,
• By not showing income from benami transaction,
• By showing excessive salary paid.
Tax Avoidance

• Tax avoidance means reducing your tax liability without breaking any law. In this an individual looks for loopholes in the law and makes most of those loopholes to reduce the tax liability.

• In simple words, Tax Avoidance is a legal means to reduce your tax liability by taking advantage of lack of provision in the law and it will result in less tax being paid by you. By using Tax Avoidance, you satisfy all provisions of law but in the same time you reduce your tax liability too.

• In tax avoidance, no penalties or such things are imposed on you as you are not breaking any law. You just using loopholes in laws to reduce your tax. However, now legislature has added a provision in Direct Tax laws to check tax avoidance.
Tax Planning

- Tax planning is a way by which you arrange your financial affairs in such a manner that without breaking up any law you take full advantage of all Exemptions, Deductions, Rebate and Reliefs allowed by law so that your tax liability will be reduced.
- Government provides deductions, exemptions, reliefs or rebate for the benefits of economy and society. Like if you made donation to Scientific research [u/s 8GGA] then it is good for Society and economy too.
Objectives of Tax Planning

- Claim Deductions under sections 80C to 80U.
- It will reduce your tax liability and you have to pay less tax.
- Minimize the war between Tax Payer and Tax Administrator, Tax payer wants to pay less tax and Tax Administrator wants to extract most of the tax, by using Tax Planning this war is minimized as tax payer is using all legal ways to reduce tax liability.
- Makes Investments :- By tax planning, a Tax payer will invest his money in some good funds which will result in productive returns for tax payer and transfer money to government for investment too.
- Helps in growth of economy.
- Makes society grow.
- Money saved by you will result in investment which will result in employment generation.
Importance Of Tax Planning

• For Tax payer :-
  Tax payer has to pay less tax by using tax planning because he is using all available exemptions, deductions, reliefs, and rebates. All of this is done within the boundaries of Law.

• For Government :-
  To use deduction or exemptions you have to invest money in some scheme which results in your money being transferred back to government and then they can use it to develop the country.

• For Society :-
  If government invests or starts any new project or if tax payer invests his saved money, it will generate employment. Government can invest in better projects which develop society.
Tax Planning Objectives

- Reduction of Tax Liability
- Minimization of Litigation
- Economic Stability
- Healthy Growth of Economy
- Productive Investment
Heads of Income

1. Income From Salaries
2. Income From House Property
3. Income from PGBP
4. Income from Capital Gains
5. Income from Other Sources
For Domestic Companies

Domestic Companies whose turnover or gross receipts in the F.Y 16-17 does not exceed Rs.250 Cr are taxable at 25%.

Other Domestic Companies are taxable at 30%
LTCG exceeding INR 1 lakh arising from transfer of Equity shares in a company is to be now taxed at 10%.
ICDS with retrospective amendment from 01.04.2017
**Surcharge:**
For Individuals, HUF, BOI, AJP

<table>
<thead>
<tr>
<th>Total Income</th>
<th>Surcharge</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 5,00,000&lt; 10,00,000</td>
<td>10%</td>
</tr>
<tr>
<td>&gt; 10,00,000</td>
<td>15%</td>
</tr>
</tbody>
</table>

Health & Education Cess @ 4% is applicable on Income Tax (Inclusive of Surcharge, if any)

**Rebate:** In case of tax payers, having total income not increasing Rs. 3,50,000/-income tax chargeable on the income or Rs. 2,500/-, whichever is less
**Surcharge:**
For Companies

<table>
<thead>
<tr>
<th>Total Income</th>
<th>Domestic Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 1 Cr but less than 10Cr</td>
<td>7%</td>
</tr>
<tr>
<td>&gt; 10Cr</td>
<td>12%</td>
</tr>
</tbody>
</table>

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Retn and Assessment

The Govt to notify a new scheme where the assessment will be done in an electronic mode.
Personal tax at a glance

- No change in Slab rates
- Health and Education Cess at 4%
- Exemption up to 40% on withdrawal from NPS extended to non-salaried employees
- Standard Deduction of Rs.40,000 to made available from salary income -,hereafter no medical expenses 15000 and 19200 p.a transport allowance
• Senior Citizens health insurance premium and medical expenditure increased from 30000 to 50000 p.a.

• Deduction limits for medical expenditure in respect of specified critical illnesses to be increased from INR 60000 p.a for senior citizens and 80,000 p.a for very senior citizens 1,00,000 p.a
• Deduction of interest earned by senior citizens from savings account with bank/post offices/co-operative societies to be increased from 10000 p.a to 50000 p.a.
• Consequently threshold for TDS on such inter