

B.Com. (Hons.): Semester-III
Paper BCH 3.5(d): PERSONAL TAX PLANNING

Duration: 3 Hrs.**Marks: 100****Credits: 4****Course Objective**

To provide basic knowledge of Income Tax and its planning to students in easily comprehensible manner with a view to equip them to use the legitimate tool of planning in their economic life.

Course Learning Outcomes

After completing the course, the student shall be able to:

- CO1: understand the concept of tax planning, use the residential status to plan the scope of income and devise tax planning strategy in relation to agricultural income.
- CO2: apply critical thinking and problem solving skills related to minimization of tax liability of individuals with respect to salary income and understand how to develop efficient pay packages
- CO3: devise tax planning strategies in relation to house property and understand the presumptive scheme of taxation of computing business income.
- CO4: use Indexation technique to reduce capital gains tax and learn about specific exemptions available from capital gains.
- CO5: use deductions to reduce taxable income and use rebates to reduce tax liability.

Course Contents**Unit 1: Concept of Tax Planning**

- (i) Meaning of tax planning, tax avoidance, tax evasion and tax management; Objectives of tax planning; Case studies relating to tax planning, tax avoidance, tax evasion and tax management.
- (ii) Tax Planning with reference to residential status: Relevance of residential status in computing taxable income; Determination of residential status of an individual, HUF, company, other persons; Relationship between residential status and incidence of tax; Case studies relating to residential status; Double taxation relief under Sections 90 and 91.
- (iii) Provisions relating to concept of agricultural income; Composite income; Tax treatment and tax planning of agricultural income.

Unit 2: Tax Planning with Reference to Salary Income

- (i) Tax planning in respect of salary income: Bonus; Fees; Commission and allowances; Valuation of perquisites; Allowances; Retirement benefits like gratuity, leave encashment, pension tax relief under Section 89 (1) (arrears of salary).
- (ii) Case studies based on designing pay package.

Unit 3: Tax Planning in relation to Income from House Property and Business Income

- (i) Tax Planning in respect of self-occupied house property, let-out house property partly let out and partly self-occupied house property; and property used for business or profession of the assessee.
- (ii) Set-off and carry forward of house property losses.
- (iii) Tax planning related to Section 80C.
- (iv) Tax Planning related to business income covering:
 - Presumptive schemes of computing business income (Section 44AD, 44ADA, 44AE)
 - Provisions relating to maintenance of accounts (Section 44AA)
 - Provisions relating to audit of accounts (Section 44AB)

Unit 4: Tax Planning in relation to Capital gains and other sources

- (i) Tax planning with reference to long-term and short-term capital assets and choice of price-inflation indexation; Capital gains on equity and non-equity financial instruments.
- (ii) Tax planning in relation to gifts received from relatives and non-relatives.

Unit 5: Other Areas of Tax Planning

- i) Income of others' liable for clubbing.
- ii) Deductions under Sections 80C, 80CCD(1), 80CCD(1B), 80CCD (2), 80D, 80DD, 80DDB, 80E, 80G, 80TTA, 80TTB
- iii) Rebate under Section 87A.

References

- Ahuja, Girish and Ravi Gupta. *Systematic Approach to Income Tax*. Bharat Law House, Delhi.
- Singhania, Vinod K. and Monica Singhania. *Students' Guide to Income Tax, University Edition*. Taxmann Publications Pvt. Ltd., New Delhi.

Additional Resources

- *Current Tax Reporter*. Current Tax Reporter, Jodhpur.
- *Income Tax Reports*. Company Law Institute of India Pvt. Ltd., Chennai.
- *Corporate Professionals Today*. Taxmann. New Delhi.

Note: Latest edition of readings may be used