Navigating the Nexus of Tax Avoidance and Strategic Planning: Insights and Strategies

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ABSTRACT
Tax avoidance and tax planning are two concepts often discussed in the context of corporate governance, financial management, and government fiscal policy. While both aim to minimize tax liabilities, they differ significantly in their legality, ethical considerations, and long-term implications. Tax planning involves strategic decisions within the bounds of tax laws to optimize tax efficiency, ensuring compliance while maximizing benefits for stakeholders. In contrast, tax avoidance exploits loopholes or ambiguities in tax laws to reduce tax burdens, sometimes pushing the boundaries of legality and ethical standards. This abstract explores the distinctions between tax planning and tax avoidance, their impacts on financial transparency, corporate social responsibility, and regulatory responses worldwide. Understanding these distinctions is crucial for policymakers, corporations, and taxpayers navigating the complexities of modern taxation systems.
This paper is a humble effort to understand the concept of 'Tax Evasion' and 'Tax Planning' difference between these two concepts. It also explores how can existing legal aids be made more accessible and reap better results.

1. Introduction:
A tax is a source of income for a country's government, which it uses to improve infrastructure, living standards, and security for its citizens. However, these taxes can obstruct an individual's or a company's subjective development, prompting people and huge corporations to consider ways to avoid them by using loopholes in the rules and laws that control taxation. Tax avoidance refers to the use of legal means to avoid paying tax. This is majorly dependent on the tax laws of a specific country and the various provisions of the taxation laws in that country.
On the other hand tax planning refers to the situation where there is a legitimate strategy to invest in various plans allowed by the income tax act in order to lower your annual tax bill. It could also entail joining or leaving investment schemes in order to minimise taxes as far as is permitted by law. Annual income may be reduced by taxes. This paper is a brief study of these both aspects and their impact. We will start with concept of tax avoidance and then later will dissect the concept of tax planning.

Difference between tax evasion and tax avoidance :-
People get confused between two terms '*tax avoidance'* and '*tax evasion'*. The two terms are very different than each other ,some of them are as[1]:-

[1] https://scripbox.com/tax/tax-avoidance/ visited on 16/05/2022 at 2:57 pm

Parameter	Tax Avoidance	Tax Evasion
Legality	Legal	Illegal
Motive	Exploitation of Tax Laws and Provisions	Act of Concealment of Tax
Attributes	Unethical	Illegal and Punishable
Consequences	Deferment of Tax Liability	Penalty and/ or Imprisonment

2. Tax Avoidance:

A tax is a source of income for a country's government, which it uses to improve infrastructure, living standards, and security for its citizens. However, these taxes can obstruct an individual's or a company's subjective development, prompting people and huge corporations to consider ways to avoid them by using loopholes in the rules and laws that control taxation.

Tax avoidance refers to the use of legal means to avoid paying tax. This is majorly dependent on the tax laws of a specific country and the various provisions of the taxation laws in that country. In such a case, taxpayers take unfair advantage of the shortcomings in the tax rules which allow them to find new ways to avoid the payment of taxes that are within the limits of the law. Most taxpayers avoid tax by making adjustments in their books which are within the legal provisions of the law. Tax avoidance is the practice of taking unfair advantage of flaws in the tax code by devising innovative ways to avoid paying taxes that are within the law's restrictions. Tax avoidance can be accomplished by altering the accounts in such a way that no tax rules are broken. Tax avoidance can be accomplished by altering the accounts in such a way that no tax rules are broken.

Reasons of Tax Avoidance by Taxpayers:-The following are few reasons of tax avoidance:

• The mindset of the taxpayer which forces them to exploit the provision of the tax laws.
• Constantly thinking of being charged a higher tax despite their lower income.
• Significant reduction in the tax payable amount.[2]

2.1 Dimensions of avoidance:

Stiglitz (1985) distinguishes three basic principles of tax avoidance within an income tax:

1. Postponement of taxes,
2. Tax arbitrage across individuals facing different tax brackets (or the same individuals facing different marginal tax rates at different times), and
3. Tax arbitrage across income streams facing different tax treatment. [3]

Many tax avoidance devices involve a combination of these three principles. *Stiglitz* argues that, with perfect capital markets, these three principles can be exploited to eliminate all taxes while leaving the individual's consumption and bequests unchanged relative to the zero tax case, and facing no more risk than in the original situation. But capital markets are not perfect, and therefore all tax liability is not eliminated by tax avoidance, and to reduce tax liabilities distorting actions (such as investment in sectors where it is easier to convert ordinary income into capital gains) are utilized. There is considerable empirical evidence testifying to the extent and tax sensitivity of these kinds of avoidance behaviour. [4]

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[2] https://scripbox.com/tax/tax-avoidance/ visited on 16/05/2024 at 12:08 pm
[3] https://eml.berkeley.edu//~saez/course/Slemrod,Yitzhaki%20PE%20Handbook%20chapter.pdf visited on 16/05/2024 at 12:20 pm
[4] Ibid

Laws known as a *General Anti-Avoidance Rule* (GAAR) statutes, which prohibit "aggressive" tax avoidance, have been passed in several countries and regions including Canada, Australia, New Zealand, South Africa, Norway, Hong Kong and the United Kingdom. In addition, judicial doctrines have accomplished the similar purpose, notably in the United States through the "business purpose" and "economic substance" doctrines established in Gregory v. Helvering and in the United Kingdom in Ramsay. The specifics may vary according to jurisdiction, but such rules invalidate tax avoidance that is technically legal but is not for a business purpose or is in violation of the spirit of the tax code. Also in india the problem of tax avoidance is not unknown ,firms ,corporate houses have developed many ways to avoide taxes ,even individuals have found many ways to avoide taxes.

2.2 Methods to avoid tax:

There are many ways to find loopholes in the Tax code and by this extend the ways to avoid taxes, some of them are provided in tax code still unethical use of these provisions bring them in the preview of tax avoidance rather than tax planning. These are as:-

1. Country of residence: A company may choose to avoid taxes by establishing their company or subsidiaries in an offshore jurisdiction . Individuals may also avoid tax by moving their tax residence to a tax haven, such as Monaco, or by becoming a perpetual traveler. They may also reduce their tax by moving to a country with lower tax rates.[5]

2. Legal entities: Without changing country of residence , personal taxation may be legally avoided by the creation of a separate legal entity to which one's property is donated. The separate legal entity is often a company, trust, or foundation. These may also be located offshore, such as in the case of many private foundations. Assets are transferred to the new company or trust so that gains may be realized, or income earned, within this legal entity rather than earned by the original owner.

3. Legal vagueness : Tax results depend on definitions of legal terms which are usually vague. For example, vagueness of the distinction between "business expenses" and "personal expenses" is of much concern for taxpayers and tax authorities. More generally, any term of tax law has a vague penumbra, and is a potential source of tax avoidance.

4. Invest gifted money in tax-free instrument: Transfer some money to your non-working spouse or minor child and invest that sum in a tax-free instrument such as PPF or ELSS funds, tax free bonds and Ulips. The gift tax rules won't apply to these relations, including any of your or your spouse's lineal ascendants or descendants. Therefore, you can transfer any amount you want. Since you are investing in a tax-free instrument, even the clause won't affect your tax liability.[6]

5. Deduction available in case of minor child: You can claim a deduction of up to `1,500 per child for two children in case of investments made in the name of minors. This means you can invest, say, `15,000 (or `30,000, for two kids) in a one-year FD scheme which gives a return of 10% and be exempt from tax.[7]

6. There is no tax on long-term gains: Invest the gift money in stocks and equity mutual funds e and hold for more than a year. There is no capital gains tax on equity assets held for more than 12 months. In case of gold and property and debt- oriented mutual funds, the holding period is 3 years.[8]

[5] https://www.oecd.org/en/countries/india.html visited on 16/05/2024 at 12:25 pm
[6] Section 56(2)(x) of the Income Tax Act.
[7] Section 80C of the Income Tax Act.
[8] Section 10(38) of the Income Tax Act.

7. Adult children are big tax savers: The clubbing rule does not apply once your child turns 18. Since the person is treated as a separate individual for all tax purposes, you can transfer money and enjoy another `2.5 lakh exemption along with all the other deductions and benefits that other taxpayer enjoys. You can start investing if the child is turning 18 before 31 March of that financial year and benefit for the entire year.[9]

8. Clubbing not applicable in case of parents: A person can also invest in your parent's name and the best part is the clubbing rules won't be applicable here. Also, there is no gift tax on the money you give to your parents. So, make use of their a basic tax exemption limit-`2.5 lakh for up to 60 years, `3 lakh for those above 60 and `5 lakh if they are above 80. In case they are exceeding the exemption limit, help them save taxes.[10]

There are huge tax benefits if you live with your parents and the house is registered in their name. You can pay rent to them and claim HRA benefits. Your parents on the other hand can claim 30% of the annual rent as deduction for maintenance expenses. They will be taxed for only the income above their basic tax exemption limit, which is `2.5 lakh (`3 lakh in case they are above 60 and up to `5 lakh if above above 80 years). [11]

9. Show the monetary transaction as a loan: The clubbing provision is applicable on earnings from gifted money . However, if you show the transaction as a loan where your relative pays you a nominal interest, income from the investment will not be taxable.

2.3 Case studies of tax avoidance in India:

In India, big businesses employ a variety of tactics to avoid paying taxes. Tax havens and subsidiaries play a significant part in these schemes. A country that gives foreign people and enterprises a small tax responsibility in a politically and economically secure environment with little or no financial information exchanged with foreign tax authorities is referred to as a "tax haven."

A'subsidiary' is a corporation whose shares is controlled by another company (commonly referred to as the parent or holding company) to the tune of more than 50%.

The most preferred and advantageous technique among India's great corporate houses is to move assets, shares, transactions, and money from India to these tax havens through subsidiaries. Since 2005, many Indian and foreign companies that are set up in India have been using tax havens and subsidiaries in order to avoid tax. We will discuss the strategies used by these large corporations in order to avoid tax, in depth in some case studies below:-

1. Vodafone International Holdings ... vs Union Of India & Anr on 20 January, 2012[12]

In 2007, Vodafone International Holdings B.V. based in Netherlands, purchased Hutch Essar in India through a complex tax avoidance strategy. The idea of this strategy was to *avoid paying capital gains tax in India through non-resident companies in the deal*. The non-resident companies were their own subsidiaries operating outside India. Vodafone International Holding B.V. purchased 67% controlling shares of CGP International based in Cayman Islands, which was a subsidiary company of Hutchison Telecommunication International Limited (HTIL). CGP already had a controlling share in Hutch Essar

[9] Section 64(1A) of the Income Tax Act, 1961.
[10] Section 10(13A) of the Income Tax Act, 1961.
[11] Sections 60 to 64 of the Income Tax Act, 1961.
[12] https://indiankanoon.org/doc/115852355/ visited on 18/05/2024 at 7:30 pm

in India before the deal and by the transfer of 67% controlling share of CGP, Vodafone International Holdings B.V., acquired the controlling stake in Hutch Essar India.

Following this deal, Income tax authorities issued show cause notice to Vodafone International Holdings B.V. and in turn VIH filed a writ in High court challenging the same, which was dismissed by high court with a view that Vodafone International Holdings B.V. must pay capital gains tax, as the sale of shares from CGP to VIH B.V. qualifies as capital transfer and attracts capital gains tax of nearly Rs.12000 crores. Pursuant to High Court's dismissal, VIH filed a Special Leave Petition in Supreme Court of India challenging the High Court's order. In 2012, *Supreme Court of India held that the High Court's view lacked authority of law and was quashed, as the transaction took place between two non-resident Companies of India. Hence, Vodafone acquired Hutch Essar India without paying capital gains tax.*

2. Reliance India Limited case:

Before 1995, Reliance was infamously **known as zero tax company in India**, as it used to pay zero or close to zero tax each year. A zero tax company is "*a business that shows a book profit and pays dividends to investors but does not pay taxes.*"It continued to exploit the loopholes in taxation system in India in order to avoid tax through subsidiaries, which used to make raw materials and other components in countries with low tax rates and Indian parent company purchased these raw materials at prices more than the tangible cost thereby reducing their net income and subsidiaries escaped from paying taxes in India.

Reliance enjoyed its successful strategies of Tax Avoidance only till 1996-1997, when in order to combat the menace of "Zero Tax Companies", "Minimum Alternative Tax" was introduced in India and concept of Corporate Income Tax was added. However, that did not deter the Reliance India Limited in their ventures of Tax Avoidance. In order to check the efficiency of Income Tax department in assessing big business houses, in March, 2018, Central Auditor General of India conducted an integrated audit of Reliance India Limited along with its other group entities.

According to the news report [13], during audit it was found that RIL used many methods to avoid taxation or in order to lower the tax burden, including:-

- **The merger and demerger of group entities**:- The audit specifically calls out RIL's regular practice of "going for merger/demerger" to apparently "reduce the tax liability and avail the benefit of carry forward of losses of such merged/demerged companies".

  As an example, the report details how Reliance Universal Ventures Ltd "invested Rs 8,304 crore" for the purchase of equity shares of Reliance Retail Ltd."With a web of companies – namely Reliance Retail Ltd, Reliance Universal Ventures Ltd, Reliance Fresh, RelCorp, Reliance Industrial Investment Ltd – shares were purchased, swapped and losses were created,"
- **Transactions with related parties**:- The draft audit notes that "during a test check of assessment records of related parties… it was noticed that RIL had made numerous transactions with related parties in the form of sale and purchase of investment/fixed assets…".Crucially, the audit allegedly noticed some "gaps" in a few transactions recorded in the books of RIL and in the books of related parties.

  For instance, according to the report, in 2012-13, RIL extended loans to a related party called Reliance Industries and Investments Ltd. While these loans were recorded as Rs 2,625 crore on the

[13] https://thewire.in/business/cag-proceeds-with-audit-report-questioning-reliance-i-t-dept-for-tax-discrepancies visited on 18/05/2024 at 7:50 pm

assessee's books, the amount allegedly noted on the related party's books was Rs 2,113 crore. This amounts to a discrepancy of over Rs 500 crore.Loans extended to the same related party in 2013-14 were recorded as Rs 7,684 crore on RIL's books but were shown as Rs 7,735 in the accounts of Reliance Industries and Investments Ltd.

- **Dividends disproportionate to investments:-**The audit also examined two shareholders, each holding more than 1% of RIL shares, and found that they had received dividends that "were not commensurate" with their investment."Audit verification of returns of income for AY 2012-13 in respect of two LLPs namely Ajitesh Enterprises and Badri Commercials indicated they had received a dividend of Rs 102.14 crore each," the report noted.[14]

3. Google India:

Google is the world's favourite search engine and has plethora of companies functioning under it. There is one extremely clever and elaborate tax avoidance strategy, which is used by many large corporations including Google, which is called the "***Double Irish with a Dutch Sandwich***".Google has a questionable strategy to avoid paying taxes by using companies in the Netherlands and Ireland. Using a mix of Irish and Dutch subsidiary businesses, major enterprises may move income to low- or no-tax nations. It also entails diverting income through one Irish firm, then a Dutch firm, and lastly a second Irish company based in a tax haven. Many firms may significantly cut their overall corporate tax rates using this strategy. Google has saved billions of dollars by employing this method.

Similarly, Google India which is a subsidiary of Google International LLC and is an authorised distributor of Google Ireland's 'AdWords' programme to Indian advertisers. Google AdWords is Google's advertising system in which advertisers bid on certain keywords in order for their clickable ads to appear in Google's search results. Google Ireland owns the 'AdWords' technology and as it merely authorized Google India to use it, the revenue will come back to Google Ireland, where google has to pay tax way less than India. However, for the same transaction, Income Tax Appellate Tribunal, India, ordered Google India to pay tax close to Rs.1457 crores which were avoided in tax by Google India for the assessment years 2007-2006 to 2012-2013.After losing six years long battle, Google India spokesperson in an interview said that Google India complies with all tax laws in India and pays all applicable taxes and they will file an appeal, as the ITAT ruling, according to Google, "*is a clear departure from previous judgments on the issue and is not in line with India's double taxation avoidance agreements*".[15]

2.4 Anti-Avoidance Rules:-

The main anti-avoidance rules against international tax planning by multinational enterprises in OECD and G20 countries. Building on this information and on previous classification efforts in the literature, a new classification of anti-avoidance strength is compiled. It takes into account five key dimensions of anti-avoidance:

1. Transfer price rules and documentation requirements;
2. Rules on interest deductibility such as thin capitalisation and interest-to-earnings rules to prevent the manipulation of debt location;

[14] ibid

[15] https://trak.in/tags/business/2017/10/25/income-tax-dept-rejects-google-india-tax-rs-1457-crore/ visited on 18/05/2024 at 8:12 pm

3. Controlled foreign company (CFC) rules;
4. General anti-avoidance rules (GAARs); and
5. Withholding taxes on interest payments, royalties and dividends, taking into account bilateral tax treaties.

The classification is based on a simple framework aiming to capture the main features of anti avoidance rules in a harmonised way across countries, although it inevitably leaves aside certain country specific characteristics as well as the enforcement of existing rules. [16]

1. Transfer price rules: These require that cross-border transactions between related firms should be valued at market price (so-called "arm's-length" principle). When no comparable transaction exists, different valuation methods can be used, for instance based on cost plus a fixed markup or using economic models to split the relevant profit among entities.

2. Thin capitalisation rules: These rules limit's interest deductibility disallow the deduction of certain interest expenses when the debt-to-equity or the interest-to-earnings ratio of the debtor is considered excessive. These rules apply either to total or related-party debt.

3. Controlled foreign company (CFC) rules: These rules aim at eliminating the deferral of tax on certain income by using lower-tax foreign affiliates or the exemption on certain mobile foreign source income.

4. General anti-avoidance rules (GAARs): These rules prohibit "aggressive" tax avoidance, for instance, by denying tax benefits from a transaction that lacks economic substance. GAARs are sets of rules within a country's tax code which aim at counter tax avoidance. Anti avoidance rules typically apply by focusing on the substance of a transaction or arrangement. One common feature is to limit or deny tax benefits when insufficient economic substance is present. For instance, this can occur when the taxable income of a firm is reduced as a result of a transaction that has no reasonable commercial purpose or where the purpose of a transaction is to directly or indirectly alter the tax incidence.

3. Tax planning:

Money has many roles to play. When properly handled, it can improve the quality of your life. Tax reduction is a key component of wise money management. Your hard-earned money will deteriorate without effective tax-saving investments. On the other side, your returns are impacted if your tax-saving investments aren't done well. Therefore, it is crucial to comprehend the factors to take into account when determining the value of an investment that saves taxes. Tax planning is a legitimate strategy to invest in various plans allowed by the income tax act in order to lower your annual tax bill. It could also entail joining or leaving investment schemes in order to minimise taxes as far as is permitted by law. Annual income may be reduced by taxes. In order to combat this, tax planning is an acceptable method of lowering tax obligations in any given fiscal year. It enables you to make the best use of the tax breaks, deductions, and perks provided by the government to reduce your burden. Tax planning can be defined in a few words, *'It involves examining one's financial status from the perspective of tax efficiency.'*

3.1 Need and advantages For Tax Planning[17]:

All individuals that fall under the IT bracket are required to pay taxes. Today, tax planning is essential

[16] https://www.oecd.org/tax/public-finance/Anti-avoidance-rules-against-international-tax-planning-A-classification.pdf visited on 18/05/2024 at 8:12 pm

[17] https://www.franklintempletonindia.com/investor-education/smart-tax-planning/article/tax-planning/tax-planning visited on 20/05/2024 at 8:55 am

to lowering tax obligations through the use of various investment strategies allowed by the income tax Act. With the use of tax planning, one can arrange their tax payments such that they will obtain sizable returns over a particular time period with no risk. Additionally, efficient tax preparation can lower one's tax liability. Following are the advantages of tax planing:-

1. *To claim excess tax paid or deducted:-* When we don't conduct tax planning, we end up paying more in taxes than necessary, and occasionally our employers deduct more than they should have.
2. *2. To reduce tax liabilities:-* Every taxpayer wants to lower their tax bills in order to preserve money for the future and lessen their financial burden. By planning your investments within the numerous incentives provided by the Income Tax Act of 1961, you can lower the amount of tax that is due. The Act provides a variety of investment plans for tax planning that can dramatically lower your tax liability.
3. *To plan events:-* It aids in our decision-making regarding whether to realise capital gains and when to withdraw funds from various programmes.
4. *To earn tax free returns:-* We receive risk-free returns or fixed rates of return that are tax-free when we invest in the schemes listed in the income tax act, subject to the restrictions outlined in the applicable section.
5. *To minimise litigation:-* To litigate is to resolve tax disputes with local, federal, state, or foreign tax authorities. There is often friction between tax collectors and taxpayers as the former attempts to extract the maximum amount possible while the latter desires to keep their tax liability to a minimum. Minimising litigation saves the taxpayer from legal liabilities.
6. *To ensure economic stability:-* Taxpayer funds are used to advance the nation. Effective tax administration and planning result in a steady stream of white money, which supports the economy's sound growth. The economy and the populace both gain from this.

3.2 Types of Tax Planning[18]:-

Most people merely perceive tax planning as a process that helps them reduce their tax liabilities. However, it is also about investing in the right securities at the right time to achieve your financial goals. Following are some of the various methods of tax planning:

1. *Short-range tax planning*:-This approach involves thinking about and carrying out tax planning at the end of the fiscal year. Investors turn to this planning in an effort to look for lawful ways to reduce their tax bill at the conclusion of the financial year. Long-term commitments are not a component of this approach. It can still encourage significant tax savings, nevertheless.
2. *Long-term tax planning*:-This plan is established at the start of the fiscal year, and the taxpayer adheres to it all year long. While long-term tax planning may not offer you immediate tax benefits like short-term tax planning does, it can still be beneficial in the long run.
3. *Permissive tax planning:-*This approach involves making plans in accordance with various Indian tax law rules. Deductions, exemptions, contributions, and incentives are only a few of the options available in India for tax planning. For instance, the Income Tax Act of 1961's Section 80C provides several different sorts of deductions on various tax-saving tools.
4. *Purposive tax planning*:-Utilizing tax-saving tools with a particular goal in mind is a part of intentional tax planning. This makes sure that you get the most return on your investments possible. This entails carefully choosing the right investments, developing a suitable plan to replace assets (if

[18] Ibid

necessary), and diversifying your company and income assets in accordance with your residential status.

3.3 Tax saving sections under Income Tax Act,1961:-

There are many ways for taxpayers to lower their tax obligations. Tax exclusions and deductions are available under various sections of Indian income tax legislation, with Section 80C being the most widely used method of tax avoidance. For instance, investments in ELSS plans, National Savings Certificates, Five Year Bank Deposits, and Public Provident Fund deposits.

The best and most efficient strategy to reduce taxes is to create a financial plan and stick to it whenever your income changes. Making tax-saving investments before the beginning of the year is also a useful habit to develop rather than making rash and frequently bad investment decisions at the last minute. Some of the sections of income tax which help in tax planing are as under:-[19]

1. Tax saving options under Section 80C

One of the most often used sections of the Income Tax Act of 1961, *Section 80C*, offers provisions to reduce annual tax payments by up to Rs46,800 (assuming the highest income tax slab, @30% plus education cess 4%). Investing in an equity-linked savings scheme, or ELSS as it is more popularly known, is one of the best ways to reduce taxes under Section 80C. Mutual funds that offer tax planning provide the possibility of both capital appreciation and tax savings. In addition to ELSS funds, you can choose to invest in government programmes including tax-saving FDs, public provident funds, and national savings certificates. Investments made cumulatively under these securities may be eligible for deductions of up to Rs1.5 lakh.[20]

2. Tax saving options under Section 80CCC

Payments made to annuity pension plans are tax deductible under section 80CCC. Taxes are due in the year that the pension from the annuity or the amount received upon surrendering the annuity, including any interest or bonus that has accrued, is received. Contribution made by the employee under Section 80CCD (1) The following are the minimum permissible deductions as the maximum 10% of the wage (in case taxpayer is employee) 20% of the total gross income (in case of self employed).[21]

3. Tax saving options under Section 80CCD(2)

A deduction of up to 10% of the basic pay plus the dearness allowance is permitted for the employer's contribution under Section 80CCD(2). Only those receiving salaries are eligible for the benefits in this area; self-employed people are not. The total deduction allowed under sections 80C, 80CCC, 80CCD(1), and 80CCD(2) is limited to Rs. 150000.[22]

4. Tax saving options under Section 80CCD(1b)

A further deduction of Rs 50,000 is permitted under section 80CCD(1b) for money put into an NPS account. Deductions are also allowed for contributions to the Atal Pension Yojana. In addition to $150,000, this deduction will be made. [23]

5. Tax saving options under Section 80D

Taxpayers may claim deductions under this provision for the cost of their health insurance premiums. The following sums are eligible for deductions under *Section 80D:*

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[19] https://taxguru.in/income-tax/tax-planning-individuals-income-tax.html visited on 20/05/2024 at 9:35 am
[20] Section 80C of Income Tax Act,1961.
[21] Section 80CCC of Income Tax Act,1961.
[22] Section80CCD(2) of Income Tax Act,1961.
[23] Section80CCD(1b) of Income Tax Act,1961.

Get a maximum discount of Rs25,000 on the health insurance premium you pay for yourself, your kids, or your spouse.
If your parents are also covered by your health insurance plan, you can receive up to Rs50,000.
A maximum deduction of Rs75,000 is permitted if one or both of your parents falls under the senior citizen category.[24]

6. Tax saving options under Section 80E

Tax deductions are available under Section 80E for interest paid on student loan debt. Beginning with the date of repayment, these deductions are available for eight years. The deductible amount has no upper limit. This means that an assessee may deduct all of the interest payments from their taxable income.[25]

7. Tax saving options under Section 80GG

When HRA is not received, a Section 80GG deduction is possible for rent paid. Residential property should not be owned by the taxpayer, their spouse, or their minor children in their place of employment. The taxpayer should not own any other properties for self-occupation. Rent must be paid and the taxpayer must be renting. Everyone is eligible for the deduction. The least of the following is permitted:

- Ten percent of the total adjusted income less the rent paid
- Every month, Rs 5,000
- 25% of the total adjusted income[26]

8. Claiming HRA Exemption

Taxpayers may receive a deduction under the HRA for the cost of their lodging expenses. The taxpayer is required to submit the landlord's rent receipts. The smallest of the following amounts is the deduction that is available:
Actual HRA received; or, for taxpayers dwelling in metro areas, 50% of basic salary plus DA; and, for taxpayers resident in non-metro areas, 40% of (basic salary + DA); or
Total rent paid minus 10% of base pay plus DA.

9. Other Exemptions and Deductions

Apart from the deductions and the exemptions mentioned above, you can save taxes in several different ways. Donations towards charities and qualified organisations are also eligible for tax exemptions.
Under the new tax regime announced with the Union Budget 2020, individuals can opt to pay taxes at reduced rates and redefined income tax slabs by forgoing the various deductions and exemptions.

4. Conclusion:

Income tax planning, if performed under the framework defined by the respective authorities, is an entirely legal and a smart decision. However, people might land themself in trouble by adopting shady techniques (tax avoidance or tax evasion) to save taxes. It is the duty and responsibility of every citizen to carry out prudent tax planning. Based on our tax slab, personal choices, and social liabilities, we can choose from distinct tax saver mutual funds and investment avenues offered to you.
Tax avoidance and evasion is has some pretty serious ill effect some of them are as:-

1. Tax evasion has been causing reduction in country’s economic growth

[24] Section80D of Income Tax Act,1961.
[25] Section80E of Income Tax Act,1961.
[26] Section80GG of Income Tax Act,1961.

2. The direct effect of tax evasion is the loss of revenue, and increase in inflation
3. Impact on morale
4. Increase in corruption
5. Increase in prices of land and houses
6. Black money has resulted in transfer of funds from India to foreign countries through clandestine channels which decrease country's reputation globally.
7. Tax evasion leads to poor standards of living of the rural masses and the people BPL as the government cannot undertake welfare measures at the national level.
8. It also brings disequilibrium in the economic condition of the country resulting in the rich becoming richer and the poor becoming poorer.
9. Due to tax evasion of majority of the rich population, the government is forced to increase the rates of tax every assessment year for increasing its revenue which results in increased tax burden of those who pay taxes promptly.
10. Majority of the developmental activities do not take place due to tax evasion.
11. So, it's very important for government to find and fix loopholes to plug the bleeding they are causing to nations economy.