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TAX PLANNING

The concept of tax planning envisages the implementation of various strategies so as to minimize the total amount of taxes paid for a certain period. Whether it's for a small business or for a big enterprise, everyone wants to minimize the tax liability so that he can have more money for expenses, investment, and further growth of the business. Having more money makes it possible for the organizations to improve on their working capital and distribute the resources evenly into the various functions and processes of the company.

Tax Planning is one aspect of financial planning services that every business should avail of. The act requires experienced professionals to identify and analyze channels through which the amount of tax the company/businesses pays at the end of the fiscal year can be reduced. Investing money via proper channels is important in order to have a secured future for the company.

There are a few avenues that only some organizations can explore to plan and save their taxes. However, there are some general areas of this element of financial planning that apply to all sorts of businesses. These include smartly calculating deferred payments, the strategy for which will depend largely on the business's legal configuration. Another smart option for businesses to increase deductions is to acquire items that it may require in the near future. The smartest move of all would however be to hire the services of professional tax consultants.

Tax planning entails identifying and selecting the appropriate saving instruments and investing at the right place, at the right time. If you plan your taxes in the beginning of the fiscal year, you can successfully minimize your tax liabilities. However, doing it with proper tax planning strategies in the later stages can also help you save your taxes.

Section 80C of the Income Tax Act allows you to explore the avenues to plan and save your taxes. These include investing in life insurance, health insurance, retirement plans, ULIPs (Unit Linked Insurance Plans), infrastructure bonds, NSC (National Saving Certificate), keeping a fixed deposit (having a look-in period of 5 years) with banks, making contributions towards Employee Provident Fund, and PPF (Public Provident Fund). The most popular among these is the option of investing in Public Provident Fund and/or National Savings Certificate.

Tax planning strategies are not only for big businesses, but are meant for salaried individuals as well. In the usual circumstances, the employer deducts a fixed amount of basic salary for the Employees Provident Fund (EPF). To save your taxes further, you can invest in the areas mentioned above.

If you have taken a home loan and you fulfill the required criteria, payment made for the repayment of the principal amount (and not the interest) of the loan is also eligible for a tax deduction under the same section of the IT Act.