TAX EVASION

METHODS

- Failing to pay the due. This is the simplest way in which someone may evade taxes.
- Smuggling.
- Submitting false tax returns.
- Inaccurate financial statements.
- Using fake documents to claim exemption.
- Not reporting income.
- Bribery.
- Storing wealth outside the country.

CAUSES

- The very structure of the countries' tax system.
- Anarchic distribution of powers among the different government levels, especially in federal countries.
- Low educational level of the population.
- Lack of simplicity and accuracy of the tax legislation.
- Inflation.
- Tax pressure-high rates.
- A Significant informal economy.
- Permanent regularization regimes.
  (moratoriums, whitewashing, etc.)
- Possibility of failing to comply without greater risks.
- Promotional regimes(Tax incentives, exemptions and tax expenses).
- Lack of dissemination regarding the use of resources originating from taxes.
- Lack of citizens' tax integrity.
- Inefficiency of the Tax Administrations(AATT)
- Presence of multinational enterprises with aggressive tax planning.
- Tax heavens-jurisdictions of null or low taxation or as it is said in many countries, non-cooperating jurisdictions.
- Great weight of intangibles, which makes it difficult to assign them their true value and determine their place of origin.
- Financial system with multiple sophisticated figures that allow for mobilizing money in a speedy and simple manner.
- Proliferation of special tax regimes for attracting investments (e.g. tax rulings).
- Difficulty to control the transfer prices of related multinational enterprises: currently over 60% of world trade is carried through these enterprises and 50% are intra group operations.
- Digital economy, with the significant technological development: electronic commerce, collaborative platforms, digital currencies and new ways of commercializing goods and services, there are increasing difficulties for taxing and controlling.

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UNIT-I

TAX PLANNING

Tax planning is the analysis of a financial taxation (or) plan from a tax perspective. The purpose of tax planning is to ensure tax efficiency.Through tax planning, all elements of the financial plan work together in the most tax efficient manner possible.

It is an efficient part of an individual investor's financial plan. Reduction of tax liability and maximising the ability to contribute to retirement plans are crucial for success.

HOW TAX PLANNING WORKS ?

It covers several considerations. This includes timing of income, size, and timing of purchases and planning for other expenditures. Also the selection of investments and types of retirement plans must complement the tax filing status and deductions to create the best possible returns.

ADVANTAGES OF TAX PLANNING

1. 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 tax payers as the former attempts to extract the maximum amount possible while the later decides to keep their tax liability to a minimum.

2. TO REDUCE TAX LIABILITY

Every tax payers wishes to reduce their tax burden and save money for their future .The income tax act 1961 offers many tax planning investment schemes that can significantly reduce your tax liability.

3. TO ENSURE ECONOMIC STABILITY

Tax payer's money is devoted to the betterment of the country. Effective tax planning and management provide a healthy inflow of white money that results in the sound progress of the economy.

4. TO LEVERAGE PRODUCTIVITY

One of the core tax planning objectives is channelizing funds from taxable sources to different income-generating plans. This ensures optimal utilisation of funds for productive causes.

TYPES OF TAX PLANNING

1. SHORT RANGE TAX PLANNING

Under this method tax planning is thought of and executed at the end of the fiscal year.

2. LONG TERM TAX PLANNING

This plan is chalked out at the beginning of the fiscal and the tax payer follows this plan throughout the year.

3. PERMISSIVE TAX PLANNING

This method involves planning under various provisions of the Indian taxation laws. Tax planning offers several provisions such as deductions, exemptions, contributions & incentives.

4. PURPOSIVE TAX PLANNING

It involves using tax saver instruments with a specific purpose in mind. This includes accurately selecting the appropriate investments.

TAX AVOIDANCE Vs TAX EVASION

Tax evasion is an illegal activity in which a person or entity deliberately avoids paying a true tax liability.

TAX AVOIDANCE	TAX EVASION
✓ Where the payment of tax is avoided though by complying with the provisions of law but defeating the intension of the law is known as tax avoidance.	✓ Where the payment of tax is avoided through illegal means or fraud is termed as tax evasion.
✓ Tax avoidance is undertaken by taking advantages of loopholes in law.	✓ Tax evasion is undertaken by employing unfair means.
✓ It is done through not malafied intention but complying the provision of law.	✓ It is an unlawful way of paying tax & defaulter may punished.
✓ It looks like a tax planning & is done before the tax liability arises.	✓ It is blat and fraud & is done after the tax liability has arisen.