

B. Com. Part - III

Subject - Taxation Law & Accounts

Topic - Tax-Planning Part - IV

Scope of Tax-Planning

We can study the scope of tax-planning by classifying it in two parts -

1. Scope of Tax-planning as to Assessee as a person; The term assessee includes an individual, HUF, Firm, Association of Persons, Company, Local Authority or any statutory body. ~~These~~ These are known as assessee as a unit. Each assessee as a person decides that how can tax-burden be reduced to the least payment.
2. Scope of Tax-planning as to various heads of Income; Income of a person calculated for the tax purposes into five heads. There are as follows:
 - (i) Income from Salaries,
 - (ii) Income from House Properties,
 - (iii) Profits and Gains of the Business and Profession,

- (iv) Capital Gains, and
- (v) Income from other sources,

The assessee can plan for tax under these five heads of income. Various exemptions and deductions have been discussed in each head of income. For example, interest on loan taken for construction of the house shall be deducted from income from House Property. Hence tax liability can be reduced if the house is constructed by taking loans. Similarly other persons can take advantage of many exemptions and deductions which have been allowed under Income Tax Act.
