



Income Tax Planning: A Study of Tax Saving Instruments

Alka, Assistant Professor of commerce, Smt. AAA govt. P. G. College, Kalka

Abstract : Tax planning is an essential part of our financial planning. Efficient tax planning enables us to reduce our tax liability to the minimum. This is done by legitimately taking advantage of all tax exemptions, deductions rebates and allowances while ensuring that your investments are in line with their long-term goals. The purpose of the study is to find out the most suitable and popular tax saving instrument used to save tax and also to examine the amount saved by using that instrument. Over all findings reveals that the most adopted tax saving instrument is Life Insurance policy, which got the first rank in this study and the second most adopted tax saving instrument is Provident Fund. Tax planning is an essential part of our financial planning. Efficient tax planning enables us to reduce our tax liability to the minimum. This is done by legitimately taking advantage of all tax exemptions, deductions rebates and allowances while ensuring that your investments are in line with their long-term goals. The purpose of the study is to find out the most suitable and popular tax saving instrument used to save tax and also to examine the amount saved by using that instrument. Over all findings reveals that the most adopted tax saving instrument is Life Insurance policy, which got the first rank in this study and the second most adopted tax saving instrument is Provident Fund.

ISSN : 2348-5612 © URR



Keywords : Tax, Tax saving Instruments, Tax Planning, Tax Management, Tax Evasion and Tax Avoidance

INTRODUCTION : In other words all arrangements by which the tax is saved by ways and means, which comply with the legal obligation and requirements and are not colourable devices or tactics to meet the letters of law but not the spirit behind these, would constitute tax planning. Tax planning should not be done with an intent to defraud the revenue, All transactions entered into by an assessed could be legally correct, yet on the whole these transactions may be devised to defraud the revenue. All such devices where status is followed in strict words but actually spirit behind the statute is marred would be termed as colourable devices and they do not form part of the tax planning. All transactions in respects of tax planning must be in according with the true spirit of statute and should be correct in form and substance. The form and substance of a transaction is real test of any tax-planning device. The form of transaction, as it appears superficially and the real intention behind such transaction may remain concealed. Substance of a transaction refers to lifting the veil of legal documents and ascertaining the intention of parties behind the transaction. It does not amount to evasion of tax. It is an act of prudence and farsightedness on the part of the taxpayer who is entitle to reduce the burden of his tax liability to the maximum possible extent under the existing law. Tax planning ensures not only