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B.Com Honours | Semester VI | Calicut University

CORPORATE TAXATION AND TAX PLANNING

Course Code: COM6EJ313 • Module 3 Notes

Module III: Tax Planning, Avoidance, & Evasion

Covers concepts of tax planning vs tax management, tax avoidance vs tax evasion, General Anti-Avoidance Rules (GAAR), nature & scope of corporate tax planning, and statutory justification.

Unit 10: Introduction to Tax Planning & Tax Management

Tax Planning: Arranging financial affairs within legal framework to minimize tax liability by availing statutory exemptions, deductions, & tax concessions.
Tax Management: Compliance with tax laws (Filing returns, paying advance tax, TDS deduction, & facing assessment notices).

Unit 11: Tax Evasion vs Tax Avoidance & GAAR Rules

Evasion vs Avoidance:
- **Tax Evasion:** Illegal suppression of income or falsification of accounts (punishable offence).
- **Tax Avoidance:** Minimizing tax using loopholes/colorable devices without commercial substance. Regulated under **GAAR (General Anti-Avoidance Rules Chapter X-A)**.

Unit 12: Nature & Scope of Corporate Tax Planning

Corporate Scope: Capital structure optimization, location of industrial units (Sec 80IA/80IB), form of business organization, & asset acquisition decisions.

Unit 13: Justification & Rationale of Corporate Tax Planning

Economic Rationale: Prevents litigation, enhances corporate savings & capital formation, channels investments into priority sectors, & aligns corporate policy with government tax incentives.

Practical Case Framework 1 (Tax Planning vs Tax Avoidance vs Tax Evasion Comparative Matrix): Compare tax practice, legal validity, intent & methodology, financial penalty/prosecution outcome.

Tax Planning vs Avoidance vs Evasion Comparison Table:

Tax Reduction Practice	Legal Status & Shariah/Law Compliance	Methodology & Executive Intent
Tax Planning	100% Legal & Encouraged by Law	Availing legitimate deductions (Sec 80IA, 80M)
Tax Avoidance	Legal technically; Voidable under GAAR	Using colorable artificial devices to bypass tax
Tax Evasion	Illegal & Criminal Offence	Concealing income, fake bills, or under-reporting

Practical Case Framework 2 (Tax Planning vs Tax Management Scope Matrix): Compare corporate dimension, objective, timeline focus, and operational penalty risk.

Tax Planning vs Tax Management Reference Table:

Corporate Dimension	Tax Planning Focus	Tax Management Focus
Primary Objective	Minimize total corporate tax liability legally	Ensure 100% procedural compliance with tax law
Time Horizon	Long-term strategic business planning	Short-term routine compliance (TDS, Advance Tax)
Risk Consequence	Higher profitability & capital retention	Avoids interest (Sec 234A/B/C) & penalty notices