

**AWARENESS OF INCOME TAX
REGULATIONS AND MEANS ADOPTED FOR
TAX PLANNING-
A STUDY OF RETAILERS IN SHIMLA TOWN**

PROJECT REPORT BY

**ANUPAMA SHARMA
(H-2007-MBA-04)**

Submitted in the partial fulfillment of the requirement for
the degree of

**MASTER OF BUSINESS ADMINISTRATION
(AGRI-BUSINESS)**

2007-09



**DEPARTMENT OF BUSINESS MANAGEMENT
COLLEGE OF HORTICULTURE,**

Y.S. Parmar University of Horticulture and Forestry,
Solan (H.P.) – 173 230

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CERTIFICATE-I

This is to certify that the project entitled “**AWARENESS OF INCOME TAX REGULATIONS AND MEANS ADOPTED FOR TAX PLANNING- A STUDY OF RETAILERS IN SHIMLA TOWN**” has been submitted to Department of Business Management, College of Horticulture, Nauni, Solan (H.P.) by **Anupama Sharma(H-2007-MBA-04)** in partial fulfillment of **MASTER OF BUSINESS ADMINISTRATION (AGRI-BUSINESS)**.

This project has been done under my guidance and no part of this work has been submitted for any other degree or diploma. The assistance and help received during the course of investigation and source of literature has been fully acknowledged.

Place: *Nauni*
Dated: *4-7-09*

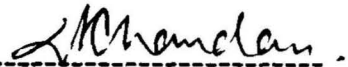
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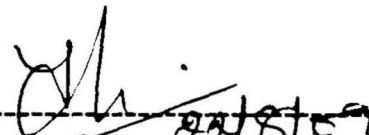
This is to certify that the project entitled "AWARENESS OF INCOME TAX REGULATIONS AND MEANS ADOPTED FOR TAX PLANNING- A STUDY OF RETAILERS IN SHIMLA TOWN" submitted by Anupama Sharma (H-2007-MBA-04) to Dr. Y.S. Parmar University Of Horticulture and Forestry, Solan, in partial fulfillment for the award of the Degree of **MASTER OF BUSINESS ADMINISTRATION (AGRI-BUSINESS)** has been approved after an oral examination on the same in collaboration with the external examiner.




Project advisor



External Examiner


Head of the Department


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Date: 22-8-09.

CERTIFICATE-III

This is to certify that all the mistakes and errors pointed out by the external examiner have been incorporated in the project entitled "AWARENESS OF INCOME TAX REGULATIONS AND MEANS ADOPTED FOR TAX PLANNING- A STUDY OF RETAILERS IN SHIMLA TOWN" submitted to Dr. Y.S. Parmar University of Horticulture and Forestry, Solan (H.P.) by Anupama Sharma (H-2007-MBA-04) in partial fulfillment for the award of the Degree of MASTER OF BUSINESS ADMINISTRATION (AGRI-BUSINESS).



Project Advisor



Head of the Department

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Needless to say errors and omission are mine.

Place: *Mauri*

Dated: *4-07-2009*

A. Sharma
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CHAPTER -1
INTRODUCTION

CHAPTER -2
REVIEW OF LITERATURE

CHAPTER -3
RESEARCH METHODS

CHAPTER -4
DATA ANALYSIS AND INTERPRETATION

CHAPTER -5
CONCLUSION

CONTENTS

CHAPTER	TITLE	PAGE NO.
1	INTRODUCTION <ul style="list-style-type: none"> ▪ Purposes of taxation ▪ Types of taxes ▪ Income tax ▪ Main features of income tax ▪ Some important terms ▪ Objectives of tax planning ▪ Profits and gains of business or profession ▪ Need of the study ▪ Objectives of the study 	1 2 2 3 3 4 7 8 9 10
2	REVIEW OF LITERATURE	11
3	RESEARCH METHODS <ul style="list-style-type: none"> ▪ Stage 1 ▪ Stage 2 ▪ Questionnaire design ▪ Sample design ▪ Analytical Tools 	13 13 13 13 14
4	DATA ANALYSIS & INTERPRETATION <ul style="list-style-type: none"> ▪ Profile of the respondents ▪ Awareness of Income Tax regulation ▪ Means adopted for tax planning 	15 15 17 27
5	CONCLUSION	39

LIST OF TABLES

TABLE NO.	TITLE	PAGE NO.
4.1.a	Type of the firm	15
4.1.b	Type of business	15
4.1.c	Sale of the shop	16
4.2.a	Pan No. awareness	17
4.2.b	Compulsory quote of pan	18
4.2.c	Use of PAN	19
4.2.d	Advance Tax	20
4.2.e.1	Awareness of Section 44AB	21
4.2.e.2	Awareness regarding auditing of accounts if turnover exceeds Rs. 40 lakhs	22
4.2.f.1	Awareness of Section 44AF	23
4.2.f.2	Awareness regarding not maintaining of accounts if turnover is below Rs. 40 lakhs.	24
4.2.f.3	Presumptive computation of profit & gain of business	25
4.2.f.4	Awareness regarding maintaining & auditing of Accounts	26
4.3.a.i	Awareness (LIC)	27
4.3.a.ii	Benefit of the provision	27
4.3.b.i	Awareness (contribution to PPF)	28
4.3.b.ii	Benefit of the provision	28
4.3.c.i	Awareness (housing loan)	29
4.3.c.ii	Benefit of the provision	29
4.3.d.i	Awareness (investment in medical insurance)	30
4.3.d.ii	Benefit of the provision	30
4.3.e.i	Awareness (contribution to pension fund)	31
4.3.e.ii	Benefit of the provision	31
4.3.f.i	Awareness (expenditure on medical treatment of handicapped dependent)	32
4.3.f.ii	Benefit of the provision	32
4.3.g.i	Awareness (expenditure on medical treatment (himself, dependent husband, wife, children, brothers, sisters))	33
4.3.g.ii	Benefit of the provision	33
4.3.h.i	Awareness (higher education loan)	34
4.3.h.ii	Benefit of the provision	34
4.3.i.i	Awareness (donation to certain funds or charitable institution)	35
4.3.i.ii	Benefit of the provision	35
4.3.j.i	Awareness (payment of rent)	36
4.3.j.ii	Benefit of the provision	36
4.3.k.i	Awareness (contribution given by any person to political parties)	37
4.3.k.ii	Benefit of the provision	37
4.3.l.i	Awareness (claiming of depreciation on asset)	38
4.3.l.ii	Benefit of the provision	38

LIST OF CHARTS

CHART NO.	TITLE	PAGE NO.
4.2.a	Pan No. awareness	17
4.2.b	Compulsory quote of pan	18
4.2.c	Use of PAN	19
4.2.d	Advance Tax	20
4.2.e.1	Awareness of Section 44AB	21
4.2.e.2	Awareness regarding auditing of accounts if turnover exceeds Rs. 40 lakhs	22
4.2.f.1	Awareness of Section 44AF	23
4.2.f.2	Awareness regarding not maintaining of accounts if turnover is below Rs. 40 lakhs.	24
4.2.f.3	Presumptive computation of profit & gain of business	25
4.2.f.4	Awareness regarding maintaining & auditing of Accounts	26
4.3.a.i	Awareness (LIC)	27
4.3.a.ii	Benefit of the provision	27
4.3.b.i	Awareness (contribution to PPF)	28
4.3.b.ii	Benefit of the provision	28
4.3.c.i	Awareness (housing loan)	29
4.3.c.ii	Benefit of the provision	29
4.3.d.i	Awareness (investment in medical insurance)	30
4.3.d.ii	Benefit of the provision	30
4.3.e.i	Awareness (contribution to pension fund)	31
4.3.e.ii	Benefit of the provision	31
4.3.f.i	Awareness (expenditure on medical treatment of handicapped dependent)	32
4.3.f.ii	Benefit of the provision	32
4.3.g.i	Awareness (expenditure on medical treatment (himself, dependant husband, wife, children, brothers, sisters))	33
4.3.g.ii	Benefit of the provision	33
4.3.h.i	Awareness (higher education loan)	34
4.3.h.ii	Benefit of the provision	34
4.3.i.i	Awareness (donation to certain funds or charitable institution)	35
4.3.i.ii	Benefit of the provision	35
4.3.j.i	Awareness (payment of rent)	36
4.3.j.ii	Benefit of the provision	36
4.3.k.i	Awareness (contribution given by any person to political parties)	37
4.3.k.ii	Benefit of the provision	37
4.3.l.i	Awareness (claiming of depreciation on asset)	38
4.3.l.ii	Benefit of the provision	38

EXECUTIVE SUMMARY

The project titled Awareness of Income Tax Regulations and Means Adopted for Tax Planning-Study of Retailers in Shimla Town. This study is conducted in Shimla Town. It is undertaken with objectives to study awareness of Income Tax regulations and means adopted for tax planning by retailers. Primary data is collected through personal interviews of lawyers & chartered accountants and is collected from retailers by means of questionnaire. The data is analyzed by the percentage method to arrive at certain results. It is suggested in the study that the Income Tax department should take measures to spread awareness of provisions for retailers & various means for tax planning and how their benefits can be derived.

CHAPTER-1

INTRODUCTION

INTRODUCTION

A **tax** is an involuntary fee - or, more precisely, "unrequited payment" - paid by individuals or businesses to a government (central or local).

Some definitions of tax given by Authors:

Seligman-"A tax is a compulsory payment from a person to the government to defray the expenses incurred in the common interest of all without reference to special benefits conferred".

Bastable –"Tax is a compulsory contribution of the wealth of a person or body of persons for the services of the public powers".(Public Finance by T.S. Papola)

The taxation structure of the country can play very important role in the working of our economy. Government levies tax so that it can pool the resources and can use it for the development of nation. It is through the collection of taxes that government is able to take up big projects like construction of roads, railways, bridges etc. the government actually mobilize resources by imposing taxes on privileged classes and utilizing it for the development of underprivileged classes. While designing the taxation structure it has to be seen that it is in conformity with our economic and social objectives. It should neither impair the incentives to personal savings & investment flows nor should result into decrease in revenue of the state. Taxes are what even an honest citizen despises the most as human being by very nature is selfish. He would like to have first of all every good thing for himself & he would hardly like that the fruit of his labor are enjoyed by others and particularly by those with whom he has no relationship. He will try his best to see to it that his hard earned money is not taken by others forcibly whether it is by snatching or by the rule of law. But it is also a right of the individual to save himself legally from payment of taxes so that he can save his money and can also invest in those areas where he can get good returns in future. On the other hand, the practical concept of Taxation Laws is to realize the revenue by way of maximum tax collection from individual. Therefore; the perception of tax payer and the tax collector are different. The

tax payer spares no efforts in maximizing his profits and minimizing tax payment, the tax collector, on the other hand, tries to maximize revenue by the way of tax collection but within the framework of law. It is here that the tax planning has gained a great importance among individuals. The primary objective of tax planning is to save the hard laborer of the tax payer in enjoying the fruits of his income and wealth to the maximum possible extent

1.1 PURPOSES OF TAXATION

Governments collect taxes:

- To support the various operations of the government that aimed at development of the nation
- To influence the macroeconomic performance of the economy. The particular term that can be used for this strategy of the government is called fiscal policy.
- To carry out the functions of the government, such as national defence, and providing government services.
- To redistribute resources between individuals or classes in the population. Government is intended to have equal distribution of income among individuals. So it levies taxes on the rich and support poor.
- To modify patterns of consumption or employment within an economy, by making some classes of transaction more or less attractive.

1.1.1 TYPES OF TAXES

Our taxation structure provides for the two types of taxes:

1. *Direct Tax*
2. *Indirect Tax*

Direct taxes: Direct Taxes like Income tax, wealth tax and gift tax are those whose burden falls directly on the tax payer.

Indirect taxes: The burden of Indirect Taxes like VAT, sales tax and excise duties can be passed on to the taxpayer. It is levied on goods & services.

In this project main emphasis will be given on income tax.

1.2 INCOME TAX

Income tax is an annual tax on total income of an individual. A large part of India's economy derives its receipts from direct taxation mainly Income Tax. It is levied by the Central Government but its yield is distributed between the central and the state government.

Income tax in India occupies a very significant place in the field of taxation. It was first introduced in 1860 by James Wilson following the mutiny of 1857. In 1886, legislation on income tax was enacted and from that year onwards it came to occupy a permanent place in the Indian Tax system. On the recommendation of Law Commission and Direct Taxes Enquiry Committee and consultation with law ministry a bill was framed. This bill was referred to a select committee and finally passed in Sept 1961. This act came into force from 1st April 1962 in whole of the country. Income tax act 1961 is a comprehensive act and consists of 298 sections, sub-sections running into thousands, schedules, rules, sub rules, etc. and is supported by other acts and rules.

1.2.1 MAIN FEATURES OF INCOME TAX

1. TAX ON NET INCOME:

The income tax is levied on the net income, not on the total income. For the purpose of income tax income has been classified under the following heads:

- a. Salaries
- b. Income from house property
- c. Profits and gains of business & profession
- d. Capital Gains
- e. Income from other sources

2. TAX EXEMPTION LIMIT

There is a definite tax exemption limit. Those who have the income below this limit are exempted from the payment of Income Tax.

3. RATE OF INCOME TAX

The rate at which income tax is levied is fixed by annual Finance act. The rates of tax & exemption limit differ according to the status of assessee.

4. EXEMPTION OF AGRICULTURAL INCOME

In India, the income that is earned solely by agriculture is exempt from income tax.
(Public Finance by T.S. Papola)

5. PERSONS LIABLE TO FILE RETURN (SECTION 139)

Section 139(1) provides that every person, whose total income, without giving effects to the provision of section 10A, 10B, 10BA and section 80C to 80U, exceeds the maximum amount which is not chargeable to income tax shall furnish a return of his income on or before the due date in the prescribed form. The return of income has to be compulsorily filed, if annual gross total income of an individual exceeds the exemption limit, even if their total income after claiming the deductions/s 10A, 10B, 10BA or 80 C, is below the taxable income. All returns of income must have to be accompanied by the TDS certificates (Form 16) for claiming credit of the same. (Income Tax Ready Recknor by Suresh Kumar Goyal)

1.3 SOME IMPORTANT TERMS:

INCOME:

Income means “periodical receipts from one’s business, land, work, investment etc.” It is something which comes in. It not only refers to monetary returns but also includes value of benefits & perquisites.

TOTAL INCOME:

Under section 2(45) total income means the sum total of the incomes that come under the following five heads:

- I. Income under head "*salaries*";
- II. Income from *House property*;
- III. Income under head *Profits and Gains of business or profession*;
- IV. Income under the head *Capital gains*;
- V. Income from other sources

Total of incomes computed under these heads is called *Gross Total Income* and out of this deductions u/s 80 are allowed. (*Income Tax Law & practice by Gaur & Narang*)

INCOME TAX:

An annual tax levied by the federal government, most states and some local governments on an individual's or corporation's net profit. Section 4 provides that in respect of the income of the previous year of every person, income tax shall be charged for the corresponding assessment year at the rates laid down by the Finance Act for that assessment year.

ASSESSEE:

Assessee means a person by whom any tax or any other sum of money is payable. Section 2(7)

RETAILERS:

Person or business that sells goods to final consumers. 7

ASSESSMENT YEAR:

It is the financial year of the government of India during which income of a person relating to the relevant previous year is assessed to tax. It is the period of 12 months commencing on 1st April. Section 2(9)

PERVIOUS YEAR:

Previous year is the financial year proceeding the assessment year. It is the income earned during previous year which is to be assessed in the assessment year. Section 3

BELATED RETURN

Any person who has not filed a return within a time allotted to him may still furnish return as a belated return at any time before the expiry of one year from the end of relevant assessment year. But while filing the belated return the assessee shall be liable to pay penalty Rs. 5000 u/s 271-f. Section 139(4) (Income Tax Ready Recknor by Suresh Kumar Goyal)

REVISED RETURN

If a person has filed his return of income within the due date and later discovers any omission or any wrong statement therein, may file a revised return at any time before the expiry of one year from the end of the assessment year. Section 139 (5)

(Income Tax Ready Recknor by Suresh Kumar Goyal)

TAX AVOIDANCE:

It is minimizing the incidence of tax by adjusting the affairs in such a manner that although it is within the four corners of the taxation laws but the advantage is taken by loopholes in the laws. Thus an individual tries to lower his income tax by remaining within the frame of law. This is generally done by claiming the permissible deductions. (Direct Taxes, Law & Practice by Giresh Ahuja & Dr. Ravi Gupta)

TAX EVASION:

An illegal practice where a person, organization or corporation intentionally avoids paying his/her/it's true tax liability. Those caught evading taxes are generally subject to criminal charges & substantial penalties. (Investopedia)

Unscrupulous citizens evade their tax liability by following means:

- a) Concealment of Income
- b) Inflation of expenses to suppress the income

- c) Falsification of income
- d) Conscious violation of rules

TAX MANAGEMENT:

Tax management refers to the compliance with the statutory provision of the law. While tax planning is optional, tax management is mandatory. It includes maintenance of accounts, filing of return, payment of taxes, deduction of tax at source, timely payment of advance tax etc. (Direct Taxes, Law & Practice by Giresh Ahuja & Dr. Ravi Gupta)

TAX PLANNING:

Tax planning is the arrangement of financial activities in such a way that maximum tax benefits are enjoyed by making use of all beneficial provisions in the tax laws. It entitles the assessee to avail certain exemptions, deductions, rebates and reliefs, so as to minimize his tax liability. This is permitted and not frowned.

1.3.1 OBJECTIVES OF TAX PLANNING

The prime objectives of tax planning are:

- 1) **REDUCTION OF TAX LIABILITY:** By proper tax planning, a tax payer can reduce his tax liability and thus can keep the hands of the administration of taxation laws away from his earnings.
- 2) **PRODUCTIVE INVESTMENT:** Tax planning is the measure of awareness of the tax payer about the ways and means of productive investment of the earnings which would help him in minimizing his tax burden. When earnings are invested in the avenues recognized by law, tax payers are not only relieved of the burden of taxation but their earnings are also converted into means of further saving which gives fruitful results in future.
- 3) **HEALTHY GROWTH OF ECONOMY:** A saving of earnings by legally sanctioned devices is the prime factor for the healthy growth of economy of a nation and its people.

- 4) **ECONOMIC STABILITY:** Avenues of productive investments are largely availed of by the taxpayers. Productive investments increase contours of national economy embracing in itself the economic prosperity of not only the tax payers but also of those who earn the income not chargeable to tax.

1.4 PROFITS AND GAINS OF BUSINESS OR PROFESSION

Under sections 28 to 44 of the Income Tax Act 1961, profits and gains of business or profession form part of total income of an assessee. This head is most important source of tax collection for the government

BUSINESS

Business simply means any economic activity carried on for earning profits. Section 2(3) has defined the term as “any trade, commerce, manufacture or any adventure or any concern in the nature of trade, commerce and manufacture.

PROFESSION

A profession is an occupation requiring purely intellectual skills or manual skill controlled by the intellectual skill of the operator, e.g., lawyer, accountant, engineer, surgeon, author etc. So profession refers to those activities where livelihood is earned by the persons through their intellectual or manual skill. Under section 1(36) profession includes vocation.

CHARGING PROVISION (Section 28)

The following are the incomes which are chargeable to income tax under the head “Profit and Gains of Business & Profession”

1. Business or Professional Income (*section 28(1)*)

The profits and gains of any business or profession which was carried on by the assessee at any time during the previous year are assessed under this head.

2. Compensation (*Section 28 (ii)*)

Any compensation or other payment due to or received by persons is assessable as business income

3. Income of a Trade or Professional Association (*Section 28 (iii)*)

Income derived by a trade, professional or similar association from specific service performed for its member only is considered to be business income and taxed accordingly.

4. Cash assistance

(By whatever name called) received or receivable by any person against exports under any scheme of government of India

5. Value of benefit or perquisite (*Section 28(4)*)

The value of benefit or perquisite whether convertible into money or not arising from business or the exercise of a profession is chargeable under head Profits and Gains of Business or Profession.

6. Salary, interest, bonus, commission or remuneration received by a partner from a firm (*Section*

28 (v))

7. Any amount received under agreement for not to carry on business.

(*Taxman's Direct Tax Ready Reckoner, by Dr. Vinod K. Singhania*)

17

1.5 NEED OF THE STUDY

Taxation is certainty in today's world. It is the most important instrument available to government for taking away resources from rich section to the poor section of the society. Indian Income tax law is a subject full of legal jargons and complexities which

keep on changing every new financial year. In spite of this fact importance of law in routine life can not be ignored. Whether it is filing of income tax returns on due date or it is a financial decision to invest in an asset, every where income tax provision plays an important role.

Retail is India's largest industry. It accounts for over 10% of India's GDP and around 8% of the employment. India's retail sector is highly fragmented with 97% of its business being run by the unorganized retailers like traditional family run stores and corner stores. The organized retail sector is however at initial stage and attempts are being made to increase its proportion to 9-10% by the year 2010 bringing in a huge opportunity for prospective new players. This sector is largest source employment after agriculture and has deep penetration into rural India. Therefore they form an important source of tax collection for the government. It is thus important for income tax department to know the level of awareness among retailers with regard to income tax provisions and tax planning to serve this sector efficiently. This study will also assist chartered accounts and lawyers in providing more refined services to the retailers. (An analysis of Indian retail sector by Tarannum M. Sarwar, Oct 11, 2006, www.valuenotes.com)

1.6 OBJECTIVES OF THE STUDY

In the light of the study following were the objectives that were framed.

1. To study the awareness of Income Tax regulations among retailers.
2. To study the means adopted for tax planning by the retailers.

CHAPTER -2

REVIEW OF LITERATURE

REVIEW OF LITERATURE

These are the few studies that have been conducted on taxation. The main findings of these studies are given below:

1) *Krishna Kumar & Sudhesh S. (Indian Institute of management Kozhikode 19th May 2007)* conducted a study on corporate tax pattern in India. This study says that corporate taxes are a significant item for revenue generation of central government. The government also gives tax sops to improve the performance of the company with a view to increase in growth rates & net tax collections. This paper examines the pattern of corporate tax by companies over the years since the beginning of economic reforms. It also examines the patterns by major industry sectors, ownership and size of the companies. It is observed that the corporate taxes & profit before tax have increased year after year. However after the year 2001 the tax/PBT has been going an unhealthy pattern compared to previous years without any additional major tax sops by government. This study also reveals that the tax/PBT ratios in various industry, sectors, ownerships & size of companies after the year 2001 are not in line with proper perceptions & there is need to have a closure look in the tax policies to have equitable treatment to all sectors.

2) *Richard M. Bird & Eric M. Zolt (International studies program working paper series, March 2005)* studied Redistribution via taxation. He has said that inequality has increased in recent years in both developed and developing countries. Tax experts, like others have focused on how taxes may reduce the growing inequality of income & wealth. In developed countries, the income tax specially the personal income tax has long been viewed as the primary instrument for redistributing income. This article examines whether it makes sense for developing countries to rely on personal income tax to redistribute incomes. He has given reasons for not relying on personal income tax for redistributing income. The article examines some alternatives in reforming the personal income tax as well as options available to developing countries in designing & implementing more progressive fiscal system.

3) *K. V. Nambiar and M. Govinda Rao (Economic and Political Weekly, volume VII, May, 1972)* has conducted a study on Tax Performance of States and concluded that While it would be difficult to quantify all the variables affecting the tax performance of governments, some of the major relevant variables, other than national and per capita incomes, such as, degree of urbanization, extent of incomes originating in the industrial sector, degree of openness of the economy, etc, are capable of quantification either directly or through indirect methods. The choice of the relevant sets of variables would depend on whether one is doing inter-country comparisons or inter-regional comparisons within a country, subject of course to the general constraints of data availability. In this paper an attempt has been made to evolve an operationally meaningful method of evaluating the tax performance of the states in India.

4) *Laszlo Goerke (Journal- Economics of governance, volume 9, Nov 2, 2008)* has conducted a study on bureaucratic corruption & profit tax evasion and said that firms may evade taxes on profits and can also avoid fulfilling legal restrictions on production activities by bribing bureaucrats. It is shown that the existence of tax evasion does not affect corruption activities at the firm level, but it increases corruption at national level.

CHAPTER -3

RESEARCH METHODS

RESEARCH METHODS

Research method is a systematic way of solving research problem. This chapter deals with the methods used for the selection of sample and collection & analysis of data used in the study.

Since the project aimed at studying the income tax regulation awareness among retailers & means adopted for tax planning it was evident that retailers had to be interviewed. The study was conducted in two stages and both exploratory & descriptive study was conducted.

3.1 Stage 1: In stage one exploratory study was conducted and both primary & secondary data was collected. For collecting primary data in-depth & semi-structured interviews of lawyers & CA's were conducted. This is enclosed in annexure A. Secondary data was collected from books and internet. These sources were used to identify relevant income tax provisions for retailers.

3.2 Stage 2: In stage 2 descriptive study was conducted. On the basis of interviews conducted in stage 1, a structured questionnaire was prepared for stage 2.

3.1 Questionnaire Design

Questionnaire consisted of two parts:

First part consisted of questions related to means adopted for tax planning. This is enclosed in annexure B.

3.1 Sample Design

In my study sampling unit was a retailer. Sample size consisted of 100 respondents. Area chosen was Shimla town. Respondents were selected on the basis of my convenience.

3.4 Analytical Tools

It refers to the method of analyzing the data.

The method that is used by me in the study is percentage method. Percentage can be calculated by dividing number of respondents by total number of respondents and multiplying it by 100.

$$\text{Percentage} = \frac{\text{Number of respondents}}{\text{Total number of respondents}} * 100$$

CHAPTER -4

***DATA ANALYSIS
&
INTERPRETATION***

DATA ANALYSIS & INTERPRETATION

For the collection of data nearly 200 respondents were contacted but out of them only 50% agreed to give the relevant data.

4.1 PROFILE OF THE RESPONDENTS

4.1(a) TYPE OF THE FIRM

Table No. 4.1(a)

Sr.No	Type of the firm	% of Respondent
1.	Sole Proprietor Firm	74%
2.	Partnership Firm	18%
3.	Joint Family Business	6%
4.	Private Ltd Company	2%

Type of Firm

From the above table it can be concluded that 74% of the respondents were sole proprietor of the firm followed by partnership firm, joint family business and only 2% of the respondents owned private limited company.

4.1(b) TYPE OF BUSINESS

Table No. 4.1(b)

Sr.No	Type of Business	% of Respondent
1.	Readymade Garments	21
2.	Clothing Business	16
3.	Crockery Business	4
4.	Grocery Shop	8
5.	Gift Shop	7
6.	Footwear Business	15
7.	Electronics Business	7
8.	Stationary Shop	5
9.	Others	17

Type of business

Results show that 21% of the respondents were carrying out the business of readymade garments followed by clothing business, footwear business and grocery shop

4.1(c) DAILY SALE OF THE SHOP

Table No. 4.1(c)

<u>Sr.No</u>	<u>Daily Sale of the shop (Rs)</u>	<u>% of Respondent</u>
1.	Below 1000	16
2.	1000-5000	45
3.	5000-10,000	27
4.	Above 10,000	12

Sale of the shop

From the table it can be concluded that 45% of the respondents were having daily sale of the shop in the range 1000-5000, 27% were having daily sale in the range Rs.5000-10000 and below Rs.1000 & above 10000 were 16% and 12% respectively.

Thus about the profile of the respondents it can be concluded that most of the respondents contacted were sole proprietor of the firm and maximum of them were into the business of readymade garments. On an average most of the respondents were having daily sale of the shop from Rs.1000 to Rs.5000.

4.2 AWARENESS OF INCOME TAX REGULATION

4.2(a) NUMBER REQUIRED FOR INCOME TAX PURPOSE

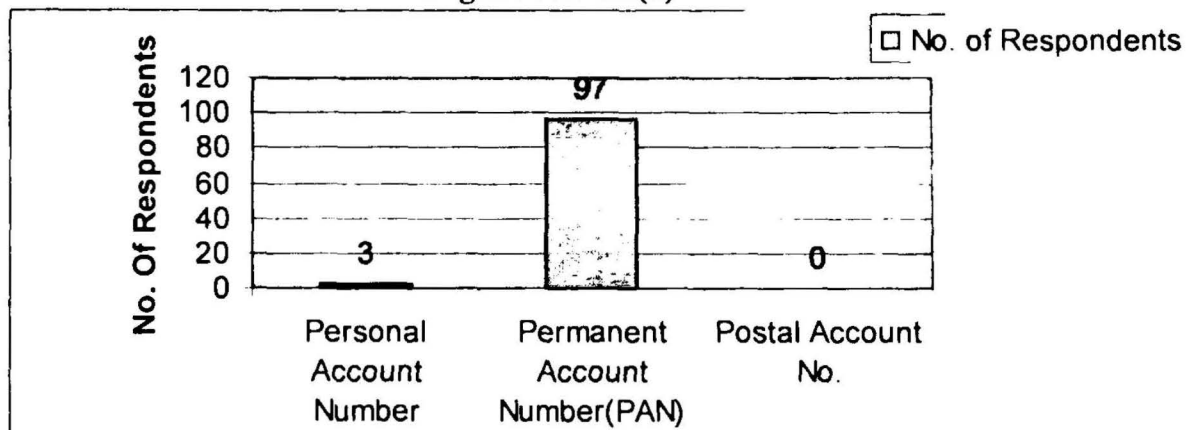
In response to the question that which number is required for the income tax purpose, following results were obtained.

Table No. 4.2(a)

Sr. No.	Response	No. of Respondents
1.	Personal Account Number	3
2.	Permanent Account Number(PAN)	97
3.	Postal Account No.	0

PAN Number Awareness

Figure No. 4.2(a)



PAN Number Awareness

17

The study reveals that maximum respondents were aware that PAN number is required for Income Tax purpose and only 3% were unaware of PAN number.

4.2(b) PAN ON THE RETURN OF INCOME

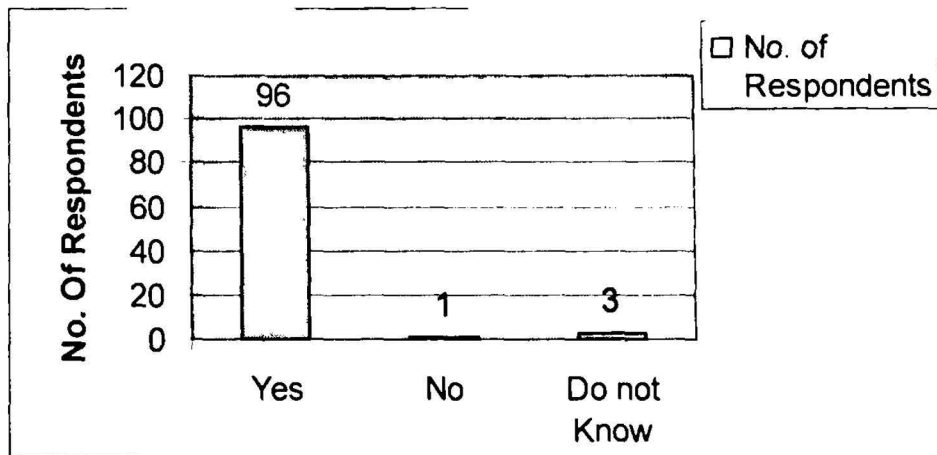
When it was asked if it is compulsory to quote PAN on the Return of income respondents gave following answers.

Table No. 4.2(b)

Sr. No.	Response	No. of Respondents
1.	Yes	96
2.	No	1
3.	Do not Know	3

Compulsory quote of PAN

Figure No. 4.2(b)



Compulsory quote of PAN

The above data shows that 96% of the respondents were aware that it is compulsory to quote PAN on Return of Income whereas 4% did not know about this.

4.2(c) USE OF MORE THAN ONE PAN

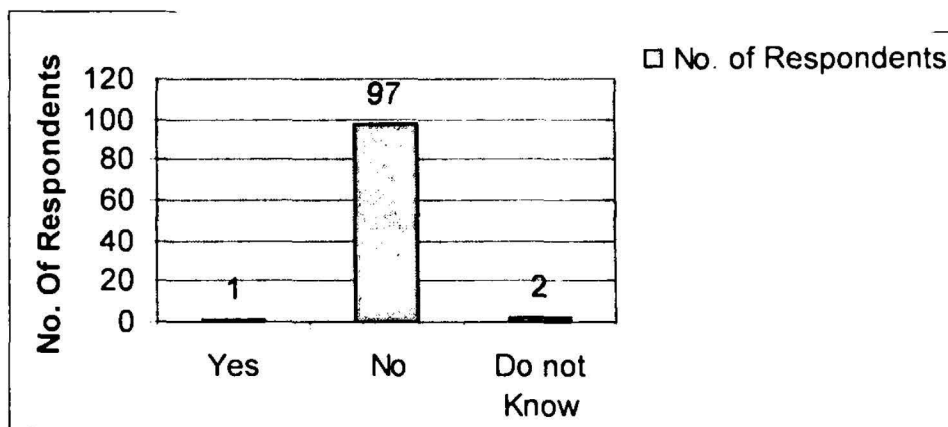
Can a person use more than one PAN. Following answers were received in response to this question.

Table No. 4.2(c)

Sr. No.	Response	No. of Respondents
1.	Yes	1
2.	No	97
3.	Do not Know	2

Use of PAN

Figure No. 4.2(c)



Use of PAN

From the above table it can be concluded that most of the respondents were aware that a person can not use more than one PAN and only 3% were not aware.

4.2(d) LIABILITY TO PAY ADVANCE TAX

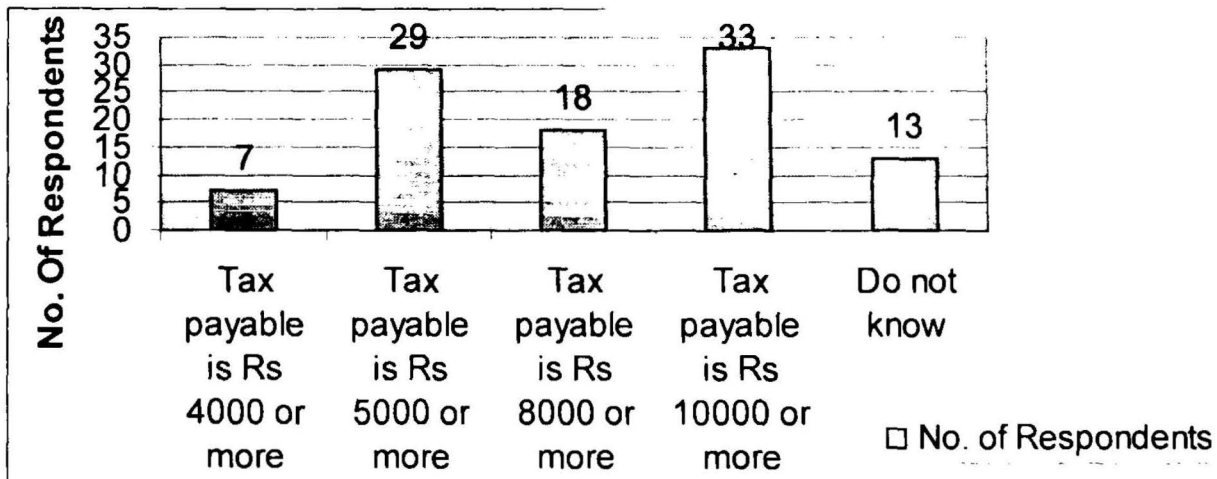
While answering to the question that when a person is liable to pay advance tax following were the responses

Table No. 4.2(d)

Sr.No	Response	No. of Respondents
1.	Tax payable is Rs 4000 or more	7
2.	Tax payable is Rs 5000 or more	29
3.	Tax payable is Rs 8000 or more	18
4.	Tax payable is Rs 10000 or more	33
5.	Do not know	13

Advance Tax

Figure No. 4.2(d)



Advance Tax

17

The above data reveals that only 29% of the respondents knew that a person is liable to pay advance if tax payable is Rs. 5000 or more, 58% of the respondents were not having clear idea of this fact and 13% did not about this.

4.2(e) 1. SECTION 44AB

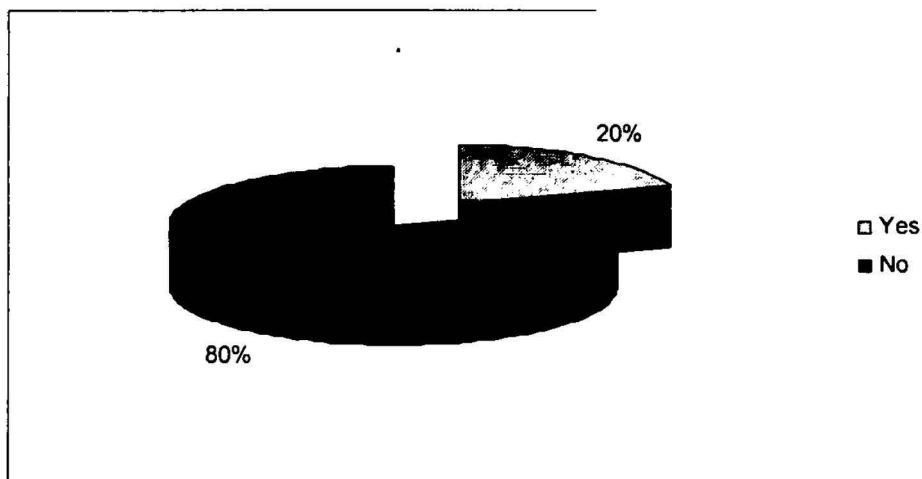
Regarding the awareness of Section 44AB following were the answers.

Table No. 4.2(e)1

Sr. No	Responses	No. of Respondents
1.	Yes	20
2.	No	80

Awareness of Section 44AB

Figure No. 4.2(e) 1



Awareness of Section 44AB

The above data reveals that most of the respondents were unaware of the section 44AB and only 20% knew about this section.

4.2(e)2. AUDITING OF ACCOUNTS

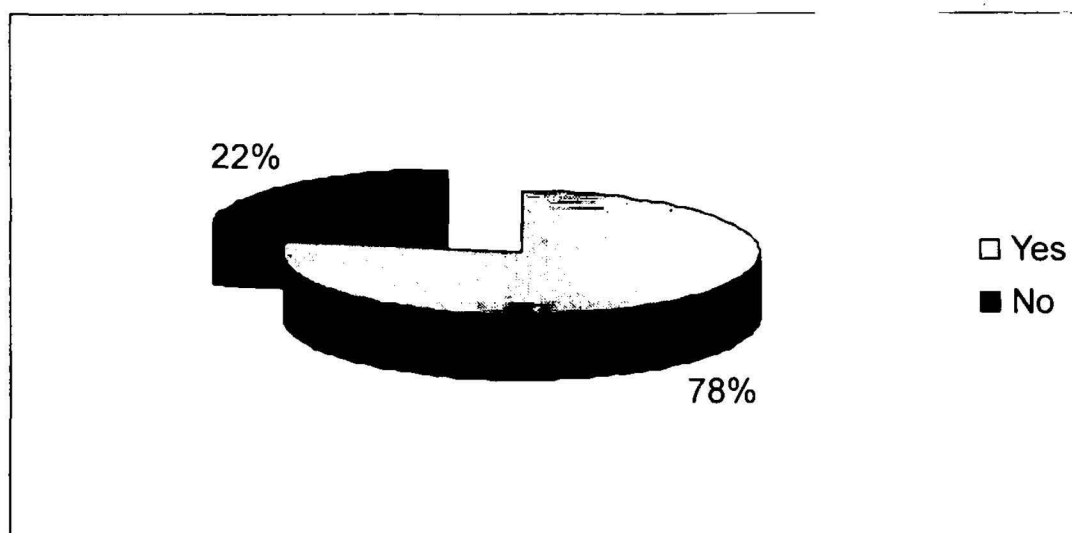
In response to the question that whether you are required to audit your accounts if your turnover exceeds Rs. 40lakhs in the previous year following responses were obtained

Table No. 4.2(e)2

Sr. No	Responses	No. of Respondents
1.	Yes	78
2.	No	22

Awareness regarding auditing of accounts if turnover exceeds Rs. 40 lakhs

Figure No. 4.2(e)2



Awareness regarding auditing of accounts if turnover exceeds Rs. 40 lakhs

7

The above results show that 78% of the respondents were aware that if turnover of an individual exceeds Rs. 40 lakhs, he is required to audit his accounts.

Thus from above two results it can be concluded that though respondents were aware of the provision but not of the relevant section under which that provision comes.

4.2(f)1. SECTION 44AF

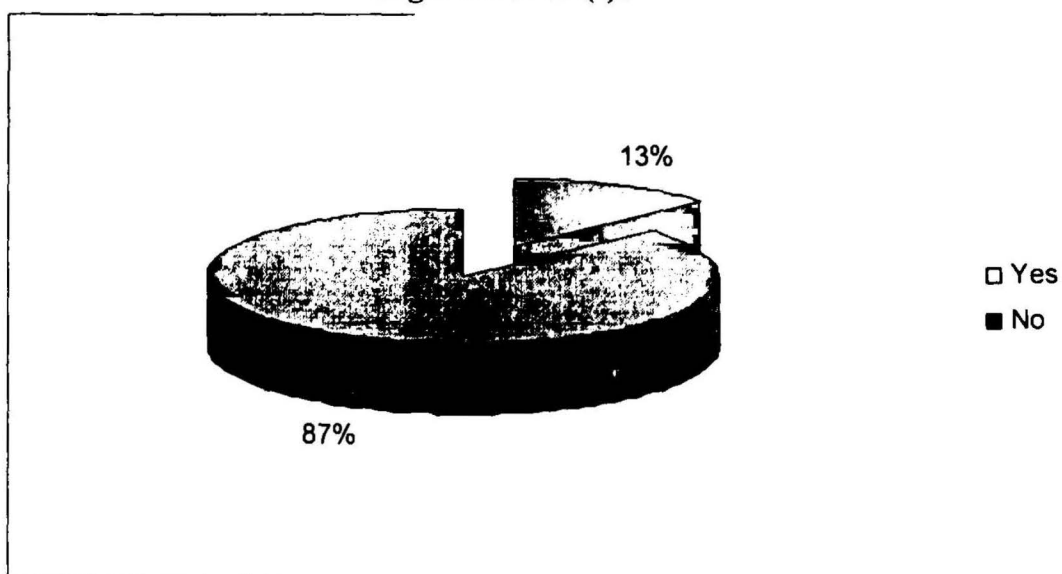
Regarding the awareness of Section 44AF following answers were received.

Table No. 4.2(f)1

Sr. No	Responses	No of Respondents
1.	Yes	13
2.	No	87

Awareness of Section 44AF

Figure No. 4.2(f)1



Awareness of Section 44AF

The above table shows that most of the respondents were unaware of the section 44AF and only few i.e. 13% were aware of section 44AF.

4.2(f) 2. MAINTAINING OF ACCOUNTS

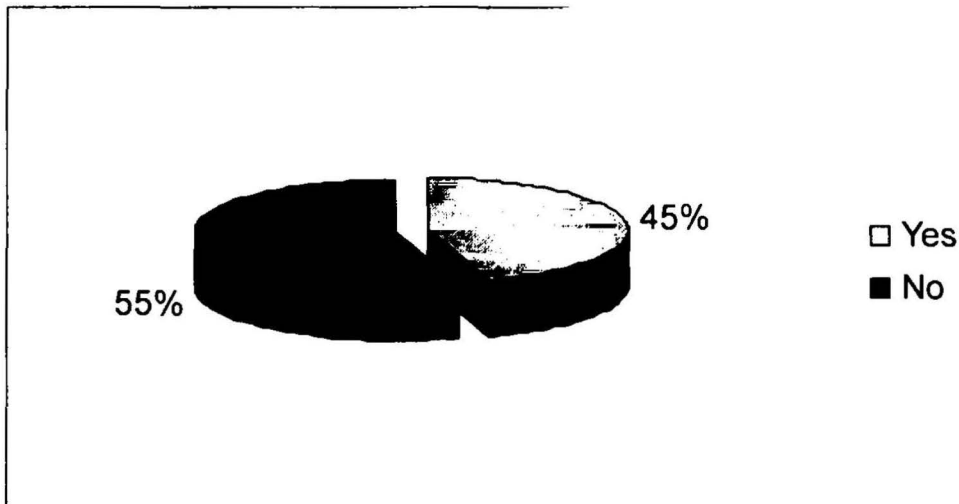
When the question was asked that did you know if your turnover is below Rs. 40 lakhs, you would not be required to maintain your account, following were the answers.

Table No. 4.2(f)2

Sr. No	Responses	No of Respondents
1.	Yes	45
2.	No	55

Awareness regarding not maintaining of accounts if turnover is below Rs. 40 lakhs

Figure No. 4.2(f)2



Awareness regarding not maintaining of accounts if turnover is below Rs. 40 lakhs

From the above table it can be concluded that 55% of the respondents are not aware regarding not maintaining of accounts if turnover is below Rs. 40 lakhs.

4.2(f)3. PROFIT & GAIN OF BUSINESS

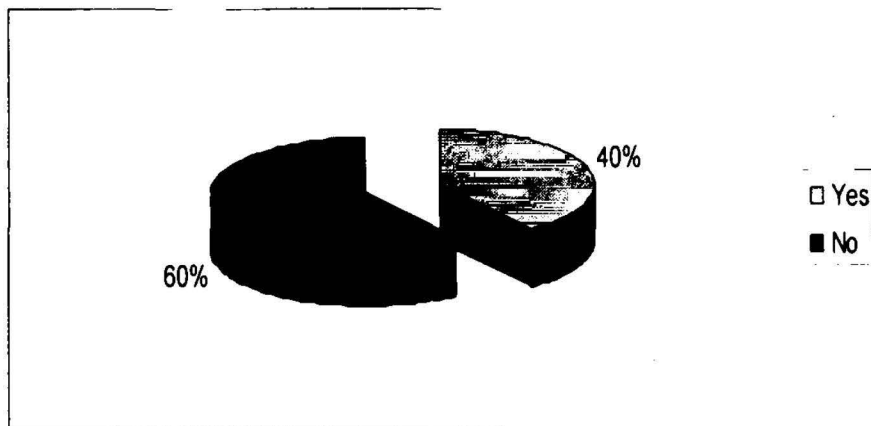
Regarding the awareness of presumptive computation of profit and gain of business at 5% of the gross receipt, if turnover is below Rs. 40lakhs, following results were obtained.

Table No. 4.2(f)3

Sr. No	Responses	No of Respondents
1.	Yes	40
2.	No	60

Presumptive computing of profit & gain of business

Figure No. 4.2(f)3



Presumptive computing of profit & gain of business

The above results show that 40 % of the respondents knew that if turnover of an assessee is below Rs 40Lakhs, profit and gain of business are presumptively computed at 5% of the gross receipt and 60% were unaware of this.

4.2(f)4. MAINTAINING & AUDITING OF ACCOUNTS

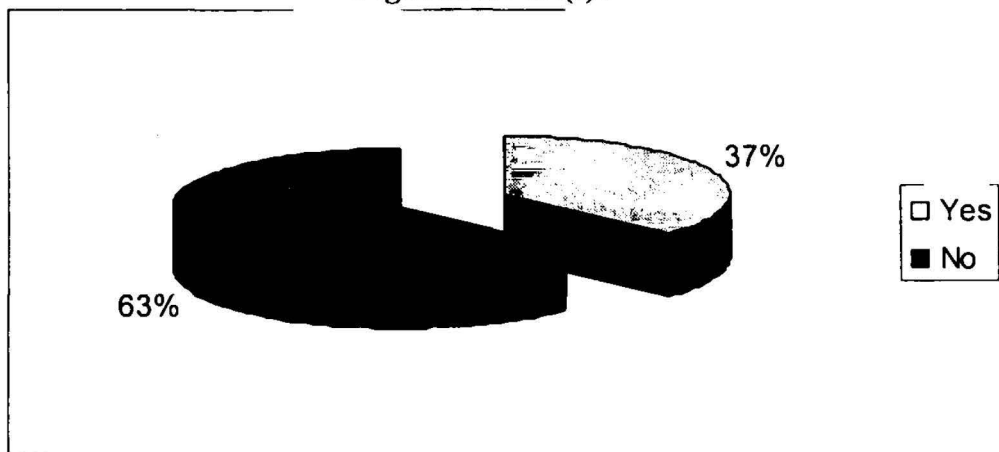
Following answers were obtained when it was asked that did you know if turnover of an assessee is below Rs. 40 lakhs and he claimed his profit to be lower than deemed profit, then he would be required to maintain the accounts and get them audited,

Table No. 4.2(f)4

Sr. No	Responses	No. of Respondents
1.	Yes	37
2.	No	63

Awareness regarding maintaining & auditing of Accounts

Figure No. 4.2(f)4



Awareness regarding maintaining & auditing of Accounts

As shown in the graph very few i.e. only 37 % of the respondents are aware that if turnover of an assessee is below Rs. 40 Lakhs and he claims his turnover to be lower than deemed profit, then he is required to maintain his accounts & get them audited.

From above four tables it can be said that not only the awareness of section 44AF was very less among retailers but respondents were also not much aware of the provisions that come under this section.

4.3 MEANS ADOPTED FOR TAX PLANNING

4.3(a) INVESTMENT IN LIC (Section 80C)

AWARENESS

BENEFIT OF THE PROVISION

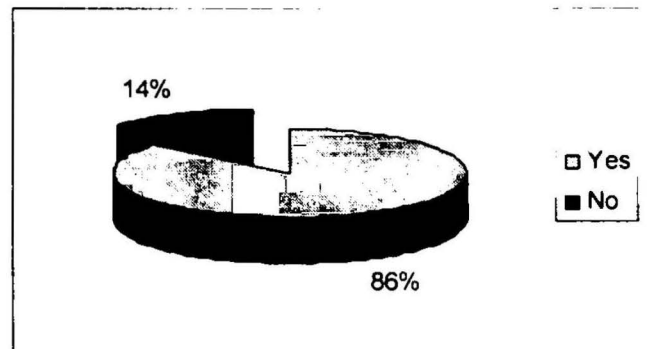
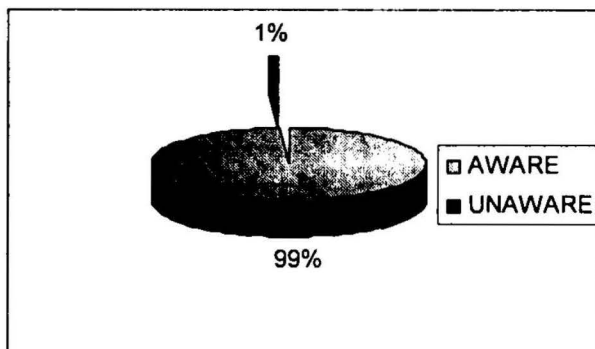
Table No. 4.3(a)i

Table No. 4.3(a)ii

Sr. No	Responses	No. of Respondents	Sr. No	Responses	No. of Respondents
1.	AWARE	99	1.	YES	86
2.	UNAWARE	1	2.	NO	14

Figure No. 4.3(a)i

Figure No. 4.3(a)ii



AWARENESS

BENEFIT OF THE PROVISION

47

The above two tables reveal that almost all the respondents were aware of the Investment in LIC plan as a mean of tax planning and 86% of the respondents have taken the benefit of this provision. Here by paying for deferred annuity plan of LIC on the life of himself, spouse/child e.g. Jeevan Dhara & Jeevan Akshay, an individual is entitled to deduction for the whole amount paid or deposited in the current financial year and is subject to the limit of Rs. 1,00,000.

4.3(b) CONTRIBUTION TO PPF (Section 80C)

AWARENESS

BENEFIT OF THE PROVISION

Table No. 4.3(b)i

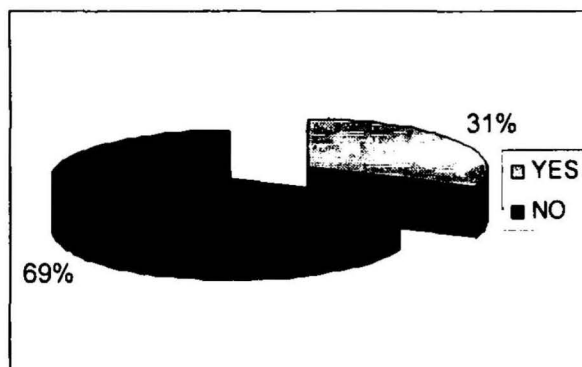
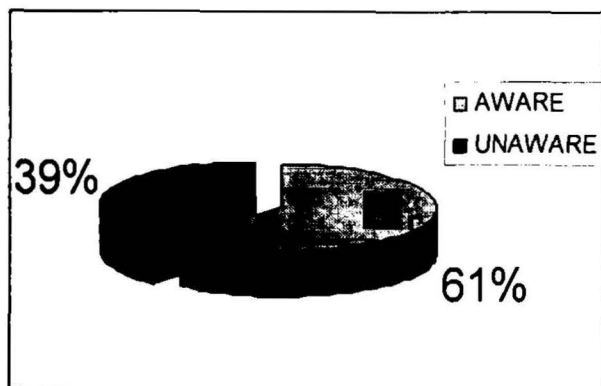
Table No. 4.3(b)ii

Sr. No	Responses	No. of Respondents
1.	AWARE	61
2.	UNAWARE	39

Sr. No	Responses	No. of Respondents
1.	YES	31
2.	NO	69

Figure No. 4.3(b) i

figure No.4.3 (b)ii



AWARENESS

BENEFIT OF THE PROVISION

47

The above figures show that awareness of the provision of contribution to PPF was 61% but only 31% of the respondents have taken the benefit of this provision in the previous year. Contribution, to any provident fund to which Provident Fund Act, 1925 applies, is entitled to deduction of maximum of Rs. 1, 00,000.

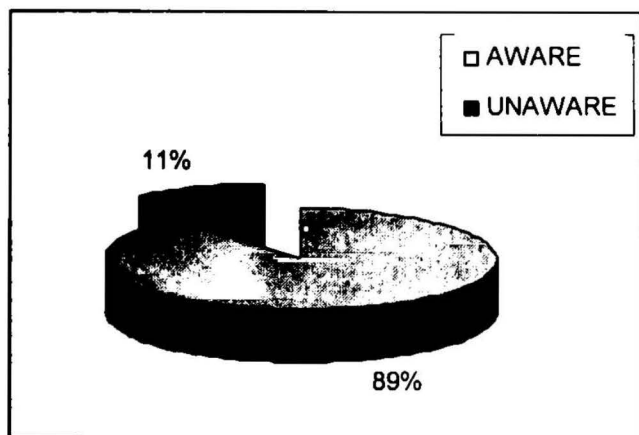
4.3(c) HOUSING LOAN (Section 80C)

AWARENESS

Table No. 3(c)i

Sr. No	Responses	No. of Respondents
1.	AWARE	89
2.	UNAWARE	11

Figure No. 4.3(c)i



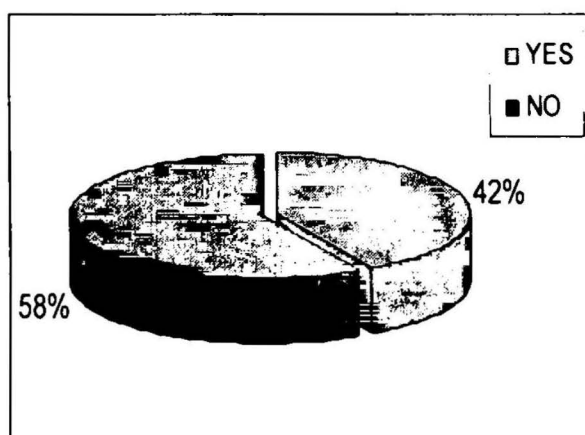
AWARENESS

BENEFIT OF THE PROVISION

Table No. 4.3(c)ii

Sr. No	Responses	No. of Respondents
1.	YES	42
2.	NO	58

Figure No. 4.3(c)ii



BENEFIT OF THE PROVISION

The above results show that 89% of the respondents knew about the housing loan provision and only 42% took the benefit of the provision. Under housing loan provision the repayment of principal amount is deductible from the gross total income and interest amount is exempted from the total income.

4.3(d) INVESTMENT IN MEDICAL INSURANCE (Section 80D)

AWARENESS

Table No. 4.3(d)i

Sr. No	Responses	No. of Respondents
1.	AWARE	78
2.	UNAWARE	22

BENEFIT OF THE PROVISION

Table No.4.3(d)ii

Sr. No	Responses	No. of Respondents
1.	YES	26
2.	NO	74

Figure No. 4.3(d) i

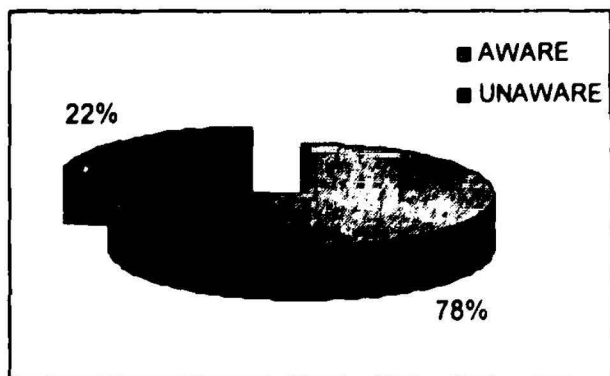
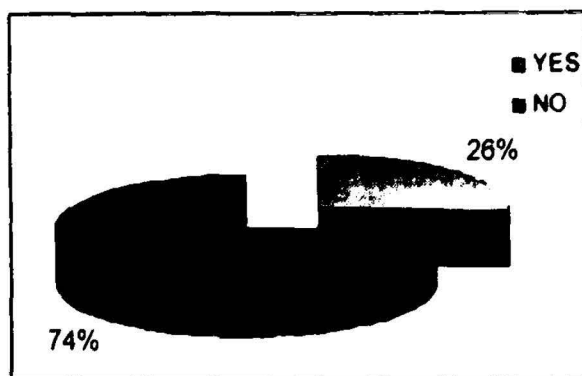


Figure No. 4.3(d) i i



AWARENESS

BENEFIT OF THE PROVISION

Under section 80D a deduction up to maximum of Rs.15,000(Rs. 20,000 in case of senior citizen) is allowed to an individual and HUF, in respect of any sum paid by cheque or any mode other than cash on insurance of his health & his spouse or dependent children or dependent parents. Above tables show that though 78% of the respondents were aware of the provision of investment in medical insurance but only 26% have taken the benefit of this provision.

4.3(e) CONTRIBUTION TO PENSION FUND (Section 80CCC)

AWARENESS

Table No.4.3(e)i

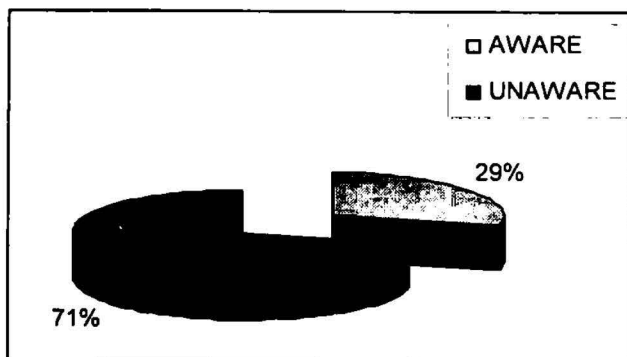
Sr. No	Responses	No. of Respondents
1.	AWARE	29
2.	UNAWARE	71

BENEFIT OF THE PROVISION

Table No. 4.3(e)ii

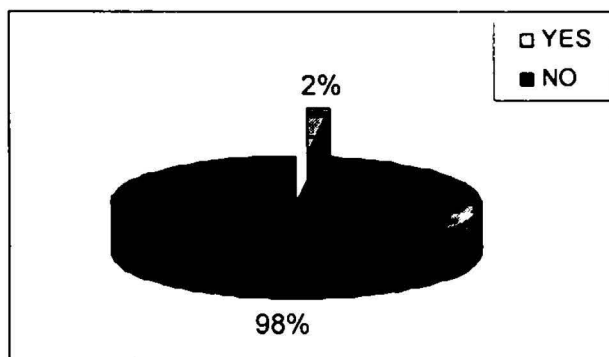
Sr. No	Responses	No. of Respondents
1.	YES	2
2.	NO	98

Figure No. 4.2(e) i



AWARENESS

Figure No. 4.2(e) ii



BENEFIT OF THE PROVISION

The above data reveals that awareness of the provision of contribution to pension fund was very less i.e. 29% and only 2% of the respondents have been taking the benefit of this provision. The deduction under this section is available for the amount paid or deposited under an annuity plan of LIC of India or any other insurer for the purpose of receiving pension, from the fund set up by the insurer under any pension scheme. The maximum amount of deduction is Rs. 1,00,000.

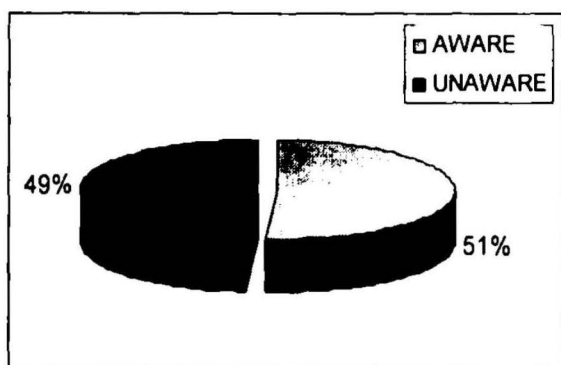
4.3(f) EXPENDITURE ON MEDICAL TREATMENT OF HANDICAPPED DEPENDENT (Section 80DD)

AWARENESS

Table No 4.3(f)i

Sr. No	Responses	No. of Respondents
1.	AWARE	51
2.	UNAWARE	49

Figure No. 4.3(f) i



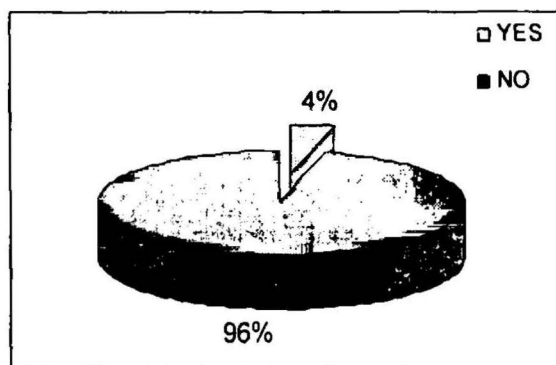
AWARENESS

BENEFIT OF THE PROVISION

Table No.4.3(f)ii

Sr. No	Responses	No. of Respondent t
1.	YES	4
2.	NO	96

Figure No.4.3 (f)ii



BENEFIT OF THE PROVISION

From the above tables it can be concluded that 51% of the respondents were aware of the provision of expenditure on medical treatment of handicapped dependent and only 4% of the respondents have taken the benefit of the provision in the previous year. Under this provision a deduction of an amount of Rs. 50,000 is allowed, in case of individual or HUF, who has incurred any expenditure for the medical treatment, training and rehabilitation of a dependent, being a person with disability and a higher deduction of Rs. 75,000 is allowed where such dependent is person with severe disability.

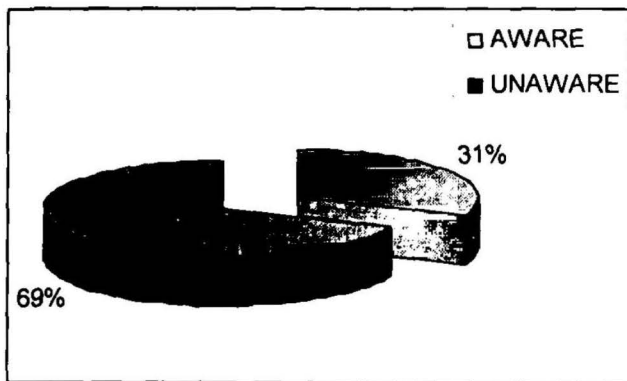
4.3(g) EXPENDITURE ON MEDICAL TREATMENT (HIMSELF, DEPENDENT HUSBAND, WIFE, CHILDREN, BROTHERS, SISTERS) (Section 80DDB)

AWARENESS

Table No. 4.3(g) i

Sr. No	Responses	No. of Respondents
1.	AWARE	31
2.	UNAWARE	69

Figure No. 4.3(g) i



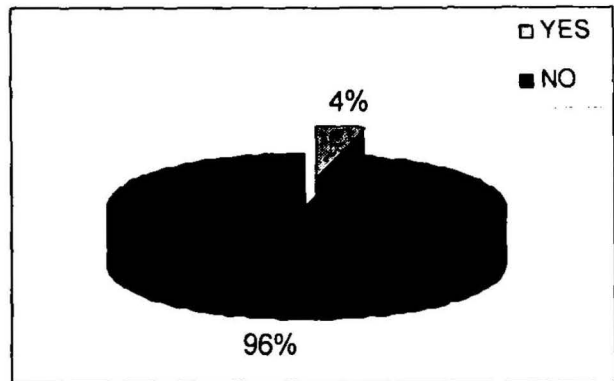
AWARENESS

BENEFIT OF THE PROVISION

Table No. 4.3(g)ii

Sr. No	Responses	No. of Respondents
1.	YES	4
2.	NO	96

Figure No. 4.3(g)ii



BENEFIT OF THE PROVISION

Thus about the provision of expenditure on medical treatment (himself, dependent husband, wife, children, brothers, sisters) it can be said that only 31% of the respondents are aware and 4% of the respondents have taken the benefit of this provision. This section provides that a deduction for any expenditure actually incurred on the medical treatment of such diseases specified in the rule 11-DD for himself or any dependent relative would be available subject to maximum of Rs. 40,000 or 60,000 in case of senior citizen.

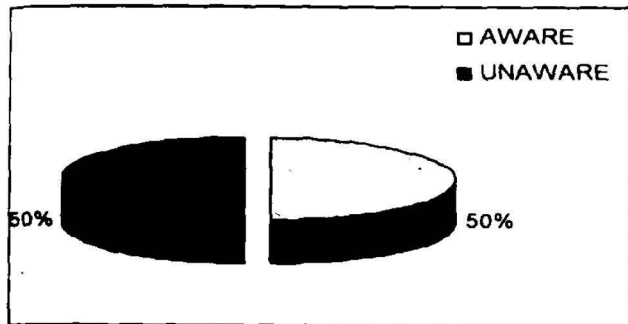
4.3(h) HIGHER EDUCATION LOAN (Section 80DD)

AWARENESS

Table No. 4.3(h) i

Sr. No	Responses	No. of Respondents
1.	AWARE	50
2.	UNAWARE	50

Figure No. 4.3(h)i



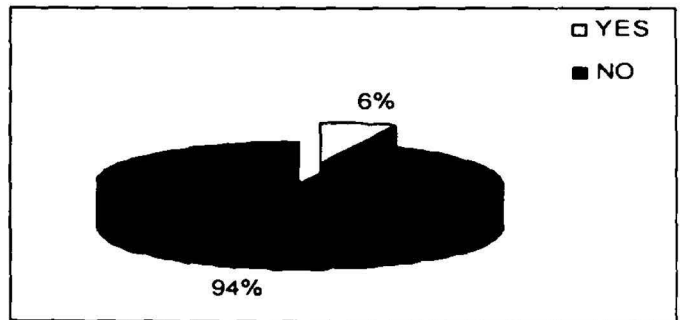
AWARENESS

BENEFIT OF THE PROVISION

Table No. 4.3(h) ii

Sr. No	Responses	No. of Respondents
1.	YES	6
2.	NO	94

Figure No. 4.3(h)ii



BENEFIT OF THE PROVISION

Under this section deduction is allowed for any amount paid in respect of interest on loan taken from any financial institution or any approved charitable institution for the purpose of higher education of himself, or spouse or any children.⁷ The deduction is available for maximum of 8 years. The above data reveals that 50% of the respondents were aware of the provision of higher education loan and only 6% of the respondents have taken the benefit of it.

**4.3(i) DONATION TO CERTAIN FUNDS OR CHARITABLE INSTITUTION
(Section 80G)**

AWARENESS

Table No. 4.3(i)

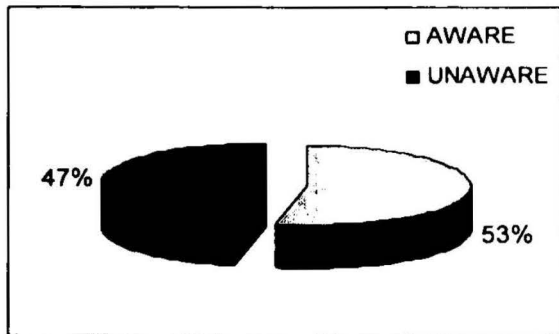
Sr. No	Responses	No. of Respondents
1.	AWARE	53
2.	UNAWARE	47

BENEFIT OF THE PROVISION

Table No. 4.3(ii)

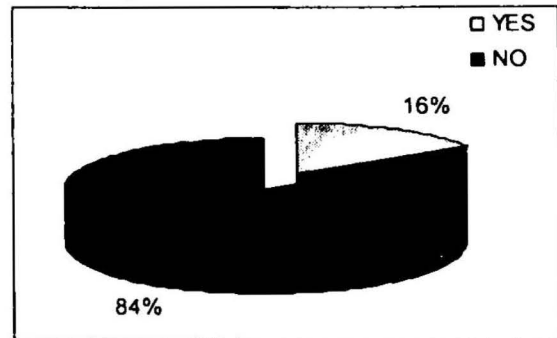
Sr. No	Responses	No. of Respondents
1.	YES	16
2.	NO	84

Figure No. 4.3(i)



AWARENESS

Figure No. 4.3(ii)



BENEFIT OF THE PROVISION

From the above tables it can be concluded that 53% of the respondents were aware of the provision of donation to certain funds or charitable institution and only 16% of the respondents have taken the benefit of the provision in the previous year. Under this section an assessee is allowed a deduction from his total income in respect of donation made to specified funds, approved charitable institution or trust etc. 7

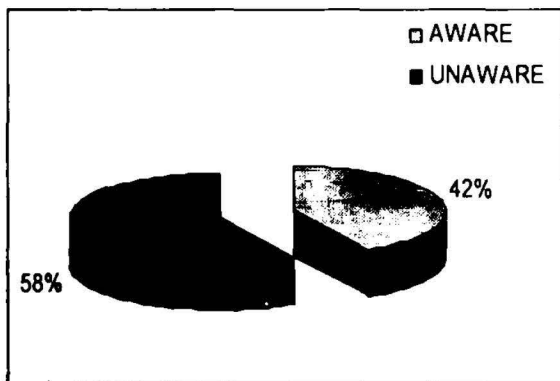
4.3(j) PAYMENT OF RENT (Section 80GG)

AWARENESS

Table No. 4.3(j) i

Sr. No	Responses	No. of Respondents
1.	AWARE	42
2.	UNAWARE	58

Figure No. 4.3(j) i



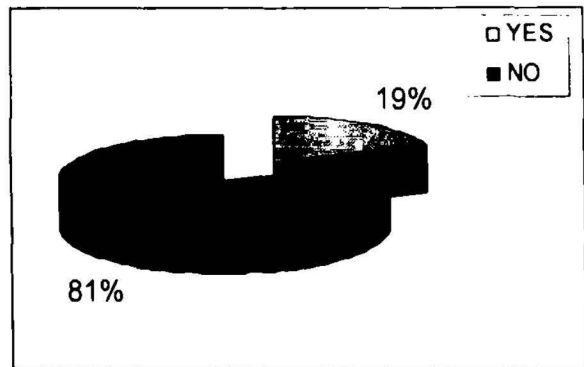
AWARENESS

BENEFIT OF THE PROVISION

Table No. 4.3(j)ii

Sr. No	Responses	No. of Respondents
1.	YES	19
2.	NO	81

Figure No. 4.3(j)ii



BENEFIT OF THE PROVISION

The above tables show that 42% of the respondents are aware of the provision of payment of rent as means of tax planning and only 19% of the respondents have taken the benefit of this in previous years. An individual who pay rent for any housing accommodation occupied by him for the purpose of his own residence, provided it should not be owned by an assessee, is allowed to deduction which is either rent paid in excess of 10% of total income before deduction or Rs. 2,000 per month, whichever is less.

**4.3(k) CONTRIBUTION GIVEN BY ANY PERSON TO POLITICAL PARTIES
(Section 80GGC)**

AWARENESS

BENEFIT OF TEC PROVISION

Table No. 4.3(k)i

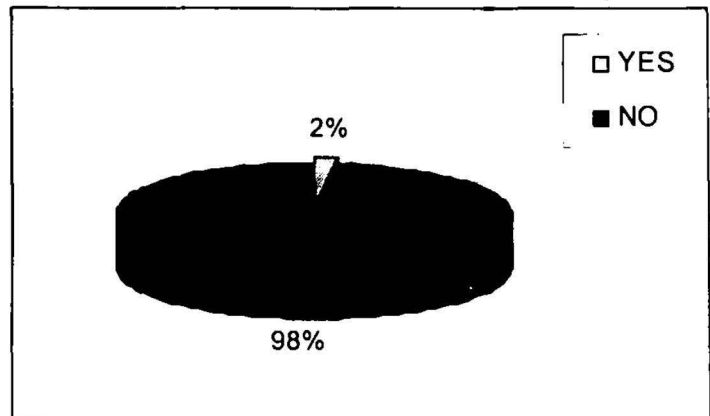
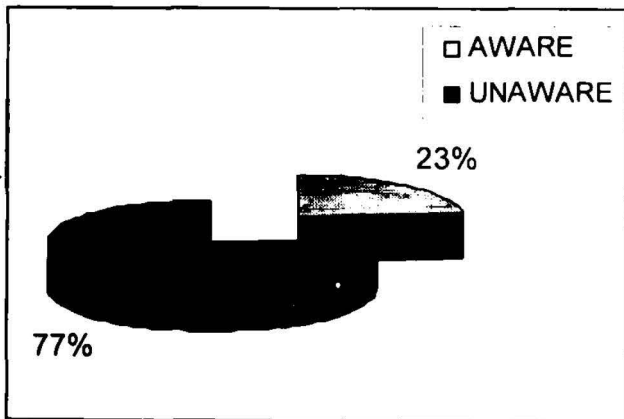
Table No. 4.3(k)ii

Sr. No	Responses	No. of Respondents
1.	AWARE	23
2.	UNAWARE	77

Sr. No	Responses	No. of Respondents
1.	YES	2
2.	NO	98

Figure No. 4.3(k) i

Figure No. 4.3(k) ii



AWARENESS

BENEFIT OF THE PROVISION

The above data reveals that only 23% of the respondents were aware of the provision of contribution to political parties and only 2% have taken its benefit in the previous years.

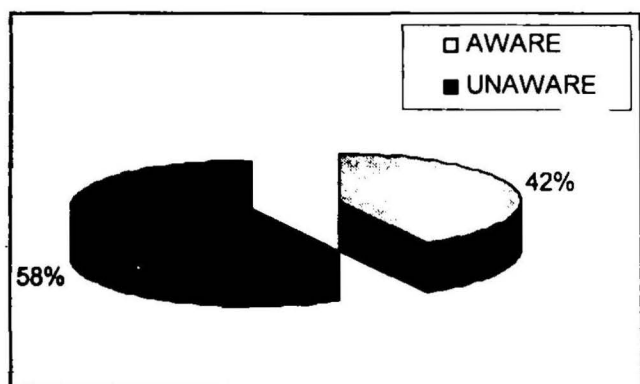
4.3(I) CLAIMING OF DEPRECIATION ON ASSET (Section 32)

AWARENESS

Table No. 4.3(I) i

Sr. No	Responses	No. of Respondents
1.	AWARE	42
2.	UNAWARE	58

Figure No. 4.3(I) i



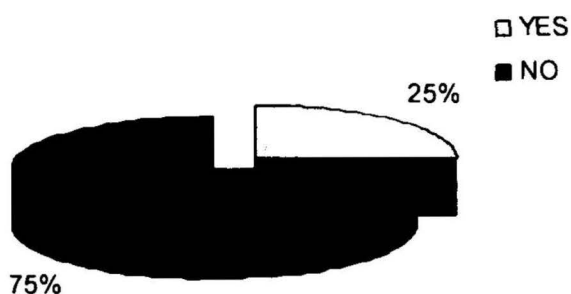
AWARENESS

BENEFIT OF THE PROVISION

Table No. 4.3(I)ii

Sr. No	Responses	No. of Respondents
1.	YES	25
2.	NO	75

Figure No. 4.3(I) ii



BENEFIT OF THE PROVISION

From the above tables it can be concluded that 42% of respondents are aware of the claiming of depreciation on asset and among only 25% have taken the benefit of this provision. The asset, in respect of which depreciation is claimed, must have been used for the purpose of business and if the asset is partly used for business' or profession and partly used for private & personal purposes, a reasonable proportion of the depreciation attributable for the business purpose of the asset is allowed.

CHAPTER -5

CONCLUSION

CONCLUSION

1. The findings of the study reveal that most of the retailers in Shimla that were covered under my study were the sole proprietors of the shop followed by partnership firm. Only few retailers were engaged in joint family business and existence of private ltd. company was negligible. About the type of business that contacted retailers in Shimla were carrying out, it can be said that most of the retailers were having readymade garments shops followed by clothing business and footwear business. Regarding the earnings of the shops it was found that most of the retailers were having daily sales in between Rs.1000 to Rs.5000.
2. After conducting the study about the awareness among retailer of Income Tax regulations it was found that majority of the respondents were aware of the PAN number and its use but awareness about liability to pay advance tax was very less. When respondents were asked about the Section 44AB majority of the respondents did not know about it but when the provision under this section was given majority of the respondents were aware of this. Similarly when respondents were asked about Section 44AF most of them were unaware but when the provision under Section 44AF was given then also majority of the respondents did not know about this section.
3. Regarding the means adopted for tax planning it was found that maximum respondents were aware of investment in LIC and were also taking benefit of this provision. Another mean of tax planning which most of the respondents were aware of was housing loan and it was followed by investment in medical insurance. But very few have taken the benefit of investment in medical insurance provision as compared to housing loan. After this the another provision which respondents were aware of was contribution to PPF but again very few have take benefit of this provision. Nearly half of the respondents knew about donation to charitable institutions and medical treatment of handicapped dependent but actually very few retailers have enjoyed these

provisions. These provisions were followed by higher education loan. Awareness of payment of rent and claiming of depreciation on asset was equal among retailers but benefit of the provision of depreciation on asset was taken more by respondents. The provisions awareness of which was least among retailers were expenditure on medical treatment, contribution to pension fund and contribution to political parties. Among them least known provision was contribution to political parties.

4. It can be suggested from the results obtained from the study that Income Tax department should take some steps to spread awareness regarding Income Tax regulations, so that retailers are at least aware of the Sections that are meant for them. Moreover, Income Tax department should make retailers well aware of the investment alternatives, so that instead of tax evasion retailers go for proper tax planning. Many respondents were unaware of provisions like contribution to pension fund (Section 80CCC) and contribution given by any person to political parties (Section 80GGC). So there is need to make retailers aware of these provisions and how their benefit can be derived. Retailers also, instead of being dependent on their accountants, should keep themselves well acquainted with various Sections for them. There is also a need to keep themselves aware of the means of tax planning and various deductions under various Sections. These way retailers will be able to save their tax and get to know about investment in those areas where they can get good returns.
5. Further research can also be conducted on this subject regarding why retailers do not go for various deductions available. One can find out that are people not aware or there are some flaws in the provisions. There are certain provisions like investment in medical insurance, higher education loans and donation to certain funds or charitable institutions, where, though there is awareness, but very few have taken their benefits. Thus study can be conducted on this.



47223

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ANNEXURE

ANNEXURE A

PERSONAL INTERVIEW QUESTIONS

1. What are the salient provisions of Income Tax Act relevant to retailers
2. What are those sections under which retailer are allowed deductions.
3. What are the maximum limits of deductions under various Sections.
4. What are the most frequently used means of tax planning among retailers in Shimla.
5. Do you think retailers are aware of relevant sections for them or they are dependent on their accounts.
6. When a person is liable to pay advance tax.

ANNEXURE B

QUESTIONNAIRE

Dear Respondent

I am a student of MBA in UHF, Nauri, Solan. I am conducting the study in to find the awareness of Income Tax regulation and means adopted for tax planning by retailers. Hope you will surely spare your time to fill this questionnaire.

Name of the Respondent: _____

1. Type of the firm

- a) Sole Proprietor firm
- b) Partnership firm
- c) Joint family business
- d) Private Ltd. Company

2. Type of the business

- a) Readymade Garments
- b) Clothing Business
- c) Crockery Business
- d) Grocery Shop
- e) Gift Shop
- f) Footwear Business
- g) Electronics Business
- h) Stationary Shop
- i) Others

3. Daily sale of the shop

- a) Below 1000
- b) 1000-5000
- c) 5000-10000
- d) Above 10000

4. Which number I required for income tax purpose

- a) Personal account number
- b) Permanent account number(PAN)
- c) Postal account number

5. Is it compulsory to quote PAN on return of your income
a) Yes b) No c) Do not know
6. Can a person use more than one PAN
a) Yes b) No c) Do not know
7. When a person is liable to pay advance tax
a) If Tax payable is Rs 4000 or more
b) If Tax payable is Rs 5000 or more
c) If Tax payable is Rs 8000 or more
d) If Tax payable is Rs 10000 or more
e) Do not know
8. Are you aware of section 44AB.
a)Yes b) No
9. Did you know that you are required to audit your accounts if your turnover exceeds Rs. 40 lakhs in the previous year
a)Yes b) No
10. Are you aware of section 44AF
a)Yes b) No
11. Did you know that if your turnover is below Rs. 40 lakhs, you are not required to maintain your account.
a) Yes b) No
12. Did You know that if your turnover is below Rs. 40lakhs, profits and gains of business are presumptively computed at 5% of gross receipt.
a) Yes b) No
13. Did you know that if your turnover is below Rs. 40lakhs and he claims his turnover to be lower than deemed profit, then he is required to maintain the accounts and get them audited.
a) Yes b) No

14. Please indicate whether you are aware of tax planning methods mentioned & whether you have benefited from it, by ticking of.

<u>Means of tax planning</u>	<u>Aware</u>	<u>Have you taken the benefit of this provision in the previous year.</u>
1. Investment in LIC		
2. Contribution to PPF		
3. Housing Loan		
4. Investment in medical insurance		
5. Contribution to Pension Fund		
6. Expenditure on medical treatment of handicapped dependent		
7. Expenditure on medical treatment(himself, dependent husband, wife, children, brothers, sisters)		
8. Higher education loan		
9. Donation to certain funds or charitable institution.		
10. Payment of rent		
11. Contribution given by any person to political parties		
12. Claiming of depreciation on assets		

Thank you.

PROJECTS

- Awareness of Income Tax Regulation among retailers in Shimla.
- Summer Training Project Report on "Financing An Agricultural Marketing Yard" in Indian Overseas Bank, Shimla.

ACADEMIC CREDENTIALS

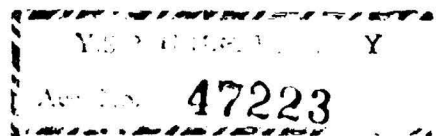
2007-09	MBA (Finance), Dr. Y.S. Parmar University of Horticulture and Forestry Nauni, Solan.	79% (1st Year)
2003-06	Bachelor of Science (3 yr course), St. Bede's College, Shimla, Himachal Pradesh	69.7%
2001-03	Senior Secondary (X+2), Dayanand Public School, Shimla., CBSE Board	76%
2000-01	High School (Xth), Dayanand Public School, Shimla, CBSE Board	79.6%

COMPUTER SKILLS

- Proficient in Windows and MS WORD, EXCEL, ACCESS & POWERPOINT Applications & Internet.

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