Twitter Thread by Aditya Todmal



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How do I save taxes above 50,00,000 income?

• Not hiding income
• Not spending too much time
• Not trading in multiple accounts simultaneously

It's the same process that the top traders & fund managers use to save taxes. It works.

THREAD: ■

Collaborated with @niki_poojary

The Ultimate Guide for Traders who want to understand how they can use:

1) Unsecured Loans
2) Claim Expenses
3) Pvt Company

To drastically lower their taxes.

Have spoken to a lot of CA's and have got this information from them.

Follow these steps to pay lower taxes: ↓

Step 1:

The first thing traders do is loan their money to their family members to trade in their accounts so that they can make a profit in the family members' name.

This way the tax is divided by different names.

So you don't have to pay taxes on one name only.

How do they do this?

They use "Unsecured Loans".

It is completely legal to give a loan to your family.

Once they get the loan in their account, they can use that money to start trading.

30% tax is charged above 15 lakhs income.

Until 15 lakhs, you can trade in their names.



Income Slab	Income Tax
Up to ₹3,00,000	Nil
₹3,00,0001 to ₹6,00,000	5%
₹6,00,001 to ₹9,00,000	10%
₹9,00,001 to ₹12,00,000	15%
₹12,00,001 to ₹15,00,000	20%
More than ₹15,00,000	30%

Assuming a family of 4 (most common) until 60 lakh profit you can do this.

This would be much better than making 60 lakh income on one name only.

Not only are you charged a lower tax rate by doing this, but you also make use of the no-tax slabs.

Step 2: Use no tax slab:

There is no tax on the first 2.5 lakhs of income for an individual.

Assuming a family of 4, you can avail this 2.5L benefit amongst your family.

You did not pay tax on 10L (2.5*4) of your income as a result.

One more Benefit:

Another benefit of this "unsecured loan" is to avoid the surcharge one has to pay above 50 lakhs income.

Since not one person is earning 50 lakhs for himself, no question of a surcharge.

This was for traders who earn up to 50 lakh. They can split their incomes via this route.

Do I have something for traders earning more than 50 lakhs?

Yes. They form a Private Limited Company.

Let's learn why ahead.

Step 3: Make a Pvt Ltd Company.

Form a company with family members and trade under it.

The family members should be directors of the company.

Why form a company?

You will only need to pay 25% flat tax whereas Individuals have to pay 30% tax above 15 lakh profits.

Surcharge Benefits:

You will be charged a lower surcharge in a corporate account.

Check the picture below:

Current rates of Surcharge

Following are the thresholds and the rates of surcharge applicable in case of various assesses.

1) • **Individuals, Hindu Undivided Family (HUFs), Body of Individuals (BOI), Association of Persons (AOP) and Artificial Judicial Person (AJP)**

Total Income	Rate of Surcharge applicable
Less than Rs. 50 Lakhs	Nil
Rs. 50 Lakhs to Rs. 1 Crore	10%
More than Rs. 1 Crore	15%

2) • **Domestic Company –** the following are the surcharge rates that are applicable in case domestic companies:

Total Income	Rate of Surcharge applicable
Less than Rs. 1 Crore	Nil
Rs. 1 Crore to Rs. 10 Crore	7%
More than Rs. 10 Crore	12%

Total Tax Outlay:

The total tax outlay for individuals is 30% plus a surcharge.

If you earn a lot (10 cr +) then you will be paying 42% tax.

Whereas in a company you'll be paying a maximum of 28% tax.

This is how rich people save a lot of their money by paying lower taxes.

Step 4: Expenses can be deducted.

All expenses can be deducted from a company account.

Companies:
1. First make a profit.
2. then deduct the expenses
3. & Pay tax on the remaining income

Individuals:
1. First Profit
2. Then Pay tax

3. Expenses with whatever is left.

This makes a huge difference in companies as you get to deduct expenses first and then have to pay tax on the remaining amount.

Individuals are first charged taxes and then get to spend with the remaining amount.

Over a long period, this turns into a huge gain for companies.

Step 5: Which Expenses to charge?

1. Office Rent
2. Petrol
3. Car Depreciation
4. Salaries
5. Travel
6. Food in restaurants

Additionally, get to deduct housing loans as well.

What do you spend on to trade?

To trade, each of us needs:
• Computers
• Laptop
• Mobiles

This is absolutely basic to our business.

After that, in order to connect to
• The markets and
• Place orders

We also need an internet connection.

The office you might be trading in might need an:

• Television to watch the news
• Air conditioner
• Fridge

Since these are related to your business, which is trading, these expenses can be claimed.

As a result, your tax will reduce.

If your trading capital is high enough, you might need to diversify into:

• Different instruments and
• Multiple stocks.

You cannot place all these orders manually.

So you can hire dealers to punch orders for you.

Salaries

People who manage other people's money also hire dealers to punch orders in multiple accounts.

Utilize their salaries, which your company incurs as an expense, to reduce your taxes.

Travel expenses:

If you travel for some business event, you can claim the:

• Flight tickets
• Food costs and
• Hotel stay

You can claim these costs as an expense when conducting meetings with clients or events.

Losses from Futures and Options:

The majority of traders lose money in the stock market.

If you are one of them, you can show your losses, and then when you make a profit from trading, offset these losses.

This will reduce your taxable income in subsequent years.

HUF (Hindu Undivided Family):

You can open a HUF for tax-saving purposes. This becomes a separate entity.

You can claim different expenses here as well.

Many of my trader friends are doing this to reduce taxes.

Step 6: Give a loan from your account to your company account.

Since all the family members will be directors in the company, the company can receive a loan from its directors without any hassle.

Start trading with that loan that you've given yourself.

Don't repay the loan.

Low Paid-up capital:

Keep paid-up capital as 1 lakh only.

Anything above that is a loan from directors.

I have confirmed this with multiple traders.

Step 7: Is an NBFC license required?

No NBFC licence is required. Have confirmed this with multiple CA's and multiple traders too.

https://t.co/KxVJcQJy1c

> My CA told me, if I form a company to trade then I have to register it as an NBFC. Is this true?
>
> Whoever trades in company accounts can you dm me, please?
>
> — Aditya Todmal (@AdityaTodmal) January 7, 2022

Step 8: When should you open a corporate account?

If you're making a profit of higher than 50 lakhs then it makes sense to transfer money to a corporate account and trade from it rather than on an individual name as there are compliance costs as well.

Step 9: Depreciation

In a corporate account, it will be easy to claim depreciation.

Tough to do in an individual account.

Additionally, all interest paid is considered an expense if you buy a property in the company name.

Conclusion:

Everything you buy, buy under the company name. The total tax you pay will be lesser than 25%.

These are the advantages of trading in a corporate account. If you know of any other benefits list them below.

We also have a free telegram channel as well.

Link to join: https://t.co/bE4fyLgxv2

We are finally on Youtube!!

We have a free Youtube Channel where we cover our analysis of the markets.

If interested feel free to join using this link: https://t.co/nn32SaAej5

That's a wrap!

If you enjoyed this thread:

1. Follow us @Adityatodmal & @niki_poojary for more threads on Price action, Option Selling & Trading growth.

We've got you covered.

2. RT the first Tweet to share it with your audience.

I appreciate it!