

# [Cash in hand](https://assignbuster.com/cash-in-hand/)

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Mr. Thompson should have minimized his tax liability through legal tax planning whereby the government provides various tools and mechanisms to reduce tax returns such as exemptions, rebates, deductions, and allowances (Gavai 2010). Legal tax planning helps a business to minimize its expenses and thereby reducing its costs of operation and later having long term profits. Therefore, Mr. Thompson should have used other legal means such as low tax rates or other tax benefits that his country offers for investment.

The government should ensure that there is tax transparency and ensures that taxes are disclosed to the public. Information sharing and modernization of international tax laws are ways that can reduce tax evasion. Other means of reducing tax evasion include keeping corporate income tax rates low, pursuing international tax information exchange agreements, tightening anti-avoidance rules and also coming up with new tax policies that can help businesses compete (Gavai 2010).