“A STUDY ON TAX PLANNING MEASURES ADOPTED BY SALARIED CLASS WITH SPECIAL REFERENCE TO CHENGANNUR MUNICIPALITY, ALAPPUZHA DISTRICT”

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Abstract: The economy of India is a developing mixed economy. It is the world’s sixth largest economy by nominal GDP and the third largest by purchasing power parity. The salaried employees constitute a stable class of tax payers who contribute to the public exchequer about 12 percent of the total revenue collection by the way of income tax. Tax planning has assumed special importance for salaried class of tax payers in view of the mounting pressures of inflation, price hike and their and strict obligation for tax compliance. It is therefore essential for this class of tax payer’s to know their tax obligations in the right perspective and the right perspective and the measures of tax planning available to them so that they can make the best use of their earnings by reducing the incidence of tax. The study on Tax Planning Measures Adopted by Salaried Class aims at study the awareness of tax planning measures among the salaried class.

Index Terms: Tax planning, Tax payers, Tax planning measures

I. INTRODUCTION

India has one of the fastest growing service sectors in the world with an annual growth rate above 9% since 2001, which contributed to 57% of GDP in 2012-2013. India has become a major exporter of IT services, Business Process Outsourcing (BPO) services and software services. Three major sectors contribute to the Indian economy and the GDP of the country. These are Agriculture which includes crops, milks, animal husbandry, fishing, forestry and some other activities. The industry which includes several manufacturing sub sectors. The services include retail, construction, software, communication, banking and other economic activities.

While India’s economic growth has been impressive, rapid growth has been accompanied by a slow decline in poverty, persistently high inflation, jobless growth, widening regional disparities, continuing socio-political instability and vulnerability to balance of payment crisis. Most governments in the world are striving to attain long term growth and economic development with taxation as one of the major tools. However, it is necessary to know which components of tax are to be targeted in order to attain economic growth. This study therefore disaggregated in the various components of direct and indirect tax. The word “Tax” has been defined by different author. According to EGWA, UDU and AGU (1999), tax was defined as a compulsory payment made by each eligible citizen towards the expenditure of the state.

Tax planning should not be done with the intent to defraud the revenue; though all transactions entered into by an assesses could be legally correct, yet on the whole the transactions be devised to defraud the revenue. Tax planning is resorted to maximize the cash inflow and minimize the cash outflow. Tax is kind of cast, the reduction of cost shall increase the profitability. Tax planning should be done before the accrual of income. Tax planning is a way by which you arrange your financial affairs in such a manner that without breaking up any law you take full advantage of all exemptions, deductions, rebate and reliefs.
allowed by law so that your tax liability will be reduced. Tax planning will help you to reduce your tax liability and you have to pay less tax. Tax planning is the process of planning how to avoid paying too much tax, for example by investing in tax-exempt bonds. Tax planning involves analysis of a company’s financial situation and plan to incorporate taxation in the most.

II. STATEMENT OF THE PROBLEM

Tax planning is possible through appropriate savings and wise investment decisions. Taxpayers normally turn away from their tax liability only towards the end of financial year. This leaves them with little option to invest or save with available income. The real issue would relate to having awareness on the numerous provisions that would help in reducing the tax liability. Investments come in the form of physical assets and financial assets with varying yields. The complete understanding of the opportunities available and managing one’s finance considering tax liability and post-tax cost are crucial as far as personal finance is concerned. The current study is an effort to evaluate tax planning measures adopted by the salaried income tax assesses of the state in the light of tax administration measures being implemented by the government.

III. SIGNIFICANCE OF THE STUDY

Tax planning means deferring and flat out avoiding tax by taking advantages of beneficial tax-law provision increasing, an accelerating tax deductions and tax credits, and generally making maximum use of all applicable breaks available under our beloved Internal Revenue Code.

IV. OBJECTIVES OF THE STUDY

The study was concerned with the following objectives:

1. To review the tax reforms being introduced by the government in respect of income tax laws and ascertains its impact on salaried class.
2. To assess the efficiency of administrative machinery for collection of income tax and management of taxation matters as per the income tax act.
3. To understand and evaluate tax planning measures being adopted by salaried class of the state.
4. To assess whether there is significant differences in the tax planning measures adopted by different segments of the salaried class of the state, based in level of income and type of organization.
5. To ascertain the level of awareness of salaried class on various tax planning measure available under the income tax act.

The study on Tax Planning Measures Adopted by Salaried Class aims at study the awareness of tax planning measures among the salaried class. The study helps to find out various tax planning measures adopted by them to reduce their tax burden. Hence the study is relevant.

V. REVIEW OF LITERATURE

RAJNI BEDI (2007) studied and evaluated performance, reforms and incentives of personal income tax systems in India. The period opted for the study was AY 1993-94 TO 2002-03. The study examined changes in respect of deductions and exemptions available under the various heads of the income for the period under study and their impact.

Anil Kumar Jain and Parul Jain (2007) reviewed the tax treatment of savings under the Indian Income Tax Act. The study revealed that a very serious lacuna in the tax incentive provision in India has been that they have been introduced in an ad hoc manner and have been subject frequent changes. Such ad hoc changed have created
uncertainty in the minds of savers and investors. It was suggested that tax incentives should be well targeted and relief should be substantial to induce savers and investors.

Ankita Gupta (2009) studied the trends and responsiveness of personal income tax in India after the tax reforms initiated in the liberalization era. The study analysed the major trends in the taxation of personal income in India during the period 1980-2008. It was revealed that tax reforms have a favourable impact on the growth of personal income tax and the major factors responsible for the increase in revenue responsiveness are reduction in top marginal rate of personal income tax; reduction in the number of tax slabs; increasing compliance through wider coverage of tax payers and high GDP growth rate. The study concluded that simplification of tax rate and broadening of the tax base are the important reforms that could be undertaken for reforming the tax structure and increasing its responsiveness.

Ria Sinha (2010) observed that tax systems around the world have undergone significant reforms in the last twenty years due to the varying ideologies and levels of development. In the study ‘An International Comparison of Tax Regimes’, she tries to evaluate the existing tax structure in India in comparison to some of the developed as well as developing countries. The study concluded that at present there may be no strong rationale for further reduction in the existing tax rate.

VI. SCOPE OF THE STUDY

Taxation is considered as a complex matter affecting financial planning of each individual income tax assesses. The scope of the present study is limited to the tax planning measures adopted by the salaried income tax assesses of the state. The study also evaluates the extent of awareness of employees on tax laws and tax planning measures. The savings habits, investment pattern, repayment of liabilities, tax planning measures adopted for the period under study and level of awareness of employees on tax laws and tax planning measures were studied and evaluated.

VII. LIMITATIONS OF THE STUDY

1. People generally were reluctant to disclose information relating to their savings, investments and tax planning measures.
2. The study is restricted to limited period.
3. In the secondary data, there were discrepancies in the data available from various sources.
4. The current statistics relating to some of the aspects of direct tax administration is still lacking.
5. Lack of previous experience in doing research was another difficulty.

VIII. RESEARCH METHODOLOGY FOLLOWED IN THE PRESENT STUDY

2.1 POPULATION

The population for the study consists of salaried class income tax assesses working in TALUK of CHENGANNUR.

2.2 SAMPLE

The sample size selected from the population was 200. The sampling method here used for taking samples from the population is convenient sampling.
2.3 SOURCES OF DATA

PRIMARY DATA: Primary data are collected from 50 respondents of salaried classes by using survey method. Questionnaire is a tool of survey.

SECONDARY DATA: Secondary data will be collected from published sources and reports published in the internet.

2.4 TOOLS OF ANALYSIS

The data is analysed and interpreted with the help of mathematical methods. Simple percentage method is used in analysing the data.

Simple percentage = \( \frac{\text{No. of respondents}}{\text{Total no. of respondents}} \times 100 \)

TAX PLANNING- AN OVERVIEW

Income tax is a very important direct tax. It is an important and most significant source of revenue of the government. The government needs money to maintain law and order in the country; safeguard the security of the country from foreign powers and promote the welfare of the people. Since our government is wedded to socialistic pattern of society it is the foremost duty of the government to bring out such welfare and development programmes which will bridge the gap between the rich and the poor. All this requires mobilisation of funds from various sources. These sources may be direct or indirect. Income tax, is an important tool to achieve balanced socio-economic growth by providing concessions and incentives in income tax for various developmental purposes.

WHO IS LIABLE TO PAY INCOME TAX

Every person, whose taxable income for the previous financial year exceeds the minimum taxable limit, is liable to pay income tax during the current financial year on the income of the previous financial year at the rates in force during the current financial year.

BASIS OF CHARGES IN INCOME TAX

The following basic principles are the basis of charging income tax:

1) Income tax is an annual tax on income.
2) Income of previous year is taxable in the next following assessment year at the rate or rates applicable to that assessment year. However, there are certain exceptions to this rule.
3) Tax rates are fixed by annual Finance Act.
4) Tax is charged on every person as defined in Section 2(31).
5) The tax is charged on the total income of every person computed in accordance with the provisions of this Act.
6) Income tax is to be deducted at the sources or paid in advance as provided under provisions of the Act.

The total income is computed on the basis of the residential status of the assessee. The income is classified into the following 5 heads:
i. Income from Salaries;
ii. Income from House Property;
iii. Profits of Business or Profession;
iv. Capital Gains; and
v. Income from Other Sources.

INCOME

This is a very important term as income tax is charged on the income of a person. This term has not been defined in the Income Tax Act, except that it states as to what is included in income. Under this section income includes:

vi. Profit and Gains;
vii. Dividend;
viii. Voluntary contributions received by (a) a trust created for charitable or religious purposes, or (b) by a scientific research association, or (c) by a games or sports association or institutions, or (d) any university or other educational institutions, or (e) any hospital or other institution, or (f) an electoral trust;
ix. The value of any perquisite or profits in lieu of salary taxable under the head ‘salaries’;
x. Any special allowance or benefit specifically granted to the assessee to meet his expenses wholly, necessarily and exclusively for the performance of his duties;
xi. The value of any benefit or perquisite which is obtained by any representative assessee;
xii. Any allowances granted to the assessee either to meet his personal expenses at the place where he performs his duties or compensate him for the increased cost of living, for example, City Compensatory Allowance;
xiii. Any capital gains;
xiv. Any sum chargeable to income tax under the head ‘business’ or ‘profession’;
xv. The profit and gains of any business of insurance carried on by a mutual insurance company or by co-operative society;
xvi. Any winnings from lotteries, crossword puzzles, races including horse races, card games and other games of any sort or from gambling or betting of any form or nature whatsoever;

ASSESSSEE

An assessee means a person:

1) Who is liable to pay any tax; or
2) Who is liable to pay any other sum of money under this Act; or
3) I respect of whom any proceeding under this Act has been taken for the assessment of his income or assessment fringe benefits; or
4) In respect of whom ant proceeding under this Act has been taken for the assessment of the income of any other person in respect of which he is assessable; or
5) In respect of whom any proceeding under this Act has been taken for the assessment of the laws sustained by him or by such other person; or
6) In respect of whom any proceeding under this Act has been taken for the amount of refund due to him or to such other person; or
7) Who is deemed to be an assessee under any provisions of this Act; or
8) Who is deemed to be an assessee in default under any provision of this Act.

ASSESSMENT YEAR

Assessment year means the period of twelve months commencing on the first day of April every year and ending on 31st March of the next year.

PREVIOUS YEAR

The year in which income is earned is known as previous year and the next year in which this income is taxable is known as assessment year.

IMPORTANCE OF TAX PLANNING

Though the basic objectives of the planning is to minimize the tax liability of tax payers yet the following are the some considerations which are important for tax planning:
1. When an assessee has not claimed all the deductions and relief before the assessment is completed, he is not allowed to claim them at the time of appeal. It was held in CIT u/s Gurjargravuer ltd. (1972) 84ITR723 that if there is no tax planning and there are lapse on a part of the assessee the benefit would be the lease
2. Tax planning exercise is more reliable since the companies Act, and other allied laws narrow down the scope of tax evasion and tax avoidance techniques, driving a tax payer to a situation where he will be subjected to severe penal consequences.
3. Presently, companies are supposed to promote those activities and programmes which are of public interest and good for a civilize society. In order to encourage these, the government has provided them with incentives in tax laws. Hence a planner has to be well versed with the laws concerning incentives.
4. With increase in profits, the amount of corporate tax also increase and it necessitates the devotion of adequate time on tax planning to minimize tax burden.
5. Tax planning enables a company to bear the burden of both direct and indirect tax during inflation. It enables companies to make proper expense planning, capital budgeting, sales promotion of planning etc.
Thus any legitimate step taken by an assessee directed towards maximising tax benefits, keeping in view the intention of law, will not only help it but also the society since it promotes the spirit behind legal provisions. All those assesses which practice tax planning may have the satisfaction that they have contributing their best to the nation’s broad objectives and goals in a welfare state like ours. At the same time, the law makes the fulfilment of certain condition obligatory before allowing the benefits to be claimed by the assesses in this way, the assesses besides helping themselves, also help in securing the objectives, tasks and goals set before them by the country.

OBJECTIVES OF TAX PLANNING

- **Reduction of Tax Liability**: An assessee can save the maximum amount of tax, by properly arranging his/her operations as per the requirements of the law, within the framework of the statute.
- **Minimization of Litigation**: There is a war-like situation between the taxpayers and tax collectors as the former wants the tax liability to be minimum while the latter attempts to extract the maximum. So, a proper tax planning aims at conforming to the provisions of the tax law, in such a way that incidence of litigation is minimized.
- **Productive Investment**: One of the major objectives of tax planning is channelization of taxable income to different investment plans. It aims at the optimum utilization of resources for productive causes and relieving the assessee from tax liability.
- **Healthy Growth of Economy**: The growth and development of the economy greatly depend on the growth of its citizens. Tax planning measures involve generating white money that flows freely and results in the sound progress of the economy.
- **Economic Stability**: Proper tax planning brings economic stability by various techniques such as mobilizing resources for national projects or availing ways for investments which are productive in nature.

Tax Planning follows an honest approach, to achieve maximum benefits of tax laws, by applying the script and moral of law. Therefore the objectives do not in any way contradict the concept of tax laws.

**Methods Of Tax Planning**

Various methods of Tax Planning may be classified as follows:

1. Short Term Tax Planning: Short range Tax Planning means the planning thought of and executed at the end of the income year to reduce taxable income in a legal way.

Example: Suppose, at the end of the income year, an assessee finds his taxes have been too high in comparison with last year and he intends to reduce it. Now, he may do that, to a great extent by making
proper arrangements to get the maximum tax rebate u/s 88. Such plan does not involve any long term commitment, yet it results in substantial savings in tax.

2 Long Term Tax Planning: Long range tax planning means a plan chased out at the beginning or the income year to be followed around the year. This type of planning does not help immediately as in the case of short range planning but is likely to help in the long run;

e.g. If an assessee transferred shares held by him to his minor son or spouse, though the income from such transferred shares will be clubbed with his income u/s 64, yet is the income is invested by the son or spouse, then the income from such investment will be treated as income of the son or spouse. Moreover, if the company issues any bonus shards for the shares transferred, that will also be treated as income in the hands of the son or spouse.

3. Permissive Tax Planning: Permissive Tax Planning means making plans which are permissible under different provisions of the law, such as planning of earning income covered by Sec.10, especially by Sec. 10(1), Planning of taking advantage of different incentives and deductions, planning for availing different tax concessions etc.

4. Purposive Tax Planning: It means making plans with specific purpose to ensure the availability of maximum benefits to the assessee through correct selection of investment, making suitable programme for replacement of assets, varying the residential status and diversifying business activities and income etc.

Exempted income is that income on which income tax is not chargeable. Exempted incomes are not included in total income.

Exempted incomes can be classified in the following categories:

a) For all assesses;
b) For all employees;
c) For institutions.

(A)FOR ALL ASSESSEES (NOT COVERED UNDER(B) OR (C))

1) **Agricultural Income.** Such income is exempted if agricultural land is situated in India.

2) **Sums received from H.U.F.** Any sum received by an individual as a member of a Hindu Undivided Family out of income of the family is exempt from tax.

3) **Share of income of a partner from the firm.** A partner of a firm will be exempt from tax on his share of income in the firm, which shall be computed by dividing the taxable profits of the firm in the same proportion as the profit sharing ratio mentioned in the partnership deed.
4) **Payments under Bhopal Gas Leak Disaster Act, 1985.** Such payments received by a person will be exempt from tax but any payment in this connection for which deduction has already been allowed will not be exempt.

5) **Compensation of disaster.** Any amount received or receivable from the Central Government or a State Government or a local authority by an individual or his legal heir by way of compensation on account of any disaster shall be exempt.

However, such amount to be extent allowed as a deduction under this Act on account of any loss or damage caused by such disaster shall not be exempt.

6) **Life Insurance Money.** Any sum received under life insurance policy including bonus shall be exempt.

Exemptions: The amount shall not be exempt in the following cases:

i. Amount received under a Key man insurance policy.

ii. Any sum received under an insurance policy issued after 31.3.2003 but before 1.4.2012 in respect of which the premium payable for any of the years during the term of the policy exceed 20% of the actual capital sum assured.

iii. Any sum received under an insurance policy issued after 31.3.2012 in respect of which the premium payable for any of the years during the term of the policy exceeds 10% of the actual capital sum assured.

iv. Any sum received under an insurance policy issued after 31.3.2013 in respect of which the premium payable for any of the years during the term of the policy exceeds 15% of the capital sum assured, if the policy is for insurance on life of any person, who is

   a) A person with disability or a person with severe disability; or

   b) Suffering from disease or ailment as specified under section 80 DDB.

“Actual capital sum assured” means the minimum amount assured under the policy on happening of the insured event at any time during the term of the policy, not taking into account:

- The value of any premium agreed to be returned; or

- Any benefit by way of bonus or otherwise over and above the sum actually assured, which is to be or may be received under the policy by any person.

However, if any sum is received on the death of a person it shall be exempt

7) **Any payment from Sukanya Samriddhi Account.**

8) **Payments from National Pension System Trust.** Any payment from the National Pension System Trust to an employee on closure of account or his opting out of the pension scheme up to 40% of the total amount payable to him shall be exempt.

9) **Educational Scholarships.** Scholarships granted to meet the cost of education, whether by government or any other organization are fully exempt.
10) **Allowances of M.Ps. M.L.As. and M.L.Cs.** Daily allowances, any other allowances received by any member of Parliament, any constituency allowance received by a member of any State Legislature under any Act or rules made by that State Legislature.

11) **Awards: Any payment made, whether in cash or in kind**

12) **Pension of gallantry awardee.** Pension received by an individual who has been in service of the Central or State Governments and has been awarded ‘ParamVir Chakra’ or ‘Mahavir Chakra’ or ‘Vir Chakra’ or such other gallantry award as the Central Government may notify shall be exempt.

13) **Family pension of a member of armed forces.** Family pension received by the widow or children or nominated heirs of a member of the armed forces of the Union, where the death of such member has occurred in the course of operational duties shall be exempt provided the prescribed conditions are satisfied.

14) **Annual value of one palace of Rulers of Indian States.** The annual value of one palace in the occupation of a Ruler of an Indian State is fully exempt.

15) **Income of Scheduled Tribes.** The following incomes of members of scheduled tribe residing in any tribal area or in the States of Arunachal Pradesh, Manipur, Mizoram, Nagaland, Tripura and Sikkim or Laddakh region of the States of J&K. are fully exempt.

(B) FOR EMPLOYEES

1) **Leave Travel Concession to an Employee.**

2) **Allowances or Perquisites outside India.**

3) **Death-cum-retirement Gratuity.**

4) **Commutation of Pension.**

5) **Leave Salary or Encashment of Earned Leave.**

6) **Compensation on Retrenchment.**

7) **Compensation on Voluntary Retirement.**

8) **Tax Paid by Employer on the Value of Perquisites.**

9) **Payment from Statutory Provident Fund.**

10) **Payment from Recognized Provident Fund.**

11) **Payment from Approved Superannuation Fund.**

12) **House Rent Allowance.**

13) **Special Allowances for meeting certain expenditure.**

(C) FOR INSTITUTIONS
1) **Income of Local Authority.** Following incomes of a local authority are exempt:
   i. Income from House Property or
   ii. Capital Gains or
   iii. Income from Other Sources or
   iv. From services or a business carried on by it within its own jurisdiction, or
   v. From the supply of water or electricity outside its jurisdiction.

2) **Income from Research Institution.** Any income of a research association approved under the section 35(1)(ii) or under section (1)(iii) is fully exempt.

3) **Income of News Agency.** The income of a notified news agency set-up in India solely for collection and distribution of news, shall be exempt if the following conditions are satisfied:
   i. The news agency applies its income or accumulates it for application solely for collection and distribution of news.
   ii. It does not distribute its income in any manner to its members.

4) **Income of Professional Institutes.** Any income of an association or institution established in India with the object of control, supervision, regulation or encouragement of the profession of law, medicine, accountancy, engineering, architecture or such other profession as the Central Government may notify from time to time in Official Gazette.

5) **Income of Regimental Fund or Non-Public Fund.** The income derived by any Regimental Fund or Non-Public Fund established by the armed forces of the Union for the welfare of their past and present members and their dependents is fully exempt.

6) **Income of Pension Fund set-up by L.I.C of India or other Insurer.** The income is exempt provided the fund is set-up by:
   i. the Life Insurance Corporation of India on or after 1st August, 1996, under a pension scheme, or
   ii. any other insurer under a pension scheme to which contribution is made by any person for receiving pension from such fund and which is approved by the Controller of Insurance/the Insurance Regulatory and Development Authority.

7) **Income of a Fund for Welfare of Employees or their Dependents.** Income of a notified fund established for the welfare of employees or their dependents, if such employees are also members of this fund, shall be exempt.

8) **Income from Khadi and Village Industries Boards.** The income of Khadi and Village Industries Boards established in a State by or under a State or Provincial Act for the development of Khadi or Village Industries in the State is fully exempt.
Tax Evasion and Tax Avoidance

Each tax payer is expected to make voluntarily disclosures of his income and tax liabilities through legal compliance. When a tax payer deliberately or consciously does not furnish material particulars or furnishes inaccurate or false particulars or defrauds the State by violating any of the legal provisions, it shall be termed as tax evasion. Tax evasion is considered as unethical and illegal. Tax avoidance, on the other hand, is a method of reducing tax liability by availing of certain loop holes and lacunae in the law. It is the art of escaping the burden of tax without breaking the law.

Tax management

Tax management is an important aspect of tax planning. Planning which leads to filing of various returns in time, compliance of the applicable provisions of law and avoiding of levy of interest and penalties can be termed as efficient tax management. It is an exercise by which defaults are avoided and legal compliance is secured. The filing of returns with all proper documentary evidence for the various claims, rebates, reliefs, deductions and computation of income and tax liability would come under the purview of tax management.

Tax Planning of Employees

In view of this, tax planning is of great importance to every employee because it leaves the maximum possible amount of salary after payment of taxes with them. This could be achieved only by availing maximum amount of tax exemptions, deductions and relief. Therefore, tax planning is the scientific planning made by the employees to attract minimum liability to tax and or postponement of the tax liability for the subsequent period by availing of various incentives, concessions, allowances, rebates and relief provided, in the context of existing tax laws.

While planning for salary income, the following hints will be of much use to the employees in getting maximum benefits of tax planning.

• Tax on salaries can be reduced to minimum if salary is divided into different allowances (which are not taxable or which are partially exempt from tax) and perquisites.

• A tax-payer should properly assess the incidence of tax and choose between going in for house rent allowance or rent free furnished or unfurnished accommodation. House rent allowance is exempt under section 10 (13A) of the Income Tax Act within the limits prescribed by Rule 2A of the Income Tax Rules, 1962.

• There are several employees’ welfare schemes such as recognised provident fund, approved superannuation fund, gratuity fund etc. Payments received from such funds by the employees are totally exempt or exempt up to significant amounts.

• Employees should go in for free medical facilities instead of a fixed medical allowance, since medical allowance is taxable.

• Reimbursement of expenditure on medical treatment of the employee or his family members is exempted up to 15000.

• Travel concession should be claimed to the maximum possible extent without attracting any incidence of tax.
• Avail deductions under Section 80C of the Income Tax Act to the maximum possible extent.
• Encashment of earned leave on retirement of employees is exempted fully/partially, as the case may be. Leave encashment while in service is treated as part of salary.
• Leave Travel Concession (LTC) or Leave Travel Allowance (LTA) is allowed twice in a block of four years. The allowance is exempt subject to amount of expenses actually incurred by the employee for such travel.
• An employee should take the benefit available under section 89(1) of the Income Tax Act when salary is received in arrear or advance.
• As uncommuted pension is always taxable, employees should get their pension commuted. Commuted pension is fully exempt from tax in the case of Government employees and partially exempt from tax in the case of non-govt. employees who can claim relief u/s 89 (1) of the Income Tax Act.
• Since incidence of tax on retirement benefits like gratuity, commuted pension, accumulated balance of unrecognised provident fund is lower if they are paid in the beginning of the financial year, employers and employees should mutually plan their affairs in such a way that retirement, termination or resignation, as the case may be, takes place in the beginning of the financial year.
• VRS is exempt up to five lakh rupees if VRS is as per prescribed conditions.

Relief of Tax under Section 89 of the Act

The assessee may apply for grant of relief under Section 89(1) in relation to the following taxable amounts.

a. Advance of salary.
b. Arrear of salary.
c. Gratuity-Section 10(10).
d. Commutation of Pension- Section 10(10A).
e. Encashment of earned leave- Section 10(10AA).
f. Retrenchment compensation-Section 10(10B).
g. Profits in lieu of salary- Section 17(3)
h. Unrecognised Provident Fund.

3. DATA ANALYSIS AND INTERPRETATION

The information includes the analysis of data collected from the salaried employees with regard to the tax planning measures adopted by them. Percentages are mainly used for the analysis purpose.

3.1 On the basis of the age of respondents

<table>
<thead>
<tr>
<th>AGE</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 20</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>20-30</td>
<td>10</td>
<td>20%</td>
</tr>
<tr>
<td>30-40</td>
<td>10</td>
<td>20%</td>
</tr>
</tbody>
</table>
INTERPRETATION: From the above table 20% of the respondents are in between the ages 20-30, 30-40, 40-50 and 60-70. 16% of the respondents are between 50-60. 4% of the respondents are above 70.

3.2 On the basis of the gender of respondents

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>23</td>
<td>46%</td>
</tr>
<tr>
<td>Female</td>
<td>27</td>
<td>54%</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100%</td>
</tr>
</tbody>
</table>

INTERPRETATION: The figure shows that 54% respondents are female and 46% are male.

3.3 Sector wise classification

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRIVATE SECTOR</td>
<td>20</td>
<td>40%</td>
</tr>
<tr>
<td>PUBLIC SECTOR</td>
<td>30</td>
<td>60%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>50</td>
<td>100%</td>
</tr>
</tbody>
</table>

INTERPRETATION: The figure shows that 60% are public sector employers and 40% are private sector.

3.4 Income level

<table>
<thead>
<tr>
<th>INCOME LEVEL</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>LESS THAN 3 LAKHS</td>
<td>16</td>
<td>32%</td>
</tr>
<tr>
<td>3 LAKHS-5 LAKHS</td>
<td>16</td>
<td>32%</td>
</tr>
<tr>
<td>MORE THAN 5 LAKHS</td>
<td>18</td>
<td>36%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>50</td>
<td>100%</td>
</tr>
</tbody>
</table>

INTERPRETATION: This figure shows that 36% earns more than 5 lakhs, 32% earns less than 3 lakhs and between 3lakhs – 5 lakhs
3.5 Income tax exemption limit

<table>
<thead>
<tr>
<th>INCOME EXCEEDS</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>YES</td>
<td>27</td>
<td>54%</td>
</tr>
<tr>
<td>NO</td>
<td>23</td>
<td>46%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>50</td>
<td>100%</td>
</tr>
</tbody>
</table>

INTERPRETATION: This figure shows that 54% of the respondents income exceeds income tax level and 46% respondents income does not exceeds income tax exemption limit.

3.6 Employers awareness about different tax concession/exemption/rebate availed of

<table>
<thead>
<tr>
<th>AWARENESS</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>YES</td>
<td>39</td>
<td>78%</td>
</tr>
<tr>
<td>NO</td>
<td>11</td>
<td>22%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>50</td>
<td>100%</td>
</tr>
</tbody>
</table>

INTERPRETATION: This figure shows that 78% respondents are aware about the different tax concessions availed of and 22% respondents are not aware about the different tax concessions/rebate/exemptions availed of.

3.7 Source of income tax information

<table>
<thead>
<tr>
<th>SOURCE</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>NEWSPAPER</td>
<td>18</td>
<td>36%</td>
</tr>
<tr>
<td>BUSINESS JOURNALS</td>
<td>5</td>
<td>10%</td>
</tr>
<tr>
<td>INTERNET</td>
<td>6</td>
<td>12%</td>
</tr>
<tr>
<td>FRIENDS AND RELATIVES</td>
<td>9</td>
<td>18%</td>
</tr>
<tr>
<td>TAX CONSULTANTS</td>
<td>12</td>
<td>24%</td>
</tr>
<tr>
<td>CHARTERED ACCOUNTANTS</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>50</td>
<td>100%</td>
</tr>
</tbody>
</table>

INTERPRETATION: This figure shows that 36% respondents gets information about income tax from newspaper, 24% from tax consultants, 18% from friends and relatives, 12% from internet and 10% from business journals.
3.8 Savings

<table>
<thead>
<tr>
<th>INCOME</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>UP To 10%</td>
<td>25</td>
<td>50%</td>
</tr>
<tr>
<td>10-20%</td>
<td>14</td>
<td>28%</td>
</tr>
<tr>
<td>20-30%</td>
<td>8</td>
<td>16%</td>
</tr>
<tr>
<td>30-40%</td>
<td>1</td>
<td>2%</td>
</tr>
<tr>
<td>ABOVE 40%</td>
<td>2</td>
<td>4%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>50</td>
<td>100%</td>
</tr>
</tbody>
</table>

INTERPRETATION: This figure shows that among the total respondents 50% saves 10% of income in schemes approved by CBDT, 28% up to 10-20%, 16% up to 20-30%, 4% up to 30-40% of their income and 2% up to 30-40%.

3.9 Methods of savings

<table>
<thead>
<tr>
<th>SAVINGS</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHIT FUNDS</td>
<td>4</td>
<td>8%</td>
</tr>
<tr>
<td>BANKS</td>
<td>23</td>
<td>46%</td>
</tr>
<tr>
<td>INSURANCE</td>
<td>18</td>
<td>36%</td>
</tr>
<tr>
<td>NON-BANKING FINANCIAL INSTITUTION</td>
<td>4</td>
<td>8%</td>
</tr>
<tr>
<td>CAPITAL MARKET</td>
<td>1</td>
<td>2%</td>
</tr>
<tr>
<td>OTHER ASSETS</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>50</td>
<td>100%</td>
</tr>
</tbody>
</table>

INTERPRETATION: This figure shows that about 46% under banks, 36% under insurance, 8% of the respondents saves their income under chit funds, 8% under non-banking financial institution, and 2% under capital market.

3.10 Tax planning measures of CBDT

<table>
<thead>
<tr>
<th>OPTIONS</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROVIDENT FUND</td>
<td>11</td>
<td>22%</td>
</tr>
<tr>
<td>LIFE INSURANCE POLICY</td>
<td>17</td>
<td>34%</td>
</tr>
<tr>
<td>APPROVED MUTUAL FUND</td>
<td>7</td>
<td>14%</td>
</tr>
<tr>
<td>FIXED DEPOSIT</td>
<td>15</td>
<td>30%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>50</td>
<td>100%</td>
</tr>
</tbody>
</table>
INTEPRETATION: The above table shows that 34% of the respondents use life insurance for getting tax exemption, 30% by using fixed deposit, 22% by provident fund and 14% by approved mutual fund.

3.11 Services rendered by professional financial adviser

<table>
<thead>
<tr>
<th>OPTIONS</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALWAYS</td>
<td>1</td>
<td>2%</td>
</tr>
<tr>
<td>OFTEN OCCASIONALLY</td>
<td>6</td>
<td>12%</td>
</tr>
<tr>
<td>RARELY</td>
<td>26</td>
<td>52%</td>
</tr>
<tr>
<td>NEVER</td>
<td>17</td>
<td>34%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>50</td>
<td>100%</td>
</tr>
</tbody>
</table>

INTEPRETATION: This figure shows that only 2% respondents seek the services rendered by financial adviser, 12% seek services often occasionally, 52% seek services rarely and 34% never seek the services rendered by financial advisers.

3.12 Time of formulating plans

<table>
<thead>
<tr>
<th>TIME</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEGINNING OF THE YEAR</td>
<td>12</td>
<td>24%</td>
</tr>
<tr>
<td>END OF THE YEAR</td>
<td>21</td>
<td>42%</td>
</tr>
<tr>
<td>AT ANY TIME</td>
<td>12</td>
<td>24%</td>
</tr>
<tr>
<td>NO PLANNING AT ALL</td>
<td>5</td>
<td>10%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>50</td>
<td>100%</td>
</tr>
</tbody>
</table>

INTEPRETATION: This figure shows that 24% respondents formulate their tax plans at the beginning of the year, 42% at the end of the year, 24% at any time and 10% of total respondents have no planning at all.

3.13 Income tax awareness from tax consultants

<table>
<thead>
<tr>
<th>AWARENESS</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALWAYS</td>
<td>3</td>
<td>6%</td>
</tr>
<tr>
<td>OFTEN</td>
<td>5</td>
<td>10%</td>
</tr>
<tr>
<td>OCCASIONALLY</td>
<td>17</td>
<td>34%</td>
</tr>
<tr>
<td>NEVER</td>
<td>25</td>
<td>50%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>50</td>
<td>100%</td>
</tr>
</tbody>
</table>
INTEPRETATION: This figure shows that about 50\% of the respondents never seek awareness of a tax consultant, 34\% seeks occasionally, 10\% seeks often and 6\% of the respondents always seeks awareness of tax consultant for filing returns.

IX. FINDINGS OF THE STUDY

- From the study it is found that 46\% of the respondents are male, 54\% are female.
- When the respondents are classified on the basis of sector, 40\% lies under private sector and 60\% are public sector.
- From the data it was clear that majority of respondents have income level more than Rs. 5 lakhs.
- From the study it is found that the source of income other than salary of the respondent was from agriculture income and interest.
- About 54\% of the respondents states that their income exceeds income tax exemption limit.
- Around 50\% of the respondents pay tax from their annual income.
- From the total respondents, a majority of 78\% are aware of the different ways in which tax concession/ tax exemption/ tax rebate.
- As per the study result the sources of getting information about income tax are from newspapers and tax consultants.
- As per the study result 50\% of the respondents save only less than 10\% of their income by investing in schemes approved by CBDT.
- From the study it is found that most of two respondents have saved their incomes in banks and insurance.
- Majority of the respondents use life insurance policy and fixed deposit as tax planning measures suggested by the CBDT for getting tax exemption.
- According to the survey majority of the respondent rarely seek the services of a professional financial advisor for making investment decision.
- From the study it is found that most of the respondents formulate their tax plans at the end of the year.
- From the study result it is clear that majority of the respondents never seek the awareness of a tax consultant for filing returns.
- Around 56\% of the total respondents reveal that the services of the practitioner are not necessary for filing the returns.
- From the total respondents majority of them reveals that the tax consultants notify them in the time of the latest income tax regarding filing returns and the provisions for rebate concessions etc.
- Around 60\% of respondents are satisfied about the fees charged by the tax consultants.
- Most of the respondents reveal that they never faced any of the penalties regarding the income tax.
Majority of the respondents says that the tax rates in India are high. 
As per the study around 54% of the total respondents say that the tax planning education should be provided by the government to minimize the difficulties in filing the tax returns.

X. SUGGESTIONS

Tax planning essentially depends on provisions in the Finance Act and the Budget. Educating the masses of the provisions of the same and creating awareness on availing the benefits is recommended.

1. Tax planning of the part-time employee assesses, retired employee assesses, professional assesses and business assesses.

2. Comparative study between Tax planning of salaried assesses and other assesses.


4. Opinion of the Tax Consultants, Industrialists and Trade Unions in respect of Tax Planning Options offered for various categories of assesses by the Government of India.

XI. CONCLUSION

Tax planning has a wider philosophy and is closely associated with what the salaried assesses earns and his propensity to consume. The gap between the same goes as savings and if that savings can relieve one from tax, the tax planning is effective. The whole process relates to viewing the Income Tax Act in terms of revenue for the Government and fair disposable income for the assesses. We want a rationalized, simplified, operational tax system where an assessee is assessed but not feel exploited.

Tax planning reduces not only the tax burden but also gives mental satisfaction. If salaried assesses adopt tax planning measures it will help them to save a considerable amount of their hard earned money in a legal way. When the Government has given a wide chance of investing money according to the assesses’ financial condition and taste it is the prime duty of every salaried assessee to utilize his/her chances and reaps the harvest. What is required is Knowledge of a few sections of the Income-Tax Act. Thus, Tax Planning is not at all complicated and could be done with a certain degree of awareness and application.

REFERENCES


8. www.indiastat.com

9. www.incometaxindia.gov.in