



EMPERICAL STUDY ON INCOME TAX AWARENESS AND TAX PLANNING AMONG PROFESSIONALS: WITH SPECIAL REFERANCE TO KODAGU DISTRICT

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ABSTRACT:

Tax awareness is essential part of the tax planning for the individual assesses. Income tax takes away major part of hard earning money of an assessee. As every individual assessee who has income more than stipulated limit described by income tax law is liable to pay tax. Therefore, it is important to do tax planning. Awareness and knowledge of the recent tax laws and rules are inevitable for better tax planning. Tax planning doesn't mean that not paying taxes, it just means being smart about where to place money to acquire maximum benefit of tax savings by individual assessee. Here, an attempt has been made to study the tax planning practices and tax awareness of professional assesses Kodoguru district with the sample size of 100 and the study consist of both primary and secondary data. This study will give insight about why assesses are failing to make proper tax planning.

Key Words: Individual Assesses, Tax Awareness, Tax Planning, Tax Savings, Professional assesses.

INTRODUCTION:

A profession involves occupation (whether career or vocation), knowledge, application, training and formal qualification, with the last two regarded as normal but non-essential - The Oxford English Dictionary (2014).

Tax is an important source of revenue for the government. Taxes are very crucial because government collects these taxes and uses it for welfare of society. Without taxes government cannot make much contribution towards various sectors and it is impossible for the government to run the country in smooth way.

There are mainly three ways by which assesses can reduce tax burden: Tax evasion, Tax avoidance and Tax planning.

a) Tax planning helps to analyze our financial activities and plans to ensure that maximum tax benefit are enjoyed by making use of all beneficial provisions in the tax laws such as exemption, deductions, rebates and reliefs that helps to minimize tax liability.

b) Tax avoidance is any legal method where loopholes used by taxpayer for his benefit.

c) Tax evasion is a method where tax is illegally or deliberately avoided. Tax evasion may involves stating an untrue statement knowingly, omission of facts, declaring less income and suppression of facts. It entails criminal or legal penalties.

Here we are going study the tax planning and tax awareness among the professionals. We thought it's very much essential for the present scenario.

RESEARCH METHODOLOGY:

The present study is undertaken to study Tax awareness and Tax planning among professional assesses. 100 professional are selected as sample using convenient sampling techniques for the present study. 20 respondents have been selected in each category like Assistant Professors, Doctors, Engineers, Managers, and Chartered Accountants from Kodagu district, Karnataka. The study based on both primary and secondary data. Primary data collected through structured questionnaires and personal interview with professional assesses to study the Tax awareness and Tax planning practices adopted by them.

OBJECTIVES OF THE STUDY:

1. To study the level of awareness of tax provisions among professional assesses.
2. To analyze the tax planning practices adopted by professional assesses.

FORMULATION OF HYPOTHESIS:

Individual assesses invest part of their income in various schemes for the purpose tax planning according to their priorities. These priorities vary based on the profession he/she work and priorities of tax saving schemes have powerful impact on tax planning. Hence to find out their tax planning has significant difference or not, the following hypothesis has been formed.

H_0 = There is no significant difference between priorities of tax saving among individual assesses of different professions.

H_1 = There is a significant difference between priorities of tax saving among individual assesses of different professions.

Hypothesis has been tested using 0.05 (5%) significant level.

CLASSIFICATION OF INDIVIDUAL ASSESSES BASED ON DEMOGRAPHIC FACTORS:

Table 1: Gender of the Respondents

Gender	Respondents	Percentage
Male	87	87.0
Female	13	13.0
Total	100	100.0

Source: Authors compilation

Table 2: Age Group of the Respondents

Age Group	Respondent	Percentage
Less than 25	5	5.0
25 to 35	57	57.0
35 to 45	24	24.0
45 to above	14	14.0
Total	100	100.0

Source: Authors compilation

Inference: Most of the respondents are male between the age group of 25 to 35 years.

Table: 3 Professions of the Respondents

Profession	Respondents	Percent
Assistant professor	20	20.0
Chartered Accountant	20	20.0
Doctors	20	20.0
Engineers	20	20.0
Managers	20	20.0
Total	100	100.0

Source: Authors compilation

TAX AWARENESS AMONG INDIVIDUAL ASSESSES:

In response to awareness of income tax and its provision, responses received as follows:

Table 4: Tax awareness of professional Assesses

Particular	Yes	No
Awareness of IT	99 (99%)	1 (1%)
Deduction 80C to 80U	97 (97%)	3 (3%)
Reliefs of IT	76 (76%)	24 (24%)
Awareness of Penalty for non-Payment	85 (85%)	15 (15%)
Knowledge of Tax Loopholes	50(50%)	50(50%)
Advance Payment Tax	79(79%)	21(21%)
Tax Saving Techniques	77(77%)	23(23%)
Penalty & Interest Charged	75(75%)	25(25%)

Source: Authors compilation

Inference: 99% of respondents are aware of income tax therefore they can give proper response to this study and 97% professionals are aware of deductions available under income tax act, and only 3% respondents are not aware of deduction.76% respondents have knowledge about reliefs available from income tax act like salary has been received in arrears or in advance, respect of gratuity, compensation on termination of employment, payment in commutation of pension, and 24% respondents haven't knowledge of reliefs under Income tax act. And 15% respondents are not aware about penalty and 85% respondents are aware of penalty on non-payment of tax. 50% respondents are aware with loopholes to avoid Incometax.79% respondents have knowledge of advance payment tax. 23% respondents do not know of tax saving techniques.75% respondents are aware of penalties and interest will be charged for paying and filing income tax late and 25% respondents don't know about penalties and interest.

Table 5: Gender Wise Awareness

Particular	Male		Female	
	Yes	No	Yes	No
Awareness of IT	87	0	12	1
Deduction 80C to 80U	84	3	13	0
Relief's of IT	65	22	11	2
Awareness of Penalty for non -payment	75	12	10	3
Knowledge of Loopholes	45	42	05	8
Advance Payment Tax	70	17	09	4
Tax Saving Techniques	66	21	11	2
Penalty & Interest Charged	65	22	10	3

Source: Authors compilation

Inference: The above table shows that gender wise awareness of Income tax. We can see that majority of male respondents are not aware about deductions, reliefs and penalty etc.

Table 6: Age Group Wise Awareness

Particular	Less than 25	25 to 35	35 to 45	45 to Above
Awareness of IT	05	57	23	14
Deductions from 80C to 80U	05	54	24	14
Reliefs of IT	05	36	21	14
Awareness of Penalty for non- payment of tax	03	50	19	13
Knowledge of Loopholes	03	29	08	10
Advance Payment Tax	05	43	20	11
Tax Saving Techniques	02	42	20	13
Penalty & Interest Charged	04	41	18	12

Source: Authors compilation

Inference: The above table indicates that age group wise awareness of Income tax. It depicts that 25-35 age group respondents are much aware of income tax provisions when compare to other age groups.

Table 7: Occupation Wise Awareness

Particular	Assistant professors	Chartered Accountants	Managers	Engineers	Doctors
Awareness about Income tax act	20	20	19	20	20
Deduction under sec. 80C to 80U	20	20	20	20	17
Awareness about available reliefs	18	20	15	08	15
Awareness of penalty for non-payment of tax	15	20	14	19	17
Knowledge of loopholes	11	20	11	01	07
Knowledge about payment of advance tax	16	20	17	12	14
Awareness about tax Saving Techniques	19	20	15	09	14
Awareness about Interest charges for late payment of tax	13	20	13	14	15

Source: Authors compilation

Inference: The above table shows that occupation wise awareness of Income tax. Engineers and doctors are less aware about the penalty and loops holes in the income tax act but Chartered Accountants as they are in the same field they know everything about income tax.

Table 8: Awareness about ways of Tax Planning

Ways of Tax Planning	I Know	I Don't know	No Idea
DA should be part of Basic Salary	71	26	3
Cumulative Pension is fully exempt	56	32	12
Employee Should be member of RPF.	29	39	32
Employer's contribution towards RPF is exempt from tax upto 12 percent.	34	60	6
Free medical facility instead of fixed medical allowance.	53	40	7
Retirement benefits should pay in the bargaining of financial year	42	40	18
Foreign pension should first received in foreign than should remitted to India,	24	53	23

Perquisite in respect of free residential telephone.	22	43	35
Leave travel concession	50	40	10
Adoption of perquisite rather than for taxable allowance	40	46	14
Selection of Self occupied House Property can attract less tax	66	26	8
Interest on payment bases allowed as deduction	57	32	11
TDS required in order to avail exemption under	26	56	18
section 24 (b)	39	44	17
HP should be transferred to the name of Son's daughter or Grandson instead of Son or Wife	19	46	35

Source: Authors compilation

Inference: The above table shows the awareness about tax planning. It is found that few respondents know about ways of tax planning in respect of different heads of Income. Majority either doesn't know or no idea of it.

TAX PLANNING OF INDIVIDUAL ASSESSES:

Table 9: Tax planning knowledge of Professional Assesses

Particular	Yes	No
I can plan my income tax	81 (81%)	19 (19%)
I know the areas of tax planning	79 (79%)	21 (21%)
I believe tax planning can increases tax saving	89 (89%)	11 (11%)

Source: Authors compilation

Inference: the above table indicates that 81% of respondents are can plan for their income tax and only 19% respondents are not plan for tax. We can say that majority respondent takes seriously the tax matter and the 79% respondents are aware with the areas of tax planning and remaining 21% respondents don't know about areas of tax planning and 89% respondents are opinion that tax planning increase saving and 11% respondents are doesn't think tax planning is increase savings.

TESTING OF HYPOTHESIS:**TABLE 12: ANOVA**

PRIORITIES		SUM OF SQUARES	DF	MEAN SQUARE	F-Value	SIG.
Tax savings through Insurance premium (80C)	Between Groups	2.224	2	1.112	.844	.433
	Within Groups	127.736	97	1.317		
	Total	29.960	99			
Tax savings through contribution to provident fund (80C)	Between Groups	10.701	2	5.350	9.392	.000
	Within Groups	55.259	97	570		
	Total	65.960	99			
Tax savings through repayment of housing loan principal (80C)	Between Groups	13.816	2	6.908	.489	.000
	Within Groups	78.934	97	.814		
	Total	92.750	99			
Tax savings through donation (80G)	Between Groups	4.910	2	2.455	.410	.665
	Within Groups	581.530	97	5.995		
	Total	586.440	99			
Tax savings through medical expenses and medical insurance premium (80D)	Between Groups	.020	2	.010	.006	.994
	Within Groups	153.980	97	1.587		
	Total	154.000	99			
Tax savings through other provisions (80C – 80U)	Between Groups	6.526	2	3.263	.564	.571
	Within Groups	561.474	97	5.788		
	Total	568.000	99			

Source: Authors compilation

Statistical Inference:

As P value of tax savings through Provident Fund (PF) and tax savings through repayment of housing loan principal are less than 0.05 hence we reject null hypothesis and accept the alternative hypothesis that means there is significant difference between priorities of tax saving among different individual assesses as per their profession. But for other priorities we accept null hypothesis because those priorities P value is greater than 0.05.

FINDINGS:

1. This study shows that 99% of respondents have awareness of income tax act, 97% of assesses are aware of deductions in income tax and 76% of respondents have knowledge about reliefs available in income tax , so tax awareness seems high in selected group of Professionals.
2. Regarding tax awareness of respondents, 15% of respondents are not aware about penalty, 50% respondents

are not aware with loopholes to avoid it. 26% of respondents can't differentiate tax avoidance and tax evasion, 25% of respondents don't know about interest on late payment of tax, hence advance and depth knowledge about tax is not there with some selected individual assesses.

3. 79% of respondents are aware with the area of tax planning and remaining 21% of respondents don't know about it.
4. 77% of respondents have proper knowledge of tax saving techniques and 23% of respondents don't know of tax saving techniques.
5. It's found that few respondents know about ways of tax planning practically in respect of different heads of Income. Majority either doesn't know or fully don't know about it.
6. 81% of respondents are plan their tax and only 19% of respondents are not plan their taxes properly hence, we can say that majority respondents take the payment of income tax seriously.

FURTHER SCOPE FOR RESEARCH:

1. We have conducted research limited to the geographical area of Kodagu district. Further research can be done various districts of Karnataka.
2. We have selected limited sample of 20 each from various professionals like chartered accountants, doctors, engineers, assistant professors and managers. Further research can be done by increasing the sample size.
3. We have studied tax planning and tax awareness of only 5 categories of professionals like chartered accountants, doctors, engineers, assistant professors and managers. Upcoming researchers can choose other left out professions for the study.

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