

AWARENESS LEVELS OF SALARIED INDIVIDUALS ABOUT TAX PLANNING

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ABSTRACT

In India, income-tax contributes up to 52.28% to the total tax revenue of the central government. Because of compulsion element, each taxpayer faces the problem of how to find golden way to minimize their tax liability. This study aimed to evaluate the tax planning measures adopted by the salaried tax payers, level of awareness on tax laws and investment behaviour of the salaried tax payers. The convenience sampling method has been adopted to gather necessary information from the salaried individuals in the Alappuzha district. The sample size of 50 respondents.

KEYWORDS

TAX DEDUCTION, TAX PLANNING, E-FILING, ALLOWANCES

INTRODUCTION

India is a second largest country based on population. Majority of the population have been sustaining by their salary income from their employment. Indians are very conscious about their future and they are great concern about savings. So, they spend their salary in the manner that protects them for present and future life. they have conscious plan for their spending, savings and investments. Investment is the sacrifice made by a salaried individual out of his/her current income with the expectation of getting additional return in the form of income and capital gains in the future. This is made by an individual to meet all his/her future financial commitment. Tax limit, slabs, deductions etc., are very important factors in the case of salaried employees. Tax planning of individual is complex and also important for the appropriation of their income. Tax planning reduces the tax liability through apposite savings and investment decisions. Generally, tax payers plan their tax liability only at end of the financial year. So, tax payers cannot make viable investment decisions for minimising their tax incidence. The prime reason for this issue is lack of awareness on taxation laws and complexities in the understanding of tax laws even among the educated assesseees too.

STATEMENT OF THE PROBLEM

Government has to play an important role in all round development of society and country as a whole. Tax is the main source of finance. In India, income-tax contributes up to 52.28% to the total tax revenue of the central government. Because of compulsion element, each taxpayer faces the problem of how to find golden way to minimize their tax liability. But paying tax is always a painful task as it directly impacts on the residual income

of the taxpayers. So, all individual always try to reduce tax liability. Tax planning is important for every assessee to reduce their tax liability and compliance with the income tax rules. To enjoy the benefits of tax planning, the assessee must know different provisions of tax saving schemes available in the laws. The primary objective of this project is to assess the awareness of tax saving schemes by individuals.

SCOPE OF THE STUDY

The study focused the level of awareness of tax planning of salaried employees of Alappuzha Districts only and their perceptions on the tax system followed in India.

OBJECTIVES OF THE STUDY

- i) To understand the tax planning measures and level of awareness regarding various deductions under the Income Tax Act among the salaried individuals.
- ii) To identify the problems faced by the salaried individuals in tax planning
- iii) To understand the perceptions of salaried individuals about the tax system followed in India.

HYPOTHESIS

H₀: There is no significant relationship between level of awareness about tax planning and years of experience of salaried employees.

RESEARCH METHODOLOGY

The study is formed based on survey method. Primary sources of data only used in this study. A well-structured questionnaire is designed to elicit the necessary data from the salaried individuals. The primary data have been collected through a well-structured questionnaire, comprising optional type questions. The convenience sampling method has been adopted to gather necessary information from the salaried individuals in the Alappuzha district. The sample size of 50 respondents. The primary data collected from the respondents are analysed with the help of Percentage Analysis. Tables and Graphs used for the presentation of data.

LIMITATIONS OF THE STUDY

- ❖ The research area of the study is confined to Alappuzha district due to time and resource constrains.
- ❖ Data collected from the sample of 50 only
- ❖ convenience sampling method is used.
- ❖ The salaried tax payers are widely scattered in the study area.
- ❖ The information provided by the salaried tax payers is purely based on their perception only. The quality and reliability of the data collected is the actual expression of respondents.

LITERATURES REVIEW

Many studies have been made covering different aspects of income tax structure which includes personal income tax, capital gain taxation, agricultural taxation, efficiency of income tax administration etc. A few of them have been outlined below:

Chattopadhyay Saumen and Das-Gupta Arindam (2002), in their study “The Personal Income Tax in India: Compliance Costs and Compliance Behaviour of Taxpayers” the impact of compliance costs on compliance is mixed. While money compliance costs, both legal and illegal, have a negative impact on compliance, the opposite is true for time compliance cost and third party costs through TDS. The use of tax advisors, which contributes to money compliance costs, possibly adversely affects compliance. The major policy suggestions emerging from this study, are, of course, reducing filer compliance costs and reducing scope for avoidance.

Kaushik Rajiv(2012), In his article “Assessment of Individual Income Tax, Tax Planning and Saving in India, suggested that Any individual who want to assess his/her income tax and want to do tax planning and savings, first he/she has to calculate his/her total income then compute the income tax by deduction and adjustment in total income as per tax table structure. If tax is paid in excess then get refund from the income tax department. Finally do the tax audit.

Chawla Chanchal, Jain Vipin , Joshi Anand and Gupta Vinayak(2013) in their study “A Study of Satisfaction Level & Awareness of Tax-payers towards E-filing of Income Tax Return – with Reference to Moradabad City” shows that the existing users are satisfied with the e-filing facilities but most of the individual tax payers are not aware of the e-filing procedures so sufficient steps are required to create more awareness in the minds of tax payers regarding e-filing of income tax.

Matthias Wrede (2014) has found that tax planning has increased the fair tax rate in Germany. The study identified that families with prosocial motives should be taxed less than those without pro-social motives. The study proved that taxation should not prevent individuals with the joy-of-giving motives from contributing substantially more to the social good than individuals who do not share these motives.

Manjunath (2015) has identified that bank deposit was a preferred investment avenue for salaried class investors followed by insurance, post office saving schemes, real estate and mutual funds. Only meagre percent of the salaried class investors preferred to invest in shares and bonds due to the risk associated with them. Hence, salaried class investors have preferred to invest in the long-term investments with the objective of retirement life, children’s marriage, children’s higher education and stable return. The study also examined that majority of the male investors have possessed more awareness about the investment avenues with tax benefits.

Neha (2016) has examined the preference of salaried personnel towards investment avenues. The study identified that most of the salaried personnel followed the investment advice of friends and relatives. Hence, the study found that the preferred investment avenues of salaried personnel were fixed deposit, gold and silver. The study also identified that the purpose of investment made by the salaried personnel was purchasing a home and for long-term growth.

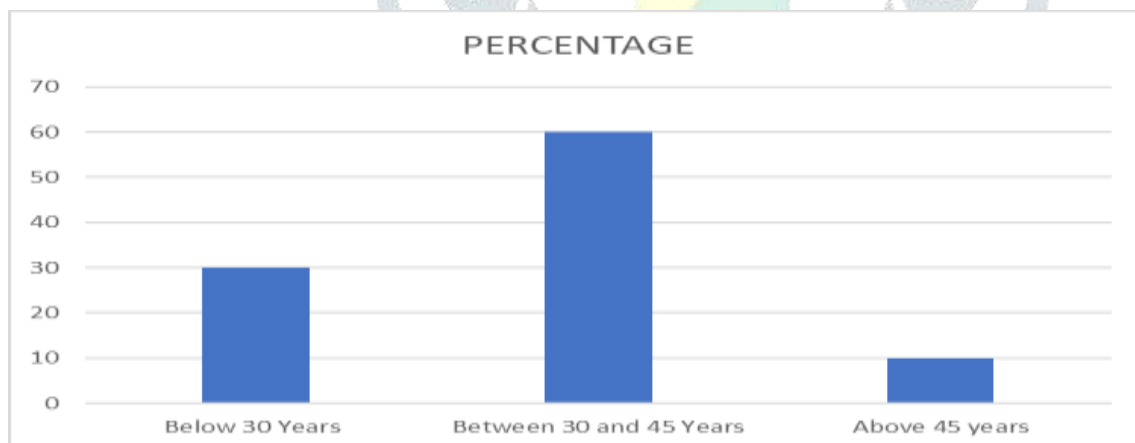
Nicoletta Marinelli et al. (2017) have studied the role of gender in the investment behaviour in Italy. The study identified that among the socio-demographic and economic variables, gender has played a significant role in the investment decision process, risk preferences and portfolio characteristics. The study also found out that gender did not affect the quality of portfolios.

ANALYSIS AND INTERPRETATION

TABLE: 1 AGE

BASIS	NO. OF RESPONDENTS	PERCENTAGE
Below 30 Years	15	30
Between 30 and 45 Years	30	60
Above 45 years	5	10
Total	50	100

CHAER: 1 AGE



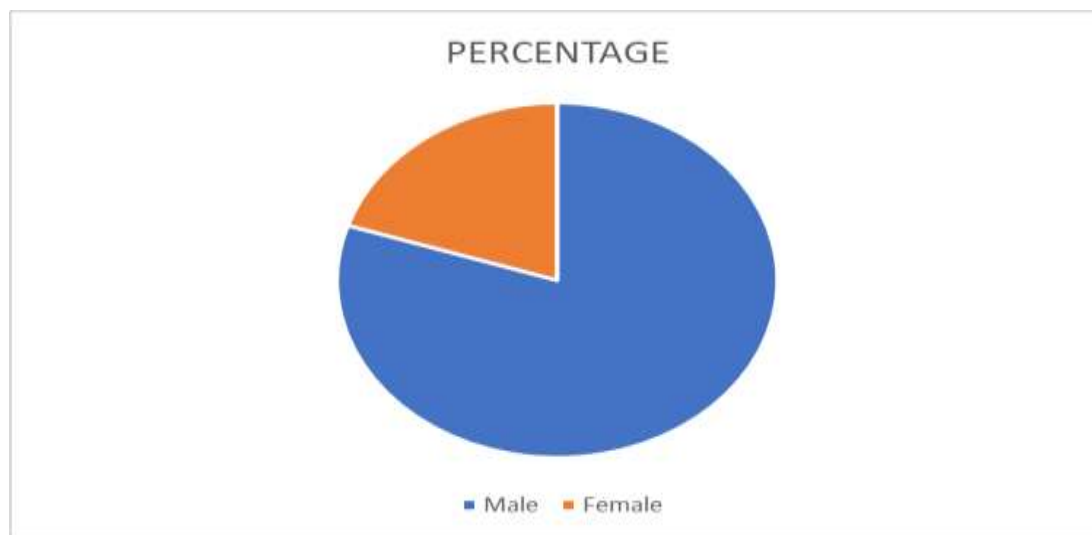
INTERPRETATION

The above graph states that most of the respondents, 60% are included in the age group of between 30 to 45. 30% percentage of respondents comes under below 30 group. 10 % of respondents included in above 45 age group.

TABLE: 2 -GENDER

Basis	NO. of Respondents	Percentage
Male	40	80
Female	10	20
Total	50	100

CHART: 2 GENDER



INTERPRETATION

The above chart specifies that 80% of respondents are males and 20% are females.

TABLE: 3- SERVICE IN COMPLETED YEARS

Basis	No. Of Respondents	Percentage
Below 10 Years	10	20
Between 10 and 20 Years	24	48
Between 20 and 30 years	11	22
Above 30 Years	5	10
Total	50	100

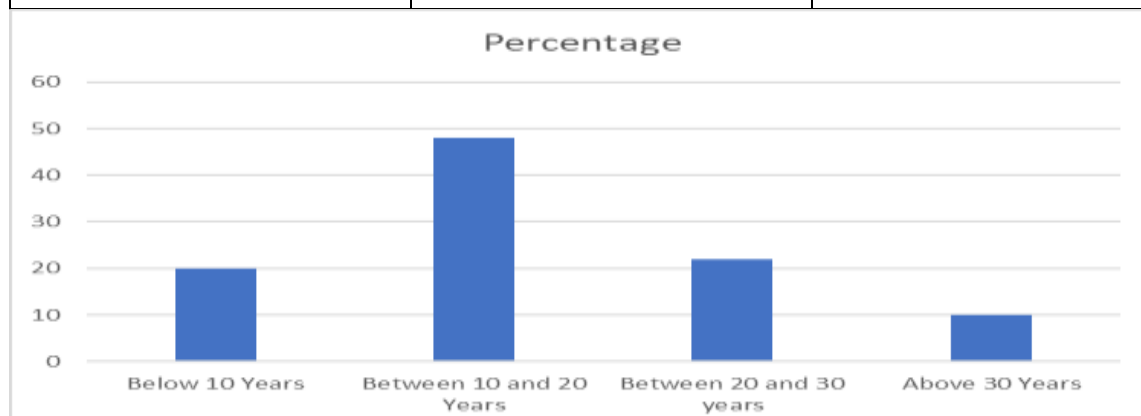


CHART: 3

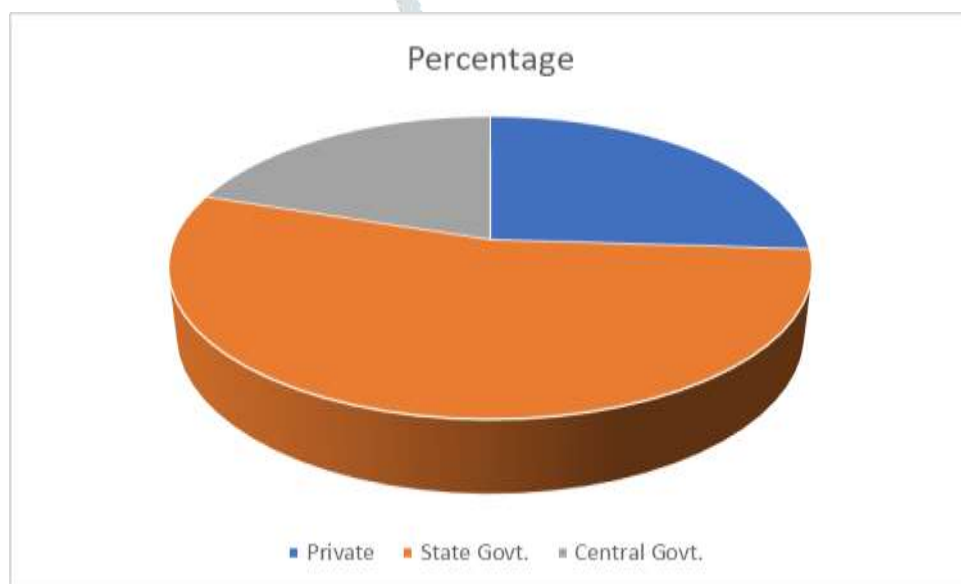
INTERPRETATION

The above picture depicts that 48% percentage of respondents has 10-20 years of services in their job. 22 % of respondents has 20-30 years of service, 20% of respondents are comes under the services of below 10 years and 10% of respondents has above 30 years of services.

TABLE : 4- STATUS OF THE EMPLOYER

Basis	No. of Respondents	Percentage
Private	13	26
State Govt.	27	54
Central Govt.	10	20
Total	50	100

CHART: 4



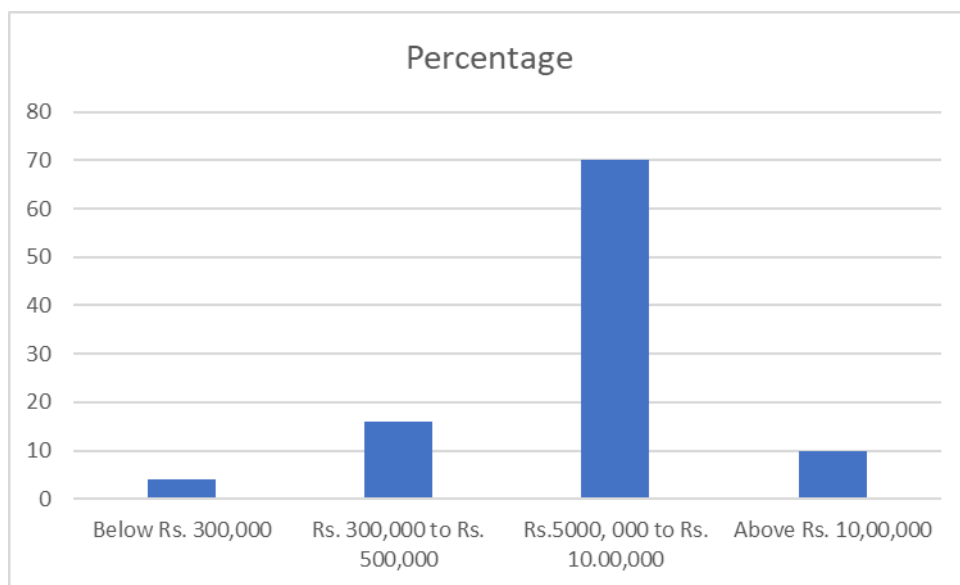
INTRPRETATION

The above graph represents that 54% of the employees are state government employees, 26% of employees are working at private enterprises and 10% of respondents are central government employees.

TABLE: 5- ANNUAL INCOME FOR THE PREVIOUS YEAR 2018-2019

Basis	No. of Respondents	Percentage
Below Rs. 300,000	2	4
Rs. 300,000 to Rs. 500,000	8	16
Rs.5000, 000 to Rs. 10.00,000	35	70
Above Rs. 10,00,000	5	10
Total	50	100

CHART: 5



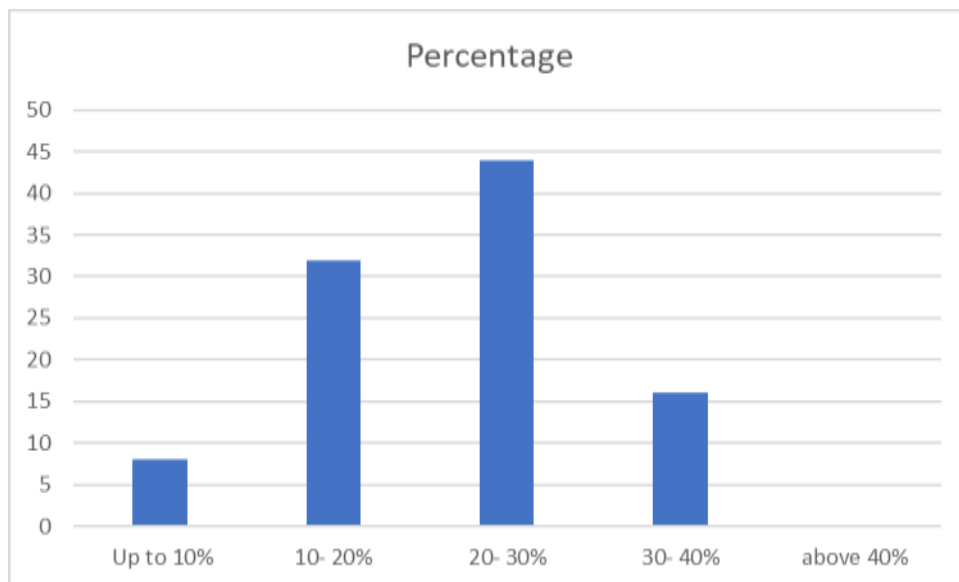
INTERPRETATION

The above chart shows that the annual income of the respondents. Annual income of most of the respondent's (70%) are between the class limit of 500000-1000000. 16% of respondents has the annual income of 300000-500000. 10% of respondents are comes under above 1000000 and only 4% comes under below 300000.

TABLE: 6- SAVINGS PER YEAR

Basis	No. of Respondents	Percentage
Up to 10%	4	8
10- 20%	16	32
20- 30%	22	44
30- 40%	8	16
above 40%	0	0
Total	50	100

CHART: 6



INTERPRETATION

The above chart shows that the percentage of savings from income of the respondent per year. 44% of the respondents are saving 20-30% from their income. 32% are saved from only 10-20% from their annual income.

TABLE: 7- AWARENESS OF TAX SAVING SCHEMES

Basis	Percentage		
	Fully Aware	Partly Aware	Un-aware
Children Education Allowance	90	8	2
Hostel Expenditure Allowance	60	30	10
Transport Allowance	80	16	4
House Rent Allowance	78	16	6
Travelling/Conveyance/Daily/Helper/Uniform/Research allowances	60	20	20
Deduction for interest on loan taken for construction or purchasing or Repair of house property	80	16	4
Presumptive Incomes	60	20	20
Deduction from Capital Gain	80	12	8
Deduction for Specified Investments	72	18	10
Deduction for Pension Fund	90	10	0
Deduction for Contribution to NPS	90	10	0
Deduction in respect of medical insurance premium	90	10	0

Deduction for Maintenance including medical treatment of a dependent being a person with disability	60	16	4
Deduction in respect of medical treatment, etc.	60	28	16
Interest on loan taken from any financial institution for higher education	86	12	2
Deduction for Donation to Specified funds	60	30	10
Deduction in respect of rent paid	70	20	10
Deduction in respect of contribution given to political parties	70	20	10
Deduction in respect of Royalty income of authors	40	30	30
Deduction in respect of Interest from Saving Bank Account	90	10	0
Deduction in the case of a person with disability	40	40	20
Rebate Under Section 87A	90	10	0



CHART: 7

INTERPRETATION

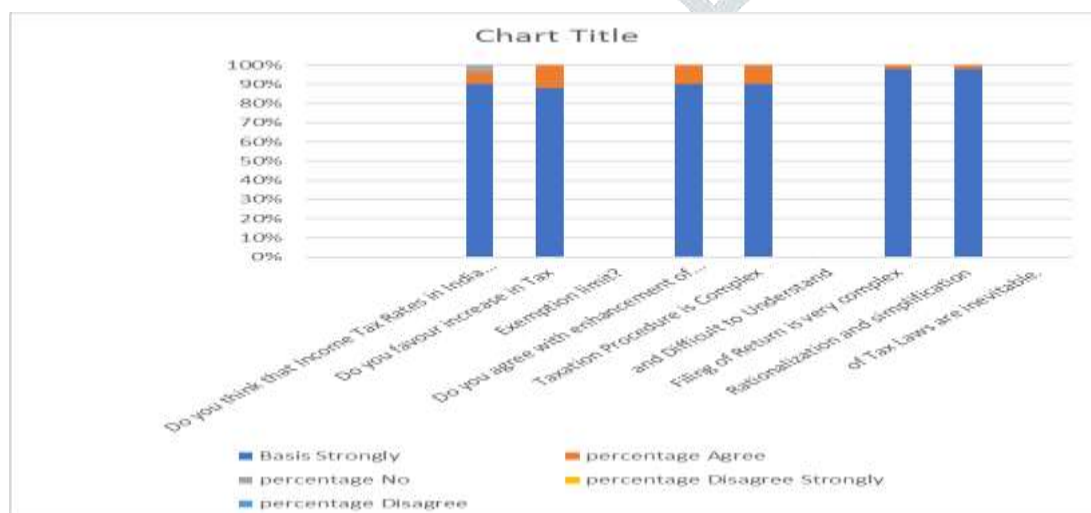
The above graph explains the awareness level of various respondents towards different tax saving schemes. 90% of respondents are aware about children’s education allowances, Deduction for Pension Fund, Deduction for Contribution to NPS, Deduction in respect of medical insurance premium, Deduction in respect of Interest from Saving Bank Account and Rebate Under Section 87A. 60% and 30% of the employees are fully and partly aware about Hostel Expenditure Allowance respectively. 78% of employees are known about the house rent allowances. 80% of respondents known about Transport Allowance and Deduction from Capital Gain and

Deduction for interest on loan taken for construction or purchasing or Repair of house property. 70% of respondents are aware about the Deduction in respect of rent paid.

TABLE: 8- OPINION OF TAX SYSTEM

Basis	Percentage				
	Strongly Agree	Agree	No Opinion	Disagree Strongly	Disagree
High Income Tax Rates in India	90	6	4	0	0
Need increase in Tax Exemption limit	88	12	0	0	0
Increasing the maximum limit for Deduction u/s 80C.	90	10	0	0	0
Taxation Procedure is Complex and Difficult to Understand	90	10	0	0	0
Filing of Return is very complex	98	2	0	0	0
Need simplification of Tax Laws	98	2	0	0	0

CHART: 8- Opinion of Tax System



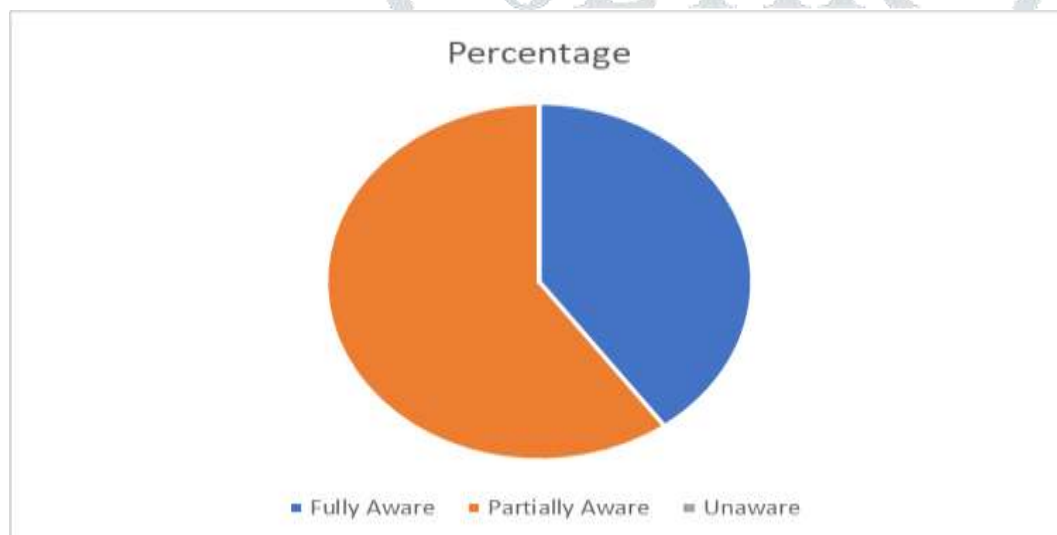
INTERPRETATION

The above chart shows that the opinion of tax system. 90 % of the respondents think that Income Tax Rates in India are High. 88% of the respondents are favouring to increase the tax exemption limit. 90% of the respondents has the opinion for increasing the deduction u/s 80C and taxation procedure is complex and difficult to understand. 98% of respondents says that simplification of tax laws is inevitable.

TABLE: 9-LEVEL OF AWARENESS OF THE PROPOSED DIRECT TAX

Basis	No. of Respondents	Percentage
Fully Aware	20	40
Partially Aware	30	60
Unaware	0	0
Total	50	100

CHART: 9- level of awareness of the proposed Direct Tax



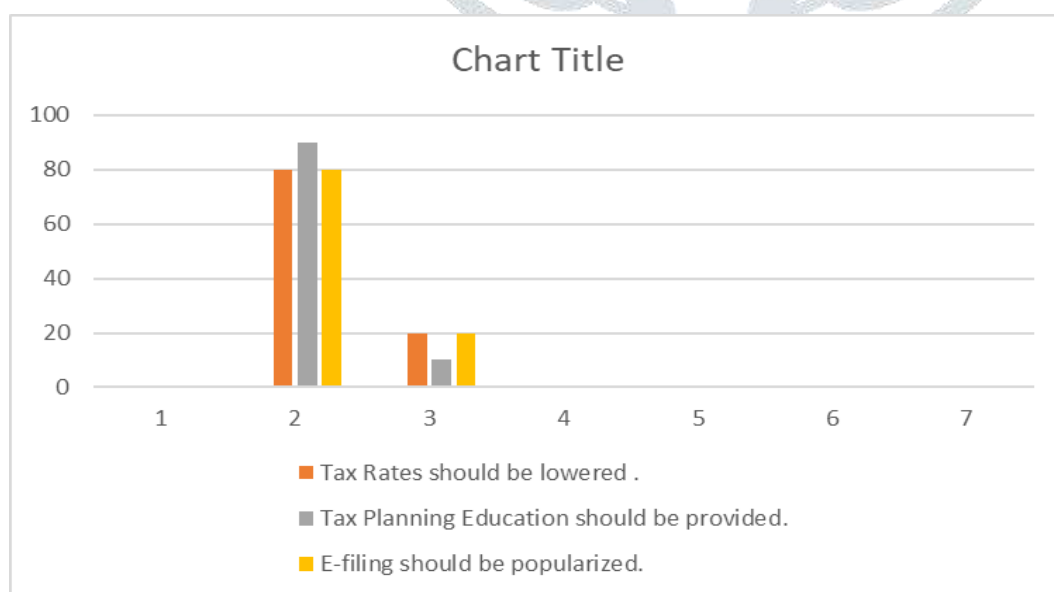
INTERPRETATION

The above chart shows that the overall awareness of tax system. 60% of the respondents are partly aware about the direct tax system. 40% of the respondents are fully aware about the tax system.

TABLE: 10- SUGGESTIONS ON TAX SYSTEM

Basis	Tax Rates should be lowered.		Tax Planning Education should be provided.		E-filing should be popularized.	
	No. of Respondents	Percentage	No. of Respondents	Percentage	No. of Respondents	Percentage
Strongly Agree	40	80	45	90	40	80
Agree	10	20	5	10	10	20
No Opinion	0	0	0	0	0	0
Disagree Strongly	0	0	0	0	0	0
Disagree	0	0	0	0	0	0
Total	50	100	50	100	50	100

CHART: 10



INTERPRETATION

The above graph expresses the suggestions of the respondents about the tax system. 80% respondent suggests that tax rate should be lowered. 90% of the respondents shows their willingness to get a tax planning education from government. most of the respondents are facing E-filing problems. They suggest that E-filing should be popularised.

H0: There is no significant relationship between level of awareness about tax planning and years of experience of salaried employees.

ANOVA - (One way) for Level of awareness and years of experiences

Source of Variation	Sum of Squares	D.f.	Mean Square	F	Sig.
Between Groups	13.191	2	6.595	23.486	0.000
Within Groups	66.556	237	0.281		
Total	79.747	239			

Source: Primary survey

The table above describes about the ANOVA - One way for the difference in the level of awareness about tax planning and years of experiences. It is very clear that, the P value 0.000 is significant, which is below the level of 0.05. Therefore, it can be inferred that, there is a significant difference and the above set null hypothesis is rejected. Thus, level of awareness and years of experiences significantly differ.

The above ANOVA conveys that there is a significant difference in at least one pair of sub sample. But the output generated by one-way ANOVA is not sufficient enough to claim that the differences between all the groups are significant or not. A more detailed Post Hoc analysis is required to identify the significance of mean difference, whether years of experiences differs significantly within themselves. Therefore an attempt is made here to identify whether the difference between different years of experiences is significant or not using Post Hoc - LSD analysis of ANOVA.

ANOVA - Post Hoc - LSD
Significance of mean difference between years of experiences

Years of experiences	Years of experiences	Mean Difference	Std. Error	Sig.
10 below	10-30 years	-0.40707	0.16255	0.013
	Above 30	-0.07937	0.15963	0.620
10-30 years	Above 30	-0.48643	0.07141	0.000
	10 below	-0.40707	0.16255	0.013
Above 30	10-30 years	-0.48643	0.07141	0.000
	10 below	-0.07937	0.15963	0.620

Source: Primary survey

The above Post hoc (LSD) analysis reveals that, the mean differences between the below 10 years of experiences and 10-30 is found to be significant with a P value of 0.013, which is less than 0.05. The mean differences between the below 10 years of experiences and above is found to be significant with a P value of .620, which is greater than 0.05. Mean differences of 10-30 years of experiences and with above 30 with a P value of 0.000, since it is less than 0.05 ($P < 0.05$). Therefore, it can be concluded from the LSD Post Hoc - ANOVA that, experiences with below 10 years and 10-30 years, above 30 years differ significantly according to the levels of awareness of tax planning.

FINDINGS

1. Employees with 10-30 years experiences have great awareness about tax planning.
2. Majority of the respondents, 60% are included in the age group of between 30 to 45.
3. 80% of the respondents are males
4. Most of the respondents has 10-20 years of services in their job
5. Majority of the respondents are State Government Employees.
6. Annual income of most of the respondent's (70%) are between the class limit of 500000-1000000.
7. Most of the respondents are saving 20 to 30 percentage from their annual income.
8. 90% of respondents are aware about children's education allowances, Deduction for Pension Fund, Deduction for Contribution to NPS, Deduction in respect of medical insurance premium, Deduction in respect of Interest from Saving Bank Account and Rebate Under Section 87A.
9. 80% of respondents known about Transport Allowance and Deduction from Capital Gain and Deduction for interest on loan taken for construction or purchasing or Repair of house property.
10. 70% of respondents are aware about the Deduction in respect of rent paid.
11. 90 % of the respondents think that Income Tax Rates in India are High and also, they have the opinion that the deduction u/s 80C should be increased
12. 98% of respondents says that simplification of tax laws is inevitable.
13. 88% of the respondents are favouring to increase the tax exemption limit

14. 40% of the respondents are fully aware about the direct tax system
15. 80% respondent suggests that tax rate should be lowered.
16. 90% of the respondents shows their willingness to get a tax planning education from government.
17. most of the respondents are facing E-filing problems. They suggest that E-filing should be popularised.

SUGGESTIONS

1. The study reveals the fact that awareness level about the tax saving scheme is not much among investors. Government should provide Tax planning and E-Filing awareness programmes to the assesses.
2. More attractable tax saving sections should be included in Tax Laws
3. Most the respondents say that simplification of tax laws is inevitable. Government should try to consider the suggestions of the public

CONCLUSION

Tax planning is an essential part of our financial planning. Efficient tax planning enables us to reduce our tax liability to the minimum. This is done by legitimately taking advantage of all tax exemptions, deductions rebates and allowances. The purpose of the study is to analyse the awareness of people about the popular tax saving instrument. Over all findings reveals that the individuals are not fully aware of all the technical details about the scheme which they chose for investment. They wish to acquire knowledge about tax planning also. So better awareness programmes help to the right people ensures quality investment decisions and better tax planning.

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