



# “Awareness of Tax Planning among Salaried Individuals in Nagpur City”

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## Abstract

The development and welfare requirements of a country require a huge amount. Therefore, government of any country levies taxes. Among the various taxes, income tax is a direct tax which is charged on the income of an assessee. For reduction of tax liability various exemptions, deductions, rebates and relief have been provided. Among the various tax planning measures are deductions u/s 80C to 80U. This paper considers only a few common deductions available for individuals. This study is restricted to Nagpur city only. Planning of income tax not only reduces the tax burden of an individual, it also gives mental satisfaction to them.

*Key Words: Income tax, salaried individuals, awareness, planning*

## I. Introduction

An individual needs money to meet the requirements of self and family members, different social organizations need money to carry on social responsibilities, the Government of the country also requires money to develop the country, maintain law and order and to promote the activities for the welfare of the public. For these reasons the Government collects the fund by imposing various taxes upon the public. These taxes may be direct or indirect. One of these direct taxes is income tax which is most popular. (Jain, 2016)

Income Tax is levied in every assessment year in respect of the income of the previous year. Mostly payment of tax is considered as tedious work for the individual taxpayers. This is because of a lack of knowledge about taxation law and the tax payment process.

In order to reduce liability of tax the assessee must be aware of tax planning measures. Tax planning is neither tax avoidance nor tax evasion. It is the scientific planning of one's financial situation in such a way as to minimize the tax liability. Various exemptions, deductions, rebates and relief have been provided by the legislature to encourage savings and investments for the economic development of the country. (P, 2017) Among the various tax planning measures are deductions u/s 80C to 80U.

## II. Objectives of the Study

- To study relationship between gender and filing of returns.
- To study the level of awareness among individuals regarding tax planning using deductions.
- To study the awareness of individuals with the concept of tax evasion and tax avoidance.

## III. Methodology

- Both primary and secondary sources were used for the study.
- Primary data was collected using a structured questionnaire.
- Interviews of salaried individuals were also conducted.
- Sample of 50 salaried individuals was taken from Nagpur city. Convenience sampling method was used for the study. Individuals were selected for sample from various fields which include- schools, colleges, banks, police station, companies, shops, malls etc.,

- Salaried individuals of white collar jobs were only taken in the sample.
- Secondary sources include newspapers, magazines, journals and websites.
- Presentation and analysis of data is done by using tables, pie diagrams, charts and descriptive methods.
- Study is restricted to Nagpur city only.

Of the various tax planning instruments, we have considered only a few general awareness instruments which include- 80C, 80 CCD, 80E, 80DD, 80EE.

#### IV. Analysis of data of respondents related to education qualification, gender, annual income and sector of salaried employees

*Classification of respondents according to educational qualification, gender, annual income and sector of employment*

Question	Response	Number of Respondents	% of Respondents
<i>Education qualification of respondents</i>	Less than Graduation	05	10
	Graduation	07	14
	Post-Graduation	14	28
	Above Post Graduation (Ex: Ph.D.)	24	48
<i>Gender of respondents</i>	Male	23	46
	Female	27	54
	Prefer not to say	00	00
<i>Annual income of respondents in ₹</i>	Below 2,50,000	06	12
	2,50,001 to 5,00,000	12	24
	5,00,0001 to 10,00,000	14	28
	10,00,101 to 20,00,000	16	32
	Above 20,00,000	02	04
<i>Salaried respondent working in public/private sector</i>	Private Sector	23	46
	Public Sector	27	54

The above table gives the details of educational qualifications, gender, annual income and sector of the selected salaried individuals.

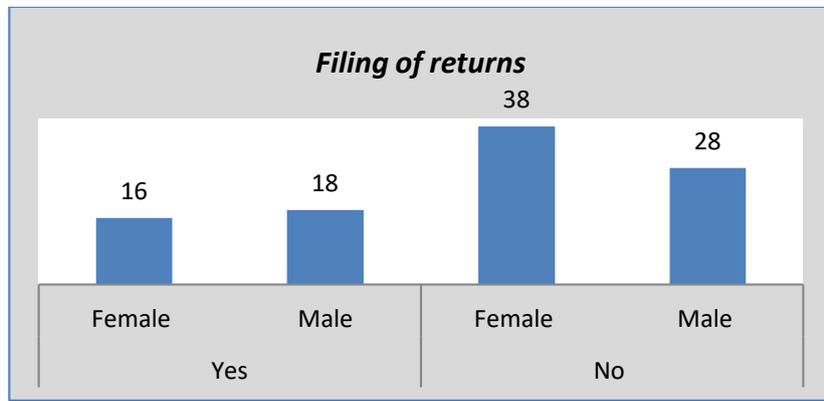
The respondents were taken from both the public and private sector. It can be observed that there is no big difference in number of respondents between the sectors chosen while collecting the sample. Among various respondents more individuals were from the middle three classifications of income groups.

Among the education qualifications it was observed that more respondents are above graduates. The reason behind that can be that we have taken only white collar salaried individuals for the study. A white collar salaried individual is generally expected to be well qualified academically.

#### V. Analysis and interpretation of data to examine the awareness of salaried individuals about the procedure of income tax assessment which include filing of tax returns and slab rates

➤ *Do you file your tax returns on your own?*

Response	Gender	% of Respondents
Yes	Female	16
	Male	18
No	Female	38
	Male	28

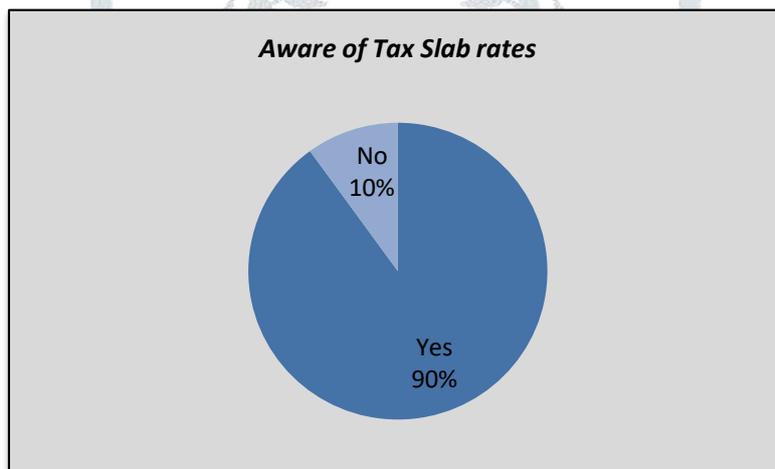


It was observed that 66 percent of respondents did not file income tax returns on their own whereas 34 percent filed themselves. It can be further observed that females were more among the individuals who did not file income tax returns themselves.

While conducting interviews of few female individuals of the sample, it was observed that their family member, specially husband or CA does the preparing and filing of returns for them.

➤ **Are you aware of Income Tax Slab Rates?**

Response	Number of Respondents	% of Respondents
Yes	45	90
No	05	10

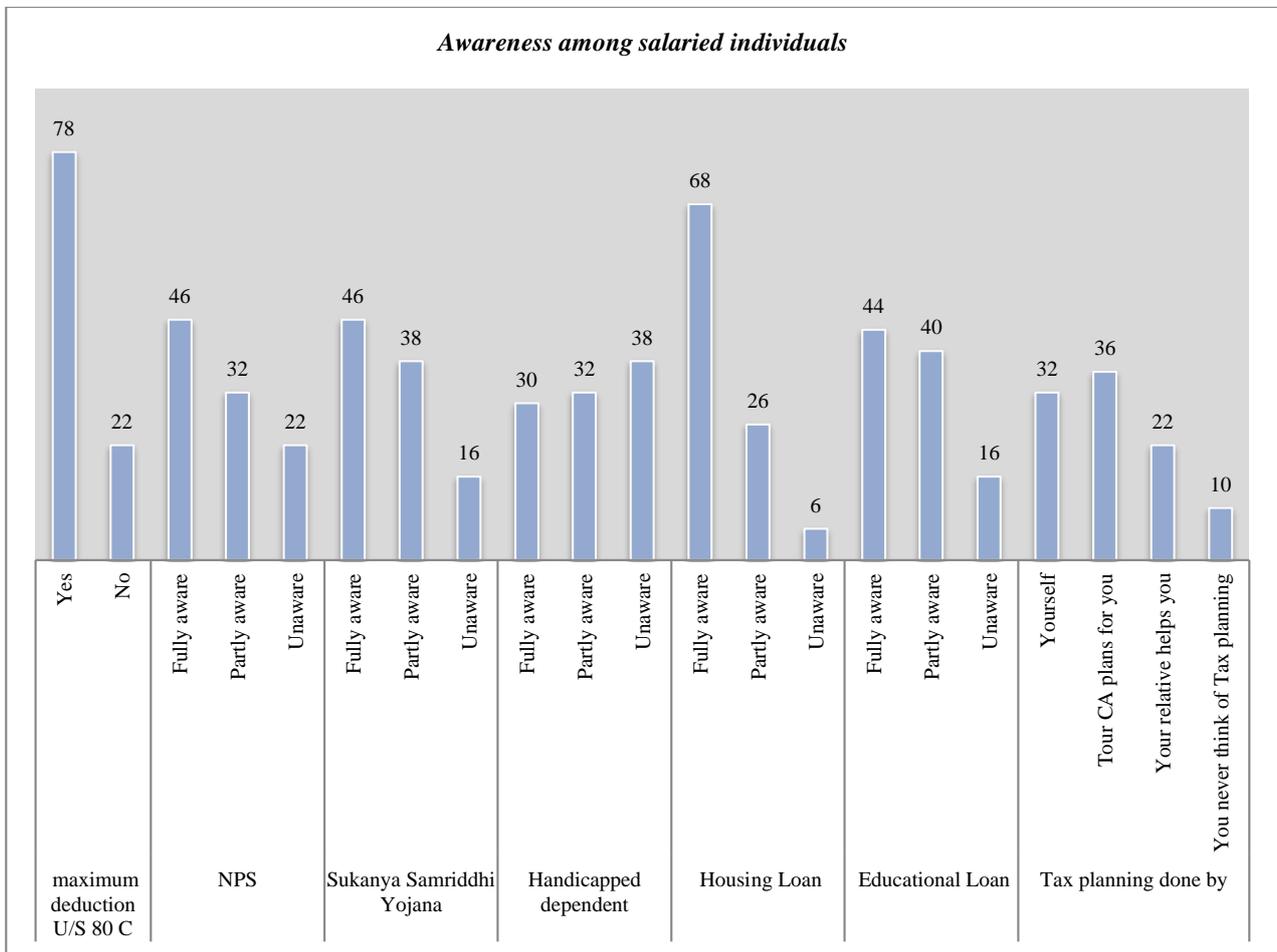


When asked about the awareness of slab rates which is just a basic of tax planning, 10 percent of respondents were also not aware of income tax slab rates, which will again prove that they are dependent on others for calculating tax liability and tax planning.

## VI. Analysis and interpretation of data to examine the awareness of salaried individuals about various deductions

*Classification of respondents based on awareness*

Questions	Response	Number of Respondents	% of Respondents
<i>Are you aware of the maximum amount of deduction that can be availed under section 80 C?</i>	Yes	39	78
	No	11	22
<i>Are you aware of deduction in respect to contribution to NPS?</i>	Fully aware	23	46
	Partly aware	16	32
	Unaware	11	22
<i>Are you aware of Sukanya Samriddhi Yojana?</i>	Fully aware	23	46
	Partly aware	19	38
	Unaware	08	16
<i>Are you aware of deductions available if a taxpayer has a handicapped dependent?</i>	Fully aware	15	30
	Partly aware	16	32
	Unaware	19	38
<i>Are you aware of the deduction benefit available for housing loan?</i>	Fully aware	34	68
	Partly aware	13	26
	Unaware	03	06
<i>Are you aware of deduction available for - Interest on loan taken for higher education?</i>	Fully aware	22	44
	Partly aware	20	40
	Unaware	08	16
<i>Tax planning on income earned by you is done by-</i>	Yourself	16	32
	Your CA plans for you	18	36
	Your relative helps you	11	22
	You never think of tax planning	05	10



The above table indicates the percentages of awareness among salaried individuals regarding maximum limit u/s 80C and awareness of Sukanya Samriddhi Yojana, 80 CCD, 80E, 80DD, 80EE and tax planning decision.

78% of respondents are aware of the maximum amount of deduction u/s 80C. The reason behind that could be, usually deduction of an employee form part of this section which mostly includes life insurance premiums.

It was observed that 46 percent of respondents are fully aware, 32 percent are partly aware and 22 percent are unaware of deduction in respect of contribution to NPS.

It was observed that 46 percent of respondents are fully aware, 38 percent are partly aware and 16 percent are unaware of Sukanya Samriddhi Yojana. When conducted interviews it was observed that many individual in sample are not eligible for this benefit, so they were not fully aware of the same.

It was observed that 30 percent of respondents are fully aware, 32 percent are partly aware and 38 percent are unaware of deductions available if taxpayer has a handicapped dependent. When conducted interviews of few respondents, the reason for more percentage being unaware was that they did not have any handicapped dependent to avail any such deduction.

It was observed that 68 percent of respondents are fully aware, 26 percent are partly aware and 06 percent are unaware of deduction benefits available for housing loan. It can be observed that more percent of respondents are fully aware of deduction benefits of housing loan.

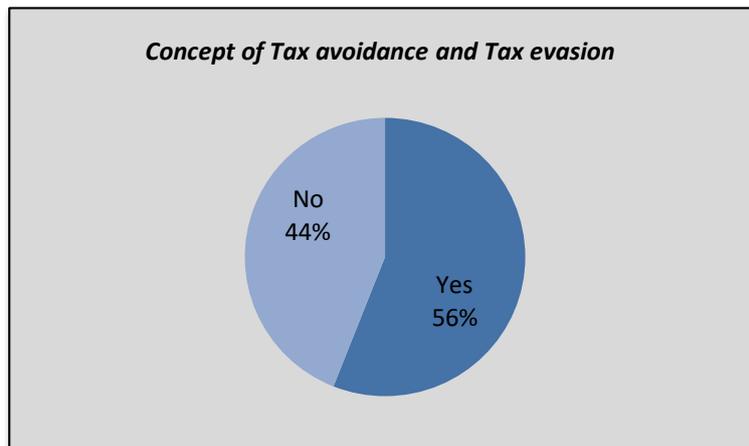
It was observed that 44 percent of respondents are fully aware, 40 percent are partly aware and 16 percent are unaware of deductions available for - Interest on loan for higher education. After interviewing few respondents it was observed that those who are not fully aware have small children, who have yet to go for higher education.

It was observed that 32 Percent of respondents did tax planning on income earned by themselves, 36 percent of respondents got it done by their CA, 22 percent of respondents took help of their relatives, 10 percent of

respondents never thought of tax planning. More percent of tax planning is done by CA as the assessee find in it tedious to plan and reduce tax liability.

## VII. Analysis and interpretation of data to examine the awareness of salaried individuals about of the concept of tax avoidance and tax evasion

Response	Number of Respondents	% of Respondents
Yes	28	56
No	22	44



It was observed that 56 percent of respondents were aware of the concepts of tax avoidance and tax evasion and 44 percent of respondents were not even aware of these concepts. Thus based on sample, we can say that individuals in Nagpur city are more interested in tax planning, they are not even aware of the concepts of tax avoidance and tax evasion to a great extent.

## VIII. Conclusion

A salaried individual willing to assess income tax should be interested in deductions. Tax planning saves taxes of an individual and also encourages investments in Government schemes/securities. It can be concluded that salaried individuals in Nagpur city are aware to a great extent regarding the deductions. Many salaried individuals are found dependent on others for planning, preparing and filing of returns. Large percent of individuals are not aware of the concept of tax avoidance and tax evasion. Planning of income tax not only reduces the tax burden of an individual, it also gives mental satisfaction to them.

## IX. Further Scope

All instruments that can be used for tax planning are not included in the present study. Further study can be conducted considering those missing instruments. Study can be extended to a district, state and even country. Study can be done considering only a single domain of service, for ex., salaried employees engaged in teaching, salaried employees in police department, salaried employees in IT sector etc.,

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