'Tax Planning Measures by Assessees of Higher Education Institutions in Bangalore City of Karnataka'.

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Abstract:

The Title of the paper is "**Tax Planning Measures by assessees of Higher Education institutions in Bangalore City of Karnataka'** is to spread awareness about the importance of tax payment and the schemes available for individual tax payers to Save tax in higher educational institutions (HEI) under the Income Tax Act, 1961. Taxes are looked at as unnecessary burden and many people find it unjust to pay more taxes as their income increases. This paper will bring up the positive effects of timely tax payment and the benefits that can be enjoyed along with it. Taxation is supposed to be a helping hand for the overall development of the nation. In Karnataka, Government and Non-Government employees of Higher education institutions invested more on investment than on philanthropic items and, they invested more in provident fund, national pension schemes, life insurance schemes and group insurance, which were a mandatory for them. Primary data collection method is used for gathering the data for conducting the detailed study.

Key words: Tax saving schemes, Tax planning, Higher Education Institution assessees.

1. Introduction:

Income tax was came into existence in the year 1860 in india by James Wilson to avoid financial crunch faced by the government. (R. Vasanthi 2015). India having three tier systems, they are central government, state government,

and local government organizations. India has a wide tax sturucture contains many sections, deductions, exemptions etc. the major source of revenue to the government come from the tax.

Tax awareness and Tax planning:

Tax awareness is the important element for each and every individual life who is having income of more than the exemption limit asper the income tax rules and regulations. Tax awareness is the condition that the assesses should know, understand,and implement the tax regulation with voluntary, legitimate, and correct to fulfill the obligations of tax payer. Tax awareness has positive influence on compliance of taxpayer (Suyanto & Trisnawati,2016). According to Khader-2017, Tax Planning is a pre-planning of tax burden by an assessee by taking complete available benefits of all deductions, exemptions, allowances and rebates so that tax liability reduces to minimum. The main goal of tax planning is to reduce the tax burden to the minimum. Tax planning is futuristic in nature. The main benefit of tax planning is considerable in the long run. Tax avoidance is taking advantage of tax savings instruments as per income tax laws. Assessee's planning of tax which aims at reduction in tax payment is tax avoidance. When it comes to tax evasion, it is illegal. Adoption of illegal procedure to reduce tax is called tax evasion. Tax planning is a refined form of 'tax avoidance' and implies arrangement of a person's financial sources in such a way that it reduces the tax liability.

3. Literature Review

Natarajan (2008) studied the options for investments for tax savings in Erode district, Tamil Nadu. In order to reduce tax liability, an assesses has to plan well as to where to invest and how much to invest. In choosing a specific investment, an assesses needs definite knowledge regarding a number of features of investments such as tax benefit, safety of principal, liquidity, stability of income etc.

Gupta (2012) concludes in the study about the reforms needed in the personal income tax structure so that people could feel encouraged for investments which is the vital tool not only for their personal affluence but also for economic development of the nation. Study further highlights how high-income tax rates reduce the incentive to invest.

Bhide (2013) observed that majority of salaried employees do not seek professional advice. Professional advice is sought by business entities and businessmen especially when they are subjected to tax audit. Individual assesses who do not take professional guidance results in tax planning done in a haphazard manner.

Kalgutkar & Anjuman, 2018 concluded that there is a relationship between tax awareness and wealth creation and in order to save tax, an individual assesses invests their hard-earned money on law prescribed investment instruments which helps an individual to create wealth in future.

Niyati Jain, Neha Yadav & Dr. T.V. Raman Awareness Level of Tax Planning with Respect to Wealth Creation – A Study of Individual Assesses (2019) concluded that tax awareness is an important aspect in order to create

wealth. Their analysis indicated that there is a relationship between tax awareness, planning and wealth creation. Majority of the individual assesses had tax awareness. Most of the individual assesses believed that tax awareness further leads to savings, wealth, safeguards retired life, helps in building efficient portfolio of investments, and further helps in increasing standard of living.

Pankhuri Agarwal, Vipin Jain, and Dr. Surabhi Goel (Awareness of the Various Investment Options Available for Tax Planning 2020) concluded that women of today's are aware about various investment schemes. The most preferred investment avenue among them is Life insurance policies and bank deposits followed by public provident fund. It has been also found that mostly women didn't take assistance of anybody in making financial decisions.

4. Objectives of Study

- ➤ To ascertain level of awareness among salaried individuals on various deductions under IT Act 1961.
- ➤ To find out the best tax saving instrument to save tax.

5. Hypothesis of the study

H0- there is no relationship between age and awareness about income tax deductions.

H1- there is a significance relationship between age and awareness about income tax deductions.

6. Research Methodology

The research design of the study is descriptive in nature. Research methodology is a way to solve problem. The research methodology for this study is as follows. The present study is based on Random sampling. The population for this study consists of the assessees of higher education institution in Bangalore city of Karnataka. 26 samples are selected for this study in various classes of age group and income group randomly . Primary data was collected through the use of questionnaire and the secondary data was collected from textbooks, journals, on-line published articles, and newspapers. For the purpose of analysis table graphs and chi-square test were applied.

Please indicate your level of awareness about the 80C, 80CCC, 80CCD(1),80 D
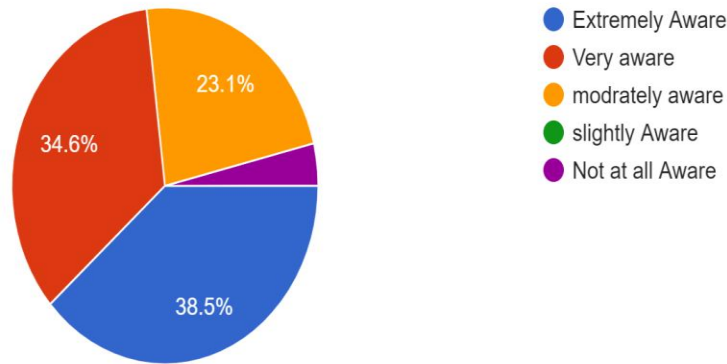
26 responses

Table -2 Classification

Particular	Factor	Numbers
	25-35	15
	35-45	06
	45-55	04
AGE	55-60	01
	60-80	00
	80& above	00
	Total	**26**
GENDER	Male	15
	Female	11
	Total	**26**
LEVEL OF	Less than 500000	06
INCOME	500000-1000000	06
	1000000 & above	14
	Total	**26**

Figure -1:

Age (years)
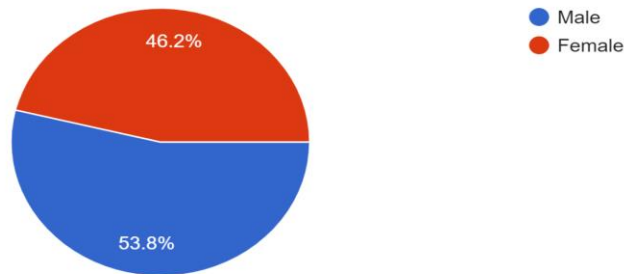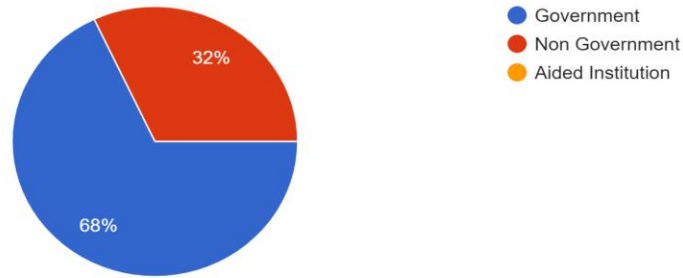26 responses
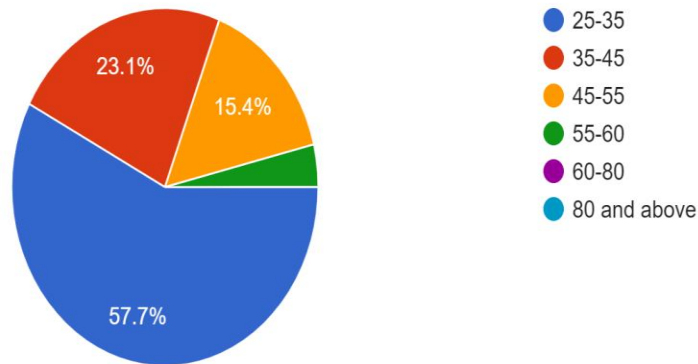
Figure-2:

Gender
26 responses

Figure-3:

Annual Income
26 responses

Figure -4

Nature of Empoyment
25 responses

Do you think Tax Planning is essential to every salaried employees working in Higher Educational Institutions
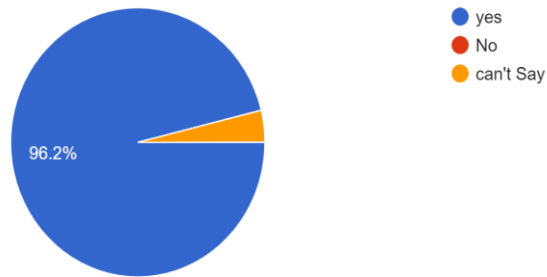26 responses

Figure -5:

Figure - 6 :

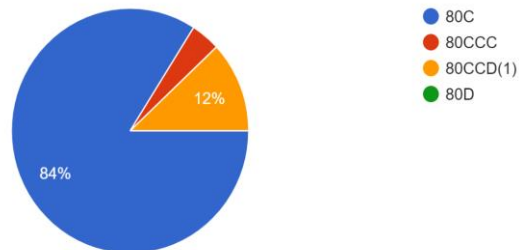Please indicate your investment Avenues for Tax Planning .
25 responses

Figure -7

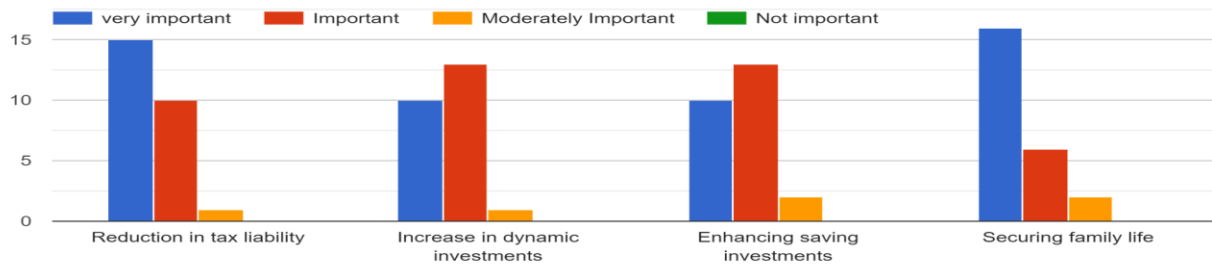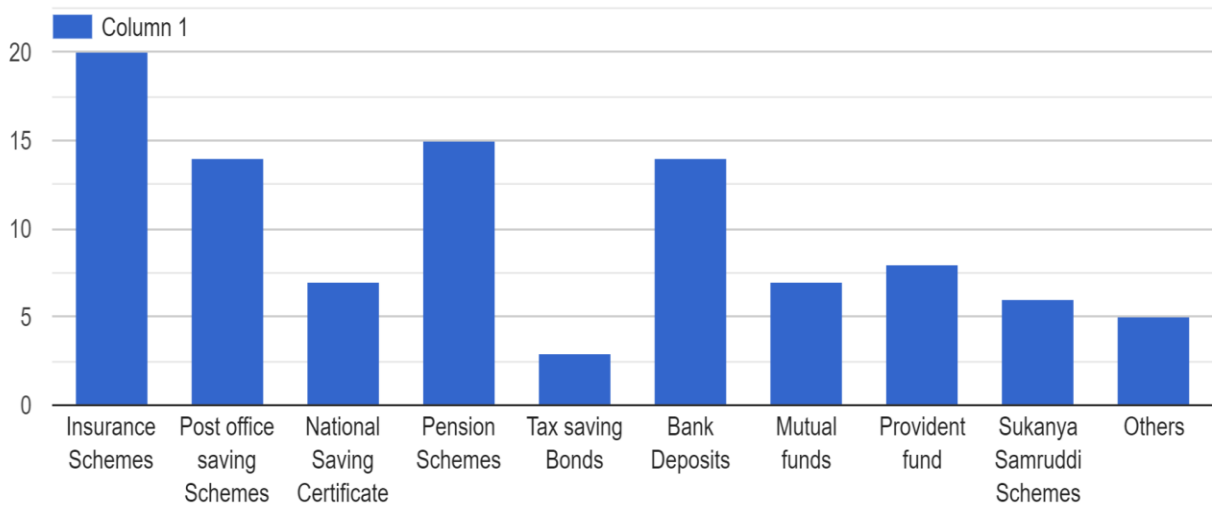Please indicate the level of significance in Investment

Figure - 8

Kindly Mention your Investment Pattern for Tax Planning

7. Testing of Hypothesis

Observed table

Awareness/Age	25-35	35-45	45-55	55-65
80C	9	1	0	0
80CCC	1	3	4	1
80CCD	4	2	0	0
80D	01	0	0	0
Total	15	06	04	01

Sig = 0.05(5%)

Chi square = observed value –Expected value/Expected value

Expected table

Awareness/Age	25-35	35-45	45-55	55-65
80C	5.8	2.3	1.5	0.4
80CCC	5.2	2.1	1.4	0.3
80CCD	3.5	1.4	0.9	0.2
80D	0.6	0.28	0.02	0.04

$$\text{Chi square test} = (O-E)^2 / E$$

$$= 16.951$$

Degree of freedom = (col-1) (Row-1)

$$= (5-1)(4-1)$$

$$= 4*3 = 12$$

Table value =21.03

Calculated value =16.951

Calculated value is less than the table value. Hence Null hypothesis is accepted . however there is no relationship between age and awareness about of income tax deduction

8. FINDINGS AND SUGGESTIONS:

➤ From My survey it is observed that majority of the assessees are very much aware of deductions of 80C, 80CCC ,and slightly aware of 80D.

➤ Majority of the investors are invested their savings under section 80C like insurance, provident fund ,mutual find , pension schemes ,etc…

➤ Majority of the investors are expressed their opinion regarding level of significance for tax planning is, it helps for reduction of tax liability and it provides security for future life.

➤ Majority of the investors are invested their savings in insurance schemes, post office schemes, bank deposits, pension schemes.

➤ Most of the investors are very less aware of some schemes under 80C and 80D like sukanya samruddi schemes, investment in medical insurance etc…. .

➤ Government should conduct some training programmes,workshops, seminars etc.. to assesses to educate regarding various schemes available under various deductions under income tax schemes for saving tax and investing their investment.

9. CONCLUSION:

Tax planning is essential part of each and every individual assessees for reducing tax burden and for their future life security. From the study it is concluded that majority of investors have investment and tax planning significance for securing life and reduction of tax liability from their income. Deduction 80C is most preferable and accepted deduction for most of the assessees. Irrespective of the income level and type of employment all kinds of assessees are availing various deductions facility of income tax act of 1961.

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