



TOP TAX SAVING INVESTMENT OPTIONS AVAILED BY YOUNG SALARIED INDIVIDUALS.

Shivani Singh

Student

Lovely Professional University

INTRODUCTION:

Most Indian people depend upon agriculture as their primary source of income in rural India. But with rapid urbanization and development of infrastructure in rural areas, India has seen a major surge in industrialization over a few decades. Along with industrialization, the number of people taking up jobs is also increasing.

India has been a market for many domestic and international industries which are labor centric and hire people based upon merits. If we see the background of Indian rooted culture, numbers of middle-class families that rely on monthly income from the employers are higher than the business houses or entrepreneurship. The average income of people is low. The per capita income in real terms during 2020-21 is estimated at Rs. 86,659 as compared to Rs. 94,566 during 2019-20. The median household income of India is around \$3168 for 2021, which is around 236998 rupees.

COUNTING ON RELATIVE TERMS:

As per data issued by the Central Board of Direct Taxes (CBDT), only 1.46 Cr. Individuals have filed their return of income which is just 1% of the total population of the country. Over 5.95 crores amount of income tax returns (ITRs) for the financial year ended 31st March 2020 (2019-20) were filed by 10th January, as per the statement issued by Income Tax Department. Income tax returns taken into account this year have increased by about 5 percent to nearly six crores. CBDT also clarified that one crore taxpayers reported only 46 lakh people claimed income in the range of Rs 5-10 lakh, while the rest recorded income of more than Rs 10 lakh. A more detailed structure of the figures reveals that 3.16 lakh people

had an annual income of more than Rs 50 lakh. There were only 8,600 taxpayers with incomes over Rs 5 crore, according to reports. The number of tax returns has climbed by 62 percent in the last 16 years, whereas the number of taxpayers has only increased by 22 percent. Salaried taxpayers pay three times the amount of tax as non-salaried taxpayers. Surprisingly, only 4% of taxpayers contribute 60% of the overall tax revenue.

SALARY DEFINED AS PER INCOME TAX ACT, 1961:

Charging Section of Salary:-

Salary is taxable in the following ways, according to Sec 15 of the Income Tax Act 1961

: a) On due or receipt basis, whichever

comes first; b) Salary arrears whole amount is taxable in the year of receipt, subject to relief under section 89. (Salary is a term used to describe the amount of money provided by an employer to his employees in exchange for their services. However, u/s 17(1) of the Income Tax Act of 1961 defines "salary" to encompass the following monetary and non-monetary payments

: - a) Wages

b) Annuity or pension

c) Gratuity

d) Any fees, commissions, perquisites, or profits in place of or in addition to any salary or wages

e) Any Salary Advance

f) Leave

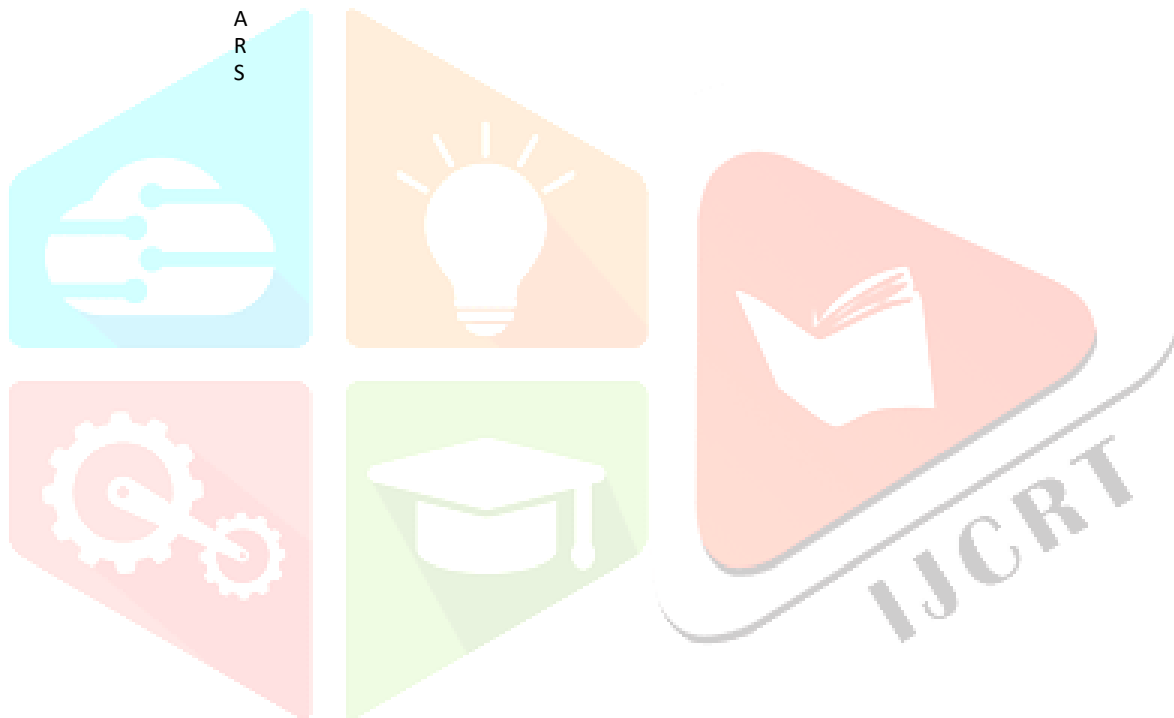
the provident fund in excess of 12% of salary.

h) The contribution made by the federal government or any other employer to an employee's account under a pension system u/s 80CCD in the previous year.

COMPONENTS OF SALARY:



A
D
V
A
N
C
E
/
A
R
R
E
A
R
S



TAX EVASION AND TAX AVOIDANCE

Tax evasion:

It refers to a situation in which a person tries to reduce their tax debt by deliberately lowering his or her income or by increasing his or her income showing lower than income, and by resorting to various forms of fraud. Inspector, you are guilty of tax evasion; you are punished under the appropriate law. Tax evasion may include knowing a false statement, submitting misleading documents, suppressing facts, not keeping proper accounts of earnings (if required under law), and violating important facts in the audit. An inspector, who seeks profit under the law by making false statements, will be liable for tax evasion.

Tax Avoidance:

The line between tax planning and tax evasion is very narrow and vague. There may be an element of reduced purpose involved in tax evasion as well. Any arrangement strictly regulated by the requirements of the law which violates the basic law of the legislature may be construed as a form of tax evasion. It is usually done to settle the matter in such a way that there are no tax violations and to take full advantage of the opportunities available there to attract minor tax incidents.

TYPES OF TAX PLANNING

The tax planning function is based on the development of a specific action model and a formal business plan. These are;

Short and long-range tax planning:

Short-term planning refers to annual planning to achieve a specific or limited purpose. For example, each person who assesses his or her salary, such as enrollment for abnormal growth in a particular year compared to the previous year, may arrange to register with the PPF / NSCs within the prescribed limits to enjoy tax exemptions. By investing in that way, he does not make a permanent commitment but saves a lot of taxes.

Long-distance planning, on the other hand, involves entry to work, which may not pay off

immediately, for example, when the examiner transfers his equity shares. In his young son, he knows that the revenue from the shares will be matched by his income, but the fraud will end after he earns a little more.

Permissive tax planning:

Tax planning is allowed by tax planning under the explicit provisions of the tax laws. Our country's tax laws provide many exemptions and incentives.

Purposive Tax planning:

Purposive tax planning is based on measures, which are illegal. Approved tax planning has a clear legal penalty, while targeted tax planning does not carry sanctions, for example, under section 60 to 65 income tax. 1961 third-party income is included in the income of the test. If the inspector is in a position to plan in such a way that these provisions are not enticed, such an arrangement will favor the taxpayer as it will increase his or her resources. Such a tax plan can be called a "Purposive Tax Planning."

TAX MANAGEMENT

Tax management is an internal part of tax planning. It takes the necessary security measures to comply with legal procedures in order to obtain exemptions, deductions, or exemptions as a violation of the tax planning system. Tax administration plays an important role in easing grants, deductions, and tax exemptions in accordance with the required conditions. For example, when an audit follows a mercantile accounting system, a cost claim is made, subject to the provisions of

section 43B, on accumulated grounds. If the inspector fails to make such a claim, such costs may not be deducted in subsequent years. Similarly, the deductions mentioned under section 80IA, section 80JJA, etc., cannot be approved by the inspecting officer suo moto. Tax administration also protects the examiner from punishment and prosecution by issuing tax obligations in advance. Therefore, tax planning research is incomplete without tax administration. Tax planning without tax management research is like knowing a drug without knowing how to use it.

THE POPULAR INVESTMENT OPTIONS

Public Provident Fund

Statutory provident fund

Fixed Deposit

Life insurance.

Unit-linked insurance
(UTI & mutual funds).

Equity-linked saving
schemes.

National Saving Certificates.

Home loans.

Fixed Deposit

Term Insurance

TAX SAVING INSTRUMENTS

Deduction under section 80C is allowed only to individuals or HUF, up to a maximum limit of 1,00,000 Rs. and the deduction is allowed only when the amount has actually been paid by the assessee.

The following amount paid or deposited are allowed as deduction u/s 80C:

- Contribution / subscription to PPF, NSC, NSS, ULIP, ELSS
- Fixed Deposit with any scheduled bank for at least five years
- Any sum deposited as five years time deposit in an account under the Post Office Time Deposit

A. Equity Linked Saving Schemes

ELSS is a mutual fund product that allows taxpayers to save money on their taxes. The proceeds from ELSS are usually invested in the stock market so that investors can benefit from stock price appreciation and therefore make the stock market work for them. Section 80C of the Income Tax Act of 1961

allows for a tax deduction for ELSS.

B. Life and Medical Insurance Plans

Life insurance policies have long been the most popular way for taxpayers to save money on taxes. Insurance plans provide tax benefits on premiums paid as well as insurance coverage for the insurer and his family in the case of a financially crippling event such as an accident, death, or illness. Section 80C allows individuals to deduct the premiums they pay on life insurance policies up to a limit of Rs.1 lakh each year. Most organizations that sell life

insurance also sell medical insurance and pension plans that qualify for a tax credit under section 80D. Individuals and HUFs are the eligible ones for a deduction if they pay their medical insurance premiums or make a non-cash contribution to the central government health scheme. Maximum 15,000 (for the person, spouse, and dependent children) or 20,000 in the event of a senior citizen, and Maximum 15,000 (for parents) or 20,000 in the case of parents who are senior citizens.

C. Housing Loan

Repayment of amount which is principal of loan taken from central/state government, bank, LIC, National Housing Bank, or employer (where the employer is a statutory corporation, public company, university, college, or local authority or co-operative society) for purchase/construction of residential house property under section 80C.

Public Provident Fund:

Section 80C allows for tax deductions on donations to the Employees Provident Fund (EPF) and the Public Provident Fund (PPF). Employee contributions to EPF and PPF are limited to a total limit of Rs.1 lakh under section 80C.

D. National Savings Certificate:

This certificate can be purchased at any post office across the country. While there is no maximum investment amount, the tax deduction on NSC is limited to a total of Rs.1 lakh under section 80C.

E. Term Deposits and Bonds:

Many commercial banks provide fixed deposit programs that are tax-deductible. These deposits have a five-year lock-in duration. Investments in these deposits are subject to section 80C's total ceiling restriction of Rs.1 lakh per year. Other specified expenses that qualify for deductions under section 80C include registration fees and stamp duty paid on real estate, as well as tuition fees for children's education. Expenses like transportation allowance, food vouchers, and so on are also eligible for deductions under other provisions. Seniors and disabled taxpayers can also take advantage of special deductions and concessions.

F. Term Insurance

The term insurance policy provides coverage for a specific 'term' in exchange for a specific premium payment over a period of time. If the insured dies during that term, i.e., before maturity, a death benefit is paid to the insured's family.

LITERATURE REVIEW

Amita Srivastava (2014) studied the performance indicators of Equity-linked saving schemes in India empirically. In addition, factors affecting the performance of ELSS funds are evaluated. It is concluded in the study that, during the study period, sample ELSS funds provided superior returns to risk-free securities. However, in terms of average return, ELSS funds provided better performance than risk-free securities. But in terms of average return, the ELSS funds are unable to outperform the benchmark portfolio.

Garg and Gupta (2014) analyzed that an Equity Linked Saving Schemes (ELSS) for tax saving is an innovative financial instrument that provides us with a tax saving under section 80C and also provides capital appreciation in the form of Mutual Fund investment. A risk-averse investor may complain about the volatility factor in the equity-linked instrument; also, the same is considered by the mandatory three-year lock-in time. Long-term capital gains earned on investments from ELSS are tax-free. Also, dividends earned from the ELSS plan are tax-free in the hands of the investor.

Namita S (2014) found that ELSS funds provide an exemption from income tax invested in them / s 80 (c) of the Income Tax Act 1961 excluding the mutual benefits of mutual fund to return high interest on low risk, security, minimal investment, professional management, and transparency, etc.

Chandrakumarmangalam and Govindasamy(2011) studied that equity tends to be volatile over the short-term, but the performance tends to get smoothened- outgrowth, as investors are in the fund for the long haul. The investment aim of the scheme is to generate huge capital growth from diversified and actively managed portfolios of equity and equity-related securities along with income tax rebates, as may be prevalent from time to time.

Sharmila Kulkarni and Mangesh Jadhav(2013)found a study on the investment pattern of

salaried people in Coimbatore County. The study found that savings and investment methods vary from person to person, and people invest in the interests of security, liquidity, and profitability. The government has also introduced savings schemes to reduce the tax liabilities of the assessee because the taxpayer chooses his investment to get tax benefits. **Sebi.gov.in (2016)** analyzed that ESS mutual funds continue to be a popular investment choice. This is very clear from the fact that the first ELS program in India was launched in 1993, and today, investors have more than 35 ELS programs to choose from, as stated on the SEBI website.

Khurana, A., Goyal, K. (2010) studied that in their study 'Exploration & Analysis of Structure and Growth Performance of Selected ULIPs' have examined and analyzed diverse charges and the performance registered by each ULIP investment scheme. They mention that every life insurer wants to capture the maximum share in the market and is offering both Unit Linked Insurance Plans (ULIPs) and traditional plans. ULIPs provide the customer with a life cover as well as an investment avenue. Today in 2010, ULIPs are the stars, accounting for 80 percent of policies sold by life insurers, and their rapid rise has been fuelled to a large extent by the last bull runs in the stock market. There is an enormous choice of ULIPs available in the financial market. But such a wide variety of plans puzzle and confuse the buyer.

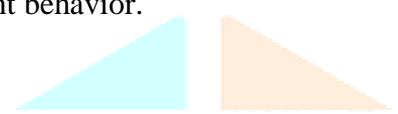
Barbole, A.N., Niranjana, B.N. (2011) studied that in their paper 'Retirement Plans: Ways and Means' State that once the Direct Tax Code (DTC) is implemented, then the tax benefit shall be available only to pure term insurance. Tax benefits available to ULIPs, Pension Plans will no longer be available after the implementation of DTC. They have dealt with finding alternatives for benefits like protection, aids to savings, and tax benefits as insurance, along with accumulating more and more wealth over the period of the life insured.

Dr. Pramod Kumar Pandey (2017) concludes that the income tax department should run taxpayer awareness programs so that a common man may understand the tax law and procedures. He also gave a suggestion that the government of India is required to open more investment options in income tax law to increase capital formulation in the country.

Dr. Dhiraj Jain and Parul Jain (2012) concluded In the majority of the teachers, money plays a big role, and they have initiated the process of preparing budgets and forecasting income and expenditure, and comparing the variances between the standard and future

budgets to meet certain budgetary constraints. A comparison between future and Standard budgets to find out the deviations to meet certain money constraints It has been evident from the study that most of the school teachers are saving their money for the purpose of their children's education, marriage, and as security after retirement.

Dr. Ananthapadhmanabha Achar (2012), An empirical study of the saving and investment behavior of teachers was conducted. Age, gender, marital status, and lifestyle of teachers were considered in the analysis. They considered monthly family income, stage of a family life cycle, and upbringing status emerged as determinants of their savings and investment behavior.



Tejaswini Sahoo (2020), in an article, concluded that Tax saving investments are an integral part of one's life as they offer tax deduction under section 80C or 80CCC. His article mentioned that As a smart investor, one should look for tax-saving investments which not only provide the benefit of tax exemption but also help to earn tax-free income. There are many smart ways to save taxes and enjoy the maximum savings possible. However, for most individuals, tax planning is a let's do it later affair. A smarter approach is to start investing in the early quarters of the financial year so that one can get time to sensibly plan and can avail the maximum returns on investment from different tax-saving investments. When choosing the right tax-saving investment plans, it is important to consider factors like safety, returns, and liquidity. Also, it is important to keep a proper understanding of how the returns will be taxed. If the returns on investment are taxable, then the scope to create wealth over the long term gets constrained. Before moving on to the list of best tax-saving investment schemes, it is important to know about the key section of the online income tax Act, i.e., section 80C. Most forms of tax-saving investment plans work under the parameters of section 80C of the Income Tax Act. As per section 80c of the Income-tax Act. As per this section, the investments made by the investors are eligible for tax exemption up to a maximum limit of Rs 1,50,000. Such investments include ELSS, Fixed deposits, Life insurance, Public Provident Fund, National Savings Scheme, and Bonds.

M.S. Pooja Vinod (2020) concluded that the majority of people are making the investment in life insurance schemes, and the second comes five years of fixed deposits. The majority of investors are investing for the objective of retirement plans and some for children's education,

children's marriage, etc. It is founded from the study that most people are not properly planning their investments. They are doing it at the last moment, and many times, it comes wrong. The other problem faced by the investors is a lack of awareness about the different investment schemes. Some people are not ready to take risks. They are ready to accept the low return from their investment scheme, and another set of people who are not stable in their response may or may not take high risk in their investment scheme.

Poterba, Wise , & Venti (1996), Engen, Gale, & Scholz (1996) and Bernheim (2002) provide comprehensive reviews. The study is mainly on the tax-preferred type of saving accounts like IRA, 401(k), and Roth 401(k) in the U.S. The first fundamental question that the empirical literature aims to answer is whether such a tax-subsidized saving policy can increase the amount of private saving.

Ando & Modigliani (1963), in the classical life cycle hypothesis, implies that individuals should always exhaust the tax-preferred saving limit and thus predicts that such policy can boost the private saving level.

Laibson (1997, 1998) and Conlisk (1996) With the model of time-inconsistent preference, bounded rationality proved that the theoretical prediction is also positive through the channels of enhancing private rules and improving the perception of costs and benefit from saving. However, there are many empirical challenges in testing the hypothesis. Researchers try to test the causal relationship by exploiting the variation in balance on the tax-subsidized saving accounts.

Venti and Wise (1986-1988), eligibility (Benjamin, 2003 and Gelbera, 2011), reported initiation of topping up in the tax-subsidized saving accounts (**Attanasio and DeLeire, 1994**), and the policy change on eligibility (**Gale and Scholz, 1994**) examined whether there is a significant change of taxable saving or total wealth for the individuals in the treatment and control groups. They measure taxable savings and total wealth mainly from survey data. The conclusion is mixed based on different econometrics assumptions. Some find a rise in private saving, but some argue that the increase in private saving is negligible because the increase in the balance in the tax-subsidized account is largely crowded out by the decline in saving in the taxable saving accounts. There are two major issues. One is low quality and less

frequent data. The other one is that all these settings face the query that unobserved heterogeneity between the treatment and control group in disposition to save can bias estimated saving effects. The recent development of behavioral economics shows that automatic enrollment significantly increases saving within retirement accounts.

Chetty et al. (2014) uses the Denmark data on all saving accounts and show that 85% of the individuals are passive savers who are unresponsive to subsidies, and the other 15% of individuals are active savers who respond to tax subsidies by shifting 99% assets across accounts. Therefore, the subsidy policy is totally ineffective in inducing more private savings. However, the authors find that automatic contributions are more effective in increasing saving rates than subsidy policies.

Beshears et al. (2015) study the effect of the introduction of Roth IRAs. They argue that no evidence showing there is a decline in saving when Roth IRA (deferred tax benefit) is introduced. However, the survey results indicate that this is not an active calculated decision but largely due to confusion and behavior bias of partition dependence.

Engelhardt (1996) studies the effect of the cancellation of the Registered Home Ownership Savings Plan and finds that private saving drops for the renters. Our study is distinguished from this paper for three major points. Firstly, this study relies on the survey data of reported asset value less debt to measure total private saving. Secondly, the exogenous policy change is the reduction of tax-subsidized saving benefits. Thirdly, the objective population is the renters, not households with mortgage loans.

Arnberg and Barslund (2012) study the crowding-out effect of Danish mandatory pension schemes for the renters, and they find that each one Euro paid to the mandatory pension accounts results in a reduction in other private savings from 0 to 30 cents. Their paper's policy environment is mandatory, which is different from our setting.

Black et al. (2006). Customers' choice of distribution channels for financial services was studied. They found that customer confidence, lifestyle factors, motivations, and emotional responses influence customer decisions, while products, channels, and organizational factors such as image and reputation impact customer decisions.

Syama Sunder (1998) conducted research to gain an understanding of the M.F. operation of private institutions, especially in Kothari Pioneer. Research has shown that awareness of M.F. The idea was poor at the time in small towns like Vishakhapatnam. Agents play an important role in disseminating M.F. custom; open schemes were very popular at the time; age and income are two important factors in choosing a fund/plan; product image and return are their considerations.

Lee and Cunningham (2001) explore the relationship between satisfied customers and firms that offer a variety of financial products. Their research revealed that satisfied customers have chosen to maintain their relationships with the companies in which these customers have invested and are willing to continue investing.

Gordon (1991), in his study, explores the E.E. and H.H. series U.S. savings bonds that were present at that time. He concluded that if an investor considers the safety factor and/or the tax deferral feature and/or the competitive variable interest rate, then these bonds are an investment-worthy of consideration.

Singh & Chander (2004) studied the perceptions of investors towards mutual funds, and the results of their study revealed that in the majority, five factors were critical to investors to make an investment decision. These five critical factors were:

1. Better Investment Opportunities
2. Risk, Security, Return, and Performance of Mutual Funds
3. Professional Expertise of Managers of Mutual Funds
4. Benefits and Transparency in Disclosing Information
5. Listing Status (the investors expected open-ended mutual funds should also be listed on stock exchanges like close-ended mutual funds)

Athma and Kumar (2007), in their research on a sample of 200 respondents, tested if there was any association between Residency and Attributes of the product. They also studied to identify the factors affecting consumer decisions in selecting Life Insurance Products.

Clark et al. (2012) has surveyed more than 2300 participants who were members of the defined contribution pension plan of a London-based international bank. The study predicted

the significance of retirement savings of the relation between the respondents' socioeconomic status and risk preference.

Sahi, 2017: The study aims to explore investor biases and try to find out the relationship between investor biases and financial satisfaction. The results conclude that from 8 (Overconfidence bias, Categorisation tendency, Budgeting tendency, Adaptive tendency, socially responsible investing bias, Spouse effect and Self-control bias) investor biases only 3 (Overconfidence bias, Self-control bias, and Budgeting tendency) biases showed positive and significant association with financial satisfaction level.

Sharma (2015) revealed the study on ELSS mutual funds in India as per investors' perception and satisfaction. The researcher found that grievance redressal mechanism after-sale services and transparency are those parameters that help in deciding the investment decision in ELSS mutual funds. Pathak (2018) resulted that Axis Long Term Equity Fund gained the maximum and highest return comparatively to IDFC Tax Advantage Fund and DSP BlackRock Tax Saver Fund in ELSS category for tax saving motive.

David, Purswani, and Jojo (2019) reviewed that investment decisions taken by investors for tax saving purposes, SIP option is better than value averaging and lump-sum investment plans.

Arora and Garg (2019) studied the awareness and perception regarding tax-saving instruments among teachers of higher education. The researcher resulted that most of the teachers were involved in higher awareness about the various alternative of tax-saving, including ELSS funds.

Tax planning and earnings management techniques occur simultaneously for many firms; however, because DGM (2004) does not directly control tax planning, we examine this additional explanation for their results. We recognize that the tax fees that firms pay to their auditors do not represent their total investment in tax planning. This measure fails to capture "in-house" tax planning expenditures as well as tax fees paid to lawyers and accountants other than firms' auditors. However, we are limited to the data available in the Audit Analytics database. While we admit that tax fees paid to auditors represent an imperfect proxy for the tax planning construct, we assert that investigating the impact of tax fees paid to

auditors on changes in ETRs is a meaningful extension to the framework established by DGM (2004).

(Gautam, 2013) Tax planning is an essential part of our financial planning. Better tax planning enables us to reduce our tax liability to the minimum. He emphasizes that tax planning is an investment model for the specific purpose of an individual's goal. The aim of the study was to find out the most suitable and popular tax-saving instrument used to save tax, and the researcher examined the amount saved by using that instrument. His findings reveal that the most adopted tax saving instrument is the Life Insurance policy, and the second most adopted tax saving instrument by young income people is Provident Fund.

(R Vasanthi, 2015) this research paper research explains the importance of tax planning and how it has played a key role in the economic developments of the country. Scholars suggested in his work that sex (Male\Female) has influence over the amount of tax paid, whereas the age of respondents has low influence over the amount of tax paid. It is also obvious from the study that experienced employees are willing to pay tax because of several personal factors. Further, the level of awareness of the respondents is significantly higher over the different tax savings schemes.

(Arora & Garg, 2019) this research is an attempt to study the awareness and perception in regard to different tax-saving provisions available to save the tax to the teachers of higher education. The teachers are well aware of the various deductions, reliefs, and rebates available as per the Indian income tax act. They prefer those options of investment that have low risk, high returns, and full tax benefits.

(Suryanarayanan & Seethalekshmy, 2017) in this research paper researcher analyses investment preferences among teachers working in junior colleges in the city of Mumbai. Selected financial products are taken for the purpose of the study. This research finds awareness of financial products, factors influencing decisions for investment, and their investment preferences for financial goals. Finally research paper reveals that investors have a low level of awareness, and while making investment decisions, they prefer traditional avenues. It also highlights that investors Makemake decisions with help from financial

experts and family influence. (FCA Pratibha, 2012) the paper states that financial planning is very important plus plays a vital role in setting investment goals. This research paper emphasizes designing effective portfolio management for better financial planning. The study explores the association of demographic characteristics with the investment preferences of individual investors. The main results of the research are that fixed Deposit is most preferred and capital market debt instruments are least preferred. Demographic variables have been found to have a significant association with investment preferences.

Yogesh Patil and Charul Patel (2012) evaluated the behavioral investment pattern of private-sector employees and tried to analyze the perception of the employees with different investment alternatives. The study revealed that the private sector employees are much more flexible with their investment behavior and are ready to explore better investments options as compared to other employees.

Vasanti (2015) study highlighted the fact that salaried employees feel that they have to bear the primary burden of income tax and that owing to the high tax rates, their take-home salaries after tax deduction at source is greatly reduced as such government should expand the quantum and nature of deductions for salaried employees which will help in their welfare.

Savita and Lokesh Gautam (2013) stated that tax planning enables a taxpayer to minimize their tax liability to the maximum; while doing a study, it was found that although various investments options offer security, liquidity, and returns, the most popular choice among salaried taxpayers is life insurance. It was also found that life insurance, medical insurance, provident funds were mostly satisfying options chosen by people in the age group of 20-30 years.

- OBJECTIVE
- Identifying the various ways that a salaried person uses in order to save their taxes and reduce their tax burden.
 - Examining the extent to which these common salaried persons are aware of various provisions that are available to them for tax saving purposes under the said law and how well they use these provisions to their advantage.-

RESEARCH METHODOLOGY

➤ SOURCES OF PRIMARY DATA

Primary data was gathered through a well-designed questionnaire to collect information relating to saving habits, investment choices, and tax planning strategies followed by the salaried assesseees of the State. Primary data are collected from 100 respondents of salaried classes by using the survey method. A questionnaire is a tool of the survey. Assessment Year 2020- 21 was chosen as the base year for collecting primary data.

➤ SOURCES OF SECONDARY DATA

Collection of Secondary Data Sources includes Income Tax Act 1961 and rules thereon, Central Board of Direct Tax circular/notifications, Journals of Institute of Chartered Accountants of India, Statistics from Department of Economic Affairs and Tax reports published online and on websites also form part of the secondary data.

➤ TOOLS OF ANALYSIS

Statistical knowledge helps one to use proper methods to collect the data, employ the correct analysis, and effectively present the results. Various statistical tools are used in analyzing data; for the purpose of this study, the following tools were used for representing and analyzing data.

Data Representation

- Tables
- Percentages
- Diagrams

➤ POPULATION

The population for the study consists of Young salaried individuals income tax assesseees working in different sectors.

➤ SAMPLE

- The sample size selected from the population was 100. The sampling method used herefor taking samples from the population is convenient sampling.

ANALYSIS OF THE STUDY

Demographic profile of the respondents who were selected for the questionnaire. The respondents were categorized on the basis of their age, gender, and place of employment.



Age of respondents

100 responses

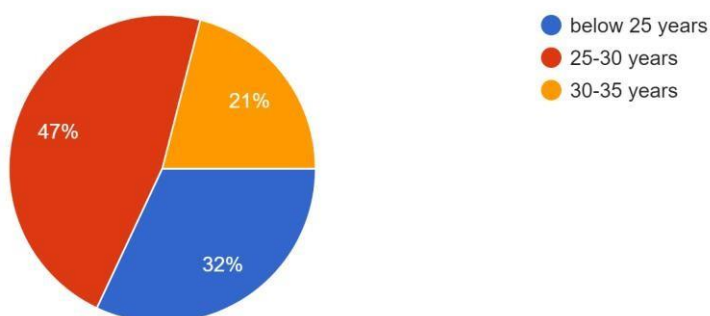


Chart-1.1

The result of the survey presented in chart 1.1 above shows that the age group of 25 to 30 years had the majority of the respondents, which was 47%, followed by 32% in the age group of respondents below 25 years. And the percentage of a group of despondent between 30 to 35 years is 21 % of the total respondents. There are ages from here 25 to 35 covered in this questionnaire because we are analyzing the data for the young salaried people.

Gender of respondents

100 responses

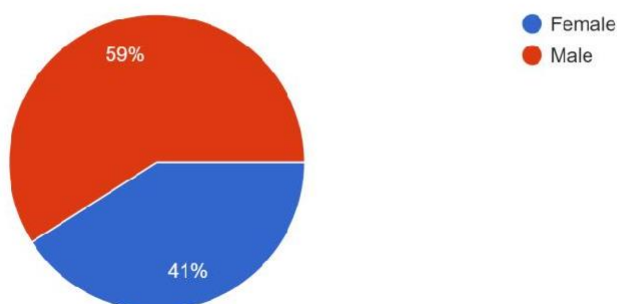


Chart-1.2

The result of the survey presented in chart 1.2 above States that male respondents covered 59% of total respondents whereas females covered 41% of the whole.

Place of employment of the respondents

100 responses

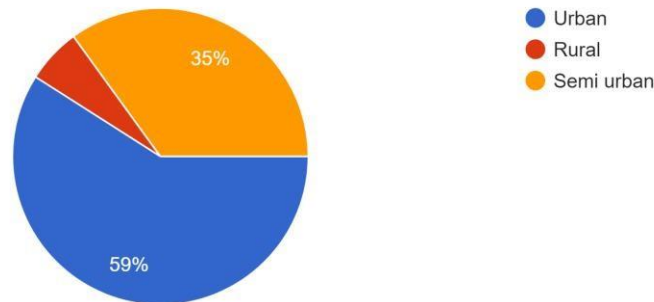


Chart 1.3

The respondents were categorized on the basis of the place where they are employed, which are divided into three categories that are urban-rural and semi-urban. The result of the survey presented in chart 1.3 above shows that urban areas have the maturity of respondents with 59% followed by 35% of employment place for or semi-urban category. And very less proportion of place of employment of the respondent belongs to rural area that is 6% of the whole respondent.

Annual salary income for the financial year 2020-2021(without deduction).

100 responses

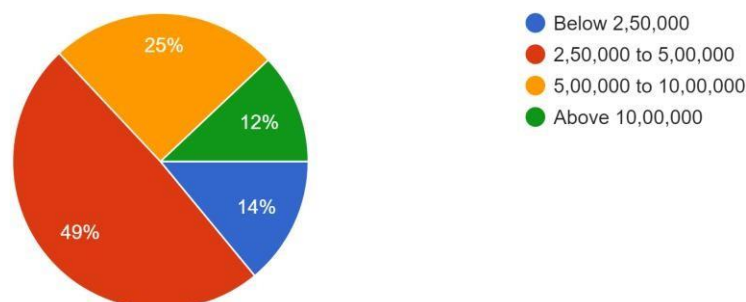


Chart-1.4

The annual salary Income for the year 2020-2021 has been taken into account for the study, which was categorized into four parts are below 250000, 250000, and 500000, then 5 lakh to

10 lakh, and the last one is above 10 lakh. It can be seen from Chart 1.4 above that majority



of respondents had an annual salary Income of 250000 to 5 lakh. Whereas second-highest proportion for the annual salary Income belongs to 5 lakh to 10 lakh range which is 25% of the total respondents. 12% of the respondents have an annual salary of above 10 lakh, and 14% of respondents have an annual salary of below 250000.

Savings Proportion from your income

100 responses

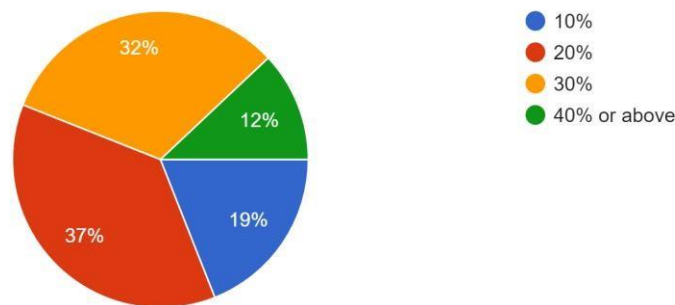


Chart-1.5

Respondent saving proportions were analyzed in this study ranging from 10% then 20%, then 30%, and the last 40% or above. Chart 1.5 above indicates that 37% of the respondents were saving 20% of their yearly income, followed by 32% of respondents is able to save 30% of their income as savings, and 19 % of the respondents were able to save only 10% of their total income earned in a year.

Amount invested in Tax saving Instrument

100 responses

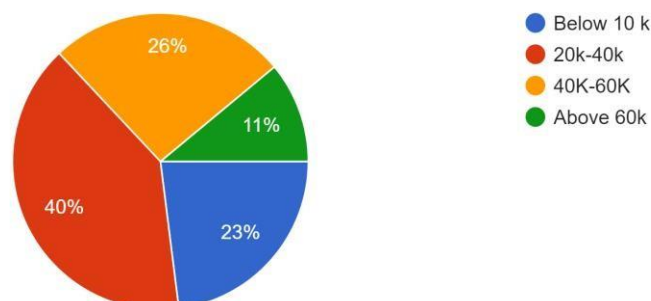


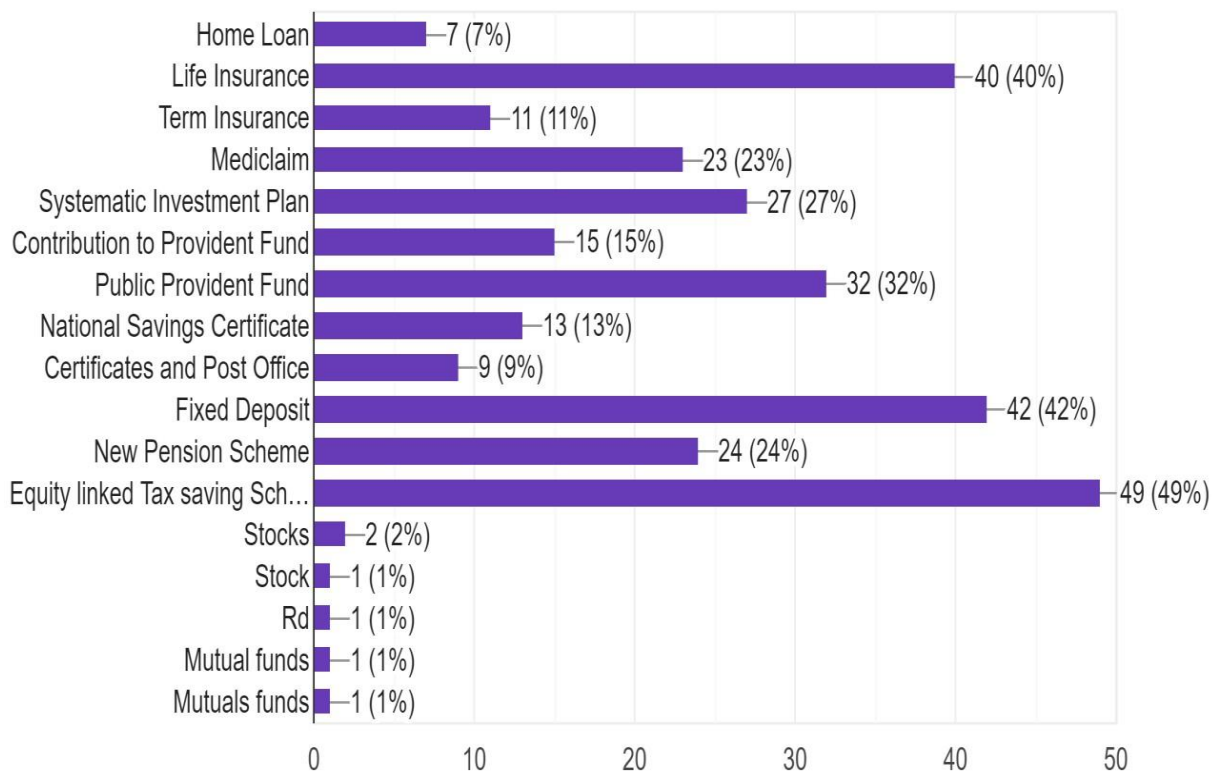
Chart-1.6



The above chart 1.6 indicates the amount invested by the respondents in tax-saving instruments. This study was categorized into four ranges starting from below 10000, then 20k to 40k, followed by 40k to 60k, and last is above 60k. The majority of the respondent belongs to the 20k to 40k range for the investment made by them in tax saving instrument, which is 40% of the whole respondents. 26% proportion of the respondents were investing an amount between 40k to 60k, followed by 11% above 60k, and 23% of the respondent are able to invest below 10k an amount in saving instruments.

Tax Saving Instrument adopted by you.

100 responses

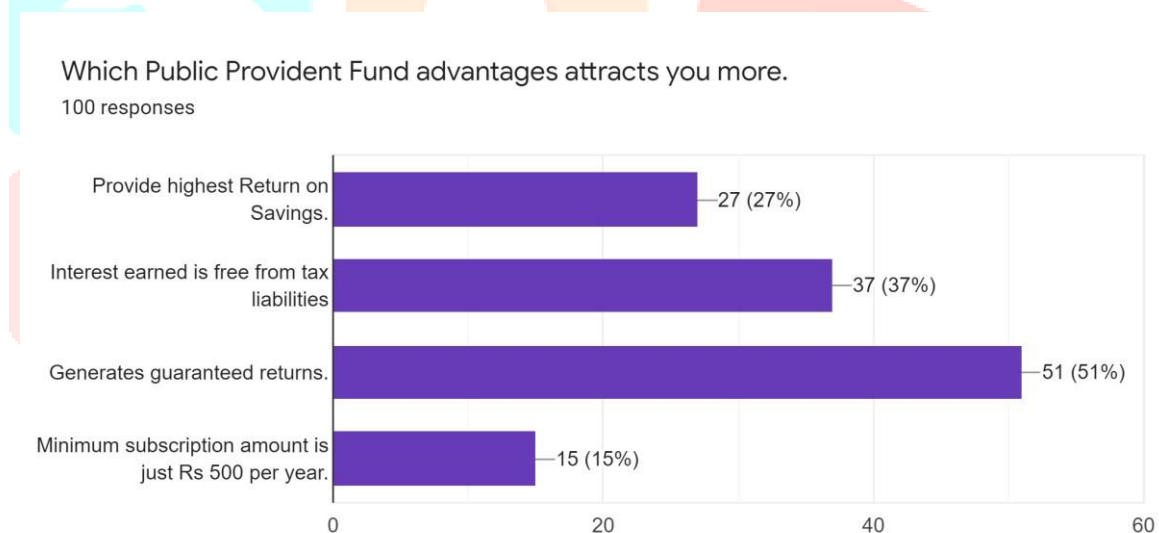


Graph-1.1

The graph above shows the tax-saving instrument adopted by the different respondents. The tax saving instrument which was involved in this questionnaire where most preferably used instrument which were used by Young salaried individuals who are home loan Life



Insurance term insurance mediclaim systematic investment plan contribution to provident fund public provident fund national saving certificate fixed deposit new pension scheme equity-linked tax saving scheme and others if they have they can specify the same. From this study where we were able to analyze that 49 49 respondent from a hundred is using equity-linked tax savings scheme to reduce the burden of a tax. The second maturity tax saving instrument is life insurance which is adopted by 40% of the respondent. Fixed Deposit is used by 42 respondents as a tax saving instrument followed by 32 respondents for the public provident fund, then 11% respondents for term insurance, 7% respondents for the home alone, followed by 23 respondents for mediclaim followed by 27 respondents for systematic investment plan followed by 15 respondents for provident fund followed by 32 respondent were using the public provident fund to save tax followed by 13 respondents were using national saving certificate along with 9% using certificate and post office also 24 respondent where using new pension scheme for saving their tax.



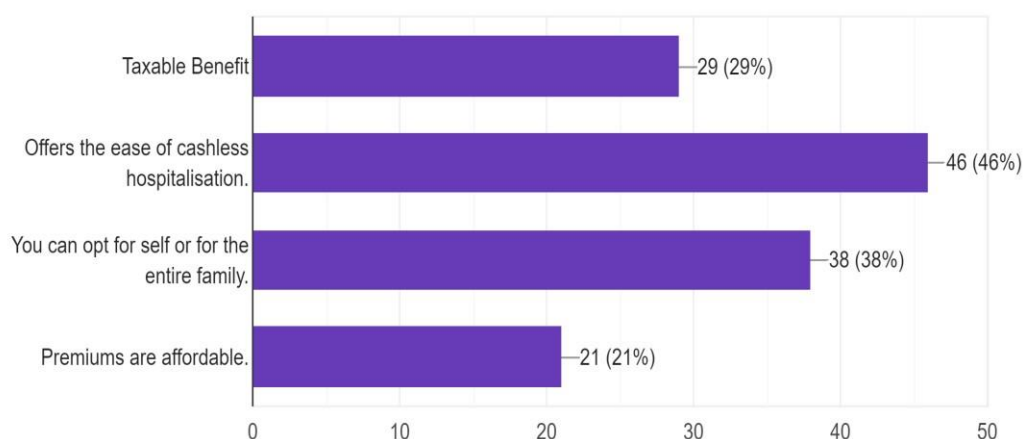
Graph-1.2

This study indicates which public provident fund features attract the young salaried individual more towards them as a good tax-saving instrument. The graph above indicates that 51 respondents will like the public provident fund as it guaranteed return. Thirty-seven respondents are attracted to PPF because of interest, and it is free from tax liabilities. Twenty-seven respondents a liking the features that provide the highest return on savings. Also, 15% of respondents are being attracted towards this tax-saving instrument as there is a need of only rs 500 per year amount as and minimum subscription.



Which Medclaim advantages attracts you more.

100 responses

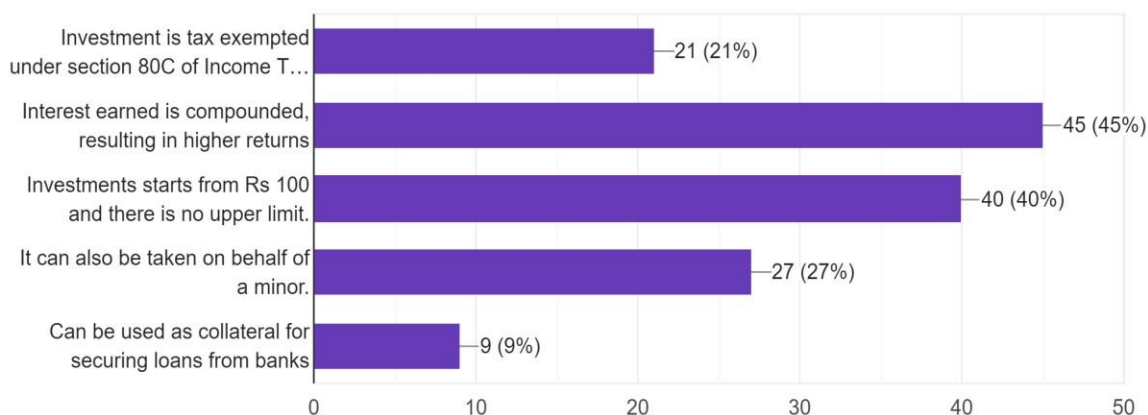


Graph 1.3

This study indicates which medicaid tax saving instrument features attract the young salaried individual more towards it. The graph above shows that 46 respondents were attracted towards medicaid because it offers the ease of cashless hospitalization. Thirty-eight respondents also like the features of medicaid, that is, and you can opt for self or for the entire family this medicaid facility. Twenty-nine of the respondents like medicaid because it has taxable benefits as the amount invested in medicaid where tax-free also, 21 respondents like medicaid because the premiums are affordable for them.

Which National Saving Certificates advantages attracts you more.

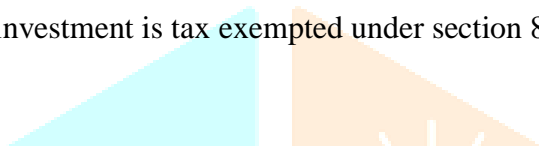
100 responses





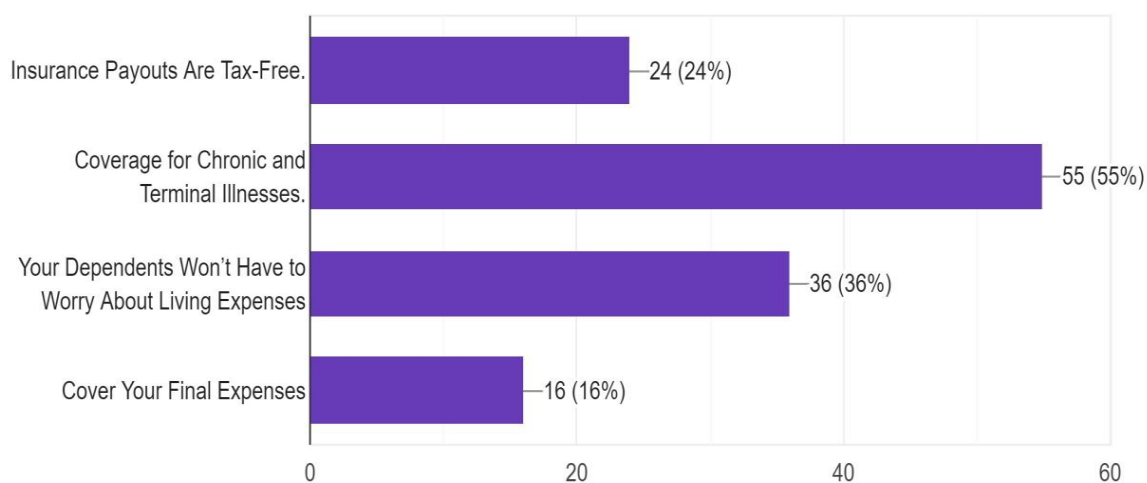
Graph-1.5

This study indicates which National Savings certificates features attract the young salaried individual more towards it as a good tax-saving instrument. The graph above indicates that 45 respondents were attracted towards this instrument as the interest earned is compounded and resulting in higher Returns. 40% of the respondent is attracted towards this instrument because the investment here starts from rs 100 and has no end limit; there is no upper limit for the same. 27 Respondent like a national saving certificate as it can also be taken on behalf of a minor also; nine respondents like it features that it can be used as collateral for securing loans from a bank. Twenty-one respondents are attracted toward this tax saving instrument as the investment is tax exempted under section 80c of income tax.



Which Life Insurance advantages attracts you more.

100 responses



Graph-1.6

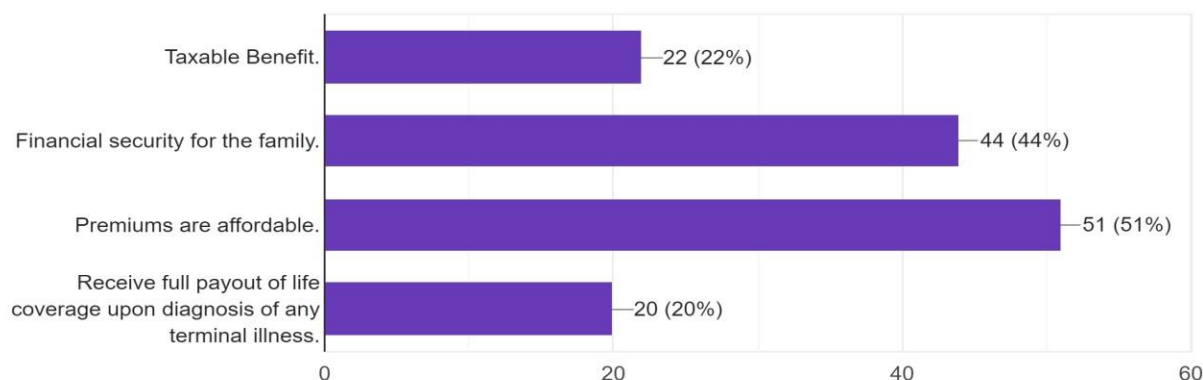
This study indicates which Life Insurance features to attract the young salaried individual more towards as and good tax saving instrument. The graph above indicates that 55% of respondents were attracted to life insurance because of the features of coverage for chronic and terminal illnesses. Thirty-six respondents were attracted to this tax-saving instrument



because of the feature that individual dependents won't have to worry about living expenses in the future. Twenty-four respondents like life insurance payouts are tax-free, and 16 respondents like Life Insurance as it cover the final individual expenses.

Which Term Insurance advantages attracts you more.

100 responses



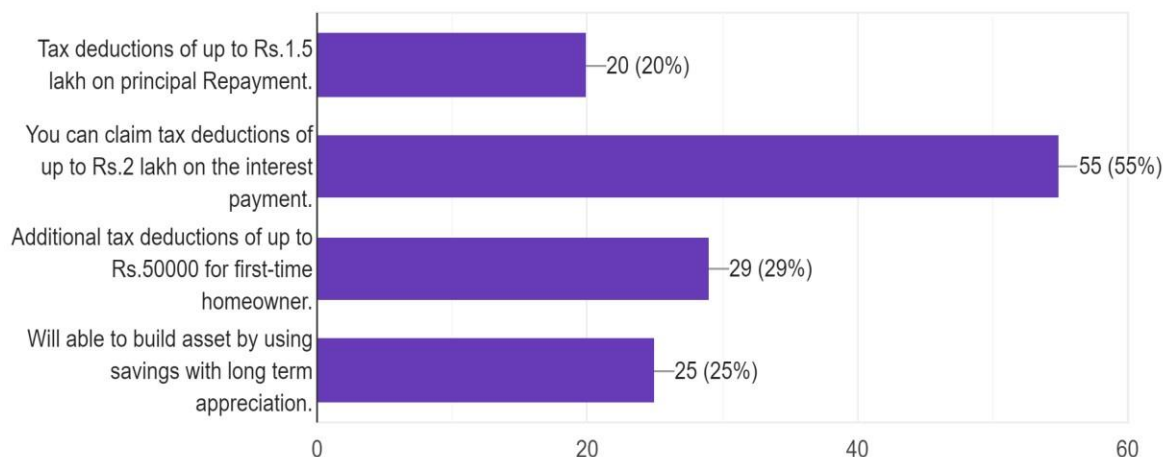
Graph-1.7

This study indicates which term insurance features attract the young salaried individual more towards it as a good tax-saving instrument. The graph above shows that 51 respondents like the features that premiums are affordable of term insurance. Forty-four respondents are attracted to term insurance and tax-saving instruments as they provide financial security for the family. Twenty-two respondents like it because it has taxable benefits, and 20 respondents like term insurance where they can receive a full payout of life coverage upon diagnosis of any terminal illness.



Which Home loan advantages attracts you more.

100 responses



Graph-1.8

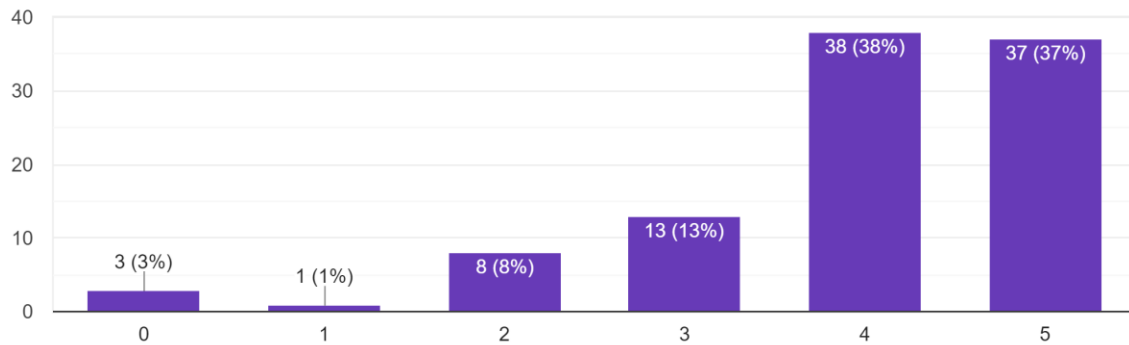
This study indicates which home loan features attract salaried individuals more towards it as and good tax saving instrument. The graph above shows that 55 respondents are attracted to home loans because they can claim a tax deduction of up to rupees 200000 on the interest payment. Twenty-nine respondents like this instrument because there is an additional tax deduction of up to rupees 50000 for the first-time homeowner. Twenty-five respondents like home loans because they will be able to build a set by using savings with long-term associate appreciation. Also, 20 respondents are attracted because of the tax deduction of up to rupees 1.5 Lakh on principal repayment.



2. Awareness level of respondents about the different Tax saving Instruments rating from zero to 5.

Rate your Awareness level Systematic Investment Plan.

100 responses

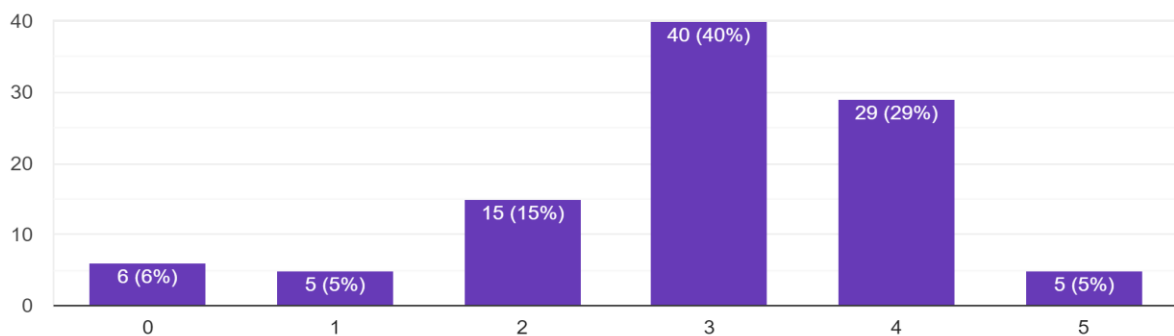


Graph-2.1

The above bar graph shows the awareness level about the systematic investment plan, which is majorly used as a tax-saving instrument by different young salaried individuals. 38% of the respondents were rating 4 out of 5 their awareness, followed by 37% of respondents believing that they are fully aware of this investment instrument by rating 5 out of 5, whereas 13% are rating 3 out of 5. Rest 12% responded they are rating below 2 out of 5, which is 8% for two ratings and 1% for 1 rating, and 3% for zero-rating. This shows that almost 70% of the respondents were well aware of this tax-saving instrument.

Rate your Awareness level about National Saving Certificates .

100 responses

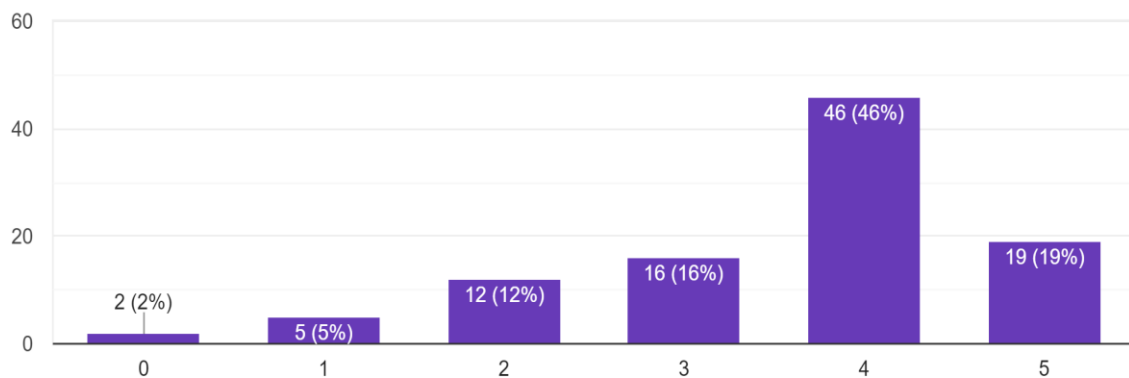


Graph-2.2

The above bar graph shows the awareness level about the national saving certificate as a tax-saving instrument by different young salaried individuals. The majority of the respondents have rated 3 out of 5 ratings, that is, 40% of total respondents who believe that they are aware of the national saving certificate partially. 5% of respondents have rated 5 out of 5 rating as they believe that they are aware of this instrument fully. 29% of respondents believe that they are aware of the national saving certificate and rated 4 out of 5. 26% of the respondent has rated below 2 rating from which 6% responded have rated zero as they were not knowing anything about this instrument whereas 5% of responded has rated for one rating and 15% of respondent have given two ratings.

Rate your Awareness level about Term Insurance.

100 responses



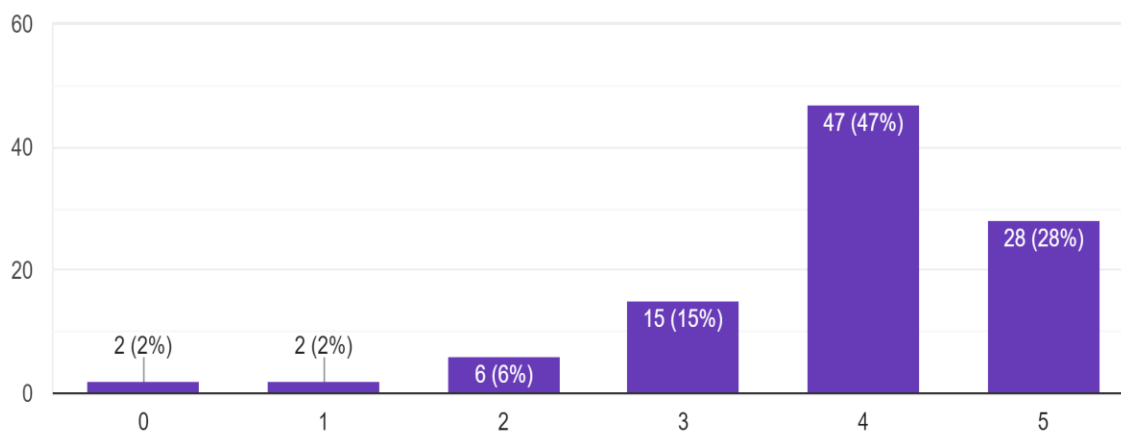
Graph-2.3

The above bar graph shows the awareness level about term insurance as a tax saving instrument by different young salaried individuals. The majority of the respondents have rated 4 out of 5 rating as they are all aware of term insurance which is 46 % of the total respondents. 19% of respondents have rated 5 rating as they are fully aware of term insurance tax saving instrument. 16% of respondents have rated 3 out of 5 as they believe that they are partially aware of term insurance according to the provision of law. 19% of respondents have rated below 2, which is 12% for the rate to followed by 5% for 1 rating and 2% for zero-rating. This shows that 60% of the respondents are only well aware of term insurance as a tax-saving instrument.



Rate your Awareness level about Medi claim.

100 responses

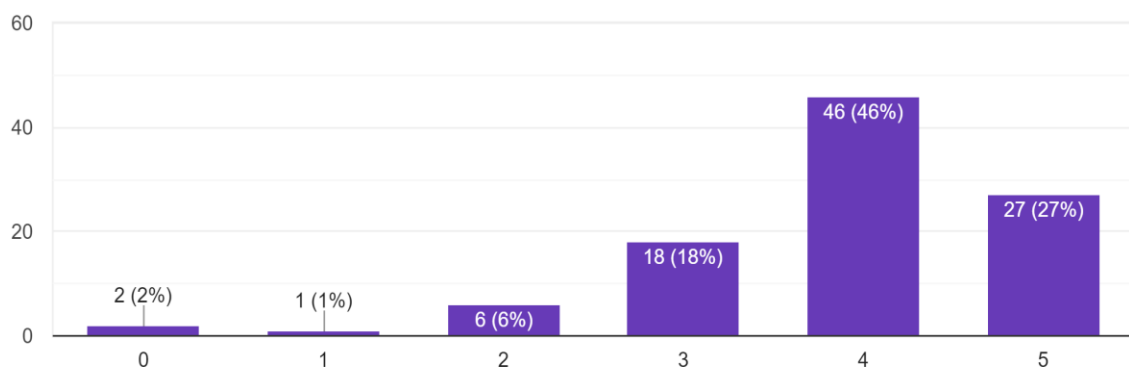


Graph-2.4

The above bar graph shows the awareness level about mediclaim as a tax-saving instrument by different young salaried individuals. The majority of respondents have rated 4 out of 5 for their awareness label about mediclaim, along with 28% of respondents rated 5 out of 5, which is highest among different tax instruments, which indicate that 28% of respondents are fully aware of mediclaim. 15% of respondents have rated 3 out of 5 rating which indicates that they are partially aware of mediclaim. Almost 80% have rated above 3 rating out of 5, which denotes that many of the respondents are well aware of mediclaim tax saving instrument. 10% of respondents have rated below 2 rating which is 6% for two ratings, 2% for 1 rating and 2% for 0 rating which indicates that they are less or no awareness about mediclaim.

Rate your Awareness level about Life Insurance.

100 responses

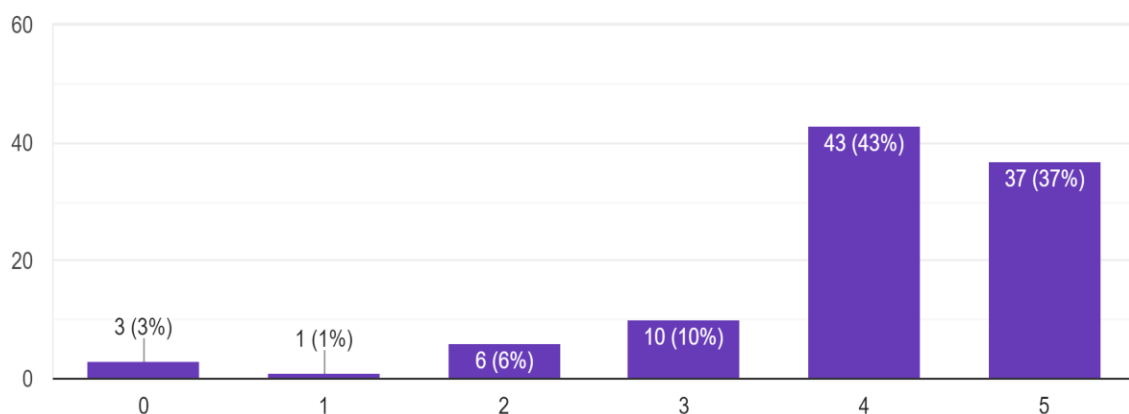


Graph-2.5

The above bar graph shows the awareness level about life insurance as a tax-saving instrument by different young salaried individuals. The majority of respondents have rated 4 out of 5 rating, which is 46 % of the total respondents, which indicates that they are well aware of life insurance instruments, followed by 27% of respondents who rated 5 out of 5 as they believe they are fully aware of life insurance. Also, 18% of respondents have rated 3 out of 5, which indicates that they are partially aware of this scheme, whereas 9% of respondents have rated below 2 rating which indicates that they are not aware of life insurance as a tax-saving instrument. 6% of respondents rated 2, 1% for rating 1 and 2% for 0 rating.

Rate your Awareness level about Public Provident Fund.

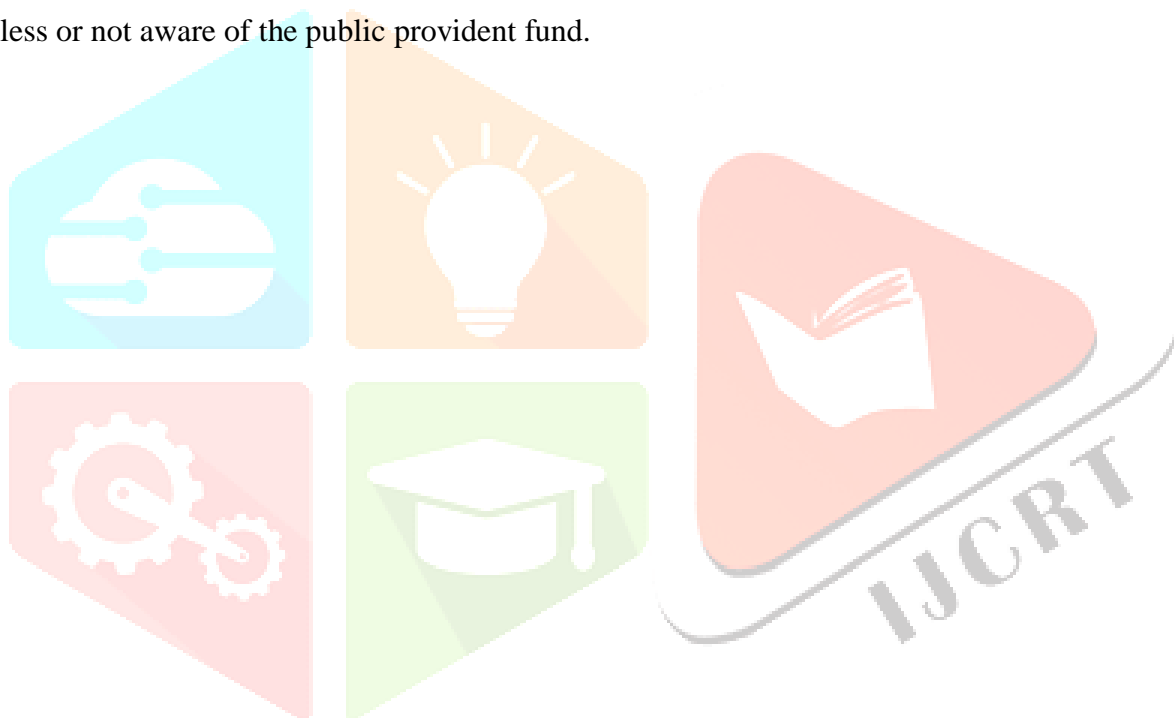
100 responses





Graph-2.6

The above bar graph shows the awareness label about public provident funds as a tax saving instrument by different young salaried individuals. The majority of respondents have rated 4 out of 5 rating which is 43 % of the whole respondents, which indicates that they are well aware of public provident fund tax-saving instruments, followed by 37% of respondents have rated 5 out of 5. 10% of respondents rated 3 out of 5 which denotes that they are partially aware of public provident fund. 90% of respondents have voted above rating 3, which denotes that majority of respondents are well aware of public provident funds. 10% of respondents have rated below two ratings. 6% of respondents had two ratings, 1% respondents had 1 rating, and 3% of them had rated 0 rating, which indicates that they were less or not aware of the public provident fund.





FINDINGS AND SUGGESTIONS.

- A. On the basis of research done in this study, the majority of young salaried respondents use different tax-saving instruments according to their benefit and income. The most adapted tax saving instrument is the equity-linked tax savings scheme which got the maximum percentage in this study. The second most adopted tax saving instrument, which is almost equal to the top one, is fixed Deposit. Further, the third choice in tax saving instrument voted by respondents is life insurance. These three tax-saving instruments are mostly adopted by young salaried individuals. After that, systematic investment plan, national saving certificate, new pension scheme, public provident fund, new pension scheme mediclaim, and home loan respectively. The instrument which is least adopted as a tax saving instrument is a home loan and certificates and post office, which got very fewer respondents to vote.
- B. On an analysis of savings proportion of various income group young salaried individual, it is found that between the income level 250000 to 500000 and 500000 to 10 lakh income group individuals, the saving proportion from their income is 20% and 30% of their whole income. At the same time, the income level above 10 lakh has a saving proportion of more than 40%. Individuals who have an income level below 250000 are able to save 10% of their income. We can see that the young salaried individuals who are between 18 to 35 years are having very low saving proportion as they enjoy their life by spending more on different things also they do not have prior responsibility. This also depicts that when there is higher income, then the savings proportion is also higher.
- C. On the basis of this study, the respondents have ranked various tax-saving instruments according to their awareness level rating from zero to 5 of various provisions that are available to them for tax-saving purposes. The provisions which are majorly known by most of them is a public provident fund with 80 percent of the vote, rating 4 or 5 out of 5 ratings. Further Systematic investment plan is a provision which is well known to all young salaried individual as it got 75 percentage vote above four ratings followed by mediclaim and life insurance which is ranking 4th and 5th with 74% and 73% respondents vote above 4 out of 5. This shows that young salaried individuals are fully aware of these four provisions in Public provident fund, Systematic investment plan, mediclaim, and Life insurance. Fifty-five percent of respondents have



rated above 4 for term insurance. A national saving certificate has the least awareness level among the different tax saving provisions adopted by young salaried individuals.

D. In this study, various features have been analyzed which attract more to a young salaried individual for different tax saving provisions. Some of the tax-saving instruments have been analyzed by interpreting the different advantages they pose. It is observed that what individual like ok in term insurance is that it provides financial security for their family, and also the premiums are affordable for most of them. A housing loan is like by the respondent because of the advantage, which is that the individual who has a home loan can claim a tax deduction of up to rupees 200000 on the interest payment. Also, there can be an additional tax deduction of up to rupees 50000 for the first-time homeowner. Mediciclaim is attracted by different individuals because of the features that it offers the ease of cashless hospitalization, and also, people claiming mediclaim can opt for themselves or for the entire family. Life Insurance is liked by respondents because of the features that it provides coverage for chronic and terminal illnesses; also, if you have life insurance, your dependents don't have to worry about their living expenses. Public provident fund is attracted by most of the young salaried individual as tax saving instrument as it generates guaranteed return and also the interest and is free from tax liabilities. The national saving certificate is liked by the respondent because of certain factors like the interest and is compounded and result in higher Returns along with the investment in national saving certificate starts from rupees 100, and there is no upper limit.

LIMITATIONS.

The purpose of this study is to know the most preferred tax savings instruments by different young salaried individuals ,and the awareness level of different tax savings instruments according to law provisions. For which I needed to target young income people age ranging from 18 years to 35 years which was quite difficult for me to access being a student of master degree. Also at this young age most of the income individuals are earning less in their initial and most of them don't need to pay tax as their income is below 2.5 lakhs so it was quite difficult for me to analyse their perceptions. Also individual at young age are more towards enjoying theirs life so they are less inclined towards savings ,So most of them use one or less tax savings instruments which lead to less accuracy in findings.



CONCLUSION.

The study has taken into account the awareness level of young salaried individuals aged up to 35 years on the different tax-saving provisions. The analysis revealed that young salaried individuals have a high awareness level with respect to Tax deductions and provisions of the Income Tax Act 1961. There are a few variations, like an individual with a high-income level is exploring the more tax-saving instrument, is aware of more provisions, and is also involved in higher savings. However, there is some variation in the analysis depending upon different factors like saving proportions, place of employment, and expenses. The overall observation source that majority of individuals are having maximum awareness about public provident fund Life Insurance systematic investment plan and mediclaim. However, all individual salaried taxpayers lookout for secure investment to utilize and grow their savings which can provide them safety security, guarantee a return, involve less risk, and yield maximum returns. This justifies why provident fund, life insurance, mediclaim, and systematic investment plan is scoring higher when compared to two different tax saving instrument. This Tax Saving Instruments study is carried out for the financial year 2020 to 2021, was concerned public provident fund, life insurance, and systematic investment plan has received wide acceptance across different young salaried individuals. However, housing loan is not on their priority list for tax saving at a young age; people don't want to build huge assets. They do not have any obligations or responsibilities for their family at this age.

The tax saving instrument, which is followed by the respondent for the financial year 2020-21, is a fixed deposit, an equity-linked savings scheme, and life insurance. This all received wider acceptance among different young salaried individuals at different income group levels. Public provident fund and systematic investment plan along with housing loan are less favorable for the respondent taken into account for analysis. However, being a taxpayer, the individual has the right to select the best alternative option for tax saving by keeping some factors in mind like maximum return where less risk is there generate guarantee return it secure, etc.



REFERENCES

Alice Mani. (1994), Savings of the Household sector with Special Reference to Kerala. Ph. D Report, Cochin University of Science and Technology, Kochi.

Geetha. (2014). A study on tax planning measures adopted by the salaried class in Kerala. Ph. D Thesis, Mahatma Gandhi University, Kottayam.

Kalavathi. (2009). A study on Savings and Investment phenomenon of Salaried persons with special reference to Coimbatore City. Ph.D. Thesis. Bharathiyar University, Coimbatore.

Om Prakash. (2015). Direct Tax Reforms in India. Ph.D. Thesis, Guru Nanak Dev University, Punjab.

Priyanka. Rani. (2005). A study of structural changes in the provision of income tax since 1997.

Ph. D Thesis, Chaudhary Charan Singh University.

Parol Sathyavathi (2006). Who are the Principles of progressive taxation and salaried employees under the Indian Income Tax Act? 1961. Ph. D Thesis, Mahatma Gandhi University, Kottayam.

Rajni Bedi. (2007). Personal Income Taxation: Performance, Reforms and Incentives, Regal Publications, New Delhi,

Ronald Gable. (1983). Investments and Financial Planning. The Complete Picture, Reston Publishing Company, Inc., Virginia.

Srivastava. (1986). Tax Administration in India. Deep and Deep Publications, New Delhi.



Sreekantaradhya. (2000). Structure and Reform of Taxation in India. Deep and Deep Publications. New Delhi.

Suman, (1974). HNPS, Direct Taxation and Economic Growth, Sterling Publishers Pvt. Ltd. New Delhi.

Comprehensive Tax Reform" Towards sustainable Growth Essays in Fiscal and Financial Sector Reforms In India, Oxford University Press, New Delhi.

Chelliah and R. Kavita Rao (2001): "Different Ways of Rising the Tax Revenues in our country presented in World Bank Conference Fiscal Policies to Accelerate Economic Growth, New Delhi, May 21-22.

Dornbusch, R. Fischer. S Startz R. (2004) Macroeconomics 9th Ed. New York McGraw-Hill

Romer. D. (2001) Advanced macroeconomics Cnd Ed) New York McGraw-Hill.

Warner, KE (1999). The psychology of saving Cheltenham Edward Elgar Publishing Limited.

QUESTIONNAIRE

- Age of respondents
 - below 25 yrs
 - 25-30 years
 - 30-35 years
- Gender of respondents
 - Male
 - Female
- Place of employment of the respondents
 - Urban
 - Rural
 - Semi-urban
- Annual salary income for the financial year 2020-2021(without deduction).
 - Below 2,50,000
 - 2,50,000 to 5,00,000
 - 5,00,000 to 10,00,000
 - Above 10,00,000
- Savings Proportion from your Income
 - 10%
 - 20%
 - 30%
 - 40% Or above
- Amount invested in Tax saving Instrument
 - Below 10 k
 - 20k-40k
 - 40K-60K
 - Above 60k
- Tax saving Instrument Adopted by you.
 - Home Loan



- Life Insurance
- Term Insurance
- Mediclaim
- Systematic Investment Plan
- Contribution to Provident Fund
- Public Provident Fund
- National Savings Certificate
- Certificates and Post Office
- Fixed Deposit
- New Pension Scheme
- Equity-linked Tax saving Scheme
- OTHERS.....Specify
- Which Systematic Investment Plan advantages attract you more.
 - Allow minimum investments of Rs 500
 - You can increase/decrease the amount of money being invested
 - Long-Term Gains
 - Develop investing habit
- Which Term insurance advantages attract you more.
 - Taxable Benefit
 - Financial security for the family
 - Premiums are affordable.
 - Receive full payout of life coverage upon diagnosis of any terminal illness.
- Which Home loan advantages attract you more.
 - Tax exemptions are available up to Rs.1.5 lakhs on principal repayment.
 - You can claim tax deductions of up to Rs.2 lakh on the interest payment.
 - Additional tax deductions are available up to Rs.50000 for a first-time homeowner.
 - Will be able to build assets by using savings with long-term appreciation.



- Which Life Insurance advantages attract you more.
 - Insurance Payouts Are Tax-Free.
 - Coverage for Chronic and Terminal Illnesses.
 - Your Dependents did not need to Worry About Living Expenses
 - Cover Your Final Expenses

- Which Medi claims advantages attract you more.
 - Taxable Benefit
 - Offers the ease of cashless hospitalization.

Premiums are affordable.

- You can avail for self or for the entire family.
- .

- Which Public Provident Fund advantages attract you more.
 - Provide the highest Return on Savings.
 - Interest earned is free from tax liabilities
 - Generates guaranteed returns.
 - The minimum subscription amount is just Rs 500 per year.

- Which National Saving Certificates advantages attract you more.
 - Investment is tax exempted under section 80C of the Income Tax Act.
 - Interest earned is compounded, resulting in higher returns
 - Investments start from Rs 100, and there is no upper limit.
 - It can also be taken on behalf of a minor.
 - It can be used as collateral for securing loans from banks.

Rate your Awareness level about National Saving Certificates.

- 0
- 1
- 2
- 3
- 4



- 5

Rate your Awareness level Systematic Investment Plan.

- 0
- 1
- 2
- 3
- 4
- 5

Rate your Awareness level about Public Provident Fund.

- 0
- 1
- 2
- 3
- 4
- 5

Rate your Awareness level about Mediclaim.

- 0
- 1
- 2
- 3
- 4
- 5

Rate your Awareness level about Term Insurance.

- 0
- 1
- 2



- 3
- 4
- 5

Rate your Awareness level about Life Insurance.

- 0
- 1
- 2
- 3
- 4
- 5

