



# A Study On Financial Planning For Salaried Employees And Strategies For Tax Savings

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**Abstract:** After taking into account one's current income, savings, costs, projected earnings, financial goals, insurance, if applicable, and future life vision, one creates a financial plan. Then, make an effort to select investing and savings options appropriately so that you can reach your short- and long-term financial objectives at different points in your lives. Planning your finances is crucial for tax savings. It is essential for an individual since it aids in keeping a consistent saving percentage even in the face of ongoing inflation and market volatility.

A crucial component of financial planning is tax planning. We can minimize our tax liability through efficient tax preparation. This is accomplished by lawfully utilizing all tax exemptions, deductions, rebates, and allowances.

To learn more about the tax-saving and financial planning techniques used by salaried individuals, we have gathered both primary and secondary data for this study.

**Keywords:** Financial Planning, Tax Planning, Tax Saving Instruments.

## I. INTRODUCTION

A financial plan outlines a person's long-term and short-term financial objectives as well as a plan of action to reach them. It ought to take into account a person's investment risk tolerance, personal and family financial needs and establish an investment and savings plan. The process of financial planning involves assessing one's current financial situation, deciding on one's future goals, and figuring out how to get there. Financial planning gives people's financial decisions purpose and direction. One can take into account both the immediate and long-term impacts on their life goals by considering each financial decision as a component of the whole. Reductions in taxes paid by individuals, corporations, or other taxpayers are known as tax savings. Having a strategy that takes into account and manages money for daily expenses will always help you. Your tax plan will enable you to invest or save enough money to cover your current and future financial needs. The 1961 income tax year, as revised annually, contains the current income tax legislation. There are almost portions in this statute. This act governs the provisions pertaining to the calculation of total income, the assessment process, appeals, fines, prosecution, and the income tax authorities' refund powers, among other things. The parliament enacts a finance legislation each year.

The direct tax laws are amended by this financial act. This financial act establishes the rates of income tax for the current assessment year, rates for tax deduction at source, and rates for advance payment tax for the aforementioned fiscal year.

### **Problem statement**

When compared to indirect taxes collected domestically and taxes collected abroad, India's direct tax revenue collection is significantly lower. There are extremely few persons in India who pay income taxes. For what reason is this the case? Are there any gaps in our income tax laws and regulations that allow taxpayers to adopt a variety of strategies to avoid and delay paying taxes? Taxpayers are abusing some of the provisions.

## Objective of the study

### Primary objective

1. To study on financial planning for salaried employee and strategies for tax savings.
2. To understand the saving -investment behavior of the salaried employees.

### Secondary objectives

1. To study the pattern of tax planning by salaried employee.
2. To study on the level of awareness of the salaried employee on various taxes planning measures available under the Income Tax Act.
3. To study the tax saving schemes of income tax

## Scope of the study

The extent to which employees are aware of tax rules and tax planning strategies is assessed by the breadth of tax planning for salaried employees. the tax planning strategies used, investment patterns, debt payments, and saving behaviors during the study period.

## III.LITERATURE REVIEW

If someone wants to determine their income tax and plan for tax savings, they must first determine their entire income. Then, they must compute their income tax by deducting and adjusting their total income as according to the layout of tax tables. The income tax department will issue a refund if taxes are paid in excess. Lastly, complete the tax audit.

Tax Planning: An Analysis of Tax Saving Tools, Savita and Lokesh Gautam (2013), International Journal of Management and Social Sciences Research (IJMSSR), The goal of the study, which examined various investment possibilities for tax savings, was to determine which type of investment was most popular. The most common forms of investment were found to be life insurance policy premium payments, provident fund contributions, and savings from fixed deposits. Then came the other types of investing. The study also showed that the age group of 20–30 had the lowest tax savings, while the age group of 50–60 had the largest. Additionally, it says that investments for tax savings rise in tandem with income. If the revenue is between Rs.5 lakhs to Rs.10 lakhs investment is Rs.70,000 to Rs.90,000

Achar (2012) examined teachers' investment and saving habits. The teaching community's investment behavior was influenced by age, gender, marital status, lifestyle, and monthly family income. as well as the stage of the family life cycle and each person's upbringing.

According to Geetha and Ramesh (2011), choosing the best investment option is crucial because there are many options available. The person in charge of planning needs to be aware of all the options and how to select them in order to achieve the overall aim.

According to Bhushan and Medury (2013), numerous research have documented gender disparities in investment behavior. When it comes to investing, women are more cautious and risk averse.

GS Sumesh, Salaried people's perceptions and awareness of tax planning choices (2020).

One must be well-versed in the Income Tax Act and the Union Ministry's annual financial budget in order to take advantage of these advantages. Under these conditions, an effort is undertaken to gauge paid employees' awareness and perception of tax avoidance methods. Salary employees in Kottayam taluk provide replies for this survey, which is then evaluated and presented using a variety of statistical approaches to draw conclusions.

Kumar Manish, Awareness and Perception of Tax Saving Instruments by Individual Assesseees in Delhi, Faridabad, 2019. The goal of the study is to find out what influences Delhi individual assessors' choices of tax-saving options. to determine a person's level of knowledge about the tax-saving options available under the income tax legislation. The study also looks for the most popular and suitable tax-saving strategies that individual taxpayers employ to lower their tax obligations. The study will attempt to evaluate the relationship between an individual's demographic profile and the tax-saving strategies they have employed.

## II. RESEARCH DESIGN

Type of research design : Descriptive research

Research equipment : Questionnaire

Sampling technique : Random sampling method

Sample size : 107 respondents

Sample design : Data has been presented with the help Of bar graphs, pie charts, etc.

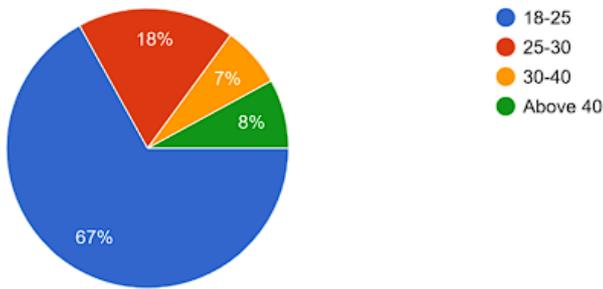
Sources of Data Both the primary sources and secondary sources of data have been used to conduct the study

Primary source: The primary data has collected for the study was through questionnaire.

Secondary source: The secondary data refers to the information gathered by sources of already existing. Websites, Books, Old projects, etc.

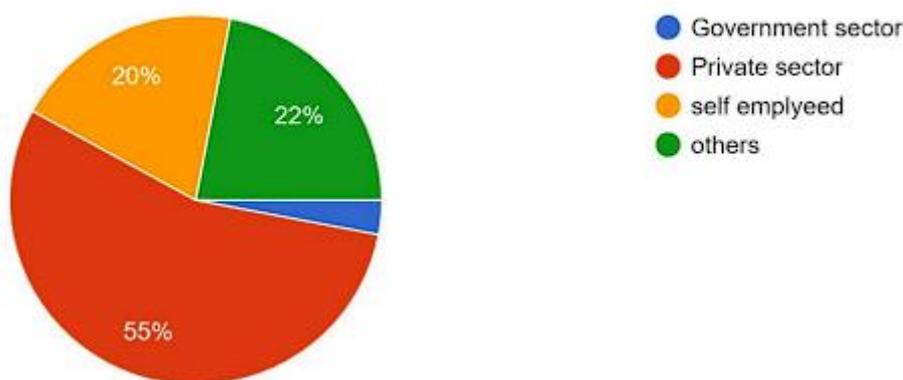
### III. DATA ANALYSIS AND INTERPRETATION

#### 1. Age of the Respondents



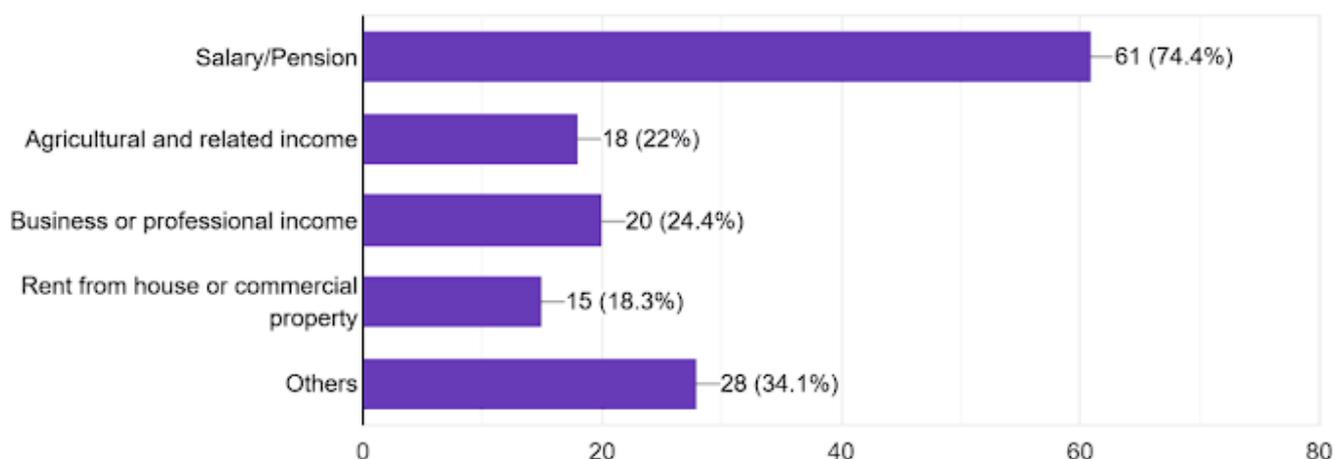
Source: Primary Survey, 2022 We have taken 100 responses randomly from people. Responses are divided into four age groups, from where it was observed that the age group of 18-25 years were largely taken as sample size.

#### 2. Employment details



Source: Primary Survey, 2022 Responses are divided into four employment sectors. It was observed that 55% of the responses are working in Private Sector. And it was also observed that very least amount of people are working in Government sector.

#### 3. Sources of Income

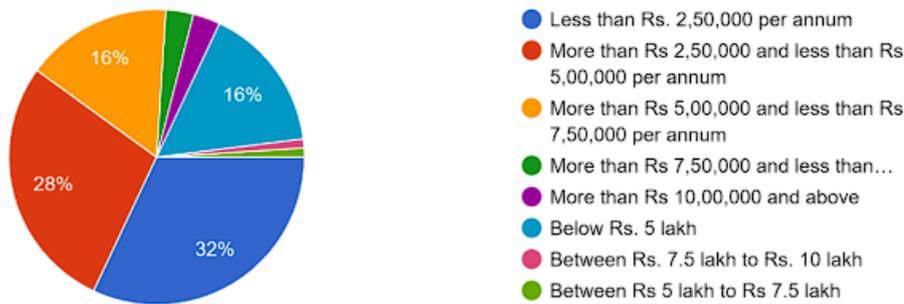


Source: Primary Survey, 2022 Responses are divided into five groups of sources of income. In this study we

have observed that most of the people are salaried employee. It is observed that 74.4% of total responses, there source of income is salary/pension.

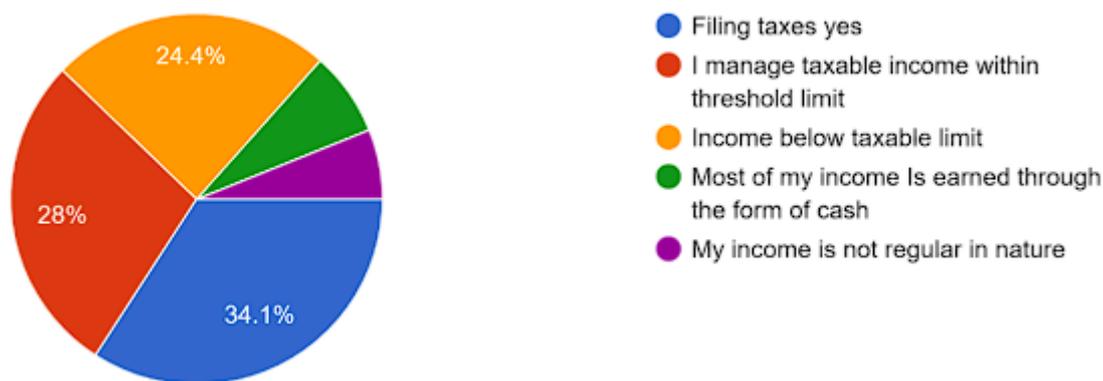
#### 4. Income of Respondent

In this study responses are divided into 5 income groups. It was observed that most of the people have income below 2,50,000pa. Out of 100 respondent 32% people have income less than Rs.2,50,000.



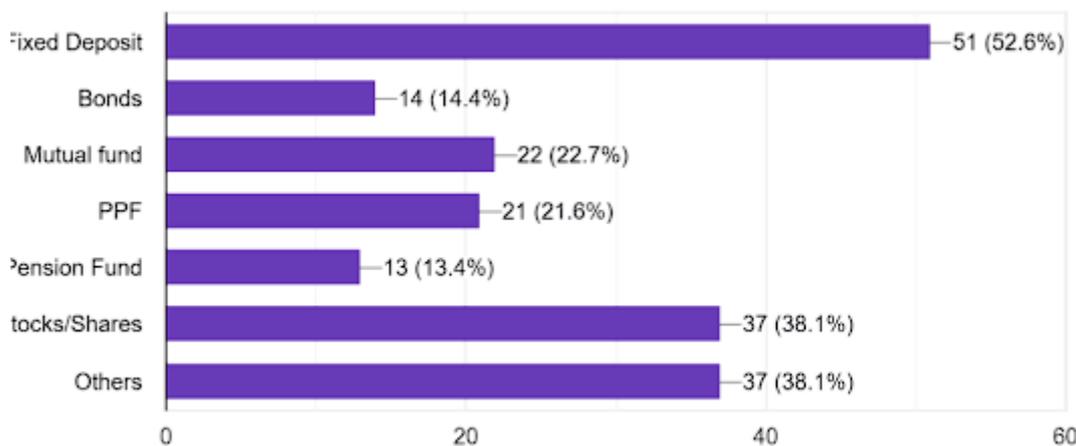
Source: Primary Survey, 2022

#### 5. Filing Taxes and not Filing Taxes



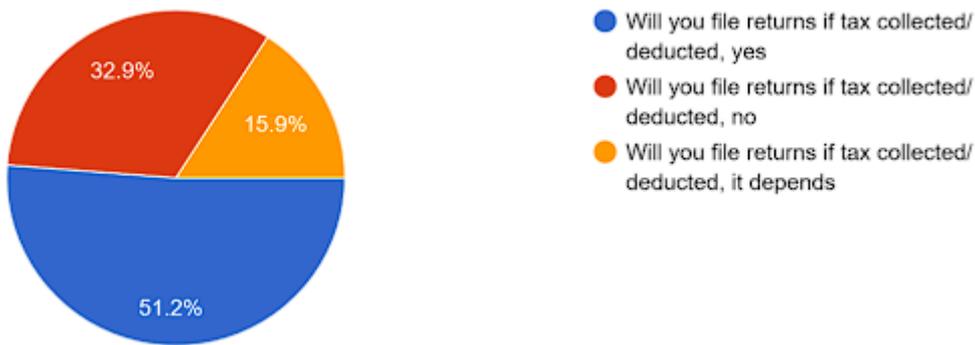
Source: Primary Survey, 2022 Out of 100 respondent 34.1% people are filing taxes. In this study we observed that 28% of the responses manage taxable income within threshold limit. And 24.4% respondent have income below taxable limit.

#### 6. Types of Financial Assets Owned



Source: Primary Survey, 2022 Out of 100 respondent we observed that 52.6% people have fixed deposit as a financial asset. And 38.1% people invest in stocks/shares. 14.4% of the respondents have bonds, 22.7% have mutual funds.

## 7. Change of TDS/TCS rates and its Impact on Tax filing



Source: Primary Survey, 2022

Out of 100 respondents 51.2% people have said yes that they will file tax return if tax collected/deducted. In this study 32.9% people have said no, that they will not file tax return if tax is collected/deducted. And 15.9% people have said that it depends.

## IV. RESULTS AND FINDINGS

According to the study, the majority of respondents (67%) were between the ages of 18 and 25, and 69% of them were men.

The target respondents were middle-class and upper-middle-class working employees, according to the annual income.

As a financial asset, fixed deposits are the most popular option; other investment choices include stocks and shares, bonds, mutual funds, and pension funds.

The results indicate that a person can grow the size of their savings with a pay raise or other sources of income. Additionally, the study found that the majority of paid workers are unaware of the advantages of tax-saving investments such as NPS, NSC, and ULIPs. The most common investing alternatives are PPF, health insurance, and life insurance.

For their future, the majority of respondents favor a regular return plan. Medical plans, multiple choice plans, and pension plans are further options.

According to the study, 55% of respondents worked in the private sector, 20% were independent contractors, 22% earned money from various other sources, and the least number, at least, were employed by the government.

According to this study, only 34.1% of respondents file taxes, 28% of respondents manage their income within the threshold limit, 24.4% have income below the taxable limit, 7.3% of respondents generate their money in cash, and 6.1% have irregular income.

## V. CONCLUSION

Saving taxes is merely a wise component of the larger field of financial planning. A financial strategy is more complex than it first appears. A sound investing strategy that saves money is essential for a financial plan to succeed.

taxes. Residents of various geographic demographics are treated equally under the 1961 Income Tax Act, which distinguishes between males and females.

Even though there are many individuals who earn a living through salaries, there aren't many of them.

Employees in the organized sector who have their income withheld because their wage or other sources of income are tracked by bank transactions and pan cards would file income taxes.

However, the primary issue is with those who work in unorganized industries and receive payment in cash; their earnings might range from modest to substantial, but it can be challenging to keep track of them.

It is unfair to conclude that relatively few people file taxes because almost 60% of survey respondents said their income was less than Rs. 5 lakh. This is because the number of persons submitting taxes is fewer than their individual income.

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