A STUDY ON TAX PLANNING AMONG SALARIED EMPLOYEES IN CAPITAL CARE WITH REFERENCE TO SALEM

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ABSTRACT

Tax planning is an essential part of our financial planning. Efficient tax planning enables us to reduce our tax liability to the minimum. This is done by legitimately taking advantage of all tax exemptions, deductions rebates and allowances while ensuring that your investments are in line with their long-term goals. The purpose of the study is to find out the most suitable and popular tax saving instrument used to save tax and also to examine the amount saved by using that instrument. Over all findings reveals that the most adopted tax saving instrument policy, which got the first rank in this study and the second most adopted tax saving instrument is Provident Fund.

Keywords :- Tax introduction, Tax planning ,Tax rate, tax information.

1.1 INTRODUCTION OF THE STUDY

Each salaried employee should plan their tax according to their income. How salaried employees do their tax planning can understand their investment tendencies. Every salaried employee should be aware of the allowances and exemptions provided by the government according to their income. Through this research it is possible to understand how much salaried employees are aware about the allowances, exemption limit and investment schemes provided by the government. Correct tax planning helps to fulfill many financial needs of employees. Tax planning is about choosing which investment scheme to invest into save tax for the employee. Advance tax planning can help increase the saving tendency of every employee. As the saving tendency of the employees increases, it becomes easier to meet their needs.

It not only ensures proper compliance with the provisions of tax laws but also to see that the incidence of tax is reduced to the minimum possible extent and thereby securing that the money remaining after payment of tax is kept at the maximum level. A better understanding about tax laws and tax planning measures available under the Act would be helpful to reduce the tax burden to the minimum level. Hence tax planning involves a thorough and up to date knowledge of tax laws

Tax Planning

Taxes can eat into annual earnings. To counter this, tax planning is a legitimate way of reducing tax liabilities in any given financial year. It helps utilise the tax exemptions, deductions, and benefits offered by the authorities in the best possible way to minimise liability.

Objectives of Tax Planning

Tax planning is a focal part of financial planning. It ensures savings on taxes while simultaneously conforming to the legal obligations and requirements of the Income Tax Act, 1961. The primary concept of tax planning is to save money and mitigate one's tax burden. However, this is not its sole objective.

Advantages of tax planning:

To minimise litigation: To litigate is to resolve tax disputes with local, federal, state, or foreign tax authorities. There is often friction between tax collectors and taxpayers as the former attempts to extract the maximum amount possible while the latter desires to keep their tax liability to a minimum. Minimising litigation saves the taxpayer from legal liabilities.

To reduce tax liabilities: Every taxpayer wishes to reduce their tax burden and save money for their future. It can reduce payable tax by arranging investments within the various benefits offered under the Income Tax Act, 1961. The Act offers many tax planning investment schemes that can significantly reduce tax liability.

To ensure economic stability: Taxpayers' money is devoted to the betterment of the country. Effective tax planning and management provide a healthy inflow of white money that results in the sound progress of the economy. This benefits both the citizens and the economy.

To leverage productivity: One of the core tax planning objectives is channelising funds from taxable sources to different income-generating plans. This ensures optimal utilisation of funds for productive causes.

1.2 STATEMENT OF THE PROBLEM

Tax planning is important for every assesse to reduce their tax liability and compliance with the income tax rules. To enjoy the benefits of tax planning, the assesse must know different provisions of tax saving schemes available in the laws. Savings taxes can be a complicated process if not planned well in advance. Planning taxes at the last moment leaves little time for to study different investment options. It may also become a burden to invest a lump sum amount to save tax.

1.3 OBJECTIVES OF THE STUDY

- To study on tax planning for salaried employee and strategies for tax saving schemes.
- To analyse the saving investment behaviour of the salaried employees.
- To study on the level of awareness of the salaried employee on various investment schemes.
- To assess the efficiency of the administrative machinery for collection of income tax and management of

taxation matters as per the Income Tax Act.

- To understand and evaluate the tax planning measures being adopted by the salaried class of the Salem

1.4 SCOPE OF THE STUDY

The scope of the current study is limited to the salaried assesses in the Salem. The study evaluate and analyses the tax planning strategies and awareness thereof, saving habits, investment choices, outflow of liabilities adopted by the salaried assesses in Salem for the period covered under study. The income in the study encompasses salary income, income/loss from house property and income from other sources viz interest on bank deposits etc. The study also evaluates the extent of awareness of employees on tax laws and tax planning measures. The savings habits, investment pattern, repayment of liabilities , tax planning measures adopted for the period under study and level of awareness of employees on tax laws and tax planning measures were studied and evaluated.

1.5 LIMITATIONS OF THE STUDY

- People generally were reluctant to disclose information relating to their savings, investments and tax planning measures.

- The study is restricted to limited period.

- In the secondary data, there were discrepancies in the data available from various sources.

- The current statistics relating to some of the aspects of direct tax administration is still lacking.

- Lack of previous experience in doing research was another difficulty.

2. ABBREVATIONS

ITA- Income Tax Act

ANOVA - Analysis Of Variance

3. REVIEW OF LITERATURE

Anil Kumar Jain and Parul Jain (2019) reviewed the tax treatment of savings under the Indian Income Tax Act. The study revealed that a very serious lacuna in the tax incentive provision in India has been that they have been introduced in an ad hoc manner and have been subject frequent changes. Such ad hoc changed have created uncertainty in the minds of savers and investors. It was suggested that tax incentives should be well targeted and relief should be substantial to induce savers and investors.

Myron S. Scholes (2020) "Taxing Planning, Regulatory capital Planning and Financial Reporting Strategy for the industry". We test whether banks' investment and financing policies can be explained by tax status. We document changes in bank holdings of municipal bonds in response to changes in tax rules relating to deductibility of interest expense. We also document an association between banks' marginal tax rates and their investment and financing decisions, which is consistent with the existence of tax clienteles.

Kumaraswamy (2020) "Tax Planning – An Analysis on Housing Loans" Housing loans, for sure, makes it possible to an individual to own a house. A gradual increase over the times in the associated costs of real estate makes a housing loan lasts for decades. As every Government's priority is to provide shelter to all its citizens; on the other hand, it is reducing housing loan borrower's tax burden through several Income Tax provisions. This paper focuses on these issues in every possible dimension.

Bharathraj Shetty (2021) "An Analysis of Investors Attitude towards Various Tax Saving Schemes". The objective of the study is to study investor's preference towards various tax saving schemes (under various sections of Income Tax). The tax saving schemes in which investors have invested, to identify patterns of investment in tax saving schemes. Data required to identify the historical growth of investment in different tax saving schemes.

Saravanan, MuthuLakshmi (2022) "Tax Saving Scheme and Tax Saving Instruments of Income Tax in India". To study the planning of individual income tax and tax saving instruments of individual income tax. By doing so they can plan in advance about their Tax savings instrument. Tax planning is an essential part of our financial planning. The purpose of the study is to find out the most suitable and popular tax saving scheme and tax saving instrument used to save tax and also to examine the amount saved by using that instrument

Matthias Wrede (2023) has found that tax planning has increased the fair tax rate in Germany. The study identified that families with pro-social motives should be taxed less than those without pro-social motives. The study proved that taxation should not prevent individuals with the joy-of-giving motives from contributing substantially more to the social good than individuals who do not share these motives.

Manjunath (2023) has identified that bank deposit was a preferred investment avenue for salaried class investors followed by insurance, post office saving schemes, real estate and mutual funds. Only meagre percent of the salaried class investors preferred to invest in shares and bonds due to the risk associated with them. Hence, salaried class investors have preferred to invest in the long-term investments with the objective of retirement life, children's marriage, children's higher education and stable return. The study also examined that majority of the male investors have possessed more awareness about the investment avenues with tax benefits.

4. RESEACRH METHODOLOGY

Research methodology is a way to systematically solve research problem. Research methodology is understood as a source of the study how to research is done scientifically. The various steps adopted by a researcher in studying the research problem along with the logic. The project work entitled "A study on investor awareness and perception towards Capital Care with reference to Salem.

RESEARCH DESIGN

The research design constitutes the blue print for the collection, measurement and analysis of data. There are types of research design; they are exploratory research design, experimental research design and describe

and diagnostic research design. The research had adopted descriptive research design for the study.

SAMPLE DESIGN

A sample is a subset from the total population. It refers to the techniques or the procedure to the research would adopt in selecting items for the sample (i.e) the size of the sample.

SAMPLING METHOD

Sampling method utilized was convenience sampling was adopted.

METHODOLOGY OF THE DATA COLLECTION

A descriptive research was undertaken to the study of the problem. The study is descriptive in nature. Descriptive research is those which are concerned with describing the characteristics of a particular individual of a group.

SOURCES OF DATA

Primary Data

It was collected through questionnaire further this data, are processed and tabulated using graphs the tables where analyzed and the finding has been drawn accordingly.

Secondary Data

It refers to a special kind of ratio, it is used to make comparison between two or more series of data, since the percentage reduce everything to a common base and there by allow meaningful comparison be made.

TOOLS USED FOR RESEARCH

1. Simple percentage analysis

This method is used to compare two or more series of data, to describe the relationship or the distribution of two or more series of data. Percentage analysis test is done to find out the percentage of the response of the response of the respondent. In this tool various percentage are identified in the analysis and they are presented by the way of Bar Diagrams in order to have better understanding of the analysis.

No. of respondents

$$\text{Simple percentage} = \frac{\text{No. of respondents}}{\text{Total No. of respondent}} \times 100$$

2. Chi- square analysis

Chi-square was done to find out one way analysis between socio demographic variable and various dimensions of the programme.

$$(O - E)^2$$

$$\chi^2 = \underline{\qquad\qquad}\ \text{E}$$

Where, O – Observed value, E – Expected value

In general the expected frequency for any call can be calculated from the following equation.

$$\text{E} = \text{RT} \times \text{CT} / \text{N}$$

Where,

E = Expected frequency, RT = Row Total

CT = Colum total, N = Total No. of observations

The calculated value of chi-square is compared with the table value of χ^2 given degrees of freedom of a certain specified level of significance. It at the stated level of the calculated value of χ^2 the difference between theory and observation is considered to be significant. Otherwise it is in significant.

3. Correlation

Correlation is computed into what is known as the correlation coefficient, which ranges between -1 and +1. Perfect positive correlation (a correlation co-efficient of +1) implies that as one security moves, either up or down, the other security will move in lockstep, in the same direction. Alternatively, perfect negative correlation means that if one security moves in either direction the security that is perfectly negatively correlated will move in the opposite direction. If the correlation is 0, the movements of the securities are said to have no correlation; they are completely random.

$$r = \frac{\sum XY}{\sqrt{(\sum X^2)\,(\sum Y^2)}}$$

4. Anova

Examination of change, or ANOVA, is a solid measurable method that is utilized to show contrast between at least two methods or parts through importance tests. It likewise shows us an approach to make numerous examinations of a few populace implies. The Anova test is performed by looking at two sorts of variety, the variety between the example implies, just as the variety inside every one of the examples. Beneath referenced recipe addresses one way Anova test measurements:

$$F = \frac{MST}{MSE}$$

F = Anova Coefficient,

MST = Mean sum of squares due to treatment MSE = Mean sum of squares due to error **HYPOTHESIS**

H_O: There is no significance relationship between qualification of the respondents and aware of new tax regime introduced by government.

H_1: There is a significance relationship between qualification of the respondents and aware of new tax regime introduced by government.

Ho: There is no significant relationship between Experience and Aware about tax planning H_1: There is a significant relationship between Experience and Aware about tax planning

5. RESULTS

5.1 DEMOGRAPHIC PROFILE

Variable (150 responses)		Frequency	Percentage
Age	18- 25 years	17	11.3%
	26-35 years	41	27.3%
	36-45 years	68	45.3%
	Above 46 years	24	16.0%
Gender	Male	90	60.0%
	Female	56	37.3%
	Prefer not to say	4	2.7%
Marital status	Married	112	74.7%
	Unmarried	38	25.3%
Educational qualification	SSLC / HSC / Diploma	44	29.3%
	Under graduation	44	29.3%
	Post-graduation	48	32.0%
	Professional degree	14	9.3%
Annual income	Below Rs. 1,50,000	27	18.0%
	Rs.150,000-3,00,000	49	32.7%
	Rs. 3,00000-5,00,000	57	38.0%
	Above Rs. 5,00,000	17	11.3%
EXPERIENCE	0-2 years	33	22.0%
	3-5 years	52	34.7%
	6-10 years	43	28.7%
	Above 10 years	22	14.7%

Table 5.1 Frequency analysis of Demographic Factors

INTERPRETATION

The total number of responses being 150, 45.3% of the respondents are age group between 36-45 years, 60% of the respondents are male, 74.7% of the respondents are married person, 32% of the respondents are Post graduate qualification, 38% of the respondent are getting annual income between 3,00000-500000, 34.7% of the respondents are 3-5 years experience.

5.2 Chi square test for qualification and aware of new tax regime introduced by government

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	$1.180E2^a$	3	.000
Likelihood Ratio	148.518	3	.000
Linear-by-Linear Association	95.518	1	.000
N of Valid Cases	150		

a. 1 cells (12.5%) have expected count less than 5. The minimum expected count is 4.95.

RESULT

The significant value (4.95) is > greater than the P value (0.000). Hence null hypothesis in accepted so there in no significant relationship between qualification of the respondents and aware of new tax regime introduced by government.

5.3 Correlation for age and adequate salaried needs for individual in new tax regime

Correlations

		Age	Adequate salaried needs for individual in New tax regime
Age	Pearson Correlation	1	.738**
	Sig. (2-tailed)		.000
	N	150	150
Adequate salaried needs for individual in New tax regime	Pearson Correlation	.738**	1
	Sig. (2-tailed)	.000	

| | | N | 150 | 150 |

**. Correlation is significant at the 0.01 level (2-tailed).

INTERPRETATION

This is a positive correlation. There are relationships between age and adequate salaried needs for individual in new tax regime

5.4 Anova for experience and aware about tax planning

ANOVA

Experience	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	106.172	2	53.086	203.283	.000
Within Groups	38.388	147	.261		
Total	144.560	149			

RESULT

From the above analysis, we find that calculated value of the F-value is a positive 35.189 value. There is a significant relationship between Experience and Aware about tax planning

VI. SUGGESTIONS

• Tax planning essentially depends on provisions in the Finance Act and the Budget. Educating the masses of the provisions of the same and creating awareness on availing the benefits is recommended.

• Tax planning of the part-time employee assesses, retired employee assesses, professional assesses and business assesses.

• Comparative study between Tax planning of salaried assesses and other assesses.

• Tax planning of Individual assesses in respect of tax on Fringe Benefits, Bank Cash Transaction and Securities Transaction.

• Opinion of the Tax Consultants, Industrialists and Trade Unions in respect of Tax Planning Options offered for various categories of assesses by the Government of India.

VII. CONCLUSION

This chapter discussed how important it is to save tax in the tax planning. Tax planning is not tax avoidance but a method to educate employees on how to save tax. Tax awareness is the employee knowledge about different tax saving schemes. Government has provided many investment schemes to salaried employees to save tax. Through this lesson the employees will understand about which investment scheme is better to invest in which investment scheme can save tax.

Tax planning has a wider philosophy and is closely associated with what the salaried assesses earns and his propensity to consume. The gap between the same goes as savings and if that savings can relieve one from tax, the tax planning is effective. The whole process relates to viewing the Income Tax Act in terms of revenue for the Government and fair disposable income for the assesses. We want a rationalized, simplified, operational tax system where an assessed is assessed but not feel exploited. Tax planning reduces not only the tax burden but also gives mental satisfaction. If salaried assesses adopt tax planning measures it will help them to save a considerable amount of their hard earned money in a legal way. When the Government has given a wide chance of investing money according to the assesses' financial condition and taste it is the prime duty of every salaried assesse to utilize his/her chances and reaps the harvest.

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