



# Perception On Tax Planning And Investment Pattern Among Academicians

\* Niranjan. G\*

\*Student, FOMC, PES University\*

\*Bangalore, Karnataka, India\*

## ABSTRACT

Tax strategy is crucial for citizens to reduce tax costs and is an efficient method of utilizing tax legislation. As tax compliance rates decline, the State and Central Governments face challenges in raising revenue. A research study aims to analyse academicians' investment habits and knowledge of tax planning strategies to help them plan their taxes and improve tax compliance. The study's sample, drawn from Bengaluru, includes 50 academicians from private educational institutions. The method of stratified sampling was modified to gather information using a structured questionnaire. The results show that academicians are not familiar with different tax-saving strategies and prefer safe and low-risk options. Personal considerations such as family stability, retirement benefits, and tax avoidance and evasion influence their investment choices. Most respondents prefer these strategies to tax planning to lower their tax burden.

**Keywords:** Tax planning, Investment decisions, Tax deductions, Academicians.

## INTRODUCTION

### History Of Income Tax In India

India's development is heavily reliant on taxes, which are a crucial part of the government's economic policy. The Central Board of Direct Taxes, a division of the Department of Revenue under the Ministry of Finance, is responsible for tax collection. The Central Board of Revenue Act of 1963 governs the Central Board of Direct Taxes (CBDT). The Indian taxation system has undergone significant changes in the last 1015 years, leading to greater compliance, simplicity in paying taxes, and improved enforcement. Indirect taxation includes sales tax, service tax, and excise duty. GST has absorbed some levies, and individuals are required to pay income tax immediately under the direct taxation system. Individuals assessed under the Income Tax Act of 1961 and whose income exceeds the exemption limit of 2,50,000 (2022-23) are subject to income tax

at the rates specified in the Finance Act. An annual fee, known as income tax, is imposed for each assessment year. The more money an individual makes, the more tax they must pay.

## **Reforms In Personal Income Tax Structure In India**

The Indian government has been making significant financial decisions, including changing the tax structure since 1980. The Liberalization, Privatization, and Globalization (LPG) policy introduced by Man Mohan Singh in 1991 led to significant changes to the tax code. The personal income tax system in India includes taxes on individuals, Hindu undivided families, unregistered businesses, associations, municipal governments, and all juridical entities. The government receives most of its tax revenue from these groups, with the majority of tax filers being members of the salaried class (TDS).

## **Tax Planning**

The increasing burden of income taxes on taxpayers is causing a decrease in disposable income. To reduce their tax liability, individuals must adjust their tax planning methods and utilize the Income Tax Act of 1961's loopholes for long-term and short-term planning. To implement proper tax planning and effective investment planning, individuals should be informed about exemptions and exemptions listed under Section 10 and 80C and 80U. The salaried class needs to be aware of investment opportunities and tax breaks that benefit them, as they currently have limited familiarity with tax provisions and investment opportunities. Understanding taxes is crucial for making informed financial decisions and saving money. Educating taxpayers on tax-saving opportunities and teaching them how to plan their income taxes is essential to minimize tax incidence and improve disposable income.

## **Savings And Investment In India**

Domestic household savings and investments are crucial for economic growth in emerging nations like India. Savings come from insurance policies, bank accounts, and pension funds, while investments involve purchasing securities or assets to increase wealth. Investing can be divided into financial investments and physical assets like real estate, buildings, vehicles, and machinery. Financial literacy is essential for developing, monitoring, and using financial resources to improve society's well-being. However, less than 25% of adults in South Asian nations are financially literate, and India has extremely low levels compared to the rest of the world, leading to unequal income and wealth distribution.

## OBJECTIVES

- To investigate the academics' preferred investment strategies and the related investment considerations.
- To investigate academicians' perceptions of risk and return on their investments as well as their level of satisfaction.
- To gauge academics' level of expertise with various tax planning strategies and how such strategies may affect their investment.
- To investigate how academicians perceive tax planning.

## REVIEW OF LITERATURE

- 1 **R Jaya Sathya and G Rekha( 2014) “A Study on Investors’ Investment Pattern in Various Avenues”** In India, investors perceive all investment avenues as risky, with major features including principal amount safety, liquidity, income stability, appreciation, and easy transferability. A study was conducted to understand investor awareness, preference, and expectations. About 150 samples were collected from Coimbatore city, focusing on derivatives and investor risk preference. The study aimed to understand investors' risk-taking attitudes and preferences in various investment avenues.
- 2 **Ashly Lynn Joseph and Dr. M. Prakash(2014) “A Study on Preferred Investment Avenues Among the People and Factors Considered for Investment”** Investment is crucial for earning more money and involves buying financial products or valued items with the expectation of positive returns. Understanding money, its value, available investment avenues, financial institutions, and return rates is essential for successful financial management. A study focuses on various investment avenues and factors, using a structured questionnaire. Many people are hesitant to take risks, preferring bank deposits, insurance, and post office savings. However, minimizing risk through various investments can lead to moderate profits. This study raises awareness about investment options and factors to consider before making a decision.
- 3 **Dr. R.SIVASANKAR (2022) “A STUDY ON TAX PLANNING FOR SALARIED EMPLOYEES AND STRATEGIES FOR TAX SAVING SCHEME”** Tax planning involves saving tax without violating legal rules, and is crucial for salaried employees in India. The government offers allowances, deductions, and investment schemes for tax-paying employees. They should design their own investment and saving schemes based on their needs for tax savings. Financial planning is essential for tax planning, as it helps reduce tax liability. It is essential for all salaried employees to be aware of exemptions and deductions. This study used primary and secondary data collection methods and random sampling.
- 4 **Yagna Vyas and Vijay R.( 2020) “Tax Planning and Tax Management of Salaried Individuals: A Study of Bardoli Region”** This study examines tax planning knowledge among 250 salaried individuals in the Bardoli region. Data was collected using a structured questionnaire and Chi-square test. Results showed that demographic factors affect tax planning knowledge. Higher-income individuals require professional help, but qualified individuals have sufficient knowledge. Respondents are aware of 80C and 80D deductions but do not take education loans or donate for deduction purposes.

- 5 **Sarfaraz Mansuri and Dr. Yagnesh Dalvadi (2012) “Tax Awareness and Tax Planning Among Individual Assesses”** Tax awareness is crucial for individual assesses as income tax takes away hard-earned money. To better tax planning, individuals must be aware of recent tax laws and rules. Tax planning doesn't mean not paying taxes, but being smart about where to place money for maximum benefits. This study aims to understand tax awareness and planning practices of selected assesses, providing insight into why they are failing to make proper tax planning.
- 6 **Mrs. R. Vasanthi (2014) “A Study on the Salaried Assesses Satisfaction on Tax planning schemes With Reference to the Coimbatore city”** The researcher investigated factors influencing tax planning schemes investment and satisfaction levels in Coimbatore city. Data was collected from 500 respondents using Quota sampling technique. Using tools like Percentage Analysis, Descriptive Analysis, ANOVA, and t-test, the study found that satisfaction levels varied significantly among age groups, working experience, and gross total income. The study highlights the need for improved tax planning schemes in Coimbatore city.
- 7 **Mrs.R. Vasanthi (2015) “ A Study on Tax Planning Pattern of Salaried Assessee”** The word “Tax” is derived from the Latin word called Taxove and Taxo means to estimate, appreciate or value. The word Income Tax itself implies it is a tax on earnings. It plays vital role in the national economy. The ever-increasing functions of the government have naturally led to increasing expenditure for instance achieving the social and economic objectives laid down in the constitution, reducing the inequality of income, removing the concentration of economic power in few hands, balancing regional economic growth and so on.
- 8 **Ambrose Jagongo Vincent (2014) “A Survey of the Factors Influencing Investment Decisions: The Case of Individual Investors at the NSE”** The study aimed to identify the factors influencing investment decisions at the Nairobi Stock Exchange. The research involved 42 investors out of 50, using a structured questionnaire. The findings revealed that the most important factors influencing individual investment decisions were the firm's reputation, industry status, expected earnings, profit, past performance, stock price, economic sentiment, and investor expectations. These findings will help companies understand the decisions made by investors and their impact on future policies and strategies, as these decisions determine the company's strategy.
- 9 **Bharathraj Shetty and M. Muthu Gopalakrishnan (2014) “A Research Paper on Investment Familiarity Among Indian Working Women with Reference to Pune Region”** Women have traditionally been considered homemakers, but the past decade to 15 years has seen a shift in their work efficiency and enthusiasm. In metro cities like Pune, where the percentage of working women is increasing, they are now considered an "Employment Hub." This research aims to understand investment awareness among Indian working women in the Pune region, as they desire financial independence and secure their future with sufficient funds. The study examines investment behavior and patterns followed by working women in various sectors in the Pune region.
- 10 **Rajeshwari Jain(2014) “ An Analysis of Income and Investment Pattern of Working Women in the City of Ahmedabad”** The study analysed the income and investment patterns of working women in Ahmedabad, focusing on the relationship between income and investments. The data was collected through a structured questionnaire distributed to 250 respondents. The majority preferred fixed deposits with banks for

future safety, followed by gold investments. The impact of income on savings was primarily due to the significant increase in income over the last decade.

## RESEARCH METHODOLOGY

### Research Gap

Tax payers must understand their tax obligations and use tax planning tools to reduce tax incidence and maximize profits. To do this, they need a deeper understanding of current tax rules and tax-saving tools. Salary workers contribute significantly to the government's budget, and they can pay taxes on time through the Tax Deducted at Source (TDS) rules. This study focuses on the saving and investment patterns of salaried class individuals and the factors affecting these behaviours. There is limited knowledge of tax regulations among salaried employees, with respondents ranging from government employees to private workers and lecturers. The study also considers the Bengaluru teaching community, including pre-university lecturers, higher education teachers, and school teachers. No research has attempted to analyse the impact of familiarity with tax planning schemes on investment preferences, and this study fills this gap by analysing the extent of familiarity among salaried investors with various investment avenues and tax planning schemes.

### Problem Statement

India's current tax rate is 1.5%, with employees generating 14% of total revenue. However, academicians in Bengaluru face challenges due to a lack of familiarity with income tax provisions and investing in financial securities. This results in large sums of money due to poor tax planning. The perception of taxpayers on income tax payment is influencing them not to comply with tax laws. Most academicians are unaware of the advantages of timely tax payments and compliance with other income tax requirements. Tax evasion is a significant issue, and the high cost of tax consultant services is too high for single assessed individuals seeking to reduce their tax burden and increase disposable income.

### Collection Of Data

The current research study is descriptive in nature, and in order to acquire data for the study, both primary and secondary sources have been altered to meet the study's goals. A variety of secondary sources, including taxation books, journals, newspapers, and other research websites, are used to gather secondary data. A systematic questionnaire is used to obtain the study's primary data. The assessment year 2022–2023 is chosen as the time frame for the study. By considering the opinions of experts in the field of taxation, the questionnaire is validated.

### Sampling

The total sample considered in this study is 80. I have collected the data from academicians regarding their tax planning investment pattern through questionnaire.



## Statistical Tools Used

The analysis of my study will be carried out based on evaluation of data collection in the form of questionnaires, analysed and interpreted. The data analysis techniques used in this project are Bar graph, Percentage and Pie charts.

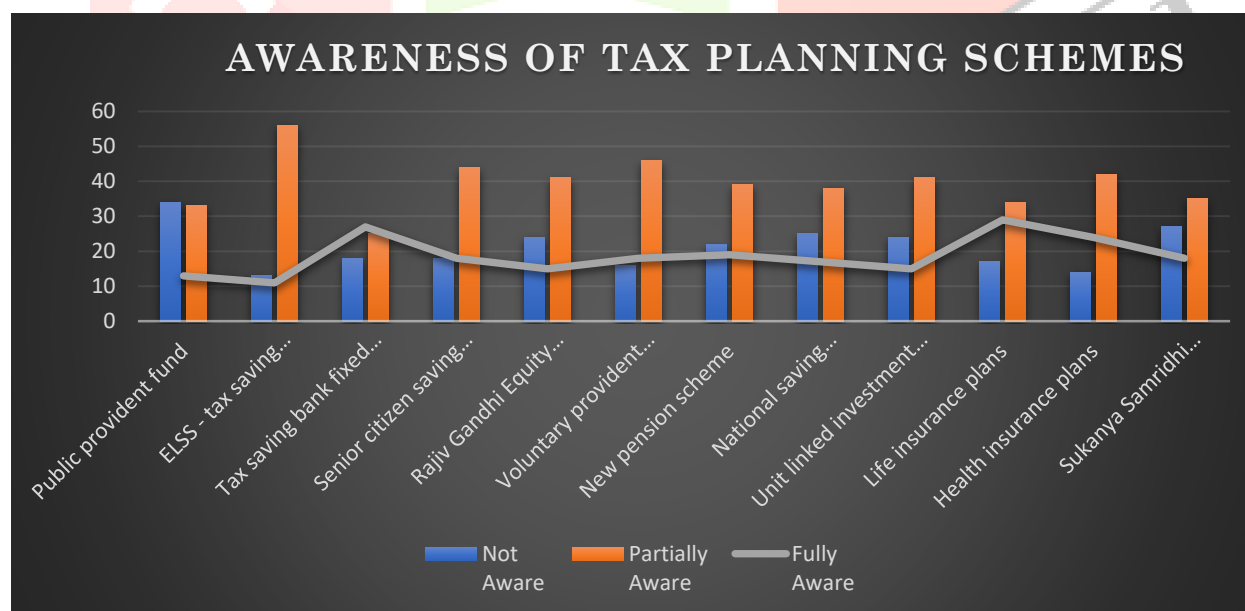
## Limitations Of The Study

- Because only Bengaluru-area academicians responded to the study, it may not be possible to generalise the results.
- The study's premise is that respondents only have one source of income, namely salary money.

## DATA ANALYSIS

Table 1: The data represents the respondents awareness of the following tax planning schemes

Awareness levels	Not Aware	Partially Aware	Fully Aware
Public provident fund	34	33	13
ELSS - tax saving mutual funds	13	56	11
Tax saving bank fixed deposit schemes	18	25	27
Senior citizen saving schemes	18	44	18
Rajiv Gandhi Equity saving scheme	24	41	15
Voluntary provident fund	16	46	18
New pension scheme	22	39	19
National saving certificate	25	38	17
Unit linked investment plan	24	41	15
Life insurance plans	17	34	29
Health insurance plans	14	42	24
Sukanya Samridhi account	27	35	18



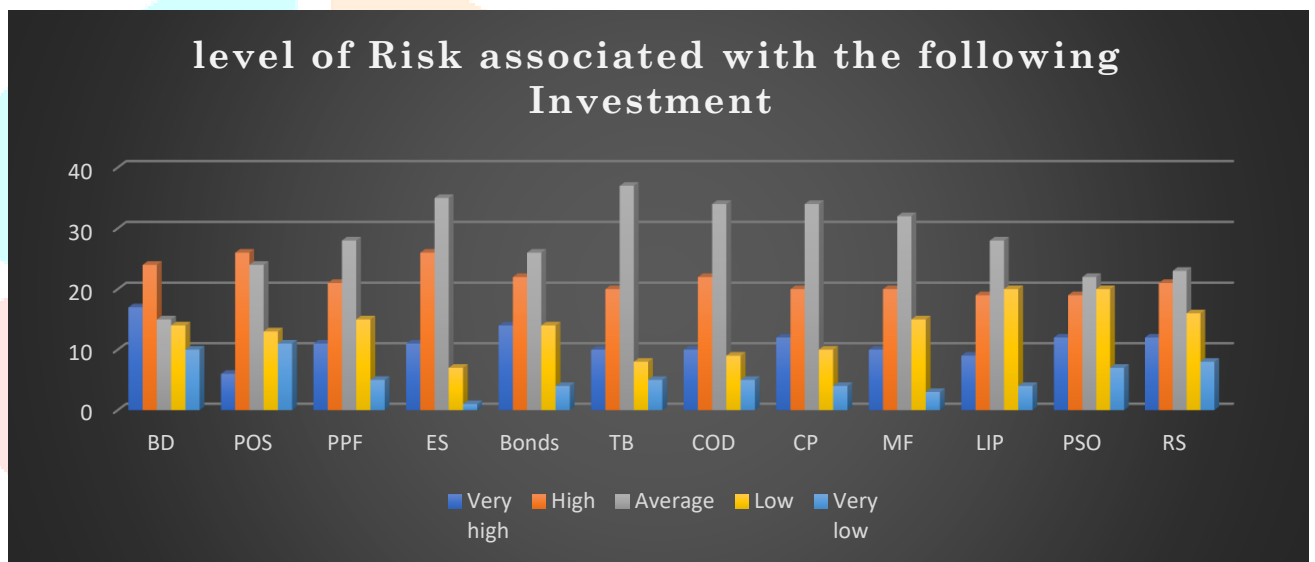
## Interpretations:

The survey shows that different people have different levels of awareness of tax planning methods. The Public Provident Fund, ELSS, Senior Citizen Savings Plans, and Life Insurance Plans are some of the most well-known schemes. However, a significant portion of the population is not aware of these schemes. Tax saving bank deposit scheme is only most awareness scheme.

Schemes with lower awareness levels, such as the Unit Linked Investment Plans, the Voluntary Provident Fund, and the Rajiv Gandhi Equity Savings Scheme, There is potential for improvement as there are a larger number of people who are either unaware of or just partially aware of health insurance policies.

Table 2: The data represents the respondents level of risk and return associated with the following investments

	Very high	High	Average	Low	Very low
Bank deposits	17	24	15	14	10
Post office schemes	6	26	24	13	11
Public provident funds	11	21	28	15	5
Equity shares	11	26	35	7	1
Bonds	14	22	26	14	4
Treasury bills	10	20	37	8	5
Certificate of deposits	10	22	34	9	5
Commercial paper	12	20	34	10	4
Mutual funds	10	20	32	15	3
life insurance policy	9	19	28	20	4
Precious stones, gold and silver	12	19	22	20	7
Real estate	12	21	23	16	8



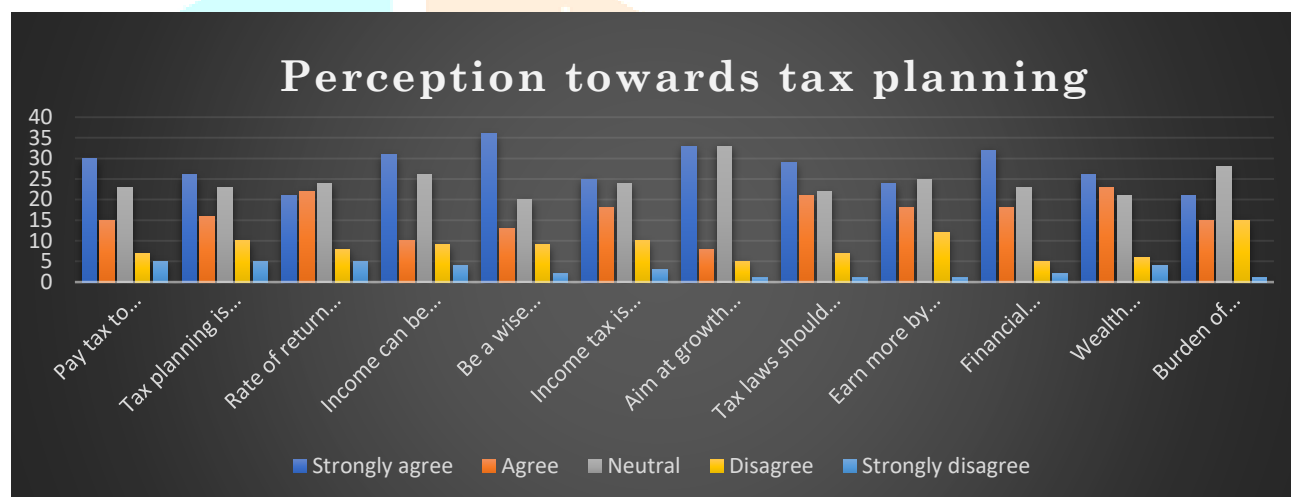
## Interpretations

From the response received we can understand that equity shares are perceived as the riskiest investment due to the volatile nature of the stock market. Bonds, treasury bills, certificate of deposits, and commercial paper are viewed as having moderate to low risk, offering fixed income streams.

Mutual funds are considered moderately risky, providing diversification benefits. Life insurance policies are seen as having moderate risk, offering financial protection alongside investment components. Precious stones, real estate, bank deposits, post office schemes, and public provident funds are perceived as having relatively low risk, offering stability and fixed returns.

Table 3: The data represents the respondents level of return associated with the following investments

Particular	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Pay tax to secure the saved money	30	15	23	7	5
Tax planning is an important component of investment planning	26	16	23	10	5
Rate of return from the investment is influenced by tax rate	21	22	24	8	5
Income can be increased by saving tax	31	10	26	9	4
Be a wise investor in saving tax	36	13	20	9	2
Income tax is the most complex concept to understand	25	18	24	10	3
Aim at growth and security of money	33	8	33	5	1
Tax laws should be simple	29	21	22	7	1
Earn more by paying less tax on income	24	18	25	12	1
Financial planning is complete only after effective tax planning	32	18	23	5	2
Wealth distribution in influenced by the tax system	26	23	21	6	4
Burden of medical expenses are covered by tax planning	21	15	28	15	1



### Interpretations:

The majority of respondents on an average 80% agree that paying taxes secures saved money and is an integral part of investment planning. They also believe that tax rates influence investment returns. 85% of respondents believe that income can be increased by saving tax, emphasizing the importance of tax planning in making informed financial decisions. However, 38% find income tax complex, indicating a need for better education and simplification. The majority support aiming for growth and financial security, and 81.25% support simplifying tax laws. 75% of respondents believe in tax efficiency in income management, and 87.5% believe effective tax planning completes financial planning.

### Hypothesis .1

**H0:** There is no significant correlation between annual income and percentage of income saved.

**H1:** There is significant positive correlation between annual income and percentage of income saved.

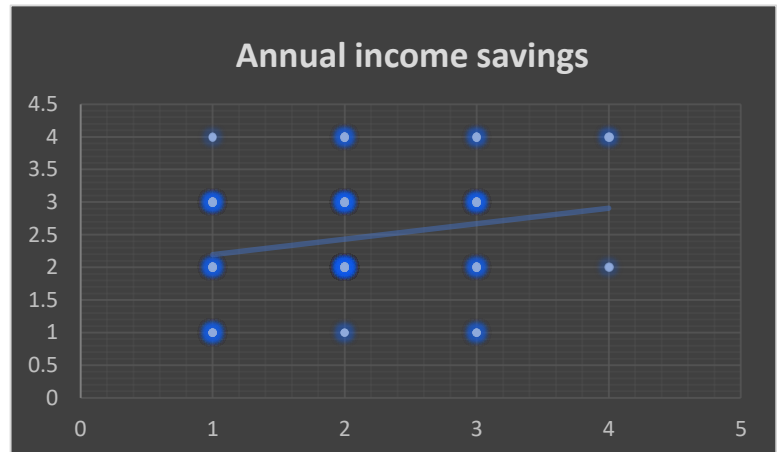


Were,

**Dependent Variable:** Percentage of income saved among Academics

**Independent Variable:** Annual income of Academics.

Correlations			
		VAR00034	VAR00035
VAR00034	Pearson Correlation	1	.219 <sup>*</sup>
	N	80	80
VAR00035	Pearson Correlation	.219 <sup>*</sup>	1
	N	80	80
*. Correlation is significant at the 0.05 level (2-tailed).			



### Interpretations:

The Correlation coefficient of 0.219 tells that there is a weak positive correlation between annual income & savings, these means increase in annual income makes a slight increase in savings. As per the results, the null hypothesis is rejected and alternative hypothesis is accepted.

**Therefore, there is significant positive correlation between annual income and percentage of income saved.**

### Hypothesis .2

**H0:** There is no significant correlation between period of income tax paid and investment horizon.

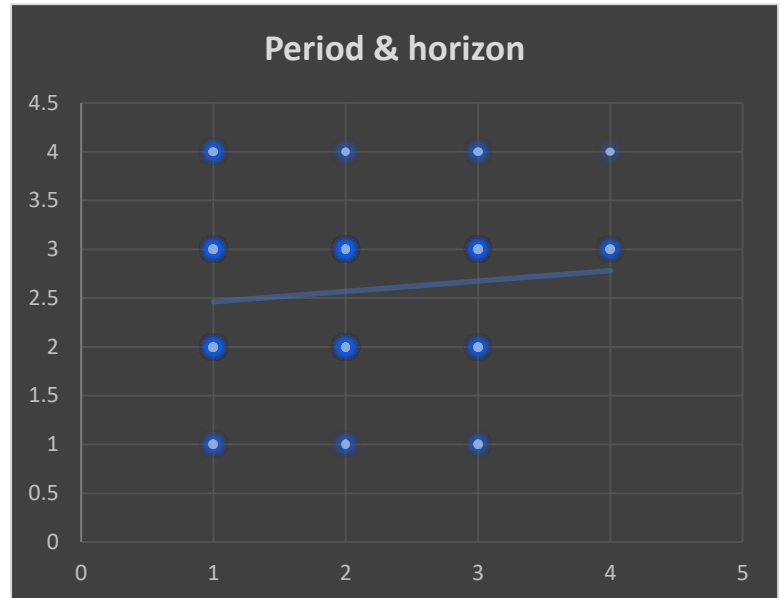
**H1:** There is significant positive correlation between period of income tax paid and investment horizon.

Were,

**Dependent Variable:** Investment horizon of Academics

**Independent Variable:** Period of income tax paid among Academics.

Correlations			
		VAR00036	VAR00037
VAR00036	Pearson Correlation	1	0.122
	N	80	80
VAR00037	Pearson Correlation	0.122	1
	N	80	80



### Interpretations:

The Correlation coefficient of 0.122 tells that there is no correlation between period and horizon, these means there is no relationship between academicians investment horizon and income tax paid. As per the results, the null hypothesis is accepted and alternative hypothesis is rejected.

**Therefore, there is no significant correlation between period of income tax paid and investment horizon.**

### FINDINGS

- Four factors were identified by factor analysis as influencing the investment choices of the sample respondents out of the eleven variables evaluated and examined. They go by the names of financial, fiscal, human, and uncertainty factors.
- It was discovered through the examination of academics' contentment with their existing investments that they were happy with the liquidity, return, risk involved, tax advantages, safety, and inflation.
- The research of academics' return expectations reveals that they take a conservative strategy, investing in low-risk securities including bank deposits, treasury bills, and post office savings.
- According to research of academicians' perceptions of risk, the lowest-risk investing options include bank deposits, post office savings, public provident fund, treasury bills, commercial papers, life insurance, and post office savings.

## SUGESSTIONS

- Awareness campaigns through workshops and seminars are suggested to increase knowledge of tax planning strategies among the public.
- Academicians are encouraged to explore contemporary investing options beyond traditional avenues like bank deposits and post office savings, such as mutual funds and government bonds, for portfolio diversification.
- Modern investment avenues can help mitigate risks by allowing investors to create portfolios that balance the weaknesses of one investment with the strengths of another.
- Despite their modest risk and moderate returns, EPF and PPF programs remain viable options for conservative investors.
- Tax planning, aimed at reducing tax burdens by utilizing exemptions and deductions provided by tax laws, is crucial for financial management. Early tax preparation is emphasized to fully benefit from available tax-saving opportunities and avoid last-minute tax avoidance strategies.

## CONCLUSION

Tax planning is a crucial practice in reducing a taxpayer's tax burden, utilizing various exemptions and deductions provided by the Income Tax Act. In India, the Income Tax Act of 1961 offers tax planning options under sections 80C to 80U. Academicians, a salaried class, are often obedient in timely tax payments and filing returns. However, they tend to invest in less risky but moderately profitable routes and are less familiar with tax planning strategies. Few respondents start budgeting their income at the beginning of the fiscal year, leading to last-minute tax avoidance. Early preparation is essential to fully utilize tax benefits. This essay aims to educate academicians about tax evasion and create a flowchart to help them manage their income and pay less in taxes. The flowchart aims to reduce last-minute rushes to choose tax avoidance strategies.

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