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TO STUDY THE PERCEPTION OF INCOME TAX PLANNING WITH RESPECT TO INDIVIDUAL ASSESSEE

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ABSTRACT

The word "Tax" is derived from the Latin word called "Taxove" and "Taxo" means to estimate, appreciation or value. The word Income Tax itself implies it is tax on earnings. It plays vital role in the national economy. Tax management is an activity conducted by the tax payer to reduce the tax liability and maximize the use of all available deductions, allowances, exclusions, as per income tax act 1961.

The research methodology of the study which is covers research design, sampling method and tools for analysis this is used to followed by data analysis with table and chart and chi square and weighted average and correlation. All this tools done by using SPSS software. From that the findings and suggestion and conclusion are give and finally added the bibliography and websites searched for the project.

To study the planning of individual income tax and tax saving instruments of individual income tax. By doing so we can plan in advance about their Tax savings instrument. 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 under, rebates and allowances while ensuring that your investments are in line with their long-term goals.

Conclusion: The purpose of the study is to find out the most suitable and popular tax saving instrument used to save taxand also to examine the amount saved by using that instrument. Over all findings reveals that the most adopted tax saving instrument is Provident Fund, which got the first rank in this study and the second most adopted tax saving instrument is Life Insurance policy.

1. INTRODUCTION

Planning is nothing but thinking before the action takes place. It helps us to take a peep into the future and decide in advance the way to deal with the situations, which we are going to encounter in future. It involves logical thinking and rational decision making. India's commitment to planned economic development is a reflection of our society's determination to improve the economic conditions of our people and an affirmation of the role of the government in bringing about the growth performance through a variety of social, economic and institutional means. The ultimate objective of the Indian planning is to achieve broad based improvement in the standard of living of society at large. Rapid growth is essential for expanding incomes and employment. It provides the required resources to finance programmes of social uplift.

Tax planning is the art of arranging through which one can affairs in ways that postpone or avoid taxes. By employing effective tax planning strategies, an individual can have more money to save and invest or more money to spend or both. Put in an another way, it means deferring and minimising taxes by taking advantage of beneficial tax-law provisions, increasing and taking advantage of exemptions and deductions with simple methods to minimise your tax liability during a financial year. One can indulge in smart tax planning by taking benefit from the components of one's salary; the perks, perquisites or tangible benefits that one is entitled to can be claimed up to some amount as a deduction or is exempt in some cases; investments in deductible options and filing of tax returns well in advance; simple management and strategic decisions at the right time is all you need for smart tax planning.

2. REVIEW OF LITERATURE

Minaxi Jain (2004) compared the legal provisions and various other aspects of income tax system pertaining to three developed countries namely- UK, USA and Australia and three developing countries namely- Malaysia, Pakistan and India. Period of the study opted was 1984-85 to 1997-98. The study revealed while the progressive tax rate structure was followed in the case of individual taxpayers in all these countries but the tax rates were found to be higher in developed countries than that of developing 88 countries. The level of income at which the maximum marginal rate was applicable in India was very low as compared to other countries. The basic unit of assessment was individual in all the countries selected for study except USA, where the married person had the option to file return jointly with spouse. The author opined that levying tax on agricultural income in India might not result in higher tax revenue rather it might increase the administrative cost. The system of personal exemptions was to be more rational in UK and USA. The study also revealed that USA had a system of phasing out exemption and tax credits as the gross income exceeded a certain level and of withdrawing the exemption completely if such income reached another fixed higher level. Number of individual taxpayers as percentage of total population in the UK, USA, Australia, Malaysia, Pakistan and India were 47.94 percent, 45.7percent, 6.95percent, 1.29percent, 1.117 percent respectively for respect of various defaults of the taxpayers appeared to be harsh as compared to other countries.

Kantawala (1988) examined the eight areas of individual taxes in India for a period of 30 years from 1964 – 1965 to 1995- 1996. The areas studied included adequacy of exemption limit to cupe up with inflation, the burden of tax in real terms for selected levels of income, the average rate of tax in percentage terms for selected years, changes in average rate tax in percentage terms, increase in tax liability in percentage terms at selected levels of income, the progressiveness of tax rate, burden of tax at selected level of income at current prices and collection of income tax from individual taxation. By applying indexation and trend analysis the study revealed that for most of years notified exemption limit lagged behind the inflation adjusted exemption limit. Tax liability increased for low income group and decreased for higher income group over the period of study. It was further observed that by simplication of tax structure the lower income group did not get benefit which higher income group got. The tax payable per assesse had gone up in real terms. In the end, the author emphasized that exemption limit should be kept in line with inflation and tax structure should be revised for the benefit of lower income group.

Chitle (1978) reviewed the tax incentives for saving available under the income tax act and evaluated different alternatives to make tax structure more saving oriented. The author recommended the extention in scope of section 80C to cover 10– 15 years FD in banks and removal of rs 20000 ceiling of qualified amount. It was highlighted that tax benefit from qualified savings did not depend on amount save but dependent upon on's taxable income. It implied that cost benefit principle was ignored under sec.80C. It was suggested that the rate of tax benefit should made progressive as in the case of tax rates the study also suggested instead of individual, the family consisting of father, mother, and minor children should be recognised as basic unit of assessment as that could curb the problem of inequality of consumption by checking the splitting of income.

Sarkar (2004) examined various issues related to tax incentives in India by comparing the same with other countries such as UK, USA, France, Japan, Singapore, Malaysia and Bangladesh. It was observed that all these economies adopted some form of tax incentives and exemptions for economic more in number and had been provided for a long time as compared to other economies. Author opined that data available on tax incentive 89 provisions were economies. Author opined that data available on tax incentives in India was less effective for analytical Interpretation. In the light of constraint, study concluded that tax incentive schemes had been successful in mobilizing savings and capital formation in India schemes had been successful in mobilizing savings and capital formation in India during the post- independence era. The main suggestions of the study were to make tax policy more realistic, to keep tax machinery free from politics and to spread tax awareness among common people.

Chitta Ranjan Sarkar (2004) critically studied the income tax exemptions, tax incentives and bought forth the theory that the main purpose of tax incentives was to motivate the tax payers to save and invest wisely, more so in the rural and semi urban parts of the country. Srivastava (1986) revealed in his study that success of any tax system depends on how it is administered and it should have four features no delays, quick disposal, minimum chances of evasion and avoidance. He felt that quick refunds, faster assessments and appeals would reduce chances of avoidance and evasion.

RESEARCH METHODOLOGY:

Research Methodology describes research methods, approaches and designs in detail highlighting those used throughout the study, justifying my choice through describing advantages and disadvantages of each approach and design taking into account their practical applicability to our research.

Methodology is the framework which is associate to achieve objectives of the research.

Firstly, the methodology should be the most appropriate to achieve objectives of the research.

Secondly, it should be made possible to replicate the methodology used in other researches of the same nature

3. SCOPE OF STUDY

The study evaluates and analyses the tax planning strategies and awareness thereof, saving habits, investment choices, outflow of liabilities adopted by the salaried assesses in India 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. For the purpose of the study, employees from private sector and public sector were covered. In the private sector multinational corporations and Indian companies across diverse industries ranging from manufacturing to service industry in areas such as telecom, information technology, pharmaceutical, composites etc. were included.

The salaries assesses were classified under four categories based on their levels of income in conjunction with the income tax slabs for individuals.

4. ANALYSIS

Demographic Information

1. Gender		2. Marital status	
Male	70	Married	45
Female	30	Unmarried	55
Total	100	Total	100

3. Age		4. Place of residence	
Below 30	41	Rural	40
Between 30 to 45	41	Urban	45
Above 45	18	Semi-Urban	15
Total	100	Total	100

5. Annual Income	
2,50,000	12
2,50,000 to 5,00,000	53
5,00,000 to 10,00,000	10
More than 10,00,000	25
Total	100

How much of your income in a year is saved?

Saved Income per year	Frequency	Percent
10%	16	15.7
20%	57	55.9
30%	4	3.9
40% and above	25	24.5
Total	102	100.0

Interpretation: From the above chart, it is interpret that 16% of respondents save 10% of the respondents in a year, 56% of respondents save 20% of the income in a year, 4% of respondents save 30% of the income in a year and 24% of respondents save 40% and above.

Do you seek the service of a professional financial adviser for making investment decision?

Financial Adviser	Frequency	percent
Always	24	23.5
Even	47	46.1
Occasionally	11	10.8
Rarely	20	19.6
Total	102	100.0

Interpretation: According to survey, it is interpret that 23% of respondents seek the service of a professional financial adviser always, 46% of respondents seek the service of a professional financial adviser Even, 11% of respondents seek the service of a professional financial adviser occasionally while remaining 20% of respondents seek the service of a professional financial

H0: There is no significance relationship between Marital status and seeking professional advise for investment .

H1: There is significance relationship between Marital status and seeking professional advise for investment.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.502a	3	.058
Likelihood Ratio	7.712	3	.052
Linear-by-Linear Association	5.442	1	.020
N of Valid Cases	102		

a. 1 cells (12.5%) have expected count less than 5. The minimum expected count is 4.85.

Interpretation: The probability value of Chi-Square is more than 0.05. Hence, value is statistically insignificant. So, it mean that there is no relationship between marital status and seeking professional advise. Hence, H0 is accepted and H1 is rejected.

When do you formulate your tax plan during a financial year?

Formulation of Tax Planning	Frequency	Percent
Beginning of the year	18	17.6
End of the year	55	53.9
Any time	11	10.8
Planning at all	18	17.6
Total	102	100.0

Interpretation: According to survey, it is interpret that 17% of respondents make their tax plan at the beginning of the year, 54% of respondents make their tax plan at the end of the year, 11% of respondents make their plan at any time while rest 18% of respondents make planning at all.

Have you taken help of tax consultant for savings?

Help from tax consultant	Frequency	Percent
Yes	41	40.2
No	61	59.8
Total	102	100.0

Interpretation: According to the survey, it is interpret that 40% of respondents take the help of tax consultants and rest 60% don't take the help of tax consultants for savings.

Do you seek the service of a tax consultant for filling returns?

Tax consultant for filling ITR	Frequency	Percent
Always	22	21.6

Often	52	51.0
Occasionally	10	9.8
Rarely	18	17.6
Total	102	100.0

Interpretation: According to survey, it is interpret that 21% of respondent seek the service of a tax consultant for filling returns always, 51% of respondent seek the service of a tax consultant for filling returns often, 10% of respondent seek the service of a tax consultant for filling returns occasionally and rest 18% of respondents seek the service of a tax consultant for filling returns rarely.

Have you made investment under Section 80C

Investment under Sec. 80C	Frequency	Percent
Yes	43	42.2
No	59	57.8
Total	102	100.0

Interpretation: From the above chart, 42% of respondents make investment in Sec 80C and 58% of respondents do not make investment in Sec 80C.

If yes, then how much amount do you invest in section 80C?

Amount. of investment under sec. 80C	Frequency	Percent
Less than 50,000	26	25.5
RS. 50,000 to Rs.1,00,000	55	53.9
Rs. 1,00,000 to Rs. 1,50,000	21	20.6
Total	102	100.0

Interpretation: From the above chart, it is interpret that 25% of respondents invest less than 50,000 in Sec 80C, while 54% of respondent invest between 50,000 to 1,00,000 and only 21% of respondent invest in 1,00,000 in Sec 80C.

How you made investment in Section 80D?

Investment U/S 80D	Frequency	Percent
Yes	50	49.0
No	52	51.0
Total	102	100.0

Interpretation: From the above chart, it is interpret that 49% of respondents make investment in Section 80D and 51% of respondents do not make investment under Section 80D.

If yes, how much amount do you have invested in section 80D (Medical insurance premium)?

Investment U/S 80D	Frequency	Percent
Less than Rs. 10,000	30	29.4
10,000 to 20,000	45	44.1

20,000 to 30,000	27	26.5
Total	102	100.0

Interpretation: From the above chart, it is interpret that 29% of respondents invest less than Rs.10,000 under Section 80D, 44% of respondents invest between 10,000 to 20,000 and rest 27% of respondents invest between 20,000 to 30,000 in a year.

Have you take deduction benefit of housing loan interest u/s 80EE?

Deduction u/s 80EE	Frequency	Percent
Yes	34	33.3
No	68	66.7
Total	102	100.0

Interpretation: From the above chart, it is interpret that 33% of respondents take benefit under Section 80EE. While, 67% of respondents do not take benefit under Section under 80EE.

FINDINGS

1) In this survey majority of the respondents (72%) are male and (28%) are female respondents.

2) In this survey majority of the respondents are divided according to the age, as 41.2% respondents fall under the age group of Below 30, 41.2% respondents fall under the age group of between 30 to 45, while remaining above 45 fall under 17.6%.

3) In this survey majority of respondents are living in urban areas (45%) and (41%) in rural and (14%) in semi- urban areas.

4) In this survey 23% respondents are public employee and 77% respondents are private employees.

5) In this survey around 17% of respondents are having annual income of less than Rs. 2,50,000, 50% of respondents are having annual income between Rs.2,50,000 to Rs.5,00,000, 10% of respondents are having annual income of between 5,00,000 to 10,00,000 and rest 23% of respondents are having annual income of more than 10,00,000.

6) In this survey 16% of respondents save 10% of the respondents in a year, 56% of respondents save 20% of the income in a year, 4% of respondents save 30% of the income in a year and 24% .

7) In this survey, 23% of respondents seek the service of a professional financial adviser always, 46% of respondents seek the service of a professional financial adviser Even, 11% of respondents seek the service of a professional financial adviser Occasionally while remaining 20% of respondents seek the service of a professional financial adviser Rarely.

8) In this survey 17% of respondents make their tax plan at the beginning of the year, 54% of respondents make their tax plan at the end of the year, 11% of respondents make their plan at any time while rest 18% of respondents make planning at all.

9) In this survey 40% of respondents take the help of tax consultants and rest 60% don’t take the help of tax consultants for savings.

10) In this survey 21% of respondent seek the service of a tax consultant for filling returns always, 51% of respondent seek the service of a tax consultant for filling returns often, 10% of respondent seek the service of a tax consultant for filling returns occasionally and rest 18% of respondents seek the service of a tax consultant for filling returns rarely.

11) In this survey 42% of respondents make investment in Sec 80C and 58% of respondents do not make investment in Sec 80C.

12) In this survey 25% of respondents invest less than 50,000 in Sec 80C, while 54% of respondent invest between 50,000 to 1,00,000 and only 21% of respondent invest in 1,00,000 in Sec 80C.

13) In this survey 49% of respondents make investment in Section 80D and 51% of respondents do not make investment under Section 80D.

14) In this survey 29% of respondents invest less than Rs.10,000 under Section 80D, 44% of respondents invest between 10,000 to 20,000 and rest 27% of respondents invest between 20,000 to 30,000 in a year.

5. CONCLUSION

Tax planning is an exercise performed to meet your tax obligations in a systematic manner keeping in mind your current financial status. Further, it includes your larger financial plan after calculating your age, financial plan risk appetite, and investment horizon. After going through detail analysis of data during the mentioned period most of the population invest in Section 80C and 80D, some of the population do not make the investment, and most of the population has invested in LIC premium, the least investment lies in Provident Fund, unit linked insurance policy and National saving certificate.

1) Having well-structured short-term and long-term financial goals at every stage of your lives

2) Starting to save as early as you can, so that it gives you a long window to stay invested and reap good returns

3) Cutting down unnecessary expenses and saving for a better future

4) Putting aside at least 10 to 15% of savings every month towards financial or investment plans, to be used at a time when it is needed the most

5) Talking to a professional in case of any queries or ambiguity.

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