

Tax Planning Measures of Salaried Individuals

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Abstract:

Tax planning is a crucial financial strategy for salaried individuals, aimed at minimizing tax liabilities while ensuring compliance with applicable tax laws. The objectives of tax planning for the salaried class include maximizing exemptions, deductions, and rebates to enhance post-tax income and secure long-term financial stability. Common tax planning measures adopted by salaried individuals involve investing in tax-saving instruments like Public Provident Fund (PPF), Employee Provident Fund (EPF), National Savings Certificates (NSC), and making the most of deductions under Section 80C, such as those for insurance premiums and home loan repayments. Additionally, individuals utilize allowances like House Rent Allowance (HRA), medical reimbursements, and interest deductions on home loans to further reduce their taxable income. This study aims to explore the satisfaction levels of salaried individuals with the tax planning measures they adopt, identifying the effectiveness of these strategies in achieving their financial goals. Furthermore, the research examines the challenges and obstacles faced by salaried individuals in effectively implementing tax planning measures, such as limited knowledge, complex regulations, or insufficient access to financial tools. By understanding these factors, the study seeks to provide insights into improving tax planning practices and policies for the salaried class.

Keywords: Tax Planning, Salaried Individuals, Tax Deductions, Tax Exemptions, Section 80C Deductions

I. INTRODUCTION

Tax planning is an essential component of financial management, particularly for salaried individuals, who often face challenges in optimizing their income due to fixed wages and specific tax liabilities. For the salaried class, tax planning involves a strategic approach to minimize tax obligations through the efficient use of exemptions, deductions, and rebates provided by the tax laws. The objective of tax planning is not only to reduce the tax burden but also to improve the overall financial well-being of individuals by maximizing available benefits. Key tax-saving measures adopted by salaried individuals typically include investments in schemes like the Public Provident Fund (PPF), Employee Provident Fund (EPF), National Savings Certificates (NSC), as well as claiming deductions under Section 80C for insurance premiums, home loan repayments, and other eligible expenses.

Beyond these traditional strategies, salaried individuals also take advantage of allowances such as House Rent Allowance (HRA) and medical reimbursements to lower their taxable income. Despite these options, many individuals face challenges in executing effective tax planning, such as limited financial literacy, complex tax structures, and changes in tax laws that complicate the decision-making process. Satisfaction with the available tax-saving measures varies depending on the effectiveness of these strategies and the ease of their implementation.

This study aims to explore the objectives behind tax planning for salaried individuals, assess their level of satisfaction with the measures they adopt, and identify the common problems they encounter in the process. By understanding the challenges faced by the salaried class, this research seeks to offer insights into how tax planning practices can be improved to provide greater financial benefits and ease for individuals in this segment.

Statement of the Problem:

Tax planning plays a vital role in the financial management of salaried individuals, as it offers an opportunity to reduce taxable income through various exemptions, deductions, and rebates. However, despite the availability of several tax-saving instruments and allowances, many salaried individuals face difficulties in fully optimizing their tax benefits. These challenges may arise due to limited understanding of tax laws, complexity in navigating available tax-saving measures, and insufficient financial planning tools. While tax planning aims to enhance post-tax income and provide financial security, the effectiveness of these strategies often varies, and the satisfaction levels of individuals with their tax planning outcomes remain underexplored.

Objectives of the study:

- To identify various tax planning measures being adopted by the salaried class
- To know satisfaction of individual with tax planning
- To identify the problem faced by salaried individual in tax planning

Research Methodology:

For the purpose of the study both primary and secondary data are used. The survey method is adopted for collection of primary data. The data collection instrument used is structured questionnaire. Secondary data was collected from magazines, thesis reports, articles, journals and newspapers.

Sample Size:

The sample used for the questionnaire is fifty

Sampling Technique:

Judgemental sampling technique was used for collecting samples.

Tools for Data Analysis:

To give scientific outlook to the study and to reach specific conclusions, the statistical tools such as mean, standard deviation, ranking are used.

II. REVIEW OF LITERATURE

- **Rao and Sharma (2023)** explored the use of digital tax-filing tools and found that salaried individuals who used these tools experienced less stress and confusion during tax season, with 60% reporting increased confidence in their tax-saving decisions.
- **Patel (2022)** conducted a survey of 400 salaried employees in the banking sector and found that satisfaction levels were higher among those who received professional tax advice, with 65% expressing high satisfaction with their tax outcomes.
- **Kumar and Shah (2021)** found that dissatisfaction stemmed primarily from a lack of clarity in the tax-saving process and frequent changes in tax regulations.
- **Sundar and Kaur (2020)** conducted a study with 400 salaried employees and found that the complexity of tax laws was a significant obstacle, with 53% of participants stating they found tax filing and understanding eligible deductions confusing.

III. DATA ANALYSIS AND INTERPRETATIONS

Table 1 Preferred Investment Avenues

Particulars		1	2	3	4	5	6	7	Mean	Rank
PF	F	11	17	5	10	4	2	1	5.22	2
	FX	77	102	25	40	12	4	1		
LIC	F	23	10	9	7	1	0	0	5.94	1
	FX	161	60	45	28	3	0	0		
NSC	F	0	5	7	6	25	5	2	3.52	5
	FX	0	30	35	24	75	10	2		
MF	F	15	2	10	0	4	8	11	4.12	3
	FX	105	12	50	0	12	16	11		
Term Deposit	F	1	10	6	8	3	18	4	3.56	4
	FX	7	60	30	32	9	36	4		
Medical Insurance	F	0	5	9	6	8	0	22	2.9	6
	FX	0	30	45	24	24	0	22		
ELSS	F	0	1	4	13	5	17	10	2.74	7
	FX	0	6	20	52	15	34	10		

Source: Primary data

Table 2 Awareness on deduction under income tax

Components	No. of Respondents
0-6	5
7-12	14
13-18	20
19-24	11

Source: Primary data

Table 3 Computation of mean and SD

X	D	F	FD	D*D	F*(D*D)
0-6	3	5	15	9	45
7-12	9.5	14	133	90.25	1263.5
13-18	15.5	20	310	240.25	4805
19-24	21.5	11	236.5	462.25	5084.75
Total	49.5	50	694.5	801.75	11198.25

Mean = $694.5/50 = 13.89$

SD = 5.25

High awareness = Mean+SD = 19.4, 19 and above

Low awareness = Mean-SD = 8.64, 7 and below

Medium awareness = Mean, between 7 and 19

Table 4 Level of Satisfaction

Particulars	Total weight	Weighted Mean	Rank
Return on Investment	173	3.46	5
Diversification of Risk	195	3.9	1
Cost of Investment	144	2.88	7
Tax benefit available for individual	133	2.66	10
Paying fee for their services	142	3.55	4
Providing adequate information about tax planning	155	3.88	2
Timely filing of return of income to avoid fines and penalties	156	3.9	1
Responding your doubt tax laws	168	3.87	3
Giving suggestions for investment in tax saving scheme	155	3.88	2
Basic exemption limit for Individual	138	2.76	8
Procedure for filing of income tax return	116	2.32	12
Exemptions and deductions available to individual	134	2.68	9
Rate of tax for individual	117	2.34	11
Availability of tax saving investment schemes	149	2.98	6

Source: Primary data

Table 5 Problem faced by salaried Individual in tax planning

Particulars	Total score	Weighted Mean	Rank
Filing return with Form 16	211	4.22	1
Delays in receiving refund	145	2.9	5
Tax consultants are charging high fee	168	3.36	4

Lack of awareness on computation of tax liability	196	3.92	3
Lack of awareness on deductions under Income tax Act	197	3.94	2

Source: Primary data

IV. FINDINGS

- Majority of respondents prefer LIC as an investment tool to get tax advantage and then prefer PF and ELSS is the least preferred investment tool
- It has been found that among 50 respondents 11 have high awareness about deductions and under Income tax Act, 34 have medium level of awareness and 5 are low aware.
- It is observed that respondents are highly satisfied with the service of tax consultant and least satisfied with income tax procedure
- The problem faced by the salaried tax payers indicates that filing return with form 16 and lack of awareness on deductions under Income tax Act.

V. SUGGESTIONS

- Tax department and tax consultants should create awareness on various deductions and exemptions available in the Income tax Act.
- Income tax department should advertise about the methods of tax planning and changes in the tax laws through popular medias from the commencement of financial year.
- The salaried assesses felt that the tax system of India is highly complicated. So the tax laws should be simplified and modified which is to understand by all the strata of the society.

VI. CONCLUSION

Tax planning is a broader area which is closely associated with income of the individuals. It is not just a strategy to reduce tax liability which motivates the individuals to save money. The savings of the individual is nursed to the government for mobilisation of fund. When individual properly channelise their income by investing in some financial avenue he or she indirectly takes part in the capital formation and sustainable development in the country. Thus, individual investors constructively participate in the nation building activities through their small savings and investments. Even though, the investors select a particular investment for assured return with savings in this direction a pain taking effort has been taken to analyse and interpret the tax planning of salaried individual.

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