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Awareness of Tax Planning Measures among Salaried Employees in Kanyakumari District

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ABSTRACT

Tax planning may be defined as a arrangement of one's financial affairs in such a way that without violating legal provisions, taken of all exemptions, deduction, concessions, rebates, allowances, and other reliefs or benefits permitted by the act. In the present study evaluates the extent of awareness of employees on tax laws and tax planning measures. Objectives of the study are to identify the profile factor of the respondents, to ascertain the level of awareness on various tax planning measures, to analyze the tax planning measures adopted by the employees. The data collected were analyzed by using Chi-square test. The empirical findings of the study are, most of the employees are not known the changes of income tax laws with addition and deletions and they use Life Insurance policy as a tax planning measures. This study finally concludes that, to make proper tax planning there should be knowledge in tax laws. Tax planning is not at all complicated and could be done with a certain degree of awareness and application.

Keywords : Tax exemption, Rebates, Concessions, Allowances

INTRODUCTION

In an organized society,tax is unavoidable because, it is theprice paid for administrative and political stability by the public to the Government. It is the duty of each citizen to pay due taxes in time and not to resort to any device to evade the payment of taxes .Tax planning may be defined as an arrangement of one's financial affairs in such a way that without violating in any way the legal provisions, full advantage is taken of all exemptions, deductions, rebates, allowances and other reliefs or benefits permitted under the Act.So that the burden of taxation, as far as possible, is the least. Taxplanning involves in every case a thorough and up-to-date knowledge of tax laws. Not only is an up-to-date knowledge of the statute law necessary, but one must also be aware of the judge-made laws in the form of various decisions of the Courts. The exemptions, deductions, rebates, allowances and other reliefs have been provided by the legislature to achieve certain social and economic goals and to encourage savings and investments for the economic development of the country.Salary is a form of payment by an employer to an employee which may be specified in an employment contract. A salaried employee is a worker who is paid a fixed amount of money or compensation by an employer.

For a salaried assessee, the approach for tax planning must be three fold:First, is investing in savings schemes out of the current year income, so as to reduce the tax liability to the absolute minimum. Next, is effecting proper investment of the surplus, if any, after meeting expenses (including taxes) so as to reap (i) the maximum tax benefit on the income from such investments and (ii) to obtain maximum returns on the investment.Finally, planning some special measures in the pre-retirement stage as well as effecting investment of retirement benefits in appropriate areas so as to ensure regular and adequate flow of income after retirement.

SCOPE OF THE STUDY

The scope of the present study is limited to the awareness of tax planning measures among salaried income tax assessees of Kanyakumari District.

OBJECTIVE OF THE STUDY

- To identify the profile factors of the respondents.
- To ascertain the level of awareness of the salaried class on various tax planning measures available under the Income Tax Act.
- To analyse the tax planning measures being adopted by the salaried employees.

SOURCES OF DATA

Primary and secondary data

Primary data was collected through a structured questionnaire to collect information relating to savings behavior and awareness about tax planning measures.Secondary data for the study was collected from the annual reports, books, journals and newspaper.**TOOLS FOR ANALYSIS:** All the data were tabulated and analysed with the help of percentage, table and Chi-Square test.

SAMPLE UNIT AND SAMPLE DESIGN : The study was done at kanyakumariDistrict . The sample for the study consisted of 120 salaried employees residing in that district, who were income tax assessees for the Assessment year 2018-2019.Convenient sampling method was adopted to select the sample size.

Table: 1. Profile factors of the Respondents

Sl.No	Characteristics	Description	No. of the Respondents	Percentage%
1	Age	Below 35	21	18
		Between35- 45years	60	50
		Above 45 Years	39	32
		Total	**120**	**100**
2	Gender	Male	52	43
		Female	68	57
		Total	**120**	**100**
3	Marital Status	Single	19	16
		Married	88	73
		Divorced	08	06
		Widow	05	05
		Total	**120**	**100**
4	Educational Qualification	Up to UG	18	15
		Post Graduation	39	33
		Professional/Ph.D	63	52
		Total	**120**	**100**
5	Annual Income	Up to 9,00,000 -10,00,000	30	25
		12,00,000	68	57
		Above 12,00,000	22	18
		Total	**120**	**100**

Source: Primary Data

The profile data presented in Table: 1 indicated that 57 percent of respondents are female employees and more than half of them are married. The table reveals that 52 percent of the respondents having Professional/Ph.D as their educational qualification. Majority of the respondents ie 57 percent of them getting annual income between 10 lakhs to 12 lakhs.

Table: 2. Saving Portion of Income

Portion of Income Savedin different schemes	No. Of Respondents	% of Respondents
Up to 10%	28	23.3
10-20%	65	54.3
20-30%	11	9.00
30-40%	8	6.7
Above 40%	8	6.7
Total	**120**	**100**

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Source: Primary Data

From the above table, it can observe that 54.3% of the employees are saved 10% to 20% from their previous year income in varioustax saving scheme. Only 6.7% employees saved above 40% from their income in different tax saving schemes.

Table: 3. Source of information about taxation

Source	No. of Respondents	% of Respondents
Through Tax consultant	75	62.5
Through friends and relatives	18	15
Through Media	27	22.5
Total	**120**	**100**

Source: Primary Data

Above table reveals that 62.5% of employees get information about taxation through tax consultant, 22.5% of employees get information about taxation through media and 15% of employees through friends and relatives.

Table: 4. AWARENESS ABOUT TAXATION

Description	No. of Respondents having awareness		% of Respondents	
	Yes	No	Yes	No
Income tax Act undergoes change every year with additions and deletions brought about by the Finance act passed by the parliament	49	71	40.8	59.2
The various items of income that are exempt from tax	73	47	60.8	39.2
How the taxable income is computed	42	78	35	65
When the income of other persons included in assessees total income	88	32	73.3	26.7
Deductions permissible under chapter VIA of Income tax Act,1961	68	52	56.7	43.3
How income tax is charge	96	24	80	20
At which rate of Income tax is to be charged	99	21	82.5	17.5

Source: Primary Data

From the above table it can observe that 59.2% of employees are not aware the income tax act undergoes change every year with additions and deletionsabout the finance act and 40.8% of employees know by them. 60.8% of employees having awarenessabout the various items of income that are exempt from tax and remains are not known that matter. 35% of respondents are known how the taxable income is computed and remains not know them. 73.3% of respondents are known the income of other persons included in assessees total income. 80 percent of employees having awarenessabout how income tax is charge and remains not known.

Table: 5. KNOWLEDGE ABOUT ALLOWANCE

Allowances	No.of Respondents		% of Respondents	
	Yes	No	Yes	No
Taxable Allowance	90	30	75	25
Partly Taxable Allowance	74	46	62	38
Fully Exempted Allowance	96	24	80	20

Source: Primary Data

From the above table it can observe that 75% of employees are having knowledge about taxable allowance and remains not know them. 62% of employees to know the partly taxable allowance and 38% of employees not know these allowance and 80% of employees having good knowledgein fully exempted allowance and 20% of employees not know these allowances

Table: 6. Level of Awareness About Tax Planning Measures

Description	No.of Respondents	% of the Respondents
Highly aware	75	62.5
Aware	24	20
Moderate	9	7.5
Less aware	7	5.8
Very less aware	5	4.2
Total	**120**	**100**

Source: Primary Data

The analysis also indicates that 62.5% of respondents were highly aware of tax planning measures, 20% of employees are aware, 4.2 per cent having very low aware about tax planning measures.

Table: 7. Tax Planning Measures adopted by the Salaried Employees

Description	No. of Respondents		% of Respondents	
	Yes	No	Yes	No
Deduction Claimed u/s 80C, 80CCC and 80CD	88	32	73	27
Life Insurance Policy	96	24	80	20
National Saving Certificated, Post Office	12	108	30	90

Savings Account				
Approved Mutual Fund	5	115	10	96
Fixed Deposit	82	38	68	32
Repayment of Housing Loan	84	36	70	23
Contribution to Medical Insurance Policy	28	92	23	77
Interest on loan taken for the higher education	28	92	33	75

Source: Primary Data

From the above table it can observe that 73% of respondents claimed deductions under section 80C, 80CC, 80CD. 80% of employees used life insurance policy as a tax planning measures in the previous year. 68% of employees are preferred fixed deposit as their tax planning measures and 96% of respondents are in lack of knowledge about the mutual fund.

CHI –SQUARE TEST

- **To assess the degree of relationship between salaried employees age and awareness level of their tax planning measures**

$H_{1:}$ There is a significant relationship between the age and awareness level of tax planning measures.

Table: 8.Relationship between age and Level of awareness of Tax Planning Measures

	Description		Age			Total
			Below 35 years	**35-45**	**Above 45 years**	
	Highly Aware	Count	10	40	25	**75**
		ExpectedCount	13.12	37.5	24.38	**75.00**
	Aware	Count	5	8	11	**24**
Level of awareness		Expected Count	4.2	12.00	7.8	**24.00**
	Moderate	Count	4	5	0	**9**
		Expected Count	1.58	4.5	2.92	**9.00**
	Less aware	Count	1	4	2	**7**
		Expected Count	1.22	3.5	2.28	**7.00**
	Very less aware	Count	1	3	1	**5**
		Expected Count	0.88	2.5	1.62	**5.00**
Total		**Count**	**21**	**60**	**39**	**120**

	Expected Count	**21.00**	**60.00**	**39.00**	**120.00**

Source: Primary data

CHI – SQUARE TEST

Pearson Chi-Square	Table Value	Calculated Value	DF	Inference
	15.5	10.90	8	Significant

a) Ten cells have expected count less than 5. The minimum expected count is 0.88

Calculated value of Chi-Square is 10.90. Chi-square value at 5% significance level and 8 degree of freedom is 15.5. As the table value of Chi-square is more than the calculated value. So the alternate hypothesis is accepted. Hence, there is a relationship between the age and level of awareness on tax planning measures.

❖ **To assess the degree of relationship between salaried employee's age and their income saved in a tax saving scheme for the Previous Year**

H_0: There is no relationship between salaried employee's age and their income saved in a tax saving scheme.

Table: 9.Relationship between age and their income saved in a tax saving scheme

		Age			Total
		Below 35 Years	**35- 45**	**Above 45 years**	
Income Saved in a Tax Saving Scheme	Up to 10%	(4.9) 10	(14.00) 12	(9.1) 6	**(28.00) 28**
	10-20%	(11.375) 5	(32.5) 33	(21.125) 27	**(65.00) 65**
	20-30%	(1.925) 2	(5.5) 7	(3.575) 2	**(11.00) 11**
	30-40%	(1.40) 3	(4.00) 4	(2.60) 1	**(8.00) 8**
	Above 40%	(1.40) 1	(4.00) 7	(2.60) 0	**(8.00) 8**
Total		**(21.00) 21**	**(60.00) 60**	**(39.00) 39**	**(120.00)**

Source : Primary Data

CHI – SQUARE TEST

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Pearson Chi-Square	Table Value	Calculated Value	DF	Inference
	15.5	20.75	8	Insignificant

a) Nine cells have expected count less than 5. The minimum expected count is 1.40.

Calculated value of Chi-Square is 20.75. Chi-square value at 5% significance level and 8 degree of freedom is 15.5. As the calculated value of Chi-square is more than the critical value,Null hypothesis is rejected. Suggesting that there is a relationship betweensalaried employee'sage and their income saved in a tax saving schemes.

CONCLUSION

Many Assessees prefer paying tax rather than taking an additional step towards tax planning as they feel it very complicated. Actually this is far from the truth. What is required is knowledge of a few sections of the Income Tax Act. Thus tax planning is not at all complicated and could be done with a certain degree of awareness and application.

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