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ANALYSIS OF VARIOUS TAX PLANNING MEASURES ADOPTED AND ITS IMPACT ON WEALTH CREATION BY VARIOUS PROFESSIONALS OF INDIA

Prakash Kundnani[1] , Saheb Dubey[2]

[1]Research Scholar, Department of Commerce, S.M.M. Town PG College, Ballia, India.

[2]Prof., Department of Commerce, S.M.M. Town PG College, Ballia, India.

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ABSTRACT

Professionals in financial matters understand the importance of tax planning as a tool to minimise tax obligations and maximise wealth accumulation. Salary earners, self-employed people, and company owners in India are all the targets of this investigation, which delves into their tax strategies. It delves into their preferred tax-saving tools, compliance tactics, and the relationship between tax planning and economic development.The study lays out important ways to save money on taxes, including investing in tax-exempt instruments (such the Public Provident Fund or an ELSS), taking use of deductions under Sections 80C to 80U, paying for health insurance, and investing in real estate. This research also looks at how experts make the most of both the old and new tax systems, as well as the impact of recent revisions including the Income Tax Act's new tax framework. The impact on wealth building is evaluated by looking at how investments that save taxes, long-term financial planning, and the experts' risk-reward management skills add up over time. Tax avoidance tactics vary by occupation, income bracket, and degree of financial awareness, according to the research. Financial advisers and digital platforms play a crucial role in helping professionals with personalised tax planning.

Keywords: Tax Planning, Wealth Creation, Tax-Saving Instruments, Section 80C to 80U, Public Provident Fund (PPF), Equity Linked Savings Scheme (ELSS), Health Insurance Premiums, Real Estate Investments.

1. INTRODUCTION

Tax planning is arranging one's financial affairs in such a way as to make the most of all incentives, deductions, grants, exemptions, and other concessions or advantages permitted by the Income Tax Act in order to minimise taxable income while ensuring compliance with all applicable regulations. A person engages in tax planning when they methodically code their financial activities in line with national priorities, the law, and the courts in order to achieve tax advantages[1][2]. This requires a high level of professional expertise and the organisation of one's affairs with precision. Using this methodical strategy for money management, you may pay off small amounts of debt or get future tax returns by taking advantage of various grants, reductions, and rebates that are available under the present tax laws. Tax administration entails handling the money needed to pay taxes, which includes things like submitting returns on schedule and having taxes withheld at the source. Tax breaks are a tool of the legislature for achieving social and economic goals, encouraging people to save and invest for the future of the country. Laws do not classify tax planning as a form of tax evasion. The use of tax deductions and refunds allows individuals to reduce their tax obligation while simultaneously supporting the achievement of social, ethical, legal, and legislative objectives. Learning how to budget with tax money is a great way to do it. Laws that lead to poor financial planning and tax strategies are laid forth in rulings from the highest courts in the country[3][4]. The interpretation and implementation of different elements of tax law are shaped by court decisions. Tax planning's success or failure is affected by legal matters. People who pay taxes will often find the circulars published by the CBDT to be quite helpful. Once all legal proceedings have been completed for the benefit of law and people, an efficient tax plan may be efficiently implemented[2].

A person's yearly earnings are subject to income tax. Part 4 of India's Income Tax Act states that each assessee's taxable income for the previous year would be reduced by the rates established by the Finance Act for the assessment year in order to determine their income tax liability for the next assessment year. Section 14 of the Indian Income Tax Act states that in order to determine total income, which is also termed earnings, all forms of revenue must be classified into the following heads:

- Salaries
- Income from house property.
- Profits and gains of Business or profession

- Capital gains

One definition of tax planning is arranging one's financial affairs in a way that takes full advantage of all reliefs or benefits allowed under the Act, such as exemptions, deductions, concessions, rebates, allowances, and so on, in order to minimise the burden of taxes, as much as possible, without violating any legal provisions. Therefore, tax planning can be seen as a method of making vivid use of professional understanding while organising one's business with the goal of safeguarding the concisely offered tax settlement based on national issues in accordance with governmental and legal opinions[5]. This does not constitute tax avoidance or evasion. Financial planning is the process of organising one's financial transactions in a way that minimises tax liability or delays tax liability for a later period by taking advantage of incentives, special considerations, payments, refunds, and liberations that are available under the current tax law. Tax breaks, deductions, refunds, and other forms of financial relief help achieve societal and economic objectives by incentivising saving and investment[6]. The nation's economy benefits from this. Tax avoidance mechanisms are not tax planning, which is an act under one of the four sections of the statute. Ethically, legally, and socially, an assesse may meet the goals of the Income Tax Act by taking advantage of deductions and rebates to lower his tax bill. Tax planning requires thorough and current understanding of the Tax Act as well as the practice of tax planning and management. A qualified tax planner will also be aware of, and able to use, the many court judgements pertaining to the Income Tax Act. One of the best ways to learn about tax planning is to look at the case laws[7]. The decisions made by the highest courts in the land provide light on the most effective and least effective tax strategies. The rulings may have an effect on the tax laws and how they are applied to certain situations. Income tax interpretation is crucial for tax management and planning purposes. Bulletins from the Central Board of Direct Taxes (CBDT) vary. When it comes to administering and preparing income tax policy, these circulars are invaluable. Within the bounds of the law, taxpayers must devise dynamic strategies for tax planning and management, which must provide tax savings for taxpayers or assesses[8].

Salaried workers pay a disproportionate share of the nation's income tax, making them a large and important group of taxpayers. Their income is calculated using the salary category. The bulk of the government's income collection goes towards the head salary. Since the money from salaries is withheld at the source, there is absolutely no room for tax evasion or erosion. The majority of the tax payers are members of this employment class. As a result of inflation, price rises, and their need to pay taxes, taxpayers, who are also known as workers, must prioritise tax planning and management[9]. Therefore, it is essential that they correctly comprehend their tax responsibilities and the many investment programs that may help them save money on their taxes. It is therefore essential for taxpayers to have up-to-date information about various tax saving techniques. There is a noticeable lack of focus on tax saving strategies among salaried class taxpayers, who seem to believe they are unable to evade taxes. hence, taxpayers in the salaried class are not adequately implementing the tax preparation strategies. Proper savings and prudent investment selections make tax planning a reality. Typically, taxpayers only deduct their tax obligations at the conclusion of the fiscal year. As a result, they are left with limited choices when it comes to using their money for investments or savings. Having knowledge of the several provisions that aid in lowering the tax due is the main concern[10]. Understanding the income tax regulations and being cognisant of investment possibilities are of utmost importance. Assets may be either physical or financial, and their returns can range widely. full comprehension of the possibilities and handling of one's financial situation With personal finances, it's important to think about tax liabilities and post-tax cost. When making financial decisions, it's a good idea to plan ahead to maximise profits and minimise tax obligations[11].

Objectives of Tax Planning

Tax preparation need to be a part of any financial strategy. Effective tax planning ensures that all aspects of the financial strategy are implemented to their fullest potential. This allows the individual to avoid paying taxes by reinvesting their taxable revenue in other ventures[12]. After the lock-in period ends, the remaining investment amount may be used towards retirement or utilised for basic living expenses. The following are some overarching objectives of tax planning:

- To lower your tax obligation: Reducing your tax obligation is the primary objective of tax planning. It is the goal of every taxpayer to minimise their tax liability while simultaneously increasing their savings. Several investment programs offered by the government provide for the possibility of significantly reduced responsibilities, which is a huge relief. Do not put off arranging your taxes until the last minute, however. To make the most of tax-saving opportunities and reduce your tax liabilities, it is recommended to purchase tax-saving items prior to the beginning of the fiscal year[13][14].
- To reduce litigation: Minimising legal problems should be a consideration in tax planning. In the absence of an existing legal advisor, you are obligated to obtain one. To lessen the possibility of a lawsuit, talk to your

advisor and follow the right tax planning guidelines. Reducing the frequency of your lawsuits might help you avoid judicial harassment[15].

- To stabilise the nation's economy: All of the money you pay in taxes are going towards making our country better. A more productive economy is a result of everyone pitching in to pay their fair share of taxes. With careful tax preparation, you may help your own financial situation as well as the national economy[16].

Following are the needs and significances of Tax Planning

1. Choosing the appropriate tax-saving tool: Due to the long-term nature of tax savings, preparing for taxes and investment planning go hand in hand. There are various investment alternatives that may help you save money on taxes and ensure your financial security; you should take advantage of them. The power of compounding increases when you start early. Investments tied to the market are more appropriate for higher-income groups. The risk-reward profile of these assets is high. Though they aren't very liquid, fixed-income investments are a solid choice for risk-averse people looking to build wealth. Your risk tolerance and liquidity needs should guide your own investment selections. One of the most common ways that individuals may reduce their taxable income is via Section 80C.

Table 1.Popular Tax Savings Provisions

Big risk-takers (Market-Linked Instruments)	Risk-averse (Fixed Return Instruments)
Equity Linked Savings Scheme (ELSS)	Non-Unit linked Insurance Plans (Term life insurance, endowment plan, money-back plan)
Pension Funds	Public Provident Fund (PPF)
Unit-linked Insurance Plans (ULIPs)	National Savings Certificate (NSC)
National Pension Scheme (NPS)	5-Year Tax Saving Bank Fixed Deposit
	5-Year Post Office Time Deposit
	Senior Citizens Savings Scheme (SCSS)
	Sukanya Samriddhi Account

Source: indianinfoline.com (The Need & Importance of Early Tax Planning)

2. Regular investment has its benefits: Tax planning is critical, so it's wise to be prepared. If you put some thought into it, you may reduce that amount from your income over time in smaller, more manageable chunks rather than all at once. A more frugal approach would be to invest little and often rather than everything at once.

2. Be smart with the tax-cutting resources you have: You may lower your tax bill by taking advantage of a number of provisions under the Income Tax Act of 1961. Aside from potential investment opportunities, there are a number of other expenses that might be deducted. This covers a wide range of expenses, such as a mortgage, up to two children's college tuition, health insurance, the cost of treating certain diseases, presents, and more. Proper tax preparation is essential for making the most of the government's advantages[17][18].

3. Be well-prepared for year-end: Most firms withhold taxes from the pay cheques of salaried employees who are subject to tax thresholds during the fourth quarter. After all expenses and deductions have been deducted, the amount that is owed in taxes is subtracted from your pay cheque before it reaches you. This is why getting a head start on your taxes is so important. Take use of all the deductions that are available to you so that you may claim them later. Another benefit of planning is that it lets you anticipate your tax liability and spread it out over time instead of paying it all at once.

4. Make the most of your deductible expenses: There are a variety of pay allowances available to you that may reduce your taxable compensation. Workers hardly seldom think of ways to save money on taxes except section 80C. Keeping tabs on your income allowances, exemptions, and how they impact your tax payments may help you simplify your financial budget. Reducing your tax liability is as simple as making the most of your income.

There are five key areas of tax planning concern:

1.important consideration is when to start generating money. Experts recommend getting going as soon as possible. However, there are situations when lowering your income rather than raising it makes more sense from a tax planning standpoint.

2.The timing of a large purchase could affect your tax liability, which brings us to point number two: the transaction itself. This is conditional on the time of year and the state in which the transaction is made. Collaborating with a tax

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expert to prepare your taxes could help you determine the best time and way to make the purchase while paying the least amount of taxes.

3.Think carefully about your investment choices; different countries have different tax rules, and you may be able to find ways to lower your taxes—especially your capital gains taxes—depending on whether you own stocks and bonds, precious metals, or property. Selling stocks or real estate without thinking about how it may affect your taxes is a common way to lose money.

4. Charitable donations: The timing and manner of your charitable gifts affect your tax obligation. You and a tax planning expert may come up with a plan that helps charities and your own bottom line.

5. Retirement plans: Picking the right retirement plan and figuring out how much to put in each year requires some serious consideration. Should you choose a traditional 401(k) and pay taxes now so you can defer paying them when you withdraw funds in retirement or a Roth IRA and pay taxes now so you can avoid paying taxes when you remove funds in retirement? Retirement savings plans are an excellent method to reduce your yearly tax liability; a financial adviser may assist you in selecting the best plan for your current situation.

Awareness of Tax Planning

Tax preparation is most efficient when the assessee has a firm grasp of the fundamentals. Being tax-aware means being well-versed in all aspects of personal income tax, including but not limited to: exemptions, allowances, deductions (from 80C to 80U), rates, rebates, education cess, penalties for non-payment, TDS, and any loopholes, advance payment taxes, tax-saving tactics, penalties, and interest charges. Everyone who is subject to taxation must do so if their income is more than the statutory maximum. Consequently, it is essential to do thorough tax preparation. To effectively prepare your taxes, you must be familiar with the rules and regulations that apply this year as well as the many ways to save money on your taxes[19].

A person engages in tax planning primarily to lessen their tax burden. There is a bright future for tax planning. One major benefit of tax preparation is looking at the big picture. By law, taxpayers are not allowed to engage in tax avoidance if they use methods that reduce their taxable income. The assessee engages in tax avoidance planning when they want to pay less in taxes. Any attempt to avoid paying taxes is illegal. To avoid paying one's fair share of taxes, one must engage in tax evasion. A more nuanced term for "tax avoidance," "tax planning" is organising one's financial assets in such a way as to pay as little in taxes as possible. The goal of tax planning should not be to avoid paying taxes; rather, it should be to maximise compliance within the law. Thus, an assessee who takes advantage of tax deductions and rebates is engaging in tax avoidance, which helps the government achieve its ethical, legal, and moral objectives.

A person's wealth is their net worth, which includes all of their assets (cash, real estate, investments, etc.) plus their cash flows. When a person engages in tax planning and makes investments that reduce their taxable income, they build wealth. Investing in tax-saving programs is one tax planning strategy that individual assessees employ to develop wealth in the future. On a regular basis, individuals are presented with new tax-saving opportunities to invest their money while reducing their tax liabilities. Wages, rent, salaries, business profits, capital gains, or any other kind of income are not the only possible sources of income for an assessee. It shows that a taxpayer has revenue from all of those sources. An effective tax planning approach requires an individual assesses to be well-versed in tax laws and regulations. Investments that provide tax benefits and may be undertaken with the help of tax knowledge generate a good rate of return in terms of wealth. Individual evaluators gain from well-informed tax preparation and planning as a result of their investments.

Tax Planning Considering Tax Deducted at Source:

The Income Tax Act of 1962 provides four distinct ways to pay taxes

They are

- Source-based tax deduction.
- Tax in advance.
- Self-assessment tax,
- Demand-Side Tax Of the four options available to salaried taxpayers, the most important one is tax deduction at source. Taxes are to be withheld from an employee's expected salary income for the current fiscal year by the party responsible for making the payment, as stated in Section 192 of the Act. The tax that has to be withheld may be calculated by using the average income tax rate for the fiscal year in which the payment is made. To rephrase, it's the number of months an employee worked in a fiscal year divided by the total amount of tax that has to be withheld from his anticipated income for that fiscal year. The total that results

indicates the monthly tax withheld at source is... Salaries are subject to a different set of TDS requirements than other types of payments, particularly with regard to the methodology used to calculate the amount to be withheld. No matter how much income tax is owed by the payee, the individual responsible for deducting taxes must take a certain percentage of the total amount payable for all other types of payments. When making salary payments, however, the employer is responsible for precisely estimating the revenue that falls under the compensation category and deducting tax at the appropriate rate from that total. Due to the fact that the Assessing Officer is likely to check the legitimacy of the deductions, rebates, and reliefs granted to employees under the Income Tax Act, it is incumbent upon the employer to verify their validity. A careful balance between employee anger and potential tax department punishment necessitates by employers when it comes to withholding taxes from employees' pay cheques at the source. Thus, workers' tax preparation for TDS becomes even more crucial. Since the average income tax for the relevant financial year is used to determine the monthly tax that needs to be withheld, it is essential that the employee takes full advantage of all deductions and benefits that are available under the Act, taking into account any modifications made in the associated Finance Act. A well-thought-out strategy for his savings and investments is essential if he is to fully benefit from the Act's provisions. Tax preparation at the beginning of the fiscal year is obviously necessary to guarantee an adequate monthly withholding at source and avoid an over-or under-deduction.

Tax rates:

There would be no change to the tax slab rates from FY 2021-22 to FY 2022-23. Expenditures and investments may be deducted. Contributions or investments up to Rs. 150,000 can be deducted for certain investments listed under section 80C of the Act, such as public provident funds, provident funds, unit-linked insurance plans, equity-linked savings schemes (ELSS), Sukanya Samriddhi Schemes, and 5-year tax-saving fixed deposit schemes. A person may deduct up to Rs. 50,000 from their taxable income by investing in the National Pension Scheme (NPS), as per section 80CCD(1B) of the Act. You may claim the interest you paid on your student loans as a tax deduction under Section 80E. Either eight years from the date of purchase or full payment of interest may be deducted from the taxable income. The taxpayer, their spouse, their dependent children, and their parents may all claim medical insurance premiums up to Rs. 25,000 as a tax deduction. Senior folks are now eligible for a maximum of Rs. 50,000. You may deduct up to fifty percent to one hundred percent of your gift if it goes to a certain kind of organization or fund. Interest payments on loans taken out to buy a house may be claimed up to Rs. 200,000 for residences that are inhabited by the owner, but there is no limit for rental properties. Nevertheless, when it comes to rental properties, you may only deduct up to Rs. 200,000 from any income in the same year. Anything over that has to be carried forward and deducted from real estate income for the following eight years. For LTCG, there is an exemption: If you invest up to 50 lakhs in REC, NHAI, or other designated bonds within six months of the transaction, you may avoid paying long-term capital gains (LTCG) on the sale of property or buildings. If you sell your home and use the money to purchase or construct another home, you may be able to avoid paying long-term capital gains tax (LTCG). The same holds true when one uses the proceeds from the sale of non-real estate long-term capital assets to finance the purchase or construction of real estate.

2. CONCLUSION

For professionals in India, tax planning is an essential tool for reducing their tax burden and laying the groundwork for building wealth in the future. Several important insights into the ways in which professional tax planning tactics affect financial development, economic stability, and informed investing behaviour are uncovered by analyzing these strategies. Based on their risk tolerance, income, and financial objectives, professionals show a wide range of preferences when it comes to tax-saving tools. High-risk investors choose market-linked products with greater return potential, such as ULIPs, NPS, and ELSS. The opposite is true for risk-averse people, who value security and guaranteed returns more highly and choose fixed-return instruments like PPF, NSC, and tax-saving fixed deposits. By incentivizing investments with a longer time horizon, tax-saving tools promote fiscal discipline. Not only do tax-saving instruments like PPFs, ELSSs, and NPSs assist save money, but they also help create wealth via diversification and compounding. Because of these two advantages, it is clear that tax preparation should be a part of comprehensive financial planning.

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