

STUDY ON AWARENESS ABOUT TAX SAVING SCHEME AND INVESTMENT PATTERN OF A SALARIED INDIVIDUAL

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ABSTRACT

Tax planning is a strategy for maximizing the benefits of every deduction, exemption, and relief permitted by income tax laws, in addition to minimizing tax liabilities. Due to India's extremely complex tax system, which severely limits an individual's purchasing power, tax planning is the best course of action. It complies with the law and offers dual benefits of reducing tax liability and making wise investments. By using the different reliefs, deductions, and exemptions available under the Income Tax Act of 1961, tax planning helps to minimize the amount of taxes. This study aims to investigate the awareness level of salaried class individuals regarding tax savings schemes. Additionally, it examined the investment patterns used by salaried-class taxpayers. The study was carried out in the Siliguri city of West Bengal(India).

Keywords: Tax Planning, Investment pattern, Salaried individual.

1. INTRODUCTION

Tax planning involves efficiently applying various provisions and loopholes of direct tax laws to reduce the tax burden of an assessee. A thorough understanding of various principles, practices, and procedures of tax laws and the ability to apply the same in real-life situations is therefore essential. One must possess up-to-date knowledge of the numerous tax laws, deductions, exemptions, and allowances available to taxpayers under the Indian Income Act 1961 in order to use the optimal strategy of tax planning. The most important thing is to be aware of various investment options as well as general income tax rules.

The salaried class of taxpayers promptly meets tax responsibilities. The main issue salaried workers confront is a lack of knowledge about income tax rules and investment opportunities, which results in their paying high amount of taxes and relatively little money available for investments and savings.

The majority of users have developed the practice of evading taxes rather than making plans for them because they are unaware of the advantages of doing so. The majority of individual assesses cannot afford the heavy expense of hiring a tax adviser to plan their taxes. The government treasury is experiencing an inadequate balance as a result of the rising rate of tax evasion and avoidance in the nation. Assessing their understanding of tax planning, raising awareness of it, and providing assistance to help them to decrease their tax responsibility are crucial in order to efficiently and effectively help the salaried class of tax payers reduce their tax burden.

2. REVIEW OF LITERATURE

Ansari, L., & Moid, M. S. (2013) In this study the authors examined an investor's investment behaviour with respect to the allocation of surplus income across several investment programmes. According to the study, the risk element attached to that particular tool was the most important factor guiding their investing decisions. Growth and more revenue were the main goals of the investment, but regardless of gender, income and age are also significant factors.

Chijwani, M., & Vidyapeeth, D. Y. P. (2014) In this study the authors conducted a study among working women in Pune to find out about their level of financial literacy and their preferred investment avenues. It was discovered that most of the women are still ignorant of financial instruments and even do not take part in family financial decisions. Many of them lack Demat accounts and are extremely ignorant of the various opportunities related to market investment, and they viewed systematic investment plans as the best investment option due to their moderate risk. However, women living in urban areas are involved in financial decision-making.

Gautam, S., & Gautam, L. (2013) In this study the authors performed research on the business class, which included advocates and shopkeepers, as well as the salaried class, which included teachers and railway employees, to determine the most popular investment channel for tax savings. The results showed that LIC is the most popular choice among these groups, followed by Public Provident Funds.

Arora, A. K., & Garg, P. K. (2019) This study aims to ascertain the level of awareness and perception regarding the numerous tax-saving options available to higher education teachers in order to reduce their tax burden. The Indian income tax act offers a number of deductions, reliefs, and rebates that the teachers are fully aware of. They favour investing choices with a low risk profile, substantial returns, and complete tax advantages.

Mehta, K., Sharma, R., Goel, R., & Singhal, C. (2017) In this study the authors concluded that the interest in investing money has surpassed that of maintaining perfect money. Beside life insurance policies and post office savings plans, bank fixed deposit and provident funds were the most popular options since they were safe and also functioned as tax benefits.

Arora, A. K., & Rathi, P. (2018) In this study the authors examined the perceptions and knowledge of salaried staff members regarding different tax-saving strategies. The authors used correlation analysis in their study and revealed a substantial disparity between men's and women's investment and saving habits. It was also discovered that the three most crucial considerations when making investments were risk, return, and tax savings. According to the analysis, the salaried class should have a lower tax rate because the medical deduction is underutilised.

Need and Importance of the Study

For salaried individuals, tax planning is crucial since it allows them to maximise savings and optimise investments, all while legally minimising their tax liability. Salaried individuals can guarantee compliance, evade penalties, and match their financial objectives with tax-efficient methods by proactively utilising the deductions, exemptions, and tax-saving tools offered by tax regulations. In addition to lowering tax liabilities, prudent tax planning fosters risk diversification, financial self-discipline, and long-term asset accumulation, all of which are critical components of total financial stability and well-being. This study aims to determine the degree of tax planning knowledge and investment preferences among salaried individuals.

Objectives of the Study

The objective of this study is:

1. To analyze the level of awareness among salaried class individuals for tax planning measures.
2. To know the investment pattern of salaried class individuals.

3. RESEARCH METHODOLOGY

The present study is conducted in Siliguri City of West Bengal. For the study sample of 210 salaried individuals from both Government and private sector organizations was selected through a convenient sampling method.

The Primary data is collected through a structured questionnaire and secondary data through various national and international journals and websites. For the analysis of the data tabulation and percentage methods is used.

Data Analysis:

Table – 1

Importance of awareness about tax deduction, tax exemption and tax planning:

Particulars	Respondents	Percentage
It is highly important	105	50
It is important	72	34.29
It is not that important	21	10
It is negligible	12	5.71
Total	210	100

Source: Primary Data

From the analysis of the above table (Table – 1) it is clear that out of 210 respondents almost 85% of the respondents consider the importance of awareness for tax related matters, whereas around 15% of the respondents thinks that awareness about tax deductions and tax planning is not so essential.

Table – 2

Frequency of update on all tax related matter

Particular	Respondents	Percentage
Always Updated	18	8.57
Updated At regular intervals	103	49.05
Sometimes Updated	65	30.95
Never Updated	24	11.43
Total	210	100

Source: Primary Data

From the analysis of the above table (Table – 2) it is found that only 18 respondents out of 210 respondents i.e. only 8.57% of the total respondents are always updated regarding tax related matters, 103 respondents i.e. 49.05% respondents keep updating themselves on tax related matters at regular interval, whereas 65 respondents i.e. 30.95% respondents are sometimes updated and 24 respondents i.e. 11.43% of the respondents are never updated regarding tax related matters.

Table – 3

Assistance in Tax Planning matters

Particulars	Respondents	Percentage
Self-Assistance & social media	106	50.48
Family	44	20.95
Professional Consultants	28	13.33
Friends	32	15.24
Total	210	100

Source: Primary Data

From the analysis of the above table (Table – 3) it is found that more than 50% of the respondents i.e. 106 respondents out of 210 respondents does not take assistance from anybody. They preferred to use social media for awareness regarding tax related matters. 20.95% of the respondents took assistance from their families and 15.24% of the respondents took assistance from their friends. Only 13.33% of the respondents choose to take assistance from the professional consultants.

Table – 4

Satisfaction from present investment

Particular	Respondents	Percentage
Highly Satisfied	7	3.33
Satisfied	123	58.57
Neutral	32	15.24
Dissatisfied	28	13.33
Highly Dissatisfied	20	9.52
Total	210	100

Source: Primary Data

From the analysis of the above table (Table – 4) it is found that 123 respondents out of 210 respondents i.e. 58.57% of the respondents are satisfied with their current investment, but only 3.33% of the respondents are highly satisfied. 15.24% of the respondents are neutral whereas around 23% of the respondents are dissatisfied with their current investment.

Table – 5

Awareness about Section 80C, 80CCC and 80CCD

Awareness	Yes		No	
	Respondents	Percentage	Respondents	Percentage
Contribution to PF (Sec - 80C)	116	55.24	94	44.76
LIC premium (Sec - 80C)	194	92.38	16	7.62
Housing Loan Repayment (Sec - 80C)	34	16.19	176	83.81
Contribution to LIC Pension Fund (Sec - 80CCC)	168	80.00	192	91.43
Tuition Fees of Children (Sec - 80C)	18	8.57	42	20.00
NSC VIII Issue (Sec - 80C)	25	11.90	185	88.10
Contribution to NPS (Sec - 80CCD)	54	25.71	156	74.29

Source: Primary Data

From the analysis of the above table (Table – 5) it is found that awareness about LIC Premium is the highest at 92.38% of respondents followed by Contribution to LIC Pension Fund at 80% and Contribution to Provident Fund at 55.24%. The respondents were not much aware about the exemptions for Housing Loan Repayment, Tuition fees of Children and NSC VIII issue.

Table – 6

Investments in Section 80C, 80CCC and 80CCD

Investments	Yes		No	
	Respondents	Percentage	Respondents	Percentage
Contribution to PF (Sec - 80C)	102	48.57	108	51.43
LIC premium (Sec - 80C)	186	88.57	24	11.43
Housing Loan Repayment (Sec - 80C)	8	3.81	202	96.19
Contribution to LIC Pension Fund (Sec - 80CCC)	161	76.67	49	23.33
Tuition Fees of Children (Sec - 80C)	15	7.14	195	92.86
NSC VIII Issue (Sec - 80C)	20	9.52	190	90.48
Contribution to NPS (Sec - 80CCD)	49	23.33	161	76.67

Source: Primary Data

From the analysis of the above table (Table – 6) it is found that 88.57% of respondents have invested their savings in LIC Premium followed by 76.67% in LIC Pension Fund and 48.57% of the respondents have invested in Provident Fund.

4. MAJOR FINDINGS

- 1) Almost 85% of the respondents consider the importance of awareness for tax related matters.
- 2) Only 8.57% of the respondents are always updated regarding tax related matters, 49.05% respondents keep updating at regular interval, and 30.95% respondents are sometimes updated.
- 3) 50% of the respondents does not take assistance from anybody. They preferred to use social media for awareness regarding tax related matters. 20.95% of the respondents took assistance from their families and 15.24% of the respondents took assistance from their friends. Only 13.33% of the respondents take assistance from the professional consultants.
- 4) 58.57% of the respondents are satisfied with their current investment, but only 3.33% of the respondents are highly satisfied.

- 5) LIC Premium is the most known investments for 92.38% of respondents followed by Contribution to LIC Pension Fund for 80% respondents and Contribution to Provident Fund for 55.24% . respondents.
- 6) 88.57% of respondents have invested their savings in LIC Policies followed by 76.67% in LIC Pension Fund and 48.57% of the respondents have invested in Provident Fund.

5. CONCLUSION

The aforementioned study leads to the conclusion that although the people are aware of a variety of investment schemes and make their own decisions regarding numerous possibilities, they are still not entirely satisfied with them. They believe that being informed about tax preparation strategies is crucial, but they are unwilling to put in any kind of effort to do so. Among them, life insurance policies and LIC Pension fund are the most favoured investment options, followed by public provident funds. Additionally, research has shown that most of the salaried class individuals take financial decisions without consulting anyone.

6. REFERENCES

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