

A Study of Individual Tax Payers Perception Towards Various Tax Planning Methods

S.Ruth Smiely¹, S.Chitra², K.Jisha³, K.Manoj⁴, M.Bhuvaneshwari⁵

^{1,2,3,4,5} Sri Krishna Arts and Science College Coimbatore

¹ruthsmielys@skasc.ac.in,²chitras@skasc.ac.in,³jishak@skasc.ac.in,⁴manojk@skasc.ac.in,⁵

bhuvaneshwarim@skasc.ac.in

Abstract

Tax Planning is that the legitimate interaction of masterminding your affairs to constrict a tax liability. There are quite 200 such provisions explicitly composed into law. Tax avoidance is unique; it's illegally limiting your tax, such as misrepresenting figures or not disclosing income. This conveys serious penalties which might incorporate a criminal indictment. An issue emerges when the law is hazy, so it's not clear if a plan is inside the law. Therefore, there are two critical turns of events. We've seen a substitution way to deal with artificial tax avoidance which remains among evasion and avoidance. On the off chance that any of the resulting are found during a plan, it's probably going to be challenged as artificial tax avoidance: it sounds unrealistic. Counterfeit or thought up plans are included. It appears to be extremely intricate for what you might want you might want to attempt to. Tax benefits are unbalanced to the business activities. A country or secrecy country is associated with none solid business reason. Tax exempt entities, like excluded substances, similar to benefits reserves are included improperly. It contains numerous courses of action intended to avoid tax consequences. It includes cash venturing into a circle back to where it started. Generally safe credits to be paid off by future profit are associated with tax planning. The plan advertiser loans the subsidizing required. The study is about purpose on apply different apparatuses for evaluate perception of tax payers towards different Tax Planning Methods.

Keywords: Tax awareness, Perception, Tax Evasion

Introduction

The essential obligation of government is throughout of improvement of society. Among different wellsprings of assets, charges establish significant wellspring of income for any administration. Tax may be a compulsory charge by the government on its citizens. Tax planning is the legal process of arranging your affairs to scale back a tax liability. There are over 200 such provisions specifically written into law. Tax evasion is different; it's illegally minimizing your tax, like falsifying figures or not disclosing income. This carries serious penalties which can include an action. A problem arises when the law is unclear, so it isn't obvious whether a scheme is within the law or not. For this reason, there are two significant developments. The assessee must remember about various tax saving schemes and tax planning measures to reduce their tax burden legally. We have seen a replacement approach to artificial tax avoidance which stands between avoidance and evasion. This was probably most accurately defined by a previous Paymaster General who said that: "Artificial avoidance schemes are those where they create economic distortions, provide commercial advantages over complaint taxpayers, redistribute tax revenues in an unfair or arbitrary manner, or represent an abuse that conflicts with or defeats the need of Parliament". These must be disclosed and are closely examined to look at if they're legal. Despite the fact that there, it's likely they are going to be enclosed consecutive Finance Act, sometimes with retrospective effect.

Tax Planning

Legitimate examination of monetary circumstance or plan from a tax perspective, to adjust financial objectives with in tax efficiency planning. The point of Tax Planning is to get the best approach to achieve the entirety of the contrary components of a Financial Statement inside the most Tax effective way conceivable. Tax planning along these lines permits the contrary components of a Financial Statement to communicate all the more successfully by limiting liabilities.

Statement of Problem

How to save the tax legally is that the problem of tax payers? They will save tax by adopting the tax planning measures. However, many tax payers don't know the tax planning measures that are provided within the tax. Ironically the agencies handling Tax Saving Schemes even have not taken any step to simply accept there schemes to the tax payers. Hence, it's needless to mention that the Assesses should be made to know the features of various Tax Saving Schemes available with Tax concession. This Tax Payers may value more highly to pay tax instead of to investment in tax instead of to investment in Tax Saving Schemes. Therefore tons of variations are sure to come up in their approach toward meeting the Tax burden.

Objectives

The main objective of this research work is to analyse the Perception Level of saving patterns of Tax Payers in various Tax Planning Methods.

Scope of the Study

Through the main objective of the study is to identify the tax planning measures undertaken by the individual tax Assesses. This study covers Individual Tax Payers received salary income above 2, 50,000 for the Assessment year 2020-2021 in Coimbatore District of the overall Individual Tax Payers will return through the assistance of Tax Planning methods.

During this study, various Tax Planning methods for the Assesses are received further; Tax Planning is compared with personal factors like Age, Gender, Education Qualification, Types of Employees, Monthly Income, Total Taxable Income and Mode of Tax Payment.

Literature Survey

Patil S and Nandawar K (2014) In their article "A Study on Preferred Investment Avenues Among Salaried People with respect to Pune, India" reasoned that Investors know about speculation roads accessible in India yet at the same time financial backers are liked to take a situation in store, land, metals (Gold).The information investigation uncovers that the security is crucial factor while doing venture so remaining roads are less significant while doing venture by financial backers.

Dey S K (2015), "Expense Planning Practices by Salaried workers: A Case Study of Lecturers in Odisha" inferred that Tax is necessary instalments with none direct achievable return and consequently most are intrigued to pay as least as allowable. Out of 150 representatives, 60 workers haven't asserted tax reductions to its greatest allowable cut-off points. Essentially, all teachers have gotten interest on their saving financial records yet not referenced an identical in their arrival of pay. Assessment arranging measures took on by various class of speakers are practically uniform. Class of speakers, sex, insight and length of administration has no critical relationship with the degree of mindfulness about the duty arranging measures.

Suganya V (2015) in her examination "A Study of the notification of Tax Planning Measures among Private Sector Employees in Madurai City" found that 75% of the respondents is male. The regular month to month pay acquired by the respondents is Rs.37, 000. Every one of the respondents work with private area associations in centre and upper framework. 35% of the respondents are aware of the presence of expense arranging measures and embrace a comparable with the help of speculation experts. 65% of the respondents approach examiners to document returns and take charge arranging measures with none information on a same. Subsequently it had been presumed that consciousness of duty arranging estimates isn't critical. Duty proficiency must be granted in training during a

common sense way such the going through example of money gets decreased and thusly the eyes of layman could likewise be edified. As duty is that the most discussed point which consolidates annual assessment, capital.

Research Methodology

The study is an empirical research based on a survey method. Primary data are used for the study purpose. A well framed questionnaire is used for the purpose of collecting the primary data.

The research design used is descriptive. Its purpose is to formulate a problem for more precise investigation. This research design is peerless the plan for a study that guides the collection and analysis of data.

Survey of Literature

Tax Planning in a region within which all the individual Tax payers persons like Bank Employees, Teachers, Government Employees, and Business persons are actively interested. The central Government and lots of other associations are conducting studies and publish articles about the overall trend. The fluctuation of the Tax computation system and their ignorance features a great impact on Tax payments periodic studies are being ignorance features a great impact on Tax Payment. Period studies are being conducted with reference to each you're Tax Planning and that they are published. A through literature helped the researcher to gather the synthesis period studies and published reports associated with the matter.

Importance of the Study

Tax Assesses are mostly important of Tax Planning because of personal reasons or other preoccupations. Either they're too late to plan or they leave the whole affair to the Tax consultants who might not guide them in appropriate time. The current study inclines to create a reserved plan to overcome his hurdle. The Assesses need to be put within the right perception for healthy Tax Planning. Creating congeniality within the mind of Assesses towards Tax Planning will solve the matter within the end of the day. Many Assesses may have different Tax Saving Schemes depending upon their monetary condition. There's nobody Tax Saving Scheme which will suit every Assesses. Therefore the Assesses could also be made to understand all the Tax Saving Schemes for his or her Tax Planning. Many Assesses are short-sighted in their investment options. They need huge return within a short-period, which is unreasonable in monetary activity, if they're made to understand the merits of the Tax Saving Schemes. This type of healthy Tax Saving investment is good not just for the Assesses but also will help the society, the government and therefore the economy. The present study attempts to get rid of any misconception and make a congenial attitude on the part of the Assesses to show to meaning full Tax Saving Schemes. Further this study attempts to prove that the salaried Assesses can substantially reduce the burden of taxation by proper Tax Planning.

Analysis and Interpretation

Various Tax Schemes

The researcher attempts to find out the Level of Perception on various Tax Schemes, so that some of the facilities were taken to find out the opinion of the Tax Payers. They were asked to rate their level of Perception on various Tax Schemes on a 5 point rating scale ranging from Strongly Agree to Strongly Disagree. The ratings were given 5- Strongly Agree, 4- Agree, 3-No Opinion, 2- Disagree, 1- Strongly Disagree. The mean ratings for each various Tax Schemes were found out and displayed in the Table 1.

TABLE 1 Perception Level on Various Tax Schemes – Descriptive Statistics

S. No	Statements	N	Minimum	Maximum	Mean	Std. Deviation
1.	Life Insurance Policy	335	1.00	5.00	4.73	.5159
2.	Provident Fund	335	1.00	5.00	3.86	.8873
3.	Group Insurance Scheme	335	1.00	5.00	4.03	.8626
4.	Postal Life Insurance	335	1.00	5.00	4.09	.8920
5.	National Savings Certificates	335	2.00	5.00	4.11	.7527
6.	Post Office Account	335	1.00	5.00	3.81	.9187
7.	Repayment of House Loan Principal	335	1.00	5.00	4.26	.8457
8.	Unit Linked Insurance Plan	335	1.00	5.00	3.80	.7071
9.	Infrastructure Shares, Bond & Units of Mutual funds	335	1.00	5.00	3.93	.8832
10.	Tuition Fees paid.	335	2.00	5.00	3.82	.8393

Source: Primary data

The data reveal the Perception Level on Various Tax Schemes, Life Insurance Policy has the highest mean score of 4.73 from the sample respondents, followed by the score of 4.26 for Repayment of House Loan Principal, 4.11 National Savings Certificates, 4.09 Postal Life Insurance, 4.03 Group Insurance Scheme, 3.93 Infrastructure Shares, Bond & Units of Mutual funds, 3.86 Provident Fund, 3.82 Tuition Fees paid, 3.81 Post Office Account. Hence, it is inferred that respondent’s Perception level on various scheme is between “Neutral and Agreed”. The Perception Level of the Unit Linked Insurance Plan, Post Office Account and Tuition Fees Paid is between “Neutral and Agreed” on the Saving Scheme of Provident Fund the Tax Payer is regularly Using this type of Tax Planning for the Investments. The majority of the respondent’s perception level is between “Strongly Agree to Strongly Disagree” for the Life Insurance Policy and with the minimum deviation score of 0.51.

Demographic Factors Vs Perception Level on Various Tax Schemes

Overall Perception Score for Various Tax Schemes has been calculated for each Tax Payers by adding the ratings for five items constituted the Perception Level. The score indicates the Perception on various tax schemes among the respondents. The higher the score higher the Perception level. These scores were compared across different groups of socio-demographic factors which are discussed in the above table.

TABLE 2 Demographic Factors Vs Perception Level on Various Tax Schemes

Perception Level on Various Tax Schemes								
S.No	Demographic Factors	Groups	Mean	S.D	No.	T	F	sig
1.	Gender	Male	40.95	4.72	77	0.881		Ns
		Female	40.36	5.21	258			
2.	Age	Below 30 Years	41.29	4.79	101		1.437	Ns
		31-40 Years	39.94	5.49	128			
		41-50 Years	40.24	4.87	74			
		Above 50 Years	40.84	4.85	32			

3.	Educational Qualification	School Level	40.91	5.90	33	1.30 5	Ns
		Diploma	40.64	5.71	22		
		College Level	40.13	4.92	219		
		Professional	41.54	4.95	61		
4.	Types of Employees	Private Sector	40.12	4.43	46	2.55 6	Ns
		Semi-Government	40.46	5.14	118		
		Government	42.02	5.19	171		
5.	Year Experience of	Below 30 Years	40.16	5.73	55	4.83 8	**
		31Years – 40 Years	39.87	5.31	178		
		Above 41 Years	41.78	4.08	102		
6.	Monthly Income	Rs. 21,000 – Rs. 40,000	40.4	5.04	179	53.7	**
		Rs. 41,000 – Rs. 60,000	40.61	4.94	132		
		Above Rs. 61,000	40.6	6.47	24		
7.	Total Taxable Income	Up to Rs. 2,50,000	41.23	4.17	155	1.21 6	Ns
		Rs. 2,50,000 – Rs. 5,00,000	43	4.05	56		
		Rs. 5,00,000 – Rs. 10,00,000	42.23	4.8	64		
		Above Rs, 10,00,000	34.42	3.71	60		
8.	Mode of Tax Payment	Monthly Deduction	39.69	5.68	90	5.50 7	**
		Tax Deducted at Sources (TDS)	41.5	4.63	152		
		Advance Tax Paid	39.65	5.01	93		
TOTAL			40.5	5.1	335		

Source: Computed Data *- Significant at 1%Ns – Not Significant*- Significant at 5%

Mean Score has been calculated for Male and Female respondents separately. The mean score for male is 40.95 which are slightly higher than that of female respondents with a mean score of 40.36. Therefore the perception level on various tax schemes of male respondents is marginally higher than the women.

Age- wise score reveals that the respondents belonging to the age group of 50 Years and above have been found to be marginally satisfied as their mean score is higher than the age group of 31-40 years in various tax schemes.

In respect of Educational Qualification, it is found that professionally qualified respondents have scored 41.54 which are slightly higher than the score of 40.13 for the graduate respondents. Hence, professionally qualified respondents are marginally higher in the level of perception in various tax schemes.

Among Types of employees, Government Sectors higher slightly highest mean score of 42.02 than that of Private Sector respondents whose mean score found to be 40.12. Thus, Semi Government Sectors whose mean score is 40.46.

The respondents whose years of experience is above 41 years are found to have the highest score of 41.78, whereas the least score of 39.87 has been found among the respondents whose years of experience is between 31- 40 Years. Hence, the level of perception on various schemes whose years of experience is below 30 years is higher than others.

The respondents whose monthly income is Rs. 41,000 – Rs. 60,000 and Above Rs. 61,000 (40.6) are marginally higher in the level of perception in various tax saving schemes as their mean score is slightly higher than the mean score of the monthly income whose is Rs. 21,000 – Rs. 40,000 (40.4).

In respect of Total Taxable Income of the tax payers, Rs. 2,50,000 – Rs. 5,00,000 respondents are found to have the maximum score of 43.0 while the least score of 34.42 has been for the respondents who have Above Rs, 10,00,000 of taxable income. Therefore, the perception level of the respondents whose taxable income is Rs. 5,00,000 – Rs. 10,00,000 is higher than others.

In respect of Mode of Tax Payment, the perception level is high for the respondents in Tax Deducted at Sources (TDS) has it has the highest mean score of 41.5, whereas the least score of 39.65 for respondents in Advance Tax Paid.

In order to find whether the differences in the mean scores among groups of different socio-economic variables differ significantly the following hypothesis has been framed and tested.

H₀“The average perception score does not differ significantly among different groups of the selected demographic variables namely Gender, Age, Educational Qualification, Types of Employees, Years of Experience, Monthly Income, Total Taxable Income, Mode of Tax Payment and various Tax Saving Schemes”.

The test results shows that there is no significant difference in the perception level on various tax saving schemes score meant for Age, Educational Qualification, Types of Employees and Total Taxable Income. Hence the null hypothesis is accepted in respect of these factors. However, in the case of Years of Experience, Monthly Income and Mode of Tax Payment there is a significant difference in the perception score at 1 percent level so the null hypothesis is rejected for these factors.

The T-test result shows that there is no significant difference in perception score in respect of Gender. Hence, hypothesis is accepted.

Recommendations

1. Awareness could also be created among the salaried persons regarding filing of tax returns.
2. Tax Payers could also be motivated to interest in units of mutual funds.
3. The institution offering tax – saving scheme like post office, mutual funds, and tax consultants should come to the fore to rearrange periodical programmes to teach these sorts of assessee about timely tax planning
4. Mass media like newspaper, television etc., might be used to create awareness among the salaried assessee about the varied tax planning options.
5. Tax Department should provide all necessary help to the tax payers.
6. The programmes like ‘help’ should be used on a daily basis. This may help in establishing good relation between the tax payers and therefore the revenue department.

Conclusion

Tax Planning enables saving by encouraging investment in government securities. It not only reduces the Tax Burden but also gives mental satisfaction. If salaried assesses adopt Tax Planning Measures, they will save a substantial amount of their earned money during a legal way. Saving reduce extravagance, and correspondingly inflation. Tax saving is permitted just for investment made in Government Securities and Bond of priority Sectors, which ultimately help the entire nation. Therefore, the Tax Payers saving in Tax help in Central and government to mobilize funds savings and investment is interconnected. To form investments there should be saving. To form saving there should be surplus. To create surplus there should be proper Tax Planning. to create proper tax planning there should be knowledge in Tax Laws and Opportunities within the country more often many assesses prefer paying tax instead of taking a further step towards Tax Planning as they feel it very complicated actually this is often far away from the reality . Thus, Tax Planning isn't in the least complicated and will be through with an exact degree of awareness and application.

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Authors Profile



Ruth Smiely .S M.Com.M.Phil., (Ph.D) Assistant Professor, Department of Commerce Industry Integrated, Sri Krishna Arts and Science College Coimbatore. Have an Experience of more than 4 years in Teaching. Participated in more than 20 International Conferences and National Conferences. Published More than 10 Papers in Scopus, UGC Care Journals in UGC Listed Journals.



Chitra. S M.Com., M.Phil., B.Ed., (Ph.D)

Assistant Professor, Department of Commerce Industry Integrated, Sri Krishna Arts and Science College Coimbatore, Have an Experience of more than 6.5 years in Teaching. Participated in more than 10 International Conferences and National Conferences. Published More than 5 Papers in Scopus, UGC Care Journals in UGC Listed Journals.



Jisha. KM.Com., NET., (Ph.D)

Assistant Professor, Department of Commerce Industry Integrated, Sri Krishna Arts and Science College Coimbatore, Worked as Internal Auditing Assistant in PK Das Institute of Medical Sciences, Palakkad, Kerala. Academician as Assistant Professor in Commerce at SadanamKumaran College, Palakkad, Kerala. Currently working as Assistant professor in Commerce at Sri Krishna Arts and Science College, Coimbatore, Tamilnadu. Participated in more than 15 altogether in International Conferences, National Webinars and National Conferences through online mode during Covid 19 Pandemic



Manoj. KM.com., MBA (Marketing)

Assistant Professor, Department of Commerce Industry Integrated, Sri Krishna Arts and Science College Coimbatore, I have Secured Third rank in my UG. I'm a Secretary in Tamil Department Association and Secretary in PGCA Association.



M. Bhuvaneshwari M.Com., M.Phil., (Ph.D)

Assistant Professor, Department of Commerce, Sri Krishna Arts and Science College Coimbatore. Have an Experience of more than 10 years in Teaching. Participated in more than 10 International Conferences and National Conferences. Published More than 5 Papers in Scopus, UGC Care Journals in UGC Listed Journals.