JOURNAL OF CRITICAL REVIEWS

ISSN- 2394-5125 VOL 07, ISSUE 02, 2020

Tax Planning Strategies of Salaried Individuals: An Empirical Study of Taxpayers

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Abstract

People who are salaried, tax preparation is an essential component of financial management. Understanding the tax laws and regulations is crucial to minimizing tax bills and maximizing savings because the Indian tax system is complicated. Taxpayers can manage their money well and reach their financial objectives with the help of efficient tax planning strategies. The salaries, bonuses, and other incentives that salaried people receive from their employers are subject to income tax in India. They can use a number of exemptions and deductions allowed by the Income Tax Act of 1961, however, to lower their tax obligations and lower their taxable income. For Indians who earn a living as salaried workers, tax planning is a crucial component of financial planning. Taxpayers can efficiently decrease their tax obligations and meet their financial objectives by being aware of the tax rules and regulations, as well as by utilizing the numerous tax-saving choices available. Using efficient tax planning techniques can assist salaried people in India reduce their tax obligations, maximize their savings, and meet their financial objectives.

Keywords: Tax Planning Strategies, Income tax, Tax-saving choices, financial objectives, Salaried People.

Introduction

Understanding tax planning techniques is made easy with the help of Ernst & Young's Personal Financial Planning Handbook, 5th edition. By utilising the many tax-saving strategies and legal protections provided by the Income Tax Act of 1961, salaried people can lower their tax obligations. For instance, salaried people are eligible for deductions and exemptions for contributions made to tax-saving mechanisms such the Public Provident Fund (PPF), Equity-Linked Savings Scheme (ELSS), and National Pension Plan (NPS). Paid-for costs like medical insurance premiums and mortgage interest can also be deducted by people who are salaried.

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Salaried people can reduce their tax payments and boost their savings by utilizing these tax-saving tools and provisions (Nissenbaum et al. 2004).

For those who earn a salary and want to establish tax planning methods. The guidebook offers a structure for creating and outlining financial planning strategies, including tax planning. The guidebook stresses the significance of establishing a thorough financial strategy that takes into consideration a person's particular financial condition, goals, and risk tolerance. Salaried people can reduce their tax obligations and find tax-saving opportunities by using the modeling strategies described in the manual. The guideline also emphasizes the necessity of routinely reviewing and updating the financial strategy to ensure that it remains applicable and efficient (Rumbaugh et al. 2005).

The options for individual financial planning, including tax planning, are thoroughly analyzed. Salaried people can reduce their tax burden and reach their financial objectives by using a variety of tax planning tactics. For instance, salaried persons can employ tax-saving financial products including tax-saving mutual funds, tax-saving fixed deposits, and unit-linked insurance plans. The long-term capital gains tax structure allows them to invest in equities and equity funds that offer tax advantages. Also, salaried individuals can organise their investments in a way that takes advantage of tax-saving options including carry-forwarding losses and long-term capital gains exemptions. For those on salaries who want to reduce their tax obligations and meet their financial goals, the work is a crucial resource (Schmidt 2006).

Literature Review

Planning for taxes is an important element of managing your personal finances, especially if you live in India and earn a salary. The need for tax planning is highlighted in the context of the Indian tax system by Ria Sinha's 2010 article, An International Comparison of Tax Regimes. The article focuses on the significance of comprehending tax rules and regulations and recognising the chances for taxpayers to reduce their tax obligations. It implies that salaried individuals can reduce their tax liability by utilizing the various deductions and exclusions provided by the Income Tax Act. Salaried people can control their tax liabilities and optimise their savings by being aware of the tax system and taking advantage of tax-saving possibilities.

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Bansal and Verma (2017) tries to pinpoint the tax preparation tactics used by Indian salaried people. For Indian salaried people, it was discovered that tax preparation is a crucial component of financial management. The most common tax-saving strategies for salaried people are tax exemptions and deductions for life insurance premiums, medical expenditures, and mortgage interest. It also discovered that one of the most common methods of tax preparation among the participants is investing in tax-saving choices such as public provident fund and equity-linked savings plans. It demonstrates the importance of being aware of the several tax planning options accessible to salaried people in India and utilizing them effectively in order to reduce their tax bill and increase their savings. It emphasizes the necessity for paid people to comprehend tax laws and regulations and utilize the tax-saving choices available to them.

The investment behavior of salaried individuals varies by gender, according to Bhushan and Medury (2013). Women are typically less risk-averse and more cautious when making investments. Women typically have lower levels of financial knowledge than males, which results in a lack of confidence in their investing choices, which is the cause of this behavior. Financial advisors must take these variations into account when advising women on their investments and must give them the information and encouragement they need to make wise choices.

Rathi's (2018) study is to evaluate tax preparation strategies for Indian salaried individuals. The research included an extensive examination of the tax preparation strategies employed by Indian salaried individuals. The study highlights the importance of tax preparation for wage earners in India as well as the need to be knowledgeable about tax laws and regulations. Also, it outlines a number of tax-saving options available to those who earn a salary, including investing in tax-advantaged plans, buying life insurance, and buying health insurance. It also suggests that salaried individuals take advantage of the tax exclusions and discounts made available by the Income Tax Act.

An analysis of the patterns and responsiveness of personal income tax in India can be found in Gupta's 2009 book, The Trends and Responsiveness of Personal Income Tax in India. In order to

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successfully address the problems encountered by paid people, the research emphasises the need for progressive tax policies. With the introduction of fresh tax-saving tools and updates to the tax legislation, it observes that the Indian tax system has undergone considerable changes recently. The Goods and Services Tax (GST) and the Direct Tax Code, for instance, have significantly altered the tax structure. According to the research, salaried people can profit from keeping up with these changes and using tax-saving possibilities to minimize their tax obligations.

The factors influencing the saving behaviour of salaried people are examined in the 2012 study by Swasdpeera and Pandey. Researchers discovered that factors such as education level, age, marital status, and the number of children have a beneficial effect on people's average savings. According to the findings, people who earn more money, are older, married with kids, have more education, and make more money are also likely to save more. Financial planners should take note of these findings because they can use them to determine the target demographics for their savings and investment strategies, and then they can modify their recommendations accordingly.

Geetha and Ramesh (2011) emphasise the significance of picking the best investment option to achieve the overall goal of financial planning. The researchers underline that investors have a variety of options, and it is important to comprehend the advantages and disadvantages of each decision. This necessitates a detailed comprehension of the person's financial objectives, risk tolerance, and time horizon for investments. The person can optimise their earnings while limiting risk by making the best investment option. Financial planners must therefore possess a thorough awareness of the numerous investment possibilities in order to give their clients individualized recommendations based on their unique financial objectives and risk tolerance.
An outline of India's tax reform measures is given in Rao and Rao's (2005) work. The necessity of fair, effective, and efficient tax laws is emphasised in the study. It should be noted that the goals of India's tax reform have mostly been to simplify the tax rules and to enhance tax administration and compliance. According to the research, salaried people can gain from these improvements by adhering to tax regulations, keeping accurate records of their taxes, and taking advantage of tax-saving options. Salaried people can accomplish their financial objectives while minimizing their tax obligations and risk of fines by doing this.

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Gupta 2000 asserts that salaried individuals can dramatically reduce their taxable income and minimize their tax liabilities by utilizing a variety of tax deductions, including those for mortgage interest, medical costs, and life insurance premiums. In addition, Gupta stresses the significance of making investments in tax-saving strategies like public provident funds, national savings certificates, and equity-linked savings schemes in order to not only receive tax benefits but also to open up chances for long-term savings and growth. To maximise tax savings and achieve financial well-being, preparation and intelligent decision-making are essential while selecting the right investment options. Hence, those who are salaried should try to comprehend the tax laws and regulations and make good use of them. Salaried people can reduce their tax burden by implementing Gupta's tax planning strategies.

Objectives of the study:

1. To find the tax planning strategies for salaried individuals

Research Methodology:

This study is empirical in nature. In this study 225 respondents were contacted to give their viewpoints on the tax planning strategies for salaried individuals. The data analysis was done with the help of the frequency distribution and pie charts were used to present the data.

Data Analysis and Interpretation:

Table 1 I usually invest in tax saving mutual funds

Particulars	Agree	Disagree	Can't Say	Total
Respondents	173	34	18	225
% age	76.9	15.1	8.0	100

Table 1 presents that with the statement **I usually invest in tax saving mutual funds**, it is found that 76.9% of the respondents agree with this statement.

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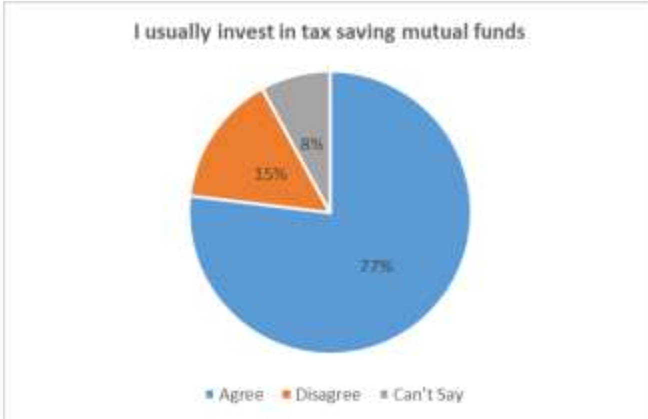

Figure 1 **I usually invest in tax saving mutual funds**

Table 2 I leave my tax saving planning on my financial advisor

Particulars	**Agree**	**Disagree**	**Can't Say**	**Total**
Respondents	165	37	23	225
% age	73.3	16.5	10.2	100

Table 2 presents that with the statement **I leave my tax saving planning on my financial advisor,** it is found that 73.3% of the respondents agree with this statement.

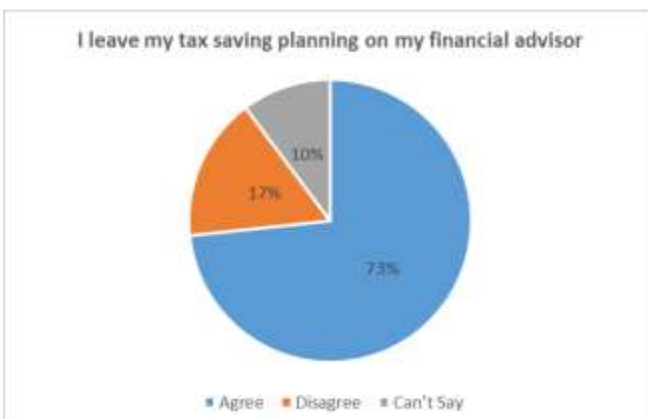

Figure 2 I leave my tax saving planning on my financial advisor

Table 3 I generally invest in life insurance policy to get safe return

Particulars	**Agree**	**Disagree**	**Can't Say**	**Total**
Respondents	184	31	10	225
% age	81.8	13.8	4.4	100

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Table 3 presents that with the statement **I generally invest in life insurance policy to get safe return,** it is found that 81.8% of the respondents agree with this statement.

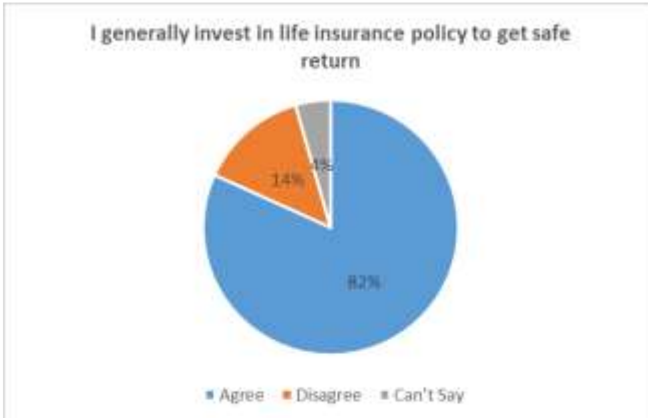

Figure 3 I generally invest in life insurance policy to get safe return.

Table 4 I start planning for my tax saving in the last quarter of financial year.

Particulars	Agree	Disagree	Can't Say	Total
Respondents	194	23	8	225
% age	86.2	10.2	3.6	100

Table 4 presents that with the statement **I start planning for my tax saving in the last quarter of financial year,** it is found that 86.2% of the respondents agree with this statement.

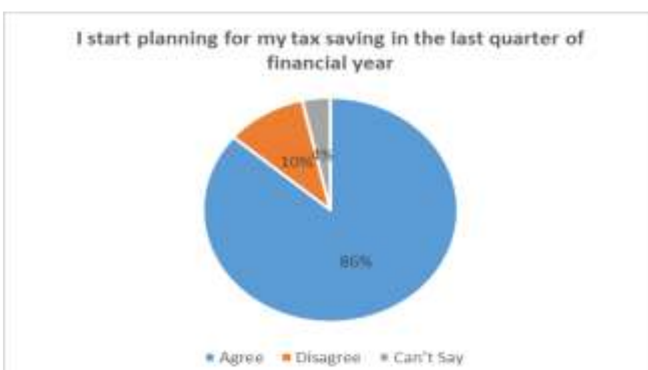

Figure 4 I start planning for my tax saving in the last quarter of financial year

Table 5 I do calculation of investment and cash in hand while doing tax saving

Particulars	Agree	Disagree	Can't Say	Total
Respondents	177	36	12	225
% age	78.7	16.0	5.3	100

Table 5 presents that with the statement **I do calculation of investment and cash in hand while doing tax saving,** it is found that 78.7% of the respondents agree with this statement. Considering all the responses of the statements, it was found that to a good percentage, the respondents have agreed that they do different tax planning in order to save their taxes.

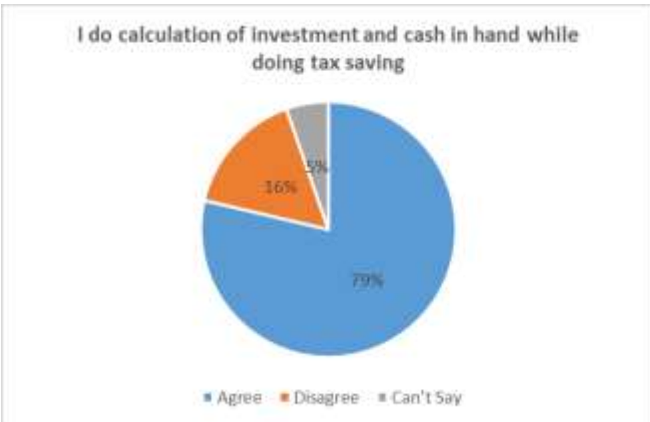

Figure 5 I do calculation of investment and cash in hand while doing tax saving

Conclusion

In conclusion, tax preparation is a crucial component of financial management for Indians who earn a living through a salary. Salary earners can reduce their tax obligations, maximise their savings, and meet their financial objectives by using the right tax planning tactics. Effective ways to lower tax liabilities include investing in tax-saving schemes, purchasing life insurance, and purchasing medical insurance. These are just a few of the many tax-saving options available to salaried individuals. Also, salaried individuals must be aware of tax laws and regulations in order to benefit from the tax breaks and exemptions provided by the Income Tax Act.To

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guarantee that the person's financial objectives are attained, tax planning strategies should be used in conjunction with overall financial planning. This implies that people should consider their long-term financial goals while making tax planning decisions. Tax planning should be seen as an ongoing process rather than an one event. In order to make sure their tax planning methods are still current and successful; people should frequently examine them. It is also crucial for people to seek the advice of tax experts and financial consultants to make sure they are abiding by tax rules and regulations and maximising the tax-saving alternatives available to them. In order to determine the best tax planning techniques for a person's financial objectives, income, and investments, financial counsellors and tax experts can also be of assistance. Using efficient tax planning techniques can assist salaried people in India reduce their tax obligations, maximise their savings, and reach their financial objectives. Indian salaried persons can make wise judgments and ensure their financial futures by investing in tax-saving plans, comprehending tax rules and regulations, and getting professional advice.

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