

A STUDY ON HABITS AND INVESTMENTS TRENDS OF SALARIED EMPLOYEE TOWARDS TAX PLANNING

Asst. Prof. Pavan Laxman Gaikwad

*Department of Commerce,
KAANMS Arts, Commerce and Science College, Satana*

Abstarct :

This research has studied the investment trend and habits of salary income tax payers in Satana city. How do employees invest salary income? Do they know about tax planning or not? Are they aware of the exemptions available for tax planning? The methods adopted by them to reduce the tax liability have been studied.



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➤ **Introduction:**

In India, the government collects revenue from the people through direct tax and indirect tax. Through this revenue, the government is able to provide various welfare, welfare and basic facilities to the society. In short, the government needs revenue to run the country smoothly. Income tax is seen as an important form of direct tax in India. Income tax is an annual tax and after the end of every financial year the taxpayer has to fill the income tax return and give it to the government. According to the government, there are five important sources of direct taxes. These include income from salary, income from house, income from business and profession, capital gains and income from other sources.

In order to reduce the tax on income and to make people accustomed to investment and savings, the government has given exemptions from income tax on various types of investments. Every salaried employee is trying to take advantage of this discount and also to reduce the tax liability, for that he needs to plan his income in a proper way to minimize his tax liability.

➤ **Objectives of the Research Study:**

1. To study the habits of people, investment trend for tax planning.
2. To study whether salaried employees do tax planning properly or not.
3. To understand the difficulties faced by employees for tax planning.
4. To inculcate the habit of savings among the employees and to study how these savings can be used to increase investment.

5. To understand the expectations of the employees regarding the tax rebate received from the government in order to increase investment.

➤ **Research Methodology:**

For this research, the researcher has collected primary data through questionnaire, observation and direct discussion with the employee. Also, secondary information has been collected with the help of reference books, newspapers and internet.

➤ **Hypothesis:**

1. “Employees earning income from salary are aware of tax planning.”
2. “There is an urgent need to increase the tax deduction limit to encourage investment”

➤ **Investment trends and Habits of Salaried Persons:**

Every tax payer strives to reduce the tax liability, for which under the provisions of the Income Tax Act (Section 80 C) an investment of Rs 1,50,000 is exempted from tax on the said income. For that taxpayers prefer to invest in PF,LIC,PPF,Mutual Fund etc.

Income from Salary Rs. In Lacs.	No of respondents	PF/DCPS	LIC	PPF
5 to 10	14	14	14	0
10 to 15	18	18	13	4
Above 15	19	19	16	3
Total	51	51	43	7

Table. No 01

From the above table no. 1, we can see that for tax planning, almost 100% of the employees out of 51 taxpayers are invested in provident fund and contributory pension. But in the case of government employees, since the reduction in contributory retirement pay is mandatory as per the government rules, it would not be fair to consider it as a disinvestment trend.

Similarly, out of 51 taxpayers, 84% of the employees' investment seems to be in LIC. But after discussion with most of the taxpayers, it was found that the purpose of their investment in LIC is not for tax planning but for security.

But the tax payer has invested money as an investment in PPF. But their number is very negligible, that is, about 14% of employees out of 51 tax payers have invested in PPF.

From the above analysis we can understand that the tendency of the taxpayer to invest for tax

planning is less. Why is the taxpayer less invest money as an investment? Why doesn't it try to reduce tax liability by investing in tax planning and getting tax exemptions? This is illustrated by the table no.2 as below.

Income from Salary Rs. In Lacs.	No. of respondents	80 C Limits	
		Below	Above
5 to 10	14	3	11
10 to 15	18	7	11
Above 15	19	0	19
Total	51	10	41

Table No. 02

From the above table, our target is those whose salary income is less than 15 lakhs. There are total 32 taxpayers out of which only 31% taxpayers are below the 80c limit while the remaining 69% taxpayers are seen to have invested more than the limit which means 69% taxpayers do not get tax rebate on their investments above the limit. Also, if we study all the taxpayers whose salary income is more than 15 lakhs, we find that out of 19 taxpayers, 100% employee investment limit is more than this limit and if we study all the taxpayers, we find that 80% of the 51 taxpayers are more than 80c limit. Taxpayers appear to be indifferent to get tax deductions by investing as they are more investors.

➤ **Recommendations:**

1. The tax administration needs to raise the 80 C threshold from Rs. 1,50,000 to at least Rs. 3,00,000 lakh to encourage more taxpayers to invest.
2. The number of concessions under 80 C should be increased.
3. The locking period of some investments under 80 C should be reduced.
4. Awareness should be created among the tax payers regarding the said exemptions.
5. Arrangements should be made to present tax payers' meetings or training programmes and convey the information about the concessions to them.

➤ **Conclusion:**

Not every taxpayer is aware of tax planning to reduce tax. But most of the taxpayers are aware of tax planning and they want to reduce their tax liability by systematic tax planning, but despite the huge increase in salary for the last few years, the investment limit for tax deductions has been kept the same. Does not show interest in investing to reduce tax liability.

References :

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