Working Professionals' Opinion on Tax Saving Plans

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Research attempts to investigate and analyze the awareness, familiarity, and utilization of tax-saving strategies among working professionals. Governments worldwide implement various tax-saving plans to alleviate the tax burden on individuals. Analyzing primary data from one hundred and twenty working professionals, this research assesses tax-saving schemes understanding and application. Initial findings reveal a significant awareness of tax-saving plans among respondents, yet a notable knowledge and implementation gap persists. Many participants express confusion regarding available plans and their benefits, suggesting a lack of financial literacy. The study, conducted through a questionnaire with one hundred and twenty respondents, aims to enhance public understanding of tax preparation's importance, promote financial literacy, and offer insights to policymakers, tax authorities, and financial institutions to refine tax-saving schemes. Ultimately, the research strives to optimize the efficacy of these initiatives, reducing individuals' tax burden and improving overall financial well-being.

Key Words: Tax Exemption, Tax planning, Savings Schemes, Employees.

INTRODUCTION

Tax, in the most basic terms, is a source of income for taxation. and income for the administration. The central government is authorized to levy taxes under the Indian Constitution.

The India tax law: Whenever we research any aspect of tariff. Several parts and provisions of the Income Tax Act will be encountered. But none of us really knows what it is or what makes it up to. This section explains the composition of certain essential elements of income tax legislation. It remains mandatory for the average person to understand it.

The Income Tax Act of 1961: In India, there is an income tax, collected, managed, and recovered by this Act. The Act is operative from April 1st, 1962. There are fourteen schedules and two hundred and ninety-eight sections. Determining taxable income, tax liability, penalties, and prosecution for taxpayers are made easier by this act.

1962 Income Tax Rules: The Rules pertaining to the Income Tax Act became operative on April 1st, 1962. The laws pertaining to income taxes may be altered by the Central Board of Direct Taxes (CBDT). The Income Tax Act's subdivision 10(13A) (1) conditions that a housing payment for rent is exempt up to a predetermined amount The income tax laws' Rule 2A explains how the limit will be calculated.

Financial Act: Every year, the Indian finance minister introduces a finance bill to make changes to direct or indirect taxes. All of these changes will be included in the Income Tax Act and put into effect on January 1st of the next fiscal year. Additionally, there are four components to the Finance Act.

Part 1 Outlines the income tax rates for various income categories throughout the course of a fiscal year.

Part 2, Details the TDS rate for the entire fiscal year.

Part 3, It is specified how the income tax rate will change in certain circumstances, such as how much income tax will be charged under the salary heading and how advance tax will be calculated regarding a specific fiscal year.

Part 4, There are criteria for calculating agricultural revenue that are described.

GOVERNMENT ANNOUNCEMENTS

The central government may publish notifications regarding certain provisions of the Income Tax Act besides the tariff Guidelines. The Ministry of Finance announces for exemptions, allowances, earned leave encashment, cost price increases for lasting capital gain, and exception for interest on securities.

i. **Income tax tariff**

   Each and every person owes income tax, which is calculated based on their taxable income for the given tax year. Within the definition of "person," we include the individual, the Hindu monogamous family, groups of persons, and bodies of persons.

ii. **Plan your taxes**

   Consider an investment that is subject to section 80C with regard to deductions for payments relating to it. LIC pension fund contributions or payments made under section 80 CCD to another document reinvestment allowed by Sections 54 and 54EC.

iii. Tax Evasion

A prohibited method of tax evasion involves concealing or misrepresenting income, inflating deductions without supporting documentation, or avoiding cash transactions.

iv. Tax Avoidance

Tax avoidance is an activity where we create innovative ways to evade paying taxes that are within the bounds of the law by unfairly exploiting a flaw in the tax laws. Using legal tax deductions to reduce costs and business bill. Or to make purchases for legal purposes.

v. Tax Planning

It implies that planning would be done in a method that the tax charge stands adequately controlled. Tax management aids in avoiding fines and interest payments. Performing an account audit., Implementing TDS, Submitting the return on schedule.

TAX-SAVING SCHEMES

Section 80C is a favourite and well-liked provision among taxpayers. The following investment opportunities are Section 80C tax deductible.

Table I Tax Saving Schemes Options

Investment options	Average Interest	Lock in period for	Risk factor
ELSS funds	12%-15%	3 years	High
NPS Scheme	8%-10%	Till 60 years of age	High
ULIP	8%-10%	5 years	Medium
Tax saving FD	7%-8%	5 years	Low
PPF	7.10%	5 years	Low
Senior citizen savings scheme	7.4%	5 years(can be extended for other 3 years	Low
National	6.8%	5 years	Low
Sukanya Samriddhi Yojana	8.4%	Till girl child reaches 21 years of age	Low
Source: **https://cleartax.in/s/80c-80-deduction**			

SUKANYA SAMRIDDHI YOJANA:

i. The minimum deposit in a fiscal year is Rs 250, and the maximum deposit is Rs 1.5 lakh.
ii. Up until the age of ten, a girl child's account may be opened.
iii. Authorized post offices and banks allow accounts to be opened.
iv. Withdrawals may be made in order to cover the account holder's higher education costs.
v. A girl child's account could be terminated early if she marries after turning 18.
vi. In India, the account can be moved between banks.
vii. The account will mature twenty-one years from the account opening date.
viii. Section 80-C permits deposit to be deducted.
ix. Section -10 states interest earned in SSY account is not taxable.

80C to 80U Section Tax Deductions for Tax Saving in India

i. 80CCC for funds contributed to annuity plans offered by LIC and other insurers in exchange for an annuity fund specified now in section 10 (23AAB)
ii. Under 80CCD1, an individual member may contribute a maximum of Rs 1.5 lacs to the NPS account.
iii. Under 80CCD2, the employer is permitted to fund the NPS account up to 10% of the employee's income.
iv. 80CCD (1B) further INR 50,000 payment to new NPS
v. Article 80D Maximum INR 25,000 for personal, spouse, and child medical insurance. Medical insurance for parents over 60, or a cap of INR 50,000 for parents without insurance starting in 2015–16.
vi. Article 80DD Medical care for a dependent who is disabled or funding for a designated programme to maintain a dependent who is disabled. Maximum INR 75,000 if ill health is 40% or higher but less than 80%. Maximum of 1,25,000 rupees for disabilities that exceed 80%
vii. Less than three are exempt. 10% of total revenue less rent paid, or 5000 per month, is 25% of total income. Section 80GG pertains to rent paid in cases where employee HRA is not received.
viii. An individual's contribution to a political party under Section 80GGC. This contribution is not accepted if it's made in cash.

ix. A savings account can earn up to 10,000 Indian rupees in interest, according to Section 80TTA (1).

x. 80TTB only older citizens are eligible for bank and post office interest exemptions, which are limited at INR 50,000.

In terms of personal finance, saving is the act of setting aside money for use later on, generally by making a deposit. the possibility of a higher return, safety, tax benefits, appreciation, rising prices, risk management, funds, consistent income, professional advice, and past experience, among others, can impact an investor's decision when choosing an investment when weighing risk versus return.

A person can lower their liabilities and start saving for the many goals they have set for themselves at various times of their lives by using appropriate tax planning. Salaried people are more concerned with long-term and short-term savings, tax preparation. Effective tax planning calls for considering one's finances and income even before generating any income.

Two things make up tax planning:

a) lowering the amount of taxes you have to pay on many categories of earnings you receive, such interest and income, among others.

b) Investing in assets that instantly reduce the amount of tax due on your income will reduce your tax obligation.

Salaried employees' primary concern when making investment decisions is to minimise their tax liability on income received. Most people generally get an insurance policy to take full advantage of deduction underneath section 80C, which has a highest possible range of Rs 1.5 lakh, without thinking about if it is appropriate for them, for example, in the event that the amount insured provided is sufficient toward pay obligations.

The British Empire first levied tariff in India dated July 31st, 1860, meant for a duration of five years, in the direction towards aid the administration overcoming its monetary challenges. With passage of a new law in 1867, trades and professions began paying a "License Tax" based on their yearly income. India has a sophisticated tax system with distinct divisions of power between the Central, State, and municipal governments.

CONSCIOUSNESS OF TAXES, PLANNING, AND WEALTH CREATION:

For any assesse, having a basic understanding of taxes is essential to effective tax preparation. Tax savvy is the ability to calculate one's total income tax payment to the government by being informed of current year tax regulations and principles.

The term "tax awareness" describes a person's familiarity with the provisions of income tax laws for individual assesses, such as exceptions, grants, assumptions from 80C to 80U, rate changes, rebates, education cess, penalties for absence of payment, tax deducted at source, and awareness of tax-saving techniques, advance payment taxes, interest charges.

If revenue exceeds the specific amount set forth by law, each individual assesse is required to pay tax. Tax planning is a forward-thinking process. The goal of assesses tax planning is to minimize tax payments. Avoiding paying taxes is against the law. Tax planning is a refined form of 'tax avoidance,' implying the prearrangement of a person's financial resources in such an approach that tax charge stays reduced. Tax planning results in the accumulation of wealth for the individual assesse in the form of various tax-saving investments.

Documents Required for Income Tax Return Filing

i. Forms 16A, 16B, and 16C Bank Account Information; PAN Card; Aadhaar Card; and Form 16 monthly Salary Slips
ii. Investment Proofs: Bank Statements/Passbooks (Deductions and investments that can be claimed under section 80C, 80D, 80E, 80TTA, etc.)
iii. Interest Income and Other Interest Certificates on Form 26AS
iv. Capital Gains from the Sale of Real Estate, Mutual Funds, and Stocks
v. Investment in Unlisted Shares Specifics
vi. Mortgage Statement
vii. Foreign Income/Dividend Income Rental Income

REVIEW OF LITERATURE

According to Kumar et al., (2022), Individual tax payers can plan ahead of time for their tax liability by using a tax saving instrument.

Khan and Zada (2021) research hopes to emphasize the value of financial planning and how it might assist teachers in meeting their financial obligations. Sravanthi and Anitha (2021) - The analysis revealed that majority of salaried workers believed the basic exemption ceiling should be raised and the tax rate should be decreased.

Shaikh and Shaikh (2020) - The results show that an individual can increase the amount of savings in their account with the help of a pay raise or more income. Dr. Sumesh G S (2020) People should be made more aware of the importance of consulting tax consultants and advisors for better, more accurate, and efficient planning.

Vyshak and Joobi (2020) - The majority of respondents have a positive attitude toward tax planning, and there is substantial evidence to suggest a link between gender and attitude toward adequate awareness of tax savings schemes.

The Public Provident Fund (PPF) was established with the goal of securing the retirement of workers in the unorganized sector and self-employed people. Ahamed and Bharmappa (2019)

Research study conveyed in article (Maguire 2019) found that there was a small degree of attentiveness of personal tax aids, attributed to things like not knowing that personal reliefs even existed. Tax planning is simply the effective distribution of earned money among various tax saving investments to maximize each individual assesses benefits. Kalgutkar, (2018)

Bhawar and Shirsath (2018) - The purpose of the paper is to raise awareness of the value of paying taxes as well as the tax payment options accessible to individuals under the Income Tax Act. Antos et al., (2015) – mentioned health reforms that aim to restrain spending growth while retaining access to high-quality medical care. Cramer and Schreur (2013) – Tax system facilitates substantial rewards for high-income earners. Especially for families with lower incomes and fewer resources. Manuri (2012) The results of the investigation will clarify why tax authorities don't plan taxes effectively.

NEED OF THE STUDY

Subject to a prearranged deadline, the government requires everyone who makes an assured sum of money annually towards filing a levy return. Government programs that support employment and other welfare initiatives are funded in part by tax revenue.

OBJECTIVES OF THE STUDY

i. To ascertain whether working professionals have a strong attitude about tax-saving schemes under Section 80C.
ii. To ascertain whether working professionals have a strong opinion regarding Section 80U tax-saving strategies.

iii. To ascertain whether tax planning and tax evasion among employed professionals differ statistically significantly.

DATA COLLECTION AND SAMPLING SIZE DETERMINATION

Primary data is collected through questionnaire which consists of 16 questions. Simple Random Research method has been adopted where the population is Infinite therefore the sampling size is calculated with the help of below formulae.

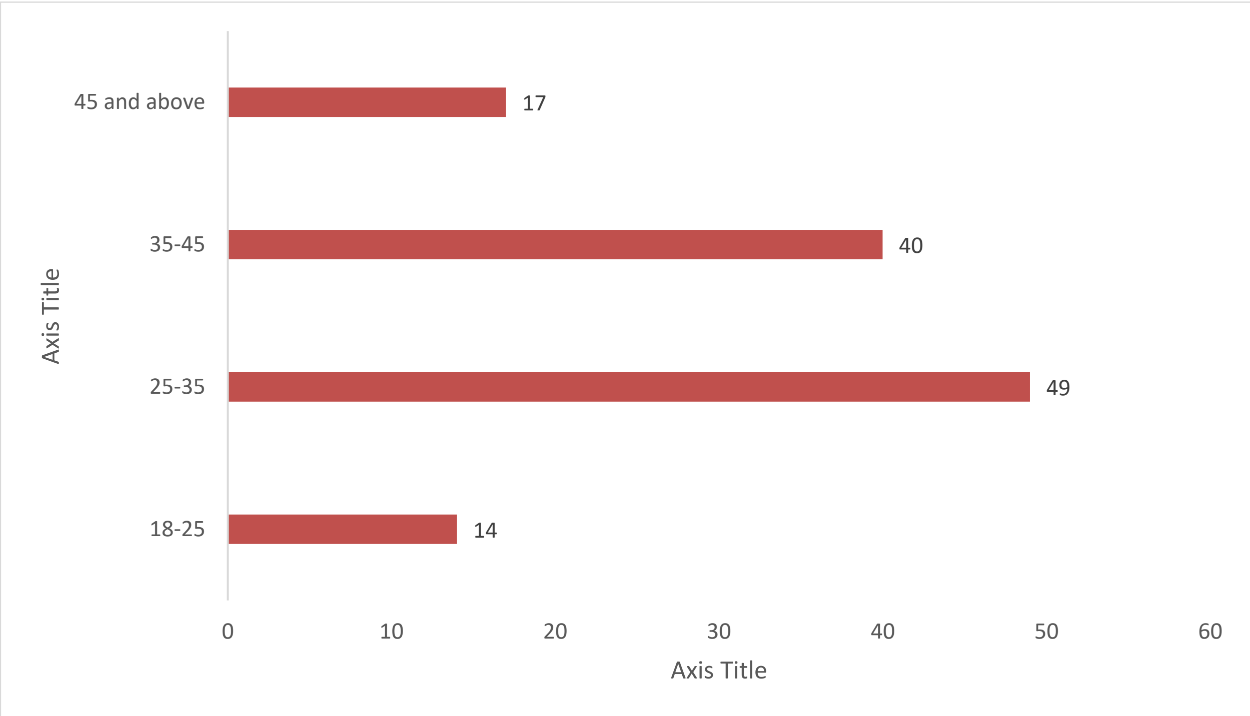
$$= \frac{Z\ (score)^2 * Standard\ deviation * (1 - Standard\ deviation)}{(margin\ of\ error)^2}$$

DATA ANALYSIS AND INTERPRETATION

Table II Descriptive Statistics

	Category	Frequency	Percent
Age	18-25	14	11.7
	25-35	49	40.8
	35-45	40	33.3
	45 and above	17	14.2
	Total	120	100.0
Gender	Male	84	70.0
	Female	36	30.0
	Total	120	100.0
Occupation	Private employee	98	81.7
	Government employee	9	7.5
	Self-employed	10	8.3
	Others	3	2.5
	Total	120	100.0

Dependents	1 member	19	15.8
	2 member	53	44.2
	3 member	26	21.7
	More than 3	22	18.3
Annual income	2-5 lakhs	7	5.8
	5-7 lakhs	31	25.8
	7-10 lakhs	49	40.8
	10 lakhs and above	33	27.5
	TOTAL	120	100.0
	Source – Spss Output		



Gender of the person the male category has a frequency of 84 and 70.0%. The female category has frequency of 36 and 30.0%. So, the total frequency of a both male and female is 120 and percentage is 100%.

The occupation of the employees as private employee which is frequency of 98 and government employee which has frequency of 9 and self-employed the frequency of 10.

Table III Respondents responses towards tax payment.

S.No	Variable	Yes		No	
		Frequency	Percent	Frequency	Percent
1	**Filing of tax every year**	118	98.3	2	1.7
2	Form 16	92	76.7	28	23.3
3	**Loans from any Bank**	111	92.5	9	7.5
4	Penalty from failing for returns	47	39.2	73	60.8
5	Charity for tax exemption	33	27.5	87	72.5
6	Self-filing or through consultant	65	54.2	55	45.8
7	Impact of budget provisions on tax liability	57	47.5	63	52.5
8	Tax consultant's timely reminds about tax obligation	58	48.3	62	51.7
9	Tax consultants provide various provisions with regard to tax submission.	56	46.7	64	53.3
Source – Spss Output					

The annual income from 2-5 lakhs has a frequency of 7 with 5.8% and 5-7 lakhs has a frequency of 31 with a 25.8%, 7-10 lakhs have a frequency of 49 with a percent of 40.8% and 10 lakhs and above has a frequency of 33 and 27.5%.

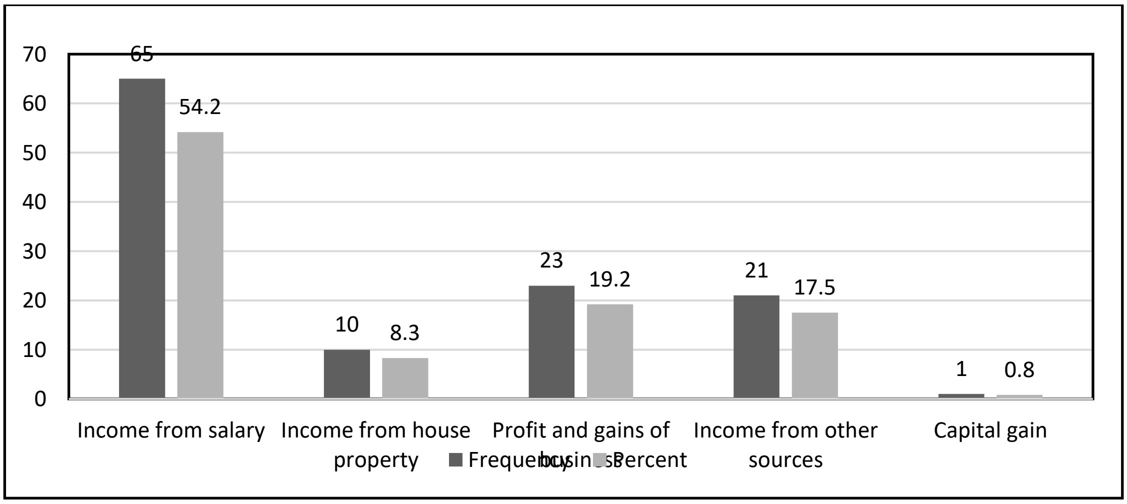


Figure I Heads of Income - Taxable

From the above Figure -II we know that how many respondents are under which heads of income their income is taxable. 65 employees have responded as income from salary, 10 respondents have income from house property, 23 responded from Profit & gains of business, 21 responded as income from other sources.

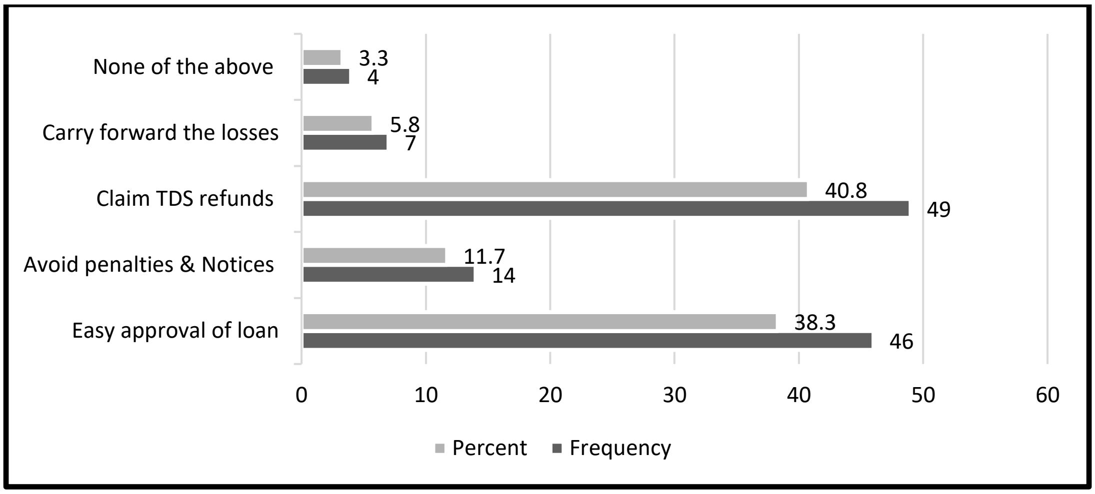


Figure II Benefits of payment of taxes

The key benefit of payment of taxes respondents have stated is first and foremost the benefit of claiming TDS refunds; secondly, approval of loans becomes easier.

Table IV Factors affecting filing of tax returns

S.No	Factor	Items	Yes	
			Frequency	Percent
1	Information about filing tax returns	Through tax department	33	27.5
		Through tax websites	51	42.5
		Through media	22	18.3
		Through friends	14	11.7
2	Sources Of Income	Rent	24	20.0
		Lease	7	5.8
		Interest received on securities	56	46.7

			Income from other sources	33	27.5
	3	Easy tax preparation strategy	NSC (national saving schemes)	64	53.3
			LIC	26	21.7
64			PPF (public provident fund)	24	20.0
			SSY (Sukanya Samriddhi Yojana)	6	5.0
	4	Refund after paying taxes	0	60	50.0
			1	35	29.2
			2	17	14.2
			More than 2 times	8	6.7
	Source – Spss Output				

employees have responded positively on NSC (National Saving Schemes) with a percentile of 53.3%, 26 respondents have responded LIC as their strategy with a 21.7%, 24 have chosen PPF (public provident fund) as their strategy with a percentage of 20.0 and lastly only 6 have responded positively on SSY (Sukanya Samriddhi Yojana) as their strategy with a percentage of 5.0.

FINDINGS

Most of the respondents fall under the salaried category and file the return before the due date every year. Besides, the study also observes there are people who take loans from banks due to insufficient finances. Changes in lifestyle, education fees, and past debt clearance might be a few reasons for an increase in borrowings from banks. In the early days there, the percentage of savings was higher; perhaps today the financial behavior of the people has completely changed, and there is found to be less scope for savings. Besides, the inflation rate has also risen over the years. On the other side, there is no increase in the real wages and salaries of the working professionals.

Many of them are getting information about filing taxes through websites, although the digital platform of social media is playing a key role in creating awareness for taxpayers. To get exempt from tax, payment to LIC, PPF, and National Saving Certificates is at the top of all other schemes. This indicates very few people know about the saving schemes and benefits offered by the government.

CONCLUSION

The current research paper has explored the opinion of working professionals towards selecting the tax options in terms of savings and filing returns; as such, the information can be extracted to understand which existing tax-saving schemes are most favored by the respondents. Perhaps the generalizations of the study may not be drawn due to the smaller sample size taken; there is future scope to further make the study broader. Further, the findings could help the policymakers and the individual to bring changes in the tax-saving schemes, adding new features and benefits.

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