

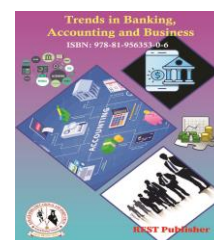


**Trends in Banking, Accounting and Business**

**Vol: 3(1), 2024**

**REST Publisher; ISBN: 978-81-956353-0-6**

**Website: <https://restpublisher.com/book-series/tbab/>**



## **A Study on Salaried Employee Financial Planning Tax Saving Tactics, of TVs Motor Company at Hosur**

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**Abstract:** *One of the government's main sources of necessary revenue is taxation. Being a citizen of India, paying tax is one of our constitutional duties in return of essential rights. But paying tax is always a painful task as it directly impacts on the residual income of the taxpayers. Tax can be reduced either by evasion or avoidance or tax planning. Tax evasion is illegal, tax avoidance is not a crime, but tax planning is ethical and legal. Tax planning is important for every assessment to reduce their tax liability and compliance with the income tax rules. Salaried assessment is no exception to this. Financial independence is a commonality across most of the salaried class people. One has to be proactive in taking steps towards this money independence. It is important for them to understand the spending and saving patterns. The research design used is descriptive in nature. The data collection instrument is primary data collected through questionnaires. Convenience sampling method has been used to gather the primary data from 110 employees from TVs Motor Company. The statistical tools used for Correlation between two variables with the use of SPSS. Their advantage is regularity in flow of funds and this characteristic can be used as a tool for systematic investment for achievement of financial milestones. This study focuses on the investment and savings pattern and behavior of employees of TVs Motor Company, Hosur. Also, this studies the investment avenues chosen by different age groups of employees in the company.*

**Keywords:** *Budgeting, avenues for investments, tax reductions, and compensation.*

### **1. INTRODUCTION**

Planning took on a dominant role in the modern era and will continue to do so with an ever-expanding horizon in the future. For the economic development of any country, planning has to be resorted to in order to distribute the economic resources evenly or on priority basis to better the economic position of the weaker sections of the society. For the proper implementation of the development programmes, a sound base of public finance has also to be built up which requires huge revenue and a major part of which is achieved through the collection of taxes. Raising public revenue through taxation is a popular policy of an economy and it does not entail any extra burden on the government as in the case of borrowings. Therefore, the modern taxpayer is 'in between the lines': whether he has to remain content after what is left by the taxing authorities or whether there is any scope for him to reduce the incidence of tax to the minimum possible extent. Tax planning may, therefore, be regarded as a method of intelligent application of expert knowledge while planning one's affairs with a view to securing the consciously provided tax benefits on the basis of national priorities in keeping with the legislative and judicial opinion.

### **2. OBJECTIVES OF THE STUDY**

The primary goal of the research is to determine the degree of employee income tax investment strategy. Analyze and research different descriptions of income tax deduction for salaried workers. Conduct research on income tax deduction for executive, managers, and union category employees. To comprehend and assess the tax planning deduction that the company's salaried class has chosen to use. To examine the hard copy and soft copy documentation needed for the income tax deduction. Researching the SAP (System Application Product) application to update the income tax deduction for employees. To examine how tax planning affects the assesses' investing and savings behaviors; these assesses are paid employees. To find out how well-informed the salaried class is about the several tax planning options provided by the Income Tax Act.

### 3. SCOPE OF THE STUDY

Taxation is seen as a complicated issue that has an impact on each income tax assessors' financial planning. The current study's focus is restricted to the tax planning strategies used by the company's salaried income tax assesses. Additionally, the study assesses the level of employee knowledge regarding tax laws and planning strategies. It also examines the saving and investing patterns, debt payback policies, and tax planning strategies that were used throughout the study period.

### 4. REVIEW OF LITERATURE

Yasaswy, has written a book on "Personal Investment and Tax Planning". Keeping in view, the importance of investment and tax planning investments, this book deals with pros and cons of various investments, tax implications on investments, impact of inflation, necessary information about the diversified investment portfolio, investment opportunities, safe investments and protective investment such as LIC etc. Ram Niwas Lakhotiahas has written on "Tax planning and investment planning for salaried employees". This book deals with different types of tax planning schemes and ideas that are relevant for the salaried employees. Another special feature of this book is that not only tax planning but also even comprehensive aspects relating to investment planning by the salaried employees are covered so as to give a lifetime beneficial ideas of tax planning. This book guarantees to save a substantial amount of income tax to assesses. C.S, Basavaraj (2014), The 'taxation' was born and shaped with civilization. The structure and complexity of the tax system have been developed along with the development of civil society. The sovereign authority of the Government to extract tax is the life of taxation, Governments' need for resources is its bargaining power and human instinct of reluctance to sacrifice money is the reason for its mandatory imposition. Keshab R. Bhattarai (2007) uses a multisectoral dynamic general equilibrium tax model with and without announcement effects for open and closed capital markets to evaluate efficiency gains and transitional effects from equal-yield tax reforms for seven different taxes in the UK economy. Impacts of an unanticipated tax reform on investment capital accumulation, output and employment are compared to those of anticipated tax reforms. Households, producers, traders, investors and the government are found to be more capable of adjusting their economic behavior when tax announcements are made in advance. Acharya Shuklendra has written a book on "Tax Planning under Direct Taxes" in 1885. This book deals with the Tax Planning for Salary Income, Tax Planning for Special deduction or Exemptions, Tax Planning for Investments, and Tax Planning for employees. The author has suggested, a large number of Tax planning measures that could be adopted by the salaried assessee.

### 5. DATA ANALYSIS

**TABLE 1.** Extent of awareness regarding various deduction under the income tax

S NO	PARTICULARS	NO OF RESPONDENTS	PERCENTAGE
1	Profession tax	7	6
2	Interest on housing loan	26	24
3	Insurance premium	26	24
4	Contribution to provide fund	16	14
5	Subscription to mutual fund	14	11
6	Fixed Deposits in scheduled Bank	21	21
	Total	110	100.0

#### INTERPRETATION:

A study of the employee's high degree of extent awareness revealed 24 percentages related to interest on housing loans, insurance premiums, 21 percentages of fixed deposits in scheduled banks, 14 percentages related to fund contributions, 11 percentages related to mutual fund subscriptions, and 6 percentages related to profession tax.

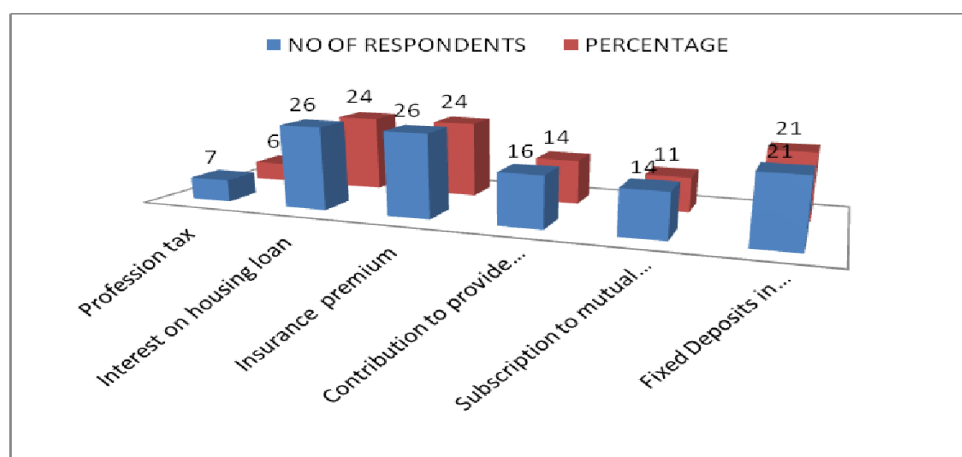


FIGURE 1

**CORRELATION**

correlation between service in completed years and repayment of liabilities under the following for the previous year.

TABLE 2

		SERVICE COMPLETED YEARS	REPAYMENT OF LIABILITIES UNDER THE FOLLOWING FOR THE PREVIOUS YEAR 2016-17
Service in completed Years	Pearson Correlation	1	0.108
	Sig. (2-tailed)		0.261
	N	110	110
Repayment of liabilities under the following for the previous year	Pearson Correlation	0.108	1
	Sig. (2-tailed)	0.261	
	N	110	110

**INTERPRETATION:**

From the above table it is interrelated that the significant value 0.108 which lies between 0 and +1. Hence the null hypothesis is rejected. Therefore, there is a positive relationship between the job allows to use skills and abilities to the maximum level and organization provide to develop my own abilities.

**6. FINDINGS**

2. 52 percentages of the respondents are in the age group of between 30 to 45 years
3. 73 percentages of the respondents are male.
4. 41 percentages of the respondents of service in completed are between 5 to 10 years.
5. 57 percentages of the respondents are place of residence of employees staying urban area.
6. 47 percentages of the respondents are status of union employees.
7. 48 percentages of the respondents are employee's annual income for the previous year between Rs.250000 to Rs.500000
8. 54 percentage of the respondents income in a year served by employees of 30% to 40% .
9. 50 percentage of the respondent's employee's repayment of liabilities is our housing loan for the previous year 2017-18.
10. 40 percentages of the respondents of employees annual saving for our bank.
11. 24 percentages of the respondents are extent awareness of the employee was observed in interest on housing loan
12. 52 percentages of the respondents of the employees planning measured adopted of Amount invested in PPF/LIP/UTI/M/PF.
13. 63 percentage of the respondents are plan formulation of the salaried employees; it was revealed of the respondents had formulated their tax plan beginning of the year.
14. 31 percentages of neutral of the employee's respondent's dissatisfaction of the employees seek the

- services of a professional financial adviser for making investment decision.
15. 31 percentages of employee's respondents of neutral employees think income tax rates in India are high.
  16. 26 percentages of employee's respondents of neutral employees agree with the idea of renationalization of tax rates.
  17. 32 percent of the respondents are neutral of the employees think bed that surcharge should be avoided.
  18. 34 percentage of the respondents are neutral of employees agree with enhancement of maximum limit for deduction u/s 80c.
  19. 33 percentages of the respondents are agreeing of the employees think filling of return is very complex.
  20. 32 percentages of the respondents are neutral of the employees think taxation procedure is complex and difficult to understand.
  21. 45 percentage of the respondents are neutral of the employees prefer uniform tax rate to progressive tax rate.
  22. 29 percentages of the respondents are neutral of the employees think that substitution of tax rebate u/s sec.88 by deduction u/s sec.80 is beneficial.

## 7. SUGGESTION

Suggestion made by the respondents for improving tax planning measures and taxation deduction procedures included tax rate should be lowered, nominal rates should be deducted from all employees at source, thereby avoiding the necessity for filling returns. tax liability should be minimized and total tax revenue to the govt. should be enhanced through widening the tax net, tax planning education should be provided and E-filing should be popularized. Suggestion were analyzed by using correlation was used to ascertain whether there is a significant relation between the ranking of suggestion given by respondents in the salaried employees. As far as the salaried assesseees are concerned, it was observed that their savings were up to 30 percent of annual income. There was no variation based on income. This implies that assesseees are consumption oriented (70 percent) and that is true even in the low income groups. This means tax planning measures through the investments route alone will not be sufficient. Providing an alternate channel which is supportive to present consumption or immediate consumption is recommended. Ensuring liquidity in tax planning would strengthen the tax process. Tax planning essentially depends on provision in the Finance Act and the Budget. Educating the masses of the provisions of the same and creating a wareness on availing the benefits is recommended.

## 8. CONCLUSION

Tax planning has a wider philosophy and is closely associated with what the salaried assessee earns and his propensity to consume. The gap between the same goes as saving and if that saving can relieve one from tax, the tax planning is effective. The whole process relates to viewing the Income Tax Act in term of revenue for the Government and fair disposable income for the assessee. We want a rationalized, simplified, operational tax system where an assessee is assessed but not feel exploited.

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