A STUDY ON FINANCIAL PLANNING FOR SALARIED EMPLOYEE AND STRATEGIES FOR TAX SAVINGS

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ABSTRACT

A financial plan is something that is created after considering current income, savings, expenses, future earnings, financial goals, insurance if any and a vision for future life. Then try to choose savings and investment options accordingly so that we can meet our long term and short term financial goals at various stages in your lives. Financial planning is important when it comes to tax savings. It is imperative for an individual as it helps in maintaining steady saving percentage even when the financial markets are constantly being played between inflation and fluctuation.

Tax planning is an essential part of financial planning. Effective Tax planning enables us to reduce our tax liability to the minimum. This is done by legitimately taking advantage of all tax exemptions, deductions rebates and allowances. For this research we have collected primary as well as secondary data in order to find out the financial planning and tax saving strategies for the salaried individuals.

Keywords: Financial Planning, Tax Planning, Tax Saving Instruments.

I. INTRODUCTION

A financial plan documents an individual's short term and long-term financial goals and includes a strategy to achieve them. It should reflect an individual's personal and family financial needs, investment risk, tolerance and plan for saving and investing. Financial planning is a process that a person goes through to find out where they are now (financially), determine where they want to be in future and what they are going to do to get there. Financial Planning provides direction and meaning to persons financial decisions. By viewing each financial decisions as part of the whole, one can consider its short- and long-term effects on their life goals. A tax saving is a reduction in the amount of taxes paid by an individual, business, or other taxpayers. It will always benefit you to have a plan that also considers and manages tax saving.

II. REVIEW OF LITERATURE

Any individual who want to assess his/her income tax and want to do tax planning and savings, first he/she has to calculate his/her total income then compute the income tax by deduction and adjustment in total income as per tax table structure. If tax is paid in advance, then get refund from the income tax department. And finally do the tax audit.

Savita and Lokesh Gautam (2013), Tax Planning: A study of Tax Saving Instruments, International Journal of Management and Social Sciences Research (IJMSSR), The paper studied the options for investments for tax savings, the object of the study was to find the most popular form of investment for tax savings. It was observed that investment by way of premium paid for life insurance policy, followed by provident fund contribution and fixed deposits savings were the most popular forms of investment. The other forms of investment followed. The paper also revealed that the savings for tax purpose was the maximum in age group 50-60 and least in age group 20-30. It also states that as income increase the investment for tax saving increases. If the income is between Rs.5 lakhs to Rs.10 lakhs investment is Rs.70,000 to Rs.90,000.
According to Vasagadekar (2014), due to poor level of awareness among working women they make poor portfolio investment decisions. The respondents in the study were financial illiterates.

Umamaheswari and Ashok kumar (2014), tried to explore the investment attitude of the salaried class towards investments and the results presented limited awareness about the investment avenues, hence suggests creation of awareness among the respondents.

The study conducted by Bharadwaj Sharma (2013), aimed at analyzing the investment behavior of the employees of Bahra University, Solan District. It was found that the teaching fraternity is mostly unaware about the investment opportunities in stock market and other financial securities and they preferred to invest in bank deposits.

Achar (2012), analyzed saving and investment behavior of teachers. The factors that determined the investment behavior of teaching community were age, gender, marital status, lifestyle, monthly family income, and family life cycle stage and upbringing status of individuals.

Geetha and Ramesh (2011), state that there are a lot of investment choices and one must select the most appropriate one. The person dealing with the planning must know all the various choices and how these can be chosen for attaining the overall adjectives.

Bhushan and Medury (2013), states that gender differences in investment behavior have been reported by various studies. Women are more conservative while investing and are unwilling to take risk.

GS Sumesh, Awareness and perceptions regarding tax planning options among salaried people (2020). To avail of these benefits, one should have good knowledge and awareness in both the Income Tax act and the annual finance budget of union ministry. Under this circumstance, an attempt is made to measure the level of awareness and perception towards tax planning schemes among salaried employees. For this study, responses are collected from salaried employees in Kottayam taluk and their responses are analyzed and presented by using different statistical tools to make a conclusion.

Kumar Manish, Study of tax saving instruments awareness and perception of individual assesses in Delhi, Faridabad, 2019. The purpose of the study is to learn about the factors effecting selection of tax saving instruments by individual assesses in Delhi. To assess the level of awareness an individual assesses has towards tax saving instruments available as per The Income tax laws. The study also tries to identify the most appropriate and prevalent tax saving instruments used by individual assesses to reduce their tax liability. The research will try to assess relation between the demographic profile of the individual and tax saving instruments adopted by them newline.

III. PROBLEM STATEMENT

Collection of income from direct taxes in India is considerably less when compared with collection of taxes in other country and indirect taxes within the country itself. In India number of people paying income tax is very less. What is the reason for this? Are there any loop holes in our laws and rules pertaining to income tax, tax payers use various methods to avoid and evade their income taxes? Some of the provisions are being misused by tax payers.

IV. OBJECTIVE OF THE STUDY

PRIMARY OBJECTIVE
1. To study on financial planning for salaried employee and strategies for tax savings.
2. To understand the saving -investment behavior of the salaried employees.

SECONDARY OBJECTIVES
1. To study the pattern of tax planning by salaried employee.
2. To study on the level of awareness of the salaried employee on various taxes planning measures available under the Income Tax Act.
3. To study the tax saving schemes of income tax.

V. SCOPE OF THE STUDY

The scope of tax planning for salaried employee evaluates the extent of awareness of employees on tax laws and tax planning measures. The savings habits, investment pattern, repayment of liabilities, tax planning measures adopted for the period under study.
VI. RESEARCH DESIGN

Type of research design: Descriptive research
Research equipment: Questionnaire
Sampling technique: Random sampling method
Sample size: 107 respondents
Sample design: Data has been presented with the help of bar graphs, pie charts, etc.
Sources of Data
Both the primary sources and secondary sources of data have been used to conduct the study
Primary source:
The primary data has collected for the study was through questionnaire.
Secondary source:
The secondary data refers to the information gathered by sources of already existing.
Websites, Books, Old projects, etc.

VII. DATA ANALYSIS AND INTERPRETATION

1. Age of the Respondents

Source: Primary Survey, 2022
We have taken 100 responses randomly from people. Responses are divided into four age groups, from where it was observed that the age group of 18-25 years were largely taken as sample size.

2. Employment details
Responses are divided into four employment sectors. It was observed that 55% of the responses are working in Private Sector. And it was also observed that very least amount of people are working in Government sector.

3. Sources of Income

![Source: Primary Survey, 2022
Responses are divided into five groups of sources of income. In this study we have observed that most of the people are salaried employee. It is observed that 74.4% of total responses, there source of income is salary/pension.

4. Income of Respondent

In this study responses are divided into 5 income groups. It was observed that most of the people have income below 2,50,000 pa. Out of 100 respondent 32% people have income less than Rs.2,50,000.

![Source: Primary Survey, 2022
Responses are divided into five groups of salaries. In this study we have observed that most of the people are salaried employee. It is observed that 74.4% of total responses, there source of income is salary/pension.
5. Filing Taxes and not Filing Taxes

Source: Primary Survey, 2022
Out of 100 respondents, 34.1% people are filing taxes. In this study, we observed that 28% of the responses manage taxable income within the threshold limit. And 24.4% respondents have income below the taxable limit.

6. Types of Financial Assets Owned

Source: Primary Survey, 2022
Out of 100 respondents, we observed that 52.6% people have fixed deposit as a financial asset. And 38.1% people invest in stocks/shares. 14.4% of the respondents have bonds, 22.7% have mutual funds.

7. Change of TDS/TCS rates and its Impact on Tax filing

Source: Primary Survey, 2022
Out of the responses, 32.9% will file returns if tax collected/deducted, yes, 51.2% will file returns if tax collected/deducted, no, and 15.9% will file returns if tax collected/deducted, it depends.
Out of 100 respondents, 51.2% people have said yes that they will file tax return if tax is collected/deducted. In this study, 32.9% people have said no, that they will not file tax return if tax is collected/deducted. And 15.9% people have said that it depends.

VIII. RESULTS AND FINDINGS

- The study reveals that majority (67%) of the respondents were from the age group of 18-25 years and most of them were from the male category (69%).
- From the annual income, it is found the middle class as well as upper middle class working employees were the target respondents.
- Fixed deposits are found to be the most preferred choice as financial asset, whereas other investment preferences include bonds, mutual funds, pension fund, stock/shares, and others.
- According to the results, an increase in salary or additional income/increments will help an individual to increase the size of their savings.
- The study also revealed that most of the salaried employees are not aware about the benefits of tax saving investments like ULIPs, NPS, and NSC. Life insurance, health insurance as well as PPF are the popular investment options.
- Most of the respondents prefer a regular return plan as a choice for their future. Other preferences include pension plan, multiple option plan and medical plan.
- From the study we found that 55% of respondent were from private sector, 20% respondents were self-employed, 22% were earnings from different other sectors and very least belongs to government sector.
- From this study we observed that only 34.1% respondents are filing for tax, 28% of respondent manage income within threshold limit, 24.4% are having income below taxable limit, for 7.3% respondents’ income is earned in the form of cash, and 6.1% respondents their income is not regular in nature.

IX. CONCLUSION

Tax saving is only a smart part of broad category called financial planning. There is more to a financial plan than what meets the eye. For a financial plan to be successful, it should have a proper investment plan that save taxes.

- There is differentiation in income tax act of 1961 among male and female both, residents of different geographic demographics are treated as equal.
- There are lot of individual income earners through form of salary but they are not are not large amount of income earners.
- People working in a organized sector pay would file income tax who’s income is being tacked as there salary or other income have been monitored through bank transaction and pan cards.
- But the mainly problem is with people working in unorganized sectors who earn income through form of cash,there earning be small or big in numbers but its been hard to track their income.
- About 60% of survey responded as earning income below rupees five lakh so its not fair to draw conclusion that, very smaller number of people file taxes, less the income of individuals less the number of people filing taxes.

X. REFERENCE

Websites
[1] https://www.cleartax.in

Books