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Tax Saving Strategies And Financial Planning For Salaried Employees

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Abstract: *This study explores tax-saving strategies and financial planning among salaried employees in India, finding moderate awareness of tax-saving options and a preference for investments in insurance, mutual funds, and post office schemes. The research highlights a need for improved financial literacy and advocates for educational reforms and government support to help employees manage taxes effectively and secure their financial future.*

Keywords: financial planning

I. INTRODUCTION

Effective personal finance involves managing income, budgeting, and avoiding overspending to secure long-term financial stability. Key strategies include prioritizing savings, investing wisely, understanding inflation, and utilizing tax-saving opportunities under the Indian Income Tax Act, such as sections 80C and 80D. The proposed tax slabs for 2024-25 maintain a nil tax rate for incomes up to ₹3 lakh, with higher exemptions for senior citizens. Both tax regimes impose surcharges on incomes over ₹50 lakh, along witha 4% education cess, highlighting the importance of proactive tax planning for financial management**.**

OBJECTIVES

- Evaluate staff members' understanding of tax-saving opportunities.
- To be aware of tax planning and financial literacy.
- Researching the 1961 Income Tax Act's savings plans.
- This study aims to inform salaried individuals about alternative tax plans and gather data on the several concepts they are aware of.

II. LITERATURE REVIEW

Kaldor's Second Five-Year Plan (1956) aimed to reform India's tax system by introducing measures like a general gift tax, wealth tax, and capital gains tax to increase revenue and reduce evasion. Subsequent studies, such as those by Amperajan (1961) and Boothalingam (1968), critiqued the corporate tax structure and suggested simplifications to enhance efficiency. Research by Agarwal (1971) and Suman (1974) indicated that the existing tax regime hindered corporate growth and investment. Later analyses highlighted issues with tax-saving options and the awareness of tax planning among salaried individuals, emphasizingthe need for better financial management to optimize tax liabilities.

Recent research highlights significant gaps in tax awareness among salaried individuals, particularly academics, as noted by Pallavilo and S. Anuradha (2017). Munger Alam (2017) stressed the necessity of tax awareness for effective financial planning, while K. Saravanan and K. Muthulakshmi (2017) examinedpopular tax-saving schemes. The studies collectively emphasize the importance of financial literacy in influencing investment choices and optimizing tax liabilities, underscoring that effective tax planning requires a solid understanding of available deductions and exemptions

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III. RESEARCH METHODOLOGY

Descriptive research was employed, and primary data is used.

PRIMARY DATA

The study primarily gathered data through a questionnaire, facilitating in-person interviews that provided essential insights. Additionally, secondary data was collected from various pre-existing sources, including books, websites, journals, and earlier projects. This combination of primary and secondary data enriched the study, offering a broader perspective and greater depth of understanding.

STATISTICAL TOOLS

Percentage analysis is a method used to compare and define relationships between multiple data series, making it easier to understand relative distributions. By expressing data as percentages, it highlights each dataset's contribution to the overall picture. The percentage is calculated using the formula: (Number of respondents / total sample) × 100, providing a consistent way to quantify and compare proportions across different datasets.

PERCENTAGE ANALYSIS:

GENDER

Group	Number of respondents	Percentages
Male	37	37%
Female	63	63%
Total	**100**	**100%**

KINDS OF SALARY

Category	Quantity of participants	Percentage
Monthly	69	69%
Annually	9	9%
Based on commission	3	3%
Based on performance	4	4%
Others	15	15%
Total	**100**	**100%**

INCOME

Group	Survey participants	Percentages
Less than 300000	41	41%
300000 – 500000	34	34%
500000 – 700000	10	10%
700000 – 1000000	8	8%
More than 1000000	7	7%
T0tal	**1oo**	**1oo%**

STEADINESS OF TAX PAYMENT

Group	Survey respondents	Percentages
1st time payer	68	68%
2nd to 5th time payer	15	15%
5th to 10th time payer	6	6%
Over 10 times payer	11	11%
Total	**100**	**100%**

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REVENUE STREAMS INCLUDE

Group	Quantity of participants	Percentage
Similar to last year	78	78%
Distinct from previous year	22	22%
Total	**100**	**100%**

PROFICIENCY WITH COMPUTATION OF TAX

Group	Count of respondents	Percentages
Low	33	33%
Moderate	53	53%
High	14	14%
T0tal	**1oo**	**1oo%**

COMPREHENSION OF TAX EXEMPT INCOME

Category	Respondent count	Percentages
Low	28	28%
Moderate	60	60%
High	12	12%
Aggregate	**100**	**100%**

RATES OF INCOME TAX ARE UNFAIR

Category	Number of Participants	Percentage
Agreed	35	35%
Neutral	53	53%
Not agreed	12	12%
Total	**100**	**100%**

LOW INCOME SHOULD BE LEVIED LESS TAX

Category	Number of participants	Percentage
Agreed	55	55%
Neutral	38	38%
Not agreed	7	7%
Total	**100**	**100%**

INVSTING AND SAVINGS ARE IMPACTED BY TAX RATES ON INCOME

Category	Number of Participants	percentage
Agreed	88	88%
Disagreed	12	12%
Total	**100**	**100**

PREFERRED INVESTMENT STRATEGY

Category	Number of participants	Percentage
Post office	19	19%
Insurance	17	17%
Mutual funds	27	27%
Securities market	14	14%
Time deposit	10	10%
Others	13	13%
Aggregate	**100**	**100%**

WILLINGNESS TO INVEST IN TAX SAVING SCHEMES

Groups	Number of participants	Percentage
Yes	88	88%
No	12	12%
Aggregate	**100**	**100%**

IV. DISSCUSSION AND RESULTS

The survey revealed key demographic insights, with 62% of participants identifying as female and 38% asmale. Most respondents (69%) received payments biweekly, indicating a preference for traditional wage work. Income distribution varied, with 41% earning below ₹300,000 and only 7% exceeding ₹1,000,000 annually. A significant portion (68%) were new taxpayers, yet only 14% demonstrated a strong understanding of tax computations. Regarding income tax, 35% viewed current rates as unfair, while 88%believed higher tax rates hinder savings and investments. Investment preferences showed mutual funds as the most popular choice at 27%, and a strong 88% of respondents expressed willingness to invest in tax- saving schemes, highlighting a proactive approach to financial planning.

SUGGESTIONS:

- Integrate financial education into secondary school curricula.
- Establish a national agency for investor education.
- Provide incentives for employers offering financial education programs.
- Expand retirement savings options and enhance NPS contributions.
- Implement targeted training for young adults on financial planning.

V. CONCLUSION

This research underscores the growing importance of effective tax planning in India as income levels rise and living standards improve. Governed by the Income Tax Act of 1961, tax planning allows individuals to leverage exemptions like those in Section 80C, which facilitates deductions for various investments. Proactive tax management not only helps minimize tax liabilities but also enhances financial well-being by enabling greater savings for investment and personal use. As taxpayers navigate higher income brackets, the need for strategic tax planning becomes increasingly vital for achieving long-term financial goals, including wealth accumulation and retirement. Ultimately, the study highlights the crucial role of tax planning in the financial strategies of Indian taxpayers, emphasizing its significance in a growing economy.

LIMITATIONS

Here are a few potential limitations about the project:

- **Sample Size and Representation:** The study utilized a sample of 100 respondents, which may not adequately represent the diverse population of salaried individuals across different regions and sectors in India. This limitation could affect the generalizability of the findings.
- **Self-Reported Data:** The reliance on self-reported data from surveys can introduce biases, asrespondents may lack accurate knowledge of their financial situations or may provide socially desirable responses instead of honest assessments regarding their understanding of tax planning and investmentpreferences.
- **Lack of Longitudinal Analysis:** The study provides a snapshot of attitudes and behaviors related to tax planning at a specific point in time. Without a longitudinal approach, it may miss changes in financial literacy and tax planning behavior over time, especially as economic conditions evolve.

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