Journal of Positive School Psychology http://journalppw.com
2022, Vol. 6, No. 8, 4193-4200

Tax Planning Through Tax Saving Instrument: A Study On Tax Assessee In Jaipur City

Dr. Harish Kumar[1] , Mr Dhruv Saxena[2] , Ms Saraswati Kumari[3] , Ms Anjali Suri[4]

[1,2,3,4]Assistant Professor, Jaipur National University.

ABSTRACT

The study reveals that individual assessee can plan in advanced their tax liability by adopting the tax saving instrument. Tax planning play an important role in our financial planning. Effective tax planning enable assessee to reduce, tax liability. This is done by taking the benefits of chapter vi A, including exemption, rebate and deduction, while ensuring that our investment are in line with their long term goals. The main objective of the study is to find out the most saving instrument and also find out the amount of tax saved by using the instrument. All the finding results that most used tax saving instrument is Housing loan which got the first rank in the study and second most used instrument is NSC.

Keywords: Tax Planning, Tax Saving Instrument, Assessee, Tax Liability and Tax Management.

INTRODUCTION: TAX

TAX In very simple words tax can be defined as the government revenue and income source. Collected money through this system is used for the development of country through various projects and schemes. The Constitution of India authorizes the central government to levy tax.

TAX LAW IN INDIA Whenever we study about any aspect of income tax. We will come across several section and provision under the income tax law. However, all of us have not a clear understanding of what is exactly and what is consists of. A brief structure of some important components of income tax law is explained here. It is compulsory for common man to know lt.

Table of Contents:

- Income tax act 1961.
- Income tax rules 1962.
- The finance act.
- Circular.

Income Tax Act 1961

this is an act to levy, collect, administer and recovers income tax in India. This act is effective from 1 April 1962.It consists of 298 section and 14 schedule. This act helps to determine taxpayer's taxable income, tax liability, penalties and prosecution. The central government has power in making amendments in act from time to time.

Income Tax Rule 1962

The rule of income tax act are effective from 1april 1962. The central board of directors' taxes (CBDT) has power for amendments in income tax rules. For example, income tax act section 10(13A) (1) states that house rent allowance can be exempted up to a specified limit. Rule 2A under income tax rules explain how this limit will be calculated.

The Finance Act

The finance minister of India presents a finance bill every year with a purpose to amendments in direct or indirect taxes. When both the houses of parliament pass the bill, it is compulsory to receives consent from President of India. By receiving consent from President of India it will become a finance act. All these amendments will be a part of income tax act and will be implemented from the 1day of next financial year.

In addition, the finance act consists of 4parts.

- Part 1 It specifies the rate of income tax for various income categories during a financial year.
- Part 2 It specifies the rate of TDS during the financial year.
- Part 3 It specifies the change in income tax rate in specific cases such as rate of income tax chargeable under salary head and rate for computing advance tax for a financial year.
- Part 4 It specifies the rules for calculating agricultural income.

Circular

For avoid confusion and make provision more effective CBDT issues circular time to time.

Government Notifications

The central government has power to issue notifications regarding various provision of income tax act and income tax rules. The ministry of finance issues these notifications for exemption, allowances, encashment of earned leave, cost inflation for long term capital gain and exemption regarding interest on security.

Levy of Income Tax

Income tax is a tax levied on taxable income of the financial year of every person. In person we include individual, Hindu undivided family, association of person, body of individual.

Assessee

Section 2(7) of income tax act defined assessees

a) A person from any amount is recoverable under income tax act such as tax, fine, penalty, interest etc.

b) A person who is liable to pay in respect of income or losses of another person.

c) A person who is deemed assessee under the provision of income tax act.

d) A person who is assessee in default under income tax act for example a person who is liable to deduct tax at source but he does not do such.

Tax Planning

Tax planning means minimize the tax liability by taking the benefits of the legitimate concession and exemption provided by income tax law. It involves the process of arranging gross total income in such a way that reduces the taxable income or tax liability.

For example, Investment under section 80C regarding deduction related with payment.

Under section 80 CCD contribution to LIC pension fund or other insurance policy.

Reinvestment under section 54,54EC.

Tax Evasion

This is an illegal way to avoid paying tax. Tax evasion shows hiding or misrepresenting income, inflating deduction without proof or not involved cash transaction or we can say that evasion is a part of fraud which is not legally permissible under taxing stature.

For example, Bogus expenses, under reporting of income, Inflating deduction without proof, Not reporting the cash transaction.

Tax Avoidance

Tax avoidance is an activity in which we take the unfair advantage of the shortcoming in tax rules by finding new way to avoid the payment of taxes, which are within the limit of law.

Tax avoidance can be done in such a way by adjusting the account, by which there will be no violation of tax rules.

Tax avoidance is lawful but, in some cases, it may be included in the category of crime. For example, 1) Adopting legitimate tax deduction to minimize expenses and business bill.

2) spending money for legitimate purpose by taking tax credit.

Tax Management

It means planning should be in such a way so that the tax obligation is managed properly. The objective of tax management is to fulfil the provision of income tax law and its allied rule. Tax management help in avoiding penalty like payment of interest. For example:

1) Auditing the account.
2) Adopting TDS.
3) Filling the return in time.

Difference Between Tax Planning and Tax Management.

- Major function of tax planning is to minimize tax liability while tax management relates with comply the provision of income tax law and its allied rules.
- Tax planning includes tax management while tax management relates with getting the account audited, deduction at source and filing the return at times.
- Tax planning has their relationship with future while tax management has relation with past present and future as past assessment proceeding, appeals and revision etc. Present filing the return at time, payment of advanced tax. Future To take relative action.
- Tax planning shows their effect in minimizing tax liability while tax management we can avoid from paying interest, penalty, Prosecution etc.
- Tax planning is voluntary while tax management is essential for assessee

Tax Saving Instruments

For financial year 2020-21, Assessment year 2021-22 few sections of income tax are selected for deduction limit which will help you in planning your tax.

Section 80C Maximum deduction under this section is 1.5 lacs. The following payment can be claimed under this section.

1) Life insurance premiums.
2) National saving certificate
3) Public provident fund
4) Employees provident fund
5) Children tuition fees
6) Equity linked saving scheme
7) Post office senior citizens saving scheme.
8) Principal payment of home loan.
9) National pension system
10) Sukanya samriddhi account deposit scheme.
    - 80CCC for amount deposited in annuity plan of LIC and any other insurer for a pension from a fund referred to in section 10(23AAB)
    - 80CCD1 Employee’s contribution to NPS account maximum up to 1.5 lacs.
    - 80CCD2 Employer’s contributions to NPS account maximum up to 10%of salary.
    - 80CCD(1B) Additional contribution to new NPS INR 50000
    - Section 80D Medical insurance for self, spouse and children maximum INR 25000. Medical insurance for parents more than 60 year or from 2015-16, uninsured parents maximum INR 50000.
    - Section 80DD Medical treatment for handicapped dependent or payment to specified scheme for maintenance of handicapped dependent . Disability is 40%or more but less than 80% maximum INR 75000. Disability is more than 80% maximum INR 125000.
    - Section 80DDB Medical expenditure on self or dependent relatives for disease specified in rule 11DD, For less than 60-year-old INR 75000. More than 60-year-old INR 125000.
    - Section 80E interest on education loan. Interest paid for a period of 8year.

- Section 80EE interest on home loan for first time homeowner INR 50000.
- Section 80GG for rent paid when HRA is not received from employee. Least out of 3 is exempted. Rent paid less 10% of total income, INR 5000 per month 25% of total income.
- Section 80GGC contribution by individual to political party. This contribution is allowed but if contribution in cash this will disallowed.
- Section 80TTA (1) interest income from saving account maximum up to INR 10000
- 80TTB Exemption of interest from bank, post office applicable only to senior citizens maximum up to INR 50000

REVIEW OF LITERATURE

- Kalgutkar, P. (2018) stated that how tax awareness and tax planning helps an individual assessees to build efficient portfolio of investment which in turn creates wealth to the them
- Gautam, L. (2013) established the relationship between various tax saving instruments and their effectiveness to attract maximum customers as the main instrument for tax saving.
- Khaoula, A., & Ali, Z. M. (2012) states that effective tax planning may effect the over all financial health of individual and corporate which can result increased rate of investment and economic growth of the country
- Kaushik, R. (2012) says that 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.
- Geetha, R., & Sekar, M. (2012), new technology gifted to tax payers for filing their income tax returns through online is e-filing.

RESEARCH METHDOLOGY

It is a way by which we can systematically solved the research problem. Research design in this study is descriptive nature because it shows the relationship between age group and income tax saving level for the period between 1st Jan 2021 to 31st Mar 2021, last quarter of financial year 2020-21.

Research methodology for present study is as below.

A) **Objective of the study**

- To study the tax planning of individual assessee.
- To study the tax saving instrument which are helpful in tax planning of individual assessee.

B) **Sample design**

The present study is based on grab cum quota random sampling. Three heads of income regarding occupation has been selected for sample and two sub occupation have been identified in Table 1

Table 1: Units of Sample

Heads	Occupation	Sample
Salary	Teachers	35
	R.T.O Employees	22
Business & Profession	Sole Proprietor	34

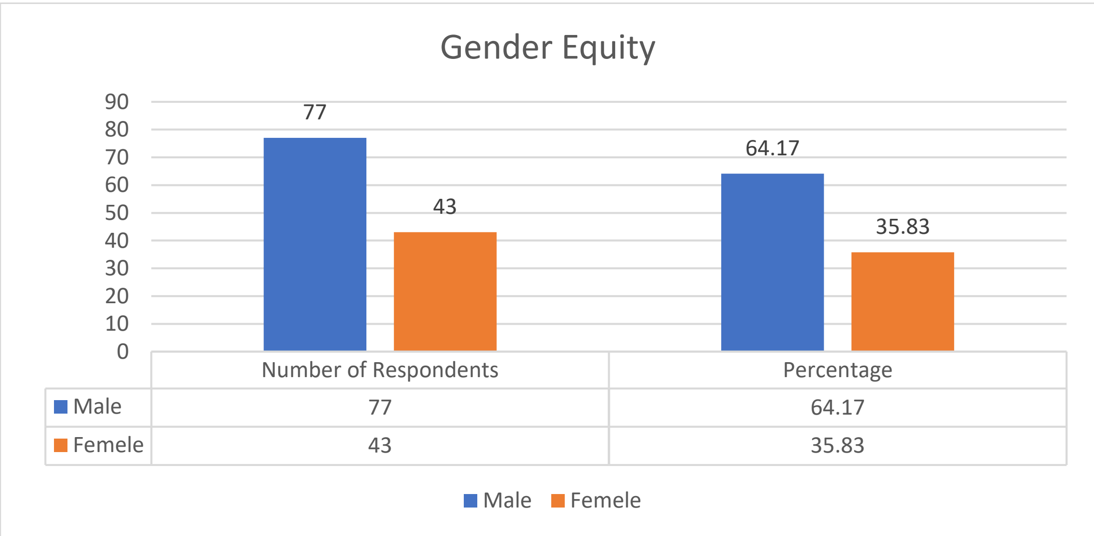
	Chartered Accountant	13
Others	Agents	16
	Total	**120**
Source: Based on Primary Data		

Different age groups person are included in present study with their various income group. The area of study is Jaipur city. Primary data are collected from 120person through personal interview, and we used questionnaire to gather accurate information.

On the basis of above-mentioned Table, No 1 five occupations selected from three main heads. The total sample size of respondents is 120, which constitutes 35 teachers, 22 RTO employees, 34 sole proprietors, 13 chartered accountants and 16 agents which includes business class, service class and other occupational classes

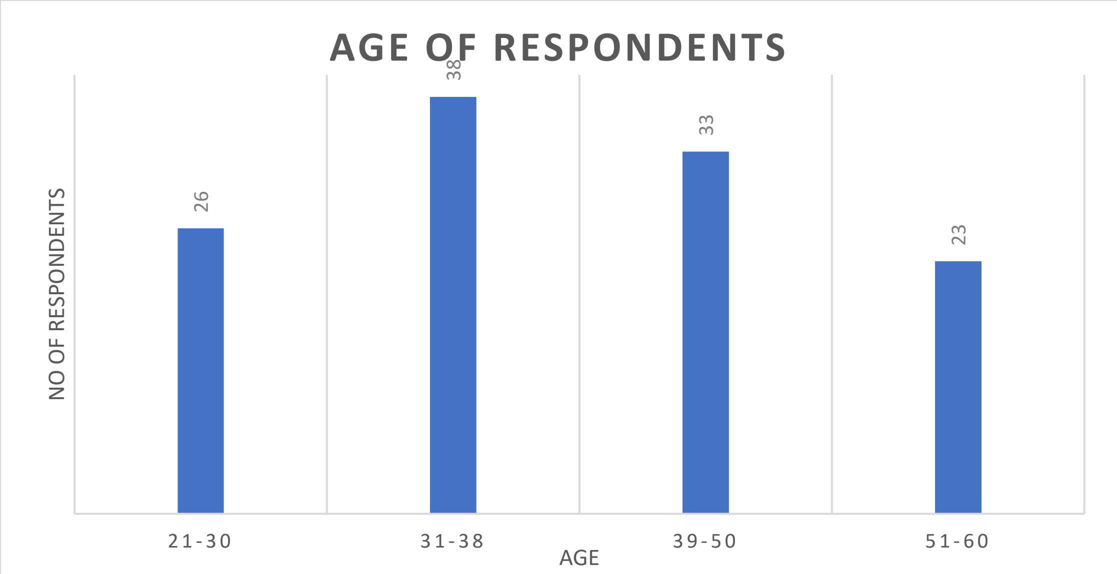
C) Analysis and Interpretation

Figure 1: Gender Equity of Respondents



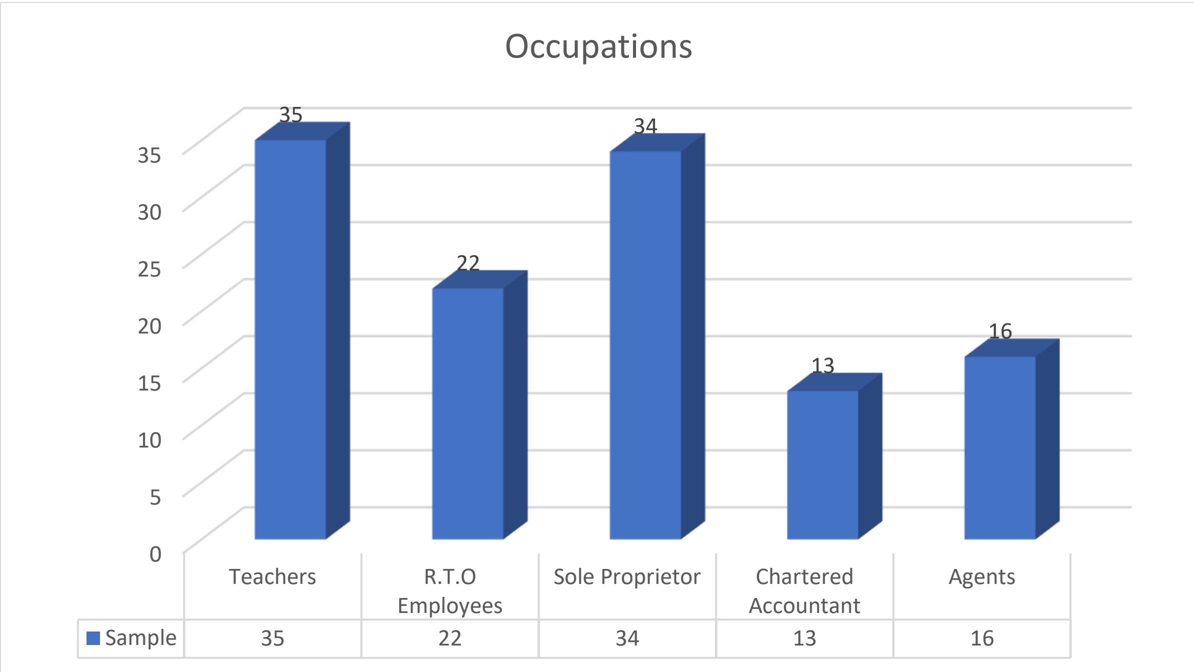
From total sample size of 120 there are 77 males & 43 female respondents. The percentage distribution of sample among male & female are 64.17% & 35.83% Respectively.

Figure 2: Age of Respondents



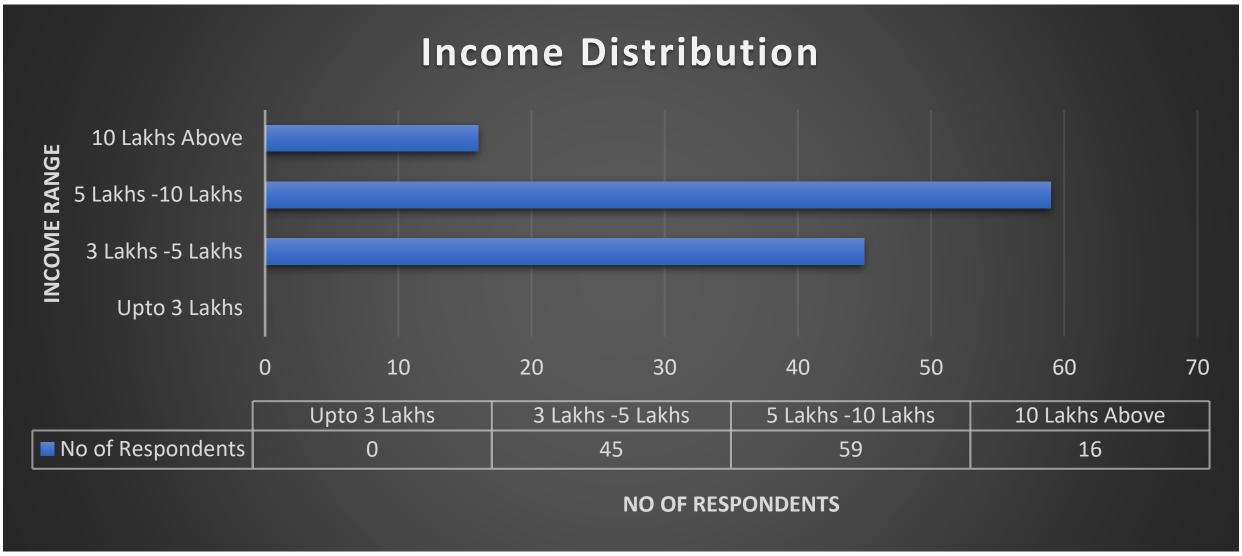
The respondent's age was distributed in five major groups where 26 respondents are from the age group of 21-30, 38 respondents are from age group of 31-38, 33 respondents are from age group of 39-50 and 23 respondents are from age group of 51-60 respectively.

Figure 3: Respondent's Occupation



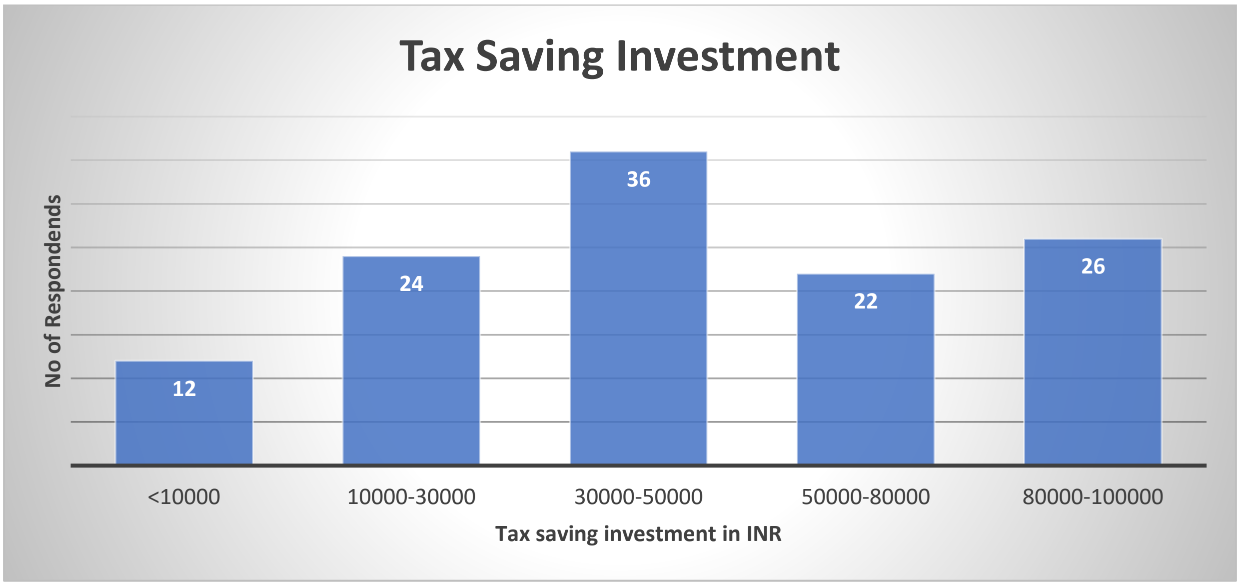
The total respondents are divided based on their occupation. Out of total 120 respondents 35 are teachers with maximum response followed by sole proprietor with 34, R.T.O. officials 22, Agents with 16 and chartered accountant with 13 respectively.

Figure 4: Income Distribution of Respondents



The number of respondents below up to INR 3 Lakhs are 0, between the incomes of INR 3 Lakhs - 5 Lakhs are 45, Between the incomes of INR 5 Lakhs – 10 Lakhs are 59 and the income more than INR 10 Lakhs are 16.

Figure 5: Amount Invested in Tax Saving Instruments



There are 12 respondents with less than INR 10,000 savings, 24 who saves between INR 10,000 to INR 30,000, 36 respondents who saves between INR 30,000 to INR 50,000, 22 who saves between INR 50,000 to INR 80,000 and 26 respondents who saves between INR 80,000 to INR 1,00,000

Table 2: Priority to tax saving instruments

Instruments Savings	Strong (5)	High (4)	Neutral (3)	Low (2)	Very Low (1)	Mean	Rank
Housing Loan	102	11	2	5	0	5.70	I
NSC	80	23	8	7	2	5.32	II

PPF/EPF	72	23	8	10	7	5.03	III
LIC	75	17	11	0	17	4.93	IV
Tuitions Fees	66	23	12	8	11	4.85	V
Fixed Deposits	60	20	13	17	10	4.63	VI
NPS	50	24	16	17	13	4.41	VII
Health Insurance	45	23	24	14	14	3.86	VIII
Donation	45	23	22	10	20	3.78	IX
ELSS	39	18	22	25	16	3.33	X

Source: Based on Primary Data

CONCLUSION

On the stucturtal analysis of above study, the respondents prioritised various tax saving instruments and ranked them accordingly. The most preffered tax saving instrument is Housing Loan which secured the first rank . Among the podium finisher in tax saving instruments priority National Saving Certificates secured second & Public Provident Fund/Employee Provident fund secured third place respectively. Any individual who wished to assess income tax and would prefer income tax planning and saving need to first accumulate the total income than compute the income tax by adjustment and deductions in total income tax as per tax table structure provided by the government. If tax is paid in excess than the individual is entitle to get the refund from income tax department.

REFRENCES:

- Kalgutkar, P. (2018). Tax awareness and tax planning on wealth creation of individual assessees. SJOM Journal of Management, 2(1), 11-23.
- Gautam, L. (2013). Income tax planning: A study of tax saving instruments. International Journal of Management and Social Sciences Research, 2(5), 83-91.
- Khaoula, A., & Ali, Z. M. (2012). The board of directors and the corporate tax planning: Empirical Evidence from Tunisia. International Journal of Accounting and Financial Reporting, 2(2), 142.
- Kaushik, R. (2012). Assessment of individual income tax, tax planning and saving in india. IJCEM.
- Geetha, R., & Sekar, M. (2012). E-Filing of Income Tax: Awareness and Satisfaction level of individual Tax payers in Coimbatore city, India. Research Journal of Management Sciences, 2319, 1171.
- Dr. Ahuja, Girish and Dr. Gupta, Ravi. (2007):“Systematic approach to Income Tax and Central Sales Tax” Book, Bharat Law House Pvt. Ltd.Publication, New Delhi.
- Lal, B.B and Vashisht, N. (2008): “Direct Taxes, Income Tax, Wealth Tax and Tax planning” Book, Pearson Education, New Delhi.
- Planning Commission, Government of India (2001):“Report of the Advisory Group on Tax Policy and Tax Administration for the Tenth Plan”, New Delhi.
- Chelliah, Raja J. and R. Kavita Rao (2001): “Rational Ways of Increasing Tax Revenues in India” presented in World Bank Conference Fiscal Policies to Accelerate Economic Growth, New Delhi, May 21-22.