A STUDY ON TAX PLANNING STRATEGY ADOPTED BY THE SALARIED EMPLOYEES

H.Naveen Kumar[1], G.Rajkumar[2]

[1]*II Year MBA Student, Gnanamani College of Technology (Autonomous), Namakkal.*
Email ID: naveenkumar96260@gmail.com

[2]*Assistant Professor, Department of Management Studies, Gnanamani College of Technology (Autonomous), Namakkal.*

Abstract—*The study of research purpose is to know the various strategy adopted by the salaried employees. Even though taxation is a major source of income for the government, many people do not fully understand how taxes work or why they are important. Some individuals and businesses try to avoid paying taxes, which reduces the government's ability to provide basic services like education, healthcare, and infrastructure. In addition, issues such as tax evasion, lack of proper tax education, and unfair tax systems can lead to low public trust and weak economic development. This study aims to explore these challenges and understand how taxation can be made more effective, fair, and better understood by the public. Taxation plays a key role in funding government activities and promoting national development. However, many citizens lack awareness of how the tax system works, which leads to confusion, non-compliance, and even resistance. Some people avoid paying taxes altogether, either intentionally or due to a poor understanding of their responsibilities. This study focuses on understanding the tax planning strategies used by salaried employees. It aims to explore how employees manage their income to reduce tax liability through legal means such as deductions, exemptions, and investment options. The study will cover employees from different income groups, job sectors, and age brackets to get a broad understanding of their tax saving habits and awareness. The research is limited to salaried individuals and does not include self employed persons or business owners. It will help highlight the level of tax knowledge among employees, the tools and methods they use for planning, and the effectiveness of their strategies. The findings can be useful for financial advisors, employers, and policymakers in designing better financial education programs and tools for employees.*

Keywords: Tax Planning Strategy, Unfair Tax Systems, Deductions, Exemptions, Investment Options.

INTRODUCTION

Tax planning strategy is the analysis of financial situation of an individual refers to the strategic and lawful management of one's financial affairs with the goal of minimizing tax liability. The main purpose tax planning is to ensure that all elements work together to allow you to pay the lowest taxes possible. Planning is deciding in advance of what to do and how to implementing a strategic tax plan. Each salaried employee should plan their tax according to their income. How salaried employees do their tax planning can understand their investment tendencies. A plan that minimizes how much you pay in taxes is referred to as tax efficient. Tax planning should be an essential part of an individual investor's financial plan. Every salaried employee should be aware of the allowances and exemptions provided by the government according to their income. Proper tax Planning helps to meet the life goals of an salaried employee through the proper management of finance.

Tax planning is a process that a person goes through to find out where they are now (financially), determine where they want to be in the future, and what will they do to achieve the desired goal. Tax planning provides the guidance and direction to the salaried employees. Through this research it is possible to understand how much salaried employees are aware about the allowances, exemption limit and investment schemes provided by the government. Tax planning is about choosing which investment scheme to invest into save tax for the employee. Advance tax planning can help increase the saving tendency of every employee.

STAEMENT OF THE PROBLEM:

The study of research purpose is to know the various strategy adopted by the salaried employees. Even though taxation is a major source of income for the government, many people do not fully understand how taxes work or why they are important. Some individuals and businesses try to avoid paying taxes, which reduces the government's ability to provide basic services like education, healthcare, and infrastructure.

In addition, issues such as tax evasion, lack of proper tax education, and unfair tax systems can lead to low public trust and weak economic development. This study aims to explore these challenges and understand how taxation can be made more effective, fair, and better understood by the public.

Taxation plays a key role in funding government activities and promoting national development. However, many citizens lack awareness of how the tax system works, which leads to confusion, non-compliance, and even resistance. Some people avoid paying taxes altogether, either intentionally or due to a poor understanding of their responsibilities.

This situation creates serious problems, such as reduced government revenue and limited funding for public services like healthcare, education, and infrastructure. Additionally, issues like complex tax laws, corruption, and poor enforcement make the system less effective. Therefore, it is important to examine the reasons behind these problems and find ways to improve tax awareness, compliance, and fairness in the system.

OBJECTIVES OF THE STUDY

PRIMARY OBJECTIVE

A STUDY ON TAX PLANNING STRATEGY ADOPTED BY THE SALARIED EMPLOYEES.

Secondary Objective:

- To study and compare the tax planning strategy adopted by the salaried employees.

- Determine the level of tax planning knowledge among employed persons with regard   to minimizing their tax obligations.

- To study the patterns of savings used by the salaried employees. • To compare the tax saving investment behavior and attitude of salaried employees.

- To understand how savings can be increased for the future using for the salaried employees.

- To assess differences in the tax planning measures adopted by different segments of employees based on level of income and type of organization.

- To ascertain the level of awareness of the employees on various tax planning measures available under the income tax Act.

- To find out the most suitable investment instrument for salaried investors.

- To gain knowledge about the various investment avenues keeping in mind the significance of tax saving.

SCOPE OF STUDY:

Taxation is considered as a complex matter affecting financial planning of each individual income tax payers. The scope of the present study is limited to tax planning strategy adopted by the salaried income tax assesses. The study also evaluates the extent of awareness of employees on the laws and tax planning measures. The saving habits, investment pattern, repayment of liabilities, tax planning measures adopted for the period under study and the level of awareness of employees on tax laws and tax planning measures will be studied and evaluated.

This study focuses on understanding the tax planning strategies used by salaried employees. It aims to explore how employees manage their income to reduce tax liability through legal means such as deductions, exemptions, and investment options. The study will cover employees from different income groups, job sectors, and age brackets to get a broad understanding of their tax saving habits and awareness.

The research is limited to salaried individuals and does not include self employed persons or business owners. It will help highlight the level of tax knowledge among employees, the tools and methods they use for planning, and the effectiveness

of their strategies. The findings can be useful for financial advisors, employers, and policymakers in designing better financial education programs and tools for employees.

LIMITATION OF STUDY:

- Lack of enthusiasm and hesitation of the respondents to provide information can affect the validity of the responses

- The information can be biased because the data was collect through questionnaire from the respondent.

- Participants may provide inaccurate or incomplete information about their tax planning strategies, either intentionally or unintentionally, leading to bias in the study results.

- The lack of knowledge of the respondents about the finance and income tax law can be a major limitation.

- The study was conducted for 3 months i.e. from 18th Jan 2024 to 18th March 2024. • The survey was conducted online digitally, hence there was lack of physical presence from both ends.

- Access to accurate and comprehensive data on individual tax planning strategies can be challenging due to privacy concerns and confidentiality regulations.

RESEARCH METHODOLOGY

Research methodology is mainly needed for the purpose of framing the research process and the designs and tools that are to be used for the project purpose. Research methodology helps to find the various strategy adopted by the salaried employees to reduce the tax liability. This time research methodology is framed for the purpose of finding the patterns of savings used by the salaried employees. To know the tax saving investment behaviour and attitude of salaried employees the data is collected through a structured questionnaire.

This study is descriptive in nature and aims to understand the tax planning strategies followed by salaried employees. To collect data, both primary and secondary sources were used. Primary data was gathered through a structured questionnaire distributed to salaried individuals from different sectors, such as private companies, government services, education, and IT. Secondary data was collected from books, research articles, tax reports, and official websites to support the analysis. A convenience sampling method was used to select participants, making it easier to reach willing respondents. The sample size was limited to a manageable number to ensure detailed analysis. The responses were analyzed using simple tools like percentages and tables to identify patterns, preferences, and levels of awareness in tax planning. The study was conducted within a specific geographic area to keep it focused and relevant.

RESEARCH METHODOLOGY

Descriptive Research

Design Descriptive research is a study designed to depict the participants in an accurate way. More simply put, descriptive research is all about describing people who take part in the study.

SOURCES OF DATA:

In this research, internal and external source of data are used. Collected raw materials through facts and figure of researcher's works. Collecting data from company records and document, these are all internal data and other data are external.

Primary Data:

It is a source of collecting data by first-hand information through observation, direct communication or personal interviews of respondent's those who are salaried employees and pay tax to the government. This questionnaire is used for conducting personal interviews for collecting the data for research.

Secondary Data:

It is collected from standard books, internal sources, magazines and newspapers and also collecting data from external and internal sources from the company additional profile and company internal website.

SAMPLE SIZE:

The sample size for this research project is 160

Sample Design:

It is a particular definite plan formulation before collecting the data from population. The research should select a particular sample. In sampling, there are 2 types- probability sampling and non-probability sampling. In this research, only non- probability sampling is used.

SAMPLING TECHNIQUE:

Convenience sampling method

A convenience sample is one of the main types of non-probability sampling methods. A convenience sample is made up of people who are easy to reach.

For this study, the **convenience sampling** technique was used to select participants. This method was chosen because it allows easy access to respondents who are available and willing to take part in the research. Salaried employees from various sectors, such as private companies, government institutions, education, and IT, were approached for their responses. The goal was to gather diverse opinions and understand different tax planning strategies used by individuals in different job roles and income levels. This non-random method made it possible to collect data within a limited time and with available resources, making the study practical and manageable.

In this study, I have used a **convenience sampling technique**. This means I selected salaried employees who were easily available and willing to participate in the survey. The sample includes employees from different sectors such as private, government, and semi-government. This method was chosen due to time constraints and ease of data collection. It helped me gather quick responses and understand the tax planning strategies followed by various salaried individuals.

For this study, I used a **simple random sampling technique**. This method was chosen to ensure that every salaried employee in the selected population had an equal chance of being included in the sample. By using this technique, I was able to collect unbiased and fair data from employees working in different sectors such as private, public, and government organizations. This helped me understand the different tax planning strategies adopted by them in a more accurate and reliable way.

AREA OF THE STUDY:

The targeted people are salaried employees who are paying tax to the government

HYPOTHESIS:

REGRESSION

The table shows that the relationship between annual income of the respondents and heads of income.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.254[a]	.065	.059	.891

a. Predictors: (Constant), HEADS OF INCOME

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	8.654	1	8.654	10.910	.001[a]
Residual	125.321	158	.793		
Total	133.975	159			

a. Predictors: (Constant), HEADS OF INCOME

b. Dependent Variable: ANNUAL INCOME OF THE RESPONDENTS

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.527	.156		16.183	.000
HEADS OF INCOME	.407	.123	.254	3.303	.001

a. Dependent Variable: ANNUAL INCOME OF THE RESPONDENTS

Result

This is a positive regression. There are relationships between annual income of the respondents and heads of income

CORRELATION

The table shows that the relationship between frequently engage in tax planning activities and tax planning strategy utilize for savings.

Correlations

		Frequently engage in tax planning activities	Tax planning strategy utilize for savings
Frequently engage in tax planning activities	Pearson correlation	1	.890**
	Sig. (2-tailed)		.000
	N	160	160
Tax planning strategy utilize for savings	Pearson correlation	.890**	1
	Sig. (2-tailed)	.000	
	N	160	160

**. Correlation is significant at the 0.01 level (2-tailed

Non Parametric Correlation

		Frequently engage in tax planning activities	Tax planning strategy utilize for savings
Kendall's tau_b	Frequently engage in tax planning activities	Correlation coefficient	1.000	.923**
	Sig. (2-tailed)	.	.000
	N	160	160

Tax planning strategy Correlation utilize for savings coefficient	.923**	1.000
Sig. (2-tailed)		. 160
N	.000	

		160	
Spearman's rho	Frequently engage in Correlation tax planning activities coefficient	1.000	.964**
	Sig. (2-tailed) N	.	.000
		160	160
	Tax planning strategy Correlation utilize for savings coefficient	.964**	1.000
	Sig. (2-tailed) N	.000	.
		160	160

**. Correlation is significant at the 0.01 level (2-tailed).

Result

This is a positive correlation. There are relationships between frequently engage in tax planning activities and tax planning strategy utilize for savings.

FINDINGS

- Majority 54.4% of the respondents are male.
- Majority 35 % of the respondents belong to the age group of 30-40 category.
- Majority 65 % of the respondents belongs to married.
- Majority 36.9% of the respondents belong to the Income level of 10 15 lakhs category.
- Majority 33.75% of the respondents belong to the category of Software professionals. ▪ Majority 50.6% of the respondents belong to the Government sector category.
- Majority 94.4% of the respondents belong to the Income from salary category.
- Majority 38.7% of the respondents belong to the annually category.
- Majority 32.6% of the respondents belong to the category of Tax loss harvesting.
- Majority 73.12% of the respondents prefer tax saving can be add to your income belong to strongly agree category.
- Majority 72.5% of the respondents prefer tax planning is an important part of investment planning belongs to strongly agree category.
- Majority 71.87% of the respondents prefer tax savings is a key part of financial planning belongs to strongly agree category.
- Majority 68.12% of the respondents prefer tax should be simple and easy to understand belong to strongly agree category.
- Majority 63.12% of the respondents prefer pay less tax and earn more belong to strongly agree category.
- Majority 61.87% of the respondents prefer save tax and earn more be a prudent investor belong to strongly agree category.
- Majority 62.5% of the respondents prefer save income tax and cover medical expenses belong to strongly agree category.
- Majority 96.25% of the respondents preferred to invest in life insurance.
- Majority 90.62% of the respondents prefer to invest in Mutual funds.
- Majority 80% of the respondents prefer to invest in SPF/PPF/RPF.
- Majority 80.62% of the respondents prefer to invest in national pension scheme.
- Majority 93.12% of the respondents prefer to invest in tax saver deposits.
- Majority 96.25% of the respondents prefer to invest in medical insurance.
- Majority 81.25% of the respondents prefer to invest in housing loan.

- Majority 85.62% of the respondents prefer to invest in donations.
- Majority 76.25% of the respondents strongly agreed to invest in life insurance.
- Majority 68.75% of the respondents strongly agreed to invest in Mutual funds.
- Majority 60% of the respondents strongly agreed to invest in SPF/PPF/RPF.
- Majority 61.25% of the respondents strongly agreed to invest in National pension scheme.
- Majority 71.25% of the respondents strongly agreed to invest in Tax saver deposits.
- Majority 76.25% of the respondents strongly agreed to invest in Medical insurance.
- Majority 62.5% of the respondents strongly agreed to invest in Housing loan.
- Majority 65% of the respondents strongly agreed to invest in Donations.
- Majority 45% of the respondents belong to the financial goal category.
- Majority 73.8% of the respondents belong to the very effective category.

SUGGESTIONS

The employees should frequently engage in tax planning activities. The complete knowledge about Income tax law and various tax free instruments like SPF/PPF/RPF, National pension scheme, Insurance and Mutual funds will help in reducing tax liability and maximize savings. The employees should cut down all the unnecessary expenses and start savings as early as possible. At least 10% of your salary should be saved every month. Talking to a professional in case of any queries. To improve tax planning among salaried employees, it is important to increase their awareness about the various legal ways to reduce tax liability. Employers and government bodies should provide clear and simple information through workshops, seminars, or online tools to help employees understand tax-saving options. Encouraging employees to plan their taxes early in the financial year can lead to better investment choices and maximize benefits. Access to professional financial advice can also guide employees in selecting the best tax-saving instruments suited to their income and needs. Additionally, employees should be reminded to maintain proper documentation of their investments and expenses to claim deductions smoothly. Staying updated with changes in tax laws during annual budgets is essential for effective planning. Overall, promoting ethical tax planning and integrating it with long-term financial goals can help salaried individuals manage their taxes efficiently while securing their financial future.

CONCLUSION

This study discussed the diverse tax planning strategies adopted by salaried employees to minimize their tax burdens.Tax planning is necessary for every salaried employees.Every salaried employee can effectively reduce their tax burden and maximize their savings by understanding the various deductions and exemptions available and utilizing tax-saving investment. The employees are willing to learn about various instrument which help in reducing the tax liability.The tax planning strategy plays an vital role in bending the tax rules and not breaking it.The employees can make the smart move by planning in advance for the financial year.Talking to a professional in case of any queries.

In conclusion, tax planning is an essential part of financial management for salaried employees, helping them reduce their tax burden legally and save more effectively. This study shows that while many employees are aware of basic tax-saving methods, there is still a need for greater understanding and use of various tax planning strategies. Improving awareness through education and easy access to financial advice can empower employees to make informed decisions. Proper tax planning not only benefits individuals by increasing their savings but also supports the government by ensuring timely and fair tax payments. Therefore, adopting the right tax planning strategies is important for both personal financial growth and the overall economic health of the country.

BIBLIOGRAPHY

R.Yuvaraj (2022) has conducted research on a a study on financial planning for salaried employees and strategies for tax savings.

Mudholkar Gajanan Panditrao (2014) has conducted research on a critical study of income tax planning and management of employees.

N.O. Anitha (2012) has conducted research on a study on tax planning for salaried employees and strategies for tax saving scheme.

Patcha Bhujanga rao(2023) has conducted research on a study on tax planning strategies among the salaried people.

Blessy A.Varghese,(2019) has conducted research on a study on tax planning measures adopted by salaried class with special reference to chengannur.

Siddhaarth Dhongde, Vilas Epper (2020), "Tax Saving Investment Strategies among Salaried Individuals in Aurangabad City," Vol 4, Issue 10, pages 113 115.

Savita, Lokesh Gautam (2013), "Income Tax Planning: A Study of Tax Saving Instruments," Vol 2, No.5, pages 83-85

*****