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A STUDY ON USE OF TAX SAVING INSTRUMENTS BY INDIVIDUALS FOR TAX PLANNING WITH REFERENCE TO ULHASNAGAR CITY

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Abstract

Investment is a trading of a given present value for an unknown future gain. Investing is always fascinating, difficult, and rewarding. Investment entails selecting the appropriate instruments / schemes with the goal of maximizing returns. Individuals' risk-taking capabilities influence the type of instrument/investment they choose. To examine technologies that can help individuals save money on their taxes. By doing this, they may plan ahead for the timing of their tax-saving strategy. An essential part of our financial planning is tax preparation. We can reduce our tax liability by filing our taxes effectively. This is achieved by legitimately collecting any tax breaks, Chapter VIA deductions, rebates, and allowances while making sure that your assets are in line with their long-term goals. This study aims to identify tax-saving programmes' knowledge among individual assessees and their preference for tax-saving plans in Ulhasnagar City.Overall results indicate that the Provident Fund, which obtained the highest rating in this survey, is the most often used tax-saving tool, followed by life insurance policies, investments in NSC, and interest income.

Keywords - Tax Planning , Tax saving instruments, Investment

I. Introduction

Individuals are required to pay tax to the government, and there is no "quid pro quo." Everyone is obligated to pay income tax in accordance with the provisions of the Income Tax Act of 1961, as defined in Section 2(7).

There are two categories of taxes: direct tax and indirect tax. Direct taxes are those in which the same person bears both the burden and the imposition of the tax. For instance, wealth taxes, income taxes, and so forth.

A tax in which the burden and imposition of tax is placed on a separate person, such as Goods and Services Tax - GST, Value Added Tax, Service Tax, and so on

The allocation of financial resources to diverse assets that are anticipated to provide a gain or positive return over a specific time period is known as investing. An investor's primary goal can be to maximize capital gains, maintain regular returns, or reduce tax obligations, among other things. It is the commitment of money that has been set aside from current spending in the anticipation of future rewards. Return, risk, and time are an investment's three fundamental components. There are two investment alternatives available to investors. They can invest in physical assets like land, buildings, and gold as well as financial assets like shares, debentures, government bonds, mutual funds, bank deposits, post office savings plans, life insurance plans,

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and Provident and Chit Funds. The Total taxable income of an Individual assessee comprises five heads of income. It includes Income from salary, Income from house property, income from business or profession, capital gain & Income from other sources.

The amount of income earned determines how much tax is required to be paid. One can reduce our tax obligation with effective tax planning. Making investments with the objective of reducing tax burden and maximizing return on investment is known as tax planning. Therefore, tax planning involves selecting the appropriate tax-saving instruments for investing additional revenue or savings. For maximizing tax benefits, some of the most significant tax-saving alternatives, methods, and strategies accessible to individuals are outlined below:

Sr. No.	Tax Saving Instruments	Section
1	**Investment /Payments made for :-** Life insurance premium Equity Linked Saving Schemes Principal sum of a home loan, Provident Fund / Public Provident Fund SSY, NSC, SCSS etc.	80 C
2	Payment made towards pension plans & mutual funds	80CCC
3	Interest income from fixed deposits, recurring deposits, or interest income from corporate bonds.	Section 80TTA
4	Interest From Deposits Held by Senior Citizens	Section 80 TTB
5	Payment made towards Health Insurance or Mediclaim	Section 80 D

Deductions under Section 80 C - Only individuals or HUFs are eligible for a section 80C deduction, which has an upper limit of 1,50,000 rupees and is only applicable when the assessee has actually made the payment.

Payment made towards pension plans & mutual funds :- Under Section 80CCC of the Income Tax Act of 1961, individuals who contribute to certain pension schemes with life insurance can receive annual deductions of up to Rs. 1,50,000. However, it's worth noting that there are limits on the deduction imposed by Section 80C.

Section 80TTA - If you have savings account deposits in a post office, bank, or cooperative society, you can claim deductions on them under Section 80TTA of the Income Tax Act. However, the exemption amount you can seek is limited to Rs.10,000 or less.

Section 80 TTB - From the gross total income, a deduction of Rs 50,000 or the income amount, whichever is lower, is allowed.Income can be defined here as any combination of the following:

1. Interest on fixed or savings bank deposits

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2. Deposit interest earned at cooperative societies that are in the banking sector, such as cooperative land mortgage banks or cooperative land development banks
3. Interest on post office deposits

Section 80 D - Only taxpayers in the Individual or HUF category are entitled to a tax credit for medical expenses incurred by senior patients as well as for themselves and their families' health insurance payments. The insurance premium payments made for parents with dependent children and a spouse may be used by taxpayers who are individuals or HUFs.Section 80D allows for a deduction of Rs 25,000 every fiscal year. Seniors are only allowed to deduct up to Rs 50,000.Preventive checkups are deducted from the deduction for premiums paid up to a maximum of Rs 5,000.

II. Review of Literature

Bindabel and Hamza (2021) [1] state that the study's primary goal was to determine the association between the financial orientation and saving and investment practises of the working Saudi Arabian women attending institutions there. The concept of orientation towards finance (ORTOFIN) describes how someone approaches effectively managing financial operations.

Neha Agarwal (2020) [2] claims that tax planning is an essential part of our financial strategy. The study's main objective is to gain a better understanding of tax planning awareness and accessible solutions.

Arora and Garg (2019) [3] try to comprehend how teachers in higher education feel and are aware of the many tax-saving resources available to them in this study. The lecturers are well-versed in the various exemptions, credits, and refunds provided by the Indian Income Tax Act. They select investment options that offer substantial returns, low risk, and full tax benefits.

In accordance with Kalgutkar, P. (2018), [4]tax planning and knowledge help a person create a successful investment portfolio, which in turn produces wealth for them.

Research was done by Ahammad and Lakshmanna in 2017 [5] on the various investment possibilities accessible as well as the factors that salaried workers should take into consideration when choosing investment instruments. Even though people were well aware of their possibilities, the poll indicated that the most common investments were in land, bank accounts, and chits. The survey also found that the most important factors in construction were safety and liquidity.

III. Research Objectives

1. To Understand tax planning of individual assessee.
2. To study about the preferences and use of tax-saving instruments by individual assessee.
3. To identify the most effective tax-saving tool and to assess the amount of tax that can be saved by adopting it.

IV. Research Methodology

The research methodology defines the research framework for the current study. The section explains the sample size and the procedure for selecting participants for the study. The investigation relied on primary data sources, and the equipment's reliability was assessed to

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determine its suitability.

4.1 Sources of Data Collection

4.1.1 **Primary Data:-** The current study is an empirical survey that employs a questionnaire to gather data. It utilizes a convenience sampling approach, which is a non-probability sampling technique, to select a sample of 100 individuals assessed in Ulhasnagar City.

4.1.2 **Secondary Data:-**To provide context for the study and analyze existing research in the field, secondary sources such as scientific journals, working papers, books, and other published and unpublished reports and knowledge areas were utilized.

4.2 Selection of the Field:- The study has been undertaken in Ulhasnagar City..

4.3 Sample Design:- In this study, a sample of 100 individuals, including both males and females, was randomly selected using the Systematic Random Sampling method. This technique guarantees that each element has an equal and independent probability of being selected. The study uses a restricted sampling approach or sampling without replacement to obtain samples.

4.4 Tools used for Data Collection: - Simple statistical techniques such as tables, bar graphs, and charts were used to analyze the data**.**

V. Data Analysis and Interpretation

Age			**Gender**		
Particulars	**No. of Respondents**	**%**	**Particulars**	**No. of Respondents**	**%**
21 - 30 Year	15	**15.00**	Male	**54**	**54.00**
31 - 40 Year	31	**31.00**	Female	**46**	**46.00**
41 - 50 Year	35	**35.00**	**Total**	**100**	**100.00%**
50 & Above	19	**19.00**	**Income of Individual Assessee**		
Total	**100**	**100.00%**			
Occupation			**Particulars**	**No. of Respondents**	**%**
Particulars	**No. of Respondents**	**%**	0 - 2,50,000	3	**3.00**

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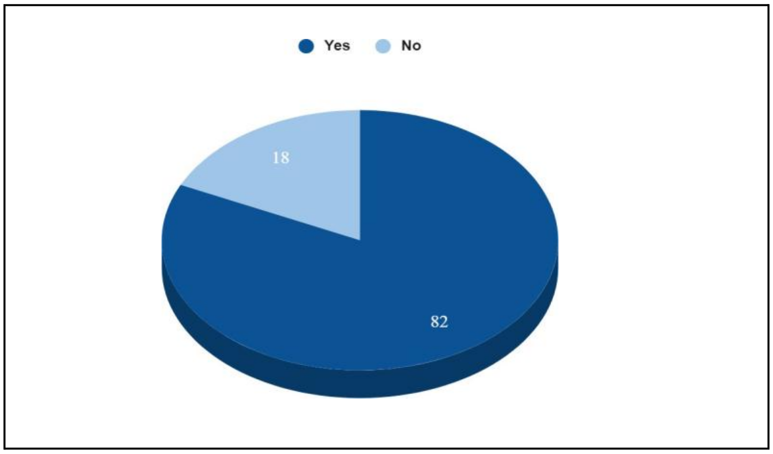
Business	**25**	**25.00**	2,50,000 - 5,00,000	15	**15.00**
Professionals	**38**	**38.00**	5,00,000 - 7,50,000	46	**46.00**
Employed	**31**	**31.00**	7,50,000 - 10,00,000	24	**24.00**
Other	**16**	**16.00**	10,00,000 & above	12	**12.00**
Total	**100**	**100.00%**	**Total**	**100**	**100.00%**

Table No. 1 - Status of Respondents

Interpretation – The respondents' status is shown in Table 1. The majority of responders (54% of whom are men) are between the ages of 41 and 50. In addition, 38% of respondents are professionals, with the majority earning between Rs. 5,00,000 and Rs. 7,50,000 annually.



Q.1 Are you aware of various tax saving instruments ?

Figure Number 1 - Awareness of Tax Saving Instruments

Interpretation:- As shown in Figure No. 1, 82 percent of total respondents are aware about the various tax saving instruments.

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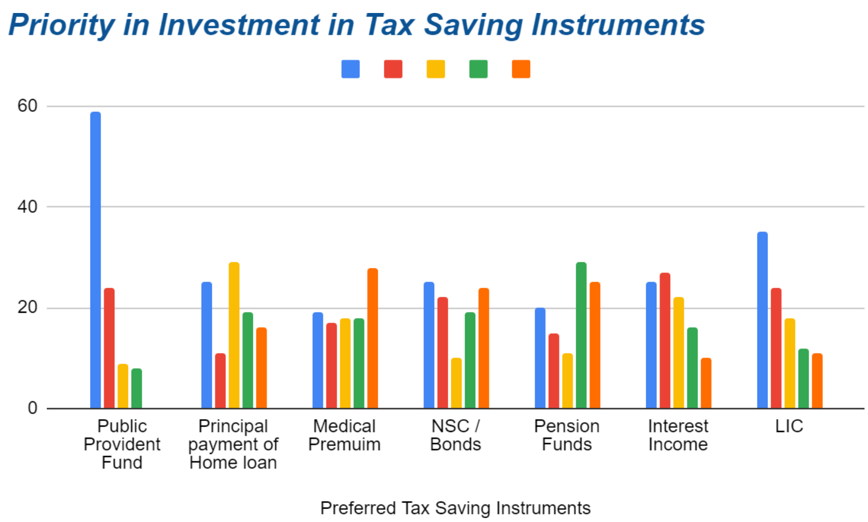


Q.2 Select the approximate amount of investment in tax saving instruments?

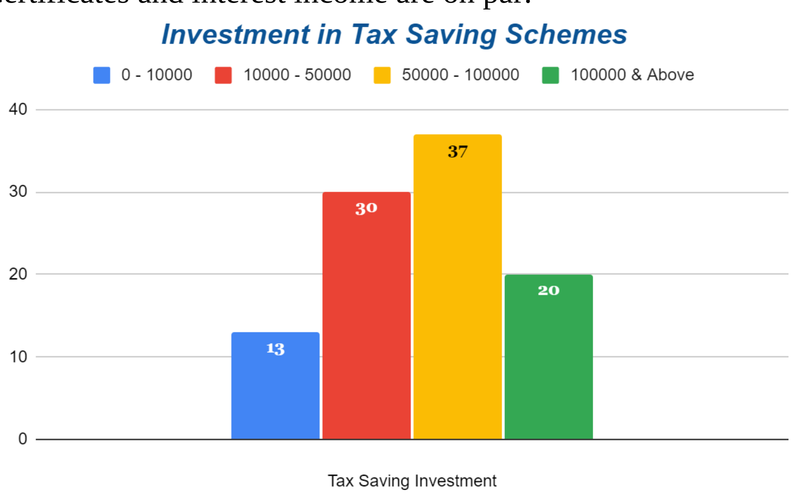
Figure Number 2 - Amount of Investment in Tax saving instruments

Interpretation: As indicated in Figure 2, 37 percent of individual assessee invest in tax saving instruments around 50,000 - 1,00,000 of their net income every year followed by 30% of individuals investing 10,000 - 50,000 amount.

Q.3 Rate the tax saving instrument on the basis of priority in investment. (Rate on scale of 1 - 5 where 1 is minimum and 5 is maximum)

Figure Number 3 - Priority in Tax Saving instrument selection

Interpretation: According to Figure 3, respondents acquired public provident funds as the most favored instrument, followed by life insurance premium investment. Principal repayment of a mortgage is also thought to be a superior alternative for tax savings. Investment in National Saving Certificates and interest income are on par.



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5.1 Findings

- The majority of respondents (54%) are males between the ages of 41 and 50.
- 38% of respondents are professionals, while 31% are salaried workers. Few people fall within the 'others' group.
- 46% of respondents have incomes ranging from 500,000 to 750,000, with the remaining 24% having incomes ranging from 750,000 to 100,000.
- 82% of respondents are aware of the numerous tax-saving tools.
- 37% of respondents invest up to Rs. 1,000,000 of their entire income in order to save and benefit from tax breaks.
- According to the report, the most favored tax saving mechanism is public provident fund, followed by investments in LIC, NSC, bonds, and so on.
- **Recommendations & Suggestions**

According to the findings of the study, respondents have invested a large portion of their money in provident funds and life insurance plans based on the primary priority element of safety. Respondents believe they invest their money resources well. Assessee can plan to invest in various other tax saving instruments if proper guidance is given considering the various factors affecting investment preference.

VI. Conclusion

This analysis shows that the best approach to take deductions is through investing in tax-saving tools. When it comes to tax-saving investments, many people like provident funds and life insurance policies over bank deposits. The study unequivocally demonstrates that an individual's tax filing strategy is directly related to their wealth and age. If a person's tax obligation is smaller, they can have more money available for investing and saving. The tax system of the nation has a significant impact on saving by encouraging people to invest in a variety of opportunities.

Planning is required at the beginning of the fiscal year to ensure that the advantages of using financial and tax-saving tools outweigh the disadvantages. Planning your taxes has many more benefits than merely lowering your taxes. Utilising the right tax-saving tool is part of smart portfolio management. As a result, you must choose wisely if you want to avoid the last-minute scramble for tax savings.

- **Limitations of the Study**

1. This study makes use of both primary and secondary data sources. These sources contain a number of restrictions that are critical to our inquiry.
2. This study has a sample size of only 100 students.
3. This study is predicated on the assumption that there is no responder bias.
4. Because the study focuses solely on individual assessees in Ulhasnagar City, the findings may differ if the same study is conducted in a different geographic region. As a result, the findings of the same study in different geographical regions may differ.

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