

PERSPECTIVES OF INDIVIDUAL TAXPAYERS ON TAX- PREPARATION STRATEGIES

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Abstract

Tax preparation legitimately reduces your tax load. Nearly 200 similar provisions are included into the law. Tax avoidance includes aggressively decreasing your tax by lying or not disclosing income. This may lead to criminal charges. When the law is ambiguous, a plan may not be legal. Thus, two major turns occur. Despite being evasion and avoidance, artificial tax avoidance has been dealt differently. Since it appears improbable, any effects revealed throughout a plan would likely be opposed as manufactured tax avoidance. Also discussed are fictitious plans. It appears complex for your experiment. Tax benefits don't match firm activities. A nation's secrecy is unjustified financially. Incorrect tax-exempt enterprises, restricted drugs, and benefits reserves. It incorporates tax-reduction measures. Money circles back to its origins. Tax planning involves securing credits to be reimbursed with future earnings. Plan advertising subsidizes. The research uses multiple measures to analyze tax payers' views on tax preparation tactics.

Keywords: Tax awareness, Perception, Tax Evasion

Introduction

The primary responsibility of the government is to advance society. Charges constitute a substantial source of revenue for any administration among other sources of assets. Taxes are sometimes imposed by the government as a requirement on its residents. The legal procedure of setting up your affairs to reduce a tax burden is called tax planning. There are more than 200 such clauses that are expressly included in legislation. The act of unlawfully lowering your tax, such as by misrepresenting data or failing to disclose income, is known as tax evasion. Serious repercussions are possible, including an action, for this. When the legislation is murky, it might be difficult to determine if a plan is legal or not. There have been two important advancements as a result. To lawfully lower their tax liability, the assessee must keep in mind numerous tax-saving strategies and tax-planning techniques. We have seen a substitute strategy for fake tax evasion, which stands between the two. The best way to put it was as follows: "Artificial avoidance schemes are those that create economic distortions, provide commercial advantages over complaint taxpayers, redistribute tax revenues in an unfair or arbitrary manner, or represent an abuse that conflicts with or defeats the need of Parliament." This was probably the previous Paymaster General's best definition of it. These are required to be declared and carefully evaluated to determine their legality. Despite the fact that they are present, it is probable that they will be included in future Finance Acts, sometimes with retroactive effect.

Tax Planning

To adapt financial goals with regard to tax efficiency planning, it is legitimate to examine financial circumstances or plans from a tax viewpoint. The goal of tax planning is to find the best method for completing all of the opposing elements of a financial statement in the most tax-effective manner imaginable. By restricting liabilities, tax planning along these lines enables the opposing components of a Financial Statement to communicate even more effectively.

Statement of Problem

The issue facing tax payers is how to lawfully reduce their tax burden. By using the tax preparation strategies, they will save on taxes. However, many tax payers are unaware of the tax planning strategies that are offered. Ironically, the organizations in charge of tax savings plans haven't even tried to get taxpayers to embrace their programs. It goes without saying that the Assesses should be made aware of the characteristics of the numerous Tax Saving Schemes that are offered with Tax relief. The benefit of paying taxes as opposed to investing in taxes or tax-saving plans may be higher for these tax payers. As a result, there will undoubtedly be many variances in how they approach paying the tax burden.

Objectives

This study's primary goal is to examine tax payers' perceived levels of saving behavior in relation to different tax planning strategies.

Scope of the Study

The study's primary goal is to discover the tax planning strategies used by individual tax assesses. This research focuses on Individual Tax Payers in the Coimbatore District who got salary income over \$2,50,000 for the Assessment Year 2020–2021 and who would file their returns with the use of Tax Planning strategies.

This research examines a variety of tax planning strategies for the assesses and compares them to individual characteristics including age, gender, educational attainment, employee types, monthly income, total taxable income, and tax payment method.

Literature Survey

In their article "A Study on Preferred Investment Avenues Among Salaried People with Respect to Pune, India" published in 2014, Patil S. and Nandawar K. made the case that although investors are aware of the investment opportunities available in India, they prefer to place their money in tangible assets like real estate, gold, and stores. The information analysis reveals that security is a key consideration when undertaking an enterprise, therefore remaining routes are given less weight by financial supporters.

According to Dey S K's (2015) study, "Expense Planning Practices by Salaried Workers: A Case Study of Lecturers in Odisha," tax is required to be paid in installments with no direct return being possible, hence most people are motivated to pay the least amount possible. Out of 150 employees, 60 have not claimed tax savings up to the maximum permissible cutoff points. In essence, all instructors have received interest on their savings accounts but have not been compensated in the same way. The assessment planning strategies used by different classes of speakers are essentially consistent. The kind of speakers, sex, intelligence, and duration of administration have no significant effect on how much attention is paid to the measures for allocating duties.

A study by Suganya V (2015) titled "A Study of the Notification of Tax Planning Measures among Private Sector Employees in Madurai City" found that 75% of respondents were men. The replies get a monthly salary of Rs. 37,000 each month. All of the responders in the middle and upper frames are employed by private area organizations. 35% of the respondents are aware that there are cost planning strategies in place and have adopted a similar with the aid of speculators. In order to record returns and take control of organizing steps, 65% of respondents approached examiners without any prior knowledge of the same. Therefore, it had been assumed that duty-related estimations were not important. Duty proficiency must be

taught in a practical manner so that the passing via example of money is reduced and so that laypeople's eyes may also be enlightened. Duty is the topic that is most often mentioned when combining yearly assessment and capital.

Research Methodology

The study is an empirical investigation using a survey approach. The research makes use of primary data. The main data is collected via a well constructed questionnaire.

Descriptive research design is being employed. To construct an issue for a more focused inquiry is its goal. This study's strategy, or research design, which directs data gathering and analysis, is unparalleled.

Importance of the Study

Tax assessments are primarily significant in tax planning due to personal or other considerations. Either it's too late to make plans or they entrust the whole process to tax advisers, who could not provide timely guidance. The present analysis leans toward developing a cautious method to get around his obstacle. In order to facilitate sound tax planning, the Assesses must be positioned in the proper perspective. The problem will be resolved in the end if Assesses are made to think more kindly about tax planning. Various Tax Savings Schemes may be available to many Assesses, depending on their financial situation. There isn't a single tax savings program that will work for all assesses. Therefore, for the sake of their tax planning, the Assesses might also be taught to grasp all tax savings schemes. Many Assesses choose investing strategies that are ill-advised. If they are taught to appreciate the benefits of the Tax Saving Schemes, they need a significant return in a short amount of time, which is unrealistic in the world of business. This kind of sound tax-saving investment is advantageous not just for the taxpayers but also for society, the government, and therefore the economy. The goal of the current research is to dispel any misconceptions and encourage the Assesses to see Tax Savings Schemes in their entirety. Additionally, this research aims to demonstrate that effective tax planning may significantly lessen the burden of taxes on salaried assesses.

Analysis and Interpretation Various Tax Schemes

The researcher used some of the available resources to get feedback from tax payers in an effort to determine the level of perception toward different tax schemes. On a 5-point scale from Strongly Agree to Strongly Disagree, they were asked to rank their degree of perception of different tax schemes. 5-Strongly Agree, 4-Agree, 3-No Opinion, 2-Disagree, and 1-Strongly Disagree were the ratings. The average ratings for each of the different Tax Schemes were determined and are shown in the Table.

TABLE Perception Level on Various Tax Schemes – Descriptive Statistics

S. No	Statements	N	Minimum	Maximum	Mean	Std. Deviation
1.	Life Insurance Policy	335	1.00	5.00	4.73	.5159
2.	Provident Fund	335	1.00	5.00	3.86	.8873
3.	Group Insurance Scheme	335	1.00	5.00	4.03	.8626
4.	Postal Life Insurance	335	1.00	5.00	4.09	.8920
5.	National Savings Certificates	335	2.00	5.00	4.11	.7527

6.	Post Office Account	335	1.00	5.00	3.81	.9187
7.	Repayment of House Loan Principal	335	1.00	5.00	4.26	.8457
8.	Unit Linked Insurance Plan	335	1.00	5.00	3.80	.7071
9.	Infrastructure Shares, Bond & Units of Mutual funds	335	1.00	5.00	3.93	.8832
10.	Tuition Fees paid.	335	2.00	5.00	3.82	.8393

Source: Primary data

According to the statistics, the sample respondents gave a life insurance policy a mean score of 4.73 for their perception of various tax schemes, followed by a score of 4.26 for principal repayment on home loans. 4.11 National Savings Certificates, 4.09 Postal Life Insurance, 4.03 Group Insurance Scheme, 3.93 Infrastructure Shares, Bonds & Units of Mutual Funds, 3.86 Provident Fund, 3.82 Paid Tuition, and 3.81 Post Office Account are some examples of investments that are covered by insurance. As a result, it may be concluded that respondents' perceptions of different schemes fall between "Neutral and Agreed". The perception level of the Post Office Account, Unit Linked Insurance Plan, and Paid Tuition Fees is between "Neutral and Agreed" on the Provident Fund Savings Scheme, and the Taxpayer often employs this kind of tax planning for investments. For the life insurance policy, the majority of the respondent's perception level ranges from "Strongly Agree to Strongly Disagree" with a minimum deviation score of 0.51.

Demographic Factors Vs Perception Level on Various Tax Schemes

The scores for the five categories that made up the perception level were added to determine the overall perception score for various tax schemes for each tax payer. The score represents how the respondents' perceptions of different taxation plans. The degree of perception increases with score. The table above contains comparisons of these scores across several groupings of socio-demographic characteristics.

TABLE Demographic Factors Vs Perception Level on Various Tax Schemes

Perception Level on Various Tax Schemes								
S.No	Demographic Factors	Groups	Mean	S.D	No.	T	F	sig
1.	Gender	Male	40.95	4.72	77	0.881		Ns
		Female	40.36	5.21	258			
2.	Age	Below 30 Years	41.29	4.79	101		1.437	Ns
		31-40 Years	39.94	5.49	128			
		41-50 Years	40.24	4.87	74			
		Above 50 Years	40.84	4.85	32			
3.	Education	School Level	40.91	5.90	33		1.305	Ns
		Diploma	40.64	5.71	22			
		College Level	40.13	4.92	219			

	Qualification	Professional	41.54	4.95	61		
4.	Types of Employees	Private Sector	40.12	4.43	46	2.556	Ns
		Semi-Government	40.46	5.14	118		
		Government	42.02	5.19	171		
5.	Year of Experience	Below 30 Years	40.16	5.73	55	4.838	**
		31 Years – 40 Years	39.87	5.31	178		
		Above 41 Years	41.78	4.08	102		
6.	Monthly Income	Rs. 21,000 – Rs. 40,000	40.4	5.04	179	53.7	**
		Rs. 41,000 – Rs. 60,000	40.61	4.94	132		
		Above Rs. 61,000	40.6	6.47	24		
7.	Total Taxable Income	Up to Rs. 2,50,000	41.23	4.17	155	1.216	Ns
		Rs. 2,50,000 – Rs. 5,00,000	43	4.05	56		
		Rs. 5,00,000 – Rs. 10,00,000	42.23	4.8	64		
		Above Rs, 10,00,000	34.42	3.71	60		
8.	Mode of Tax Payment	Monthly Deduction	39.69	5.68	90	5.507	**
		Tax Deducted at Sources (TDS)	41.5	4.63	152		
		Advance Tax Paid	39.65	5.01	93		
TOTAL			40.5	5.1	335		

Male and female responders each had their own mean score computed. Male respondents' average scores are 40.95, which is somewhat higher than female respondents' average scores, which are 40.36. As a result, men's perceptions of different tax plans are somewhat more favorable than women's.

Age-specific results show that respondents in the 50+ age range are only slightly happy with the different tax schemes, as shown by the fact that their mean score is higher than that of respondents between the ages of 31 and 40.

Professionally qualified respondents received a score of 41.54 for educational qualification, which is a little bit higher than the graduate respondents' score of 40.13. As a result, individuals with a professional background had a somewhat better degree of perception of different taxation systems.

Between employee types, respondents from the government sector had somewhat higher mean scores—42.02—than those from the private sector, whose mean score was 40.12. As a result, Semi Government Sectors have a mean score of 40.46.

The respondents with the most years of experience (over 41 years) received a score of 41.78,

while those with the least years of experience (between 31 and 40 years) had a score of 39.87. As a result, those schemes with experience levels under 30 years have a greater degree of awareness than others.

Respondents with monthly incomes between Rs. 41,000 and Rs. 60,000 and above Rs. 61,000 (40.6) had somewhat higher levels of perception of different tax-saving plans than respondents with monthly incomes between Rs. 21,000 and Rs. 40,000 (40.4).

The respondents with taxable income between Rs. 2,50,000 and Rs. 5,00,000 were found to have the highest maximum score of 43.0, while those with taxable income beyond Rs. 10,00,000 were found to have the lowest minimum score of 34.42. Therefore, compared to other respondents, those with taxable incomes between Rs. 5,00,000 and Rs. 10,00,000 had greater perception levels.

According to the respondents' perceptions of the various tax payment methods, Tax Deducted at Sources (TDS) has the greatest mean score (41.5), while Advance Tax Paid has the lowest score (39.65).

The following hypothesis has been put up and put to the test in order to see if the variations in the mean scores across groups of various socio-economic characteristics vary considerably.

H₀"The average perception score does not significantly differ across the various groups of the selected demographic variables, namely Gender, Age, Educational Qualification, Types of Employees, Years of Experience, Monthly Income, Total Taxable Income, Mode of Tax Payment, and Different Tax Saving Schemes."

The test's findings indicate that there are no significant differences in the perception levels of the different tax-saving plans' scores for age, education level, employee types, and total taxable income. Therefore, with regard to these parameters, the null hypothesis is accepted. The null hypothesis is rejected for the parameters Years of Experience, Monthly Income, and Mode of Tax Payment since there is a significant difference in the perception score at the 1% level for each of these variables.

There is no statistically significant difference in perception score with regard to gender, according to the T-test results. The theory is thus accepted.

Recommendations

1. Salary people might be made aware of the need of submitting tax returns.
2. Taxpayers could also be encouraged to show interest in mutual fund units.
3. Organization of periodic programs to educate these types of assesses about timely tax preparation should be prioritized by institutions that provide tax-saving schemes, such as the post office, mutual funds, and tax advisors.

Conclusion

Tax planning promotes saving by buying government assets. It reduces taxes and boosts morale. Tax planning allows salaried workers to lawfully keep most of their income. Luxury reduction lowers inflation. Only investments in government securities and priority sector bonds, which benefit the nation, are tax-deductible. Thus, tax savings affect the government's capacity to mobilize savings and investment. Investments need savings. Savings need excess. Excess requires tax preparation. Many people prefer paying tax rather than tax planning because they think it's hard, however this is frequently untrue. Tax rules and possibilities must be understood to plan taxes well. Thus, tax planning may be done with precision and ease.

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