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Awareness Regarding Tax Saving Instruments among Salaried Peopleof Silchar: A Survey

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Abstract
Tax is an important element of fiscal policy of Indian economy. It makes up a huge share of government's treasure used for various developmental activities throughoutthe country. Out of all the tax types, personal income tax accrues lion share in that treasure. However, nobody wants to share their hard-earned money with anyone. As such paying tax out of the income has always been an issue for all the tax payers, especially the salaried ones. Everyone tries to reduce the tax burden as much as possible. Usually on such circumstances people have three options- tax avoidance, tax evasion or tax planning. Government of India has always been in the process to devise such provisions and schemes so that it can reduce the tax liability in the shoulders of all the tax payers, especially the poor and the middleclass people. This paper mainly discusses the meaning and need for tax planning and tax management, what are the ways in which the salaried class can bring down their respective tax burden, and what are the innovative and latest instruments saving income taxavailable to the salaried class. Moreover, this paper also addresses the awareness level among the people of Silchar, Cachar, Assam regarding the availability of such valuable tax saving instruments and the extent to which they have availed them.

Keywords- Tax planning, Tax avoidance, Tax evasion, Tax management, salaried class, Provident Fund.

INTRODUCTION
Tax is basically a mandatory contribution paid by the general people, collected by the central government. The paper consists of two important terms- tax saving instruments and salaried class. Tax saving instruments refers to those provisions and sections of Income Tax Act, 1961 which allow deductions and relaxations in taxable income of the tax payers legally. On the other hand, salaried class includes those people or individuals who are workers with fixed remuneration or compensation (termed as salary) paid by an employer. Unfortunately, like all other tax payers, these individuals also have to part with their earnings in respect of income tax. However, on a macro perspective, it's a token for the developmental activities of the entire nation. Income tax accounts to a lion share of the entire treasure of Indian Government.

Therefore, it's very important to make salary earners realise that paying relevant taxes on time is a valuable contribution towards the growth of our country being a responsible citizen.

As such, it is necessary to make them aware of the prevailing tax slabs and the various ways through which amount of tax payable can be reduced legally.

People usually try to escape tax through tax avoidance and tax evasion. But tax stress can be relieved through effective tax planning and tax management. This can be done through proper recording of all transactions and maintaining key documents important from the point of view of existing tax laws, and also by using different tax saving instruments provided by the Government. It also becomes necessary to keep oneself updated about the changes and innovations introduced by the concerned authorities in the existing tax laws and provisions from time to time.

LITERATURE REVIEW

Savita and Gautam (2013) in their article “Income Tax Planning: A Study of Tax Saving Instruments” have discussed tax planning, particularly for income tax and also ranks various tax saving instruments on the basis of priorities of people in their sample.

Martinez and Vello (2014) in their article “Efficient Tax Planning: An Analysis of its Relationship with Market Risk in Brazil” have discussed about the inverse relationship between tax planning and market risk.

Saravanan and MuthuLakshmi (2017) have conducted a study in Trinchy City to explore which is the most preferred tax saving instrument and also discussed the extent to which money can be saved through these instruments. Their findings conclude that Provident Fund is the most preferred one.

OBJECTIVES OF THE STUDY

- To understand the need of proper tax planning and tax management for reducing income tax burden;
- To know about the various tax saving instruments available in India for F. Y. 2021-22
- To analyze the awareness level among the people of Silchar, Cachar, Assam about the availability of such instruments.

METHODOLOGY

The present study is based on purposive-cum-convenience sampling and is descriptive in nature. Only salaried employees under any employer, either government or non-government, have been considered for the study. Sample has been taken from the respondents easy to contact or reach, through online mode using Google form. Moreover, some information are collected through secondary sources such as online newspaper articles, journals, books, etc.

TAX PLANNING

The word planning simply means to decide in advance the activities to be undertaken in future. When the word tax is added to planning, it means that the assessee makes all necessary legal adjustments in advance to reduce the tax burden. Legal adjustments imply best possible use of all deductions, allowances, rebates, concessions, etc. provided by the concerned statutes. All such planning should be done within the framework prescribed by the authority, i.e., the

Income Tax Department, and Income Tax Act, 1961 and its various amendments.

TYPES OF TAX PLANNING

Tax planning can be broadly classified into following categories:

1. Purposive Tax Planning: when tax planning is undertaken with a particular purpose of providing maximum benefit by minimizing the total taxable amount to be paid through proper selection of investments, suitable program for assets replacements, changing the place of stay of the assessee to affecthis/her residential status profitably, etc.
2. Permissive Tax Planning: It means tax planning permitted by the provisions of Income Tax laws. For example, to take the benefits various concessions, deductions, incentives, exemptions and rebates in reducing tax liability.
3. Short-term Tax Planning: It means to plan to decrease the tax burden and get it executed right at the winding up of the income year.
4. Long-term Tax Planning: Such planning is chalked out at the very starting of the financial/income year and it is executed throughout the year in order to get tax benefit in long run. Unlike short-term tax planning it does yield immediate results.

TAX PLANNING FOR SALARIED EMPLOYEES

For the salaried class of people, tax planning can be done in 3 broad ways:

1. By finding the tax-free incomes out of all the sources and claiming them whilefiling income tax return with necessary proofs,
2. By investing in such profitable schemes which offer tax relaxations such as products referred in Section 80C, 80CCC, 80G, 80CCG of Income Tax.
3. By undertaking such financial activities which attracts tax benefits. For example, Interest paid on home loans so taken, qualifies for deduction from gross total income subject to tax u/s 24.

TAX MANAGEMENT

Tax management refers to the management of financial resources of the tax payer in the best possible way, timely filing of income tax return and regular payment of taxes as per the rules and regulations of Income tax law. This is done for the purpose of avoiding imposition of interest and penalties. It includes proper maintenance of all accounts, timely filing of income tax returns, auditing of the accounts and finally payment of taxes on prescribed date. In most simple words, taxmanagement is nothing but systematic handling of all tax related matters.

KEY DIFFERENCES BETWEEN TAX PLANNING AND TAX MANAGEMENT

Many a times, tax planning and tax management are considered synonymous. But the two terms have some basic differences. Tax planning is a broader concept which includes tax management in it. Tax planning gives us the main plan of how to reduceour tax liability, while tax management is the practical application of the plan so chalked out. It is tax planning which gives direction to tax management. Tax planning mainly includes determining the taxable income and channelizing them to various investments that helps in minimizing tax to be paid. Whereas, tax management is all about maintaining and auditing accounting records, timely filing of income tax returns and payment of taxes. The main objective of tax planning is to find out the allowances, deductions, rebates and tax free incomes so that total amount of tax payable can be reduced to some extent. On contrary tax, management focuses mainly on reducing the incidences of imposition of any kind of interest or penalties on the assessee so that it cannot further add up to the tax liability.

TAX SAVING INSTRUMENTS IN INDIA FOR SALARIED CLASSES

Before entering into the section of tax saving instruments, it is very important to get acquainted with the income tax slabs prescribed by the Union Budget 2021-22:

OPTION1 (OLD TAX SLAB)		**OPTION 2 (NEW TAX SLAB)**	
RANGE OF TOTAL TAXABLE INCOME	**RATE OF I.T (in %)**	**RANGE OF TOTAL TAXABLE INCOME**	**RATE OF I.T (in %)**
Up to Rs. 2,50,000	NIL	Up to Rs. 2,50,000	NIL
Rs. 2,50,001 to Rs. 5,00,000	5	Rs. 2,50,001 to Rs. 5,00,000	5
Rs. 5,00,001 to Rs.10,00,000	20	Rs. 5,00,001 to Rs.7,50,000	10
		Rs.7,50,001 to Rs.10,00,000	15
Above 10,00,000	30	Rs.10,00,001 to Rs.12,50,000	20
		Rs.12,50,001 to Rs.15,00,000	25
		Above Rs.15,00,000	30

Source: Retrieved from an online article of The Indian Express.

NOTE: A rebate is available of under section 87a in case the taxable income falls under the range of Rs. 2,50,001 to Rs. 5,00,000, i.e., tax liability will be nil under bothold and new tax arrangements. Moreover, there will be Health and Education charge of 4percent in all of the above cases. There will be surcharge of 10% if taxable income exceeds Rs. 50lakhs, 15% if it exceeds Rs.1crore, 25% if it exceeds Rs. 2crore and 37% if it exceeds Rs.5crore.

The tax arrangement for F.Y. 2021-22 is similar to that announced budget 2020 for F.Y.2020-21. Under this, two income tax options are available for the salaried people, which are elaborated in the above table. Tax payers are free to select any of the above options.
Differences between the two options:

Under old regime, tax is exempted up to Rs. 3, 00, 000 and income from Rs. 3, 00, 000 to Rs. 5, 00,000 will be taxed at the rate of 5% for senior citizens, others tax rates remains same.

Similarly for super senior citizens, it is exempted up to Rs. 5,00,000, other tax rates remaining same.

Whereas, the tax rates will remain same for all age group under new slab. A comparative analysis of both the tax slabs have been elaborated through following table:

Income range (Rs. InLakhs)	**Tax Rate in Old regime (in %)**			**ax Rate in Newregime (in %)**
	Age group below 60years	**60 years – 80 years**	**Above 80 years**	**All age group**
0-2.50	0	0	0	0
2.50-3.00	5 (with tax	0	0	5 (with tax rebate u/s
3.00-5.00	rebate u/s 87a)	5 (with tax rebate u/s87a)	0	87a)
5.00-7.50	20	20	20	10
7.50-10.00	20	20	20	15
10.00-12.50	30	30	30	20
12.50-15.00	30	30	30	25
Above 15.00	0	30	30	30

Source: Retrieved from Google.

One of the noteworthy points about tax arrangement of union budget 2021 is that senior citizens who are above the age of 75 years old and are mainly dependent on pension they receive and the interest income, will be exempted from paying income tax.

Some such instruments which provide rooms for reducing the tax liability of salaried employees with respect to FY 2019-20 have been discussed below:

A. Sections related to various investments:

Section 80C: Deduction for amount invested in Provident Funds, Life Insurance Premium, etc.

Total amount deposited in various approved savings schemes or Rs.150000 p.a. whichever is less shall be allowed for deduction. Following are some such schemes:

1. Provident Funds - Deposits made in Statutory Provident Fund, Recognized Provident Fund and Public Provident Fund shall qualify for deduction under this section, except in case of Unrecognized Provident Fund.
2. Life Insurance Policies- Any of the following two amounts whichever is less shall qualify for deduction:

(a) Amount of premium deposited by the assessee , or by the employer on behalf of the assessee;

(b) 20% of sum assured if the policy is taken before 01-04-2012 or 10% of sum assured if the policy is taken on or after 01-04-2012. If the assessee suffers from any disabilities which are mentioned in section 80DDB, 15% of actual sum assured on policies issued on or after 01-04-2013. Policies can be taken in the name of assessee himself, spouse and children.

3. Group Insurance – any amount deducted and deposited by the employer towards group insurance for employees.
4. Deposits made in Approved Superannuation Fund shall also qualify for deduction
5. Any deposits made by the assessee in Unit Linked Insurance Plan of UTI or LIC or Mutual Fund shall fully qualify for deduction.

Section 80CCC: Deduction for the amount contributed to Pension Fund.
The rate of deduction is actual amount paid under this scheme (excluding any interest or bonus accrued during the year) or Rs.1, 50,000, whichever is less.

Section 80CCD: Deduction for contribution to National Pension Scheme of Central Government or of any other employer. This deduction is allowed only to individual assessee employed by the Central Government on or after 01-01-2004 or employed by any other employer or self-employed individuals if he has in the previous year paid or deposited any amount in his account under a pension scheme notified or as may be notified by the Central Government.

B. Sections related to health and well-being expenditures:
Section 80D: Deduction in respect of Medical Insurance Premia, preventive health check-up and Contribution made to the Central Govt. Health Scheme (CGHS). Maximum deduction limit is Rs.25, 000 p.a. general citizen and Rs.50, 000 p.a. for senior citizen.

Section 80DD: Deduction for maintenance met of a dependent– A fixed sum of Rs. 75,000 will be allowed as deduction under this section out of the assessee's gross salary. In case, the dependent has severe disability, the amount of deduction will be Rs.1, 25,000.

Section 80DDB: Deduction for expenses paid on medical treatment, etc.: This deduction is available only when an assessee has actually paid any amount for the medical treatment of such disease notified u/s 80 [Rule 11DD]. Amount of deductionwill be:

(1) For assessee below 60 years (Non-Senior Citizen Patient): amount actually paid or a sum of Rs.40, 000, whichever is less.
(2) For assessee at the age of 60 years or above (Senior Citizen Patient): The deduction shall be allowed for Rs. 1, 00, 000.

Section 80U: Physically disabled tax payers who suffer from at least 40% of disability can avail a deduction to a maximum limit of Rs.75, 000 from the total taxable income.

C. Sections related to loans taken for education, house, etc.:
Section 80E: The interest so paid in any educational loans is eligible for deduction while computing total taxable income. Such loan should be taken from any financialinstitution or an approved charitable institution.

Section 80EE: Deduction is allowed for interest on loan taken for residential house property for first time, taken during the period of 1st April, 2016 to 31st March, 2017. Itis allowed up to Rs. 50, 000.

D. Sections related to donations:

Section 80G: Donations to certain funds and charitable institutions, etc. for e.g., Prime Minister's Drought Relief Fund, Prime Minister's National Relief Fund, etc.

Section 80GGA: Donation to any scientific institution or an institution which isengaged with any rural development programme:

Section 80GGC: Donation to political parties and electoral trusts are eligible for deduction only if such payment has been made through cashless mode.

E. Some other deductions relating to certain incomes and payments:

Section 80TTA: Interest received on deposits in savings account with Banks, Post Offices, etc. are allowed deduction of Rs. 10, 000 or interest received, whichever is less.

Section 80GG: Under this section a deduction is available with respect to rent so paidfor living in a house due to his/her employment and that he/she should not receive HRA.

Some worth mentioning changes in the tax rules subject to salaried class introduced in Budget 2021:

1. The individuals whose taxable income is not more than Rs. 5, 00, 000 shall get a rebate of Rs. 12,500.
2. 40% of the amount withdrawn i.e., 60% of the corpus of NPS during maturity istax free.
3. Those who are government employees and have invested in Tier II account ofNPS are eligible to claim deduction u/s 80C.
4. A new section 80EEA has been incorporated in Budget 2019 which allows an individual to avail an additional deduction of Rs. 1, 50, 000 on the interest amount so paid in home loans taken between 01.04.2019 and 31.03.2020.
5. There were some exemptions which are earlier allowed. But they wouldn't be applicable under new tax system. These includes Leave Travel Allowances, House Rent Allowance, Helper Allowances, Conveyance Allowances, Relocation Allowance, Children Education Allowance, Standard deduction on salary, Professional Tax, Interest on housing loans, Other special allowances u/s 10(14) and deductions u/s 80C, 80D, 80E & so on.

ANALYSIS OF DATA AND INTERPRETATION OF RESULTS

Some questions have been put forward to 229 respondent of Silchar, Assam to know about their views and to find out extend of awareness about various tax saving instruments available in India. The questions also focused on tax planning and tax management. As such following data and results could be summed up-

COMPOSITION OF RESPONDENTS-

Age Groups	No. of	Percentage (%)

	Respondents	
21-25	37	16.16
26-30	92	40.17
31-35	56	24.45
36-40	17	7.42
40 and above	27	11.79
Total	**229**	**100.00**

Source: Primary data collected through questionnaire.

AWARENESS ABOUT TAX PLANNING AND MANAGEMENT AND ITS EFFECTIVENESS-

Among 229 respondents, 80.35% (184) have replied that they know about tax planning and tax management, which can be further bifurcated to 52 female respondents (60% of total females so interviewed) and 132 male respondents (93% of total males so interviewed). 163 respondents out of 184 have consented that tax planning can effectively help in minimising the tax liability of tax payers.

REASONS FOR TAX PLANNING–

Necessity of Tax Planning and Management	No. of Respondents	Percentage (%)
Evade Tax	4	2.45
Avoid Tax	7	4.29
ɀe Tax burdenlegally	152	95.71
Total	**163**	**100.00**

Source: Primary data collected through questionnaire.

2.45% of 163 people find that tax planning leads to tax evasion whereas 4.29% people think tax planning helps in tax avoidance. However, 95.71% people have opined that the exact reason behind tax planning and tax management is minimisingtax burden legallywithout evasion and avoidance.

AWARENESS ABOUT VARIOUS TAX SAVING INSTRUMENTS IN INDIA-

The following table shows popularity of various tax saving instruments-

Tax Savings Instruments	No. of Respondents	Percentage (%)
Employees Provident Fund	142	87.12
Public Provident Fund	121	74.23
Sukanya Samridhi Account	93	57.06
National Savings Certificate	108	66.26
Tax saving FD of both Banks and PostOffice	145	88.96
Senior Citizens Savings Scheme	26	15.95
National Pension Scheme	98	60.12
Equity Linked Savings Scheme	32	19.63

Life Insurance	149	91.41
Pension schemes from InsuranceCompanies	56	34.36
Tuition fees	11	6.75
Stamp duties and Registration Charges	36	22.09
Interest on Saving Account	67	41.10
Medical Insurance Schemes	65	39.88
Donation to Approved Charitable Organisation or Political Parties or forScientific Research	22	13.50
Others	3	1.84
Total	**163**	**100.00**

Source: Primary data collected through questionnaire.

As shown by the above table, Life Insurance schemes are the most popular tax saving instrument, followed by Tax Saving FDs. Tuition fee is the least knowninstrument.

APPLICATION OF THE INSTRUMENTS PRACTICALLY-

It is very important to know in which of the instruments people invest to avail tax benefits. Following table shows the data so collected-

Investment to reduce Tax burden	No. of Respondents	Percentage
Employees Provident Fund	131	80.37
Public Provident Fund	106	65.03
Sukanya Samridhi Account	72	44.17
National Savings Certificate	91	55.83
Tax saving FD of both Banks and PostOffice	137	84.05
Senior Citizens Savings Scheme	18	11.04
National Pension Scheme	88	53.99
Equity Linked Savings Scheme	26	15.95
Life Insurance	142	87.12
Pension schemes from InsuranceCompanies	47	28.83
Tuition fees	8	4.91
Stamp duties and Registration Charges	28	17.18
Interest on Saving Account	61	37.42
Medical Insurance Schemes	36	22.09
Donation to Approved Charitable Organisation or Political Parties or forScientific Research	14	8.59
Others	2	1.23
Total	**163**	**100.00**

Source: Primary data collected through questionnaire.

142 (87.12%) people actually invest in Life Insurance Policies to get some tax relief. However, tuition fees are the least applied tool in the hands of tax payers under this study.

FINDINGS AND SUGGESTIONS

The findings of the survey can be summarised below with respect to each objective:

1. Understanding the need for tax planning and management: Tax planning is one of

the major decisions for all the tax payers especially for the salaried class. It includes finding tax free income sources, making investments in tax relaxation schemes and undertaking all such financial steps which avails deductions.

2. Knowing different types of tax saving instruments: These instruments can be broadly studied into five heads:

(i) Sections related to various investments: Section 80C, Section 80CCC, Section 80CCD, and Section 80CCF.

(ii) Sections related to health and wellbeing expenditure: Section 80D, Section 80DDB, and Section 80U.

(iii) Sections related to education loan, home loans, etc.: Section 80E, Section 80EE.

(iv) Sections related to various donations: Section 80G, Section 80GGA, and Section 80GGC.

(v) Sections related to deductions in respect of certain incomes and payments: Section 80TTA, Section 80GG.

3. Awareness about such instruments: Out of all the respondents, 88.59% of the respondents have consented that tax planning is an effective way of reducing tax burden legally.

The study also accounts that one of the most popular and invested tax saving instruments is Life Insurance as 87.12% respondents have agreed that they invested in life insurance schemes to save tax, followed by Tax Saving Fixed Deposits, Employees Provident Fund, and Public Provident Fund.

However, 11.41% respondents don't find tax planning and management as an important decision.

From the entire survey it can be suggested that still there is a marginalised section of such people who are ignorant about all such process. So it is very important to take necessary steps by the concerned authority to spread more awareness on tax planning to cover all the folks of the nation.

DISCUSSION

Throughout the process of survey, it has been observed that though life insurance policies are very popular. But, among the government employees, Employees Provident Fund (EPF) is much preferred. Moreover, the people belonging to the age group of 21-25 and 26-30 are more interested in investing in National Pension Scheme (NPS), followed by Life Insurance and EPF.

CONCLUSION

Tax is one of the important sources of income for the government of every country which is further directed to different development activities. However, in India, salaried tax payers are ignorant about paying taxes on time for many reasons such as due to fear of losing some part of their hard earned money, due to complications in filing returns, etc. All these problems can be sorted through proper tax planning and management. On the other hand, it should also be admitted that tax planning is left hand game. It requires proper knowledge of calculating taxable income and also complete awareness of all the tax saving instruments existing in our country. Thus, to make people interested in tax paying it is very important to make the tax payers updated about all the tax saving products available and also about the changes so introduced from time to time.

The present study can be further extended to include the tax saving system ofpeople belonging to classes other than salaried employees.

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