A DETAILED STUDY ON AWARENESS ABOUT INVESTMENT AND SAVINGS BEHAVIOR OF SALARIED CLASS FOR BETTER RETURN OF INVESTMENT BY REDUCING TAX LIABILITY.

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Abstract

To reduce taxable income, a number of income tax deductions are available in India. There are 19 various ways to deduct taxes, including loans and public provident funds as well as life insurance. Individuals can employ income tax deductions to lessen their taxable income in a given fiscal year and, as a result, their tax burden. Investments made during the year that are subtracted from gross annual income when submitting income tax returns are referred to as income tax deductions. Tax deductions are primarily intended to protect financial futures and foster the habit of saving and investing. The majority of income tax deductions fall under the purview of section 80 of the income tax act. There were no modifications to the income tax rates and slabs for the year 2022, despite the fact that the Indian finance minister, Nirmala sitharaman, proposed a tax bracket for taxpayers in the union budget 2022. If the income tax rates and slabs stay the same, individual taxpayers will continue to pay the same rate of tax regardless of the tax system selected for fy 2022–23. Tax rebates of up to Rs 12,500 are available under both income regimes for things like medical insurance premiums and savings bank interest.

Introduction

Individual taxpayers in India are subject to income tax based on a slab structure. A slab system means that several tax rates are set up for various income brackets. It indicates that when a taxpayer's income rises, so do their tax rates. The government can have progressive and equitable tax systems with the use of this type of taxation. Such income tax slabs are subject to change with each budget. These slab rates vary depending on the type of taxpayer. Three categories of "individual" taxpayers under the income tax system include:

Annual income	Existing old income tax rate	New income tax rate
Up to 2.5 lakhs	Exempt	Exempt
2.5 lakhs – 5 lakhs	5%	5%
5 lakhs – 7.5 lakhs	20%	10%
7.5 lakhs – 10 lakhs	20%	15%
10 lakhs – 12.5 lakhs	30%	20%

12.5 lakhs – 15 lakhs	30%	25%
Above 15 lakhs	30%	30%

There will be a 4% cess on the taxable amount across all age groups, similar to the new tax regime

Saving and investment avenues list:

1) five-year bank/ post office tax saving fixed deposit
2) public provident fund (ppf)
3) savings in bank/post office/cooperative bank account
4) health insurance
5) life insurance
6) term life insurance
7) unit linked insurance plan (ulip)
8) national saving certificate (nsc)
9) national pension scheme (nps)
10) employee /general provident fund
11) mutual fund (equity linked saving scheme)
12) sukanya samriddhi yojana (ssy) account
13) real estate investment
14) gold etf
15) stock market 16) recurring deposit (rd)

17) systematic investment plan (sip)

To research tax-saving strategies for individuals and individual income tax planning. By doing this, they are able to plan ahead for their tax-saving strategy. Our financial strategy must include tax planning. We can minimise our tax liability with effective tax preparation. This is accomplished by lawfully utilising all tax breaks, chapter via deductions, rebates, and allowances while ensuring that your investments are in line with your long-term objectives. The goal of the study is to identify the most effective and widely utilised tax-saving tool and to assess the amount of tax that can be saved by using it. Overall research shows that the most widely used tax-saving tool. Overall results show that provident funds, which placed top in this study, and life insurance policies, which placed second, are the two most often used tax-saving strategies.

Tax

Let's start by defining tax to begin with. A tax is a fee that the government imposes on a good, an income, or an activity. Direct taxes and indirect taxes are the two different sorts of taxes (see chart below this paragraph). A direct tax, such as income tax, is one that is imposed directly on a person's income or wealth. Indirect taxes, such as excise duty, are charged when the cost of an item or service is considered. In the case of indirect taxes, the payer transfers the incidence to a different party. The Indian tax code the largest direct tax is income tax. We will introduce the students to Indian income tax law in this lesson. The 1961 income tax act: the income-tax act of 1961 governs the collection of income tax in India. This will be referred to as the act for the purposes of this book. This act became operative on April 1st, 1962. There are 298 sections and xiv schedules in the act. These alter annually as a result of additions and deletions made by the parliament-passed annual finance act. To ensure proper administration of the income- tax act, 1961, guidelines have been formulated in accordance with the authority granted by that law. Income-tax regulations the central board of direct taxes is responsible for overseeing the administration of direct taxes (cbdt). The cbdt has the authority to enact regulations to carry out the act's objectives. The cbdt periodically creates regulations to ensure proper administration of the income-tax act, 1961. The 1962 income-tax rules are the name given to all of these regulations. It is crucial to remember that these regulations should also be examined in addition to the income tax act of 1961.

Levy of income-

Tax every person must pay income tax, which is a tax based on their total yearly income. Hindu undivided family (huf), association of persons (aop), body of individuals (boi), a firm, a company, etc. Are all considered to be people.

Assesse

Assesse [section 2(7)]:

A person who owes any tax or other amount of money under the 1961 income-tax act is an assesse. It encompasses everyone who has been the subject of a proceeding for the evaluation of their income or fringe benefits. A person may occasionally become liable for assessment in relation to the income of other people. He may be regarded as an assesse in this situation as well. Every individual who is considered to be an assesse or an assesse in default under any provision of this act is also included in this definition.

Tax planning

Tax planning is a process used to reduce income in order to lower tax burden by making the best use of all available allowances, deductions, exclusions, exemptions, etc. Organizing one's financial and business operations to properly take full advantage of all deductions, exemptions, allowances, and refunds in order to minimise one's tax liability is known as tax planning. In other words, any arrangements that reduce taxes in a way that complies with the law, without resorting to legal loopholes or other legalistic tricks, but rather by following the law's spirit rather than its wording, are considered tax planning. In a nutshell, tax planning is the arrangement of one's financial affairs so that, while not infringing on any legal requirements of an act, full advantage is taken of all exemptions, deductions, rebates, and reliefs allowed under the income tax act, in order to minimise the burden of taxation on an assesse. Actually, the law created the exemptions, deductions, refunds, and reliefs to accomplish certain social and economic objectives. For instance, section 80ib of the income tax act of 1961 allows for a deduction from gross total income for earnings from newly founded industrial ventures in an industrially underdeveloped state or region, depending on what may be announced in this regard. The economic development of an area or state that has experienced industrial decline is the clear goal of the tax break. If a person or h.u.f. saves money and puts it in the authorized schemes, section 80c allows for a deduction from gross total income. The deduction has been made available to promote investing and saving for the nation's economic growth. By taking advantage of the aforementioned deductions, a person not only lowers his tax obligation but also aids in the legislative's goal of promoting lawful, social, and ethical behavior. Tax planning is not a tool that can be used to avoid paying taxes because it falls within the bounds of the act.

Tax evasion

It describes a scenario in which a person tries to lower his tax obligation by purposefully suppressing his income or by inflating his expenses, displaying his income as being lower than it actually is, and using a variety of intentional manipulations. An assesse who commits tax evasion faces penalties under the applicable law. Intentionally making false statements, presenting deceptive documentation, hiding information, failing to keep correct records of revenue earned (if required by law), and omitting crucial information from assessments are all examples of tax evasion. Tax evasion would be committed by an assesse who dishonestly asserts the benefit provided by the statute by providing false information.

Tax avoidance

The distinction between tax planning and tax avoidance is hazy and extremely thin. There might also be a mollified motive component to the tax evasion. Tax avoidance can be defined as any preparation that, by closely adhering to legal rules, subverts the fundamental purpose of the legislature behind the regulation. It is typically accomplished by modifying the situation so that tax regulations are not violated and by b fully utilising any existing loopholes to maximize tax efficiency. Tax avoidance was always thought to be entirely legal, however it may now only be illegal in limited circumstances.

Tax management

A broader definition of tax planning is the management of one's affairs in a way that minimizes or reduces one's tax liability. Tax management is necessary for tax planning. An internal component of tax planning is tax management. It takes the required precautions to follow the legal requirements in order to qualify for tax exemptions, deductions, refunds, or other forms of relief that are contempt of the tax planning programme. By adhering to the necessary requirements, tax management plays a crucial role in regulating allowances, deductions, and tax exemptions. If an assesses uses the mercantile method of accounting, for instance, the claim of expenses should be made on an accrual basis, subject to the restrictions of section 43b. If the assesses fails to do so claim, such expenses cannot be deducted in subsequent years. In a similar vein, section 80ia, section 80jja, etc. Specified deductions. By timely satisfying tax obligations, tax management also shields an assesses against fines and legal action. Therefore, without tax management, a study of tax planning would be lacking. Tax planning is like to knowing medicine without understanding how to use it if tax management is not studied.

OBJECTIVES OF THE STUDY

- To assess the individual's savings and investment behaviour before the tax deduction.
- To understand the pattern of investment of the salaried person.
- The study was done on the head 'salaried person' and how the tax deductions affect the individuals' behaviour and their saving pattern.
- To assess how the demographic characteristics like age, gender, marital status etc. also affects the pattern in investment and saving of individual.
- There are many investment avenues which helps in the tax deduction. The purpose of the study was to understand under which investment avenue an individual wants to invest or save his/her money and avail the facility of tax deduction.

RESULTS & DISCUSSIONS

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	15.177	5	3.035	5.288	.000
Within Groups	82.663	144	.574		
Total	97.840	149			

Multiple Comparisons

Dependent Variable: What percent do invest from your salary?

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	5.858	3	1.953	3.099	.029
Within Groups	91.982	146	.630		
Total	97.840	149			

Multiple Comparisons

Dependent Variable: What percent do invest from your salary?

(I) Age:	(J) Age:	Mean Difference (I- J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
1	2	-.166	.147	.738	-.58	.25
	3	-.238	.198	.696	-.80	.32
	4	-1.321*	.467	.050	-2.64	.00
2	1	.166	.147	.738	-.25	.58
	3	-.072	.213	.990	-.68	.53
	4	-1.156	.473	.118	-2.49	.18
3	1	.238	.198	.696	-.32	.80
	2	.072	.213	.990	-.53	.68
	4	-1.083	.491	.187	-2.47	.31
4	1	1.321*	.467	.050	.00	2.64
	2	1.156	.473	.118	-.18	2.49
	3	1.083	.491	.187	-.31	2.47

ANOVA

What percent do invest from your salary?

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.382	2	.191	.288	.750
Within Groups	97.458	147	.663		
Total	97.840	149			

FINDINGS

- According to the finance minister, there was an expectation of 83% of acceptance of the new income tax regime for the year 2022-23, but according to this study and research, out of 150 respondents, 66 (44%) said that they would select the new simplified tax regime (2022-23), 41 (27%) respondents refused to adopt the new tax regime because they have adopted the old income tax regime and 43 (29%) selected maybe option, that means they were not sure of selecting a New Tax Regime for the year 2022-23.
- Saving in the avenue such as stock market, on a Likert scale, 80% of the respondents said they invest or would like to invest or rarely invest or occasionally invest. Many of them are aware of stock market.
- Saving in the avenue such as term life insurance, on a Likert scale, 91% of the respondents said they invest or would like to invest or rarely invest or occasionally invest. Many of them are aware of term life insurance.
- Saving in the Recurring deposit, on a Likert scale 88% of the respondents said they invest or would like to invest or rarely invest or occasionally invest.
- Because the recognised provident fund is collected straight from the salary, it is assumed that many respondents were aware of it.
- Age group of 20-30 have more knowledge about the Savings and investment avenues.
- The results of the study and research demonstrated that age, educational level, occupation, and gender have no effect on the behaviour of individuals on saving and Investment for tax deductions.
- In the study research through ANOVA It showed that there is no significant relationship between the demographic measures such as Age, Gender, Educational Qualification, Annual Income of the individual with the Behaviour of Investment and saving pattern.
- In the study research through chi square, it showed that there is significant relationship between the Educational Qualification and investment in stock market recurring deposit and term life insurance.

CONCLUSION

Examining the preferred investing and saving strategies of the salaried class was the aim of this study on preferred investment and saving options. With the aid of a survey that was conducted, the study was examined. Respondents are educated about a variety of investment possibilities, as well as the stock market and a few savings plans including the NSC (National Savings Certificate) and NPS (National Pension Scheme). It's likely that the impressions of the respondents differ due to variances in social life, living habits, economic levels, and other things. For all age groups, investing in the stock market, life insurance, and RD is more important. A crucial factor affecting a respondent's portfolio is his or her level of income. Middle-aged and lower-income respondents favour investing in term life insurance, the stock market, and recurrent deposits. The respondents have more information about several investment possibilities such insurance, the stock market, bank deposits, and modest savings like post office savings.

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