

# Awareness of Tax Saving Schemes among Salaried Employees

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**Abstract:** The study attempted to know the awareness and perception regarding various tax saving options available to save tax for salaried class employees. The study also attempted to know which tax saving investment options are generally used to save tax. chi-square test was applied to know association between level of awareness and Educational qualifications, gender, age and occupation. The study based on 126 respondents and various findings were found in relation to awareness, preferences, perceptions about Tax saving schemes. Most of the salaried employees were of the opinion that the tax rate should be reduced and basic exemption limit should be increased.

**Key words:** Salaried Employees, Tax saving schemes, awareness.

## I. Introduction

Taxes constitute the main source of finance whereby government raises revenue for public spending. Tax is a fee charged by a Government on a product, income, service activity. Income-tax comes under the direct tax segment which has proved to be the major source of revenue to the government of majority of the countries in the world. With the application of progressive rate schedule, provision of exemption limit and incorporation of a number of incentive provisions, Income Tax can be used not only to satisfy all the canons of a sound tax system but may also go a long way in realizing variety of socio economic objectives set out by the economic system. The tax rates, rules & regulations change according to financial bill passed by the Central Government in each year in its budgetary session.

Tax can be reduced either by evasion or avoidance or planning. Tax evasion is illegal, tax avoidance is not a crime but tax planning is ethical and legal. Tax planning is important for every assessee to reduce their tax liability and compliance with the income tax rules. To enjoy the benefits of tax planning, the assessee must know different provisions of tax saving schemes available in the laws. *The main aim of this study is to check an individual's knowledge of tax planning and management and to measure it with demographic factors.*

## II. Objectives of the study

To study the awareness among employees on various tax saving schemes available as per Income Tax Act.

## III. Methodology of the study

### 3.1 Data Collection sources

This study is based on both the primary and secondary data. The primary data is collected by using Questionnaire. It is collected during Dec-June 2020-21. The researcher used random sampling method to administer the questionnaire to the individual assesses who are salaried employees and residing in Hyderabad city and 126 persons responded while 150 questionnaires were administered. Secondary data were collected from Income-tax Text books, Journals and various websites.

### 3.2. Hypothesis Framed

Null Hypothesis are as follows-

- H1: There is no significant relationship between Age and level of awareness

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- H2: There is no significant relationship between Educational qualification and level of awareness.
- H3: There is no significant relationship between Occupation and level of awareness.
- H4: There is no significant relationship between Gender and level of awareness.

**3.3. Tools for analysis:** For the purpose of analysis, percentage analysis and chi-square test was applied. Here null hypothesis is framed that there is no relationship between the factors and level of awareness. The calculated value is compared with the table value if the calculated value is less than the table value null hypothesis is accepted. If the calculated value is more than the table value null hypothesis is rejected.

### IV. Data analysis and Interpretations:

**Table 1: Age wise awareness about Tax Saving Schemes**

Age group	Aware	Unaware
20-30	55	26
31-40	28	10
41-50	3	0
51-60	4	0
<b>Total</b>	<b>90</b>	<b>36</b>

(Source: Questionnaire)

**Table 2: Qualification wise awareness about Tax Saving Schemes**

Qualification	Yes	No
Degree	45	22
P.G	34	8
Ph,D	2	0
Professional	7	4
Others	2	2
<b>Total</b>	<b>90</b>	<b>36</b>

(Source: Questionnaire)

**Table 3 Occupation wise awareness about Tax Saving Schemes**

Awareness of Tax Saving Schemes		
Employment	Aware	Unaware
Government	31	13
Private	42	20
Professional	5	1
Others	12	2
<b>Total</b>	<b>90</b>	<b>36</b>

(Source: Questionnaire)

**Table 4: Gender wise awareness about Tax Saving Schemes**

Awareness of Tax Saving Schemes		
Gender	Yes	No
Male	57	28
Female	33	8
<b>Total</b>	<b>90</b>	<b>36</b>

(Source: Questionnaire)

#### 4.1 Interpretations

- H1: The calculated value of the **chi-square is 2.515**, less than the table value. Hence, Ho is accepted. There is no significant relationship between Age and level of awareness.
- H2: The calculated value of the **chi-square is 6.599**, less than the table value. Hence, Ho is accepted. There

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is no significant relationship between Educational qualification and level of awareness.

- H3: The calculated value of the **chi-square is 2.375**, less than the table value There is no significant relationship between Occupation and level of awareness.
- H4: The calculated value of the **chi-square is 2.80**, There is no significant relationship between Gender and level of awareness.

### 4.2 Findings

- It is inferred that 100 percent of respondents were aware of recognized provident fund because it is deducted directly from the salary.
- It is so obvious that 100 percentage of the respondents aware of life insurance premium.
- The majority of respondents i.e, 76 percent were known that National Saving Certificate helps to reduce their tax liability
- Most of the respondents i.e. 90 percentage know about the deduction for tuition fee paid to Education Institutions.
- The respondents are having awareness about 80 percentage with regard to the contributory pension scheme and only 20 percentage are unaware.
- The respondents are not much aware about long term infrastructure fund. Only 54 percentage of the respondents are aware about this deduction 80CCF.
- The awareness level on medical insurance premium is also low. Only 56 percentage of employees are having awareness on medical insurance premium.
- 54 percentage of the respondents are aware about the deduction on interest on housing loan and 46 percent age respondents are not aware of it.
- It is understood that middle age group (31-40 years) experienced a medium level of awareness towards the tax planning.
- Occupation is also another important yard stick to measure the awareness level majority of sample respondents belong to various professionals were having medium awareness level.
- The analysis, through the testing of null hypothesis, revealed that the following factors do not influence the level of awareness towards the tax saving schemes, age ,Educational level , Occupation and gender

### 4.3 Suggestions

- A majority of respondent felt that Government, Tax consultancies, chartered accountant should take to educate the employees on various Tax saving schemes available to them.
- Respondents expecting an increase in the amount of deductions under u/s 80C..
- Awareness of Tax planning helps to reduce Tax evasion .
- Most of the Government employees were claiming the 80C deduction only. Employees should also concentrate on 80D, 80E, and 80G to 80U.

## V. Conclusion

It can be concluded that the Investment pattern and Tax planning vary from person to person and will depend upon the age of the Individual his nature of employment, sources of Income, family background, and quantum of income. Each of individual will have to decide his/her own pattern of Investment. Tax planning with regard to Investments requires intelligent analysis, judicious decision making and the sixth sense of visualization.

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