



A Study on Awareness and Perception regarding Tax Saving Instruments among Salaried Individuals of Bengaluru City

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ABSTRACT

Tax planning helps in the reduction of tax amount and helps in utilizing the various reliefs, deductions, exemptions and rebates as per the IT Act, 1961. Tax-saving is an important part of financial planning. Tax planning is the process of analyzing a financial plan or a situation from a tax perspective. With the help of tax planning, one can ensure that all elements of a financial plan can function together with maximum tax-efficiency. Tax Saving Instrument involves selection of the right kind of instruments / schemes with an aim of maximizing returns. The decision regarding the type of instrument depends upon the risk taking capabilities of individuals. Although there are various tax-saving instrument plans available in the market. People often get confused about which plan best suits them. In order to make you choose the best instrument plan for you depending on your risk appetite and preferences. The purpose of the study was to know the awareness level and perception on the Tax saving instruments and to determine the tax-saving instrument options which are preferred to save tax reason for preference of Instrument. This study also aims to know the most suitable and popular tax saving instrument used by salaried Individuals. Descriptive statistics used to analyze the data collected randomly through the 110 respondents from Bengaluru City. Both Primary and Secondary Data Used in this study. Data Collected were analyzed by using frequency and percentages and findings are interpreted accordingly.

INDEX TERMS - Income Tax, Tax saving instrument, Awareness and Perception, Tax Planning.

I. INTRODUCTION

Under the Constitution of India Central Government is empowered to levy tax on the income. Accordingly, the Central Government has enacted the Income Tax Act, 1961. The Act provides for the scope and machinery for levy of Income Tax in India. The Act is supported by Income Tax Rules, 1961 and several other subordinate

and regulations. Besides, circulars and notifications are issued by the Central Board of Direct Taxes (CBDT) and sometimes by the Ministry of Finance, Government of India dealing with various aspects of the levy of Income tax. Unless otherwise stated, references to the sections will be the reference to the sections of the Income Tax Act, 1961. Income tax is a tax on the total income of a person called the assessee of the previous year relevant to the assessment year at the rates prescribed in the relevant Finance Act.

Tax planning means examining your financial situation with the goal of reducing tax liability. A tax plan works to ensure that each financial element of a plan works together to reduce your total tax bill as much as possible. Through tax planning, you can make contributions to retirement plans and instruments that have the best impact on reducing your tax bill each year. Since retirement plans and instruments can have a large effect on taxes owed, it's important to consider these elements when you're creating a tax plan.

There are a variety of methods by which, individuals or families falling in any tax bracket can reduce their taxable income in the Indian tax system. These methods generally involve instruments in certain types of tax saving instruments which allow for deductions under various sections of the Income Tax Act, most notably Section 80C which covers a wide array of tax deductions. This provision in the act allows for deduction on instruments of up to Rs. 1.5 lakh annually. While picking a method that suits your needs, it is imperative to consider factors such as risk, liquidity and potential returns as well as the tax liability on those returns. When returns on these instruments are also taxable, they restrict your ability to generate wealth in the long term. Additionally, the tax benefits available on such instruments generally means that their potential for returns higher than the market averages is low. Broadly speaking, here are a few commonly types of tax saving methods in India:

1. **Tax Saving Instruments:** There are a wide array of tax saving instruments that allow for deductions up to Rs. 1.5 lakh under Section 80C of the Income Tax Act. The returns on these instruments are generally subject to market trends. Additionally, some of these instruments may come with the added benefits of exemptions on interest accrued and maturity amounts subject to terms and conditions. These instruments include:
 - Equity Linked Savings Schemes(ELSS)
 - Unit Linked Insurance Plans(ULIPS)
 - Public Provident Fund(PPF)
 - Employees' Provident Fund(EPF)
 - Traditional Insurance Plans
 - National Savings Certificate(NSC)
 - Sukanya Samridhi Yojana
 - National Pension Scheme(NPS)
 - Senior Citizens' Savings Scheme
 - Fixed Deposits

2. **Education Loans:** Interest repaid on education loans is completely tax exempt with no limits placed on the maximum deductible amount, however there is no such exemption for the principal amount itself.
3. **Long Term Capital Gains Exemptions:** Selling a long term asset and reinvesting the income in tax saving instruments such as those mentioned above may entitle you to claim deductions on the same and reduce the capital gains tax levied on the sale. The asset must be in your possession for a period greater than 3 years to be termed as a long term asset. Gains from equity shares and mutual funds are also tax exempt upto Rs 1 lacs in financial year provided that your ownership has exceeded a period of 1 year.
4. **Charitable Donations :** Donations to relief funds, NGOs, political parties, Swachh Bharat Kosh, Clean Ganga Fund, the National Fund for Control of Drug Abuse and certain other types of charitable organizations are available for deduction between 50%-100% under Section 80G of the Income Tax Act. Donors are required to furnish receipts, addresses, registration number of the trust, PAN numbers and donation amounts when claiming deduction. These donations are also subject to certain other conditions under the act such as cash donations above Rs. 2,000 being ineligible.
5. **Deductions on Expenses:** Certain expenses such as educational tuition fees, medical expenses for certain diseases as well as for handicapped dependents are tax exempt. Additionally, some expenses made either for or by your employer are tax deductible. These expenses may include transport fees, phone bills as well as some medical and personality development expenses. These types of tax saving methods may not be applicable for all and are subject to various conditions.
6. **Home Loans:** Home loan repayments on both the principal amount and interest are tax deductible under Section 80C. The cap on interest deductions is set at Rs. 2 lakhs per annum. This method generally works better for larger loans.
7. **House Rent Allowance :** Those residing in rented accommodation or away from property they own themselves for employment purposes are eligible for a House Rent Allowance of either 40-50% of basic salary , or rental amounts exceeding 10% of salary/income or actual amount of HRA received- whichever is lower. Those living in rented accommodation with no House Rent Allowance are eligible for deductions of Rs. 5,000 per month, 25% of income or rent payments exceeding 10% of total income- whichever is least. This only applies if the concerned party does not own any other property in the city they are living under their own name or those of their spouse or minor children.
8. **Leave Travel Allowances:** Deductions on expenses incurred during leaves of employment for travel purposes are allowed subject to the submission of expense reports. Two domestic journeys over a period of four years is the upper limit set on these types of tax saving methods.

II. REVIEW OF LITERATURE

- **Suchithra and Vidhya (2019)**, this study aims to know the most suitable and popular tax saving instrument used to save tax and to know the amount saved by using that instruments by the assessee in Sreekrishnapuram. Overall findings of the study reveals that 80C deduction is the most adopted tax saving instrument and 80EE is the second most adopted tax saving instrument. This study it is found that most of the respondents in Sreekrishnapuram are aware about tax saving instruments. It is also found that there is no association between gender and level of awareness among individual tax payers. In this study respondents rank various tax saving instruments according to their priority. The most adopted tax saving instrument is deduction under 80C, which got the first rank in this study.
- **Amit Kumar Arora and Pradeep Kumar Garg (2019)**, the study attempted to know the awareness and perception regarding various tax saving instruments available to save the tax to the teachers of higher education. The study conducted to determine the tax-saving instrument options which are preferred to save tax and what the factors are considered before making instrument decisions. The study recommends to invest in NPS and increase the amount of expenditure on health insurance to reduce the tax liability of the teachers of higher education. The study found that respondents are in the opinion that the taxation system is difficult and they are taking the help of the experts to file their income tax return.
- **Dr J.A. Sarvaiya and Dr Rajesh P Ganatra (2019)**, This research paper aims to examine the behavioral patterns and the perceptions of the taxpayers over the different deduction available under sections from 80C-80U of Income tax Act such as PPF, LIC premium, PF, FD's, National Pension Scheme, Rajiv Gandhi Equity Linked Savings Scheme, Medici claim, Interest on home loan, Interest on Education loan, Donations, Rent, Interest on Savings Account etc. Further the researcher also tries to examine whether there is a significant difference in perception of taxpayers with respect to deductions U/s 80C-80U relative to their demographic factors. It is found that the taxpayers having their Own Business as their occupation pay the highest tax. The taxpayers prefer "deduction under section 24-B" the most & "deduction under section 80D" the least.
- **Ayesha Qadri (2020)**, Purpose of this study is to understand tax, tax planning and tax management and to find out the most efficient way of getting tax benefits from numerous tax saving instruments. In this research author to understand that planning and management of our taxes is really important and also try to analyze the best tax saving instrument among number of tax saving instruments available in the market in order to pay lowest taxes possible and get maximum benefits. In this study we have seen tax planning and management and why it is important to do so, we have also seen popular tax saving techniques through which we can fulfill our long term goal. From this we understand that it is important to plan taxes in advance and to wisely choose among tax saving instruments in order to utilize tax benefits completely.
- **C. Sumitra Devi and Prof. A. Sudhakar (2018)**, the purpose of this paper is to find out the awareness of tax saving schemes and to identify the preference of tax saving schemes among women faculty of Degree Colleges of Hyderabad. It is found that there is no significance mean difference in Awareness

of tax saving schemes in different status of the employees or type of Instruments they make and also with the proportion of savings. The study concluded that the respondents have basic knowledge and awareness about various tax saving schemes u/s 80C and 80D only and are preferring to invest in Mutual funds as they possess liquidity to meet their short and medium term goals and are also investing in House loans to meet their Long term goals.

III. SCOPE OF THE STUDY

The scope of study is getting familiar with various instrument avenues available in market. To study the life stages of an individual and to identify their risk tolerance, income flow, life goals and current instrument. Study should cover all areas of the individual's financial needs and should result in the achievement of each of the individual's goals.

IV. OBJECTIVES OF THE STUDY

- To ascertain the level of awareness and perception of salaried individuals on various tax saving instruments available under the income tax act.
- To find out the most suitable tax saving instrument used to save tax for salaried individual.
- To understand Tax planning done by salaried individual.

V. RESEARCH METHODOLOGY

Descriptive research used in the study. It describes the situation or phenomenon. Survey method used to collect responses from salaried individual. The data for the study is collected from both primary and secondary sources. Primary Data was gathered by using structured questionnaire technique. The questionnaire was collected from 110 respondents belonging to Bengaluru city. The sample was selected by using convenience sampling technique from the population belonging to different demographic profile like gender, age, education, occupation and income. Secondary data was collected through internet, website, research journals and publications etc.

VI. DATA ANALYSIS AND INTERPRETATION

The data collected from various respondents to analysis and interpret the conclusion. The data collected is presented in the form of tables. A brief description of analysis and interpretation are given below:

Table 1: Awareness of Tax saving Instruments on the basis of Gender.

Sl. No	Gender	No. of Respondents	Percentage
1	Male	68	62
2	Female	42	38
Total		110	100

(Source: Primary Data)

Interpretation:

As per the above table, it can be observed that, among all the respondents the level of awareness about Tax Saving instruments is 62% respondents are male and 38% respondents were female.

Table 2: Awareness of Tax saving Instruments on the basis of Age.

Sl. No	Age	No. of Respondents	Percentage
1	25 – 40 Years	29	26
2	40 – 60 Years	72	66
3	Above 60 Years	09	08
Total		110	100

(Source: Primary Data)

Interpretation:

From the above table, it is observed that among all the respondents the level of awareness about Tax Saving instruments is 26% are 25 - 40 years of age group, 66% respondents belong to 40 – 60 years of age group and 8% of the respondents fall in the above 60 years of age group.

Table 3: Awareness of Tax saving Instruments on the basis of Education.

Sl. No	Education	No. of Respondents	Percentage
1	Primary Education	8	7
2	Secondary Education	22	20
3	Degree Holders or UG	42	38
4	Master Degree Holders or PG	23	21
5	Above Master Degree Holders	12	11
6	Illiterate	3	3
Total		110	100

(Source: Primary Data)

Interpretation:

From the above table, it can be observed that among all the respondents the level of awareness about Tax Saving instruments is 7% are primary education group, 20% respondents are secondary education, 38% of the respondents are Degree graduates, 21% respondents are Master degree graduates, 11% of the respondents are above master degree education group and 3% of the respondents has no education qualification.

Table 4: Awareness of Tax saving Instruments on the basis of Occupation.

Sl. No	Occupation	No. of Respondents	Percentage
1	Government Employees	12	11
2	Private Employees	66	60
3	Business Persons	19	17
4	Students	8	7
5	Unemployed	5	5
Total		110	100

(Source: Primary Data)

Interpretation:

From the above table, it is observed that among all respondents the level of awareness about Tax Saving instruments is 11% respondents are Government employee group, 60% respondents are employed in Private institutions or organizations, 17% of the respondents are business people, 7% of the respondents are students and 5% of the respondents are unemployed.

Table 5: Satisfaction level of salaried individual Tax Saving Instruments decisions.

Sl. No	Response	No. of Respondents	Percentage
1	Highly Satisfied	20	18
2	Satisfied	66	60
3	Dissatisfied	6	5
4	Highly Dissatisfied	4	4
5	Neither Satisfied nor Dissatisfied	14	13
Total		110	100

*(Source: Primary Data)***Interpretation:**

From the above table, it is observed that among all the majority of the respondents 18% and 60% of the respondents are satisfied with regard their Tax Saving Instruments decisions. Respondents i.e., 5% and 4% of respondents are Dissatisfied and 13% of the respondents are Neither Satisfied nor Dissatisfied with regard to their Tax Saving Instruments decisions.

Table 6: Tax Saving Instruments preferences of the respondents.

Sl. No	Response	No. of Responses for each Respondent	Percentage
1	Bank Deposits	61	56
2	Mutual Funds	72	65
3	Fixed Deposits	76	69
4	Insurance Policies	36	33
5	Govt. Securities i.e., PF, GPF/PPF etc.,	93	85
6	Post Office deposits	29	26
7	Equity Market	35	32
8	Gold	89	81
9	Other	32	29

*(Source: Primary Data)***Interpretation:**

From the he above table it is observed that most of the respondents mostly prefer to invest in Government Securities and gold. Due to some influencing factors such as high liquidity and inflation-beating capacity, Government securities are safer investments for longer term with good returns and gold is one of the most preferred investments in India.

Table 7: Factors considered by the respondents for choosing the Tax Saving Instruments.

Sl. No	No of Respondents	No. of Respondents	Percentage
1	Additional Income	38	35
2	Future Needs	42	38
3	Tax Benefits	18	16
4	Statutory requirements	08	07
5	Other factors	04	04
Total		110	100

*(Source: Primary Data)***Interpretation:**

From the above it indicates that Additional income and future needs are considered in order to increase savings (i.e. 35%). Future needs (i.e. 38%) of an individual can be considered as a factor which pushes an individual towards saving more of their income as it may benefit at the time of need. Tax benefits and statutory requirements are the least considered factors while choosing the tax saving instruments.

Table 8: Whose advice do the respondents take while choosing Tax Saving Instruments

Sl. No	Sources	No. of Respondents	Percentage
1	Spouse/family members	43	39
2	Friends/ colleagues	21	19
3	Company Agents	02	2
4	Financial advisors	16	15
5	Self-decision	28	25
Total		110	100

Interpretation:

Most of the investment decisions are influenced by taking the advice of spouse/family members (39%) or can be self-made decisions (25%) as well. Investing money requires a meticulous approach and acting on a piece of advice calls for adopting an extra layer of caution.

Table 9: Initiatives recommended by the respondents to create awareness among salaried employees about Tax Saving Instrument:

Sl. No	Sources	No. of Respondents	Percentage
1	Workshops and Seminars	28	26
2	Training programmes	45	41
3	Advertisement	15	14
4	Social welfare programmes	13	12
5	Investor's Meetings	09	07
Total		110	100

(Source: Primary Data)

Interpretation:

From the above, we can interpret that workshops and seminars as well as training programmes are amongst the good initiatives for creating awareness about investments among the salaried employees. As these options help to provide proper information and practical knowledge to the audience. The traditional method i.e. advertisements are also commonly used to create awareness but this option is not as much in the trend as the above two options.

VII. FINDINGS OF THE STUDY

From the above data analysis and interpretations, following are the findings of the study:

- Majority of the respondents on Awareness of Tax saving Instruments on the basis of age is from male category i.e., 62%.
- Most of the respondents on Awareness of Tax saving Instruments falls in the age group of 40 – 60 years i.e., 66%.
- Most of the respondents (i.e., 38%) are Degree Holders of having Awareness of Tax saving Instruments on the basis of Education.
- Most of the respondents (i.e., 60%) are private institution employees are having Awareness of Tax saving Instruments on the basis of Occupation.
- Among all the respondents, majority of the respondents (i.e., 60%) are satisfied Awareness of Tax saving Instruments on their investment's decisions.
- Majority of the respondents prefer to invest in Government Securities and gold. Gold and Government Securities is found to be the most preferred choice for investment over other investment preferences include bank deposits, mutual funds and fixed deposits.
- According to the results, an additional income and future needs will help a salaried individual to choose their Tax saving instruments.
- Most of the salaried employees take the advice of their spouse/family members, as they can be said to be the most trusted individuals. The respondents have also taken their own decisions for making their own decisions.
- From the study, it is found that conducting workshops and seminars is a good initiative to create awareness amongst salaried individuals about the importance of tax saving instruments.
- The study has also revealed that most of the salaried employees are not aware about the benefits of tax saving investments like ULIPs, NPS and NSC. Life insurance, health insurance as well as PPF are the popular investment options.

VIII. LIMITATIONS OF THE STUDY

- The survey was conducted digitally, hence there was lack of physical presence from both ends.
- The interpretations are based on information received so the study may be affected due to the respondent's biases.
- The lack of knowledge of the respondents about the tax saving instruments can be a major limitation.
- The study has taken only tax saving investment option other investment options which can't be used for tax saving.
- The responses were anonymous.

IX. CONCLUSION OF THE STUDY

The study attempted to know the awareness and perception regarding various tax saving instruments available to save the tax to the salaried individuals. The study concludes that the salaried individuals are well aware of the various deductions, reliefs, and rebates available as per the Indian income tax act. From this research we found out about the awareness and perception of tax saving instruments among various demographics like age, gender and occupation of salaried individuals. Our questions were directed at salaried individuals to know about their level of knowledge, factors and their thought on measures taken on their tax saving instruments. We found out that majority of the salaried individuals did invest their money but not all had tax saving knowledge. We gave our respondents to fill questionnaire and based on their response we judged whether they were financially knowledgeable. It was seen that among all different age groups men had more financial knowledge as compared to women under salaried individuals. It can also be seen that the traditional methods of spreading awareness about tax saving instruments is not very effective. Our research clearly shows that the gold and government securities was one of the most widely accepted and invested from salaried individuals. Related authorities need to take more initiatives to spread awareness about Tax saving instruments.

X. REFERENCES

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