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Income Tax Planning with Respect to Individual Assessee

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Abstract: ***Income tax planning is a vital aspect of personal financial management, offering individuals the opportunity to minimize their tax liabilities while staying within the legal framework. This report delves into the concept of income tax planning for individual taxpayers, emphasizing its importance in achieving financial efficiency and security. Tax awareness, a fundamental component of tax planning, equips individuals with the knowledge required to make informed decisions regarding their taxable income and investment strategies.***

In India, personal income tax significantly impacts disposable income, as a substantial portion of earnings is subject to taxation under the Income Tax Act. Every individual assessee whose annual income exceeds the threshold prescribed by tax regulations is obligated to pay taxes. However, tax planning should not be misconstrued as an attempt to evade taxes. Instead, it involves the prudent and strategic allocation of income across various tax-saving instruments to maximize the benefits available under the law.

This report highlights the significance of efficient tax planning, which extends beyond merely reducing tax liabilities. It involves aligning one's financial goals and decisions with broader life objectives, such as wealth creation, retirement planning, and risk management. By integrating tax-saving strategies with long-term financial planning, individuals can achieve sustainable wealth accumulation and greater financial stability. The analysis underscores the transformative potential of well-informed tax planning, not only as a tool for reducing immediate financial burdens but also as a means to foster disciplined savings and investments that contribute to a secure financial future.

Keywords: Individual Assessee, Tax Planning, Income Tax

I. INTRODUCTION

Income Tax Act, 1961 governs the taxation of incomes generated with India and of incomes generated by Indians overseas. Tax planning is the legal and ethical way to minimize your tax burden through proactive strategies like deductions and investments. While tax evasion is the illegal and deceptive act of hiding income or filling false returns to avoid paying taxes altogether, which can result in serve penalties. The term "assessee" refers to the individual who pays the tax. An individual assessee's sources of income may include salary, rental income, company or Professional earnings capital gains or income from other sources.

Income Tax Act,1961 is the guiding baseline for all the content in this report and the tax saving tips provided here in are a result of analysis of options available in current market. Every individual should know that tax planning in order to avail all the incentives provided by the government of India under different statures Income tax is a significant part of the revenue system in most countries.

It provides provisions for the taxation of individuals based on their income levels. While taxes are inevitable, the government allows for tax deductions, exemptions, and rebates that enable individuals to reduce their taxable income. Income tax planning refers to the process of organizing one's financial affairs in such a manner that it minimizes the overall tax liability, legally. For individual assesses, effective tax planning ensures that they take full advantage of tax-saving opportunities available under the law. Individual Assessee refers to a typical assessee is a person who must pay taxes on the income they review within a financial year. Every person must pay taxes to the government in the current fiscal year.

II. OBJECTIVES

1) To study the Income Tax Planning of individual assessee.
2) To analyze the impact of effective tax planning on an individual's financial well being.
3) To examine the tax-saving instruments and exemptions available under the income tax act, 1961.

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III. REVIEW OF LITERATURE

1) Slemrod (2001) emphasizes tax planning as a legal strategy to minimize liabilities by utilizing provisions, deductions, and exemptions. It ensures compliance with tax laws while aiding financial goals like wealth creation and cash flow management. By leveraging tax-advantaged accounts, strategically timing income and deductions, and aligning financial decisions with tax incentives, individuals can reduce taxable income and enhance liquidity. Tax planning not only mitigates risks of unexpected liabilities but also supports long-term financial stability and aligns personal finances with broader economic goals.
2) Geetha (2014) has investigated the differences in the savings and investment pattern of the employees belonging to the private sector and public sector. Even if people have awareness about tax planning, the implementation of tax planning measures adopted by the employees was not up to the mark even by high tax slab groups. Employees showed greater awareness for PF, insurance, Professional Tax and Housing Loan but have a lower awareness regarding capital gains and relief.
3) Dev (2015) conducted a study examining tax planning measures among salaried individuals, finding that the approaches adopted were largely uniform across this demographic. The study also revealed no significant relationship between an individual's gender or professional experience and their level of tax awareness. This suggests that tax planning practices among salaried earners are influenced more by common factors such as tax provisions and employer assistance than by personal attributes like gender or experience, highlighting a gap in personalized tax education.
4) Srinivas (2015) Emphasized the importance of tax planning in personal finance. The study identified tax planning as not only a means of reducing tax liability but also a critical component of wealth creation and management. By utilizing provisions under the Income Tax Act, individuals can align their financial goals with tax-saving opportunities.
5) Agarwal and Gupta (2018) Highlighted that tax planning allows individuals to channelize savings into productive investments. Key deductions like those under Section 80C (Example: Investments in Public Provident Fund, Equity-Linked Saving Schemes) and Section 80D (Health Insurance Premiums) and Section 24(b) (Interest on home loans) were identified as instrumental in lowering taxable income.

IV. RESEARCH METHODOLOGY

1) Primary Data- A questionnaire is used as a tool for the collection of relevant information from the public. The questionnaire was sent to public using random sampling.
2) Secondary Data- The secondary data is collected through articles, journals, websites, and research publication.

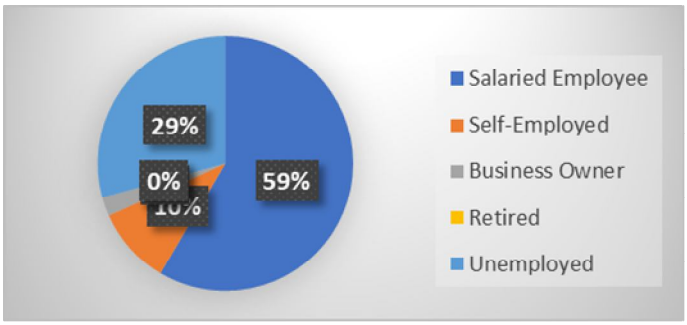
The sample size of this study is 40 from random people. The sampling technique used is simple random sampling and statistical tool used for percentage method

V. DATA ANALYSIS

1) What is your employment status?

Employment Status	Salaried Employee	Self-Employed	Business Owner	Retired	Unemployed
Percentage of respondents	58.5%	9.8%	2.4%	0%	29.3%

Source: Primary data

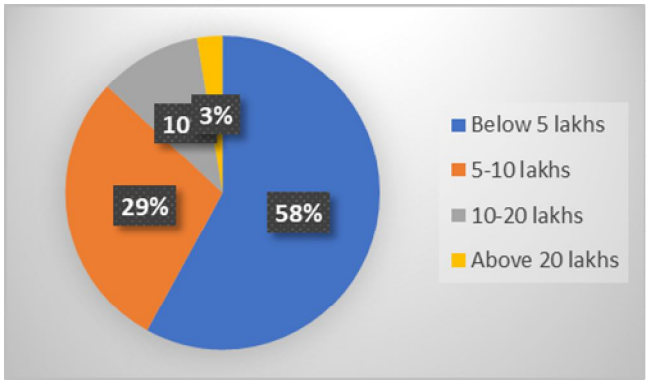


Interpretation: From the above chart we have known that 58.5% respondents are salaried employee, 9.8% respondents are self-employed, 2.4% respondents are business owner and 29.3% are unemployed respondents.

2) What is your annual income in INR?

Age	Below 5 lakhs	5-10 lakhs	10-20 lakhs	Above 20 lakhs
Percentage of respondents	57.9%	28.9%	10.5%	2.6%

Source: Primary data

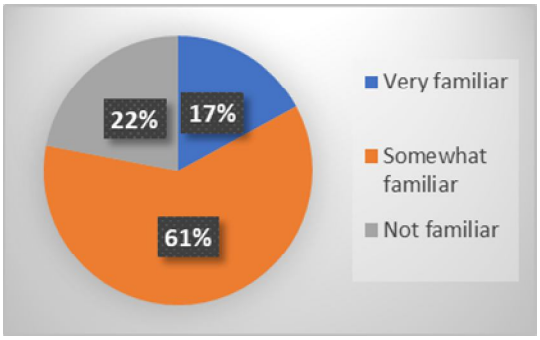


Interpretation: From the above chart we have known that the annual income of 57.9% of respondents is below 5 lakhs, 28.9% respondents are having 5-10 lakhs annual income, 10.5% respondents have 10-20 lakhs annual income and 2.6% of respondents are having annual income of above 20 lakhs.

3) How familiar are you with income tax laws and planning?

Option	Very familiar	Somewhat familiar	Not familiar
Percentage of respondents	17.1%	61%	22%

Source: Primary data

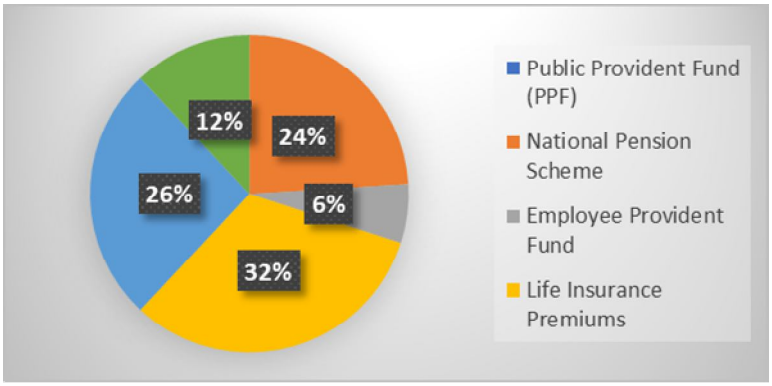


Interpretation: The above pie chart indicates the % of respondents. The blue colour indicates the members with very familiar which is 17% from the total 100%, orange colour indicates the members somewhat familiar which is 61% from the total 100% and grey indicates with not familiar which is 22% from the total 100%. From the survey we can say that there are somewhat familiar about income tax planning.

4) Which of the following instruments have you used?

Instruments	%of respondents
Public Provident Fund (PPF)	29.3%
	7.3%
Employee Provident Fund	39%
Life Insurance Premiums	31.7%
Tax-saving Fixed Deposits	14.6%
Other	34.1%

Source: Primary data

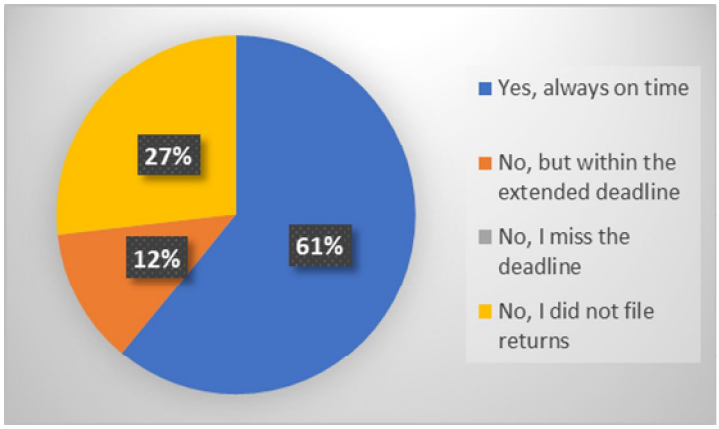


Interpretation: The above pie chart indicates the % of respondents. The blue colour indicates the members uses method public provident fund with 26%and orange colour indicates national pension scheme with 24% and grey colour indicates Employee provident fund with 6% and yellow colour indicates life insurance premiums with 32%

5) Did you file your income tax returns on time?

Option	Yes, always on time	No, but within the extended deadline	No, I miss the deadline	No, I did not file returns
Percentage of respondents	61%	12.2%	-	26.8%

Source: Primary data

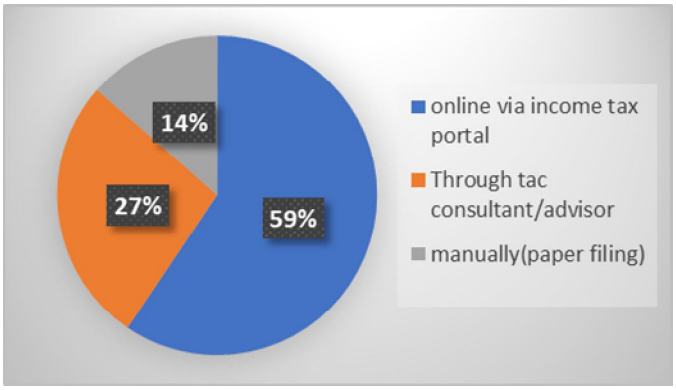


Interpretation: The chart reveals varying tax filing behaviours among respondents. While 61% file returns promptly, demonstrating strong compliance, 12% meet deadlines despite delays, suggesting moderate awareness but scope for improvement. Alarmingly, 27% fail to file returns, highlighting a gap in compliance.

6) What method do you use to file your taxes?

Method	Number Of Respondents	%Of Respondents
Online Via Income Tax Portal	22	59.5%
Through a Tax Consultant/Advisor	10	27%
Manually (Paper Filing)	5	13.5%
Total	37	100%

Source: Primary data

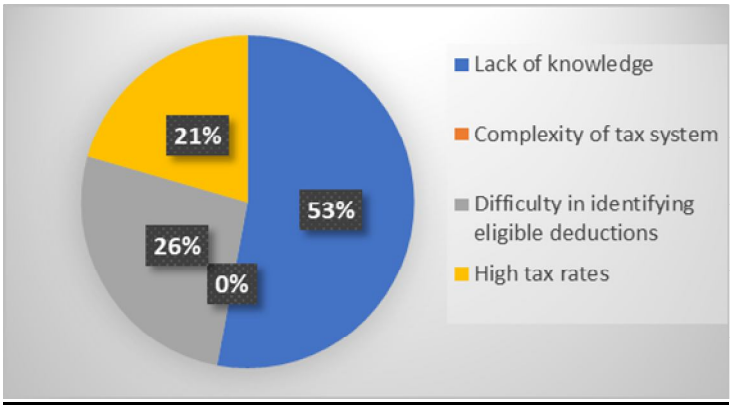


Interpretation: The above chart shows the respondents of method used for tax filing, blue colour indicates the method of online via income tax portal with 59%, orange colour indicates the method through tax consultant/ advisor and grey colour indicates manual method with 14%. Most people use online portals.

7) What do you think is the biggest challenge in income tax planning?

Challenge	Lack of knowledge	Complexity of tax system	Difficulty in identifying eligible deductions	High tax rates	Other
Percentage	46.2%	0	23.1%	17.9%	12.8%

Source: Primary data



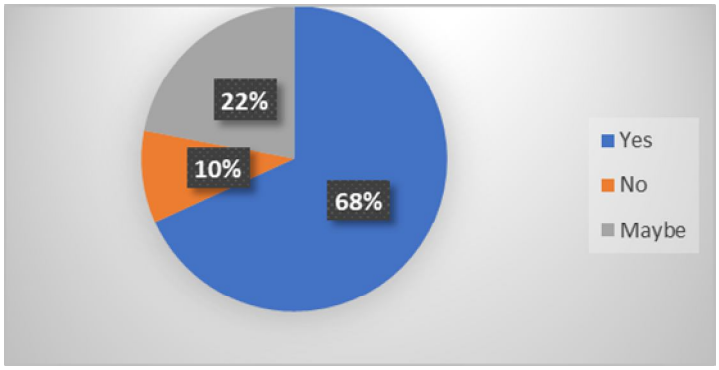
Interpretation: The above chart shows the percentage of respondents in facing challenges in income tax, blue colour indicates the lack of knowledge with 53% , grey colour with difficulty in identifying eligible deductions with 265 and yellow colour indicates high tax rates with 21%.

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8) Would you like more government support or resources for tax planning?

Option	Yes	No	Maybe
Percentage of respondents	68.3%	9.8%	22%

Source: Primary data



Interpretation: the above chart shows the percentage of respondents of respondents that they would you like more government support or resources for tax planning. Blue colour indicates yes with 68%, orange colour indicates no with 10% and grey colour indicates maybe with 22%.

VI. FINDINGS

1) The study shows that 57.9% respondents are below 5lakh annual income and 28.9% are up to 5-10lakhs and 10.5% are 10-20lakhs and 2.6% are above 20lakhs.
2) It shows that only 17.1% respondents are very familiar about income tax laws and planning, 61% respondents are some what familiar and 22% respondents are not familiar about income tax laws and planning.
3) Approximately 60% of respondents file income tax on time through online via income tax portal and 27% respondents file tax through a tax consultant/ advisor and 13% respondents are filing manually.
4) More than 68% of respondents would like government support or resources for tax planning.

VII. SUGGESTIONS

1) An employee being the member of recognized provident fund, who resigns before 5 years of continuous service, should ensure that he joins the firm which maintains a recognized fund for the simple reason that the accumulated balance of the provident fund with the former employer will be exempt from tax, provided the same is transferred to the new employer who also maintains a recognized provident fund.
2) Since the incidence of tax on retirement benefits like gratuity, commuted pension, accumulated unrecognized provident fund is lower if they are paid in the beginning of the financial year, employer and employees should mutually plan their affairs in such a way that retirement, termination or resignation, as the case may be, takes place in the beginning of the financial year.
3) An employee should take the benefit of relief available section 89 wherever possible. Relief can be claimed even in the case of a sum received from URPF so far as it is attributable to employer's contribution and interest thereon.
4) Given that a significant portion of respondents seeks government support for tax planning, it is crucial for the government to provide accessible resources. This could include user-friendly guides, instructional videos, and FAQs on tax laws and filing procedures. Such resources can empower individuals with the knowledge they need to navigate the tax system confidently.
5) Encouraging the use of online filing methods is essential for improving efficiency and compliance. The government should promote the benefits of filing taxes through the online portal, such as convenience, speed, and immediate confirmation of submissions. By offering incentives, such as reduced fees or quicker processing times, more respondents may opt for online filing, enhancing overall compliance.

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VIII. CONCLUSION

Income tax planning is a crucial financial activity for individual taxpayers, as it serves dual purposes: reducing tax liabilities and facilitating the achievement of financial goals. By adopting efficient tax planning strategies, individuals can legally minimize their taxable income, claim applicable deductions, and fully utilize available exemptions to optimize their tax outflows. This not only alleviates the immediate tax burden but also aligns their financial resources with broader life objectives.

Proactive tax planning requires a systematic approach, involving regular assessment of income and expenditures, timely investment in tax-saving instruments, and taking advantage of provisions such as retirement contributions, education loans, insurance premiums. When done consistently throughout the year, tax planning allows individuals to better manage cash flows, avoid last-minute financial pressures, and gain a clearer view of their overall financial health.

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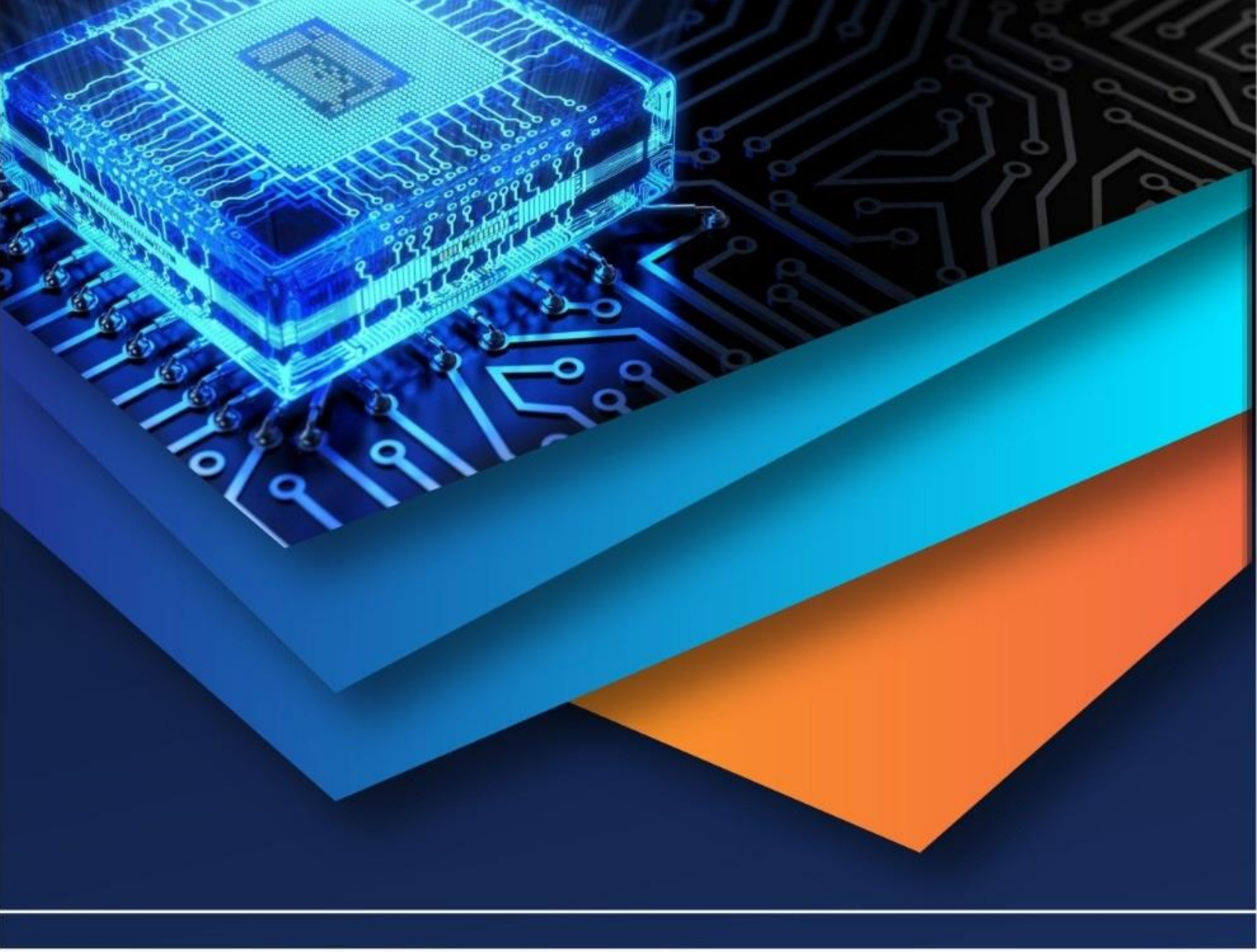
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