

## A Study on Investment Planning and Tax Management Strategies Among the Salaried Employees

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### ABSTRACT

**Introduction:** Tax planning acts as the most essential financial plan that is drafted by the taxpayers. The tax management strategies are highly essential for the taxpayers to help oneself reduce the tax burden. To understand this, the research paper focuses on investment planning and tax management strategies among the salaried employees.

**Objectives:** The research study aims at analysing the investments pattern and the tax planning strategies followed by the salaried employees. The main purpose of this study is to ensure that tax management helps in reducing the incidence of the tax to the maximum incidence.

**Methods:** The study is conducted in the city of Tiruchirappalli and the sample of the study includes salaried employees. Convenience sampling method was adopted to collect the data from 45 respondents. Structured questionnaire was used to collect the data.

**Results:** Various statistical tools were used to analyse the data. The findings of the study indicate the extent of awareness among salaried employees above tax saving schemes and their preference towards it.

**Conclusions:** The factors that influence their investment decisions are the respondents personal factors like security and safety of family and retirement benefits.

**Keywords:** Tax Planning, Investment Decisions, Salaried Employees

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### INTRODUCTION

Tax plays a crucial role in the economy development. The collection of taxes is done by the Government in two ways i.e.) Direct tax and Indirect Tax. Income Tax falls under the category of direct tax. The direct tax collection in India has rose to 21.82 percent year – on - year at Rs 9.57 lakh crore in this current fiscal year 2023 – 2024. This report is provided by the Central Board of Direct Taxes (CBDT). The financial planning comprises both of tax planning and tax management. Tax planning refers to finding ways to reduce the tax amount that has to be paid via legal strategies. This can be done with the knowledge of proper investment options available. Tax management refers to legally compiling with the measures in tax laws in order to keep to a minimum of tax liabilities.

### REVIEW OF LITERATURE

Sanket and Charkha (2018) has conducted research on different sectors salaried people's awareness of different investment avenues and tax planning on Pune City. The sample size was 60 employees and convenient Sampling have been used. A Chi-square and percentage tool has been used for the study. The findings included that salaried employee want more safety instruments and regular return from their investments. The male respondents are aware of investment avenues as compared to female respondents.

Yagnas Vyas and Vijay R Gondaliya (2020) has conducted research on tax planning and tax management of salaried employees on Bardoli Region. The sample size was 250 salaried individual assesses and convenient Sampling have been used. The researcher has analyzed the data using cross tabulation with Chi – square test. The findings

included salaried people are well aware about the tax planning and they seek professionals help for tax management. Insurance is one of the most preferred option selected by the respondents to manage tax liabilities.

### OBJECTIVES OF THE STUDY

1. To understand the demographic factors of the salaried employees
2. To study the knowledge about the various investment options and the factors influencing the investment decision among the respondents.
3. To know the level of awareness and knowledge about tax planning and management among the respondents.

### METHODOLOGY

The study is conducted by issuing a questionnaire. The sample size is 45 respondents and convenience sampling method are followed. The secondary data are collected from several journals and websites.

**TABLE 1 DEMOGRAPHIC FACTORS OF SALARIED EMPLOYEES**

AGE	18-27	28-37	38-47	48-57	ABOVE 58
	21 (46.57%)	7 (15.6%)	11 (24.4%)	4 (8.9%)	2 (4.4%)
GENDER	MALE		FEMALE		
	8 (17.8%)		37 (82.2%)		
LOCATION	URBAN		SEMI - URBAN		
	34 (75.6%)		11 (24.4%)		
QUALIFICATION	GRADUATE	POST GRADUATE		PROFESSIONAL	
	17 (37.8%)	20 (44.4%)		8 (17.8%)	
EMPLOYMENT	GOVT. JOB	PRIVATE JOB		ANY OTHER	
	9 (20%)	20 (44.4%)		16 (35.6%)	
ANNUAL INCOME	LESS THAN Rs 2,50,000	Rs 2,50,000 to Rs 5,00,000	Rs 5,00,000 - Rs 7,50,000		ABOVE Rs 7,50,000
	26 (57.8%)	10 (22.2%)	2 (4.4%)		7 (15.6%)
ANNUAL SAVINGS	10%	20%	30%	MORE THAN 30%	
	29 (64.4%)	12 (26.7%)	2 (4.4%)	2 (4.4%)	

Source: Primary Data

The above table denotes that majority of the respondents belong to the age group of 18-27 (46.57%), 82.2% respondents are female, 75.6% respondents belong to the urban area, 44.4% respondents are qualified as post graduate and 44.4% respondents are employed in private job. The majority respondents have an annual income of less than Rs2,50,000 (57.8%) and the majority respondents (64.4%) provide for annual savings at a rate of 10%.

**TABLE 2 FACTORS INFLUENCING INVESTMENT DECISIONS**

FACTORS INFLUENCING INVESTMENTS	NO OF RESPONDENTS	PERCENTAGE
PERSONAL FACTORS - SAFETY OF FAMILY, RETIREMENT BENEFITS	35	77.8%
ECONOMIC FACTORS	1	2.2
MARKET FORECAST	2	4.4
FISCAL INCENTIVES - TAX CONCESSIONS	7	15.6

Source: Primary Data

The above table shows that 77.8% of the respondents are highly influenced by the personal factors – safety of family, Retirement benefits and the least influencing factor in the investment decision is economic factors (2.2%).

**TABLE 3 KNOWLEDGE ABOUT FINANCIAL INVESTMENT**

INVESTMENT INSTRUMENTS	GOOD KNOWLEDGE	AVERAGE KNOWLEDGE	NO KNOWLEDGE
BANK DEPOSITS	22 (48.8%)	20 (44.4%)	3 (6.7%)
LIFE INSURANCE SCHEMES	15 (33.3%)	25 (55.6%)	5 (11.1%)
POST OFFICE SAVINGS	14 (31.3%)	24 (53.3%)	7 (15.6%)
PUBLIC PROVIDENT FUND	13 (28.9%)	25 (55.6%)	7 (15.6%)
MUTUAL FUND	6 (13.3%)	21 (46.7%)	18 (40%)
EQUITY SHARES	8 (17.8%)	20 (44.4%)	17 (37.8%)

Source: Primary Data

The above table reveals that majority respondents have good knowledge about bank deposits (48.8%), average knowledge about Life Insurance Schemes (55.6%), post office savings (53.3%), public provident funds (55.6%), mutual funds (46.7%) and equity shares (44.4%)

**TABLE 4 SATISFACTION TOWARDS PRESENT INVESTMENTS**

SATISFACTION LEVEL	NO OF RESPONDENTS	PERCENTAGE
Highly Satisfied	4	8.9
Satisfied	20	44.4
Neutral	18	40
Dissatisfied	3	6.7

Source: Primary Data

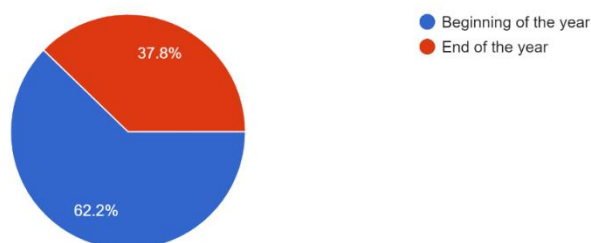
The above table signifies that majority (44.4%) of the respondents are satisfied towards present investments and least (6.7%) of the respondents are dissatisfied towards their present investments.

**TABLE 5 TIME OF TAX PLANNING**

DURATION	NO OF RESPONDENTS	PERCENTAGE
YEAR BEGINNING	28	62.2
YEAR END	17	37.8

When do you start tax planning amidst the year?

45 responses



SOURCE: Primary Data

The above table and figure reveal that 62.2% of their respondents do their tax planning at the beginning of the year and 37.8% of the respondents do their tax planning at the end of the year.

**TABLE 6 NEED FOR THE AWARENESS REGARDING TAX DEDUCTION OR TAX EXEMPTION AND TAX PLANNING**

NEED FOR THE AWARENESS	NO OF RESPONDENTS	PERCENTAGE
Highly Essential	19	42.2
Essential	22	48.9
Not Essential	1	2.2
Negligible	3	6.7

Source: Primary Data

The above table signifies that 48.9% of the respondents feel that the need for the awareness regarding tax deduction, exemption, planning is essential and 2.2% of the respondents says that it is not essential.

**TABLE 7 FREQUENCY OF UPDATE**

FREQUENCY OF UPDATE	NO OF RESPONDENTS	PERCENTAGE
Always	13	28.9
At frequent intervals	22	48.9
Rarely	7	15.6
Never	3	6.7

Source: Primary Data

The above table shows that the majority respondents of 48.9 percent update themselves about tax information at frequent intervals and the least number of respondents (6.7%) never update themselves with the tax information.

**TABLE 8 SEEKING ASSISTANCE REGARDING TAX PLANNING**

ASSISTANCE REGD TAX PLANNING	NO OF RESPONDENTS	PERCENTAGE
Self	8	17.7
Family	21	46.7
Consultants	10	22.2
Friends or Workmates	6	13.4

Source: Primary Data

The above table denotes that 46.7% of the majority respondents seek assistance from family and the least number of 17.7% respondents doesn't take any assistance for planning of their taxation.

**TABLE 9 INVESTMENT AND AWARENESS - SEC 80C, SOCC, 80CCD & 80CCG**

PARTICULARS	AWARENESS		INVESTMENT	
	YES	NO	YES	NO
Contribution To PF	35 (77.8%)	9 (20%)	21 (46.7%)	25 (55.6%)
LIC Premium	35 (77.8%)	9 (20%)	25 (55.6%)	21 (46.7%)
Housing Loan Repayment	33 (73.3%)	13 (28.9%)	15 (33.3%)	29 (64.4%)
Contribution to LIC Pension Fund	24 (53.3%)	20 (44.4%)	9 (20%)	37 (82.2%)
Tuition Fees of Two Children	28 (62.2%)	16 (35.6%)	12 (26.7%)	34 (75.6%)
Investment Under Rajiv Gandhi Equity Scheme	8 (17.8%)	37 (82.2%)	5 (11.1%)	40 (88.9%)

Source: Primary Data

The above reveals that the highest awareness among the respondents stands for towards the contribution to PF (77.8%) and the LIC Premium (77.8%) followed by housing loan repayment (73.3%) and then exemption benefit towards tuition fee for two children (62.2%). In relation to investment the majority respondents prefer LIC Premium (55.6%) followed by Contribution to PF (46.7%)

### **FINDINGS**

The major findings in this study can be classified under the following three heads:

#### **1) DEMOGRAPHIC FACTORS**

The majority of the respondents belong to the age group of 18-27 (46.57%), 82.2% respondents are female, 75.6% respondents belong to the urban area, 44.4% respondents are qualified as post graduate and 44.4% respondents are employed in private job. The majority respondents have an annual income of less than Rs2,50,000 (57.8%) and the majority respondents (64.4%) provide for annual savings at a rate of 10%.

#### **2) Investment Planning**

➤ 77.8% of the respondents are highly influenced by the personal factors – safety of family, Retirement benefits and the least influencing factor in the investment decision is economic factors (2.2%).

➤ The majority respondents have good knowledge about bank deposits (48.8%), average knowledge about Life Insurance Schemes (55.6%), post office savings (53.3%), public provident funds (55.6%), mutual funds (46.7%) and equity shares (44.4%)

➤ The majority (44.4%) of the respondents are satisfied towards present investments and least (6.7%) of the respondents are dissatisfied towards their present investments.

#### **3) Tax Planning and Tax Management Strategies**

➤ 62.2% of their respondents do their tax planning at the beginning of the year and 37.8% of the respondents do their tax planning at the end of the year.

➤ 48.9% of the respondents feel that the need for the awareness regarding tax deduction, exemption, planning is essential and 2.2% of the respondents says that it is not essential.

➤ The majority respondents of 48.9 percent update themselves about tax information at frequent intervals and the least number of respondents (6.7%) never update themselves with the tax information.

➤ 46.7% of the majority respondents seek assistance from family and the least number of 17.7% respondents doesn't take any assistance for planning of their taxation.

➤ The highest awareness among the respondents stands for towards the contribution to PF (77.8%) and the LIC Premium (77.8%) followed by housing loan repayment (73.3%) and then exemption benefit towards tuition fee for two children (62.2%). In relation to investment the majority respondents prefer LIC Premium (55.6%) followed by Contribution to PF (46.7%).

### **SUGGESTION**

While taking investment decisions, investors need to consider economic factors, and must make investments in the growing investment options such as mutual funds and provident fund. The appropriate time for tax planning is the beginning of financial year. Therefore, all the salaried employees must consider doing the tax planning in the beginning of the year. To do better tax planning and tax management it is better to gain the help of consultants so that adequate information about tax deductions and exemptions can be gained. This will help in reducing tax evasion.

### **LIMITATION TO THIS STUDY**

Due to the time constraint the researcher has selected only 45 respondents and they are limited to only the district of Tiruchirappalli.

### **CONCLUSION**

To conclude, this study has focused on the two core concepts of investment planning and tax management strategies. Here, this study shows that tax planning and tax management decision depends on the persons personal

awareness and demographic factors. One individual decision may not be suitable for another. Investment planning and tax management requires prudent decision making.

#### **FURTHER SCOPE FOR THE STUDY**

The present study has focused only the salaried employees. Research can be further done taking into consideration more occupations.

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