

Exploring the Factors influencing the adoption of Tax Planning Instruments among Teachers in Haryana

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ABSTRACT

Tax planning is a legitimate technique to minimize your tax amount in any given fiscal year. It assists the assesses in maximizing the tax exemptions, deductions, and privileges provided by the government in order to reduce tax burden. Since tax planning and an assessee's income is closely intertwined, it is important for the government, the assessee, and society as a whole. Everyone benefits from tax planning since it brings in money for the government, reduces taxes, and increases income for the assessee. In this context, the purpose of this research was to identify the factors that influence the adoption of tax planning instruments and to determine the most commonly used instrument among academicians in Haryana. This study employed an exploratory cum descriptive research design. Purposive sampling was used to select 120 teachers from various institutions and colleges for gathering data. The data was analyzed using a factor analysis technique in SPSS. The findings revealed that academicians frequently used insurance as a tool for tax planning. The primary determinants that influence the adoption of tax planning instruments include investment and saving-related determinants, and income tax-related determinants. The present research contributes in the related literature and provide directions to the potential researchers for further research.

Keywords: Tax planning, Tax planning instruments, Deduction, Determinants.

INTRODUCTION

Planning is a basic step that implies thinking in advance about the activities that help in achieving the desired goals. Tax planning is fundamental for all the assessee to limit their tax obligation. To bring down tax liability, assessee plan their investment in the tax planning instruments in such a route by availing all the exemptions, deductions, and rebates under the act. Each assessee who pays tax has the objective to decrease the tax burden on their income. Through the various procedures, they try to accomplish their objective of diminishing the tax burden. For accomplishing the objective, the assessee follows methods such as tax planning, avoidance of tax, and tax evasion. Under the tax planning, for decreasing tax liability, they need to organize their financial affairs in that manner.

Tax planning is a mechanism for benefitting the available deductions, exemptions, and rebates under an Income Tax Act. To limit the tax burden without making the loopholes in the laws, tax planning is a legal technique to follow. Tax planning is a different technique than "tax avoidance" and "tax evasion." Tax avoidance or tax evasion, both are short-term process to achieve the goal of reduction in tax but Tax planning is a course of action of a monetary arrangement to limit the tax burden and furthermore motivates assessee to place their income in the tax planning instruments and save their income with greatest advantages. So, this study will focus on identifying the determinants which influence their adoption of tax planning instruments and highly adopted instrument adopted by teachers.

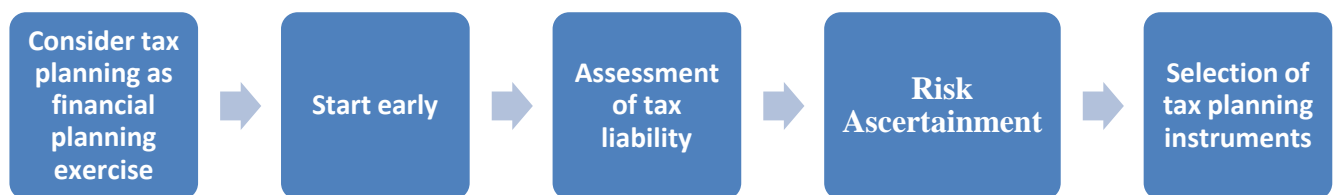
Tax Planning

Tax Planning may be defined as an arrangement of one's financial affairs in such a way that without violating in any way the legal provisions of an Act, full advantage is taken of all exemptions, deductions, rebates and reliefs permitted under the Act, so that the burden of the taxation on an assessee, as far as possible, becomes the least. (Natarajan, 2006).

Tax planning is the practise of structuring your affairs in order to postpone or avoid paying taxes. You can have more money to save and invest, more money to spend, or a combination of the two by using efficient tax planning strategies. In other words, it means deferring and minimising taxes by utilising advantageous tax-law provisions, increasing and utilising exemptions and deductions, and employing simple methods to reduce your tax liability during a fiscal year. By utilising the components of one's salary, taking advantage of the perks, perquisites, or tangible benefits that one is entitled to, investing in deductible options, filing tax returns well in advance, and using simple management and strategic timing are all necessary for smart tax planning. Tax planning can be utilised in a variety of situations, including retirement, businesses, wills, and properties. It is a technique to figure out how much money you are paying in taxes and a way to help minimise the tax burden (the amount owing to tax authorities).

Tax Planning Process:

The tax planning process includes five steps to be followed by the assessee through which he can make plans to get the benefit of reducing the tax burden and help in securing and making better tomorrow by saving their income through investing in tax planning instruments under the Income Tax Act.



1. **Consider tax planning as financial planning exercise:** The taxpayers must arrange their financial affairs according to the tax perspective. So tax planning should be done at the beginning of the year.
2. **Start early:** Tax planning should be done at the beginning of the year that helps in relieving the stress of the assessee. It should be an ongoing or continuous practice.
3. **Assessment of tax liability:** Measures the tax liability in advance so that assessee can able to know about the amount that he can invest in tax planning instruments for saving tax.
4. **Ascertainment of risk profile:** For adopting suitable tax planning instruments, an assessee should check their risk-taking capability based on age, income level, financial objectives, etc. For example, a 45-year assessee wants a secure life after retirement, so he can invest their money in the provident fund, pension schemes, etc.
5. **Selection of tax planning instruments for investment:** This is the important step for the assessee to invest their income with depth knowledge of all tax planning instruments available under the Act according to their objectives and demographics.

Deductions & Allowances granted for salaried employees

Deduction under section 80C: deduction is granted to the tax assessee for the deposits made in the instruments like provident fund, payment for life insurance, investment in National Saving Certificates, investment in National Saving Scheme, deposits in Housing banks, deposits in Sukanya Smridhi Account, investment in Mutual Funds, investment in Unit-linked Insurance Plan, term deposits etc. for rupees 1,50,000.

Deduction under section 80CCD: deduction is granted to the assessee for making the contributions to pension schemes of rupees 50,000.

Deduction under section 80DD: deduction for the expenditure made on medical treatment, training and rehabilitation of disabled dependent to the assessee is provided. In case of disability, for rupees 75,000 and in case of severe disability, for rupees 1,25,000.

Deduction under section 80DDB: deduction of rupees 40,000 for the expenditure on medical treatment of Special ailments such as Aids, Cancer and neurological diseases is given to the assessee

Deduction under section 80E: this deduction for interest amount is available to the assessee who has taken loan from institutions for getting higher education for himself or relatives.

Deduction under section 80EE: deduction is given to the individual regarding the interest on loan taken for acquiring house property. This deduction shall not exceed Rs. 50,000.

Deduction under section 80G: this deduction is allowed to all the assesseees for giving donations to charitable institutions or certain funds etc. Donation should be given in any mode other than cash.

Deduction under section 80GGA: deduction is given regarding the donation made for scientific research or rural development. Full amount paid as a donation is allowed for deduction.

Deduction under section 80TTA: deduction is allowed to all the assesseees for interest received on deposits in saving account (in Bank, Cooperative society, Post office). Deduction is allowed up to rupees 10,000.

Rebate under section 89(1): Relief for advance salary and arrears of salary is provided to the assessee.

These are the deductions and rebates also known as tax planning measures or tax planning instruments can be adopted by different type of assesseees in order to reduce their tax liability. Therefore, this study is an attempt to explore the factors that influence the adoption of tax planning instruments by university and college teachers in Haryana.

Review of literature

Savita & Gautam(2013) discovered the most suitable and well known tax-saving instrument to decrease tax on the income and save the income. This study also examined the amount saved by them by adopting that saving instrument. 70 samples have been taken through convenience cum stratified sampling that covers Haryana and Delhi NCR. Samples selected from salaried people and people having business & profession. 5 point rating scale is used to know the preference of respondents. The findings of the study were that the most used and adopted measure of tax saving is LIC which got the first rank in this study and the second most adopted instrument is the provident fund.(Savita, 2013)Patil & Nandawar (2014) investigated the awareness level of salaried people and determinants that influence the investment behaviour of employees. 40 respondents were selected as a sample through a simple random sampling technique. Data collected through primary sources such as questionnaire from samples. Statistical tools like percentage, chi square test & Pearson correlation coefficient were used to analyze the data.

The results of the study showed that male investors were more aware than female investors. It concluded that investors were aware regarding investment alternatives present in India but wanted to invest in real estate, bank deposits & metals, etc and safety was an important factor while doing investment (Patil, 2014).Shukla (2016) analyzed the investor's preference for investment avenues & emphasized determinants affecting salaried personnel in North Gujarat. Both primary and secondary data collected from 100 respondents in North Gujarat. These respondents were selected through the convenience sampling method. This study's findings were different demographic determinants affect the investing behavior of investors. Determinants like age, income, and education have a significant relationship with investment. People preferred their investment in fixed deposits and most people preferred home and long term growth. (Shukla N. S., 2016). Amaraveni (2017) attempted to analyze the investor's preference, investor's behaviour towards investment avenues and determinants while selecting avenues and objectives of doing investment in investment avenues.

This study obtained information from 100 respondents (working population of Warangal city) through primary sources. Secondary data collected through journals, magazines, books, websites etc. This study found that there was a relationship between savings and demographic determinants (age, income, employment & education). Majority of the respondents prefer to invest their money in insurance products and second most preferable investment avenue is pension schemes. The objective behind the investment is to earn long-term benefits (Amaraveni, 2017). Saravanan(2019) attempted to study the planning of individual Income Tax and tax saving instruments of individual Income tax. This paper has objective to find out the most suitable and popular tax saving instrument used to save tax and also to examine the amount saved by using that tax saving instrument. Data were collected from 100 assesseees through questionnaire and personal interviews. This study found that tax saving instrument mostly adopted by assesseees was provident fund which got first rank and second most adopted is Life insurance policy.

The objectives of the study are:

The core purpose of the present research is to explore the determinants influencing the adoption of tax planning instruments as well as identify the highly adopted tax planning instrument among academicians.

RESEARCH METHODOLOGY

Research methodology is a process of conducting research work that includes identification of research problem, defining research design and sampling design, analysis of data and derives at conclusion.

Research Design

The design of the study is descriptive cum exploratory study as this study aims to find out the determinants influencing the adoption of tax planning instruments and also find out the highly adopted tax planning instrument among the teachers for tax saving.

Sample Design

Sample design is a definite plan for obtaining the samples from the population.

Population

The target population in the research study is university and college teachers in Haryana.

Sample size

Based on the available literature, the sample size of the study is determined as 120 university and college teachers in the Rohtak city of Haryana.

Sampling technique

Purposive sampling method will be used to collect data from the respondents.

DATA COLLECTION & ANALYSIS

Both primary data & secondary data have been obtained in the study in order to attain the objectives the study. Primary data from the respondents has been gathered with the help of Questionnaire by doing a survey. Secondary data was collected through different books and official websites, newspapers and journals in the study. Frequency & Factor analysis are the statistical tools utilized through SPSS (Statistical Package for Social Science) to evaluate the data.

DATA ANALYSIS AND INTERPRETATION

Objective: 1- Demographic profile of the teachers as respondents:

Table 1 provides the information about demographic profile of the respondents. 6 demographic variables were taken to get the information regarding of the respondents such as gender, age, education, employment status, designation and income.

Table 1: Demographic Profile of the Respondents

Demographics	Categories	Number of samples	Total sample
Gender	Male	48	120
	Female	72	
Age	20-30years	24	120
	31-40years	52	
	41-50years	14	
	Above than 50 years	30	
Education	Post Graduate	39	120
	M.Phil	17	
	Ph.D	59	
	Any other	5	
Employment	Government	82	120
	Private	22	

	Aided	16	
Designation	Professor	24	120
	Associate Professor	39	
	Assistant Professor	57	
Income	Lessthan5lakhs	18	120
	5to 10 Lakhs	49	
	More than 10 lakhs	53	

Factor Analysis:

Factor analysis or data reduction technique is utilized to bring down a large number of variables or statements and combine the correlated statements into a factor that describes most of the variation without losing the information. For performing the factor analysis, usually need to follow four steps.

Two tests were performed which states whether factor analysis is significant or not. Both tests are helpful to show whether they support factor analysis or not. Two tests named KMO and Barlett’s Test of Sphericity.

Table 2: KMO and Barlett’s Test

<i>Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy</i>		.814
<i>Barlett’s Test of Sphericity</i>	Approx Chi Square	923.2
	Df	153
	Sig.	.000

In the above table, if the value of the test exceeds 0.05 it means sample size is adequate for performing factor analysis. Here, in table 2, the KMO value is .814 which is more than 0.5 it means that KMO supports factor analysis. A KMO value over 0.5 and a significance level for the Bartlett's test below 0.05 indicates that there is substantial correlation in the data and data is adequate for performing factor analysis.

Table 3: Total Variance Explained

Factor	Initial Eigen Values			Extraction sum of squared loadings			Rotation sum of squared Loadings		
	Total	% of variance	Cumulati ve %	Total	% of variance	Cumula tive %	Total	% of Variance	Cumulat ive %
1	5.534	30.742	30.742	5.534	30.742	30.742	3.143	17.461	17.461
2	2.428	13.486	44.228	2.428	13.486	44.228	2.961	16.450	33.911
3	2.178	12.098	56.326	2.178	12.098	56.326	2.655	14.750	48.660
4	1.742	9.680	66.006	1.742	9.680	66.006	2.515	13.974	62.634
5	1.212	6.736	72.742	1.212	6.736	72.742	1.819	10.108	72.742

Extraction Method: Principal Component Analysis

Eigen values is also called characteristic roots. Eigen values shows variance explained by that particular factor out of the total variance. The first Eigen value is always the highest and higher than 1. The Eigen value for subsequent factors is lower. For the first construct in the present study, Eigen value is 5.534 which is highest and higher than 1 which shows that first construct explained highest variance out of the total variance. The Eigen values for the subsequent factors are higher than 1 but lower than the first factor.

Table 4: Variable & Variables loading in each Factor for Tax Planning

Variables	Variables loadings
Factor: 1-Other Factor	
Home Loan	.879
Property	.869
Interest rates	.837
Expenditures	.809
Factor: 2-Investment & Saving related Factor	
Available Investment Options	.841
Return	.831
Consultation of professionals	.778
Savings through tax planning instruments	.751
Factor: 3-Income Tax related Factor	
Deductions & Exemptions	.842
Tax Provisions & laws	.798
Residential status	.775
Tax rates	.677
Factor: 4-Business related Factor	
Capital structure	.914
Profits & Sales	.905
Contribution of money in scientific research	.855
Factor: 5-Demographic Factor	
Age	.809
Family members in the family	.732
Income	.649

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Rotation converged in 250iterations.

The correlation coefficient between the items and factors is known as factor loading, and its value may vary from -1 to +1. As a general rule, factor loading of 0.7 or greater indicates that the factor extracts sufficient variance from the variable. Every variable in a perfect factor structure has a high factor loading (more than 0.5) over one factor and a low factor loading (below 0.2) over all other factors. Additionally, it appears that the factors with greater factor loading and desirable formal validity appear to measure the suppressed quality.

In the first factor, combination of variables includes home loan, property, interest rates and expenditures which are suitably named as ‘other determinants’ that element which affects the tax planning of individual. The second factor made up of four variables, Available Investment Options, Return, Consultation of professionals and Savings through tax planning instruments. This factor may be called ‘Investment & Savings related determinants’. The third factor

comprises four variables Deductions & Exemptions, Tax Provisions & laws, Residential status and Tax rates which are named 'Income Tax related determinants'. The fourth factor lies in three variables capital structure, profits & sales and Contribution of money in scientific research which are named 'Business related determinants'. The fifth factor consists of three variables age, family members in the family and income which are named 'Demographic determinants'.

CONCLUSION

In conclusion, the objective of this research was to explore the factors influencing the adoption of tax planning instruments among teachers in Haryana. This study identified the insurance is the highly adopted tax planning instrument among the university and college teachers in Rohtak city. The determinants influencing the adoption of tax planning instruments are other factor, investment and saving related factor, income tax related factor, business related factor and demographic factor. The major determinants are other determinants, investment and saving related determinants and income tax related determinants which influence the teacher's adoption towards tax planning instruments. It means teachers consider the returns, saving, available tax provisions, deduction etc. before investing their amount in tax planning instruments for reducing tax burden and compliance with tax laws and provisions.

Limitations of the study:

The current study is constrained to colleges and universities in the Rohtak city just, in this way the discoveries of the study may not have any significant bearing to all the academicians in India. This study only considers salaried assesses which incorporates just teachers of the universities and colleges. Tax planning is a broader term so it is not feasible to study and cover every aspect of the tax planning instruments.

Scope of the research:

Tax planning of assesseees can be analyzed for businessman, retired teachers & assessee of other class, professional assesseees. This research objective addressed in the study could be explored in the different universities of India. A comparison of tax planning could be done between the salaried class and other classes of the assessee. A research study could be done for studying the investment behaviour of assesseees towards tax planning instruments.

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