



A Study on Tax Planning Management Practices Adopted by Salaried Employees

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Abstract – Tax planning plays a vital role in the financial management of salaried employees. Since salaried individuals earn fixed income and are subject to Tax Deducted at Source (TDS), proper tax planning helps reduce tax liability and increase savings. The present study aims to analyze the tax planning management practices adopted by salaried employees, their awareness regarding tax-saving provisions, investment preferences, and factors influencing their tax-related decisions. The research is descriptive in nature and is based on primary data collected from 101 salaried employees through a structured questionnaire. Secondary data was collected from books, journals, government websites, and research articles. The findings reveal that most respondents prefer traditional tax-saving instruments such as Provident Fund, Life Insurance, and Public Provident Fund (PPF). Many employees perform tax planning only at the end of the financial year and possess moderate awareness regarding tax provisions like Section 80C and 80D. The study concludes that although salaried employees are aware of basic tax-saving opportunities, there is a need for improved financial literacy, systematic planning, and professional guidance for effective tax management.

Keywords: Tax Planning, Salaried Employees, Financial Literacy, Tax Saving Instruments, Income Tax, Financial Management

I. INTRODUCTION

Tax planning refers to the arrangement of financial activities in such a manner that tax liability is minimized within the legal framework of taxation laws. It is an important aspect of personal financial management, especially for salaried employees whose income is fixed and directly taxed through TDS.

The government provides several deductions and exemptions under the Income Tax Act to encourage savings and investments. These include deductions under Section 80C, 80D, HRA exemptions, housing loan benefits, National Pension Scheme (NPS), and Equity Linked Savings Scheme (ELSS). Effective use of these provisions helps individuals reduce tax burden and improve financial security.

However, many salaried employees lack complete awareness regarding tax-saving instruments and often make tax-related decisions at the end of the financial year. As a result, they fail to utilize available tax benefits effectively. Therefore, this study attempts to understand the tax planning practices adopted by salaried employees and identify factors influencing their decisions.

Objectives

- To understand the concept and importance of tax planning among salaried employees.
- To analyze the tax-saving instruments used by salaried individuals.
- To examine awareness regarding tax planning provisions.
- To identify factors influencing tax planning decisions.

Hypothesis

Hypothesis 1-To understand the concept and importance of tax planning among salaried employees.

- H0 (Null Hypothesis): Salaried employees do not consider tax planning as an important part of financial management.
- H1 (Alternative Hypothesis): Salaried employees consider tax planning as an important part of financial management.

Hypothesis 2 - To analyze the tax-saving instruments used by salaried individuals.

- H0 (Null Hypothesis): Salaried employees do not significantly prefer specific tax-saving instruments.
- H1 (Alternative Hypothesis): Salaried employees significantly prefer specific tax-saving instruments such as Provident Fund, Life Insurance, and PPF.

Hypothesis 3 - To examine awareness regarding tax planning provisions.

- H0 (Null Hypothesis): Salaried employees are not aware of tax planning provisions and deductions.
- H1 (Alternative Hypothesis): Salaried employees are aware of tax planning provisions and deductions.

II. LITERATURE REVIEW

- Several researchers have studied tax planning practices and financial literacy among salaried employees.
- V.K. Singhania stated that tax planning helps individuals reduce tax burden by utilizing deductions and exemptions provided under the Income Tax Act.
- Gupta and Kumar found that salaried employees possess only basic awareness regarding tax-saving provisions and lack knowledge about advanced planning strategies.



- Bhushan P. emphasized that financial literacy plays an important role in effective tax planning.
- Jain and Jain observed that salaried employees prefer safe investment options such as PPF, life insurance, and fixed deposits.
- Mehta S. concluded that most salaried individuals engage in tax planning only during the final quarter of the financial year.
- Lusardi and Mitchell highlighted that financial literacy significantly affects financial decision-making and investment behavior.
- The literature review indicates that awareness, income level, education, and financial literacy strongly influence tax planning behavior.

Research Gaps - The review of existing literature reveals that although several studies have been conducted on tax planning and financial literacy among salaried employees, limited research has focused on the overall tax planning management practices adopted by salaried individuals. Most previous studies mainly emphasized traditional tax-saving instruments under Section 80C and basic awareness of tax provisions, while comparatively less attention has been given to systematic tax planning behavior, modern investment options such as ELSS and NPS, and the influence of factors like income level, financial literacy, age, and professional guidance on tax planning decisions. Additionally, limited studies have examined the challenges faced by salaried employees, such as lack of time, changing tax rules, and insufficient guidance, as well as the preference between old and new tax regimes. Therefore, the present study attempts to bridge these gaps by analyzing awareness, investment preferences, influencing factors, and tax planning management practices among salaried employees.

III. RESEARCH METHODOLOGY

1. Population and Sample

The population for the present study consists of salaried employees working in government, semi-government, and private sector organizations. The study focuses on employees who earn regular monthly salaries and are subject to income tax. A sample of 101 salaried employees was selected using the convenience sampling method. The respondents were selected from different age groups, income levels, and occupational sectors to obtain diverse opinions regarding tax planning practices and awareness.

2. Data and Sources of Data

Primary Data

Collected through a structured questionnaire from salaried employees.

Secondary Data

Collected from books, journals, research papers, and online sources.

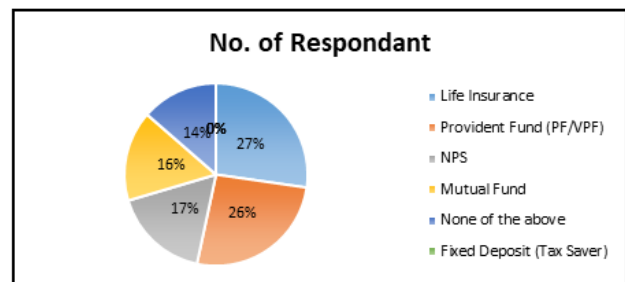
Data Analysis Method

The data collected from respondents is analyzed using simple statistical tools such as percentages, tables, and charts. Each response is organized and classified to identify patterns in investment preferences, influencing factors, awareness levels, and risk behaviour. The results are presented in a clear and easy-to-understand format to draw meaningful conclusions about the investment behaviour of salaried employees.

IV. DATA ANALYSIS & INTERPRETATION

Which tax-saving options do you use?

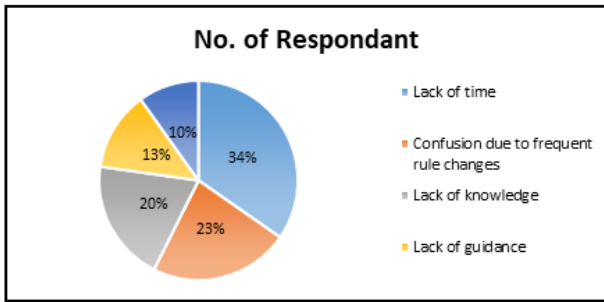
Life Insurance 24 %
Provident Fund (PF/VPF) 23%
NPS 15%
Mutual Fund 14%
None of the above 12 %
Fixed Deposit (Tax Saver) 5%
PPF 4%
Other 3%



Interpretation - Most respondents prefer traditional and low-risk tax-saving instruments such as Life Insurance and Provident Fund, indicating a strong preference for safe and secure investment options. A moderate number of respondents invest in NPS and Mutual Funds, showing gradual interest in market-linked investments. However, some respondents still do not use any tax-saving options, reflecting limited awareness and financial planning. Overall, salaried employees mainly prefer reliable and low-risk tax-saving avenues over diversified investment options.

What is your biggest difficulty in tax planning?

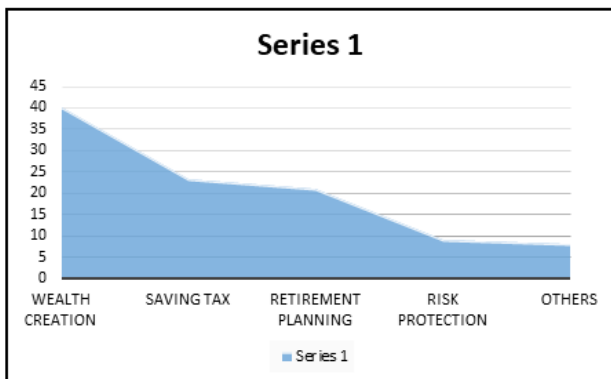
Lack of time 35 %
Confusion due to frequent rule changes 23 %
Lack of knowledge 20 %
Lack of guidance 13 %
Insufficient income to invest 10 %



Interpretation -The main difficulty in tax planning is lack of time (34.7%), followed by confusion due to frequent rule changes (22.8%) and lack of knowledge (19.8%). Fewer respondents reported lack of guidance or insufficient income as major issues. Overall, the results suggest that time constraints and complexity of tax rules are the biggest barriers, highlighting a need for simpler processes and better awareness.

What is your main objective behind tax planning?

- Wealth creation 40 %
- Saving tax 23 %
- Retirement planning 21%
- Risk protection 9 %
- Others 8 %



Interpretation- Most respondents view tax planning primarily as a tool for wealth creation (39.6%), rather than just saving taxes. While tax saving (22.8%) and retirement planning (20.8%) remain important, they are secondary motivations. Risk protection and other reasons are less significant. Overall, this shows a shift toward long-term financial growth and investment-focused tax planning.

Findings

The study reveals that tax planning has become an important part of financial management among salaried employees. Although awareness regarding tax-saving provisions exists, the level of knowledge is mostly moderate and not highly advanced. Middle-income employees are found to be more actively involved in tax planning activities compared to other income groups. The findings also show that traditional tax-saving instruments such as Provident Fund and Life Insurance are preferred

over market-linked investments because many employees perceive market-related options as risky. Frequent changes in tax rules and regulations create confusion among taxpayers and affect effective planning. Additionally, most employees engage in tax planning only during the end of the financial year rather than following a continuous approach. The study further indicates that salaried individuals prefer human guidance from employers, tax consultants, and family members over digital tools for tax planning. Overall, financial literacy plays a significant role in improving tax planning efficiency and decision-making among salaried employees.

V. CONCLUSION

The study concludes that tax planning is an essential aspect of financial management among salaried employees. Most employees are aware of basic tax-saving provisions but lack deep knowledge about advanced planning strategies. Traditional tax-saving instruments such as Provident Fund, Life Insurance, and Fixed Deposits continue to dominate investment preferences.

The study also reveals that many employees perform tax planning only during the last quarter of the financial year rather than following a continuous and systematic approach. Limited financial literacy, lack of awareness, and confusion due to frequent tax reforms affect effective tax planning.

Therefore, improving financial awareness and encouraging long-term financial planning can help salaried employees maximize tax benefits and achieve better financial security.

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