

An Empirical Study on Perceptions towards Tax Planning among Youth

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Abstract:- One of the best way to reduce the tax liability is, taking a timely decision. For this it is necessary that appropriate measure are taken in this regards in terms of saving and investment. Generally it's observed that tax payers make planning at the end of the financial year to reduce their tax liability, this may be due to lack of awareness or complexities of the tax laws. Considering above background, the present study is watchfully carried out to appraise the tax planning perception among youth, as the future of any country depends on their young and vibrant population. And also they are prospective tax payers of future, once they enter the real world after their completion of education. The primary data have been collected through a well-structured questionnaire, comprising optional type and Likert's 5 point scale type questions, and in total 210 sample were collected from the participants. Major significance was reported from the study based on Gender and education and Budgeting and keeping financial records are essential for Tax Planning and Regular updating of knowledge perception

I. INTRODUCTION

The aim of any tax planning is to make sure that there is tax efficiency. Tax planning let's all fundamentals of the financial plan to role in synchronization to deliver all-out tax efficiency. Tax planning is necessary and viral for budgetary effectiveness. If an individual wants to reduce its tax liability and if he wants to maximize the ability of retirement plans he or she must do proper tax planning. And one should to analysis his or her own financial state of affairs from a tax productivity point of view so as to plan his or her financial situation in the most enhanced manner.

With the proper Tax planning the tax payer is in a situation to take the benefits of all different types of tax exemptions, deductions and benefits to minimize their tax liability over a financial year. Several of us engross in an economic activity and to put our maximum effort for that work really hard to make a living. But then again as we work hard to make a living, it becomes vital for us to work a slightly more harder and cleverer to save our taxes (the legal way) too. Very often it has been observed that that many of us (especially the younger ones) keep their tax planning implementation pending till the eleventh hour. They prefer indulging on things of money-oriented interest which leads them to sub-optimally save tax.

The utmost significant argument in financial planning is that one must start from the early age. Even a minor quantity invested over a longer period will have an immense influence on one's portfolio. It cannot be rewarded even by doubling up the investment.

On the other hand, not all young people are in the frame of mind to save when they start their career. Their pay cheque may not be heavy, but they do not have many accountabilities at this juncture. This is the reason they may have tendency to spend high, bearing in mind that they are recognizing financial independence for the first time. According to a survey carried on by the HDFC Life, the reports disclosed that many of the young Indians who are in the age group of 20-30 years usually score low on financial awareness and planning. That does not mean there id complete unawareness of planning, this displays that they are not fully aware about the advantages of goal-based financial planning. Many of them do not realize that this is the perfect opportunity or time to start construction a corpus by investing additional funds so that they can accomplish all their visions.

Disagreeing to common conviction, there is a requirement for financial planning is for all age groups. Despite the fact that the younger generation must have to plan for their whole life, the middle-aged have to safeguard that they don't fall short of money subsequently after retirement. Notwithstanding of the age, there are some problems we can face anytime. Have you planned anything if you losses your job? Or for that matter as if stock market does not move according to your expectation or it crashes that can wipe off a large portion of your savings? Or in case of unfortunate accident that can leave you unfit to provide for your family? Such things are harsh to visualize but they occur more frequently all the time. The applicability of a financial plan is completely understood when you start to put your complete future in viewpoint, emotional as well as financial. As long as there are income and expenses, financial planning must be done for every single individual notwithstanding of age or wealth. The plan should predominantly answer three questions. Where you are today, where do you want to be tomorrow and what you must do to get there. A financial plan supports you to deal with the consequence of inflation and shape a superannuation corpus.

II. LITERATURE REVIEW

- **Ronald.C.Gable** (1983) conducted a study on investments and financial planning of individuals and it was observed that each individual must be responsible for his or her financial decision making. Only knowledgeable active decision makers will achieve financial security. The study observed that all planning is purposeful and financial planning can be done only by those who sets goals and actively strive to implement those goals.
- **Dr.G.Thimmaiah** (1984) provided a theoretical background to the principles of tax design and tax reform. The defects in the existing taxes in India were discussed against such theoretical background and outlined the need and scope for tax reforms in Indian tax structure. The study covered most of the direct taxes of the Central Govt. and also gave attention to important indirect taxes levied by the central and state governments.
- **Sunnykutty Thomas** (1998) studied the tax planning practices among the salaried people of Kerala, in general to judge the extent of awareness and compliance of tax planning schemes among the salaried people. The study revealed that there is a positive relation between tax planning awareness and assessment age. It was found that neither the tax administration nor the employer had framed any regular methodology so far to impart training to the salaried people in effective tax planning. The study also revealed that there was a significant variation among the employees of different employment sector as regards the number of tax planning schemes selected by them. The study concluded that even though employees were aware of certain tax planning schemes, they were not implementing the decision of tax planning in their actual life.
- **Muneer** (2002) studied the awareness of college and university department teachers on tax planning measures and the investment pattern followed by them for availing tax benefits under the Income Tax Act. The study included the tax planning measures adopted by the respondents for the AY 2001 - '02. It was observed that there was a general level of awareness among the respondents on the various tax planning measures available under the Income Tax Act. However, there was variation in the extent of awareness among the respondents regarding certain tax planning measures
- **Rini Hastuti** (2014) conducted a study, It employed 341 students of Soegijapranata Catholic University (SCU); they then were divided into two groups that were 54.3% business and 45.7% non-business students. Meanwhile there are significant differences of student's perception in the importance of tax education and the need to have tax as a subject between the groups. This research is mainly aimed to investigate contextual and ethical tax awareness between business and non-business students; it is also investigate student's perception if tax is important therefore they need to learn since it is unavoidable onus. Level of the importance and the need between the two groups is significantly difference.

III. NEED OF THE STUDY

Tax planning reduces the tax liability through appropriate savings and investment decisions. Generally, tax payers plan their tax liability only at end of the financial year. So, tax payers cannot make viable investment decisions for minimizing their tax incidence. The prime reason for this issue is lack of awareness on taxation laws and complexities in the understanding of tax laws even among the educated assesses too. Hence, the awareness on various investment avenues with tax benefits is also too scanty. Only a few studies were conducted in India as the concept is relatively new, therefore, an effort has been made to study perception towards tax planning level of youth. One of the study found that those who are well informed and updated when they are young will more likely takes steps later in life to build wealth .With this background, the present study is vigilantly carried out to evaluate the tax planning perception among youth, as they are the future of the India and will contribute to the economic development to great extent.

The present study will help in determination of critical areas that will assist educators, regulators and financial institutions to design Tax planning courses with better significance in serving adults to accomplish better financial freedom and be well equipped for retirement.

IV. RESEARCH DESIGN

A. Objectives of the Study

- To measure perception of individual towards tax planning among youth.
- To appraise the effect of factors like age, gender and education level on perception of individual towards tax planning
- To compare perception of individual towards tax planning between arts, Science & commerce streams of the education.
- To offer suggestions and findings of the study

B. Hypothesis of the Study

H0: There is no association between gender, age, Educational Qualification and perception towards tax planning among youth

H1: There is an association between gender, age, Educational Qualification and perception towards tax planning among youth

C. Research Methodology

The data have been collected through both primary and secondary data. The primary data have been collected through a well-structured questionnaire, comprising optional type and Likert's 5 point scale type questions. Secondary data is referred from internet, books, magazine, journal, newspaper etc.

- **Research design** – Descriptive and Explanatory
- **Sampling method** – Convenience sampling
- **Sample size** -267
- **Tool used** (MS-Excel & SPSS)

- **Data collection tool-** Questionnaire
- **Data analysis tool-** Frequency & Percentage analysis
- **Data presentation tool-** Table
- **Hypothesis testing** –Pearson Chi-Square Test

based on their perception only. The quality and reliability of the data collected is the actual expression of respondents. Results of the present may not be generalized, as different results could be obtained due to the different perception of individuals in another city.

V. LIMITATIONS OF THE STUDY

The research area of the study is confined to Mumbai city. The information provided by the respondents is purely

VI. DISCUSSION AND ANALYSIS

- *Frequencies Analysis*

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 16-17 Age	8	3.0	3.0	3.0
18-21 Age	223	83.5	83.5	86.5
22-25 Age	34	12.7	12.7	99.3
4.00	2	.7	.7	100.0
Total	267	100.0	100.0	

Table 1:- Age of Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	193	72.3	72.3	72.3
Female	74	27.7	27.7	100.0
Total	267	100.0	100.0	

Table 2:- Gender of Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Arts	22	8.2	8.2	8.2
Science	35	13.1	13.1	21.3
Commerce/Mgmt	210	78.7	78.7	100.0
Total	267	100.0	100.0	

Table 3:- Educational Background/Stream

VII. DATA ANALYSIS & INTERPRETATION:

The Cronbach’s alpha coefficient for the eleven items is .792, suggesting that the items have relatively high internal consistency. (Note that a reliability coefficient of .70 or higher is considered “acceptable” in most social science research situations.)

Reliability Statistics	
Cronbach's Alpha	N of Items
.792	11

Table 4

The hypothesis was tested by applying Chi-Square test with the help of SPSS software.

Perceptions towards Tax Planning	Age (P value)	Gender (P value)	Education (P value)
Budgeting & keeping financial records are essential for Tax Planning	0.797	0.150	0.002
One must know the Income tax Rules and Regulation	0.657	0.370	0.093
I freely discuss with others ,regarding financial or tax planning	0.363	0.439	0.128
One must try to take information from all authenticated sources and keep myself updated regarding Income tax issues for my better	0.984	0.762	0.050
Proper tax planning will significantly reduce your income tax liability	0.978	0.982	0.770
Tax planning highly essential in today’s dynamic world	0.901	0.050	0.686
Tax saving can add to your income	0.226	0.439	0.107
Everyone single person must acquire basic tax planning knowledge	0.733	0.363	0.230
The hardest thing in the world is to understand income tax	0.299	0.842	0.069
Knowledge of tax planning will help you to escape any unnecessary delay, and therefore penalty imposed by government agencies	0.820	0.112	0.919
Basic Tax Planning subject must be included to non-commerce based courses also	0.954	0.328	0.818

Table 5

VIII. FINDINGS

Since the p-value is less than our chosen significance level ($\alpha = 0.05$), we reject the null hypothesis. Rather, we conclude that there is enough evidence to suggest an association between Education and Budgeting and keeping financial records are essential for Tax Planning and Regular updating of knowledge perception. Since the p-value is less than our chosen significance level ($\alpha = 0.05$), we reject the null hypothesis. Rather, we conclude that there is enough evidence to suggest an association between Gender and Essentials of Tax planning perception.

IX. CONCLUSION & RECOMMENDATION

- It can be understood from the data analysis that there is no relation between the tax planning perception and age of the respondent.
- Gender of the respondent plays no role in the perception of tax planning however the only aspect here, 'considering tax planning essential' is affected by the age of the respondents.
- Education is meant to improve learner's understanding and knowledge/information gathering skills. The same is revealed by the study that education of the respondents affect budgeting and keeping records' and authentication of the information aspects of the tax planning rest all aspects are not getting affected by the education of the respondent.
- It is observed that youth are aware about their onus of the tax planning which may turn them responsible citizen in future.
- However, it is also observed during the study that though the respondents know their responsibility towards taxation but they are not aware about the procedures or rules and regulations of taxation. Therefore, it is recommended that tax department and other concerned stakeholders shall carry extensive awareness campaign to make the taxation procedures known more among the taxpayers

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