

Examining the perceptions of the tax payers with respect to Deduction under Section 80C to 80U of Income tax Act in Ahmedabad City.

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Abstract

The avid goal of every taxpayer is to minimize his or her tax liability. Tax Planning involves planning in order to avail all exemptions, deductions and rebates provided in Act. The Income Tax law itself provides for various methods for Tax Planning. Generally it is provided under exemptions u/s 10, deductions u/s 80C to 80U and rebates and reliefs. This research paper aims to examine the behavioral patterns and the perceptions of the taxpayers over the different deduction available under sections from 80C-80U of Income tax Act such as PPF, LIC premium, PF, FD's, National Pension Scheme, Rajiv Gandhi Equity Linked Savings Scheme, Mediclaim, Interest on home loan, Interest on Education loan, Donations, Rent, Interest on Savings Account etc. Further the researcher also tries to examine whether there is a significant difference in perception of taxpayers with respect to deductions U/s 80C-80U relative to their demographic factors.

Key Words: Ahmedabad City, Deduction U/S 80C-80U, Demographic Factors, Perceptions, Tax Payers.

Introduction

Investment and taxes are the two important facets of an economy, on one hand the taxes constitute an important component for the revenue generation of the exchequer and the other hand investment in tax saving schemes reduce the tax liability of an assessee however an important wheel of economic development is. Tax is one of the important factors that should be taken into consideration. An individual invests or postpones current consumption only in response to a rate of return which may be suitably adjusted for inflation and risk. Investment decisions are premised on an important assumption that investors prefer certainty. The Investors would prefer to invest in instruments which save them tax and provide good returns. Taxes

directly adds to the revenues of the exchequer thus contributes to the growth of economy while as investment has a dual effect- contribution to the economy in general and enhances the savings of an individual in particular. Tax saving schemes is a vital tool that policymakers use to direct investment for the growth of economy. A sound tax structure always helps the cause; it not only channelizes investment but also helps in developing a habit of investment among tax payers.

Literature review

Peter et al., 2012 stated that the relation between the Assesses age and the tax planning awareness is positive, though the employees are aware of different tax planning measures, they seldom implement in actual. Neither the Tax administration nor the Employer imparts training or education to the salaried people regarding effective Tax planning. The taxation in its various form affect the ability and willingness of an individual to work , save and invest but the effect varies according to the base of tax, rate of tax and level of tax burden. Sarkar, 2013, propounded that the basic premise to provide tax incentives in India was to drive the Tax payers to Invest and save more; the study evaluated and critically examined the liberal policy of different tax exemptions to hasten the economic growth. James, 2014 opined that every effort should be made to ensure that incentives are: Affordable—should not undermine government revenue streams. Targeted—will benefit the country in ways that would not have been possible if there were no incentives, thereby reducing revenue costs. Simple—the incentive administration should permit easy accessibility and determination of eligibility. Reviewed periodically—the investment incentives should be regularly reviewed to determine their relevance and economic benefit relative to their budgetary and other costs. Ankita, 2015, in her study propounded that a small attempt to rationalize the personal income tax structure can bring benefits to the government as well as to the people in the form of (a) increase in the number of assesses (b) high rate of GDP (c) more compliance to the tax laws and (d) better wellbeing of the individuals. Dorasamy, 2016 provided an overview of personal income tax administration reforms as a mechanism to enhance collection of revenue on the one hand and availability of more pool of fund for welfare of the public on the other. He found that a comprehensive tax policy encourage the individual to compliance tax law otherwise they adopt unfair mean to lessen their tax burden. Further according to Gupta 2017, The tax saving schemes is a tool for inculcating the saving and investment habit and a way of channelizing the resource for productive purposes but it is not very encouraging attempt because people don't save with intention for making productive investment but save for lessening the tax burden, She further added that a sound and rational tax structure of a country plays key role in developing saving and investment habits among the tax payers. However Rajitha et al. 2018, found gender being an influencing factor in deciding whether to save or pay tax where it was observed 62% of males prefer to save tax compared to 60% of females respectively, they also observed age being an influential factor in the opinion making of saving or paying, also socio-economic status plays an important role in deciding about

the tax options. They suggested that the tax payers before choosing any tax saving options need to search out the benefits of the schemes available and lookout from one's perspective and decide on the basis of risk-return profile and also take into consideration the liquidity and flexibility. The Literature reviews did not cover the perceptions of the tax payers with respect to the deductions under Section 80c-80U to be availed to minimize the tax liability. Hence in such case our research gap is to know whether there is a significant difference in perception of taxpayers across Ahmedabad City with respect to deductions U/s 80C-80U relative to demographic factors.

Research objective

The present study aims at examining whether there is significant difference in the perceptions of tax payers regarding Deduction under Section 80C to 80U of Income tax Act relative to the demographic factors of the tax payers who are willing to invest in tax saving avenues.

Research methodology

The respondents are the tax payers who are willing to invest in tax saving instruments sold by financial banks, financial institutions and insurance companies in Ahmedabad City. The survey of 384 Customers was carried out by the researcher on the basis of convenience sampling method. A self-administered questionnaire was devised whereby the questionnaire was subdivided into two categories'. The target questions focus on the dependent variables such as perceptions of the tax payers who prefer which deduction to invest their money to minimize tax liability and independent variables such as age, education, income, and occupation of the customers. The scaling used in this research is the 5-point Likert scale of 1-strongly disagree, 2-disagree, 3-slightly disagree, 4-agree, 5-strongly agree. The questions contained in the questionnaire were close ended questions.

Research analysis

It includes the sample characteristics analyzed in the context of the demographic aspects, and the responses of the tax payers measured on the Likert Scale (1-strongly disagree, 2-disagree, 3-slightly disagree, 4-agree, 5-strongly agree). The tabulations will be used to describe the details about the perceptions of the respondents. The hypothesis are framed and tested through tabulations and One Way Anova test is conducted so as to find out whether there is significant difference in the perceptions of the tax payers who prefer to invest their money in tax saving instruments which are mentioned in Deduction 80C to 80U of Income tax Act and their age group /education / income and occupation.

Sample characteristics

Table 1

Sr. No.	Demographic Parameter	Category	No. of Tax Payers	% of Tax Payers
1	Gender	Male	257	67
		Female	127	33
Total			384	100
2	Age Group	18-30 years	120	31
		31-40 years	94	24
		41-50 years	118	31
		51-60 years	35	9
		Above 60 years	17	5
			384	100
Total				
3	Education	Graduate	32	8
		Post Graduate	90	23
		Professional	209	55
		Others	53	14
Total			384	100
4	Annual Income	Below Rs. 250000	50	13
		Rs. 250000-500000	93	24
		Rs. 500001 -1000000	80	21
		More than Rs. 1000000	161	42
Total			384	100
5	Occupation	House Wife	39	10
		Student	57	15
		Service-Government Employee	25	6
		Service-Private Sector Employee	99	26
		Self Employed	56	15
		Own Business	108	28
Total			384	100

Source: Survey

SURVEY STATISTICS OF THE PREFERENCE OF THE TAX PAYERS FOR DEDUCTION UNDER SECTION 80C TO 80U

Table 2

Particulars	Preference level	Non-preference level
Section 80C (PPF, LIC premium, PF, FD's)	72.6%	12.5%
80-CCD (National Pension Scheme)	54.2%	28.4%
80-CCG (Rajiv Gandhi Equity Linked Savings Scheme)	58%	22.4%
80-D (Mediclaime)	53.7%	21.1%
Section 24-B (Interest on home loan)	77.3%	10.4%
80-E (Interest on Education loan)	61%	16.9%
80-G (Donations)	58.9%	20.6%
80-GG (Rent)	65.7%	20.1%
80-TTA (Interest on Savings Account)	74.2%	12.8%

Source: Survey

ONE WAY ANOVA RESULTS WITH RESPECT TO PERCEPTIONS OF TAX PAYERS REGARDING DEDUCTION UNDER SECTION 80C TO 80U OF INCOME TAX ACT RELATIVE TO THE DEMOGRAPHIC FACTORS

Table 3

Variable/Perception	Factor	Significance value	P value	Inference
Perceptions of tax payers with respect to Section 80C -80U	Age	.097	0.05	No Significant difference in Perceptions relative to age group
	Education	.395	0.05	No Significant difference in Perceptions relative to Education
	Income	.006	0.05	Significant difference in Perceptions relative to Income level
	Occupation	.035	0.05	Significant difference in Perceptions relative to Occupation

Perceptions of tax payers with respect to Section 80C (PPF, LIC premium, PF, FD's)	Age	.037	0.05	Significant difference in Perceptions relative to age group
	Education	.235	0.05	No Significant difference in Perceptions relative to Education
	Income	.106	0.05	No Significant difference in Perceptions relative to Income
	Occupation	.270	0.05	No Significant difference in Perceptions relative to Occupation
Perceptions of tax payers with respect to Section 80-CCD (National Pension Scheme)	Age	.106	0.05	No Significant difference in Perceptions relative to age group
	Education	.989	0.05	No Significant difference in Perceptions relative to Education
	Income	.001	0.05	Significant difference in Perceptions relative to Income
	Occupation	.000	0.05	Significant difference in Perceptions relative to Occupation
Perceptions of tax payers with respect to Section 80-CCG (Rajiv Gandhi Equity Linked Savings Scheme)	Age	.000	0.05	Significant difference in Perceptions relative to age group
	Education	.629	0.05	No Significant difference in Perceptions relative to Education
	Income	.000	0.05	Significant difference in Perceptions relative to Income
	Occupation	.006	0.05	Significant difference in Perceptions relative to Occupation
Perceptions of tax payers with respect to Section 80-D	Age	.000	0.05	Significant difference in Perceptions relative to

(Mediclaim)				age group
	Education	.246	0.05	No Significant difference in Perceptions relative to Education
	Income	0.000	0.05	Significant difference in Perceptions relative to Income
	Occupation	0.000	0.05	Significant difference in Perceptions relative to Occupation
Perceptions of tax payers with respect to Section 80-E (Interest on Education loan)	Age	0.256	0.05	No Significant difference in Perceptions relative to Age
	Education	0.693	0.05	No Significant difference in Perceptions relative to Education
	Income	0.008	0.05	Significant difference in Perceptions relative to Income
	Occupation	0.078	0.05	No Significant difference in Perceptions relative to Occupation
Perceptions of tax payers with respect to Section 80-G (Donations)	Age	0.048	0.05	Significant difference in Perceptions relative to Age
	Education	0.920	0.05	No Significant difference in Perceptions relative to Education
	Income	0.003	0.05	Significant difference in Perceptions relative to Income
	Occupation	0.000	0.05	Significant difference in Perceptions relative to Occupation
Perceptions of tax payers with respect to Section 80-GG (Rent)	Age	0.487	0.05	No Significant difference in Perceptions relative to Age
	Education	0.209	0.05	No Significant

				difference in Perceptions relative to Education
	Income	0.003	0.05	Significant difference in Perceptions relative to Income
	Occupation	0.329	0.05	No Significant difference in Perceptions relative to Occupation
Perceptions of tax payers with respect to Section 80-TTA (Interest on Savings Account)	Age	0.013	0.05	Significant difference in Perceptions relative to Age
	Education	0.228	0.05	No Significant difference in Perceptions relative to Education
	Income	0.012	0.05	Significant difference in Perceptions relative to Income
	Occupation	0.000	0.05	Significant difference in Perceptions relative to Occupation
Perceptions of tax payers with respect to Section 24-B (Interest on home loan)	Age	0.334	0.05	No Significant difference in Perceptions relative to Age
	Education	0.257	0.05	No Significant difference in Perceptions relative to Education
	Income	0.702	0.05	No Significant difference in Perceptions relative to Income
	Occupation	0.239	0.05	No Significant difference in Perceptions relative to Occupation

Source: Spss Output

Findings

1. The study reveals that the Male respondents dominate the tax market.
2. The highest taxpayers are found from the age group of 18-30.
3. Majority of the taxpayers possess Professional as their education.
4. Most of the taxpayers who pay tax have their income more than 10, 00,000 Rs.
5. It is found that the taxpayers having their Own Business as their occupation pay the highest tax.
6. The taxpayers prefer "deduction under section 24-B" the most & "deduction under section 80D" the least.
7. There is no significant difference in the perceptions of the tax payers with respect to Deduction of Interest on Home loan relative to their age, education, income and occupation.

Suggestions

1. Perceptions of tax payers with respect to Section 80C to 80U must be examined after considering Income level and Occupation of the tax payer.
2. Perceptions of tax payers with respect to Section 80C (i.e investments in PPF, LIC premium, PF, FD's) must be examined after considering age factor of the tax payer.
3. Perceptions of tax payers with respect to Section 80CCD (i.e investments in National Pension Scheme) must be examined after considering Income level and Occupation of the tax payer.
4. Perceptions of tax payers with respect to Section 80CCG (i.e investments in Rajiv Gandhi Equity Linked Savings Scheme) must be examined after considering Age factor, Income level and Occupation of the tax payer.
5. Perceptions of tax payers with respect to Section 80D (i.e investments in Mediclaim Premium) must be examined after considering Age factor, Income level and Occupation of the tax payer.
6. Perceptions of tax payers with respect to Section 80E (i.e Interest on Education Loan) must be examined after considering Income level of the tax payer.
7. Perceptions of tax payers with respect to Section 80G (i.e Donations) must be examined after considering Age Factor & Income level of the tax payer.
8. Perceptions of tax payers with respect to Section 80GG (i.e Rent) must be examined after considering Income level of the tax payer.
9. Perceptions of tax payers with respect to Section 80TTA (i.e Interest on Savings Bank Account Amount) must be examined after considering Age factor, Income level and Occupation of the tax payer.

Conclusion

The investment decision in the different tax planning avenues primarily rests on the relationship the customer has developed over a period of time with the bank/ financial institution /insurance companies. And pushing products through this channel is much more cost-effective affair. Further the study shows that demographic variables such as age, income and occupation have the meaningful impact on the perceptions of the tax payers when they take decision for investing their money in tax saving schemes provided by the banks/ financial institution /insurance companies. Thus the banks or financial institutions or insurance companies must take into consideration the demographic variables of the tax payers while selling the tax saving products/ schemes.

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