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## INDIVIDUAL ASSESSEE'S PERCEPTION OF TAX PLANNING IN MADURAI DISTRICT

**Dr.M.KETHARAJ**

Assistant Professor, PG & Research Department of Commerce  
 Raja Doraisingam Govt. Arts College, Sivagangai

**G.KALAICHELVAM**

M.Phil Research Scholar, PG & Research Department of Commerce  
 Raja Doraisingam Govt. Arts College, Sivagangai

### Abstract

*Direct tax is the essential source for the government to execute the government plans, such as health, education and infrastructures. Tax planning of individual assessee's are very significant to increase the more number of assessee's without feeling of tax as a burden. Tax planning becomes necessary when one's taxable income exceeds the tax exempted limit. Tax planning suitable for one or may not suitable for others, due to economic and social condition. The awareness of various tax planning is must to reduce the tax liability with proper tax planning. Perfect tax planning is a difficult task to the individual assessee's those who are not having adequate knowledge in tax planning. Mostly tax consultants are helping to tax planning and e-filing of the return.*

**Key Words:** Assessee's Perception, Tax Planning, Madurai District.

### Introduction

The taxes are the basic source of revenue for the government. Revenue raised from the taxes is utilized for meeting the expenses of government plans. Provision of education, maintain law and order infrastructure facilities such as roads, dams, electricity health care facilities, education and so on. These taxes are broadly divided into direct taxes and indirect taxes.

The tax is levied directly on income of the person is called direct tax. The levy of income tax in India is governed by the Income Tax Act 1961 and Income Tax Rules 1962. The tax is charged on the total income. The Income

Tax Act contains the provisions for determination of taxable income, determination of tax liability, procedure for assessment, appeal, penalties and prosecutions. It also lays down the powers and duties of various Income Tax Authorities. The Income Tax Department is governed by central board of direct taxes and it's the part of the revenue under the ministry of finance.

Every year a budget is presented before the parliament by the finance minister, one of the important components of the budget is the finance Bill. The Bill contains various Amendments. Such as the rates of Income Tax and other Taxes. When the finance Bill is

approved by both houses of parliament and receives the assent of president, it becomes the Finance Act. Every person whose taxable income for the previous year exceed the minimum limit is liable to pay tax. Income Tax payers have a PAN card to identify themselves issued by the tax authorities.

**Significance Of The Study**

Being a citizen of India, paying tax is one of our constitutional duties in return of fundamental rights. But paying tax is always a painful task as it directly impacts on the residual income of the taxpayers. So all individual always try to reduce tax liability by managing their financial affairs. The total income earned by an individual may be from salary, house property, business or profession, capital gain and other sources. Tax can be reduced either by evasion or avoidance or planning. Tax evasion is illegal, tax avoidance is not a crime but tax planning is ethical and legal. Tax planning is important for every assessee to reduce their tax liability and compliance with the income tax rules. To enjoy the benefits of tax planning, the assessee must know different provisions of tax saving schemes available in the laws.

**Statement Of Problem**

Income tax is one of the major sources in a Country. In last few decades the number of income tax payers has been increased. Tax is defined as a compulsory contribution by tax payers. It is highly helpful for the State to implement and execute the developmental activities of a nation for their self reliant. And at the same time tax payers should feel convenient while pay tax.

This study on effort to evaluate the perception of assessee’s about tax planning such as Components of Income Tax Law, Tax Awareness, Tax Rate, Deductions, E – Filing, Increase the Tax Filings, TDS Refund.

A good understanding of tax payers perception is important for the Tax Authority to improve the tax system and consequently to encourage the tax payers’ compliance. Hence an attempt would have been made by the researcher to the above problem is the main statement of the study.

**Objectives Of The Study**

The study is undertaken with a view to fulfill the following objectives:

- To study the socio economic profile of the Individual Assessee’s.
- To analyze the awareness of tax system.

- To study the perception of Individual Assessee’s Tax Planning.
- To study the e-filing.

**Scope Of The Study**

Taxation is considered as a complex matter affecting financial planning of each individual income tax assessee. The scope of the present study is limited to the tax planning measures adopted by the individual assessee in Madurai District. The study also evaluates the extent of awareness of employees and business people on tax laws and tax planning measures. The savings habits, investment pattern, repayment of liabilities, tax planning measures adopted for the period under study and the level of awareness of employees and business people on tax laws and tax planning measures were studied and evaluated.

**Methodology**

- The present study in descriptive in nature and it is primarily based on primary data that will be collected from the Individual Assessee’s in Madurai District. A structured interview schedule will be framed to collect the data for analysis.
- A sample of 120 tax payers will be selected by applying convenience sampling method. The appropriate statistical tools will be applied for analysis and interpretation of collection of data.

**Hypothesis Of The Study**

In this study, they following hypothesis has been to analyze the opinion of the respondents.

- There is no significant difference between Age of the Respondents and Level of Opinion of E-filing.
- There is no significant difference between Awareness of Individual Assessee and their Tax Planning.

**Socio Economic Background of the Assessee’s**

<i>Age-wise</i>	<i>F</i>	<i>%</i>
Up to -30 Years	24	20.00
30 – 40 Years	36	30.00
40 – 50 Years	43	35.83
Above 50 Years	17	14.16
Total	120	100
<i>Gender-wise</i>	<i>F</i>	<i>%</i>
Male	94	78
Female	26	22
Total	120	100
<i>Educational Qualification</i>	<i>F</i>	<i>%</i>

School Graduate	21	17.50
Professional	70	58.33
Total	29	24.17
Area - Wise	F	%
Rural	24	20.00
Urban	86	71.67
Semi Urban	10	8.33
Total	120	100.00
Method of filing	F	%
Own	34	28.33
Consultant	86	71.67
Total	120	100.00
Years	F	%
0 – 5 Years	58	48.33
5 – 10 Years	43	35.83
10 – 15 Years	14	11.67
15 – 20 Years	3	2.50
Above 20 Years	2	1.67
Total	120	100.00
Purpose	F	%
Loan	26	21.67
TDS Return	12	10.00
Regular provision	77	64.17
Others	5	4.16
Total	120	100.00
Source	F	%
Salary	41	25.15
House Property	14	8.59
Business & Profession	91	55.83
Capital Gain	3	1.84
Other Sources	14	8.59
Total	163	100.00
Income Range	F	%
Less than ₹ 2,50,000	12	10.00
₹ 2,50,001 – ₹ 5,00,000	67	55.84
₹ 5,00,001 - ₹ 10,00,000	29	24.16
Above ₹ 10,00,000	12	10.00
Total	120	100.00

#### Amount of claim by the Individual Assesses

Amount	F	%
Below ₹ 25,000	29	24.17
₹ 25,000 – ₹ 50,000	24	20.00

₹ 50,000 - ₹ 75,000	17	14.17
₹ 75,000 - ₹ 1,00,000	2	1.67
Above ₹ 1,00,000	22	18.33
Nil	26	21.66
Total	120	100.00

#### Section wise Deduction Claimed by the respondents

Section	F	%
80C	91	54.82
80D	19	11.45
80DD	3	1.81
80G	3	1.81
80TTA	17	10.24
Others	7	4.22
Don't know	26	15.65
Total	166	100.00

#### Summary Of Findings

The following are the summary of finding of the study.

1. A majority (35.83 %) per cent of the respondents belonging to the age group of between 40 and 50 years.
2. It is found that a majority (78 %) per cent of the individual assesses are male.
3. A considerable number of the individual assesses (58.33 %) per cent have studied graduate level.
4. It is inferred that most (71.67 %) per cent of the individual assesses have urban areas.
5. Most of (71.67 %) per cent of the individual assesses have through consultant tax return filing.
6. It is found that (48.33 %) per cent of the respondents had filed tax return filing duration is 0 – 5 years.
7. It is inferred that a considerable portion (64.17 %) per cent of the respondents are filing return regular provision of the tax return filed
8. A considerable portion (55.83 %) per cent of the respondents earning from business and profession.
9. An analysis of the yearly income range of the individual assesses has revealed that a majority (55.84 %) per cent of the individual assesses are earning the yearly income range between ₹ 2,50,001 and ₹ 5,00,000.

10. An analysis of the yearly deduction claimed of the individual assesses has revealed that a majority (24.17 %) of the individual assesses are claiming deduction range below ₹ 25,000.
11. It has revealed that a majority (54.82 %) of the individual assesses are claimed deduction section 80C.

### Sign Test

It is one of the non-parametric methods in statistical work. This can be used with either nominal or ordinal data. It requires less restrictive assumptions concerning the level of data measurement. For recording the responses of sample tax payer, a sign is recorded if the workers responses is "yes" for each statement framed for the study or a '-' is recorded if the respondents is 'no' for that statement.

Using this procedure the responses of all sample workers are recorded in terms of '+' or '-' sign. The response of 'no opinion' is ignored while applying sign test. The purpose of this study is to determine whether or not the 'yes' and 'no' responses of workers for each statement is equal.

This test can be applied for the small sample case ( $n < 20$ ) and for large of sample case ( $n > 20$ ). Hence  $n$  refers to number of respondents who responded to each statement as 'yes' and 'no'. Due to large sample, for all a statement framed for this study the number of 'yes' and 'no' responses of sample workers is greater than 20.

The null hypothesis is that there is no significant difference between the responses of the respondents in each of the facilities provided.

### Results of Sign Test

Number	Mean	$\sigma \sqrt{0.25n}$	$\frac{+ \text{Sign} - \mu}{\sigma}$	Result
70	35.00	4.18	0.24	Not Significant
87	43.50	4.66	-1.18	Not Significant
41	20.50	3.20	-2.97	Significant
96	48.00	4.90	2.45	Significant
98	49.00	4.95	1.21	Not Significant
55	27.50	3.71	2.56	Significant
51	25.50	3.57	3.22	Significant
50	25.00	3.54	0.85	Not Significant
79	39.50	4.44	0.11	Not Significant
38	19.00	3.08	0.33	Not Significant
65	32.50	4.03	0.12	Not Significant
46	23.00	3.39	1.18	Not Significant
76	38.00	4.36	0.92	Not Significant
44	22.00	3.32	3.01	Significant
62	31.00	3.94	-0.51	Not Significant
72	36.00	4.24	-0.94	Not Significant
75	37.50	4.33	0.58	Not Significant
49	24.50	3.50	2.43	Significant
47	23.50	3.43	1.90	Not Significant
56	28.00	3.74	-3.74	Significant

It is inferred from Table 4.25 that the Z value is not within the acceptance region of null hypothesis ( $z = -1.96$  to  $+1.96$ ) for all 20 statement herewith 7 statements are Significant and rest of the 13 statements are Not Significant. There is significant differences are due to a small number of Yes responses and rests of the not significant differences are due to a large number of No responses. There is no

significant different between Awareness of individual and their Tax Planning. Hence, it is concluded that they are not Aware of Tax and Tax planning in thoroughly.

### Level Of Opinion Of E-Filing

#### Chi-square Test

The chi-square is one of the simplest and most widely used non-parametric tests in statistical analysis. The symbol of the Greek

Chi is  $\chi^2$ . The  $\chi^2$  test was first used by Karl person in the year 1990. The quantity  $\chi^2$  describes magnitude of the discrepancy between theory and observation. The data in chi-square tests is often in terms of count or frequencies. The actual survey data may be on a nominal or higher scale of measurement. If it is on a higher scale of measurement, it can always be converted into categories.

The Chi-square test is an important test amongst the several tests of significance developed by statisticians. Chi-square, symbolically written as  $\chi^2$  (pronounced as chi-square).

The value obtained as such should be compared with relevant table value and the inference can be drawn. If the calculated value is greater than the table value the hypotheses framed will be rejected, otherwise accepted.

1. Highly satisfied, 2. Satisfied, 3.No opinion, 4.Dissatisfied, 5.Highly Dissatisfied  
 Standard deviation = 5.67  
 Mean = 37.54

**Age and their Level of Opinion of E-filing**

Age is one of the important socio-economic variables in determining the opinion and their level of on tax planning of individual assesses in the study area the age and their level of opinion on tax planning.

**Age and their Level of Opinion of E-filing**

Age	Level of Opinion			Total
	Low	Medium	High	
Below 35 Years	28 (23.33 %)	7 (5.83 %)	9 (7.5 %)	44 (36.67 %)
Above 35 Years	61 (50.83 %)	2 (1.67 %)	13 (10.83 %)	76 (63.33 %)
Total	89 (74.17 %)	9 (7.5 %)	22 (18.33 %)	120 (100 %)

It is observed form Table 4.26 that out of 120 respondents with medium level opinion given by 9 assesses, 5.83 per cent of the respondents belong to the age group of below 35 years, 1.67 per cent of the respondents belong to the age group of above 35 years. Out of 120 assesses 89 assesses having low level of opinion, 23.33 per cent belong to the age group of below 35 years with low level of opinion of e-filing and the remaining 50.83 per cent belong to the age group of above 35 years. Further, with high level opinion, out of 22 assesses

respondents 7.5 per cent belong to the age group of below 35 years and the rest 10.83 per cent belong to the age group of above 35 years.

To test the relationship between the Age and the opinion of the respondents towards the level of opinion of E-filing by the individual assesses, the following null hypothesis is formulated. "There is no significant relationship between the age of the respondents and the level of opinion on of e-filing". The Chi-square test has been applied and the computed results are

**Age and their Level of Opinion of E-filing – Chi-square Test**

Sl. No.	Cell	O	E	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
1.	R <sub>1</sub> C <sub>1</sub>	28	32.63	-4.63	21.44	0.66
2.	R <sub>2</sub> C <sub>1</sub>	61	56.37	4.63	21.44	0.38
3.	R <sub>1</sub> C <sub>2</sub>	7	3.30	3.70	13.69	4.15
4.	R <sub>2</sub> C <sub>2</sub>	2	5.70	-3.70	13.69	2.40
5.	R <sub>1</sub> C <sub>3</sub>	9	8.07	0.93	0.87	0.11
6.	R <sub>2</sub> C <sub>3</sub>	13	13.93	-0.93	0.87	0.06
Total						7.76

Since the calculated value of 7.76 is more than the table value both at five per cent of significance, the null hypothesis is rejected hence, it is concluded that there is a significant relationship between the age of the respondents

and their level of opinion of E-filing of the individual assesses in the study area.

**Suggestions**

1. The Government should take more steps to encourage the Woman entrepreneur to do business.

2. Individual assesses have been educated to file tax return by self.
3. Awareness could be made to educate the assessee about the various deduction to claim more amount from deduction u/s 80C to 80U.
4. The Government should be reduced the tax rate in moderately and to increase the tax limit to satisfy the individual assesses.
5. E-filing should be popularized by way of simplifying E-filing Forms.

#### Conclusion

This report is a reflection of the perception of Individual Assessee's Tax Planning. Perfect tax planning is a difficult task to the individual assesses. An effort is made to study the socio-economic background of the individual assesses, and their tax planning. Through this study we found out that most of the tax payers not knowing the tax deduction thoroughly. It is also inferred that most of respondents are belonging to the consultant for their tax planning. And the level of opinion of e-filing by the individual assesses having relationship between their age and e-filing process. More priority should be given to educate the tax payers to file return more in year by year by way of reducing the tax burden.

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