ABSTRACT

“A Study on Tax Planning Measures Adopted by the Salaried Class in Kerala” has been undertaken to study and evaluate the tax planning measures adopted by the salaried income tax assesses of the State in the light of tax administration methods being implemented by the Government. The savings habit and investment pattern of the employees of the private sector and the public sector under four identified income groups were compared and evaluated to understand the differences in the tax planning measures adopted by employees in either sector. The extent of awareness of the employees on tax planning measures and tax laws were also evaluated to assess their degree of awareness on taxation matters as per the Income Tax Act. The study also makes an effort to review the tax reforms being introduced by the Government in respect of Income Tax Laws and tries to ascertain its impact on the salaried income tax assesses. As part of the study, the efficiency of the administrative machinery for collection of income tax and management of taxation matters as per the Income Tax Act also included in the study.

The study identified differences in the savings and investment pattern of the employees belonging to the private sector with that of the public sector employees. It was observed that even though employees have general awareness about most of the tax planning measures available under the Act, the tax planning measures adopted by the employees have not reached up to the mark which is evident from the observation that the maximum deduction available under Section 80C cannot be claimed even by the upper income groups of the private sector. The awareness of the employees with respect to deductions available under the Act reveals that employees showed maximum awareness for PF, Insurance, Professional Tax and Housing Loan and they have low level of awareness on capital gains and relief under section 89 of the Act.

Key words: Assesses, Assessment Year, Awareness, Capital Gains, Deductions, Employees, Housing Loan, Income Tax Act, Insurance, Investment Pattern, Private Sector, Provident Fund, Professional Tax, Public Sector, Relief under Section 89, Savings Habit and Section 80C