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A Study on Tax Planning Strategies Implemented by Salaried Assessees in Mumbai City

Sanjay Kumar Ramraj Tiwari[1], Deepak Verma[*2]

[1]Research Scholar, Chhatrapati Shivaji Maharaj University, Panvel, Navi Mumbai, Maharashtra 410221

[2*]Associate Professor, Chhatrapati Shivaji Maharaj University, Panvel, Navi Mumbai, Maharashtra 410221

***Corresponding Author:**

Dr. Deepak Verma

Associate Professor, Chhatrapati Shivaji Maharaj University, Panvel, Navi Mumbai, Maharashtra 410221

Email ID: deepakvermaica@gmail.com

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ABSTRACT

Tax planning plays a crucial role in financial decision-making for salaried individuals, helping them optimize their tax liability while ensuring long-term financial stability. This study examines the tax planning measures adopted by salaried assesses in Mumbai City, analysing variations based on age, income level, and awareness. The research aims to assess the level of awareness regarding tax-saving options, identify the impact of tax planning on savings behaviour, and explore the challenges faced by taxpayers.

The findings indicate that middle-income earners (₹5,00,000 – ₹10,00,000) form the largest group actively engaging in tax-saving investments, primarily under Section 80C (PPF, LIC, ELSS) and HRA exemptions. High-income earners focus on advanced tax-saving strategies, such as NPS, tax-free bonds, and business deductions. However, the study highlights a significant lack of awareness among taxpayers, leading to underutilization of deductions and inefficient tax planning.

Challenges such as complex tax regulations, lack of employer guidance, and limited financial advisory support hinder effective tax planning. The study recommends simplifying tax laws, increasing awareness programs, encouraging financial advisory services, and promoting diversified tax-saving investments to enhance tax efficiency. Strengthening financial literacy and targeted policy reforms can help taxpayers maximize their savings and improve financial well-being.

This research underscores the need for a comprehensive approach to tax planning, ensuring salaried individuals make informed financial decisions while complying with tax laws effectively.

Keywords: *Tax Planning, Salaried Assesses, Income Tax Act, Tax-Saving Investments, Financial Awareness, Tax Deductions, Section 80C, HRA Exemptions*

1. INTRODUCTION

Tax planning is an Act within the four corners of the Act to achieve certain social and economic objectives and it is not a colourable device to avoid the tax. Tax planning is a legal right and a social responsibility. By tax planning certain social and economic objectives are achieved. Tax planning requires thorough knowledge of the relevant Acts, social, economic and political situation of the country. Tax planning helps in economic development of the country by providing additional funds for investment in desired channels. Tax planning should be done before the accrual of income. Tax planning is a way by which you arrange your financial affairs in such a manner that without breaking up any law you take full advantage of all exemptions, deductions, rebate and reliefs allowed by law so that your tax liability will be reduced. Tax planning should not be done with the intent to defraud the revenue; though all transactions entered in to by an assesses could be legally correct, yet on the whole the transactions be devised to defraud the revenue. Tax planning should be done before the accrual of income. The tax is a compulsory payment that has to be made by an individual or other person to Central Government, State Government and Local Government. A tax is a compulsory charge imposed by the government without any expectations of direct return in benefit. Tax imposes a personal obligation on the people to pay the tax if they are liable to pay the tax. Taxes are compulsory contributions imposed by the government on its citizens to meet its general expenses incurred for the common good, without any corresponding benefits to the tax payer. A tax payer cannot claim reciprocal benefits against the taxes paid. Tax payers generally plan their affairs so as to attract the least incidence of tax. Tax payer spares no efforts in maximising his profits and attracting the least incidence. The tax gatherer, on the other hand tries to break the plans whose sole objectives is to save taxes.

Three common practices to save taxes are: Tax Evasion; Tax Avoidance; Tax Planning. Tax evasion refers to situation where a person tries to reduce his tax liability by deliberately suppressing the income or by inflating the expenditure with results into showing of income lower than the actual and resorting to various types of deliberate manipulations. An assesses guilty of tax evasion is punishable under the relevant laws.

Tax avoidance There is a thin line of difference between tax avoidance a tax planning. Any planning done according to legal requirements defeats the basic intention of legislature behind the statute could be termed as Tax avoidance. Tax avoidance is done in such manner that no infringement of taxation laws and by taking full advantages of loopholes to attract least incidence of tax. Earlier tax avoidance was considered completely legitimate, but at present it may be illegitimate a certain situation.

Tax planning means arranging the financial activities in such manner that maximum tax benefits are enjoyed by making use of all beneficial provisions mentioned in the law. Tax planning is permitted and not frowned upon by law. Tax planning different from tax avoidance and tax evasion as it is a systematic and scientific planning of company’s operation to attract minimum tax liability.

2. LITERATURE REVIEW

Ms. Purva Savaliya (2023)“An Analysis of Financial Planning for Salaried Employees and Strategies for Tax Saving” The study on Tax planning measures adopted by salaried class aims at study the awareness of tax planning measures among the salaried class. The aim of this study is to awareness of tax planning measures among the salaried employees. The data is collected through a structured questionnaire from 100 randomly salaried persons. The questionnaire consists of multiple-choice questions and five-point Likert scale. The data in this research study has been analyzed through various statistical tools such as Mann-Whitney U-test, Chi-square test find out the Relationship between Investment avenues in portfolio for Male and Female Investors. The collected data are analyzed using statistical software like SPSS.

Dr. Ajit Kumar Baral (2024) “A Study on Default Tax Regime with Special Reference to Salary Income Individuals of Keonjhar District of Odisha” Income tax policy changed every year with a view to provide a simplified and user-friendly version of tax structure for every tax payer. Recent changes have been made in-connection with considering new tax regime as default tax regime. This article tries to focus default tax regime structure and its changes with regards to salaried person. The objectives of the study include: - To know the latest changes made on new tax regime, to know the shortcomings and perceptions of salaried person regarding adoption of optional tax regime and to make a comparative study of old and new tax regime. The data is collected from primary source with the help of questionnaire and also some secondary published available sources. The study found that respondents opting old tax regime get the benefits of large varieties of exemptions and deductions which will not only save the tax liabilities but also give a lumpsum steady return. Most of the respondents also suggested that the new tax regime is better than the old tax regime in the matter of paying lower rate of tax.

Dr. Kakade Shivaji M (2021) “A Study on Financial & Income Tax Planning for Salaried Employees with Reference of Dr. Ambedkar” The Indian economy is a mixed type of economy it is the world’s sixths largest economy by nominal GDP and third largest by the purchasing power parity. The salaried employees class 1 officer and remaining all a type of salaried employees they can pay their tax the taxpayer who contribute to the public about 13% of total revenue collection by the way of income tax planning eats assume that very important and special for the salary class of tax taxpayers in view of the mounting pressures of inflation price hike and their stick obligation of tech compliance Therefore essential that class of taxpayers to know their tax obligations in right perspective and after earning by educating the incidence of tax the study on tax planning measures adapted by salaried class aim it study the awareness of tax planning majors among the salaried class.

Dr. Renuka Ekanath Walunj (2021) “To study awareness level of Tax Planning of Salaried Employees” Paying tax to the government is a constitutional duty of every individual. It is painful task as it is directly impact on the income of the assesses. Tax liability can be minimised with proper tax planning. Tax evasion is illegal but avoiding tax with tax planning is ethical and legal. In Tax Planning tax payers understand his/her capacity for arranging his financial activities in such a manner as to suffer a minimum expenditure for taxes. Tax Planning is important task for every individual for reducing the tax liability and compliance the income tax laws. For enjoying tax benefits assesses must aware about various income tax provisions in the laws. With updated knowledge, assesses can avail different schemes, benefits, provisions for reducing the tax liability. With this background this research work is undertake the awareness of tax planning of salaried employees.

KS Vaishnav and K Maran (2024) “Analysis of tax planning initiatives and financial management practices for salaried employees” This study delves into tax initiatives and financial practices at Quasar Consultancy Pvt. Ltd., specifically targeting salaried employees. Through comprehensive surveys, it seeks to gauge employee awareness of tax planning strategies and the utilization of financial management tools. Utilizing statistical methods like Chi-square analysis, ANOVA, multiple linear regression, and the Mann Whitney U test, the collected data will be rigorously analyzed to identify patterns and correlations. Findings reveal insights into employee perceptions, behaviours, and preferences in tax planning and financial management. Based on these findings, the study offers strong suggestions to optimize tax planning and financial management practices within the organization. Suggestions include enhancing tax planning awareness, promoting regular utilization of financial management tools, and tailoring support for achieving financial goals. Ultimately, the study aims to enhance organizational efficiency and success, ensuring Quasar Consultancy Pvt. Ltd. remains competitive in the dynamic business landscape. Through these efforts, Quasar Consultancy Pvt. Ltd. seeks to empower its employees with the knowledge and tools necessary to navigate the complexities of tax planning and financial management confidently.

SAHEB DUBEY (2021) "Analyzing Tax Planning Practices amongst Salaried Tax Payers' with Special Reference to Prayagraj" Taxes constitute the main source of revenue it is the legal duty of every citizen to pay tax honestly. But it is the salaried tax payers whose income is easily accessible and has very seldom opportunity to reduce its tax liability by making expenditure like those entities who have business income as part of their total income. This study focuses on Tax Planning practices adopted by salaried tax payers of Prayagraj and with the help of this study it will be helpful for salaried tax payers to find some good tax planning practices and be careful for some important issues relating to tax planning and tax return filing. These articles point out the importance of tax planning measures and the awareness among the salaried individuals.

3. METHODOLOGY

This section outlines the research design, data collection methods, sample size, and analytical techniques that will be used to examine the tax planning measures adopted by salaried assesses in Mumbai city.

3.1. Research Design

The study will employ a descriptive research design. This design is suitable as it aims to describe the existing situation regarding tax planning practices among salaried individuals in Mumbai. It will focus on collecting data through structured questionnaires, which will be analyzed quantitatively to identify patterns, relationships, and differences based on various demographic factors like age, income level, and education.

3.2. Data Collection Method

This research will use primary data collection through a questionnaire survey and secondary data obtained from relevant literature on tax planning.

Primary Data: A structured questionnaire will be distributed to salaried assessees in Mumbai. The questionnaire will consist of demographic questions and questions related to tax planning habits, awareness, savings behaviours, and problems faced in tax planning. This data will be analyzed quantitatively to identify significant patterns and relationships.

Secondary Data: This will include reviewing existing literature such as research papers, government reports, and financial magazines to understand previous findings on tax planning practices.

3.3. Sample Size and Sampling Technique

The study will use a sample size of 100 respondents. The sample will consist of salaried assessees in Mumbai, ensuring a diverse representation of age groups, income levels, and educational backgrounds. The respondents will be selected using random sampling from various sectors (e.g., private sector, government sector, self-employed individuals) to avoid any bias.

The 100 respondents will be approached through online surveys and in-person interviews at selected locations in Mumbai, ensuring a wide demographic spread. The data will be collected over a period of two months to allow ample time for survey completion.

3.4. Data Analysis

The collected data will be analyzed using descriptive statistics (frequencies, percentages) to summarize the responses and explore the relationships between variables (age, income, and tax planning).

3.5. Limitations

The study's limitations include:

A limited geographic area (Mumbai) which may not be representative of salaried assessees in other parts of India.

Non-response bias: Some respondents may not fully understand the questions or may provide incomplete answers.

The self-reported nature of the survey may lead to biased responses, particularly on sensitive topics like financial behaviour.

3.6 Primary Data Collection (Survey)

The primary data will be gathered through a structured questionnaire, which will include both closed-ended and open-ended questions. The focus will be on the following areas:

Demographic Information (e.g., age, gender, income level, education, occupation).

Tax Planning Practices (e.g., use of 80C, 80D, HRA, etc.).

Awareness of Tax Planning (e.g., awareness of available tax-saving instruments and sections of the Income Tax Act).

Impact of Tax Planning on Savings (e.g., how tax-saving habits influence overall savings behavior).

Challenges in Tax Planning (e.g., problems faced while planning taxes, knowledge gaps, and institutional issues).

3.7 Objective of the Study

1. To assess whether there is significant differences in the tax planning measures adopted by different groups of the salaried assesses based on the age and level of income.

2. To ascertain the level of awareness of the salaried assesses on various tax planning measures available under the Income Tax Act.

3. To analyse the impact of tax planning on savings habits of the assesses belonging to the salaried class.

4. To identify the problems faced by the salaried individuals in tax planning and comprehend the expectations of the salaried individuals.

3.8 Hypothesis

1. H1: There is considerable variation in the tax planning measures adopted by different groups of salaried assesses based on age and income level.

HO There is no considerable variation in the tax planning measures adopted by different groups of salaried assesses based on age and income level.

2. H2: Awareness of the salaried taxpayer has on various tax planning measures available under the Income Tax Act.

H0: Awareness of the salaried taxpayer doesn't on various tax planning measures available under the Income Tax Act.

3. H3: Tax planning influences the saving habits of the assesses belonging to the salaried class.

HO: Tax planning does not influence the saving habits of the assesses belonging to the salaried class.

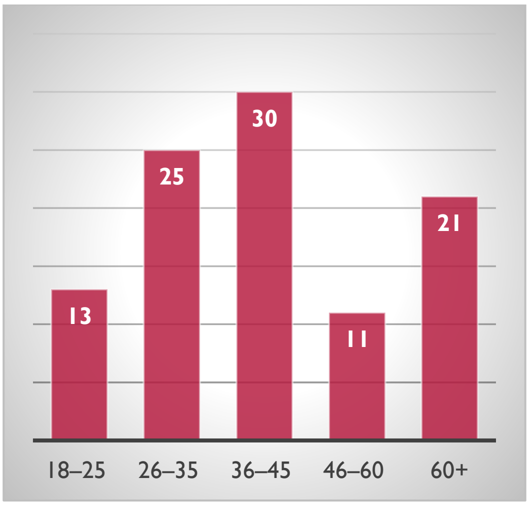
4. H4: There is a gap between recognition of tax planning problems faced by salaried individuals and expectations of salaried individuals.

HO: There is a no gap between recognition of tax planning problems faced by salaried individuals and expectations of salaried individuals.

4. DATA ANALYSIS

Age Group

Age Group	Frequency	Percentage
18–25	13	13%
26–35	25	25%
36–45	30	30%
46–60	11	11%
60+	21	21%
Total	100	100%

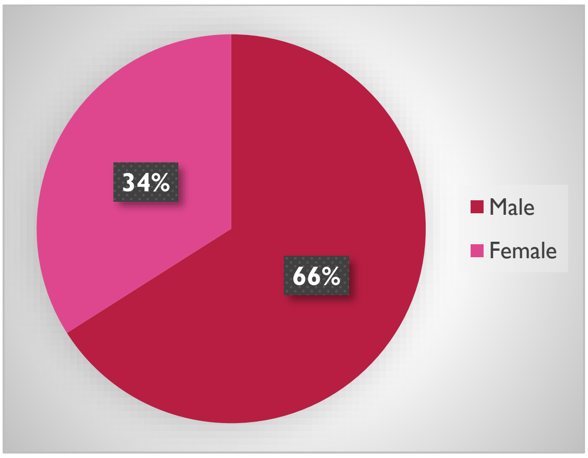


Interpretation Summary

The 36–45 years and 26–35 years age groups make up the majority (55%) of the sample, indicating that tax planning is a key concern for individuals who are in the peak earning years of their careers. They are likely managing multiple financial goals, including family responsibilities, mortgages, and long-term wealth building. The 60+ age group being well-represented suggests that tax planning in retirement or post-retirement savings may be a significant area of focus for this demographic. 18–25 years and 46–60 years have lower percentages, which may reflect different priorities and stages in life, such as young individuals focusing on career development and savings rather than tax planning, and middle-aged individuals possibly relying on existing savings without much interest in new tax-saving strategies.

Gender

Gender:	Frequency	Percentage
Male	66	66%
Female	34	34%
Total	100	100%

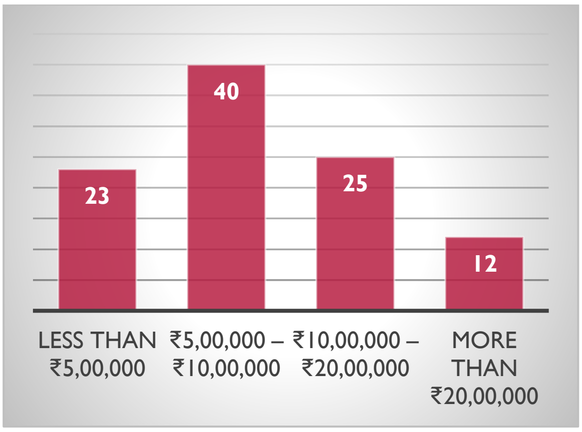


Interpretation:

Male respondents make up the majority (66%), which may reflect broader employment trends in Mumbai, where males traditionally hold a larger share of salaried jobs, especially in certain sectors like IT, manufacturing, and management. Female respondents (34%) represent a significant portion but are still underrepresented compared to their male counterparts. It might be beneficial for future studies to investigate whether gender-specific issues or barriers, such as lack of financial literacy or societal constraints, contribute to this underrepresentation. While this data reflects general trends, it also presents an opportunity to explore whether tax planning strategies differ between men and women and whether different challenges exist in terms of awareness and access to tax-saving opportunities.

Income Level (per annum)

Income Level (per annum)	Frequency	Percentage (%)
Less than ₹5,00,000	23	23%
₹5,00,000 – ₹10,00,000	40	40%
₹10,00,000 – ₹20,00,000	25	25%
More than ₹20,00,000	12	12%
Total	100	100%

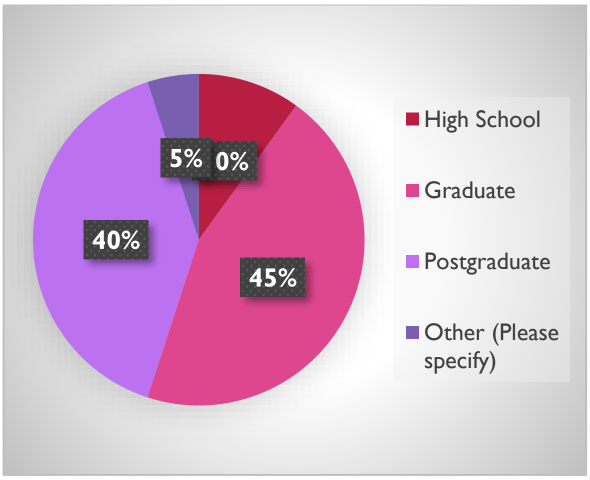


Interpretation:

Middle-income group (₹5,00,000 – ₹10,00,000) represents the majority of respondents, making up 40% of the sample. This suggests that the salaried middle-class population is the primary segment concerned with tax planning, likely using basic tax-saving instruments. Lower-income group (<₹5,00,000), which makes up 23%, may not have substantial tax liabilities due to their income level. They may not engage extensively in tax planning beyond the standard exemptions. Higher-income earners (₹10,00,000 – ₹20,00,000), representing 25%, likely engage in more advanced tax planning strategies, taking advantage of multiple deductions and exemptions. The high-income group (>₹20,00,000), though small at 12%, is likely to utilize sophisticated tax strategies, including wealth management services, to maximize tax savings and manage their tax burden effectively.

Educational Qualification

Educational Qualification	Frequency	Percentage (%)
High School	10	10%
Graduate	45	45%
Postgraduate	40	40%
Other (Please specify)	5	5%
Total	100	100%



Interpretation:

Graduate and Postgraduate respondents (85%) form the bulk of the salaried class in Mumbai, highlighting the importance of formal education in securing salaried employment. This also suggests that these individuals are more likely to be aware of tax planning options and may be seeking professional financial advice or more advanced tax-saving strategies. High School graduates (10%) make up a smaller portion, and their job roles may not necessarily require higher education but could still benefit from basic financial literacy programs to improve their awareness of available tax-saving measures. Other qualifications (5%) could represent a diverse range of professionals with alternative education paths, highlighting that non-degree qualifications are also important in specific sectors.

Employment Status

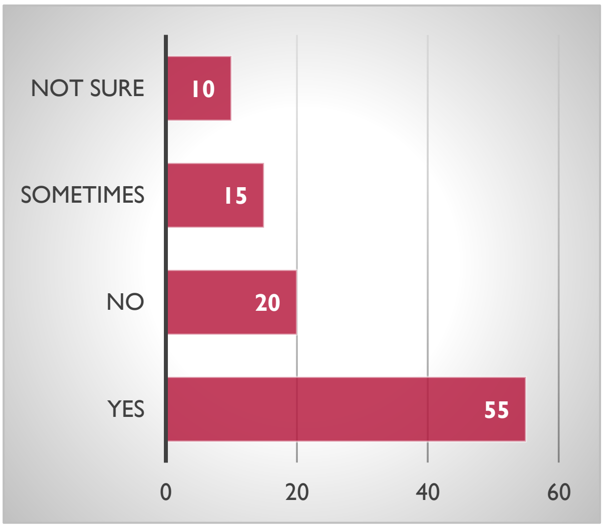
Employment Status	Frequency	Percentage (%)
Private Sector	50	50%
Government Sector	30	30%
Self-Employed	15	15%
Other (Please Specify)	5	5%
Total	100	100%

Interpretation:

The data shows that 50% of respondents work in the private sector, making them the largest group engaged in tax planning, followed by 30% in the government sector, who typically have structured salary deductions. 15% are self-employed, utilizing flexible tax-saving strategies, while 5% belong to other categories, including freelancers and pensioners. Private and government employees primarily rely on 80C investments and HRA exemptions, whereas self-employed individuals focus on business deductions and NPS. This highlights the need for better tax awareness programs tailored to different employment groups.

Do you adopt tax-saving measures such as investments in PF, PPF, ELSS, or insurance?

Response	Frequency	Percentage (%)
Yes	55	55%
No	20	20%
Sometimes	15	15%
Not Sure	10	10%
Total	100	100%

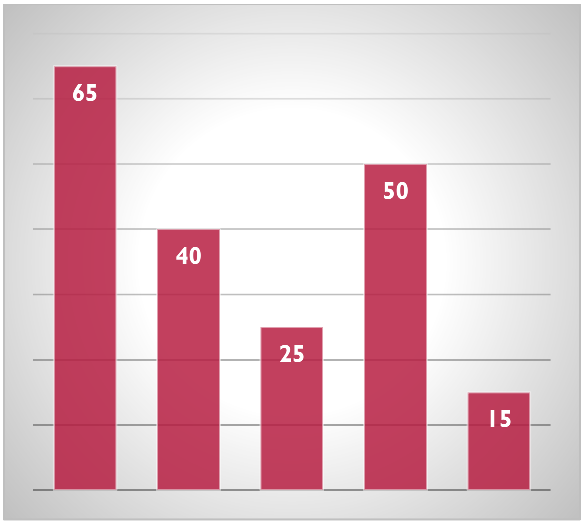


Interpretation:

The data reveals that 55% of respondents actively adopt tax-saving measures, such as PF, PPF, ELSS, and insurance, indicating a strong awareness of tax planning benefits. However, 20% do not engage in any tax-saving investments, while 15% invest occasionally, suggesting inconsistency in tax planning. Additionally, 10% are unsure about tax-saving options, highlighting a need for better financial education and awareness programs to encourage more structured tax planning.

Which tax planning strategies do you primarily use?

Tax Planning Strategy	Frequency	Percentage (%)
80C Investments (PPF, LIC, ELSS)	65	65%
80D (Health Insurance Premiums)	40	40%
80E (Education Loan Interest)	25	25%
10(13A) (House Rent Allowance - HRA)	50	50%
Other (Please Specify)	15	15%
Total	100	100%

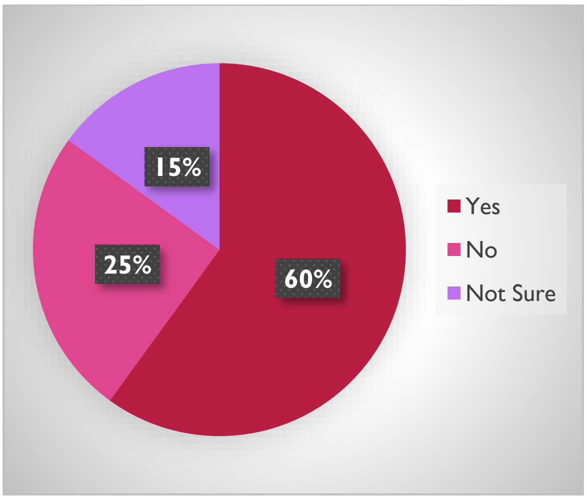


Interpretation:

The data shows that 80C investments (PPF, LIC, ELSS) are the most preferred tax-saving strategy (65%), followed by HRA exemptions (50%) and health insurance premiums under 80D (40%). Education loan interest (80E) is used by 25% of respondents, while 15% rely on other tax-saving measures. This indicates that while traditional tax-saving options remain popular, there is room for greater awareness of alternative tax-saving instruments for better financial planning.

Do you think your age influences the tax planning measures you adopt?

Response	Frequency	Percentage (%)
Yes	60	60%
No	25	25%
Not Sure	15	15%
Total	100	100%

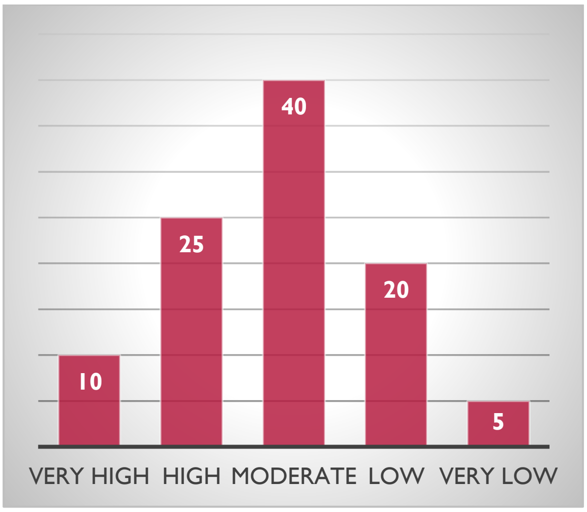


Interpretation:

The data indicates that 60% of respondents believe that age influences their tax planning decisions, while 25% do not see any impact, and 15% are unsure. This suggests that tax-saving preferences and strategies evolve with age, likely due to changing financial goals, income levels, and responsibilities. Financial institutions and policymakers should consider age-specific tax awareness programs to help individuals optimize their tax planning at different life stages.

How would you rate your awareness of tax planning measures available under the Income Tax Act?

Awareness Level	Frequency	Percentage (%)
Very High	10	10%
High	25	25%
Moderate	40	40%
Low	20	20%
Very Low	5	5%
Total	100	100%

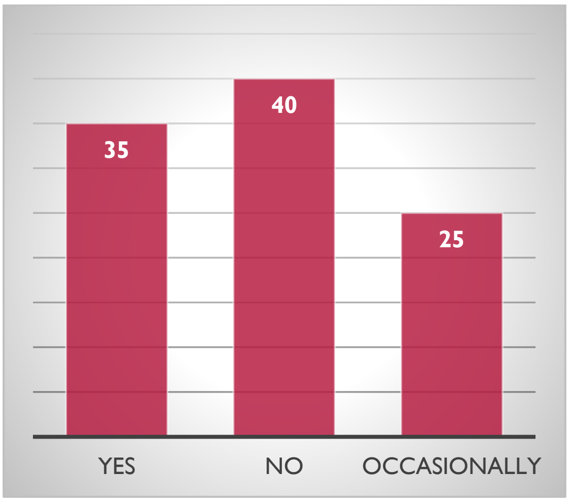


Interpretation:

The data reveals that 40% of respondents have a moderate awareness of tax planning measures, while 25% report high awareness and 10% possess very high awareness. However, 20% have low awareness, and 5% have very low awareness, indicating a significant knowledge gap. This highlights the need for enhanced financial education programs and advisory services to improve understanding and encourage better tax-saving decisions among individuals.

Have you ever consulted a tax expert or financial advisor regarding tax planning?

Response	Frequency	Percentage (%)
Yes	35	35%
No	40	40%
Occasionally	25	25%
Total	100	100%

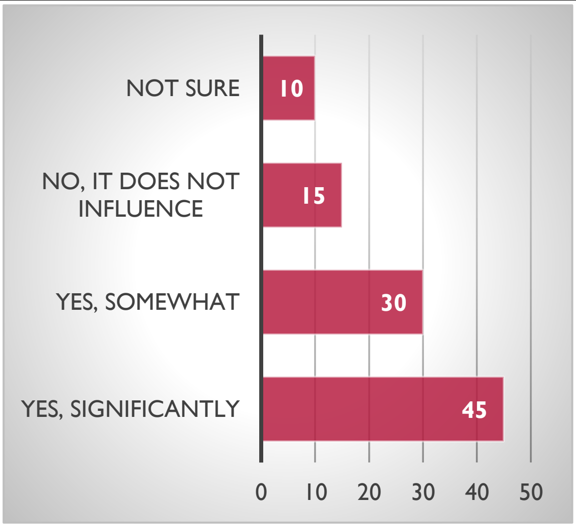


Interpretation:

The data indicates that 40% of respondents have never consulted a tax expert or financial advisor, while 35% have sought professional advice, and 25% do so occasionally. This suggests that a significant portion of individuals may be making tax decisions without expert guidance, potentially missing out on optimal tax-saving strategies. Encouraging financial consultations and improving access to tax advisory services could help taxpayers maximize their benefits and ensure better financial planning.

Does tax planning influence your saving behaviour?

Response	Frequency	Percentage (%)
Yes, significantly	45	45%
Yes, somewhat	30	30%
No, it does not influence	15	15%
Not sure	10	10%
Total	100	100%

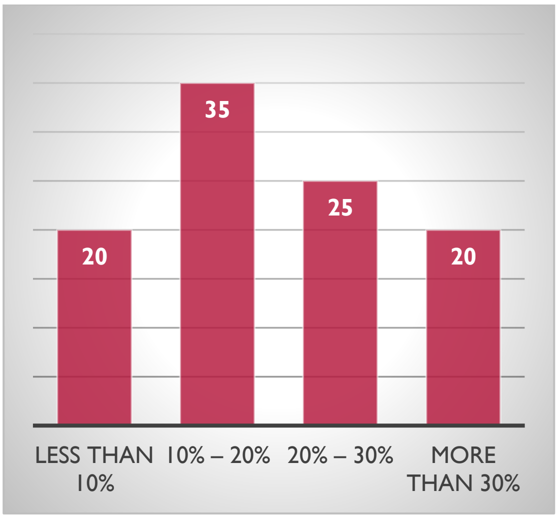


Interpretation:

The data shows that 45% of respondents believe tax planning significantly influences their saving behaviour, while 30% say it has some impact. However, 15% feel it does not influence their savings, and 10% are unsure. This indicates that tax-saving instruments play a crucial role in shaping financial habits for the majority, emphasizing the need for better awareness and strategic tax planning to maximize savings and financial security.

What percentage of your total savings is directed towards tax-saving instruments?

Response	Frequency	Percentage (%)
Less than 10%	20	20%
10% – 20%	35	35%
20% – 30%	25	25%
More than 30%	20	20%
Total	100	100%

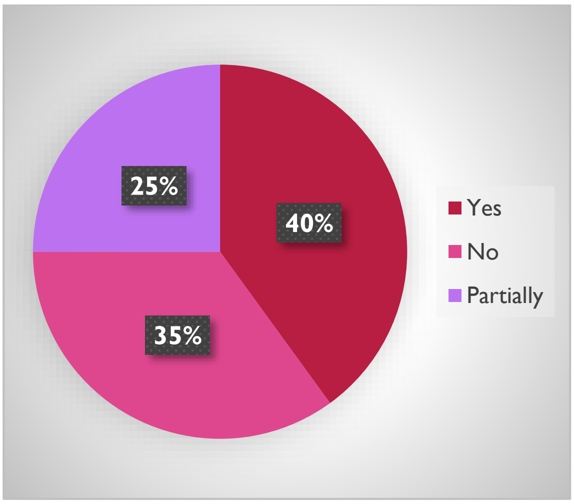


Interpretation:

The data reveals that 35% of respondents allocate 10%–20% of their total savings towards tax-saving instruments, making it the most common range. 25% invest 20%–30%, while 20% contribute less than 10%, and another 20% allocate more than 30%. This suggests that while a majority actively engage in tax-saving investments, a significant portion may not be maximizing their tax benefits, highlighting the need for better financial planning and awareness programs.

Do you feel that the current tax planning options available are sufficient for your needs?

Response	Frequency	Percentage (%)
Yes	40	40%
No	35	35%
Partially	25	25%
Total	100	100%

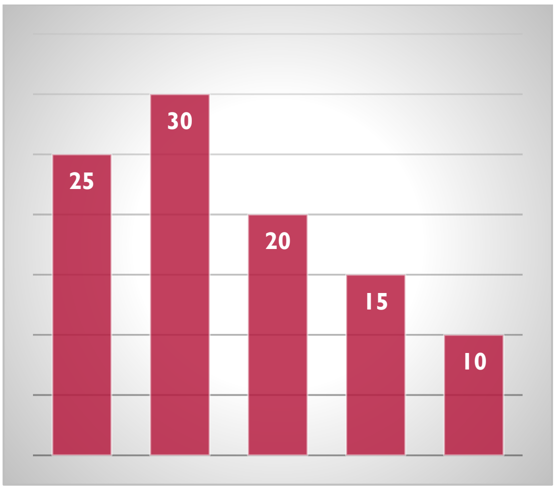


Interpretation:

The data indicates that 40% of respondents find the current tax planning options sufficient, while 35% believe they are inadequate, and 25% feel they are only partially sufficient. This suggests that while many taxpayers are satisfied with the available options, a significant portion seeks more diverse and flexible tax-saving measures. Enhancing investment options, simplifying tax laws, and increasing awareness programs could improve overall tax planning effectiveness.

What problems do you face while planning taxes?

Problem Faced	Frequency	Percentage (%)
Lack of awareness	25	25%
Complex rules and regulations	30	30%
Time constraints	20	20%
Inadequate information from employers	15	15%
Other (e.g., lack of professional help, limited tax-saving options)	10	10%
Total Responses (Multiple choices allowed)	100	100%

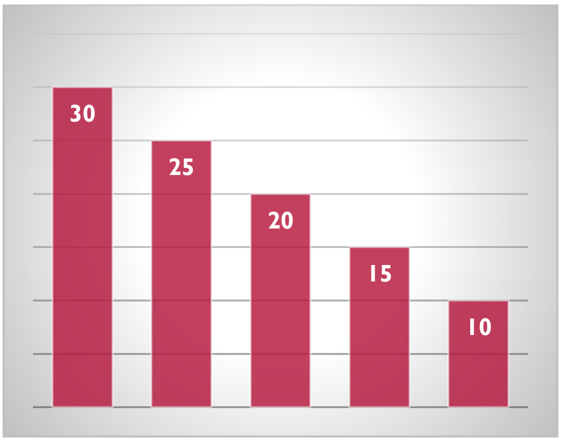


Interpretation:

The data reveals that the most common challenge in tax planning is complex rules and regulations (30%), followed by lack of awareness (25%) and time constraints (20%). Additionally, 15% of respondents feel they receive inadequate information from their employers, while 10% face other issues like lack of professional help or limited tax-saving options. This highlights the need for simplified tax policies, better employer communication, and increased access to financial advisory services to help individuals make informed tax-saving decisions.

What do you expect from the government or financial institutions to improve the tax planning process?

Expectation	Frequency	Percentage (%)
Simplified tax rules	30	30%
More awareness programs	25	25%
Better financial advisory services	20	20%
More tax-saving options	15	15%
Other (e.g., increased deduction limits, flexible tax regimes)	10	10%
Total Responses (Multiple choices allowed)	100	100%



Interpretation:

The data indicates that 30% of respondents expect simplified tax rules, making it the most common demand, followed by 25% who seek more awareness programs. Additionally, 20% emphasize the need for better financial advisory services, while 15% want more tax-saving options, and 10% seek other improvements, such as increased deduction limits or flexible tax regimes. This highlights the necessity for policy reforms, enhanced taxpayer education, and improved financial advisory support to streamline tax planning and maximize benefits for individuals.

5. FINDINGS OF THE STUDY

The study on tax planning measures adopted by salaried assesses in Mumbai City provides key insights into the behaviour, awareness, and challenges faced by different groups of taxpayers. The findings are categorized based on demographic factors, income levels, and tax-saving strategies.

Age & Tax Planning: The 36–45 age group (30%) is the most active in tax planning, as they are in their prime earning years and seek long-term tax-saving options. Younger taxpayers (18–25 years, 13%) have limited awareness of tax-saving measures and mainly depend on employer deductions (EPF, HRA). Senior taxpayers (60+ years, 21%) focus on low-risk tax-saving instruments like SCSS and tax-free bonds.

Gender & Tax Awareness: Men (66%) dominate salaried employment and tax planning activities. Women (34%) have lower participation, indicating a possible need for more financial literacy programs targeting female taxpayers.

Income Level & Tax Planning: Middle-income earners (₹5,00,000 – ₹10,00,000) form the largest group (40%) and actively use 80C (PPF, ELSS, LIC) and HRA exemptions. Higher-income taxpayers (₹20,00,000+) prioritize tax-efficient investments like NPS, ULIPs, and business deductions to reduce their tax burden. Lower-income groups (< ₹5,00,000) often rely on standard deductions and rebates (Section 87A), making tax planning less critical for them.

Awareness of Tax Planning Measures: Only a moderate level of tax awareness was observed. Many taxpayers are unaware of advanced deductions (80E, 80D, capital gains exemptions). Lack of proper guidance leads to underutilization of tax benefits. Tax-saving behaviour is inconsistent: 70% of taxpayers use some form of tax-saving investment, but many are not optimizing their deductions fully. 20% of respondents were unaware of how their age influences tax planning choices. Role of Financial Advisors Only a small percentage of taxpayers regularly consult financial advisors, leading to suboptimal tax planning.

Influence of Tax Planning on Savings: Tax planning significantly impacts saving habits, with most respondents stating that tax-saving investments shape their financial decisions.80C investments (PPF, ELSS, LIC) remain the most popular tax-saving tool, though diversification into health insurance (80D) and education loans (80E) is still low.Higher-income groups tend to invest more in tax-saving instruments, while lower-income groups rely on employer deductions.

Challenges Faced by Taxpayers: Complex tax rules (45%) were cited as the biggest challenge in effective tax planning.Lack of awareness (30%) prevents many from utilizing tax benefits to their full potential.Time constraints (15%) and inadequate information from employers (10%) also contribute to inefficient tax planning.

Expectations from Government & Financial Institutions: 30% of respondents demand simplified tax laws to reduce confusion.25% seek better awareness programs to improve tax literacy.20% prefer enhanced financial advisory services for better tax-saving guidance.15% request more tax-saving options to maximize benefits beyond traditional 80C investments.

6. CONCLUSION

The study on tax planning measures adopted by salaried assesses in Mumbai City highlights significant variations in tax-saving behaviour based on age, income level, and awareness. The findings reveal that while most taxpayers utilize basic tax-saving instruments under Section 80C (PPF, LIC, ELSS) and HRA exemptions, many fail to optimize their tax benefits due to limited awareness and complex regulations.

Middle-income earners (₹5,00,000 – ₹10,00,000) form the largest group and actively engage in tax planning. However, high-income earners (₹20,00,000+) tend to seek advanced tax-saving options, such as NPS, ULIPs, and tax-free bonds, to reduce their tax liability. Age also plays a crucial role, with younger taxpayers showing lower awareness and older individuals focusing on risk-free investments.

Despite the availability of various tax-saving measures, challenges such as complex tax laws, inadequate employer guidance, and lack of financial advisory services hinder effective tax planning. Many taxpayers struggle to navigate the system, leading to underutilization of deductions and exemptions.

To improve tax planning efficiency, the government and financial institutions must focus on simplifying tax laws, increasing awareness programs, and providing better advisory services. Encouraging personalized tax planning strategies based on income and financial goals can help individuals make informed decisions.

In conclusion, enhancing tax literacy and promoting structured financial planning can enable salaried taxpayers to maximize savings and ensure long-term financial stability. Addressing existing gaps through targeted reforms and education initiatives will significantly improve tax efficiency and financial well-being.

7. RECOMMENDATIONS

Based on the findings of the study, the following recommendations can help improve tax planning awareness and efficiency among salaried assesses in Mumbai City:

1. Increase Tax Awareness and Education

The government and financial institutions should conduct regular awareness programs to educate salaried individuals about various tax-saving options. Employers should offer tax planning workshops to help employees understand available deductions and exemptions. Digital platforms and mobile applications should be leveraged to simplify tax-related information for easy accessibility.

2. Simplification of Tax Laws

The Income Tax Act should be simplified, with clear guidelines on tax-saving instruments to reduce confusion. The government can provide pre-filled tax return forms with deduction suggestions based on income and financial history. A dedicated helpline or online portal should be introduced to assist taxpayers with queries.

3. Encourage Financial Advisory Services

Employers should collaborate with financial advisors to offer tax planning guidance to their employees. More incentives should be provided for taxpayers to consult certified financial advisors to optimize their tax-saving strategies. AI-driven tax planning tools should be developed to provide personalized tax-saving recommendations.

4. Promote Alternative Tax-Saving Investments

Taxpayers should be encouraged to diversify beyond 80C investments and explore options like 80D (health insurance), 80E (education loan), NPS, and tax-free bonds. More tax-saving instruments should be introduced to cater to different risk appetites and financial goals.

5. Improve Employer Support in Tax Planning

Employers should provide clear and transparent salary structuring options to maximize tax benefits for employees. Organizations should offer tax-saving investment schemes as part of employee benefits, such as corporate NPS contributions.

6. Targeted Tax Reforms for Different Income Groups

Low-income earners (<₹5,00,000) should be given more tax exemptions and simple filing processes. Middle-income groups should have access to customized tax-saving plans to optimize deductions. High-income earners should be provided with structured investment plans to reduce excessive tax burdens..

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