

ATTITUDE OF INDIVIDUAL BUSINESS CLASS ASSESSEE TOWARDS TAX PLANNING IN SALEM DISTRICT

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ABSTRACT

Tax planning is an arrangement of one's financial affairs in such a manner that the tax planner may either reduce the incident of tax wholly or reduce it to maximum possible extent by using the exemption, deductions, rebates and relief available in the framework of the taxation laws. It does not amount to evasion of tax. It is an act of prudence and farsightedness on the part of the taxpayer who is entitled to reduce the burden of his tax liability to the maximum possible extent under the existing law. Attitude is the state of mind. One's attitude should definitely influence on all the decisions taken by an individual. This study focuses on the attitude of the Individual Business Class Assessee towards tax planning. The objective of the study is to analyze the attitude of the Business class towards tax planning. Both primary and secondary data were used for the study. The data collected in the consumer survey through a structured questionnaire constitute primary data. The sample size of the tax payers was 250. Convenience sampling method was followed in selecting these business class assessee. The data collected were tabulated and analysed by using %age analysis, Chi-square test. This study analyses how different factors like Sex, Age, Marital status, Educational qualification, Nature of business, Level of turnover, Block of Fixed Assets, Operating expenses, Method of accounting, Valuation of stock, Number of earning members in the family, Number of dependents, Monthly income, and Monthly investment affect their attitude towards tax planning. Gender, level of education, level of turnover, Depreciation on Fixed Assets, Operating expenses have an effect on the attitude of the Business Class Assessee towards tax planning. Whereas age, marital status, nature of Business, number of earning members in the family, number of dependents, monthly income, and monthly investment do not have any impact on the attitude of the individual business class towards tax planning.

KEYWORDS: Financial Affairs, Operating Expenses, Business Class Assessee, Tax Payers

INTRODUCTION

Tax Planning: An Introduction

Tax planning is an arrangement of one's financial affairs in such a manner that the tax planner may either reduce the incident of tax wholly or reduce it to maximum possible extent by using the exemption, deductions, rebates and relief available in the framework of the taxation laws. It does not amount to evasion of tax. It is an act of prudence and farsightedness on the part of the taxpayer who is entitled to reduce the burden of his tax liability to the maximum possible extent under the existing law. Tax planning ensures not only accruals of tax benefit within the four corners of law, but it also ensures that the tax obligations are properly discharged to avoid penal provision.

Attitudes are generally considered as judgements and these are results of either direct experience of the social environment or through observations. So attitude can be considered as a hypothetical construct, which represents degree of

liking or disliking of an individual towards a particular object. Winning and losing are two opposite sides of a same coin and that coin is attitude. Attitude is composed of beliefs about the consequences of performing the behaviour and an evaluation of how the human will feel about those consequences. Attitude may be defined as an enduring organization of motivational, emotional, perceptual, and cognitive process with respect to some aspect of our environment. Whereas in the context of Individual Tax Payer attitudes, various attributes and benefits of the tax saving instruments affect the attitudes of the them towards tax planning.

On this basis, it can be analysed about the tax benefits enjoyed, the Return on investment made in tax saving schemes and also how far they can minimise their tax liability through investing in tax saving instruments. Hence, the tax payers should have sufficient knowledge on various tax saving instruments in order to minimise their tax incidence. Besides, various Socio-demographical and Business environments factors like Sex, Age, Marital status, Educational qualification, Nature of business, Level of turnover, Block of Fixed Assets, Operating expenses, Method of accounting, Valuation of stock, Number of earning members in the family, Number of dependents, Monthly income and Monthly investment also play vibrant role in the attitude of individual tax payers towards tax planning.

Hence, this study is concerned with evaluating the attitude of individual business class towards tax planning. The study will help the individual business class to plan savings and investments towards maximizing the returns and minimising the tax liability of them. The in-depth analysis of the behavioural pattern of the business people would help the government to work out various schemes to mobilize finance from the business people by introducing various tax saving schemes and also to reduce the tax evasion and tax avoidance. The study assumes significance in the light of the fact that very few research works are available on attitude of individual assessee in India in which were studied about the attitude of salaried class and no one studied about the attitude of business class particularly in Salem district. Hence, this study bridges the gap.

Review of Literature

Ledereich and Siegel (1988) emphasized the role of factors like age, health, marital status, family status; objectives risk tolerance, investment preferences, liquidity, employment stability, and tax rate in personal financial planning.

An All-India Survey, titled "Household Investors' Problems, needs and Attitudes", conducted by the Society for Capital Market Research and Development revealed the fact that majority of the retail investors lost confidence in various agencies like SEBI, credit rating agencies etc.

Gnana Desigan C in his study titled "Investors' Perception towards Equity Share Investment – An Empirical Study" (2003) has examined the investment pattern of the equity investors and the problems of equity share investors in primary and secondary market. The analysis revealed the attitude and perception of the investors equity share investment.

Krishnamoorthi. C in his study titled, "Investment Patterns and Tax Planning in the Nilgiri District", (2008) has examined the attitude of the investors in Nilgiri District. The Analysis reveals that there is no significant relationship between Sex, Age, Marital Status, Educational Qualification, Monthly Income and Monthly Investment with Attitude on Tax Planning.

L. Pandiyan, and T. Aranganathan, studied the savings and investments attitude of salaried class in Cuddalore District.

Objectives of the Study

The study is undertaken with the following objectives:

- To study the conceptual background of the individual business class towards investment and tax planning.
- To analyse the attitude of the individual business class towards tax planning.
- To suggest optimum tax planning for individual business class.

Research Methodology

The present study is based on convenience-cum-stratified sampling. The Business Class Assesseees have been taken as a sample and six sub-occupations have been identified from the Business people based on their operation as shown in table No. 1.

Table 1: Sample Unit

Heads	Nature	Sample
Non-Speculation	Manufacturing	20
	Whole sale	45
	Retail	80
	Services	45
	Works Contract	20
Speculation	Speculators	40
	Total	250

Sources: Primary data

The respondents include in this study are of different age groups under the Business Class. The area of the study covers Salem District. While selecting respondents enough care has been taken to see that the sample represents the whole universe.

The study is basically an analytical study based on primary research also related to the analysis of the attitude of Individual Business Class towards Tax planning. In order to conduct this study, 250 Individual business class assessee from various business activities such as Manufacturer, Whole-saler, Retailer, Works Contractor and Speculator in Salem District have been selected by sampling method and mainly questionnaire has been used for collecting the data. All the data required for this analytical study has been obtained mainly from primary sources, but at times, secondary sources of data have also been considered.

The questionnaire was divided into two parts, the first part asks about the socio – economic profile of the respondent, which includes gender, age, marital status, nature of business, level of turnover, monthly income, investment in tax saving schemes and level of awareness on tax laws and the second part shows the attitudes and attitudinal factors of the respondent. The data collected from these 250 individual business class assessee were tabulated and analysed by using percentage analysis, Chi-square test. There are seven hypotheses have been taken to study the attitude of individual business class assessee towards tax planning.

Analysis and Interpretation of Data

To measure the attitude of the Individual Business Class towards tax planning, Rensis Likert's summated a scaling technique. Based on this technique, the various responses are assigned scale values. In this study 5,4,3,2, and 1 scale values were used to measure individual business class' attitude on tax planning. The rating 5 or 4 or 3 or 2 or 1 indicates whether

the statement is strongly agreed or agreed or neutral or disagreed or strongly disagreed respectively. A total score for each respondent from all the 20 statements was calculated using the above scoring procedure. The twenty statements and their scores are given in Table 2.

Table 2: Attitude of Individual Business Class towards Tax Planning:

S. No	Factors		Strongly Agreed	Agreed	Neutral	Disagreed	Strongly Disagreed	Total
1	Tax planning is a key part of financial planning	No	182	16	21	17	14	250
		%	72.8	6.4	8.4	6.8	5.6	100
2	Tax rate affects the return on investment in tax saving schemes	No	177	21	17	20	15	250
		%	70.8	8.4	6.8	8	6	100
3	Instead of paying fines and penalties, may pay the fair tax	No	106	55	44	22	23	250
		%	42.4	22	17.6	8.8	9.2	100
4	Minimize tax incidence and maximize the savings through tax saving schemes.	No	191	49	10	0	0	250
		%	76.4	19.6	4	0	0	100
5	Tax planning is an important part of investment planning	No	163	43	33	11	0	250
		%	65.2	17.2	13.2	4.4	0	100
6	Save tax and earn more; be a prudent investor	No	178	34	22	10	6	250
		%	71.2	13.6	8.8	4	2.4	100
7	Save income tax and cover your medical expenses with a smile	No	105	62	49	23	11	250
		%	42	24.8	19.6	9.2	4.4	100
8	Using the Non-trading expenses as tax saving instruments (Tuition fees, Donation etc.)	No	97	56	69	21	7	250
		%	38.8	22	28	8.4	2.8	100
9	Increase the wealth and reduce the tax liability(Repayment of Housing Loan)	No	65	77	42	38	28	250
		%	26	30.8	17	15	11.2	100
10	Tax laws are easy to understand	No	45	33	57	75	40	250
		%	18	13	23	30	16	100
11	Tax evasion leads to heavy fines & Penalties	No	56	109	44	27	14	250
		%	22.4	44	18	11	5.6	100
12	Tax system affects the production & distribution of wealth seriously	No	33	69	41	78	29	250
		%	13.2	27.6	16.4	31.2	11.6	100
13	Fear of tax audits and prosecution	No	46	72	50	63	19	250
		%	18.4	29	20	25	7.6	100
14	Exaggerating business expenses to reduce the tax liability	No	0	0	76	82	92	250
		%	0	0	30.4	32.8	36.8	100
15	Business Friends are reporting and paying tax honestly	No	45	68	54	71	12	250
		%	18	27.2	21.6	28.4	4.8	100
16	Tax is an obligation and say no to tax evasion	No	110	72	59	9	0	250
		%	44	28.8	23.6	3.6	0	100
17	Tax avoidance is a key for tax planning	No	122	64	40	24	0	250
		%	48.8	25.6	16	9.6	0	100
18	No sufficient awareness about tax saving schemes	No	162	44	39	5	0	250
		%	64.8	17.6	15.6	2	0	100
19	Many people report all of their income to Revenue.	No	21	60	45	71	53	250
		%	8.4	24	18	28.4	21.2	100
20	It is every taxpayer's civic responsibility to pay his or her correct taxes.	No	135	44	110	24	12	250
		%	54	17.6	44	9.6	4.8	100

Sources: Primary data

The scores of 250 sample individual business class were calculated. An individual is the mere summation of the scores secured from the 20 statements. The scores of the respondents range from 20 to 100. The average score is 60. The

respondents were grouped into two on the basis of average score, in the first group, those who have scored above 60 and in the second group, and those who have score below 60. Further, for the purpose of in depth analysis, the respondents are grouped into three groups, viz., Low level of attitude towards tax planning, Moderate level of attitude towards tax planning, and High level of attitude towards tax planning. Those who score between 20 and 50 are low, those who score between 51 and 60 are moderate, and those who score above 60 are high. The data collected are presented in Table 3.

Table 3: Attitude of the Individual Business Class towards Tax Planning:

S. No	Level of Attitude	No. of Respondents	Percentage
1	Low (≤ 50)	56	22.4
2	Moderate (51-60)	102	40.8
3	High (>60)	92	36.8
	Total	250	100

Sources: Primary data

The above table reveals that out of the 250 sample individual business class, 22.4 % have low level of attitude, 40.8 % have moderate level of attitude, and 36.8 % have high level of attitude towards tax planning. There are several factors which determine the attitude of the sample individual business class are analysed as follows:

Table 4: Gender and the Attitude of Individual Business Class towards Tax Planning:

S. No	Gender	Attitude Towards Tax Planning			Total
		Low	Moderate	High	
1	Male	36	72	77	185
2	Female	20	30	15	65
	Total	56	102	92	250

Sources: Primary data

It is observed that among the male sample assessee, 19.46% have low level of attitude towards tax planning, 38.92% have moderate level of attitude towards tax planning, 41.62% have high level of attitude towards tax planning, whereas 30.77% of the female sample individual business class have low level, 46.15% have moderate level, 23.08% have high level of attitude towards tax planning.

Hypothesis: There is no significant relationship between gender and the attitude of individual business class towards tax planning.

Result: The table-4 explains the relationship between gender and attitude towards the tax planning. The calculated value of chi-square 7.86 which is greater than tabulated value of chi-square 5.991 at 5% level of significance. Hence it is highly significant and the null hypothesis is rejected at 5% level of significance. Hence there is association between gender and the attitude towards mutual funds.

Table 5: Age and the Attitude of Individual Business Class towards Tax Planning:

S. No	Age	Attitude Towards Tax Planning			Total
		Low	Moderate	High	
1	21-30	16	10	9	35
2	31-40	14	38	18	70
3	41-50	15	31	29	75
4	51-60	11	23	36	70
	Total	56	102	92	250

Sources: Primary data

From the data collected, it is observed that among the sample individual business class in the age group 21-30 years, 45.71 % have low, 28.57 % have moderate, and 25.72 % have high levels of attitude towards tax planning. In the age group of 31-40 years, 14.29 % have low, 54.29% have moderate, and 31.42 % have high levels of attitude towards tax planning. In the age group of 41-50 years, 20 % have low, 41.33 % have moderate, and 38.67 % have high levels of attitude. In the age group of 51-60 years, 20 % have low, 33.33 % have moderate, and 46.67 % have high levels of attitude towards tax planning. In the age group of above 60, 8 % have low, 32 % have moderate, and 60 % have high levels of attitude.

Hypothesis: There is no relationship between age and the attitude of individual business class towards tax planning.

Results: Chi-square test was applied to find out whether there is any significant association between the age of the individual business class and their attitude towards tax planning. The calculated value of chi-square is 23.40 which is greater than the table value of 12.6 at 5% level of significance. Since the calculated value is greater than the table value, it is inferred that there is significant association between the age of the individual business class and their attitude towards tax planning. Hence, the hypothesis is rejected.

Table 6: Marital Status and the Attitude of Individual Business Class towards Tax Planning

S. No	Marital Status	Attitude Towards Tax Planning			Total
		Low	Moderate	High	
1	Married	21	76	78	175
2	Unmarried	35	26	14	75
	Total	56	102	92	250

Sources: Primary data

It is inferred from the above table, in the married sample individual business class, 12 % have low, 43.43 % have moderate, and 44.57 % have high levels of attitude towards tax planning. In the unmarried sample individual business class, 46.67 % have low, 34.67% have moderate, and 18.67% have high levels of attitude towards tax planning.

Hypothesis: There is no relationship between marital status and the attitude of individual business class towards tax planning.

Result: Chi-square test was applied to find out whether there is any significant association between the marital status of the individual business class and their attitude towards tax planning. The calculated value of chi-square is 38.72 which is greater than the table value of 5.99 at 5% level of significance. Since the calculated value is greater than the table value, it is inferred that there is significant association between the marital status of the individual business class and their attitude towards tax planning. Hence, the hypothesis is rejected.

Table 7: Educational Qualification and the Attitude of Individual Business Class towards Tax Planning:

S. No	Educational Qualification	Attitude Towards Tax Planning			Total
		Low	Moderate	High	
1	Higher Sec	13	19	8	40
2	UG	29	41	20	90
3	PG	19	30	47	85
4	Professional	6	12	17	35
	Total	56	102	92	250

Sources: Primary data

From the data obtained, it is ascertained that among the sample individual business class with Higher Secondary level of education, 32.5 % of individual business class have low, 47.50 % have moderate, and 20 % have high levels of attitude towards tax planning. In degree holders' level, 20 % have low, 45.56 % have moderate, and 34.44 % have high levels of attitude towards tax planning. In post- graduates' level, 22.35% have low, 35.29% have moderate, and 42.35% have high levels of attitude. In professional degree level, 17.14% have low, 34.29% have moderate, and 48.57% have high levels of attitude.

Hypothesis: There is no significant association between the educational qualification and the attitude of individual business class towards tax planning.

Result: Chi-square test was applied to find out whether there is any significant association between educational qualification and their attitude towards tax planning. The calculated value of chi-square is 9.65 which is less than the table value of 15.5 at 5% level of significance. Since the calculated value is less than the table value, it is inferred that there is no significant association between educational qualification and the attitude of individual business class towards tax planning. Hence, the hypothesis is accepted.

Table 8: Nature of Business and the Attitude of Individual Business Class towards Tax Planning

S. No	Nature of Business	Attitude Towards Tax Planning			Total
		Low	Moderate	High	
1	Manufacturing	3	10	5	20
2	Whole sale	11	16	18	45
3	Retail	13	37	20	80
4	Services	11	17	17	45
5	Works Contract	10	8	4	20
6	Speculators	8	14	28	40
	Total	56	102	92	250

Sources: Primary data

The analysis of the data regarding the nature of work of the sample individual business class and their level of attitude towards tax planning reveals that among the manufacturer sample, 15% have low, 50% have moderate, and 35% have high levels of attitude towards tax planning. In whole seller, 24.44 % have low, 35.56% have moderate, and 40% have high levels of attitude towards tax planning. In Retailer, 16.25% have low, 46.25% have moderate, and 37.50 have high levels of attitude towards tax planning. In service providers, 24.44 % have low, 37.78% have moderate, and 37.78% have high levels of attitude towards tax planning. In works contractors, 50% have low, 40% have moderate, and 10% have high levels of attitude towards tax planning. In speculators, 20% have low, 35% have moderate, and 45% have high levels of attitude towards tax planning.

Hypothesis: There is no significant association between the nature of business and the attitude of individual business class towards tax planning.

Result: Chi-square test was applied to find out whether there is any significant association between the nature of work of and the attitude of individual business class towards tax planning. The calculated value of chi-square is 16.83 which is less than the table value of 18.31 at 5% level of significance. Since the calculated value is less than the table value, it is inferred that there is no significant association between the nature of work and the attitude of individual business class towards tax planning. Hence, the hypothesis is accepted.

Table 9: Number of Earning Members and the Attitude of Individual Business Class towards Tax Planning

S. No	Earning Members	Attitude Towards Tax Planning			Total
		Low	Moderate	High	
1	One	38	41	36	115
2	Two	12	45	28	85
3	Three and above	6	16	28	50
	Total	56	102	92	250

Sources: Primary data

It is inferred from the above table, among the sample individual business class with one earning member, 33.04% have low, 35.65% have moderate, and 31.30% have high levels of attitude towards tax planning. In two earning members' level, 14.12% have low, 52.94% have moderate, and 32.94% have high levels of attitude towards tax planning. In three or more earning members' level, 12% have low, 32% have moderate, and 56% have high levels of attitude towards tax planning.

Hypothesis: There is no relationship between number of earning members and the attitude of individual business class towards tax planning.

Result: Chi-square test was applied to find out whether there is any significant association between the number of earning members in the individual business class' families and their attitude towards tax planning. The calculated value of chi-square is 21.90 which is greater than the table value of 9.49 at 5% level of significance. Since the calculated value is greater than the table value, it is inferred that there is significant association between the number of earning members in the individual business class families and their attitude towards tax planning. Hence, the hypothesis is rejected.

Table 10: Monthly Income and the Attitude of Individual Business towards Tax Planning

S. No	Monthly Income	Attitude towards Tax Planning			Total
		Low	Moderate	High	
1	Up to 20000	20	17	8	45
2	20000-30000	10	29	21	60
3	30000-40000	17	33	30	80
4	40000-50000	5	11	19	35
5	Above 50000	4	12	14	30
	Total	56	102	92	250

Sources: Primary data

From the above table, it is inferred that the sample individual business class with up to 20000 income level, 44.44% have low, 37.78% have moderate, and 17.78% have high levels of attitude towards tax planning. In 20000-30000 income level, 16.67% have low, 48.33% have moderate, and 35% have high levels of attitude towards tax planning. In 30000-40000 income level, 21.25% have low, 41.25% have moderate, and 37.50% have high levels of attitude towards tax planning. In 40000-50000 income level, 14.29% have low, 31.43% have moderate, and 54.29% have high levels of attitude towards tax planning. In above 50000 income level, 13.33% have low, 40% have moderate, and 46.67% have high levels of attitude towards tax planning.

Hypothesis: There is no significant association between the monthly income and the attitude of the individual business class towards tax planning.

Result: Chi-square test was applied to find out whether there is any significant association between the monthly

income of the individual business class and individual business class' attitude towards tax planning. The calculated value of chi-square is 22.71 which is greater than the table value of 15.5 at 5% level of significance. Since the calculated value is greater than the table value, it is inferred that there is significant association between the monthly income of the individual business class and their attitude towards tax planning. Hence, the hypothesis is rejected.

FINDINGS OF THE STUDY

There is much difference in the attitude of the male and female sample individual business class towards tax planning. The tax planning of the respondents are affected in respect of their age level. The respondents' attitude towards tax planning are influenced in respect of their marital status. The sample shows that there is much difference in educational qualification of the individual business class and their attitude towards tax planning. There is significant difference in the individual business class with different natures of business in their levels of attitude. The attitude of individual business class towards tax planning does change according to the number of members earned in the family. It is clear from the study that the attitude of the individual business class towards tax planning are affected in respect of their monthly income.

CONCLUSIONS

This study disclosed the individual business class assessee's attitude towards tax planning. As the business people contribute the significant part of the financial resources for the government by means of various taxes such as Sales tax, Income Tax, Excise Duty and Customs Duty, it has to be the concern of the government to offer them various tax saving schemes which will help the business class individuals to save their money by investing in it. It may facilitate them to minimise their tax liability which will help to put a full stop for tax evasion.

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