



**A STUDY OF TAX SAVING OF COLLEGE TEACHERS IN KOLHAPUR
CITY WITH REFERENCE TO SECTION 80C OF INCOME TAX ACT
1961**

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INTRODUCTION:

Savings and Taxes are the basis of the nation building. Capital formation is important for the development of the nation and especially for the developing countries. More the savings rate more the capital formation and it will boost the growth of the economy. In simple words a nation is built on capital formation and sustained savings rate in the country. Government adopts various strategies and techniques to increase and sustain the savings rate in the country.

Government collects taxes from people, entities within and without its boundaries. The basic objective of the government to levy the tax is to accumulate funds for the functioning of the government machineries. The proper and effective functioning of the government is dependent on its tax system.

Payment of minimum possible tax is the natural instinct of the payer and collection of maximum revenue is objective of the government. A win-win situation may come into existence where government will get the funds directly or indirectly from the payer with lesser burden of tax if his funds are flown to certain destination. This is done through the linking the tax liability to the investment. A prudent government will initiate various schemes such as tax free bonds tax saving schemes etc.. The present study is related to benefit availed by college teachers of the tax saving scheme u/s 80C of the Income Tax Act 1961.

DATA BASE AND METHODOLOGY:

Primary Data:

The researcher has collected primary data. Primary data is first hand information. It is more authentic. It helps the researcher to address and control the specific research issues during his study. Usually it is done through questionnaires and interviews. The primary data is collected through A questionnaire – structured on the objectives of the study, Interview of the respondents and Discussion with peers.

Secondary Data:

Secondary data, is data collected by someone other than the user. Secondary data analysis saves time that would otherwise be spent collecting data and, particularly in the case of quantitative data, provides larger and higher-quality databases that would be unfeasible for any individual researcher to collect on their own. There are various sources available to collect this data. Among all of them administrative record is one of main source of such data.

- Form No. – 16 is the main source of secondary data for this research

SIGNIFICANCE OF STUDY:

Tax evasion is unlawful but tax avoidance with rightful ways is the right of an assessee. The tax payers have full freedom to take the benefits of various concessions given under the legislation. However the taxpayers look at it with different angles. The perception of tax payer towards avoidance of tax through tax saving schemes is different which is based on his awareness, knowledge, percentage and amount of tax, income, family size, investment options, scheme limits etc.

A college teacher is one of best qualified, well read, knowledgeable person in the society. Almost all the college teachers have the salary income above the minimum amount on which no tax is payable. Thus there is a tax burden on him. Therefore he will definitely think and try to reduce his/her tax liability by taking the help of tax saving schemes. There are various modes and patterns of investments through which he can reduce his tax liability. Being one of the elite and knowledgeable person in the society the researcher is inquisitive about a college teacher's behavior and perception about his tax saving investment.

Keeping in view the above, the present study has made focus on the following objectives.

OBJECTIVES:

1. To study the pattern and intention of savings.
2. To study whether the limit provided under section 80C of the Income Tax Act 1961 is fulfilled or not.
3. To study the relationship between the income and amount of savings.
4. To study the timing of the investment.

STATEMENT OF PROBLEM:

The behavior of an individual is different from other. There are many factors that influence his behavior. His behavior is also different in case of investments and planning for personal taxation. He differs in mode, type, timing, amount, tenure, nature of investment. He also has different perceptions about income tax and the planning for reduction of personal income tax. The

basic premise of tax saving scheme is an individual will be more inclined to invest in certain schemes if his personal tax burden is going to be reduced because of investments made in certain schemes.

SCOPE OF STUDY:

The scope of the study is restricted to tax saving of the college teachers in Kolhapur city with reference to section 80C of the Income Tax Act 1961. In view of this the study is focused on

- Different types investment schemes for tax saving.
- Actual pattern of investments made to reduce the tax burden
- Awareness of college teachers about tax saving schemes
- Expectations about the limit of tax savings

LIMITATIONS OF THE STUDY:

- It was difficult to cover all the college teachers from all the colleges from the Kolhapur city.
- The study is restricted to 80C of Income Tax Act 1961.

CONCLUSIONS:

The study has revolved around the benefits taken by the college teachers in Kolhapur City under section 80C of Income Tax Act to reduce the income tax liability. The benefit can be taken by making certain types of investments and payments made during the previous year i.e. the year in which he has earned the income. The behavior of the teachers of making investments while dealing with his tax liability will differ from person to person because of various reasons. At the same time the perception about the income tax liability will also change from person to person and also from time to time. The study has tried to find out college teacher's behavioural pattern about how he deals with income tax burden with the help of a tool of deduction available u/s 80 C of the Income Tax Act 1961.

Total 3 colleges were selected for study to get the requisite sample. These colleges are different from each other so far as the medium of instruction, courses taught, number of teachers etc. are concerned. Size of the sample was selected considering the size of population.

1. Pattern of investment :
 - a. It is observed that majority portion of the limit of Rs. 100000 is met by provident fund contribution. All have invested in provident fund because it is compulsory.

- b. 85% of the teacher prefers insurance premium payment. The reasons for such high percentage are
 - Risk cover
 - Long term investment
 - Canvassing by agents
 - Investment proposals are made by known persons
 - Tax free returns
 - c. 36% of the teachers are taking home loans. One of the motives of taking home loan is tax benefit. There is rising trend of taking home loans among the teachers.
 - d. The other modes of investments are not much adopted by the teachers. Many of them are not even aware that such other ways are available for tax deduction for e.g. mutual funds.
2. Two in three teachers have made the investment even beyond maximum limit. 1/3rd teachers have not fully utilized amount of investment they can make to save tax. In other words 1 teacher in 3 teachers have not been able to reduce tax liability with the help of section 80C of the Income Tax Act 1961.
3. Higher income teachers have invested more and have reaped the tax benefit according to their slab. For e.g. those who have income above 10 lacs and have made the investment, have got tax benefit up to 30% of their investment. This will result in increased rate of return on their investment.
4. There is definite and positive relationship between income earned and tax saved. 100% Teachers having income above 700000 have invested maximum amount eligible u/s 80C. None of the teacher having income less than Rs. 500000 has invested beyond the maximum limit of eligible to save the tax. The main reason for low investment is shortage of investible surplus and the burden of tax for them is 10%, therefore they are not much inclined to invest more.
5. Spouse of all the females is an earning member in the family.
6. 71% of the teachers invest to the maximum limit if their spouse is earning. This is because of additional investible income they generate in the family.
7. Teacher as a community is highly educated. This is evident from the finding that the teachers barring certain exceptions have acquired degrees after their post graduation.
8. The average age of the sample is 46 years. The range of the age of the teachers is 33 to 55 years. These teachers are in the mid of their career as a teacher.
9. Gender wise distribution is against the female class.

10. All the respondents are either fully or partially aware of the incentive schemes. However significant no. of teachers i.e. 82% is not fully aware of the various tax saving schemes.
11. Around 3/4th of the teachers save money for their future liabilities. Only 1/5th of the teachers' community invest money for the purpose of tax savings.
12. A very high percentage (64%) of the teachers have made their investment from the beginning of the year, 27% from mid of the year and remaining 9% at the far end of the year. There is no last hour rush for the investment. The investment is made from the beginning of the year because of the following reasons
 - Provident Fund deducted from Salary
 - Housing loan repayment on monthly basis (EMI)
 - Insurance Premium is cut by the college and is directly deposited with LIC on monthly basis.
13. 42% teachers are making the investment on their own. This is because of their experience that developed their expertise over the period of time.
14. Around 91% of the teachers desire the limit of Rs. 100000 should be increased. It proves that they want to reduce tax to extent NIL by making maximum investment.
15. The decisions of investment of the female teachers are influenced by their spouse.

SUGGESSTIONS:

1. Although teachers are highly qualified all of them are not expert in investment strategies. To create the awareness among the teachers the expert advice and education needs to be taken by the teachers about the investment.
2. Special training needs to be given to female teachers to make them aware about various avenues of investment and make them confident.
3. The advantages of buying a house and additional house needs to be explained to the teachers considering the benefits like Income tax deduction, interest deduction from income, appreciation in price of the house, hedge against the inflation etc.
4. The teachers are unnecessarily making investment beyond the maximum limit of Rs. 100000. They should be advised to divert their investment in other more lucarative modes of investments where tax benefit may not be available but the rate of return is high.
5. The lacuna of the present tax benefit u/s 80C is that the slab of the individual determines the benefit of tax. For e.g. an individual having income above 10 lacs is in the tax slab of 30% and if makes the

investment of Rs. 1 lakh, he gets the tax benefit of Rs. 30900. If he is in the tax slab of 20% he will get tax benefit of Rs. 20400 on his investment of Rs. 100000 u/s 80C. And if is in the 10% tax slab he will get the benefit of Rs. 10100 on the same amount of investment.

To overcome this lacuna it is suggested to bring in rebate in the tax scheme. The rebate will be on the amount of investment and not on the tax slab. This rebate provision was in existence u/s 88 of the Income Tax Act 1961.

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