ICSSR Sponsored - International Conference on Need of Digital Transition and CSR For Innovative Sustenance in the 2023 Economy
© 2023 IJSRST | Volume 10 | Issue 11 | Print ISSN: 2395-6011 | Online ISSN: 2395-602X
International Journal of Scientific Research in Science and Technology

# A Study on Perception of Taxpayers in Mumbai W.S.R.T. Deductions under Section 80 C, 80 CCC, 80CCD And 80D of the Income Tax Act

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## ABSTRACT

Investmentandtaxesarethetwoimportantaspects ofaneconomy,ononehandthetaxesconstitute an important component for the revenue generation of the exchequer and on the otherhandinvestmentintaxsavingschemesreducethetaxliability ofanassessee.Tax is one of the important factors that should betakenintoconsideration as it is plays a crucial role in the economic development of the country .The Investorswould favour toinvestininstrumentswhichwill help themsave taxandprovidegoodreturns.Taxes directlyaddstotherevenuesoftheexchequerthuscontributestothegrowthofeconomywhereasinvestmenthasa double benefit of contributiontotheeconomyingeneraland also enhancesthesavingsof an individual in general. Tax saving schemes is a vital tool that policymakers use to directinvestmentforthegrowthofeconomy.Asoundtaxstructurealwayshelpsthecause;itnotonlychannelizesinvest mentbut alsohelps indevelopingahabit ofinvestment amongtaxpayers. The main aim of every taxpayer is to minimize his or her tax liability. Tax Planning involvesplanning in such a way as to to avail the benefit of all exemptions, deductions and rebates provided in Act. The IncomeTax law itself provides for various techniques for Tax Planning. Generally, it is provided underexemptionsu/s10,deductionsu/s80Cto80Uandrebatesandreliefs.Thisresearchpaperaims toexaminethebehaviouralpatternsandtheperceptionsofthetaxpayers in Mumbai overdifferent deductions available under sections from 80C-80D of Income tax Act. Further the research also tries to examine whether there is a significantdifference inperception of taxpayers with respect to deductions U/s 80C, 80CCC, 80CCD & 80D relative to their demographicfactors.

**Keywords:** DeductionU/S80C, 80CCC, 80CCD & 80D,DemographicFactors, Perceptions,TaxPayers.

## I. INTRODUCTION

Income tax is a type of tax that the government imposed on individuals and businesses on the income earned during a financial year. Taxes accumulated from individuals and businesses are considered sources of revenue for the government.The government uses this revenue to provide healthcare, education, developing healthcare, subsidy to the farmer or agricultural sector, and several other government welfare schemes.Taxes are of two different types; direct tax and indirect tax. Taxes charged on income earned is called direct tax. Income tax is an excellent example of direct tax.On the other hand, an indirect tax is imposed by the government on a taxpayer for goods and services render.

## II. INCOME TAX EXCEMPTION

According to Section 80C and 80 D, income tax is not applicable for one who invests in life insurance, ULIP, term or medical insurance provided by the premiums should not exceed Rs 1.5 lakhs per year. Firstly as per section 10D, thematurity amount received from these instruments is also free from tax.Secondly, if a person has taken a loan to fund their child's education or buy a house, the interest paid on these loans is also tax-exempt.

Five Years Fixed Deposit, Public Provident Fund and National Savings Certificate are also tax-free instruments to consider.Finally, if a person invests in mutual funds through ELSS (equity-linked savings schemes),they are also exempt from income tax as per section 80C.However, all these tax exemptions must be filed in one's annual income tax returns to receive these tax benefits.

### Types of Income Tax Payers

The Income-tax Act has classified three different types of taxpayers into categories to apply different tax rates for different types of taxpayers. The different types of taxpayers are categorized as below:

- **Individuals, Hindu Undivided Family (HUF), Association of Persons(AOP) and Body of Individuals (BOI)**
- **Firms**
- **Companies**

Further, individuals are also classified into two types; resident and non-resident. Resident individuals have to pay tax based on their global income in India, i.e. income earned in Indiaand abroad.Non-residents need to pay tax only on income earned in India.Resident individuals are further divided into three categories for tax purposes mentioned below;

- **Individuals less than 60 years of age**
- **Individuals aged more than 60 but less than 80 years**
- **Individuals aged more than 80 years**

### INCOME TAX SLAB for FY 2022-2023 :

<table>
<tr><th>Net Taxable Income</th><th>New Tax Regime Income Tax Slab Rates FY 2022-23</th><th>Old Tax Regime Income Tax Slab Rates FY 2022-23</th></tr>
<tr><td>Up to Rs 2.5 lakh</td><td>Exempt</td><td>Exempt</td></tr>
<tr><td>Rs 2,50,001 to Rs 5 lakh</td><td>5%</td><td>5%</td></tr>
<tr><td>Rs 5,00,001 to Rs 7.5 lakh</td><td>10%</td><td rowspan="2">20%</td></tr>
<tr><td>Rs 7,50,001 to Rs 10 lakh</td><td>15%</td></tr>
<tr><td>Rs 10,00,001 to Rs 12.5 lakh</td><td>20%</td><td>30%</td></tr>
</table>

| **Net Taxable Income** | **New Tax Regime Income Tax Slab Rates FY 2022-23** | **Old Tax Regime Income Tax Slab Rates FY 2022-23** |
|---|---|---|
| Rs 12,50,001 to Rs 15 lakh | 25% | |
| Over Rs. 15 lakh | 30% | |

Income tax filing is one of the most important tasks for every Indian citizen, whether a salaried individual or a businessman. Although this might seem like everyone has to pay some amount of tax every year, there are ways by which you can save the taxes or get a rebate.

**1. Income Tax Deduction under section 80C:**

This is the most crucial section for deductions for every taxpayer. The maximum exemption limit in the section is ₹15,00,000. Various avenues, like PPF, EPF, term insurance, NPS, etc., could be claimed under section 80C. Below is the complete list:

1. Public Provident Fund
2. National Savings Certificate
3. National Pension Scheme
4. Employees' Provident Fund
5. Tuition fees
6. Post Office tax-saving deposits
7. Five-year bank deposit
8. Life Insurance Premium
9. Equity Linked Saving Schemes
10. Sukanya Samriddhi Account Deposit Scheme
11. Post Office Senior Citizens Savings Scheme

**2. Income Tax Deduction under section 80CCC:**

This section allows a maximum deduction of ₹1,50,000 and it includes the contribution made to the annuity plan of a life insurance provider to obtain a pension from the fund.

**3. Income Tax Deduction under section 80CCD:**

This section includes the contribution to the Atal Pension Yojana. It allows a contribution of up to 10% of the total salary of salaried employees and 20% of the gross income of non-salaried to the government-notified pension schemes. The contribution can be deducted from the taxable income under Section 80 CCD (1) If the employer also contributes to the scheme, the entire contribution amount can be claimed as a tax deduction under Section 80CCD (2)It is important to remember that the complete deduction under Section 80C, Section 80CCC and Section 80CCD (1) cannot exceed ₹1,50,000 in aggregate. However, the additional tax deduction amounting to ₹50,000 under Section 80CCD (1B) is above this limit.

**4. Income Tax Deduction under Section 80D:**

Income Tax Deduction under section 80D is for the premium paid for Medical Insurance. This section allows deductions on the health insurance premium paid by an individual or HUF. You can claim a deduction of ₹25,000 for self, spouse and dependent children and an additional deduction for insurance of parents of less than 60 years of age, which is up to ₹25,000. Parents above the age of 60 can seek a deduction of ₹50,000, which was increased in Budget 2018 from ₹30,000.And if the taxpayer and parent(s) are above 60 years of age, then the maximum deduction under section 80D is up to ₹1,00,000.

## III. LITERATURE REVIEW

**H.Hoffman**(1961)states that individuals cannot be ignorant about taxes because a good tax planning helps in saving huge amount of tax deducted on source. It is essential that the organisations educate their employees on tax planning on how and where they can save tax and to pay tax to the government.

**Bedi** (2007) studied and evaluated performance, reforms and incentives of personal income tax systems inIndia. The period opted for the study was AY 1993 -94 to 2002-03. The study examined the changes in respect ofdeductions and exemptions available under the various heads of the income for the period under study and theirimpact.

**Anil Kumar Jain and Parul Jain** (2007) states that a very seriousproblem in the taxincentiveprovision in India has been that they havebeenintroducedinanadhocmannerandhavebeensubjectto changes frequently. It was suggested that tax incentives and relief should motivate the investors.

**Ria Sinha** (2010) 'An International Comparison of TaxRegimes', compares and evaluates the tax structure in India with few developed as well asdeveloping countries which concludes that at present there may be no strong rationale for further reduction in theexistingtax rate.

**Gautam**(2013) He emphasizes thattax planning is investment model for specific purpose ofindividual's goal. The study examines that the most adopted taxsaving instrument is Life Insurance policy, and the secondmostadopted tax saving instrumentisProvidentFund.

**Saravanan&MuthuLakshmi**(2017)- most suitable and popular tax saving instrumentused to save tax and also to examine the amount saved byusing that instrument, The study shows that the first most adopted tax saving instrument is PF and secondisLifeInsurance policy using ranking method.

**Arora & Garg** (2019) this research is an attempt toknow the awareness and perception regarding various taxsavinginstruments ofteachersofhighereducation. The study reveals the fact that theteachersarewellawareofthevarious deductions, reliefs, and rebates available as per theIndianincometaxact and theypreference towards low risk, high returns, and fulltax benefits.

**Arora & *Monika** (Research Scholar, 2019) related with sensitive and personal financial aspectsofindividualincometaxassesses has undertaken an empirical research to identify thefactors that influence the individual assesseeto invest intax-savingschemesandscopeforfurtherinvestment which states that dependinguponttheirriskappetite,anincreasehasbeen witnessed in number of investment avenues available forinvestors.

## IV. RESEARCH METHODOLOGY

### OBJECTIVES OF THE STUDY:

1. To study the awareness of respondents about the deductions available under section 80C, 80CCC, 80CCD and 80D.
2. To study the perception of respondents about investment in tax saving instruments in-order to avail deductions under section 80C, 80CCC, 80CCD and 80D.

3. To Study the relationship between demographic indicatorsand tax saving instruments to avail deductions under section 80C, 80CCC, 80CCD and 80D.

## V. SCOPE OF THE STUDY

Tax planning is the analysis of a financial situation or plan to ensure that all elements work together to allow you to pay the lowest taxes possible. Tax planning strategies also includes to claim the maximum deductions available.

Taking 127 respondents in the survey from the City of Mumbai (India), as Mumbai is one of the metropolitan city which comprises of people from various other cities who have migrated and settled in Mumbai for their living. This paper attempts to analyze the perception of Taxpayers with special reference to deductions under section 80C, 80CCC, 80CCD and section 80D.

The study is conducted to find out whether objective to claim the maximum deductions is influenced by demographic factors, awareness of maximum deductions available under section 80C, 80CCC, 80CCD and section 80D and perception of investment in tax saving instruments in order to avail maximum deduction under section 80C, 80CCC, 80CCD and section 80D. The study exhibits the Tax Planning of Salaried Employees in Mumbai across the different income levels. The Study attempts to explore whether Age and income level will have different perception towards tax planning. From the research point of view, such a study will help in developing and expanding knowledge in this field of Tax Planning awareness and strategies to avail maximum deductions under section 80C, 80CCC, 80CCD and section 80D.

## VI. RESEARCH DESIGN

An exploratory research has been undertaken, by conducting a cross sectional data analysis. This is done to describe various aspects of Salaried Employees in Mumbai perception, Tax Planning instruments and demographic profiles which plays a very important role in Tax Planning by availing the maximum deductions available under section 80C, 80CCC, 80CCD and section 80D. For this purpose, primary data has been collected through structured questionnaire from Respondents (SalariedEmployees) in Mumbai. In order to serve the purpose of research, the questionnaire was framed Using Close ended questions, as it contains more of personal information about the investments of respondents.

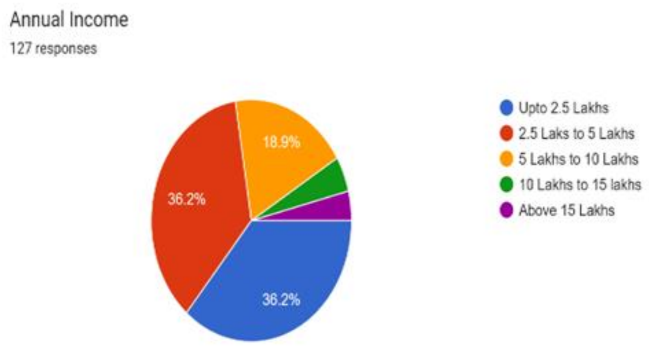
The Study is confined to the city of Mumbai. For the purpose of research the Sample size selected is 127are selected using Convenience Sampling Method from the City of Mumbai (India). All Salaried Employees come under the Total Population of research.

The secondary data has been gathered through a comprehensive survey of the research works carried out at academic and official levels. Various research projects brought out by academicians. Secondary datais also collected from various Journals, Books, Research Papers, Theses, Internet, is used to identify the gap in proposed research work and its significance for further study. The data is analyzed using cross-sectional data analysis (Percentage analysis and Ranking Techniques ) and necessary suggestions have been made to the tax planners for getting the maximum benefit through deductions available under section 80C, 80CCC, 80CCD and section 80D.

## VII. ANALYSIS AND INTERPRETATION

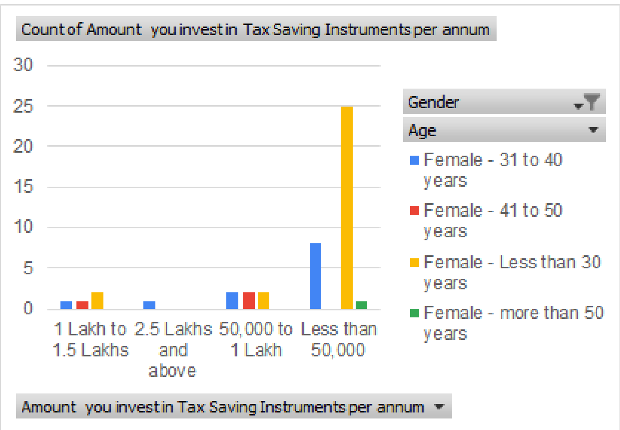
- **Demographic indicators:**

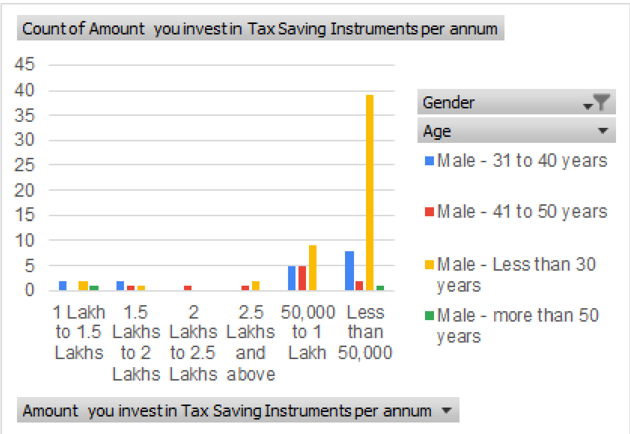
| Age / Gender | Less than 30 years | 31 to 40 years | 41 to 50 years | 51 to 60 years | Total |
|---|---|---|---|---|---|
| Male | 53 | 17 | 10 | 02 | 82 |
| Female | 29 | 12 | 03 | 01 | 45 |
| Total | 82 | 29 | 13 | 03 | **127** |




Out of the total 127 respondents nearly 36.2% belong to income group below 2.5lakhs, 36.2% belong to 2.5 to 5 lakhs, 18.9% belong to 5 to 10 Lakhs, 4.7% belong to 10 to 15 lakhs and 3.9% belong to above 15 lakhs.

- **Amount you invest in Tax Saving Instruments per annum:**

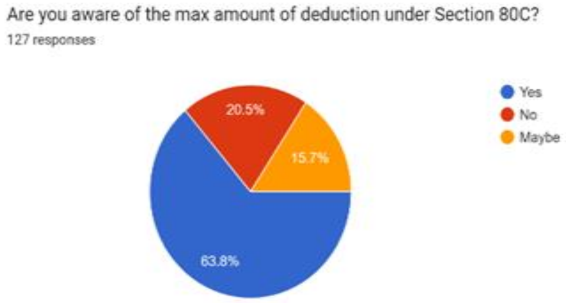



Out of the total female respondents nearly 25 of them of less than 30 years age and 7 of them of 31 to 40 years age invest less than 50,000 p.a. followed by on an average 3 of them of all age category invest above 50,000 p.a. to more than 2.5 lakhs .

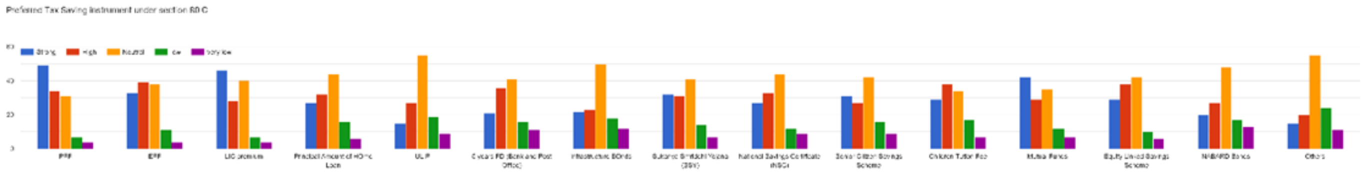
Out of the total Male respondents nearly 38 of them of less than 30 years age and 7 of them of 31 to 40 years age invest less than 50,000 p.a. followed by 7 of them of less than 30 years age invest 50,000 to 1 lakh p.a. followed by on an average 2 to 3 of them of all age category invest above 50,000 p.a. to more than 2.5 lakhs .

- **Are you aware of the maximum deduction under Section 80C?**



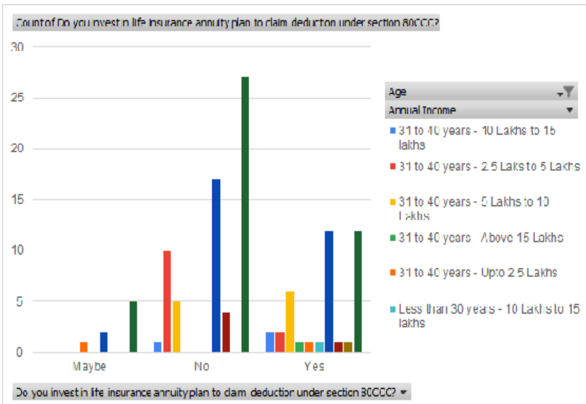

Out of the total respondents 81 are aware which constitutes nearly 63.8% out of which 24 are female and 57 are male, 26 which constitutes nearly 20.5% are not aware out of which 7 are female and 19 are male and 20 have responded neutral which constitutes nearly 15.7% out of which 14 are female and 6 are male.

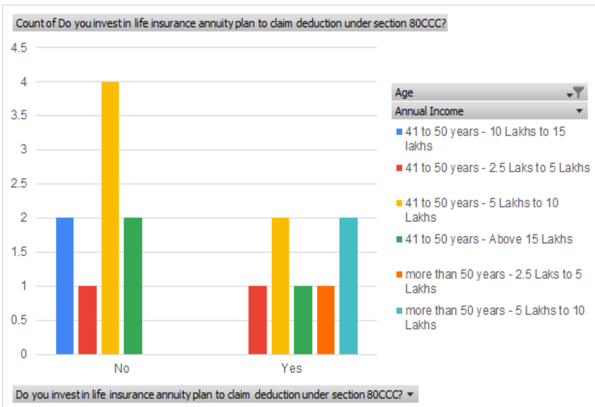
- **Preferred Tax Saving Instruments under Section 80C:**



PPF, LIC, Mutual Fund and EPF fall are strongly preferred by most of the respondents, followed by EPF, Home loan, Bank FD & Post Office savings, NSC, Children Tuition fee and Equity Linked Savings scheme are highly preferred where as ULIPS, Infrastructure Bonds and NABARD bonds are normally preferred and most of them have also stated that low and very low preference towards ULIP, Sukanya Samriddhi Yojana, Senior Citizen Saving scheme, Children tuition fee and NABARD Bonds.

- **Do you invest in life insurance annuity plan to claim deduction under section 80CCC and how much do you invest?**

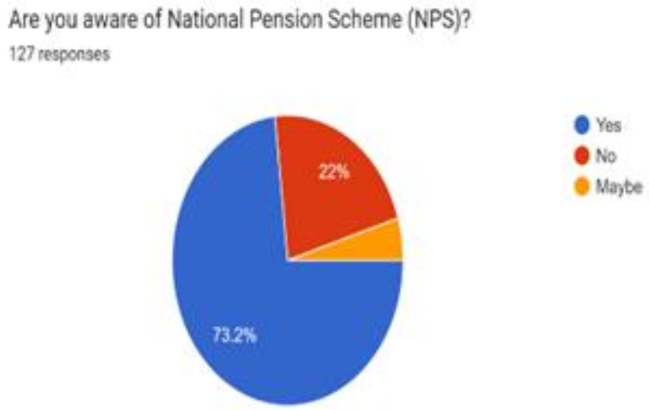


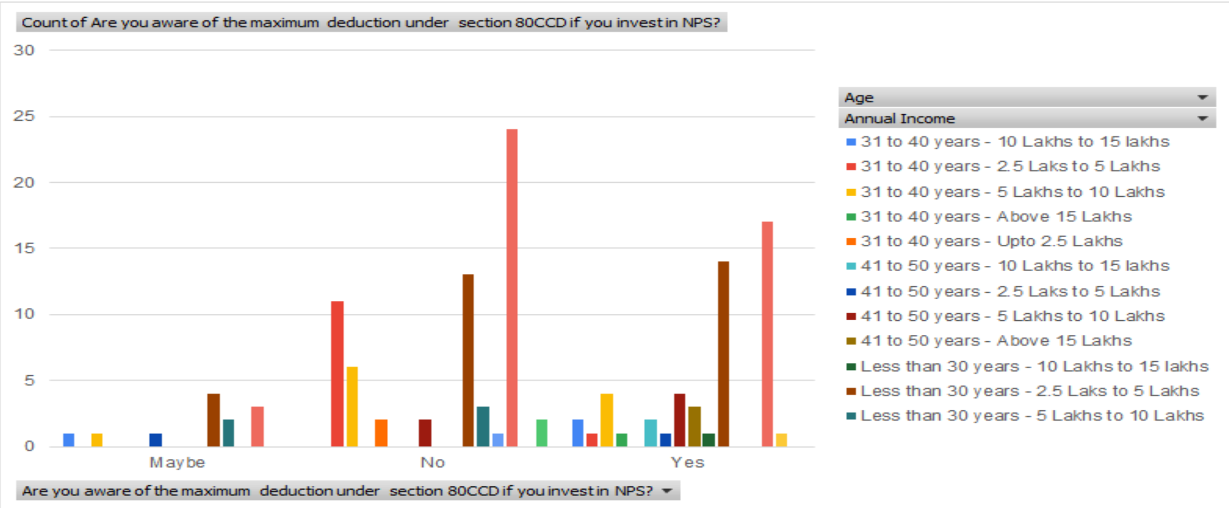

57.5% of the respondents have responded positively, whereas 36.2% have responded negatively and remaining 6.3% are neutral about investment in Life Insurance Annuity Plan .Nearly 12 respondents of age group 31 to 40 years belonging to annual income above 15 lakhs p.a. have responded positively, whereas 27 respondents of income group above 15 lakhs and 17 respondents of income group 10 to 15 lakhs p.a. have responded negatively for investment in annuity.

Most of the respondents of age group 41 to 50 years belonging to all income have responded negatively, 50% of the respondents of income group 5 to 10 lakhs have responded positively, whereas all respondents of more than 50 years belonging to income group 5 to 10 lakhs have responded positively for investment in annuity. On an average 50,000 to 60,000 p.a. is invested in annuity plan.

- **Are you aware of National Pension Scheme (NPS) and the maximum deduction under section 80CCD if you invest in NPS?**



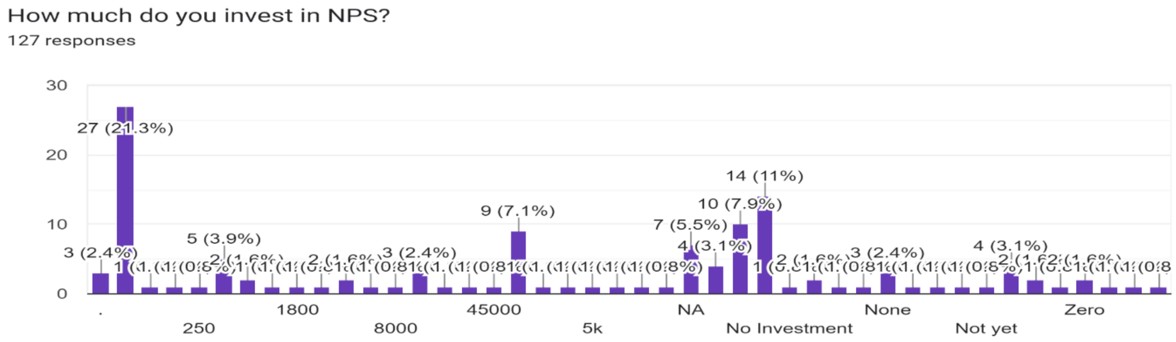

Out of the total respondents 93 are aware which constitutes nearly 73.28% out of which all respondents belong to income group 10 to 15 lakhs and above 15lakhs. Where as nearly 75% of the respondents of income group 2.5 to 5 lakhs and 5 to 10 lakhs are aware, 20 % of them are not aware and 10% have responded may be.




Respondents belonging to age group less than 30 years belonging to income group 2.5 lakhs to 5 lakhs more than 50% of them are aware, whereas nearly more than 45% of them are not aware and remaining of them responded neutral.

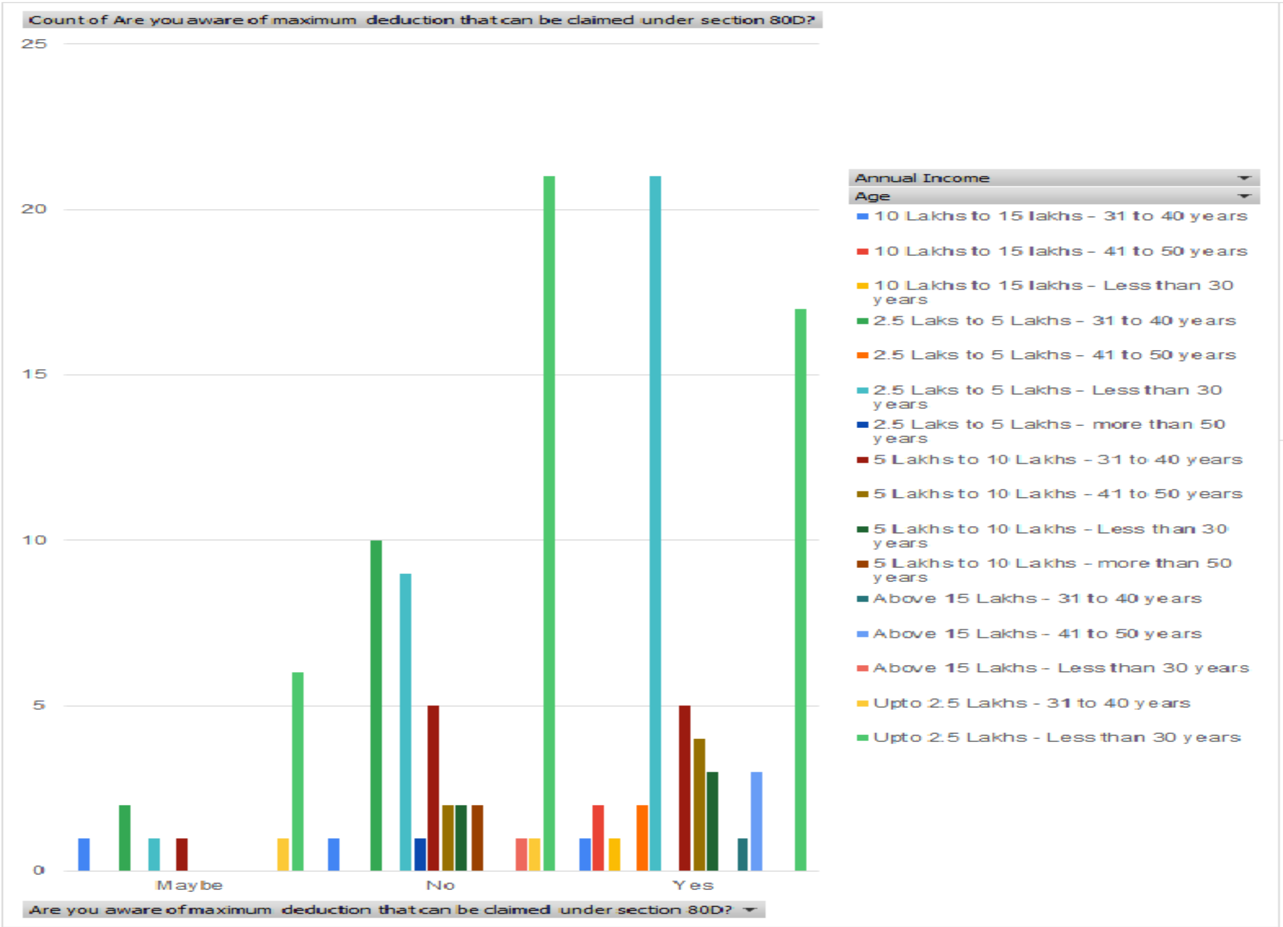
From age group 31 to 40 years of income group 2.5 to 5 lakhs more than 90% of them are not aware and out of income group upto 2.5 lakhs nearly 40% are aware while remaining are not aware.

- **How much do you invest in NPS ?**




The maximum amount invested in NPS per annum is 50,000, more than 50% of the respondents do not show liking or do not invest in NPS.

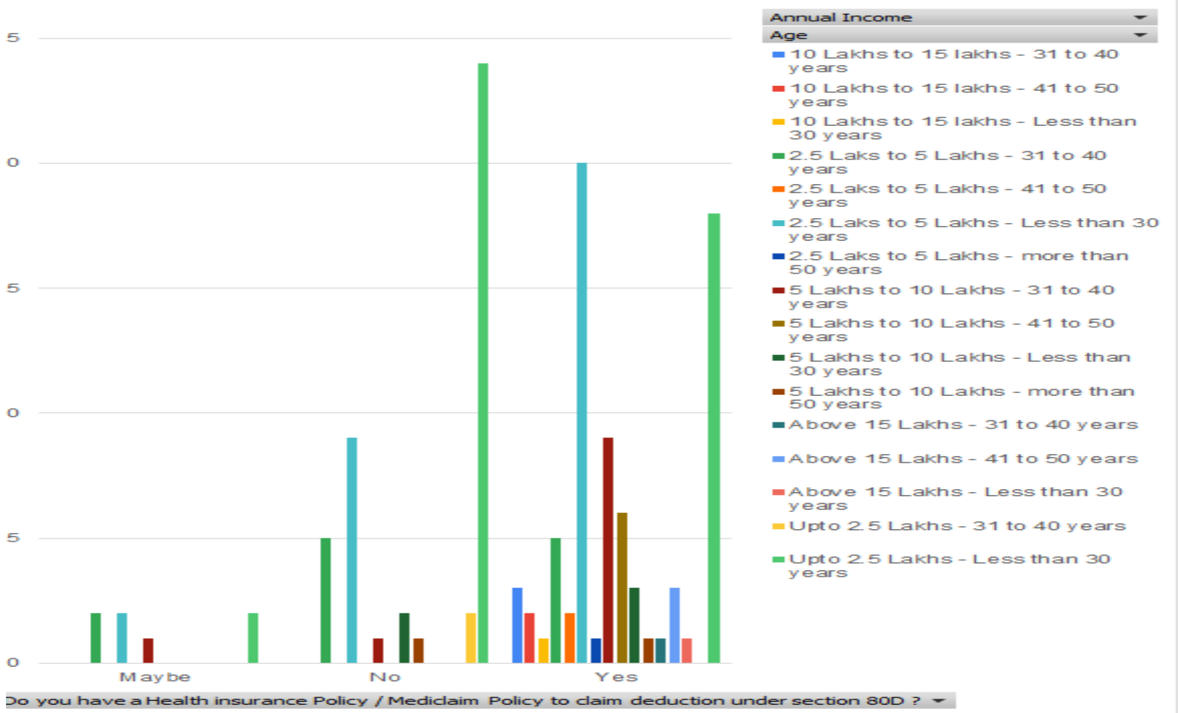
- **Are you aware of the maximum deduction under section 80D?**




47.2% of the respondents are aware, whereas 43.3% are not aware and 9.5% have responded may be for the maximum deduction claimed under section 80D.

Out of the total respondents who are aware from age group less than 30 years nearly 17 are and belong to income group upto 2.5 lakhs p.a. 21 from income group 2.5 to 5 lakhs. From age group 31 to 40 years 5 respondents from income group 5 to 10 lakhs and from age group 41 to 50 years respondents of age group 5 to 10 lakhs and above 15 lakhs.

- **Do you hold a Mediclaim / Health insurance Policy?**




59.8% of the respondents hold a health insurance / Mediclaim policy, whereas 34.6% do not hold and 5.5% have responded neutral for holding a Health insurance / Mediclaim Policy to claim deduction under section 80D.

Out of the total respondents who hold a Health insurance Policy / Mediclaim Policy from age group less than 30 years, 18 are from income group of less than 2.5 lakhs p.a., 20 are from income group of 2.5 to 5 lakhs p.a., 3 are from income group 5 to 10 lakhs p.a. From age group 31 to 40 years, 9 are from income group 5 to 10 lakhs per annum and from age group 41 to 50 years nearly 9 respondents from income group 10 to 15 lakhs and above 15 lakhs .

## VIII. FINDINGS

- Both Male and Female respondents of age group below 30 years and 31 to 40 years invest on an average of Rs. 50,000 to 1 lakh p.a. Whereas as age group of more than 40 years invest more than 1 lakh to maximum of 2.5 lakh p.a.
- 63.8% of the respondents are aware of the maximum deductions under section 80C, which constitutes 70% (57/82) from the total male respondents and 53% (24/45) from total female respondents.
- PPF, LIC, Mutual Fund and EPF fall are strongly preferred by most of the respondents, followed by EPF, Home loan, Bank FD & Post Office savings, NSC, Children Tuition fee and Equity Linked Savings scheme are highly preferred.
- More than 80% of the total respondents are not aware / don't invest in annuity plan. On an average 50,000 to 60,000 p.a. is invested in annuity plan.
- 93 respondents which constitutes nearly 73.22% are aware of NPS, out of which maximum respondents belonging to age group below 30 years and 31 to 40 years and nearly 75% of the respondents

from age group of 41 to 50 and 50 years and above. Only 50% of the respondents are aware of the maximum deduction that can be availed by investing in NPS.

- The maximum amount invested in NPS per annum is 50,000, more than 50% of the respondents do not show liking or do not invest in NPS.
- 47.2% (60) of the respondents are aware, whereas 43.3% are not aware and 9.5% have responded neutral for the maximum deduction claimed under section 80D. 38 respondents belong to age group of below 30 years and remaining 22 belong to all other age group in total.
- 59.8% of the respondents hold, whereas 34.6% do not hold and 5.5% have responded may be for holding a Health insurance / Mediclaim Policy to claim deduction under section 80D. From age group less than 30 years spread out toall income group of 2.5 lakhs to 10 lakhs p.a. 41 hold a Mediclaim Policy From age group 31 to 40 years, 9 are from income group 5 to 10 lakhs per annum and from age group 41 to 50 years nearly 9 respondents from income group 10 to 15 lakhs and above 15 lakhs.

## IX. CONCLUSION

The study finds that there is a relation between Gender and awareness of maximum deductions under section 80C, 80CCC, 80CCD and 80D, Male respondents have high level of awareness as compared to that of female respondents. However with regards to the amount invested in tax savings instruments, gender has no relation this may be due to the collective decision of the family or peer group decisions followed.

There is relation between Age and the amount invested in tax savings instruments, the lower age group of below 30 years and 31 to 40 years invest less amount as compared to that of 41 to 50 years and above 50 years. This may be due to the fact that more the salary more is the amount invested in tax savings instruments.

There is relation between age of respondents and amount invested in Life Insurance Annuity Plan, respondents of low age group of less than 30 years have not shown interest in investing as compared to above 50 years where all respondents have invested and half of respondents of age group 31 to 40 years have invested in Life Insurance Annuity Plan. As respondents of low age group do not tend to see the uncertainty aspects of life.

More than 80% of the respondents are not aware / do not show liking towards investment in Annuity Plan, which may be due to lack of awareness. More than 50% of the respondents do not show interest in investing in NPS, this is due to the fact that amount invested in NPS invested in Tier I which can be used to avail maximum deduction of 50,000 p.a. cannot be withdrawn till the age of 60 and also the procedural compliance .

Nearly 50% of the respondents are aware of maximum deduction under section 80D. There is relation between age group and number of respondents holding Health Insurance / Mediclaim Policy, it is observed that respondents of age less than 30 years and above 40 years nearly 50% of them hold whereas in case of 31 to 40 years only 1/3rd of them hold. Which may due to awareness among the younger generation and also due to age factor illness and risk 40 years above have shown positive towards holding Health insurance / Mediclaim Policy.

The minimum invested in Tax saving instruments is 50,000 p.a. and maximum invested is 2.5 lakhs p.a. The maximum amount invested in annuity plan is 50,000 to 60,000 p.a. The maximum amount invested in NPS is 50,000 p.a. which shows that individuals have invested to the extent of availing deductions, which clearly states that respondents are more keen in saving tax as compared to that of investment.

PPF, LIC, Mutual Fund and EPF fall are strongly preferred by most of the respondents

## X. SUGGESTIONS

1. It is recommended that the organisations should take some efforts to increase awareness among their employees about the various deductions for a salaried person and also the maximum deductions that can be availed in order to have a proper Tax Planning.
2. More initiatives have to be taken to educate about the deductions under section 80CCC, 80CCD and 80D.
3. Organisations can help the employees by creating awareness about NPS, especially those who are not covered under the Old Pension Scheme, and also help them with the procedural compliance.

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