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Tax payer's investing pattern on mutual fund: A study

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Abstract
The tax planning is the essential part of financial planning. Efficient tax planning aims to reduce the tax liability of the tax payer. This done through identifies the tax deduction source investment and allocation of investment for minimizes the tax liability. Tax exemption, rebate tax allowances ensure that your investment in line with long term goal. There are many tax saving instruments available to tax payer such as PPF, NPF, ELSS, LIS, UTIM. The purpose of the study is examines the taxpayer investing pattern and how much they give important to minimize their tax from annual return form the investment. Over all findings the most of the tax payer prefers to invest some mutual fund ELSS fund such as (Axis, Reliance, Birla, SBI, DBS).

Keywords: ELSS mutual fund, tax reduction, tax payer

Introduction
The planning is the arrangement of one affairs to handle the liability of the tax there is no such tax evasion the all tax planning is minimize tax liability and also following the transaction detail is must clearly defined don't hide any income. The part of tax payer who entitle to reduce the burden of his tax liability to the maximum possible to extent under the existing laws.

Types of Tax Planning
Short Term
The short range planning is year – year to achieve the specific objective to minimize the tax liability which is under the income tax law 1961. The individual assess the excess income the plan to subscribe the PPF, NPS to reduce the annual tax burden.

Long Term
Its refers to gains the long term capital appreciation from the investment by the individual and its only benefits to the tax payer after 3 to 5 years of investment. This investment returns is growing slowly but steady income.

Permissive tax planning
The permissive tax planning is reducing the tax liability done through the express of provision of tax laws tax exemption and incentives.

Purposive Tax planning
The purposive tax planning is not followed by tax laws the individual asses their income and intentionally change the tax statue under the different sanctions for the purpose to reduce tax.

Literature Review
(Dr.M.Moganasundari, 2016) [7]. The paper analyzes the various tax saving mutual fund investment avenues available to investors. The equity linked saving scheme is provides tax benefits under the sec.80 (c) of income tax act 1961. They were comparing the investment in banks v/s mutual funds; analyze the investor perception in the area of equity/tax saving mutual funds. The certain ELSS schemes are outperform than the bench mark index, liquidity, rate of return, tax benefits, high return, price, capital appreciation these factor facilitate the investor preference in mutual fund schemes.
(Dr.S.M. Tariq Zafar, 2013) [1]. The analyze the investor preference influence the factor awareness in mutual fund by using chi-squire test on nine most trusted mutual fund through SPSS to find out the frequency rate investor preference of mutual fund schemes to categorize the funds of consumer prefers to invest to set the score the equity link tax saving schemes preference score is 45, analysis of asset under management to understand the fund selection/switch behavior of the investor, liquidity and higher return.
(Krishna Kumar Kadambat, 2015) [4]. Evaluates the performance of Equity linked savings schemes of mutual fund and analyze the tax provision of the ELSS fund to promote the investment of people by the government of India. The ELSS fund is diversified in nature therefore the risk is manageable the return is stable and also gain benefits form tax savings in annual income. The investor only choose this investment for risk adjusted return and short term capital gains through the growth oriented or dividend oriented ELSS fund.
(Aijay Mittal, 2015) [2]. The tax saving mutual fund is one of the financial instrument in capital market, the study based upon the ELSS fund of the public sector and private sector mutual funds, aims to compares the ELSS fund among them. Naturally the capital market is fluctuating by some influence factor happened in the market and buy/sell/hold of the securities of the company. The tax saving mutual fund industry is grown at rate of 50% annually. Its includes the price earnings ratio (P/E), book price ratio, Return and net asset value and asset under management. The performance index model is represents the flow of risk and return relationship of the investment and tools used to F-test, T-test, one way Anova to classify the rows and columns. This

classifies the variance of the average of rows and average of columns. SBI, UTI, LIC, Baroda, Canara Robeco, HDFC, ICICI, Reliance these some private and public sector tax saving mutual fund schemes is too took for analyze the comparative study of the private as well as public. The conclusion of this study is analyze the return of the tax saving schemes among the public and private sector and suggests to the investor for which suits to the individual for income tax planning.
(Savita, 2013) [3]. The income tax planning is the essential part of the financial planning, the tax payer is identifies the source of investment for reduce the tax liability. This paper is identify and analyze briefly about the tax saving instruments such as PPF, NPS, ELSS, LIC so for this source income is non-taxable to the tax payer they can claim the income tax deduction as per tax saving investment avenues. The evasion is the tax payer is hiding their taxable income and ignores the laws of income tax. Also tax avoidance is the process of identify tax deducted source regarding our investment. The tax saving instruments is according to sec (c) is the tax payer claim the taxable income deducted up to 1kh. The respondents rank of their priority according to tax saving instrument. This study classifies the priorities of the tax saving instruments such as Age, Income, Residents, and Gender.

Equity Linked Tax Saving Scheme

The income tax act 1961 under sec. 80 (c) the equity linked mutual fund scheme the investment is eligible for tax deduction from annual taxable income up to 1.5LK its only applicable for short term capital appreciation. The investor can subscribe this investment in any time in locking period. The locking period is 3 years. The equity funds short term capital gains is taxed at 15% the long term is not applicable in equity.
The income tax act 1961 the income generated from the any of form investment made in mutual fund under the registration of SEBI act 1992. Either in the form of capital gains (short term or long term), dividends or interest is exempt from income tax.
The STCG tax rate on non-equity funds or debt funds is as per the investor income tax slab rate. (Tax deducted at source is 30% applicable) the LTCG tax rate on equity funds the tax deducted at source is 15% applicable.

Research Objective

- To know the preference of investor and their needs regarding mutual fund investment.
- To identify the tax saving schemes which is more preferable for investor.
- To analyse the performance of identified tax saving schemes on the basis of risk and return parameters.
- To identified the strategies to invest tax saving mutual schemes.

Research Methodology

Research methods or a technique refers to the researchers use in performing research operations. It can be those methods concerned with the data collection and analysis. Research methodology is a way to systematically solve the research problem. Primary data can be collected by means of questionnaire and survey method.

Research Design

- The study is undergone with research design of descriptive analysis
- The questionnaire was made with scaling technique - Likert five point scales.
- The analysis is made with the chi square test in SPSS.

Sampling Technique

The study is made with non - probability sampling in which is convenient sampling technique is taken.
The sample size taken for the study is 200 samples.

Hypothesis Statement

- The Income has association with the tax asset management company.
- Annual investment has association tax minimization.
- The age of the investor has association with the factor of retirement influence the investment pattern of tax payer
- The educational qualification has association with the awareness of the mutual fund schemes.

Data Analysis and Interpretation

The chi square test is used with the grouped variables to find out the association between those variables for which the cross tabulation is mentioned below. Those variable associations either rejected or accepted. A statistical method of assessing the goodness of fit between a set of observed values and those expected theoretically.

Hypothesis Framework

Hypothesis 1

H0: There is no significant association between income and Tax asset Management Company.

H1: There is significant association between Income and Tax asset Management Company.

Table 1: Income * tax Asset management Cross tabulation

Count										
		Tax. AMC								Total
		.00	ICICI prudential tax saver	HDFC tax plan	reliance tax saver fund	Birla sun life tax relief 96	axis long term equity fund	DSP-BR tax saver fund	SBI tax advantage	
income	25000-30000	8	2	6	10	2	8	2	2	40
	30000-40000	15	13	19	19	1	20	4	3	94
	40000-50000	10	11	2	2	5	1	1	1	33
	50000-60000	0	2	0	8	6	2	4	1	23
	above 60000	0	0	1	9	0	0	0	0	10
Total		33	28	28	48	14	31	11	7	200

Calculated value 90.936 Tabulated value 41.337. The analysis showed that maximum number of tax payers expressed agree opinion for income and tax asset Management Company. Hence it is concluded that null hypothesis is rejected and so there is association between income and tax asset Management Company.

Hypothesis 2

H_0: There is no significant association between Annual income and Tax minimization.

H_1: There is significant association between Annual income and Tax minimization.

Table 2: Annual investment * tax minimization Cross tabulation

Count						
		Tax. MINI				**Total**
		extremely important	**very important**	**moderately important**	**slightly important**	
Annual invest	less than 25000	11	13	5	6	35
	25000 to 50000	17	26	11	1	55
	50000 to 75000	20	21	13	3	57
	75000 to 100000	33	3	3	1	40
	above 100000	8	4	1	0	13
Total		89	67	33	11	200

Calculated value 45.952 Tabulated value 21.026 Hence it is concluded that null hypothesis is rejected and so there is association between Annual investment and tax minimization.

Hypothesis 3

H_0: There is no significant association between Age and Retirement.

H_1: There is significant association between Age and Retirement.

Table 3: Age * retirement Cross tabulation

Count						
		Retirement				**Total**
		extremely important	**very important**	**moderately important**	**slightly important**	
age	25-30	14	3	16	10	43
	30-35	21	10	22	10	63
	35-40	22	7	9	14	52
	50 above	23	10	3	6	42
Total		80	30	50	40	200

Calculated value 22.113 Tabulated value 16.910 Hence it is concluded that null hypothesis is rejected and so there is association between Age and Retirement.

Hypothesis 4

H0: There is no significant association between Educational Qualification and Awareness

H1: There is significant association between Educational qualification and Awareness.

Table 4: Educational qualification * awareness Cross tabulation

Count						
		Awareness				**Total**
		totally ignorant	**partial knowledge of mutual fund**	**aware only invested scheme**	**fully aware**	
Education	higher secondary	10	0	30	0	40
	graduate	30	20	30	10	90
	post graduate	0	0	40	20	60
	Ph.D. or equivalent	0	0	0	10	10
Total		40	20	100	40	200

Calculated value 114.167 Tabulated value 16.910. Hence it is concluded that null hypothesis is rejected and so there is association between Educational qualification and Awareness.

Hypothesis Result

Hypothesis statement	Result
Association between income and tax asset management company	Positive
Association between Annual investment and Tax minimization	Positive
Association between Age and Retirement	Positive
Association between Educational qualification and Awareness	Positive

Results and suggestions

On the basis of this study the respondents rank various tax saving scheme instruments according to their priority of tax saving. The most adopted tax saving instrument is mutual fund equity linked tax saving scheme most of respondents investing pattern approach the mutual fund scheme.

The different income groups chosen higher tax saving on their higher income and how ever income increasing gradually as well as they decided to invest the tax saving instrument for minimize the tax burden of tax payer.

The income less than 2, 50,000 save the tax of 10000. Further increase income between 2.5 to 5 lakh and 5 to 6 lakh the tax saving amount is between70000 to 90000. This means that higher income, higher the savings.

Conclusion

The mutual fund investment is accumulating the retail investment and investment is managed by the asset professional of mutual fund. The government of India focusing the saving from the retail investor so for the government introduces the ELSS fund for encourages and promotes the investment from retail investor. The tax payer investing pattern in mutual fund more prefers the tax saving ELSS fund schemes provided by the tax asset management by Mutual Fund Company in order to tax deducted at source of investment. Age, Income, Annual investment, Educational Qualification of the tax payer is associated with the Tax asset management, Retirement, Tax minimization, Awareness these factors influence with the tax payer investing pattern in mutual fund. All the associated variable has significantly relationship between each other.

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