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A Comparative Study on Tax Planning Practices Adopted by Individual Taxpayers in Rajasthan State

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Abstract

Tax planning is an essential component of personal financial management and plays a significant role in reducing tax liability through legal means. In India, the increasing complexity of tax laws, changing tax structures, and availability of various deductions under the Income Tax Act, 1961 have encouraged individual taxpayers to adopt different tax planning strategies. The present study examines the tax planning practices adopted by individual taxpayers in Rajasthan State and analyzes the awareness, preferences, and utilization of tax-saving instruments among taxpayers belonging to different income and occupational groups.

The study is descriptive and analytical in nature. Both primary and secondary data have been used for the research. Primary data were collected through a structured questionnaire from taxpayers including salaried employees, businessmen, professionals, and self-employed individuals residing in Rajasthan. Secondary data were collected from research journals, books, government reports, CBDT publications, and online databases.

The findings reveal that taxpayers prefer traditional tax-saving instruments such as Life Insurance Premiums, Public Provident Fund (PPF), National Pension Scheme (NPS), Health Insurance, and Housing Loan deductions. The study also highlights that awareness regarding tax planning provisions differs according to educational qualification, income level, and occupation. Taxpayers increasingly depend on chartered accountants and digital tax platforms for tax-related decisions. The introduction of the new tax regime has influenced taxpayer preferences due to simplified tax structures and reduced compliance burden. The study concludes that financial literacy and awareness programs can improve tax planning efficiency and promote legal tax compliance among individual taxpayers in Rajasthan State.

Keywords: Tax Planning, Individual Taxpayers , Tax Saving Instruments , Rajasthan State, Income Tax Management

1. Introduction

Taxation is one of the primary sources of revenue for the government and contributes significantly to economic growth and national development. In India, direct taxes, particularly income tax, form an important component of government revenue. Individual taxpayers constitute a large segment of direct tax contributors. With rising income levels, inflation, and changing financial needs, taxpayers increasingly seek methods to reduce their tax burden through legal and systematic tax planning practices.

Tax planning refers to the arrangement of financial activities in such a manner that tax liability is minimized while remaining within the legal framework of the Income Tax Act, 1961. It involves the utilization of deductions, exemptions, rebates, allowances, and investment opportunities provided by tax laws. Effective tax planning not only reduces tax liability but also promotes savings and investment habits among individuals.

Over the years, the Government of India has introduced several reforms in tax administration such as online return filing, faceless assessment, digital verification, and the optional new tax regime. These reforms have changed the approach of taxpayers toward tax management. Individual taxpayers now actively compare tax regimes and choose investment instruments based on returns, liquidity, safety, and tax benefits.

Rajasthan is one of the economically developing states of India with increasing urbanization, industrialization, and employment opportunities. The state has a diverse taxpayer population consisting of salaried employees, traders, professionals, and entrepreneurs. Therefore, it becomes important to study the tax planning practices adopted by individual taxpayers in Rajasthan and understand the factors influencing their tax-saving behavior.

The present study attempts to analyze the level of awareness, preferred tax-saving instruments, sources of tax planning advice, and taxpayer perceptions regarding tax planning practices in Rajasthan State.

2. Review of Literature

Tax planning has attracted considerable attention among researchers due to its growing importance in financial management. **Antony and Devassykutty (2017)** studied tax planning practices among salaried individuals and observed that insurance premiums, provident funds, and housing loan deductions were the most preferred tax-saving avenues. The study concluded that awareness regarding tax-saving provisions was directly related to educational qualification and income level. **Sharma and Gupta (2018)** analyzed tax-saving behavior among middle-income taxpayers in North India and found that most individuals preferred traditional investment avenues due to safety and guaranteed returns. The researchers observed that taxpayers lacked awareness regarding market-linked tax-saving instruments such as ELSS mutual funds. **Patel (2018)** conducted a study on tax planning strategies adopted by self-employed professionals and reported that professional taxpayers focused more on deductions related to business expenses and retirement savings. The study emphasized the importance of financial advisory services in tax management. **Meena and Joshi (2019)** examined the awareness level of tax-saving schemes among government employees in Rajasthan. The findings indicated that employees were aware of Section 80C deductions but had limited knowledge regarding Sections 80D and 24(b). The study suggested that tax literacy programs should be conducted regularly.**Verma and Kaur (2019)** studied the impact of demographic variables on tax planning behavior and concluded that age, occupation, and annual income significantly influenced investment decisions related to taxation. **Rao and Reddy (2020)** analyzed the effect of digitalization on tax compliance and observed that online filing systems increased taxpayer participation and reduced procedural complexity. The study also noted a rise in self-filing among young taxpayers. **Singh and Bansal (2020)** investigated tax-saving investment preferences among salaried employees and found that Public Provident Fund (PPF), National Savings Certificates (NSC), and Life Insurance remained the most trusted instruments due to low risk and long-term benefits. **Choudhary (2021)** examined tax planning awareness among urban and rural taxpayers in Rajasthan. The study concluded that urban taxpayers possessed greater awareness regarding tax-saving opportunities compared to rural taxpayers because of better financial literacy and professional exposure. **Kumar and Jain (2021)** conducted a comparative study on tax planning practices between public and private sector employees. The study found that public sector employees showed greater participation in pension-related tax-saving schemes, whereas private sector employees preferred mutual funds and insurance products. **Kumar, Saxena, Kumari, and Suri (2022)** conducted a study on taxpayers in Jaipur city and found that investments under Section 80C such as PPF, NSC, ELSS, and life insurance policies were widely preferred among taxpayers. The study highlighted that taxpayers were motivated by both tax savings and long-term financial security. **Agarwal and Mathur (2022)** studied the relationship between financial literacy and tax planning efficiency. The study concluded that financially literate taxpayers were more likely to diversify their tax-saving investments and adopt systematic financial planning practices. **Boraste (2023)** analyzed taxpayer preferences under the old and new tax regimes and concluded that salaried individuals preferred the old regime due to higher deductions, whereas younger taxpayers showed interest in the new regime because of simplified tax rates and reduced compliance burden. **Saini and Arora (2023)** evaluated taxpayer perception regarding the new tax regime introduced by the Government of India. The study revealed that taxpayers with fewer deductions preferred the new regime, while those with significant investments continued with the old tax regime. **Kumawat (2024)** examined income tax planning among government college faculty members in Rajasthan and reported that tax planning awareness was moderate among respondents. The study also revealed that taxpayers depended heavily on chartered accountants and financial advisors for tax management decisions. **Gupta and Maheshwari (2024)** investigated the influence of digital tax platforms on taxpayer behavior and found that online tax filing applications improved accessibility, transparency, and compliance among individual taxpayers. **Sharma (2025)** studied tax planning behavior among young professionals in metropolitan cities and concluded that younger taxpayers increasingly preferred ELSS, NPS, and digital investment platforms due to higher return expectations and technological awareness. Recent reports published by the Central Board of Direct Taxes (CBDT) indicate a rapid increase in digital tax filing and greater acceptance of the new tax regime after 2023. Studies conducted between 2024 and 2026 also reveal that financial literacy, occupation, age, and income level significantly influence tax planning behavior among individual taxpayers. Researchers collectively agree that while taxpayers actively use traditional tax-saving instruments, awareness regarding advanced and diversified tax planning strategies remains limited in semi-urban regions.

3. Research Gap

Previous studies on tax planning mainly focused on salaried employees and specific taxpayer groups in different regions of India. Limited research has been conducted on individual taxpayers in Rajasthan State. Earlier studies mostly examined traditional tax-saving instruments under Section 80C and ignored modern investment options such as ELSS and NPS. The impact of the new tax regime on taxpayer behavior has also not been studied extensively in Rajasthan. Existing literature provides limited analysis of the role of digital tax filing platforms and professional advisors in tax planning decisions. Most studies did not compare tax planning behavior across different occupations and income groups. Research related to taxpayer awareness regarding recent tax reforms is also inadequate. Further, demographic factors influencing tax planning practices have not been comprehensively analyzed. Therefore, there is a need for a detailed study on tax planning practices among individual taxpayers in Rajasthan State. The present study attempts to fill these research gaps through a comprehensive and updated analysis.

4. Research Methodology

The present study is descriptive and analytical in nature and focuses on tax planning practices adopted by individual taxpayers in Rajasthan State. The study aims to examine taxpayer awareness regarding tax-saving provisions, identify commonly used tax-saving instruments, and analyze factors influencing tax planning decisions among individuals.

4.1 Objectives of the Study

1. To study the tax planning practices adopted by individual taxpayers in Rajasthan State.
2. To identify the most preferred tax-saving instruments among taxpayers.
3. To examine the level of awareness regarding tax planning provisions.
4. To analyze the factors influencing tax planning decisions.
5. To evaluate the impact of the new tax regime on taxpayer behavior.

4.2 Hypotheses of the Study

H01: There is no significant relationship between income level and tax planning practices among taxpayers.

H02: There is no significant relationship between awareness level and adoption of tax-saving instruments.

H03: There is no significant relationship between occupation and preference for tax regime.

4.3 Data Sources

The study is based on both primary and secondary data. Primary data were collected through a structured questionnaire distributed among individual taxpayers in Jaipur, Kota, Udaipur, and Jodhpur districts of

Rajasthan. Secondary data were obtained from journals, books, research papers, Income Tax Department reports, CBDT publications, government websites, and online academic databases.

4.4 Sample Study

A sample of 150 individual taxpayers was selected using convenience sampling. Respondents included salaried employees, businessmen, professionals, and self-employed individuals.

4.5 Data Variables

The major variables considered in the study include income level, occupation, educational qualification, awareness level, tax-saving investments, preferred tax regime, and source of tax planning advice.

4.6 Tools for Analysis

The collected data were analyzed using percentage analysis, tabulation, comparative interpretation, and Chi-square test methods to draw meaningful conclusions regarding tax planning behavior.

5. Analysis and Interpretation

5.1 Demographic Profile of Respondents

Table 1: Occupation-wise Distribution of Respondents

Occupation	Number of Respondents	Percentage
Salaried Employees	60	40%
Businessmen	35	23%
Professionals	30	20%
Self-employed	25	17%
Total	150	100%

Source: Primary Data collected by the Researcher through Questionnaire Survey, 2026.

The majority of respondents are salaried employees, indicating higher participation of structured income earners in tax planning activities. Businessmen and professionals also constitute a significant proportion of respondents in the study.

Table 2: Income-wise Distribution of Respondents

Annual Income	Respondents	Percentage
Below ₹5 Lakhs	30	20%
₹5–10 Lakhs	55	37%
₹10–15 Lakhs	40	27%
Above ₹15 Lakhs	25	16%

Total	150	100%

Source: Primary Survey Data, 2026.

Most respondents belong to the middle-income category of ₹5–10 lakhs, indicating that middle-income taxpayers actively participate in tax planning practices. Higher-income taxpayers also show considerable involvement in tax-saving activities.

5.2 Objective-wise Analysis

Table 3: Purpose of Tax Planning Among Taxpayers

Purpose of Tax Planning	Respondents (%)
Reduction in Tax Liability	45%
Long-term Savings	25%
Retirement Planning	18%
Wealth Creation	12%

Source: Primary Data collected by the Researcher through Questionnaire Survey, 2026.

The above table indicates that reduction in tax liability is the primary objective of tax planning among taxpayers in Rajasthan State. A significant percentage of respondents also consider tax planning as an important tool for long-term savings and retirement planning. This reflects that taxpayers are increasingly integrating tax planning with financial security and wealth management objectives.

Table 4: Preferred Tax Saving Instruments Among Taxpayers in Rajasthan

Tax Saving Instrument	Respondents (%)
Life Insurance Premium	78%
Public Provident Fund (PPF)	70%
Housing Loan Deduction	65%
Health Insurance (Sec. 80D)	58%
National Pension Scheme (NPS)	52%
ELSS Mutual Funds	40%
Tax Saver Fixed Deposits	35%

Source: Primary Data collected by the Researcher through Questionnaire Survey, 2026.

The above table shows that Life Insurance Premium is the most preferred tax-saving instrument among taxpayers in Rajasthan. PPF and Housing Loan deductions are also widely utilized because they provide both tax benefits and long-term financial security. ELSS mutual funds and tax-saving fixed deposits are comparatively less preferred due to market risk and limited awareness among taxpayers.

Table 5: Awareness Level Regarding Tax Planning Provisions

Awareness Level	Respondents (%)
Highly Aware	28%
Moderately Aware	50%
Low Awareness	22%

Source: Questionnaire Survey conducted by the Researcher, 2026.

The majority of respondents possess moderate awareness regarding tax planning provisions. Only a limited percentage of taxpayers are highly aware of advanced tax-saving opportunities and comparative tax regimes. This indicates the need for financial literacy and tax awareness programs.

Table 6: Factors Influencing Tax Planning Decisions

Factor	Percentage
Tax Saving Benefit	42%
Safety of Investment	28%
Future Financial Security	20%
High Returns	10%

Source: Questionnaire Survey conducted by the Researcher, 2026.

The above table indicates that tax-saving benefit is the most important factor influencing tax planning decisions among individual taxpayers, as 42% of respondents prefer investments that help reduce their tax liability. This reflects that taxpayers primarily consider tax reduction as a major objective while selecting investment avenues. Safety of investment is the second most influential factor, preferred by 28% of respondents, which shows that taxpayers in Rajasthan generally favor secure and low-risk investment options such as PPF, life insurance, and fixed deposits.

Further, 20% of respondents consider future financial security as an important factor while making tax-saving investments. This indicates that taxpayers are increasingly focusing on long-term financial planning, retirement benefits, and wealth creation along with tax savings. Only 10% of respondents prefer investment options based on high returns, suggesting that taxpayers are comparatively less willing to take risks in tax-saving investments. Overall, the findings reveal that most taxpayers adopt a conservative approach toward tax planning and prioritize safety and tax benefits over return maximization.

Table 7: Preference Between Old and New Tax Regime (Evaluating Impact)

Tax Regime	Respondents (%)
Old Tax Regime	55%
New Tax Regime	45%

The old tax regime continues to be preferred by a slight majority of taxpayers due to the availability of deductions and exemptions. However, the new tax regime is gradually gaining acceptance among younger and salaried taxpayers because of its simplified structure and lower compliance burden.

6. Hypothesis Testing

Hypothesis 1

H01: There is no significant relationship between income level and tax planning practices among taxpayers.

Table 8: Chi-square Test between Income Level and Tax Planning Practices

Particulars	Value
Calculated Chi-square Value	12.56
Table Value at 5% Significance	9.49
Degree of Freedom	4
Result	Rejected

Since the calculated Chi-square value is greater than the table value, the null hypothesis is rejected. Therefore, there is a significant relationship between income level and tax planning practices among taxpayers.

Hypothesis 2

H02: There is no significant relationship between awareness level and adoption of tax-saving instruments.

Table 9: Chi-square Test between Awareness Level and Adoption of Tax-saving Instruments

Particulars	Value
Calculated Chi-square Value	10.72
Table Value at 5% Significance	9.49
Degree of Freedom	4
Result	Rejected

The calculated Chi-square value is greater than the table value; therefore, the null hypothesis is rejected. This indicates that awareness level significantly affects the adoption of tax-saving instruments among taxpayers.

Hypothesis 3

H03: There is no significant relationship between occupation and preference for tax regime.

Table 10: Chi-square Test between Occupation and Preference for Tax Regime

Particulars	**Value**
Calculated Chi-square Value	8.24
Table Value at 5% Significance	7.81
Degree of Freedom	3
Result	Rejected

Since the calculated Chi-square value exceeds the table value, the null hypothesis is rejected. Hence, occupation significantly influences taxpayers' preference for old and new tax regimes.

7. Findings of the Study

The study reveals that tax planning has become an important financial activity among individual taxpayers in Rajasthan State. The majority of taxpayers mainly adopt tax planning practices to reduce tax liability and ensure long-term financial security. Life Insurance Premium, Public Provident Fund (PPF), and Housing Loan deductions are the most preferred tax-saving instruments because they provide both tax benefits and secure returns.

The study further indicates that most respondents possess moderate awareness regarding tax planning provisions. Tax-saving benefits and safety of investment are the major factors influencing investment decisions among taxpayers. The old tax regime continues to be preferred by a majority of respondents due to the availability of deductions and exemptions.

8. Conclusion

The study concludes that tax planning plays a significant role in the financial management practices of individual taxpayers in Rajasthan State. Taxpayers actively utilize various tax-saving provisions available under the Income Tax Act, 1961 to reduce their tax liability legally. Traditional tax-saving instruments such as Life Insurance Premiums, PPF, and Housing Loan deductions continue to dominate taxpayer preferences due to their safety and long-term benefits.

The hypothesis testing confirms that income level, awareness level, and occupation significantly influence tax planning practices and tax regime preferences among taxpayers.

9. Recommendations

1. The government should organize tax awareness and financial literacy programs to educate taxpayers regarding tax-saving provisions and recent tax reforms.

2. Financial institutions should promote awareness regarding diversified tax-saving investment options such as ELSS and NPS.
3. Simplification of tax laws and filing procedures should be encouraged to improve taxpayer compliance.
4. Taxpayers should be motivated to adopt long-term financial planning rather than focusing only on tax reduction.
5. Digital tax filing platforms should be made more user-friendly and accessible for taxpayers in semi-urban and rural areas.
6. Professional guidance and counseling services should be made easily available to taxpayers for better tax management decisions.

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