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Financial Planning and Tax Management

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ABSTRACT

"This initiative seeks to develop an interactive system for tax optimization, aimed at helping users calculate their income, apply eligible deductions, and compare tax liabilities under both the old and new tax systems in India. Unlike basic calculators that perform only simple arithmetic, this system offers customized financial advice. It gathers extensive data on earnings and allowable deductions, determines tax liability based on the appropriate tax brackets, and offers customized recommendations for tax savings in accordance with prevailing government policies. The process involves inputting income sources, deductions under sections such as 80C, 80D, 80G, 80TTA, 80EEA, and NPS, and estimating taxes under both regimes. To improve user experience, the system presents results with bar graphs and suggests the top 5 schemes for minimizing taxable income. This approach offers a practical, visual, and tailored strategy for managing taxes effectively .

Keywords: Tax Strategy, Fiscal Management, Income Tax Brackets, Indian Tax Systems, Tailored Deductions,

Section 80C, 80D, 80G, National Pension System, Mortgage Loan, Chart.js, HTML/CSS/JS."

INTRODUCTION

This research focuses on developing an interactive tax optimization system that simplifies tax calculations and empowers users to make informed financial decisions. The system leverages user- supplied data, encompassing income sources and eligible deductions, to compute tax liabilities under both the established and newly implemented tax regimes, thereby furnishing users with a clear comparative analysis. of their tax liabilities. By integrating provisions under various sections, including 80C, 80D, 80G, 80TTA, and NPS, the system also suggests personalized tax-saving strategies to minimize taxable income.

Beyond basic calculations, the system incorporates visual tools, such as bar graphs, to assist users in easily interpreting their financial data. By offering recommendations on top schemes for further tax reduction, the system provides an intuitive, user-friendly solution for effective tax planning. This study examines the design, methodology, and anticipated impact of the system in improving financial decision-making for individuals in India.

REVIEW OF LITERATURE

Effective financial planning and tax optimization are widely acknowledged as key elements of long-term wealth management. Numerous studies have examined how financial literacy, digital innovation, and behavioural insights contribute to smarter financial decision- making. This section explores relevant literature that forms the foundation of this project.

Kumar and Saini (2019) [1] point out that financial literacy has a strong impact on how people save. Their study suggests that individuals with a stronger grasp of personal finance tend to make more deliberate and well-informed financial decisions. This reinforces the value of platforms that not only compute taxes but also educate users on managing their finances.

Lusardi and Mitchell (2022) [2] stress that financial literacy not only influences saving habits but also plays a key role in how individuals utilize tax-saving tools. Their research supports the development of tools that make tax laws more accessible and easier to apply, particularly for users unfamiliar with legal nuances.

Bansal, Kaur, and Arora (2020) [3] focus on India's government-supported tax- saving schemes such as PPF, NPS, and ELSS. They point out that a lack of awareness and limited access to personalized financial guidance often leads to the underutilization of these schemes. This supports the goal of our project, which is to recommend personalized schemes based on individual user data.

Chen and Graham (2021) [4] explore how financial technology enhances tax compliance by simplifying complex procedures and minimizing manual errors. Their findings advocate for digital platforms that automate tax calculations and improve user transparency— principles our system integrates directly.

Chaudhry and Patel (2022) [5] explore the increasing need for customized financial guidance, particularly among the younger population. Their work highlights the importance of intelligent systems that align with users' specific financial situations, a concept central to our platform's design.

Aggarwal and Gupta (2020) [6] explore the impact of digital tools on personal financial planning in India. Their study shows that technology-based platforms greatly improve financial decision-making by delivering real-time insights and decreasing dependence on conventional financial advisors.

The Ministry of Finance (2024) [7] highlights recent advancements in direct taxation in its annual report, underscoring the government's efforts to streamline tax compliance through digital systems. This approach resonates with the objective of our system, which aims to close the knowledge gap with user-friendly digital interfaces.

Kapoor and Verma (2021) [8] take a behavioural approach to understanding Indian taxpayers' views on the new tax regime. Their findings show that taxpayers experience confusion and reluctance when choosing between the old and new tax regimes, stressing the need for systems that offer personalized guidance based on user-specific information.

Gupta and Mehra (2021) [9] emphasize the critical role of tax education in promoting voluntary compliance. Their work highlights the importance of integrating educational elements into financial platforms, enabling users to not only calculate but also understand their tax obligations.

Desai and Rao (2023) [10] present a case study on the use of digital tools for managing personal taxes. They highlight that automation and customized dashboards encourage users to be more engaged in managing their finances, supporting the fundamental aspects of our proposed system.

PROBLEM STATEMENT

In India, the proportion of individuals paying income tax remains significantly low compared to global standards and even domestic indirect tax collections. This is often attributed to the complexity of tax laws, misuse of provisions, and lack of awareness about eligible deductions. A significant number of individuals miss out on valid tax-saving options or resort to tax evasion, primarily due to inadequate guidance and awareness. This highlights the urgent need for a clear, informative, and personalized system that helps taxpayers legally optimize their tax liabilities.

OBJECTIVES OF THE STUDY

PRIMARY OBJECTIVE

1. To examine financial planning practices among salaried individuals and identify strategies that contribute to effective tax savings.
2. To investigate the saving patterns, investment choices, and financial behaviours of individuals earning a regular salary.

SECONDARY OBJECTIVES

1. To analyse the methods and strategies used by salaried professionals for effective tax planning.
2. To evaluate the awareness level among salaried employees regarding various tax-saving provisions under the Income Tax Act.
3. To analyse the utilization of government-approved tax-saving schemes by employees for income tax benefits.

SCOPE OF THE STUDY

The study focuses on understanding the level of tax awareness and financial planning among salaried employees. It examines their savings behaviour, investment preferences, approaches to managing liabilities, and how effectively they utilize tax-saving instruments within the given timeframe. This study also evaluates how well individuals align their financial decisions with the tax regulations in force.

RESEARCH DESIGN

Type of research design : Descriptive research
Research equipment : Structured questionnaire integrated into the web application
Sampling technique : Random sampling method
Sample size : 107 respondents
Sample design : The data has been displayed using visual formats such as bar graphs, pie charts, and other graphical representations.
Sources of Data :
User-provided data was analysed and visually displayed using integrated visualisation tools in the application, including bar graphs, pie charts, and summary reports.
Primary source :

Primary data was collected directly from users through a digital questionnaire embedded in the web application, where participants voluntarily provided information on their income, expenses, and deduction details.
Secondary source :
Secondary data was sourced from trustworthy references, including tax- focused websites, financial planning books, official government portals, and academic projects related to income tax and financial literacy.

METHODOLOGY

The methodology employed in this study integrates both quantitative data collection and interactive web-based data processing. The research design involved the development of a digital tool to simulate tax calculations and analyse individual financial behaviour, in alignment with Indian taxation regulations as of the assessment year 2024–25.

Data Collection

Primary data was gathered using an online structured survey form created through custom HTML interfaces. The survey focused on several aspects of personal finance, including

sources of income, annual income levels, tax filing behaviour, types of financial assets owned, and knowledge of deductions and exemptions under the Income Tax Act.
The form interface was divided into three key sections:

- **Income Details Form** (income_details.html) collected data on various income sources, encompassing salary, property- related earnings, capital gains, interest, agricultural proceeds, and business income.
- **Deductions Form** (deductions.html) captured values claimed under major tax-saving sections, including 80C (investments like PPF, ELSS), 80D (medical insurance), 80CCD, 80G (donations), 80TTA (interest from deposits), and 80EEA (housing loan interest).
- **Tax Summary Page** (summary.html) determined and displayed the respondent's tax obligations under both the previous and current tax frameworks ,utilizing the information they had provided.

Data Processing

User inputs were stored using JavaScript's session Storage API, enabling temporary data persistence across form pages without a backend database. Each form calculated subtotals, which were then aggregated and passed to the final summary page. This enabled smooth data integration and instant calculation of results.
Tax liability was calculated based on the latest slab structures defined under:
Old Tax Regime: Includes all eligible deduction advantages.
New Tax Regime (post-2023 update): With lower slab rates and no exemptions
The script within the summary.html file compared both tax liabilities, identified the more favourable regime, and generated visual outputs to support interpretation.

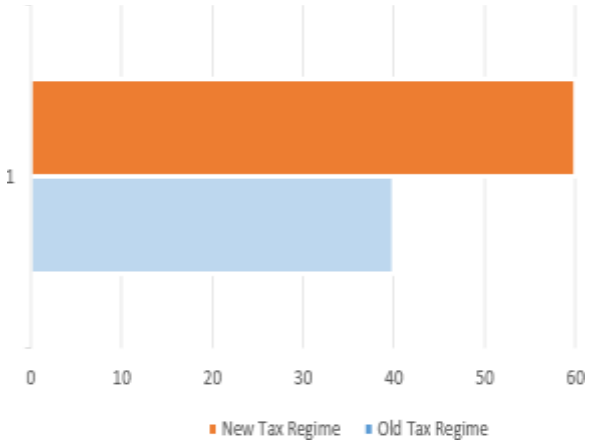

Fig 1. Old vs New Tax Regime

Data Visualization

The processed data was presented graphically using the Chart.js library, which enabled a clear and engaging visual representation of the financial data. Fig 2 illustrates the use of bar charts to depict the comparison between income and deductions, as well as a visualization of comparative tax liabilities under both tax regimes. A pie chart was also used to illustrate how respondents allocated their financial assets, providing meaningful insights into their diversification strategies. These visuals helped simplify complex financial information, making it easier for users to interpret.

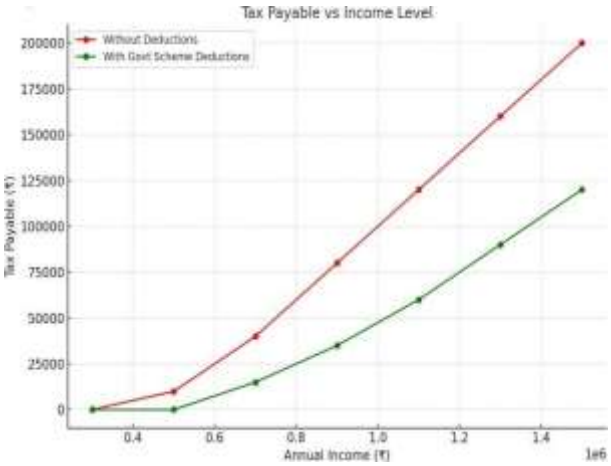

Fig 2. Tax payable vs Income Level

Respondent Profile and Sampling The digital survey included responses from 100 participants, comprising salaried employees, entrepreneurs, and self- employed individuals, thus capturing a diverse range of income profiles. The survey was conducted online to ensure accessibility and efficiency, targeting individuals filing taxes under the Indian Income Tax system.

Technology Stack Used
Frontend: HTML5, CSS3
Logic and Interactivity: Vanilla JavaScript
Charting Library: Chart.js
Storage Mechanism: session Storage API (client-side)

RESULTS AND DISCUSSION

The study's findings are derived from primary data collected via an online survey, which was then analyzed using a purpose-built tax advisory web tool . The tool facilitated automated tax computation under both old and new tax regimes for the assessment year 2024–25. The following findings emerged from the data:
A significant portion of respondents (74.4%) identified salary or pension as their primary source of income, while 32% reported an annual income below ₹2,50,000, indicating that a considerable number fall under the non-taxable or marginal tax bracket. Regarding tax compliance, only 34.1% of respondents reported filing income tax returns, whereas others either utilized exemptions or fell below the threshold income level.
In terms of asset ownership, fixed deposits remained the most commonly held financial instrument (52.6%), followed by stocks (38.1%), mutual funds (22.7%), and

bonds (14.4%). These figures were

represented visually using pie charts to better illustrate financial diversification. The web-based tool provided respondents with a side-by-side comparison of tax liabilities under both regimes. It was observed more favourable due to lower slab rates.

Fig 3 and Fig 4 display screenshots of the tool's final output screen, which include automated tax calculations, user input summaries, and graphical representations in the form of pie and bar charts. These visuals enhance the understanding of income distribution, claimed deductions, and comparative tax liabilities under both the old and new tax regimes.

Fig 3. Tax Regime Comparison Output – Case A (New Regime Beneficial)

The results from the tool reveal that tax outcomes are influenced by the unique financial profiles of individuals. For instance, as shown in Fig 3, the new regime was more beneficial due to fewer deductions and lower effective rates. However, in Fig 4, the old regime resulted in a lower tax liability, reflecting the advantage of higher deductible claims. This dual outcome highlights the personalized nature of tax planning and the importance of such digital tools in making informed decisions.

Fig 4. Tax Regime Comparison Output – Case B (Old Regime Beneficial)

CONCLUSION

This study aimed to explore individual tax behaviours, income distribution, and financial preferences using primary data collected through an online survey and analysed via a custom-built tax advisory web application. The findings indicate that most respondents have salaried incomes with a large number falling into the non- taxable or lower tax brackets. Despite this, tax compliance is relatively low, highlighting the need for enhanced awareness and simplification in the tax filing process.

The integration of a web-based tool enabled accurate and dynamic comparisons between the old and new tax regimes. The analysis revealed that individuals with multiple eligible deductions gained more from the old tax regime, whereas those with fewer claims found the new regime to be more tax- efficient. These results underscore the importance of personalized financial planning when choosing between tax regimes.

Furthermore, the inclusion of data visualizations such as pie and bar charts contributed to a clearer understanding of key financial behaviours, including asset ownership patterns and tax-saving opportunities. The use of technology in this context not only enhanced the analytical process but also offered practical value to users through automated tax calculations and scheme recommendations.

In conclusion, the study emphasises the role of digital tools in fostering financial literacy and informed tax decisions. Future research could expand this model to include real-time policy updates, user feedback, and integration with official government platforms to further streamline the tax filing experience.

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