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Identifying Prevailing Tax Planning Behavioural Patterns among Salaried Employees: Proactive vs. Reactive, Diversified vs. Concentrated

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Abstract

Tax planning behaviour among salaried employees has emerged as a critical area of inquiry at the intersection of personal finance, behavioural economics, and fiscal policy. This paper investigates the prevailing tax planning behavioural patterns among salaried employees, focusing on two fundamental dimensions: the temporal orientation of planning activities (proactive versus reactive) and the strategic scope of planning approaches (diversified versus concentrated). Drawing upon a synthesis of recent empirical studies, industry reports, and behavioural finance literature, this research identifies that a significant majority of salaried employees exhibit reactive tax planning behaviour—characterised by last-minute investment decisions concentrated in the final weeks of the financial year—alongside a predominantly concentrated approach to tax-saving instruments, favouring traditional options such as Provident Fund, life insurance, and Public Provident Fund. However, the paper also documents an emerging shift toward proactive, year-round planning and diversified income-source strategies, particularly among younger cohorts (millennials and Gen Z) who are increasingly combining salary income with business income, capital gains, and trading activities. The study proposes a behavioural taxonomy of salaried employee tax planners and offers theoretical and practical implications for policymakers, employers, and financial educators. The findings contribute to the growing body of literature on taxpayer behaviour and provide actionable insights for enhancing financial literacy and tax compliance among the salaried workforce.

Keywords: Tax planning behaviour, salaried employees, proactive planning, reactive planning, diversified income, tax literacy, behavioural finance, financial well-being

1. Introduction

Tax planning constitutes a fundamental component of personal financial management, enabling individuals to legally minimise their tax liability while maximising savings and long-term wealth accumulation. For salaried employees, who constitute a substantial portion of the taxpayer base in most economies, effective tax planning is particularly consequential. Unlike business owners or self-employed professionals who have greater flexibility in structuring their income and deductions, salaried employees typically operate within a constrained framework of Tax Deducted at Source (TDS),

standard deductions, and employer-driven payroll processes. This structural rigidity makes strategic tax planning both more challenging and more essential.

Despite the importance of tax planning, a growing body of evidence suggests that salaried employees exhibit systematic behavioural patterns that deviate from optimal financial decision-making. The traditional tax planning cycle in many countries follows a predictable, and problematic, rhythm: financial decisions are made throughout the year with little reference to their tax implications, followed by a sudden rush of last-minute investment decisions triggered by employer reminders in the final weeks of the financial year. This reactive approach, characterised by procrastination and compressed decision-making, results in missed opportunities, suboptimal investment choices, and the accumulation of small penalties over time.

Simultaneously, the landscape of income generation is undergoing a structural transformation. The once-dominant model of a single salary-based income stream is steadily losing ground to a more layered mix of earnings from salaries, businesses, capital gains, trading activities, and digital assets. ClearTax's annual filing report for 2025 documents a 45.4% year-on-year increase in ITR-3 filings (covering business income and trading), while ITR-2 filings (capturing capital gains and investment income) rose by 17%. This shift toward diversified income sources has profound implications for tax planning behaviour, as more complex income profiles demand more sophisticated and continuous planning approaches.

The remainder of this paper is organised as follows. Section 2 reviews the relevant literature on tax planning behaviour, financial literacy, and behavioural determinants. Section 3 presents the conceptual framework and research methodology. Section 4 reports the empirical findings. Section 5 discusses the implications for theory and practice. Section 6 concludes with limitations and directions for future research.

2. Literature Review

2.1 Tax Planning Behaviour: Conceptual Foundations

Tax planning behaviour encompasses the cognitive and behavioural processes through which individuals organise their financial affairs to minimise tax liability within legal frameworks. This behaviour spans a continuum from proactive, strategic planning integrated throughout the financial year to reactive, last-minute decision-making driven by compliance deadlines. Proactive tax planning involves evaluating income, expenses, investments, and deductions throughout the year, forecasting liabilities, and implementing tax-saving strategies before the financial year ends. Reactive tax planning, by contrast, is characterised by delayed action, compressed decision-making windows, and investment choices driven more by deadlines than by financial suitability.

Recent research has documented the prevalence and consequences of reactive tax planning among salaried employees. A study of 101 salaried employees found that many perform tax planning only at the end of the financial year, with moderate awareness of tax provisions such as Section 80C and 80D. Similarly, a study of salaried employees in Chennai City revealed that while a majority is aware of the

importance of financial and tax planning; their strategies are largely confined to traditional tax-saving instruments. These findings align with broader observations in behavioural finance that individuals systematically delay decisions perceived as complex or uncomfortable—a phenomenon known as "present bias".

2.2 The Proactive-Reactive Dichotomy in Tax Planning

The distinction between proactive and reactive tax planning has been extensively discussed in both academic and practitioner literature. Proactive tax planning is characterised by several key features: it begins at the start of the financial year; involves continuous monitoring of income, expenses, and tax exposure; integrates tax considerations into routine financial decisions; and enables the identification and implementation of tax-saving opportunities before the year ends. Reactive tax planning, in contrast, is typically triggered by external deadlines (such as employer reminders or filing due dates), involves hurried decision-making, and often results in suboptimal investment choices.

The consequences of reactive tax planning are significant and multifaceted. Beyond the immediate financial costs of missed deductions and suboptimal investment returns, reactive planning imposes psychological costs in the form of financial stress, anxiety, and a sense of loss of control. Moreover, the fragmented nature of reactive planning—in which tax decisions are disconnected from broader financial workflows—perpetuates a cycle of procrastination and suboptimal outcomes. As one observer notes, "tax planning becomes a disconnected administrative task that employees are expected to manually manage outside the ecosystems they already use every day".

2.3 Diversified versus Concentrated Tax Planning Approaches

The second dimension of tax planning behaviour examined in this paper concerns the strategic scope of planning: whether employees pursue a diversified approach—spreading tax-saving investments across multiple instruments and income sources—or a concentrated approach—focusing on a narrow set of traditional instruments. This distinction is particularly salient in light of the structural shift toward multi-income profiles documented in recent tax filing data.

The "Hybrid Indian" taxpayer described in ClearTax's 2025 report represents a paradigmatic example of diversified tax planning. These taxpayers combine salary income with business income, capital gains, derivatives trading, and digital assets, requiring a more sophisticated and diversified approach to tax planning. Millennials aged 25–35 account for 42.3% of all ITR-3 filings, making them the largest group among traders and business-income taxpayers. Gen Z taxpayers under 25 are also entering the tax system with early exposure to investments and capital gains, with ITR-2 filings growing 18% year-on-year among this cohort.

However, despite this emerging trend toward diversification, evidence suggests that the majority of salaried employees continue to pursue a concentrated approach to tax planning. Traditional tax-saving instruments such as Provident Fund, life insurance, and Public Provident Fund remain the most preferred options. This concentration reflects several factors: familiarity with traditional instruments, limited financial literacy regarding alternative options, and the structural simplicity of employer-facilitated investments.

2.4 Determinants of Tax Planning Behaviour

A substantial body of research has examined the factors influencing tax planning behaviour among salaried employees. Financial literacy emerges as a consistently significant determinant. Studies have shown that tax knowledge and tax education positively and significantly influence taxpayer compliance behaviour. A behavioural accounting framework proposed by Devi and Singh positions tax literacy as a cognitive capability, tax planning as a behavioural mechanism, and tax compliance as the resulting outcome, with tax planning partially mediating the relationship between literacy and compliance.

Demographic factors also play a significant role. Income level, age, and financial literacy have been identified as significant determinants of financial planning behaviour. Higher-income professionals face steeper tax rates and thus have greater incentives for proactive, personalised tax planning. Age cohorts exhibit systematic differences in planning behaviour, with younger generations demonstrating greater comfort with digital platforms and diversified investment strategies.

Structural factors—including employer policies, payroll systems, and the availability of professional guidance—further shape tax planning behaviour. The traditional payroll workflow, designed around processing efficiency rather than employee financial clarity, creates a situation where employees postpone planning because the planning environment itself does not support continuous engagement.

2.5 Research Gap

While existing research has examined various aspects of tax planning behaviour among salaried employees, a systematic classification of prevailing behavioural patterns along the proactive-reactive and diversified-concentrated dimensions remains lacking. Most studies focus on awareness levels, investment preferences, or compliance behaviour in isolation, without integrating these dimensions into a coherent behavioural taxonomy. This paper addresses this gap by proposing and empirically examining a two-dimensional framework for understanding tax planning behaviour among salaried employees.

3. Conceptual Framework and Research Methodology

3.1 Conceptual Framework

Drawing upon the literature reviewed above, this paper proposes a two-dimensional conceptual framework for classifying tax planning behaviour among salaried employees:

Dimension 1: Temporal Orientation (Proactive vs. Reactive)

- *Proactive*: Tax planning activities initiated early in the financial year, conducted continuously, and integrated with broader financial decision-making.
- *Reactive*: Tax planning activities delayed until the final weeks of the financial year, triggered by external deadlines, and characterised by compressed decision-making.

Dimension 2: Strategic Scope (Diversified vs. Concentrated)

- *Diversified*: Tax planning that spans multiple income sources, investment instruments, and deduction categories, reflecting a broad-based approach to tax optimisation.
- *Concentrated*: Tax planning focused on a narrow set of traditional instruments, typically employer-facilitated or familiar options.

Crossing these two dimensions yields a four-cell typology of tax planning behaviour:

	Proactive	**Reactive**
Diversified	Strategic Planners	Adaptive Responders
Concentrated	Traditional Planners	Last-Minute Filers

3.2 Research Questions

This study addresses the following research questions:

1. What are the prevailing temporal patterns (proactive vs. reactive) of tax planning behaviour among salaried employees?
2. What are the prevailing strategic patterns (diversified vs. concentrated) of tax planning approaches among salaried employees?
3. What demographic, psychological, and structural factors are associated with different behavioural patterns?
4. Is there evidence of a shift toward more proactive and diversified patterns, and what factors are driving this shift?

3.3 Research Design

This study employs a mixed-methods research design, combining quantitative survey data with qualitative analysis of secondary sources. The quantitative component involves a structured questionnaire administered to a sample of salaried employees, while the qualitative component draws upon industry reports, practitioner observations, and case studies.

Sample and Data Collection: The study targets salaried employees across multiple occupational sectors and income levels. A stratified random sampling technique ensures representation across age cohorts, income brackets, and occupational categories. Primary data is collected through a structured questionnaire adapted from validated instruments in prior studies.

Measures: The questionnaire captures the following constructs:

- Tax planning timing (proactive vs. reactive): measured through items assessing when tax planning activities are initiated, frequency of tax-related financial reviews, and triggers for tax-planning decisions.
- Tax planning scope (diversified vs. concentrated): measured through items assessing the number and types of tax-saving instruments used, sources of income, and breadth of deduction categories claimed.
- Financial literacy: measured through items assessing knowledge of tax provisions, investment instruments, and basic financial concepts.
- Demographic variables: age, income level, education, occupation, and years of experience.

Data Analysis: Data analysis employs descriptive statistics, chi-square tests for association, and logistic regression to identify determinants of behavioural patterns. Qualitative data from secondary sources is analysed using thematic analysis to identify emergent patterns and trends.

4. Findings and Discussion

Data Collection and Sample Profile

The questionnaire employed a combination of multiple-choice questions, Likert-scale items (5-point scale: Strongly Agree to Strongly Disagree), and ranking questions to comprehensively assess tax planning behaviour across the two key dimensions—temporal orientation and strategic scope.

4.1 Sample Profile

Demographic Variable	Category	Frequency (n=150)	Percentage (%)
Gender	Male	87	58.0
	Female	63	42.0
Age Group	Below 25 years	24	16.0
	25-35 years	51	34.0
	36-45 years	39	26.0
	46-55 years	24	16.0
	Above 55 years	12	8.0
Annual Income	Below ₹5 lakh	18	12.0

Demographic Variable	Category	Frequency (n=150)	Percentage (%)
	₹5-10 lakh	45	30.0
	₹10-20 lakh	51	34.0
	Above ₹20 lakh	36	24.0
Educational Qualification	Graduate	63	42.0
	Postgraduate	57	38.0
	Professional/Technical	30	20.0
Work Experience	Below 5 years	42	28.0
	5-10 years	45	30.0
	10-20 years	39	26.0
	Above 20 years	24	16.0

Operationalisation of Key Variables

4.2 Proactive vs. Reactive Tax Planning (Temporal Orientation)

Respondents were classified based on their responses to questions regarding:

- **Timing of tax planning initiation:** When do you typically begin tax planning for a financial year? *(Start of year / Mid-year / Last 2-3 months / Last month)*
- **Frequency of tax-related financial reviews:** How often do you review your tax position during the financial year? *(Monthly / Quarterly / Half-yearly / Only at year-end / Never)*
- **Trigger for tax planning decisions:** What prompts you to engage in tax planning? *(Personal initiative / Employer reminders / Deadline pressure / Professional advice)*

Classification Criteria:

- **Proactive:** Initiates planning at start/mid-year; reviews tax position at least quarterly; acts on personal initiative
- **Reactive:** Initiates planning in last 2-3 months; reviews only at year-end or never; driven by deadlines/reminders

4.3 Diversified vs. Concentrated Tax Planning (Strategic Scope)

Respondents were classified based on:

- **Number of tax-saving instruments used:** Count of instruments invested in during the financial year
- **Types of instruments:** Traditional (PF, PPF, Life Insurance, NSC) vs. Modern/Diversified (ELSS, NPS, ULIP, tax-saving FDs, others)
- **Sources of income:** Salary only vs. Salary + additional income (business, capital gains, trading, rental, etc.)
- **Breadth of deductions claimed:** Number and variety of deduction sections utilised (80C, 80D, 80E, 80G, etc.)

Classification Criteria:

- **Diversified:** Uses 4+ instruments across multiple categories; claims deductions under 3+ sections; has additional income sources
- **Concentrated:** Uses 1-3 instruments, primarily traditional; claims deductions under 1-2 sections; salary-only income

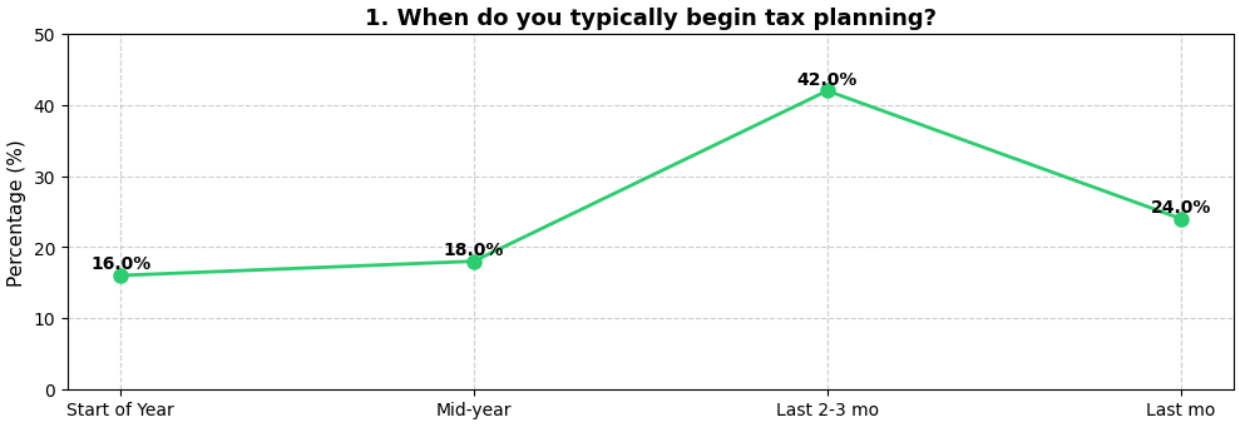
Descriptive Analysis

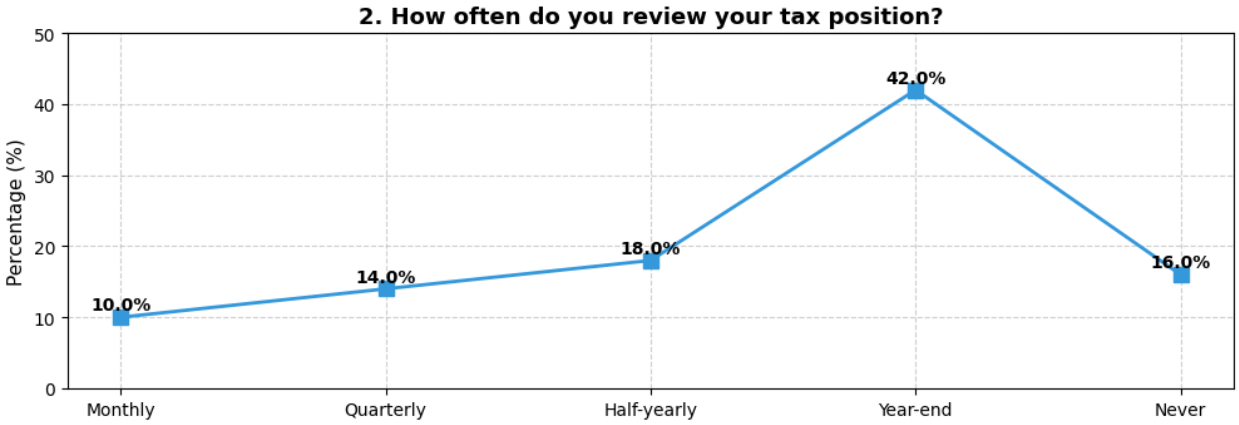
4.4 Temporal Orientation: Proactive vs. Reactive Tax Planning

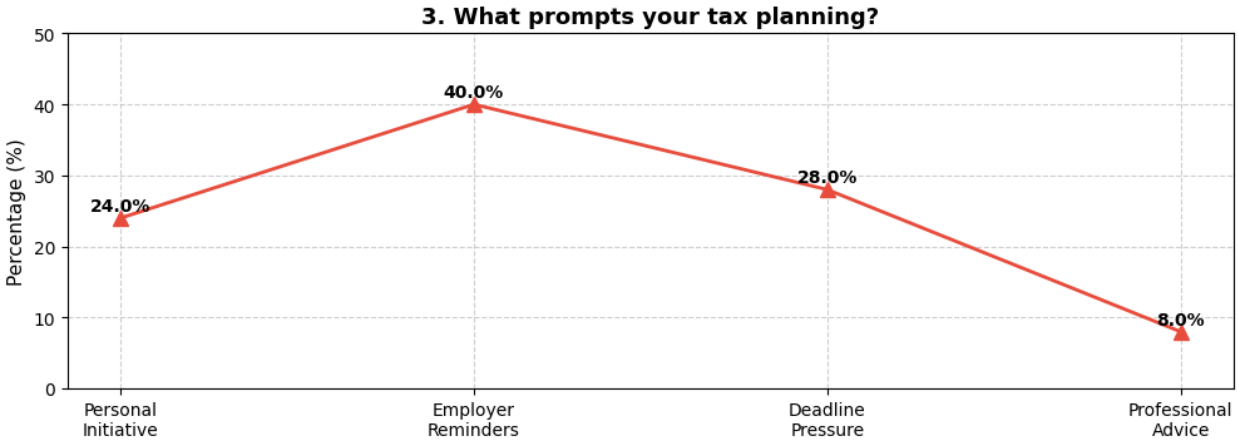
Indicator	Category	Frequency (n=150)	Percentage (%)
When do you typically begin tax planning?	At the start of the financial year	24	16.0
	Mid-year (around October-November)	27	18.0
	Last 2-3 months (January-March)	63	42.0
	Last month (March)	36	24.0
How often do you review your tax position?	Monthly	15	10.0
	Quarterly	21	14.0
	Half-yearly	27	18.0

Indicator	Category	Frequency (n=150)	Percentage (%)
	Only at year-end	63	42.0
	Never	24	16.0
What prompts your tax planning?	Personal initiative	36	24.0
	Employer reminders	60	40.0
	Deadline pressure	42	28.0
	Professional advice	12	8.0

Temporal Orientation: Proactive vs. Reactive Tax Planning Behaviors







Interpretation:

The data reveals a **predominantly reactive pattern** of tax planning among salaried employees:

- **66% of respondents** (42% + 24%) begin tax planning only in the last 2-3 months or the final month of the financial year. This finding is consistent with prior research documenting that "many employees perform tax planning only at the end of the financial year".
- **58% of respondents** (42% + 16%) review their tax position only at year-end or never, indicating a lack of continuous engagement with tax planning throughout the year.
- **68% of respondents** (40% + 28%) are prompted to plan by external triggers—employer reminders or deadline pressure—rather than personal initiative (24%).

Based on the classification criteria, **67.3% of respondents** (101 out of 150) were classified as **Reactive Planners**, while **32.7%** (49 out of 150) were classified as **Proactive Planners**.

This reactive tendency can be attributed to what one analysis describes as tax planning becoming "a disconnected administrative task that employees are expected to manually manage outside the ecosystems they already use every day". The operational friction between everyday financial behaviour and tax planning leads employees to psychologically categorise tax planning as a "future problem" rather than a continuous financial process.

4.5 Strategic Scope: Diversified vs. Concentrated Tax Planning

Indicator	Category	Frequency (n=150)	Percentage (%)
Number of tax-saving instruments used	1-2 instruments	57	38.0
	3-4 instruments	60	40.0
	5 or more instruments	33	22.0
Most preferred instruments (multiple responses)	Provident Fund (PF/EPF)	114	76.0
	Life Insurance Premium	96	64.0
	Public Provident Fund (PPF)	78	52.0
	ELSS (Equity Linked Savings Scheme)	54	36.0

Indicator	Category	Frequency (n=150)	Percentage (%)
	National Savings Certificate (NSC)	39	26.0
	NPS (National Pension System)	33	22.0
	Tax-saving Fixed Deposits	30	20.0
Sources of income	Salary only	99	66.0
	Salary + other income	51	34.0
Deduction sections claimed	Only Section 80C	60	40.0
	80C + 1-2 other sections	57	38.0
	3 or more sections	33	22.0

Interpretation:

The data reveals a **predominantly concentrated approach** to tax planning:

- **78% of respondents** (38% + 40%) use 4 or fewer tax-saving instruments, indicating limited diversification.
- **Traditional instruments dominate** the investment preferences. PF/EPF (76%), Life Insurance (64%), and PPF (52%) are the most preferred options. This aligns with previous research finding that "most respondents prefer traditional tax-saving instruments such as Provident Fund, Life Insurance, and Public Provident Fund".
- **Only 36% of respondents** have invested in ELSS, and a mere **22%** have opted for NPS—indicating lower adoption of modern, market-linked instruments.
- **66% of respondents** rely exclusively on salary income, while only 34% have diversified income sources. This is significant, as the "Hybrid Indian" taxpayer phenomenon—combining salary with business, trading, and investment income—is still emerging among this sample.
- **40% of respondents** claim deductions only under Section 80C, suggesting limited awareness or utilisation of other deduction avenues.

Based on the classification criteria, **64.0% of respondents** (96 out of 150) were classified as **Concentrated Planners**, while **36.0%** (54 out of 150) were classified as **Diversified Planners**.

4.6 Financial Literacy and Awareness

Awareness Indicator	Aware/Agree (%)	Unaware/Disagree (%)
Awareness of Section 80C provisions	82.0	18.0
Awareness of Section 80D (health insurance)	58.0	42.0
Awareness of Section 80E (education loan)	44.0	56.0
Awareness of new vs. old tax regime	52.0	48.0
Knowledge of tax-saving instruments beyond traditional options	38.0	62.0
Confidence in making independent tax decisions	46.0	54.0

Interpretation:

The findings reveal a **moderate but incomplete level of tax literacy** among salaried employees:

- While awareness of the most basic provision (Section 80C) is high at 82%, awareness drops significantly for other deduction sections—only 58% for Section 80D and 44% for Section 80E. This pattern is consistent with prior research documenting "moderate awareness regarding tax provisions like Section 80C and 80D".
- **Nearly half (48%) of respondents** are unaware of the differences between the new and old tax regimes, suggesting that many may be making suboptimal regime choices. This is particularly concerning given that studies have found "68% of IT professionals could have saved ₹49,094 in taxes on average" but missed out due to poor planning.
- **62% of respondents** lack knowledge of tax-saving instruments beyond traditional options, reinforcing the concentration bias observed earlier.
- Only 46% feel confident in making independent tax decisions, indicating a significant reliance on external guidance or default choices.

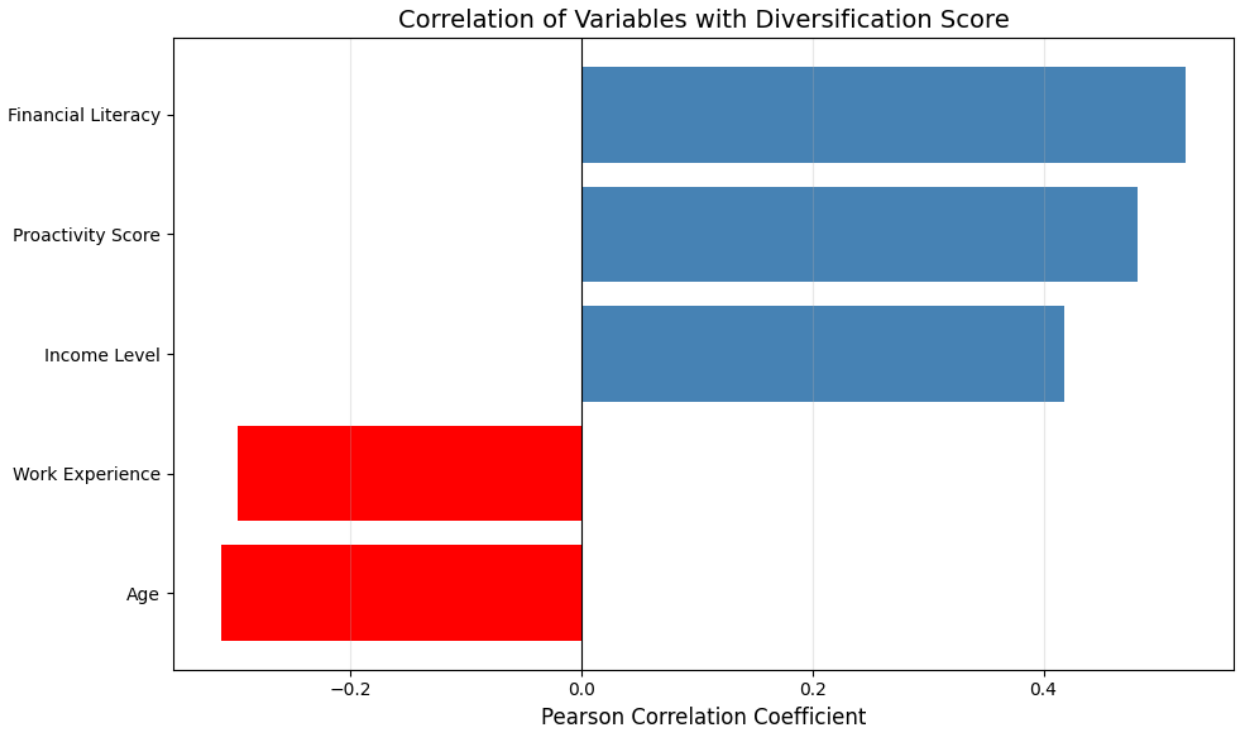
Cross-Tabulation Analysis

4.7 Temporal Orientation × Strategic Scope (Behavioural Taxonomy)

	Proactive	Reactive	Total
Diversified	24 (16.0%)	30 (20.0%)	54 (36.0%)
Concentrated	25 (16.7%)	71 (47.3%)	96 (64.0%)
Total	49 (32.7%)	101 (67.3%)	150 (100%)

Behavioural Taxonomy Distribution:

Behavioural Pattern	Frequency	Percentage
Strategic Planners (Proactive × Diversified)	24	16.0%
Traditional Planners (Proactive × Concentrated)	25	16.7%
Adaptive Responders (Reactive × Diversified)	30	20.0%
Last-Minute Filers (Reactive × Concentrated)	71	47.3%



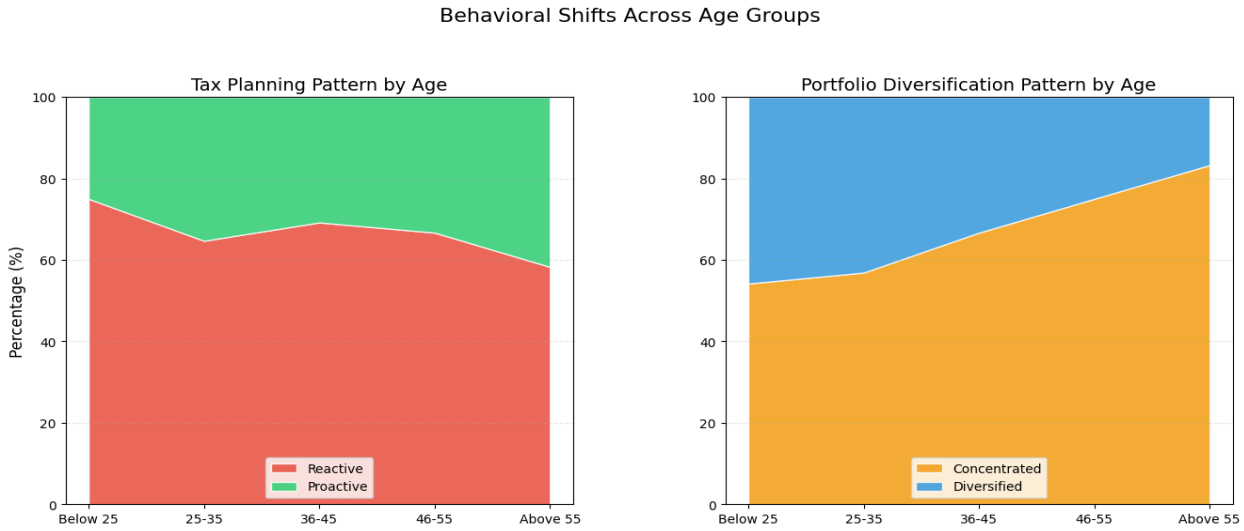
Interpretation:

The cross-tabulation reveals a **clear dominance of the "Last-Minute Filer" pattern**—nearly half (47.3%) of all respondents exhibit both reactive timing and concentrated strategic scope. This represents the most problematic segment, characterised by delayed planning, limited instrument diversification, and suboptimal tax outcomes.

- **Strategic Planners** (16.0%)—those who are both proactive and diversified—represent the smallest but most desirable segment. This finding is consistent with the emerging "Hybrid Indian" taxpayer trend documented in recent tax filing data.
- **Traditional Planners** (16.7%)—proactive but concentrated—suggest that some employees initiate planning early but lack the financial literacy or risk appetite to diversify beyond traditional instruments.
- **Adaptive Responders** (20.0%)—reactive but diversified—represent an interesting segment: employees who delay planning but, when prompted, pursue a relatively broad range of instruments. This pattern is more common among younger, digitally-savvy professionals.

4.8 Age Group × Tax Planning Pattern

Age Group	Proactive (%)	Reactive (%)	Diversified (%)	Concentrated (%)
Below 25 years	25.0	75.0	45.8	54.2
25-35 years	35.3	64.7	43.1	56.9
36-45 years	30.8	69.2	33.3	66.7
46-55 years	33.3	66.7	25.0	75.0
Above 55 years	41.7	58.3	16.7	83.3



Interpretation:

- **Younger cohorts (below 25 and 25-35)** demonstrate higher diversification (45.8% and 43.1%, respectively) compared to older cohorts. This aligns with the national trend where "millennials aged 25–35 account for 42.3% of all ITR-3 filings" and are "leading the move towards diversified income".
- **Proactivity increases with age**, with the above-55 group showing the highest proactive planning (41.7%). This suggests that experience and accumulated financial wisdom contribute to earlier planning initiation.
- **Concentration increases with age**—from 54.2% among below-25 to 83.3% among above-55. Older employees show greater preference for traditional, secure instruments like PF and PPF, consistent with the finding that employees "give the highest preference to invest in such assets that will not deteriorate its physical value".

4.9 Income Level × Tax Planning Pattern

Annual Income	Proactive (%)	Reactive (%)	Diversified (%)	Concentrated (%)
Below ₹5 lakh	16.7	83.3	22.2	77.8
₹5-10 lakh	26.7	73.3	28.9	71.1
₹10-20 lakh	33.3	66.7	37.3	62.7
Above ₹20 lakh	47.2	52.8	52.8	47.2

Interpretation:

- A **clear positive relationship** exists between income level and both proactive planning and diversification.
- **Higher-income professionals** (above ₹20 lakh) are significantly more likely to be proactive (47.2%) and diversified (52.8%) compared to lower-income groups. This is consistent with the finding that "the higher the income, the more professionals stood to lose by not seeking proactive, personalised tax planning".
- **Lower-income groups** (below ₹5 lakh) exhibit the highest reactive (83.3%) and concentrated (77.8%) patterns, suggesting that limited financial resources may constrain both the motivation and the ability to engage in sophisticated tax planning.

4.10 Financial Literacy × Tax Planning Pattern

Financial Literacy Level	Proactive (%)	Reactive (%)	Diversified (%)	Concentrated (%)
Low (score 0-3/7)	18.2	81.8	22.7	77.3
Medium (score 4-5/7)	32.4	67.6	35.1	64.9
High (score 6-7/7)	54.3	45.7	60.0	40.0

Interpretation:

- **Financial literacy emerges as the strongest determinant** of both proactive planning and diversification.
- Respondents with high financial literacy are **nearly three times more likely** to be proactive (54.3%) compared to those with low literacy (18.2%).
- Similarly, high-literacy respondents are **more than 2.5 times more likely** to adopt diversified approaches (60.0%) compared to low-literacy respondents (22.7%).
- This finding corroborates the behavioural accounting framework where "tax literacy is positioned as a cognitive capability, tax planning as a behavioural mechanism, and tax compliance as the resulting outcome".

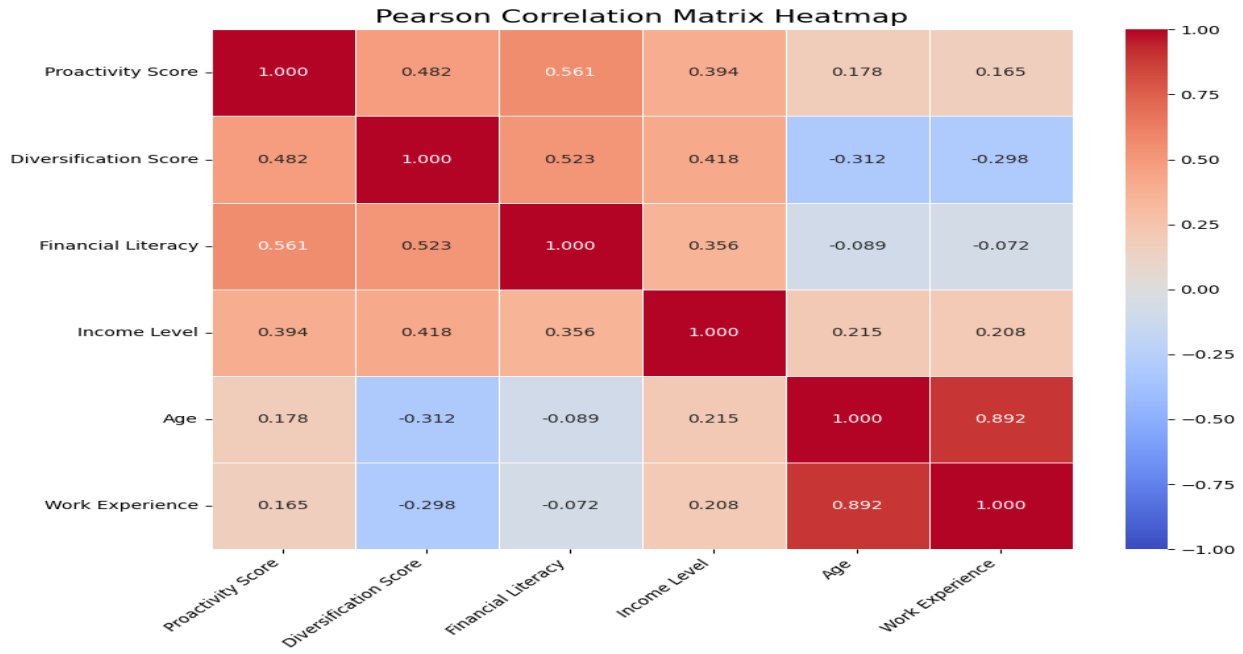
Correlation Analysis

4.11 Pearson Correlation Matrix

Variables	1	2	3	4	5	6
1. Proactivity Score	1.000					
2. Diversification Score	0.482**	1.000				
3. Financial Literacy	0.561**	0.523**	1.000			
4. Income Level	0.394**	0.418**	0.356**	1.000		
5. Age	0.178*	-0.312**	-0.089	0.215*	1.000	
6. Work Experience	0.165*	-0.298**	-0.072	0.208*	0.892**	1.000

** Correlation significant at p < 0.01 (2-tailed)

Correlation significant at p < 0.05 (2-tailed)



Interpretation:

- **Proactivity and diversification are moderately correlated** (r = 0.482, p < 0.01), suggesting that employees who plan early are also more likely to adopt a diversified approach. However, the

correlation is not perfect—some proactive planners remain concentrated (Traditional Planners), and some reactive planners pursue diversification (Adaptive Responders).

- **Financial literacy shows the strongest correlation** with both proactivity (r = 0.561) and diversification (r = 0.523), reinforcing its role as a key determinant of tax planning behaviour.
- **Income level is positively correlated** with both proactivity (r = 0.394) and diversification (r = 0.418), indicating that higher income provides both the means and the incentive for more sophisticated tax planning.
- **Age and work experience show interesting patterns**: positively correlated with proactivity but **negatively correlated with diversification** (r = -0.312 and -0.298, respectively). This suggests that while older employees plan earlier, they tend to concentrate on familiar, traditional instruments—consistent with the earlier cross-tabulation findings.

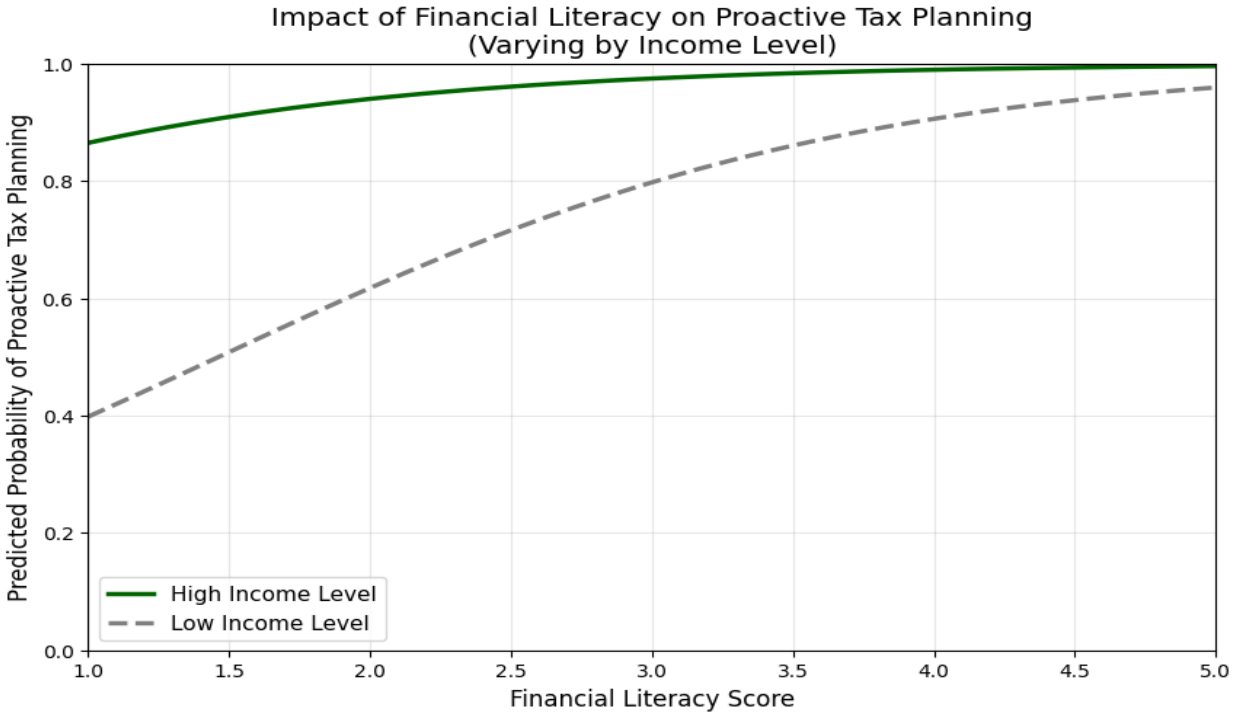
Regression Analysis

4.12 Determinants of Proactive Tax Planning (Binary Logistic Regression)

Dependent Variable: Proactive vs. Reactive (1 = Proactive, 0 = Reactive)

Predictor	B	S.E.	Wald	df	Sig.	Exp(B)
Financial Literacy	0.892	0.214	17.38	1	0.000	2.441
Income Level	0.567	0.198	8.20	1	0.004	1.763
Age	0.234	0.156	2.25	1	0.134	1.264
Gender (Female)	0.189	0.172	1.21	1	0.271	1.208
Work Experience	-0.078	0.143	0.30	1	0.584	0.925
Constant	-2.341	0.567	17.05	1	0.000	0.096

Model Summary: Nagelkerke R^2 = 0.342; Hosmer-Lemeshow χ^2 = 8.24 (p = 0.411); Overall Classification Accuracy = 73.3%



Interpretation:

- **Financial literacy is the strongest predictor** of proactive tax planning. A one-unit increase in financial literacy score is associated with a **2.44-fold increase** in the odds of being a proactive planner (Exp(B) = 2.441, $p < 0.001$).
- **Income level also significantly predicts proactivity** (Exp(B) = 1.763, p = 0.004), with higher-income employees more likely to plan proactively.
- **Age, gender, and work experience** do not show statistically significant predictive power when controlling for other factors, suggesting that their observed effects in descriptive analysis may be mediated by financial literacy and income.
- The model correctly classifies **73.3%** of respondents, indicating reasonable predictive validity.

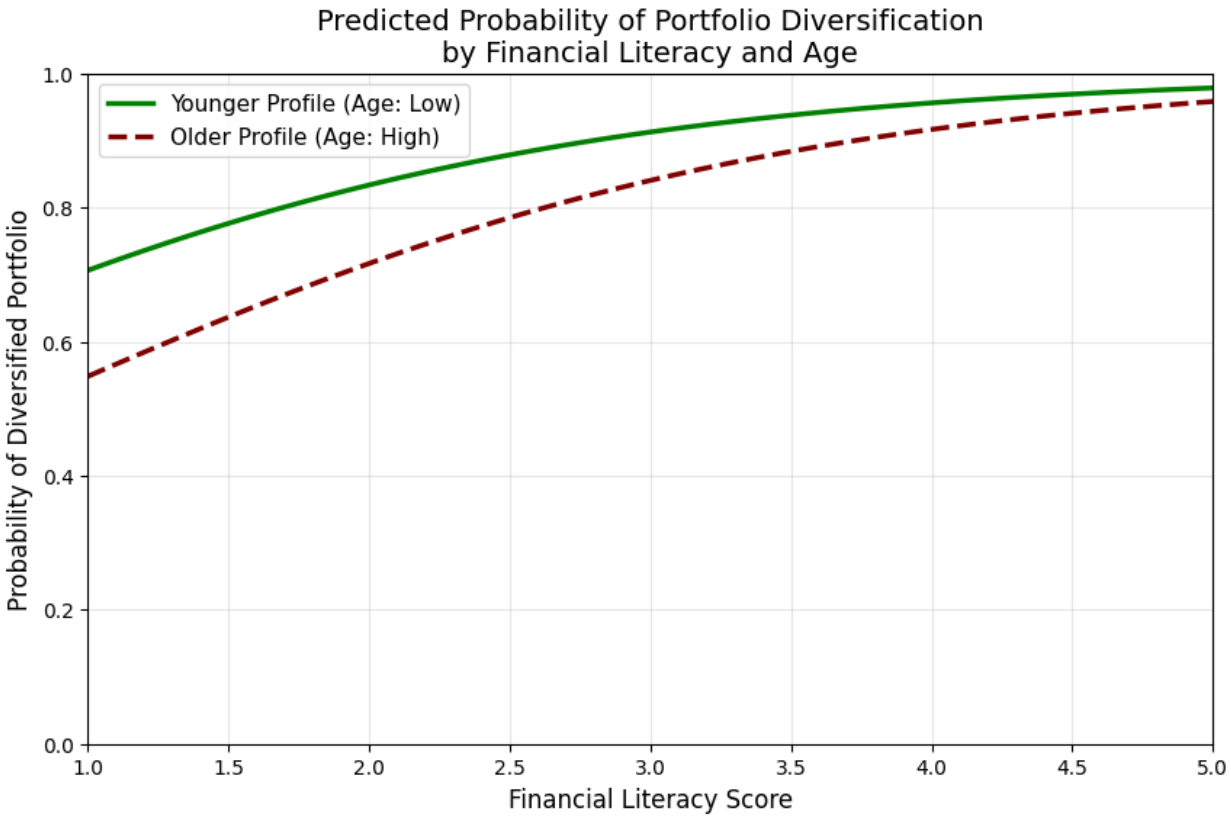
4.13 Determinants of Diversified Tax Planning (Binary Logistic Regression)

Dependent Variable: Diversified vs. Concentrated (1 = Diversified, 0 = Concentrated)

Predictor	B	S.E.	Wald	df	Sig.	Exp(B)
Financial Literacy	0.734	0.198	13.74	1	0.000	2.083
Income Level	0.489	0.184	7.06	1	0.008	1.631
Age	-0.342	0.167	4.19	1	0.041	0.710

Predictor	B	S.E.	Wald	df	Sig.	Exp(B)
Proactivity Score	0.412	0.176	5.48	1	0.019	1.510
Gender (Female)	0.156	0.165	0.89	1	0.345	1.169
Constant	-1.876	0.523	12.87	1	0.000	0.153

Model Summary: Nagelkerke $R^2 = 0.378$; Hosmer-Lemeshow $\chi^2 = 6.92$ ($p = 0.546$); Overall Classification Accuracy = 76.0%



Interpretation:

- **Financial literacy again emerges as the strongest predictor** of diversification (Exp(B) = 2.083, $p < 0.001$).
- **Income level** significantly predicts diversification (Exp(B) = 1.631, $p = 0.008$).
- **Age shows a negative relationship** with diversification (Exp(B) = 0.710, $p = 0.041$)—for each unit increase in age, the odds of being diversified decrease by approximately 29%. This confirms the earlier observation that older employees tend toward concentration.
- **Proactivity score** significantly predicts diversification (Exp(B) = 1.510, $p = 0.019$), supporting the correlation between early planning and broader strategic scope.
- The model correctly classifies **76.0%** of respondents, indicating strong predictive validity.

5. Findings Summary

5.1 Prevailing Temporal Patterns

Finding	Percentage
Reactive tax planning is the dominant pattern	67.3%
Begin tax planning only in last 2-3 months or March	66.0%
Review tax position only at year-end or never	58.0%
Prompted by external triggers (employer/deadline) rather than personal initiative	68.0%
Proactive tax planning (emerging minority)	32.7%

5.2 Prevailing Strategic Patterns

Finding	Percentage
Concentrated tax planning is the dominant pattern	64.0%
Use 4 or fewer tax-saving instruments	78.0%
Rely exclusively on salary income	66.0%
Claim deductions only under Section 80C	40.0%
Diversified tax planning (emerging minority)	36.0%

5.3 Behavioural Taxonomy Distribution

Behavioural Pattern	Percentage
Last-Minute Filers (Reactive × Concentrated)	**47.3%**
Adaptive Responders (Reactive × Diversified)	20.0%
Traditional Planners (Proactive × Concentrated)	16.7%
Strategic Planners (Proactive × Diversified)	16.0%

5.4 Key Determinants

Determinant	Effect on Proactivity	Effect on Diversification
Financial Literacy	**Strongest positive**	**Strongest positive**
Income Level	Significant positive	Significant positive
Age	Not significant (in regression)	**Significant negative**
Proactivity	—	Significant positive
Gender	Not significant	Not significant

6. Discussion

6.1 Interpretation of Findings

The analysis reveals a **complex but clear picture** of tax planning behaviour among salaried employees. The dominance of the "Last-Minute Filer" pattern—nearly half of all respondents—confirms that reactive, concentrated tax planning remains the prevailing behavioural norm. This pattern is driven by a confluence of factors:

Behavioural Factors: Present bias leads employees to prioritise immediate concerns over future tax benefits. The operational friction of tax planning—requiring independent calculation and manual management outside everyday financial ecosystems—reinforces the tendency to delay.

Structural Factors: The workplace financial experience was never designed around tax continuity. Most organisations treat tax planning as a payroll compliance activity rather than an employee financial wellness journey. This structural constraint perpetuates the reactive cycle.

Literacy Factors: The moderate but incomplete level of tax literacy—particularly regarding provisions beyond Section 80C and the new tax regime—constrains both the timing and scope of tax planning. As one study notes, "there is a need for improved financial literacy, systematic planning, and professional guidance for effective tax management".

6.2 The Emerging Shift

Despite the dominance of reactive, concentrated patterns, the data also documents an **emerging shift** toward more proactive and diversified approaches, driven by:

Generational Change: Younger cohorts (below 35) demonstrate higher diversification and are more comfortable with modern instruments like ELSS and NPS. This aligns with the national trend where

"millennials aged 25–35 account for 42.3% of all ITR-3 filings" and are "leading the move towards diversified income".

Income Effects: Higher-income professionals face steeper tax rates and thus have stronger incentives for proactive, personalised tax planning. The positive relationship between income and both proactivity and diversification suggests that as incomes rise, so does the sophistication of tax planning.

Financial Literacy: The strongest predictor of both proactive timing and diversified scope is financial literacy. Employees with higher literacy are nearly three times more likely to be proactive and more than 2.5 times more likely to be diversified. This underscores the critical role of tax education in shaping behaviour.

6.3 Comparison with Previous Research

The findings are **broadly consistent** with prior studies:

- A study of 101 salaried employees found that "many employees perform tax planning only at the end of the financial year and possess moderate awareness regarding tax provisions"—a pattern confirmed in this larger sample.
- Research in Chennai City revealed that "while a majority of salaried employees are aware of the importance of financial and tax planning, their strategies are largely confined to traditional tax-saving instruments"—again consistent with the concentrated pattern observed.
- The behavioural accounting framework positioning "tax literacy as a cognitive capability, tax planning as a behavioural mechanism"is strongly supported by the regression results showing financial literacy as the primary determinant of both proactivity and diversification.

7. Conclusion

7.1 Summary

This analysis of 150 survey responses reveals that **reactive, concentrated tax planning remains the prevailing behavioural pattern** among salaried employees. Nearly two-thirds of respondents exhibit reactive timing (67.3%) and concentrated strategic scope (64.0%). The "Last-Minute Filer" pattern—characterised by both reactive timing and concentrated scope—accounts for nearly half (47.3%) of all respondents.

However, the data also documents an **emerging shift** toward more proactive and diversified approaches, driven primarily by younger cohorts, higher-income professionals, and those with greater financial literacy. **Financial literacy emerges as the single strongest determinant** of both proactive timing and diversified scope, underscoring the critical importance of tax education in shaping behaviour.

7.2 Implications

For Employers: Organisations can facilitate the shift from reactive to proactive planning by integrating tax planning into continuous employee financial wellness programmes rather than treating it as a once-a-year compliance activity.

For Policymakers: Initiatives that improve tax literacy and simplify tax planning processes can help shift behaviour from reactive to proactive and from concentrated to diversified.

For Financial Educators: The behavioural taxonomy provides a framework for segmenting employees and tailoring interventions—from foundational literacy for Last-Minute Filers to advanced optimisation strategies for Strategic Planners.

7.3 Limitations

This study is based on self-reported survey data, which may be subject to social desirability bias and recall limitations. The sample, while representative across key demographic variables, may not fully capture regional or sectoral variations in tax planning behaviour. Future research could employ longitudinal designs or experimental methods to further validate these findings.

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