

INSIGHTS INTO TAXPAYER SENTIMENTS: A STUDY OF THE INCOME TAX SYSTEM IN NORTH GUJARAT

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Abstract

Taxes, after all the due we pay for the privileges of membership in an organized society. It is the duty of each government in every civilized country to look after the welfare of its citizens. Tax is an important and significant source of governments' income or revenue for this purpose. Tax awareness is essential part of the tax planning for the individual assessee. Income tax takes away major chunks of hard earning money of an assessed. As every individual assessee who has income more than stipulated limit described by income tax law is liable to pay tax. Therefore, it is important to do tax planning. A study has been undertaken with the specific objective of studying the tax planning measures adopted by the salaried income tax assesses working in North Gujarat Region and to evaluate their extent of awareness on various provisions relating to tax laws and tax saving opportunities. The study is partly analytical and partly descriptive in nature. Purposive sampling method was adopted to select the sample size. Fifteen Hundred salaried income taxes assess working in North Gujarat Region constituted the sample for the study. Primary data was collected through a well-structured questionnaire. The overall conclusion derived from the study is that salaried class in general utilize the tax exemption opportunities, but with differences across categories. The salaried class are aware of the tax planning measures to a larger extend, but they are not fully utilizing those measures for the benefit of limiting their tax liability.

Keywords: Awareness, Indian Tax System, Opinion, North Gujarat Region.

INTRODUCTION

In India, the system of direct taxation as it is known today has been in force in one form or another even from ancient times. Variety of tax measures are referred in both Manu Smriti and Arthasastra. The wise sage advised that taxes should be related to the income and expenditure of the subject. He, however, cautioned the king against excessive taxation; a king should neither impose high rate of tax nor exempt all from tax. Indian tax system is based on this ancient tax system which was based on the theory of maximum social welfare. "It was only for the good of his subjects that he collected taxes from them, just as the Sun draws moisture from the Earth to give it back a thousand fold"

According to Manu Smriti, the king should arrange the collection of taxes in such a manner that the tax payer did not feel the pinch of paying taxes. He laid down that traders and artisans should pay (1/5th) 20% of their profits in silver and gold, while the agriculturists were to pay (1/6th) 16.66%, (1/8th) 12.5% and (1/10th) 10% of their produce depending upon their circumstances.

According to Kautilya's Arthasastra which deals with the system of taxation in a real elaborate and planned manner. This well famous article on state crafts written sometime in 300 B.C., when the Mauryan Empire was at its magnificent upwards move, is truly amazing, for its deep study of the civilization of that time and the suggestions given which should guide a king in running the State in a most efficient and fruitful manner. A major portion of Arthasastra is devoted by Kautilya to financial matters including financial administration.

According to famous statesman, the Mauryan system, so far as it applied to agriculture, was a sort of state landlordism and the collection of land revenue formed an important source of revenue to the State. The State not only collected a part of the agricultural produces which was normally 1/6th but also levied water rates, octroi duties, tolls and customs duties. Taxes were also collected on forest produce as well as from

mining of metals etc. Salt tax was an important source of revenue and it was collected at the place of its extraction.

REVIEW OF LITERATURE

(Kalgutkar & Anjuman, 2018) Conducted a study on "Tax Awareness and Tax Planning on Wealth Creation of Individual Assesses." The study focuses on individual assesses awareness of income tax regulations and tax planning, as well as the impact of tax awareness and planning on wealth development. Data was gathered from 100 (numbers) individual assessors from five distinct categories, including teachers/lecturers/professors, bank employees, railway employees, company workers, and doctors among others.

(Geetha, 2016) Conducted research on "a study on the level of awareness of salaried class on tax laws and tax preparation measures." The study examined the level of knowledge about various deductions available under the Income Tax Act, taking into account both head-specific deductions and deductions available under Section 80C of the Act. It employs both primary and secondary data. The study's sample included 600 salaried employees working in the state of Kerala who were income tax assessors for the fiscal year 2014-15.

(Hastuti R. , 2014) A Tax Awareness and Tax Education: A Prospective Taxpayer's Perception, Based on research into contextual tax awareness, ethical tax awareness, and the necessity to learn tax as knowledge at a high education level.

(VASANTHI, 2013) "A Study on the Tax Planning Patterns of Salary Assesses." The study's objectives are to identify the element of income and saving, study tax planning by individual and find the influence of gender and age of paying tax, awareness and willingness of taxpayer is higher in experienced employees, and there is a higher degree of correlation between income and saving among tax payers.

RESEARCH GAP

From the above literature review it clearly revealed that so many researchers have done research work on income tax system in India by way of research work on tax planning, E-file adoption, deduction available to individual under income tax 1961, tax structure in India and tax education etc. but no research was previously conducted on the awareness and opinion of individual assessee towards prevailing income tax system in India. The researcher aims to fill the gap by analyzing Insights into Taxpayer Sentiments: A Study of the Income Tax System in North Gujarat.

OBJECTIVES OF THE STUDY

To analyze demographic factors (Age, Sex, Education Level, Income Level, and Occupation) influencing the individual assessee towards prevalent tax system in India of north Gujarat region.

HYPOTHESIS OF THE STUDY

H₀₁: There is no significant difference amongst individual assessee of north Gujarat region towards a prevalent income tax system in India.

SAMPLE SELECTION & COLLECTION OF DATA SAMPLING FRAME:

Districts of North Gujarat	Population (in 2011)	No. of Tax Payer taken for Sample	% Samples taken for Study	No. of Samples	Rounded off	No. of Samples taken for Sample Study
Aravalli	971,435	1,200	26%	312	12	300
Banaskantha	3,120,506	1,131	29%	328	28	300
Mehsana	2,035,064	1,161	28%	325	25	300
Patan	1,343,734	1,193	26%	310	10	300

Sabarkantha	1,457,154	1,115	28%	312	12	300
Total	8,927,893	5,800		1,587	87	1500

(Source: List of Districts in Gujarat www.guj.gov.in)

- **SOURCE OF DATA:** Primary & Secondary
- **SAMPLING DESIGN:** Descriptive & Analytical
- **SAMPLING TECHNIQUE:** Purposive Sampling Method
- **SAMPLING SIZE:** 1500 Respondents
- **SAMPLING AREA:** North Region of Gujarat
- **SOURCES OF DATA COLLECTION:** Well Structured Questionnaire

DATA ANALYSIS AND INTERPRETATION

Table 1: Frequency Statistics Gender-Wise

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	1106	73.7	73.7	73.7
	Female	394	26.3	26.3	100.0
	Total	1500	100.0	100.0	

(Source: Primary Data Calculation SPSS 25.0)

Table 2: Frequency Statistics Age-Wise

Age		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 20 Years	72	4.8	4.8	4.8
	21 Years to 30 Years	354	23.6	23.6	28.4
	31 Years to 40 Years	442	29.5	29.5	57.9
	41 Years to 50 Years	421	28.1	28.1	85.9
	51 Years to 60 Years	211	14.1	14.1	100.0
	Total	1500	100.0	100.0	

(Source: Primary Data Calculation SPSS 25.0)

Table 3: Frequency Statistics Educational Qualification-Wise

Educational Qualification		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below HSC	387	25.8	25.8	25.8
	Diploma	76	5.1	5.1	30.9
	Under Graduate	301	20.1	20.1	50.9
	Post Graduate	555	37.0	37.0	87.9
	Ph. D	68	4.5	4.5	92.5
	Professional Degree	113	7.5	7.5	100.0
	Total	1500	100.0	100.0	

(Source: Primary Data Calculation SPSS 25.0)

Table 4: Frequency Statistics Occupation-Wise

Occupation		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Job /Service	962	64.1	64.1	64.1
	Business	321	21.4	21.4	85.5
	Consultant	22	1.5	1.5	87.0
	Farmer	67	4.5	4.5	91.5
	House Wife	76	5.1	5.1	96.5
	Others	52	3.5	3.5	100.0
	Total	1500	100.0	100.0	

(Source: Primary Data Calculation SPSS 25.0)

Table 5: Frequency Statistics District-Wise

District

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Mehsana	300	20.0	20.0	20.0
	Sabarkantha	300	20.0	20.0	40.0
	Banaskantha	300	20.0	20.0	60.0
	Aravalli	300	20.0	20.0	80.0
	Patan	300	20.0	20.0	100.0
	Total	1500	100.0	100.0	

(Source: Primary Data Calculation SPSS 25.0)

Table 6: Frequency Statistics Place of Resident-Wise

Place of Resident					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Rural	381	25.4	25.4	25.4
	Urban	717	47.8	47.8	73.2
	Semi - Urban	402	26.8	26.8	100.0
	Total	1500	100.0	100.0	

(Source: Primary Data Calculation SPSS 25.0)

Table 7: Frequency Statistics as an Individual Assessee-Wise

Residential Status as an Individual Assessee					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Ordinary Resident	1112	74.1	74.1	74.1
	Resident but Not Ordinary Resident	76	5.1	5.1	79.2
	Non Resident	3	0.2	0.2	79.4
	Don't Know	309	20.6	20.6	100.0
	Total	1500	100.0	100.0	

(Source: Primary Data Calculation SPSS 25.0)

Table 8: Frequency Statistics Regular Tax Payer-Wise

Regular Tax Payer					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	1285	85.7	85.7	85.7
	No	215	14.3	14.3	100.0
	Total	1500	100.0	100.0	

(Source: Primary Data Calculation SPSS 25.0)

Table 9: Frequency Statistics Income Range-Wise

Income Range					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 3,00,000	544	36.3	36.3	36.3
	3,00,001 to 5,00,000	540	36.0	36.0	72.3
	5,00,001 to 7,50,000	310	20.7	20.7	92.9
	7,50,001 to 10,00,000	84	5.6	5.6	98.5
	Above 10,00,001	22	1.5	1.5	100.0
	Total	1500	100.0	100.0	

(Source: Primary Data Calculation SPSS 25.0)

Table 10: Frequency Statistics Awareness of the Propose Direct Tax Code-Wise

Rate your Level of Awareness of the Proposed of the Direct Tax Code?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Fully Aware	426	28.4	28.4	28.4
	Partially Aware	772	51.5	51.5	79.9
	Not Aware	302	20.1	20.1	100.0
	Total	1500	100.0	100.0	

(Source: Primary Data Calculation SPSS 25.0)

Table 11: Frequency Statistics for Awareness about followings under Indian Income Tax Act, 1961

Statistics		Count	Column N (%)
Residential Status	Yes	1101	73.40
	No	399	26.60
Type of Tax	Yes	1301	86.73
	No	199	13.27
Income Tax Slab Rate	Yes	1262	84.13
	No	238	15.87
Type of CESS	Yes	555	37.00
	No	945	63.00
Types of Deduction	Yes	1151	76.73
	No	349	23.27
Types of Allowances	Yes	1120	74.67
	No	380	25.33
Heads of Income	Yes	1062	70.80
	No	438	29.20
Sources of Manage a Tax Liability	Yes	893	59.53
	No	607	40.47
Tax Return Filing System	Yes	814	54.27
	No	686	45.73
Tax Collection System	Yes	640	42.67
	No	860	57.33
Sources of Income Tax Exempted	Yes	900	60.00
	No	600	40.00
Prospective Direct Tax Code	Yes	485	32.33
	No	1015	67.67
Professional Tax	Yes	1118	74.53
	No	382	25.47

(Source: Primary Data Calculation SPSS 25.0)

Table 12: One-Sample T - Test

Opinion about Present Tax System	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
1_Present Tax system is not yielding adequate Tax Revenue.	171.282	1499	0.000	3.83467	3.7908	3.8786
2_Current tax system is difficult to calculate and understand	152.888	1499	0.000	3.77933	3.7308	3.8278
3_Restructure of Indian taxation is necessary	194.579	1499	0.000	3.87267	3.8336	3.9117
4_Online Tax payment Procedure is Complex and Difficult to Understand	125.519	1499	0.000	3.52933	3.4742	3.5845
5_Filing of Return is very complex.	131.646	1499	0.000	3.45133	3.3999	3.5028
6_Building Proper Information System is necessary.	172.557	1499	0.000	3.88667	3.8425	3.9308
7_Rationalization and simplification of Tax Laws are inevitable.	183.046	1499	0.000	3.81600	3.7751	3.8569
8_Detecting and Penalizing non-compliance is necessary for effective Tax Enforcement.	177.053	1499	0.000	3.74733	3.7058	3.7888
9_Refund of excess tax paid is quick and time bound by tax department.	168.722	1499	0.000	3.81667	3.7723	3.8610
10_Always deduct tax at source on all income.	141.836	1499	0.000	3.77067	3.7185	3.8228

11_Progressive tax rate is better than uniform tax rate.	156.666	1499	0.000	3.73800	3.6912	3.7848
12_Current Income Tax Rates in India are High.	158.553	1499	0.000	3.75800	3.7115	3.8045
13_Withdrawal of Standard Deduction has adversely affected on you.	182.048	1499	0.000	3.81000	3.7689	3.8511
14_Tax Exemption limit should be increase.	160.728	1499	0.000	3.82933	3.7826	3.8761
15_Every year Slab rate should be revised.	176.741	1499	0.000	3.91467	3.8712	3.9581
16_Surcharge should be avoided.	144.948	1499	0.000	3.69267	3.6427	3.7426
17_Maximum limit for Deduction u/s 80C should be increase.	159.684	1499	0.000	3.90200	3.8541	3.9499

Percentages and totals are based on respondents. Dichotomy group tabulated at value 1.
(Source: Primary Data Calculation SPSS 25.0)

Table 13: ANOVA Table for Opinion Level – Gender Wise

ANOVA – Gender Wise		Sum of Squares	df	Mean Square	F	Sig.	5% Level of significance
Opinion about Present Tax System_1_Present Tax system is not yielding adequate Tax Revenue.	Between Groups	0.016	1	0.016	0.021	0.885	NS
	Within Groups	1126.982	1498	0.752			
	Total	1126.997	1499				
Opinion about Present Tax System_2_Current tax system is difficult to calculate and understand	Between Groups	1.250	1	1.250	1.364	0.243	NS
	Within Groups	1372.709	1498	0.916			
	Total	1373.959	1499				
Opinion about Present Tax System_3_Restructure of Indian taxation is necessary	Between Groups	0.691	1	0.691	1.163	0.281	NS
	Within Groups	889.988	1498	0.594			
	Total	890.679	1499				
Opinion about Present Tax System_4_Online Tax payment Procedure is Complex and Difficult to Understand	Between Groups	1.301	1	1.301	1.097	0.295	NS
	Within Groups	1776.408	1498	1.186			
	Total	1777.709	1499				
Opinion about Present Tax System_5_Filing of Return is very complex.	Between Groups	24.389	1	24.389	24.020	0.000	S
	Within Groups	1521.058	1498	1.015			
	Total	1545.447	1499				
Opinion about Present Tax System_6_Building Proper Information System is necessary.	Between Groups	2.965	1	2.965	3.903	0.048	S
	Within Groups	1137.769	1498	0.760			
	Total	1140.733	1499				
Opinion about Present Tax System_7_Rationalization and simplification of Tax Laws are inevitable.	Between Groups	0.001	1	0.001	0.001	0.971	NS
	Within Groups	977.215	1498	0.652			
	Total	977.216	1499				
Opinion about Present Tax System_8_Detecting and Penalizing non-compliance is necessary for effective	Between Groups	0.041	1	0.041	0.061	0.805	NS
	Within Groups	1007.198	1498	0.672			
	Total	1007.239	1499				

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Tax Enforcement.	Total	1007.239	1499				
Opinion about Present Tax System_9_Refund of excess tax paid is quick and time bound by tax department.	Between Groups	2.021	1	2.021	2.636	0.105	NS
	Within Groups	1148.562	1498	0.767			
	Total	1150.583	1499				
Opinion about Present Tax System_10_Always deduct tax at source on all income.	Between Groups	66.166	1	66.166	65.082	0.000	S
	Within Groups	1522.944	1498	1.017			
	Total	1589.109	1499				
Opinion about Present Tax System_11_Progressive tax rate is better than uniform tax rate.	Between Groups	8.006	1	8.006	9.429	0.002	S
	Within Groups	1272.028	1498	0.849			
	Total	1280.034	1499				
Opinion about Present Tax System_12_Current Income Tax Rates in India are High.	Between Groups	2.632	1	2.632	3.128	0.077	S
	Within Groups	1260.522	1498	0.841			
	Total	1263.154	1499				
Opinion about Present Tax System_13_Withdrawal of Standard Deduction has adversely affected on you.	Between Groups	0.789	1	0.789	1.201	0.273	NS
	Within Groups	984.061	1498	0.657			
	Total	984.850	1499				
Opinion about Present Tax System_14_Tax Exemption limit should be increase.	Between Groups	11.483	1	11.483	13.600	0.000	S
	Within Groups	1264.826	1498	0.844			
	Total	1276.309	1499				
Opinion about Present Tax System_15_Every year Slab rate should be revised.	Between Groups	0.045	1	0.045	0.061	0.804	NS
	Within Groups	1103.032	1498	0.736			
	Total	1103.077	1499				
Opinion about Present Tax System_16_Surcharge should be avoided.	Between Groups	43.110	1	43.110	45.600	0.000	S
	Within Groups	1416.209	1498	0.945			
	Total	1459.319	1499				
Opinion about Present Tax System_17_Maximum limit for Deduction u/s 80C should be increase.	Between Groups	28.123	1	28.123	32.050	0.000	S
	Within Groups	1314.471	1498	0.877			
	Total	1342.594	1499				

(Sig. 0.05) (Source: Primary Data Calculation SPSS 25.0)

CONCLUSION

From the study conducted to know about the awareness and opinion about income tax India from North Gujarat Region. The study was conducted to know if there was any difference in income, saving and investment patterns on the basis of gender as well as qualifications. Researcher found that male salaried people are more aware than female salaried people and most of salaried employees were of the opinion that the tax rate should be reduced and basic exemption limit should be increased. There was post graduate salaried people are more aware about income tax than graduate and schooling level salaried people. Most of salaried people were file their return thought tax consultant, less salaried people filling their own return. Researcher found that mostly government employees are doing care about their income

tax rate and their return .their all work are done by their tax consultant. Even they have less knowledge about their income tax system. A tax awareness and tax education .A perception of potential tax payer .on the basis of investigating, contextual tax awareness, ethical tax awareness and finding need to learn tax as knowledge in a high education level. The study suggested the need to analyze the issue of losing huge magnitude of tax revenue every year because of numerous exemptions in the Central Govt. tax system. In area like North Gujarat Region people should be more aware about their income tax and get knowledge about it.

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