Problems and expectations of salaried tax payers in a Salem district-An Empirical study

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Received: 10 May Revised: 18 May Accepted: 26 May

Abstract

The intention of the study is to research the problems and expectation faced by salaried tax payers in Salem district. While they file returns through online or offline they face critical problems which crush their mind to end-up soon. As the salaried tax payers are not from background of commerce base they feel tuff in understanding taxation laws. Even though they are aware of tax deductions available u/s 80 C to 80 U, at time of filing returns feel inconvenience in claiming refund of tax and expectation from government for their problems. The data collected through structured questionnaire. The statistical tools like chi square test used to find out significant difference in problems faced by salaried tax payers and Fried man test.

Keywords: Problems, Expectations, Salaried tax payers.

Introduction:

In India, tax on income is higher, compared to other countries in the world and the individual is trying his best to maximize returns on investment and minimize his/her tax outgo. The Government of India also offers tax sops to its people by way of concessions of tax if an individual deposits his/her savings in certain investment avenues in order to attract capital and at the same time reduce tax burden of an individual. These incentives of the Government have led the people of the country, particularly the salaried class, to go for tax planning in order to reduce tax liability (Vasanthi, 2015).

The salaried tax payers while they plan to get reap of their tax burden by claiming deductions where as they face problem in filing returns, paying high fee for tax consultant to wipe of their tax payment, in getting refund of tax and so on. For this purpose, Salaried tax payers are awaiting for some amendments which would change their inconvenient position to comfort zone.

Review of literature:

Mohd Rizal Palil et al. (2013) have studied the influence of religiosity on tax knowledge and tax education with the level of tax compliance in Malaysia. The study found that the level of tax compliance of the respondents was lower compared to their education and knowledge. They
have also identified that religious values played a very important role to make the taxpayers liable for tax compliance.

Matthias Wrede (2014) has found that tax planning has increased the fair tax rate in Germany. The study identified that families with pro-social motives should be taxed less than those without pro-social motives. The study proved that taxation should not prevent individuals with the joy-of-giving motives from contributing substantially more to the social good than individuals who do not share these motives.

Matti Ylonen and Matias Laine (2015) have found that the company has made only limited disclosures on taxation and issues on tax planning, tax risks and tax compliance has been omitted completely.

Data Analysis and Interpretation on Problems and expectations of salaried tax payers.

In this part, a thorough analysis has been carried out with respect to problems faced by the salaried tax payers. It is useful to the policymakers for devising appropriate modifications to overcome the problems faced by the salaried tax payers. In this regard, Friedman’s test is used to know the problems faced by the salaried tax payers.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Mean Rank</th>
<th>$\chi^2$ Test</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Filing returns with Form 16</td>
<td>4.18</td>
<td>.884</td>
<td>3.71</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Delays in receiving refund</td>
<td>2.59</td>
<td>1.454</td>
<td>2.26</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax consultants are charging high fee</td>
<td>2.64</td>
<td>1.492</td>
<td>2.30</td>
<td>599.699</td>
<td>.000</td>
</tr>
<tr>
<td>Lack of awareness on computation of tax liability</td>
<td>4.08</td>
<td>.808</td>
<td>3.57</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of awareness on deductions under Income Tax Act</td>
<td>3.55</td>
<td>1.412</td>
<td>3.16</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The result of Friedman’s Chi-Square test shows that there is a significant difference (P<0.05) found in the problems faced by the salaried tax payers (Table – 1.1). The mean ranks revealed the fact that tax payers faced problems in filing the returns (Mean Rank=3.71) followed by lack of awareness on computation of tax liability (Mean Rank=3.57), lack of awareness on deductions under Income Tax Act (Mean Rank=3.16), tax consultants are charging high fee (Mean Rank=2.30) and delays in receiving refund (Mean Rank=2.26).

Expectations of salaried tax payers

The expectations of salaried tax payers have been analyzed for improving tax planning measures and procedures. This exercise will bring to light the need for improvements to be made
by the exchequer to modify the tax laws. In this regard, Friedman's Test has been employed.

### Table – 1.2
**Expectations of Salaried Tax Payers**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Mean Rank</th>
<th>$\chi^2$ Test</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Rates should be lowered</td>
<td>4.27</td>
<td>.712</td>
<td>5.07</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rationalization and simplification of tax laws are inevitable</td>
<td>4.15</td>
<td>.947</td>
<td>4.94</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Always deduct tax at source on all income</td>
<td>4.22</td>
<td>.808</td>
<td>5.01</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quick and time bound for refund of excess tax paid</td>
<td>4.07</td>
<td>.863</td>
<td>4.53</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax planning education should be provided</td>
<td>4.19</td>
<td>.828</td>
<td>4.96</td>
<td>74.186</td>
<td>.000</td>
</tr>
<tr>
<td>E-filing should be popularized</td>
<td>4.33</td>
<td>.848</td>
<td>5.47</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Higher exemption limit should be introduced for women below 60 years</td>
<td>4.25</td>
<td>.876</td>
<td>5.25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxable Income slab can be changed from 2.5 lakhs to 4 lakhs</td>
<td>4.19</td>
<td>.974</td>
<td>5.10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To increase the deduction amount limit from 1.5 lakhs to 3 lakhs u/s 80C</td>
<td>4.12</td>
<td>.858</td>
<td>4.70</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The result of Friedman’s Chi-Square test shows that there is a significant difference (P<0.05) found in the expectation of the salaried tax payers (Table – 1.2).

The mean ranks revealed the fact that the majority of the salaried tax payers expect to ‘popularize e-filing’ (Mean Rank=5.47) followed by ‘higher exemption limit should be introduced for women below 60 years’ (Mean Rank=5.25), ‘taxable Income slab can be changed from 2.5 lakhs to 4 lakhs’ (Mean Rank=5.10), ‘tax Rates should be lowered’ (Mean Rank=5.07), ‘always deduct tax at source on all income’ (Mean Rank=5.01), ‘tax planning education should be provided’ (Mean Rank=4.96), ‘rationalization and simplification of tax laws are inevitable’ (Mean Rank=4.94), ‘to increase the deduction amount limit from 1.5 lakhs to 3 lakhs u/s 80C’ (Mean Rank=4.70) and ‘quick and time bound for refund of excess tax paid’ (Mean Rank=4.53).
Findings:

- The maximum of salaried tax payers have agreed that tax exemption limit is not sufficient, followed by the increase of the maximum limit for deductions u/s 80C, income tax rates are high, tax system in India is highly complicated, surcharge should be avoided, deduction for bank interest should be reinforced, substitution of tax rebate u/s 88 by deduction u/s 80 is beneficial to me, introduction of Direct Tax Code will simplify the taxation procedures and filing of return is very complex.

- The problems faced by the salaried tax payers indicate that filing of returns followed by computation of tax liability, lack of awareness on deductions under Income Tax Act, tax consultants are charging high fee and delays in receiving refund are the daunting problems among the tax payers.

- The expectations of the salaried tax payers are popularize e-filing followed by increase the exemption limit for women below 60 years, taxable Income slab can be changed from 2.5 lakhs to 4 lakhs, tax Rates should be lowered, always deduct tax at source on all income, tax planning education should be provided, rationalization and simplification of tax laws are inevitable, to increase the deduction amount limit from 1.5 lakhs to 3 lakhs u/s 80C and quick and time bound for refund of excess tax paid.

Suggestions:

- In this digitalised era, most of the people are using smart phones. So, the Income Tax Department can develop an exclusive mobile application for filing of tax. It can also be used for communicating modifications in the tax laws and various exemptions and deductions under Income Tax Act. Hence, it paves way for creating a foolproof tax administration system.

- The Government should increase the taxable slab rate from 2.5 lakhs to 4 lakhs. It is helpful to reduce the tax liability of the assesses as well as to cope up with the price level changes due to inflation.

- The Government should increase the maximum limit for deductions u/s 80C from 1.5 lakhs to 2.5 lakhs. It is useful to minimise the tax liability of the assesses in the middle income group.

- The salaried assesses felt that the tax system of India is highly complicated. So, tax laws should be simplified and modified which is easy to understand by all the strata of the society.

- For simplification of tax system, flat rate income tax system shall be introduced by abolishing all the deductions and exemptions. Under this system, tax can be levied, based on the different ranges of income.
Conclusion
In this study, adequate consideration has been given to critically analyze the problems and expectations of salaried taxpayers under Income Tax Act. It is observed that salaried taxpayers possessed high level of awareness about the provisions of the tax law and tax planning measures. But the awareness is low for subscription to approved infrastructure bonds, relief u/s 89, capital gain, subscription to mutual funds and treatment of handicapped dependents. It is also observed that most of the salaried tax assesses plan their tax at the end of the financial year. It is identified from the analysis that the employees are having adequate awareness on tax exemptions and tax planning measures to a larger extent, but salaried tax assesses are not fully utilizing the tax planning measures for reducing their tax liability.

Reference:


