

# Perception and Attitude towards Taxation and Filing of returns of Individual Assesseees with special reference to Coimbatore city - A Study of Published literature

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## Abstract

The Income Tax Act, 1961 which has been effective from 1st April 1962, has been followed by Tax Administrators and Tax Payers till now, with due amendments taking place every year. This Act consists of 298 Sections, Sub-sections, Rules and Sub-rules running into several pages by way of Income Tax Provisions for computing and levying of tax under various circumstances. In a regressive tax system, lower income taxpayers pay larger percentages of their incomes in taxes compared to higher income taxpayers, although most of the policymakers and citizens view regressive taxation as generally unfair and unethical. The study is an endeavour to discuss the trends and patterns of tax systems particularly by individual assesseees and their impact on Indian tax system.

**Keywords:** Income Tax, Assessee, Perception, Attitude, Taxpayer and E-filing.

1. Sellywati Mohd Faizal, Mohd Rizal Palil, Ruhanita Maelah, Rosiati Ramli (2017) in their article portrayed the relationship between justice and trust with tax compliance behavior in Malaysia. The previous studies which were collected by the researchers acknowledged the perception that justice does have an impact on tax compliance. This study differentiates the justice practices into procedural justice, distributive justice, and retributive justice. Hence, this study examined the effect of these three types of justice on tax compliance. As the trust influences the act of tax compliance, the researcher believed that it also has a relationship to the element of justice. The questionnaires were framed to identify the perceptions of individual taxpayers based on the previous studies. The research findings suggest that among the types of justice, procedural justice and trust affect tax compliance and procedural justice has positive impact and significant correlation to trust. But it is understood that the trust does not mediate the relationship between justice and compliance. This researcher had a scope that this research paper contribute to the tax literature with widened scope on justice in Malaysia. From the results, the researchers have concluded that most of the

respondents feel that they would improve their tax compliance behavior if they perceive the tax authority which manages to conduct good and fair treatment in tax activities and procedures. Further it is also stated that fair treatment is more important than fair benefits or fair punishment received by taxpayers to increase tax compliance. This justice perception also will increase taxpayers' trust in the tax authority where this factor can also enhance tax compliance behavior. But it was also notice that the trust has been proved to have no effect in the relationship between procedural justice and tax compliance. The findings of the paper revealed that the tax authority in Malaysia will get trust, cooperation, and more compliant taxpayers if they treat taxpayers politely and fairly in performing tax procedures.

2. David Rodriguez-Justiciaa and Bernd Theilen (2017) in their article made an attempt to analyse the determinants of tax morale which have been widely studied in various literatures and the fundamental influence of education on tax morale. The past literatures of psychological and political science give the discernments about the role of education in the formation of social values. Hence in this paper, the researchers made an attempt to analyze two channels through which education shapes tax morale. The findings of the study revealed that education has a positive impact on tax morale for those individuals that are net beneficiaries of the welfare state, and a negative impact for those that are net contributors. Moreover the results indicate that the more highly educated because of their better knowledge on public affairs exhibit higher levels of tax morale in countries that have better quality services to public, a reasonable tax system and higher quality institutions.

3. Susanna Grundmann, Johann Graf Lambsdorff (2017) in their research paper explores the Anecdotal evidence which suggests that tax morale diminishes with income and with levels of taxation. The researchers designed an experiment which enables identification of causal effects in which the subjects carry out a sequence of real effort tasks. The individual income differs with the effort taken by them (combined with variances related to skill or luck) and the exogenously given length of the tasks. For each task, the subjects privately roll a die, whose value determines the tax rate, which is then reported by subjects. This leads the subjects with an incentive to cheat. Tax morale reduces with higher exertion, which might find ethical justification, but also with longer tasks, which would not. The researchers for the purpose of the study implemented various treatments that vary the range of taxation. Opposing to widespread belief, participants' tax morale is invariant to these treatments. The findings of the study clearly explained that psychological force tempts rich people to cheat more.

4. Eva Hofmann, Martin Voracek, Christine Bock, Erich Kirchler (2017) in their research paper explained about the tax submission that varies across socio-demographic categories. However, research on the relationships between tax submission and age, gender, education and income level shows unpredictable results, both regarding the direction of the relationship and its size. The current analysis target to merge findings in survey studies on age, sex, education, and income and assessment the strength of the impact on tax compliance by taking into account geographical regions. In four meta-analyses, comprising 459 samples (N = 614,286) from 111 countries, the data published between 1958 and 2012 were considered and found

that the average estimated effect sizes were insignificant, ranging from  $r = 0.12$  for the relationship between compliance and age,  $r = 0.06$  for sex,  $r = 0.02$  for education to  $r = 0.04$  for income. These effects are more noticeable in Western countries. It thus appears socio-demographic characteristics have slight impact on tax compliance, but nevertheless should be controlled for in tax research.

5. Musharraf R.Cyan, Antonios M.Koumpias, Jorge Martine z-Vazquez (2016) in their research paper made an attempt to examine the determinants of tax morale in Pakistan, a country which struggled with low tax effort over the past decade. The researchers exploited novel data for individual taxpayers collected in 2014 by Pakistan's Federal Board of Revenue to estimate a binary probit regression model. The results of the study were in line with the findings of the modern empirical literature on tax morale compared with other countries. There were positive attitude towards tax compliance only with the lower labour force group. When compared with the illiterates, the educated respondents exhibit higher tax morale. Those industrialized population which serves as seats of Government, the tax morale is high. While considering the gender of the tax payers, females show generally higher tax morale than males, however, their attitudes tend to worsen with age to such an extent that elderly females when compared with elderly males have lower tax moral. Hence the findings on gender suggest potential gains from increasing female labor force participation rates. Generally by considering the current failures of tax administration and dealing with horizontal inequity arising from administrative weaknesses may contribute substantially to improving voluntary compliance.

6. Peggy Jimenez, Govind S. Iyer (2016) in their research paper investigates about the voluntary tax compliance which is important for governments around the world as they try to manage budget deficits. The improve tax compliance, the traditional methods such as increased audits, may be found costly to implement. The main purpose of this study is to examine the social factors influence which have on individuals' tax compliance intentions. From a survey conducted among 217 US tax payers, the results revealed that there is a support for the influence of social factors on tax compliance. Further the research concluded that social norms influence compliance intentions indirectly through internalization as personal norms. Explicitly focusing as the strength of social norms increases in favor of tax compliance, personal norms of tax compliance also increases, and this leads to a subsequent increase in compliance intentions. It was also concluded that trust in government has a significant influence on both perceived fairness of the tax system and compliance decisions. The future scope of the research paves way to add to current tax research in two important ways. First, the results propose that the influence of social norms on tax compliance is largely through internalization as personal norms. Second, the perception of fairness is modeled as a function of trust rather than vice-versa. This research may help taxing authorities develop less costly and more effective strategies for increasing taxpayer compliance.

7. Gabrielle Fack, Camille Landais (2016) in their research paper made an attempt to study the endogenous policy instrument which are available to the tax authorities such as level of information, enforcement, etc through "sufficient statistics" approach to explore the optimal tax rate. This research paper provides evidence that both the magnitude and the anatomy of tax elasticities are extremely sensitive to a

particular policy instrument: the level of tax enforcement. The researchers pointed out the natural experiment that took place in France in 1983, when the tax administration tightened the requirements to claim charitable deductions. The reform led to a substantial drop in the amount of contributions reported to the administration, which can be credibly attributed to over reporting of charitable contributions before the reform, relatively than to a real change in giving behaviors. The researchers show that the reform was also associated with a substantial decline in the absolute value of the elasticity of reported contributions. This finding allows the researchers to partially identify the elasticity of over reporting contributions, which is shown to be large and inferior to in the tax enforcement regime. The researchers further show using bunching of taxpayers at kink-points of the tax schedule that the elasticity of taxable income also experienced a significant decline after the reform. The results recommend that failure to account for the effect of tax implementation on both the magnitude and the anatomy of the elasticity of the tax base with respect to the net of tax rate can lead to ambiguous policy conclusions, both for the global optimal tax rate (when all policy instruments are optimized) and the local optimal tax rate (provisional on all other policy instruments staying at their status quo levels, hypothetically away from the optimum).

8. Ravi. M.V (2016) in his article explained about the New Government's urge of attracting more Foreign Direct Investments through innovative schemes, policies like Make in India, Digital India, Startup India, Stand up India, One Country One Market, Smart City Projects etc., Indian Taxation have been in force from time immemorial, formally it was enforced in India by the British Government in 1860. In 1961, the first Income Tax Act of Independent India was passed. The complexity of the Act has increased year by year with the issuance of notifications, circulars, and judgments offered in various suits. CEOs of Fortune companies meet in silicon city USA opinioned that India have Complex tax policy, delay in policy making, Intellectual Property rights, Lack of bankruptcy and trade policy. In order to cater to the present day requirements of the economy, a need has been long felt to Compare Indian Tax policy with BRICS Countries Tax Policies. Data has been collected, processed and presented in the form of tables and figures through secondary source and the analysis was made with help of relevant statistical and mathematical tools such as percentage Mean, Standard Deviation, ANOVA and Tamhane Test.

9. Dr. Sopan Kasinath (2016) in his article stated about the theoretical and practical aspects of Income Tax in India. The Taxpayers are considered as the elite group. Their contribution to the Economic growth and development of Indian Economy is highly commendable and appreciable. The Income Tax Act, 1961 came into effect from 1<sup>st</sup> of April, 1962 in India. Taxation comprises of Direct and Indirect Taxes in India. When compared the total taxes of 1951 and 2016, the Total (Direct and Indirect) Taxes in India have gone up to Rs 14.54 Lakh Crore during the year 2015-16 in contrast to 627 crores during the year 1950-51. The Income from Total Taxes has increased substantially by 2,319.26 fold during the above study period. The contribution of total taxes is highly substantial in India. Direct tax to GDP ratio in India is at 5.47 percent in the year 2015-16 in contrast to 2.22 percent during the year 1950-51. The direct tax to GDP ratio has gone

up considerably during the above study period. In the end there are few suggestions made to the Government in the interest of taxpayers.

10. Wilson Prichard (2016) in his article explained about the growing concern with the weaknesses of economic statistics relating to developing countries, and the risks that poor data have generated misleading research findings and poor policy advice. The tax data of Cross-country would be the outstanding example, with existing datasets constantly highly incomplete, logically vague, plagued by errors, and sharply lacking in transparency. This research article made an attempt to introduce the new Government Revenue Dataset from the International Centre for Tax and Development, which provides a more consistent, transparent, and complete basis for cross-national research. This new dataset makes the researcher re-examine major questions about the relationships between tax and aid, elections, economic growth, and democratization. The outcomes excavate some previous conclusions and call others seriously into question—notably the assertion that aid requirement consistently weakens domestic revenue efforts. Further, the research validates the value of the new dataset, the wider compass of many results to changes in data quality and coverage, and the consequent importance of expanded attention to, and investments in, data quality. The theoretical model is structured to consider these factors in a framework that can be empirically tested. The main results of the theoretical model are: (a) the size of tax evasion balanced, (b) Tax compliance increases when social stigma rises and (c) Possibility of multiplicity of equilibria (i.e. two stable equilibria; one with a high proportion of the population dishonest, and the other with low aggregate tax evasion). This dynamic approach may explain the observed persistence of tax evasion over time, in particular, the researcher found that where pure intrinsic attitude to tax compliance is concerned the degree of taxpayers' heterogeneity might cause multiple equilibria. The theoretical outcomes were tested on a panel of 19 Latin American countries observed from 1990 to 2004. The empirical findings are mainly consistent with the predictions of the model.

11. Gaetano Lisi (2015) in her research paper incorporates the positive relationship that prevails between tax compliance and tax morale which leads into the social welfare function and derives the finest tax policy in the existence of honest taxpayers and tax evaders. The right mix of policy instruments of restriction for clamping down on tax evasion depends on taxpayers' morality. Hence it was identified that monitoring turns out to be an effective tool for controlling illegal activities, thus a tighter audit is recommended in any case. These monitoring activities should not affect the honest taxpayers, and this increase in monitoring should be offset by tax reductions. In divergence, in the case of tax evaders, the severe monitoring should be accompanied by higher penalties.

12. Katharina Gangl, Eva Hofmann, Erich Kirchler (2015), in their article explained about the Tax compliance which represents a social dilemma in which the short-term self-interest to minimize tax payments is at probabilities with the collective long-term interest to afford sufficient tax funds for public goods. Based on the research Framework, the social dilemma can be solved and tax compliance can be certain by power of tax authorities and trust in tax authorities. However in the framework, the dynamics between power and trust remains silent. The purpose of the present research paper is to abstract the

dynamics between power and trust by differentiating coercive and appropriate power and reason-based and implicit trust. Perceptions into this dynamic are derived from an integration of a wide range of literature such as on organizational behavior and social influence. The results of the research concluded that the effect of the dynamics between power and trust on the interaction environment between authorities and individuals and subsequent individual motivation of cooperation in social dilemmas such as tax contributions can be utilized by authorities to increase cooperation and to change the interface climate from an aggressive climate to a service and confidence climate.

13. Kangoh Lee (2015) in his research paper considers tax evasion with morality and its implication for equity of the tax system. The tax evasion without moral costs in the standard model it is found that the higher-income taxpayers evade more, relative to their incomes, than lower-income taxpayers, and evasion makes the tax system regressive. While considering the moral costs, equity of the tax system depends on the degree of morality. The moral costs of evasion increases and evasion becomes inferior while the level of morality in society increases. The higher-income taxpayers evade less and pay more taxes, and evasion makes the tax system progressive for a high level of morality. The lower-income tax payers evade less and pay less taxes, and evasions makes the tax system regressive for a low level of morality.

14. R. Oberholzer, E.M. Stack (2014) in their research paper investigated about the tax payers perceptions in four major South African population groups (that is, Black/African, Indian, Coloured and White). Diverse cultures, languages, beliefs and backgrounds were found in South Africa and it is imaginable that these different population groups may have differing perceptions of taxation. These perceptions also, in turn, influence their attitudes towards tax compliance. So it is, therefore, argued that in order to change taxpaying behaviour, perceptions must be first identified, and then influenced in a positive way towards tax compliance. The researcher has framed a structured questionnaire from an extensive literature survey and the data for this study was collected from a sample of 260 South African taxpayers by means of face-to-face interviews. As the purpose of the study was not to generalize the whole South African population, the scope of the study was limited only on natural taxpayers within the Tshwane metropolitan area (which includes Pretoria, the capital city of South Africa) in Gauteng. It was also found that different population groups in South Africa may have different perceptions towards taxation. To create positive impact over tax culture, government could perhaps focus more strongly on educating the various population groups about the importance of paying their taxes. To identify the role of individual behavior, large numbers of factors were identified as the influencing variables under multifaceted approach.

15. Natrah Saad (2014) in his research examines taxpayers' views on their level of tax knowledge and perceived complexity of the income tax system. Further, the study attempts to explore the underlying reasons for non-compliance. The data was collected through telephone interviews among thirty respondents, and analysed using thematic analysis. The research results suggest that taxpayers have insufficient technical

knowledge and recognize tax system as complex. Tax knowledge and tax complexity are viewed as causative factors towards non-compliance behaviour among taxpayers.

16. Dr.Poonam Khurana (2014) in her article studied about the attitudes and moral beliefs about tax evasion's propriety, as antecedents of tax compliance. Tax compliance is defined as degree to which a taxpayer complies (or fails to comply) with the tax rules of a country. Through tax compliance research, it was found that there has been a significant shift in research paradigms, from an emphasis on enforcement to approaches that stress cooperation. The taxpayers' attitude on compliance may be influenced by many factors, which eventually influence taxpayer's behavior. The present research paper concludes social and psychological conditions, including attitudes and moral beliefs about tax evasion's propriety, as antecedents of tax compliance. Other than attitudes, personal norms are important factors of tax compliance. Behavioral intentions are also determined by subjective norms. To integrate various social and psychological aspects into a unified framework, slippery slope framework has been adopted. The researcher concludes with recommendations that can improve tax compliance, based on this unifying framework. Primary data has been collected from the 100 people working in Delhi and NCR selected by convenience sampling. A self-structured questionnaire using 5 Point Likert Scale has been administered to the sample group to investigate the psychological factors under study.

17. Raihana Mohdalia, Khadijah Isab, Salwa Hana Yusoffb (2014) in their research paper made an attempt to explore the threat of punishment that has been emphasized as one of the effective tools to deter taxpayers' non-compliance attitudes. The main purpose of the study is to examine the impact that is created towards the threat of punishment on both individual taxpayers' attitudes, compliance and noncompliance of tax. Two types of survey has been carried over which includes offline survey and online survey. The outcomes from a mixed-modes survey indicate that threat of punishment is irrelevant on the taxpayers and the results will be insignificant, who are willing to comply with tax laws. These types of tax payers tend to avoid taxes when they were threatened with tax audits and penalties. Generally, threat of punishment appears to have not only an insignificant impact on acquiescent taxpayers but also trigger their intentions to be less compliant. For the purpose of analysis, the usable responses from both methods were 302 with 197 responses which were received from the drop-off survey and 105 responses from the online survey. As the same questionnaire has been used in both the methods of survey, it has been combined and the t-test results show that there were no significant differences between the data collected from both online and offline survey such as ( $t(300)VTC= 0.91, p = n.s.$ ). Based on the research carried over in different nations, the percentage of Malay (78 percent) involved in this study appeared to be over representative compared to Chinese (17 percent) and Indians (5 percent), but the overall sample was considered acceptable because the researchers carried their study in their home town, hence the actual ranking of Malaysian proportion were high in the population. Results indicated that 90 percent of the

respondents were salaried taxpayers and 10 percent were self-employed taxpayers. The mean score for voluntary tax compliance is 3.67 and the mean score for tax avoidance attitude is 2.53. The finding of the research paper indicates that there is high voluntary tax compliance among the respondents and negative inclination towards the component of tax avoidance attitude.

18. Antonio Filippin, Carlo V. Fiorio, Eliana Viviano (2013) in their paper argued that tax enforcement is an supplementary contextual factor affecting tax morale which is considered as one of the most important determinants of tax compliance. Based on the unique dataset which is used to merge a representative sample of Italian households with administrative data on tax enforcement, the researchers first found that tax morale is positively correlated with tax enforcement. Second, in order to deal with possible endogeneity of tax enforcement, the results are confirmed in an IV specification using the change in the tax gap at the provincial level as an instrument for tax enforcement. Finally, the researchers produced the evidence that the impact of tax enforcement and social environment is stronger at low quantiles of tax morale. The results show that besides that of lowering the expected value of tax evasion, tax enforcement has an additional and indirect effect on tax compliance through its effect on tax morale.

19. R. S. M. Joshitta<sup>1</sup>, N. Divya, R. Princitta (2013) in their paper, they evaluated effects on tax compliance in the Indian income tax administration. Income taxes are necessary supply of revenue to government in each developing and developed countries. But the number of revenue to be generated by a government from such taxes for its expenditure programme depends upon the disposition of the taxpayers to accommodate tax laws of a country. The borderless international economy has actually place India at the forefront of the world trained resource pool, not only in the information technology arena but also even in traditional areas like taxation. But, according to the government sources, only 3.5 crore people, or 2.89 percent of the country's total population of more than 121 crore, file income tax return in India. There are variety of things that will be answerable for low compliance in taxation in India. However, taxpayers' angle has been known joined issue that play necessary role in influencing tax compliance behaviour. The data of the study are collected through a survey of individual taxpayers' opinion, and treated by a data mining tool called XL miner. The results of the study indicates that taxpayer's angle towards nonpayment is absolutely associated with compliance behaviour.

20. Roberto Dell'Anno (2009) in his paper shows that aggregate tax evasion may be largely explained by tax morale and that tax morale is dependent on the taxpayers' intrinsic attitudes to honesty and social stigma. The theoretical hypothesis is that these attitudes are influenced by the taxpayers' perceptions of the size of tax evasion as well as by their perceptions of the policy maker's effectiveness in exercising control over the relevant macroeconomic variables and safeguarding the interests of citizens. This research attempts to bring together the different strands of literature on tax morale. To support the theoretical model developed by Gordon's (1989), the researcher made an attempt to support the main factors hypothesized by Torgler (2001) by determining tax morale fairness, moral rules, and the relationship between taxpayer and government. The notion of fairness assumes several meanings in literature. Traditionally, the decision to comply or not



comply with tax laws has been understood as an individual's rational pursuit of material outcome maximisation, weighing the expected costs of detection against the expected benefit of not paying the tax (Allingham and Sandmo, 1972). According to extensive literature, the present research investigated the role of tax morale and social stigma on the level of aggregate tax evasion. Torgler (2001) indicates three factors as shaping tax morale: moral rules (here called psychic cost), fairness, and the relationship between taxpayers and the government (here both were accounted as social stigma). As recent studies have highlighted, taxpayers systematically adjust their evasion levels according to their satisfaction levels with public policy, processes of collective decision-making, and the quality of their relationship with the authorities (Schnellenbach, 2006). Economic psychology and experimental economics confirm that the perception of fairness of the economic system plays an important role in tax evasive behaviour. According to this literature, it is assumed that social stigma also depends on how satisfied citizens are with public policy. Thus from a social exchange point of view, willingness to comply with tax rules is affected by the individual perception of the effectiveness of the government in keeping low unemployment and inflation rates and in upholding a satisfactory.

