

# A study on Income Tax Literacy level among Tax payers with special reference to Salaried Individual in Bengaluru City

Mr. Chittibabu C

Assistant professor,  
Department of Commerce,  
Mangalore Institute of Management and Science,  
Affiliated to Bangalore University, Bengaluru.

**Abstract:** Tax is a very important aspect for any Individual and any country. Savings from tax will increase better financial plan for individual, revenue collected from taxes enables a country to provide better services for its citizens which leads to economic development in the country. Authority of the government to levy tax in India is derived from the Constitution of India, which allocates the power to levy taxes to the Central and State governments. Taxes are of two distinct types, direct and indirect taxes. Direct taxes are levied directly on an entity or an individual and cannot be transferred onto anyone else. Income Tax, Capital Gains Tax, Securities Transaction Tax, Corporate Tax etc., these are some of the direct taxes. Indirect taxes are those taxes that are levied on goods or services. The most common examples are GST, VAT, Taxes on Imported Goods, Sales Tax, etc. Income Tax is charge on total income earned by every person during the relevant previous year. The gross total income of a person is computed under five heads of income i.e., income from salary, income from house property, income from business and profession, income from capital gain and income from other sources. This study focuses on to ascertain the level of awareness of salaried individuals on Income tax provisions and to understand the measures adopted by salaried class for tax planning. The study is descriptive in nature. Both primary and secondary data are used in the study. Convenience sampling method used to collect 120 responses with the help of structured questionnaire. Data collected were analysed by using frequency and percentages and findings are interpreted accordingly.

**Keywords:** Taxpayer awareness and Perception, Income Tax Planning, Tax Liability.

## I. Introduction

Income Tax is the compulsory financial charge levy by the government on income, commodity, services, activities or transaction. The word 'tax' derived from the Latin word 'Taxo'. Taxes are the basic source of revenue for the government, which are utilized for the welfare of the people of the country through government policies, provisions and practices.

In India, Income Tax was introduced in the year 1860 by Sir James Wilson in order to meet the loss caused on account of 'military mutiny' in 1857.

In the year 1886, a separate Income Tax Act was passed, this act was in force for a long time, subject to the various amendments from time to time. In the year 1918, a new Income Tax Act was passed, but again, it was replaced by another new act of 1922. The Act of 1922 became very complicated due to various amendments. This act remains in force to the assessment year 1961-62. In the year 1956, the Government of India referred to the Law Commission in order to simplify the law and also to prevent the evasion of Tax.

The Law Commission submitted its report in September 1958 in consultation with the Ministry of Law. At present, this law is governed by the Act of 1961 which is commonly known as Income Tax Act, 1961 which came into force on and from 1st April 1962. It applies to the whole of India, including the state of Jammu & Kashmir.

Any law is itself is not complete unless the gaps are being filled. The law of Income Tax in India governed by the Income Tax Act of 1961 and the gaps are being filled by the Income Tax Rules, Notifications, Circulars and judicial pronouncement including rulings by the Tribunal.

At the end of financial year, there's a rush among taxpayers to invest in various tax-saving instruments. While investments in these instruments are an ideal way to reduce tax liability, it's more important to understand their pros and cons to make effective investment decisions. As per Indian income tax act, 1961 an assessee can claim various deductions, reliefs, and rebates from there income for computation of tax liability. The gross total income of a person is computed under five heads of income i.e., income from salary, income from house property, income from business and profession, income from capital gain and income from other sources. Taxpayer education can be described as a method of educating the people about the whole process of taxation and why they should pay tax. It assists taxpayers in meeting their tax obligations to the government. This means that the primary existence of taxpayer education is to encourage voluntary compliance amongst taxpayers. The main objective of tax payer education is in three folds: impart knowledge as regards tax laws and compliance; change taxpayer's attitude towards taxation and increase tax collection through voluntary compliance. The present study is an attempt to know the awareness level and perception of salaried individual regarding the Income Tax Provisions and Tax planning.

## II. Review of Literature

- **Ansari & Moid (2013)**, studied the investment behaviour of an individual investor regarding the dissemination of left out income in different investment schemes. The study reveals that one most prominent factor which guides them awareness while investing was a risk factor associated with that tool. The major purpose of the investment was for growth and additional income whereas income and age also play an important role while investment irrespective of gender.

- **Ahammad & Lakshmanna (2017)**, studied the different options of investments available as well as the factors that play an important role while selecting the investment tool with the salaried employees. The study concludes that people are fully aware of the available options. The study also found safety and liquidity as the most considerable factor while investing. Employees want a more awareness to secure and steady flow of funds on the investment made in the past.
- **Vinayak Revji Gandal (2017)**, the study concluded that overall tax literacy level is 74.66%. This shows that people are aware about their personal tax planning. The level of tax awareness gets affected by gender, age, education and income level. It is also concluded that most of the assessee have basic knowledge about income tax provisions and tax planning.
- **Niway Ayalew Adimasu & Wondwossen Jerene Daare (2017)**, studied that the major reason of tax noncompliance is lack of awareness by tax payers followed by lack of capacity to pay, intentional non-compliant tax payers, negligence, existence of poor and tiresome collection system, and expectation amnesty of tax penalty respectively.
- **Suganya (2015)**, the study found and concluded that tax awareness measures are not significant. Workshop on tax provisions has to conduct in practical manner such that the taxpayers can make tax planning properly.
- **Umamaheswari (2013)**, the study found that the investors lacked awareness about the concept and working of the investment pattern.
- **Patil (2014)**, the study found that majority of individual assesseees are aware of the investment avenues and make investments appropriately. The awareness amongst men is more as compared to females. The study also revealed that there was no relationship between income level and awareness of investment avenues.

### III. Objectives of the Study

- To ascertain the awareness level of salaried individuals on provisions of income tax.
- To understand and evaluate the tax saving measures being adopted by the salaried individual.
- To study the effect of tax awareness and perception of Salaried individual on Tax planning.

### IV. Scope of the Study

The scope of the study is getting familiar with Income tax provisions for salaried individual. To study the investment behaviour of salaried individual with respect to tax planning and to identify the perception and level of awareness on tax saving instruments. The study should cover all areas of individual's tax planning needs and should result in the achievement of salaried individual goals.

The scope of this study will include the following:

- Tax Education.
- Tax Planning
- Investment Behaviour.
- Availability of tax saving instruments.

### V. Research Methodology

Descriptive research used in the study. It describes the situation or phenomenon. Survey method used to collect responses from salaried individual. The data for the study is collected from both primary and secondary sources. Primary Data was gathered by using structured questionnaire technique. The questionnaire was collected from 120 respondents belonging to Bengaluru city. The sample was selected by using convenience sampling technique from the population belonging to different demographic profile like gender, age, education, occupation and income. Secondary data was collected through internet, website, research journals and publications etc.

### VI. Data Analysis and Interpretation

The data collected from various respondents to analysis and interpret the conclusion. The data collected is presented in the form of tables. A brief description of analysis and interpretation are given below:

**Table 1: Respondents on the basis of Gender.**

Sl. No	Gender	No. of Respondents	Percentage
1	Male	87	72.5
2	Female	33	27.5
Total		120	100

(Source: Primary Data)

**Interpretation:**

It is observed that, among all the respondents 72.5% respondents are male and 27.5% respondents were female.

**Table 2: Respondents on the basis of Age.**

Sl. No	Age	No. of Respondents	Percentage
1	20 - 30	63	52.5
2	30 - 40	27	22.5
3	40 - 60	19	18.8
4	Above 60	11	9.2
<b>Total</b>		<b>120</b>	<b>100</b>

(Source: Primary Data)

**Interpretation:**

From the above table, it is observed that among all the respondents 52.5% are 20 – 30 years of age group, 22.5% respondents belong to 30 – 40 years of age group, 18.8% respondents belong to 40 – 60 years of age group and 9.2% of the respondents fall in the above 60 years of age group.

**Table 3: Respondents on the basis of Education.**

Sl. No	Education	No. of Respondents	Percentage
1	Primary Education	8	6.7
2	Secondary Education	22	18.3
3	Degree Holders or UG	52	43.3
4	Master Degree Holders or PG	21	17.5
5	Above Master Degree Holders	14	11.7
6	Illiterate	3	2.5
<b>Total</b>		<b>120</b>	<b>100</b>

(Source: Primary Data)

**Interpretation:**

From the above table, it can be observed that among all the respondents 6.7% belongs to primary education group, 18.3% respondents belong to secondary education, 43.3% of the respondents belong to Degree graduates, 17.5% respondents belong to Master degree graduates, 11.7% of the respondents belong to above master degree education group and 2.5% of the respondents has no education qualification.

**Table 4: Respondents on the basis of Occupation.**

Sl. No	Occupation	No. of Respondents	Percentage
1	Government Employees	12	10
2	Private Employees	76	63.3
3	Business Persons	19	15.8
4	Students	8	6.7
5	Unemployed	5	4.2
<b>Total</b>		<b>120</b>	<b>100</b>

(Source: Primary Data)

**Interpretation:**

From the above table, it is observed that among all respondents 10% belong to Government employee group, 63.3% respondents are employed in Private institutions or organizations, 15.8% of the respondents are business people, 6.7% of the respondents are students and 4.2% of the respondents are unemployed.

**Table 5: Respondents on the basis of General awareness about Income Tax Provisions.**

Sl. No	Response	No. of Respondents	Percentage
1	Yes, fully aware	76	63.3
2	No, not aware	28	23.3
3	May be, not sure	16	13.4
Total		120	100

(Source: Primary Data)

**Interpretation:**

From the above table, it is observed that out of 120 respondents 63.3% of respondents are actually aware about Income Tax Provisions, 23.3% of respondents are completely unaware about Income tax provisions and 13.4% of respondents are not sure about Income Tax Provisions.

**Table 6: Awareness about Income Tax slab rates and Deduction Under section 80 C to 80 U related to salaried individuals.**

Sl. No	Response	No. of Respondents	Percentage
1	Yes, fully aware	48	40
2	No, not aware	16	13.3
3	May be, not sure	56	46.7
Total		120	100

(Source: Primary Data)

**Interpretation:**

From the above table, it is observed that out of 120 respondents 40% of respondents are actually aware about Income Tax slab rates and Deduction Under section 80C to 80U, 13.3% of respondents are completely unaware and 46.7% of respondents are not sure about Income Tax slab rates and Deduction Under section 80C to 80U related to salaried individuals.

**Table 7: Respondents on the basis of Reasons why tax payers are not willing to pay tax.**

Sl. No	Response Type	No. of Respondents	Percentage
1	Lack of awareness	67	55.8
2	Lack of ability to pay	49	40.8
3	Negligence	4	3.4
Total		120	100

(Source: Primary Data)

**Interpretation:**

From the above table, it is observed that 120 respondents asked to express their view about the reasons why tax payers are not willing to pay tax, voluntarily. Consequently, 55.8% of tax payers were replied that most tax payers do not pay taxes because of lack of awareness about taxation, 40.8% of tax payers were responded because of lack of capacity to pay by tax payers and 3.4% of tax payers were answered because of negligence of tax payers.

**Table 8: Respondents on Awareness of Income Tax Returns filling Due Date of salaried individuals.**

Sl. No	Due Date Awareness	No. of Respondents	Percentage
1	I am aware	84	70
2	I am not aware	36	30
Total		120	100

(Source: Primary Data)

**Interpretation:**

From the above table, it is evidenced that 70% of the respondents were aware of the due dates of filing income tax returns, while 30% of the respondents were not aware of the due dates to file income tax returns of salaried individuals.

**Table 9: Respondents on Awareness on Tax Saving Instruments for Tax Planning of Salaried Individuals.**

Sl. No	Response	No. of Respondents	Percentage
1	Yes, fully aware	32	26.7
2	No, not aware	24	20
3	May be, not sure	64	53.3
<b>Total</b>		<b>120</b>	<b>100</b>

(Source: Primary Data)

**Interpretation:**

From the above table, it is observed that out of 120 respondents 26.7% of respondents are actually aware about Tax Saving Instruments for Tax Planning, 20% of respondents are completely unaware and 53.3% of respondents are not sure about Tax Saving Instruments for Tax Planning of Salaried Individuals.

**Table 10: Respondents on the basis of How salaried individuals get the information about Tax Planning.**

Sl. No	Source of information	No. of Respondents	Percentage
1	Through tax consultant	65	54.2
2	Through friends and relatives	28	23.3
3	Through media (journals, magazines, books, televisions, Internet etc.)	27	22.5
<b>Total</b>		<b>120</b>	<b>100</b>

(Source: Primary Data)

**Interpretation:**

From the above table, it is evidenced that 54.2% of the tax payers get the information about tax planning and file returns through tax consultant, 23.3% of the tax payers get the information about tax planning through friends & relatives and also taking help for the purpose of investment and 22.5% of the tax payers get the information about taxation through media for their tax planning.

**VII. Findings of the study**

From the above data analysis and interpretations, following are the findings of the study:

- Majority of the respondents are from male category i.e., 72.5%.
- Most of the respondents falls in the age group of 20 – 30 years i.e., 52.5%.
- Majority of the respondents (i.e., 43.3%) are under graduates as their highest level of education qualification.
- Most of the respondents (i.e., 63.3%) are private institution or organization employees and 15.8% of respondents are Business people.
- Among all the respondents, majority of the respondents (i.e., 63.3%) are aware about Income Tax Provisions.
- Among all the respondents, most of the respondents (i.e., 40%) are aware about Income Tax slab rates and Deduction Under section 80 C to 80 U related to salaried individuals.
- It is evidenced that the main reason for tax non-compliance by most tax payers is lack of awareness about taxation followed by negligence and lack of ability to pay respectively.
- It is evidenced that 70% of the respondents were aware of the due dates of filing income tax returns of salaried individuals.
- It is observed that majority (i.e., 53.3%) of the salaried individuals are not sure about tax saving instruments for tax planning.

- Among all the respondents, it is evidenced that 54.2% of the tax payers get the information about tax planning through tax consultant and file return through tax consultant.

## VIII. Conclusion

It is observed that most of the tax payers were aware about Income Tax provisions such as basic exemption limit, basic concepts of income tax, assessment year, previous year, tax liability etc. Most of the tax payers were aware about income tax slab rates and deductions under 80C to 80U of salaried individuals. From the above study it is concluded that overall tax literacy level is good among salaried individuals. In short, most of the tax payers have basic knowledge about income tax provisions, concepts etc. Tax planning of salaried individuals is done with the help of tax consultant as well as friends and relatives and also tax payers acquire knowledge about tax through media. To improve the taxpayer's knowledge on rates of tax, filing and due dates for filing returns etc., Related authority should make tax payers feel that they are part of the tax system and make them understand Income tax provisions in simple and effective.

## IX. References

1. S. Umamaheswari (2014), "A Special Study on Coimbatore Based Salaried Investors' Awareness, Attitude, Expectation and Satisfaction Over Their Investments" International Journal of Research in Business Management (IMPACT: IJRBM) ISSN(E): 2321-886X; ISSN(P): 2347-4572 Vol. 2, Issue 8.
2. Srivastava J (2017), "A Study on ELSS Savings Linked Most Preferable Investment avenues for tax. Journal of Business & Financial Affairs. DOI: 10.4172/2167-0234,1000245.
3. V.Suganya (2015), "A Study on the Awareness of Tax Planning Measures Among Private Sector Employees in Madurai City". International Journal of Multidisciplinary Research Review, Vol.1, Issue – 9, E- ISSN –2395- 1885 ISSN - 2395-1877, Impact Factor - 2.262
4. Gandal Revji Vinayak. A Study on Awareness of Tax Planning Amongst Salaried Employees in Khopoli City of Raigad District in Maharashtra, International journal of research in Commerce, economics & Mngement, 2017.
5. Niway Ayalew Adimasu, Wondwossen Jerene Daare. Tax Awareness & Perception of Tax Payers & Their Voluntary Tax Compliance Decision: Evidence from individual tax payers in SNNPR, Ethopia, International Journal of Scientific and Research Publications, 2017.
6. Phillemon Gotora, Mokaya Obino Samuel. The Influence of Tax Payer Education on Voluntary Tax Compliance in Tanzania A Case Study of Monduli District Office", International Journal of Management and Commerce Innovations. 2018; 6(1):341-346.

### Websites:

1. <https://www.incometax.gov.in>
2. <https://www.policybazaar.com>
3. <https://groww.in/blog/tax>
4. <https://cleartax.in>
5. <https://www.moneycontrol.com>
6. <https://www.bankbazaar.com>