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A Study on Tax Perception and Tax Evasion of Salaried Employees in Bangalore City

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Abstract: An income tax is a tax levied on individuals or businesses based on their earnings or profits. The societal development needs, the government's social welfare initiatives, the modernization of governmental services, and so on all necessitate a large sum of money. As a result, a government can only function properly if it is adequately funded. As a result, it is the people's responsibility to pay taxes, and the government's right to charge and collect taxes from them. It is necessary for people to have a basic knowledge about the tax concepts and different type of taxes that is paid by them in our country. The study is mainly conducted to study the basic knowledge and awareness of tax concepts among salaried employees and the study also aims to determine whether the tax evasion practices by others are affecting tax paying behaviors of sample respondents. The required for the study was collected from 100 salaried employees who lives in Bangalore City and is a tax payer for the assessing year 2021-2022. The result states that there is no significant difference between gender and qualification with awareness level among salaried employees. The study also shows that there is significant relationship between perception of tax evasion and tax evasion practices.

Keywords- Salaried Employees, Tax Perception, Tax Evasion.

I. INTRODUCTION

A tax is a governmental organization's mandatory financial charge or other sort of levy imposed on a taxpayer to fund certain public expenses. Failure to pay taxes, as well as evasion or resistance to taxation, is illegal. Taxes are divided into direct and indirect taxes, and they can be paid in cash or as its labour equivalent. Taxation is the collection of money from people by an authority with the purpose of spending it for the benefit of society as a whole. The federal government, state governments, local governments, and other entities all levy taxes. The Union Parliament or State Legislatures provide them the authority to levy and collect taxes. The societal development needs, the government's social welfare initiatives, the modernization of governmental services, and so on all necessitate a large sum of money. As a result, a government can only function properly if it is adequately funded. As a result, it is the people's responsibility to pay taxes, and the government's right to charge and collect taxes from them. An income tax is a tax levied on individuals or businesses based on their earnings or profits. In most cases, income tax is calculated as the product of a tax rate and taxable income. Tax rates may differ depending on the taxpayer's kind or qualities, as well as the sort of income.

II. REVIEW OF LITERATURE

- (Temesgen Andualem Kassahun, 3 March 2020) This study tries to examine how business taxpayers perceive the tax system in Nekemte City, and how their perceptions influence their tax compliance behavior. Data were collected through questionnaire from 234 sample respondents. Mean and standard deviation were used while ordinal logistic regression was employed to ascertain whether factors of tax perception influence tax compliance behavior or not. The result revealed that business taxpayers in Nekemte City believe taxes are important for the nation's development, although they feel that city administrators and tax office of the city don't communicate properly, how the taxes collected spend in the way it benefits the residents of the city.

- **(Ufuk Gergerlioğlu, 2020)**The study aims to reveal the differences in the tax and premium perceptions regarding young employees in the age range of 18-35 and retirees. Test results within the scope of structural equation modeling were considered. The use of the tests regarding structural equation models that provide more reliable results than parametric or nonparametric tests contributes to the public finance literature. According to the results of this study, the effect level concerning employees' perceptions of premiums on their tax perceptions may be higher than that of retirees.
- **(Michael Ardho Dewanta, 31 March 2019)**This study aims to examine the effect of gender, religiosity, and love of money on ethical perception of tax evasion. The population of this study consists of undergraduate accounting students of private universities in Semarang, Central Java, Indonesia. Quota sampling method was utilized with total samples of 100 students. The data was collected using questionnaire Data analysis was performed using the Structural Equation Model (SEM) and Partial Least Squares (PLS) 3.0. The results of analysis showed that gender has no effect on religiosity and love of money.
- **(Cornelius Rantelangi, 2018)**The purpose of this study is to find out the factors that influence taxpayer's perception on the tax evasion, so that can be useful for academics, practitioners, and tax policy makers. Sampling technique used is purposive sampling with criteria: taxpayer person who has a freelance job as much as 100 respondents. Analysis of this research data used PLS (Partial Least Square). The result of this study indicates that: tax knowledge, tax morale, tax system, tax fairness negatively influenced the taxpayer's perception on the tax evasion.

III. STATEMENT OF THE PROBLEM

The statement of the problem under this research is to study about the tax perception and tax evasion of the salaried employees. The perception of tax in general and tax evasion in particular of people varies from person to person. It is essential for the salaried employees to know their tax obligations so that the tax payment is made with necessary deductions that are available by reducing tax and tax evasion practices which may affect their tax paying behavior.

IV. OBJECTIVES OF THE STUDY

The objective of this study is:

- a) To study the basic knowledge and awareness of tax concepts among salaried employees.
- b) To determine whether the tax evasion practices by others are affecting tax paying behaviors of sample respondents.

V. HYPOTHESES OF THE STUDY

H₀₁: There is no significant difference between gender and awareness level among salaried employees.

H₀₂: There is no significant difference between qualification and awareness level among salaried employees.

H₀₃: There is no association between tax evasion practices and perception of tax evasion among salaried employees.

VI. METHODOLOGY OF THE STUDY

The study is empirical as well as descriptive in nature. The study purely depends upon the primary data, which are collected through their structured questionnaire. The sample unit of the study comprises of salaried private sector employees who are paying tax during Assessment Year 2021-2022. This study is based on non-probability sampling and each and every element of the population does not have equal chance. The sample size of 100 salaried employees was conveniently sampled on the basis of purposive sampling technique. All data were tabulated and analysed with the help of statistical package for social sciences (spss), the statistical tool and techniques applied for statistical inference and conclusion about the study may include, T-test, ANOVA, Correlation

VII. DATA ANALYSIS AND INTERPRETATION

T-TEST

Null Hypothesis (H₀): There is no significant difference between gender and awareness level among salaried employees.

Alternative Hypothesis (H_a): There is a significant difference between gender and awareness level among salaried employees.

Table 1.1: Association between gender and awareness level among salaried employees.

	Levene's Test for Equality of Variances	t-test for Equality of Means		Sig.
	F	t	df	
a) I file tax on time with proper supporting document.	1.238	-0.996	98	0.269
		-1.009	94.491	
b) I'm aware of types of taxes collected in our country.	1.465	-0.539	98	0.229
		-0.531	85.379	
c) I'm aware about the tax slab rates and the changes related to it.	0.171	1.018	98	0.680
		1.025	93.013	
d) I update myself with the changes that takes place in tax system of our country.	0.039	-0.757	98	0.844
		-0.756	90.000	

Inference: From the above table the Significance value (P value<0.05) is more than 0.05. Hence, it is said that we accept the Null Hypothesis (H₀) and reject the Alternative Hypothesis.

ANALYSIS OF VARIANCE (ANOVA)

Null Hypothesis (H₀): There is no significant difference between qualification and awareness level among salaried employees.

Alternative Hypothesis (H_a): There is a significant difference between qualification and awareness level among salaried employees.

Table 1.2: Association between qualification and awareness level among salaried employees.

		Sum of Squares	df	Mean Square	F	Sig.
a) I file tax on time with proper supporting document.	Between groups	1.321	3	0.440	0.216	0.885
	Within Groups	195.429	96	2.036		
	Total	196.750	99			
b) I'm aware of types of taxes collected in our country.	Between groups	9.317	3	3.106	1.957	0.126
	Within Groups	152.323	96	1.587		
	Total	161.640	99			
c) I'm aware about the tax slab rates and the changes related to it.	Between groups	2.671	3	0.890	0.475	0.700
	Within Groups	179.889	96	1.874		

	Total	182.560	99			
d) I update myself with the changes that takes place in tax system of our country.	Between groups	2.388	3	0.796	0.665	0.576
	Within Groups	114.922	96	1.197		
	Total	117.310	99			

Inferences: From the above table it is said that not all variables are not correlated as the Significance value (P value<0.05) is more than 0.05. Hence, it is said that we accept the Null Hypothesis (H₀) and reject the Alternative Hypothesis.

CORRELATION

Null Hypothesis (H₀): There is no association between tax evasion practices and perception of tax evasion among salaried employees.

Alternative Hypothesis (H_a): There is an association between tax evasion practices and perception of tax evasion among salaried employees.

Table 4.16: Association between tax evasion practices and perception of tax evasion among salaried employees.

Correlations

		PERCEPTION OF TAX EVASION	tax evasion practices
PERCEPTION OF TAX EVASION	Pearson Correlation	1	.261**
	Sig. (2-tailed)		.009
	N	100	100
tax evasion practices	Pearson Correlation	.261**	1
	Sig. (2-tailed)	.009	
	N	100	100

** Correlation is significant at the 0.01 level (2-tailed).

Inferences: The above correlation state that there is significant relationship between perception of tax evasion and tax evasion practices, as the level of significance is 0.009 which less than 0.05, through which we can interpret that alternative hypothesis is accepted and null hypothesis is rejected.

VIII. SUMMARY OF FINDINGS

- From the analysis using T-test states that there is no significant difference between gender and awareness level among salaried employees.
- ANOVA test states that there is no significant difference between qualification and awareness level among salaried employees as the Significance value (P value<0.05) is more than 0.05 where Null Hypothesis (H₀) is accepted and Alternative Hypothesis (H_a) is rejected.
- Correlation test states that there is significant relationship between perception of tax evasion and tax evasion practices, as the level of significance is 0.009 which less than 0.05 where Null Hypothesis (H₀) is accepted and Alternative Hypothesis (H_a) is rejected.

IX. RECOMMENDATIONS OF THE STUDY

- Bringing more awareness to the youth regarding the tax payments because in India around 60% of the population are youth and majority would be earning salary per month.
- The government has to set the tax rates favourable to the tax payers and more strict laws are to be made so that tax evasion practices can be avoided to a certain extent.
- The Income Tax Department has to ensure that the taxes are paid appropriately so that tax evasion practices can be reduced and these practice taken place are not affecting the tax paying behavior of other tax payers.

X. CONCLUSION

If the proper education regarding the tax concepts are given to the students as a part of the education, a certain level of tax errors can be omitted. The study states that the most of the tax paying behaviour of salaried employees are affected due to the tax evasion practices that takes place around them. And many of them falls under the age group less than 30 and are Post Graduates, hence we can say that if the right actions are taken against the tax evaders, tax evasion practices can be reduced to a certain extent in future. It is suggested that taking into consideration of the factors found from the study which affects the perception of tax evasion have to be rectified so that the tax evasion practices can be reduced. If the Income Tax Department can continuously audit the books of the tax evaders in successive years it may help to a certain extent for the reduction of tax evasion practices and even if the tax evaders are imposed with a huge fine, in order to not to pay fines, people will try to file the tax returns appropriately.

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