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Perceptions and Perspectives: A study on individual assessments of the income tax system in North Gujarat

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Abstract
A sign of civilization is taxation. In the great ancient empires, taxes changed and developed on their own. The principles that developed were taken to other civilizations and empires, where they were ingrained in taxation. As countries are impacted by changes in taxes from other nations, this pattern is still present today. Through mutations, taxes can be traced back to their origins. Income taxes are the main source of funding for any government. India's tax system has been in place for generations. The government invests the money it receives from taxes in the advancement of the country. In the past, gold, silver, and agricultural products were used as payment for taxes by traders and farmers. The taxation system was formalized by the government at the moment of independence. To promote economic development and eliminate wealth inequality, they offered Indian residents a well-designed taxation system. "The government has changed a number of laws over time to streamline and automate the taxing process. Income taxes are levied and collected in India in compliance with the rules set forth by the "Income-Tax Act, 1961." This Act is not without its history. Constructed based on the "British Model," the All-India Income-Tax Committee authorized and passed the Indian Income-Tax Act, 1922. Despite the fact that "The Indian Income-Tax Act, 1922" was changed to create the current "Income-Tax Act, 1961", the Act still bears the impact of the British Model. In recent years, there has been a notable increase in the number of assessments. Most assessors are unable to adhere to the tax procedure required by the Act. This is what led to the development of tax consultation services. Tax consultants provide their clients with services including tax guidance and consultation, assessor tax computation, and filing returns on their behalf." According to Act amendments, assessors needed their tax advisors to provide further services such bookkeeping, auditing, cost accounting, management accounting, etc. There is an abundance of literature that discusses the income tax act, government policy on income tax, different amendments to the income tax act, tax evasion and avoidance, etc. Nevertheless, neither the relationship between income tax consultants and assessors (customers) nor the services they provide to assesses have been investigated.

Keyword: Indian Tax System, Income Tax, North Gujarat, Perception

Introduction

The Income Tax Act, 1961, "which is periodically modified by the Annual Finance Act and other laws relating to direct tax, governs India's current income tax laws. The Indian Income Tax statute, 1922", "which had been in effect for 40 years, was superseded by the statute that went into effect on April 1, 1962. Additionally, a series of guidelines known as the Income Tax Rules, 1962, have been developed to carry out the Act's numerous requirements". "It is the primary income-tax legislation. It offers the framework and management of income tax." One can learn who is required to pay income tax, when they must do so, and how to do so by studying this Act. Additionally, it includes the definitions of different income categories, how they are calculated, the possible deductions and exemptions, the authority of different income-tax authorities, the assessment process, etc. The Income-tax Act covers all of India, including Sikkim and Jammu & Kashmir.
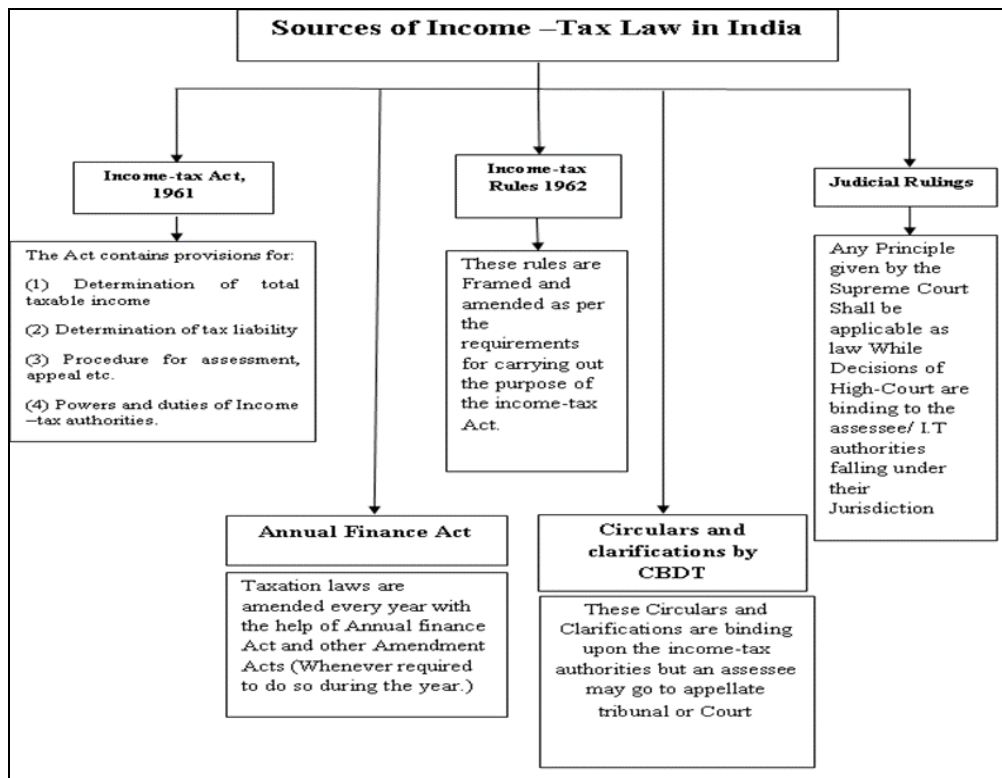
India's Current Income-Tax System Structure
1.1 Sources of Income-Tax Law in India
Direct and indirect tax types include
Government-imposed taxes fall into one of two categories
1. Direct taxes, 2. Indirect Taxes

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Sources of Income –Tax Law in India

Income-tax Act, 1961

The Act contains provisions for:

(1) Determination of total taxable income

(2) Determination of tax liability

(3) Procedure for assessment, appeal etc.

(4) Powers and duties of Income –tax authorities.

Income-tax Rules 1962

These rules are Framed and amended as per the requirements for carrying out the purpose of the income-tax Act.

Judicial Rulings

Any Principle given by the Supreme Court Shall be applicable as law While Decisions of High-Court are binding to the assessee/ I.T authorities falling under their Jurisdiction

Annual Finance Act

Taxation laws are amended every year with the help of Annual finance Act and other Amendment Acts (Whenever required to do so during the year.)

Circulars and clarifications by CBDT

These Circulars and Clarifications are binding upon the income-tax authorities but an assessee may go to appellate tribunal or Court

Indian tax slab rate applicable for new tax regime

Income Tax Rate AY 2023-24 | FY 2022-23 – Individuals.					
Less than 60 years		**Between 60 years and 80 years**		**Above 80 years**	
Taxable income	**Tax Rate**	**Taxable income**	**Tax Rate**	**Taxable income**	**Tax Rate**
Up to Rs. 2,50,000	Nil	Up to Rs. 2,50,000	Nil	Up to Rs. 2,50,000	Nil
Rs. 2,50,001 to Rs. 5,00,000	5%	Rs. 2,50,001 to Rs. 3,00,000		Rs. 2,50,001 to Rs. 5,00,000	
Rs. 5,00,001to Rs. 7,50,000	10%	Rs. 3,00,001to Rs. 5,00,000	5%	Rs. 5,00,001to Rs. 7,50,000	20%
Rs. 7,50,001to Rs. 10,00,000	15%	Rs. 5,00,001to Rs. 7,50,000	20%	Rs. 7,50,001to Rs. 10,00,000	
Rs. 10,00,001to Rs. 12,50,000	20%	Rs. 7,50,001to Rs. 10,00,000		Rs. 10,00,001to Rs. 12,50,000	30%
Rs. 12,50,001to Rs. 15,00,000	25%	Rs. 10,00,001to Rs. 12,50,000	30%	Rs. 12,50,001to Rs. 15,00,000	
Above Rs 15,00,000	30%	Rs. 12,50,001to Rs. 15,00,000		Above Rs 15,00,000	

Indian tax slab rate applicable for old tax regime

cleartax

Income tax slab rates for FY 2023-24/ AY 2024-25			
Old Regime			
Slabs	**Individuals (Age < 60 years)**	**Resident Senior Citizens (≥60 but <80 years)**	**Resident Super Senior Citizens (80 years and above)**
Up to Rs 2,50,000	Nil	Nil	Nil
Rs 2,50,001 to Rs 3,00,000	5%	Nil	Nil
Rs 3,00,001 to Rs 5,00,000	5%	5%	Nil
Rs 5,00,001 to Rs 10,00,000	20%	20%	20%
Above Rs 10,00,000	30%	30%	30%
New Regime			
Slabs	**Income Tax Rates**		
Up to Rs 3,00,000	Nil		
Rs 3,00,001 to Rs 6,00,000	5% (Tax rebate u/s 87A)		
Rs 6,00,001 to Rs 900,000	10% (Tax rebate u/s 87A up to Rs 7 lakh)		
Rs 9,00,001 to Rs 12,00,000	15%		
Rs 12,00,001 to Rs 1500,000	20%		
Above Rs 15,00,000	30%		

Review of literature
This study by Kumar and Elavarasan (2015) [7] looks at how tax reforms affect Tamil Nadu's salaried taxpayers. Finding out if and how tax reforms impact the number of salaried assesses is the aim of this study. One hundred taxpayers were returned and used in the pilot project once the non-random sample conveyance mechanism was implemented. "To investigate the stated hypotheses and the significant relationship between assesse personal information and tax allowance opinion level, the data from this study was analyzed using descriptive statistics, the Chi square test, and ANOVAs. On a five-point scale, taxpayers are asked to indicate how much they agree with a certain statement. According to this study, most respondents had a negative opinion of how tax reforms would affect the Indian tax system". Research has been done on "awareness of tax planning-a study with special reference to government employees" (UMA & Lingaperumal, 2012) [10]. The study focuses on the respondents' socioeconomic background, their knowledge of tax planning in the study area, and their awareness of the various income tax deductions accessible to government employees. Both primary and secondary sources of data were used in this study. Convenience sampling was used to choose the sample. An interview schedule with government employees is used to collect the primary data. Secondary data was collected from a variety of websites, periodicals, and tax books. For analysis, the "chi-square test and percentage analysis" were employed. The aforementioned observations indicate that tax planning and investing patterns vary from person to person and are influenced by factors such as age, type of work, income sources, family history, and financial resources. Investment tax preparation requires careful decision-making, advanced analysis, and the sixth sense of visualization.
Research Gap: The literature review above makes it

abundantly evident that a "great deal of research has been done on the Indian income tax system, including tax planning, the adoption of electronic files, the deductions available to individuals under the Income Tax 1961", the tax structure in India, and tax education. "However, no research has been done on the awareness and opinions of individual assessees regarding the current income tax system in India. By examining Perceptions and Perspectives: A Study on Individual Assessments of the Income Tax System in North Gujarat, the researcher hopes to close the gap."

Objectives of the study
1. "To learn how each assessee views the current Indian income tax system in relation to the different types of taxes, income tax slab rates, surcharges, deductions, allowances, tax collection methods, tax structures, judicial authorities, tax laws, residential status, tax planning, heads of income, and the filing of income tax returns in the north Gujarat region."
2. "To learn about each assessee's viewpoints regarding the income tax slab rate, surcharge, deductions, allowances, tax collection method, court rulings, and the filing of income tax returns in the north Gujarat region."

Hypothesis of the study
- **H_{01}:** Regarding the current income tax system in India, there are no appreciable differences in the opinions and perceptions of individual assessees in the north Gujarat region.
- **H_{02}:** About their degree of perception and responses about the Indian Income Tax System, there are no appreciable differences between the perspectives and perceptions of individual assessees in the north Gujarat region.

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: Random 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: Reliability Test Statistics

"Case Processing Summary"			N	%
Cases		Valid	1500	100.0
		Excluded [a]	0	0.0
		Total	1500	100.0
a. List-wise deletion based on all variables in the procedure.				

Source: Primary Data Calculation SPSS 25.0

Table 2: Reliability Test Statistics

"Reliability Statistics"	
Cronbach's Alpha	N of Items
0.719	80

Source: Primary Data Calculation SPSS 25.0

Table 3: Descriptive Test Statistics

Descriptive Statistics					
	N	Mean	Std. Deviation	Minimum	Maximum
Gender	1500	1.2627	0.44023	1.00	2.00
Age	1500	3.2300	1.10419	1.00	5.00
Educational Qualification	1500	3.1200	1.51629	1.00	6.00
Occupation	1500	1.7533	1.33629	1.00	6.00
District	1500	3.0000	1.41469	1.00	5.00
Place of Resident	1500	2.0140	0.72260	1.00	3.00
Residential Status as an Individual Assesse	1500	1.6727	1.20878	1.00	4.00
Income Range	1500	2.0000	0.96226	1.00	5.00

Source: Primary Data Calculation SPSS 25.0

Table 4: Chi-Square Test Statistics

Test Statistics			
	Chi-Square	Df	Asymp. Sig.
Gender	337.963[a]	1	0.000
Age	325.420[b]	4	0.000
Educational Qualification	786.256[c]	5	0.000
Occupation	2667.752[c]	5	0.000
District	0.000[b]	4	1.000
Place of Resident	141.708[d]	2	0.000
Residential Status as an Individual Assesse	2067.493[e]	3	0.000
Income Range	803.920[b]	4	0.000

- "0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 750.0."
- "0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 300.0."
- "0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 250.0."
- "0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 500.0"
- "0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 375.0."
- **Source:** Primary Data Calculation SPSS 25.0

Table 5: KMO and Bartlett's Test

"Kaiser-Meyer-Olkin Measure of Sampling Adequacy."		0.789
Bartlett's Test of Sphericity	Approx. Chi-Square	11489.748
	DF	210
	Sig.	0.000

Source: Primary Data Calculation SPSS 25.0

Table 6: Rotated component matrix

"Rotated Component Matrix [a]"						
	Component					
	1	2	3	4	5	6
"20_E Payment Process is very comfort for tax return e-filing procedure."	0.829					
"19_E filing of tax provide connivances, quick confirmations, fast refunds, security, and accessibility by 24*7."	0.783					
"21_Most of the disputes of assesse will settle at settlement commission level but an assessed has right to approached to higher authority if required."	0.723					
"13_Income Tax Deduction offer and Opportunity for Saving Tax to an Individual Assesse"		0.678				
"12_Majority of Individuals Assesse gets benefit of Deduction U/s 80C, 80CCC and 80CCD."		0.633	0.500			
"18_Tax Structure in India is divided in a three tier federal structure central government, state government and local authority."		0.604				
"14_Individual Assesse requires to gets more exemptions from Income Tax System."	0.401	0.518				
"15_Some Allowances received by a Salaried Assesse are Taxable."		0.469				
"11_Deduction available for Individual Assesse U/s 80C o 80U"			0.764			
"3_Income Tax is Direct Taxes."			0.741			
"4_Income Tax Liability imposed by Individual Assesse by Central Government"			0.621			0.452
"2_In Indian Tax System, Taxes is classified in two categories I. e. Direct & Indirect."			0.541			0.529
"8_CESS is an additional Income Tax imposed by Government to beat Specified Purpose Expenses"				0.667		
"17_Some Allowances received by a Salaried Assesse are partly Taxable."				0.619		

	1	2	3	4	5
"16_Some Allowances received by a Salaried Assesse are fully exempted."			0.590		
"9_Surcharge is consider as additional income tax imposed by government on higher class income group of assesse"	0.417		0.584		
"5_CBDT manages Tax System in India"			0.551		
"7_Tax Liability of Individual Assesse is depends upon Residential Status, Age, Income and Slab Rate."				0.787	
"1_Tax Liability of an Individual Assesse is depending on Residential Status."				0.746	
"6_In Union Budget Income Tax Rate Decided and Declared in Annual Finance Bill every year."					0.760
"10_Income of an Individual Assesse are classified in five different heads of Income viz. Salary, House Property, Profits & Gains from Business and Profession, Capital Gain and Other Sources"					0.667

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. [A]
Rotation converged in 13 iterations
Source: Primary Data Calculation SPSS 25.0

Table 7: KMO and Bartlett's Test

"KMO and Bartlett's Test"		
"Kaiser-Meyer-Olkin Measure of Sampling Adequacy."		0.785
"Bartlett's Test of Sphericity"	Approx. Chi-Square	7677.006
	DF	136
	Sig.	0.000

Source: Primary Data Calculation SPSS 25.0

Table 8: Rotated component matrix

"Rotated Component Matrix [a]"	Component				
	1	2	3	4	5
"3_Restructure of Indian taxation is necessary"	0.746				
"4_Online tax payment procedure is complex and difficult to understand"	0.635		0.440		
"2_Current tax system is difficult to calculate and understand"	0.632				
"5_Filing of Return is very complex."	0.594		0.484		
"1_Present Tax system is not yielding adequate Tax Revenue."	0.564				
"12_Current Income Tax Rates in India are High."	0.562	0.498			
"13_Withdrawal of standard deduction has adversely affected on you."	0.508				
"11_Progressive tax rate is better than uniform tax rate."		0.715			
"7_Rationalization and simplification of Tax Laws are inevitable."		0.712			
"15_Every year slab rate should be revised."		0.435			
"6_Building proper information system is necessary."	0.405	0.408			-0.404
"17_Maximum limit for Deduction u/s 80C should be increase."			0.856		
"14_Tax Exemption limit should be increase."			0.646		
"9_Refund of excess tax paid is quick and time bound by tax department."				0.761	
"8_Detecting and Penalizing non-compliance is necessary for effective Tax Enforcement."				0.756	
"16_Surcharge should be avoided."					0.795
"10_Always deduct tax at source on all income."					0.706

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. [A]
A. Rotation converged in 18 iterations
Source: Primary Data Calculation SPSS 25.0

Conclusion
In conclusion, my work focused exclusively on income taxation, with a particular emphasis on the Indian context. To provide readers with a comprehensive understanding of how income tax rates have evolved in India since independence, I examined and explained various related aspects. These included the history of taxation in India and globally, the types of taxes imposed in India post-independence, the different forms of income tax, the five heads of income used for tax computation, methods of tax collection, income tax returns, available deductions, and the definitions of the financial year (FY) and assessment year (AY). The study concluded with a detailed overview of the income tax slabs introduced since India's independence.

Since just 1.46 core Indians paid income tax last year, I chose this topic because I believe that the great majority of Indians are ignorant of income tax and its rules and issues. That represents just 1.6% of India's adult population (those over 20) and slightly more than 1% of the nation's total population. The fact that there are much fewer taxpayers now than there were a year ago is even more remarkable. "According to estimates, 3.29 core Indians paid income tax in the assessment year 2018-19 (financial year 2017-18). In contrast, the 1.46 core taxpayers in 2019-20 reflect a 55% decrease in a single year.

Thus, it is evident that tax compliance is appalling. People believe that income taxation is a tough subject and a challenging duty because of the complexity of tax legislation and the computation of tax payments". With the primary goal of serving as an introduction for those who wish to start understanding income taxation, my presentation provided an outline of income taxation in India.

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