

A SURVEY ON INCOME TAX ASSESSEES IN FORMAL SECTOR OF NANDYAL

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ABSTRACT:

The taxation structure of the country can play a very important role in the working of our economy. The payment of tax is a moral obligation of each and every assessee. Each assessee should know that revenue generated by government through taxes is used for the welfare of the economy. So, every tax payer should pay tax to the government. The main objective of this paper is to ascertain the level of awareness of the salaried class on various tax provisions available under the Income Tax Act.

Key words: taxation structure, assessee, tax provisions, Income tax Act.

Introduction

The taxes levied by the Government to form a pool of resources to be used for the collective benefits of the public. The taxation is an exercise in the collective solution of individual problems. The state takes upon itself the duty of solving the problems of the under privileged and needs finance for this purpose. The Government can mobilise resources by imposing taxes on the privileged ones.

The taxation structure of the country can play a very important role in the working of our economy. Some time back the emphasis was on higher rates of tax and more incentives. But recently the emphasis has shifted in decrease in rates of taxes and withdrawal of incentives. While designing the taxation structure it has to be seen that it is in conformity with our economic and social objects. It should not result into decrease in revenue for the state.

The purpose of any tax in any country according to classical economists is to get revenue to support the state with limited functions. But according to KEYNES the purpose of tax is to control and regulate the economy.

Taxes in general, income tax is particularly is meant to control consumption, savings, investments and their by promoting economic development.

In India right from the advent of income tax purports to contain unnecessary and harmful consumption leading to increased savings and channelizing them in the productive investment. One of the important feature of income tax is exemption limit. This keeps in mind the cost of living and

subsistence level of consumption. Provision is made not to tax subsistence level of income. This exemption limit is changing periodically depending on the cost of living. So, consumption is kept in mind in imposing income tax.

The provisions of income tax high light the concessions provided to the tax payers on their savings and investments.

For example sec 80c is meant to enable the tax payer to save for the future. U/S 80 c LIC, postal deposits (NSC), ELSS, deposits made to improve the infrastructure in less developed area, principal amount redeemed in case Of housing loans, etc.

Tuition fee paid by the tax payers to their children is exempted U/S80c.The interest paid on housing loan is also exempted U/S 24. In the case of interest accumulated on certain deposits is also exempted U/S 80G. Medical expenses incurred on the tax payers' parents is also exempted U/S 80DDB. The investments made are given concession and tax holidays. To that extent tax payers gain contribution to the National Defence Fund s also exempted U/S 80G. in an agrarian economy like India, Agriculture income is completely exempted from income tax with this effecting formers income in a positive way.

Research Methodology

This study takes in to account different sections and provisions of income tax in explaining the impact of income tax on consumption, savings and investments of the tax payers. The Union budgets and the finance bills of different years are taken in to consideration in explaining the impact of income tax on consumption, savings and investments.

Statement of the Problem

The salaried employees constitute a sizable class of taxpayers who contribute to the public exchequer about 12 percent of the total revenue collection by way of income tax. Their income is assessed under the head "Salaries". Tax planning has assumed special importance for the salaried class of tax payers in view of the mounting pressures of inflation, price hike and their strict obligations to tax compliance. It is, therefore, essential for this class of tax payers to know their tax obligations in the right perspective and the measures of tax planning available to them so that they can make the best use of their earnings by reducing the incidence of tax. Thorough and up-to-date knowledge of the tax laws is necessary to avail the benefits provided under the provisions of the Act and thereby ensuring that the 'take home pay' is kept at the maximum possible monetary level. However, efforts from the part of the assessee to plan his savings and investments so as to minimise the tax incidence is not up to the mark. There are numerous reasons for this ranging from lack of awareness of taxation laws to complexities in the compliance formalities. The administrative machinery for collection and enforcement of taxes is often complex in terms of maintenance and operations. Tax planning is possible through appropriate savings and wise investment decisions. Tax payers normally turn away of their tax liability only towards the end of the financial year. This leaves them with little option to invest or save with the available income. The real issue would relate to having awareness on the numerous provisions that would help in reducing the tax liability. The key issue is awareness about the income tax provisions as well as

awareness about investment opportunities. Investment comes in the form of physical assets and financial assets with varying yields. The complete understanding on the opportunities available and managing one's finance considering tax liability and post tax cost are crucial as far as personal finance is concerned. Planning for the future so as to enhance returns and minimise tax commitments would form part of financial decision making. These issues are more complex when it comes to the salaried class with a stabilized income inflow. The current study is an effort to evaluate the tax provisions adopted by the salaried income tax assessees regarding their family expenditure and savings.

Need for the study

The main aim of this study is to make a survey about the different kinds of provisions contained in the Indian Income Tax Act 1961 and to study the effect of these provisions on the family expenditure and savings and to suggest an appropriate modifications of the provisions of the Income Tax Act in India.

Scope of the Study

Taxation is considered as a complex matter affecting financial planning of each individual income tax assessees. The scope of the present study is limited to the tax provisions adopted by the salaried income tax assessees of Nandyal. The study also evaluates the extent of awareness of employees on tax laws and tax provision. The savings habits, investment pattern, and the level of awareness of employees on tax laws and tax provisions were studied and evaluated.

Objectives of the Study

The study was conducted with the following objectives:

1. To review the tax reforms being introduced by the Government in respect of Income Tax Laws and ascertain its impact on the salaried class.
2. To understand and evaluate the tax planning measures being adopted by the salaried class of Nandyal town
3. To assess whether there is significant differences in the tax planning measures adopted by different segments of the salaried class of Nandyal town, based on level of income and type of organisation.
4. To ascertain the level of awareness of the salaried class on various tax provisions available under the Income Tax Act.
5. To analyse the impact of tax provisions on savings habits and investment pattern of the assessees belonging to the salaried class.

Sampling design and selection

Theoretical Population- Theoretical population includes employees of Nandyal town

Area Population- salaried people of Nandyal town

Sampling size: 200 people

Data collection:

The study has made use of both the primary and secondary source of data. The primary data collected through a structured questionnaire. The questionnaire furnishes the information relating to profile of income tax payers, awareness towards their income tax provisioning & their tax planning. The secondary source includes books of income tax the reports of Comptroller and Auditor General and the journals related to income tax.

Limitations of the study

Since personal income taxation is a very sensitive matter, people generally were reluctant to disclose information relating to their savings, investments and tax planning measures adopted for the period under study. Hence, more time and effort had to put to collect the data.

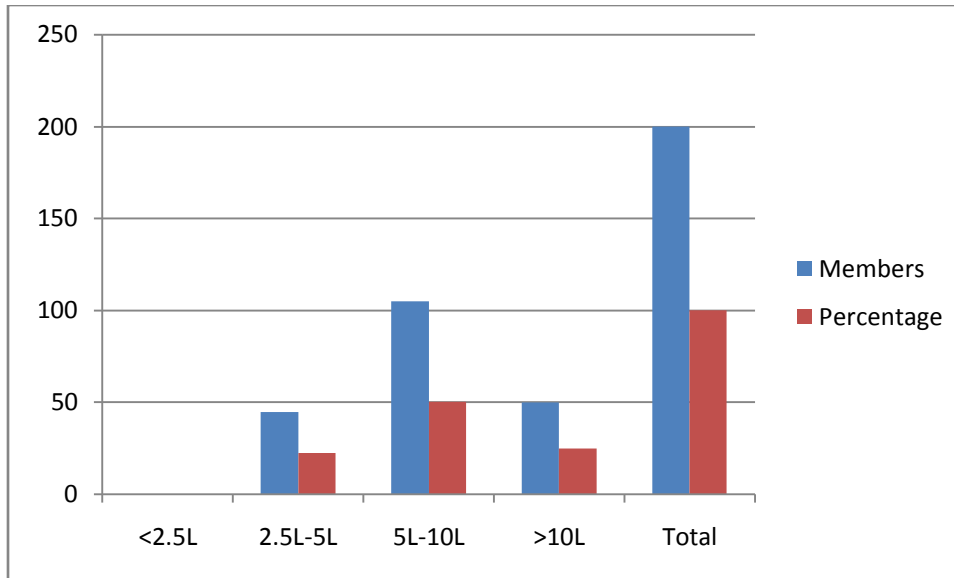
Secondary data for the study was collected mainly from (Union Taxes), Often there were discrepancies in the data available from various sources. The current statistics relating to some of the aspects of direct tax administration is still lacking.

In spite of the above limitations, all efforts were made to ensure correctness in the data collection. The study is limited to those provisions of the income tax Act, 1961, which are intended to have an effect on savings.

Data Analysis:

1) Annual gross income?

Annual gross income	Members	Percentage
<250000	0	0
250001 to 500000	45	22.5
500001 to 10,00,000	105	52.5
>1000000	50	25.0
Total	200	100

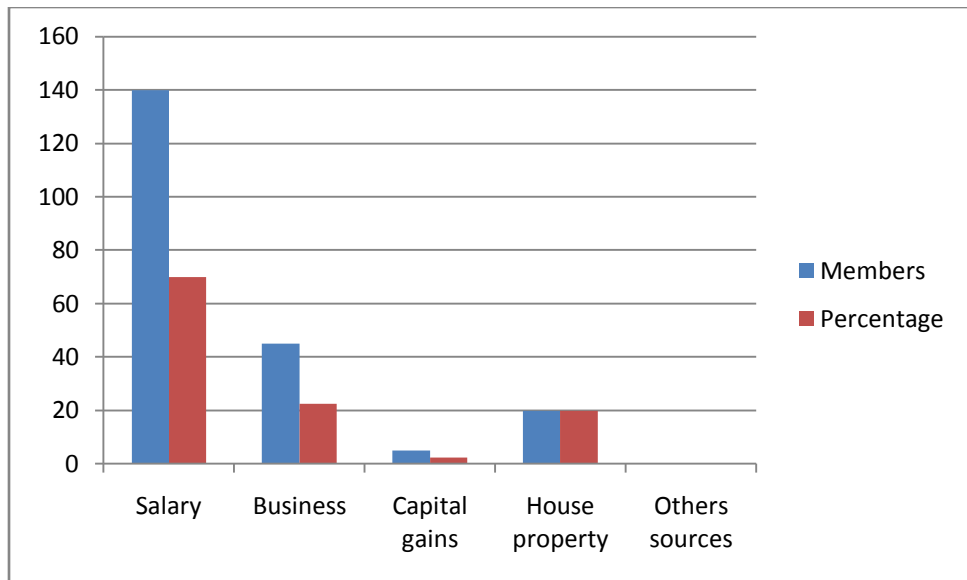


Interpretation

By the above information we find that annual gross income levels of different limits it is observed that people whose annual gross income levels are greater than 250000 are more in number i.e, (105 members).

2) Source of income?

Source	Members	Percentage
Salary	140	70
Business	45	22.5
Capital gains	5	2.5
House property	20	20
Others sources	0	0
Total	200	100

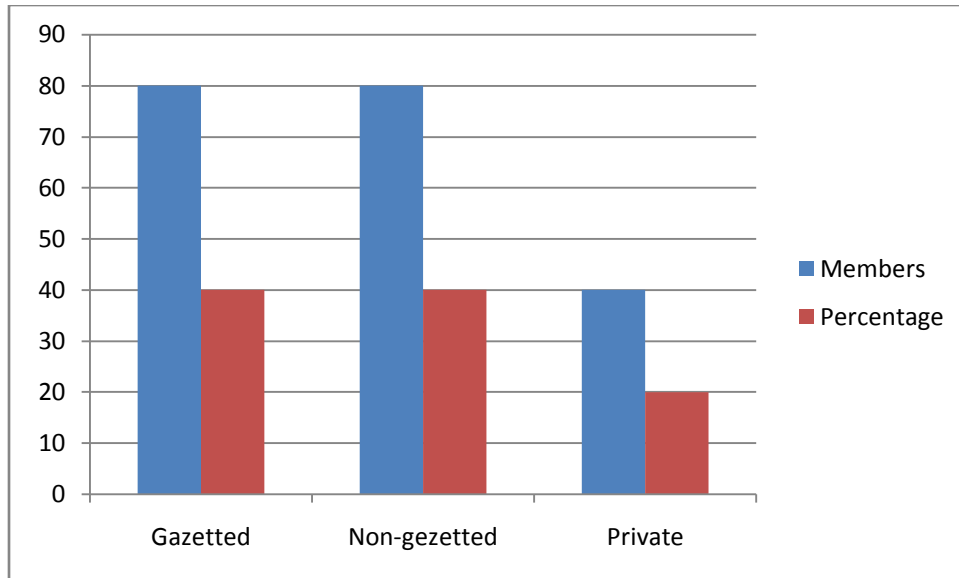


Interpretation

By the above information we find that the source of income of persons are mainly from salary based persons when compared to other sources. 70% of people are paying tax are salary based persons

3) Employee category?

Employee category	Members	Percentage
Gazetted	80	40
Non-gazetted	80	40
Private	40	20
Total	200	100

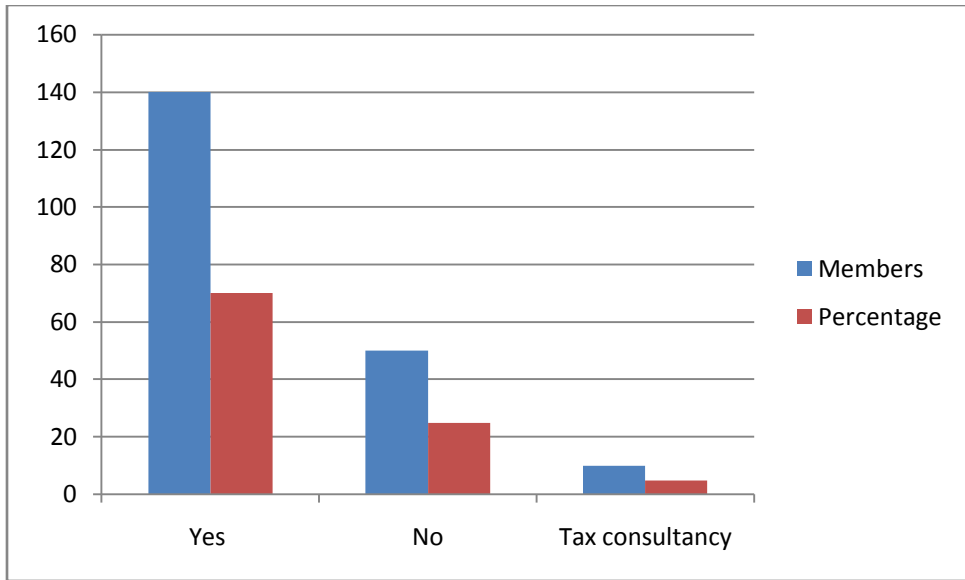


Interpretation

By the above information we are finding the employee category. In these gazetted and non gazetted members are accounted to 160 members but where as private employees' accounts to 40 members

4) Do you take help of auditors?

Do you take help of auditors	Members	Percentage
Yes	140	70
No	50	25
Tax consultancy	10	5
Total	200	100



Interpretation

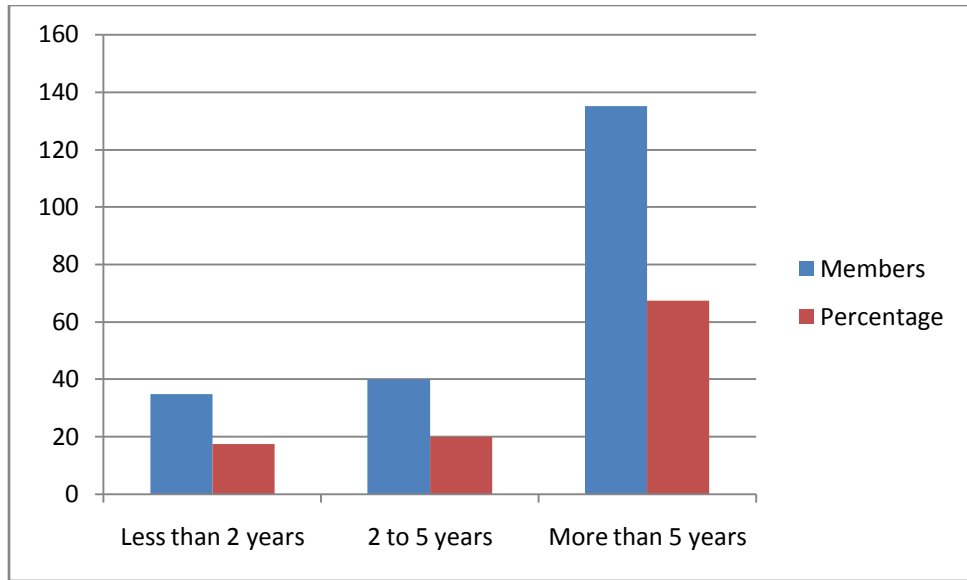
By the above information we are finding that whether people take help of auditors or not.

70% are people taking help of auditor, 25% of people will don't take help of auditors while

5 % people will take help of tax consultancies.

5) Since how long you are paying income tax?

Since how are you are paying income tax	Members	Percentage
Less than 2 years	35	17.5
2 to 5 years	40	20
More than 5 years	135	67.5
Total	200	100

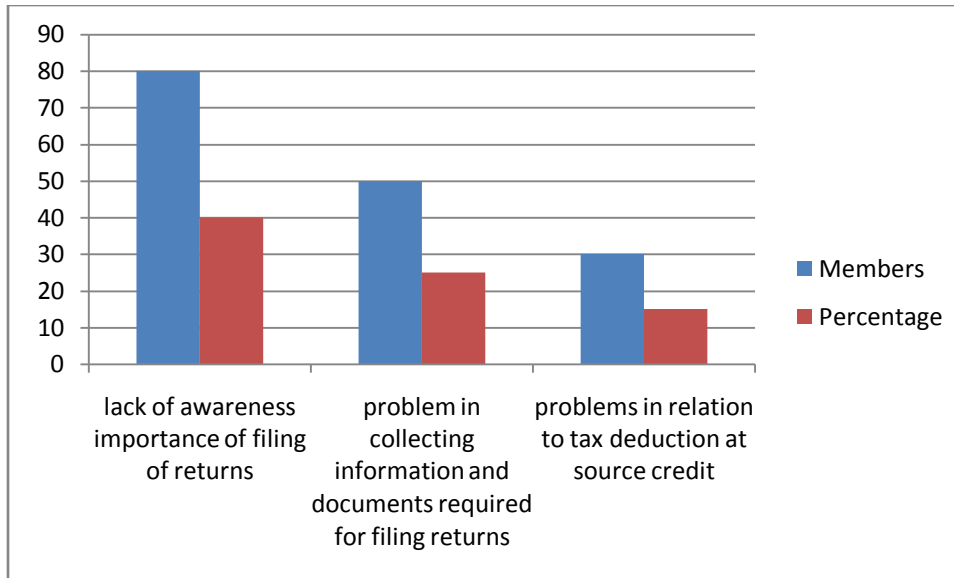


Interpretation

As the above information we are finding that since how long people are paying income tax. Among that 67.5% peoples paying income tax more than 5 years

6) What problems are you facing in filing of the tax returns and payment of income tax?

Problems	Members	Percentage
Lack of awareness importance of filing of returns	80	40
Problems in collecting information and documents required for filing returns	50	25
Problems in relation to tax deduction at source credit	30	15
None	30	15
Total	200	100

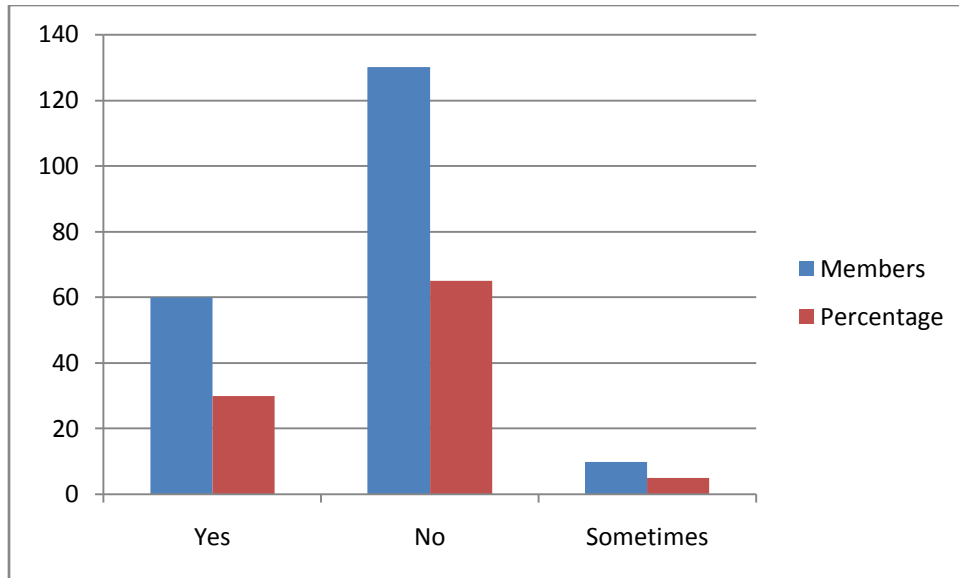


Interpretation

By the above information we are finding the problems which are facing by the people while filing the returns. Among the above information 40% of people are mainly facing the problem of lack of awareness importance of filing of returns.

7) Are you getting any re funds?

Are you getting any refunds	Members	Percentage
Yes	60	30
No	130	65
Sometimes	10	5
Total	200	100

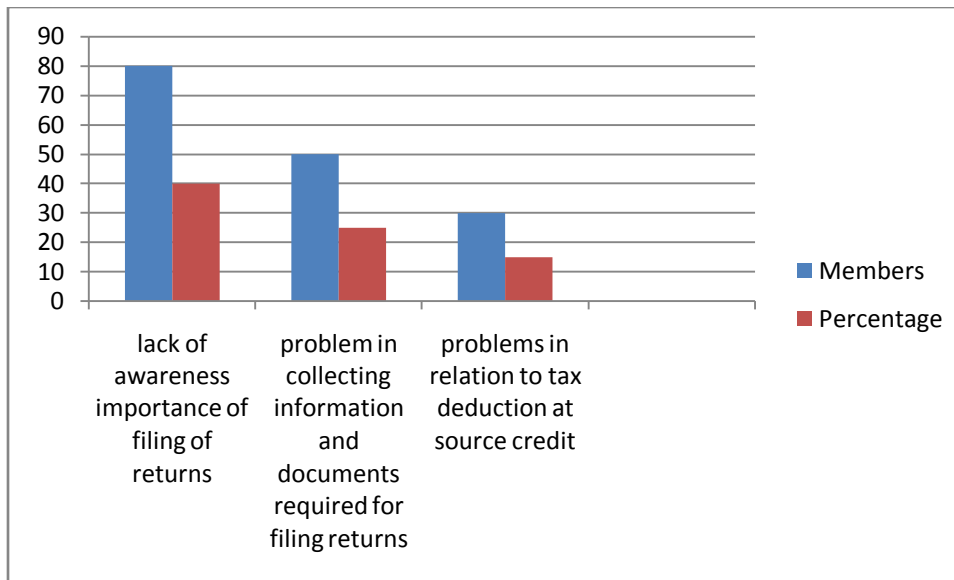


Interpretation

By the above information we find that whether they will get any refunds or not. 65 % are not getting any refunds .30 % are getting refunds. while 5 % people are getting sometimes.

8) How much do you pay per annum to the auditors for filing of returns?

Amount	Members	Percentage
Less than 300	80	40
Less than 500	50	25
Less than 1000	25	12.5
Less than 1500	25	12.5
Total	200	100

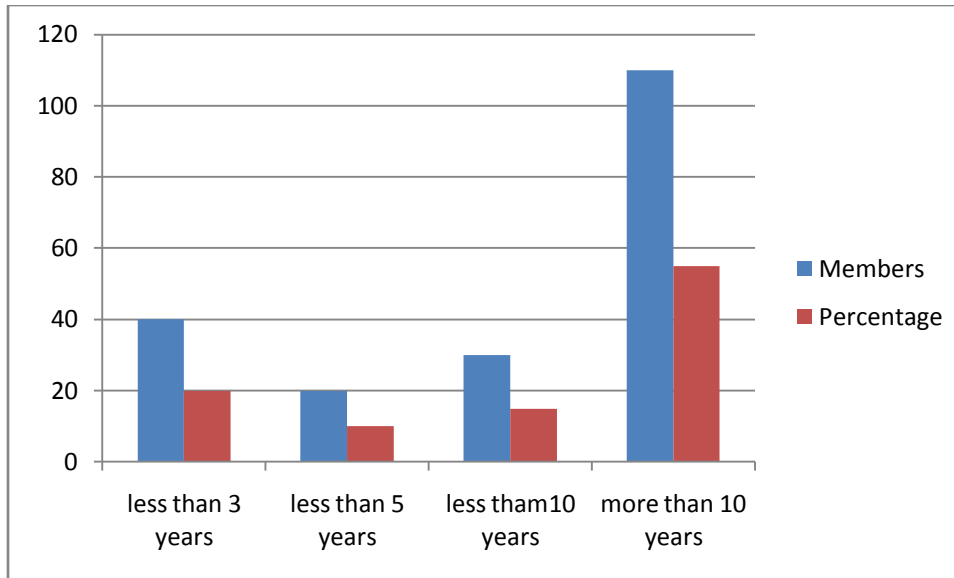


Interpretation

By the above information, most of the people are paying the amount to the auditor among them 40% peoples are paying the amount less than Rs.300

9) Total number of years of service?

Years	Members	Percentage
Less than 3 years	40	20
Less than 5 years	20	10
Less than 10 years	30	15
More than 10 years	110	55
Total	200	100

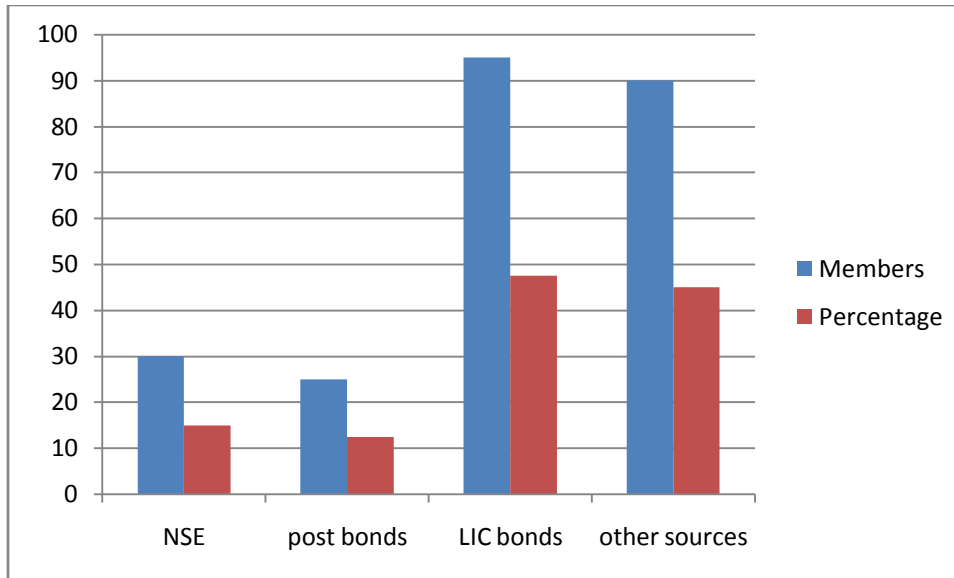


Interpretation

By the above information we are finding that total number of years of services. most of the taxpayers' years of service is less than 10 years i.e, 55%

10) Categories of saving?

Categories of saving	Members	Percentage
NSE	30	15
Post bonds	25	12.5
LIC bonds	95	47.5
Other sources	90	45
Total	200	100

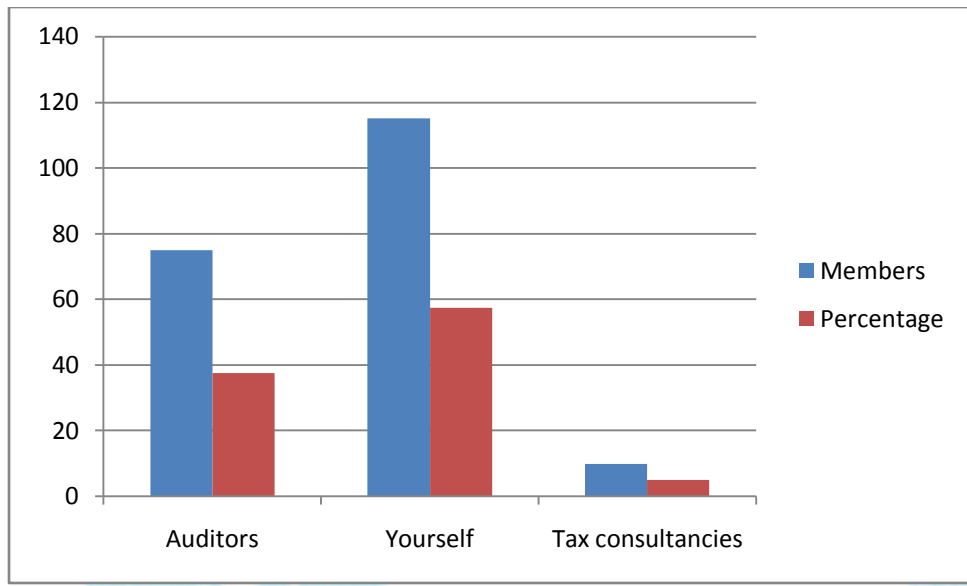


Interpretation

By the above information we are finding that categories of saving. Most number of people are saving in LIC bonds (47.5%) when compared to NSE(15%) post bonds(12.5%) and other sources (45%)

11) Filing of returns by yourself or auditors?

Filing of returns	Members	Percentage
Auditors	75	37.5
Yourself	115	57.5
Tax consultancies	10	5
Total	200	100

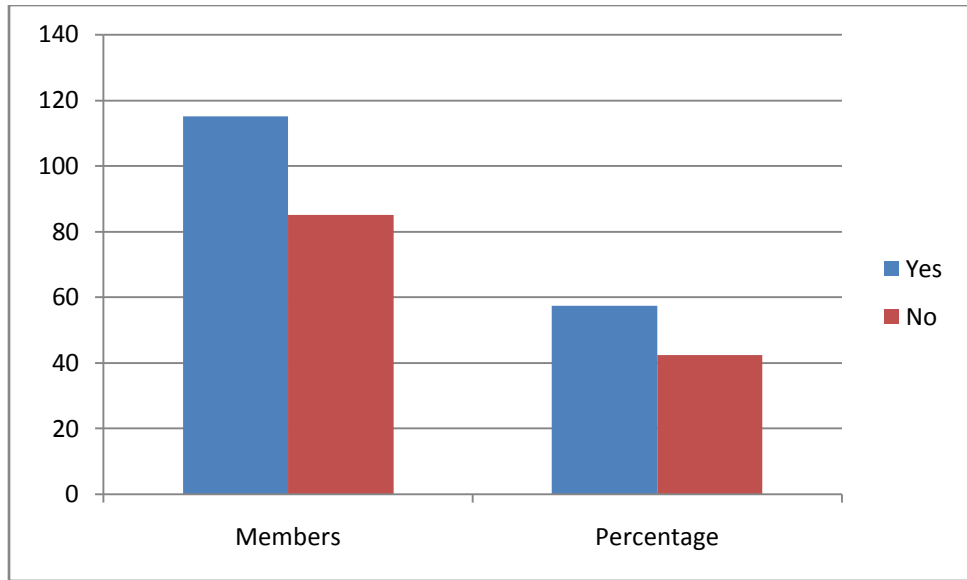


Interpretation

By the above information we are finding that filing of returns by tax payers are auditors. Most of the tax payers are filing returns by their own i.e,(57.5)

12) Effects of income tax slab rates on house hold expenses?

Effects	Members	Percentage
Yes	115	57.5
No	85	42.5
Total	200	100

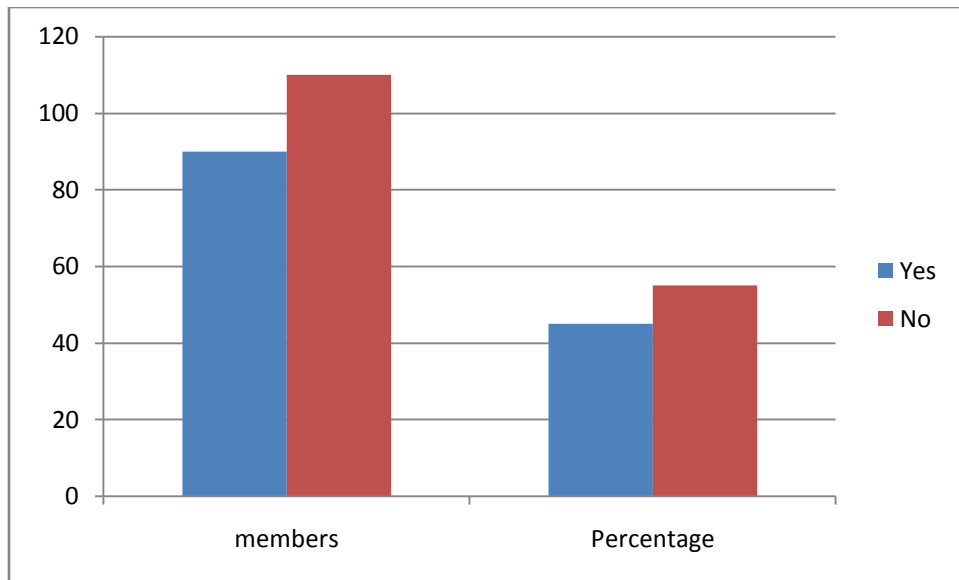


Interpretation

By the above information we are finding that effects of income tax slab rates on house hold expenses. Among them (57.5 %) of people are effecting while (42.5%) are not effecting

13) Are you paying any advanced tax?

Paying any advanced tax	members	Percentage
Yes	90	45
No	110	55
Total	200	100

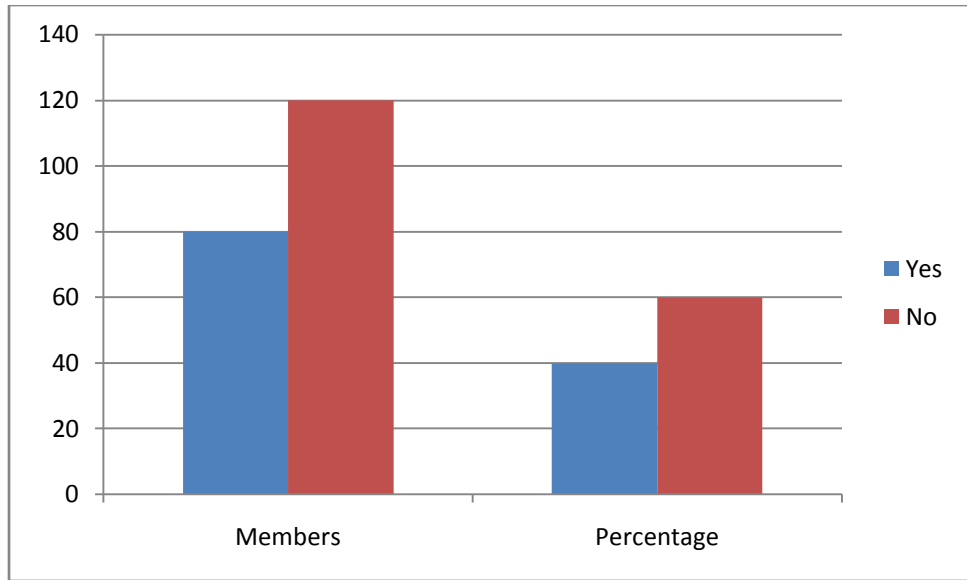


Interpretation

By the above information we are finding the whether people are paying any advanced tax . (45%) people are paying advanced tax while (55%) people are not paying any advances tax

14) Did you receive any interest on bank account ?

Did you receive any interest on bank account	Members	Percentage
Yes	80	40
No	120	60
Total	200	100

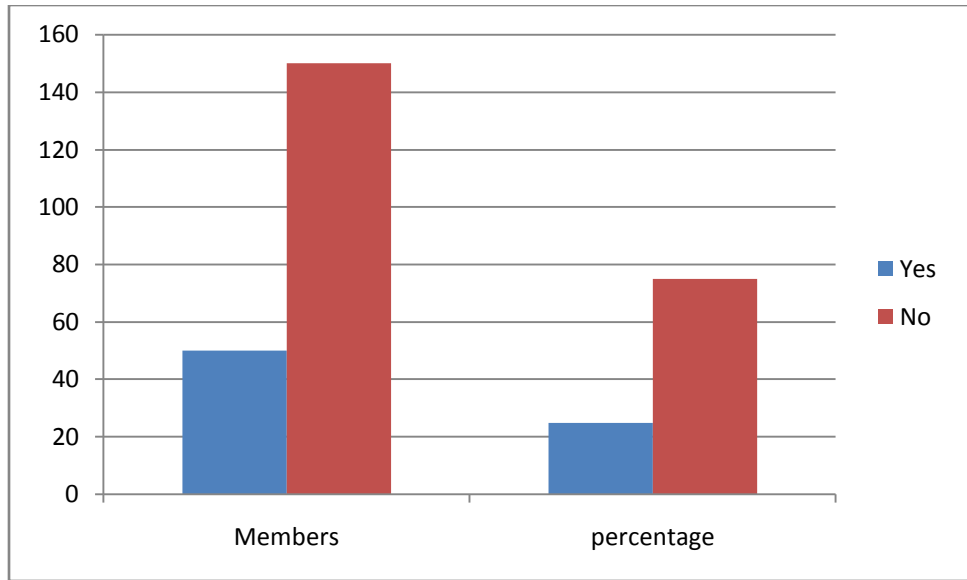


Interpretation

By the above information we are finding that whether people are receiving any interest on bank account. 40% of people are getting and 60 % of people are not getting interest on bank account

15) Did you participate in any Equity Linked Savings Scheme?

Did you participate in any Equity Linked Savings Scheme	Members	Percentage
Yes	50	25
No	150	75
Total	200	100

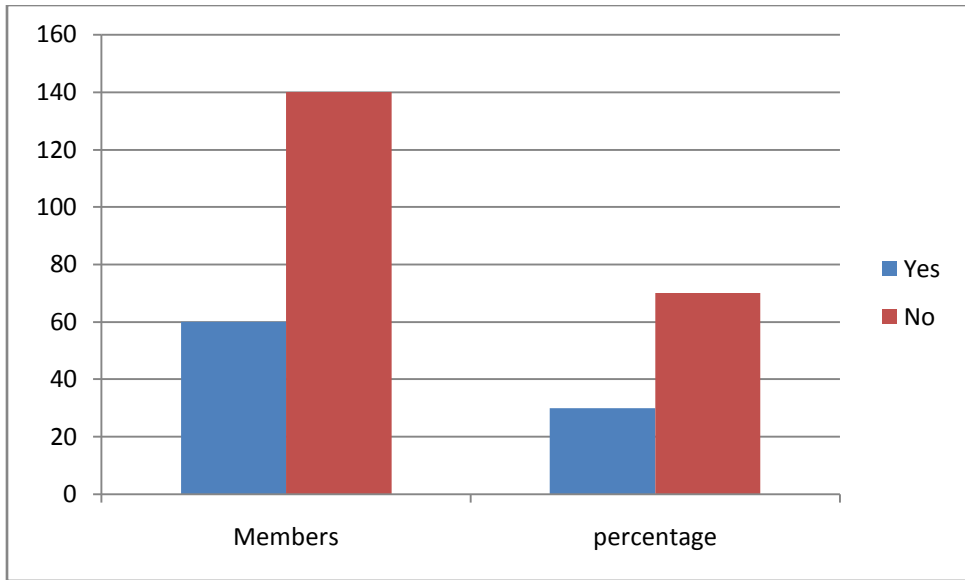


Interpretation

By the above information we are finding that whether people are participating in any employee share scheme. (25 %) of are participating and (75%) people are not participating in any employee share scheme.

16) Did you receive any dividends from Investment?

Did you receive any dividends from investment	Members	Percentage
Yes	60	30
No	140	70
Total	200	100

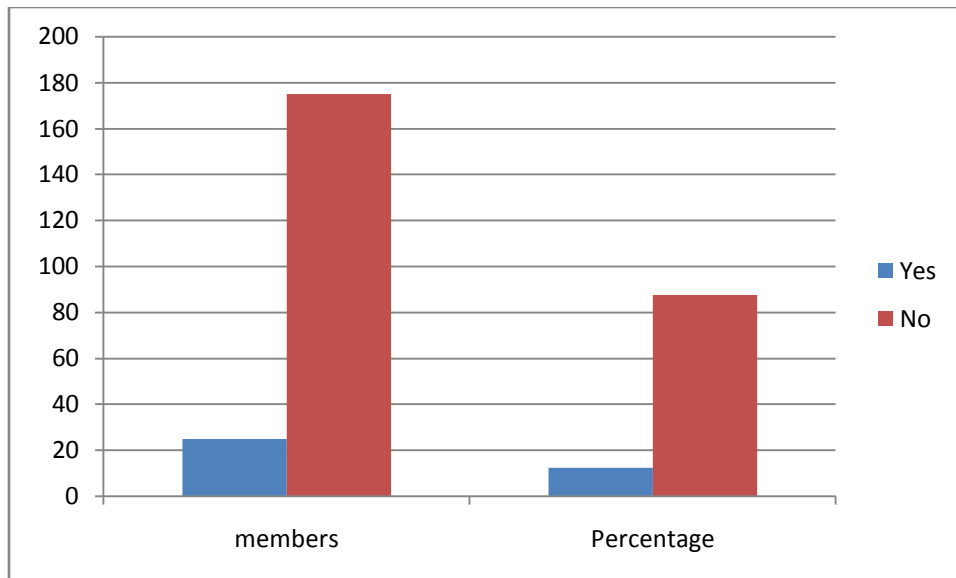


Interpretation

By the above information we are finding that people receive any dividends from investment. (30%) are receiving while (70%) people are not receiving any dividends from investment.

17) Do you run any primary production (farming business) from business?

Do you run any primary production	members	Percentage
Yes	25	12.5
No	175	87.5
Total	200	100



Interpretation

By the above information we are finding that whether they run any primary production(farming business) from business. (12.5 %) are running while (87.5%) are nor not running any primary production (farming business) from business.

Findings

- 4 It is found that the people whose gross income limit more than 250000 are more in numbers
- 5 It is also found that the source of income of persons are mainly from salary based persons
- 6 It is found that 70% of people take the help of auditors
- 7 It is found that 62.5% of people are paying income tax more than 5 years
- 8 It is found that 30% of people are facing the lack of awareness about filing of returns
- 9 It is found that 45% of people are paying advanced tax
- 10 It is found that 30% of people receives dividend on investment

Suggestions

- (1) It is suggested that the awareness should be created among the assesses
- (2) Tax planning should be there from the beginning of the year
- (3) To create awareness among the salaried class on various tax provisions
- (4) It is suggested that proper measures should be taken to control the tax evasion
- (5) It is suggested that the awareness should be created about tax provisions influence on saving habits and investment patterns
- (6) It is suggested that, to bring the awareness about the filing of returns
- (7) Government should create effective advertisements regarding the advantages of payment of tax for the economic development of the country

Conclusion:

The payment of tax is a moral obligation of each and every assessee. Each assessee should know that revenue generated by government through taxes is used for the welfare of the economy. So, every tax payer should pay tax to the government. At the same time tax payer should have awareness about all the provisions and deductions, which are provided by income tax department. From the beginning of the financial year each and every assessee should have a tax planning. They should not go for tax evasion. Each and every assessee should have awareness about the filing of returns. With the help of all these provisions and deductions the tax payer will get tax deduction and automatically the country will progress financially.

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