



Examining Awareness Of Income Tax Deductions And E-Filing Of Tax Returns Among Salaried Taxpayers In Chennai City

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ABSTRACT

As an Indian citizen, it is important to pay taxes on the income earned. It is considered to be an obligation to any Indian citizen. However, the process of paying taxes can be burdensome, directly impacting individuals' remaining profits. Therefore, many endeavour to minimize their tax liabilities through various means, including evasion, avoidance, or legitimate planning. While evasion is illegal, avoidance is not, and tax planning is considered ethical. In the fiscal year 2022-2023, only 7.4 crores individuals fulfilled their tax obligations. Salaried individuals have their taxes deducted at the source, and often utilize various tax-saving instruments and deductions under Chapter VIA to mitigate their tax liabilities. Timely filing of income tax returns is a fundamental responsibility for taxpayers, yet despite efforts to simplify the tax system, a significant portion of individuals fail to file returns. This study aims to understand the awareness levels among salaried taxpayers in Chennai city regarding tax planning measures available under Chapter VI A of the Income Tax Act. Additionally, it seeks to understand their preferred methods of filing tax returns. This descriptive study involves a sample of 120 respondents selected by the researcher to assess the level of awareness regarding income tax deductions among salaried taxpayers in Chennai City.

Keywords: Salaried Taxpayers, Tax savings, Deductions under VIA.

INTRODUCTION

As citizens of India, fulfilling the duty to pay taxes is paramount. It's often a burdensome task, impacting the overall profits of taxpayers directly. Consequently, individuals strive to minimize their tax obligations through various means such as evasion, avoidance, or strategic planning. While tax evasion is unlawful, tax avoidance is legal, and tax planning is considered ethical. In the fiscal year 2022-2023, only 7.4 crore individuals fulfilled their tax obligations. Salaried individuals, whose taxes are typically deducted at the source, employ different tax-saving instruments and deductions under Chapter VI A to mitigate their tax liabilities. Timely filing of income tax returns is a crucial obligation for taxpayers, yet despite efforts to simplify the tax system, only a small fraction complies. This study aims to assess the awareness levels among salaried taxpayers regarding available tax planning measures under Chapter VI A of the Income Tax Act, while also examining their preferred methods of filing tax returns.

There are several reasons why individuals or entities might fail to pay their taxes

1. **Financial Hardship:** Some individuals or businesses may simply lack the financial means to meet their tax obligations due to economic difficulties, such as unemployment, bankruptcy, or unexpected expenses.
2. **Ignorance or Lack of Awareness:** Some taxpayers may not fully understand their tax obligations, deadlines, or available deductions, leading to unintentional non-payment.
3. **Tax Evasion:** Deliberate attempts to evade taxes through illegal means, such as underreporting income, hiding assets, or engaging in fraudulent activities, can result in non-payment.
4. **Complexity of Tax Laws:** Complicated tax laws and regulations can confuse taxpayers, making it difficult to accurately calculate and pay their taxes.
5. **Tax Procrastination:** Some individuals may postpone paying their taxes due to procrastination or a lack of organization, leading to penalties and interest charges.

6. Disputes or Legal Issues: Taxpayers may refuse to pay taxes due to disputes with tax authorities, disagreements over tax assessments, or ongoing legal proceedings.
7. Tax Avoidance Strategies: While legal, some taxpayers may engage in aggressive tax avoidance strategies to minimize their tax liabilities, which can sometimes border on unethical or controversial practices.
8. Lack of Enforcement: Inadequate tax enforcement mechanisms or loopholes in the tax system may allow some individuals or businesses to evade paying taxes without facing consequences.
9. Political or Social Reasons: In some cases, individuals or businesses may refuse to pay taxes to protest against government policies, corruption, or perceived injustices in the tax system.
10. Cultural or Religious Beliefs: Certain cultural or religious beliefs may discourage or prohibit individuals from paying taxes, viewing it as morally or ethically unacceptable.

OBJECTIVES

The following are the research objectives,

- To know socio-economic profile of the respondents
- To evaluate the extent of awareness among salaried taxpayers regarding tax deductions.
- To determine the favoured method for submitting e-filing income tax returns.

REVIEW OF LITERATURE

Srikanth, K., & Dwarakesh, B. S. (2024) suggest taxation plays a crucial role in public finance, especially in developing nations such as India, where issues like tax evasion and non-compliance are prevalent. AI-driven tax preparation software offers a solution by assisting individuals in filing accurate returns promptly. Through AI algorithms, financial data is analysed to identify potential savings, maximizing deductions while minimizing tax liabilities. This study seeks to understand taxpayers' perceptions of online tax filing platforms and their willingness to adopt them for future tax filings. Furthermore, the research aims to thoroughly examine the benefits and concerns associated with the utilization of AI-powered software in tax preparation. The study aims to ascertain whether the implementation of such software leads to improved tax compliance by streamlining the filing process. The findings of this investigation may shed light on the possibility of AI-powered tax software surpassing human tax advisors or preparation services.

Deepti, D. M. G. (2022) explores the assessment process within the Indian taxation system which has been heavy and inefficient for both taxpayers and the tax department. Assessments were constrained by geographical limitations, necessitating direct interaction between taxpayers and authorities, leading to bureaucratic inefficiencies. Disparities in the distribution of legal disputes among Appellate Authorities resulted in prolonged litigation processes. Despite efforts to manage the expanding taxpayer database since liberalization, the absence of adequate digitalization and trained IT personnel led to persistent failures, fuelling an upward trend in litigation. To address these challenges and enhance the simplicity, transparency, and effectiveness of India's tax system and administration, the government introduced the Faceless Assessment scheme as a significant reform through the Finance Bill of 2019. This initiative aims to streamline electronic assessment procedures for scrutiny and best judgment assessments. However, the scheme's implementation is part of a broader digital transformation journey that includes initiatives such as e-filing of income tax returns, CPC-TDS, refund banker, and e-payment of income tax. This paper presents a comprehensive analysis of the tax reforms undertaken before the introduction of the Faceless Assessment Scheme under the Income Tax Act, encompassing digitalization efforts and capacity-building measures essential for its successful implementation.

Geetha, R., & Sekar, M. (2012) explore the process of electronically filing income tax, commonly known as e-filing, which refers to the successful submission of income tax returns via the Internet. E-governance initiatives have introduced and refined strategies for e-filing, streamlining the process for taxpayers. The income tax department has laid out clear guidelines for taxpayers regarding what needs to be filed and how to do so, aiming to benefit both taxpayers and the government. At the time of research, 92 intermediaries are operating across 61 cities in India to assist with e-filing. However, e-filing encounters challenges such as slow processing and system crashes. To address these issues, the government has initiated measures such as recruiting and training 5000 unemployed individuals through NIIT to serve as tax return preparers. These preparers will operate in 100 centres across 80 cities nationwide. In addition, the government regularly updates provisions to enhance e-filing efficiency for the benefit of all stakeholders.

RESEARCH GAP

The researcher discovered that there were a limited number of studies conducted on the awareness of tax deductions and e-filing of returns. Specifically, in the Chennai region, no adequate research has been conducted on tax deduction awareness among individuals in the salaried class. Consequently, the researcher opted to focus on the topic "Examining Awareness of Income Tax Deductions and E-Filing of Tax Returns among Salaried Taxpayers in Chennai City."

RESEARCH METHODOLOGY

a. Hypotheses

- There is no association between socio-economic profile and awareness level of tax deductions
- There is no relationship between socio-economic profile and awareness level of tax deductions

b. Research Design

This study is descriptive. A descriptive is a nature of study that helps to give a detailed write-up, explanation and interpretation of the topic.

c. Sources of data and Sample size

The present study comprises both primary and secondary sources of data. Primary data was gathered from individuals belonging to the salaried class. A well-structured questionnaire was distributed to a sample of 120 salaried individuals in Chennai City. Secondary data has been collected from journals, books, websites and other published articles.

d. Sampling technique

This study consists of a non-probability convenience sampling method.

ANALYSIS AND INTERPRETATIONS

In order to assess the respondents' awareness of tax deductions, a set of ten questions were presented. The following are the research questions:

Table 1

S.No.	Research Questions
1.	What is the purpose of ITR-V?
2.	Is gratuity and Provident Fund (PF) receipt exempted for government employees upon retirement?
3.	Under which section does PPF fall?
4.	Which section covers payments made towards pension plans and mutual funds?
5.	What is the maximum deduction permitted under section 80C?
6.	Under which section is the deduction for Medical Insurance applicable?
7.	Does investing in NSC provide benefits beyond the ceiling limit of 1.5 lakh?
8.	What is the maximum deduction for interest on self-occupied property?
9.	Which section pertains to deductions for donations?
10.	Is there any limit on the amount claimable for interest on loans for higher studies?

Source: Primary Data

The researcher utilized a performance test to analyse the awareness of tax deductions among salaried individuals. Each respondent's total score was determined as a percentage based on the number of correct answers provided. A set of ten questions was given to 120 respondents to assess their awareness levels. Correct answers were assigned one mark, while incorrect responses received zero marks. Subsequently, the total score was computed for each respondent. From the previous similar studies, a median score was computed¹. Respondents whose score was more than the median were categorized as having a high awareness of tax deductions, whereas those falling at or below the median were deemed to have a low awareness.

Table 2 Descriptive Statistics

N	120
Mean	33.48
Median	38
Mode	36
Standard Deviation	21.82
Minimum	0
Maximum	83

Source: Computed Data

The median level of tax deduction awareness, indicated in Table 2 was 38 per cent. This implies that respondents scoring below or equal to 38 per cent exhibit low awareness of tax deductions, while those scoring above 38 per cent have a high level of awareness.

¹ Lyons, A., Rachlis, M., & Scherpf, E. (2007). What is in a Score? Differences in Consumers' Credit Knowledge Using OLS and Quantile Regressions. Networks financial institute. Indiana University, 2007- WP-01, retrieved on January 21, 2012 from www.networksfinancialinstitute.org

Table 3 Awareness level of tax deductions respondent-wise

Awareness of the respondents	No of respondents	Percentage
High Awareness	51	42.5
Low Awareness	69	57.5
Total	120	100.0

Source: Primary Data

Table 3 shows that the majority of the respondents have low awareness of tax deductions (57.5 per cent). It is followed by 42.5 per cent of respondents who have high awareness of tax deductions.

Table 4 Salaried respondents' attitude towards tax planning

Factors	SA	A	N	D	SD	Total	Mean
(i) Tax Saving can add to your income	48 (40.25)	56 (46.75)	14 (11.75)	2 (1.25)	0 (0)	120 (100)	4.26
(ii) Money saved is money lost unless tax is paid	38 (32)	57 (47.25)	22 (18.25)	3 (2.5)	0 (0)	120 (100)	4.09
(iii) Tax planning is an important part of investment planning	33 (27.25)	65 (54.25)	19 (16)	2 (2)	1 (0.5)	120 (100)	4.06
(iv) Save tax and earn more; be a prudent investor	33 (27.25)	58 (48.25)	23 (19.5)	5 (3.75)	2 (1.25)	120 (100)	3.97
(v) Save income tax and cover your medical expenses with a smile	31 (25.75)	52 (43.25)	32 (26.75)	4 (3.5)	1 (0.75)	120 (100)	3.90
(vi) Looking for protection and growth	24 (19.75)	48 (40.25)	33 (27.75)	13 (10.5)	2 (1.75)	120 (100)	3.66
(vii) Tax savings are a key part of financial planning	23 (19)	48 (39.75)	35 (28.75)	13 (11)	2 (1.5)	120 (100)	3.64
(viii) Pay less tax and earn more	21 (17.5)	44 (36.25)	34 (28)	19 (16)	3 (2.25)	120 (100)	3.51
(ix) Tax should be simple and easy to understand	15 (12.25)	35 (28.75)	35 (29)	29 (24.5)	7 (5.5)	120 (100)	3.18
(x) The hardest thing in the world to understand is income tax	11 (9)	32 (26.5)	32 (26.75)	27 (22.5)	18 (15.25)	120 (100)	2.92

Source: Primary Data

It is inferred from table 4 that the majority of the respondents (54.25 per cent) agree tax planning is an important part of investment planning. Nearly, 48.25 per cent of respondents agree saving tax and earning more makes a prudent investor. Additionally, 47.25 per cent agree saving money is lost money unless the tax is paid.

Table 5 Source to increase income tax knowledge

S. No	Source	Mean Score	Rank
1.	Friends	2.95	7
2.	Books	4.13	1
3.	Print Media	3.61	4
4.	Colleagues	3.54	5
5.	Electronic Media	3.42	6
6.	Financial Advisor	3.98	2
7.	Tax Consultant	3.73	3

Source: Primary Data

It is clear from table 5 that the highest mean rank for gaining tax deduction knowledge is books (4.13). Subsequently, 3.98 is the second-highest mean rank, respondents gained tax deduction knowledge from financial advisors and 3.73 is the third-highest mean rank, respondents were able to know about tax deductions from tax consultants.

TESTING OF HYPOTHESES

Hypothesis 1 There is no association between socio-economic profile and awareness level of tax deductions
Test used: Chi-Square Test

Table 6 Association between the gender of the respondents and awareness level of tax deductions

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	11.723	1	.003		
Continuity Correction ^b	10.854	1	.003		
Likelihood Ratio	12.274	1	.001		
Fisher's Exact Test				.003	.001
Linear-by-Linear	11.701	1	.003		
N of Valid Cases ^b	120				

Source: Computed Data

Since p-value is less than 0.05, the null hypothesis is rejected and the alternative hypothesis is accepted. Hence, there is a significant association between the gender of the respondents and the awareness level of tax deductions.

Hypothesis 2: There is no relationship between socio-economic profile and awareness level of tax deductions
Test: Karl Pearson's correlation

Table 7 Relationship between the age of the respondents and the awareness level of tax deductions of salaried individuals

		Age of the respondents	Awareness Percentage
Age of the respondents	Pearson Correlation	1	.073
	Sig. (2-tailed)		.141
	N	120	120
Awareness Percentage	Pearson Correlation	.073	1
	Sig. (2-tailed)	.141	
	N	120	120

Source: Computed Data

The level of significance (p-value) is 0.141. As the significance value is not less than 0.05, the alternative hypothesis is rejected and the null hypothesis is accepted. Therefore, there is no significant relationship between respondents' age and awareness about tax deductions of salaried individuals.

Table 8 Regime Preference while filing an income tax return

Preference	No of respondents	Percentage
Old regime	113	94
New regime	7	6
Total	120	100.0

Source: Primary Data

It is evident from table 8 that the majority of the respondents (94 per cent) preferred to follow the old regime while filling an income tax return. Only 6 per cent of the respondents (6 per cent) preferred to adopt the new regime while filling an income tax return.

Table 9 Mode of filing the income tax return

Preference	No of respondents	Percentage
On your own	25	21
Tax return preparer	38	32
Chartered Accountant	53	44
Others	4	3
Total	120	100.0

Source: Primary Data

It is clear from table 9 that the maximum number of the respondents (44 per cent) are filling their income tax return with a chartered accountant. Nearly 32 per cent of the respondents are filling their income tax return with a tax return preparer. Only 21 per cent of the respondents are filling their income tax return on their own.

Table 10 General awareness of tax deductions and e-filing tax returns

S. No.	Factors	Yes	No
1.	Are tax deductions available for salaried individuals who invest in certain savings instruments?	86 (71.67)	34 (28.33)
2.	Can e-filing of tax returns be done through government-approved online platforms?	95 (79.17)	25 (20.83)
3.	Do tax deductions reduce the taxable income of individuals?	48 (40)	72 (60)
4.	Is awareness about tax deductions essential for optimizing financial planning and savings?	58 (48.33)	62 (51.67)
5.	Is e-filing of tax returns mandatory for salaried individuals in many jurisdictions?	101 (84.17)	19 (15.83)

Source: Primary Data

It is evident from table 10 that the majority of the respondents (84.17 per cent) give the correct answer as the e-filing of tax returns is mandatory for salaried individuals in Indian jurisdictions. Nearly 79.17 per cent of the respondents gave the correct answer that e-filing tax returns can be done through government approved online platforms. Only 40 per cent of the respondents gave the correct answer that tax deductions reduce the taxable income of individuals.

FINDINGS

- Median reveals that respondents scoring below or equal to 38 per cent exhibit low awareness of tax deductions, while those scoring above 38 per cent have a high level of awareness.
- Majority of the respondents have low awareness of tax deductions (57.5 per cent).
- Majority of the respondents (54.25 per cent) agree tax planning is an important part of investment planning. Nearly, 48.25 per cent of respondents agree saving tax and earning more makes a prudent investor.
- The highest mean rank for gaining tax deduction knowledge is books (4.13).
- There is a significant association between the gender of the respondents and the awareness level of tax deductions.
- There is no significant relationship between respondents' age and awareness about tax deductions of salaried individuals.
- Majority of the respondents (94 per cent) preferred to follow the old regime while filling an income tax return.
- Maximum number of the respondents (44 per cent) are filling their income tax return with a chartered accountant.
- Majority of the respondents (84.17 per cent) give the correct answer as the e-filing of tax returns is mandatory for salaried individuals in Indian jurisdictions.

SUGGESTIONS

- Regularly update oneself with changes in tax laws and regulations. This can be done by reading relevant publications, attending workshops or seminars, or consulting with a tax professional.
- Take advantage of online resources provided by the government and reputable financial institutions to learn about tax deductions and e-filing procedures.
- If you have complex financial situations or are unsure about certain deductions, consider seeking advice from tax professionals or financial advisors. They can provide personalized guidance tailored to specific circumstances.
- Maintain accurate records of income, expenses, investments, and deductions throughout the year. This will streamline the e-filing process and ensure that maximize eligible deductions.
- Plan finances strategically to optimize tax deductions. This may involve making contributions to retirement accounts, investing in tax-saving instruments, or taking advantage of available tax credits.
- Regularly review pay checks to ensure that the correct amount of taxes is being withheld.
- Be diligent about filing tax returns on time to avoid penalties and interest charges. E-filing offers a convenient and efficient way to submit returns promptly.
- Before submitting tax returns, carefully review all information to ensure accuracy. Mistakes or omissions can lead to delays in processing or even audits.
- Keep all relevant documents and receipts organized throughout the year. This will facilitate the e-filing process and serve as documentation in case of audits or inquiries from tax authorities.
- After filing taxes, review the return and seek feedback from tax professionals or online forums. This can help identify areas for improvement and ensure how maximizing tax deductions effectively.

CONCLUSIONS

The significance of promoting awareness surrounding income tax e-filing and tax deductions among salaried individuals cannot be overstated. Firstly, by understanding the process of e-filing, individuals can efficiently

fulfil their tax obligations, ensuring timely submission and compliance with legal requirements. This awareness not only mitigates the risk of penalties and fines but also streamlines the tax filing process, reducing the burden on both taxpayers and regulatory authorities.

Secondly, awareness about tax deductions plays a pivotal role in optimizing financial resources for salaried individuals. Educating taxpayers about eligible deductions such as those for investments, expenses, and savings instruments enables them to maximize their tax benefits within the legal framework. Furthermore, fostering a culture of tax awareness and compliance among salaried persons has broader societal implications. Increased understanding and adherence to tax regulations contribute to the overall integrity of the tax system, bolstering government revenue and facilitating public welfare initiatives. Moreover, by promoting transparency and accountability in tax matters, individuals play a crucial role in combating tax evasion and promoting economic stability. Therefore, investing in educational initiatives and outreach programs aimed at enhancing income tax e-filing and tax deduction awareness among salaried individuals is not only beneficial at an individual level but also serves the collective interest of society by fostering a more resilient and equitable fiscal environment.

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