A STUDY ON TAX KNOWLEDGE AND TAX PLANNING AS PREDICTORS OF TAX COMPLIANCE AMONG PEOPLE IN ERNAKULAM DISTRICT

Project Report

Submitted by

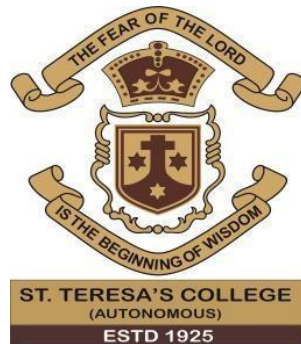**JOAN LILLY**

(Reg. No. AM21COM012)

Under the guidance of

Ms. NEENA GEORGE

In partial fulfillment of requirements for award of the post graduate degree of

Master of Commerce and Management

ST.TERESA'S COLLEGE (AUTONOMOUS), ERNAKULAM

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INTRODUCTION

1.1   Introduction

The primary goal of a revenue authority is collecting the taxes and duties payable in accordance with the law and to do this in such manner that will sustain confidence in the tax system and its administration. The actions of taxpayers whether due to ignorance, carelessness, recklessness, or deliberate evasion as well as weaknesses in administration mean that instances of failure to comply with the law are inevitable. Therefore, tax administration should have in place strategies and structures to ensure that non-compliance with tax law is kept to a minimum. Tax knowledge and tax planning helps for better tax management.

1.2   Significance of Study

Tax Planning is an activity conducted by the tax payer to reduce the tax liable upon him/her by making maximum use of all available deductions, allowances, exclusions, etc. feasible under law. In other words, it is the analysis of a financial situation from the taxation point of view. The objective behind tax planning is insurance of tax efficiency. Tax planning allows all elements of the financial plan to function in sync to deliver maximum tax efficiency. Tax planning is critical for budgetary efficiency. A reduced tax liability and maximized the ability of retirement plans. The study finds and suggest the understanding of the tax system among the people living in Ernakulam district it also focusses to measure the tax knowledge of the people.

1.3   Scope of the study

The study is all about knowing the tax compliance attitude of people living in the Ernakulam district. It further tries to make comparative study between the relationship between tax compliance attitude of the people in Ernakulam. The outcome of the study will help to identify the factors effecting proper tax management. It also focusses on the tax attitude among the people

1.4   Problem Statement

It focusses to find out the level of awareness of tax knowledge and tax attitude. This study finds the attitude of people towards tax evasion and tax avoidance, which a behaviour which is found commonly in India. The anxiety about taxes and its barriers are also being discussed from the general people's point of view in this study.

1.5   Objectives of the study

The overall objective is knowing how tax knowledge and tax planning are predictors of tax compliance among people in Ernakulam District.

Specific objectives of this research are :

• To know the understanding of the tax system among people living in Ernakulam district.

• To measure the tax knowledge of the people.

• To examine the impact of tax planning on tax compliance.

1.6   Hypothesis

Hypothesis 1

H0 – There is no significant difference between the general attitude of people towards tax system with respect to age and education.

H1 – There is a significant difference between the general attitude of people towards tax system with respect to age and education

Hypothesis 2

H0 – There is no significant difference between the tax knowledge of people with respect to age and education.

H1 – There is a significant difference between the tax knowledge of people with respect to age and education.

Hypothesis 3

H0 – There is no association between the annual income of the people and their tax planning

H1– There is an association between the annual income of the people and their tax planning

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1.7   Methodology

1.7.1 Research Methodology

The present study includes both descriptive and analytical study. It is descriptive in the sense that it tries to identify the various characteristics of research problem under study and the present situation of the issue. It is analytical in the sense that it analyses and interprets data in order to arrive at conclusions.

1.7.2 Collection of data

To study the objectives both primary and secondary data have been used.

1.7.3 Sampling Designs

•   Sampling technique: Convenient sampling technique

•   Area of study: Ernakulam

•   Sample size : 100 samples

1.7.4 Tools of Analysis

The data collected from respondents has been classified, analysed and interpreted keeping in view the objectives of the study. Data collected are properly presented through tables, bar diagrams, and pie charts, thereby making it easy to draw inferences. The statistical tool used for study is paired sample t test and Pearson Product Moment Correlation Coefficient

1.8   Limitations

In spite of all the sincere efforts, the study is not fool proof in nature. It suffers from various limitations due to the following reasons:

•   The area of study was limited to Ernakulam district only.

•   Lack of accuracy in primary and secondary data.

•   The selected sample might not give a true representation of population.

1.10 Chapterisation

Chapter 1 – Introduction: This is an introduction chapter that includes introduction, significance, problem statement, objectives, methodology, scope, limitation, keywords and chapterisation.

Chapter 2 – Review of Literature: This chapter deals with literature review which is a collection of many published works.

Chapter 3 – Theoretical framework: This chapter includes the theoretical works relating with the study.

Chapter 4 – Data Analysis and Interpretation: This chapter is an analysis of the primary data collected for the purpose of study. It includes tables, graphical representations, their analysis and interpretations.

Chapter 5 – Summary, funding, recommendations and conclusion: This is the conclusion chapter which contains summary of the study, findings of the study, recommendations

Review of Literature

Mohd Rizal Palil, Ahmad Fariq Mustapha (2013) in their study 'Factors affecting Tax Compliance Behaviors in Self Assessment System' the importance of tax knowledge in finding out the tax compliance behavior in Self Assessment System (SAS) in Malaysia is being focussed.

Lin Mei Tan, Carrol Chin-Fatt's (1968) study 'The Impact of Tax Knowledge on the Perceptions of Tax Fairness and Attitudes Towards Compliance' indicates that not only knowledge but an understanding of the tax system may have an effect on taxpayer's perceptions of fairness and attitudes towards compliance.

Nicoleta Barbuta-Misu's (2011) study 'A Review of Factors for Tax Compliance' aims to identify the various variables of tax compliance analyzed by researchers from various countries and adapt them to the Romanian conditions to create a model to include factors that influence the decisions of tax compliance.

Zelalem Berhane (2011), The study 'The Influence of Tax Education on Tax Compliance Attitude' states that tax non-compliance is an area of concern for all government and tax authorities, and it will continue to be an important issue that must be addressed

Sebastian Eichfelder (2014), Francois Vaillancourt's study 'Tax compliance costs: A review of cost burdens and cost structures'

provides a comprehensive report of empirical research on tax compliance costs

Knut Eriksen, Lars Fallan (1996) study 'Tax Knowledge and attitudes towards taxation

James Alm, Erich Kirchler's paper ' Rethinking the research paradigms for analyzing tax compliance behavior' argued that citizens value the public goods financed by the money of other taxpayers, but that they themselves are reluctant to pay their own taxes.

Natrah Saad's (2012) study 'Perceptions of tax fairness and tax compliance behavior:

Tan Swee Kiow, Mohd Fuad Mohd Salleh's (2017) study ' The determinants of individual taxpayers' tax compliance behavior in peninsular malaysia' suggested that tax compliance behavior of individual taxpayers is influenced by ethical perception of individual taxpayers

Deogratius Ng'winula Mahangila's (2017) study 'The impact of tax compliance costs on tax compliance behavior' determines whether or not an increase in income tax compliance costs leads to decrease in income tax compliance. The tax content experiment involved seventy five small and medium entrepreneurs in Tanzania's business hub. The

results of the experiment indicated that tax non-compliance significantly increased as tax compliance costs increased. (Mahangila)

Kerly Randlane's (2012) project paper 'Tax compliance and tax attitudes: The case of Estonia' explores the compliance of individuals in Estonia with the legal obligation to pay taxes.

Tadesse Getacher Engida's(2014) study 'Factors influencing taxpayers' compliance with the tax system: An empirical study in Mekelle city, Ethiopia' attempted to reveal determinants of taxpayers' compliance with the tax system.

Y Helhel, Yazeed Ahmed's (2014) project 'Factors affecting tax attitudes and tax compliance :a survey study in Yemen' was aimed to bring an insight about the influence of attitudes and considerations of individual taxpayers on tax compliance in Yemen taking internal and external factors into consideration.

James A Chyz, Divesh S Sharma's (2021) study 'The association between auditor provided tax planning and tax compliance services and tax avoidance and tax risk'

Preeti Kalgutkar's (2018) paper ' Tax awareness and tax planning on wealth creation of individual assessees' is related to personal financial

aspects of individual assessees. Tax awareness is an important component of tax planning

M Suvarchala Rani (2019), Kavitha Lal's study 'Generational Differences in perceptions towards tax planning' comprehends the association between the demographic factors and perception of millennial investors towards tax planning.

Theoretical Framework

3.2.1 Features of tax

The following are the important features of tax.

● Tax is a compulsory payment and refusal to pay tax is a punishable offence.

● There is no direct quid pro quo (something in return) in the case of tax. Therefore, a taxpayer cannot claim any immediate benefit against the amount paid by him

● Tax is a payment for an indirect service to be rendered by the government to the community.

● The time and mode of payment of tax are determined from time to time, by the tax imposing authorities,

3.2.2 Objectives of taxation

The following are the major objectives of taxation.

● Generation of revenue needed for the government

The major aim of taxation is generation of revenue needed for the functioning of the government.

● Prevention of concentration of money in the hands of few

Government can impose more tax on wealthy people and the amount collected can be spent equitably over different parts of the country or state. This process helps to redistribute wealth concentrated in certain states, parts of the country or group of people. Intelligent and

judicious redistribution of wealth can lead to a socialistic pattern of society.

● Increase the habit of savings and productive investment by the people

In order to divert the idle money into productive channels, tax incentives are offered by the government. Income tax exemption on investment in life insurance, National Saving Certificate, etc. help to increase the habit of saving and diversion of savings to productive investments.

● Speedy economic development

More tax means more revenue to the government which, in return, leads to rapid economic development. Further, taxation helps to discourage consumption of harmful goods and services because the rates of tax on them are very high. The income earned from undisclosed sources are also taxable at higher rates.

● Generation of employment opportunities

Increased revenue leads to more spending and investment by the government which will help to generate more employment opportunities.

3.4 Tax planning

Tax planning may be defined as " an arrangement or one's financial affairs in nsuch a way that without violating in any way the legal provisions of an Sct, maximum advantage is taken for the exemptions, deductions, rebates and reliefs permitted under the Act, so that the burden of the taxation on an assessee, as far as possible is the least."

A person can reduce his tax liability by utilising the deductions, exemptions, reliefs and rebates allowed in the Act and Rules. Reducing tax liability by availing the benefits offered in tax provisions, in a legally approved manner, is called tax planning.

In fact the provisions helpful for tax planning are inserted in the law with specific objectives, leading to social and economic prosperity of the country. Tax holiday for newly started industrial undertakings in backward areas, deductions from total income for donation to relief funds, deduction for investment in National Saving Certificates, special deductions for handicapped assessees etc., are examples for provisions in the Act helpful for tax planning. A person who takes the advantages of the permissible deductions, rebates, etc., reduces his tax liability and at the same time helps in achieving the objectives of the legislature. In short, an assessee can lawfully reduce his tax burden by tax planning, instead of tax evasion or tax avoidance.

3.4.1 Factors to be considered in tax planning

● Tax planning is possible only if the assessee has thorough knowledge of tax laws so that the best alternative may be selected to reduce the tax liability.

● Tax planning must not be attempted from a tax point of view alone. Other economic and financial implications of tax planning must be analysed in detail before tax planning.

● Tax planning must be based on the provisions of other tax laws too. Tax planning should lead to minimum tax liability and financial burden to the assessee.

● Tax planning should not be based on tax avoidance.Tax avoidance focuses on utilising certain loopholes in the law. Whenever

such loopholes come to light they will be checked by amendments in the law.

● Tax planning should not be based on court decisions. This is because of the reason that a different decision in another case by a higher court or amendment of law may lead to more difficulties to the assessee, if tax planning is based on court decisions.

● Tax planning should not be based on the financial implications for a particular year. In other words, present as well as future possibilities must be analysed in detail before adopting a particular scheme of tax planning.

● Tax planning not only involves claiming all available deductions, rebates, reliefs and exemptions, but includes the selection of the best financial management scheme in light of tax laws also.

● Efficient tax management is essential for proper tax planning. Tax management refers to compliance with legal formalities, availing tax incentives, avoiding consequences, etc

3.4.2 Need for Tax Planning

● Reduction in tax liability

The primary objective of tax planning is to reduce tax liability. Tax planning is the only ethical method to reduce tax burden. As a result of proper tax planning, a person who earns income makes better investments for the future, spare more money for social welfare and supports the developmental requirements of the nation.

● Minimisation of litigation

People try to pay tax at least as much as possible while the administrators try to maximise tax collections. Such opposite

intentions quite often lead to prolonged litigation. Both tax avoidance and tax evasion may lead to litigations and uncertainties. On the other hand, tax planning is a solution to avoid such difficulties both to the taxpayers and the government.

● Productive investment

A proper tax planning brings financial discipline to the taxpayer and provides him more surplus which can be diverted to productive channels. At the same time, investment in different savings schemes of the government as a part of tax planning will help the government to meet its ever increasing financial requirements.

● Healthy growth of economy

Economic development of a country depends upon the financial growth of its citizens. Savings through tax planning foster the growth of the economy whereas savings through tax evasion lead to black money and resultant anti-social activities. Tax planning plays an important role in the development of backward districts and backward states.

● Employment generation

A considerable share of money saved through tax planning may be invested in new undertakings or expansion projects of the business leading to creation of new employment opportunities. Moreover, accurate and scientific tax planning is possible only with the help and services of chartered accountants, financial advisers and lawyers. Thus, tax planning helps generate more employment for such professionals too.

In short, tax planning is highly helpful to the taxpayers, Government and the society as a whole.

3.4.3 Limitations of tax planning

● Tax laws are amended frequently. Therefore, the taxpayers cannot ensure that the tax advantages presently available will continue in future too. This makes long term investments based on tax planning difficult.

● As assessee might be forced to shoulder additional financial burden to materialise the schemes of tax planning.

● Tax planning is a comprehensive scheme. One should be aware of many other laws, rules and regulations, before taking decisions to reduce the tax burden. This makes tax planning more difficult.

● Proper tax planning is possible only with the help of experts in the field of accounting, taxation and law. Obtaining their services may lead to additional financial burden to assessee.

● The tax incentives are allowed on fulfilment of certain conditions. Sometimes it is very difficult to fulfil those conditions and the taxpayers may not be able to avail the incentives.

● Tax planning may lead to discriminatory levy of tax.

3.6 Tax Compliance

Tax compliance refers to taxpayers' decisions to comply with tax laws and regulations by paying tax timely and accurately.

Public finance issues can be characterised by the issue of tax compliance. However, the high rate of tax compliance could maintain healthy public finance without imposing tax burden. Taxation plays an

essential role in financing public expenditures through income distribution. To ensure sustainable funding for the production and delivery of public services, different tax policies should be adopted. Tax enforcement is one kind of fiscal policy that enables governments to finance public programs. Ideally, tax revenue is an authentic source of government spending. As tax payments enable the government to redistribute wealth among citizens by offering better public goods and services, applicable approaches for enhancing tax collection and tax compliance should be considered.

3.7 Tax attitude

In tax perceptions, tax attitude can be defined as an evaluation of ideas, objects or people, and the taxpayer's feelings or opinions about taxes, as reflected by their behaviour. The taxpayer's attitude may lead to two forms which are a positive view of tax compliance behaviour as well as negative view of tax compliance behaviour.

3.8 Tax Evasion

When a person conceals the real income or withholds actual information regarding income or makes false claims so as to reduce tax liability, it is called tax evasion.

The following are some of

The practices commonly adopted to evade tax.

- Conceal actual sales or have unrecorded sales.

- Claim unreal or bogus expenses or losses against income.

- Charge personal expenses against taxable income.

- False claims for charitable donations for deduction under section 80 G.

- Non disclosure of capital gains on sale of assets.

- Benami transactions (transactions through non existent persons)

All the practices of tax evasion are illegal, immoral and anti national. Therefore, the tax laws contain strict norms, heavy penalty and prosecution proceedings against those who attempt the methods of tax evasion.

3.9 Tax Avoidance

Tax avoidance is every attempt by legal means to prevent or reduce tax liability which would otherwise be incurred, by taking advantage of some provision or lack of provision in the law. It excludes fraud, concealment or other illegal measures.

Tax avoidance is another device adopted to reduce tax liability. There could be loopholes in law and the unscrupulous persons use such loopholes either to avoid or to reduce tax liability without actually violating law.

Thus tax avoidance is a device which technically satisfies the requirements of the law but not in accordance with the intentions of the law. Even though tax avoidance is not illegal it is considered as immoral because tax avoidance is possible only by interpreting law in favour of the assessee. Such practices cannot be encouraged because revenue generation is not the sole objective of taxation.

3.10 Tax Management

Tax management involves compliance of legal requirements in connection with the tax. For example, an assessor after proper tax planning, reducing the burden as least as possible, should prepare a tax return and submit the same as prescribed. If the assessee fails to do so, his tax planning efforts may become useless. It implies that tax planning is meaningless.

3.11 Difference between Tax Planning and Tax Avoidance

The following are the important differences between 'Tax Planning' and 'Tax avoidance'.

● Tax planning refers to the planning of financial affairs, by which the assessee gets full benefit of all permissible deductions and exemptions. Tax avoidance is the practice of purposefully adjusting one's financial affairs, to prevent payment of tax.

● Tax planning is the savings of tax. Tax avoidance is dodging of tax.

● Motive of tax planning is bonafide and genuine while the motive of tax avoidance is malafide and anti-social.

● Tax planning aims to lessen tax liability by applying the provisions as well as spirit and morale of law. Tax avoidance aims to lessen tax liability, by applying the provisions of law only, ignoring the spirit and morale of law.

● Tax planning uses the merits of tax law. Tax avoidance takes undue advantage of shortcomings of tax law.

● Tax planning is good and beneficial to the assessee and the government in the long run. Tax avoidance is beneficial for the assess, but only in the short run.

3.12 Differences between Tax Planning and Tax evasion

● Tax planning is a scientific and lawful practice for reducing the tax obligation. On the other hand, tax evasion is a deliberate attempt from the part of a taxpayer to escape from tax by misrepresentation of facts, falsification of accounts and such other fraudulent practices.

● Tax planning is a legal right and social responsibility. By tax planning, certain social and economic objectives are achieved. Tax evasion is a legal offence which will attract penalty, prosecution and other punishments.

● Tax planning requires thorough knowledge of the law and awareness about the social, economic and political situations of the country. On the other hand, tax evasion does not require much awareness of law but it is done purely on the basis of anti-social mentality and tendency to violate law.

● Tax planning helps the fast economic development of the country by providing additional funds for investment in desired channels while tax evasion generates black money quite often utilised for smuggling, bribery, luxury and such other anti-social activities.

● A person who makes accurate tax planning enjoys peace of mind because he gets the tax liability reduced and is always under the protection of law. At the same time a tax evader remains always in anxiety because at any time he may be caught and brought before the law.

3.13 Differences between Tax Planning and Tax Management

The following are the differences between tax planning and tax management.

● Tax planning is a systematic and scientific practice of reducing tax liability as least as possible and involves efficient tax management also. In other words, tax management is the first step of tax planning.

● The purpose of tax planning is to minimise tax liability while tax management is aimed at the compliance of legal formalities associated with tax matters.

● Tax planning is not a statutory obligation but tax management is essential foe every person, otherwise he may become liable for penal interest, penalty and prosecution.

● Exemptions, deductions and reliefs are claimed as a part of tax planning whereas satisfying the conditions required to claim such exemptions,deductions and reliefs is a part of tax management.

● Alternative economic activities are studied as a part of tax planning and a scheme with the least incidence of tax is selected. On the other hand, tax management includes maintenance of accounts, records, filing of forms and returns, resulting from such tax planning.

● Tax planning is normally done in view of the future benefits. At the same time tax management may relate to the past, present or future.

Data Analysis and Interpretation

Data Analysis and Interpretation

4.1 Gender

Table 4.1 Gender of respondents

Gender	Valid Frequency	Valid Percent
Male	54	54
Female	46	46
Total	**100**	**100**

Source : Primary Data

Figure 4. 1 Gender of respondents

Gender
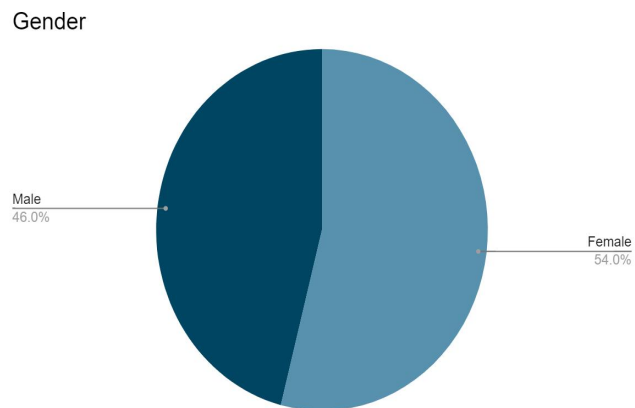
Male
46.0%

Female
54.0%

Interpretation

From the figure and table, it can be inferred that the highest gender category belongs to the group of females which comprises 54 percent and males which consists of 46 percent.

4.2 Age

Table 4.2 Age of Respondents

Age	Valid Frequency	Valid Percent
Below 20	20	20
20-35	20	20
35-50	30	30
50 above	30	30
Total	**100**	**100**

Source : Primary Data

Figure 4.2 Age of Respondents
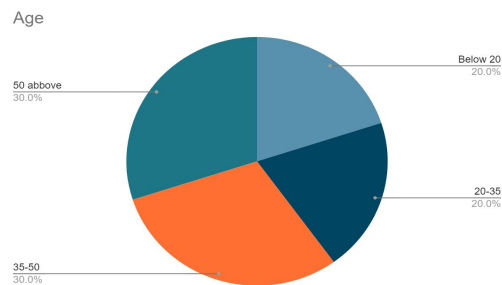
Interpretation

From the above figure and table it can be inferred that the highest age category belongs to the group of 35-50 and 50 above which comprises 30 percent equally and the lowest age category is below 20 and 20-36 which comprises 20 percent equally.

4.3 Educational Qualification

Table 4.3 Educational Qualification of Respondents

Educational Qualification	Valid Frequency	Valid Percent
Undergraduate	18	18
Graduate	28	28
Post Graduate	25	25
Professional Degree	29	29
Total	**100**	**100**

Source : Primary Data

Figure 4.3 Educational Qualification of Respondents

Educational Qualification

- Undegraduate 18.0%
- Professional Degree 29.0%
- Graduate 28.0%
- Post Graduate 25.0%
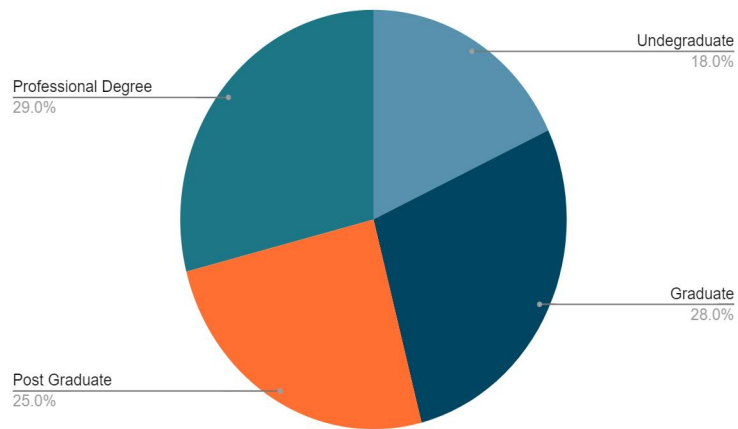
Interpretation

From the above figure and table, it can be inferred that the highest educational qualification category is professional degree which comprises 29 percent and the lowest educational qualification category is the undergraduates with 18 percent.

4.4 Occupation

Table 4.4 Occupation of Respondents

Occupation	Valid Frequency	Valid Percent
Government Employee	18	18
Private Employee	10	10
Business	12	12
Professional	21	21
Self employed	28	28
Others	11	11
Total	**100**	**100**

Source : Primary Data

Figure 4.4 Occupation of Respondents
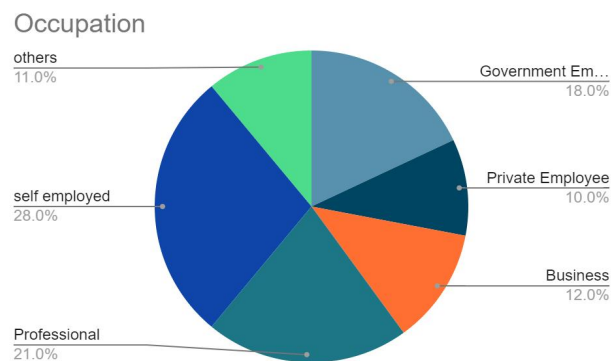
Figure 4.4

Interpretation

From the above figure and table, it can be inferred that, the highest
occupation category are the self-employed people which comprises 28
percent and the lowest occupation category is shared by others with
11 percent.

4.5 Annual Income

Table 4.5 Annual Income of Respondents

Annual Income	Valid Frequency	Valid Percent
Below 2 lakhs	20	20
2 lakhs - 4 lakhs	21	21
4 lakhs - 8 lakhs	29	29
Above 8 lakhs	30	30
Total	**100**	**100**

Source : Primary Data

Figure4.5 Annual Income of Respondents
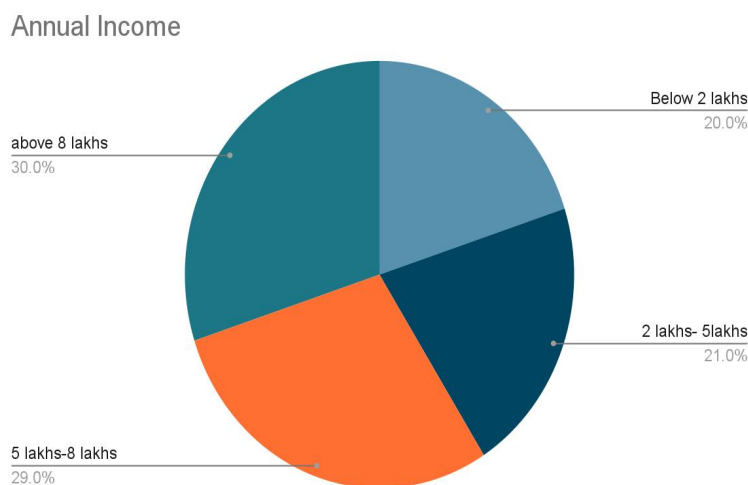
Annual Income

Interpretation

From the above figure and table, it can be inferred that the highest annual income category is above 8 lakhs which constitutes 30 percent and the lowest annual income category is above below 2 lakhs which constitutes 20 percent.

4.6 Are you a taxpayer ?

Table 4.6 Are you a taxpayer ?

Tax Payer	Valid Frequency	Valid Percent
Yes	74	74
No	26	26
Total	**100**	**100**

Source : Primary Data

Figure 4.6 Are you a taxpayer ?

Are you a Taxpayer ?

No
26.0%

Yes
74.0%
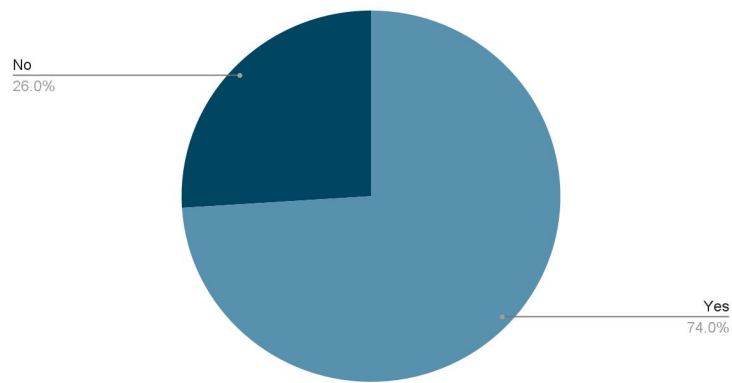
Figure 4.6

Interpretation

From the above figure and table, it can be inferred that the highest number of people are taxpayers which constitutes 74 percent and the lowest number of people are non tax payers which constitutes 26 percent**.**

Awareness about rights and duties	Valid Frequency	Valid Percent
Strongly agree	18	18
Agree	48	48
Neutral	13	13

Disagree	10	10
Strongly Disagree	11	11
Total	**100**	**100**

4.7 Are you aware about the numerous tax rights and duties

Table 4.6 Awareness about tax rights and duties

Source : Primary Data

Figure 4.6 Awareness about tax rights and duties

Awareness about tax rights and duties

Strongly disagree 11.0%
Disagree 10.0%
Neutral 13.0%
Strongly agree 18.0%
Agree 48.0%
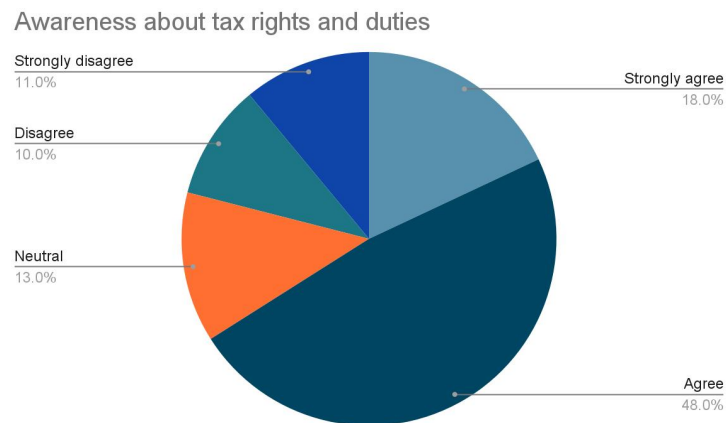
Interpretation

From the above table and figure, it can be inferred that majority of the people agree that they are aware about the various rights and duties

related to tax which constitutes 48 percent whereas the least group of people disagree which comprises of 10 percent.

4.8 Do you think that there is a culture of tax evasion prevailing in India ?

Table 4.7 Culture of Tax evasion

Culture of Tax Evasion	Valid Frequency	Valid Percent
Strongly agree	18	18
Agree	63	63
Neutral	17	17
Disagree	2	2
Strongly Disagree	0	0
Total	**100**	**100**

Source : Primary Data

Figure 4.7 Culture of Tax evasion
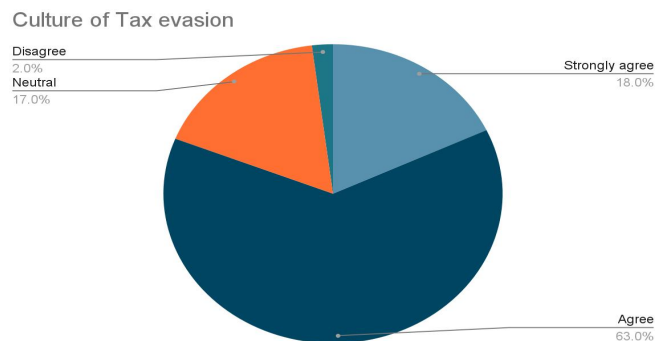
Culture of Tax evasion

Disagree 2.0%
Neutral 17.0%
Strongly agree 18.0%
Agree 63.0%

Interpretation

From the above table and figure, it can be inferred that the majority of the people agree that there is a culture of tax evasion prevailing in India which comprises 63 percent whereas the least group of people strongly disagree which comprises nil percent.

4.9 Do you think that the Indian taxation system is difficult to understand ?

Table 4.9 Indian Taxation system is difficult

Do you think that the Indian taxation system is difficult to understand?	Valid Frequency	Valid Percent
Strongly agree	18	18
Agree	32	32
Neutral	40	40
Disagree	10	10
Strongly Disagree	0	0
Total	**100**	**100**

Source : Primary Data

Figure 4.9 Indian Taxation system is difficult

Indian Taxation system is difficult

Interpretation

From the above table and figure, it can be inferred that the majority of the people are neutral that the Indian taxation system is difficult to understand which comprises 40 percent whereas the least group of people strongly disagree which comprises nil percent.

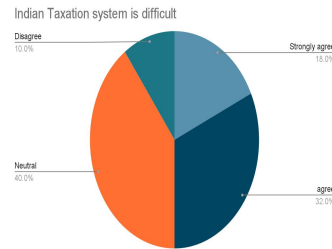**4.10 Do you believe that it is everyones' civic responsibility to pay taxes correctly within the stipulated time?**

Table 4.10 Civic Responsibility to pay taxes

Do you believe that it is everyones' civic responsibility to pay taxes correctly within the stipulated time?	Valid Frequency	Valid Percent
Strongly agree	42	42
Agree	48	48
Neutral	7	7
Disagree	2	2
Strongly Disagree	1	1

Total	**100**	**100**

Source : Primary Data

Figure 4.10 Civic Responsibility to pay taxes
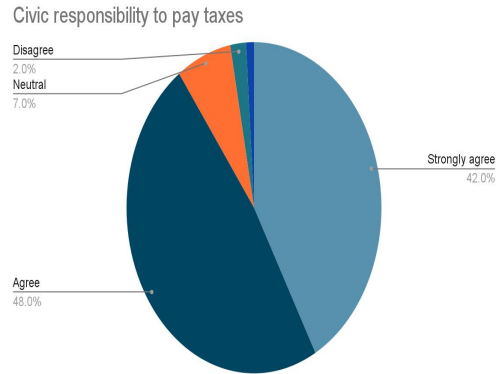
Civic responsibility to pay taxes

Disagree 2.0%
Neutral 7.0%
Strongly agree 42.0%
Agree 48.0%

Interpretation

From the above table and figure, it can be inferred that the majority of the people agree that it is everyones' civic responsibility to pay taxes correctly within the stipulated time which comprises 44 percent whereas the least group of people strongly disagree which comprises 1 percent.

4.11 Do you think that there is a culture of tax evasion prevailing in India ?

Table 4.11 Culture of Tax evasion

Do you think that there is a culture of tax evasion prevailing in India ?	**Valid Frequency**	**Valid Percent**
Strongly agree	18	18

Agree	63	63
Neutral	17	17
Disagree	2	2
Strongly Disagree	0	0
Total	**100**	**100**

Source : Primary Data

Figure 4.11 Culture of Tax evasion
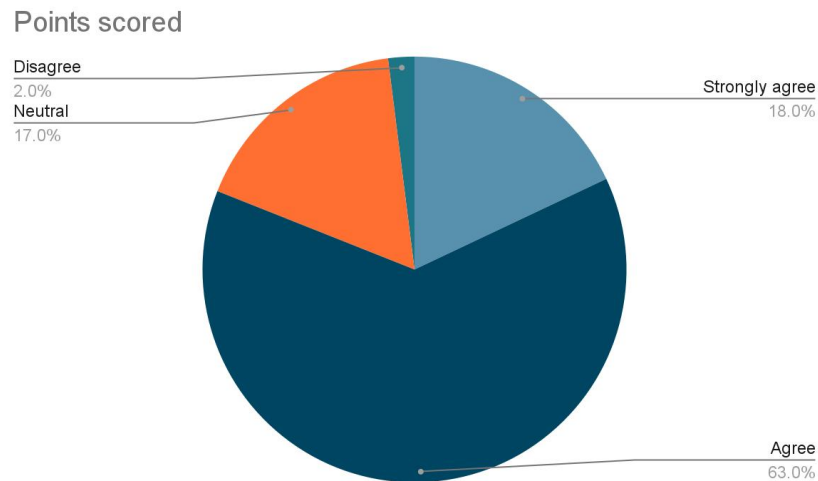
Points scored

Interpretation

From the above table and figure it can be inferred that the majority of the people agree that there is a culture of tax evasion prevailing in India which comprises 63 percent and none of them strongly disagree with this statement.

4.12 Do you think that the Indian taxation system is difficult to understand ?

Table 4.12 Indian Taxation System

Do you think that the Indian taxation system is difficult to understand ?	Valid Frequency	Valid Percent
Strongly agree	18	18
Agree	32	32
Neutral	40	40
Disagree	10	10
Strongly Disagree	0	0
Total	**100**	**100**

Source : Primary Data

Figure 4.12 Indian Taxation System
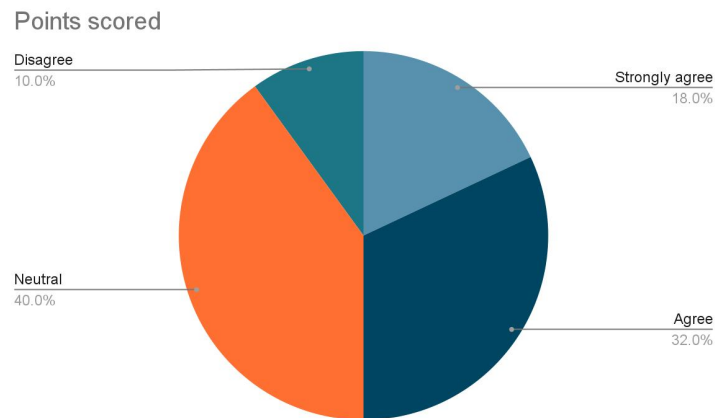
Interpretation

From the above table and figure, it can be inferred that the majority are neutral to the question whether the Indian taxation system is difficult to understand which comprises 40 percent and none of them strongly disagree with this statement.

4.13 Do you believe that it is everyone's civic responsibility to pay taxes correctly within the stipulated time?

Table 4.13 Civic Responsibility to pay taxes within the stipulated time

Do you believe that it is everyone's civic responsibility to pay taxes correctly within the stipulated time?	Valid Frequency	Valid Percent
Strongly agree	42	42
Agree	48	48
Neutral	8	8
Disagree	0	0
Strongly Disagree	2	2
Total	**100**	**100**

Source : Primary Data

Figure 4.13 Civic Responsibility to pay taxes within the stipulated time
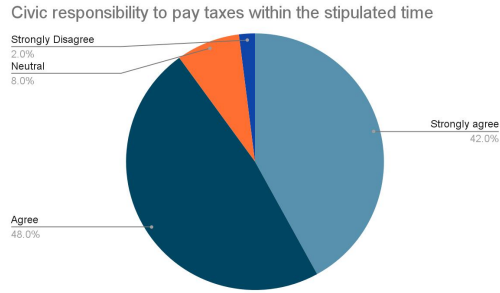
Civic responsibility to pay taxes within the stipulated time

Strongly Disagree
2.0%
Neutral
8.0%

Strongly agree
42.0%

Agree
48.0%

Interpretation

From the above table and figure, it can be inferred that the majority of the people agree that it is everyone's civic responsibility to pay taxes within the stipulated time which comprises 48 percent and none of them disagree with this statement**.**

4.14 How aware are you of tax planning ?

Table 4.14 Awareness on tax planning

How aware are you of tax planning ?	Valid Frequency	Valid Percent
Extremely Familiar	7	7
Very much Familiar	33	33
Moderately familiar	40	40
Slightly familiar	15	15
Not at all familiar	5	5
Total	**100**	**100**

Source : Primary Data

Figure 4.14 Awareness on tax planning
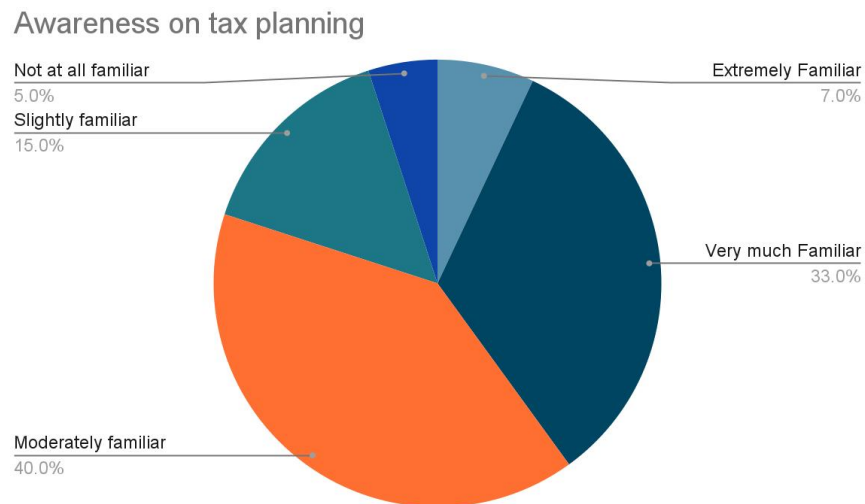
Awareness on tax planning

Not at all familiar
5.0%

Slightly familiar
15.0%

Extremely Familiar
7.0%

Very much Familiar
33.0%

Moderately familiar
40.0%

Interpretation

From the above table and figure, it can be inferred that the majority of the respondents are moderately familiar with the tax planning method which comprises 40 percent and least number of respondents are not at all familiar which comprises 5 percent.

4.15 Do you believe that only a few people report their income correctly to the income tax authorities ?

Table 4.15 Reporting of Income to Income Tax authorities

Do you believe that only a few people report their income correctly to the income tax	Valid Frequency	Valid Percent

authorities ?		
Strongly agree	23	23
Agree	55	55
Neutral	18	18
Disagree	3	3
Strongly Disagree	0	0
Total	**100**	**100**

Source : Primary Data

Figure 4.15 Reporting of Income to Income Tax authorities
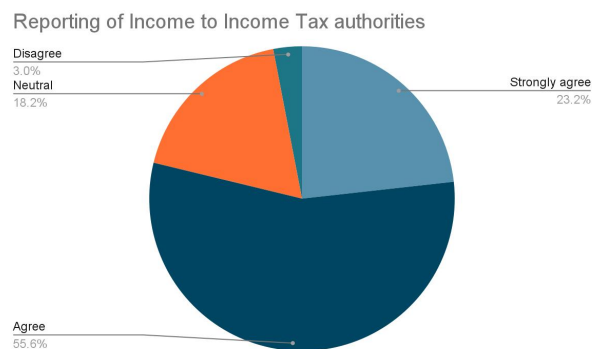
Reporting of Income to Income Tax authorities

Interpretation

From the above table and figure, it can be inferred that the majority of the respondents strongly agree that only a few people report their income correctly to the income tax authorities which comprises 55 percent and none of the respondents strongly disagree.

4.16 What is your opinion on the statement, " My tax attitude has taught me that tax rates are justifiable and reasonable" ?

Table 4.16 Tax rates are justifiable and reasonable

My tax attitude has taught me that tax rates are justifiable and reasonable	Valid Frequency	Valid Percent
Strongly agree	3	3
Agree	34	34
Neutral	32	32
Disagree	18	18
Strongly Disagree	2	2
Total	**100**	**100**

Source : Primary Data

Figure 4.16 Tax rates are justifiable and reasonable
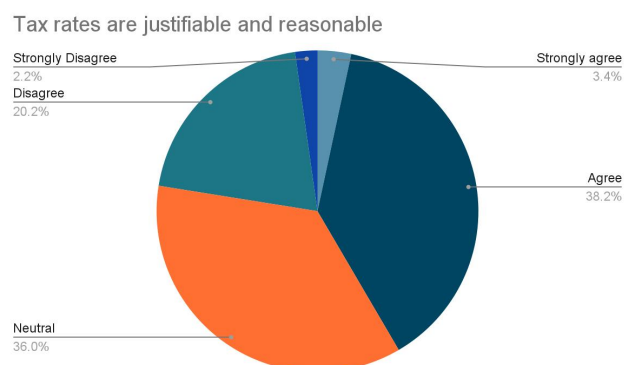
Interpretation

From the above table and figure it can be inferred that the majority of the respondents agree that their tax attitude has taught them that tax rates are justifiable and reasonable which comprises 34 percent and the least number of respondents strongly disagree to it.

4.17 What is your opinion on the statement, " As a result of my tax attitude, I am competent enough to undertake self-assessment of my tax obligations" ?

Table 4.17 Self-assessment of Tax Obligations

" As a result of my tax attitude, I am competent enough to undertake self-assessment of my tax obligations"	Valid Frequency	Valid Percent
Strongly agree	10	10
Agree	42	42
Neutral	30	30
Disagree	15	15
Strongly Disagree	3	3
Total	**100**	**100**

Source : Primary Data

Figure 4.17 Self assessment of Tax Obligations

Self Assessment of Tax Obligations
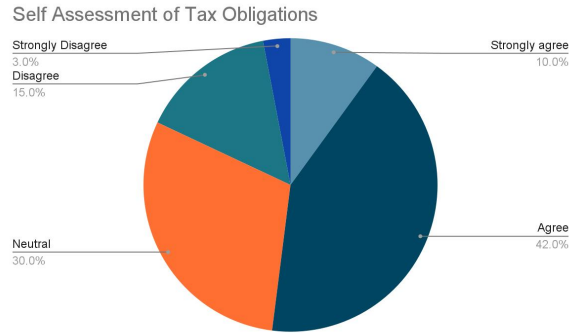
Interpretation

From the above table and figure, it can be inferred that the majority of respondents agree that they are competent enough to take self-assessment using their tax attitude which comprises 42 percent and the least number of people strongly disagree to it which comprises 3 percent.

Hypothesis 1

H0 – There is no significant difference between the general attitude of people towards tax system with respect to age and education.

H1 – There is a significant difference between the general attitude of people towards tax system with respect to age and education

Table 4.18 Measures of attitude of people

Attitude of People	Mean	Std. Deviation
I am knowledgeable about the numerous tax rights and duties prevailing in India.	3.370	1.574
Only a few people report their income correctly to the income tax authorities	2.460	1.344
I am competent enough to undertake self- assessment of my tax obligations	2.860	1.407

The Mean and SD for different aspects of attitude of people is given and knowledge about the numerous tax and liabilities prevailing in India has the highest mean and SD which 3.370 and 1.574 respectively

Age Mean and SD

Table 4.19

Age		I am knowledgeable about the numerous tax rights and duties prevailing in India.	Only a few people report their income correctly to the income tax authorities	I am competent enough to undertake self-assessment of my tax obligations
Below 20	Mean	2.900	4.250	3.750
	N	20	20	20
	Std. Deviation	1.683	0.786	1.020
20-35	Mean	3.250	2.600	4.150
	N	20	20	20
	Std. Deviation	1.618	0.754	0.988
35-50	Mean	4.100	1.500	2.033
	N	30	30	30
	Std. Deviation	1.373	1.075	1.217
50 above	Mean	3.033	2.133	2.233
	N	30	30	30
	Std. Deviation	1.474	0.973	1.073
Total	Mean	3.370	2.460	2.860
	N	100	100	100
	Std. Deviation	1.574	1.344	1.407

Source primary data

The SD and mean related with the age are given here. From this table it can be inferred that majority of respondents who are aware of tax

attitude belong to the age group 35-50 with a mean of 4.1 and the SDs are 1.373, 1.075…respectively.

Kruskal- Wallis Test on attitude of people with respect to age

TABLE 4.20

Kruskal-Wallis Test on Attitude of People with respect to age	I am knowledgeable about the numerous tax rights and duties prevailing in India.	Only a few people report their income correctly to the income tax authorities	I am competent enough to undertake self-assessment of my tax obligations
Kruskal-Wallis H	9.397	52.510	41.753
df	3	3	3
Asymp. Sig.	0.024	0.000	0.000

Source Primary Data

From the above table it can be inferred that the P value of all statements is less than 0.05. It indicated that the difference bound between age are statistically significant for the three variables are dependent on Age and educational qualification. In case of insights provided the p values are greater than 0.5 which means the there is significant change in educational qualification.

Educational Qualification Mean, N and SD

Table 4.21

Educational Qualification		I am knowledgeable about the numerous tax rights and duties prevailing in India.	Only a few people report their income correctly to the	I am competent enough to undertake self-assessment of my tax obligations

			income tax authorities	
Undergraduate	Mean	3.556	3.333	2.833
	N	18	18	18
	Std. Deviation	1.653	1.495	1.150
Graduate	Mean	2.821	2.571	3.071
	N	28	28	28
	Std. Deviation	1.611	1.260	1.489
Post Graduate	Mean	3.440	2.040	2.520
	N	25	25	25
	Std. Deviation	1.530	1.428	1.475
Professional Degree	Mean	3.724	2.172	2.966
	N	29	29	29
	Std. Deviation	1.461	1.002	1.426
Total	Mean	3.370	2.460	2.860
	N	100	100	100
	Std. Deviation	1.574	1.344	1.407

Source Primary Data

The following table shows the Mean, N and SD of various aspects of educational qualification. The highest mean is 3.7 which belongs to professional degree category and the various SDs are 1.53, 1.42…etc.

Kruskal- Wallis Test on attitude of people with respect to educational qualification

Table 4.22

Kruskal-Wallis Test on Attitude of People with respect to education	I am knowledgeable about the numerous tax rights and duties prevailing in India.	Only a few people report their income correctly to the income tax authorities	I am competent enough to undertake self-assessment of my tax obligations
Kruskal-Wallis H	15.063	10.876	12.395
df	3	3	3
Asymp. Sig.	0.007	0.012	0.005

Source Primary Data

From the above table it can be inferred that the P value of all statements is less than 0.05. It indicated that the difference bound between age and educational knowledge are statistically significant for the three variables are dependent and educational qualification. In case of insights provided the p values are greater than 0.5 which means the there is significant change in educational qualification.

Conclusion

There is a significant difference between the general attitude of people towards tax system with respect to age and education

Hypothesis 2

H0 – There is no significant difference between the tax knowledge of people with respect to age and education.

H1 – There is a significant difference between the tax knowledge of people with respect to age and education.

Tax Knowledge of the people - Mean and SD

Table 4.23

Tax knowledge of people	Mean	Std. Deviation
There is a culture of tax evasion in India	3.530	1.473
Indian Taxation System is difficult to understand	3.230	1.523

It is everyone's civic responsibility to pay taxes correctly within the stipulated time	2.970	1.521

Source primary data

The Mean and SD for different aspects of attitude of people in tax knowledge ie…knowledge about tax evasion , Indian taxation system difficulty and civic responsibility is given here. the highest mean and SD which 3.5300 and 1.523respectively

Age Mean, N and SD

Table 4.24

Age			There is a culture of tax evasion in India	Indian Taxation System is difficult to understand ?	It is everyone's civic responsibility to pay taxes correctly within the stipulated time?
Below 20	Mean		3.500	3.150	3.500
	N		20	20	20
	Std. Deviation		1.357	1.089	0.513
20-35	Mean		3.250	4.550	5.000
	N		20	20	20
	Std. Deviation		1.916	1.099	0.000
35-50	Mean		4.667	2.500	2.133
	N		30	30	30
	Std. Deviation		0.479	1.717	1.456
50 above	Mean		2.600	3.133	2.100
	N		30	30	30
	Std. Deviation		1.133	1.279	1.029
Total	Mean		3.530	3.230	2.970
	N		100	100	100
	Std. Deviation		1.473	1.523	1.521

Source Primary Data

The following table shows the Mean, N and SD of various aspects of age in relation to tax knowledge is given. The highest mean is 4.667 which belongs to age 35-50 category and the various SDs are 0.479, 1.717 and 1.456.

Kruskal-Wallis Test on Tax knowledge of people with respect to age

Table 4.25

Kruskal-Wallis Test on Tax knowledge of people with respect to age	There is a culture of tax evasion in India	Indian Taxation System is difficult to understand ?	It is everyone's civic responsibility to pay taxes correctly within the stipulated time?
Kruskal-Wallis H	32.347	24.152	56.180
df	3	3	3
Asymp. Sig.	0.000	0.000	0.000

Source Primary Data

From the above table it can be inferred that the P value of all statements is less than 0.05. It indicated that the difference bound between age and tax knowledge are statistically significant for the three variables are dependent and educational qualification. In case of insights provided the p values are greater than 0.5 which means the there is significant change in educational qualification.

Educational Qualification – Mean, N and SD

Table 4.26

Educational Qualification		There is a culture of tax evasion in India	Indian Taxation System is difficult to understand ?	It is everyone's civic responsibility to pay taxes

				correctly within the stipulated time?
Undergraduate	Mean	4.222	2.611	3.389
	N	18	18	18
	Std. Deviation	1.003	1.378	0.979
Graduate	Mean	3.500	3.714	3.464
	N	28	28	28
	Std. Deviation	1.478	1.329	1.527
Post Graduate	Mean	3.560	3.120	2.240
	N	25	25	25
	Std. Deviation	1.417	1.666	1.393
Professional Degree	Mean	3.103	3.241	2.862
	N	29	29	29
	Std. Deviation	1.655	1.573	1.684
Total	Mean	3.530	3.230	2.970
	N	100	100	100
	Std. Deviation	1.473	1.523	1.521

Source primary data

The following table shows the Mean, N and SD of various aspects of educational qualification in relation to tax knowledge is given. The highest mean is 4.22 which belongs to category undergraduate and the various SDs are 1.003, 1.378 and 0.979 in the cage of undergraduates.

Kruskal-Wallis Test on Tax knowledge of people with respect to education

Table 4.27

Kruskal-Wallis Test on Tax knowledge of	There is a culture of tax evasion in India	Indian Taxation System is difficult to understand ?	It is everyone's civic

people with respect to education			responsibility to pay taxes correctly within the stipulated time?
Kruskal-Wallis H	15.529	16.218	10.703
df	3	3	3
Asymp. Sig.	0.007	0.001	0.013

Source Primary data

From the above table it can be inferred that the P value of all statements is less than 0.05. It indicated that the difference bound between age and tax knowledge are statistically significant for the three variables are dependent and educational qualification. In case of insights provided the p values are greater than 0.5 which means the there is significant change in educational qualification.

Conclusion

There is a significant difference between the tax knowledge of people with respect to age and education

Hypothesis 3

H0 – There is no association between the annual income of the people and their tax planning

H1– There is an association between the annual income of the people and their tax planning

Tax planning – Mean and SD

Table 4.28

Tax Planning	Mean	Std. Deviation
Tax planning can add to your income	2.950	1.466
Tax planning is an important part of tax compliance	2.710	1.559
Tax planning boosts protection and growth	2.680	1.490
Tax planning is a key part of financial planning	2.560	1.546
Tax planning is simple and easy to understand	3.620	1.441

Source primary data

This table shows the various of SD related to aspects of tax planning. The highest Mean is 3.620 and highest Sd is 1.559.

Tax Compliance Mean and SD

Table 4.29

Tax compliance	Mean	Std. Deviation
I have been paying my tax obligations correctly	2.850	1.381
I have been paying my tax obligations on time	3.040	1.550
I have no problem in complying tax obligations	2.820	1.493
I am fully satisfied with all tax requirements imposed by CBDT	2.670	1.378

Source primary data

This table shows the various of SD related to aspects of tax compliance The highest Mean is 3.040 and highest Sd is 1.550.

Tax Planning awareness- Frequency and Percent

Table 4.30

How aware are you of Tax planning		Frequency	Percent

Not at all familiar	40	40.0
Slightly familiar	20	20.0
Moderately familiar	10	10.0
Very familiar	10	10.0
Extremely familiar	20	20.0
Total	100	100.0

Source primary data

This table shows the frequency and percent of respondents on the awareness of tax planning. Majority of the respondents are not at all familiar which constitutes the highest frequency and percent which is 40.

Attending workshops and other seminars for improving tax knowledge

Table 4.31

Do you attend workshops or other seminars for improving tax knowledge	Frequency	Percent
Never	17	17.0
Rarely	27	27.0
Sometimes	15	15.0
Often	16	16.0
Always	25	25.0
Total	100	100.0

This table shows the frequency and percent of respondents on attending workshops and other seminars for improving tax knowledge. Majority of the respondents rarely attend these workshops which constitutes the highest frequency and percent which is 27.

ANOVA

Table 4.32

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.885a	0.784	0.680	1.46634
a. Predictors: (Constant), Annual Income				

ANOVAa						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	56.396	1	56.396	45.137	.000b
	Residual	122.444	98	1.249		
	Total	178.840	99			
a. Dependent Variable: Tax Planning						
b. Predictors: (Constant), Annual Income						

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.294	0.295		14.559	0.000
	Annual Income	1.682	0.101	0.562	16.575	0.000
a. Dependent Variable: Tax Planning						

Source Primary data

There is a relationship between dependent and independent variables and the dependent variables is i.e., the predictors is being used and can be be related with the annual income where the sig is 0.000 in both constant and annual income.

Conclusion

There is an association between the annual income of the people and their tax planning

FINDINGS, SUGGESTIONS AND CONCLUSION

5.1 Summary

The project was carried out to study the Tax knowledge and Tax planning as predictors of tax compliance among people in Ernakulam District. Tax Planning is an activity conducted by the tax payer to reduce the tax liable upon him/her by making maximum use of all available deductions, allowances, exclusions, etc. feasible under law. In other words, it is the analysis of a financial situation from the taxation point of view. The objective behind tax planning is insurance

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of tax efficiency. Tax planning allows all elements of the financial plan to function in sync to deliver maximum tax efficiency. Tax planning is critical for budgetary efficiency. A reduced tax liability and maximized the ability of retirement plans. The study finds and suggest the understanding of the tax system among the people living in Ernakulam district it also focusses to measure the tax knowledge of the people.

5.2 Findings

After analysing the primary data collected by distributing questionnaires to the respondents, following findings were obtained,

- Majority of the respondents are females
- Majority of the respondents belong to the age group 35- 50 and above.
- Majority of the respondents have educational qualification professional degree.
- Majority of the respondents are self employed
- Majority of the respondents have annual income above 8 lakhs.
- Majority of the respondents believe that there there is a culture of tax evasion prevailing in India.
- Respondents are not much aware about the various tax saving resources available in India.
- Respondents rarely attend seminars and workshops related to tax planning.
- Respondents believe that Indian taxation system is difficult to understand.
- There is an association between the annual income of the people and their tax planning

- There is a significant difference between the tax knowledge of people with respect to age and education
- There is a significant difference between the general attitude of people towards tax system with respect to age and education
- Respondents are ready to know more aspects of tax rather than tax planning.
- Respondents believe that adequate tax planning helps them to reduce tax liability.
- Majority of the respondents believe that tax liability should be met within the stipulated time
- Majority of the respondents don't have a tax attitude.
- Respondents are unaware about the basic concepts and techniques related to tax.
- Tax planning can earn more savings for the respondents.

- Majority of respondents are tax payers.

Suggestions

- People should attend workshops and others programmes related to tax knowledge and attitude to get a better view on the subject.
- Government should promote tax attitude among citizens.
- Tax planning and tax saving methods should be promoted rapidly.
- Tax management benefits should be introduced to people.

Conclusion

Tax Planning is an activity conducted by the tax payer to reduce the tax liable upon him/her by making maximum use of all available deductions, allowances, exclusions, etc. feasible under law. In other words, it is the analysis of a financial situation from the taxation point of view. The objective behind tax planning is insurance of tax efficiency. Tax planning allows all elements of the financial plan to function in sync to deliver maximum tax efficiency. Tax planning is critical for budgetary efficiency. A reduced tax liability and maximized the ability of retirement plans. The study finds and suggest the understanding of the tax system among the people living in Ernakulam district it also focusses to measure the tax knowledge of the people. This study suffers the limitatio9ns such as lack of accuracy in primary and secondary data and the selected sample might not give a true representation of population. The scope is limited within Ernakulam.

Summary

The project was carried out to study the Tax knowledge and Tax planning as predictors of tax compliance among people in Ernakulam District. Tax Planning is an activity conducted by the tax payer to reduce the tax liable upon him/her by making maximum use of all available deductions, allowances, exclusions, etc. feasible under law. In other words, it is the analysis of a financial situation from the taxation point of view. The objective behind tax planning is insurance of tax efficiency. Tax planning allows all elements of the financial plan to function in sync to deliver maximum tax efficiency. Tax planning is critical for budgetary efficiency. A reduced tax liability and maximized the ability of retirement plans. The study finds and suggest the understanding of the tax system among the people living in Ernakulam district it also focusses to measure the tax knowledge of the people.

Findings

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