

## Satisfaciton level of the salaried tax payers about the income tax system: A study

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### Abstract

In India, salaried employees constitute the largest single subgroup among tax payers. Their contribution constitutes majority of the total income tax revenue. So, the satisfaction of the salaried tax payers is very important one and the Government has to take necessary steps to satisfy them. Then only Government can reach the target in tax collection every year. But, very least percentage of population only filing tax return and paying tax. By keeping this, the present study deals with the satisfaction level of the salaried tax payers about the Income Tax System in Erode District of Tamil Nadu. The findings also indicated that the most of the sample salaried tax payers not satisfied about the Income Tax System.

**Keywords:** satisfaction, salaried tax payers, income tax system

### Introduction

The satisfaction level is a function of the difference between the perception and expected Income Tax System. If the Income Tax System matches expect ations, the tax payer is satisfied. If the Income Tax System falls short of expectations, the tax payer is dissatisfied. If the Income Tax System exceeds expectations, the customer may be delighted or highly pleased. Further, it is hope that the satisfaction of the different groups of salaried income tax payers about the Income Tax System varies according to their gender, age, educational status, marital status, occupational status, nature of the family, size of the family, number of earning members in the family, annual income of the individual etc. Therefore, ascertaining the level of satisfaction of all groups of salaried income tax payers is imperative.

Satisfaction level of the sample salaried tax payers about the Income Tax System largely depends on the extent to which needs and expectations are being fulfilled. The ultimate success of target income tax collection depends upon the satisfaction of the income tax payers. It is known fact that salaried tax payers' satisfaction level would play an important role in the income tax collection. But, salaried tax payers should follow so many procedures from filing of income tax return to payment of income tax. So, it seems pertinent to study the satisfaction level of the salaried tax payers about the Income Tax System. Against this background, this paper is a modest attempt to examine the satisfaction level of the salaried tax payers about the Income Tax System.

### Review of literature

Abubakari Abdul Razak and Christopher Jwayire Adafula (2013) <sup>[1]</sup> made a study to evaluate taxpayers' attitude and its influence on tax compliance decisions. This study was based on both primary and secondary data. The required primary data have been collected from 233 sample respondent through questionnaire. Such collected data have been analysed with the

help of statistical tools rank correlation and ANOVA. They found that individuals did not clearly understand the tax laws. A significant positive statistical relationship was found to exist between levels of understanding and tax compliance decisions. Rusdi Hidayat *et al* (2014) <sup>[3]</sup> conducted a study to measure model of service quality, regional tax regulations, tax payers satisfaction level, behaviour and compliance. This study was based on primary data. The primary data have been collected from 157 sample tax payers through questionnaire. They found that the strongest indicator for taxpayer satisfaction level is hope, sanctions for taxpayer behaviour and tax reporting for taxpayer obedience.

Amjath and Vijayarani (2015) <sup>[2]</sup> made a study to explore and analyze the factors influencing on the tax evasion and the noncompliance attitude of taxpayers in Sri-Lanka. For this study primary data have been used. The required data have been collected from sample respondents through questionnaire. The collected data have been analysed with the help of statistical tools Chi-square test, Mean and standard deviation. They found that job categories and income source of respondents were independents in tax evasion and noncompliance attitude income taxpayers.

### Statement of the problem

In India, salaried employees constitute the largest single subgroup among taxpayers. Their contribution constitutes majority of the total income tax revenue when progressive rates are high. The group is unable to suppress income and thus noted for high tax compliance. They are becoming easy targets for garnering more taxes. But, that salaried tax payers are not having much knowledge about the income tax system in India due to complexity of income tax laws, rules and policies. Tax payers suffering a lot in the aspect of rate of tax, procedure for computation of taxable income and tax payable, provisions relating to deductions, procedure in filing of income tax return etc. By keeping in view the above realities, this paper aims to

identify the satisfaction level of the salaried tax payers about the Income Tax System.

**Objectives of the study**

The present study has been undertaken with the following specific objectives:

1. To measure the salaried tax payers’ satisfaction level about the Income Tax System.
2. To offer suggestions to improve satisfaction level of the salaried tax payers about the Income Tax System.

**Hypothesis of the study**

H<sub>0</sub>: There is no significant association between the various independent variables (Gender, Age, Educational status, Marital status, Occupational Status, Nature of the family, Size of the family, Number of earning Members in the family, Annual income of the individual, Annual family income, Annual savings of the individual, Annual family savings, Mode of filing return and Source of information about Taxation) of

the salaried tax payers and their level of satisfaction about the Income Tax System.

**Research methodology**

This is an empirical study based on survey method. The required primary data have been collected from the 512 sample salaried tax payers by using Multistage sampling technique. Such collected data have been analysed with the help of various statistical tools like Percentage Analysis, chi-square test and Multiple Regression Analysis.

**Results & discussion**

**Level of Satisfaction:** To measure the level of satisfaction, 22 statements have been given in the Questionnaire. Salaried tax payers’ level of satisfaction has been measured with Rensis Likert’s Five Point Scale. On the basis of quantification procedure, it is found that 62.3% of the sample salaried tax payers are less satisfied with the existing Income Tax System. Details of the findings are shown in Table 1.

**Table 1:** Classification of the Salaried Tax Payers by Satisfaction Score

Level of Satisfaction	No. of Salaried Tax Payers	Total Score	Mean Score	S. D
Less	319(62.3)	18750.00	58.78	6.92
More	193(37.7)	13666.00	70.81	3.44
Total	512(100.0)	32416.00	63.31	8.26

**Satisfaction level of the salaried tax payers about the income tax system: chi square test**

Salaried tax payers’ satisfaction level has been examined by

framing a null hypothesis and the same has been tested with chi square at 5% level of significance. Details of the findings are shown in Table 2.

**Table 2:** Satisfaction Level of the Salaried Tax Payers about the Income Tax System:  $\chi^2$

S. No.	Variables	Df	TV	CV
1	Gender	1	3.841	0.625*
2	Age	2	5.991	4.211*
3	Educational Status	3	7.815	8.638
4	Marital Status	1	3.841	4.998
5	Occupational Status	1	3.841	0.056*
6	Nature of the family	1	3.841	14.232
7	Size of the Family	2	5.991	19.938
8	Number of earning members in the family	2	5.991	0.734*
9	Annual income of the individual	2	5.991	8.667
10	Annual family income	2	5.991	5.661*
11	Annual savings of the individual	2	5.991	1.001*
12	Annual family savings	2	5.991	0.158*
13	Mode of filing return	2	5.991	6.120
14	Source of information about taxation	3	7.815	5.507*

**Note:** \* = Insignificant @5% Level

Table 2 clearly shows that the satisfaction level of the sample salaried tax payers about the Income Tax System and socio-economic characteristics like Gender, Age, Occupational status, Number of earning members in the family, Annual family income, Annual savings of the individual, Annual family savings and Source of information about taxation are insignificant whereas, socio-economic characteristics like Educational status, Marital status, Nature of the family, Size of the family, Annual income of the individual and Mode of filing return are significant.

**Satisfaction level of the salaried tax payers about the income tax system: multiple regression analysis**

Multiple Regression analysis has been applied with fourteen independent variables to ascertain the influence of the different set of independent variables on satisfaction. The regressions are estimated using cross-section data of 512 sample salaried tax payers. Satisfaction score has been taken as dependent variable and socio-economic characteristics as independent variables. Details of the findings are shown in Table 3.

**Table 3:** Satisfaction Level of the Salaried Tax Payers about the Income Tax System: Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	64.019	2.414		26.516	.000
Gender	-0.479	0.881	-0.027	-0.544	0.587
Age	-1.211	0.581	-0.111	-2.086	0.038
Educational Status	0.525	0.410	0.062	1.283	0.200
Marital Status	0.818	1.158	0.039	0.707	0.480
Occupational Status	-1.413	0.852	-0.073	-1.658	0.098
Nature of the Family	-2.009	1.045	-0.114	-1.923**	0.055
No. of family Members	0.562	0.694	0.049	0.810	0.418
No. of Earning Members	2.405	0.760	0.185	3.163*	0.002
Annual income of the individual	3.184	1.076	0.266	2.959*	0.003
Annual Family Income	-2.657	1.071	-0.247	-2.482**	0.013
Annual savings of the individual	-0.269	0.571	-0.021	-0.471	0.638
Annual Family Savings	-1.284	0.654	-0.093	-1.962**	0.050
Mode of filing Return	-0.571	0.476	-0.059	-1.199	0.231
Source of Information	-0.412	0.356	-0.051	-1.158	0.248
R				0.341	
R <sup>2</sup>				0.611	
F				4.670	

Dependent Variable: Total Satisfaction Score

Note: \* = Significant at 1% Level; \*\* = Significant at 5% Level; \*\*\*= Significant at 10% Level

Table value of 't' at 1% 2.583, 5% 1.964 and 10% 1.647 and Table value of 'F' at 1% 2.2119.

From the Table 3, it can be inferred that the Regression Co-efficient of variables like Gender, Age, Educational status, Marital status, Occupational status, Nature of the family, Size of the family, Number of earning Members in the family, Annual income of the individual, Annual family income, Annual individual savings, Annual family savings, mode of filing return and source of information about Taxation are -0.544, -2.086, 1.283, 0.707, -1.658, -1.923, 0.810, 3.163, 2.959, -2.482, -0.471, -1.962, -1.199 and -1.158 respectively. It is further observed that Regression Co-efficient of variables like gender, age, occupational status, nature of family, annual family income, annual savings of the individual, annual family savings, mode of filing return and source of information about taxation are negative but significant. Regression Co-efficient of variables like educational status, marital status, number of family members, number of earning members in the family and annual income of the individual are positive but not statistically significant. The R<sup>2</sup> indicates that 61.1% of the variations are captured from the variables included in the model. The F-value shows that the Regression model fitted is statistically significant at 1% level.

### Recommendation and suggestion

On the basis of the findings of the present study, the following viable suggestion is offered to improve the satisfaction of the salaried tax payers about the Income Tax System.

In the present study, it is found that 62.3% of the sample salaried tax payers are less satisfied with existing Income Tax System. Hence, it is suggested that Government of India and Income Tax Department should take all possible steps to increase the level of satisfaction of the salaried tax payers about the Income Tax System.

### Conclusion

By realizing the significance Income Tax System and Salaried tax payers, an attempt has been made to identify the level of satisfaction of the salaried tax payers about the Income Tax System. On the basis of findings, suggestion has been offered

for the purpose of increase the level of satisfaction of the salaried tax payers about the Income Tax System.

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