

**PERCEPTIONS AND PROFICIENCY OF INCOME TAX PAYERS
IN THE CONTEMPORARY TAX SYSTEM**

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Abstract

This paper explores the perceptions, awareness levels, and filing practices of individual income taxpayers in India, with a focus on compliance behavior in the contemporary tax system. Utilizing a quantitative research approach, data were collected from 154 respondents through a structured online questionnaire. The study assesses taxpayer awareness of income tax laws, deductions, and regime preferences, as well as their filing practices and reliance on professional help. Findings indicate that while a majority of taxpayers file returns on time and plan their investments to save tax, there exists a considerable lack of understanding regarding income heads, applicable ITR forms, and tax regimes. The dominance of the old tax regime is gradually shifting as more taxpayers consider transitioning to the new system. The study identifies the importance of tax professionals in navigating complex filing procedures and highlights the urgent need for taxpayer education to promote greater autonomy, awareness, and accuracy in return filing. Recommendations emphasize simplifying the system, enhancing digital access, and implementing targeted literacy initiatives to improve voluntary compliance and foster trust in the taxation framework.

Keywords: *Income Tax System, Taxpayer Awareness, Tax Compliance, Tax Regime, Financial Literacy, Taxpayer Attitude*

Taxation forms the backbone of a nation's economic framework, serving as a critical tool for resource mobilization and socio-economic development. The income tax system in India plays a vital role in nation-building, economic development, social welfare, and maintaining a stable financial framework essential for sustained growth and progress. Income tax is a crucial source of revenue for the government which funds various developmental projects and social welfare programs such as education campaigns, health services, infrastructure development, employment generation activities, etc.

Income tax is a direct tax governed by the Income Tax Act 1961 and administered by the Central Board of Direct Taxes (CBDT), which is a part of the Department of Revenue under the Ministry of Finance in India. It is considered as one of the most important tools of redistribution of wealth by imposing higher tax rates on individuals with higher incomes. Hence, the income inequality can be reduced at a certain extent. The income tax system serves as a tool for the government's fiscal policy too. By adjusting tax rates, exemptions, and deductions, the government can stimulate economic growth, control inflation, and address specific socio-economic objectives.

However, the perceptions and proficiency of taxpayers in navigating the complexities of the income tax system significantly influence tax compliance and revenue generation. This study, *"The Perceptions and Proficiency of Income Tax Payers*

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in the Contemporary Tax System," aims to explore the attitudes, awareness, and challenges faced by Indian taxpayers.

The study investigates taxpayers' perceptions of the fairness, equity, and transparency of the tax system, alongside their views on how tax revenues are utilized by the government. It further evaluates the awareness of tax laws, available deductions, and investment planning in tax-saving strategies. By analyzing the proficiency of taxpayers in filing returns and their attitudes toward compliance, the study seeks to uncover underlying issues that affect taxpayer behavior. Additionally, it identifies challenges encountered during the tax-filing process and offers actionable recommendations to enhance taxpayer education, simplify the system, and improve support mechanisms for compliance.

Attitudes towards compliance could be improved by enhancing taxpayers' level of tax knowledge and emphasis on technical and computational aspects of filing returns. In other words, tax authorities may have to focus on the technical aspect of the tax knowledge and the content of the tax law in their efforts to improve taxpayers knowledge and reduce the complexity of the income tax systems. (Shaharuddin & Palil, 2016).

Research Objectives

To assess the level of awareness and understanding among taxpayers about tax laws, available deductions, and applicable filing procedures; To analyze the filing practices, regime preferences, and professional assistance sought by taxpayers in the income tax return process; To evaluate the influence of taxpayer proficiency and planning behavior on timely and accurate tax return filing.

Methodology

The study, "*The Perceptions and Proficiency of Income Tax Payers in the Contemporary Tax System,"* employed a quantitative research approach to gather and analyze data. The target population comprised individual income taxpayers in India, and a total of 154 respondents participated in the study. Data were collected using a structured questionnaire designed on Google Forms. The questionnaire included both closed-ended and Likert-scale questions, ensuring the collection of quantifiable data on perceptions, awareness, and challenges related to the tax system. The form was shared through digital platforms, including email and social media, to reach a diverse pool of respondents.

The sampling technique employed was convenience sampling, as participants self-selected to complete the survey based on their availability and willingness. The responses from the Google Forms were exported to a spreadsheet and SPSS (Statistical Package for Social Sciences) software for analysis. Descriptive statistics, such as percentages and frequencies, were used to summarize the data.

Analysis and Interpretation of Data

In this research, total sample size is 154 respondents. The demographic profile is male-dominated, middle-aged, and highly educated. While looking at gender distribution, it is found that the sample is predominantly male (74.0%), with

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females making up only 26.0% of the respondents. This indicates a significant gender imbalance in the sample.

The largest age group is 45–54 years, comprising 37.0% of the sample. This is followed by the 35–44 years group (25.3%). Younger individuals (18–34 years) make up 26.0%, while seniors (55 years and above) constitute 11.6%. Hence, the sample primarily represents a middle-aged population.

While looking at the educational level, it is observed that a significant majority of respondents are highly educated; 45.5% hold a Master's degree while 32.5% possess a Doctoral degree. Only 0.6% have a high school education or below. This reflects a sample with a strong academic background, likely to be professionals or scholars.

Table 1 - Occupational Profile and Income Heads Under Income Tax Filing

Variables		Frequency	Percent
1. Employment Status	Government Employee	66	42.9
	Private Employee	41	26.6
	Retired	10	6.5
	Self-employed	19	12.3
	Unemployed	18	11.7
2. Income Head in IT Return	Not Known	28	18.2%
	Income from Salary	112	72.7%
	Income from House Property	6	3.9%
	Income from Profits and Gains from Business or Profession	22	14.3%
	Income from Capital Gain	15	9.7%
	Income from Other Sources	26	16.9%
Total:		154	100.0

It is clear from the above table that the largest group of respondents are Government Employees (42.9%), indicating a strong representation from the public sector. Private Employees make up 26.6%, followed by Self-employed (12.3%), Unemployed (11.7%) and Retired (6.5%) Overall, nearly 70% of the sample is currently employed, either in the government or private sector.

A significant majority (72.7%) report Income from Salary, aligning with the high proportion of employed individuals. Other sources of income include Income from Profits and Gains from Business or Profession (14.3%), Income from Capital Gain (9.7%), Income from Other Sources (16.9%), Income from House Property (3.9%), Surprisingly, 18.2% of respondents are not aware of their income head in IT returns, suggesting a need for greater financial literacy or tax awareness. Thus, respondents are predominantly salary-dependent, with minimal representation from passive income sources like property or capital gains. The high percentage of government employees may influence financial stability, job security, and pension coverage within the respondent group.

Table 2 - Income Brackets and Corresponding Tax Payments of Respondents

Variables		Frequency	Percent
Annual Income from All Sources	Up to Rs. 5 Lacs.	44	28.6
	Rs. 5 Lacs to 10 Lacs	39	25.3
	Rs. 10 Lacs to 20 Lacs	50	32.5
	Rs. 20 Lacs to 30 Lacs	13	8.4

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	More than Rs. 30 Lacs	8	5.2
	I don't know.	24	15.6
	Nil	37	24.0
	Up to Rs. 10,000	7	4.5
	Rs. 10,000 to 50,000	14	9.1
	Rs. 50,000 to 1,00,000	22	14.3
	Rs. 1,00,000 to 3,00,000	26	16.9
	Rs. 3,00,000 to 5,00,000	10	6.5
	More than Rs. 5,00,000	14	9.1
Total:		154	100.0

It is denoted in the table above that a significant majority (86.4%) of individuals have an income below Rs. 20 Lacs. The most common income group is Rs. 10 Lacs to 20 Lacs (32.5%), closely followed by the Up to Rs. 5 Lacs category (28.6%). High-income groups (above Rs. 20 Lacs) are a smaller portion (only 13.6%).

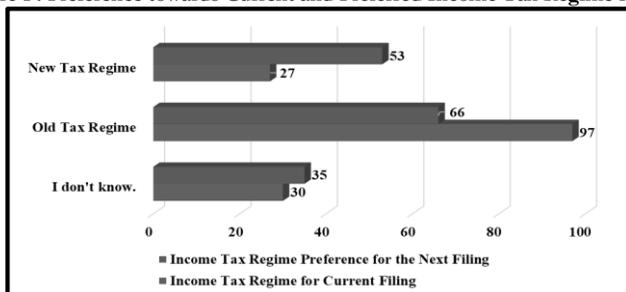
It is further shown that nearly 40% of individuals are either unaware of their tax payments or do not pay any. The largest paying group (16.9%) is in the Rs. 1,00,000 to 3,00,000 range. A good number (around 30%) fall into higher tax brackets (Rs. 50,000 and above). The tax burden appears skewed towards a smaller group likely from higher income brackets.

Thus, the majority of respondents are in the lower to mid-income category, yet a notable portion of tax contributions seem to come from a smaller segment. 24% report not paying tax, which may suggest exemptions, under-threshold income, or possible tax evasion. 15.6% are unaware of their tax details—this might reflect a lack of financial literacy or outsourcing of financial management. Thus, the data suggests a need for financial education, especially regarding income tax responsibilities and awareness.

Table 3 - Comparative Analysis of Current and Preferred Income Tax Regime for Filing

	Income Tax Regime for Current Filing		Income Tax Regime Preference for the Next Filing	
	Frequency	Percent	Frequency	Percent
I don't know.	30	19.5	35	22.7
Old Tax Regime	97	63.0	66	42.9
New Tax Regime	27	17.5	53	34.4
Total	154	100.0	154	100.0

Figure 1 : Preference towards Current and Preferred Income Tax Regime for Filing



63% of respondents filed their returns under the Old Tax Regime, showing its dominance as the preferred choice for current filings. Only 17.5% opted for the

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New Tax Regime, suggesting that it may not yet be widely adopted. While 19.5% of respondents are unsure about the regime used for their current filing, indicating a lack of involvement or awareness.

The proportion of respondents preferring the New Tax Regime increases significantly from 17.5% to 34.4%, reflecting a growing interest or perceived benefits. The preference for the Old Tax Regime drops from 63% to 42.9%, suggesting a potential shift in behaviour as taxpayers seem shifting their choices. Uncertainty remains slightly higher for the next filing (22.7%) compared to the current filing (19.5%), highlighting the need for clarity about regime benefits.

Table 4 - Income Tax Return Filing Practices and Preferences of Respondents

Particulars	Responses	Count	Percentage
Person who filed IT Return	I don't Know	5	3.2%
	Self	49	31.8%
	Colleagues or friend	19	12.3%
	CA or Professional Agent	81	52.6%
Whether any professional help was taken.	No, never	45	29.2%
	Yes, sometimes	36	23.4%
	Yes, always	73	47.4%
IT Return Filing Fees	Nil	66	42.9%
	Up to Rs. 500	26	16.9%
	Rs. 501 to 1000	39	25.3%
	Rs. 1001 to Rs. 2000	11	7.1%
	Rs. 2001 to 5000	7	4.5%
	More than Rs. 5000	5	3.2%
Did you file your last tax return on time?	No	16	10.4%
	Yes	138	89.6%
IT Return Filing Website	Don't know	50	32.5%
	Income Tax India Official Website	97	63.0%
	ClearTax	6	3.9%
	TaxSpanner	1	0.6%
	MyITReturn	2	1.3%
	TaxBuddy	1	0.6%
	Tax2win	1	0.6%

Tax professionals play an important role in the implementation of income tax law of the country. They help the taxpayers in discharging their tax obligations in an efficient manner. They are well aware of the weakness of tax law, tax administration and problems faced by taxpayers. So, they can be helpful in understanding the various aspects of income tax system. The majority (52.6%) of people relied on Chartered Accountants (CAs) or professional agents to file their last IT return. This highlights a preference for professional assistance, possibly due to complexity or lack of time. About 31.8% of respondents filed their IT returns themselves. This indicates a significant proportion of people are either confident in their knowledge or find their returns simple enough to handle independently. A smaller group, 12.3%, depended on colleagues or friends. This might reflect informal trust-based help for filing returns. Only 3.2% of respondents do not know who filed their returns. This small percentage may represent individuals who are detached from financial responsibilities or uninformed about their financial dealings.

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47.4% (nearly half) of respondents always take professional help in filing their IT returns. This suggests a strong reliance on experts, possibly due to the complexity of their financial transactions or tax laws. 29.2% of respondents have never sought professional help, indicating they either find tax filing simple or use accessible tools and platforms for independent filing. 23.4% of respondents seek professional help only sometimes. This indicates they might manage simpler filings independently but prefer experts for more complicated cases.

The majority of respondents (89.6%) filed their last tax return on time. This indicates a strong sense of compliance and awareness regarding tax deadlines among the respondents. A small proportion (10.4%) failed to file their tax returns on time. While this is a minority, it highlights potential challenges, such as lack of preparedness, unawareness of deadlines, or external issues.

32.5% of respondents do not know which website was used for filing their returns. This could indicate a lack of involvement in the filing process, likely due to delegating the task to professionals or third parties. 63% of respondents use the Income Tax India Official Website to file their returns. This demonstrates strong adoption of the government’s digital platform for tax filing, indicating trust and accessibility.

Collectively, private platforms like ClearTax (3.9%), MyITReturn (1.3%), and others account for a small share. While these platforms may offer additional features, their usage is limited compared to the official government website.

Table 5 - Tax Awareness, Planning Behavior, and Attitudes Toward Income Tax Filing

Particulars	Responses	Count	Percentage
Awareness about the available deductions	Not at all	15	9.7%
	Some of them	36	23.4%
	Many of them	103	66.9%
Advance Planning of Investment Portfolio to Save Income Tax	No	35	22.7%
	Yes	119	77.3%
Frequency of review the changes in income tax laws and policies	Always stay updated	59	38.3%
	Never review	13	8.4%
	Occasionally review	63	40.9%
	Rarely review	19	12.3%
ITR Form	I don't know	63	40.9%
	ITR-1	60	39.0%
	ITR-2	17	11.0%
	ITR-3	7	4.5%
	ITR-4	7	4.5%

66.9% of respondents are aware of many deductions available under the tax regime. This suggests that a majority have a good understanding of potential tax-saving options. 23.4% of respondents know some deductions. This group may be partially informed but could benefit from further guidance to optimize their tax planning. 9.7% of respondents are not aware at all of the available deductions, indicating a gap in financial literacy or lack of exposure to tax-saving strategies.

77.3% of respondents plan their investment portfolio in advance to save income tax, indicating proactive financial behavior aimed at maximizing tax benefits.

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22.7% of respondents do not engage in advance planning. This group may either lack awareness, face time constraints, or rely on ad-hoc financial decisions.

38.3% of respondents always and 40.9% occasionally review changes in income tax laws and policies. This reflects a strong tendency to stay informed about updates relevant to tax compliance and savings. The 38.3% who always stay updated demonstrate high financial awareness and are likely to make better-informed decisions regarding tax filing and investments. The largest group (40.9%) reviews changes occasionally. While this reflects some awareness, occasional monitoring might result in missed opportunities or non-compliance with recent updates. 20.7% of respondents either rarely (12.3%) or never (8.4%) review these changes. This suggests that a significant minority may not be fully informed about opportunities or obligations introduced by tax law updates.

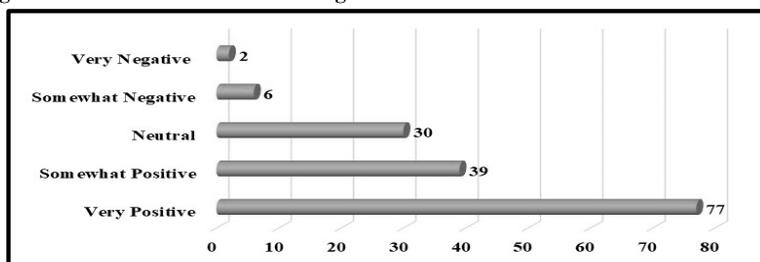
A significant portion of respondents (40.9%) are unaware of the ITR form they are required to file. This reflects a lack of involvement or understanding of their tax filing requirements. The 40.9% who do not know their applicable ITR form may rely entirely on professionals or intermediaries for filing, reflecting a lack of awareness or disinterest in the tax process. 39% of respondents reported using ITR-1, which is designed for salaried individuals, pensioners, or individuals with income from one house property and other sources (interest, etc.). The widespread use of ITR-1 suggests that most respondents are salaried individuals or have simple income structures that do not require complex reporting.

Only 11% use ITR-2 (for individuals with income from capital gains or multiple house properties). 4.5% use ITR-3 (for individuals with income from business or profession). 4.5% use ITR-4 (for individuals under the presumptive income scheme). The low usage of ITR-2, ITR-3, and ITR-4 indicates that most respondents have relatively straightforward income profiles.

Table 6 - Overall Rating of the Attitude Towards Tax Filing

Responses	Count	Percentage
Very Positive	77	50.0%
Somewhat Positive	39	25.3%
Neutral	30	19.5%
Somewhat Negative	6	3.9%
Very Negative	2	1.3%
Total	154	100.0%

Figure: 02 - Attitude Towards Tax Filing



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75% of respondents have a positive attitude towards tax filing, with 50% rating it as very positive and 25% as somewhat positive. This reflects general satisfaction or at least acceptance of the tax filing process. 19.5% of respondents are neutral, suggesting they neither have strong positive nor negative feelings towards tax filing, possibly due to indifference or lack of personal involvement in the process. Only 5.2% of respondents have a negative view, with 3.9% rating it as somewhat negative and 1.3% as very negative. This indicates that tax filing, while potentially burdensome, is not viewed with strong negativity by the majority.

This study provides a comprehensive insight into the perceptions, awareness, and behavioral patterns of Indian income taxpayers within the contemporary tax system. The findings reveal that while a majority of respondents demonstrate timely compliance and proactive investment planning, significant gaps persist in terms of tax law understanding, awareness of applicable deductions, and knowledge of filing procedures such as ITR forms and tax regimes. A considerable reliance on tax professionals and lack of personal involvement in the filing process suggest complexities within the system that deter self-filing. Notably, a portion of respondents are unaware of their income heads or tax payments, indicating a need for improved tax literacy. The preference shift toward the new tax regime reflects a growing openness to simplification, provided adequate information and support systems are in place. To enhance tax compliance and foster a more informed taxpayer base, it is imperative for authorities to simplify processes, strengthen digital tools, and initiate widespread taxpayer education campaigns focused on both legal knowledge and procedural clarity.

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