CRITICAL ANALYSIS OF TAX PAID AND INCOME TAX RETURNS FILED BY INDIVIDUAL ASSESSEE

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ABSTRACT

In India we have adopted progressive principle of taxation,wherein liability of taxpayer increases with increase in their income. With rising tax revenue and number of income tax return filer it is inevitable to study trend of taxation. In addition, researcher also tried to know relationship between tax paid and returns filed by individual assesses. Researcher found that there exists a significant relationship between tax paid and return filed by individual assessee.

Keywords:*Assessment year, Individual assessee, Income tax return, Direct tax revenue.*

Introduction

A renown quote from Chanakya's Arthshashtra, "…to collect taxes from citizen like a Bee collects honey from flowers quietly without inflicting pain".

Taxes are important part of recurring revenue ofDepartment of Revenue under the umbrella of Ministry of Finance.In India we have adopted progressive principle of taxation. Wherein liability of taxpayer increases with increase in their income. Taxes in India are broadly classified into two main categories based on leavy of charge i.e., Direct and Indirect. When a taxpayer pays directly to government it is called Direct Tax and when a tax payer pays taxes indirectly i.e., through retailer, wholesaler or service provider in the form of consumption of goods or service, it is called indirect taxes. From the table 1.1 given below we can see contribution of direct tax to total tax is 53% on average basis during the period assessment year 2012-13 to 2018-19 and on the other side filing of income tax return is made mandatory for individuals whose gross total income exceeds basic exemption limit which draws the attention of the researcher for the study?

Review of literature

(Mittal, Prakash, & Vishal, 2020) In this study researchers tried to assess awareness

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level and predict attitude of Indian tax payers towards online filing of return. The study reveals that education has great impact of awareness, attitude and perception of Indian taxpayers. The second categorical variable i.e., Age of respondents reveal thatyounger taxpayers are more inclined to adopt e-filing of tax return rather older age due to perceive use of technology, perceive benefit and security purpose.

(Ruchika Jain & Dr. C. M. Jain, 2017) This study focuses on satisfaction level of taxpayers of Udaipur district of Rajasthan. In this research scholars found that except easiness of online filing of return respondents were satisfied by accuracy, safety, time allotment for filing of return, e-payment gateway, refund and acknowledgment, and accordingly researcher concluded that there exists significant relation between level of satisfaction and feature of e-filing.

(MohdArif, 2016)did through analysis of pattern of direct and indirect taxes in India with reference to various factors such as growth rate of taxes, cost of collection, gross domestic production, level of awareness among taxpayers, attitude of income tax department towards taxpayers, etc. The researcher observed that direct as well as indirect taxes have an upward trend over the study period where as cost of collection has reduced. Share of direct as well as indirect taxes to total revenue was remarkable. It was also suggested by the researcher to combat tax evasion and avoidance, government should focus on education, awareness taxation and simplify tax laws.

(Haryani, Motwani, & Matharu, 2015)researchers took efforts to study intentional behavior of taxpayers with reference to e-return filing of income tax. In this study researchers concluded that perceived ease of use and perceived usefulness are major factors for adoption of online filing of income tax return. Scholars also suggested that income tax department should endeavor to e-filing of return by improving user-friendly, simplified system and increasing promotional advertisement during the due date of filing of return. For further studies researchers emphasize to widen the geographical location and inclusion of other variables.

(Geetha & Sekar, 2012) researchers tried to assess level of awareness and satisfaction among taxpayers of Coimbatore City. Based on analysis of primary data researchers observed that newspapers were the major source of gaining awareness followed by friends and auditors. In this study researchers found that variables such as residential status and educational qualification and awareness level of e-filing of income tax return, online filing procedure, e-payment option, ITR Form, TDS return are not related significantly.

Research methodology

This research study is descriptive in nature wherein researcher has tried to analyzed data related to income tax paid and return of income filed by taxpayers in India during the period assessment year 2012-13 to 2018-19 which will enable researcher to draw a meaningful conclusion.

Objective

    i.   To analyze trend of tax paid by individual assessee during the period assessment year 2012-13 to 2018-19

    ii.   To analyze trend of income tax returns filed by individual assessee during the period assessment year 2012-13 to 2018-19

    iii.   To study relationship between tax paid and returns filed by individual assessee during the period assessment year 2012-13 to 2018-19

Hypothesis

H_0: There is no significant relation between contribution of tax paid by individual assessee and total direct tax revenue.

H_1: There is significant relation between contribution of tax paid by individual assessee
and total direct tax revenue.

H_0: There is no significant relation between income tax return filed by individual assessee and direct tax paid by individual assessee.

H_1: There is significant relation between income tax return filed by individual assessee
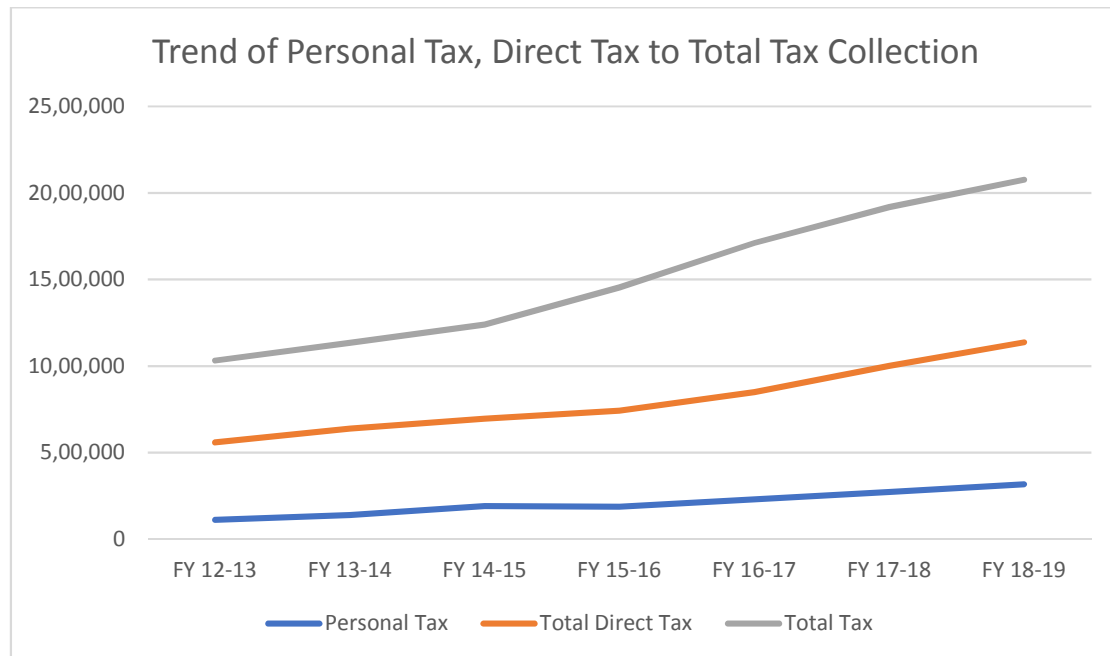and direct tax paid by individual assessee.

Data collection: Secondary data were collected from website of income tax department.

Data analysis:

Table 1.1 Trend of direct tax in India during Assessment Year 2012-13 to 2018-19

	Tax paid by individual assessee	Direct Tax Collection	Total Tax Collection	GDP Current Market Price	Tax paid by individual assessee to Direct Tax Ratio	Direct Tax % of Total Tax Ratio	Direct Tax to GDP Ratio
2012-13	1,12,112	5,58,989	10,31,904	1,01,13,281	20%	54%	5.53%
2013-14	1,39,500	6,38,596	11,33,943	1,13,55,073	22%	56%	5.62%
2014-15	1,91,208	6,95,792	12,39,007	1,25,41,208	27%	56%	5.55%
2015-16	1,88,031	7,41,945	14,54,180	1,35,67,192	25%	51%	5.47%
2016-17	2,30,160	8,49,713	17,11,228	1,53,62,386	27%	50%	5.53%
2017-18	2,73,405	10,02,037	19,18,210	1,70,95,005	27%	52%	5.86%
2018-19	3,17,845	11,37,685	20,76,703	1,90,10,164	28%	55%	5.98%
Average	**2,40,130**	**8,85,434**	**16,79,866**	**1,55,15,191**	**27%**	**53%**	**5.65%**

Source: Author's Compiled Data: Based on Income Tax Statistics.Time series data.

The above line chart depicts that there is upward trend of personal and direct taxes to total direct tax collection.

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Table 1.2 Trend of income tax returns filed during AY 2012-13 to2018-19

Financial Year	Tax paid by individual assessee		Direct Tax Collection	No of return filed by individual assessee	Trend of filing of income tax return by individual assessee
2012-13 BASE YEAR	1,12,112		5,58,989	2,89,25,598	100 %
2013-14	1,39,500		6,38,596	3,35,85,294	116 %
2014-15	1,91,208		6,95,792	3,65,13,034	126 %
2015-16	1,88,031		7,41,945	4,07,39,799	141 %
2016-17	2,30,160		8,49,713	4,63,79,861	160 %
2017-18	2,73,405		10,02,037	4,66,75,114	161 %
2018-19	3,17,845		11,37,685	5,52,60,219	191 %

Source: Author's Compiled Data: Based on Income Tax Statistics, Time series data.
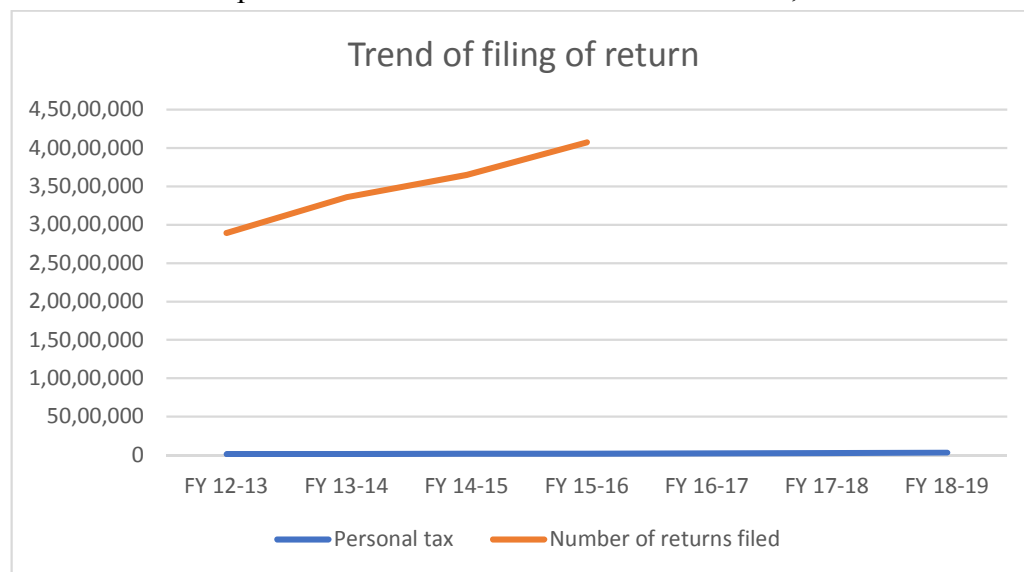
Above line chart reveals that number of returns filed has increased exponentially than the growth of personal tax.

Correlation between Tax Paid by Individual Assessee and Direct Tax Collection:

	Tax paid by individual assessee	*Direct Tax Collection*
Tax paid by individual assessee	1	0.987831113
Direct Tax Collection	0.987831113	1

Result of the above test indicates that there exists a significant relation between tax paid by individual assessee to direct tax collection hence null hypothesis is accepted.

Correlation between Tax Paid by Individual Assessee and Number of returns filed

	Tax paid by individual assessee	No of return filed by Individual assessee
Tax paid by individual assessee	1	0.974367531
No of return filed by Individual assessee	0.974367531	1

Result of the above test supports null hypothesis that there exists a significant relation between tax paid by individual assessee and number of returns filed by individual assessee hence null hypothesis is accepted.

Regression Statistics	
Multiple R	0.974
R Square	0.949
Adjusted R Square	0.939
Standard Error	22,16,320
Observations	7

ANOVA

	df	SS	MS	F	Significance F
Regression	1	4.60747E+14	4.60747E+14	93.799	0.000
Residual	5	2.45604E+13	4.91207E+12		
Total	6	4.85307E+14			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	16023069.83	2726714.358	5.876328696	0.002	9013827.427	23032312.22	9013827.427	23032312.22
TPIA*	121.133481	12.50735891	9.684976807	0.000	88.98229135	153.2846706	88.98229135	153.2846706

*TPIA: Tax Paid by Individual Assessee.

Regression analysis of variances show that R square value is 0.949 which indicates strong relation between the tested variables.Significance F value is below 0.05 and P value is 0.05 which supports null hypothesis indicates there exists significant relation between tax paid by individuals and return of income tax filed by individuals.

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Conclusion

Based on review of existing literature and data analysis researcher draws inference that personal tax contributes on an average 27% to direct tax, whereas direct tax contributes 53% to total tax collection and number of income tax returns filed has increased by 91% of base year i.e., Assessment year 2012-13. Because of widening of tax bracket number of tax payers as well as return filers has got increased.

Limitations

In this study researcher has taken into account only two independent variables i.e., Tax paid by individual assessee and return of income tax filed by individual assessee. For further study relation, impact of income, consumption expenditure can be measured with reference to tax liability of an individual, returns filed. As per income tax time series data 2.12 Crore Indian who have paid tax but not filed return of income tax hence reason of non-compliance can also be studied.

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