

The Changing Face of Indian Income Taxpayers in E-Filing Era: An Evaluation

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Abstract

Income Tax Department has introduced a convenient way to file income tax returns online using the internet. This research paper is an attempt to examine the awareness of taxpayers about e-filing in India. Out of 500 survey respondents, 367 were considered eligible for analysis. Ranking technique, ANOVA-test and Factor Analysis have been used to analyse the awareness level of taxpayers while using electronic facility to file individual income tax returns. The analysis reveal that certain differences exist in the awareness level of the taxpayers regarding basic knowledge about provisions of the Income Tax Act as well as for the advanced knowledge while e-filing. Age, education, occupation and income-wise these differences are statistically significant. The write up concludes that majority of the individual tax payers are aware of this facility. It is suggested that sufficient steps need to be taken by the income tax department to provide operational knowledge of e-filing to the tax payers. Awareness through media campaigning can be a useful measure to make e-filing service more effective in future.

Keywords: E-filing of Income Tax, E-return Intermediaries, Taxpayer, ITD, ITR, TAN

1. Introduction

E-filing of income tax return is becoming a 'need to have' than 'nice to have' service and online income-tax return filing is replacing traditional ways to create a new phase in transformation. After the induction of technology in Indian Income Tax Department (ITD), the taxpayers' perception about quality of services from the tax department has changed. Through modernisation programme of ITD in India, the majority of income taxpayers migrated onto an electronic platform thereby reducing the risk associated with cash collections at branch offices. Many income-taxpayers are using alternative payment channels instead of payments at branch offices available in the country. According to ITD, e-filing has become mandatory for higher income slabs. In India, e-filing of income tax returns has increased so substantially over the past five years that the income tax department believes paper filing of returns would soon

become a negligible proportion of the total. Hence, it becomes important to obtain answer to the question that whether the taxpayers are having awareness about e-filing facility?

2. Literature Review

Ilias et al. (2015) aimed to show significant differences among experience and non-experience taxpayers in handling and learning e-filing system. Findings of the study indicated that educational background of taxpayers has an important role to play in encouraging the attitude of taxpayers to use e-filing with other demographic factors also. Coolidge and Yilmaz (2014) pointed out that e-filing can be a tremendous boon to revenue authorities in developing countries, reducing their administrative costs and error rates and improving their efficiency. The study analyzed the determinants of firms' e-filing decisions and then focused on how e-filing may affect tax compliance

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costs, holding other variables (such as firm size, location, and sector) constant. The descriptive analysis revealed that businesses with certain characteristics are more likely to use e-filing. Brahmhatt (2012) examined the questions to measure tax payer's perception on different attributes of e-filing system dimensions under six groups. Out of 246 respondents only 229 filed their returns personally, and out of those only 33.19 per cent had attempted e-filing. Majority of the e-filers were professionals and aged between 30-45 years. It was found that there were only 67 female respondents and proportionate female e-filers were less than male respondents. These findings indicated that taxpayers had computers/internet but they were not technology savvy. It was observed that one of the most important reasons for e-filing was convenience followed by speed but tax payers had the positive perception on e-filing system. Sujit (2011) in a write up described about e-filing's attraction which comes from a couple of reasons such as simplicity and emergence of a number of agencies to help with e-filing at nominal costs, speedy processing of e-filed returns and much faster refunds from Centralized Processing Centre (CPC). Carter et al. (2011) used the Unified Theory of Acceptance and Use of Technology (UTAT) to observe e-filing adoption among taxpayers. Lai and Choong (2010) with the objectives of examining factors that motivated professional accountants to use e-filing and soliciting their usage experience developed a questionnaire. It motivated professional accountants and increased awareness to use e-filing. Lu, Huang and Lo (2010) considered the taxpayers as the research objects who have filed tax on-line in Taiwan area. This study also applied online questionnaires to obtain taxpayers samples and subjects were asked to express the degree to which they agreed with the statements on seven-point Likert rating scale. It was found that attitude is the key factor affecting taxpayers' intention of on-line tax filing and on-line tax filing intention has a significant positive effect on on-line tax filing behaviour. Ojha, Sahu and Gupta (2009) studied the Behavioral Intention (BI) of young Indian professionals' usage of income tax e-filing service. Rotchanakitumnuai, (2008) studied the e-government service quality and risk perceptions of personal income taxpayers on e-government service value. Chang Lee et al. (2008) compared the web-based tax filing systems of Turkey and South Korea. The study gave a result that users in the two countries felt differently in such factors as ease of work, adequacy of the amount of information, display speed, convenience to life, job productivity, and

help service. Although Turkey has a complex tax system, Turkish users did not find the tax filing system difficult to use and that may be attributable to the fact that they are accounting professionals who frequently use the system. Edwards (2008) substantiated his view point with the history of e-filing and e-payments systems and the details show the United States e-filing rates for individuals have increased since its introduction. Fishbein and Ajzen (1975) developed a unified model of two theories to assess the adoption intention of the e-filing system.

The review of literature indicates that no systematic and comprehensive analysis has been conducted for the 21st century reform period in India to test the awareness in e-filing which the present study takes into account. This gap in the research is particularly noticeable because in liberalized economy, the tech-savvy people are enthusiast to adopt e-filing procedure as the findings indicate in these studies. Hence, the present study is intended to fill the gap in the important area of e-filing of income tax.

3. Need of the Study

In the year 2011-12, it was observed that ninety nine percent of tax returns were filed manually though the evolution period of e-filing in India was 2006-07 (Press Trust of India)¹⁴. No doubt, the Income Tax Department is encouraging online filing of tax returns in order to digitise all tax payers' related information but the department still requires extra ordinary efforts to enter the data from hard copies into the system. Considering the potential of e-filing which brings benefit both to the government and the taxpayers, it becomes important to have majority of the tax-payers e-file. This requires an understanding of the tax payers' awareness towards this service.

4. Objective of the Study

To assess the relationship of various demographic variables with awareness level of individual tax payers regarding e-filing of income tax returns.

5. Methodology

The present study is based on primary data. It has been collected through a structured interview schedule from Amritsar, Jalandhar, Ludhiana city and Union Territory

of Chandigarh. Further, the study mainly throws light on the relationship between socio-economic factors and level of awareness of taxpayers while e-filing their income tax returns. The relevant secondary data has been collected from books, journals, newspapers, magazines and web portals of ITD. The study has been conducted on the basis of multi stage stratified random sampling method. For developing sample design out of 500 questionnaires distributed (125 in each city), a response from 367 respondents has been found eligible. Data has been collected during the period of eight months from August 2015 to April 2016 and has been analysed with the help of various statistical measures such as Percentage, Likert Scale, Weighted Average Ranking Technique, ANOVA-test and Factor Analysis.

Hypotheses: H_{01} - There is no significant relationship between the demographic variables (age, education, occupation and income) and awareness level of taxpayers for e-filing income tax return.

The descriptive statistics in Table 1 show respondents' experience in number of years for filing income tax return. The number of tax filers in the category 'Upto 10 Years experience' is 189 out of the total 367 taxpayers. This percentage (51.5%) is quite high as compared to people in the category of '11-20 years' experience which indicates an addition in number of new taxpayers. In the recent

past, several tax reform measures have been introduced especially after the policy of reduction in tax rates. After the recommendations given by Kelkar Task Force for the rationalization of income tax administration in India, the number of taxpayers is increasing (Kelkar, 2007). This factor has an important bearing on the attitudes of taxpayers. The reports available at the government websites on e-filing also indicate that with the passage of time awareness among the tax filers about e-filing is increasing year by year in the states of India. The number of e-filers in Punjab is improving and has touched at 3,69,283 in the Financial Year (FY) 2013-14 during 4 months time only (i.e. upto 31-07-2013) as compared to 12 months time period in the FY 2011-2012 (i.e. upto 31-03-2012) when the number of e-filers was 8,14,010 in this state during 12 months time. Further, the data updated on 15th January, 2015 at the government website states that the number of e-filed returns in Punjab has touched 9,92,328 as on 31-12-2014 during 9 months only (www.efiling.gov.in). This clearly indicates that the awareness about e-filing is increasing in the state of Punjab. Also, it has been observed from Table 1 that newspapers and chartered accountants are playing major role in increasing awareness about e-filing. Hence, public and other social media needs to do multiple activities to enlighten the people about e-filing.

Table 1. Descriptive statistics (Age-wise, Education-wise, Occupation-wise and Income-wise)

Age (In years)						Education					Total
Category	Upto 20	20-35	35-50	50-65	Above 65	Matric / H.Sc.	Graduate	PG	Ph.D./ Prof	Others	
Frequency	27	129	140	61	10	43	136	114	65	9	367
Percent	7.4	35.1	38.1	16.6	2.7	11.7	37.1	31.1	17.7	2.5	100

Occupation					Income (In Rupees)						Total
Category	Business	Salaried	Prof.	Others	Upto 25000	25000-50000	50000-75000	75000-100000	Above 100000		
Frequency	148	149	45	25	60	94	65	72	76	367	
Percent	40.3	40.6	12.3	6.8	16.3	25.7	17.7	19.6	20.7	100	

Experience of Return filing (In Years)					Source of Awareness about E-filing of Income-Tax Return							Total
Category	Upto 10	11-20	21-30	Above 30	Newspaper	Friend	Auditors	Electronic Media	Advertisement	Others		
Frequency	189	130	31	17	95	70	90	68	22	22	367	
Percent	51.5	35.4	8.4	4.6	25.9	19.1	24.5	18.5	6.0	6.0	100	

Source: Primary data

6. Opinion about Awareness of Tax Provisions and E-filing Procedure

By consulting relevant literature, a set of 22 statements was formulated to check the awareness among the respondents. Precisely, taxpayers in India are more aware about the basic knowledge related issues like slab rates for tax filing, PAN Card, rebates and deductions but their level of knowledge indicates a poor awareness for the advanced technological issues related to e-filing. The lower score in the analysis indicates that people are less aware about the concepts of Annual Information Return (AIR) and Digital Signatures, Cost of e-filing and Terms and conditions. The most widely used measure for diagnosing the reliability of entire scale (Cronbach's Alpha) has been estimated as 0.976. The appropriateness of Factor Analysis has been determined by computing the Correlation Matrix, Kaiser-Meyer-Oklun (KMO), Measure of Sampling Adequacy (MSA) and Barlett-test of Sphericity⁶. The results for these measures show that for the respondents the χ^2 value = 10289.736, df = 231, Sig. = .000

($P < 0.001$), which further shows the appropriateness of the data for Factor Analysis. A two factors solution was extracted and in total, 10 variables have loaded on the first factor family which covers the aspects related to basic knowledge of taxpayers about income tax. It has been found that the inadequate level of awareness results in a poor knowledge about tax law and provisions which deteriorates the enthusiasm amongst taxpayers to file tax return in time. The second factor underlines the awareness about technology usage while e-filing. Majority of the individual tax payers are aware with the various aspects related to basic knowledge of e-filing but some of the common myths regarding e-filing income tax returns do exist. 12 variables have been identified as the most influencing factors for creating e-filing awareness among the taxpayers. The awareness about Basic Statistical Return Code (BSR Code) and E-payments for making tax payments besides other aspects like costs of e-filing in India has been found lacking. Although, more use of e-filing has a link with increased usage by salaried class as well as business class. The variables composing these two factors along with their labels and loadings are given in Table 2 and Table 3.

Table 2. F1-basic knowledge about income tax filing and complications in tax system (Factor Loadings)

S. No.	Label	Statement	Loading
1.	AW4	Knowledge about the Tax Deduction at Source (TDS) while filing income tax return	.857
2.	AW5	Knowledge about Advance Tax	.843
3.	AW3	Knowledge about various Forms like Income Tax Return Verification form (ITR-V) while filing Income Tax Return	.821
4.	AW2	Knowledge about registration numbers like (Permanent Account Number-PAN Card and Tax Deduction Account Number-TAN)	.815
5.	AW6	Knowledge about the tax slab rates	.814
6.	AW1	Knowledge about filing Income-tax Return	.807
7.	AW7	Knowledge about the tax rebates and tax deductions	.806
8.	AW8	Knowledge about the tax calculation and computation procedure	.738
9.	AW9	Knowledge about contacting the relevant person /authority in the department whenever required	.686
10.	AW10	Awareness about the Indian Revenue Service (IRS) and Income Tax Department (ITD)	.624

Source: Primary Data

Table 3. F2-advanced knowledge about e-filing of income tax and awareness about technology usage (Factor Loadings)

S. No.	Label	Statement	Loading
1	AW12	Knowledge about 'web site Address'	.867
2	AW13	Awareness about using the computer-software for e-filing	.845
3	AW14	Knowledge about e- forms related to income tax	.832
4	AW11	Awareness about e-filing procedure for income tax	.805
5	AW21	Awareness about cost of e-filing	.802
6.	AW15	Awareness about 'Digital Signatures' while e-filing	.796
7.	AW20	Knowledge of terms and conditions of e-payment	.774
8.	AW19	Knowledge about the transactions taxed under the Annual Information Return (AIR)	.737
9.	AW17	Knowledge about e- payment of tax	.650
10.	AW16	Knowledge about the names/list of banks for payment of income tax	.632
11.	AW18	Knowledge about the 'Challan'/Voucher for e-payment & Challan Identification Number (like BSR Code Serial Number)	.632
12.	AW22	Awareness about time limit given for e-filing of return	.625

Source: Primary Data

Further, ANOVA results reveal that all demographic variables influence significantly the awareness regarding tax e-filing. Thus, the null hypothesis H_{01} has been rejected. Age, education, occupation and income-wise these differences are statistically significant. It was observed that older people tended to be less optimistic about e-filing. Also while making multiple comparisons a significant difference was observed in the advanced level of awareness as well as in the basic knowledge of the taxpayers for the category of Ph.D./Professional as compared to graduates and others. A study in Malaysia also found the difference on educational level⁹. Moreover, income-wise a deeper observation of the results revealed that significant difference in the income category of 'Rupees More Than 100,000' is visible when compared with 'Rupees 25,001 to 50,000' category.

7. Conclusions and Suggestions

The analysis show that majority of Indians have opted to the e-filing system more swiftly than expected. Not surprisingly, younger Indians in particular are more

likely to e-file their tax returns and receive refunds electronically than citizens aged 65 or older who are significantly less comfortable with e-filing system. Due to the improved efficiency of banks and introduction of Direct Transfers many taxpayers have already been receiving direct deposit of their Social Security payments electronically. The overall results of the study indicate that tax payers are optimistic about new technology. By paying explicit attention to intended tax users' technology readiness may assist the tax authority in formulating strategy to accelerate the acceptance of e-filing system more easily among the people in the country. To maximize effectiveness of e-filing system, the agency-staff needs to play effective role especially those in charge of tech-support to respond to the public complaints about the e-filing system timely. Such a step can increase the level of tax compliance amongst the taxpayers.

Due to increased awareness among taxpayers, e-filing has shown some progressive outcome and it is surely going to make its full time place in the Indian Tax System. Hence, it is suggested that media channel sources like television and newspapers need to be used

to convince people for using e-filing and e-payment facilities. Although with the revolutionary changes in the Indian tax system, the individual tax payers are becoming aware of the e-filing and e-payment procedures, yet need is felt there by the income tax department to arrange demo-fares and provide information to computer illiterates at the return-filing counters for making the e-filing popular and easier to understand. The present study was based on primary data collected from the sample respondents. Possibility of sampling error is inevitable and it is also difficult to know whether willing respondents are truly representative. Also this paper mainly focuses on assessing awareness level of tax payers about e-filing of income tax returns but in future the same can be analysed for mobile application usage while filing tax returns. This study reveals that the existing users are aware of e-filing facilities but it is required to create more awareness in the minds of tax payers regarding e-filing of income tax.

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