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Understanding Taxpayer Behavior: Exploring Factors Influencing Tax Avoidance, Awareness Levels, and Satisfaction with Tax Authorities in Aizawl, Mizoram

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ABSTRACT

This research study examines factors affecting tax avoidance decisions, level of taxpayer awareness, and satisfaction towards tax authorities among individuals in Aizawl, Mizoram. Tax avoidance is a critical issue affecting fiscal systems worldwide, requiring an in-depth exploration of its drivers in the local context. Furthermore, understanding the level of taxpayers' awareness of tax regulations and their satisfaction with tax authorities is crucial for effective tax administration and policy formulation. Through structured surveys and data analysis, this study aims to shed light on the determinants of tax avoidance behavior, assess the extent of taxpayer awareness, and assess the level of satisfaction with the services of tax authorities in Aizawl. The findings provide valuable insights for policymakers and tax authorities to formulate strategies aimed at improving taxpayer education initiatives and enhancing service delivery to meet taxpayer expectations.

Keywords: Tax avoidance, Taxpayer awareness, Tax authorities, Aizawl, Mizoram, Fiscal behaviour, Satisfaction, Tax compliance, factors influencing behaviour, Fiscal Policy.

1. INTRODUCTION

1.1 BACKGROUND

During the pre-British period in Mizoram, which extended before 1872, the socio-political structure of Mizo society was primarily characterized by a community-based system. This period preceded the formal establishment of the British colonial administration and the introduction of the modern tax system. Here is a detailed description of the main aspects of this era:

- Community based system:

The Mizo people followed a communal system of life in which the interests and duties of the group took precedence over individual goals. There were no official taxes in the sense that exist in modern society, such as property taxes or income taxes. Instead, the community distributed and allocated resources through collective activities.

- Contributions and Tributes,

Individuals were expected to contribute to the community through various means, including labour and resources. These contributions were often directed towards collective endeavors such as warfare, the construction of public infrastructure, or the maintenance of communal facilities such as irrigation systems or village protection is produced as a form of contribution to community leaders or chiefs.

- Chieftaincy system:

It was the main feature of the governance system during this period. Chiefs, also known as Lal or Thang, hold positions of authority and leadership in their respective communities or clans. Chiefs exercised control over their territories and subjects, overseeing matters of governance, justice, and security. In return for their leadership, chiefs were paid tribute, which could include agricultural produce, livestock, or other valuables of their subjects. These tributes served as a form of recognition and support for the chief's leadership and played an important role in maintaining social order and unity in the community.

CHALLENGES:

1. Limited Taxpayer Education: Lack of comprehensive taxpayer education programs may lead to a low level of awareness among individuals about tax regulations, leading to inadvertent non-compliance or tax evasion.

2. Complex Tax System: A complex tax system with complex rules and procedures can pose challenges for taxpayers in understanding their obligations and accurately navigating the tax filing process.

3. Inadequate Resources: The tax authorities in Aizawl, Mizoram, may not have enough facilities, technology, or staff members, which could make it difficult for them to serve taxpayers promptly and effectively.

4. Compliance Costs: High compliance costs, such as the time, energy, and money needed to comply with tax laws, may deter taxpayers from complying voluntarily and instead encourage them to use tax evasion techniques.

5. Perceived Inequity: Taxpayer trust and compliance efforts may be harmed by perceptions of unfairness or inequity in the tax system, such as differential treatment of taxpayers or perceived loopholes favouring particular groups.

6. Socioeconomic variables: To deal with financial strains or perceived inequities in the tax system, taxpayers may choose to engage in tax avoidance activities. Socioeconomic variables include income inequality, poverty, and informal economic activities.

1.2 PROBLEM OF STATEMENT:

In Aizawl, Mizoram, tax evasion is still a common problem for taxpayers, resulting in lost revenue and compromising the efficiency of fiscal management. This problem is made worse by low taxpayer knowledge of tax laws and possible discontent with the services provided by tax officials. Insufficient comprehension of tax requirements and lack of confidence in tax administration may lead taxpayers to utilize avoidance tactics, so exacerbating non-compliance and impeding governmental endeavors to raise funds for public services and development projects. To effectively address these issues, it is necessary to have a thorough understanding of the variables that influence tax avoidance behaviour as well as the awareness and satisfaction levels of taxpayers about tax authorities. Consequently, it is imperative to conduct a thorough investigation into these matters to guide governmental actions meant to encourage tax compliance and improve taxpayer

REVIEW OF LITERATURE

*   Nambiar & Rao (1972)3 have examined income elasticity and incremental rates of State taxes for 15 States, ranking each State by using regression analysis. The rankings differ vastly in each case. A high ranking in the regression analyses indicates that the particular State has been taxing very near to its potential. The ranking on the basis of regression analysis is indicative of the gap between tax effort and the estimated tax potential. The results showed that Kerala, Tamil Nadu and Maharashtra have been taxing very near to their potential. Assam, Rajasthan and Andhra Pradesh were not taxing their potential, which was attributed to their inability rather than their unwillingness to tax. Punjab, Mysore, Uttar Pradesh and Bihar came within the medium rankings. West Bengal was a unique case with an industrially advanced condition with high untaxed potential.

*   Sarma, et.al (1973) 4 had examined the growth and composition of State taxes, elasticity and buoyancy of Gujarat State covering the period between 1960-61 and 1970-71. The elasticity and buoyancy of general sales tax, tax on motor spirit, entertainment tax, electricity duty and goods and passenger's duties responded more than proportionately to the growth in income. Land revenue and motor vehicles were relatively inelastic, general sales tax showed highest elasticity of 1.56 and land revenue showed the least.

*   Rao (1992)5 examined the present State of Public Finance at the State level. He identified the major problems areas and indicated the policy changes needed to tackle them. He suggested reduction of budgetary support to public enterprises and revised user charges and rationalize the tax-systems keeping in view their feasibility. These measures will not only wipe out of the revenue deficit, but can also generate surpluses in the revenue account which can reduce the borrowing requirements. He found that rationalization in the tax and expenditure measures suggested would, in the long run, be helpful in restoring the incentives, improving the productivity in the Government sector.

*   Purohit (1993) 6, examined the system of commodity taxation in India and discussed the problems which could arise in introducing VAT in view of the federal structure of the country. He pointed out that the prevailing system of commodity taxation in India was not integrated and gave rise to many problems like multiplicity of levies, complexity of structure, high tax rates, cascading effect, lack of transparency, vertical integration narrow base, etc. He emphasized the need for immediate tax reforms like reducing the number of rates, reducing tax incidence, sales tax reforms, adoption of VAT, and broadening the tax base by bringing services under tax net. He brought out the documentary and accounting obligations under MODVAT. While examining the existing sales tax administration, he brought out the problem areas for introducing VAT, which included the need for more staff, training of tax personnel, suitable computational technology, Tax Identification Number (TIN), and auditing.

OBJECTIVES:

*   To figure out the factors influencing tax avoidance decisions.

*   To assess the level of awareness among individual taxpayers in Aizawl, Mizoram.

*   To access the level of satisfaction or services provided by the tax authorities in Aizawl.

METHODOLOGY:

This study uses a cross-sectional survey design as well as a descriptive study with concurrent data collection to assess tax knowledge and tax avoidance behaviour among taxpayers in Aizawl, Mizoram. Primary data collection methods include surveys and interviews, which allow for both quantitative and qualitative analysis. This study covers a time period of 8 months i.e. From September 2023 to March 2024.

RESEARCH DESIGN:

The survey targets individual taxpayers as well as non-taxpayers of Aizawl, Mizoram, identified through tax records and databases. Use stratified random sampling techniques to ensure representation among demographic variables such as age, education, and occupation. The sample size is determined using appropriate statistical calculations to obtain a representative sample while taking resource limitations into account.

DATA COLLECTION METHOD:

Structured questionnaires will be administered to collect quantitative data on tax knowledge, tax avoidance practices, demographic information, and cultural influences. In-depth interviews will be conducted with a subset of respondents to explore qualitative aspects related to cultural influences, ethical considerations, and compliance issues.

AREA OF THE STUDY:

The present study considers Aizawl, Mizoram which was selected by the researcher for conducting the study, The data for the study was taken from these populations.

TOOLS FOR COLLECTION AND ANALYSIS.

The tools used for collecting the primary data were structured questionnaires and in-depth interviews for respondents among taxpayers as well as non-taxpayers. To see if there was a significant difference in the variables, the hypotheses were examined using techniques such as chi-square, ANOVA test, and factor analysis based on various objectives.

DATA ANALYSIS AND INTERPRETATION:

1. CHI-SQUARE TEST

Table 01:

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
How familiar are you with the current tax regulations in Mizoram?	102	100.0%	0	0.0%	102	100.0%

How familiar are you with the current tax regulations in Mizoram?

			How familiar are you with the current tax regulations in Mizoram?					
			Neutral	Somewhat Familiar	Somewhat Unfamiliar	Very Familiar	Very Unfamiliar	Total
Gender		Count	0	0	1	0	0	1
		Expected Count	.5	.3	.0	.1	.0	1.0
	Female	Count	24	17	2	5	1	49
		Expected Count	22.6	15.9	1.9	7.2	1.4	49.0
	Male	Count	22	16	1	10	2	51
		Expected Count	23.5	16.5	2.0	7.5	1.5	51.0

Other	Count	1	0	0	0	0	1
	Expected Count	.5	.3	.0	.1	.0	1.0
Total	Count	47	33	4	15	3	102
	Expected Count	47.0	33.0	4.0	15.0	3.0	102.0

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	28.267[a]	12	.005
Likelihood Ratio	10.739	12	.551
N of Valid Cases	102		

a. 14 cells (70.0%) have an expected count of less than 5. The minimum expected count is .03.

Interpretation:

Pearson Chi-Square Test shows a value of 28.267 with 12 degrees of freedom and an asymptotic significance (2-sided) of .005. This result is significant at the .05 level, indicating a statistically significant association between individuals and familiarity with tax regulations in Mizoram. Therefore, we accept alternative hypothesis and reject null hypothesis.

2. ANNOVA TEST

Table 02:

The Annova analysis of variables of the satisfaction or services provided by the tax authorities in Aizawl, Mizoram.

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Educational Qualification	Between Groups	1.030	4	.258	.242	.914
	Within Groups	102.277	96	1.065		
	Total	103.307	100			
gender	Between Groups	1.379	4	.345	1.200	.316
	Within Groups	27.876	97	.287		
	Total	29.255	101			
age	Between Groups	12.612	4	3.153	3.446	.011
	Within Groups	88.761	97	.915		
	Total	101.373	101			

Interpretation:

The "Sum of Squares" (SS) between groups is 1.030, indicating the variation in the dependent variable attributed to differences between educational qualification groups. The degrees of freedom (df) for between groups is 4, and within groups is 96. The "Mean Square" (MS) for between groups is 0.258, which is obtained by dividing the SS by its corresponding df. The F-statistic is 0.242, and the associated p-value (Sig.) is 0.914, indicating that there is

no significant difference between educational qualification groups in relation to the dependent variable. The SS between groups is 1.379, suggesting variation in the dependent variable due to gender differences. The df for between groups is 4, and within groups is 97. The MS for between groups is 0.345. The F-statistic is 1.200, and the p-value is 0.316, indicating that there is no significant difference between genders in relation to the dependent variable. The SS between groups is 12.612, indicating substantial variation in the dependent variable attributed to differences in age groups. The df for between groups is 4, and within groups is 97. The MS for between groups is 3.153. The F-statistic is 3.446, and the p-value is 0.011, suggesting that there is a significant difference between age groups in relation to the dependent variable. In conclusion while there are no significant differences observed between educational qualification groups and gender regarding the dependent variable, there is a significant difference between age groups. Therefore, age appears to have a notable impact on the dependent variable in the context of the research.

FINDINGS AND CONCLUSION:

1. Of 102 respondent 46.1% are Neutral when it comes to familiarity on the current tax regulation of Mizoram, 32.4% are of somewhat familiar, 14.7% are very familiar and only 3.9% & 2.9 % are of somewhat unfamiliar and very unfamiliar. This shows that people are aware of the current tax regulations of the state.

2. Out of 102 respondent recorded data, Majority of the respondent or almost 100% of the respondent thinks that there is need for more public awareness programs on tax compliance with 99% wanted more public awareness on tax compliance and only 1% decides for no need for public awareness on Tax compliance.

3. Out of the respondent of 102 people 71.3% are familiar with tax avoidance strategies and only 28.7% only are not familiar with tax avoidance strategies.

4. Out of the people that are familiar with tax avoidance strategies only 29 respondents actually knew about the way people avoid tax it includes variety of strategies such as Donation, Loan, Charity donation, Tax assumption and exemption by the State.

5. Pearson Chi-Square Test shows a value of 28.267 with 12 degrees of freedom and an asymptotic significance (2-sided) of .005. This result is significant at the .05 level, indicating a statistically significant association between individuals and familiarity with tax regulations in Mizoram, this result suggests no significant association

6. The findings suggest that age groups have a significant impact on the dependent variable, indicating that age influences responses or behaviors related to the dependent variable in the context of the research, even though there are no significant differences between gender and educational qualification groups regarding the dependent variable.

SUGGESTIONS AND RECOMMENDATION:

Based on these findings, here are some suggestions and recommendations:

- To promote tax compliance and reduce tax evasion in Aizawl, Mizoram, it is recommended that tax authorities prioritize public awareness campaigns.

- Many respondents claim to know current tax laws, but a significant portion either hold a neutral stance or are completely ignorant. To address this issue, implementing targeted educational programs could be a solution. Such programs could include customized lectures, workshops, and instructional materials designed for different populations, thereby ensuring widespread coverage.

- Many respondents have a good understanding of tax avoidance techniques. However, only a few of them know about specific tax evasion techniques. To help taxpayers recognize and effectively report such activities, they must receive comprehensive education on a variety of tax evasion strategies.

- Continuous monitoring and evaluation are essential to assess the effectiveness of awareness campaigns and educational activities and identify areas that need improvement.

- It is important to conduct continuous research and analysis to keep track of changes in taxpayer behavior.

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