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A Study on the Effect of Taxpayer Perception of Income Tax Services on their Willingness to Comply at M/s. N. Palanivelu & Co., Chartered Accountants

Kalaiselvi M

MBA, Jerusalem College of Engineering, Chennai, India.

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ABSTRACT

This study investigates the impact of taxpayer perception of income tax services on their willingness to comply with tax regulations. Taxpayer perception, encompassing fairness, efficiency, and transparency, plays a pivotal role in shaping compliance behavior and civic engagement. The research focuses on the services provided by Palanivelu & Co., a distinguished firm specializing in auditing, accounting, and financial consultancy, to understand how these services influence voluntary tax compliance. A descriptive research design was employed, with data collected from 181 individual taxpayers through questionnaires, supplemented by secondary data from reputable sources. Statistical analyses, including percentage analysis, correlation analysis, and ANOVA, were conducted to identify key patterns and relationships. The findings reveal that clear communication, efficient service delivery, and perceptions of fairness significantly affect taxpayers' compliance behavior. Notably, a strong correlation was observed between the fairness and transparency of the tax system and consistent tax filing. The study underscores the importance of public trust in tax administration and provides insights for enhancing tax compliance strategies. Limitations include time constraints and a focus on specific aspects of tax services, suggesting areas for future research.

Keywords : Taxpayer Perception, Tax Compliance, Income Tax Services, Public Trust

1.INTRODUCTION

Taxpayer Perception

Taxpayer perception is a fundamental concept that shapes the dynamics between individuals, businesses, and government institutions regarding taxation. It refers to how taxpayers view the fairness, efficiency, and transparency of the tax system, as well as their level of trust in how the government utilizes the tax revenues collected. This perception influences not only compliance behavior but also the broader civic engagement of individuals within society. At its core, taxpayer perception encompasses the beliefs, attitudes, and opinions that individuals and organizations hold about the tax system and the administration of tax policies.

Income tax services encompass a range of expert assistance offered to individuals, companies, and other entities, guiding them through the complexities of tax laws. These services are designed to help taxpayers optimize their financial situation by minimizing tax obligations, ensuring they meet regulatory requirements, and avoiding potential errors. By providing tailored advice and strategies, tax professionals help clients understand how the tax system works and identify opportunities to reduce their tax liability, ultimately preventing costly mistakes and ensuring compliance.

COMPANY PROFILE:

Palanivelu & Chartered Accountant About Us

Palanivelu & Co. is a distinguished professional firm specializing in auditing, accounting, and financial consultancy services. Established with a vision to deliver excellence in financial solutions, we have grown to become a trusted partner for businesses and individuals seeking comprehensive financial services. Our team comprises highly qualified and experienced professionals who are dedicated to providing tailored solutions that meet the dynamic needs of our clients. At Palanivelu & Co., we believe in fostering strong relationships with our clients through integrity, transparency, and a commitment to excellence. Our mission is to help businesses and individuals navigate the complexities of financial regulations, optimize their financial performance, and achieve sustainable growth. With a client-centric approach, we offer a wide range of services designed to ensure compliance with statutory regulations while enhancing financial efficiency. Whether you are a small business owner, an entrepreneur, or an individual taxpayer, Palanivelu & Co. is your trusted advisor for all your financial needs.

OUR SERVICES:

Auditing & Assurance which means Statutory audits, internal audits, and tax audits to ensure financial transparency and regulatory compliance, Accounting & Bookkeeping which means Systematic recording and maintenance of financial transactions for businesses of all sizes, Income Tax Services which means Tax planning, return filing, and advisory services to optimize tax liability, GST Services which means GST registration, compliance, filing, and advisory to meet Goods and Services Tax regulations.

SIGNIFICANCE OF VARIABLES:

Policy Acceptance is when taxpayers view new policies as fair, they are more likely to support and accept them, ensuring successful implementation and Voluntary Compliance is Positive perceptions lead to taxpayers willingly following tax laws, reducing the need for strict enforcement. Also Taxpayer Engagement perceptions encourage taxpayers to stay informed involved in discussions about tax policies.

Capital Gains Tax Management are crucial for individuals or businesses dealing with the sale of assets such as stocks, bonds, or property. By managing capital gains taxes strategically, clients can reduce the taxes owed on profits from these sales and Late Filing or Incorrect or delayed filings can lead to significant penalties. Tax services ensure that filings are done on time, and taxes are paid in full, helping avoid interest and penalties.

OBJECTIVES OF THE STUDY:

This study is to examine the effect of taxpayer perception of income tax services on their willingness to comply with tax regulations. It aims to understand how perceptions of service quality, efficiency, and fairness influence voluntary tax compliance.

Additionally, this research will explore taxpayers' views on the fairness and transparency of tax compliance processes and to analyze how these perceptions affect their compliance behavior. This will help identify factors that encourage or hinder voluntary compliance, offering insights for improving tax administration and taxpayer engagement.

NEED OF THE STUDY:

- This study helps to understanding Taxpayer behavior and Tax compliance is essential for sustaining government revenue
- It identifies Public Trust in tax systems and services is vital for improving compliance rates.

SCOPE OF THE STUDY:

- The study will focus on individual taxpayers that are subject to income tax laws.
- Focus on specific geographic area, targeting Taxpayers within a country or city.

LIMITATIONS OF THE STUDY:

- Time Constraints for this research may have limited time to collect data, which could impact the depth and comprehensiveness of the findings.
- The study may focus only on certain aspects of tax services (filing procedures).

2.LITERATURE REVIEW:

Sharma, S., & Gupta, R. (2021)

Sharma and Gupta found that the clarity of communication from tax authorities, especially regarding tax filing procedures and deadlines, had a direct impact on tax compliance. Their study indicated that when taxpayers received clear, timely information about the tax process, including instructions for filing and payment, their likelihood of compliance increased significantly. The authors also noted that taxpayers in India often struggled with complex procedures, and simplifying these could boost voluntary compliance.

Kumar, P., & Saini, M. (2016)

Findings: This case study in Delhi revealed that taxpayer perceptions of the quality of tax services had a direct impact on their compliance behavior. The study found that when taxpayers experienced efficient services, such as quick response times and clear communication, they were more likely to comply. Conversely, delays or lack of clarity in tax services reduced taxpayer confidence, which in turn lowered compliance levels.

Singh, S. (2018)

Findings: Singh's study focused on the role of trust in government and perceptions of fairness in tax compliance. The findings indicated that Indian taxpayers' willingness to comply with tax laws was significantly influenced by their perception of the fairness of the tax system and their trust in tax authorities. If taxpayers believed that taxes were being used for the public good and that the tax system was fair, they were more willing to comply, even without fear of audits or penalties.

Gupta, R., & Sharma, S. (2014)

Findings: This study examined the relationship between taxpayer service quality and tax compliance behavior. The authors found that efficient customer support, such as clear guidance, prompt responses, and user-friendly online systems, positively affected taxpayer perceptions. Taxpayers who perceived the tax services as effective and professional were more likely to file their taxes on time and in full, resulting in higher compliance.

Purohit, P., & Rath, N. (2020)

This study explored the connection between taxpayer perceptions of tax services and compliance behavior in India. The researchers found that positive perceptions of tax authorities, such as courteous and helpful staff, timely responses, and efficient online tax filing systems, were strongly linked to higher compliance rates.

3. RESEARCH METHODOLOGY:

This study utilizes a descriptive research design to examine the effect of taxpayer perception of income tax services on their willingness to comply. Respondents are selected through convenience sampling, with a sample size of 181 individual taxpayers. Data collection involves both primary and secondary sources; primary data is gathered via questionnaires administered to respondents, while secondary data is obtained from internet sources and websites. The collected data is analyzed using percentage analysis, correlation analysis, and ANOVA.

4. DATA ANALYSIS AND INTERPRETATION

4.1.1 PERCENTAGE ANALYSIS

TABLE NO 4.1.1 PERCENTAGE ANALYSIS FOR GENDER OF THE TAXPAYERS

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	114	63.0	63.3	63.3
	Female	67	36.5	36.7	100.0
	Total	180	99.4	100.0	
Total		181	100.0		

INFERENCE

From the above table it shows that out of 181 taxpayers 63.3% are male and 36.7% are female.

4.1.2 PERCENTAGE ANALYSIS

TABLE NO 4.1.2 PERCENTAGE ANALYSIS FOR AGE OF THE TAXPAYERS

AGE		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-25	31	17.1	17.1	17.1
	26-35	39	21.5	21.5	38.7
	36-45	50	27.6	27.6	66.3
	46-55	40	22.1	22.1	88.4
	Above 55	21	11.6	11.6	100.0
	Total	181	100.0	100.0	

INFERENCE

From the above table it shows that out of 181 taxpayers 17.1% are between 18- 25Years , 21.5% are 26-35Years , 27.6% are 36 to 45years , 22.1% are 46 to 55 years , and 11.6% are above 55 years.

4.1.3 PERCENTAGE ANALYSIS

TABLE NO 4.1.3 PERCENTAGE ANALYSIS FOR MONTHLY INCOME OF THE TAXPAYERS

Monthly Income Level					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 20K	21	11.6	11.6	11.6
	20K-50K	93	51.4	51.4	63.0
	Above 50K	67	37.0	37.0	100.0
	Total	181	100.0	100.0	

INFERENCE

From the above table it shows that out of 181 Taxpayers 11.6% are below 20k, 51.4% are 20k-50k, 37% are above 50k.

4.1.4 PERCENTAGE ANALYSIS

TABLE NO 4.1.3 PERCENTAGE ANALYSIS FOR EMPLOYMENT STATUS OF THE TAXPAYERS

Employment Status					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Employed Full Time	73	40.3	40.3	40.3
	Employed Part Time	24	13.3	13.3	53.6
	Self Employed	61	33.7	33.7	87.3
	Unemployed	8	4.4	4.4	91.7
	Retired	15	8.3	8.3	100.0
	Total	181	100.0	100.0	

INFERENCE

From the above table it shows that out of 181 Taxpayers 40.3% are employed full time, 13.3% are employed part time, 33.7% self employed, 4.4% are unemployed, 8.3% are Retired.

4.2.1 ANOVA

To find out the significant difference between Age and getting support for filing Income Tax. H0: There is no significant difference between Age and getting support for filing Income Tax . H1: There is a significant difference between Age and getting support for filing Income Tax.

ANOVA				
Do you find it easy to access support when you have questions about Income Tax ?				
	Sum of Squares	df	Mean Square	F
Between Groups	.045	1	.045	.040
Within Groups	198.283	178	1.114	
Total	198.328	179		

Interpretation:

Sig value = 0.05 P value = 0.841 $0.841 > 0.05$

Null hypothesis is Not Rejected.

There is no significant difference in how different groups find it easy to access support for Income Tax-related queries.

4.2.2 ANOVA

To find out the significant difference between Income and Consistency in filing Taxes on Time . H0: There is no significant difference between Income and Consistency in filing Taxes on Time . H1: There is a significant difference between Income and Consistency in filing Taxes on Time

ANOVA					
How Consistently do you File your Taxes on Time ?					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	6.443	2	3.221	2.436	.090
Within Groups	235.358	178	1.322		
Total	241.801	180			

Interpretation:

Sig value = 0.05

P value = 0.090

$0.090 > 0.05$

Null hypothesis is Not Rejected.

There is no significant difference in how consistently different groups file their taxes on time.

4.3 CORRELATION

To find out the relationship between Fair and Transparent in Tax System and Consistency in filing Taxes on Time .

H0: There is no relationship between Fair and Transparent in Tax System and Consistency in Filing Taxes on Time .

H1: There is a relationship between Fair and Transparent in Tax System And Consistency in Filing Taxes on Time .

correlation is significant at the 0.01 level (2-tailed).

Correlations			
		How Fair and Transparent do you believe the Tax System?	How Consistently do you File your Taxes on Time?
How Fair and Transparent do you believe the Tax System ?	Pearson Correlation	1	.534
	Sig. (2-tailed)		.000
	N	181	181
How Consistently do you File your Taxes on Time ?	Pearson Correlation	.534	1
	Sig. (2-tailed)	.000	
	N	181	181

INFERENCE:

From the above table, we can find that the significant value is 0.000, which is less than table value 0.05, so the null hypothesis is rejected and alternative hypothesis is accepted.

Therefore There is a relationship between Fair and Transparent in Tax system and Consistency in filing Taxes on Time .

FINDINGS

The analysis shows that demographic factors like age, income, and employment status have limited impact on taxpayers' compliance, with service quality and trust in the tax system playing a more significant role. A strong correlation exists between perceptions of fairness and transparency in the tax system and consistent tax filing, highlighting the importance of public trust. Taxpayers are more likely to comply voluntarily when they believe the system is fair, transparent, and their contributions are used effectively. Current support services are uniform across demographics, but improvements can enhance compliance, especially for those facing procedural challenges. Positive perceptions of tax services, such as clarity and responsiveness, are linked to higher compliance rates. Targeted interventions like policy reforms, taxpayer education, and transparent revenue reporting can boost compliance. Continuous improvements in tax administration, including simplified procedures and timely support, also positively influence taxpayer behavior. Ultimately, trust in government institutions is key to long-term compliance.

SUGGESTION

To improve taxpayer compliance and enhance income tax services, several measures can be taken. Increasing transparency and fairness by clearly communicating how tax revenues are used can build trust. Strengthening communication channels through online support and clear guides will improve accessibility. Enhancing service quality with trained, responsive officials and reducing bureaucratic delays can encourage voluntary compliance. Targeted taxpayer education programs, simplified filing procedures, and user-friendly online systems will make compliance easier. Policy reforms offering incentives for timely payments and regular updates to tax laws can boost compliance rates. Building trust through accountability, personalized support for complex cases, and continuous feedback mechanisms will strengthen the taxpayer-government relationship. Lastly, promoting a culture of voluntary compliance through positive narratives and community outreach can foster greater civic responsibility.

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