Chapter - I

"Tax Policy is an art nor less a science; and equity is to be sought as a matter of degree rather than an absolute norm"

-Musgrave and Musgrave

INTRODUCTION AND DESIGN OF THE STUDY
CHAPTER-I
INTRODUCTION AND DESIGN OF THE STUDY

1.1 INTRODUCTION

The objective of tax policy in any economy has to be oriented to the particular stage of economic development (Hicks Ursula: 1956). Taxes constitute major source of revenue for the government. Taxes are levied so that investment is made in the resources to enable a country to develop, grow and make progress (Goode:1963). A sound tax system is vital for the development of the public finances of any country. Tax system of a country constituted by various taxes levied. It is important to know the relative roles of different taxes in a country at any given point of time because the impact of relying on a particular tax may be different from relying on another tax.

India has a three-tier federal structure (the union government the state governments and the urban/rural local bodies). The power to levy taxes and duties is apportioned between the union government and the state governments in accordance with the provisions of the Indian constitution. The state government may further delegate any of its fiscal powers to local authorities. Tax system in India comprises of direct as well as indirect taxes. While direct taxes mainly consists of personal income tax, corporation tax, wealth tax, land revenue and agricultural income tax. Indirect taxes comprises mainly of customs, union excise duties, service tax, state excise duty, stamp and registration fees, sales tax, taxes on vehicles and entertainment tax. Except for land revenue and agricultural income tax all other direct taxes are levied and collected by the federal government (Sarkar:1978).
In view of various changes within and outside, developing countries implemented a series of economic reforms during the 1980s and 1990s. The pressing imbalance was the main driving force for the economic reforms in developing countries. During these decades, re-assessment of the role of government in economic development took place which led to a shift in favour of assigning a greater role to the private sector including foreign enterprises. This necessarily required re-examination of the structure of tax systems. Tax policy was employed as a principal instrument to correct severe budgetary pressures (Ahmad and Stern: 1991). The impetus for reforms in tax system came primarily from the need to raise additional revenues to deal with the problem of continuing and in some cases rising deficits but, since structural reforms of the real sector of the economy was also being attempted, efficiency considerations were also an important cause (Chelliah: 1996).

India too launched a series of programmes of economic policy reforms in 1990s. Reforms were primarily undertaken in response to fiscal crisis faced in 1991 and aimed to attain macro-economic stability. Genesis of economic reforms lies in problems that had slowed down the process of economic development in India in late 1980s and 1990s. By mid-1991 India’s foreign exchange reserves had declined to just two weeks of import coverage. Public debt had reached monstrous level. The debt service burden rose from 10% of current account receipts and 15% of export earnings in 1980-81 to 22% of current account receipts and 30% of export earnings in 1990-91. Rising fiscal deficits and monetization of a substantial portion of it led to inflationary pressures and to growing deficit in the current account of the balance of payments which became prime mover for change (Islam: 2001).
<table>
<thead>
<tr>
<th>Year</th>
<th>Direct Taxes</th>
<th>Indirect Taxes</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950-1951</td>
<td>231 (36.84)</td>
<td>396 (63.16)</td>
<td>627</td>
</tr>
<tr>
<td>1960-1961</td>
<td>402 (29.77)</td>
<td>948 (70.23)</td>
<td>1350</td>
</tr>
<tr>
<td>1970-1971</td>
<td>1009 (21.23)</td>
<td>3743 (78.77)</td>
<td>4752</td>
</tr>
<tr>
<td>1980-1981</td>
<td>3268 (16.46)</td>
<td>16576 (83.54)</td>
<td>19844</td>
</tr>
<tr>
<td>1990-1991</td>
<td>12260 (14.00)</td>
<td>75462 (86.00)</td>
<td>87722</td>
</tr>
<tr>
<td>1991-1992</td>
<td>16657 (16.14)</td>
<td>86541 (83.86)</td>
<td>103198</td>
</tr>
<tr>
<td>1992-1993</td>
<td>19387 (17.00)</td>
<td>94779 (83.00)</td>
<td>114166</td>
</tr>
<tr>
<td>1993-1994</td>
<td>21713 (17.81)</td>
<td>100248 (82.19)</td>
<td>121961</td>
</tr>
<tr>
<td>1994-1995</td>
<td>28878 (19.54)</td>
<td>118971 (80.46)</td>
<td>147849</td>
</tr>
<tr>
<td>1995-1996</td>
<td>35777 (20.42)</td>
<td>139482 (79.58)</td>
<td>175259</td>
</tr>
<tr>
<td>1996-1997</td>
<td>41061 (20.52)</td>
<td>158994 (79.47)</td>
<td>200055</td>
</tr>
<tr>
<td>1997-1998</td>
<td>42946 (20.15)</td>
<td>170119 (79.84)</td>
<td>213065</td>
</tr>
<tr>
<td>1998-1999</td>
<td>49121 (21.08)</td>
<td>183897 (78.91)</td>
<td>233018</td>
</tr>
<tr>
<td>1999-2000</td>
<td>60864 (22.16)</td>
<td>213719 (77.83)</td>
<td>274583</td>
</tr>
<tr>
<td>2000-2001</td>
<td>71763 (23.50)</td>
<td>233557 (76.49)</td>
<td>305320</td>
</tr>
<tr>
<td>2001-2002</td>
<td>73110 (23.24)</td>
<td>241424 (76.75)</td>
<td>314534</td>
</tr>
<tr>
<td>2002-2003</td>
<td>87092 (24.42)</td>
<td>269546 (75.58)</td>
<td>356638</td>
</tr>
<tr>
<td>2003-2004</td>
<td>109546 (26.45)</td>
<td>304538 (73.54)</td>
<td>414084</td>
</tr>
<tr>
<td>2004-2005</td>
<td>137093 (27.73)</td>
<td>357277 (72.27)</td>
<td>494370</td>
</tr>
<tr>
<td>2005-2006</td>
<td>173214 (29.09)</td>
<td>422136 (70.91)</td>
<td>595350</td>
</tr>
<tr>
<td>2006-2007</td>
<td>212804 (30.43)</td>
<td>486361 (69.57)</td>
<td>699135</td>
</tr>
</tbody>
</table>

Figures in brackets are percentages to total tax revenue.
Table 1.1 shows that indirect taxes constituted dominant position in the Indian tax system up to 1990s. The share of direct taxes which stood at 36.84% in 1950-51 went on declining and reached the level of 14% in 1990-91 and there after it started registering marginal increase.

Table 1.2
Tax revenues as a percentage of Gross Tax Revenue

<table>
<thead>
<tr>
<th>Direct Tax (A)</th>
<th>Tax revenue as a percentage of gross tax revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Income Tax</td>
<td>14.0</td>
</tr>
<tr>
<td>Corporation Tax</td>
<td>14.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>30.2</td>
</tr>
</tbody>
</table>


A major share of the direct taxes come from corporation tax and personal income tax. As shown in the Table 1.2 the share of personal income tax to the total tax revenue of the central government is poor as it amounted to just 14% of the total gross tax revenue of the union government in 1995-96. The personal income tax has serious limitations in a developing economy characterized by predominance of agriculture and small business. Apart from predominance of small land holdings, limited commercialization of agriculture, lack of regularity in income and political unwillingness to burden the agricultural sector with taxation virtually limits personal income tax. The predominance of informal sector in the non-agricultural sector, absence of proper arrangements to tax the hard-to tax groups again limits the personal income tax. To meet the ever increasing public expenditure, difficulties associated with the direct taxes and excessive reliance on commodity taxation without recognizing the consequences of cascading effect and it is the result of existing tax system which needs to be greatly improved upon and which necessitates tax reform (Ahuwalia Isher:2002).
Objectives behind reforms were two fold: one is to reduce the dependence on foreign trade taxes and orient the tax structure towards an open and competitive economy by improving its efficiencies and second is to improve the buoyancy of the tax revenues on a sustainable basis. So that the current budgets of the government could be balanced and eventually yield some surpluses to finance public investment (*Bagchi:1998*).

1.2 TAX REFORMS - AN OVER VIEW

Tax Reforms are concerned with adjusting an already existing tax or tax structure to change circumstances. It includes introducing changes in the existing tax base, tax rates, exemptions, concessions and the administrative procedures. It starts with a thorough examination of the operation of tax/tax structure in relation to the economic policy objectives, finding out empirical facts about its defects, identifying the causes for defective operation, examining alternative measures to set right the defects and recommending specific tax reform measures in order to restore its effectiveness. It would be desirable to enumerate the relative merits and demerits of alternative tax reform measures and leave the choice to the policy makers. Tax Reform may also necessitated by the:

- Changed socio-economic and political situations
- Changed objectives

Changes in the economic structure may call for certain changes in the tax structure to achieve the same objectives. Change in the government may require change in the priority of different objectives and/or addition of new objectives and hence, a necessary required change in tax structure becomes inevitable. Thus tax reform refers to changes in the tax structure to adopt it to the changed situations and objectives (*Hinrichs:1966*).
It has been rightly observed (Martin Feldstein:1976) that tax reform attempt should take for granted certain realities of the existing tax structure and changes if recommended, will be slow in getting injected into the existing tax structure. It also warns the tax reformers that it would be difficult to sell radical tax reform measures in democratic countries, not only because of the operation of the psychological law viz., an old tax is a good tax, but also the complex reactions which radical tax reform measures might encounter from the ‘self-interest’ pressure groups in democracies. Further “Tax Reforms are a continuous process. Not only can no grand once-for-all reform schemes be realistically expected to be adopted, but even if it were it would never be sufficient for very long. Circumstances change and policies must change with them” (Bird: 1970).

1.2.1 Tax Reforms: Objectives and Guiding Principles

Tax Reform has several important objectives. They are:

- The reform should aim at augmenting the tax revenue to meet the growing expenditure, so that the fiscal deficit may be brought down to a reasonable level. It is the revenue consideration that quite often prompts tax reforms as evidenced by the experience of many countries. Most of the countries which attempted tax reform, tax-GDP ratio increased even when the stated objectives were of non-revenue nature (Shome:1995).

- The reform should enhance the income-elasticity of tax revenue. Too frequent discretionary changes in tax rates must be avoided and the objective of increasing the tax-GDP ratio must be realized without raising the tax rates as such. Experience has shown that very high rates not only introduce many distortions but also come in the way of realizing more
revenue. The aim therefore should be lowering the tax rates and broadening the tax base. Higher revenue realization should be possible with better compliance.

- The efficiency cost of taxation must be minimized. Efficiency cost or excess burden is the difference between the resources that the government gains and the sacrifice that is made by tax payers. Reduction in the welfare of a tax payer takes place due to the loss of income as a result of tax. This leads to what is called a 'substitution effect' (WorldBank:1991). As the tax burden rises with the increase in income, after a certain point, the tax payer might feel that the after-tax income is not high enough to compensate for the extra effort to be put into earn that income and consequently he might prefer leisure to work. One job may be substituted for the other or one form of business organization may be substituted for the other. Thus an inappropriate tax system introduces distortions leading to inefficiency. If the tax is less distortionary i.e., if its interference in production and consumption decisions is less, then it would be possible to minimize the efficiency cost and this should be an important goal of tax reform.

- Tax reform must aim at designing an appropriate policy of tax incentives. A large number of tax incentives have been introduced with such objectives as encouraging savings and investment, increasing the production of certain goods in the social interest, regional dispersal of industries etc. They usually take the form of tax rebates, tax holidays, investment credits, depreciation allowance etc. They serve the objective of ensuring more effective allocation of resources in conformity with the social goals if they are properly employed. Otherwise they not only introduce bias in investment, but also lead to
revenue loss. As pointed out in a World Bank study, "where many existing promotional programmes have been set up in response to pressure from powerful interest groups or have outlived the rationale for their original introduction, tax systems can create unintended biases in investment by sector and by project. They can also discriminate among investments in different assets-equipment as opposed to structures/or among different sources of finance-debt, equity and retained earnings" (World Bank:1991). Since such bias is not desirable, incentives must be reviewed from time to time to re-justify their continuance and those which have outlived their utility must be phased out. Tax reform must aim at rationalizing and minimizing the tax incentives.

Equity is a very important objective of tax reform. This goal implies that the tax system should be designed in such a way that the burden to the taxpayers is related to their ability to pay and that there is justice of fairness in taxation which can be ensured through horizontal and vertical equity. Distribution aspects of taxation have to be paid adequate attention. Fairness in taxation depends upon how the rich and the poor are treated (vertical redistribution) and how those who are equally rich or poor (horizontal redistribution) are treated.

Tax reform should aim at making the tax system as simple as possible. Tax laws are, by their nature very complex and the taxpayers are unable to comprehend them and the procedures to be followed in meeting the tax liability are also quite often very complex and it is very difficult for the taxpayer to comply with the requirements and this gives room for litigation and harassment. As pointed out by Tax Reforms
committee, "A simple tax system will have only a limited number of rates and exemptions or deductions and give the least possible discretionary power to the tax officials for interpreting the law." (Interim Report: 1991). Reform is needed to bring about such a system.

- Tax reform should also have the objective of ensuring a combination of flexibility and stability. Some degree of flexibility is necessary to adjust the tax burden to stimulate demand or restrict demand for the purpose of demand management. For political reasons also some degree of flexibility is needed. When different political parties come to power, they must have the opportunity to change the approach to taxation in accordance with their respective political philosophy. But at the same time some degree of stability is also necessary, because too frequent changes will only create uncertainty and distort the decisions of the producers and consumers. As the Meade Committee pointed out, "Obviously there is some clash between the requirement of flexibility and the requirement of stability. Infinite flexibility and challenges stability are not natural bedfellows. Excessive fluctuations in rates of tax will themselves lead to uncertainties and lack of confidence in future plans" (Meade: 1978).

- Tax reform measures have to be geared to the requirements of opening up of the economy and for this the tax level prevailing in other countries has to be taken into account and if the economy of a country is to be integrated with the rest of the World and if foreign investment is to be attracted, the tax level and structure will have to be more or less similar to what is prevailing in other countries. In other words, a tax
reform has also an international dimension and the reform proposals have to take note of this.

- The success of any attempt to reform the tax system depends on the efficiency of the system of tax administration and therefore, tax reform should also aim at improving the tax administration. Where tax administration is weak, tax compliance is poor and consequently revenue loss arises through evasion and avoidance. Complex tax laws and procedures, lack of trained personnel, inadequate facilities etc are responsible for weak administration. Complex tax codes and enormous discretionary powers enjoyed by the tax officials give room for rampant corruption. No amount of reform proposals will be useful unless there is strong and efficient administration to effectively implement those proposals. Hence, the importance of improving tax administration in tax reforms.

- As pointed out by the Tax Reforms Committee, “The tax reforms suggested should be fully or at least nearly revenue neutral in their totaling; however, system should become more income-elastic” (Interim Report 1991).

1.3 STATEMENT OF THE PROBLEM

Indian personal income tax was plagued by a number of deficiencies which necessitated reforms. It suffered from low yield, extremely limited coverage and low level of compliance. Contribution of personal income tax to the total revenue of the union government was quite dismal. In 1990-91 the personal income tax constituted only 9.3% of total revenue of the central government and as percentage of GDP it was only 0.94% in 1990-91 (Economic survey Report:2005-06). This clearly shows that personal income tax in India faced the problem of low yield. In addition it is
associated with the problem of limited coverage. At present out of a population around 1.1 billion, less than 3% (Economic survey Report:2005-06) of the population is covered under the income tax net. There are number of factors which explain the problem of limited coverage. First agriculture sector is outside the personal income tax net. Second the income tax department has not been able to fully cover small and un-organized businesses. It is estimated that ten million men and women work as street hawkers and vendors. Organized sector of the economy employs only 3% of the work force. Overwhelming majority almost nine out of ten people are self employed (Varma:2004). Majority of the un-organized sector is outside the tax net. In effect revenue from personal income tax in India comes virtually from the salaried class and the organized sectors of the economy. Personal income tax in India also beset with the problems of poor compliance. There is massive tax evasion and avoidance in India. High marginal tax rates which prevailed for a long time contributed much towards poor compliance. One of the ramifications of higher marginal tax rates was that income tax in India became full of exemptions, allowances and deductions. Cumbersome rules and procedures also provided incentives to evade tax and that adversely affected the revenue yield.

In order to overcome these deficiencies and to attain objectives like revenue productivity, horizontal and vertical equity appropriate reforms were considered necessary. India too launched a series of programmes of economic policy reforms in 1990s. Reforms were primarily undertaken in response to fiscal crisis faced in 1991 and aimed to attain macro-economic stability. Reforms since 1991 are mainly focused on lowering the personal income tax rates, widening the tax base, rationalization of incentives, tackling tax evasion and avoidance, reforming the capital gains taxation,
improvement in tax administration. The government initiated various policies so far in the focused areas in the realm of personal income tax in India. Here the question arises that whether these policies initiated so far yielded the results desired by the government? What are the implications of the policies initiated by the government in the focused areas? What are the perceptions of taxpayers about the policies initiated by the government in the personal income tax reforms? What is the behaviour of tax payers? Hence, the study was aimed to find conclusion for the issues and suggest measures for the same.

1.4 SCOPE OF THE STUDY

The scope of the study is looking into the following aspects to find ways for taking further steps towards reform in direct tax system in India, Find measures to expand tax payers base and increase tax compliance in over all strategy of tax reforms; Determine ways to increase share of direct taxes at federal level and improve tax collections in order to boost Tax-GDP ratio; Determine measures to improve tax administration in order to make it efficient and effective.

1.5 OPERATIONAL DEFINITIONS

In this section, major concepts used in the study are briefly explained. It is not an exhaustive list of all terms and concepts used in the study. However other concepts and terms which are sparsely used in the study are classified at the relevant paragraphs.

1.5.1 Taxation

The term ‘taxation’, ‘tax system’, ‘system of taxation’ etc is used interchangeably in several places in this study. The above terms signify the set of laws, rules and procedures related to income tax assessment, investigation and related administrative
activities. The terms also include the whole network of persons connected to this system viz., tax payers, tax evaders, tax administrators and enforcing authorities. The system of taxation also signifies the ideology and rationale of income tax.

1.5.2 Income Tax

Income tax is a direct tax collected by the Government of India on the income earned by those liable as per the Income Tax Act 1961.

1.5.3 Tax Evasion

Tax evasion means evading the income tax by a person, by total or partial concealment of income for which he is liable to pay tax and/or incorrect claim of exemptions, deduction and rebates.

1.5.4 Tax Enforcement

Tax enforcement means the enforcing action in the form of scrutiny (Audits), surveys and searches by the Indian Income tax department.

1.5.5 Perception of Respondents

In this study, Perception means the attitudes, opinions and experiences shared by the respondents from the sample as perceived by them. Thus the perception is not measured independently but a straight reproduction of the personal accounts of the respondents on various points discussed in the study.

1.5.6 Tax Attitudes

This means, the attitudes as measured in terms of the responses of the respondents on a set of statements on various points connected to taxation, tax reforms, reforms in personal income tax and tax payers behaviour. All responses are analyzed
individually to understand the opinion on various aspects mentioned above.

1.5.7 Tax Payers’ Behaviour

The above term is used in this study in the context of respondents’ perception about the tax evasion behaviour of tax payers. The tax payers’ behaviour is a product of the experiences, perception of others’ tax behaviour, the attitudes and opinions of the respondents.

1.5.8 Tax Compliance

Tax compliance means conforming totally to the prescribed income tax laws rules and procedures.

1.5.9 Tax Awareness

Tax awareness means the awareness of the respondents on Indian income tax laws, rules and procedures.

1.5.10 Assessee

The term assessee is also interchangeably with the term “Respondent” and “Tax Payer” or “Income Tax Assessee”. As per the provisions of Income Tax Act, assessee means a person by whom income tax or any other sum is payable under the Act. It includes every person in respect of whom any proceeding under the Act has been taken for the assessment of his income or loss and the amount of refund due to him.

1.5.11 Return of Income

As per the Income Tax Act, every person, if his total income or the total income of any other person in respect of which he is assessable during the previous year (Financial year to which the income is related), exceeds the maximum amount which is not
chargeable to tax, is required to furnish a return of his income. The return has to be filed annually within due dates, declaring the true and correct income and receipts from all sources.

1.5.12 Exemption and Deductions and Rebates

Exemptions mean income which are not chargeable to income tax or which are exempt from Income Tax. Deductions mean income which can be fully or partially deducted from the total income.

Rebate means rebate given from the tax payable to the extent of the prescribed percentage of investments made in the specified investments etc in eligible schemes (E.g. Contribution to recognized provident funds). Now the rebate under sec 88 has been abolished.

1.6 OBJECTIVES OF THE STUDY

The objectives of the study are:

- To Study the Concepts of Tax Reforms in General;
- To Review the Historical Perspectives of Tax Reforms in India;
- To Study the Previous Initiatives for Reforms in Personal Income Taxation;
- To Analyze the Implications of Policy Measures Initiated by the Government in the Areas of Personal Income Taxation;
- To Know the Perceptions of Income Assessee's about the Policy Measures Initiated in the Areas of Personal Income Taxation;
- To Suggest Suitable Measures to take further Steps towards Reforming the Personal Income Taxation.
1.7 RESEARCH METHODOLOGY

The present study utilized both primary and secondary data. A well structured questionnaire was designed and collected from the income tax assessees’. The respondents include Tax Practitioners, Income Tax Officials, Academicians and the General Public. The data was subjected to statistical analyses applying Factor Analysis, One-sample ‘t’ test, Mean Ranking, One-way ANOVA, Correspondence analysis and Descriptive analysis.

The secondary data was extracted from Documentary Sources viz. Books, Journals, Reports of various Committees constituted to look into Tax Reforms. Apart from documentary sources, Multiple Sources like Area Based Sources viz., Government Reports, Budget Documents, Economic Survey Reports and Time series based Sources like Statistical Reports published by Government have also been consulted. Tertiary Literature Sources called Search Tools have been used to locate relevant Secondary Literature.

1.7.1 Area of Study

The study is limited to the State of Tamilnadu in which Six Major Corporations Chennai, Coimbatore, Triuchirappalli, Madurai, Salem and Thirunelveli were selected for the study. Six corporations were selected because it covers all the regions of Chief Commissionerate of Income Tax in Tamilnadu and also due to the availability of various resources connected to the study. Indian Income Tax Act is uniform in its laws, rules and procedures all over the country and these regions are no exception. Even non-statutory procedures are followed in a uniform manner all over the country by the income tax department. Thus there is absolute uniformity in respect of the nature of income tax administration and enforcement all over India.
1.7.2 Sampling

The data were collected from the respondents at Chennai, Coimbatore, Thiruchirappalli, Madurai, Salem and Thirunelveli i.e., six corporations of Tamilnadu. The Proportionate Random Sampling method was adopted to collect primary data. A total of 694 samples were used for analysis. Hence, this study is restricted to Tamilnadu only.

1.7.3 Questionnaire Design

The objective of the study is to know the perception of the Income Tax Assesees’ about the Personal Income Tax Reforms elements. Perceptions of respondents on taxation, tax system and tax reforms represent the beliefs, ideas, values, emotions and predisposition of the respondents which may be positive or negative or some degree of positive attitude or some degree of negative attitude. Measuring such kind of positive attitudes and negative attitudes and opinions, the only problem is of their valid measurement. Scaling is the best technique to overcome the above problem. Scaling describes the procedure of assigning number to various degrees of opinion, attitude and other concepts. To analyze the respondents’ response on each statement in instrument, how the responses differ between the people and how responses differ between stimuli, Likert’s Five Point Scale Technique is used. Because it is possible to compare the respondents’ score with a distribution of scores from some well defined group and also attitudes before and after the programme of change or improvement in order to assess whether our efforts have the desired effects. We can as well correlate scores on the scale to other measures without any concern for the absolute value of what is favorable and what is unfavorable. The statements regarding personal income tax elements were ended with five point Likert’s Scale. The perceptions
of the respondents is categorized as “Strongly Agree-5” “Agree-4” “Neutral-3” “Disagree-2” and “Strongly Disagree-1”. The questionnaire was designed to study:

- Profile of the Income Tax Assessee.
- The Respondents’ Perception about the Tax System and Tax Reforms.
- The Respondents’ Perception about the Attainment of Reform Objectives
- The Respondents’ Perception about the Personal Income Tax Reforms elements.
- The Respondents’ Perception about the Tax Payers’ Behaviour.

1.7.4 Pilot Study

A pilot study was conducted with 100 questionnaires in the research areas. In the light of the experience gained in the pilot study the questionnaire were modified to suit the sample groups. The perception of the respondents has been tested for its reliability using Cronbach’s Alpha. The value obtained was 0.9009, which shows that instrument is highly reliable. The distribution curve is normal.

1.7.5 Data Analysis

The primary data collected were analyzed by using SPSS (Statistical Package for Social Sciences).

- Descriptive Statistics is utilized for analyzing the Opinions of the Respondents on Tax Reforms.
- Factor Analysis by Principal Component Method is exploited for Data Reduction.
Cluster Analysis is applied for Grouping the Respondents.

ANOVA is utilized for Identifying the Influence of Demographic Variables over the Tax Reforms Elements.

Correspondence Analysis is applied for Identifying the Association between the Clusters and the Tax Reforms Elements.

1.8. LIMITATIONS OF THE STUDY

1. The opinion expressed by the income tax assessee's may have some certain limitations because some terms used in the questionnaire were not fully aware by the income tax assessee's.

2. The study covered only the reforms carried in personal income tax in India and those are chosen by the personal examination of the researcher and the other direct tax reforms such as fringe benefit tax, corporation tax, banking cash transaction tax and other direct tax reforms were not considered under the study.

3. Only common policy initiatives taken so far in personal income tax reforms have been considered for the study.

4. The information provided by the income tax assessee's is purely based on their perceptions only. The quality and reliability of the data collected were the actual expression of respondents.

5. Money and time constraints impose major limitations to the study and forced to restrict the respondents within a stipulated time.

6. The suggestions offered in this study remain restricted to the micro study of the income tax assessee's and might smack of remedies rather than solutions or alternatives.
The Thesis has been presented in seven chapters.

- The First Chapter deals with Introduction, Operational Definitions and Reforms Objectives, Statement of the Problem, Scope of the Study, Methodology, Limitations and Chapter Scheme.

- The Second Chapter Reviews the Literature from Origin to the Present regarding Tax Reforms.

- The Chapter Three discuss the Brief Historical Perspectives of Tax Reforms in India and Policies Initiated in the Personal Income Tax Reforms since 1991.

- The Chapter Four analyses the Income Tax Assessees' Perceptions towards Tax Systems and Tax Reforms.

- The Chapter Five analyses the Opinion of Income Tax Assessees' towards Tax Reforms Elements.

- The Chapter Six presents a Mathematical Model for Analyzing the Impact of Tax Reforms on Tax Collections.

- The Chapter Seven provides Summary of Findings, Suggestions and Conclusion on the basis of the study and Scope for Further Research.
REFERENCES


