

TDS Decoded: A Study on TDS Awareness for Bridging the Gap between Compliance and Convenience

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Abstract:

Tax Deducted at Source (TDS) is a cornerstone of India's taxation framework, facilitating efficient tax collection at the point of income generation. It serves as a crucial mechanism to ensure a steady inflow of revenue for the government while promoting ease of compliance for taxpayers. Despite its significance, awareness regarding various aspects of TDS remains limited among individuals and entities. This study, conducted through a primary survey of individual respondents, aims to explore these gaps in awareness and understanding of TDS processes.

Key words: TDS, Form 16, Form 26AS, Noncompliance, Tax filling

Introduction

Tax Deducted at Source (TDS) is a fundamental element of India's taxation system, designed to streamline the collection of taxes at the origin of income. It is a mechanism that not only ensures regular cash inflow to the government but also simplifies tax compliance for individuals and organizations. By covering a wide range of income sources, such as salaries, interest, dividends, and professional fees, TDS aids in creating a transparent and efficient tax ecosystem. However, there is often a lack of awareness about TDS-related processes, such as the purpose of TDS certificates (Form 16 and Form 16A), the role of deductors, and the penalties for non-compliance. Furthermore, many individuals and entities are unaware of exemptions, deadlines for filing returns, and the broader implications of TDS on financial planning and economic development. Addressing these gaps can enhance tax literacy, foster better compliance, and contribute significantly to the nation's economic growth.

Literature Review

The purpose of introduction of Tax Deduction at Source is to prevent Tax Evasion, widen the assessee base and to have Regular flow of Tax revenue. (S.S Murugan, S Sekar, 2019) Shome et.al (1996) find that Tax deduction at source (TDS) is an instrument designed for quick and smooth collection of tax due to the authorities from the taxpayer. The objective of TDS could be said, in general, to be maximisation of revenue collection while minimising the cost of collection.

S.S Murugan, S Sekar(2017) in their study find that nearly 41% of the direct taxes in India are collected through TDS and the cost of collection through TDS is just 10% of total cost of collection.

Bharathi, M. T., & Mathiraj, S. P.(2020) in their study find that E-filing has a positive and transformative impact, making tax filing easier, quicker, and more efficient for both taxpayers and the government.

Erkeno, A., Nihar, K. L.et.al (2024) in their study find that simplifying tax rules, using data analytics, and improving citizen support services enhance compliance and taxpayer engagement. By encouraging cooperation between tax officials and taxpayers, these initiatives hope to support sustainable development by ensuring that sufficient funds are collected. (Tantriangela, J & Setyowati, M. S,2023)

Objectives

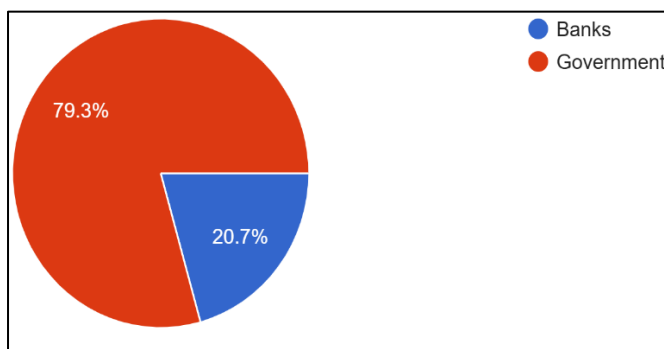
The study aims to address the gaps in awareness regarding critical TDS processes, including the significance of TDS certificates like Form 16 and Form 16A and other pertinent aspects. By elucidating the exemptions, deadlines for filing returns, and the broader implications of TDS on individual financial planning and national economic development, the study aims to promote tax literacy, encourage compliance, and highlight the potential of TDS as a tool for fostering economic growth.

Research Methodology

For conducting the study, primary data was collected from 200 individual respondents from the state of Gujarat using the structured questionnaire. The data collected was analysed and relevant hypothesis were tested.

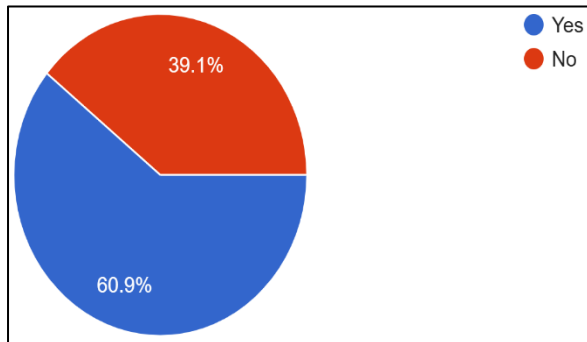
Findings

Chart 1: TDS: Does It Go to Banks or the Government?

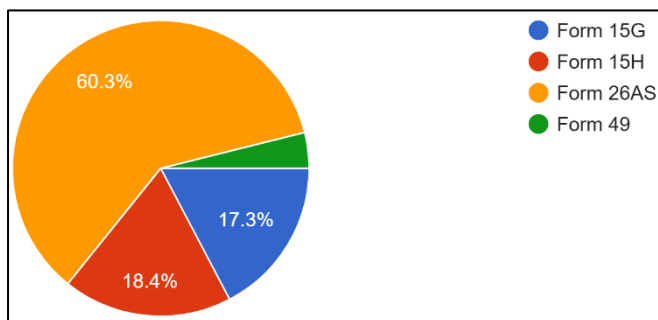


Interpretation:

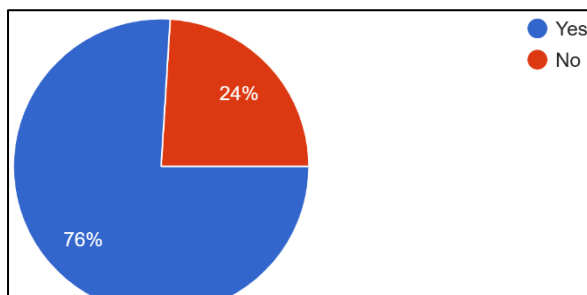
It can be seen that 79.3% respondents are aware that TDS actually goes to the Government and Banks are just collecting entity.

Chart 2: TDS Certificates: Form 16 and Form 16A.**Interpretation:**

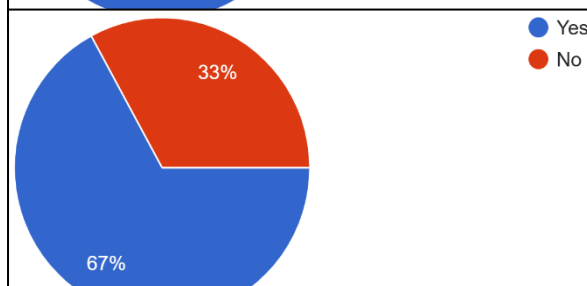
It can be seen that 60.9% of respondents are aware of TDS certificates, such as Form 16 and Form 16A, while 39.1% do not have awareness of the same.

**Chart 3 :** Awareness about the Form displaying details of an assessee**Interpretation:**

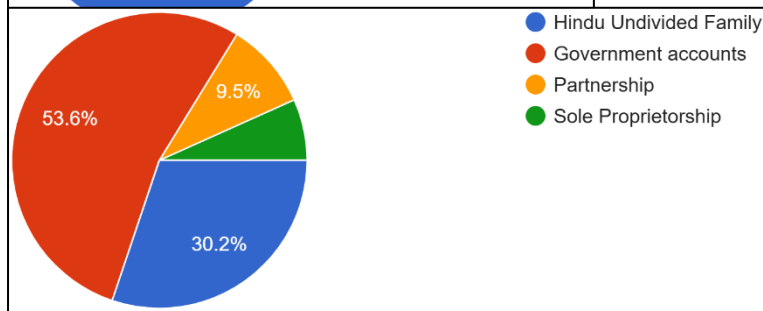
The graph shows that 60.3% of respondents are aware that Form 26AS displays the details of an assessee.

Chart 4 : Awareness About Penalty for Late Filing or Non-Payment of TDS**Interpretation:**

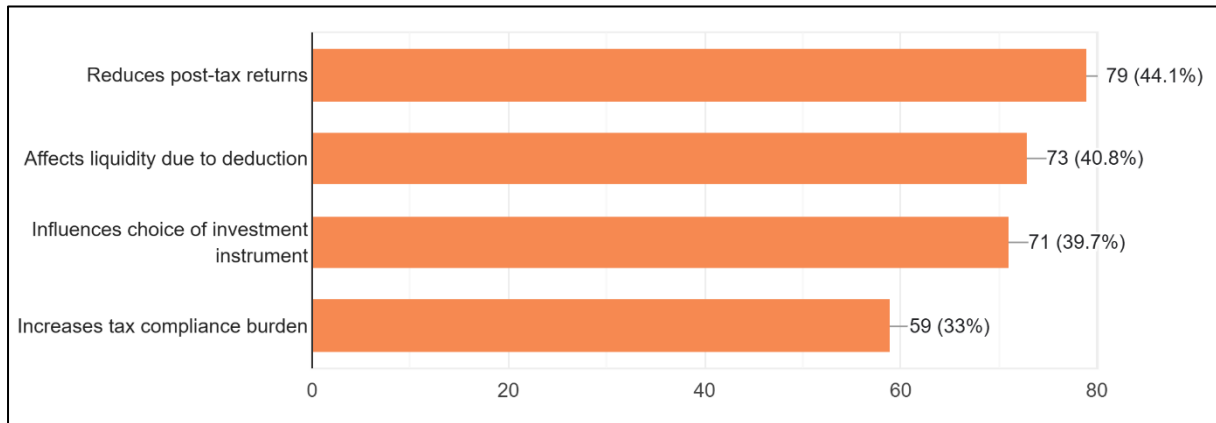
The graph shows that 76% of respondents know that there is a penalty for late filing or non-payment of TDS, while 24% think there is no penalty for such actions.

Chart 5: Awareness about TDS on Interest on Bonds**Interpretation:**

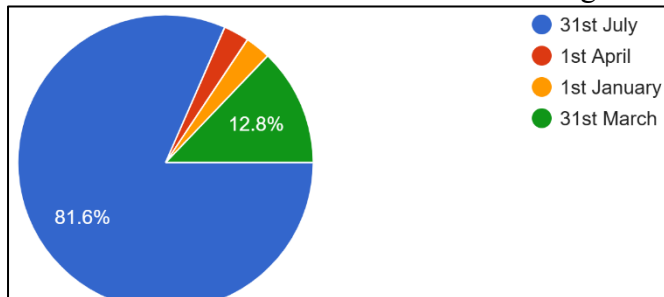
The graph shows that 67% of respondents are aware of TDS on interest on bonds, while 33% of respondents are unaware of the same.

Chart 6 : Awareness About Entities Exempted From TDS Deduction**Interpretation:**

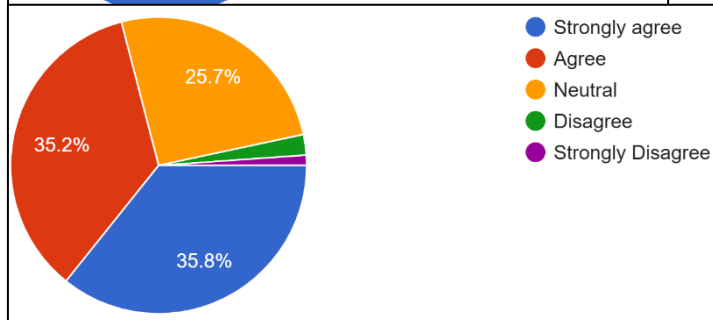
The graph shows that only 53.6% of respondents are aware that only Government accounts are exempt from TDS and the others: Hindu Undivided Family, Partnership Firms and Sole proprietorship accounts are not exempted from TDS.

Chart 7 : Impact of TDS on Individual Investment Decisions**Interpretation:**

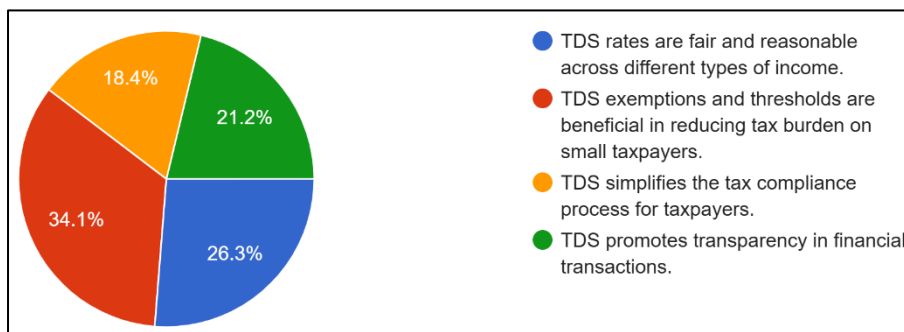
The graph shows that 44.1% of respondents perceive that TDS reduces post-tax returns, 40.8% perceive that it affects liquidity, 39.7% perceive that it influences investment choices, and 33% perceive that it increases the tax compliance burden.

Chart 8 Awareness about Last Date for Filing Income Tax Return for individual assessee**Interpretation:**

It can be seen that 81.6% of respondents are aware that 31st July is the last date for filling income tax return for individual assessee.

Chart 9 : Perception of Taxation Supporting Economic Development**Interpretation:**

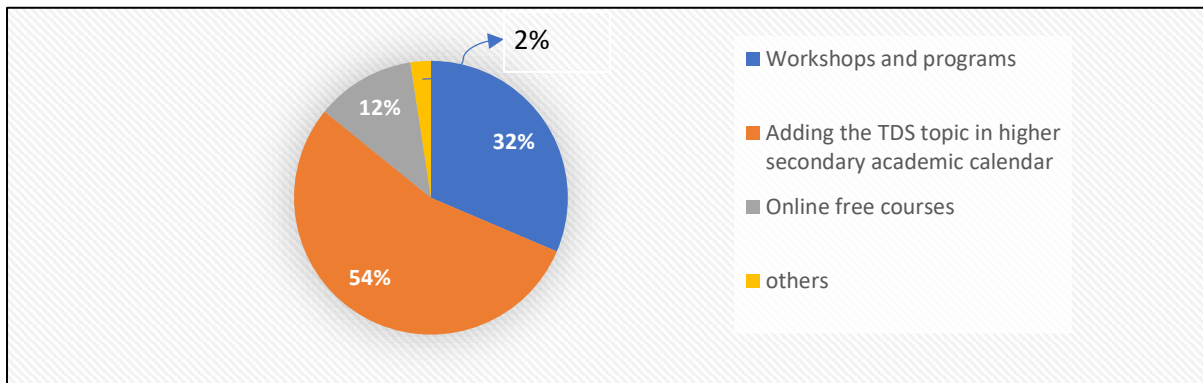
It can be seen that 35.8% of respondents strongly agree and 35.2% agree that taxation helps the government generate income for economic development in India, while 25.7% are neutral, 2.2% disagree, and 1.1% strongly disagree.

**Chart 10: Transparency and Simplification Through TDS**

Interpretation: It can be seen that 34.1% of respondents believe that TDS exemptions and thresholds reduce the tax burden on small taxpayers, 26.3% find TDS rates fair, 21.2% think TDS promotes transparency, and 18.4% feel TDS simplifies tax compliance and aids in revenue collection.

Chart 11: Strategies to Increase TDS Awareness

Interpretation:



It was found that 54% of respondents suggest adding TDS topics in higher secondary education, 32% recommend workshops, 12% prefer online courses, and 2% propose other methods like simplifying tax rules, media campaigns, and helpline services to increase TDS awareness.

Hypothesis Testing:

The following hypothesis were framed for the further research.

Null Hypothesis (H₀): There is no significant difference in the awareness of TDS Certificates (like Form 16, Form 16A) and the gender of respondents.

Alternative Hypothesis (H₁): There is significant difference in the awareness of TDS Certificates (like Form 16, Form 16A) and the gender of respondents.

Table 1: Chi-square Test

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	1.500 ^a	1	.221		
Continuity Correction ^b	1.121	1	.290		
Likelihood Ratio	1.498	1	.221		
Fisher's Exact Test				.248	.145
Linear-by-Linear Association	1.490	1	.222		
N of Valid Cases	157				

As the p value is less than 0.05, we fail to reject null hypothesis which suggests that gender does not significantly influence the awareness about TDS Certificates.

Null Hypothesis (H₀): There is no significant difference in the Understanding of TDS and the Annual income of respondents.

Alternative Hypothesis (H₁): There is significant difference in the Understanding of TDS and the Annual income of respondents.

Table 2: ANOVA Test

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	15.442	3	5.147	5.606	.001
Within Groups	139.552	152	.918		
Total	154.994	155			

As, the p value is less than 0.05 , we reject null hypotheis and can conclude that annual income of the respondent affects the understatnding of various nuances of TDS.

Conclusion

It Can be concluded that as TDS plays a vital role in ensuring efficient tax collection, reducing tax evasion, and contributing to economic stability, it is important to study the relationship between TDS awareness and demographic characteristics, such as income, education, and career, highlights the importance of targeted educational programs to improve understanding and compliance. As,can be seen in the findinings of the study discussed above, the awareness about various nuances of TDS is not very high so the gap needs to be bridged.

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