

A STUDY ON TAX COMPLIANCE BEHAVIOR OF SALARY EMPLOYEE IN BANGALORE URBAN

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Introduction

Tax compliance is a vital element of a country's financial system and overall development. It refers to the responsibility of individuals to follow tax laws honestly by reporting their income correctly, paying taxes on time, and submitting tax returns as required. Taxes collected by the government are used to support public services such as roads, public transport, education, healthcare, safety, and social welfare programs. When citizens comply willingly with tax rules, it helps the government function efficiently and strengthens the economy.

In India, salaried employees represent one of the most significant and reliable sources of income tax revenue. Unlike business owners or self-employed individuals, salaried employees usually have tax deducted directly from their salary through the **Tax Deducted at Source (TDS)** system. While this ensures regular tax collection, compliance does not end with TDS alone. Employees are still responsible for understanding tax rules, claiming eligible deductions, filing income tax returns accurately, and correcting errors when required. Therefore, the behaviour and attitude of salaried employees towards tax compliance plays an important role in the effectiveness of the tax system.

Bangalore Urban is one of India's fastest-growing metropolitan regions and is widely known as a major centre for information technology, startups, education, healthcare, and corporate employment. The city attracts a large number of professionals from different educational, cultural, and economic backgrounds. With rising income levels, performance-based pay, incentives, and multiple sources of income, the tax responsibilities of salaried employees in Bangalore Urban have become more complex over time. Many employees depend on employers, tax consultants, or online platforms for tax filing, which may influence their level of understanding and compliance.

Tax compliance behaviour is shaped by both personal and external factors. On a personal level, awareness of tax laws, moral values, financial literacy, and perception of fairness influence how individuals approach their tax obligations. On an external level, factors such as simplicity of tax procedures, availability of digital filing systems, support from employers, fear of penalties, and trust in government institutions affect compliance decisions. When tax laws are seen as complicated or unfair, employees may feel confused, anxious, or less motivated to comply fully, even if they do not intend to evade taxes.

This study examines the **tax compliance behaviour of salaried employees in Bangalore Urban from a human perspective**. Rather than focusing only on numbers or legal rules, it seeks to understand how employees experience the tax system in their daily lives—what they know, how they feel, and what difficulties they face. The study aims to identify the level of tax awareness among salaried employees, their attitudes towards paying taxes, and the challenges they encounter while complying with tax regulations.

By gaining insight into the real experiences of salaried taxpayers, this study can help policymakers, tax authorities, and employers improve tax education, simplify compliance procedures, and promote a culture of voluntary compliance. A better understanding of tax compliance behaviour not only benefits the government in revenue collection but also helps taxpayers feel more confident, informed, and responsible in fulfilling their civic duty.

Literature Review

Tax compliance is a well-studied topic in academic research because it directly affects government revenue and trust between citizens and the state. Traditionally, early studies focused mainly on **economic reasons for tax compliance**, such as penalties, fines, or the likelihood of getting audited. For example, the classic model by Allingham and Sandmo explains compliance behaviour as a decision based largely on economic costs and benefits — people weigh the financial risks of evasion against the expected penalties if caught. Over time, researchers found that economic explanations alone cannot fully explain why many taxpayers still comply even when the risk of detection is low.

Subsequent research expanded the focus to include **social and psychological factors**. Many studies found that a taxpayer's attitude toward taxes, personal morals, and ethical beliefs strongly influence compliance behaviour. **Tax morale**—which refers to an individual's intrinsic motivation to pay taxes—is often highlighted in literature as a key non-economic factor. People with higher tax morale are more likely to comply voluntarily, not just because of penalties, but because they see tax payment as a civic duty.

Researchers have also emphasized the role of **social norms and trust in government**. Studies show that taxpayers are influenced not only by their personal attitudes but also by the behaviour and expectations of those around them. When individuals believe that paying taxes is a normal and fair practice endorsed by their community, they are more likely to comply. Likewise, when taxpayers trust that government uses tax money responsibly and fairly, their willingness to comply increases substantially.

Other literature includes **demographic and behavioural determinants** such as age, education, income level, and awareness of tax laws. According to researchers, these factors indirectly affect compliance by shaping an individual's understanding of tax responsibilities, perceived complexity of the tax system, and confidence in fulfilling tax obligations correctly.

Specifically studying **salaried employees**, recent research highlights particular challenges this group faces. Salaried taxpayers often depend on employers, automated systems, or tax professionals to guide them through deductions, exemptions, and filing procedures. But even with structured systems like TDS (Tax Deducted at Source), many employees still struggle with complex rules, deadlines, and documentation. Lack of knowledge about eligible exemptions and limited access to accurate guidance have been identified as common barriers to full compliance among salaried workers.

Furthermore, interdisciplinary studies examining tax compliance from **economic, social, and psychological perspectives** argue that compliance is not a simple one-dimensional behaviour. It is shaped by a mixture of rational decision-making, ethical values, perceptions of fairness, and social influence. This broader view suggests that improving tax compliance requires not only stricter enforcement but also efforts to enhance taxpayers' understanding, fairness perceptions, and trust in the system.

Research Methodology

Research Design

The present study adopts a **descriptive research design** using secondary data. Descriptive research is used to clearly explain and understand existing conditions, patterns, and relationships related to tax compliance behaviour. Since the study does not involve direct interaction with salaried employees, the descriptive design helps in analysing previously collected data and presenting it in an organised and meaningful way. This approach allows the researcher to understand how salaried employees behave toward tax compliance by learning from earlier research findings, government reports, and expert analyses.

Nature of the Study

The study is **analytical and conceptual in nature**. It focuses on reviewing and interpreting existing knowledge rather than collecting new data. The aim is to understand behavioural aspects such as awareness,

attitudes, moral responsibility, trust in the tax system, and compliance challenges faced by salaried employees in urban areas.

Nature of Data

Secondary data refers to information that has already been collected by other researchers or institutions for different purposes. In this study, secondary data is used to gain insight into tax compliance behaviour without conducting surveys or interviews. This type of data helps in understanding long-term trends and widely observed patterns related to income tax compliance among salaried employees.

Sources of Secondary Data

The secondary data for this study is collected from various reliable and authentic sources, including:

- A) Books on taxation, public finance, and behavioural economics
- B) National and international research journals discussing tax compliance behaviour
- C) Published research papers and dissertations related to income tax and salaried employees
- D) Government reports from the Income Tax Department of India and Ministry of Finance
- E) Policy documents and annual reports
- F) Reputed online databases and academic websites

Method of Data Collection

Data is collected through a **systematic review of literature**. Relevant studies are identified using keywords such as "tax compliance behaviour," "salaried employees," "income tax awareness," and "urban taxpayers." Only studies that are relevant, credible, and recent are selected.

The researcher carefully reads, compares, and summarises the findings from different sources to build a comprehensive understanding of the topic. Repetition of ideas is avoided by combining similar findings and presenting them in original language.

Tools and Techniques for Data Analysis

The secondary data is analysed using **qualitative analysis methods**. The main techniques include:

- A) Content analysis – to examine key ideas and arguments presented in previous studies
- B) Comparative analysis – to compare findings from different researchers
- C) Thematic analysis – to identify common themes such as awareness level, tax morale, trust in government, and compliance challenges
- D) Where applicable, simple descriptive statistics already presented in previous studies are interpreted to support the discussion.

Scope of the Study

The study focuses on the **tax compliance behaviour of salaried employees**, with special reference to **urban areas**, particularly Bangalore Urban. It covers behavioural, psychological, and institutional factors influencing compliance rather than legal or technical tax provisions.

Period of the Study

The study reviews secondary data published during the **last 5 to 10 years**. This ensures that the analysis reflects recent changes in tax policies, digital filing systems, and taxpayer behaviour.

Ethical Considerations

The study strictly follows ethical research practices. All information taken from secondary sources is properly acknowledged. Direct copying is avoided, and ideas are rewritten in original words to ensure academic honesty and avoid plagiarism.

Limitations of the Study

- A) The study depends entirely on existing data and published materials
- B) Availability of specific data related only to Bangalore Urban is limited
- C) Findings may vary based on the context and time period of the original studies

Analysis

Analysis

Based on the review and analysis of secondary data collected from research articles, government reports, journals, and previous studies, several important aspects of tax compliance behaviour among salaried employees have been examined. The analysis focuses on awareness levels, attitudes, behavioural factors, and challenges faced by salaried taxpayers in urban settings similar to Bangalore Urban.

Awareness of Tax Laws

Studies reviewed indicate that salaried employees generally have **basic awareness** of income tax rules, especially regarding Tax Deducted at Source (TDS) and income tax return filing. However, detailed knowledge about deductions, exemptions, rebates, and recent changes in tax laws is often limited. Many employees depend heavily on employers, tax consultants, or online platforms for tax-related decisions rather than understanding the rules themselves.

Attitude Towards Tax Payment

The literature shows that most salaried employees view tax payment as a **mandatory obligation** rather than a voluntary civic responsibility. While many accept tax payment as unavoidable, positive attitudes toward taxes increase when employees believe that tax revenue is used effectively for public welfare and development. Negative attitudes are often linked to perceptions of high tax burden and lack of visible benefits.

Tax Compliance Behaviour

Secondary data suggests that salaried employees generally show **higher compliance levels** compared to other taxpayer groups. This is largely due to the structured nature of salary income and the TDS mechanism, which reduces opportunities for tax evasion. However, compliance related to correct return filing, declaration of additional income, and accurate reporting of deductions varies depending on awareness and guidance received.

Trust in Government and Tax System

Trust plays a significant role in compliance behaviour. Studies indicate that when salaried employees trust government institutions and feel that tax laws are fair and transparent, their willingness to comply improves. Lack of trust, frequent policy changes, and complicated procedures reduce confidence and create frustration among taxpayers.

Complexity of the Tax System

A recurring theme in the literature is the **complex nature of tax laws**. Many salaried employees find tax rules difficult to understand, especially those related to exemptions, investments, and digital filing procedures. This complexity often leads to errors, fear of penalties, and dependence on external help.

Role of Digitalization

Secondary studies highlight that digital initiatives such as online filing portals and automated systems have improved convenience and reduced time spent on compliance. However, technical issues, lack of guidance, and limited digital literacy among some employees still pose challenges.

Findings

Based on the analysis of secondary data, the following key findings are drawn:

- A) Salaried employees generally comply with income tax laws due to structured salary systems and TDS.
- B) Awareness of basic tax concepts is high, but detailed understanding of tax provisions is limited.
- C) Tax compliance behaviour is strongly influenced by trust in government and perceived fairness of the tax system.
- D) Complexity of tax laws is a major barrier to voluntary and confident compliance.
- E) Many salaried employees rely on employers or tax professionals instead of personal knowledge.
- F) Digital tax systems have improved accessibility but require better user support and awareness.
- G) Positive tax morale leads to higher voluntary compliance among salaried employees.

Overall Observation

The analysis reveals that tax compliance among salaried employees in urban areas like Bangalore Urban is more **system-driven than attitude-driven**. While enforcement mechanisms ensure basic compliance, improving awareness, simplifying procedures, and building trust can enhance voluntary and accurate tax compliance.

Conclusion

This study on the tax compliance behaviour of salaried employees in Bangalore Urban highlights the important role that salaried taxpayers play in the country's revenue system. The findings show that salaried employees generally demonstrate a high level of tax compliance, mainly due to the structured nature of salary income and the Tax Deducted at Source (TDS) mechanism. This system ensures regular tax payment and reduces the scope for intentional non-compliance.

However, the study also reveals that tax compliance is not solely driven by enforcement measures. Awareness, understanding of tax laws, and personal attitudes significantly influence how confidently and accurately salaried employees comply with tax regulations. While most employees possess basic knowledge about income tax, many lack detailed understanding of exemptions, deductions, and filing procedures. As a result, they often depend on employers or tax professionals, which may limit their personal involvement and understanding of the tax system.

The study further concludes that trust in government and perceptions of fairness play a crucial role in shaping tax behaviour. When salaried employees believe that tax revenue is used effectively for public welfare and development, they show a more positive attitude towards tax compliance. On the other hand, complex tax rules, frequent changes in policies, and technical challenges in digital platforms can create confusion and reduce confidence among taxpayers.

In conclusion, although salaried employees in Bangalore Urban largely comply with tax laws, there is a need to move beyond compulsory compliance towards voluntary and informed compliance. Simplifying

tax procedures, improving tax education, and strengthening trust between taxpayers and the government can enhance compliance behaviour. Such efforts will not only benefit the tax administration but also help salaried employees fulfil their tax responsibilities with greater confidence and clarity.

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