

CRITICAL ANALYSIS OF PERCEPTION OF GOVERNMENT OFFICIALS IN VIDARBHA REGION TOWARDS TAX EVASION IN THE CONTEXT OF RECENT DIRECT TAX CODE

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ABSTRACT

Tax evasion has become a critical issue in the area of taxation these days. This accounts not only for the loss of revenue but also for the increasing number of evaders day by day. The new Direct tax code has certain provision that may curb the tax evasion tendency of the tax payers. As the government hasn't implemented the code yet researcher in this paper has tried to study the impact of the provisions of the new tax code in curbing the tax evasion tendency of the tax payers along with providing the factors which are responsible for inciting such tax evasion tendency in them.

KEYWORDS: Tax Evasion, Direct Tax Code JEL Classification- H26

INTRODUCTION

“In this world, nothing can be said to be certain, except death and taxes.”¹

–Benjamin Franklin

Tax is an involuntary fee levied on corporations or individuals that is enforced by a level of government in order to finance government activities². Taxation has developed into an instrument that promotes economic growth, stability and efficiency and has become a major device through which governments implement their political thinking and secure the participation of the masses in its policies and progress. A well-administered tax system is a good weapon against many odds. Hence the proper implementation of such system is mandatory to run the administration smoothly. But it can be observed these days that, the number of people evading taxes is increasing in significant numbers and that is major concern for the government as it amounts for loss of revenue and deterioration of law and order.

This study is an attempt to find out the reason behind the tendency to evade the taxes and analyze the perception of Government Officials on issue of tax evasion. The study is significant due to its validity in the current scenario, where the researcher has tried to give the model of various parameters based on it the nature of tax evaders can be studied.

¹ <http://www.forbes.com/2010/04/14/tax-history-law-personal-finance-tax-law-changes.html>

² <http://www.investopedia.com/terms/t/taxes.asp>

2. REVIEW OF EXISTING LITERATURE

Table 1

Sr. No.	Year of the Study	Author	Crux of the Study
1	1944	Crowe	The study stated that the tendency to evade tax develop from several personal reasons.
2	1958	Groves	Researcher estimated that only 51% of net rent, 82% of farm income, and 96% of dividends were reported on tax returns in Wisconsin.
3	1958	Groves	Researcher estimated that only 51% of net rent, 82% of farm income, and 96% of dividends were reported on tax returns in Wisconsin.
4	1964	Hinrich	Researcher estimated that no more than 37% of capital gains income was reported on federal returns. In the IRS report on tax evasion noted above, reporting- was found to be least complete for rent and royalty income and self-employment income. As expected, reporting rates were highest for wages and salaries, which are covered by the holding.
5	1972	Allingham and Sandmo	The researchers in this paper show that, for a risk-neutral individual, maximization of expected utility implies that evasion will tend to increase with marginal tax rates
6	1974	Yitzhaki	Researcher summarizes this analysis by showing that the tax rate in the Allingham- Sandmo model has a substitution effect favouring evasion and an income effect discouraging it and that the net effect is uncertain. Since most of the present concern is focused on marginal tax rates, holding constant total tax revenues, the relevant theoretical question applies to the substitution effect of taxation, which is to encourage tax evasion.
7	1980	Tanzi	The study of the underground economy in the United States. He specified an econometric model that explains the ratio of currency holdings to money supply taken as an indicator of unreported transactions-as a function of interest rates, the share of wages and salaries in personal income, per capita income, and average tax rates.

3. RESEARCH DESIGN

This research paper follows 'Experimental Research Design' The basic objective of the research is to find that whether the respondents find this tax code effective on the backdrop of tax evasion tendency of tax payers in India.. Researcher has tried to compartmentalize the parameters which causes the tax avoidance by using 'Factor Analysis'. The nature of factor analysis is exploratory as the researcher has tried to find out the factors from the available parameters.

3.1 Problem Statement

With the growing population and handful of resources it becomes very difficult for the government to check the system of taxation and collection of revenue after a regular interval. One can also not forget the human element involved in this complete process. Behavioural aspect also plays a very important role in development of such phenomenon. This research is an attempt to study the tax evasion tendency of taxpayers and its reasons or factors responsible for the same in context of the provisions of Direct Tax Code. Further researcher has made an attempt to study the perceptions of respondents on the new tax code which may be implemented in the near future. The respondent includes Government Officials. The study is conducted in Vidarbha region.

3.2 Objectives

- To study the perceptions' of respondent over the change in structure of tax slabs in the new code.
- To study the role of provisions of the new code in curbing the tendency of tax evasion by tax payers.
- To study the perceptions of Tax payers regarding the impact of Direct tax code on the tendency of tax evasion.
- To study the perceptions of the tax payers towards the increase in number of authorities, power of authorities and power of jurisdiction through new tax code.
- To find out the factors responsible for influencing the taxpayers to deviate from tax compliance.

3.3 Hypothesis

- H_0 1- Direct tax code is complex version of tax code.
- H_0 2- The new tax code will be neutral in enhancing collection of tax revenue.
- H_0 3- Direct tax code will be ineffective in curbing tax evasion tendency.
- H_0 4 - The new code will be neutral in improving efficiency and equity of tax system.
- H_0 5- The tax base and taxation slabs in the new code will be similar to the earlier tax code.
- H_0 6- Motivation level of tax payers to pay taxes will be unaffected in context of the new tax code (DTC).
- H_0 7- The changes in structure of tax code will be neutral in facilitating the collection of tax revenue.
- H_0 8 - The provisions of new tax code will remain neutral in curbing the tax evasion tendency of the tax payers.

3.4 Data Collection

The study is related to the Government Officials in Vidarbha region, hence the population is considered as the

total number of Government Officials in Vidarbha. The sample is considered from all the 11 districts of Vidarbha. While collecting the sample the methodology adopted is **convenient sampling**. 10 officials are selected from each district, which amounts total as 110 government officials from Vidarbha region. The sampling is two stage sampling, first stage sampling includes 'Pilot testing Sample' and second stage includes, 'Convenient Sampling'.

3.5 Data Consideration

The data considered in the research is considered to be the representative of the total population. As the population is very diverse and the places are remotely located it was difficult for the researcher to increase the sample size. However the condition of data sufficiency was taken into consideration while deciding the sample size.

3.6 Sources of Data

The data collected in this research is primary in nature. As the research design is exploratory in nature, the data collected in these cases mostly is primary in nature. The data is collected by administering the questionnaire to the respondents'.

3.7 Questionnaire Design

The questionnaire used in this research is a formalized and unconcealed type of questionnaire. It consists of three sections, the first one is 'Demographics', second section is 'Inferential Question' and third section is used for 'Factor Analysis'.

3.8 Tools Used

Tools used in this research are- 1) Ms- Office package- 2007) Ms-Excel- Data Analysis tool pack (VBA tool pack) 3) IBM SPSS-20

3.9 Statistical test used

The test used in this paper are T-test and Factor analysis, the other methodologies used are interpretation of graphs and root cause analysis.

3.10 Conceptual Framework Used in this Study

- **Level of Income** – Self employed has more opportunities of evading the taxes than the employed taxpayers. The possibilities of getting more income increases with the increase in possibility of evading taxes. Hence in tax compliance the level of income might interact with the sources of income
- **Fair Tax Rate**- The structure of tax rate is very important to the tax payers. If the taxpayer thinks that the tax structure or tax slabs are unfair on him then he tends to avoid taxes in the form of non-compliance.
- **Easy understanding of tax laws**- The understanding of tax laws is also important in case of compliance of taxation formalities. If the tax laws are simple and easily understandable in such case the filling the returns or compliances of other processes becomes very easy for the tax payers. And if the laws are difficult to understand to the tax payers and are full of complex formalities it becomes very difficult for the taxpayers to do a simple job like filling returns etc.

- **Tax benefits-** If the tax payer is getting any kind of exemption or benefit in paying the taxes, there are strong chances that he may pay rest of the taxes wilfully and regularly too. But in case if anyone is not getting any exemption in paying taxes on reasonable grounds too it becomes difficult for the taxpayer to remain loyal to the government in such situations.
- **Tax audit-** It is the most effective technique in ensuring the tax compliance behavior. If the taxpayer is an employee definitely he has to comply with the norms of the organisation and have to pay taxes but if he is self employed naturally there will not be any check of superior hence it becomes possibly difficult to observe the compliance and hence tax audit could be of great help
- **Tax fines and penalties-** Fines and penalties can act as check on the tax evasion process, but the effectivity of this method depends upon the possibility and effectivity of tax audit and audit probabilities. Others who tries to deviate from the tax compliance.
- **Attitude towards taxes-** The attitude of the taxpayers towards the taxes is also very important in observing the tax compliance process. If the taxpayer is loyal and honest to the system, he will never think of the taxes as a burden, and this feeling will compel him to comply with tax system
- **Personal Norms-** Besides attitudes, norms are important determinants of tax compliance. Behavioural intentions are determined also by subjective norms.
- **Government Image-** Government image plays a very important role in compelling the citizens to comply with the processes. The government if known for the strictness in compliance and if the government treats non compliance with coercive sanctions then the citizens will definitely try to comply with the processes.
- **Non-aggressive enforcement-** The non aggressive enforcement definitely has an impact on the compliance procedure. If the taxpayer feels that all the rules and regulations are enforced properly then in that case he knows that there are some checks on him if there is non-compliant behavior from his side, and the exactly opposite is the situation he will never fear in avoiding the taxes and hence non-aggressive enforcement becomes important parameter in avoiding taxes.
- **Wilful disregard-** Besides all the parameters if the taxpayer is not willing to pay taxes for the reasons which are justifiable according to him, then this tendency can not be curbed very easily. The wilful disregard comes under the behavioural aspect of the individual. Strong motivation, ethical background and values only can be considered as cure to such problem.
- **Inflation-** Inflation is one of the important factors which have a strong influence on tax payers mind. If the inflation increases, it increases the prices of goods which ultimately increase the financial burden on the tax payer.
- **Availability of tax savers-** One can consider that if the tax saver schemes are available in such situation why would taxpayer pay the tax? It is very natural phenomenon that everyone will try to save that amount of tax which he can save, and the one which he can't save, he either find some avenue or tries to avoid the paying.

4. DATA ANALYSIS

Data analysis is done on two levels- 1) Pilot testing of Questionnaire 2) Data analysis using T-test and Factor analysis along with root cause analysis.

4.1- Pilot testing

Table 2

Case Processing Summary			
		N	%
Cases	Valid	10	100.0
	Excluded ^a	0	.0
	Total	10	100.0

4.1.1 Reliability Testing of the Questionnaire

Table 3

Reliability Statistics	
Cronbach's Alpha	N of Items
.767	12

Interpretation- The Cronbach's alpha in this case comes out to be 0.767, the questions considered for testing reliability is 12 in number. The results comes out here are highly significant and confirms the reliability of the data.

4.1.2 Validity Testing of the Questionnaire

The validity of the instrument is checked on the basis of determinant correlation matrix. If the correlation matrix shows that if the determinant is near to 0.00 or is 0.00 then the instrument is considered to be valid. The matrix is to be checked for higher and lower correlation and then the questions with higher and lower correlations are dropped to check whether the determinant changes for better. If it changes for better then the questions with either higher or lower correlation are to be dropped to make the research instrument valid. In this research the research instrument (Questionnaire) is tested for validity for following parameters. Since the questionnaire is divided into 3 sections, 1st and 3rd sections are not tested accordingly since it consists of demographic and factor analysis respectively hence the content validity is tested for 2nd section that is for inferential questions. And this section is similar for the entire questionnaire, hence only once while doing the pilot testing.

Table 4

Correlation Matrix ^{a,b}													
		Par-1	Par-2	Par-3	Par-4	Par-5	Par-6	Par-7	Par-8	Par-9	Par10	Par-11	Par-12
Correlation	Par-1	1.000	.768	.725	.786	.784	.702	.752	.679	.645	.658	.602	.484
	Par-2	.768	1.000	.829	.839	.677	.601	.733	.631	.570	.607	.631	.441
	Par-3	.725	.829	1.000	.807	.607	.477	.622	.576	.479	.530	.486	.354
	Par-4	.786	.839	.807	1.000	.732	.644	.719	.681	.595	.649	.612	.413
	Par-5	.784	.677	.607	.732	1.000	.633	.628	.692	.603	.689	.626	.420
	Par-6	.702	.601	.477	.644	.633	1.000	.635	.627	.855	.632	.713	.533
	Par-7	.752	.733	.622	.719	.628	.635	1.000	.595	.528	.650	.603	.465
	Par-8	.679	.631	.576	.681	.692	.627	.595	1.000	.641	.754	.637	.460
	Par-9	.645	.570	.479	.595	.603	.855	.528	.641	1.000	.727	.788	.607
	Par-10	.658	.607	.530	.649	.689	.632	.650	.754	.727	1.000	.788	.531
	Par-11	.602	.631	.486	.612	.626	.713	.603	.637	.788	.788	1.000	.609
	Par-12	.484	.441	.354	.413	.420	.533	.465	.460	.607	.531	.609	1.000

a.Determinant-0.00

Interpretation- The above matrix shows that there are the cases of higher correlation, but there is hardly any case of lower correlation. The limit of higher correlation starts with 0.7 and above and lower correlation is considered as lower than 0.3. Since we can observe that the determinant is 0.00, so it means that the content validity is proved. Further the questions with higher and lower correlation can be dropped, but as the determinant is 0.00, hence there is no requirement of doing such tests in this context for proving validity of the questionnaire.

Hypothesis Testing

Hypothesis-I

- H₀- Direct tax code is complex version of tax code.
- H₁- Direct tax code is simple version of tax code

Response Statement

- I believe the DTC is a more simplified version for the tax

Table 5

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
Dtc is simplified	110	4.45	.552	.053

Table 6

One-Sample Test						
Test Value = 3						
	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Dtc is simplified	27.480	109	.000	1.445	1.34	1.55

Interpretation

The significance value in this hypothesis is 0.00 which is substantially less than 0.05, which implicates the rejection of null hypothesis. It rejects the complexity of the code and accepts the simplicity of the code. Hence government employees accept that the new code is simple in nature.

Hypothesis-II

- H_0 - The new tax code will be neutral in enhancing collection of tax revenue.
- H_1 - The new tax code will be effective in enhancing collection of tax revenue.

Response Statements

- A simplified DTC will help in increased tax filing and tax payments.
- I believe the implementation of the Direct Tax Code will help the Govt. to enhance its tax collections.

Table 7

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
dtcwillenhancereturnsfiling	110	4.03	.627	.060
dtcwillenhacetaxcollection	110	3.91	.785	.075

One-Sample Test

	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
dtcwillenhancereturnsfiling	17.170	109	.000	1.027	.91	1.15
dtcwillenhacetaxcollection	12.153	109	.000	.909	.76	1.06

Interpretation

The significance value in this hypothesis for both the statements is 0.00 which is substantially less than 0.05, which implicates the rejection of null hypothesis. Hence we accept that the new tax code will be effective in enhancing collection of tax revenue.

Hypothesis-III

- H_0 - Direct tax code will be ineffective in curbing tax evasion tendency

- H₁ -Direct tax code will be effective in curbing tax evasion tendency

Response Statement

- DTC 2010 would be effective in reducing tax evasion.

Table 8

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
Effective intaxevasion	110	4.00	.929	.089

Table 9

One-Sample Test						
Test Value = 3						
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Effective in tax evasion	11.294	109	.000	1.000	.82	1.18

Interpretation

After testing the hypothesis for mean value (Test value=3) the significance value falls under the rejection area which means that the null hypothesis stands rejected, and hence we accept that the direct tax code will be effective in curbing tax evasion tendency.

Hypothesis-IV

- H₀- The new code will be neutral in improving efficiency and equity of tax system.
- H₁ – The thrust of new code is to improve efficiency and equity of tax system.

Response Statement

- I believe the thrust of DTC is to improve the efficiency and equity of tax systems.
- I believe the efficiency and equity of tax system will effectively reduce tax evasion.

Table 10

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
To improve effectivity nefficiency	110	4.17	.689	.066
Efficient neffectivity to reduce tax evasion	110	4.00	.929	.089

Table 11

One-Sample Test

	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
To improve effectivity nefficiency	17.856	109	.000	1.173	1.04	1.30
Efficient neffectivity to reduce tax evasion	11.294	109	.000	1.000	.82	1.18

Interpretation

Herein the significance value falls under the rejection area for both the response statements which means that the null hypothesis stands rejected, and hence we accept that the thrust of new code is to improve efficiency and equity of tax system.

Hypothesis-V

- H_0 - The tax base and taxation slabs in the new code will be similar to the earlier tax code.
- H_1 – New tax code has included moderate tax slabs and broad tax base.

Response Statement

- I believe the rationale behind introducing DTC is to introduce moderate levels of taxation and expanding the tax base.

Table 12

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
Dtc to introduce moderate tax basen new taxes labs	110	4.39	.560	.053

Table 13

One-Sample Test						
	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Dtc to introduce moderate tax basen new taxes labs	26.047	109	.000	1.391	1.29	1.50

Interpretation

The significance value falls under the rejection area which means that the null hypothesis stands rejected, and hence we accept that new tax code has included moderate tax slabs and broad tax base.

Hypothesis-VI

- H_0 - Motivation level of tax payers to pay taxes will be unaffected in context of the new tax code (DTC)
- H_1 – DTC will motivate tax payers’ to pay their taxes regularly.

Response Statement

Table 14

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
Moderate taxation to motivate to pay taxes	110	3.94	.733	.070

- I believe moderate levels of taxation and expanded tax base due to DTC 2010 will motivate tax payers’ to pay their taxes regularly.

Table 15

	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Moderate taxation to motivate to pay taxes	13.399	109	.000	.936	.80	1.07

Interpretation

The significance value comes out to be 0.00 which is less than 0.05, which means that the significance value falls in the rejection area. Hence we accept that DTC will motivate tax payers’ to pay their taxes regularly.

Hypothesis-VII

- H_0 - The changes in structure of tax code will be neutral in facilitating the collection of tax revenue.
- H_1 – The structural changes in code will facilitate the collection of tax revenue.

Response Statement

- I believe that increased number tax collection authorities due to DTC 2010 will facilitate more tax inflow in the system.
- I believe that increases power of taxation board due to DTC 2010 will facilitate more collection of tax revenue.
- I believe the extended jurisdiction of tax authorities due to DTC 2010 will reduce the instances of tax evasion by

tax payers’.

Table 16

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
Increased tax collnautho to increase tax inflow	110	3.96	.789	.075
Extende djurisdiction to improve cash flow	110	4.13	.544	.052
Increased power so fauthorities to improve tax inflow	110	4.04	.676	.064

Table 17

One-Sample Test						
	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Increased tax collnautho to increase tax inflow	12.810	109	.000	.964	.81	1.11
Extended jurisdiction to improve cash flow	21.746	109	.000	1.127	1.02	1.23
Increased power so fauthorities to improve tax inflow	16.072	109	.000	1.036	.91	1.16

Interpretation

After testing the hypothesis for mean value (Test value=3) the significance value falls under the rejection area for all the response statements which means that the null hypothesis stands rejected, and hence we accept that structural changes in code will facilitate the collection of tax revenue.

Hypothesis-VIII

- H_0 - The provisions of new tax code will remain neutral in curbing the tax evasion tendency of the tax payers.
- H_1 – The provisions of new tax code will be significantly effective in curbing the tax evasion tendency of the tax payers.

Response Statement

- I believe for reduction of tax evasion tendency of tax payers sufficient remedies are provided in DTC.

Table 18

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
Enough provisions are present in dtc to curb tax evasion	110	3.92	.679	.065

Table 19

One-Sample Test						
	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Enough provisions are present in dtc to curb tax evasion	14.181	109	.000	.918	.79	1.05

Interpretation

The significance value comes out to be 0.00 which is less than 0.05, which means that the significance value falls in the rejection area. Hence we reject the provisions of new tax code will remain neutral in curbing the tax evasion tendency of the tax payers. And we accept provisions of new tax code will be significantly effective in curbing the tax evasion tendency of the tax payers. This finding is exactly opposite of what tax practitioners’ have said.

Factor Analysis- (Section-III)

Step- I- Sampling Adequacy

Table 20

Sampling Adequacy		
KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.839	
Bartlett's Test of Sphericity	Approx. Chi-Square	679.703
	df	78
	Sig.	.000

Interpretation

The sampling adequacy when tested with the Kaiser-Meyer-Olkin Measure of Sampling Adequacy measure; comes out to be 0.839 in this case hence we can undoubtedly interpret that this sample is adequate for factor analysis. Performing this test is very important so that the sampling adequacy can be tested with the statistical tools. In traditional methodology the sampling is tested on the basis of the number of cases, the number of parameters is multiplied by 5 if the sample size comes out to be the same number or more than that number, then the sample is adequate. Herein both the conditions can be seen to be satisfied.

Step-II- Total Variance Explained**Table 21**

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.664	43.570	43.570	5.664	43.570	43.570	3.457	26.589	26.589
2	1.503	11.558	55.129	1.503	11.558	55.129	3.306	25.434	52.024
3	1.170	8.997	64.125	1.170	8.997	64.125	1.573	12.102	64.125
4	.910	7.002	71.127						
5	.753	5.790	76.917						
6	.598	4.604	81.521						
7	.518	3.986	85.507						
8	.475	3.655	89.162						
9	.411	3.165	92.327						
10	.339	2.610	94.937						
11	.260	1.997	96.934						
12	.217	1.667	98.601						
13	.182	1.399	100.000						

Extraction Method: Principal Component Analysis.

Interpretation

The result chart shows that variance explained by the model is 64.125% which shows that the three factors defined by the Eigen values explain a substantial variation in the dataset. That means the three factors are concluded on the basis of Eigen values explains the 64.125% of the variation in the dataset. As per the principles of the research methodology any factor model which explains the variance from 60% to 70% from the dataset is the good model. Since this is the exploratory methodology it can not explain the complete variation in the dataset. Researcher has further performed confirmatory factor analysis to confirm the variation in the dataset.

Step- III- Identification of Factors**Table 22**

Rotated Component Matrix ^a			
	Component		
	1	2	3
Level of income	.651		
Fair tax rate	.554		
Easy understanding of tax laws		.817	
Tax benefit	.604		
Tax audit		.835	
Tax fine penalties		.723	
Attitude towards taxes	.618		

Table 22

Personal norms	.742		
Govt image		.735	
Non aggressive enforcement	.720		
Wilful disregard			.848
Inflation			.565
Availability of tax savers	.655		
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.			
a. Rotation converged in 4 iterations.			

Interpretation

The rotated component matrix shows that there are three distinct factors along with two individual parameters considered as factors which are extracted out of the parameters used for the analysis. The values used for clubbing the parameters into factors are generally taken from the range 0.4 till 0.8 but for the accuracy purpose the lower limit is extended to 0.6 from 0.4. This has helped in removing the conditions of clogging of parameters into more than one factor and multi colinearity too. The first factor is formed out of the six parameters like availability of tax savers, level of income, tax benefit, attitude towards taxes, personal norms, non-aggressive enforcement and can be named as ‘**Systematic Factor**’. The second factor is formed of the four parameters like easy understanding of laws, tax audit, tax penalties, government image and can be named as ‘**Perceptive factor**’. While the last two parameters wilful disregard and Inflation are considered as third factor since the Eigen value is more than One (1) hence these two parameter is also considered as the factor, the variance explained by this factor is substantially significant. The first factor is named as ‘**Systematic factor**’, while second factor is termed as, ‘**Perceptive factor**’ and third factor is termed as, ‘**Discretionary factor**’.

5. SUGGESTIONS ON THE BASIS OF HYPOTHESIS TESTING

The suggestions provided under this research study are completely based on the hypothesis testing procedure conducted on the inferential type of questions by the researcher. While second part of suggestions based on the exploratory factor analysis of the parameters which are responsible for tax evasion.

5.1 Suggestions Based on Hypothesis Testing

- As per the observation taken from government officials, DTC is a simplified version of code, so it should be implemented without any major correction.
- Respondents feel that the new code is going to improve tax return filling and in turn the return filling process would be improved and the revenue generation is facilitated, hence the code should be implemented.

- Respondents feel that DTC would be effective to curb tax evasion tendency of the tax payers due to the punitive framework provided in the code for evading taxes, but at the same time it can be observed that the punitive framework is not exhaustive and hence government should consider this as the area of improvement before they should go for implementation of the code.
- It is observed that all respondents agree that, the moderate tax slabs and new taxation base which would be introduced by the new tax code will increase the efficiency and effectivity of the tax system as well as it will motivate tax payers to pay their taxes regularly and hence this is considered to be an attempt to have social justice and equality in the system.
- All the respondents agree that the number of tax collection authorities has to increase along with the powers provided to them and even the power of the courts has to be increased under this code. This suggestion has a special significance since it is based on the findings derived from the data analysis of Government Officials.

5.2- Suggestion Based on Exploratory Factor Analysis

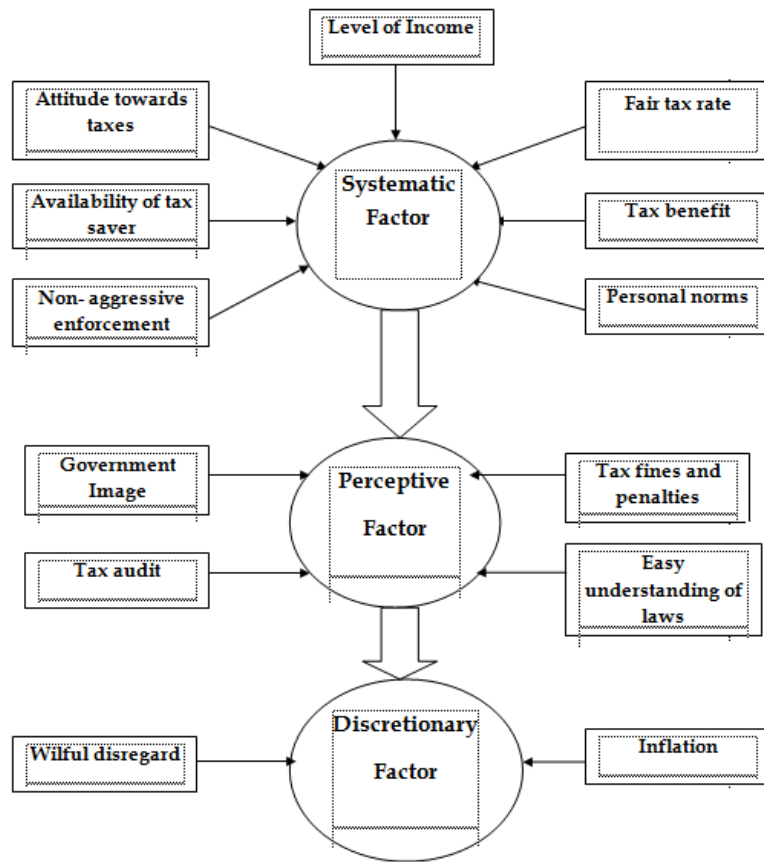
- The exploratory factor analysis was done to find out which are the factors are responsible for triggering the tax evasion amongst the tax payers. The result distinctly gave three gave three factors as-
- **Systematic Factor**- Factor related to taxation system
- **Perceptive Factor**- Factor based on the perception of tax payers
- **Discretionary Factor**- Factor based on the personal decision of the tax payer.
- Hence the suggestion which can be provided here is based on the above factor would be, if the government needs to curb the tax evasion tendency amongst the tax payer, it will initially have to start with improvement of tax system existing in the economy and then have to work on the improving perception and personal decision of the tax payers.
- Since improving tax system is based on the aspect of legality while improving other two factor are based on morality, government should in the initial starts to rebuild on system infrastructure of tax and hence they should see the implementation of this code as the first step towards it

6. MODEL BUILDING

Table 23

Category of Respondents	Factor-1	Factor-2	Factor-3
	Systematic	Perceptive	Discretionary
Government Officials	Attitude towards taxes, Level of Income, Fair tax rate, Tax benefits, Personal Norms, Non-aggressive Enforcement, Availability of tax savers	Tax penalties and fines, Tax audit, Easy Understanding of tax laws, Government Image	Wilful disregard, Inflation

Model Building



7. CONCLUSIONS

By studying the perception of government officials on tax evasion in the context DTC it can be concluded that if the government needs to curb the tax evasion tendency amongst the tax payer, it will initially have to start with improvement of tax system existing in the economy and then have to work on the improving perception and personal decision of the tax payers. The tax code which is to be implemented is simple and empowering in nature but its earliest execution is very important to serve the need of an hour.

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