

## TAX AWARENESS AND COMPLIANCE INTENTIONS AMONG INDIAN STUDENTS: A STUDY ON FUTURE TAXPAYERS

**Dr. Kiran Kumar M<sup>1</sup>, Duvvuru Priyanka<sup>2</sup>**

<sup>1</sup>Assistant Professor-Finance<sup>1</sup>, Faculty of Management Studies, CMS Business School JAIN (Deemed-To-Be-University), Bangalore, India.

<sup>2</sup>MBA Finance Student Faculty of Management Studies, CMS Business School JAIN (Deemed-To-Be-University), Bangalore, India.

Kiranm287@gmail.com, duvvuru\_priyanka24@cms.ac.in

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### ABSTRACT

The awareness of tax obligations and the intention to comply among young individuals are vital for the future tax landscape of a nation. This research investigates the level of tax literacy among students in India and assesses their intentions to comply as future taxpayers. By employing primary data gathered through structured questionnaires, the study examines significant factors such as financial education, peer influence, digital tax platforms, and social media in shaping tax awareness and attitudes. Results reveal that while students have a fundamental grasp of taxation, there are notable deficiencies in their understanding of direct tax laws and filing processes. Additionally, the research underscores the influence of tax education programs and streamlined tax procedures on enhancing compliance behavior. The findings offer important insights for policymakers, educators, and tax authorities in crafting effective tax literacy initiatives aimed at cultivating a more knowledgeable and compliant generation of taxpayers.

**Keywords:** Tax Awareness, Compliance Intentions, Direct Tax, Financial Literacy, Future Taxpayers, Tax Literacy.

### 1. INTRODUCTION

Taxation forms the foundation of every economy, and it is the source of funds for public infrastructure, social programs, and economic development. A working tax system guarantees fair distribution of wealth, minimizes economic inequalities, and fuels national growth. Effective collection of taxes, though, is highly reliant on voluntary compliance, awareness, and participation of taxpayers. In India, taxation has seen changes over the years, and one of the most important reforms was the launch of the Goods and Services Tax (GST) in 2017.

GST was launched to simplify the system of indirect taxation, eliminate the cascading effect of successive taxes, and achieve higher transparency and ease of compliance. Whereas its influence on corporations and business has been researched extensively, its influence on the individual, and especially the student, is fairly under researched.

Students are the future corporate workforce and taxpaying base of the nation. Their level of understanding about taxation policy, compliance requirements, and general impression of the taxation system has significant implications for inculcating the financial discipline of the forthcoming generation. Nonetheless, research shows that a significant percentage of students possess minimal knowledge of taxation, which could result in possible non-compliance or misguidance when they start earning and are expected to file taxes. Most students graduate with little experience of tax issues, and hence they are puzzled about tax filing processes, deductions, and exemptions, which can result in unintended mistakes or non-compliance.

Tax consciousness at an early age can have a substantial impact on a person's compliance and financial management attitude. It instils civic duty, better financial choices, and lessens the chances of tax evasion. The contribution of formal education in filling this knowledge gap is important. Integrating tax education into school curricula, coupled with government-sponsored awareness programs, can instil in young people a positive attitude toward taxation. Computer-based equipment and simulation-tax learning models are also capable of increasing students' knowledge and interaction with tax procedures.

The aim of this study is to examine the extent to which Indian students are tax-conscious and intend to comply with taxes. It strives to determine factors that affect their perception of the GST, the willingness to pay taxes, as well as obstacles in comprehending the taxation mechanism. With the use of primary survey data and scenario-based simulation, this study will yield relevant information on the financial literacy and compliance behaviour of students. Policy makers, teachers, and banks can be educated by the research findings regarding the necessity of structured tax education, making future tax payers fully aware, accountable, and compliant. Enhancing tax literacy among students will not only enhance voluntary compliance but also lead to a more effective and transparent taxation system in India.

## 2. LITERATURE REVIEW

The examination of tax awareness and compliance behaviour among young individuals is essential for informing future tax policy development. Numerous studies have investigated various dimensions of tax knowledge, perceptions, and compliance behaviours among students and young taxpayers.

**Patel and Verma (2022)** explored the psychological obstacles that influence students'

intentions to comply with tax regulations and evaluated the success of awareness initiatives in overcoming these challenges. Their findings revealed that factors such as fear of complexity, scepticism towards the tax system, and perceptions of unfairness significantly hinder compliance. They demonstrated that well-designed awareness campaigns, which included real-world examples and interactive learning techniques, notably enhanced students'

perceptions of taxation. The study concluded that effectively addressing these psychological barriers through focused communication strategies could result in higher compliance rates.

**Iyer and Nair (2022)** explored how mobile tax applications impact voluntary compliance among young taxpayers. Their findings indicated that applications featuring user-friendly interfaces, automated tax calculations, and educational resources significantly enhanced students' willingness to adhere to tax regulations. The researchers advocated for the incorporation of gamified elements within tax applications to boost engagement and improve tax literacy among students

**Mehta (2021)** highlighted the influence of taxation curricula in business schools on compliance perspectives. The study found that students who engaged with taxation-related coursework developed a heightened sense of fiscal responsibility and were more inclined to comply with tax regulations in the future. The author recommended enhancing the practical aspects of tax education, such as incorporating case studies and simulations, to provide students with experiential learning in tax compliance.

**Kovski et al. (2021)**, explore the relationships between the state-by-state Earned Income Tax Credits (EITC) and the child abuse and neglect rates reported in the U.S. between 2004-2017. The article finds that more generous EITC policies correlate with reduced rates of child abuse and neglect. Increased EITC financial assistance is believed to decrease stress in low-income households and, therefore, to allow for an environment more conducive to nurturing outcomes for children. The research supports the argument that tax policy can have social advantages outside of the scope of tax fairness and demonstrates the effectiveness of income support on family welfare and safety for children.

Whitmore, Schanzenbach, and Strain (2021), point out and analyze the long-term employment effects of the Earned Income Tax Credit (EITC). Their research indicates that the EITC has a strong positive impact on labor force participation, especially among single mothers. Then, the policy not only boosts work incentives over time but it also supports income growth and economic stability for low-income families. The study shows that the EITC is an effective tool for encouraging work while at the same time reducing poverty, thus enhancing its importance in the arsenal of U.S. tax and welfare policy.

**Lester and Olbert (2025)**, conduct an exhaustive review on responses by firms to taxes, whether in real terms-the very decisions they make on investments, hiring or in financial reporting. The authors note that it is not uncommon for firms to adjust their operations, as well as profit movements or accounting changes, to evade tax liabilities. This paper therefore emphasizes how complex tax behaviors are in the corporate world and poses challenges for the policymakers regarding the design of tax systems that will keep taxpayers from avoidance while still not discouraging productive business activity. The review adds valuable insight into achieving that balance between enforcing effective taxes and keeping an inviting environment for businesses.

**Alm, J., & Malézieux, A. (2020)**, Analyzed tax evasion experimentally over the last 40 years in a meta-analysis, reviewing a number of experiments on tax compliance to extract patterns of behavior displayed by taxpayers. Their main finding pointed towards audit probability, severity of penalties, and moral considerations as having a significant impact on the will to evade taxes. This paper therefore highlights that people act neither purely through economic incentives, since social norms and trust in government play a significant role. The research established a solid foundation for more effective tax policy designs by demonstrating that operational results are nuanced by enforcement and fairness.

**Kumar, R., & Das, S. (2022)** – "Behavioral Responses to Taxation: A Middle-Class Perspective "This paper focuses on the psychological and behavioural impact of taxation changes on middle-class taxpayers. The authors use survey data to analyze how taxpayers make decisions under the new regime and find that many individuals struggle to weigh short-term liquidity benefits against long-term financial security. They highlight that financially literate taxpayers tend to opt for the old regime due to the benefits of tax deductions, while younger, less financially aware individuals are more likely to adopt the new regime. The study also discusses how the removal of tax incentives can lead to reduced financial discipline in savings and investments.

**Mehta, P. (2023)** – "Investment Trends Post New Tax Regime" Mehta investigates how investment patterns have shifted after the introduction of the new tax regime. The study finds that traditional tax-saving investments, such as Public Provident Fund (PPF), National Pension Scheme (NPS), and life insurance policies, have seen a decline in participation. Conversely, taxpayers are increasingly investing in market-based instruments like mutual funds and equities, as they no longer receive tax benefits from traditional savings options. The research warns that this shift may expose middle-class taxpayers to higher financial risks without adequate long-term savings

**Deshmukh, V. (2022)** – "New Tax Regime and Its Implications on the Indian Workforce" Deshmukh analyses the effects of the new tax regime on salaried professionals and self-employed individuals. The study finds that salaried employees prefer the old regime due to tax-saving deductions, whereas freelancers and gig workers favour the new system because of its simplicity and lower tax burden. The research highlights that the new regime provides immediate tax relief but lacks long-term financial benefits

**Choudhury, A., & Banerjee, P. (2023)** – "A Critical Analysis of Tax Reforms and Economic Growth" This research examines the broader economic impact of tax reforms, linking them to consumption patterns and GDP growth. The authors find that increased disposable income under the new regime has led to a short-term boost in spending, particularly in urban middle-class households. However, they caution that reduced savings could lead to increased dependency on government welfare schemes in the long run.

This research paper adds to the expanding literature by evaluating tax awareness and compliance intentions among Indian students. It investigates the various factors that affect young taxpayers' compliance behaviour and emphasizes the influence of education, digital resources, social dynamics, psychological aspects, and policy initiatives in shaping tax attitudes. The findings of this study.

### 3. OBJECTIVE OF THE STUDY

- To evaluate the degree of tax awareness among Indian students and assess their comprehension of fundamental taxation concepts, particularly direct taxes.
- To investigate students' intentions regarding compliance by analyzing their readiness to adhere to tax regulations once they enter the taxpayer category.
- To identify significant factors that affect tax awareness and compliance behavior, including educational background, peer influence, the use of digital tools, and social media engagement.
- To examine the impact of tax education initiatives on shaping students' knowledge and perspectives regarding taxation.
- To offer recommendations for policymakers and educators aimed at enhancing tax literacy programs to foster improved compliance among future taxpayers.

### 4. METHODOLOGY

#### 4.1 Research Design

Type of Research: This study is both descriptive and analytical, aimed at assessing tax

awareness and compliance intentions among students in India. The focus is on understanding students' perceptions, attitudes, and behavioral intentions regarding taxation.

Research Approach: A methodology centered on primary data was utilized, supplemented by a review of existing literature related to tax compliance and awareness among young taxpayers.

#### 4.2 Data Collection

Primary Data: A structured questionnaire was created and disseminated via Google Forms to students from various educational institutions throughout India. The questionnaire included multiple-choice and Likert-scale questions designed to evaluate tax awareness, compliance intentions, and the factors influencing these areas. Secondary Data: Academic Journals and Research Papers: Studies examining tax literacy, compliance behaviors, and trends in youth taxation. Government Reports and Publications: Documents related to tax education initiatives, evaluations of GST impacts, and taxpayer statistics. Online Articles and Expert Opinions: Media reports and professional analyses concerning tax awareness among young individuals.

#### 4.3 Data Analysis

Qualitative Analysis: Thematic analysis was performed on open-ended responses to identify key trends and perspectives among students.

Quantitative Analysis: The gathered data was methodically arranged in tables and represented graphically in charts for analysis. The distribution of answers about students' knowledge of tax filing, their intention to comply, and the effects

of several outside factors like peer pressure, a lack of direction, and the accessibility of digital resources was made easier to grasp.

#### 4.4 Limitations

**Time Constraints:** The timeframe allocated for data collection was restricted, which limited both the sample size and the comprehensiveness of the insights gathered.

**Sample Representation:** The results are derived from voluntary responses, which may not fully represent the entire student population.

**Insufficient Prior Exposure to Taxation:** A considerable number of students have minimal real-world experience with tax filing, which could influence the reliability of their responses concerning compliance intentions.

## 5. DATA ANALYSIS AND INTERPRETATION

The research offers significant understanding of young people's awareness, knowledge, and behavioral intentions regarding tax compliance. 123 respondents make up the sample, which includes a range of factors such as academic status, knowledge of tax declarations,

comprehension of tax slabs, sources of tax information, and attitudes toward voluntary

compliance. To find patterns in tax awareness across various age and academic groups, the data analysis focuses on descriptive statistics. The study also examines the main

determinants of students' compliance with tax laws and determines whether extrinsic

incentives, such tax breaks, affect their propensity to file taxes. The results will be used to inform the creation of educational programs and policy suggestions aimed at improving young Indian taxpayers' tax literacy.

### 5.1 Demographic Profile and Income Source

**Table No. 5.1**

Age Group	Academic Background	Income Source	Frequency	Percentage
18–20	Commerce/Finance/Accounting	No	20	16%
18–20	Science/Engineering	Yes	17	14%
21–23	Commerce/Finance/Accounting	Yes	24	20%
21–23	Science/Engineering	No	25	20%
24 and above	Commerce/Finance/Accounting	Yes	25	20%
24 and above	Arts/Humanities	Yes	12	10%
Total	—	—	123	100%

#### a) Age and Income Correlation

The table reveals that the majority of earners (60%) belong to the 21–23 and 24+ age groups, indicating a natural shift towards income generation with age. Among 18–20-year-olds, only a limited percentage (14%) reported having a source of income, which could explain the relatively lower practical tax engagement among younger students.

#### b) Academic Background Influence on Income

Students from Commerce and Science backgrounds dominate the earning group, which may be due to increased internship and part-time job opportunities in these fields. On the contrary, most non-earning students are from Science or early-year Commerce streams, which aligns with academic focus over work at that stage. This insight suggests that income exposure and academic maturity are crucial for introducing practical tax knowledge.

### 5.2 Awareness of Tax Filing and Deductions by Academic Stream

**Table No. 5.2**

Academic Background	Heard of Tax Filing	Aware of Tax Slabs	Aware of Deductions (80C)
Commerce/Finance/Accounting	117 (95%)	98 (80%)	92 (75%)
Science/Engineering	104 (85%)	74 (60%)	62 (50%)
Arts/Humanities	92 (75%)	62 (50%)	49 (40%)

- Awareness Based on Field of Study Commerce/Finance students show the highest awareness levels, with 95% having heard of tax filing and 80% aware of the slab structure. This suggests that these subjects are better integrated into the curriculum or discussed frequently in their domain.
- Comparative Gaps in Understanding Deductions While Science and Arts students also show moderate awareness, only 50% and 40%, respectively, understand tax-saving sections like 80C. This indicates a significant knowledge gap in non-finance disciplines, pointing to the need for more inclusive tax education across all academic streams, especially in non-commerce courses.

### 5.3 Willingness to File, Civic Duty, and Barriers

Table No. 5.3

Filing Intention	Civic Duty/Belief	Top Barrier	Frequency	Percentage
Yes, will file if earning	Yes	Lack of financial literacy	50	41%
Maybe, if benefits	Maybe	Lack of proper guidance	40	33%
No / unsure	No	Complexity / Not earning yet	33	26%
Total	—	—	123	100%

- Filing Willingness and Perceived Responsibility-** Respondents who believe tax filing is a civic responsibility (41%) were also the most willing to file their taxes when earning. This highlights how moral perception positively affects compliance intentions, and these individuals are less dependent on external motivators.
- Common Barriers Faced by Students-** For the remaining 59%, the main hurdles were lack of financial literacy and poor guidance, even among those open to filing. This implies that despite positive attitudes, knowledge gaps and unclear procedures reduce actual compliance behavior. Those who outright reject or are unsure of tax filing find it irrelevant (26%), reinforcing the need to contextualize tax education early in student life.

### 5.4 Tax Education, Reporting Willingness, and Incentive Response

Table No. 5.4

Belief in Tax Education	Would Report Evasion	Motivated by Incentives	Frequency	Percentage
Yes, should be mandatory	Yes	Yes	60	49%
Maybe, as elective course	Maybe / Not sure	Maybe	40	33%
No, not necessary	No	No	23	18%
Total	—	—	123	100%

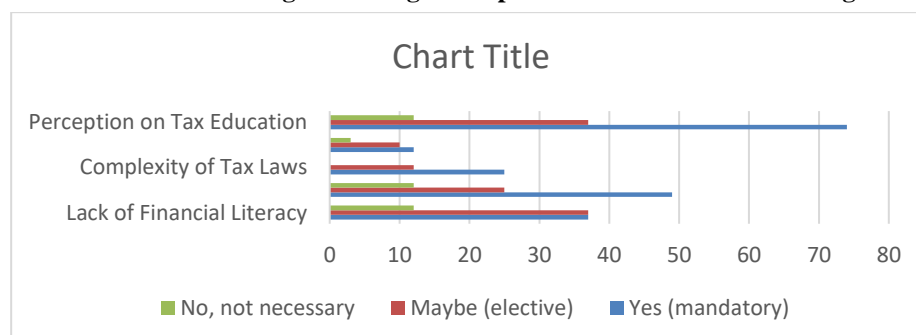
#### a) Link Between Tax Education and Ethical Behavior

Those who strongly support tax being part of the curriculum are also more likely to report tax evasion (49%) and are influenced by incentives. This reflects how education not only raises awareness but also fosters tax morale and ethical reporting behavior.

#### b) Motivation Through Incentives Alone Is Limited

Only 33% of the respondents who were unsure or indifferent toward curriculum inclusion expressed being encouraged by incentives. This suggests that while incentives may nudge some students, they are not a substitute for structured tax learning, which builds long-term compliance values.

### 5.5 Perceived Barriers to Understanding Tax Filing and Opinions on Tax Education Integration



Graph no. 5.1



a) **Lack of Financial Literacy:**

A significant number of respondents (37) who face a lack of financial literacy believe that tax education should be mandatory (represented in green in the chart). This indicates that a substantial portion of students recognizes the importance of learning about taxes and suggests that financial literacy plays a crucial role in how students view tax education. However, 37 respondents also prefer tax education to be elective (orange), which could mean that some students believe tax education should be available, but not mandatory.

b) **Lack of Guidance:**

For those who feel a lack of proper guidance (49), the majority think that tax education should be mandatory. This shows that students who feel they lack guidance are more likely to advocate for structured, mandatory tax education to fill the gap in understanding.

A smaller proportion (25) believes that tax education should be elective, and only a few (12) feel it's not necessary.

c) **Complexity of Tax Laws:**

Among students who find tax laws complex (25), the most common response is that tax education should be mandatory (green). This suggests that students who struggle with the complexity of tax laws may seek more formal education to navigate these complexities.

A few students (12) think that tax education should be elective, and only a small group (0) considers it unnecessary, which implies that even students who find tax laws complex still see value in understanding them, even if they don't necessarily want it to be compulsory.

d) **Not Earning Yet:**

For students who are not earning yet (12), a majority believe that tax education is mandatory. However, a portion (10) sees it as elective, indicating that although these students may not yet feel directly impacted by taxes, they still value some form of education on the topic.

A small group (3) believes tax education is not necessary, likely due to the fact that they are not earning and feel that taxes are irrelevant to their current situation.

## 6. FINDINGS

- **Tax Awareness:** 90% of respondents are aware of **income tax filing**, with only 10% unaware. This shows a high level of awareness about the tax filing process among students.
- **Knowledge of Tax Slabs:** 50% of students are **somewhat aware** of tax slabs, but only 30% are **well aware**, suggesting that while many students have some knowledge, detailed awareness remains limited.
- **Knowledge of 80C Deductions:** 50% of students have heard about **80C deductions**, but they do not fully understand them. Only 40% are familiar with these deductions, and 10% are completely unaware, indicating a need for clearer communication about tax benefits.
- **Willingness to File Taxes:** 60% of students are willing to file taxes **voluntarily**, viewing it as a **responsibility**, while 40% are unsure or will file only if benefits are clear, indicating a gap in tax compliance intention.
- **Perception of Paying Taxes:** 70% of students believe paying taxes is a **civic duty**, while 30% are uncertain or don't share this view, showing a generally positive attitude toward tax payment, though some remain indifferent.
- **Barriers to Understanding Tax Filing:** The top barriers identified are **lack of financial literacy (30%)**, **lack of guidance (40%)**, and **complexity of tax laws (20%)**, showing that more structured support is needed to overcome these hurdles.
- **Tax Education in Curriculum:** 60% of students support making tax education **mandatory**, while 30% believe it should be **elective** and 10% see it as unnecessary, emphasizing the importance of including tax education in academic programs.

## 7. SUGGESTIONS

- **Mandatory Tax Education:** Given the significant support for mandatory tax education (60%), it is recommended to **incorporate tax education into the core curriculum** for all students, focusing on both theoretical knowledge and practical filing procedures.
- **Simplified Tax Education:** To address barriers like **lack of financial literacy** and **complexity of tax laws**, the curriculum should focus on **simplified explanations** and **interactive tools**, such as online tutorials and workshops, to make tax concepts more accessible.

- **Workshops and Guidance:** 40% of students identified **lack of guidance** as a major barrier. Offering **tax filing workshops** and **one-on-one guidance** from financial professionals could help students feel more confident about their tax responsibilities.
- **Incentivize Voluntary Tax Filing:** To address the 40% who are unsure about filing voluntarily, campaigns highlighting the **benefits of voluntary compliance**, such as increased civic responsibility and potential refunds, could encourage greater participation.
- **Tailor Learning Based on Knowledge Levels:** With 50% of students only somewhat aware of tax slabs, designing tax education materials that cater to varying knowledge levels could ensure **better engagement**. Basic to advanced resources should be made available to help all students regardless of their initial understanding.

These findings and suggestions aim to enhance tax awareness, simplify the understanding of tax laws, and encourage proactive tax compliance among students. Let me know if you need further adjustments!

## 8. CONCLUSION

The implications of this study highlight the necessity of improving tax literacy among Indian students to support future compliance and sound financial behaviour. Although most students identify taxation as a citizen's responsibility, there is evident lack of proper knowledge about tax slabs, deductions, and filing processes. Most students gather information on taxation from informal channels, resulting in misinformation and disorientation. The research points out that formal tax education in school curricula, ease of e-filing procedures, and tax awareness campaigns conducted by the government can go a long way in closing these gaps. The implementation of tax incentives, online learning software, and simulations could promote enhanced participation and spontaneous compliance among youth taxpayers.

Finally, encouraging tax consciousness at an early age can result in a more educated, responsible, and compliant tax base, which can lead to a more effective and transparent tax system in India. This research emphasizes the need for tax literacy among students and its influence on compliance behaviour. Although the majority of students recognize the importance of taxation, a significant percentage are unaware of core concepts, and hence there is uncertainty in tax filing. Policymakers can close this gap efficiently by incorporating tax education in formal curricula, improving digital tools, and providing compliance incentives.

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