Frontiers in Health Informatics
ISSN-Online: 2676-7104
www.healthinformaticsjournal.com
2024; Vol 13: Issue 7
Open Access

Evaluating the Impact of Tax Incentives and Refunds on Individual Tax Returns: A Qualitative Research Study

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Cite this paper as: Desai Vishesh Ashwinbhai, Dr. Ritesh Patel (2024) Evaluating the Impact of Tax Incentives and Refunds on Individual Tax Returns: A Qualitative Research Study. *Frontiers in Health Informatics, 13* (7), 110-120

Abstract:
Tax revenue serves as an essential financial resource for governments, allowing them to support developmental projects and maintain the efficient operation of a nation. The taxes gathered are closely associated with public services such as healthcare, education, and infrastructure, which are crucial for enhancing the quality of life for citizens. Tax regulations, including deductions and credits, greatly influence individual taxpayers and shape their economic well-being. This document investigates the impact of these tax deductions and credits on Individual Tax Returns (ITR) over a specified timeframe, aiming to comprehend the implications of certain tax policies on the financial results for taxpayers.
The primary goal of the research is to assess the influence of established factors such as income, profession, salary, and exemptions on the favourable outcomes of tax deductions and credits, as reflected in individual tax filings. By examining these factors, the paper seeks to identify how each element affects the effectiveness and overall influence of deductions and credits on the ITR of individual taxpayers. The research employs a logistic regression model to examine these connections and evaluate how specific factors contribute to the positive effects of tax deductions and credits.
The findings of the study indicate significant relationships among the selected factors, highlighting income as the most critical element in determining the beneficial impact of tax deductions and credits on ITR. The level of income, more than profession, salary, or exemptions, significantly affects the advantages a taxpayer gains from deduction and credit programs. This observation is consistent with the common belief that individuals with higher incomes generally face larger tax responsibilities and may not realize as direct benefits from deductions and credits as those with lower incomes. Conversely, individuals with lower income levels frequently experience more considerable financial relief from tax policies aimed at reducing their obligations.
The analysis also underscores the significance of particular trends and frameworks within the chosen data, illustrating how tax deductions and credits can be strategically utilized to mitigate tax inequality. These policies are crafted to foster a fairer tax structure by ensuring that individuals with lower incomes receive more substantial benefits, while those with higher incomes contribute a larger proportion of taxes. The paper emphasizes how recognizing these trends can assist policymakers in creating more effective and targeted tax systems that can help reduce economic inequalities.
In summary, this study highlights the significance of tax deductions and credits in shaping the financial results of individual taxpayers. The logistic regression model illustrates that income is a key factor in determining the effectiveness of these tax policies. The results indicate that tax deductions and credits, when designed with careful consideration, can have a positive effect on ITR, fostering fairness and equity within the tax framework. By identifying the factors that most significantly impact individual tax returns, this research offers valuable insights for policymakers aiming to refine tax policies and enhance the overall tax system for all citizens.
Key Words: Impact, Relief, Rebate, ITR, Individual, Qualitative

1) Introduction:

Taxation policy poses considerable difficulties for developing countries, where several factors such as complex tax legislation, administrative shortcomings, and a tax system dependent on informal sectors lead to inefficiencies in revenue generation. These obstacles impede the effective operation of the tax system, resulting in decreased tax compliance, insufficient revenue collection, and limited public sector investments. In numerous developing nations, including India, the tax system is convoluted and consists of multiple taxation layers, including central, state, and local taxes, as well as direct and indirect taxes. This complexity frequently discourages taxpayers from engaging in the formal tax system, especially among lower and middle-income populations.

A significant concern highlighted by Ghuge (2015) is that the varied and complex nature of tax systems has been unsuccessful in encouraging individuals to participate in the tax process. For instance, the many exemptions, rebates, and intricate procedures in countries like India may bewilder taxpayers or make them perceive compliance as overly burdensome relative to the perceived advantages. As a result, individuals may be reluctant to file income tax returns (ITR), resulting in lower tax compliance levels. Additionally, the informal sector, which represents a considerable portion of many developing economies, intensifies this problem. Workers and enterprises operating informally typically do not contribute to the tax base because their economic activities are neither formally registered nor monitored. Consequently, a significant share of economic transactions remains outside the tax framework, creating a limited tax base and inadequate revenue for vital public services.

Studies have indicated that income levels are closely linked to the filing of income tax returns (ITR). Higher-income individuals are more inclined to submit their returns due to greater tax liabilities and the financial benefits associated with the formal tax system. As income rises, so does the probability of individuals interacting with the tax system, as they move into higher tax brackets and may have a better understanding of legal requirements. In contrast, lower-income individuals, who are often exempt from taxation or face minimal rates, exhibit reduced motivation to file ITR, resulting in their exclusion from the formal tax structure. This disparity contributes to a regressive tax system wherein wealthier individuals shoulder a disproportionately large portion of the tax load.

Taxation policies encompass more than just revenue generation; they are also inherently connected to wider economic strategies. They impact critical macroeconomic elements such as employment, inflation, interest rates, economic growth, and state welfare programs. For example, an effectively structured tax policy can stimulate job creation by providing incentives to businesses or specific sectors, while poorly conceived policies may produce contrary outcomes. Taxes also play a role in managing inflation, as consumption taxes can affect price levels. Furthermore, tax policies influence interest rates, as government revenue collection affects fiscal policy choices and borrowing needs. Economic growth relies on efficient taxation because tax revenue funds essential infrastructure, education, healthcare, and other public services that underpin long-term economic development.

In this perspective, taxpayer contributions are essential for the effectiveness of thorough economic policy. Governments must revise tax structures and policies to ensure revenue optimization while upholding fairness and equity. A well-operating tax system supplies the financial means necessary to back development and welfare initiatives, ultimately benefiting the economy and enhancing living standards for the populace. Therefore, taxation reforms that tackle administrative challenges, broaden the formal tax base, and encourage tax compliance are vital for the overall economic vitality of developing countries.

2) Objectives:

- Assess the Effect of Rebate and Relief on ITR
- Investigate the Influence of Income, Occupation, and Salary on Rebate & Relief.

3) Research Methodology:

This research adopts a primary research methodology to meet its objectives. The study emphasizes six critical variables that significantly impact financial planning and income tax return (ITR) procedures. These variables include profession, income, salary, deductions, exemptions, and rebates & relief. Among these, profession, income, and salary are identified as the main independent variables, while deductions, exemptions, and rebates & relief function as the dependent variables for this analysis.

Profession, as an independent variable, influences financial planning by affecting the nature of income, taxation methods, and applicable deductions and exemptions for an individual. Likewise, levels of income and salary directly establish an individual's tax bracket, influencing the application of deductions, exemptions, and rebates to mitigate total tax responsibility. The research paper illustrates how these factors interrelate to form financial planning strategies, particularly regarding their effect on the ITR procedure.

The research investigates the influence of exemptions on ITR, emphasizing that these exemptions, which may relate to health, education, and other government-sanctioned benefits, can diminish taxable income and consequently lower the tax owed. The study also explores the beneficial impacts of rebates and relief on ITR, which can further lessen the tax load for individuals, particularly those within certain income ranges. The examination of these dependent variables seeks to provide deeper understanding of how various tax incentives impact financial planning and ITR results.

To ensure the validity of the results, the research utilizes a range of statistical techniques. Descriptive statistics summarize the data and highlight significant trends in the relationship between independent and dependent variables. Logistic regression is used to analyse the association between the independent variables (profession, income, and salary) and the dependent variables (deductions, exemptions, rebates & relief), offering a precise depiction of their impact on financial planning. The Run Test and Chi-Square test are also applied to evaluate thesignificance of the findings and ascertain whether the observed relationships among variables are statistically meaningful.

Graphical tools, such as charts and graphs, are employed to visually convey the outcomes of the statistical examinations. These visual aids facilitate the interpretation of the data and provide clearer insights into the connections between the examined variables. Through this diverse approach, the research aspires to deliver thorough insights into the factors that affect financial planning and tax strategies.

4) Literature Review:

- **Puttaswamy (2018)** examined "Income Tax Reforms in India: A Study Based on Perceptions of Income Tax Assesses and Authorities," indicating that the ITR via "SARAL" had been highly important for small and medium taxpayers. In addition, direct taxes rose in their share of tax revenue throughout this period. India's tax-to-GDP ratio remains low compared to countries like Brazil, China, and Russia. The –research also found that the middle-income bracket gradually increased personal tax compared to higher-income groups. Regarding state-wise contributions to income tax revenue, Maharashtra contributed the largest share at 38 percent, leading in India, followed by Delhi and Karnataka.
- Prospect theory, developed by **Kahneman Daniel and Tversky Amos (1979),** emphasizes the analysis of decisions made under risk. This theory merges psychology and economics to elucidate how cognitive biases and heuristics influence tax behavior. The authors spotlight gains and losses in relation to specific reference points, which serve as catalysts for decision-making. People exhibit greater sensitivity to losses rather than gains, thus the prospect theory accounts for decision weights. These weights reflect that low probabilities significantly influence choices involving insurance and gambling with such low probabilities.
- **C. Chitteebabu (2023)** investigated the awareness and perceptions of tax-saving instruments in the Bengaluru region, encompassing a sample of 110 salaried individuals for this primary study. The primary aim of this research was to comprehend the tax planning strategies of salaried taxpayers as well as to identify effective tax-

saving instruments utilized for tax reduction. The key findings revealed that 60 percent of salaried individuals expressed satisfaction with tax-saving instruments, while 18 percent reported high satisfaction. Only 9 percent of individuals were categorized in the dissatisfied group overall.

- **Saheb Dubey (2021)**, The author stated that tax collection is a long-established practice adopted by numerous countries, functioning as the main source of direct or indirect financial support for governments. Taxes aim to extract a share of wealth from the nation's richest citizens to fund social development and address the needs of the less fortunate. As mentioned in the introduction, taxation motivates individuals to save more by investing to reduce their tax obligations. However, this study indicates that while working individuals possess a certain level of awareness regarding different tax schemes, their understanding is incomplete. To fully take advantage of tax initiatives, one must possess a comprehensive understanding of them. Consequently, it would be beneficial to provide more educational programs on tax planning for salaried individuals.
- **Shakhawat Hossain Sarkar et al. (2019),** Compared to India, they demonstrated that the ITPIs for various categories of individual taxpayers in Bangladesh are notably low and inconsistent. As a larger number of individuals engage in tax planning, there exists a heightened potential for capital development, enhanced tax compliance, and accelerated national growth. This is due to the fact that tax planning enables individual taxpayers to possibly lower their tax liabilities. The research has initiated a fresh area of exploration regarding individual taxpayer tax planning in the context of developing countries such as Bangladesh. Future studies may investigate the impacts of tax planning on particular taxpayers, the role that tax planning has in capital generation, strategies for corporate tax planning, and the effect of corporate tax planning on business valuation and performance.

5) Data Analysis:

i)Descriptive Statistics Examination:

The results of the current research study are divided into four sections, with the descriptive section outlined here. Table: 1 displays the initial analysis of the variables involved, detailing their mean, standard deviation, and minimum-maximum values. A total of 500 samples has been considered in the descriptive analysis. Income and Salary were analysed as continuous variables in relation to qualitative attributes of deduction, exemption effect, and rebate-relief effect.

Table: 1 Descriptive Exploration of Variables

Statistics					
	Income	Salary	Deductions	Exemption Impact on ITR	Application Rebate/Relief on ITR
N Valid Missing	500 1	500 1	500 1	500 1	500 1
Mean	2.45	0.72	2.46	2.32	0.21
Std. Div	1.42	0.45	1.04	1.05	0.41
Minimum	1.00	0.00	1.00	1.00	.00
Maximum	6.00	1.00	4.00	4.00	1.00

Furthermore, all five variables comprised an equal number of 500 cases for each individual taxpayer. The deduction variable recorded the highest mean value, whereas the Impact ITR variable registered the lowest mean value during the measured period. The income variable exhibited the highest standard deviation, while the Impact ITR variable displayed the lowest.

Table 1.1 Professions

Profession				
	Frequency	Percent	Valid Percent	Cumulative Percentage

Deductions				
	Frequency	Percent	Valid Percent	Cumulative Percentage
Valid 1.0	117	23.4%	23.4%	23.4%
2.0	124	24.8%	24.8%	48.2%
3.0	169	33.7%	33.8%	82.0%
4.0	90	18.0%	18.0%	100.0%
Missing	1	0.2%		
Total	501	100%		
Valid	1	0.2%	0.2%	0.2%
1.00	79	15.8%	15.8%	16.0%
2.00	218	43.5%	43.5%	59.5%
3.00	145	28.9%	28.9%	88.4%
4.00	58	11.6%	11.6%	100.00%
Total	501	100%		

Table 1.2 Incomes

Incomes				
	Frequency	Percent	Valid Percent	Cumulative Percentage
1.00	151	30.1%	30.2%	.2%
2.00	150	29.9%	30.0%	80.2%
3.00	104	20.8%	20.8%	81.0%
4.00	47	9.4%	9.4%	90.4%
5.00	14	2.8%	2.8%	93.2%
6.00	34	6.8%	5.8%	100%
Missing	1	0.2%		
Total	501	100		

Table: 1.3 Salaries

Salary				
	Frequency	Percent	Valid Percent	Cumulative Percentage
Valid .00	138	27.5%	27.6%	27.6%
1.00	382	72.3%	72.4%	100.0%
Missing	1	0.2%		
Total	501	100%		

Deductions					
		Frequency	Percent	Valid Percent	Cumulative Percentage
Valid	1.0	117	23.4%	23.4%	23.4%
	2.0	124	24.8%	24.8%	48.2%
	3.0	169	33.7%	33.8%	82.0%
	4.0	90	18.0%	18.0%	100.0%
Missing		1	0.2%		
Total		501	100%		

Table: 1.4` Deduction

Table 1.5 Rebate & Relief on ITR

Application Rebate_Relief_Impact_ITR				
	Frequency	Percent	Valid Percent	Cumulative Percentage
Valid .00	396	79.0%	79.2%	79.2%
1.00	104	20.8%	20.8%	100.0%
Missing	1	0.2%		
Total	501	100%		

Table 1.6 Exemptions on ITR

Deductions					
		Frequency	Percent	Valid Percent	Cumulative Percentage
Valid	1.0	117	23.4%	23.4%	23.4%
	2.0	124	24.8%	24.8%	48.2%
	3.0	169	33.7%	33.8%	82.0%
	4.0	90	18.0%	18.0%	100.0%
Missing		1	0.2%		
Total		501	100%		

Impact on ITR					
		Frequency	Percent	Valid Percent	Cumulative Percentage
Valid	1.0	148	29.5%	29.6%	29.6%
	2.0	116	23.2%	23.2%	52.8%
	3.0	185	32.9%	33%	85.8%
	4.0	71	14.2%	14.2%	100%
Missing		1	0.2%		
Total		501	100%		

According to descriptive analysis, the occupation is most represented in the third category, namely the "Business-Self-employed" group, at about 33 percent, while the fourth category, "Housewife," has the lowest representation, at 14 percent. The distribution of the second category, "private sector salaried person," is 23 percent, but the distribution of the "salaried government person" category during the studied time is 29.6 percent.
In terms of income distribution, the first category's segments below 5 lakhs show the most dramatic fall in income, followed by a 29% dispersion in the second group of "5 lakhs to 7.5 lakhs" across all income categories. Furthermore, categories 4, 5, and 6 have a total distribution of only 20% for individuals earning between 10 lakhs and 20 lakhs. When it comes to salary variable distribution, salaried individuals had the highest representation, topping 72% throughout the study. In terms of deduction factors, the third group of "moderate belief" has the highest distribution (33.8 percent), followed by the combined categories of "not recommended & less belief" (48 percent). The belief categories present an aggregate distribution of 52 percent.
In terms of exemption income, the "Moderate Agree" category has the biggest distribution (33%), while the "Strongly Agree" category has the lowest distribution (14%). Over 52% of the distribution falls within the non-agree and slightly agree categories. In the variable distribution of the "Rebate-Relief impact on ITR," the bulk of representation is negative (79 percent), with the remainder reflecting a favourable perception about its influence on ITR.

ii) Association among Selected Variables:

This section examines the relationship between certain variables in the research investigation. The Chi-Square test was used to evaluate the hypotheses H0: No Association among Selected Variables and H1: Association among Selected Variables.

Table: 2 Chi-Square Test for Association

Test Statistics			
	Chi-square	df	Asymp.Sig.
Profession	125.23	3	.000
Exemptions Impact	41.01	3	.000
Deductions Financial Planning	27.09	3	.000
Rebate-Reliefs Positive Impact on ITR	170.53	1	.000

Table 2 shows the Chi-square values for four selected variables: profession, exemption impact, deduction financial planning, and rebate-relief positive impact on ITR, which are 125.23, 41.01, 27.09, and 170.53, respectively. The relevant variables were identified with a 0.000 p-value at a significance level less than 0.05. This is sufficient evidence to reject the H0 hypothesis, and we adopt the H1 alternative hypothesis on the importance of association among all selected variables.

iii)-Runs Test for Randomness: It identifies trends and highlights the need for further inquiry in this research study. The chi-square reveals a strong correlation, as indicated by the Runs test presented in Table 3

Table: 3 Runs Test for Randomness

Run Test				
	Salary	Deduction Financial Planning	Exemption Impact	Rebate-Reliefs Positive Impact on ITR
Test Value (Median)	1.00	3.00	2.00	.00
Cases< Test Value	138	241	148	0
Cases> Test Value	362	259	352	500
Total Cases	500	500	500	500

No. Of Runs	181	128	121	1
Z	-2.22	-11.00	-9.50	NaN
Asymp.Sig.(2-tailed)	.026	.000	.000	NaN

Here, the Runs test displays the test value based on the median, indicating that salary has one median and three, while the logistic regression operates for the two and zero medians, respectively, related to deduction financial planning, exemption impact, and rebate relief's positive effect on ITR. A total of 500 samples are incorporated for each chosen variable, with the most significant negative z value at -11 in the deduction planning variable. The comprehensive two-tailed Runs test supplies proof of the significance of each variable by yielding a p-value lower than 0.05. The outcome of this test indicates a discernible pattern or certain trends in the current data, serving as corroborative evidence of the significance of Chi-square.

iv) Logistic Regression for Impact Analysis:

The logistic regression illustrates the influence of various variables on the dependent variables. Previous associations and pattern significance identified in the chosen variables form the basis for further investigation, with the current logistic regression delving deeply into impact analysis. Table 4 displays the Logistic Regression model where the probability of achieving a higher value is indicated as 506.82. Income and Salary serve as independent variables, while Rebate-Relief Positive Impact ITR is assessed as a dependent variable within the model.

Table: 4 Impact Analyses by Logistic Regression

Model Summary			
Step	-2 Log likelihood	Cox & Snell R Square	Nagel kereke R Square
1	506.82	.01	.01

Dependent Variable Encoding	
Original Value	Internal Value
.00	.00
1.00	1.00

Classification table			
	Predicated		
Observed	Rebate-Reliefs Positive Impact on ITR		Percentage Correct
Rebate-ReliefsPositive	.00	1.00	100%
Impact on ITR .00	396	0	0%
1.00	104	0	
Overall Percentage			79.2%

Variables in the Equation						
	B	S.E.	Wald	df	Sig.	Exp(B)
Income	-.18	.09	4.19	1	.041	.84
Salary	-.13	.25	.27	1	.604	.88
Constant	-.83	.31	6.95	1	.008	.44

The Classification model demonstrates a dependent variable with a correct percentage of 79, suggesting a strong

explanatory power of this model. The equation model illustrates the overall fit of the model, with the highest beta value attributed to a constant, followed by income at 0.18 and salary at 0.13. The highest standard error pertains to the constant, while the lowest is associated with income at 0.09.

Additionally, the significance of the model highlights the influence of income and the constant over the impact of salary on the dependent variable. The model equation reveals that income serves as a key variable affecting the dependent variable, as rebate relief positively influences ITR.

6) Conclusion:

This research seeks to analyse and identify the connections between specific variables and investigate the significance of different patterns and trends observed in the data. The study is centred around grasping how these variables affect the Rebate Relief ITR, paying particular attention to elements such as salary, profession, and income level. Through the assessment of these factors, the study illustrates how they interact and contribute to the overall outcome.

The main finding of the study indicates that salary and profession do not significantly influence the Rebate Relief ITR. Contrary to common beliefs that a higher salary or specific professions may affect the rebate, the data reveals a different story. Salary alone does not seem to directly impact the rebate relief, emphasizing that other factors, especially income level, are more critical in determining the rebate. The study highlights that income level, as opposed to salary or profession, is the most important factor affecting the Rebate Relief ITR.

Additionally, the research discovered that profession does not have a major influence on the dependent variable, which in this instance is the Rebate Relief ITR. While different professions may vary in income or tax advantages, the study shows that profession itself does not exhibit a direct correlation with the rebate. This implies that no matter the type of profession an individual holds, the Rebate Relief ITR is not significantly impacted by this variable. The minimal influence from profession underscores the significance of income level as the principal determinant.

The study also points out specific trends in the data that reinforce the idea that income level is the most impactful variable. By analysing how income levels relate to the Rebate Relief ITR, the study confirms that individuals with higher income levels tend to receive larger rebates. This trend indicates that income level, rather than salary or professional background, is the decisive factor in determining the amount of rebate an individual qualifies for.

Moreover, the research offers crucial insights into how demographic elements like income level should take precedence in future policymaking or tax-related decisions. Considering that income level emerged as the primary influence on Rebate Relief ITR, this finding could guide upcoming tax policies, suggesting that modifications to income thresholds or tax brackets may be required to ensure a fairer distribution of rebates.

The implications of this study are significant for both policymakers and individuals in comprehending the complexities of tax rebates. It questions the belief that higher salaries or specific professions are automatically associated with greater rebates and underscores the necessity for a more nuanced approach focused on income levels.

In summary, this study provides important insights into the factors affecting the Rebate Relief ITR. It shows that salary and profession do not significantly influence the rebate, while income level is the primary variable that impacts the outcome. These findings highlight the necessity of considering income level in both understanding the present rebate system and in formulating future policy choices. By prioritizing income instead of professional standing or salary, policymakers can more effectively cater to the needs of individuals eligible for tax rebates, resulting in more targeted and impactful tax relief strategies.

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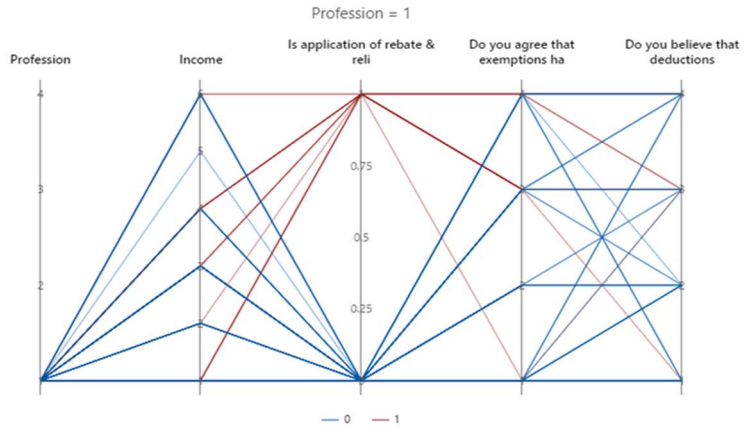
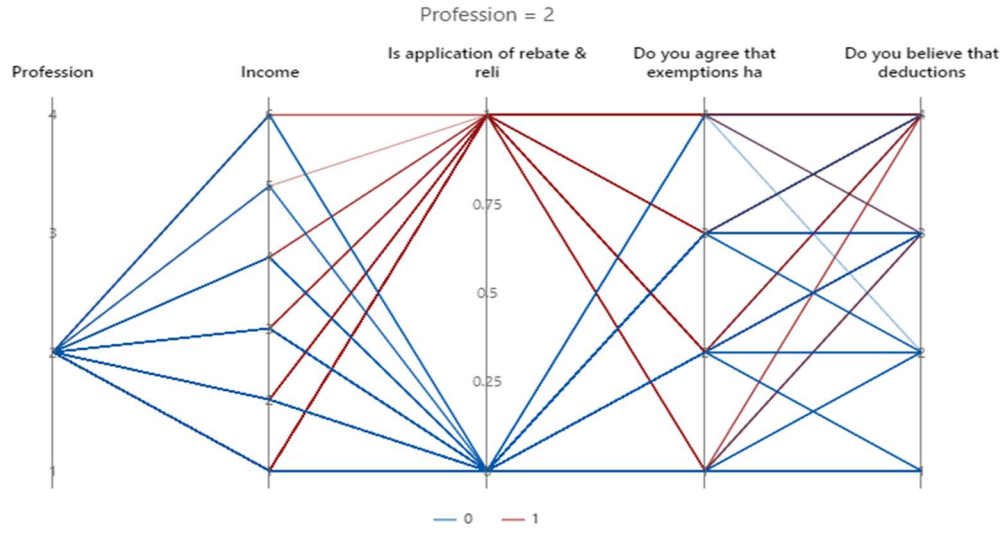
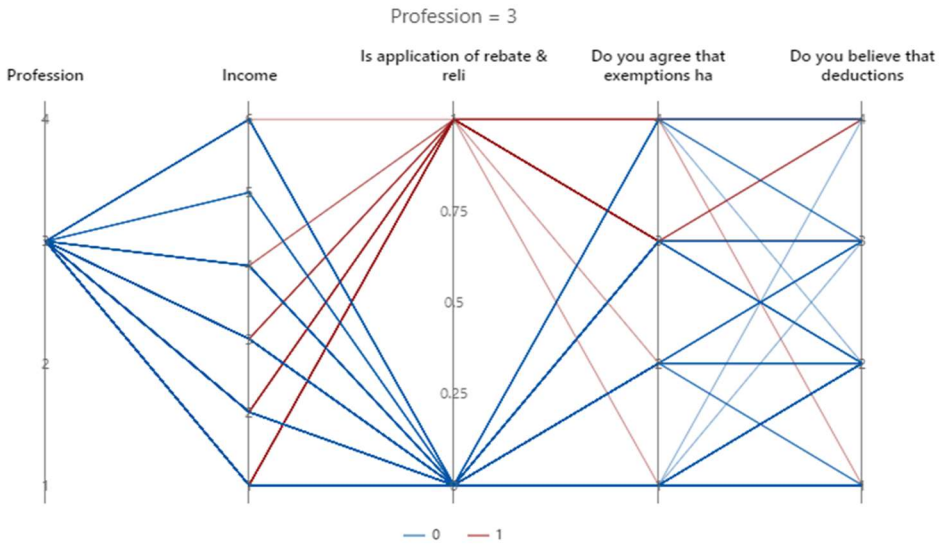
Appendix:



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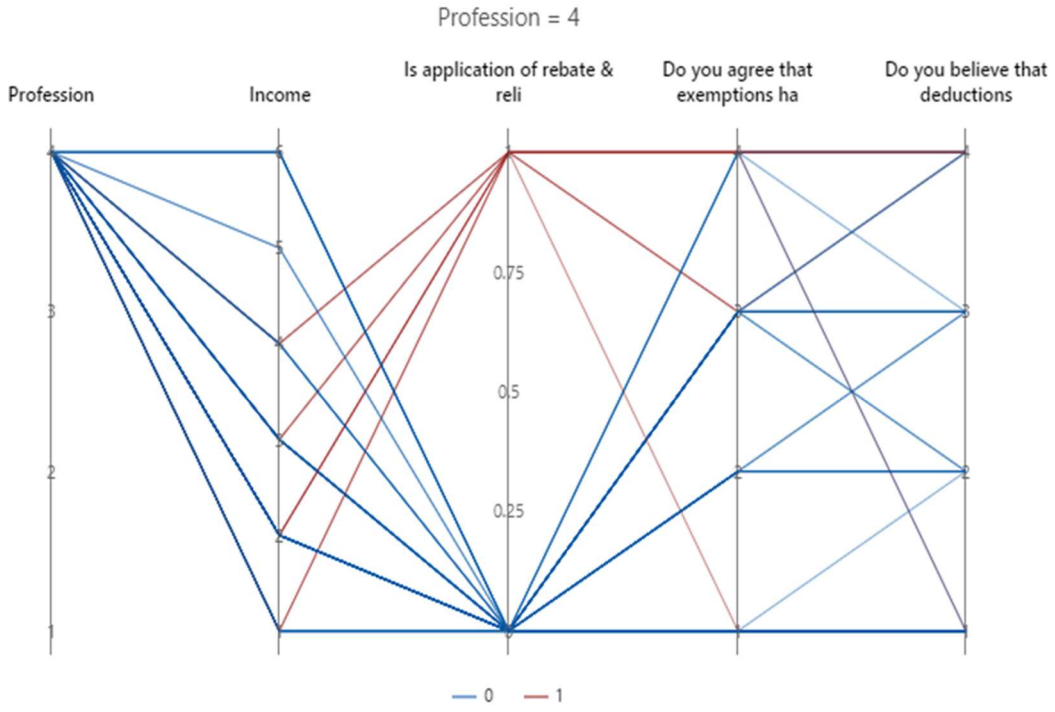
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