

A STUDY ON THE KNOWLEDGE GAP IN TAX FILING AMONG MSME WITH SPECIAL REFERENCE TO ERNAKULAM DISTRICT

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ABSTRACT

This research investigates the knowledge gaps in tax filing among Micro, Small, and Medium Enterprises (MSMEs). The sample is 111 MSMEs in total from different sectors in the Ernakulam district. Simple random sampling is employed to investigate the understanding of tax filing among MSMEs. This research seeks to comprehend the knowledge of MSME owners in filing taxation, Understanding the legal knowledge, procedural knowledge and general knowledge towards government fiscal policies. The percentage analysis and One way ANOVA is employed to analyze the data. Questionnaire method is employed to gather data from samples. The study brings out the need for focused educational programs and affordable advisory services to close the knowledge gap and improve tax compliance among MSMEs. By enhancing understanding and capacity in tax filing, MSMEs can better meet their tax obligations, hence contributing to a stronger and compliant economic environment

Keywords: Tax Compliance, Tax Knowledge and Tax Advisory Services

1. INTRODUCTION

MSMEs are now accredited by the international community as critical players in the economic development, employment and creativity. Most often, they contribute to the gross domestic product of many developing and some developed countries and are regarded as sources of economic growth. More information on the share of MSMEs can be sourced from the World Bank and was estimated to be about 90% of business and over 50% of employment all over the world. In many countries they have social importance in poverty reduction and in decentralizing the economic activity, generating employment opportunities as well as encouraging Entrepreneurship at the basic level.

2. REVIEW OF LITERATURE

2.1 A study titled “Implications of goods and services tax on Indian micro small and medium enterprises” Chennathur, Guna (2024) This research explores the impact and provides implications of Goods and newline Services Tax, a comprehensive indirect tax reform on the growth of Indian newline MSMEs, the fundamental drivers of economic progress and employment in India. Newline. The purpose is to assess the relationships and impact of the knowledge of GST, newline Input tax credit (ITC), Revenue neutral rate (RNR), and GST compliance on the newline growth of Indian MSMEs.

2.2 “A Study on Goods and Services Tax Post Compliance Issues with Special Reference to the MSMEs in the State of Karnataka” Raj N, Jesmon (2024) Researcher have explored the Ease of compliance is always desirable to foster the growth of small businesses in India. Goods and Services Tax (GST) was introduced in India on 1st July 2018 to curb the limitations of earlier indirect tax laws. It has addressed many of the compliance issues faced by MSMEs in India such as the organization's employee cost increase after the implementation of GST, the increase in software cost, the increase in the working capital cost after the implementation of GST, Process is difficult, Cost of compliance is very high etc.

2.3 “A Study on impact of indirect tax system on micro small and medium enterprises with the special reference to Palghar taluka of Maharashtra”-Khatri Sunil Badrinath (2023)

The study tries to investigate the impact of awareness and knowledge, operational, complexity, and technical challenges faced by MSMEs in Palghar as it is the Taluka with a large population and a business place for many investors, traders, and small businessmen. Therefore, it becomes important to find the level of awareness, knowledge, and challenges faced among these people for GST compliance as it's been more than three years since GST was implemented in India.

3. OBJECTIVE

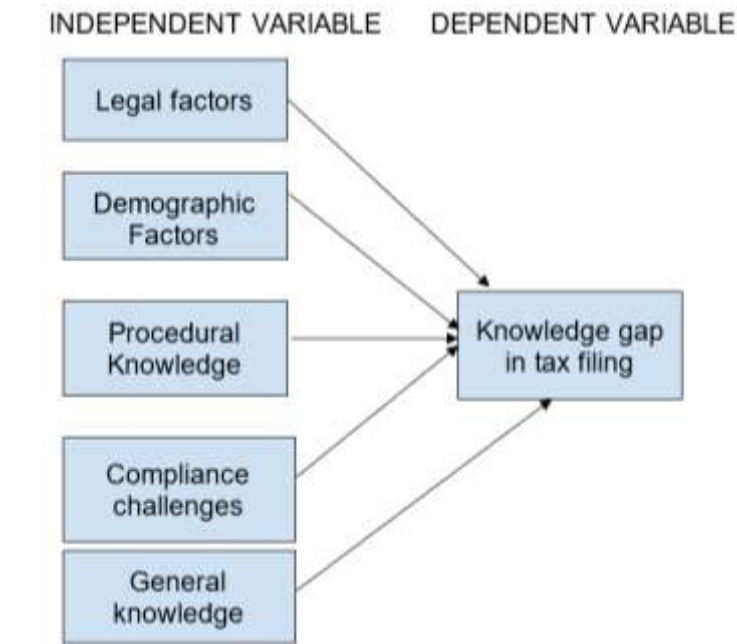
3.1 Primary Objective:

- This study aims to explore the knowledge gap in tax filing among MSMEs, examining the underlying causes and the impact of this gap on tax compliance.

3.2 Secondary Objective:

- Provide actionable insights for policymakers, tax authorities, and MSMEs themselves.
- Closing the knowledge gap in tax filing is not only essential for enhancing compliance but also for supporting the growth and sustainability of MSMEs.
- To understand the demographic factors of tax compliance.

4. CONCEPTUAL MODEL



5. SCOPE OF THE STUDY

The increasing complexity of tax laws and regulations refers to the ongoing trend of governments and regulatory bodies implementing detailed and multifaceted tax frameworks that require businesses and individuals to navigate a myriad of rules, forms, and compliance requirements. As tax legislation evolves, it often incorporates various exemptions, deductions, and credits that complicate the filing process. This complexity can lead to confusion and potential errors in tax reporting, increasing the likelihood of audits, penalties, and fines.

6. DATA ANALYSIS

The following table provide the dependent and independent variable analysis

Table No. 1

Sl. No	Category	Frequency	Percent (%)
Business Category			
1	Micro Enterprises	46	41.4
2	Medium Enterprises	51	45.9
3	Small Enterprises	14	12.6
Industry			
1	Manufacturing	70	63.1
2	Transportation, Shipping, and Storage	6	5.4
3	Information and Communication	9	8.1
4	Accommodation, Food, and Beverage Services	10	9.0
5	Others	16	14.4
Number of Employees			

Sl. No	Category	Frequency	Percent (%)
1	1-10	27	24.3
2	11-20	38	34.2
3	21-50	46	41.4
Years in Operation			
1	0-3	28	25.2
2	6-11	26	23.4
3	12-15	19	17.1
4	Above 15	38	34.2
Business Registered with Tax Authorities			
1	Yes	100	90.1
2	No	10	9.9

ONE WAY ANOVA

One Way Anova was carried out analyzing the relationship between "Knowledge about tax deductions and credits the business is eligible" and "Category in which the business falls under".

Hypothesis

Null Hypothesis (H₀): There is no significant difference in the level of knowledge about tax deductions and credits across the different business categories.

Alternative Hypothesis (H₁): At least one business category has a significantly different level of knowledge about tax deductions and credits.

Table No: 2

Primary Challenges/ Form of Organization	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	.942	4	.235	.501	.735
Within Groups	49.833	106	470		
Total	50.775	110			

7. FINDINGS

The survey findings reveal that most of the businesses surveyed are either Medium or Micro Enterprises, with a strong presence of manufacturing industries. The businesses tend to be small, relatively young, and have a high level of tax registration compliance. However, respondents demonstrate only a moderate understanding of tax deductions, credits, and the impact of tax legislation on their operations. The tax audit process is viewed as burdensome, and there is a moderate level of proficiency in using tax software for compliance. Despite this, most businesses rarely seek professional help for tax-related matters, indicating a low reliance on external expertise. Additionally, the type of business does not significantly influence knowledge about tax benefits.

8. CONCLUSION

The analysis highlights several key issues in tax compliance among MSMEs, with the respondents generally demonstrating moderate knowledge of tax laws, deductions, and the use of tax software. While most businesses are compliant with tax authorities, they face challenges with tax audits and understanding complex tax regulations. There is a need for better education on tax-related matters and increased accessibility to professional help. Simplifying the tax system and offering targeted support to MSMEs can promote a more efficient and compliant business environment.

9. REFERENCES

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