

"A man is
great by
deeds, not by
birth"
-Chanakya

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A tax morale approach to understanding India's tax compliance challenge

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A tax morale approach to understanding India's tax compliance challenge

Abstract:

Enhancing tax revenue mobilisation remains a significant tax policy challenge for the government in India. Over the years, several tax reforms have been implemented to increase tax revenue by addressing the structural issues plaguing the Indian tax system. Yet, India's tax revenue performance has not improved significantly. In this context, this article attempts to understand India's low tax revenue performance through the lens of tax morale, which helps to examine the intrinsic motivation of taxpayers to pay taxes. We argue that, apart from pecuniary factors such as sanctions or deterrence policies involving penalties, detection, and audits, the taxpayers' decision to comply with taxes is also influenced by non-pecuniary factors, which are captured through the concept of tax morale. We also assess the level of tax morale among Indian taxpayers and their perceptions of the various factors influencing tax compliance. The results reveal that the conditions affecting the actual tax compliance behaviour of Indian taxpayers are weak, although their tax morale was high



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