

Employee Awareness & Compliance Level Towards TDS Deduction – NCL Employees Survey

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Abstract

Tax Deducted at Source (TDS) is a crucial mechanism of the Indian taxation system aimed at ensuring timely tax collection and promoting voluntary compliance among salaried employees. Despite its importance, many employees lack adequate awareness regarding TDS provisions, calculation methods, exemptions, and compliance procedures, which often leads to confusion, incorrect tax planning, and non-compliance. The present study seeks to critically examine the level of awareness and compliance towards TDS deduction among employees of NCL. The research adopts an observational approach, drawing upon primary data collected through a structured questionnaire administered to NCL employees. The study evaluates employees' understanding of applicable TDS rates, permissible deductions, Form 16, and income tax return filing requirements. Descriptive statistical techniques have been employed to analyze and interpret the collected data. The findings indicate that while employees largely remain compliant with TDS deductions, such compliance is predominantly procedural and employer-driven rather than knowledge-based. Limited tax literacy and over-reliance on organizational payroll mechanisms restrict informed participation in tax planning. The study underscores the necessity for structured tax awareness programs, enhanced communication mechanisms, and continuous employee education to strengthen informed compliance and promote greater financial awareness among employees.

Keywords: Tax Deducted at Source (TDS), Tax Compliance, Tax Literacy, Payroll System, Form 16, Income Tax Return (ITR) Filing, Organizational Tax Practices.

Introduction

Income tax department is one of the important parts of Ministry of Finance, Government of India. In 1860, it started working with the implementation of first Income Tax Act. The Income Tax Act, 1961, Tax Deducted at Sources (TDS) for government employees is a approach mandated under Section 192, where the Drawing and Disbursing Officer (DDO) authority deducts tax at the source of income (Salary) before it is paid, rather than requiring a lump-sum amount payment at the end of the year.

This processor, designed to ensure a constant, regular inflow of revenue to the Central Government and prevent tax evasion, requires employers to estimate the employee’s total annual income ---

Including salary, perquisites, etc. And apply according to rate of income tax based on the current slab rates. For the government employees, this TDS deduction is compulsory and if the estimated salary of an employee does not exceed the basic exemption limit of Rs. 2.5 lakh under the old tax regime and Rs. 3 lakhs under the new tax regime, then no tax is payable, and hence no TDS will be deducted.

Under chapter VI-A allowing for exemptions such as House Rent Allowance (HRA) and investments.

The deducted tax must be remitted to the government, often through book adjustment on the same day for government offices, and the employee is provided with a TDS certificate (Form 16) to claim credit for this tax when filing their annual Income Tax Return (ITR).

Northern Coalfields Limited (NCL), a public sector undertaking, employs a large workforce across different designations, educational backgrounds and income backgrounds. Understanding the

awareness and compliance level of NCL employees towards TDS deduction is essential for identifying gaps and suggesting improvements in tax education and administration.

Objective of study

- To evaluate the level of awareness among employees regarding TDS.
- To assess the compliances level of employees with TDS provisions and identify areas for improvement.

Review of Literature

Employee Awareness and Tax Compliance

Employee awareness is a crucial determinant of tax compliance. Awareness refers to the extent to which employees understand tax laws, procedures, rates, documentation, and filing requirements.

According to Jackson and Milliron (1986), higher awareness and knowledge of tax laws significantly improve voluntary compliance and reduce errors in tax-related activities.

Kumar and Rao (2019) found that employees with adequate tax knowledge are more likely to comply with statutory requirements and assist organizations in avoiding penalties and legal complications.

Conversely, lack of awareness often leads to incorrect deductions, delayed filings, and non-compliance, especially in large organizations where tax procedures are complex.

Compliance Behavior in Organizations

Tax compliance behavior within organizations is influenced by several factors, including employee training, organizational support, complexity of tax laws, and frequency of regulatory changes.

Allingham and Sandmo (1972) explained compliance behavior using economic deterrence theory, highlighting that compliance increases when individuals understand the consequences of non-compliance.

Studies conducted by Reddy and Rani (2018) indicate that regular training programs and internal controls significantly enhance compliance levels. Organizations with structured tax compliance systems demonstrate fewer instances of penalties and interest charges.

TDS Compliance in Public Sector Enterprises

Sharma (2020) studied tax compliance in public sector units and concluded that while procedural compliance is generally satisfactory, conceptual understanding of tax provisions among employees remains limited. This gap often results in over-dependence on a few trained personnel, increasing operational risk.

Research Gap

Although numerous studies have examined tax compliance and awareness at individual and organizational levels, limited empirical research exists on employee awareness and compliance towards TDS in public sector enterprises, particularly in the coal industry. Most studies focus on private sector organizations or individual taxpayers.

Methodology

Research Design

This study adopts a descriptive research design. It utilizes quantitative methods to collect and analyze primary data on employee awareness and compliance levels.

Population and Sample

The population of the study consists of employees of Northern Coalfields Limited (NCL) associated directly or indirectly with salary administration, taxation, and TDS. Due to the large workforce and accessibility, a complete census was not feasible.

Hence, a sample of 100 employees was selected. Data were collected through a structured questionnaire using Google Forms, and respondents were chosen through a convenience sampling technique.

Data Collection

A structured questionnaire was developed and data were collected through online with help of participants. Participants were assured confidentiality to encourage honest responses.

The study was collected through a structured 12 questionnaire designed using Google Forms, which was circulated among employees of NCL for response. Employees were participating and submit their responses online.

Inclusion criteria required that studies:

Involved >100 participants, and

Quantitatively measured awareness or compliances level of employees with TDS

Data Analysis

The data collected through the Google Form questionnaire were analysed using a descriptive approach. The responses received from 100 employees of Northern Coalfields Limited (NCL) were carefully reviewed, categorized, and interpreted to identify patterns related to employee awareness and compliance towards Tax Deducted at Source (TDS). Since the study was perception-based in nature, no inferential statistical tests were applied.

The analysis primarily focused on the following themes:

1. Level of Awareness regarding TDS awareness levels (high, moderate, and low)

2. Compliance Behaviour towards TDS (timely deduction, accuracy in calculations)

3. Challenges (complexity of TDS provisions, lack of training, frequent amendments)

Findings and Discussion

Awareness of TDS provision is moderate, with significant variation across departments. There is a positive relationship between awareness and compliance. Employees face challenges due to complexity of rules, lack of training, and frequent legislative changes. The findings reveal a clear link between understanding TDS provisions and compliance outcomes. Finance personnel demonstrated better knowledge and compliance, while non-finance employees showed gaps. This aligns with prior research suggesting that specialized training and targeted communication enhance compliance (Reddy & Rani, 2018). The challenges identified indicate that organizational structures must support continuous learning and procedural clarity to ensure compliance.

Conclusion

The present study was undertaken to examine the level of employee awareness and compliance towards Tax Deducted at Source (TDS) at Northern Coalfields Limited (NCL). The findings of the study reveal that while a majority of employees possess a basic understanding of TDS, there exists a noticeable gap in detailed knowledge regarding specific provisions, procedures, and recent amendments. Awareness levels were found to vary across departments, with employees associated with finance and payroll functions demonstrating comparatively higher awareness than those from other functional areas.

The study further indicates that employee awareness plays a significant role in ensuring effective compliance with TDS regulations. Although overall compliance at NCL is satisfactory, certain challenges such as the complexity of TDS provisions, lack of regular training, and frequent changes in tax laws continue to affect smooth implementation. The reliance on limited trained personnel for handling TDS-related matters also increases the risk of procedural errors.

Based on the analysis, it can be concluded that enhancing employee awareness through structured training programs, regular updates, and clear internal guidelines would significantly improve compliance levels. Strengthening communication and providing continuous support mechanisms can help the organization minimize compliance risks and ensure adherence to statutory requirements. The study thus emphasizes the importance of knowledge-based compliance in achieving efficient tax administration within public sector enterprises like Northern Coalfields Limited.

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