

# PRESUMPTIVE TAXATION FOR PROFESSIONALS: - SYSTEMS AND PEERCEPTIONS

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**Abstract :** Presumptive taxes are in operation to reduce the bare bones of tax procedure and compliance burden of the taxpayers with very low yearly turnover. Presumptive tax has a significant role to restrict the tax evasion as well as to widen the tax base. As an essential ingredient of the tax system Presumptive Taxation has completed a long journey of more than one and half decades since its inception in the Assessment Year 1998. But the Presumptive Tax System for professionals is introduced only before two years i.e. from the Assessment Year 2017-18. The rationale behind the introduction of presumptive tax scheme for professionals is to facilitate compliance as well as to improve the tax behavior of professionals. The success of a new tax system depends on how the target group has perceived the system.

This empirical study is an effort to observe the perception of professionals regarding the fact whether they can presume their tax through self measurement, whether this system can help them to simplify computational and procedural complexities regarding compliance. Again it lends a hand to examine how Presumptive Tax helps them to carry on their profession without wasting time in the maintenance of records and compliance with tax matters. The findings have been used to make suggestions so that it can help professionals to manage their tax matters successfully by themselves through presumptive taxation.

**Index Terms** - Presumptive Tax, Professionals, section 44ADA, perceptions, compliance, gross receipts

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## I. INTRODUCTION

Finance Minister Arun Jaitley in his Budget Speech concludes that “we are largely a tax non-compliant society.... When too many people evade taxes, the burden of their share falls on those who are honest and compliant” (Union Budget-2017). It is the aim of every Government to increase the revenue in form of tax collection. To increase the revenue collection one of the most popular and vital step is to widen the tax base and to restrict the tax evasion. Presumptive tax has a significant role to restrict the tax evasion as well as to widen the tax base. Presumptive taxes are usually employed to simplify tax procedure particularly in relation to compliance burden on taxpayers with very low turnover and the corresponding administrative burden of auditing such taxpayers. This kind of tax makes sense in cases where the otherwise desirable tax base is difficult for the tax authorities to measure, verify, and monitor and helps in combating tax avoidance or evasion (Slemrod, Whiting and Shaw 2006).

On February 29, 2016, in his Budget Speech, Finance Minister of India Mr. Arun Jaitley has declared the introduction of Presumptive Tax Scheme for professionals with annual turnover below 50lakhs. According to him the rationale behind the introduction of presumptive tax scheme for professionals is to facilitate compliance as well as to improve the tax behavior of professionals (Union Budget-2016). According to his budget speech in 2018, 41% more returns were filed during the assessment year 2017-18 as a result of more return filing under presumptive taxation schemes. The Income Tax Department has received 44.72lakh returns for assessment year 2017-18 of which 5.68lakh were under the scheme of presumptive taxation (Union Budget-2018). Observing the positive effect of presumptive taxation schemes for traders and entrepreneurs running at present, the Finance Minister has introduced the presumptive taxation scheme for professionals with a hope to increase the tax revenue from assesses involved in different professions.

The broad consensus on ‘good tax policy’ argues for a simple tax structure, with few exceptions, which is broadly applied across the whole economy [Stiglitz (1986)]. However this approach is not new and has been

followed in many countries around the globe. According to Bird (1989) and Taube, Gunther and Helaway, (1996) P-taxes are arguably measures of potential rather than actual income; they resemble ability-to-earn based taxes and may in this sense be more efficient than the second-best taxation of actual income. According to Thuronyi (1996) Presumptive tax may be employed for the simplification of tax procedures, administrative burden of auditing and compliance burden particularly in relation to taxpayers with very low turnover. Jaramillo (2004) revealed that presumptive taxes are potentially effective to decrease to administrative and compliance costs.

## II. PRESUMPTIVE TAXATION SCHEMES IN INDIA

Though the existence of presumptive taxes were there in India in the earlier years (in seventies and eighties) for non residents Indians but no schemes were available for resident Indians at that time. For resident Indians presumptive taxes were initiated in India in the mid-nineties with the recommendations of the Chelliah Committee (1992) regarding presumptive tax scheme for small business with a very low annual turnover. Most significantly Chelliah Committee (1992) recommended that presumptive tax scheme and the estimated income scheme be implemented for small trading, brokerage or commission activities and construction contract activities. Again, Chelliah Committee (1992) recommended that presumptive tax should be given wide publicity so that they can be used for self assessment by tax payers. To avoid tax evasion on the part of these segments simple schemes based on the presumptive approach should be introduced. On the basis of the recommendations of the Chelliah Committee report presumptive tax schemes were introduced with the passing of Union Budget 1997 with a retrospective effect from the assessment year 1994-95 for the businesses dealing with civil construction, hiring leasing or plying goods carriages under section 44AD and 44AE respectively. Threshold limit of gross receipts under section 44AD was ₹ 60lakhs and number of goods carriages was not exceeding 10 under section 44AE. Business of retail trade came into the ambit of presumptive taxation under section 44AF from the assessment year 1998-99 with a threshold limit of gross receipts of ₹ 40lakh. With the passage of time threshold limits have been increased for every section. Section 44AF is fused into section 44AD from the assessment year 2011-12. In other words section 44AD related to presumptive taxation substituted section 44AF regarding presumptive taxation. At that time threshold limit for the annual turnover or gross receipts to be taxed @8% p.a. was Rs. 1crore. From the assessment year 2017-18 threshold limit for section 44AD has been changed to Rs. 2crore. From the assessment year 2017-18 deduction for interest and remuneration by a firm to its partners will not be available at the time of calculating the gross receipts or gross annual turnover. Up to the Assessment Year 2014-15 presumptive taxation for business of plying hiring and carriages of goods were allowed under section 44AE. From the assessment year 2014-15 presumptive taxation scheme for, hiring leasing or plying goods carriages under section 44AE has been withdrawn. From the Assessment year 2017-18 a new era has been started in the domain of presumptive taxation schemes with the introduction of presumptive taxation scheme for professionals under section 44ADA having annual turnover up to ₹ 50lakh. Under section 44ADA taxable profits has been presumed @ 50% of gross receipts for professionals having gross receipts up to ₹ 50lakh.

Table – 2.1 shows the presumptive taxation schemes for the Assessment Year 2010-11 with their effective date and features. The year 2010-11 has been chosen as this is the year in which separate section for Presumptive Taxation for retail traders under section 44AF ceases to exist and has been fused to section 44AD. At that time only two schemes are available for small businessmen under presumptive tax. They are presumptive tax under section 44AD and section 44AE. From the assessment year 2014-15 section 44AE has been withdrawn and only one presumptive tax scheme under section 44AD is available for small businessmen.

**Table – 2.1**  
**Provisions relating to Presumptive Tax Schemes in India for the Assessment Year 2010-11**

Type of Business	Section (effective A.Y.)	Type of Taxpayer	Tax Base	Mode of Computation of taxable income
Civil Construction	44AD (1994-95) retro FA 97	Individual, HUF, AOP, Partnership Company, Cooperative Societies (Resident or Non Resident)	Gross Receipts from business not exceeding ₹60 lakhs p.a.	8% of gross receipts

Plying, Hiring or leasing Goods Carriages	44AE (1994-95) retro FA 97	“do”	Number of goods carriages not exceeding 10	5,000 p.m. for heavy goods vehicle and 4,500 p.m. for light goods vehicle
Retail Trade	44AF 1998-99	“do”	Turnover of Business not exceeding ₹ 40 lakhs p.a.	5% of total turnover.

Source: Budget Documents

Note: Assessment Year 2010-11 is the last existing year of section 44AF

The above table is self explanatory. Since the inception of presumptive tax system tax base for different section of assessee increases step by step, mode of computation changes a lot. Above table shows the tax base and mode of computation for the assessment year 2010-11.

Presumptive Tax Schemes are not only applicable for residents of India. Non-residents are also in the arena of these schemes. They are among those businessmen to whom presumptive taxation schemes have been offered at first. But for the purpose of the study these schemes are not taken into consideration.

Changes regarding presumptive taxation scheme from the assessment year 2011-12 will be tabulated in Table – 2.2. Presumptive Tax Schemes presently available in India for resident tax payers are depicted in the following table.

It is not necessary for taxpayers, who are resident in India and are assessed under presumptive tax schemes, maintaining books of accounts compulsorily under section 44AA and auditing of those books of accounts under section 44AD. As well as to find out the assumed income as per the rate mentioned above all deductions under section 30 to 38 are considered to be allowed previously. As a result computational complexities are minimized. Again in this system it is possible for assesses to declare higher income than the presumed one. On the contrary this system does not allow tax payers to declare lower income than the presumed one.

In the earlier phase tax payers would submit their return in ITR-4 and ITR-7 specified for assesses to be taxed under Presumptive Taxation under section 44AD, 44AE and 44AF. Those returns are “SARAL” in nature. At present assesses have to file up return for presumptive tax under 44AD and 44ADA through ITR-4S i.e. the form is “SUGAM” in nature. SUGAM return form may help assesses to file up returns easily without complexities and the compliance burden is very less for the same.

### III. OBJECTIVE OF THE STUDY

The discussions in the above sections have focussed on the necessity of presumptive taxes and on how these schemes have been implemented in India. The discussions reveal that tax authorities in India have installed a variety of schemes for different business activities for residents as well as for non residents. Nearly all these schemes have been operative for more than two decades and have been an integral part of the income tax system in India except the presumptive taxation scheme for professionals under section 44ADA which has been introduced only before 2 years. In these two years how much it becomes successful to fetch target assesses in the tax bracket under this simplified scheme need to be addressed. Thus for the purpose of the study this specific section i.e. section 44ADA has been chosen. It is implied that any system that is introduced to simplify tax procedures by removing complexities, should be comprehended by the taxpayers and used accordingly. The canon of “convenience” can only be appropriately incorporated in a tax system when the taxpayers understand the scheme and find it easy to comply with the scheme. Whether the newly imposed presumptive taxation scheme under section 44ADA is convenient or easily comprehensible to the target group or not, need to be observed.

Therefore this study is an attempt in this direction and is based on a survey carried out to find out how taxpayers understand the system and perceive the system. The objectives of the study are to find:

- (i) whether targeted tax payers are aware of the scheme of Presumptive taxes under section 44ADA.
- (ii) the sources from which taxpayers gather information about this particular scheme of presumptive taxes.
- (iii) whether the target group perceives the presumptive tax system as simple and easy to comply.

(iv) whether tax payers feel that the Income Tax authorities should carry on popularize programme to disseminate adequate information to them about presumptive taxes.

**Table – 2.2**  
**Presumptive Taxation Schemes from the Assessment Year 2011-12**

Assessment Year	Type of Business	Section (effective A.Y.)	Type of Taxpayer	Tax Base	Mode of Computation of taxable income
From A.Y. 2011-12 to A.Y. 2016-17	Civil Construction, Retail Trading, Wholesale Trading and any other business except agency business, business in the nature of commission or brokerage and plying, hiring or leasing goods and carriages	44AD A.Y. 2011-12	Individual, HUF, AOP, Partnership Company, Cooperative Societies (Resident or Non Resident)	Gross Receipts from business not exceeding ₹ 1 crore p.a.	8% of gross receipts
From A.Y. 2017-18		44AD A.Y. 2017-18		Gross Receipts from business not exceeding ₹ 2 crore p.a.	
Up to A.Y. 2014-15	Plying, Hiring or leasing Goods Carriages	44AE (1994-95) retro FA 97	“do”	Number of goods carriages not exceeding 10	5,000 p.m. for heavy goods vehicle and 4,500 p.m. for light goods vehicle
From A.Y. 2017-18	Professional including Engineering, legal, architecture, accountancy, medical, technical, interior designing and other notified professionals	44ADA A.Y. 2017-18	Individual, HUF, AOP, Partnership but not a Limited Liability Partnership Firm	Gross Receipts from profession not exceeding ₹ 50 lakhs p.a.	50% of gross receipts

Source: Budget Documents

#### IV. RESEARCH METHODOLOGY AND SAMPLE SIZE

For the purpose of the study, the scheme of presumptive taxes specified under section 44ADA applicable to professionals including the field of engineering, medical, legal, architecture, accountancy, technical, interior designing etc. was chosen. This section was opted on the basis of a pilot survey. The scope of the study was therefore restricted to presumptive taxation under section 44ADA for professionals.

The survey was carried out in different towns of Jalpaiguri district of West Bengal. Professionals from different fields, tax practitioners and municipalities were approached. The questionnaire was based on 5 point Likert Scale. 174 professionals could be contacted in Jalpaiguri district. Due to incompleteness of answers 7 samples from Jalpaiguri district were rejected. The sample, which was a mix of random and convenient sampling, stood at 167 professionals including the field of engineering, legal, medical, accountancy and interior designing. Distribution of sample stood as follows:

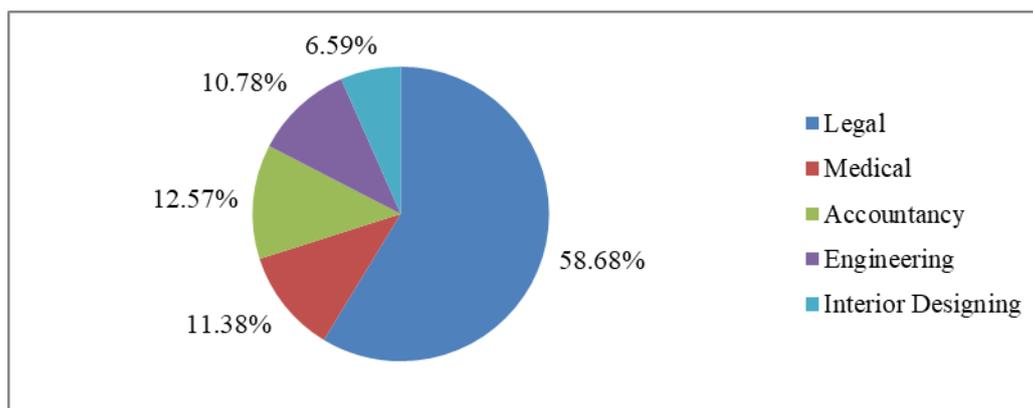


Figure - 4.1: Chart Showing Sample Professionals in Different Area

Above pie chart is self explanatory. Professionals from legal field among total sample are 98, from Medical field are 19, from Accountancy are 21, from Engineering 18 and from Interior Designing are 11. So percentage of legal persons among total professionals is maximum i.e. 58.68% and percentage of persons from interior designing is minimum i.e. 6.59%. Out of these 167 professionals there were 24 professionals who were not aware of the system of presumptive taxes and 143 professionals are aware of presumptive taxation. The distribution of the sample stood as follows:

**Table – 4.1**  
**Distribution of Sample Professionals on the Basis of Awareness about PT**

Category	Total
Aware of Presumptive Taxes	143
Not Aware of Presumptive Taxes	24
Total	167

Source: Field Survey

Note: PT = Presumptive Taxes

Therefore two categories of respondents are found. 143 respondents were aware about presumptive taxes and only 24 were not aware about presumptive taxes.

Category 1: Those who were aware about presumptive taxes, N=143
Category 2: Those who were not aware about presumptive taxes, N=24

A questionnaire comprising of certain statements based on a five point Likert Scale was administered to Category 1 respondents. For category 2 respondents, Firstly provisions of section 44ADA were clearly explained, their doubts if any were cleared and then another set of statements based on a five point Likert Scale was administered to them. The reliability of the scale to measure the perceptions of two categories of sample respondents was verified. The value of Chronbach's Alpha for the scale to measure the perceptions of Category 1 respondents (sample size – 143) for 9 questions is 0.791 which indicates a high level of internal consistency. Again, the value of Chronbach's Alpha for the scale to measure the perceptions of category 2 respondents (sample size – 24) for 12 questions is 0.805 which also indicates a high level of internal consistency.

On the basis of gross receipts these samples were grouped as ₹ 0-10lakh, ₹ 10-20lakh, ₹ 20-30lakh, ₹ 30-40lakh and ₹ 40-50lakh. Again each group was splitted according to the types of assesses i.e. into individual, AOP, Partnership Firms.

**Table – 4.2**  
**Distribution of Respondents according to Gross Receipts and category of Assessee**

Gross Receipts (₹ in lakh)	Individual	AOP	Partnership Firms	Total
0- 10	9	-	-	9
10-20	16	3	7	26
20-30	57	4	10	71
30-40	38	3	6	47
40-50	11	-	3	14
Total	131	10	26	167

Source: Field Survey

The table is self explanatory. It is observed that 78.44% of total sample were individual, 5.99% were AOP and 15.57% were belong to Partnership Firm.

The findings of the study were described in next section.

## V. FINDINGS OF THE STUDY

It was observed in the previous section that a large portion of professionals in the sample were aware about the system of presumptive tax schemes. Only a small proportion of the sample (14.37%) was unaware of the schemes. Professionals aware of presumptive taxation were asked about the sources from which they gathered knowledge about this system. Their responses are reported in Table 5.1.

**Table – 5.1**  
**Major Sources of Information about PT for Category 1 respondents (N=143)**

Sources	Newspapers	TV	Internet	Business Community/Friends	Tax Consultant	Income Tax Personnel
No of respondents	nil	nil	34	69	23	17

Source: Field Survey

The table makes it clear that nearly 48% of the respondents have gathered the knowledge from friends and people in their business community, 24% by his own effort from internet and 16% from tax consultants. Very few respondents (only about 12 %) have gathered knowledge about presumptive taxation system from officials of Income Tax department. Furthermore all the respondents are well educated as they belong to certain profession and well connected to outer world through newspapers, electronic media and internet. In spite of that none of the respondents have gathered any information from newspaper or electronic media. Therefore it can be inferred that publicity and popularize program was not adequate in print and electronic media or if any was not properly noticeable.

In this section the responses of category 1 respondents has been analyzed. Their responses were recorded on a five point Likert Scale. The scale was Strongly Agree, Agree, Do not know, Disagree and Strongly Disagree with score 2, 1, 0,-1 and-2 respectively. There answers were collected, analyzed and summated by using proper statistical tool and the mean scores were reported for every statement. A value higher than zero for the mean score would denote a positive attitude of respondents towards the statement. To test the response it was hypothesized that the mean score for perception ( $MS_p$ ) for each statement administered would be greater than zero, the neutral value on the five point scale. The hypothesis framed was as follows:

$H_0$ : Mean Score for Perception of Category 1 Respondents ( $MS_{ip}$ ) $\leq 0$ $H_1$ : Mean Score for Perception of Category 1 Respondents ( $MS_{ip}$ ) $> 0$ (where $i$ denotes the serial number of the statement)
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The observations have been depicted in the following table. Only statistically significant results are reported.

**Table – 5.2**  
**Perception of Category 1 Respondents Aware about Presumptive Tax (N= 143)**

Statement No.	Statements	Mean Score	Z Value
1	Provision of PT is easier to understand than that of IT	1.50	4.67*
2	Calculation of tax under PT seems to less complex than calculation of tax under ordinary IT provisions	0.87	5.33*
3	The system of not maintaining books under sec 44AA and not getting them audited under sec 44AB if PT is opted removes a lot of computational complexities	0.68	5.09*
4	Estimating my income @ 50% of gross receipts is rational	0.83	4.75*
5	Provision of paying 100% advance tax by 15 <sup>th</sup> of March of the financial year increases the tax revenue	0.52	5.18*
6	The ceiling of Rs. 50 lakhs should be raised	0.17	5.13*
7	I file returns myself under the PT system	0.93	4.99*
8	I would employ a tax consultant to file my returns under PT	0.37	4.97*
9	Much more awareness need to be developed by the IT dept. regarding PT through advertisement and counseling	1.28	5.03*

Source: Field Survey

\* denotes significance at 1% level

Table - 5.2 discloses many interesting facts. Firstly, the null hypothesis has been rejected at 1% significant level in all the above cases. The respondents opined that it is easier to understand presumptive taxation system. According to them the process of calculation presumptive tax seems to be easier than the normal procedure of calculation of tax under Income Tax and the maintenance of books of accounts under presumptive tax seems to be simpler as the system of Presumptive Tax does not demand compulsory maintenance of books of accounts as well as the compulsory auditing of books of accounts. According to them the system of presumptive taxation is highly compliant and it would be not tough for them to file

return under presumptive taxation but they would prefer to rely on tax consultants to file their returns. This is probably because of the fact that filing of returns in ITR forms seem to be a complex matter for them. Since the respondents find the system a convenient one, they would like to file returns under this system though they sincerely believe that the ceiling for gross receipts of Rs 50lakhs is not adequate considering the prevailing economic condition. If it can be raised it would be possible for more professional persons to come under the ambit of this system. Lastly they feel that awareness about this system should be generated by the income tax department through counseling and advertisements.

In the second part of the study category 2 respondents i.e. professionals not aware about presumptive taxation were made well versed with the provisions of section 44ADA along with the procedure for calculating taxable income and then a similar type of questionnaire were administered to them. Again their responses were recorded on a five point Likert Scale with score 2, 1, 0,-1 and-2 for Strongly Agree, Agree, Do not know, Disagree and Strongly Disagree respectively. Their answers were collected, analyzed and summated by using proper statistical tool and the mean scores were reported for every statement. A value higher than zero for the mean score would denote a positive attitude of respondents towards the statements. To test the response it was hypothesized that the mean score for perception ( $MS_{ip}$ ) for each statement administered would be greater than zero, the neutral value on the five point scale. The hypothesis framed was as follows:

$H_0$ : Mean Score for Perception of Category 2 Respondents ( $MS_{ip} \leq 0$ )  
 $H_1$ : Mean Score for Perception of Category-2 Respondents ( $MS_{ip} > 0$ )  
 where ( i= denotes the serial number of the statements

The observations have been depicted in the following table and the significant results are reported.

**Table – 5.3**  
**Perception of Category 2 Respondents - Not Aware about Presumptive Tax (N = 24 )**

Statement No.	Statements	Mean Score	Z Value
1	Provision of PT is easier to understand than that of IT	1.79	4.96*
2	Calculation of tax under PT seems to less complex than calculation of tax under ordinary IT provisions	0.96	5.05*
3	The system of not maintaining books under sec 44AA and not getting them audited under sec 44AB if PT is opted removes a lot of computational complexities	0.63	5.00*
4	Estimating my income @ 50% of gross receipts is rational	0.79	4.94*
5	Provision of paying 100% advance tax by 15 <sup>th</sup> of March of the financial year increases the tax revenue	0.54	4.95*
6	The ceiling of Rs. 50 lakhs should be raised	0.25	5.00*
7	Learning the provisions of PT is beneficial to me as I can have a good idea of my tax liability based on gross receipts	0.88	5.00*
8	Now, I would comply and pay my taxes more readily	0.83	4.91*
9	After learning PT , now I can myself file returns under the PT system	1.00	5.00*
10	Though I have learnt about PT, I would rather employ a tax consultant to file my returns under PT	0.29	4.96*
11	My tax consultant should have explained the provisions of PT to me before	1.21	5.08*
12	Much more awareness need to be developed by the IT dept. regarding PT through advertisement and counseling	1.33	4.86*

Source: Field Survey

\* denotes significance at 1% level

The prototype of responses of category 2 respondents is similar to a certain extent to that of category 1 respondents. For all the statements null hypotheses have been rejected. This is an indication to the respondents’ positive attitude towards presumptive tax system. After knowing the details about the presumptive tax system category 2 professionals opined that the system of presumptive tax is much easier than that of income tax as the procedure of calculating taxable income and tax payable is much easier in that system and also there is no compulsory maintenance of books of accounts and compulsory auditing. According to them the system of presumptive tax is quite rational and on the part of the Government there is a chance to increase the tax revenue as the same is collected within 15<sup>th</sup> of March every year. The

respondents in this case also opine that the ceiling of Rs. 50lakh is quite low and needs to be raised. According to them learning about the presumptive tax system is very much beneficial for them. As they can calculate the amount of payable tax and comply with the system more readily and they can file returns by themselves under this system. But still they prefer to go to tax consultants for filing returns to avoid extra work load. Most importantly the respondents feel that the tax consultants should have explained the provisions of presumptive tax to them earlier. Further, they opined that the awareness levels of respondents should be increased through counseling and advertisements. Income Tax department should play a vital role for that. Policy makers should think over it since increase of awareness through taxpayer education can lead to an environment where the taxpayer can perceive the system as simple and friendly and therefore lead to better compliance.

It has been noticed that both categories of respondents have opined in favour of increasing the ceiling of gross receipts. In next section of the study it is examined whether opinions for raising the ceiling of gross receipts would be the same for professionals with high income bracket so as to professionals with low income bracket (income is measured in terms of gross receipts). Table – 6 indicates the distribution of respondents in terms of gross receipts. For the same a test of association between the levels of gross receipts of the professionals and their level of agreement for raising the ceiling was done. The hypothesis framed for this purpose was as under:

H<sub>0</sub>: There would be no association between the levels of gross receipts of professionals and their level of agreement for raising the ceiling.  
 H<sub>1</sub>: Professionals with higher receipts would agree much more in favour of raising the ceiling.

The hypothesis was tested using the Chi Square Test. The contingency table is given below:

**Table – 5.4**  
**Association between level of Gross Receipts of Respondents and their Opinion regarding Raising of the Ceiling of ₹ 50lakh under Section 44ADA (N= 167)**

Levels of agreement → Gross Receipts ₹ lakhs ↓	Strongly Agree	Agree	Do not know	Disagree	Strongly Disagree	Total
<b>0-10</b>	1	3	2	0	3	<b>9</b>
<b>10-20</b>	4	9	8	2	3	<b>26</b>
<b>20-30</b>	25	21	20	5	0	<b>71</b>
<b>30-40</b>	24	12	6	5	0	<b>47</b>
<b>40-50</b>	9	5	0	0	0	<b>14</b>
<b>Total</b>	<b>63</b>	<b>50</b>	<b>36</b>	<b>12</b>	<b>6</b>	<b>167</b>

Source: Field Survey

Note: For the purpose of calculating  $\chi^2$ , first columns 5 and 6 were coalesced and then rows 2 and 3 were coalesced and lastly rows 5 and 6 were coalesced so that the expected cell frequencies would be more than or equal to 5

The calculated value of  $\chi^2$  is 19.52 at 6 degrees of freedom which is significant at 1% level. Therefore the null hypothesis is rejected, indicating a strong association between the level of gross receipts and agreement for increasing the ceiling. It can be said from Table – 5.4 that a larger percentage of respondents belong to professional class having higher gross receipts are in favor of raising the ceiling of gross receipts more i.e. they either agreed or strongly agreed to the proposition that the ceiling should be increased.

## VI. CONCLUSION

Finance Minister Mr. Arun Jaitley extended the scope of presumptive taxation to professionals with a hope to curb the tendency of tax avoidance and to increase the positivism in tax behavior. Presumptive Tax Schemes are in operation to simplify complexities in tax calculation and the compliance burden of small taxpayers including professionals with turnover up to ₹ 50lakh. But professionals are not so much well acquainted with the system still today as anticipated by the Government. Though, the sources of information

are largely informal, the study reveals that the presumptive tax scheme seems to be beneficial for the professionals. In spite of having higher education level, knowledge gathered by them about this simple scheme is not sufficient. Whatever information they have collected are mainly based on their own interests. There is hardly any effort to aware the professionals about this new scheme from the point of tax authorities through different media. The effectiveness of any tax scheme depends on its comprehension and acceptance. So, efforts of the tax authorities should be there to disseminate knowledge about newly introduced presumptive tax schemes for professionals. The basic canons of 'convenience' and 'certainty' can only be fulfilled only when there is no lack of knowledge about the taxation system among the target groups. The lack of knowledge to some extent about the presumptive taxation system creates inconvenience among professionals and leads to noncompliance to a certain level. Because of that it is not possible for the target group to accept the system fully and to presume the tax base as well as taxes through self measurement and they have to depend on tax consultant to presume their taxable income.

According to Kelkar Committee Report (2002), the quality of services extended to the tax payer must be improved. Tax payer service typically refers to the provision of information and material provided to the general mass of tax payers by the tax administration so as to facilitate compliance with tax laws. Committee has also emphasised that communication about taxes and tax policies is extremely important and tax payer's rights and obligations need to be clearly specified. Therefore, attention must be needed from the end of the tax authorities to popularise presumptive tax schemes through advertisement in different media. The Directorate of Income-tax (RSP & PR) should organize a sustained publicity campaign to promote the Presumptive Tax Scheme (PTS) under section 44ADA throughout the country. Public media such as newspapers, magazines, posters, FM Radio, Television channels should be used to reach the grass root level. Taxpayers' Awareness Program can be initiated on various TV channels to educate professionals regarding this presumptive tax schemes. Efforts should be made to develop word-of mouth publicity and counseling by income tax personnel. For that workshops and awareness camps can be organized among professionals. Though yet not implemented, Direct Taxes Code Bill (2009) has proposed widening of presumptive tax base to attract more tax payers in the ambit of these tax schemes. Same proposition is applicable for professionals. So it is necessary to allocate budget for enhancing Presumptive Tax Scheme publicity program at local level.

Professionals have expressed dissatisfaction over the ceiling on gross receipts and opined that the ceiling needs to be raised. However, it has to be further studied that whether enhancement in the ceiling will be required for all the professionals or not since the study finds that professionals with lower gross receipts do not feel the immediate necessity for enhancement. The system of presumptive taxation can be made progressive by introducing slabs i.e. a rate below 50% (may be 30%) of profit presumption can be applicable for professionals with gross receipts up to ₹ 50lakhs and 50% of profit presumption can be applicable for professionals with gross receipts from ₹ 50lakhs to ₹ 1crore.

The difficulties in filing return can be removed by making the ITR-4S more simpler so that it will really become "SUGAM" and will make the return filing process easy and simpler and in spite of jumbling up with enormous information if some basic information related only to name, address, PAN etc. and the information related to gross receipts and total taxable income can only be given then the filing up of return can be smooth.

The study is based on perception of professionals only and the suggestions given are indicative and not exhaustive. If proper efforts are exercised by tax authorities to make the system comprehensible this user friendly scheme can generate much positive tax behaviour among professionals and decrease the tendency of tax avoidance. Being most effective tax instrument presumptive tax scheme can help professionals to presume their taxable income by themselves not depending on others. Unless the provisions relating to presumptive taxation are properly explained and publicized the ultimate benefits of this simple system cannot be grabbed.

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