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## "TAX AWARENESS AMONG STUDENTS IN INDIA: AN EMPIRICAL STUDY OF KNOWLEDGE, PERCEPTION, AND THE NEED FOR TAX EDUCATION IN DELHI"

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Ayush Shukla\*<sup>1</sup>

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Ba llb., VIIIth Semester School Of law Justice and Governance, Gautam Buddha University  
Greater Noida.

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\*Corresponding Author: Ayush Shukla

Ba llb., VIIIth Semester School Of law Justice and Governance, Gautam Buddha University Greater Noida.

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### ABSTRACT

Taxation is a critical element of the economic fabric of a country, but knowledge of tax laws among young people, especially students, is scant. The research explores the awareness of taxation and tax laws among students in India, particularly in Delhi. The study explores the disconnect between conceptual knowledge about taxes and awareness of tax laws and procedural aspects. The research adopts an empirical methodology, drawing on primary data gathered through a questionnaire from 50 student respondents from varied academic backgrounds through convenience sampling.

The results show that although most students have a fundamental understanding of the concepts of taxation, including awareness of basic taxes and their importance, their knowledge of specific tax laws such as the Income Tax Act, Goods and Services Tax (GST) law and taxation procedures such as filing Income Tax Returns (ITR) is relatively weak. Knowledge of practical aspects such as tax compliance, deductions and statutory provisions is also found to be moderate to low. The study also suggests a high level of agreement among respondents about the importance of including tax education in school and college programs, and increasing awareness through institutional and government programs.

The research draws the conclusion that while taxation is gaining prominence in our lives, the current educational and awareness programs are not adequate. It highlights the need for tax education and training and awareness programs to develop a holistic understanding and legal knowledge of taxation among students.

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<sup>1</sup> Ba llb. , VIIIth Semester School Of law Justice and Governance, Gautam Buddha University Greater Noida

**KEYWORDS:** Tax Awareness, Tax Law, GST, Income Tax, Students, India.

## 1. INTRODUCTION

Taxation is a core element of the modern state, providing the key means for it to raise revenue to fulfil its duties and responsibilities. Taxation is generally defined as the exaction by the State of a compulsory exaction from individuals and corporations without a direct quid pro quo, for the purpose of raising revenue to meet public expenses and promote socio-economic well-being.<sup>2</sup> In India, taxation is of paramount importance not only in raising revenue but also in ensuring distributive justice, regulating economic activities, and facilitating inclusive development.<sup>3</sup> The transition of the Indian tax system from a complex structure with multiple indirect taxes to the introduction of the Goods and Services Tax (GST) is illustrative of the continuous effort to rationalise tax structures and improve compliance and transparency.

Taxation is also of significant legal and social importance. Knowledge of tax laws helps individuals fulfil their legal obligations, avoid tax evasion, and engage in prudent financial planning. Further, tax awareness helps to reinforce the social contract between citizens and the State, promoting a sense of accountability and responsible citizenship.<sup>4</sup> In the modern era, where more young people are becoming financially independent and entrepreneurs, tax awareness and knowledge of tax laws has become an important part of financial literacy.

Despite the importance of tax knowledge, there is a lack of tax awareness among students in India. While students may have a conceptual knowledge of taxation - such as understanding that the government levies taxes for public welfare - they may not be aware of specific provisions, procedures and compliance measures. They are not familiar with laws like the Income Tax Act, 1961, the GST regime and procedures such as filing Income Tax Returns (ITR). This is especially worrying as students are the taxpayers of the future. The lack of formal tax education in the curriculum adds to this problem, creating a gap between theoretical knowledge and practical understanding.<sup>5</sup>

Against this backdrop, the current research aims to explore students' awareness of taxation and tax laws in India, specifically in Delhi. The study seeks to explore the awareness of students about fundamental concepts of taxation, tax law and practical issues of tax compliance. The research will also explore students' views on the significance of tax education and the factors that affect their level of awareness.

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<sup>2</sup> Kanga and Palkhivala, *The Law and Practice of Income Tax* (10th edn, LexisNexis 2014).

<sup>3</sup> Government of India, *Economic Survey 2023–24* (Ministry of Finance 2024).

<sup>4</sup> Joseph E Stiglitz, *Economics of the Public Sector* (3rd edn, W W Norton & Company 2000).

<sup>5</sup> Reserve Bank of India, *Report on Financial Literacy and Education in India* (RBI 2022).

The study will explore the following questions: What is the level of awareness of taxation among students? What is the level of knowledge of tax laws like the Income Tax Act and GST? What are the practical knowledge gaps in tax compliance? Answering these questions will help determine the extent and nature of awareness and determine the need for educational and policy measures.

The research is confined to the students of Delhi and is based on primary data gathered through a questionnaire. The results may not be applicable to all, but they provide some insights into the awareness of a critical group. This study is mainly concerned with individual awareness and not the institutional or administrative aspects of taxation. However, it offers a basic understanding of the existing level of tax awareness among students and identifies the need for mainstreaming tax education.

## 2. LITERATURE REVIEW

The relationship between tax awareness and financial literacy has been extensively researched in various countries, especially in emerging markets such as India, where tax compliance is impacted by education, information access, and tax law complexity. The current body of research shows that while there is a high level of general tax awareness, a lack of in-depth knowledge of tax laws and compliance processes exists, particularly among young adults and students.

A number of authors have stressed the link between financial literacy and tax awareness. Lusardi and Mitchell point out that financial literacy, including awareness of taxation, is essential for individuals to make sound economic choices and adhere to regulations.<sup>6</sup> Their research suggests that a deficiency in financial education affects individuals' understanding of tax obligations and subsequently compliance.

In India, research has been conducted regarding the awareness and attitude towards taxation following the introduction of the Goods and Services Tax (GST). Kumar (2017) studied the awareness of GST soon after it was introduced and observed that while people were aware of GST, they were not clear about its structure and implementation.<sup>7</sup> Likewise, Garg (2018)

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<sup>6</sup> Annamaria Lusardi and Olivia S Mitchell, 'The Economic Importance of Financial Literacy: Theory and Evidence' (2015) 52 *Journal of Economic Literature* 5.

<sup>7</sup> Rajiv Kumar, 'Public Awareness towards Goods and Services Tax in India' (2017) 6 *International Journal of Applied Research* 45.

found that while GST brought transparency in the taxation system, the complexities of compliance procedures hindered its understanding among non-commerce students.<sup>8</sup>

Studies have also been undertaken on students' and young professionals' awareness of taxation. An empirical study by Singh and Sharma (2019) on university students found that students in commerce and law streams were more aware of tax issues than those in science and arts streams.<sup>9</sup> This suggests the influence of education in determining tax awareness. Similarly, Gupta (2020) analysed that while students were familiar with basic tax concepts, their awareness of tax provisions such as deductions, exemptions and the process to file tax returns was very low.<sup>10</sup>

Additionally, research has also explored the influence of education on tax compliance and awareness. OECD (2019) notes that incorporating tax education in the curriculum can boost voluntary compliance and inculcate a sense of responsibility in young people.<sup>11</sup> Complementing this, in its report on financial literacy in India, the Reserve Bank of India (2022) noted that education initiatives, workshops and online platforms can help improve awareness, especially among students.<sup>12</sup>

Recent studies have also explored behavioural and perceptual dimensions of tax awareness. Verma and Bansal (2023) examined the perceptions of students towards taxation and noted that although students acknowledge the role of taxes in the development of the country, they view tax laws as intricate and confusing.<sup>13</sup> This perception hinders their active participation in tax-related activities. Similarly, a study by Mehta (2024) on online tax awareness found that social media and websites are major sources of information, but the quality and content of such information is doubtful.<sup>14</sup>

Overseas studies have also found the same. Alm (2018) underscores the importance of tax awareness and knowledge in promoting tax compliance, and highlights that non-compliance is often due to lack of knowledge.<sup>15</sup> In addition, recent OECD research (2021) reiterates that

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<sup>8</sup> Neha Garg, 'GST in India: Impact and Awareness among Consumers' (2018) 7 *Journal of Commerce and Accounting Research* 12.

<sup>9</sup> Amanpreet Singh and Ritu Sharma, 'Tax Awareness among University Students: An Empirical Study' (2019) 8 *Indian Journal of Finance* 33.

<sup>10</sup> Pooja Gupta, 'Awareness of Income Tax Provisions among Youth in India' (2020) 9 *International Journal of Management Studies* 67.

<sup>11</sup> Organisation for Economic Co-operation and Development, *Tax Morale: What Drives People and Businesses to Pay Tax?* (OECD Publishing 2019).

<sup>12</sup> Reserve Bank of India, *Report on Financial Literacy and Education in India* (RBI 2022).

<sup>13</sup> Rakesh Verma and Sunil Bansal, 'Perception of Students towards Taxation in India' (2023) 12 *Journal of Business and Economic Studies* 89.

<sup>14</sup> Kunal Mehta, 'Digital Platforms and Tax Awareness among Youth in India' (2024) 11 *Journal of Financial Studies* 102.

<sup>15</sup> James Alm, 'What Motivates Tax Compliance?' (2018) 32 *Journal of Economic Surveys* 353.

awareness programs for young people can help close the gap between knowledge and compliance.<sup>16</sup>

Despite the increasing research in this area, there is still a gap. The majority of research either targets taxpayers broadly or particular professions and less on students. Additionally, while some studies focus on financial literacy or tax compliance, there is a lack of integration of both to determine awareness. This research aims to fill this gap by examining the category of students in Delhi, and assess their awareness of taxation concepts and tax laws empirically.

### 3. RESEARCH METHODOLOGY

The present study adopts an empirical research approach to examine the level of awareness of taxation and tax laws among students in India, with specific reference to Delhi. The research is descriptive in nature, as it seeks to systematically describe and analyze the awareness levels, perceptions, and practical knowledge of students regarding taxation without manipulating any variables. This approach is appropriate given the objective of understanding existing conditions rather than establishing causal relationships.<sup>17</sup>

The study is based on primary data collected through a structured questionnaire specifically designed to capture various dimensions of tax awareness. The questionnaire includes both close-ended and Likert scale questions, enabling the collection of quantitative data as well as limited qualitative insights. The questions are divided into sections covering demographic details, basic awareness of taxation, awareness of tax laws, practical knowledge, perception and attitude, and sources of information. This structured design ensures uniformity in responses and facilitates statistical analysis.<sup>18</sup>

The sample size for the study comprises 50 student respondents from Delhi. A convenience sampling method has been employed due to accessibility and time constraints. The sample includes students from diverse academic backgrounds such as law, commerce, management, science, and arts, at both undergraduate and postgraduate levels. This diversity helps in capturing variations in awareness levels across different educational streams, thereby enhancing the analytical value of the study.<sup>19</sup>

Data collection was carried out through an online survey method, ensuring ease of access and participation. Respondents were provided with the questionnaire in a digital format, and their

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<sup>16</sup> Organisation for Economic Co-operation and Development, *Building Tax Culture, Compliance and Citizenship: A Global Source Book on Taxpayer Education* (OECD Publishing 2021).

<sup>17</sup> C R Kothari, *Research Methodology: Methods and Techniques* (2nd edn, New Age International 2019).

<sup>18</sup> Ranjit Kumar, *Research Methodology: A Step-by-Step Guide for Beginners* (5th edn, Sage Publications 2018).

<sup>19</sup> Alan Bryman, *Social Research Methods* (5th edn, Oxford University Press 2016).

responses were recorded systematically. The use of an online platform not only increased response efficiency but also ensured accuracy in data recording and reduced the likelihood of manual errors.

For the purpose of data analysis, the study primarily employs descriptive statistical tools. The responses have been analyzed using percentage analysis to determine the level of awareness across different variables. Additionally, graphical representations such as bar charts and pie charts are used to present the data in a clear and comprehensible manner. Likert scale responses have been interpreted to assess students' perceptions and attitudes towards taxation and the need for tax education.<sup>20</sup>

The variables considered in the study include independent variables such as course of study and level of education, and dependent variables such as awareness of taxation, knowledge of tax laws, and practical understanding of tax procedures. This classification enables a structured analysis of how educational background influences tax awareness.

However, the study is subject to certain limitations. The use of a relatively small sample size and convenience sampling restricts the generalizability of the findings. Additionally, the study is confined to students in Delhi and may not fully represent awareness levels in other regions of India. Despite these limitations, the research provides meaningful insights into the current state of tax awareness among students and serves as a foundation for further, more extensive studies.

#### **4. Data Analysis and Interpretation**

The empirical data collected from 50 student respondents has been analyzed using descriptive statistics. The results are presented through **tables** followed by interpretation to ensure clarity and academic rigor.

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<sup>20</sup> Uma Sekaran and Roger Bougie, *Research Methods for Business: A Skill-Building Approach* (7th edn, Wiley 2019).

#### 4.1 Demographic Analysis

Variable	Category	Frequency	Percentage (%)
<b>Age</b>	18–20	14	28%
	21–23	24	48%
	24–26	12	24%
<b>Gender</b>	Male	25	50%
	Female	25	50%
<b>Course</b>	Law	12	24%
	Commerce	13	26%
	Management	10	20%
	Science	8	16%
	Arts	7	14%
<b>Level</b>	Undergraduate	32	64%
	Postgraduate	18	36%

#### Interpretation:

The data reflects a balanced representation of respondents across gender and academic streams. A majority of respondents fall within the 21–23 age group and are pursuing undergraduate studies. The inclusion of diverse disciplines allows for comparative insights into tax awareness across educational backgrounds.

#### 4.2 Basic Awareness of Taxation

Question	Yes	No
<b>Know what tax is</b>	48 (96%)	2 (4%)
<b>Aware of GST</b>	47 (94%)	3 (6%)
<b>Know purpose of taxation</b>	45 (90%)	5 (10%)
<b>Know who collects tax</b>	44 (88%)	6 (12%)

#### Interpretation:

A very high percentage of respondents demonstrate basic awareness of taxation concepts. This indicates that taxation as a general idea is well understood among students. However, this awareness is largely conceptual and does not necessarily translate into deeper legal or practical understanding.

#### 4.3 Awareness of Tax Laws

Question	Yes	No
<b>Heard of Income Tax Act</b>	40 (80%)	10 (20%)
<b>Aware of GST law</b>	42 (84%)	8 (16%)
<b>Know about ITR</b>	35 (70%)	15 (30%)
<b>Filed ITR</b>	18 (36%)	32 (64%)

**Interpretation:**

Although awareness of major tax laws such as the Income Tax Act and GST is relatively high, practical exposure remains limited. A significant gap is visible between awareness (70% know about ITR) and actual practice (only 36% have filed ITR), indicating a lack of applied knowledge.

**4.4 Practical Knowledge**

Question	Yes	No
Know PAN is required	46 (92%)	4 (8%)
Aware of Section 80C	28 (56%)	22 (44%)
Understand GST in daily life	30 (60%)	20 (40%)

**Interpretation:**

Students show relatively higher awareness of basic compliance tools such as PAN. However, knowledge regarding tax planning instruments like deductions under Section 80C is significantly lower. Understanding of GST in everyday transactions is moderate, suggesting partial practical awareness.

**4.5 Perception Analysis (Likert Scale)**

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Tax education should be included	30 (60%)	15 (30%)	5 (10%)	0	0
Students lack awareness	28 (56%)	17 (34%)	5 (10%)	0	0
Tax knowledge is important	32 (64%)	14 (28%)	4 (8%)	0	0
Tax system is easy	5 (10%)	10 (20%)	15 (30%)	12 (24%)	8 (16%)
Govt should increase awareness	29 (58%)	16 (32%)	5 (10%)	0	0

**Interpretation:**

The Likert scale responses clearly indicate that students strongly acknowledge the importance of tax education. A majority believe that current awareness levels are inadequate and support the inclusion of taxation in academic curricula. Additionally, the perception that the tax system is complex further explains the low level of practical engagement.

#### 4.6 Source of Knowledge

Source	Frequency	Percentage (%)
<b>Academic Courses</b>	18	36%
<b>Internet / Social Media</b>	15	30%
<b>Family / Friends</b>	10	20%
<b>News / TV</b>	7	14%

#### Interpretation:

Academic courses serve as the primary source of tax knowledge, particularly for commerce and law students. However, a significant proportion of students rely on informal sources such as the internet and social media, which may not always provide structured or reliable information.

#### 4.7 Key Findings

- Basic awareness of taxation is **very high (above 90%)**
- Legal awareness is **moderate (70–85%)**
- Practical knowledge is **limited (below 60% in key areas)**
- Strong demand exists for **tax education and awareness programs**

### 5. DISCUSSION AND RECOMMENDATIONS

The results of the empirical study offer valuable insights into the tax awareness of students, and highlight the gap in conceptual and practical knowledge. The research shows that while students have basic knowledge of taxation, their knowledge of tax laws and compliance measures is inadequate. This part of the paper examines these results in the context of previous research and suggest measures to tackle the shortcomings.

The study findings align with earlier research that indicates students' financial knowledge extends to basic awareness rather than specific legal insights. As noted in previous research, students from commercial and legal backgrounds have relatively greater awareness as a result of their academic training, while students from other streams have lower awareness of tax-related concepts. This finding also suggests that education is an essential factor in determining tax awareness and compliance. But even among students with academic exposure, the practical knowledge, such as filing Income Tax Returns or deductions is lacking.

A significant factor contributing to this is the lack of mandatory inclusion of taxation in most curriculum. Taxation is considered an advanced and narrow field, confined to certain curriculum, making it less accessible to a wider student base. Moreover, the complexity of tax

regulations and regular changes to the tax system make it challenging for students to grasp, making taxation appear to be a complex and technical subject. This deters active participation and decreases the prospect of spontaneous learning.

The use of informal learning sources, including social media, online platforms and social interactions, is also a major factor. Although these sources are accessible, they are not necessarily reliable and can lead to disjointed knowledge. The absence of standardized and consistent awareness programs adds to this problem, with students relying on incidental learning.

The perception study suggests students are aware of this and value tax education. The overwhelming consensus among students on the need to include taxation in academic programs is a sign of increasing recognition of the role of taxation in everyday life. This provides a platform for policymakers and educational providers to engage and develop awareness programs.

Based on these insights, a number of recommendations can be made. First, it's recommended to include taxation and fundamentals of tax law in the curriculum for all undergraduate courses. This will help all students, regardless of their discipline, to be aware of basic taxation. Second, universities should conduct workshops, seminars and training programs on practical aspects such as filing of Income Tax Returns, deductions and e-filing portals.

Third, the government and regulators should provide awareness through campaigns, particularly to young people and students. Technology, extensively used by students, can be leveraged to share accurate and easy-to-understand information. Fourth, the creation of easy-to-understand tools, like apps, online courses and interactive modules, can make tax education more interactive and appealing.

Lastly, partnerships between universities and tax practitioners, including chartered accountants and legal practitioners, can provide a link between theory and practice. This would not only increase awareness but also instate a culture of legal compliance and good practice among taxpayers.

Overall, the conversation points out that while taxation awareness is present at the basic level, there is a need to enhance legal and practical knowledge and application. To overcome these challenges, efforts from educational institutions, policy makers and tax authorities are needed to facilitate a structured and systematic tax education for students.

## 6. CONCLUSION

This study was conducted to assess the awareness of taxation and tax laws amongst students in India, in particular, in Delhi. The empirical findings show a consistent pattern: students have a high level of awareness of basic concepts of taxation, but a low level of awareness about tax laws and other practical issues of tax compliance. The gap between theoretical knowledge and practical understanding is the key takeaway from the present study.

Our findings show that the majority of students are aware of basic concepts such as the definition and purpose of taxation, and major taxes such as Income Tax and GST. But this awareness is lacking when it comes to statutory provisions, procedural aspects and compliance measures such as filing of Income Tax Returns, deductions and legal provisions. This indicates that current awareness is at a basic level and not necessarily adequate for active engagement in the tax system.

The research also reveals the impact of educational background on awareness. Those from commerce and law backgrounds show higher levels of awareness as a result of their academic studies, while students from other fields show lower levels of awareness. This highlights the influence of education on tax knowledge and suggests a more diverse and multidisciplinary approach to tax education.

Moreover, the results show that students view taxation as complicated and recognise their own limited knowledge. However, there is a clear agreement on the significance of tax education and on the need for it to be taught in universities. This suggests a willingness to learn and openness to education.

The research highlights the fact that the present tax literacy level of the students is not adequate to cope with an ever changing financial and legal system. To address this, it is important to mainstream taxation education, encourage experiential learning and increase awareness through awareness-raising programs. This will not only enhance compliance but also foster financial and socially responsible citizens.

The research offers important insights but has a small sample and limited geographical coverage. Subsequent studies can broaden the sample to include other areas and conduct comparative studies of different population groups. Furthermore, other research can investigate the effects of online platforms and policy measures on enhancing tax awareness.

Overall, improving tax awareness among students is not just a learning objective, but also a socio-economic imperative. Improving understanding of taxation and tax laws will be essential in the development of a tax-aware, compliant and economically responsible society.