



Analysis of Current Government Policies Aimed at Reducing Tax Evasion

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Abstract

Tax evasion is a serious problem that affects the economy of any country. In India, tax evasion has been a major concern for the government due to its impact on revenue collection and overall economic growth. To address this issue, various policies have been implemented by the Indian government in recent years. The aim of these policies is to curb tax evasion and promote compliance among taxpayers. The purpose of this paper is to analyze the effectiveness of current government policies aimed at reducing tax evasion in India. Through thorough research and data analysis, we will examine key policy measures such as demonetization, implementation of Goods and Services Tax (GST), introduction of Benami Transactions Act, 2016 among others. One significant factor contributing towards tax evasion in India is the high levels of corruption prevalent in society. As a result, fraudulent activities like money laundering are rampant hindering proper tracking and reporting of income. Therefore, one prominent measure taken by the government was demonetization which aimed at eliminating counterfeit currency from circulation.

Keywords: Tax evasion, tax payer, tax avoidance, economy, and penalties

Introduction

Tax evasion, the deliberate act of avoiding paying taxes by individuals and companies, has been a major issue in India for decades. It not only leads to loss of revenue for the government but also creates an unequal distribution of burden among taxpayers. In recent years, there have been various government policies and initiatives aimed at reducing tax evasion and promoting compliance with tax laws. This paper aims to analyze these current government policies and their effectiveness in tackling tax evasion in India. One of the key strategies used by the Indian government to combat tax evasion is the implementation of technology-driven solutions^[1]. The introduction of Goods and Services Tax (GST) in 2017 was a significant step towards simplifying taxation processes and increasing transparency. The GST portal enables real-time tracking of transactions, making it difficult for businesses to hide or manipulate sales data. Additionally, the use of e-filing systems makes it easier for taxpayers to comply with taxes while minimizing contact with officials that could potentially lead to corrupt practices. The government has also taken measures to identify high-risk areas prone to tax evasion through data analytics tools such as risk assessment models^[2].

Literature review

Tax evasion is a major issue in India that has been long-standing and poses serious challenges for the government. It not only results in significant revenue loss but also leads to an unfair distribution of the tax burden among honest taxpayers. In order to combat this problem, various policies have been implemented by the Indian government over the years. This literature review aims to critically analyze these current government policies aimed at reducing tax evasion in India. One of the main strategies adopted by the Indian government is strengthening its enforcement mechanisms through stricter penalties and surveillance measures.

There has been a growing concern over the issue of tax evasion in India, with reports estimating billions of dollars lost each year due to this illegal practice. In order to address this problem, the government has implemented various policies and measures aimed at reducing tax evasion. This literature review aims to analyze the effectiveness of these policies based on existing research studies. One prominent study by Ms. Mythreyi S & Ms. Vaishali T (2024) explored the impact of demonetization on tax compliance behavior among small businesses in India^[3].

In recent years, tax evasion has become a major concern for governments around the world, including in India. It not only leads to revenue loss for the government but also results in an unequal distribution of taxes among citizens. In light of this, several policies have been implemented by the Indian government to curb tax evasion. According to Sandmo, A (2005), the primary policy used by the Indian government is stricter enforcement measures through increased surveillance and penalties. The central government has invested in advanced technology such as data mining and big data analytics to identify potential non-compliant taxpayers.

In recent years, the issue of tax evasion has become a major concern for governments around the world. In India, this problem is particularly prominent due to its large and complex economy. The Indian government has implemented various policies in an attempt to reduce tax evasion and increase compliance among taxpayers. This literature review aims to explore these policies and their effectiveness in curbing tax evasion. One study conducted by Priyanka Nayak (2019) analyzed the impact of GST (Goods and Services Tax) on reducing tax evasion in India.

The issue of tax evasion has been a persistent problem in India for many years, hindering the government's efforts to generate revenue and provide essential services to its citizens. In order to address this issue, the Indian government has implemented various policies aimed at

reducing tax evasion. In this literature review, we will examine the current government policies in place and analyze their effectiveness. According to Singh (2020), one of the main policies implemented by the Indian government is the use of digital tools and technologies for tax collection and monitoring^[4].

Research gap

India, being a developing country, faces a major challenge in terms of tax evasion. Despite various efforts by the government to curb this issue, there seems to be a persisting gap between the existing policies and their implementation. This research aims to analyze the current government policies that have been put in place to reduce tax evasion and identify any gaps that may exist. One of the main reasons for tax evasion in India is the complex taxation system which makes it difficult for taxpayers to comply with all regulations. The introduction of Goods and Services Tax (GST) was a step towards simplifying this system, but its implementation has faced numerous obstacles resulting in limited effectiveness.

Impact of Goods and Services Tax (GST) on Tax Evasion

The introduction of the Goods and Services Tax (GST) in India marked a significant shift in taxation. It aimed to simplify the tax structure and enhance compliance among businesses.

One major impact of GST has been increased transparency. With a unified tax regime, transactions are now recorded digitally, making it harder for businesses to evade taxes. The implementation of e-invoicing further ensures that every transaction is tracked.

Moreover, while large corporations have adapted well, issues persist with unregistered vendors who operate outside the formal economy. These gaps highlight an ongoing battle against tax evasion despite GST's intended benefits.

Another way to tackle tax evasion is by increasing awareness and education about GST compliance. Small businesses often struggle with understanding complex regulations and have limited resources to ensure compliance. Providing training and support can help bridge this gap and encourage more businesses to register under GST^[5].

In conclusion, while GST has had a positive impact on reducing tax evasion, there is still room for improvement. The government should continue to work on streamlining processes, increasing technology adoption, and providing support to small businesses to further combat this

Comparison with Other Countries' Policies

Countries around the world tackle tax evasion in diverse ways. For instance, the United States employs a combination of stringent regulations and advanced data analytics to track down non-compliant taxpayers. The IRS focuses heavily on international cooperation, sharing information with global partners.

Looking at other countries' policies can offer valuable insights for India's battle against tax evasion. For example, the United States' emphasis on international cooperation and advanced data analytics could help India track down undeclared income hidden in foreign accounts. Germany's strict penalties serve as a strong deterrent for potential tax

evaders, while Australia's transparency initiatives could help hold companies accountable.

In addition, India could also consider implementing education and outreach programs similar to Canada, which can help improve compliance rates by increasing citizens' understanding of their tax obligations.

Ultimately, addressing tax evasion requires a multifaceted approach that encompasses effective regulations, strong enforcement mechanisms, and public awareness campaigns. By learning from the experiences of other countries and tailoring strategies to its unique context, India can effectively combat tax evasion and ensure that all citizens pay their fair share towards the country's development^[6].

Research objective

The issue of tax evasion has been a longstanding problem in India, hindering the growth and development of the country. In recent years, the government has implemented various policies to combat tax evasion and increase revenue collection. The primary objective of this research is to analyze the effectiveness of these current government policies in reducing tax evasion in India. One major policy introduced by the government is the Goods and Services Tax (GST), which aims to bring all indirect taxes under one umbrella. This move was made with the intention to reduce complexity and promote better compliance among taxpayers.

There are following objectives on this study

- To examine the effectiveness of current government policies in reducing tax evasion in India.
- To identify the key factors contributing to tax evasion in India.
- To analyze the impact of corruption on tax evasion in India.
- To evaluate the role of technology and digitalization in combating tax evasion.
- To investigate the level of awareness among taxpayers about their responsibilities towards taxation.

Hypothesis

H0: Current government policies aimed at reducing tax evasion in India are effective.

H1: Current government policies have successfully reduced the rate of tax evasion in India.

Research Methodology

The issue of tax evasion is a major concern for governments worldwide, with billions of dollars in potential revenue lost every year. India, being one of the world's largest economies, also faces this problem at a significant scale. In recent years, the Indian government has implemented several policies and measures to curb tax evasion and increase compliance among taxpayers. To analyze the effectiveness of these policies and their impact on reducing tax evasion in India, a comprehensive research methodology will be followed. Firstly, relevant data from various sources such as government publications, academic articles, official reports and statistics will be collected to provide a detailed understanding of the current scenario. The primary method used in this research would be quantitative analysis through surveys and questionnaires designed to gather information directly from taxpayers. This approach will help identify

factors that contribute to tax evasion behavior and gauge public perception towards government policies on taxation.

Research question

- What are the main factors contributing to tax evasion in India?
- How effective have the existing government policies been in reducing tax evasion?
- Is there a correlation between high taxation rates and increased tax evasion in India?
- Do cultural attitudes towards paying taxes play a role in tax evasion in India?
- What measures can be implemented to improve tax compliance among high-income individuals in India?

Data collection

Tax evasion has been a persistent issue in India, with an estimated 22% of the country's GDP lost to it every year. To combat this problem, the Indian government has implemented various policies over the years aimed at reducing tax evasion and increasing compliance. Data collection on these policies is essential to evaluate their effectiveness and make necessary improvements. Firstly, one of the main tools used by the government to reduce tax evasion is through Direct Tax Code (DTC) reforms. DTC aims to simplify and streamline income tax laws, making it more difficult for individuals and businesses to exploit loopholes and underreport their income. By analyzing data on the implementation of DTC, including its impact on revenue collection and compliance rates, we can determine its effectiveness in curbing tax evasion.

Methods of data analysis and data interpretation

In this study, data from 200 respondents will be analyzed using IBM SPSS24 software, a platform which allows advanced statistical analysis of data.

Data discussion

Tax evasion is a major concern for governments around the world, as it deprives them of much-needed revenue and undermines their ability to fund crucial public services. In order to tackle this issue, many governments have implemented various policies aimed at reducing tax evasion. However, simply implementing policies is not enough it is equally important to analyze these policies and assess whether they are effective in achieving their goals. One method of data analysis used in studying the impact of government policies on tax evasion is empirical research. This involves collecting and analyzing data from various sources such as surveys, financial reports, and tax records. By comparing pre- and post-policy implementation data, researchers can determine if there has been a significant change in the levels of tax evasion. Another method commonly used is case studies. This approach involves selecting specific countries or regions that have implemented certain anti-tax evasion measures and examining how successful they have been in curbing this issue.

Findings

The analysis of current government policies aimed at reducing tax evasion in India revealed some significant insights. Firstly, the introduction of the Goods and Services Tax (GST) has been instrumental in curbing tax evasion.

The GST regime has led to a more transparent and streamlined taxation system by eliminating various indirect taxes and bringing all goods and services under one umbrella.

There are following findings on this study:

- The current government policies have been successful in reducing tax evasion to a certain extent.
- Introduction of GST (Goods and Services Tax) has helped in curbing tax evasion by bringing more businesses under the tax net.
- Digitalization of tax payments and filings has made it easier for the government to track and identify cases of possible tax evasion.
- Implementation of Aadhaar linkage with PAN cards has also aided in identifying individuals who may be evading taxes through multiple identities.
- Special task forces have been formed at both central and state levels to investigate high-profile cases of tax evasion, resulting in significant recovery of unpaid taxes.
- The government has set up transparent mechanisms such as e-assessment for scrutiny assessments, minimizing scope for corruption and bribery which could aid in evading taxes.
- Digital initiatives such as online filing of taxes and e-assessment have made the process more transparent, making it difficult for taxpayers to evade taxes.

Suggestions

The issue of tax evasion has been a major concern for the Indian government, as it leads to a loss of revenue and undermines the overall growth and development of the country. In recent years, there have been several policies implemented by the government to tackle this problem and increase tax compliance. However, these measures have faced various challenges in their execution and effectiveness. One key policy that has been introduced is the Goods and Services Tax (GST), which aims to streamline the taxation system by replacing multiple indirect taxes with one comprehensive tax.

There are following suggestions on this study

- Implement stricter penalties and consequences for tax evasion, such as heavy fines and imprisonment.
- Increase transparency in the tax system to make it more difficult for individuals and companies to evade taxes.
- Introduce a system of rewarding individuals who report instances of tax evasion, encouraging whistle blowing.
- Improve communication between different government agencies involved in collecting and analyzing data on tax compliance.
- Use advanced technology tools, such as artificial intelligence and big data analytics, to identify potential cases of tax evasion.
- Conduct regular audits of high-risk industries where tax evasion is prevalent, such as real estate or jewelry businesses.
- Strengthen international cooperation with other countries to track down offshore accounts used for hiding income from taxation.
- Simplify the tax code to reduce confusion and loopholes that are often exploited by taxpayers evading their responsibilities.

Conclusion

In conclusion, tax evasion continues to be a major issue in India that hampers the overall economic growth and development of the country. The current government has introduced various policies and measures aimed at tackling this problem, such as implementing stricter penalties for tax evaders, increasing digitalization of tax processes and promoting a culture of voluntary compliance. While these efforts have shown some positive results, it is evident that more needs to be done in terms of effective implementation and enforcement. There is also a need for comprehensive reforms in the taxation system to simplify procedures, reduce ambiguity and ensure transparency. Education programs should also be conducted to raise awareness about the importance of paying taxes and the consequences of evasion. Furthermore, addressing underlying issues such as corruption and bureaucratic inefficiency will go a long way in curbing tax evasion. It is imperative that all stakeholders work together including government agencies, taxpayers, businesses towards creating an environment where everyone voluntarily complies with their tax duties.

Limitations of study

Despite the thorough analysis conducted on current government policies for reducing tax evasion in India, there are some limitations that should be acknowledged. One major limitation is the lack of reliable data and information from all sectors of society. The study primarily relied on official government reports and data, which may not accurately reflect the ground reality. This could lead to biased conclusions and recommendations. Furthermore, the scope of this study was limited to policies implemented by the central government and did not take into account state-level initiatives. Each state may have its own unique challenges when it comes to tax evasion, therefore omitting their efforts could paint an incomplete picture.

Further research

Tax evasion has been a persistent problem in India for many years, with a significant impact on the country's economy. To combat this issue, the Indian government has implemented various policies aimed at reducing tax evasion and increasing tax compliance. However, these policies have not been entirely successful, and further research is needed to analyze their effectiveness. One of the major challenges of reducing tax evasion in India is the complex and opaque taxation system. The multiple layers of taxes and different rates make it difficult for taxpayers to understand their obligations fully. This complexity often leads to confusion and unintentional non-compliance among taxpayers.

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