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CORPORATE TAX EVASION: PRACTICES AND ROLE OF TAXATION LAWS IN INDIA

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CORPORATE TAX EVASION: PRACTICES AND ROLE OF TAXATION LAWS IN INDIA

Dr. Manoj Kumar* Arpit Vihan**

Abstract

Corporate tax evasion is a significant challenge for India's economic and regulatory landscape. It refers to the illegal practice of corporations deliberately misrepresenting their financial status to reduce their tax liabilities. Methods include falsifying financial statements, underreporting income, inflating expenses, and exploiting loopholes in tax laws. Tax evasion results in substantial revenue losses for the government, distorts market competition, undermines investor confidence, and impedes socio-economic development. In India, taxation laws have evolved significantly to address these practices, with frameworks such as the Income Tax Act, 1961, the Goods and Services Tax (GST) Act, and the Prevention of Money Laundering Act (PMLA). Additionally, initiatives like the General Anti-Avoidance Rule (GAAR) and measures aligned with the Base Erosion and Profit Shifting (BEPS) framework demonstrate India's commitment to curbing tax evasion. The introduction of digital tools like the Goods and Services Tax Network (GSTN) and enhanced scrutiny by the Central Board of Direct Taxes (CBDT) have further bolstered enforcement mechanisms. Despite these measures, challenges persist due to the complex and dynamic nature of corporate tax practices. Multinational corporations often employ aggressive tax planning strategies such as profit shifting and transfer pricing, exploiting gaps between international tax regimes. To address these issues, continuous reforms, international cooperation, and the simplification of tax structures are essential. Strengthening enforcement, increasing transparency, and fostering a

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culture of tax compliance through awareness initiatives can significantly mitigate corporate tax evasion. This paper explores the various techniques corporations employ to evade taxes, evaluates the effectiveness of existing taxation laws, and suggests potential reforms to enhance regulatory efficacy. The findings underscore the need for a proactive, technology-driven, and globally aligned approach to safeguard India's fiscal interests.

Keywords: *Tax Law, Tax Evasion, the Income Tax Act, 1961, Goods and Services Tax, Prevention of Money Laundering Act, etc.*

I

Introduction

Tax evasion in India is a significant challenge to economic and fiscal health. It involves individuals, businesses, or other entities deliberately misrepresenting or concealing income to reduce tax liability. Standard methods of tax evasion include underreporting income, inflating deductions, maintaining unrecorded cash transactions, and manipulating financial statements. For instance, individuals or businesses may conduct transactions in cash to avoid leaving an audit trail, thus evading Goods and Services Tax (GST) or income tax. Other prevalent practices are misreporting profits by manipulating invoices and receipts or transferring assets to family members without proper disclosure. Some also resort to creating fake expenses or using shell companies to siphon profits abroad, commonly called round-tripping¹. The Indian government has implemented stringent penalties to curb such practices, governed primarily by the Income Tax Act, 1961, and the GST Act, 2017. Penalties can range from 100% to 300% of the tax evaded, depending on the severity and intent behind the evasion. Additionally, the evader may face imprisonment for a term ranging from three months to seven years for wilful tax evasion. Implementing measures like the Goods and Services Tax Network (GSTN), Tax Deducted at Source (TDS) monitoring, and data analytics tools has significantly strengthened enforcement mechanisms. The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, explicitly addresses foreign asset concealment, imposing penalties up to 300% of the tax due and imprisonment.² Thus, while tax evasion remains a challenge, India's evolving tax administration

¹ Shah Pradeep & Rajesh Kadakia, *TAXMAN'S MASTER GUIDE TO INCOME TAX ACT*, 47 (1990)

² *Ibid.*

continuously enhances its ability to detect and penalise such malpractices effectively.

II

Standard Methods of Tax Evasion and Associated Penalties in India

Tax evasion in India encompasses various illicit practices to reduce tax liabilities through fraudulent or non-compliant means. These actions are strictly prohibited under the Income Tax Act, 1961, which prescribes specific penalties for violations.³ Below is a detailed exploration of standard methods of tax evasion and their corresponding penalties:

1. **Late Filing of Income Tax Returns:** Filing income tax returns beyond the prescribed deadline, as stipulated by the Income Tax Act, 1961, is considered a violation. Taxpayers who fail to adhere to the timeline may face a penalty of up to INR 5,000, as determined by the assessing officer. Repeated delays in filing returns can also attract increased scrutiny from tax authorities.⁴
2. **Concealment of Income:** Concealing income or underreporting earnings is a significant offence under Section 271(C) of the Income Tax Act. Individuals or entities found guilty of this practice may incur a penalty ranging from 100% to 300% of the tax amount evaded. For instance, if a taxpayer evades tax amounting to INR 1,00,000, the penalty could vary between INR 1,00,000 and INR 3,00,000.⁵
3. **Failure to Audit Accounts:** Under Section 44AB, businesses surpassing specific turnover thresholds must undergo a tax audit. Non-compliance with this requirement results in a penalty of 0.5% of the total sales, turnover, gross receipts, or INR 1,50,000, whichever is higher. Additionally, entities involved in international transactions are required to file a report under Section 92E. Failure to do so attracts a penalty of INR 1,00,000.⁶

³ R. Santhanam, HANDBOOK ON DOUBLE TAXATION AVOIDANCE AGREEMENTS & TAX PLANNING FOR COLLABORATIONS, 121 (2004).

⁴ *Ibid.*

⁵ Vyas Dinesh, THE LAW AND PRACTICE OF INCOME TAX 146 (2004).

⁶ *Ibid.*

4. **Non-Compliance with TDS/TCS Regulations:** Tax Deducted at Source (TDS) and Tax Collected at Source (TCS) regulations mandate the deduction, collection, and timely submission of tax amounts to the government⁷. Violations include:
 - **TAN:** Failure to obtain a Tax Deduction and Collection Account Number (TAN) results in a penalty of INR 10,000⁸.
 - **Delayed filing of TDS/TCS returns:** Penalty of INR 200 per day of delay, up to the tax amount.
 - **Submission of incorrect information or non-filing:** Penalty ranging from INR 10,000 to INR 1,00,000.
5. **Wilful Tax Evasion:** Section 276C addresses deliberate attempts to evade taxes. If the amount of tax evaded exceeds INR 25 lakh, the offender may face imprisonment for six months to seven years, accompanied by a monetary fine. Even smaller amounts of wilful evasion attract imprisonment for three months to two years and a financial penalty.
6. **Misrepresentation or Non-Furnishing of PAN:** The Permanent Account Number (PAN) is essential for various financial transactions. Providing incorrect PAN details results in a penalty of INR 10,000. Moreover, failure to disclose PAN leads to higher TDS rates, typically 20% instead of 10%, causing increased tax liability.⁹

III

Forms of Tax Evasion in India

Underreporting or misreporting of Income involves many individuals and businesses deliberately underreporting their actual income to evade taxes. This can be done by not declaring cash income or understating profits in financial statements. Other ways of doing this include showing personal expenses as business expenses to reduce taxable income and manipulating accounts to show lower earnings.

⁷ Girish Ahuja & Ravi Gupta, PRACTICAL APPROACH TO INCOME TAX 213 (2009).

⁸ *Ibid.*

⁹ *ACIT v. Federal Express Corporation*, (2010) 35 DTR 425

Non-disclosure of Assets refers to the failure to disclose or reveal information about personal or company assets. Taxpayers often conceal assets to avoid taxation. This includes holding undisclosed foreign bank accounts and properties, failing to declare shares, mutual funds, or real estate investments, or using proxies (benami transactions) to hold assets. The **Benami Transactions (Prohibition) Act, 1988** and amendments aim to prevent such practices¹⁰. **Fake or Inflated Expenses** occur when businesses artificially increase their expenses to reduce taxable profits by generating fake invoices, overstating salary payments, claiming non-existent operational costs or engaging in circular transactions to show artificial expenses. The **Goods and Services Tax (GST) Act** has introduced measures to track fake invoices and fraudulent input tax credits.¹¹ **Smuggling and Import Duty Evasion** happen to avoid customs duty, traders smuggle goods or declare imported goods improperly by under-invoicing (showing a lower value to pay less duty), misclassifying goods under lower tax rate categories, or not declaring certain imports. The **Customs Act, 1962**, prohibits smuggling and false declarations. **Cash Transactions and Unaccounted Money** helps evade taxes as they are challenging to track. Standard methods include accepting payments in cash without issuing receipts, paying wages and commissions in cash to avoid tax deductions, or using cash for high-value purchases without declaring them. The **Income Tax Act, 1961**, has provisions restricting cash transactions above ₹2 lakhs to curb black money¹². **Bogus Charities and Trusts** tactics are used by charitable organisations and trusts to evade taxes by showing false donations to claim deductions under **Section 80G of the Income Tax Act**. It can also be done by using trusts to divert personal wealth and avoid tax, or operating shell trusts that do not conduct real charitable activities.

Agricultural Income in India is tax-exempt, but some people exploit this by falsely declaring non-agricultural income as agricultural income. It can also be done by routing black money through agricultural transactions or using agricultural land for commercial activities without proper disclosure. The Income Tax Department scrutinises large agricultural income claims to prevent fraud¹³. **Hawala Transactions and Money Laundering** are used to transfer money illegally, often avoiding banking channels. It involves routing black money through international networks, using fake import-export transactions or converting illicit income into legal money through multiple layers of transactions. The **Prevention of Money Laundering Act (PMLA), 2002**, aims to

¹⁰ *Siemens Aktiengesellschaft v. Income-Tax Officer*, [1987] 22 IT D87

¹¹ *Ibid.*

¹² Girish Ahuja & Ravi Gupta, *COMMERCIAL'S PRACTICAL APPROACH TO INCOME TAX* 65 (2023)

¹³ *Ibid.*

tackle such tax evasion practices.¹⁴ **Through Evasion of Capital Gains Tax**, many taxpayers attempt to evade capital gains tax on property and stock market transactions by underreporting the sale price of properties, using cash payments in real estate transactions, claiming false deductions under **Section 54 & 54F of the Income Tax Act** or by misusing stock market loopholes to convert black money into white. **Shell Companies and Fake Firms** are created solely for tax evasion purposes. These are used for issuing counterfeit invoices to claim fraudulent tax credits, laundering black money, or routing illicit funds through multiple firms. The **Companies Act, 2013**, and the **Income Tax Department** have intensified actions against shell companies.

Under the GST regime, businesses often misuse the system by generating fake invoices to claim input tax credit, creating fake companies for fraudulent tax benefits, or not passing the tax collected to the government. Strict penalties and arrest provisions exist under the **GST Act, 2017**, to curb fraud.¹⁵

Many Indian individuals and businesses use offshore tax havens like the Cayman Islands, Switzerland, or Dubai to evade taxes. Methods include setting up shell companies in low-tax jurisdictions, routing money through foreign subsidiaries or using complex corporate structures to hide ownership. The **Black Money (Undisclosed Foreign Income and Assets) Act, 2015**, targets such practices. **Digital and Cryptocurrency-Based Tax Evasion is often used** with the rise of digital transactions and cryptocurrencies to avoid income declaration, using blockchain technology to hide transactions, or avoiding reporting income from NFT and crypto trading. The **Finance Act, 2022**, introduced a **30% tax on cryptocurrency gains** to regulate this sector¹⁶.

IV

Causes of Tax Evasion

Tax evasion is a significant challenge for India's economy, leading to government revenue loss and an unfair economic environment. Some causes associated with tax evasion include: a low educational level of the population, lack of simplicity and accuracy of the tax legislation, inflation, Tax pressure – high rates, a significant informal economy, permanent regularisation regimes (moratoriums,

¹⁴ Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020' (Ministry of Finance, 31 March 2020) accessed on 24 June 2024

¹⁵ Kesselman, J.R., Evasion effects of changing the tax mix, *The Economic Record*, 69(205), 1993, pp. 131 148.

¹⁶ *Ibid.*

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whitewashing, etc.), possibility of failing to comply without greater risks etc. some of the recent initiatives and developments at international level has also contributed towards it vis., proliferation of special tax regimes for attracting investments (e.g. tax rulings), difficulty controlling the transfer prices of related multinational enterprises: currently, over 60% of world trade is carried out through these enterprises, and 50% is intragroup, and the digital economy, with significant technological development, such as electronic commerce, collaborative platforms, digital currencies, and new ways of commercialising goods and services, has increasing difficulties in taxing and controlling.

The causes mentioned above are crucial factors related to tax evasion; however, some factors must be discussed in detail. Despite various reforms, a large section of taxpayers still engages in tax evasion due to the following factors:

1. High Tax Rates

Historically, India's tax rates have been among the highest in the world, particularly during the pre-liberalisation era. Although tax rates have been rationalised over time, they remain high for certain income groups and businesses. When tax rates are perceived as excessive, individuals and corporations seek ways to evade taxes by underreporting their income or inflating expenses. High taxation often discourages compliance, especially among small and medium enterprises (SMEs), which find it challenging to sustain their businesses while also paying heavy taxes. This results in lower voluntary compliance and a growing tendency to operate in the informal economy to avoid tax liabilities.¹⁷

2. Complex Tax Laws

The Indian tax system is intricate, involving multiple taxes such as income tax, Goods and Services Tax (GST), corporate tax, and property tax, each with its own rules and procedures. Frequent amendments to tax laws, complex filing requirements, and ambiguous provisions confuse taxpayers. Small businesses and individuals without legal or financial expertise often struggle to interpret tax regulations correctly, leading to either unintentional non-compliance or deliberate tax evasion. Moreover, the tax filing and assessment bureaucracy

¹⁷ *Ibid.*

makes compliance cumbersome, further discouraging taxpayers from fulfilling their obligations.¹⁸

3. Corruption in Tax Administration

Corruption is deeply entrenched in India's tax administration, where some tax officials accept bribes to manipulate assessments and reduce tax liabilities for individuals and businesses. This corrupt nexus between tax officials and taxpayers weakens enforcement and incentivises evasion. Instead of ensuring strict compliance, corrupt officials may help taxpayers underreport income or falsely claim deductions in exchange for financial benefits. This widespread malpractice creates an environment where tax evasion is normalised, making it difficult for honest taxpayers to compete fairly.¹⁹

4. Weak Enforcement Mechanisms

While India has strict tax laws in place, the enforcement of these laws remains inadequate. Tax evasion cases often go undetected due to a lack of robust monitoring systems. Even when violations are identified, the penalties and legal actions taken against tax evaders are usually delayed or insufficient to act as a deterrent. Many businesses and individuals take advantage of these weak enforcement mechanisms, believing the likelihood of being caught and punished is low. The inefficiency in detecting tax fraud further emboldens taxpayers to underreport their incomes, hide assets, or manipulate accounts to evade taxes.²⁰

5. Prevalence of the Cash Economy

Many of India's economy operates in cash, making it difficult for tax authorities to track financial transactions accurately. Cash transactions are commonly used to avoid documentation and taxation in sectors like retail, real estate, construction, and agriculture. Unaccounted cash helps individuals and businesses evade taxes by keeping their earnings outside the formal banking system. Despite the rise of digital payments and stricter financial regulations, cash transactions remain a significant loophole facilitating tax evasion. Many

¹⁸ Manjula Bai H “IMPACT OF TAX AVOIDANCE AND TAX EVASION IN INDIA-A STUDY”10(1)2001ELk Asia Pacific journal of Finance and Risk Management accessed on 20th nov 2024.

¹⁹ *Ibid.*

²⁰ Sahi Khushi Sharma “UNVEILING THE CONSEQUENCES: EXPLORING THE EFFECT OF TAX EVASION AND TAX AVOIDANCE ON INDIA'S ECONOMIC PROGRESS “2 (3) Journal of Legal Research and Juridical Sciences accessed on 20th Dec 2023.

businesses do not report their full revenue to tax authorities, leading to a substantial loss of government revenue.²¹

6. Lack of Awareness and Weak Tax Morality

Many people in India, particularly rural and semi-urban areas, lack adequate knowledge about tax laws and their legal obligations. Small business owners, self-employed professionals, and daily wage earners often do not understand tax compliance procedures or the long-term benefits of paying taxes. Moreover, there is a general lack of tax morality, where individuals do not feel a moral or civic duty to contribute to the nation's development. Sometimes, taxpayers view tax evasion as a justified means to save money rather than an illegal act that harms the economy. The absence of widespread awareness campaigns and tax education further exacerbates this issue.

7. Political Influence and Black Money

Political funding and election campaigns in India often involve unaccounted wealth, commonly called "black money." Many politicians and business tycoons accumulate large sums of money through illegal means and avoid disclosing it to tax authorities. The lack of strict regulations on political donations and election spending allows tax evasion to thrive in the political sphere. Furthermore, politicians and influential individuals may use their power to influence tax enforcement agencies, ensuring that their financial activities remain hidden from scrutiny. This deep-rooted issue weakens the taxation system and sets a poor example for the general public.²²

8. Delay in Disposal of Tax Related Litigations

Tax evasion cases in India often take years, sometimes decades, to be resolved in courts. The judicial system is overloaded with pending cases, and tax-related disputes usually face prolonged legal battles. Many high-profile tax evaders use these delays to manipulate records, destroy evidence, or negotiate settlements. The lengthy process discourages tax authorities from pursuing legal action aggressively, as the chances of recovering evaded taxes through legal means become slim. This inefficiency in the judiciary emboldens tax evaders, believing they can avoid consequences indefinitely.

²¹ *Ibid.*

²² *Vodafone International Holding v. Union of India* 20 Jan, SC 2012.

9. Multiple Taxes and Compliance Burden

Despite tax reforms like the introduction of GST, taxpayers in India still face multiple layers of taxation, such as income tax, professional tax, property tax, customs duties, and excise duties. Each of these taxes comes with compliance requirements, which add to the administrative burden for individuals and businesses. Many businesses, especially smaller ones, find it challenging to maintain proper records, calculate tax liabilities, and comply with filing deadlines. The fear of penalties for unintentional mistakes further discourages voluntary compliance, leading many to opt for tax evasion.²³

10. Lack of Transparency in Government Spending

A common perception among taxpayers in India is that government funds are often misused due to corruption, inefficiency, and poor planning. When people feel their tax contributions are not utilised for public welfare, they become less motivated to comply with tax regulations. Reports of scams, misuse of public funds, and inefficient government spending create distrust in the system. Taxpayers believe that their hard-earned money is not being used for essential services such as education, healthcare, and infrastructure, leading to a reluctance to pay taxes honestly.

V

Impact Of Tax Evasion

One of the most significant consequences of tax evasion is the loss of revenue for the government. Taxes are essential for funding public services such as infrastructure, healthcare, education, and social welfare. When individuals and businesses evade taxes, the government faces a budgetary shortfall, leading to increased borrowing or reduced public spending.

Increase in Fiscal Deficit

The Indian government often faces a fiscal deficit, meaning its expenditure exceeds revenue. Tax evasion exacerbates this problem, forcing the government to rely on external borrowing or higher indirect taxes, leading to inflation and economic instability.²⁴

²³ *Calcutta Chromotype Ltd. V. Collector of C. Ex., Calcutta.*, 1998(99) E.L.T 202(S.C).

²⁴ *Commissioner of Income Tax V. Provident Investment Co. Ltd.*, 1957 SCR1141.

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When a significant portion of the population evades taxes, the government must compensate by increasing tax rates or introducing new taxes. This unfairly burdens honest taxpayers, individuals and businesses who comply with tax regulations.

Tax evasion leads to accumulating unaccounted money, often termed "black money," outside the formal economy. This parallel economy undermines official economic data, reduces transparency, and hampers economic planning. Black money is frequently used for illegal activities such as corruption, money laundering, and terrorism financing.

When tax revenues are lower due to evasion, the government struggles to invest in critical sectors like infrastructure, education, healthcare, and technology. This lack of investment slows economic growth and development, reducing India's ability to compete globally²⁵.

India has numerous social welfare schemes for poverty alleviation, rural development, and public health. However, due to tax evasion, funds allocated for these programs may fall short, affecting the services provided to needy people.

A high level of tax evasion and the presence of a large informal economy can deter foreign investors. Investors prefer stable and transparent economies with efficient tax collection mechanisms. If a country is perceived as having weak tax enforcement, it creates an uncertain business environment, reducing foreign direct investment (FDI)²⁶.

Tax evasion is often more prevalent among high-income individuals and large corporations, while middle- and lower-income groups bear the tax burden. This widens income inequality, as the rich accumulate wealth without contributing their fair share to national development, while the poor and middle-class struggle with higher indirect taxes.

Rampant tax evasion can lead to corruption within tax authorities and weaken public trust in government institutions. When people perceive that tax

²⁵ Aneesh Singh, *Tax Avoidance and Evasion: A Critical Analysis of Legal Framework and Enforcement in India*. (April 28, 2024). Available at SSRN: <https://ssrn.com/abstract=4810222> or <http://dx.doi.org/10.2139/ssrn.4810222>

²⁶ *Ibid.*

enforcement is weak or biased, they are less likely to comply voluntarily, further deteriorating the integrity of governance²⁷.

The government has to allocate substantial resources to detect, investigate, and prosecute tax evasion cases. This increases administrative costs for agencies like the Income Tax Department, the Enforcement Directorate, and the Central Board of Direct Taxes (CBDT). Court cases related to tax fraud also burden the judiciary.

VI

Measures To Prevent Tax Evasion

The General Anti-Avoidance Rule (GAAR) discourages tax avoidance schemes and empowers authorities to deny tax benefits for transactions primarily to evade taxes. Sections 68 to 69D of the Act help authorities track unexplained income, investments, and expenditures. Tax Deducted at Source (TDS) & Tax Collected at Source (TCS) mechanisms ensure tax collection at the source of income generation.

GST replaced multiple indirect taxes, reducing tax evasion through input tax credit reconciliation. Automated invoice matching reduces fake invoicing and tax fraud. Prevents tax leakage in interstate trade by tracking goods movement.

Black Money (Undisclosed Foreign Income and Assets) Act, 2015 penalises undisclosed foreign income and assets with severe penalties and prosecution. Another aspect of this could be encouraging taxpayers to disclose foreign assets to avoid legal consequences.

Benami Transactions (Prohibition) Act, 1988 prevents tax evasion by prohibiting benami (proxy) property transactions. Furthermore, the authorities can confiscate such properties and impose strict penalties.²⁸

Use of Technology & Digitalisation

Linking Aadhaar with a PAN card would help prevent duplicate PAN cards and fake identities from being used for tax evasion. It would further make it easier to

²⁷ Jaspal Singh, 2007, "Tax Professionals Perception of the Income Tax System of India An Empirical Evidence", *The ICFAI Journal of Public Finance*, Vol 5, No. 1, pp. 45-56

²⁸ *Ibid.*

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track high-value transactions. The Income Tax Department uses Artificial Intelligence (AI) and Big Data Analytics to track suspicious financial transactions. Project Insight enables real-time monitoring of taxpayer activities through third-party data.²⁹

International Cooperation & Information Sharing

India has agreements with over 90 countries to prevent tax evasion through offshore accounts. India participates in the Foreign Account Tax Compliance Act (FATCA) and the Common Reporting Standard (CRS) to obtain financial information about Indian taxpayers from foreign banks.

India follows OECD's BEPS guidelines to prevent multinational companies from shifting profits to low-tax jurisdictions. Enforcement Directorate (ED) & Income Tax authorities can seize assets and impose penalties for undisclosed income.³⁰

Taxpayer Education Programs including awareness campaigns to encourage honest tax payment and explain the legal consequences of tax evasion. Allows taxpayers to disclose unreported income with reduced penalties (e.g., Income Disclosure Scheme 2016).

Conclusion

Corporate tax evasion remains a significant challenge for the Indian economy, undermining revenue collection, distorting market competition, and impeding economic development. This research has explored the various forms of tax evasion prevalent in India, including underreporting income, inflating expenses, falsifying financial statements, using shell companies, and misusing loopholes in taxation laws. Several causes drive these deceptive practices, such as high tax rates, bureaucratic inefficiencies, corruption, a lack of stringent enforcement, and weak regulatory frameworks.

The impact of tax evasion is profound, leading to revenue losses for the government, increased tax burdens on honest taxpayers, a rise in illicit financial flows, and a decline in public trust in the taxation system. It also hinders economic progress by reducing funds available for infrastructure, social welfare, and public services. The study highlights the limitations of the Indian tax

²⁹ Lalit Mohan. 2012. White Paper on Black Money, (edit.) *Journal of Securities Academy & Faculty for E-education*, (72).

³⁰ S. Shubhang. Tax Evasion in India. *Research J. Humanities and Social Sciences*. 4(4): October-December, 2013, 465-469. Available on: <https://rjhssonline.com/AbstractView.aspx?PID=2013-4-4-7>

structure that contribute to tax evasion, including complex tax regulations, inadequate technological integration in tax administration, loopholes in tax laws, and a lack of effective monitoring mechanisms.

Businesses can adopt legal methods to avoid tax evasion, such as taking advantage of legitimate tax deductions, adhering to proper accounting standards, and maintaining transparency in financial reporting. However, these efforts must be complemented by robust measures to prevent tax evasion, such as strengthening the enforcement of tax laws, enhancing digital surveillance, simplifying the tax code, increasing penalties for fraudulent activities, and promoting tax literacy among corporate entities. Implementing the Goods and Services Tax (GST) and initiatives like the Income Tax E-Filing System and introducing Artificial Intelligence in tax administration reflect steps in the right direction.

Reducing corporate tax evasion in India requires a multi-faceted approach involving government reforms, corporate compliance, and societal awareness. By addressing systemic loopholes, strengthening enforcement mechanisms, and fostering a culture of tax compliance, India can build a fairer, more transparent, and sustainable taxation system. This will enhance revenue collection, promote economic growth, and improve governance, ensuring that public resources are effectively utilised for the nation's development.