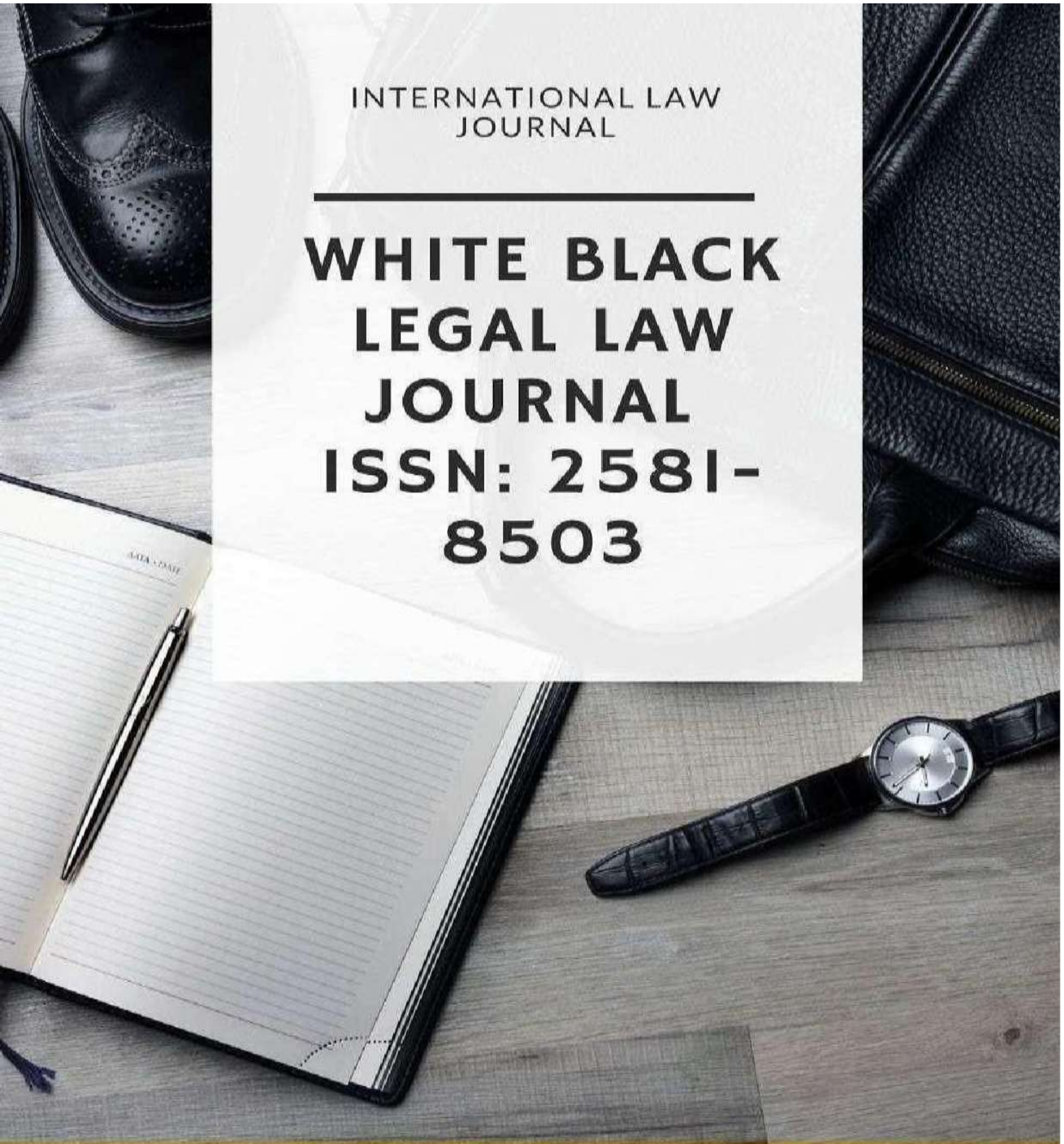

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ABOUT US

WHITE BLACK LEGAL is an open access, peer-reviewed and
refereed journal providededicated to express views on topical legal issues, thereby generating a cross current of ideas on emerging matters. This platform shall also ignite the initiative and desire of young law students to contribute in the field of law. The erudite response of legal luminaries shall be solicited to enable readers to explore challenges that lie before law makers, lawyers and the society at large, in the event of the ever changing social, economic and technological scenario.

With this thought, we hereby present to you

A STUDY ON SIGNIFICANCE OF EFFECTIVENESS OF PUNISHMENTS AND PENALTIES FOR TAX EVASION IN INDIA

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ABSTRACT:

This study delves into the significance of the effectiveness of punishments and penalties fortax evasion in India, a critical issue in a welfare state where government revenue is primarily derived from taxes. Taxes fund essential public services and developmental initiatives, making it imperative to address the challenges of tax evasion and avoidance. The Indian Constitution provides a legal framework for taxation, and any violation of tax laws can resultin significant penalties and prosecution. Despite these measures, tax evasion remains rampant due to high tax rates, complex legislation, and loopholes in tax policies. The study explorespublic opinion on the effectiveness of existing tax laws and penalties, revealing that a significant portion of the population engages in tax evasion, particularly indirect taxes. The data shows a correlation between age, occupation, and the likelihood of tax evasion, with younger age groups and private sector employees more likely to evade taxes. However, the majority of respondents believe that punishments and penalties do have a deterrent effect, with imprisonment perceived as a severe consequence for non-compliance. The study concludes that while the legal framework is in place, there is a need for more stringent enforcement and public awareness to enhance compliance and reduce tax evasion in India.

KEYWORDS: Tax, Tax evasion, Tax avoidance, penalties, effectiveness

INTRODUCTION

In a welfare state, the government is principally responsible for guaranteeing the citizens' well-being with regard to employment, social security, infrastructure, health care, and other necessities of development. The government needs to make money in order to facilitate this.Taxes are the government's primary source of revenue for these expenses.

Stated differently, public welfare programs are funded by taxes collected by the government from the general public. But paying taxes with hard-earned money to the government is something no one looks forward to. Consequently, taxes constitute a mandatory or imposedpublic revenue stream for the government. The government has the power to impose taxes onincome, wealth, and business profits, or to include them in the cost of particular goods.

A tax is a legally mandated fee or charge that the federal, state, and local governments impose on citizens and businesses to fund essential public services, initiatives, and activities. The main source used by the government is taxes on income. Taxation is the process of collecting taxes. The income and wealth of individuals or corporations may be subject to taxes, however the tax rate may differ. There are additional taxes, such as sales tax, gift tax,wealth tax, and property tax. Based on its nature, form, manner, and purpose, taxes can be categorised into different categories.Direct and indirect taxes are the two categories of taxesthat are traditionally used.

There are two kinds of taxes: direct tax and indirect tax. Direct tax includes taxes like incometax that have an incidence and impact on the same individual. Conversely, indirect taxes, like GST, are those whose incidence and influence fall on two different persons etc. It indicates that while taxes are recovered from the assessee who eventually pays them, in the case of indirect taxation, the tax is recovered from the assessee who transfers the burden to anotherparty & is ultimately covered by the people who use these products or services.

The Indian Constitution is the ultimate law of the land. It is divided into a Preamble, 22 sections with 444 articles each, and 12 schedules. Any tax law that violates the Constitution is said to be ultra vires the document and is therefore deemed to be unconstitutional. The following is a list of some of the Constitution's provisions:

The Constitution's Article 265 states that taxes can only be imposed or gathered with legal authority. It indicates that the proposed tax must fall within the legislative authority of the body enacting it.The three categories that Article 246 read in conjunction with Schedule VIIestablishes for legislatively constituted laws are as follows:

- Union list (only the Central Government has the authority to enact laws on certain subjects)included in the list)
- State list (only state governments have the authority to enact laws on topics included in thelist)
- Concurrent list (laws on subjects may be passed by both the federal and state governments).

In the event that a state law concerning an entry in List III conflicts with a Union law concerning that entry, the Union law shall take precedence and to the degree of such repugnancy, the state law shall be void (Article 254).

The income tax laws went into force on January 1, 1962, and they cover the entirety of India(Sec. 1). The Act has clauses that address

a) figuring out what income is taxable;
b) figuring out your tax obligation;
c) the process for fines, prosecutions, assessments, and appeals; and
d) the responsibilities and powers of income tax authorities.

Since it was first passed, the Income Tax Act has undergone a number of revisions. the Union Budget. The Finance Minister presents a Finance Bill to the Parliament each year.The proposed Bill seeks to make a number of changes in the areas of direct and indirect taxes thatthe federal government collects.

The majority of people in India do not file their taxes. They try to circumvent this by employing illegal means or by abusing specific Indian tax breaks. The word "tax evasion" describes the illegal strategies used by people, businesses, trusts, and other organisations to avoid paying taxes. It entails knowingly lying to tax authorities regarding the genuine nature of their enterprise to minimise or evade paying taxes by misrepresenting their expenditures or understating their true earnings, profits, or gains. income that would have been lost instead ofbeing applied to social and economic growth, is directed towards antisocial behaviour. Everything about this is harmful to the growth of the country since it promotes social ills andblack money. Furthermore, the degree of evasion liability, it is thought to be unethical.

Modifying the way to avoid paying taxes is to open accounts so that no tax regulations are breached. Tax avoidance is lawful, however it is sometimes viewed as fraud.

Tax planning is a strategy to minimise tax obligations by fully utilising the Act's exemptions, deductions, refunds, and relief. Put differently, this approach lowers tax obligations by implementing the letter and spirit of the law. It is the methodical preparation to obtain the lowest possible tax liability or to delay the tax liability for the following term by taking use ofthe Act's numerous incentives, concessions, allowances, rebates, and relief provisions.

Tax evasion is the unlawful practice of lowering tax obligations by purposefully reducing income or sales or by raising expenditures, etc., which lower the assessee's overall income. Ignoring taxes is forbidden in script and in law. It functions as a clog and is the cancer of modern society, raising taxes is not even a patriotic obligation.
Fisher's Executors v. Inland Revenue Commissioners (1958)

"The highest authorities have always acknowledged that the subject has the right to set up hisaffairs in a way that doesn't draw taxes levied by the Crown, to the extent permitted by law,and that he may rightfully claim the benefit of any specific clauses or omissions in the taxingAct that he finds advantageous. By doing this, He is not held accountable or bears any blame.

Raman & Co. v. CIT (1968)
"Avoidance of tax liability by structuring business transactions so that the tax charge is allocated, is not forbidden. A taxpayer has the option to use a device to deflect revenue beforeit is earned or comes into his possession.The Income Tax Act's functionality, not moral considerations, determines the device's effectiveness.

CIT v. Smt. C. Kamala (1978)

When a transaction is made in a way that is permitted by law, it is highly conceivable that the sum received obligation under the Act may be incurred under that transaction, and if it is made in a different format that is equally legal, there might be no tax obligation. However, after the assessee has chosen the latter, it would remain closed until the court told him liablefor tax.

Effects of tax evasion on the economy of India

Net tax revenue receipts were Rs. 2097785.82 crores, or 88% of total revenue receipts of Rs.2383206.47 crores, according to the Receipt Budget 2024–25. This indicates that taxes account for a sizable portion of revenue receipts, yet estimates vary widely over the amountof money India loses each year to tax evasion. According to the Government of India's 2016–17 Annual Report from the Ministry of Economic Affairs, Ministry of Finance, net estimated tax evasion in direct tax from 2000–01 to 2014–15 was Rs. 1,98,449 crores. The government is dealing with issues of a larger budget deficit, more borrowings, and increasing public debt as a result of higher revenue loss from tax evasion and tax avoidance. This ultimately leads to economic instability, which affects foreign investors' investment decisions.

Motives behind tax evasion and avoidance

Tax evasion and avoidance are now major causes of India's increased revenue losses. It's critical to comprehend the causes of tax evasion and avoidance in order to take action against this issue. The following are some factors that contribute to tax evasion and avoidance in India.

Nobody wants to pay more in income taxes, therefore everyone searches for ways—legal or otherwise—to lower their tax obligations. Taxpayers' feelings about evading and avoiding taxes are heightened by this high tax rate.

As is well known, ordinary people find it difficult to understand the terms of the legislation. Itis exceedingly challenging to comprehend and implement the act's requirements without theassistance of experts. As a result, taxpayers engage in tax fraud and avoidance in order to escape the expense of professional fees.

Weak tax policies could create possibilities and loopholes for taxpayers to abuse tax laws inorder to avoid paying taxes.

Due to their limited resources, tax authorities are unable to monitor or investigate every single taxpayer. Furthermore, the prosecution process and fines are lax, creating opportunities for tax fraud and avoidance.

The following are some typical strategies employed by taxpayers to evade filing taxes with the government:

In order to avoid paying taxes, taxpayers withhold some or all of their income.tax obligations.Prior to the department's discovery, taxpayers would often get a portion of their income in cash and the remainder through banking channels.

Income concealment

This is the approach when taxpayers withhold their whole income source disclosure. For instance, a taxpayer may have a trade business in addition to receiving rental income from hishome. But in the past, he would simply declare trading business income on his income return,receive rental money in cash, and hide income from his home.Exaggerating the costs by inventing bigger expenses than actual, income is purposefully kept lower in order to avoid paying taxes.

Transaction offshore

In transactions between two countries, tax evaders take advantage of legal gaps. In the seminal tax avoidance case of Vodafone International Holding v. Union of India (2012), the Supreme Court ruled that Indian revenue authorities lack the jurisdiction to tax transactionsinvolving two non-residents in which a non-resident company acquires the controlling interest of an Indian company.

Establishing dummy corporations

Organisations without substantial assets and no ongoing operations are known as shell firms.In order to avoid paying taxes, tax evaders used to route their money through shell corporations.

Requesting exemptions and deductions

These are relatively popular techniques that people utilise to legally lower their income. TheIncome Tax Department has introduced a number of exemptions and deductions. Using these taxpayers allows them to claim all permitted allowances and expenses, take advantage of deductions under Chapter VIA of the Income Tax Act of 1961, and lower their tax liabilities, such as investments in tax-saving instruments.

Tax havens and shelters

Both are methods that can be used to lower income. The tools and organisations used to invest money in order to produce losses and set-offs from other sources of income are knownas tax shelters. Taxpayers transact with a nation that has lower tax rates while they are in a tax haven.

India's tax avoidance and evasion consequences

Tax evasion is seen as a criminal offence since it is an illegal activity. As a result, the repercussions are harsher than those of tax evasion, which include jail time, fines, and criminal prosecution.

Regulations pertaining to tax avoidance and evasion

Fines and penalties

- According to Section 270A of the Income Tax Act of 1961, underreporting income carries a 50% tax penalty, whereas misreporting income carries a 200% tax penalty.
- A fine of Rs. 25000 may be applied under Section 271A if you do not keep, maintain,or retain books of accounts as required by Section 44AA.
- In the event that unreported income is discovered within the Income Tax Act's search procedures, a penalty ofUnder Section 271AAB, fines of up to 60% of undeclared income may be assessed.
- According to Section 271B, there might be a penalty of 1.5% of gross receipts (up to amaximum of Rs. 1.50 lakh) for failing to have accounts audited by the deadline specified in Section 44AB.
- A fine of Rs. 1 lakh may be imposed under Section 271BA if you neglect to provide areport of CA as required by Section 92E.
- A fine of Rs. 5 lakh may be applied if you do not provide the information that is

needed under Section 92D.

- If the tax collected under Section 206C is not paid, imprisonment ranging from threemonths to seven years is imposed under Section 276BB.
- In accordance with Section 276C(2), three months to three According to Section 276C(2), a deliberate attempt to avoid paying taxes, penalties, and interest may resultin imprisonment for a period ranging from three months to three years.
- According to Section 275A, a person who violates an order issued under Section 132(1) or Section 132(3) faces up to two years in jail.

Engaging in tax avoidance and evasion could result in an Income Tax Department audit andinvestigation. The authority to begin audits, enquiries, and inspection of the assessee in default has been granted under the Income Tax Act, 1961.When there are adequate justifications for tax evasion and avoidance, the Income Tax Department is authorised to start a search and seizure.

Penalty for short-levy or non-levy of duty in certain cases -

Where any duty of excise has not been levied or paid or has been short-levied or short paid or erroneously refunded, for any reason other than the reason of fraud penalty liable should not exceeding ten per cent. of the duty so determined or rupees five thousand, whichever is higher (c) where any duty of excise has not been levied or paid or has been short-lived or short paid or erroneously refunded, by reason of fraud penalty liable shall be equal to the dutyso determined: - in respect of the cases where the details relating to such transactions are recorded in the specified record for the period beginning with 8th april, 2011 up to the date on which the finance bill, 2015 receives the assent of the president (both days inclusive), thepenalty shall be fifty per cent. of the duty so determined; (d) where any duty demanded in ashow cause notice and the interest payable thereon under section 11aa, issued in respect of transactions referred to in clause (c), is paid within thirty days of the communication of showcause notice, the amount of penalty liable to be paid by such person shall be fifteen per cent.of the duty demanded, (e) where any duty as determined is paid within thirty days of the dateof communication of the order penalty liable to be paid by such person shall be twenty-fiveper cent. of the duty so determined.

PRINCIPAL TAX EVASION offences (USA):

Wilful tax evasion or wilful failure to pay taxes (income tax and other taxes included) are examples of principal offences.estate, gift, and excise taxes), fabricating claims regarding Whenever return needs to be sent to the federal government, or providing assistance in the filing of false tax returns.

- Upon the initiation of a criminal tax inquiry, full payment of penalties, interest, and taxes won't stop prosecution.
- Although submitting an amended return is not regarded as an acknowledgement of criminal responsibility might be utilised to calculate the underpayment's total amount. Penalties for civil fraud and other offences: IRC Section 6663 stipulates that if any portion of anunderpayment if fraud is the cause of the underpayment, a penalty equal to 75% of the portion of the underpayment that can be linked to fraud will be applied.
- IRC Section 6651(a)(1) states that if the taxpayer neglects to file a return, the penalty is typically five percent of the underpayment per month, with a maximum of twenty-five percent. But if the failure to file is fraudulent, the penalty (IRC § 6651(f)) is fifteen percent for each month the delay persists, up to a maximum of seventy-five percent of the tax owed.
- The amount of unpaid taxes that remain after the return's due date are subject to the failure-to-pay penalty principal unpaid beyond the return's deadline.

EU PENALTY PROVISIONS:

- Article 1741 of the French General Tax Code stipulates that tax fraud is fined 37,500 eurosand sentenced to five years in prison confinement.
- When the use of fictitious invoices facilitates fraud, the French, The General Tax Code stipulates that a punishment of 75,000 euros and five years of confinement.
- The 24 September legislative decree on tax violations in Italy 2015 offers a penalty rangingfrom 1.5 years to 6 years of imprisonment for using fictitious documents to conduct tax fraudnon-existent transactions.
- The German Federal Court of Taxation's article 370 and Benevolent case law (Bundesgerichtshof)12 stipulates penalties and incarceration phrases that change according to the extent of the deception. As an example, A fine is the only punishment for tax offenders under 50,000 euros. Above 50,000 euros, a fine, and

a term of jail, usually suspended, with the exception of significant tax fraud (more than $1,000,000 Euros) for which incarceration is unavoidable.

- In the UK, the maximum penalty for conviction in the Crown for the majority of offencesSeven years in jail or an indefinite fine is the penalty for court. Within the maximum sentencein a magistrates' court is limited to six months behind bars or a fine of no more than £20,000or thrice the tax amount, whichever is higher.

It is evident that we have gotten closer to the developed countries' best practices in terms ofease of doing business. India is deemed to be trailing behind other countries in terms of criminal measures.Penal laws are harsher in developed nations. in contrast to India, which serves as a disincentive for tax Escapes. Even in developed nations, tax compliance is far higher than that of India. Therefore, India must likewise need to concentrate on the efficiency of the tax litigation, legal proceedings and the effectiveness of the penal provisions and trialbefore the court.

OBJECTIVES

- To understand the tax administration in India
- To examine the tax laws, and the concept of tax avoidance and tax evasion
- To study the public opinion on the effectiveness of tax laws, and penalties provided.

REVIEW OF LITERATURE

Sanjay kumar.A et.al., (2007) Despite significant improvements in direct tax collection, the research proposes an econometric methodology to assess the efficacy of tax administration. Notwithstanding these modifications, the model shows that the tax administration's efficacyhas not changed appreciably over time, emphasising the need for more improvement.

Gurmurthi.S (1993) analysed Regarding the degree of vertical tax devolution from the federal government to the states, there are two schools of opinion. According to Raja Chelliah, a member of the Ninth Finance Commission, one school feels that tax devolution isexcessive because it now accounts for an excessive amount of the total transfers made by Finance Commissions. The second school of thought holds that vertical devolution isinsufficient since, other than the 5% increase in union excise charges implemented in response to the recommendations of the Eighth Finance Commission, there hasn't been any growth in vertical transfers in the past 15 years. Additionally, the Sarkaria Commission on Center-state Relations has proposed that the percentage shares of states be included in the Constitution.

Anil kumar Jain (1987): discussed that although the terms "tax avoidance" and "tax evasion" are frequently used in business and economic contexts, they have distinct definitions. Tax evasion entails misrepresenting the facts and underestimating one's tax liability, whereas tax avoidance involves taxpayers minimising their liability by taking advantage of legal loopholes and ambiguities. Tax avoidance is prohibited by law and may result in legal action. Tax evasion, excluding tax avoidance, is the entirety of the black economy in India. According to estimates, tax evasion in India amounts to between Rs 2,40million and Rs 4,700 million, of which Rs 4,400 million is evaded and Rs 70,000 million ismoney value economy. Regarding the amount of black money and tax evasion in India, opinions diverge significantly; most estimates being conjectured. Due to their strong ties, it ischallenging to distinguish between the black and white money economies and both should be investigated. Undervaluation of appropriate social activity, compulsion, and tax evasion arethe main causes of the unsanctioned or black market economy.]

Agnar Sandmo (2005) In public finance theory, tax evasion is a major problem that has been around for more than 30 years. Tax evasion and its relationship to other concerns are examined in The Theory of Tax Evasion: A Retrospective View. Under a government budget restriction, the optimal taxation problem entails selecting tax tools that maximise social benefit. According to the paper, policies that substitute low penalties and high probability fordeterrence may encourage people to pursue careers that offer less opportunity for tax evasion or black market activity. Comprehending the incidence impacts and dangers associated withthe hidden economy is crucial for a thorough examination.

A Das Gupta (1995) In India, from 1965 to 1993, tax structure had a major impact on income tax receipts and compliance. The consequences of inflation, a decrease in the severityof assessments, and conventional enforcement methods are restricted. Enforcing best practices might have raised revenue by 90%, but reform is required to bring tax collection upto par with global norms.

Jain, P., & Jain, A. K. (2020) The effectiveness of tax administration greatly influences thesuccess of tax policy, and the two are intertwined. This entails enhancing taxpayer compliance while reducing arrears, appeals, tax evasion, and avoidance. The existing system faces difficulties like rising collection costs and tax evasion despite higher collections. For administration to be successful and efficient, administrative strength must be increased.

Mishra, P.,et.al. (2008) analysed that Tax laws have a big impact on tax evasion; higher taxrates encourage it more and reduce the wealth of taxpayers. Enforcement affects the likelihood of detection, the simplicity of paying customs officials, and the inclination of agents to engage in evasion. This study looks at the tariff reform in India throughout the 1990s and finds that tariffs have a significant effect on evasion; for every percentage point rise in tariffs, evasion increases by roughly 0.1%. The evasion elasticity differs depending on the mode of entrance and product-related features; items going by air have a lower elasticity.

Jain, C. K., (2022) India is a developing nation that mostly depends on direct and indirect taxes. Significant changes have been made to single-point taxes, various forms of tax abolition, and indirect tax reforms with the introduction of the Goods and Service Tax (GST). Nonetheless, there is still more to be done to combat both local and foreign tax avoidance. Important areas for improvement include regularising out-of-books transactions, transfer pricing, cross-border transactions, and international taxation. Making rules easier to understand and more strict for taxpayers should be the main priority.

Sury, M. M. (2015) explored the main causes of tax evasion in emerging nations include high tax rates, disinterest in the government, and light punishments. Amendments to the tax code in India are intended to stop revenue leaks. Reducing tax rates, minimising controls, regulating donations, fostering trust among small taxpayers, replacing sales tax with excise duty, and stepping up prosecution are some of the measures.

Chattopadhyay, S., & Das-Gupta, A. (2002). Studied about the costs associated with tax compliance vary; time compliance costs have a negative effect on compliance, as do bribe costs. Third-party costs through Tax Deductions (TDS) may result in a decline in personal income tax revenues, and tax consultants may also have a detrimental impact on compliance.According to a theoretical model, TDS can reduce non-filing and the revenue loss caused bynon-filers, since non-filer costs were estimated to have accounted for 3.4% of tax collection in 2000–01. Proposals for policy include reducing the threshold, establishing more comprehensive TDS, and taking final withholding taxes into consideration. As seen in developed nations, more regulation of tax professionals may result in increased accountability.

Lodha, S., et.al (2017) examined the India's ability to collect taxes is seriously threatened bytax evasion; in order to address this problem, the government has demonetised higher denomination currency notes and implemented income disclosure programs. Despite their agreement that paying taxes is morally right, a study of article assistants and chartered accountants found that, in part, clients frequently avoid paying taxes because of incompetenttax administrators, low tax literacy, and poor governance. The purpose of this study is to investigate tax evasion in India and the contributing variables.

Hoseini, M., & Briand, O. (2020) investigates the effects on the informal economy and production efficiency of Indian states when value-added tax (VAT) is substituted for sales tax. It shows that while efficiency rises in downstream businesses with backward links, the inputreturn mechanism for VAT enhances tax compliance. Exogenous variances in the date of VAT adoption are used in the study.

Samuel, M., & Fossung, M. F. (2019) Taxes are levied by the Cameroonian government inorder to redistribute wealth and finance public services. According to a study on tax evasion in Cameroon, the primary factors are high rates, complicated rules, dishonest inspectors, lowtaxpayer income, and discontent with public goods and services. Tax rates can be lowered, regulations can be made simpler, taxpayers can be educated, a business-friendly climate canbe created, penalties can be increased, ineffective tax authorities can be addressed, the courtcan remain independent, and tax ethics can be promoted in schools. The goal of these initiatives is to instil in public offices and the government a culture of accountability, openness, and tax compliance.

Doshi, S., & Patil, A. (2020) comprehended the effects of income tax avoidance and evasionin Pune, India. Using a random selection technique, it chooses 100 respondents, some of whom are taxpayers and others who are not. The revenue of the government is adversely affected by tax evasion and avoidance. There are many policies and solutions, but economicgrowth remains low. The goal of the study is to find workable answers to these problems.

Singh, A. K., & Kahal, A. (2022) studied the theoretical models that take into account tax arrangement avoidance and evasion, based on the Indian Income Tax Act. While earlier models concentrated on tax evasion, this study recommends a more all-encompassing strategy. A number of factors, including a convoluted tax system, a dearth of incentives, taxpayer ignorance, and ineffective tax administration, all contribute to the persistent problemof tax fraud and evasion.

Raghuwanshi, S., & Vyas, R. (2019) In the modern world, tax planning is becoming moreand more crucial, but some individuals turn to tax evasion in an attempt to lower their tax obligations. This unethical technique reduces money circulation, raises black money, and causes unemployment. Tax evasion and parallel economies are two of India's biggest issues, which highlights the necessity for significant tax system improvements. This essay examinestax evasion and tax planning ideas in India.

Engel, E., & Hines, J. R. (1999) A model explaining the connection between changes in theeconomic environment and both individual and collective tax evasion is presented in a paper.It implies that years with little prior evasions in comparison to present liabilities—such as those with rising earnings or tax rates—have higher rates of tax evasion. Additionally, the study discovers a strong correlation between current-year and previous-year evasion and fines and penalties associated with audits. According to this, there may be 42% less tax evasion inthe US on average than there would be if people had no concerns about retrospective audits.

Slemrod.J.(2004) The author examined that the study estimates the economic impact of taxevasion on government revenues and the broader economy, focusing on the role of corporatetax strategies. The author concluded that corporate tax evasion is a significant issue with broad implications for government revenue, economic fairness, and global financial stability.

Saraswat. S.et,al., (2023) The author examined that the Tax evasion and avoidance have major ethical and legal repercussions on social fairness, particularly regarding wealth inequality. The author concluded the Tax non-compliance, or the failure or underpayment oftaxes by individuals, businesses, and corporations, includes tax evasion and avoidance.

George.R.et.al., (2015) The author examined that Emerging countries play an important rolein the world economy. India is undeniably rising as an important and vital country, not onlyamong emerging countries.The author concluded that Tax environment in India is often seen as a complex system with the multiplicity of indirect taxes, overburdening litigations and lackof certainty.

RESEARCH METHODOLOGY:

The study is based on systematic empirical and doctrinal research.The current study is basedon empirical research. It consists of the scientific frame of research. It begins with finding research problems based on the review of literature. The major contribution of the study is tocollect the facts of a particular area and to test the hypothesis of a cause-and-effect relationship between variables. The research design is exploratory and experimental, exploring the problem tested with hypotheses and providing the solution from the analysis. Convenient sampling method is used. The sample size is 205. Primary data includesquestionnaire-survey and interview schedule and secondary data includes the articles, journals, reports and newsletters. The analysis is carried out for demographic statistics (Age,Gender, Educational qualification and Place of Residence) and hypothesis testing graphs areused. The analysis was done through SPSS and the tools for analysis are clustered bar graph,pie chart, stacked area graph, linear regression ANOVA, chi-square test and correlations.

LIMITATIONS

Due to the lack of time the study was restricted within a limited sample frame. The large areawas unable to be studied and there is a major constraint in the convenient sampling method,the survey was conducted through questionnaires by google forms to collect responses fromthe people. Another limitation is the sampling size which cannot be used to assume the thinking of the entire in a particular country, state or city. The physical factors have a largerimpact on the study so, it limits the study.The sample frame is the major limitation. The sample frame is the major limitation. Some samples were collected through online platforms like sending links via Social media platforms, Whats App, Instagram etc., and some by interview schedule. This is also a limitation. Sample size may not be representative of the entire population. Causal relationships between variables could be explored further. The areaof sample size is yet another drawback of the research. Collection of data via online platformsis limiting the researcher to collect data from the field. Since the data is collected on an onlineplatform wherein the respondent is unknown, there liability of the respondent's opinion isn't present and this research could only come to an approximate conclusion.

CONCLUSION

In a welfare state like India, the government bears the primary responsibility for ensuring thewell-being of its citizens through various public welfare programs. These initiatives, including employment, social security, healthcare, and infrastructure development, are predominantly funded through taxes collected from the public. Taxes, therefore, form a crucial revenue stream for the government, which is legally empowered to levy taxes on income, wealth, and profits, or include them in the prices of specific goods and services. However, tax evasion, an illegal activity where individuals or corporations deliberately misrepresent their financial information to avoid paying taxes, poses a significant threat to the nation's economy. The practice of tax evasion diverts funds from public welfare programs, contributing to economic instability, increasing public debt, and discouraging foreign investment. This study aimed to understand the tax administration in India, examine the tax laws, and explore public opinion on the effectiveness of tax laws, penalties, and punishmentsin deterring tax evasion. Data analysis revealed that tax evasion is most prevalent among younger age groups, particularly those aged 26-35, with significant evasion observed in indirect taxes among private sector employees. Despite the existence of penalties and punishments under various sections of the Income Tax Act of 1961, including fines and imprisonment, a large portion of the population still engages in tax evasion. The findings indicate that while the current penalties are perceived as somewhat effective by the majority, there is a significant need for more stringent enforcement and public awareness to improve tax compliance. In conclusion, the study highlights the critical need for more effective tax administration and stricter penalties to combat tax evasion in India. The government's effortsmust focus on closing loopholes in tax laws, improving the efficiency of legal proceedings, and ensuring that penalties serve as a strong deterrent. Additionally, enhancing public awareness about the legal and economic consequences of tax evasion could significantly contribute to better compliance and a more stable economy.

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