

# Tax Evasion and its Consequences

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**Abstract:** *Tax evasion and tax avoidance are significant problems that have a detrimental effect on the economic development of India. These issues reduce the government's ability to collect revenue, which in turn reduces its capacity to finance public expenditures that are essential for economic development. Tax evasion involves deliberate non-payment or under-reporting of taxes, while tax avoidance refers to the use of legal means to reduce tax liability. Both practices have negative consequences for economic growth, investment, and government revenue. The research uses secondary data from various sources to analyze the impact of these practices on key economic indicators such as GDP growth, investment, and government revenue. The findings reveal that tax evasion and tax avoidance significantly negatively impact economic development. Tax evasion results in a decline in government revenue, which reduces the availability of public resources for investment in critical sectors such as education, healthcare, and infrastructure. Tax avoidance, on the other hand, distorts resource allocation and discourages foreign investment, leading to a decrease in overall economic growth. The study highlights the significant negative impact of tax evasion and tax avoidance on the economic development of India. It provides evidence to support the implementation of effective measures to combat these practices to promote sustainable economic development in India.*

**Keywords:** Tax Avoidance, Tax Evasion, Economic Development, Government Revenue