Tax Evasion in India: A Study of its Impact on Revenue of the Government

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Abstract: *Taxes are the main source of funding for governments and the required contribution from the population. Tax evasion is an illegal activity that results in income inequality, halts economic growth, and creates unstable economic conditions. Tax avoidance is typically connected to the unofficial economy. The tax gap and an individual's quantity of unreported income are both widened by the income distribution inequality. The difference between the amount that should be reported and the amount that is actually reported is added up here. This essay aims to clarify the connection between tax revenue and government revenue and tax avoidance. However, the study also examines the idea of tax avoidance and explains the legal means through which a person or a business entity can utilize tax rules to lessen the burden of taxes. Because both activities fall into a certain spectrum, a state's tax structure is unfavorable. In the end, tax evasion and avoidance lower the government's revenue stream, although the latter greatly decreases the government's income flow. The documents indicate that even in cases where taxes are paid in small amounts, a considerable proportion of the population viewed it as a hardship. This could be because taxpayers believe the government is not using their money effectively or that the tax rate is too high.*

Keywords: Tax, India, Revenue, Government, Amount

I. INTRODUCTION

The criminal act of avoiding taxes and refusing to pay taxes is known as tax evasion. There is a significant discrepancy between the amount of taxes owed and the amount paid. Dr. Devirajappa (2017) investigated how tax evasion affected the government's revenue. The amount of tax evasion in India and the actions of its government. As he discovered, the 2008–2009 saw the biggest amount of taxes avoided ever recorded and had the lowest amount of tax recorded during 2002 and 2003 avoided. The practice of avoiding taxes by using lawful means to lower

a person's financial situation to reduce taxes, particularly income to be paid in tax

He also discovered that an effective and transparent tax collection mechanism is necessary to close the income gap. Legal actions and purchases made in compliance with tax laws are examples of tax avoidance. And Laliwadhwa According to Vivender Pal (2012), excessive tax rates and ineffective tax authorities are the primary reasons for tax avoidance. They looked for a connection between tax officials as well as evading taxes. They came to the conclusion that tax law simplification and closing legal loopholes is the best method to cut down on the quantity of money avoided. The most popular means of tax avoidance is through employee-sponsored retirement plans. Money. Legal exceptions can allow one avoid paying taxes.

II. METHODOLOGY

The researcher's original data and secondary data from books, journals, and internet sources form the basis of the current study. The current study selected its samples using a straightforward random sampling technique because

The population is overly dense. One hundred and twenty sample respondents in the agea randomly chosen 18–60 year old sample from Chennai, one of the four

Indian cities that are large. The study's meaningful analysis was based on percentage. Of the study's findings.

III. SUMMARIZATION

The main reason for the government's low revenue is tax evasion. This is because there are dishonest tax collectors out there and an ineffective tax system that most ofthe world's developing nations are victims of tax evasion. This leads to accounted for money and established a secondary market. The tax code as well as If a country's needs change, collection levels must be adjusted finances. Tax easing is necessary to lower the rate of tax evasion and more severe penalties must be implemented for tax evasion offenses in order to decrease the distance. Individuals do think about paying taxes, regardless of their financial situation. Tax evasion is act of evading taxes illegally and refusing to pay taxes. The space among the quantity of tax owned and quantity of tax that is paid is large. Dr. Devarajappa (2017) studied the impact of tax evasion at the sales of the Indian government and the extent of tax evasion in India. He found that the all through the duration of 2008-2009, there has been the highest recorded of taxes avoided and at some stage in the period of 2002-2003 had the least recorded amount of tax evaded. Tax avoidance is using methods which might be of felony strategies to lessen a man or woman's financial reputation to decrease the amount of tax, specifically profits tax to be paid. That is commonly performed by using claiming achievable and permissible deductions and tax credits. Humans commonly confuses tax evasion and avoidance. Stuart P inexperienced (2009) studied what was virtually wrong with tax evasion from a mental factor of view and ethical perceptive and whether or not underlying morals of someone helped in the technique. He observed that public regarded the act of non payment of taxes to a breach of morals, but their motives had been justified as such as excessive tax rates and inefficient use of tax money by using the government. Tax evasion is sincerely depended on 4 most important determinants, specifically demographic variables (age, gender, education and occupational popularity), way of life and behavioral variables (complexity, equity, sales authority contact, compliant friends and ethics or tax morale), felony and institutional variables (regulation) and ultimately monetary variables(income stage, profits source, marginal tax prices, sanctions and opportunity of detection).

IV. CONCLUSION

The main reason for the government's low revenue is tax evasion. This is because there are dishonest tax collectors out there and an ineffective tax system that most ofthe world's developing nations are victims of tax evasion. This leads to accounted for money and established a secondary market. The tax code as well asIf a country's needs change, collection levels must be adjusted finances. Tax easing is necessary to lower the rate of tax evasion and more severe penalties must be implemented for tax evasion offenses in order to decrease the distance. Individuals do think about paying taxes, regardless of their financial situation good. The reason behind this could be that their taxes don't go to the authority

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