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A Study on Tax Evasion and Tax Avoidance with Special Reference to Tamil Nadu

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Abstract: *An Introduction to Tax evasion and tax avoidance are strategies used to reduce tax liabilities, though they differ significantly in legality and ethical implications. Tax evasion involves illegal practices such as underreporting income or inflating deductions to evade taxes. In contrast, tax avoidance employs legal methods to minimize tax burdens, often by exploiting loopholes in the tax system. The difference between duty elusion and duty avoidance largely boils all the way down to two rudiments lying and hiding. " duty avoidance is structuring your affairs so you pay the smallest amount quantum of duty due. Duty elusion is lying on your income duty form or the other form, " says metropolis, California- grounded duty attorney MitchMiller. Tax avoidance involves the legal exploitation of duty laws to one's own advantages. Every attempt by legal means to assist or reduce duty liability which might else be incurred, by taking advantage of some vittles or lack of vittles within the bills of the country. The aim of the study is to know the concept of tax avoidance and its legality. The government uses the levies to hold out colorful functions similar as Social weal systems like seminaries, hospitals, casing systems for the poor, structure similar as roads, islands, flyovers, railroads, anchorages etc. during this paper, we endeavor to synthesize the foremost findings of duty avoidance that are passing over the once times. We consider theoretical developments and therefore the affiliated empirical findings about the connected problems with measuring duty avoidance, and therefore the possible causes and problems with commercial duty avoidance. We present some ideas forpreventing duty avoidance. The duty is additionally used for Enforcement of law and order, pension for the senior and benefits schemes to the jobless or the one below the personal income.The methodology used here is empirical research. The paper consists of information regarding tax avoidance, tax evasion and its causes, effects and difference between tax avoidance and tax evasion .The sample size is 206. In conclusion the term 'tax haven' is a country that offers foreign people and businesses a minimal tax liability in a politically and economically stable environment, with little or no financial information shared with tax authorities. The term 'subsidiary' is a company with stock that is over 50% controlled by another company, which is usually referred to as the parent company or the holding company.*

Keywords: Tax avoidance, tax evasion, economy ,Companies , poverty line

INTRODUCTION

I. OBJECTIVES

- To analyse the concept of tax avoidance
- To know the difference between tax avoidance and tax evasion
- To study about the legality of tax evasion and avoidance

II. REVIEW OF LITERATURE

Myth and reality of the imbricating concepts of Tax Avoidance and Evasion" The aim of study specifies the difference between tax avoidance and evasion is that tax avoidance is legally permissible by law while tax evasion is not.Oats and Morris in his study on tax avoidance defined tax avoidance as a closed set of all tax planning strategies. The objective One end of the closed set is legitimate tax avoidance while the other end is noncompliance, evasion, etc. Because empirical studies often cannot clearly distinguish between tax planning and tax evasion, In conclusion we adopt the definition proposed by which refers to all transactions that reduce companies' tax obligations as being tax avoidance.Oats and Morris (2017)

The aim of this study finds that taxation decision is an important managerial decision. The objective adopt tax avoidance tactics to boost post tax profits to meet the shareholders' expectations, particularly of risk-averse shareholders, and sometimes for their benefit also On their examination Hashmizade and epifantseva did recent studies have also considered the outcome of tax avoidance, including economic consequences. In conclusion economic consequences can differ among managers, the firm, and its shareholders due to agency problems, which is the focus of much recent work Hashimzade and Epifantseva(2017).

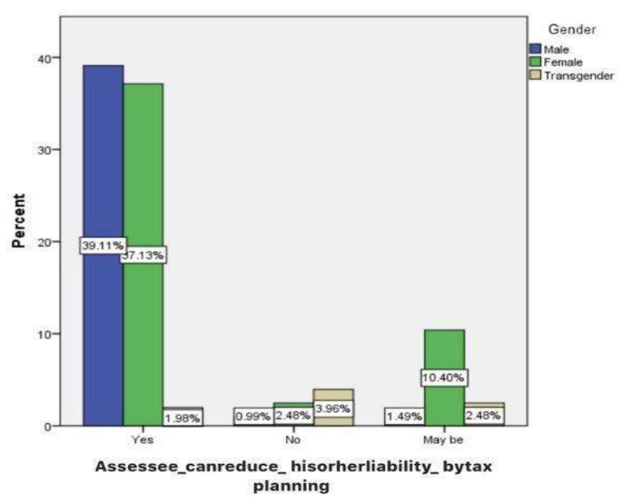
The aim of this study also finds that firms' characteristics, political connections and corporate social responsibility activities also impact taxation decisions. In addition, the study identifies that tax-avoiding behavior has a contradictory impact on firm value, market growth and corporate transparency disclosure decisions.Ordower focused on their tax-related actions by covert and complicated transactions to avoid the exposure of tax avoidance to the tax authority; such obfuscation can also reduce transparency to shareholders. In conclusion Third, tax avoidance can involve long-term reputation losses. Fourth, tax avoidance may be inconsistent with socially responsible behavior,which may be of importance to some shareholders. Shareholders may also have preferences for socially responsible companies.Ordower (2018).

III. METHODOLOGY

The researcher obtained the primary source of data by conducting an empirical study on seeking responses from the general public based on a questionnaire and also relied on secondary sources of data such as books, journals, e-sources, articles and newspapers. The present research is conclusive, descriptive and based on empirical design. Qualitative data was generated to test the research hypothesis. In order to collect data on dimensions of study, a research instrument was designed. This research paper used the empirical type of research which is done by the survey method. The sampling size of the paper is 206. Statistics is on percentage analysis. The independent variables are age,gender,educational qualification and occupation. The dependent variables are In your opinion which are the real causes of tax evasion, What are the various method to avoid tax evasion,Do you agree that Minimizing taxes requires skillful tax planning, Do you think that an Assessee can reduce his/her liability by tax planning.The sampling method is a simple sampling method. The primary sources are taken from the general public in the form of survey methods. The information was collected from secondary sources from journals, articles, books and reports of the presidency and non-governmental organizations.

IV. ANALYSIS

FIGURE 1:



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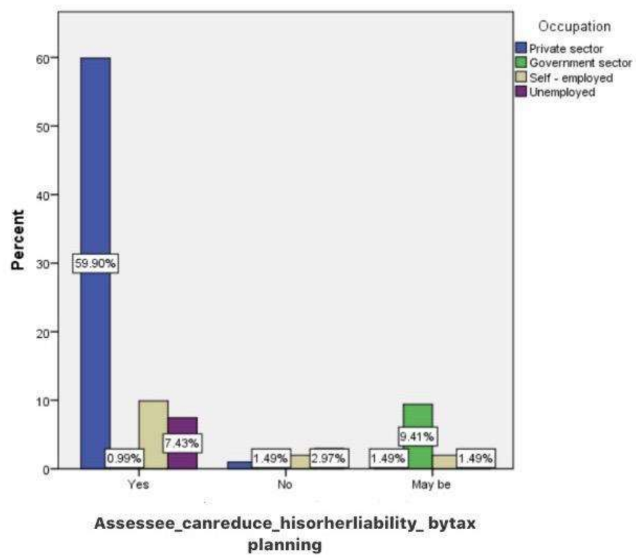
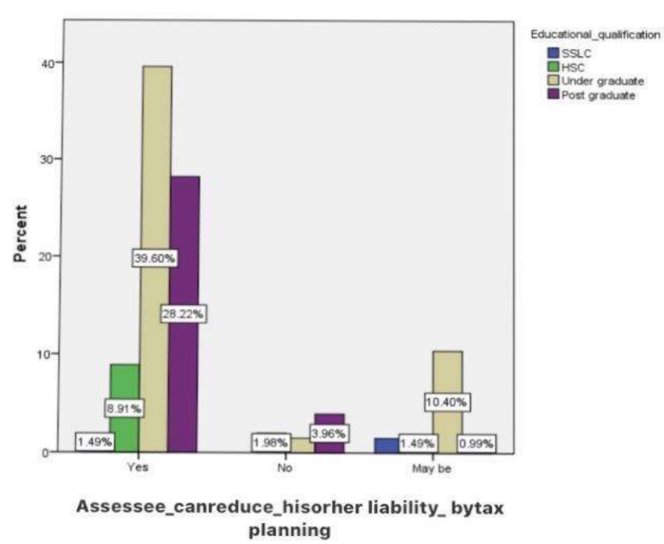
LEGEND: The Figure 1 represents the analysis of gender groups of the respondents compared to the question do you think the assessee can reduce his or her liability by tax planning.

FIGURE 2:



LEGEND: The Figure 2 represents the analysis of occupation of the respondents compared to the question do you think the assessee can reduce his or her liability by tax planning.

FIGURE 3 :



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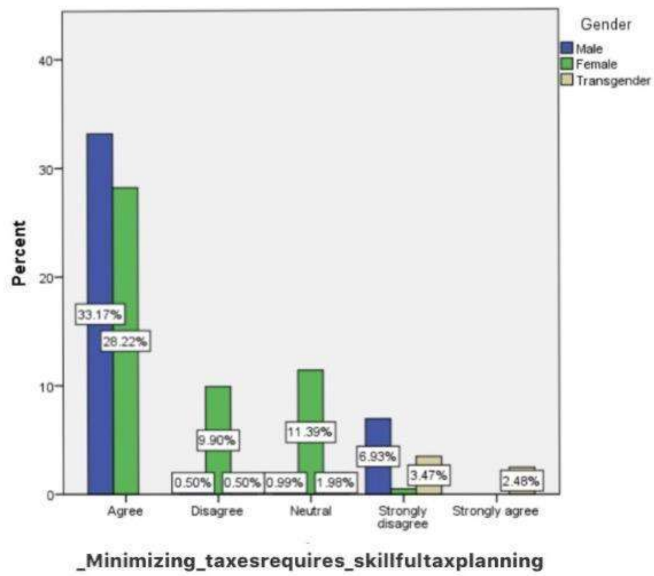
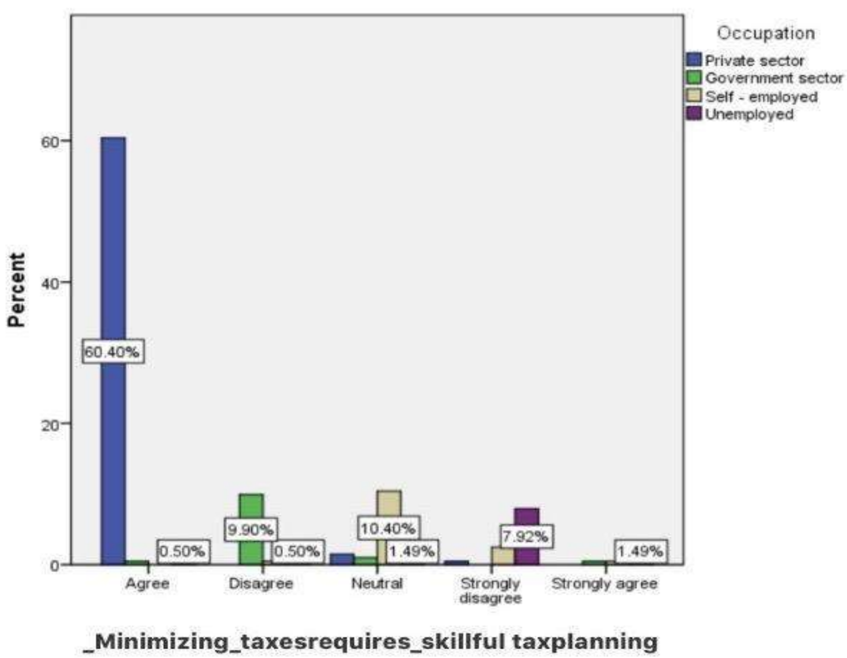
LEGEND: The Figure 3 represents the analysis of educational qualification of the respondents compared to the question do you think the assessee can reduce his or her liability by tax planning.

FIGURE 4:



LEGEND: The Figure 4 represents the analysis of gender groups of the respondents compared to the question do you agree that Minimizing taxes requires skillful tax planning.

FIGURE 5:



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LEGEND: The Figure 5 represents the analysis of occupation of the respondents compared to the question do you agree that Minimizing taxes requires skillful tax planning.

V. RESULTS

Figure 1 shows that the gender groups of the respondents is compared to the question do you think the assessee can reduce his or her liability by tax planning.

The majority of respondents is Male group 39.11% who gave their opinion that Assesssee can reduce his or her liability by tax planning whereas 37.13% of females have opted yes .Very less respondents have opted maybe as their opinion that is 1.98%.

Figure 2 shows that the occupation of the respondents is compared to the question do you think the assessee can reduce his or her liability by tax planning.

The majority respondents are from private sector 59.90% who gave their opinion that Assesssee can reduce his or her liability by tax planning whereas there is no respondents from government sector.Very less respondents have opted No 1.49% that is people have given opinion that Assesssee cannot reduce his or her liability by tax planning.

Figure 3 shows that the educational qualification of the respondents is compared to the question do you think the assessee can reduce his or her liability by tax planning.The majority respondents have opted yes that is the assessee can reduce his or her liability by tax planning 39.60% and less respondents have opted no that is 1.98%.The majority respondents are from the under graduates and post graduates 28.22%. The undergraduates gave their opinion that Assesssee may reduce his or her liability by tax planning 10.40%.

Figure 4 shows that the gender group of the respondents is compared to the question do you agree that Minimizing taxes requires skillful tax planning. 33.17% of the male group have agreed that minimising taxes requires skilful planning.The majority respondents are from the females who have responded that minimising taxes does not require skilful tax planning and the very less respondents were the transgender 3.47% who strongly disagreed to the statement.

Figure 5 shows that the occupation of the respondents is compared to the question do you agree that Minimizing taxes requires skillful tax planning. The majority respondents are from the private sector 60.40% who have given their opinion that minimising tax requires skilful tax planning. 9.90% of the garment sector people respondents have disagreed that minimising that does not require skilful planning.

VI. DISCUSSION

In Fig 1 majority respondents are from Male group 39.11% who gave their opinion that Assesssee can reduce his or her liability by tax planning whereas 37.13% of females have opted yes .Very less respondents have opted maybe as their opinion that is 1.98%. In Fig 2 majority respondents are from private sector 59.90% who gave their opinion that Assesssee can reduce his or her liability by tax planning whereas there is no respondents from government sector.Very less respondents have opted No 1.49% that is people have given opinion that Assesssee cannot reduce his or her liability by tax planning. In Fig 3 the majority respondents have opted yes that is the assessee can reduce his or her liability by tax planning 39.60% and less respondents have opted no that is 1.98%.The majority respondents are from the under graduates and post graduates 28.22%. The undergraduates gave their opinion that Assesssee may reduce his or her liability by tax planning 10.40%. In Fig 4 , 33.17% of the male group have agreed that minimising taxes requires skilful planning.The majority respondents are from the females who have responded that minimising taxes does not require skilful tax planning and the very less respondents were the transgender 3.47% who strongly disagreed to the statement. In Fig 5, majority respondents are from the private sector 60.40% who have given their opinion that minimising tax requires skilful tax planning. 9.90% of the government sector people respondents have disagreed that minimising that does not require skilful planning.

VII. LIMITATIONS

The limitation of this research study is that tax's loopholes are not disclosing some data and information for obvious reason, which could be very much useful.Tax is a confidential subject. So, it's all information is not available.Lack of comprehension of the respondents was the major problem that created a lot of confusion regarding verification of conceptual question.Limitation of time was a major constraint in making a complete study, due to time limitation.It was too limited to go to the all tax payers. Many aspects could not be discussed in the present study. Only educated people had knowledge about this research study tax evasion and tax avoidance. This was the major limitation of the study.

VIII. SUGGESTIONS

Several steps as below have been taken by the Indian government to avoid tax evasion. In India, tax evasion is regarded as a crime. Prosecution and Penalties are imposed under different acts by the government. Income tax reward scheme has been introduced by the Income Tax Department which gives rewards to informants about tax evasion. Recently, India has entered into a pact with the US to avoid tax evasion by Americans through Indian financial organizations. Special Bearer Bond Scheme (Immunities and Exemptions Act, 1981) enables persons in possession of black money to invest in special bonds. The Voluntary Compliance Scheme (Amnesty Scheme) was another one.Government increased the tax slab, reduced the deduction rate, and increased legal tax avoidance measures. Most recently, the Tax Administration Reform Commission was set up by the Government to make structural reforms to tax matters to simplify and streamline tax procedures. Earlier India had set up several committees like the Taxation Enquiry Committee, Indian Tax Reforms Committee, and Direct Taxes Enquiry Committees etc. The Transfer Pricing Audit was introduced by the Finance Bill to audit undisclosed transactions to curb tax evasion.

IX. CONCLUSION

The introduction from the above discussion that tax avoidance and tax evasion are those concepts while enabling a person to avoid liability on his income tax charges . One concept is completely legal as provided under income tax act 1961 and another is completely illegal. For the purpose of tax avoidance, the government has provided various ways in which a person can legally restrain tax on his income whereas on the other hand the government has given various penalties on the concept of tax evasion . Most of tax avoidance to tax bills by structuring transactions in such a way that one can reap the maximum tax benefits . The aim of the study is to know the concept of tax avoidance and its legality. This method goes completely against the spirit of the scheme of taxation in a country. It is therefore important to scrutinise the claims of tax benefits, deductions and exemptions carefully and prevent frivolous claims from atrophying the economic growth of a nation. The future scope of Tax evasion is a crime in which an individual or a business entity intentionally underpays or hides their certain amount of income in order to save more amount of taxes. This method is certainly illegal in all the countries. Tax Evasion is basically non-payment of taxes by means of not reporting all taxable income, or by taking not allowed deductions. It originated in England between 1920 -1925. In conclusion, while both tax evasion and tax avoidance aim to reduce tax liabilities, they are fundamentally different in their legal and ethical implications. Tax evasion involves deliberate deceit and illegality, posing serious legal risks, whereas tax avoidance, though legal, often raises questions about fairness and fiscal responsibility. Ultimately, balancing compliance with strategic financial planning remains a critical challenge for individuals and businesses alike.

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