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TAX EVASION: IS THERE A SOLUTION?

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DECLARATION

I do hereby declare that this Research paper is solely made by me and is a unique piece of work. I also declare that any sources used by me in the preparation of this paper have been truthfully and appropriately mentioned as footnotes at the end of every page.

ABSTRACT

This Research Paper situates the current scenario prevalent in the vast economy of the country which is responsible for the presence of a parallel economy leading the country into a great amount of debt and an economic downslope. Due to the high slabs of Tax to be payable by the individuals, businesses and professionals, they resort to finding ways of evading such liability and saving their hard-earned monies. This evasion of Tax leads to great economic pressure especially in a rapidly developing country such as India. The individuals participating in the Act overlook the need for the development of the country so as to fulfil personal aspirations and comforts. Tax is the only income available to a Government and the only passage to development and repayment of debt. This paper provides an overlook into the practice of Tax evasion, measures and statutes responsible to avoid it and whether such practice has a permanent solution or if it is an ever-going process.

INTRODUCTION

The most essential aspect of a country is its economy and the power of its currency. With the advancement of time and a subsequent rise in the earning capacity of individuals, there has been a boom in the world economy. Though there has been an upward slope in the earnings, the human nature of greed is eating away the only source of revenue of the government by running away from the obligation of providing a part of their earning to the society for development and advancement. Tax is a crucial part of an economy. The government depends on tax payments to conduct various development activities in the country and also to pay off their debt, with steep rates of taxes a huge part of the population has resorted to evading or ignoring their payments. This scenario of non-payment of taxes, hiding a large chunk of income from the government and using various other techniques in order to avoid paying taxes is called Tax Evasion. An increasing number of tax evaders require some drastic changes in the taxation policy and tightening of many rules and regulations regarding payment of taxes so as to make it easier for the TAXMAN to collect taxes and put to them in the right direction for the development of the country.

MEANING OF TAX EVASION

Tax[1] Evasion refers to an unlawful practice by individuals in which an assessee makes an effort to avoid taxes which leads to unequal distribution of income and leads to a downslope in the economic growth, resulting in economic instability. It is mostly concerned with dishonest tax reporting and hiding of income. Non-payment, underpayment of taxes, concealing of assets to reduce tax liability, etc., are some common forms of tax evasion. This act of tax evasion is usually associated with an informal economy. Tax evasion is a major concern of the Fiscal Policy around the globe. It is closely related to corruption in the tax systems of countries. It reduces the government's revenue and helps in the creation and pondering of a parallel economy which is further responsible for the initiation of a host of unethical activities such as financial scams, gambling, smuggling, speculation in real estate and of the stock market. There are a number of activities under the Income Tax Act, 1961 that are considered as tax evasion, some of these activities are:

Not filing Income Tax Returns- Section 139 of the Income Tax Act, 1961 requires and individual or business to file income tax returns. The most common form of Tax evasion is the non-filing or partial filing of income tax.

Not providing PAN or quoting the wrong PAN- Employers are responsible for collecting TDS from employees, for this it is necessary to provide the employer with PAN. Not providing PAN causes a deduction of 20% TDS by the employer instead of the standard 10%.

Not paying tax as per self-assessment- Taxpayers are required to provide the concerned Tax Authorities with a self-assessment of their income in the previous year. Not [2]paying tax as per self-assessment provided to the Tax authorities is another form of tax evasion and results in being labeled as a 'defaulter' as per Section 140A(1) of the Income Tax Act, 1961.

[1] Acadpubl.eu
[2] Thehindu.com

Concealing income and assets- Tax evaders most often conceal their actual income by filing partial returns or by making false entries in their books of accounts.

Not complying with income tax notice- Notices may be issued under Sections 142(1) or 143(2) of the Income Tax Act, 1961. Non-compliance to these notices is considered as tax evasion under the Act.

Tax Evasion is most commonly confused with a broader but clashing term "Tax Avoidance". The basic difference between tax evasion and tax avoidance is that whereas Tax Evasion is the practice of illegal methods[3] to reduce tax burden or concealing the actual income of an individual, Tax Avoidance is a method of reducing the tax burden by use of various relevant tax laws and norms and is legal practice for reducing the amount of tax payable by individuals.

[4]SOURCES AND CAUSES OF TAX EVASION

Tax Evaders use a vast plane of methods to avoid paying taxes and as such all of them are considered illegal and are followed by various statutes providing for the repercussions, penalties and punishments for the use of such methods. The most important address to understand the motive of tax evasion is to understand the sources that lead to the committing of it. There is a host of causes which lead to these acts, the most important causes are:

1. **Exorbitant rates of taxes**
2. **Lack of transparency and simplicity in tax laws**
3. **Corrupt government administration**
4. **Donations to Political Parties**

[3] Paisabazaar.om
[4] Iciciprulife.com
Incometaxindia.gov.in

1. EXORBITANT RATES OF TAXES

The vast number of taxes to be paid seems to be a secondary cause responsible for tax evasion, the primary source can be credited as the rates of these taxes. The most common tax an individual is bound to pay is Income Tax. The rates of income tax payable vary from a mere 5% of the total income earned above Rs. 2.5 lakhs to a drastic 30%. The calculation of Income Tax is as follows:

Income Tax slabs for HUF's, individuals (both males and females) below the age of 60 years

INCOME	TAX RATE
Income less than Rs.2,50,000	Nil
Between Rs.2,50,000 and 5,00,000	5% of amount exceeding Rs.2,50,000
Between Rs.5,00,000 an Rs.10,00,000	Rs.12,500+ 20% of amount exceeding Rs.5,00,000
Above Rs.10,00,000[5]	Rs.12,500+ 30% of amount exceeding Rs.10,00,000

The rates of taxes mentioned are calculated after reasonable deductions which comprise of investments, health care costs, insurance, HR allowance, TDS, etc., in addition to these exorbitant tax rates the government further levies a surcharge on the taxed amount for a certain category of income holders. The surcharges applicable are as follows:

INCOME	SURCHARGE
Less than Rs.50,00,000	Nil
Rs.50,00,000- 1crore	10% on tax paid above 50 lakhs
Rs.1 crore – 2 crore	15% on tax paid above 1 crore
Rs.2 crore – 5 crore	25% on tax paid above 2 crore
Above Rs.5 crores	37%

The levying of surcharge on the taxed amount provides the evaders with a motif to not pay taxes and to conceal incomes above Rs.50,00,000. These morbid rates are the biggest contributors to the increase in individuals not paying taxes.

Therefore, Raja Chelliah has recommended:

"The tax system and its burden must be acceptable to the citizens i.e., the potential tax-payers...Given our past experience and the present totality of the circumstances affecting tax-system and its operation, it is better to have moderate rates with broader bases".

2. LACK OF TRANSPARENCY AND SIMPLICITY IN TAX LAWS

The tax filing process involves a host of complicated calculations and these calculations often result in the filing of incorrect or partially correct returns. Another aspect that lacks in the tax scenario is transparency as to the calculations of the taxes. There is en number of items that are needed to be added and deducted for reaching the actual taxable income and there are no proper listings of these items. Taxpayers often confuse one item with another which leads to delay in the filings resulting in penalties.

3. CORRUPT GOVERNMENT ADMINISTRATION

Government officials and administrations are increasingly becoming a partner to tax evaders by accepting bribes and readily hampering with tax records to illegally provide tax breaks to those who are filling their pockets. The increasing bribery and corruption in the administration is a vital source of creating tax evaders. Since government officials are the last pit in the tax filing process, they have a superior hand in filing the taxes, this provides the tax evaders an opportunity to reach out and violate the tax system with a line of corruption and stipulation. This not only effects the smooth functioning of the government by starting a stream of corruption but also effects the development of the country on a large scale.

4. DONATIONS TO POLITICAL PARTIES

A huge amount of money is required by the political parties to prepare and run for elections. The main source of funding for political campaigns and rallies is through a large effect from black money. This black money [6]is usually provided by large enterprises and wealthy individuals. This is another reason why black is generated or to a large extent could become of the reasons.

INDIAN SCENARIO ON TAX EVASION

The survey on India's Citizen Environment and Consumer Economy (ICE 360) conducted by People Research on India's Consumer Economy (PRICE) with the reference period is April 2015 to March 2016 shows that more than 68,000 individuals are predicted to be earning incomes above Rs.5 crore but only 5,000 are known to the Authorities as taxpayers. Further, a Declaration by the Prime Minister on the 71st Independence Day speech shows that during the period of demonetization in November 2016 a reported 1.87 lakh crore was deposited into bank accounts out of which only 6,600 crores have been recovered. Large-scale tax evasion by sections of the society puts a greater burden on honest taxpayers. However, the taxman in order to catch the big fish in the absence of being able to go against evaders, the focus is on those who actually pay big amounts of taxes.

Taxman's inability to catch the evaders has led to high rates of taxes being implemented at modest income levels. This has further caused over the time the economy to be eroded considerably causing taxpayers in the top slab to increasingly feel a tax pinch.

Under-reporting of income has been the bane of India's tax system. More so, the government's inability, and unwillingness to, and helplessness in increasing the taxpayer base, and collecting the appropriate share of income tax from the non-salaried class. The CBDT website shows there were only 5.95 crore individual return filers in FY19—about 4.5% of the country's population. The Economic Survey 2019 stated, "Across countries, research has highlighted that tax evasion is driven significantly by tax morale, the intrinsic motivation of taxpayers in a country[7] to pay taxes.

The abovementioned figures paint a very clear picture of a failing economy. The India taxman has been unable to trace back the evaders to their crimes which has resulted in not only a debt inducing scenario for the economy but has also put added pressure to those honestly filing their earnings

[6] Indianlegalsolution.com
[7] Financialexpress.com

and contributing to the development. The current hour in the global [8]economy has pushed the Indian Government to collect as much tax money as possible from the sources available in order to create goodwill where borrowings are concerned and place a lesser emphasis on figuring out those who have not been paying their respective dues.

A BREAK-UP OF THE INDIAN TAX SYSTEM

The Indian tax system consists of various checkpoints and collection booths of tax, it is collected and divided between three major authorities or functionaries present in the economy:

- **Central Government**
- **State Government**
- **Local Authorities**

Each of these Authorities refers and collect a host of different taxes. These taxes are divided into direct and indirect taxes, direct taxes are levied on individuals and corporate entities and cannot be transferred to others and include income tax, wealth tax, and gift tax. Indirect taxes are not directly paid by the [9]assessee to the authorities, they are levied on goods and services and are collected through intermediaries and include taxes such as sales tax, VAT, stamp duty, etc. Each authority is responsible for conducting numerous activities with the tax money, and this tax money is considered their primary and only source of income. A further elaboration of the various taxes collected by each of these authorities is as follows:

1. CENTRAL GOVERNMENT

(a) Income Tax: It is a direct tax levied on an individual. It is calculated as a percentage of the income earned by an individual and varies according to their income varying from 5% to 30%

[8] Epw.com
[9] Rajesh Gupta and Gunjan Gupta [tax evasion and avoidance concept and percept]

(b) Central Excise Duty: This tax is paid by manufacturers on all goods produced domestically. It is also called the Central Value Added Tax (CENVAT). The current rate of Excise Duty is 12.36%.

(c) Customs Duty: This is a tax levied on import and export of goods over international borders and is used by the central government to support domestic industries and to facilitate the movement of goods. The current rate of customs duty varies from a mere 10% to a drastic 300% on certain imported goods.

(d) Service Tax: It is an indirect tax levied on service providers which are borne by the customers. The rate of service tax is 14%.

2. STATE GOVERNMENT

(a) Sales Tax: It is a consumption tax levied on the sale of goods and services. It is collected at the point of sale by a retailer and is passed on to the government.

(b) VAT: Value Added Tax is a consumption tax levied at each stage when some value is added to the goods. It is collected at every stage from manufacturing to sale.

(c) Toll Tax: It is a tax collected by the state government for the NHAI for the development and maintenance of transportation infrastructure such as interstate highways.

(d) Stamp Duty: Stamp Duty is a tax levied on single property purchases or documents. It is collected by the state and is denoted by a physical stamp on the documents.

(e) Luxury Tax: It is an Ad Valorem (value increasing) tax placed on the purchase of items that are deemed to be non-essential in nature. It increases the value of the commodity and is liable to be paid by the end-consumer.

(f) Capital Gains Tax: CGT is a tax applicable on the purchase of a certain number of prescribed securities exceeding a particular purchase value. It is divided into two i.e. Long-term Capital Gains (LTCG) and Short-term Capital Gains (STCG). It varies between 10%-15%.

(g) Professional Tax: Tax levied and collected by the State government from a person earning an income from salary or anyone practicing a profession.

(h) Entertainment Tax: It is a form of tax levied on any form of commercial entertainment such as movie tickets, exhibitions, sports tickets, etc.

3. LOCAL AUTHORITIES

(a) Property Tax: A tax levied and collected by local municipalities form land owners or owners of all tangible real estate property, house, office building and other properties prescribed as a source of income through rentals.

(b) Octroi: Tax levied on the product entering some District. It is between 3%-6% of the product value. Octroi is currently applicable only in the States of Maharashtra, Punjab and Gujarat. In Kerala and Orissa, it is termed as Entry Tax.

• GOODS AND SERVICES TAX (GST)

[10]Goods and Services Tax (GST) is an indirect tax replacing many other indirect taxes. It is levied on the supply of goods and services. The GST regime levies a tax at every point of sale and therefore can be considered of the same nature of VAT. The levy of GST depends on whether a sale is conducted intra-state or inter-state. In the case of an intra-state sale, Central GST (CGST) or State GST (SGST) is charged, and an inter-state sale is chargeable with integrated GST.

The taxes collected by different authorities have the main purpose of providing value to the citizens through various benefits. Some of these benefits of tax payment are enlisted below:

- Funding for Public Infrastructure
- Development and welfare projects
- Defense expenditure
- Scientific research
- Public insurance
- Salaries of State and Government employees
- Operation of the government

[10] Gstin.in

- Public transport
- Unemployment benefits
- Pension schemes
- Law enforcement
- Public healthcare services
- Public education
- Public utilities such as water, energy and waste management systems [11]

The Indian taxation system has witnessed several modifications over the years. There has been the standardization of income tax rates with simpler governing laws enabling common people to understand the same. The modifications have been successful to increase the taxpayer base of India but have not been able to reach the mark sufficient to overcome the parallel economy[12]. There have been debates over the years to reduce the rates to the levels where an honest income earner would not have to segregate a large chunk of his earnings in paying taxes and even though the government has been unable to do so, there have been several measures taken to provide sufficient relaxation and benefits.

[13]PENALTIES AND PUNISHMENTS AS PROVIDED UNDER THE STATUTE

Default in payment of taxes and failure in complying with the provision of the Income Tax Act attract penalties and prosecutions against the defaulter. There are largely three modes in the policy to ensure and encourage compliance with the conditions and provisions of the act, these are largely:

- A charge of interest
- Levy of penalty
- Prosecution against defaulters

Chapters 17 and 21 of the Income Tax Act provide provision to the Income Tax Authority to levy certain penalties on the defaulters. A large list of defaults is mentioned under the Act for which

[11] Investopedia.com
[12] Policybazaar.com
[13] Bankbazaar.com

penalties can be levied. The most important defaults and the penalties levied under the defaults are mentioned as follows:

1. [14]**SECTION 140A (3*):*** *Failure to pay wholly or partly (a) self-assessment tax, (b) interest or fee-* Such amount as the assessing officer may impose but not exceeding the tax in arrears.
2. **SECTION 221(1):** *Default in making the payment of taxes-* Such amount as the Assessing Officer imposes not exceeding the tax amount in arrears.
3. **SECTION 270A(1):** *Under-reporting and misreporting of income-* Penalty amount shall be equal to 50% of the tax amount payable on the under-reported income, and if the under-reporting is a consequence of misreporting of income then the penalty levied shall be equal to 200% of the tax amount payable on the under-reported income.
4. **SECTION 271(1)(b):** *Failure to comply with Notice as under S.142(1) OR 143(2) or Failure to comply with any direction under S.142(2A)-* Fixed at Rs.10,000 for each failure.
5. **SECTION 271(1)(c):** *Concealment of particulars of income or fringe benefits or furnishing inaccurate particulars of income or fringe benefits-* A minimum of 100% and a maximum of 300% of the tax sought to be evaded in addition to the tax payable.
6. **SECTION 271A*:*** *Failure to maintain books of accounts or documents etc. as required under S.44AA-* Rs.25,000
7. **SECTION 271 B***: Failure to get accounts audited or of furnishing a report of audit as required under S.44AB-* One-half percent of total sales, turnover or gross receipts or Rs1,50,000 (whichever is less).
8. **SECTION 272A (1)**: *Refusal or failure to (a) answer questions, (b) sign a statement, (c) attend to give evidence or to give books of accounts, etc. in compliance with section 131(1), (d) comply with a notice under 142(1) or 142(2)-* Rs.10,000 for each failure or default.
9. **SECTION 272B***: Failure to comply with provisions relating to PAN or ADHAAR under S.139A/139A(5)(c)/(5A)/(5C)-* Rs.10,000 for each failure or default.

Stated above are the most common errors or defaults that a common man tends to make while filing their returns in order to reduce their amount of tax to be payable. Though these penalties

[14] Indiankanoon.org

seem too stringent the legal authorities and judicial system fail to implement them in most of the cases filed under these sections.

In M/s *Claris Life Sciences Limited. vs Commissioner of Income Tax, Range 1, Ahmedabad, ITA No.498/Ahd/2011*. The court held that Claris Life Sciences Ltd.'s non-payment of self-assessment tax under Section 140A cannot invoke the penalties as stated under Section 221(1) of the Income Tax Act, 1961 in case of filing of income tax returns.

[15]The imposition of monetary penalties in a fight against tax evasion is not sufficient enough, as a tax evader can evade taxes for years finding it profitable as he knows that when caught, he might get away with it by paying the penalty when required. However, the prospect of ending in jail is even more dreaded as a consequence and works pretty efficiently as a deterrent. Thus, for more serious defaults launching of prosecution is prescribed without giving any monetary penalty.

The Income Tax Act contains a separate chapter 22 which contains provisions describing the offences and providing the punishments thereof. Some of the most serious offences which entail launching of prosecution proceedings and are punishable are provided as follows:

- **[16]SECTION 275A:** *Contravention of an order made under S.132(1) or 132(3) for search and seizure*- punishable with up to 2 years of imprisonment with no limit prescribed as to the fine to be paid.
- **SECTION 276*:*** *Removal, concealment or transfer of property to thwart tax recovery*- punishable with up to 2 years of imprisonment with no limit prescribed as to fine to be paid.
- **SECTION 276A:** *Failure to comply with provisions of S. 178(1) and (3) regarding the company in liquidation*- punishable with a minimum imprisonment of 6 months which may extend up to 2 years.
- **SECTION 276B:** *Failure to pay to credit of Central Government (i) tax deducted at source (TDS), (ii) tax payable under S. 115 O(2)*- punishable with a minimum imprisonment of 3 months which may extend to 7 years without any limit prescribed as to the fine to be paid.

[15] Ratna Kumar vs Assistant Commissioner of Income Tax, West Bengal
[16] Indiankanoon.org

- **SECTION 276C(1)/(2)*:*** *Wilful attempt to evade payment of any tax, penalty or interest or under-reporting of income (non-cognizable offence under S.279A)*- punishable with a minimum imprisonment of 3 months which may extend to 2 years with no limit prescribed as to the limit of fine to be paid.
- **SECTION 276CCC:** *Wilful failure to furnish in due time return of total income required to be furnished by notice under S. 158BC(a)*- punishable with a minimum imprisonment of 3 months which may extend to 3 years without any limit prescribed as to limit of fine to be paid.
- **SECTION 276D*:*** *Wilful failure to produce accounts and documents under S. 142(1) or to comply with notice under S. 142(2A)*- punishable with imprisonment of up to 1 year with Rs.4 to Rs.10 for every day of default as fine.
- **SECTION 277:** *False statement in verification or delivery of false account where tax sought to be evaded exceeds Rs.25 lakh*- punishable with a minimum imprisonment of 6 months which may extend to 7 years without any limit prescribed as to the fine to be paid.

[17]In the case *of Ratna Kumar vs. Principal Director Income Tax, C.R No. 9/17 (329/17)*, which was a revision petition on behalf of Ratna Kumar for an order passed by the court of Sh. Ajay Garg Ld. ACMM (Spl. Acts), Central Districts, Tis Hazari courts New Delhi, accusing the revisionist of providing a false statement in verification. The Court dismissed the petition stating that a false statement in regard to any investment in any country whether the AY was under audit or not is punishable under S.277 of the Income Tax Act.

- **SECTION 278*:*** *Abetment of false return, account, statement, or declaration relating to any income or fringe benefits chargeable to tax where tax, penalty or interest evaded seems to exceed Rs.25 lakhs*- punishable with a minimum imprisonment of 6 months which may extend to 7 years and without any limit prescribed as to the fine to be paid.

Even though a large base of laws are available to penalize and punish defaulters, the punishments provided are not effective enough to make individuals pay. There is a need to standardise the punishments and make them stricter so as to create pressure amongst the tax-evading population.[18]

[17] M/s Claris Life Sciences Ltd. Vs Deputy Commissioner of Income Tax C.R No. 9/17 (329/17)
[18] Indiankanoon.org

MEASURES BEING TAKEN BY THE GOVERNMENT TO AVOID TAX EVASION

Over the years the government has been working on absolute legislation and policies to tighten the screws on tax evasion. There have been many additions to implement stricter rules and to increase the taxpayer base. These additions include multiple reliefs, more stringent penalties and punishments and a more formal economy. There has been a subsequent increase in the number of taxpayers and filings but there is still a huge chunk of the population that gets away with evading and to cover up for all this the government has been taking measures to vide its Budget discussions. Some of the crucial steps and measures are taken by the government were discussed in the Union Budget 2019-20. These measures included:

1. EXPANDING TDS NET:

The concept of TDS was introduced with an aim to deduct tax at the very source from which the income is derived. Tax deduction at source and withholding the amount enables collection of tax in advance and an opportunity to the Authorities to check whether tax has been paid properly or not. Section 194-204 of the Income Tax Act, 1961 provides provisions as to collection and payment of tax deducted at source. Section 194-IA provides for the collection of TDS from the buyer when the consideration exceeded the amount of Rs.50,00,000. The Budget 2019-20, for the expansion of the net of withholding tax, included various proposals such as a collection of TDS of 2% on withdrawal of cash exceeding Rs.1 crore. This was made to enable the TAXMAN to keep track of the transactions of the taxpayer as to why the cash was withdrawn and to whom it was paid when they claim credit for the said TDS.

2. ADHAAR TO TRACE TRAIL OF FINANCIAL TRANSACTIONS:

As mentioned earlier one of the modes in which tax is evaded is by not providing the PAN, quoting the wrong PAN, or quoting different PAN for each individual transaction. For overcoming this issue, the government proposed the linking of ADHAAR to the Pan, and for this purpose to make compulsory the linking the government further proposed to make PAN's not linked to the ADHAAR as inoperative. An advantage of this linking would be that the TAXMAN would now be able to track all the transactions made from the PAN's easily as even though there would be multiple PAN's but there could not be multiple ADHAAR that they might be linked to and to catch those not paying rightful taxes. An advantage to the taxpayers is that those who don't have PAN's would be able to make transactions through their ADHAAR.

[19]In K.S. Puttaswamy vs. Union of India [2018]97 taxmann.com 585 SC, the Supreme Court upheld the addition of Section 139AA to the Income Tax Act, 1961 vide Finance Act,2017 for making compulsory the linking of ADHAAR to the Permanent Account Number. This decision was held as the court felt that the addition of this provision would in no manner hinder in context of Privacy as was questioned in [20]Binoy Viswam vs. Union of India [2017] 82 taxmann.com 211 SC. The court held that the provisions of Section 139AA were in complete compliance with the requirements of the triple test.

3. LESS CASH ECONOMY:

The government has been widely working on the reduction of use to cash ever since demonetisation. This has led to various decisions such as the introduction of new currency notes, limit on the number and amount of cash withdrawal per person and opening of various online payment portals as well as the promotion of the newly introduced online payment app by the Government called 'Bheem UPI'. The Budget of 2019-20 aimed at amending certain sections of the Act such as Sections13A, 35AD, 40A, 43, 43CA, 44DA, 80JJAA, 269SS, 269ST and 269T which prohibit certain cash transactions and acceptance of cash or prescribe certain limits. The amendments included prescribing certain electronic modes of making payments other than those non-cash modes that have already been mentioned.

4. TECHNOLOGY TO ENHANCE COMPLIANCE:

Tax Authorities have started using various technologies and adopting automated processes to enhance compliance by taxpayers. The government is also planning to make available pre-filled tax returns forms which will include information as to various financial transactions. The government further is intending to widen the scope of the statement of financial transactions. Currently, Statement of Financial Transactions is required to be furnished by persons specified under S.285BA of the Income Tax Act. Another proposal has been submitted stating that the

[19] K.S. Puttaswamy vs Union of India [2018] 97 taxmann.com 585 SC
[20] Binoy Viswam vs Union of India

current limit of reporting financial transactions of Rs.50,000 will be put away and even smaller transactions would have to be reported.

Other initiatives have also been taken by the Government. One of the biggest initiatives includes the introduction of the *BLACK MONEY (UNDISCLOSED FOREIGN INCOME & ASSETS) AND IMPOSITION OF TAX ACT, 2015.* The BM Act was introduced with the purpose of curbing black money, or undisclosed foreign assets and incomes and it imposes tax and penalties on such incomes. This Act has also necessitated the disclosure of overseas assets in tax returns.

The Black Money and Imposition of Tax Act, 2015 provides many provisions as to payment and assessment of tax. It follows a similar model system like the Income Tax Act i.e. (a) interest, (b) penalty, and (c) prosecution.

CONCLUSION

Tax evasion is the primary cause of low government revenue. This is because of the fact that there exists in the system a large number of drawbacks starting from an ineffective tax structure, corrupt tax collectors to insufficient implementation of tax laws and the inability of the government to provide appropriate policies. This results in slowing down the development of the country, the inability of the government to pay off debts and the most dreaded of all the evolution of a parallel economy. Tax evasion is not a permanent turmoil in the face of the Indian Economy. Multiple statutes are in place to regulate assessments, payments and collections of tax but the inefficient structure is unable to cope with it. The government too is taking a host of initiatives towards regulating and increasing the efficiency of the structure, but there are more aspects to be added. The tax structure requires a huge amount of changes to become sustainable, effective, to increase the taxpayer base and to improve a country's economy. The structure requires stricter penalties and punishments and tighter timelines, added to this is required relaxation on the rates of tax and more beneficial reliefs to those who pay honestly. As far as the question is concerned whether there is a solution to tax evasion or not, it is pertinent to say that not all tax evaders can be caught and punished and neither can the entire earning population be made to pay their dues. But there are many ways in which the government can proceed to expand the base of taxes and reduce significantly the number of individuals evading tax. All that is required by the government is too work on legislating such laws that not only state the obligation of tax payment but also clearly state strict actions against those who don’t comply. People have always tended to pay taxes even when they are economically unsound, the fact may be that it is not made available to the government to take developmental action.