

E-Assessment: The Way To Curb Tax Evasion In India

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Abstract- *An individual being a citizen of a country is required to pay taxes to the government for the development of infrastructure, technology and public facilities etc. The use of technology in the taxation system would lead to an enhanced productivity, by creating a more transparent and accountable framework. This would create an effective functioning of the tax department in the country. Tax evasion is yet another major problem in our developing nation that has been hindering the country's growth as more and more individuals seek new innovative methods of evading their tax responsibility towards their nation. This has led to a decrease in the tax collection within the country over the last few decades. To resolve this, a smarter system was needed to be put in place by the taxation authorities to reduce/eradicate the meness of tax evasion in a developing country like India.*

Thus, this paper aims to provide for an overview of the concept of tax evasion and further provides for measures taken by the government of India to eradicate tax evasions by adopting a technologically advanced taxation system in India.

Keywords- Tax, Taxation System, Tax evasion, Tax Assessment, Technology.

I. INTRODUCTION

In today's time paying taxes to the local governments has become an integral part of every individual's life. These taxes can be looked at as funds/ contributions that are made by various individuals towards the successful running of the country. A tax maybe defined as the financial charge that is levied by the governments upon the individuals of a certain geographic area for providing better public facilities and infrastructure¹. These taxes may be broadly categories as direct or indirect in nature. In a developing country like India, taxes such GST, VAT, Income tax etc. are the scope to advancement of technology in the taxation system of the country.

The Government of India has set different slabs of income tax percentage that is to be charged upon different income groups. In simpler terms, the higher the income, the higher percentage shall be charged as the taxable amount on an individual's earnings. This is done to ensure that the tax

rates and rules are fair to every individual citizen. Thus, when an individual (assessee) pays Income tax to the government, it is the duty of the Income tax department to verify and certify the same. This is a step taken by the Income tax department to keep a check on individuals that try to evade the actual taxable amount on their income.

But, in a country like India, with over 1.2 billion people in population, it is very difficult task to keep a check on the tax records of each individual citizens. Despite various taxation laws being enacted by the Government of India, keeping a check becomes a tedious task for the Government Official on various individuals.

Seeing this as a problem, a new system had to be developed and put in place in order to maintain order in the society and erode the menace of tax evasion.

II. LITERATURE REVIEW

1. **E-Assessment: Dawn of a New Era**, paper discusses the way technology and digitalisation has compelled people across the globe to re-shape their businesses. The system of taxation has also captured the technological advancements. This has brought in a paradigm shift in the assessment system of taxation in India. The new Faceless Assessment Scheme of 2019 is the revolution of taxation that was much needed in India. The re-organisation of the system, the procedures under the new scheme, and other salient features are explained. The author concludes that the system has tried to be effective by removing the arbitrariness and increasing transparency along with being tax payer friendly.
2. **E-Assessments, E-Appeals, E-Penalty – The E-essential reforms**, article studies the initiatives taken by the Government to promote digitalisation in the view to make the system corruption free. The study explains the scope, structure, procedures of the E-assessment which is one of the drastic changes brought by the Central Government with the objective to attain better efficiency and transparency in the system. The E-appeals and E-penalty system changes and eases the appellate/penalty

procedure that requires systematic discussion and paperwork by the authorities. But these new schemes and procedures require strong mechanisms for their successful implementations.

3. The paper **Corruption, taxation, and tax evasion** describes how corruption, even though not actual is present all over the world. It relates the three essential concepts- corruption, taxation and tax evasion. It discusses the causes and consequences of corruption, then relates the practice of corruption and taxation. It analyses different evidences and data available concluding that more audits reduce tax evasion which is also method to control corruption. But this statement will differ on various factors in different countries based on what norms are imposed to curb corruption and tax evasion, and whether there is an effective system of checks and balances.

RESEARCH OBJECTIVES:

1. To understand the steps taken in need for improving the technology in the taxation assessment system.
2. To understand the loopholes of the technologically advanced system.

RESEARCH QUESTION:

1. How efficient is the E-Assessment system of Taxation in India to recognize and curb the Tax Evasion problems?

HYPOTHESIS:

The use of technology has revolutionised the Tax assessment system in India and also has helped to curb the problem of Tax Evasion in India.

RESEARCH METHODOLOGY:

The present study is an attempt of exploratory research based on the information collected from various secondary sources such as research journals available online, Income tax websites, Articles, and Magazines in order to achieve the objectives. This study covers the E-Assessment Scheme under the Indian Taxation system and how it is a revolution in the former taxation system.

III. TAX EVASION IN INDIA

Across the world, paying taxes has always been seen as an unnecessary burden for millions of people, making

individuals try new innovative methods to escape the same through illegal methods. Tax evasion can be seen in the forms of concealment of income, falsifying accounts, filing false tax returns, fake documents for claiming exemption etc. This leads to a failure on the part of the individual as a citizen of the country making them an outlaw and a burden to the society. This is a major reason why despite years of hard work, India continues to remain to be a developing country rather than a developed one. It to a shame to see that only under 1% of the India population actually pays taxes to the government, the remaining 99% evade their taxes and continue to be an outlaw in the society.

To resolve this issue, a better, transparent, more reliable system was needed to be put in force. This led to the development of a Technologically Advanced Taxation System for assessing the taxes paid by the individuals put in place by the by the Government of India. The Finance minister of India under the Union budget, 2019 introduced a scheme of “E-assessment”. This scheme aimed to eliminate human interaction between the Assessing Officer and the Income Tax Payee, leading to a more accountable and a transparent system. This system seemed like the answer to the tax evasion problems in India. After proper scrutiny and discussions over the scheme, an amendment was made and this came to be known as the “Faceless Assessment Scheme, 2020” which continues to be governed under the Income Tax Act, 1961. This system further helped to minimise the utilisation of resources whilst enhancing the productivity of the taxation system.

FACELESS ASSESSMENT SCHEME (FAS), 2020

The Faceless Assessment Scheme, 2020 (FAS) came to be a weapon in the fight against mass tax evasion in India. A simple yet powerful system was put in place under this making it almost impossible to evade tax in the country. Under this system, the Central Board of Direct Taxes, Government of India (CBDT) has put different centres in place to ensure a smooth conduct of E-proceedings in a specific geographic area. Each centre is allocated a specified area as their jurisdiction to exercise their power under the Taxation system.

The FAS establishes a new systematic structure for the tax assessment in India. The National E-Assessment Center (NeAC), Delhi, is the main organisation that is in-charge of scrutinizing tax filing documents and issuing notices to taxpayers virtually in case of any defaults in tax filings, evading taxes etc during the case assessment. These notices are then sent through an Automated Allocation System in accordance with the procedure provided under Section 143 (3) and 144 of the Income Tax Act, 1961. For a quick resolve of

the situation, a scrutiny assessment is conducted through the faceless assessment system. To avoid any kind of discrimination in the system, the NeAC randomly allots the case assessment task to one of the many established Regional E-Assessment Centres(ReAC) through an automatic allocation system. This helps provide for transparency in the system.

To keep a careful check on the working of the system, different units have been established, each focusing on a specific task under the system viz. Assessment unit, Verification unit, Technical unit and the Review unit which are established under the Regional E-Assessment Centres (ReAc). The Assessment unit assesses the case and determines the liability or refund under the act, the Verification unit is in charge of examining books of accounts and cross verifying the records provided to the Income tax department, the Technical unit performs the function of providing technical assistance which includes advice on legal matters, valuation matter, accounting matters etc, and lastly the Review unit is provided with the duty to check the relevance and authenticity of the material brought on record.

This scheme has been a game changer in revolutionizing the taxation system in the country and has numerous advantages. For starters, the different units established under the NeAC provide for an efficient assessment of the tax payers. Since the assessment by NeAC is conducted through virtual means, it makes the process a lot faster. This method of conducting the assessment also helps to make the system more transparent and corruption free, as the case for assessment is randomly allocated to one of the 30 centres acting as the ReAC unit for completion of the task. The cases being randomly allocated help curb bribery in the system and helps to evade any external influence.

Despite all the security measures being taken by the government, the taxpayers thrive to create new loopholes to evade a huge portion of their taxes. The E- Assessment system under the taxation regime has provided with a more secure taxation system ever. Despite that, there are a few challenges that are being faced in the system.

- 1) **Technological Developments:** This is a major factor both in terms of the tax assesses as well as the Assessing officer. This may arise as a challenge as both the tax assesses as well as the officials of the government have been working with traditional methods i.e. printed documents over computer operated methods. This can come across as a challenge for the several individuals with no access to the internet or someone who is not technically

abled to use the computer for filing the tax returns online by themselves.

- 2) **Rigid Compliances:** In the Faceless Assessment Scheme the tax payer will have to upload all the relevant documents of the case. These may include past documents and files already prepared, and also the new drafts. To upload all these documents in a digitalized way is a cumbersome task. To reply to the notices in the previous system was much easier as a personal interaction could resolve and convince the officer in the process. The new compliances may be a difficult and lengthy task for the tax payers.
- 3) **Communication Hurdles:** The opportunity of personal hearing through video or tele-conferencing is left at the discretion of the Chief Commissioner or the Director-General of Income Tax. Thus, the appellants can only request for virtual hearings. The limited opportunity given to the tax payers of personal hearing can create communication gaps between the tax payer and the tax authorities, acting as a hurdle for the tax payers in their respective cases.

IV. CONCLUSION

Technology has truly played a crucial role in the development of the Taxation system in India. The FAS aims to eliminate human interaction between the Assessing Officer and the Income Tax Payee, leading to a more accountable and a transparent system. Despite the various challenges faced by the system in accepting an implementing the new scheme it has been proving to be a successful system in India. Hence, the use of technology has revolutionised the tax assessment system in India and also has helped to curb the problem of Tax Evasion in India.

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