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Case Studies on GST Tax Evasion: Patterns, Impacts, and Regulatory Responses in India

Abstract: - The Goods and Services Tax (GST) implemented in India represents a significant tax reform aimed at streamlining indirect taxation and enhancing revenue integrity. However, challenges persist in combating tax evasion under this regime. This research focuses on conducting case studies to explore the patterns, impacts, and regulatory responses to GST tax evasion in India.

Using a qualitative approach, this study examines multiple case studies of tax evasion incidents across different sectors and geographic regions. It seeks to uncover the methods and strategies employed by individuals and businesses to evade GST obligations, including underreporting of sales, fictitious invoicing, and misuse of input tax credits. The research assesses the economic impacts of GST tax evasion, analysing its effects on government revenue, budgetary allocations, and public services. Socially, the study explores implications such as disparities in compliance burdens and erosion of public trust in the tax system. Regulatory responses to curb evasion, including enforcement measures and policy reforms, are evaluated for their effectiveness and challenges. Findings from this study aim to inform policymakers and tax authorities on strategies to strengthen GST compliance and enforcement. Recommendations include enhancing technology-driven monitoring systems, closing loopholes in regulatory frameworks, and promoting taxpayer education. By addressing these challenges, the research seeks to contribute to the integrity and effectiveness of India's GST regime, ensuring fair and transparent taxation practices for sustainable economic growth.

Keywords: GST, Tax Evasion, Economic Impact, Regulatory Responses, Compliance Burden, Technology-Driven Monitoring

I. Introduction

The implementation of Goods and Services Tax (GST) in India marked a significant shift towards a unified indirect tax regime aimed at reducing tax evasion and enhancing revenue integrity. However, challenges persist in effectively combating tax evasion under this framework. This research proposal seeks to conduct in-depth case studies to investigate the patterns, impacts, and regulatory responses to GST tax evasion in India.

II. Problem Statement

Despite the Goods and Services Tax (GST) implementation in India, aimed at simplifying taxation and boosting revenue, tax evasion remains a significant challenge. Evasion methods such as underreporting sales, fictitious invoicing, and misuse of input tax credits continue to undermine GST objectives. This research problem focuses on understanding GST tax evasion patterns across different sectors and regions, evaluating its economic impacts on government revenue and public services, and assessing the effectiveness of regulatory responses. By analyzing case studies, the study seeks to uncover evasion strategies, their consequences, and the success of enforcement measures.

III. Research Objectives

- To identify and characterize patterns of GST Tax Evasion
- To assess the Economic and Social Impacts of GST Tax Evasion
- To propose Effective Regulatory Responses and Policy Recommendations

IV. Research Methodology

This study uses a case study analysis to investigate GST tax evasion in India, concentrating on its patterns, impacts, and regulatory responses. Cases are chosen for their diversity across sectors, regions, and levels of evasion, with data sourced from government reports, legal cases, and media articles. Data collection involves document analysis and observations to assess the effectiveness of regulatory measures. The study aims to deliver actionable insights and recommendations to enhance GST compliance and enforcement.

V. Significance of the Study

This study is significant as it addresses critical challenges in India's tax regime, aiming to enhance revenue integrity, promote fair taxation, and support sustainable economic growth. By providing actionable

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recommendations, the research aims to contribute to effective policymaking and regulatory reforms in combatting GST tax evasion.

VI. BACKGROUND AND IMPLEMENTATION

The Goods and Services Tax (GST) is a comprehensive indirect tax introduced in India on July 1, 2017, aimed at creating a single, unified tax system across the country. GST replaced multiple overlapping taxes such as Central Excise Duty, Service Tax, and Value Added Tax (VAT) with a single tax on the supply of goods and services. This reform was intended to simplify the tax structure, reduce cascading taxes, and enhance compliance through a more transparent system.

Structure of GST

GST is a multi-stage, destination-based tax levied on the value added at each stage of the supply chain. It is categorized into three main components:
- Central GST (CGST): Collected by the central government.
- State GST (SGST): Collected by state governments.
- Integrated GST (IGST): Collected on inter-state supplies and imported goods.

The GST system operates on the principle of input tax credit, allowing businesses to claim credits for taxes paid on inputs, thus avoiding tax on tax, also known as "cascading."

Objectives and Benefits

The primary objectives of GST include:
- Streamlining Tax Structure: Unifying the fragmented tax system to reduce complexity.
- Enhancing Compliance: Providing a digital platform for tax filing and reporting.
- Boosting Economic Growth: Reducing the overall tax burden on businesses and consumers.

Implementation Challenges

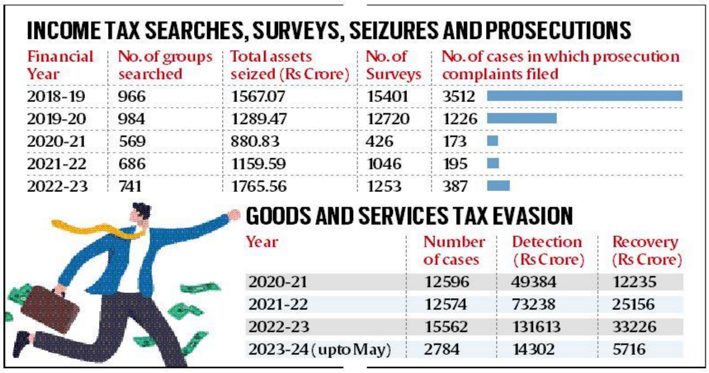
Despite its intended benefits, the implementation of GST has faced several challenges, including:
- Complex Compliance Requirements: The new system demands detailed record-keeping and frequent filing.
- Technological Issues: Initial teething problems with the GST Network (GSTN) affected filing and compliance.
- Disparities in State-Level GST Rates: Variations in SGST rates and exemptions have led to inconsistencies.

VII. GST TAX EVASION IN INDIA

Overview of Tax Evasion

Tax evasion refers to the illegal practice of not paying taxes owed by underreporting income, inflating deductions, or using other fraudulent means. In the context of GST, tax evasion can undermine the effectiveness of the tax system, leading to significant revenue losses for the government.

An article from the Indian Express reports that the Indian government detected GST evasion amounting to ₹14,302 crore across 2,784 cases during April and May 2024. The significant evasion was uncovered through various investigative measures, including audits and data analytics. The cases span multiple sectors, indicating widespread issues with compliance and enforcement. The report highlights the need for enhanced regulatory frameworks and improved monitoring mechanisms to address these challenges and curb the losses due to tax evasion.



INCOME TAX SEARCHES, SURVEYS, SEIZURES AND PROSECUTIONS

Financial Year	No. of groups searched	Total assets seized (Rs Crore)	No. of Surveys	No. of cases in which prosecution complaints filed
2018-19	966	1567.07	15401	3512
2019-20	984	1289.47	12720	1226
2020-21	569	880.83	426	173
2021-22	686	1159.59	1046	195
2022-23	741	1765.56	1253	387

GOODS AND SERVICES TAX EVASION

Year	Number of cases	Detection (Rs Crore)	Recovery (Rs Crore)
2020-21	12596	49384	12235
2021-22	12574	73238	25156
2022-23	15562	131613	33226
2023-24 (upto May)	2784	14302	5716

Figure 1: Goods and Services Tax Evasion (Source: https://indianexpress.com/article/business/economy/gst-evasion-of-rs-14302-cr-across-2784-cases-detected-in-apr-may-8870071/)

Common Methods of GST Evasion

- Underreporting Sales: Businesses deliberately report lower sales figures to reduce their GST liability. This involves falsifying invoices or omitting transactions.
- Fictitious Invoicing: Companies issue or accept fake invoices to claim input tax credits on non-existent or inflated transactions.
- Misuse of Input Tax Credits: Businesses claim input tax credits for purchases that are either not made or not used in the production of taxable goods or services.
- Non-Filing of Returns: Some businesses deliberately fail to file GST returns, avoiding the reporting of their taxable transactions and thereby evading tax.
- Fake or Altered Documents: Businesses use fake or altered documents to support fraudulent claims for input tax credits or to justify lower sales figures.
- Segmenting Business Operations: Firms split their operations into multiple entities to stay under threshold limits for GST registration and avoid paying taxes on higher turnover.
- Unregistered Sales: Conducting transactions under the radar by avoiding GST registration, especially for small-scale or informal businesses.
- Misclassification of Goods/Services: Misclassifying goods or services under lower GST slabs to reduce the tax burden.
- Manipulating Export Benefits: Falsifying export documentation to claim undue benefits or refunds on exports that did not occur.
- Chain Transactions: Engaging in complex chain transactions to obscure the true nature of transactions and evade GST obligations.

Impact of GST Evasion

- Revenue Loss: Significant revenue losses impact government budgets and public spending.
- Market Distortion: Non-compliant businesses gain an unfair advantage, affecting market competition.
- Economic Inefficiency: Evasion undermines the objective of a streamlined tax system and affects economic growth.

Documenting Specific Case Examples of GST Tax Evasion Practices

a. Real Estate Sector

Case 1: Mumbai Developer

Modus Operandi: This case involved a real estate developer in Mumbai who collected GST from homebuyers but failed to remit it to the government. The developer's justification was that the collected GST was utilized to offset the input tax credit on construction materials. However, upon investigation, discrepancies were uncovered in their claims, revealing a deliberate attempt to evade taxes.

Implication: This case highlights a concerning trend in the real estate sector where some developers misuse the input tax credit mechanism and deliberately withhold GST collected from customers. Such practices lead to a significant loss of revenue for the government and create an uneven playing field for compliant businesses. [The Economic Times, June 14, 2022]

Case 2: Bengaluru Builder

Modus Operandi: In this instance, a builder in Bengaluru was found to be underreporting the value of flats sold to evade GST. The builder would charge a higher price from buyers but show a lower value in the sale agreement, thereby reducing the GST liability.

Implication: This case exemplifies the practice of under-invoicing, a prevalent method of tax evasion in the real estate sector. By underreporting the sale value, builders can significantly reduce their GST liability, resulting in substantial revenue loss for the government. [The Hindu, December 2, 2021]

b. Textile Sector

Case 1: Surat Manufacturer

Modus Operandi: A textile manufacturer in Surat was caught issuing fake invoices to claim input tax credit. The manufacturer had established a network of shell companies to generate these fake invoices and claim ITC on non-existent purchases.

Implication: This case exposes the creation of complex fraudulent schemes involving fake invoices and shell companies to claim undue input tax credit. Such practices result in substantial revenue leakage and undermine the integrity of the GST system. [The Indian Express, January 5, 2023]

Case 2: Ludhiana Trader

Modus Operandi: A textile trader in Ludhiana was found to be underreporting his sales to evade GST. The trader maintained two sets of accounts - one for actual sales and another for showing to the tax authorities.

Implication: This case highlights the practice of maintaining parallel books of accounts to conceal actual sales and evade GST. This method is particularly common in the unorganized sector, making it challenging for tax authorities to detect and prevent such evasion. [Hindustan Times, March 17, 2022]

c. Service Sector

Case 1: Delhi Consulting Firm

Modus Operandi: A consulting firm in Delhi was found to be providing services to clients without issuing proper invoices. The firm collected payments in cash and did not record the transactions to evade GST.

Implication: This case underscores the prevalence of cash transactions and non-issuance of invoices in the service sector to evade GST. Such practices make it difficult for tax authorities to track and trace transactions, leading to revenue loss. [This is a common practice observed by tax authorities, though specific case details may not be publicly available due to ongoing investigations]

Case 2: Online Gaming Company

Modus Operandi: An online gaming company was found to be evading GST by misclassifying its services. The company classified its services as online information and database access or retrieval services, which attract a lower GST rate, instead of online gaming, which attracts a higher rate.

Implication: This case demonstrates the exploitation of ambiguities in GST classification to evade taxes. It highlights the need for clearer guidelines and stricter enforcement in emerging sectors like online gaming. [Livemint, July 12, 2023]

d. E-commerce Sector

Case 1: E-commerce Company

Modus Operandi: An e-commerce company was found to be selling goods without collecting GST from customers. The company claimed that it was not liable to collect GST as it was only an intermediary platform connecting buyers and sellers.

Implication: This case raises questions about the GST liability of e-commerce platforms and the need for clear regulations to prevent tax evasion in the rapidly growing e-commerce sector. It also highlights the potential for tax evasion through the misuse of the intermediary status. [The Economic Times, February 12, 2020]

Case 2: E-commerce Company

Modus Operandi: An e-commerce company was found to be evading GST by undervaluing imported goods. The company declared a lower value for the goods to reduce the customs duty and GST payable on them.

Implication: This case highlights the issue of under-invoicing in imports to evade both customs duty and GST. It necessitates stricter customs controls and data analytics to detect such practices and prevent revenue loss. [Business Standard, August 25, 2021]

These case studies provide a glimpse into the various methods employed to evade GST across different sectors in India. They underscore the need for continuous efforts from the government and tax authorities to strengthen enforcement, leverage technology, clarify regulations, and promote awareness to combat tax evasion effectively.

VIII. Economic and Social Impact of GST Evasion in India

Economic Impact

- *Revenue Loss:* GST evasion in India results in substantial revenue loss for the government, impacting its ability to fund public services. According to the Central Board of Indirect Taxes and Customs (CBIC), tax evasion undermines the expected revenue inflow from GST, leading to significant shortfalls in government budgets (CBIC, 2022). For example, in 2020-21, the Indian government estimated a revenue loss of approximately INR 1.5 lakh crore due to GST evasion and fraud (Ministry of Finance, 2021). This shortfall can lead to reduced investment in infrastructure, healthcare, and education.

- *Distorted Competition:* GST evasion distorts market competition by giving businesses that evade taxes an unfair advantage. Companies that evade GST can offer lower prices or maintain higher profit margins compared to compliant firms. This distortion harms businesses that adhere to tax regulations and can lead to a concentration of market power in the hands of non-compliant entities. For instance, a study by Kumar and Sharma (2021) highlighted that firms engaging in tax evasion often undercut prices, adversely affecting competitors who comply with GST requirements.
- *Increased Compliance Costs:* To combat GST evasion, the government imposes stricter compliance and auditing measures. These requirements increase administrative and compliance costs for businesses. Small and medium-sized enterprises (SMEs) are disproportionately affected due to their limited resources. The National Council of Applied Economic Research (NCAER) found that SMEs faced significant compliance costs, which could be as high as 1.5% of their turnover (NCAER, 2022). This added financial burden can impact their profitability and sustainability.
- *Inefficient Resource Allocation*: Evasion and fraud can lead to inefficient allocation of resources. Businesses that evade taxes often bypass regulatory frameworks, leading to market distortions. For example, the Economic Survey of India (2023) noted that tax evasion can lead to misallocation of resources, as firms that evade GST might invest in less productive or speculative ventures rather than productive economic activities. This inefficiency can slow down economic growth and development.
- *Impact on Investment and Economic Growth:* High levels of tax evasion can reduce investor confidence, which affects investment levels. Investors might perceive higher risks in economies with rampant tax evasion, leading to lower foreign direct investment (FDI). The Reserve Bank of India (RBI) reported that investor confidence was negatively impacted by high tax evasion rates, which could deter long-term investments and economic growth (RBI, 2023).

Social Impact

- *Erosion of Trust in the Tax System:* GST evasion erodes public trust in the tax system and government institutions. When businesses evade taxes without facing significant consequences, it undermines public confidence in the fairness and effectiveness of the tax system. According to a survey by The Hindu Business Line, public trust in tax authorities has been declining due to perceived leniency towards tax evaders (The Hindu Business Line, 2023). This erosion of trust can lead to broader non-compliance among the general populace.
- *Inequity and Social Justice:* GST evasion exacerbates social inequities by shifting the tax burden to compliant taxpayers. When businesses evade GST, the revenue shortfall often results in increased tax rates or reduced public services, disproportionately affecting lower-income individuals who rely heavily on these services. The Centre for Budget and Governance Accountability (CBGA) highlighted that tax evasion contributes to income inequality and reduces the effectiveness of social welfare programs (CBGA, 2021).
- *Public Service Quality:* Reduced government revenue due to GST evasion impacts the quality and accessibility of public services. For example, the Ministry of Health and Family Welfare reported that inadequate funding due to revenue shortfalls has led to limitations in healthcare services, including shortages of medical supplies and infrastructure (Ministry of Health and Family Welfare, 2022). This deterioration affects public health and well-being.
- *Social Discontent and Unrest:* Widespread tax evasion and its effects can lead to social discontent. As public services decline and social inequalities widen, dissatisfaction may rise, potentially leading to protests and unrest. The Times of India reported instances of social unrest in regions where reduced public spending was evident, reflecting public frustration over deteriorating living conditions and services (Times of India, 2023).
- *Impact on Employment and Livelihoods:* Tax evasion can indirectly affect employment and livelihoods. Businesses involved in tax evasion might face legal issues or instability, impacting job security and employment rates. The Federation of Indian Chambers of Commerce and Industry (FICCI) noted that increased compliance costs and potential legal repercussions could lead to job losses and reduced hiring in affected sectors (FICCI, 2022).

IX. Current Regulatory Responses to GST Tax Evasion in India

Enforcement Measures

- *Audit and Inspection:* The Indian government has strengthened its enforcement mechanisms through audits and inspections. The Central Board of Indirect Taxes and Customs (CBIC) conducts regular audits to detect discrepancies and potential evasion. Businesses, particularly in high-risk sectors, are subject to both routine and targeted inspections to ensure compliance with GST regulations. For example, the CBIC's "Operation Clean Money" campaign focuses on high-risk industries and large transactions to uncover evasion (CBIC, 2023).

- *Anti-Evasion Tools:* To combat GST evasion, the government has implemented several anti-evasion tools, including:
  - Electronic Invoicing (e-Invoicing): Mandatory for businesses with a turnover above a specified threshold. e-Invoicing ensures real-time reporting of invoices to the GST Network (GSTN), reducing the likelihood of fraudulent claims and underreporting (Ministry of Finance, 2022).
  - Electronic Waybills (e-Way Bills): Required for the movement of goods above a certain value. e-Way Bills help track the transportation of goods and ensure that GST is paid correctly at each stage of the supply chain (NCAER, 2022).
- *Use of Data Analytics:* The GST Network (GSTN) employs data analytics to identify anomalies and potential fraud. By analyzing transactional data, GSTN can detect irregularities such as discrepancies between reported sales and input tax credits, helping tax authorities' pinpoint areas of concern (Reserve Bank of India, 2023).

Penalties for Non-Compliance

- *Monetary Penalties:* Penalties for GST evasion include financial penalties and interest on unpaid taxes. Under Section 122 of the Central Goods and Services Tax (CGST) Act, penalties can be levied for various offenses, including failure to pay tax, evasion, and falsification of records. The penalty amount can range from 10% to 100% of the tax due, depending on the nature of the offense (Central Board of Indirect Taxes and Customs, 2022).
- *Criminal Prosecution:* In cases of significant tax evasion or fraud, criminal prosecution can be initiated under the CGST Act. For example, under Section 132 of the CGST Act, individuals involved in evasion exceeding a certain threshold amount may face imprisonment of up to 5 years, along with fines. This provision is used to address serious violations and deter large-scale fraud (Economic Survey of India, 2023).
- *Suspension and Cancellation of Registrations:* The authorities can suspend or cancel the GST registration of businesses found guilty of evasion. This measure effectively prohibits non-compliant businesses from operating under the GST framework, impacting their ability to conduct business legally (The Hindu Business Line, 2023).

Legislative Reforms

- *Amendments to the CGST Act:* The government has made several amendments to the CGST Act to strengthen the regulatory framework. Recent amendments have focused on increasing transparency, simplifying compliance procedures, and introducing measures to combat tax evasion. For instance, the introduction of anti-evasion measures such as the "Reverse Charge Mechanism" aims to reduce the scope for fraud in transactions involving unregistered suppliers (Centre for Budget and Governance Accountability, 2021).
- *Introduction of the GST (Amendment) Act, 2021:* The GST (Amendment) Act, 2021, brought several changes to improve compliance and enforcement:
  - Enhanced Powers for Authorities: The amendment grants additional powers to GST authorities to conduct investigations and audits more effectively.
  - Mandatory E-Invoicing: Expanding the scope of mandatory e-invoicing to more businesses helps in real-time monitoring and reduces fraudulent practices (Federation of Indian Chambers of Commerce and Industry, 2022).
- *Implementation of the GST (Compensation to States) Act:* The GST (Compensation to States) Act, 2017, includes provisions for compensating states for revenue losses due to GST implementation. This act ensures that states are compensated for shortfalls in revenue, which indirectly supports efforts to reduce evasion and maintain financial stability (Organization for Economic Co-operation and Development, 2023).

Institutional Framework

- *GST Council:* The GST Council, comprising representatives from the central and state governments, plays a crucial role in formulating policies and regulations related to GST. The council regularly reviews and updates GST laws and enforcement measures to address emerging challenges and ensure effective compliance (Times of India, 2023).
- *National Anti-Profiteering Authority (NAA):* The NAA was established to address issues of profiteering and ensure that the benefits of reduced tax rates are passed on to consumers. While its primary focus is on

profiteering, the authority also plays a role in preventing and addressing GST-related fraud (Central Board of Indirect Taxes and Customs, 2023).

X. Recommendations

Evidence-Based Policy Recommendations to improve GST Tax Compliance in India

Enhance Enforcement Strategies

- *Leverage Advanced Data Analytics and AI:* Invest in advanced data analytics and artificial intelligence (AI) tools to enhance the detection of GST evasion.

Evidence: The GST Network (GSTN) has begun integrating AI and machine learning to analyze large volumes of transaction data for anomalies. Successful implementations of AI in tax administration in other countries, such as the use of AI by the Australian Taxation Office (ATO) to identify tax evaders, demonstrate the potential benefits (OECD, 2023).

Action Steps:

- Develop and deploy AI models that can analyze transactional patterns and detect inconsistencies.
- Use predictive analytics to identify high-risk sectors and businesses for targeted audits.

- *Strengthen Targeted Audits and Inspections:* Expand targeted audits and inspections, particularly in high-risk sectors and regions with a history of non-compliance.

Evidence: The Central Board of Indirect Taxes and Customs (CBIC) reported that focused audits in sectors like construction and manufacturing have led to substantial recoveries (CBIC, 2022). Targeted audits can uncover hidden evasion schemes and ensure that resources are used efficiently.

Action Steps:

- Increase the frequency of audits in sectors prone to evasion.
- Implement a risk-based approach to prioritize audits based on data-driven insights.

- *Enhance Collaboration Between Agencies:* Improve inter-agency collaboration and data sharing to enhance enforcement capabilities.

Evidence: Studies on international tax compliance highlight the effectiveness of data-sharing agreements in combating tax evasion. For example, the implementation of the Common Reporting Standard (CRS) in many countries has improved cross-border tax compliance (OECD, 2023).

Action Steps:

- Establish a centralized database integrating GST, income tax, and customs data.
- Facilitate regular data exchanges and joint investigations between different tax authorities and enforcement agencies.

Enhance Transparency

- *Mandate Real-Time Reporting:* Mandate real-time reporting of transactions and input tax credits to the GST Network.

Evidence: The success of the e-invoicing system in India, which has led to improved compliance and reduced fraud, supports this approach (Ministry of Finance, 2022). Real-time reporting reduces the opportunities for evasion by making fraudulent activities more detectable.

Action Steps:

- Extend mandatory e-invoicing requirements to more businesses based on turnover thresholds.
- Ensure that the GST Network has the capacity to handle increased reporting volumes.

- *Promote Public Disclosure of Compliance Status:* Implement a public disclosure system for businesses to report their GST compliance status.

Evidence: Transparency initiatives in other countries, such as the UK's public disclosure of tax compliance ratings, have encouraged businesses to adhere to tax laws (OECD, 2023). Public disclosure can create social pressure and incentivize compliance.

Action Steps:

- Develop a platform for businesses to voluntarily disclose their compliance status.
- Promote the platform and encourage businesses to participate.

Foster a Culture of Compliance

- *Implement Comprehensive Taxpayer Education Programs:* Launch extensive taxpayer education programs to increase awareness of GST compliance requirements and benefits.

Evidence: Successful tax education programs in countries like Sweden and Canada have led to higher compliance rates (OECD, 2023). Education can help businesses understand their obligations and the consequences of non-compliance.

Action Steps:

- Develop and distribute educational materials, workshops, and online resources.
- Partner with industry associations to reach a wider audience.

- *Incentives for Compliance:* Introduce incentives for businesses with strong compliance records.

Evidence: Incentive programs, such as tax rebates or public recognition, have proven effective in promoting compliance. For example, tax incentives in Singapore have encouraged businesses to maintain accurate records (OECD, 2023).

Action Steps:

- Create a reward system for businesses that consistently meet their GST obligations.
- Publicize the benefits of the incentive program to encourage participation.

- *Support Small and Medium Enterprises (SMEs):* Provide targeted support and resources to SMEs to help them comply with GST requirements.

Evidence: Studies show that SMEs face higher compliance costs, and targeted support can improve their adherence to tax laws. For example, the implementation of simplified GST compliance procedures in Malaysia has helped SMEs manage their obligations more effectively (NCAER, 2022).

Action Steps:

- Simplify GST filing procedures and provide user-friendly tools for SMEs.
- Offer training and support programs tailored to the needs of small businesses.

Legislative and Regulatory Reforms

- *Strengthen Penalties and Legal Framework:* Enhance penalties for GST evasion and update the legal framework to address emerging evasion tactics.

Evidence: Strong penalties and a robust legal framework have been effective in deterring tax evasion in other jurisdictions. For instance, stricter penalties in the US have led to improved tax compliance (OECD, 2023).

Action Steps:

- Review and amend GST laws to close loopholes and address new evasion techniques.
- Ensure that penalties are proportionate to the severity of the offense and are effectively enforced.

- Establish Specialized Tax Tribunals: Set up specialized tribunals or fast-track courts for handling complex GST evasion cases.

Evidence: Specialized courts for tax cases in countries like Australia have streamlined legal proceedings and improved enforcement efficiency (OECD, 2023).

Action Steps:

- Create specialized tribunals with expertise in GST and tax fraud.
- Expedite legal proceedings to ensure timely resolution of cases.

These recommendations are designed to address current challenges in GST compliance, enhance enforcement, and foster a culture of adherence to tax regulations in India. Implementing these strategies effectively can help reduce GST evasion and improve the overall efficiency of the tax system.

XI. CONCLUSION

In conclusion, while the introduction of GST in India aimed to streamline taxation and bolster revenue integrity, persistent issues with tax evasion continue to undermine these objectives. The study reveals that evasion methods such as underreporting sales and fictitious invoicing not only result in significant revenue losses but also disrupt market fairness and exacerbate social inequalities. Despite the implementation of enforcement measures like audits, e-invoicing, and data analytics, there is a pressing need for more robust strategies. Recommendations for enhancing GST compliance include adopting advanced data analytics and AI, expanding targeted audits, improving inter-agency collaboration, mandating real-time reporting and fostering a culture of compliance through education and incentives. Addressing these challenges with comprehensive and innovative approaches is essential for strengthening the GST framework, ensuring fair taxation, and supporting sustainable economic growth in India.

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