The Tale of Tax Evasion in India: Pre-GST Vs Post-GST

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1. Abstract

Over the years India has witnessed several changes to the taxation system. One of the most phenomenal changes was the introduction of the Goods and Services tax. This revolutionary step changed the way our tax system functioned entirely, eliminating the cascading effect of the previous regime. One of the main objectives of this tax was to curb the rampant Tax evasion. Taxpayers in the previous regime had found several ways to evade the cascading effect of taxes, by introducing GST the government not only increased transparency but offered a system mutually beneficial for the government and the taxpayers. The paper explores and delves into the intricacies of the tax system prevalent before 2017 and after that. Initially, the paper gives a detailed overview of the tax system in India over the years and then provides in-depth information about tax evasion in India. Then it explores the landscape in the country before the introduction of GST. The maze of taxes is explored and the problems faced under that are explained. Further, the paper explains the situation after GST in India. The framework of GST and key features that make GST efficient are explained. The features of GST like e-way bills, input tax credit mechanism, and increased use of data analytics in GST, that make it efficient were delved into. Despite the stringent measures under GST, there were ways to evade tax and the paper informs about that as well. With the case studies about evasion, pre and post-different ways of evasion and how that has evolved over the years are understood. The paper concludes with recommendations to curb the new ways of evasion that taxpayers have discovered. Thus, giving people fewer opportunities to evade and making the system of taxation increasingly effective.

Keywords- GST, Tax evasion, Input tax credit, E-way Bills.

2. Introduction

Tax is a compulsory levy on every citizen, a mandatory exaction by all citizens. It is taken by public authorities and used for public welfare. It does not follow the principle of quid pro quo, meaning it is not an act of exchange per se. There are myriads of taxes, such as income tax, corporate tax, property tax, customs duties tax, goods and service tax, etc and they are classified as direct or indirect taxes. Tax is one of the sources of government revenue amongst others and over the years the taxation system of India has experienced drastic changes. A major change was the introduction of goods and service tax (GST) on 1st July 2017, with the motto being "One Tax, One Market, One Nation ." This tax subsumed several central and state taxes like the state VAT, central sales tax central excise duty, etc.GST has widened the tax base and made the whole nation a common market. GST had several features like the introduction of e-way bills and input tax credit mechanisms that would prevent tax evasion. Tax evasion is illegally avoiding tax or refusing to pay tax. This involves an activity in which people understate or put in false income, or hide the sources to reduce their tax liability. It can also be related to misreporting income, showing deductions that lack proof, filing inappropriate returns, etc. Tax evasion is unlike tax avoidance and employs illegal methods. Tax evasion is the primary cause of low government revenue. GST was introduced to help prevent such illegal activities and tracing such activities over the years will aid in understanding what effect GST has on tax evasion.

3. **Tax system in India**

3.1 **Overview of the Indian Taxation System**

The Indian tax system Has experienced significant changes over the years as a response to the evolving economy and this system can be understood in three phases. The phases are

a) Pre-independence era (before 1947)-

The East India Company had imposed taxes on salt, opium, tobacco, liquor, transit duty, etc. Aside from this, their main source of income was land revenue. The system of tax collection was designed in a way that benefited only the East India Company. There were new forms of taxes like the License tax that was imposed on professionals and traders in 1859. The first Income Tax Act of 1860 even introduced Income Tax that is utilized in the current modern scenario. After 15 August 1947, a review of the administration of all the taxes of the British era was undertaken by the Government of India.

b) Post-Independence Era (1947-1991)-

After independence, India began to employ its systems. The Constitution of India empowered both the central and state governments to levy taxes under Article 246. The article states, "Subject-matter of laws made by Parliament and by the Legislatures of States."[1] Taxation was a subject included in the lists and therefore under the ambit of the Parliament to make laws regarding tax.

The union government had constitutional sanction to levy taxes such as Income tax, Customs duty, Service tax, etc. The Income Tax Act(1922) was revised according to recommendations from various committees. Thus, came up the Indian Income Tax Act (1961). Several other taxes were introduced like the Wealth Tax, which was a tax on excess wealth with some exceptions. It was introduced in 1957 but was abolished in 2016. Gift tax levied on all donations with some exceptions like charitable institutions, was introduced in 1990 but abolished in 1998. In 1986, MODVAT (modified value added tax) was introduced, a slightly modified version of VAT. It allowed manufacturers, who were dependent on raw materials from other manufacturers can claim excise credit, to prevent double taxation. Later on, CENVAT was introduced to widen the horizons of MODVAT and increase tax credit benefits.

[1] Constitution of India

c) Economic Reforms (1991-present):

A Tax Reform Committee under Raja J. Chelliah was set up in 1991 to improve the taxation structure. Their recommendations involved reducing tax rates, widening tax bases, simplifying procedures, and bringing the administrative machinery to modernity. The Service Tax, introduced in 1994 expanded over time. CENVAT and Service tax input tax credit schemes were merged in 2004. Then according to the recommendation by the Task Force on the FRBM Act headed by Vijay Kelkar in 2002, a major change was made. A decision that had been mulled over for two decades finally came into force in 2017, the Goods and Service tax was introduced. Over the years there have been frequent changes in GST rules, rates, and procedures. Efforts are being put to replace Income Tax with the Direct Tax Code. Thus, proposing a broadening of the tax base and rationalization of tax rates, leading to simplification of the structure. Committees of experts have been formed to draft the new direct tax law to remove distortions and enhance compliance.

3.2 Tax Evasion over the years

Since the beginning of income taxes in India, the rates of tax were extremely high. Therefore serving as an incentive to evade taxes. The clever citizens would understate their incomes. The wars during the British era provided a great way for people to evade taxes. Even after independence, several aspects of the British administration prevailed, like the licensing regime. A system of permits and controls and rampant red-tapism are fertile grounds for corruption. The increased mal practices created several avenues for evasion. The major reasons for tax evasion involve the exorbitant rates of taxes, the absence of transparency in tax laws, and the corrupt administration. There was rampant tax evasion in the indirect tax system. The multiple taxes that were imposed made it difficult and costly to efficiently and effectively administer the compliance of the taxpayers. Therefore a new tax structure called Goods and Service Tax was introduced to make it easy to monitor tax compliance and bring efficiency in administration.

Despite this effort, taxpayers have found several ways to evade taxes under the GST regime and exploit loopholes. Methods like getting separate registration, partial bills, avoiding sales under branded trademarks, under-reporting sales, etc. According to the GST investigation report 2017, more than Rs 2000 crore tax evasion was found in just 1-2 months after the GST implementation, and only 1% of over 1.11 crore registered businesses pay 80% of taxes. According to the Report of the Revenue Department, more than Rs 2700 crore tax evasion was found between the periods of July 2017 to July

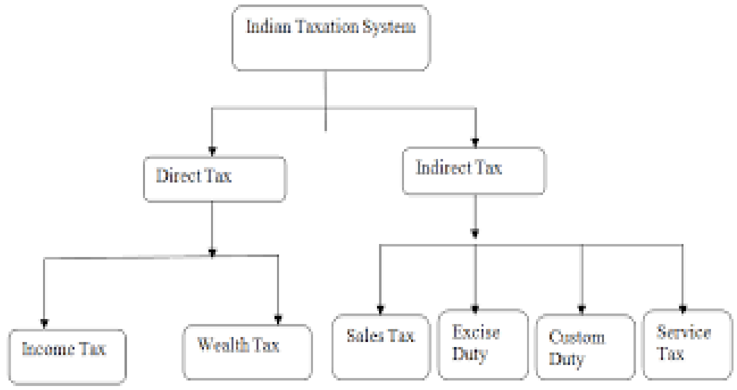
2018.[2], According to the D. G. Intelligence report, more than Rs 1560 crore of tax evasion and 320 cases were found between the period of July 2017 to July 2018.[3]

4. Pre-Gst Landscape

4.1 The labyrinth of several taxes

Just as in current times, there were two types of taxes, direct and indirect taxes. Direct taxes are those paid by individuals directly to the Government, it includes taxes like personal income tax property tax, etc. Indirect taxes are those that are levied on the consumption of goods and services and not directly on the income of the person. This tax is paid along with the goods and services purchased by an individual and it is paid to the seller. Examples of indirect taxes before GST include service tax, VAT, luxury tax, sales tax, excise tax, etc India had a cascading tax structure with multiple layers of taxes levied by both the union and state governments. If we take the instance of moving goods across borders of the state, we could see how the goods were subjected to taxes like the Central Excise Duty, Service Tax, Value Added Tax (VAT), Central Sales Tax (CST), etc, belonging both to the center and state.
Service tax which was introduced in 1994, had started with basic services but slowly all services have come under the ambit of it. But once in the current times, this tax is no longer applicable. Similarly, earlier there was an Octroi and Entry tax that was payable when commodities crossed district borders. This too has been subsumed in a way under GST. VAT tax was charged by the state for intra-state transactions and the center for interstate transactions. Before GST this was extremely significant, but since then VAT has been utilized by the states only for a few products like liquor, petrol, and diesel. Just like these several taxes provided loopholes for tax evasion, there were complexity and compliance challenges and a cascading effect. This incentivized corruption and malpractices.

[2] GST investigation report 2017
[3] D.G. Intelligence report



Source: [IOSR Journal]

4.2 Avenues for Tax Evasion

In the complicated system prevailing before GST, some numerous avenues and loopholes allowed for tax evasion. The multiplicity of taxes caused a cascading effect meaning taxes are levied on top of taxes. Taxation pre-GST was a labyrinth that incentivized people to evade taxes. Considering the VAT and Service tax, they had a lack of seamless flow of input tax credits. VAT was the tax on goods, it was levied by the state for intra-state transactions and the center for inter-state transactions. The service tax for services was levied entirely by the center. In doing so there was an overlap of taxes, leading to the cascading effect. The people would prefer to digress to other ways to prevent having to pay taxes.

For instance, for goods that are purchased by Party A for ₹10,000, with VAT at 10%, he would have to pay ₹1,000 as tax. The final amounting to ₹11,000. Further, if party A would use those goods as an intermediary, an added value of about ₹3,000, therefore the good would be taxed at ₹14,000. The individual had paid a tax of ₹ 1,000 and that was added to the ₹14,000 and further tax levied on it. Then if 10% VAT is taken into account we can say that party A would have to pay ₹1,400 as the tax on the goods to the government. The lack of input tax credit, causes individuals to want to evade. The cascading effect of tax prompted them to find different avenues of receiving their goods to make the final good so that they do not have to evade tax. They indulge in the black market to acquire their inputs, so that they do not have to pay tax, mainly because of the cascading effect. The lack of transparency and accountability has been exploited by evaders. The extremely complex system, which was not aided by technology made it difficult to promote tax compliance. The several taxes and lack of effective administration and uniformity to deal with the labyrinth were very important factors that allowed people to evade taxes.

Apart from this, several other ways have allowed taxpayers to evade taxes. Businesses and Individuals would often underreport their income, manipulate invoices to reduce their tax liabilities, increase their expenditures, claiming overstated deductions to show reduced profits. Since there were fewer ways for

the government to confirm the incomes and expenditures, it took a lot of work to increase tax compliance. Under the Indian Income Tax Act 1961, the government would provide several incentives to promote social savings for the general public. Taxpayers are allowed to claim deductions for contributions made towards the Employee Provident Fund and Public Provident Fund. These provisions have been misused as rebates. For medical treatment, fees for education, donations, etc. Another way is through hawala transfers which is an extremely famous way to evade taxes. This includes making bogus invoices to claim tax credits. The hawala operators pose as sellers, but in reality, it exist only in theory. There is a cut for the operators involved in this. This method had been utilized to evade ₹1000 crore VAT evasion in 2012.
Some of these ways were used by taxpayers like Hasan Ali, a controversial Pune-based businessman. Seven cases were filed against him by the Income Tax Department for evading tax of ₹ 1 lakh crore from 2001 to 2007. He had not filed Income tax returns for the assessment years 2001 to 2007. In 2013, the Indian arm of Royal Dutch Shell Plc, Shell India Pvt. Ltd was accused by the income-tax department of underpricing their intragroup share transfer by 15,000 crore and evading taxes. Lalit Modi the commissioner of the Indian Premier League was accused of income tax evasion by the authorities, the Ketan Parekh, Harshad Mehta scam. All such cases pre GST, give an idea of the rampant tax evasion.

5. Post - GST Landscape

5.1 The GST framework in India

GST is a destination-based consumption tax. It was designed with considerable efficiency with its `one nation-one-market-one-tax' paradigm, to promote simplification and compliance. One of the most distinct features of GST in India was the establishment of the GST Council in which the Union Government as well as all State Governments and Union Territories with legislatures are represented. GST Council has been created for coordination between the center and state and between states and States under the chairmanship of the union finance minister and Finance ministers of all states are members. This council is responsible for boosting cooperative federalism. It has full decision-making powers regarding GST by majority voting. This shows how all states as well as union territories have a say in the decisions, unlike the previous system with separate taxes for state and centre that caused the cascading effect. Under GST, there is state (SGST) and central (CGST) rates are equal. Both are exactly half the GST rate. Integrated GST (IGST) is applied to the inter-state movement of goods and services and on imports and exports. IGST is a combination of SGST and CGST administered and collected by the Union Government, kept in a separate account. That is distributed between the center and state after the settlement of input tax credit and verification of the destination of the goods and services. This unified system prevents the complexity of the previous system and enhances compliance. With the exemplary features of GST, the economy and tax system are made more efficient, and the seamless flow of input tax credits makes it more beneficial to stay within the system than to indulge in unlawful practices. According to experts, taxpayers under the GST regime have increased by 50% due to the formalization of the economy. The tax-to-GDP ratio has increased by about 1% under the same.

The framework of GST led to an increase in the amount of detection of cases of evasion to the extent of 20% from ₹ 26,517 crore to ₹ 31,908 crore, during FY21, in comparison to the year FY 20. But the overall amount of detection has declined to the extent of 36% from ₹ 68,393 crore during FY 19 to ₹ 43,761 crore in FY 21. This system of GST had made provisions to curb tax evasion under the previous regime, yet according to the reports of the Comptroller and Auditor General of India there were new avenues of evasion like wrong availment/non-reversal of Input Tax Credit, non-payment of tax on supply of taxable goods and services, and tax collected but not paid to Government exchequer. [4]

5.2 Key features that would curb evasion

5.2.1 Introduction of E-Way Bill

Under the GST regime, Electronic bills were introduced for the movement of goods under the regime. Generated on the e-way bill portal, SMS, mobile app, and API integration with the GST network, it includes the details of the transporter, goods, consignor, consignee, and vehicle. Mandatory for interstate as well as intrastate movement, they are used to ensure that the goods are transported in accordance with the GST law and they help prevent tax evasion. The real-time monitoring of the goods helps to track the movement of the goods. Businesses have to report their transactions diligently due to these bills.

The generation of an e-way bill would be barred if a supplier or recipient does not file GST returns for 2 consecutive tax periods. This will be made applicable from 21.08.2019.[5] This important step prevents tax evasion. If an individual tries to evade tax by not filing their GST return, to prevent showing their tax liability, they will not be able to generate e-way bills, that are a necessity for the transport of goods. E-way bills make the process entirely accounted and this makes it difficult to escape tax. It helped detect anomalies and discrepancies. The inconsistencies may trigger audits and scrutiny.

[4] CAG Report 2022
[5] Gst Council

They may help identify patterns of evasion through the data collected. This promotes transparency and makes it difficult to evade taxes when most activities are recorded by the state.

5.2.2 Input Tax Credit Mechanism

The input tax credit mechanism is the main distinct feature of the GST regime. Input tax credit means that an individual at the time of paying tax on output can reduce the tax they had already paid on input. For instance, if Party A had purchased a commodity for ₹10,000 and paid a tax of 10%. Under the GST regime, the ₹1,000 tax will be recorded separately. Then Party A uses the commodity and adds value to it and makes it worth ₹14,000 then the tax that it owes the government is 10 of that meaning ₹1,400. Since he had paid ₹1,000 before as tax, he only had to pay ₹400 as tax. This eliminated the cascading effect of taxes. This system of input tax credit was designed in a way that in case a party tried to tamper with the mechanism, it would alert the government. The person who sold it to Party A has to file their reports within the first 10 days of the week. In doing so the Government has a record of the individual who purchased the good and the tax paid. Later even Party A has to file the purchases made by them, thus, recording the tax paid by them. In case either of the parties has not filed their report and tried to perform unlawful activities, the government will receive a discrepancy in their records and identify the same. The people who are registered under GST and use the purchased commodities or services for business purposes can claim input tax credit (ITC). There are certain conditions to avail input tax credit that make it efficient. The person who wants to avail must have a tax invoice, must have received goods and services, the supplier must have paid taxes, and must as a buyer regularly file GST returns. Further another significant prerequisite was that The person should have been notified from 1st of January 2022 that whatever credit availed by them in 3B must match with gstr 2B. These requirements to claim input tax credit make it difficult to evade taxes.

5.2.3 Augmented use of analytics and data matching

With the advent of the modern age, the administration has employed data analytics and artificial intelligence tools to identify fake input tax credits. By several taxpayers. During April-December 2023, 14,597 cases of GST evasion were registered, this was with the help of NETRA, BIFA, and ADVAIT tools."Various data analytic and artificial intelligence tools such as NETRA (Networking Exploration Tools for Revenue Augmentation), BIFA (Business Intelligence and Fraud Analytics) & ADVAIT (Advanced Analytics in Indirect Taxation) are being used to identify risky taxpayers, suspected of passing or availing fake input tax credit, including in the State of Andhra Pradesh,"[6] These tools that are updated and modified regularly are extremely beneficial to detect and prevent tax evasion. The Project ADVAIT launched in 2021 is a flagship analytics project for Indirect Taxes. It was launched by the Central Board for Indirect Taxes and Customs (CBIC). It uses the capacities capabilities of Artificial Intelligence, with objectives like enhancing Indirect Tax revenue, increasing taxpayer base, and supporting data-driven tax policy. BIFA is the tool of the Goods and Service Tax Network (GSTN) started with the help of Infosys. It provides intelligence inputs to state and central GST authorities and detects fraud in the administration of GST through advanced analytics. Network Exploration Tool for Revenue Augmentation, famously called NETRA was developed by the officers of the Central Goods and Service Tax (CGST) Commissionerate. It is instrumental in analyzing GST evasion or fraud. Owing to technological innovations and computerizing a major part of the taxation system, it has become easier to identify fraud patterns and thus, help prevent tax evasion.

5.3 Methods of tax evasion under GST

The impact of the policies of GST have profoundly impacted the behavior and attitudes of tax evaders like the deterrence effect compliance effect, and the evasion effect. The deterrence effect means that people are discouraged from attempting willful tax evasion because of the high probability of being caught and stricter punishments. The compliance effect means that businesses proactively participate in the tax system to avoid scrutiny, they reconcile their books with the returns and try to stay in the system. The evasion effect is about those habitual evaders who continue to find ways to avoid taxes. Under the current regime, individuals have developed several new ways to evade under the GST regime. Some include-

a) Getting separate registration: Individuals working in a single firm, show that their firm is more than one legal entity. In doing so their turnover is less than the registration threshold of 20 Lakhs and will be exempted. For instance- Party A is doing a business with a turnover of 35 lakhs which is more than the amount required to be a registered taxable business, and pay tax. To evade tax, Party Al may open up another legal entity under the name of a relative to show the turnover of both companies to be less than 20 lakhs, when they are just dividing the 35 Lakhs between the two to show separate turnovers.
b) Making the partial bills: This has become a rampant practice wherein if a single item is supplied above a particular amount it is taxed at a higher rate of GST. Then they divide that to show two

[6] Speech by Minister of State for Finance Pankaj Chaudhary

items supplied that are less than the amount. This way the the sale price on a particular bill may be lower. It is less than the limit of money taxed at lower rates. For eg- For clothes above ₹1,000, 12% GST is applicable, this may be divided by making partial bills of 2 items or more that cost less than ₹1,000. taxpayers are making two separate bills where the items are taxed at 5% since they are less than ₹1,000 and hence evading tax liability.

c) Avoiding the selling of goods under the branded trademark: Taxpayers are trying to escape paying taxes by selling goods as unbranded to avoid the higher tax for branded goods. The tax rate of branded goods is 5%, the payers are escaping taxes by making use of the different tax rates. Taxpayers are evading tax liability by exploiting the loopholes of different tax rates under the GST regime.

d) Issuing the fictitious bills: Some taxpayers are exploiting the system of input tax credits. They are issuing false bills for goods or services that were never supplied to claim the input tax credit. This is a very rare scenario due to the details that are there with the government about all sales and purchases made. It is only if the administrators are not efficient then people can get away with such fraud.

e) Splitting of E-way bills: E-way bills are those that are made for goods more than ₹50,000 that need to be transported, this way it can detect the sale of suppliers and goods entered in one state. But these suppliers are trying to evade the tax by covering the total amount of goods supplied. The goods may be over ₹50,000 but they are supplied in two or more different slots on different days, hence the money of every supply is less, hence no need for an e-way bill.

These are some of the ways individuals have found a way to evade taxes under the new regime that people have come up with. Despite the measures under GST to prevent evasion, people have found a way to work around it.

6. Case study

6.1 Pre-2017

Perpetrators: Hawala operators
Amount: ₹ 1,000 crore VAT evasion
Year: 2012
The Maharashtra Maharashtra Sales Tax department had conducted raids and they had found tax evasion of ₹ 1,000 crore. This scam included 1,150 hawala dealers and about 37,000 beneficiaries. Hawala means making fake invoices to allow a trader to claim tax credits. The Hawala operator would pose as the 'seller'. This would exist only on paper and they would receive their entitled cut in return.

The sales tax department had made a special Economic Intelligence Unit three years ago. This looked into the cases of dealers that claimed false credits and included themselves in hawala transfers.
According to the GST regime, the e-way bills and data matching would have helped prevent the cases of hawala operators. The data analytical tools would have helped locate and identify a pattern or even help identify a mismatch in data. For a humungous amount there must have been a transport of goods and the system of e-way bills would have helped record such transports. Then there would be a record of that money in the Government files and it would be tracked, making it difficult to hide the tax to be paid for the same.

6.2 Post-2017

Perpetrators: Vadodara-based Manpasand Beverages
Amount: ₹40 crores GST Fraud
Year: 2018

The top brass of the company had been arrested for GST tax fraud in 2019. The company which was set up in 1998 focused on rural markets and increased its presence in tier 2 and 3 cities. The company set up by Dhirendra Singh had a different agenda from their competitors who focused on metro cities. In 2018, the company was at its peak with₹ 6 lakh outlets and 3 plants in Vadodara, Varanasi, and Sri City. The company was planning on setting up a new plant but their tax scam was unearthed. The Central GST Commissionerate Vadodara said that the company had used its widespread network and operated through bogus and fake units. They had created about 38 paper firms to show an inflated turnover. They had also misused input tax credits, made fake invoices, and used those to get extra GST from the customers according to the fake sales. Then they used that money to pay their own GST bills. This led to the loss of GST revenue for the government.
The quantity of GST that was evaded was declared on May 23, 2019. After extensive research at multiple locations, they revealed the scheme of fake units. They had evaded taxes amounting to Rs 40 crore on a turnover of Rs 300 crore, as reported by the CGST Commissionerate. Numerous people were arrested including Harshvardhan Singh, the company's Chief Financial Officer Paresh Thakkar. SEBI even barred them and Sebi has barred and its top officials and directors from the securities markets for three years. They had to pay a total penalty of ₹74 lakhs. Despite the measures under the GST regime, people have managed to evade taxes and manipulate the system.

7. Recommendations

Tax evasion has been a rampant concern for years. There were different ways to evade before GST, and after GST people have found myriads of other loopholes to exploit. Tax evasion is still rampant even though there are new compliance mechanisms that are being developed. Some recommendations to prevent the evasion to an extent are as follows-

a) **Rationalisation of GST rates-** Currently there are 5 slabs of GST which can be reduced to one or two, thereby reducing the chances of tax evasion. The merchants are known to prevent selling goods under branded trademarks because of their higher tax rates. Similarly, taxpayers try to misclassify their goods to fit the wrong tax slab. The rationalization of rates will simplify the structure of GST. It will ensure a fair distribution of tax burden. It will also streamline the process of tax collection and reduce compliance costs. There will be reduced incentives to underreport or misclassify, and even the enforcement efforts of authorities will be more effective. Tax evasion will be kept in check because of the simplicity of the structure and that will increase transparency and accountability.

b) **New rate structure -** A way to bring about change is to have 5% for essential commodities, further bring a 15% bracket, to merge 12% and 18%, and have a 3rd rate for sin and luxury goods which can range from 30% to 40%. But to make the system more efficient there shall be a single tax rate, which can range around 15% to 20%, and exempt necessities. Another herculean task is to classify products according to the new brackets, agricultural food produce, in its primary form, in the hands of farmers or traders till it reaches the consumers, and all other essential commodities should be fully exempted from GST. The goods that are a daily requirement and all processed and value-added manufactured food products should be taxed at the lowest rate. An issue arises for tobacco, even though cigarettes are taxed at a higher rate, the leftover tobacco and leaves are taxed at a lower rate, which should be changed and taxed as much as cigarettes. The new rationalised rates should be aligned for a better and cleaner India, coal is taxed at 5% but to switch to more renewable sources, it is recommended to tax coal at a higher rate. This will aid India in becoming a net-zero emitter of carbon by 2070. Further to propagate this, lithium batteries that are taxed at a rate of 18% should be decreased. This will help lower the costs of EV vehicles thus, help salvage the environment. When it comes to the pharma and education sector, new technology is taxed at 18% and that should be shifted to the lowest slab to promote their use.

c) **Integrating the GST database with information on the income tax, customs, and banking network-** This will aid the authorities in identifying tax evasion. The common data set allows using GST data to draw linkages with the income-tax and banking network data, using analytics. Presently, the GSTN and tax department can carry out risk analysis and have the data to do so. This helps scrutinize and question those not paying or under-reporting company revenues. This integration will help for more effective policy-making against tax fraud and reduce evasion in all three departments. There is an integrated online system of the Customs Department with a database of bills of entry and invoices. This system along with GSTN will help prevent evasion. If an importer has underreported the price during imports and sold it at a higher price to save on countervailing duty, this can be tracked under GST.

d) **Inclusion of petrol and diesel in the ambit of GST-** Currently petrol and diesel are being taxed under VAT. If both of them are taxed under the GST regime, taxpayers will be able to claim input tax credit for the same. This improves efficiency and also helps prevent tax evasion and control inflation. The uniformity of taxes will streamline the tax structure and increase monitoring. The inclusion of input tax credit will allow businesses to claim ITC on the taxes paid on inputs, like crude oil and transportation costs. This will prompt taxpayers to comply with tax regulations and avail the credit.

e) **Whistleblower Incentives-** Certain whistleblower incentives should be made since tax evasion has been unearthed multiple times due to whistleblowers. If people know about such evasions and find the incentives like job security, employment rights, financial rewards, and appreciation beneficial and appealing they will come forward to report the same.

f) **Diligent dealers-** they must be incentivised. Inspiration can be taken from Singapore. They have a "gold card" scheme under the heading "GST Assisted Compliance Assurance Program", since 2011. The businesses are incentivized to participate in the scheme, they will have a strengthened relationship with the Singapore Inland Revenue. This means that those businesses that qualify will experience a reduction of GST auditing activities for three years or five years, relying on their status under the ACAP. This further entails quicker GST refunds, a customer relations manager to handle their GST issues, expedited rulings, and automatic renewal of applicable GST schemes. Similarly in the Netherlands, the gold card scheme is prevalent. The tax authorities enter into contracts with businesses that are in their horizontal supervision framework.

g) **Blockchain technology-** To record transactions in a much more authentic manner, blockchain can be used. It is a type of database for recording transactions. GST administrators can create a blockchain for the transfer of tax data and payments between taxpayers and the GST portal. This technology helps record in real time the transactions, which is otherwise a cumbersome task. Thus, allowing an increase in accuracy and ease of gathering data. It will also iron out glitches in the GST Network. Not only will it protect sensitive GST records but also help authenticate the identity of users. Data that is tampered with or manipulated will be spotted as the original hash will be on other nodes linked to the system. Currently, invoices are important documents at every stage of the supply chain. Blockchain can automatically provide settlement and payment to authenticate the matching of documents between suppliers and purchasers.

8. Conclusion

The paper explores tax evasion under the timeline of GST. The issue of tax evasion is extremely rampant, causing unparalleled losses to the country. There is no foolproof system in any country to completely stop evasion. Since before GST, tax evasion was seen due to the cascading effect. Taxpayers would evade taxes and get away with it because of the lack of technology, and complexity of the system. The extensive array of taxes made it difficult for the government to administer and opened avenues for people to evade taxes. There was a need for the government to make changes to the system in a way that makes it hard to find loopholes to exploit. The introduction of GST was seen as a shining light that could save the economy and eliminate corruption in the system. The input tax credit system incentivized businesses to report their sales accurately, as they can offset taxes paid on purchases against taxes payable on sales. The e-way bills made it difficult for goods to go unnoticed around the system, even the data matching technologies and technologies like NETRA, and BIFA were developed to make the GST regime stronger. Yet taxpayers have colluded and found ways to evade their taxes under this regime as well. They have means to evade but the scrutiny is so close that it makes evasion difficult. Businesses and taxpayers continue to exploit vulnerabilities in the system. The need of the hour is to refine the system as new problems arise, enhance the enforcement of the norms of GST, and propagate ethical business practices, this will help the Government to create a robust tax environment in the country that fosters transparency and contributes to sustainable economic growth in India.

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