

A STUDY ON TAX EVASION AND FALSE ACCOUNTING WITH SPECIAL REFERENCE TO INCOME TAX ACT, 1961

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ABSTRACT:

Tax Evasion is an illegal way to minimize tax liability through fraudulent techniques like deliberate under-statement of taxable income or inflating expenses. It is an unlawful attempt to reduce one's tax burden. Tax Evasion is done with a motive of showing fewer profits in order to avoid tax burden. Whereas False accounting fraud involves an employee or an organisation altering, destroying or defacing any account; or presenting accounts from an individual or an organisation so they don't reflect their true value or the financial activities of that company. The major objectives of the study is to believe that addressing tax evasion and false accounting is crucial for maintaining a fair and transparent financial system. The research method followed here is an empirical research. A total of 205 samples have been collected out of which all samples have been collected through a convenient sampling method. The sample frame is taken in and around Chennai by online google forms. The independent variables are Age, Gender, Occupation, Place of residence. The statistical tool graph represented. The major findings of this paper is all about the tax evasion and false accounting. Therefore, in summary, tax evasion happens when individuals or businesses play tricky games to lower their taxes. This could lead to hefty fines according to the Income Tax Act of 1961. It's important to do things right and pay the proper amount of tax to steer clear of major financial problems.

Keywords: Tax evasion, False accounting, Financial System, Fraudulent techniques

INTRODUCTION:

Tax planning, tax avoidance, and tax evasion are terms that fall within the parlance of the Income-tax Act, 1961. However, tax evasion is illegal and Chapter XXII of the Income Tax Act, 1961, is clear about penalties. The Income Tax Act has introduced several penalties for individuals attempting to evade paying income taxes. The penalties for such acts are severe, ranging from 100% to 300% of the tax for undisclosed income. Hence financial experts

recommend considering income tax compliance seriously. Tax evasion involves optimal utilisation of tax deductions, exemptions, or planning for income, expenditures, allowances, and rebates to reduce tax liability in a financial year. Examples of deductions are investments under Section 80C, such as Public Provident Fund (PPF), National Pension Scheme (NPS), etc. Similarly, the Income-tax Act allows exemptions for certain allowances such as house rent allowance (HRA) and leave travel allowance (LTA). Tax evasion, however, is illegal and

Chapter XXII of the Income Tax Act, 1961, is clear about penalties. A few examples of tax evasion are, an individual, a firm, or a company intentionally avoiding payments of tax liability, misreporting of income, and willful attempts to evade tax are cases of tax evasion. The government initiatives relating to tax evasion are Special Investigation Team (SIT), Tax evasion reward scheme, Foreign Account Tax Compliance Act (FATCA), Benami Transaction Bill 2015 are the government schemes. The factors affecting to Tax evasion is a problem that concerns developed and transition economies. The level of tax evasion in one country is related with specific characteristics of that country. It is important to review factors that influence tax evasion so governments can try to manage them through fiscal politics. Tax evasion generates costs for the economy, creates bad models for individuals and businesses and consumes resources in an inefficient way. The aim of this research is to present an overview of factors that influence tax evasion including mainly tax rate, audit probability and fine rate. The current trend related to this paper is India is losing more than \$10.3 billion (around Rs 75,000 crore) in taxes every year due to international corporate tax abuse and private tax evasion, according to a report by the State of Tax Justice. The report further added that the aggregate global tax loss count amounts to over 427 billion every year owing to global tax abuse by MNCs and evasion by private individuals. This is putting a total cost burden on countries equalling around 34 million nurses' annual salaries every year, or one nurse's yearly pay every second. With respect to India, the report stated that 10.3 billion, or 0.41 per cent of the 3 trillion GDP, is lost in taxes every year to global tax abuse. In this age importance and need of planning is increasing in every vicinity of life. Tax planning is being adopted in the tax vicinity but some of the people are used tax evasion (it means concealment of income, falsification of accounts and this device is unethical and has to be condemned) to reduce their tax liabilities.

The impact of tax evasion is to increase the black money and increase the unemployment rate and apart from that it also decreases the circulation of money in economics. India is facing major problems like Tax Evasion, Black money, existence of parallel economy. that the Indian taxation system requires some major reforms in the future to address all these problems. In this backdrop the present paper explores the tax planning concepts and examines the amount of tax evasion in India. Tax Evasion is an illegal activity in which a person or being knowingly avoids paying a true tax liability. To willfully fail to pay taxes is a federal offence under the Internal Revenue Service (IRS) tax code. Tax evasion applies to both the illegal non-payment as well as the illegal underpayment of taxes. Generally, a person is not considered to be guilty of tax evasion unless the failure to pay is deemed intentional. In India there are various ways through which people evade tax are Smuggling, evasion of sales and Value Added Tax, Evasion of Income Tax, Evasion of Wealth Tax, Evasion of Customs Duty and Evasion of Excise Duty. **AIM** to study about the Tax evasion and False accounting with references to Income tax act, 1961.

OBJECTIVES:

- To study whether you have ever been involved in or encountered a situation where False accounting methods were used to manipulate financial records for tax purposes.
- To analyse taxation and false accounting is crucial for maintaining a fair and transparent financial system.
- To find out how effective the government should focus on simplifying tax regulations to reduce the likelihood or unintentional errors in accounting.

LITERATURE REVIEW:

This study investigates the tax evasion practices in a lower-middle income economy in South Asia, with specific reference to Bangladesh (which is the only economy within South Asia

that had consistent 6% and above gross domestic product (GDP) growth from 2011 to 2013). This study adopted mixed methodology (documentary analyses and a focus group interviews with 20 participants) to reach the overall objective of the research. Using Hofstede et al.'s (2010) cultural theory, the contribution of the study is that the cultural dimension itself cannot correspond to the causes of tax evasion, the other institutional factors (e.g., political connectedness in both private and public sectors, multinational companies (MNC)'s role and corruption, and a lack of public sector accountability and enforcement) are needed to complement the causes of tax evasion (**Mohammad Nur Nabi 2017**). The study of fiscal non-compliance – in particular, that of tax evasion – is quite extensive in the literature of economics. Lawyers do not show much interest in fiscal anomalies. An exception for this is perhaps tax avoidance which is usually interpreted as the problem of the form and substance. Apart from the modest interest in irregularities in fiscal law, the legal theories of obedience, or disobedience, and coherence have grown significantly, thanks to the precept of William Ross on *prima facie* duties or the concept introduced later by John Rawls on the reflective equilibrium. This paper is an attempt to apply the categories explored by legal philosophy to the developments of fiscal law (**Daniel Deak 2005**). The purpose of this paper is to examine the nature and perception of corporate frauds in India and their consequences in the business and economic systems, and it highlights the emerging issues so that existing legal and regulatory obligations can be redefined and structured. The research work is based on a thorough analysis of regulatory framework and fraud case studies and primary data collected from companies, banks and other government and developmental institutions (**P.K Gupta, Sanjeev Gupta 2015**). This analysis of the criminal tax statutes shows they are similar to white collar frauds in doctrine, purpose, and enforcement strategies. Nevertheless, the tax code is a self-

contained criminal code designed to avoid recourse to general white collar offenses. For this reason, the strategic enforcement advantages of charging violators with mail or wire fraud are not appropriate or in accord with congressional purpose. Well-known tax cases show that criminal tax provisions apply to a divergent range of offenders and provide authorities with a valuable enforcement instrument (**Geraldine Szott Moohr 2009**). The Court of Appeal has declared that the formation of the respondent company and the agreement to take over the business of the appellant were a scheme "contrary to the true intent and meaning of the Companies Act". I know of no means of ascertaining what is the intent and meaning of the Companies Act except by examining its provisions and finding what regulations it has imposed as a condition of trading with limited liability we have to interpret the law, not make it." *Salomon v Salomon & Co Ltd*, per Herschell, LJ. Thus the starting point of the court in this seminal case (which has been followed ever since in regard to corporate personality) was to interpret the law as they found it in the Act – if the formalities had been complied with a separate judicial person came into being: 2 "The Company is at law a different person altogether from the subscribers to the memorandum; and, although it may be that after incorporation the business is precisely the same as before, and the same persons are managers, and the same hands receive the profits company is not in law the agent of the subscribers or trustee for them (**Perkins, RH 1994**) 'Tax avoidance' and 'tax evasion' are terms so frequently referred to in economic and business relationships today that they constitute part of our conversational language and people in general use these terms even without knowing their exact meaning and difference. Whereas tax avoidance implies a situation in which the taxpayer reduces his tax liability by taking advantage of the loop-holes and ambiguities in the legal provisions, in the case of tax evasion, facts are deliberately misinterpreted and the tax liability is

understated. Thus, while tax avoidance is perfectly legal and is, at times, referred to as 'tax planning', tax evasion is illegal and, therefore, carries with it the risk of penalties and prosecutions under the tax laws. As such, the black economy comprises the sum total of all the various methods of tax *evasion* but does not include *tax avoidance*. Accordingly, whereas the consequences of the two phenomena are different for the taxpayers, both reduce the revenue of the Exchequer and consequently need to be checked to the greatest extent possible (**Anil Kumar Jain 2008**) This study of convicted white-collar offenders treats their explanations for involvement in criminal activities. It focuses specifically on the techniques that are used to deny criminality. The strategies used to accomplish this end are detailed. It is suggested that the accounts developed by white-collar offenders to explain involvement in criminal activities are structured by the mechanics, histories, and organizational formats of offenses and by the requirement that they defeat the conditions of successful degradation ceremonies. In conclusion, some preliminary observations concerning the causes of white-collar crime are made (**Michael L. Benson 1985**) Developing models to detect financial statement fraud involves challenges related to (1) the rarity of fraud observations, (2) the relative abundance of explanatory variables identified in the prior literature, and (3) the broad underlying definition of fraud. Following the emerging data analytics literature, we introduce and systematically evaluate three data analytics preprocessing methods to address these challenges. Results from evaluating actual cases of financial statement fraud suggest that two of these methods improve fraud prediction performance by approximately 10 percent relative to the best current techniques. Improved fraud prediction can result in meaningful benefits, such as improving the ability of the SEC to detect fraudulent filings and improving audit firms' client portfolio decisions (**Johan L. Perols 2017**) If social science is to contribute to an

understanding of tax evasion behavior, it must develop accurate measures of evasion at the individual level, identify the variables associated with evasion, and construct compelling explanatory models. Toward this end, past research on tax evasion and noncompliance is reviewed with an emphasis on distinguishing between those variables that instigate the behavior and those that act as constraints against its occurrence. The conclusions of this review suggest the potential value of a social psychological model of tax evasion behavior that specifies a set of situationally defined instigations and constraints and their logically analogous counterpart within the individual (**Henk Eiffers 1987**) The purpose of this paper is to consider the activities of tax havens in the global financial markets and explore their role in providing a supply-side stimulant for corrupt practices. It aims to argue that the corruption debate needs to shift to a second phase in which the role of tax havens as supply-side stimulants features more prominently. Despite severe limitations imposed by the absence of rigorously researched statistical data on capital flows into and out of tax havens, the paper argues that the available data support the view that tax havens have become prominent features of the globalised capital markets, and their activities create a criminogenic environment in which illicit financial flows are easily disguised and hidden amongst legitimate commercial transactions (**John Christensen 2011**) The authors empirically examine the nature and extent of ethical problems confronting senior level AICPA members (CPAs) and examine the effectiveness of partner actions and codes of ethics in reducing ethical problems. The results indicate that the most difficult ethical problems (frequency reported) were: client requests to alter tax returns and commit tax fraud, conflict of interest and independence, client requests to alter financial statements, personal-professional problems, and fee problems. Analysis of attitudes toward ethics in the accounting profession indicated that (1) CPAs

perceive that opportunities exist in the accounting profession to engage in unethical behavior, (2) CPAs, in general, do not believe that unethical behavior leads to success, and (3) when top management (partners) reprimand unethical behavior, the ethical problems perceived by CPAs seem to be reduced (**Don W. Finn 1988**) This study aims to evaluate the causes and effects of tax evasion and avoidance in Lagos state and proffering solution to the menace of these tax irregularities. The total number of one hundred and twenty seven (127) was used to analyze the opinion of eligible tax payers in Lagos state. The hypothesis were tested on the relationship between the tax evasion and tax avoidance and the administration of taxation by the government and the relationship between tax evasion and tax avoidance and the tax rate. Statistical package for social science (SPSS) was employed in analyzing the questions in the questionnaire and chi-square was used to test the hypothesis. The study revealed tax administration in the country with particular reference to Lagos State is very inefficient and ineffective, and there is no adequate information on the tax payers in the state. Hence, some people can hide from their tax liabilities. It was also discovered that there is a significant relationship between tax evasion and tax avoidance and the revenue of government and the tax rate (**Kigo Abdurrahim, Ahamad 2015**) This article aims to review popular frameworks used to examine fraud and earmarks three areas where there is considerable scope for academic research to guide and inform important debates within organisations and regulatory bodies. Three under-researched issues are identified: rationalisation of fraudulent behaviours by offenders; the nature of collusion in fraud; and regulatory attempts to promote whistle-blowing. These topics highlight the perspective of those directly involved in fraud and draw together issues that have interested researchers in other disciplines for decades with matters that are at the heart of contemporary

financial management across the globe (**Rahul kumar 2015**) The Public Company Accounting Oversight Board (PCAOB), in its recent auditor inspections, cited a lack of professional skepticism and selection of appropriate audit procedures as serious problems for auditors, and suggested that the tone set by audit partners is critical for auditors' fraud investigations. Thus, we provide an initial test of predictions of the links established in his model, and our results suggest a possible extension to his model. This study provides evidence that a partner's emphasis on professional skepticism is critical for both effective and efficient identification of relevant fraud risk factors and choice of relevant audit procedures (**Tina D. Carpenter 2013**) This paper presents a comparative analysis of three American (Enron, WorldCom and HealthSouth) and three European (Parmalat, Royal Ahold and Vivendi Universal) corporate failures. The first part of the analysis is based on a theoretical framework including six areas of ethical climate; tone at the top; bubble economy and market pressure; fraudulent financial reporting; accountability, control, auditing, and governance; and management compensation. The second and third parts consider the analysis of these cases from fraud perspective and in terms of firm-specific characteristics (ownership structure) and environmental context (coverage in media and academic literature, regulatory and corporate governance frameworks). The research analyses shed light on the fact that, despite major differences between Europe and U.S. in terms of political institutions, laws and regulations as well as managerial practices, there are significant similarities between six groups. The analysis also demonstrates that, the ethical dilemma has been coupled with ineffective boards, inefficient corporate governance and control mechanisms, distorted incentive schemes, accounting irregularities, failure of auditors, dominant CEOs, dysfunctional management behavior and the lack of a sound ethical tone at the top. Significant similarities were also observed in the

analysis from the fraud triangle perspective (**Balram Soltani 2014**) This paper aims to present a study on the effect of income and expense shifting on the corporate income tax evasion – an example of intentional noncompliance practiced by tax agents. The authors expected that the tool used would differentiate the extent of understatement of tax liability (**Sabina Kolodziej 2023**) In 2002, it was estimated that occupational fraud and abuse cost organizations \$600 billion, or roughly 6 per cent of their revenues. While there are various ways a company can protect itself from becoming a victim of fraud, one solution toward which many companies are turning is the use of fraud examiners to help monitor and detect fraudulent activities within their organizations (**Monika J.Machen 2004**) In the last decade, high profile financial frauds committed by large companies in both developed and developing countries were discovered and reported. This study compares the performance of five popular statistical and machine learning models in detecting financial statement fraud. The research objects are companies which experienced both fraudulent and non-fraudulent financial statements between the years 2011 and 2016. The results show, that artificial neural network perform well relative to a Bayesian network, Discriminant Analysis, logistic regression and Support vector machine. The results also reveal some diversity in predictors used across the classification algorithms. Out of 19 predictors examined, only nine are consistently selected and used by different classification algorithms: Employee Productivity, Accounts Receivable to Sales, Debt-to-Equity, Inventory to Sales, Sales to Total Assets, Return On Equity, Return on Sales, Liabilities to Interest Expenses, and Assets to Liabilities. These findings extend financial statement fraud research and can be used by practitioners and regulators to improve fraud risk models (**Mahmood Mohammadi**

2020) Accounting numbers generally obey a mathematical law called Benford's Law, and this outcome is so unexpected that manipulators of information generally fail to observe the law. Armed with this knowledge, it becomes possible to detect the occurrence of accounting data that are presented fraudulently. However, the law also allows for the possibility of detecting instances where data are presented containing errors. Given this backdrop, this paper uses data drawn from companies listed on the Johannesburg Stock Exchange to test the hypothesis that Benford's Law can be used to identify false or fraudulent reporting of accounting data. The results support the argument that Benford's Law can be used effectively to detect accounting error and frauds (**A.D.Saville 2006**) A series of financial scandals revealed a key weakness in the American business model: the failure of the U.S. auditing system to deliver true independence. We offer a two-tiered analysis of what went wrong. At the more micro tier, we advance moral seduction theory, explaining why professionals are often unaware of how morally compromised they have become by conflicts of interest. At the more macro tier, we offer issue-cycle theory, explaining why conflicts of interest of the sort that compromise major accounting firms are so pervasive (**Don A. Moore, 2006**)

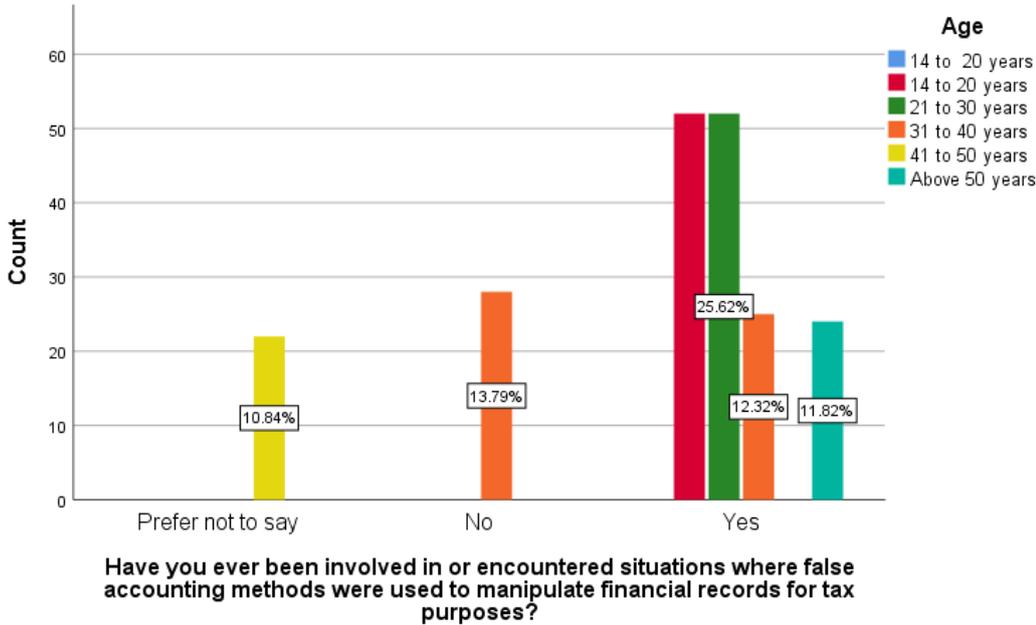
METHODOLOGY:

The research method followed here is the Empirical method. A total of 205 samples have been collected through a convenient method. The sample frame is taken from a google questionnaire in and around Chennai. The independent variables are age, gender, marital status and educational qualification. The dependent variables are Have you ever been involved in or encountered situations where false accounting methods were used to manipulate financial records. The statistical tool is Graphical representation

DATA ANALYSIS:

FIGURE 1:

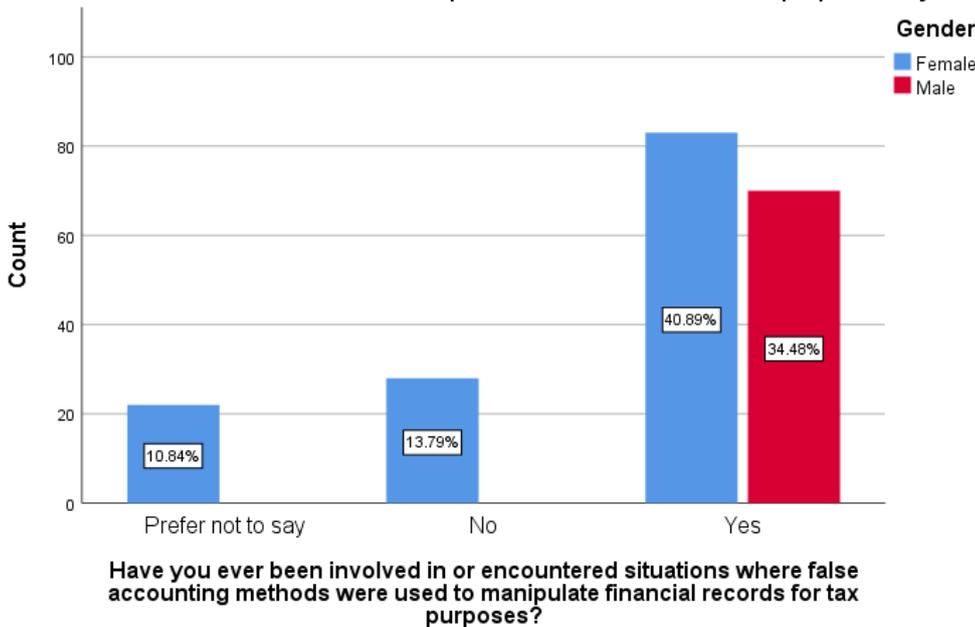
Clustered Bar Count of Have you ever been involved in or encountered situations where false accounting methods were used to manipulate financial records for tax purposes? by Age



LEGEND: Figure 1 represents the age of the respondents with the question have you ever been involved or encountered situations where false accounting method were used to manipulate financial records for tax purposes.

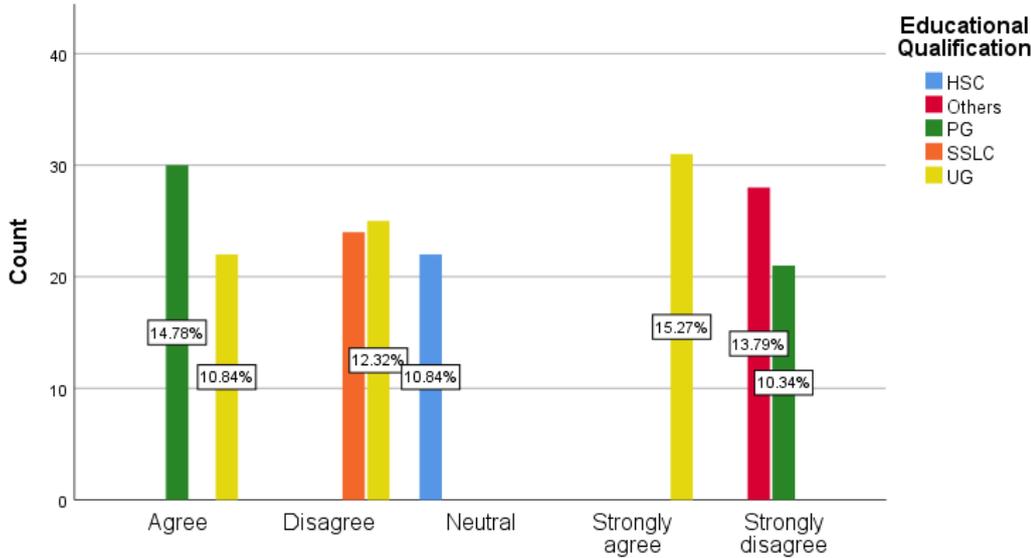
FIGURE 2:

Clustered Bar Count of Have you ever been involved in or encountered situations where false accounting methods were used to manipulate financial records for tax purposes? by Gender



LEGEND: Figure 2 represents Gender of the respondents with the question have you ever been involved or encountered situations where false accounting method were used to manipulate financial records for tax purposes.

Clustered Bar Count of To believe that addressing tax evasion and false accounting is crucial for maintaining a fair and transparent financial system by Educational Qualification

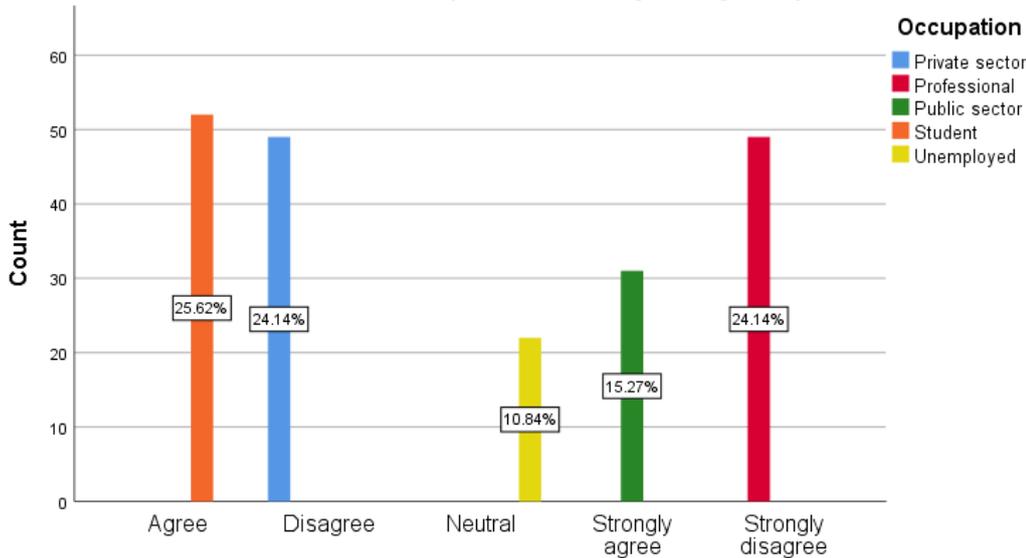


To believe that addressing tax evasion and false accounting is crucial for maintaining a fair and transparent financial system

LEGEND: Figure 3 represents educational qualification of the respondents with the question to believe that addressing tax evasion and false accounting is crucial for maintaining a fair and transparent financial system.

FIGURE 4:

Clustered Bar Count of To believe that addressing tax evasion and false accounting is crucial for maintaining a fair and transparent financial system by Occupation

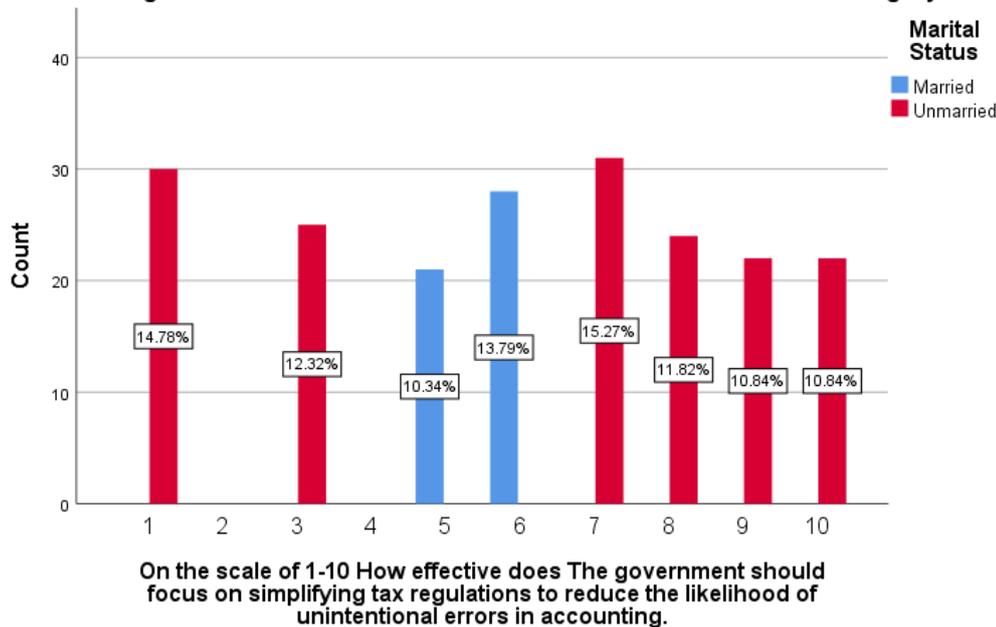


To believe that addressing tax evasion and false accounting is crucial for maintaining a fair and transparent financial system

LEGEND: Figure 4 represents occupation of the respondents with the question to believe that addressing tax evasion and false accounting is crucial for maintaining a fair and transparent financial system.

FIGURE 5:

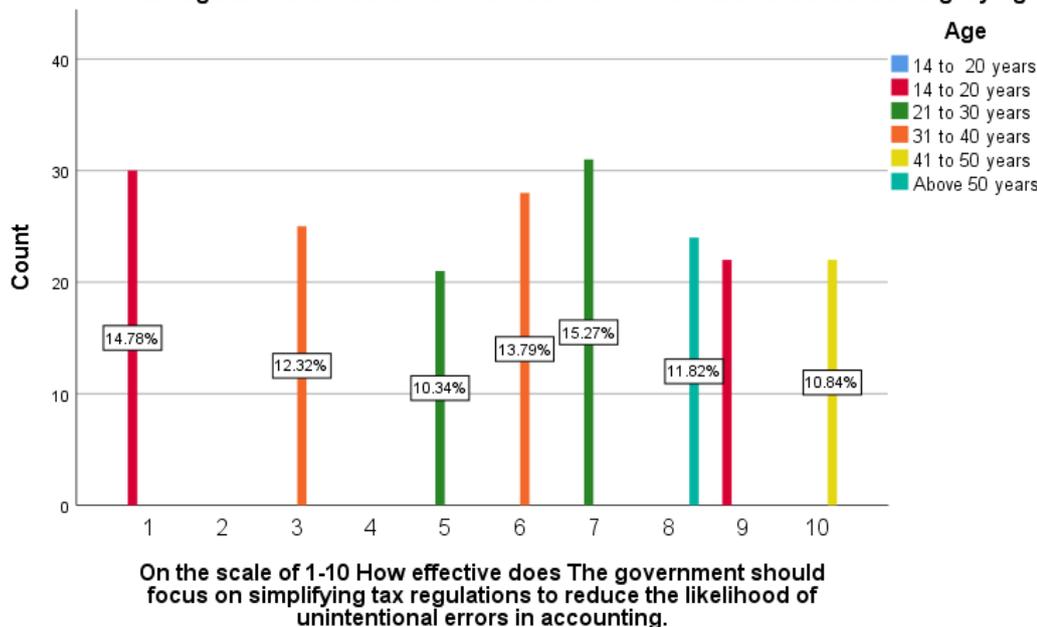
Clustered Bar Count of On the scale of 1-10 How effective does The government should focus on simplifying tax regulations to reduce the likelihood of unintentional errors in accounting. by Marital Status



LEGEND: Figure 5 represents marital status of the respondents with the question how effective the government should focus on simplifying tax regulations to reduce the likelihood of unintentional errors in accounting.

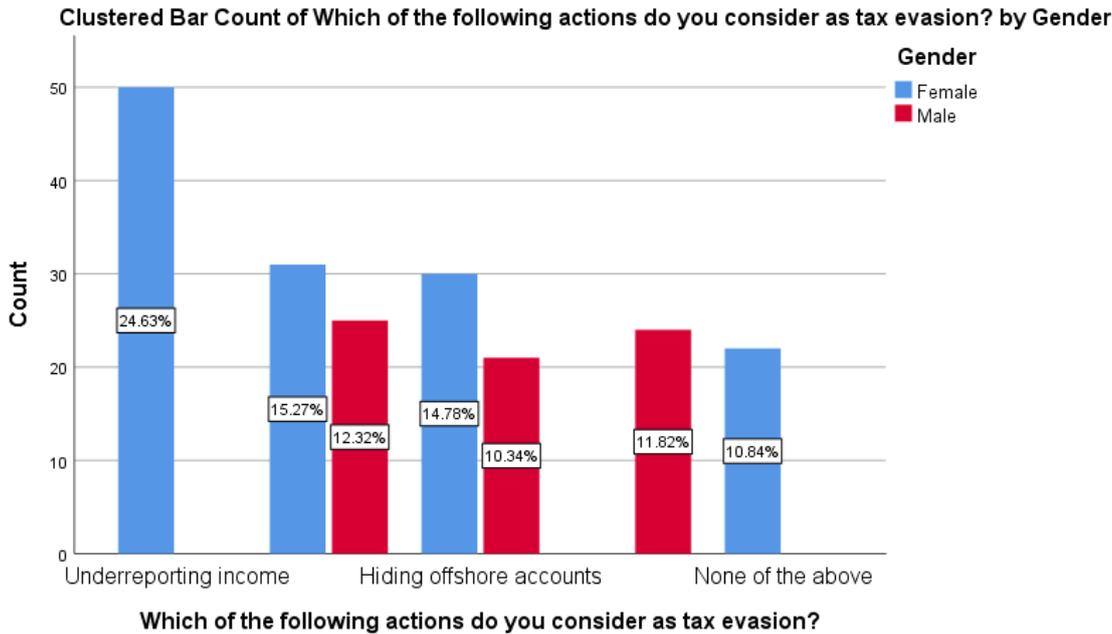
FIGURE 6:

Clustered Bar Count of On the scale of 1-10 How effective does The government should focus on simplifying tax regulations to reduce the likelihood of unintentional errors in accounting. by Age



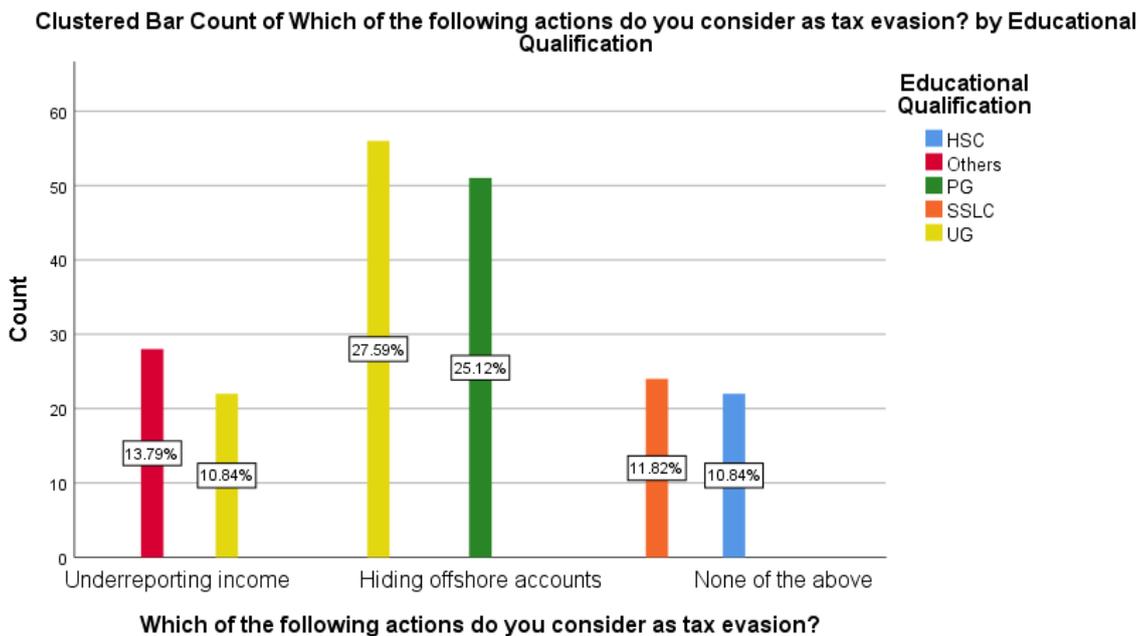
LEGEND: Figure 6 represents Age Of the respondents with the question how effective does the government should focus on simplifying tax regulations to reduce the likelihood of unintentional errors in accounting.

FIGURE 7:



LEGEND: Figure 7 represents gender of the respondent with the question which of the following do you consider as tax evasion.

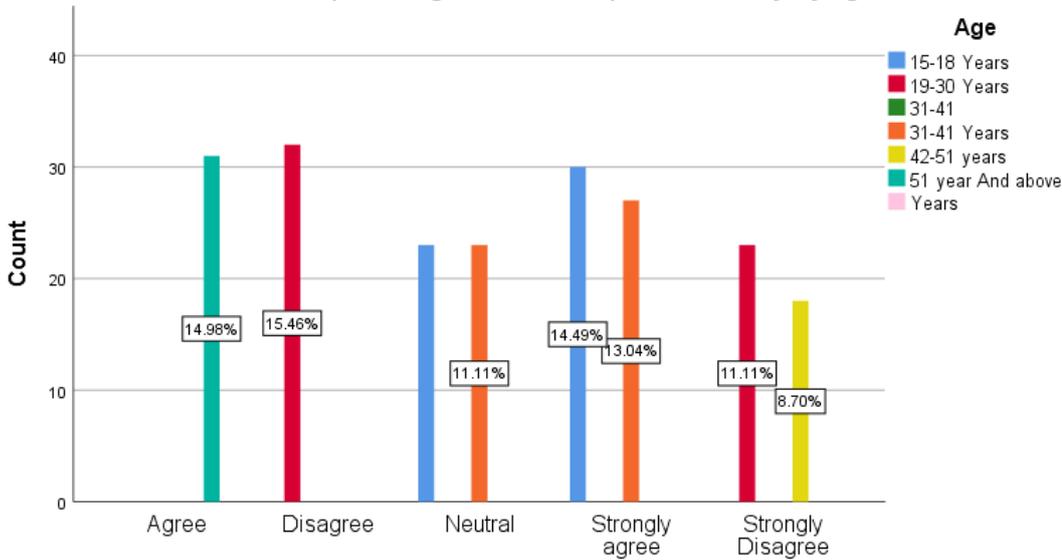
FIGURE 8:



LEGEND: Figure 8 represents the Educational qualifications of the respondent with the question which of the following do you consider as tax evasion.

FIGURE 9:

Clustered Bar Count of Complying with tax regulations and maintaining accurate financial records is essential for promoting a fair and transparent economy. by Age

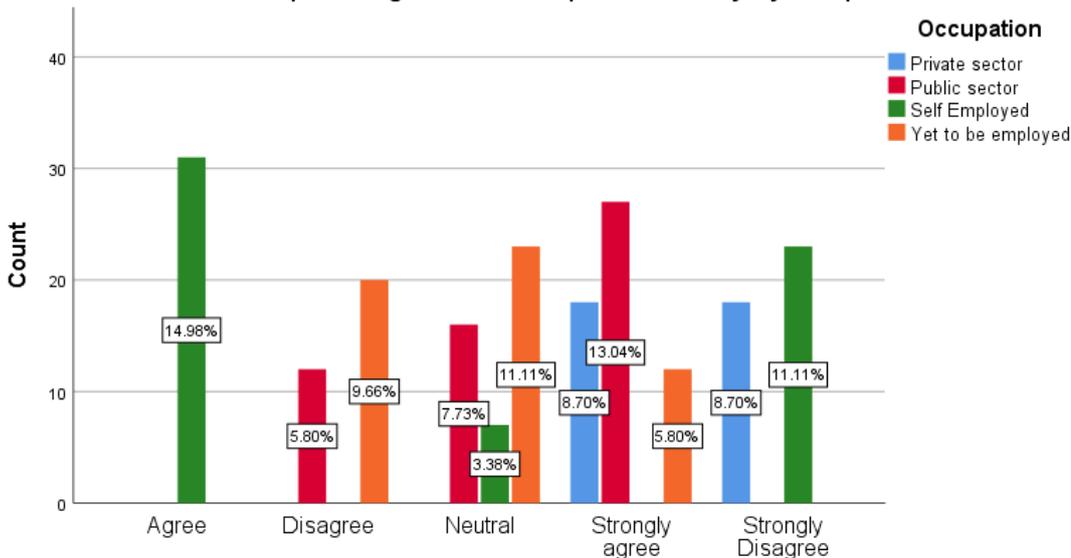


Complying with tax regulations and maintaining accurate financial records is essential for promoting a fair and transparent economy.

LEGEND: Figure 9 represents the age of the respondent with the question complying with the tax regulations and maintaining accurate financial records is essential for promoting a fair and transparent economy.

FIGURE 10:

Clustered Bar Count of Complying with tax regulations and maintaining accurate financial records is essential for promoting a fair and transparent economy. by Occupation



Complying with tax regulations and maintaining accurate financial records is essential for promoting a fair and transparent economy.

LEGEND: Figure 10 represents occupation of the respondent with the question complying with the tax regulations and maintaining accurate financial records is essential for promoting a fair and transparent economy.

RESULTS:

In **figure 1**, about 25.62% of the age group between 21 to 30 years, have shown more responses that they have been involved or encountered situations where they fall to accounting methods where they are used to manipulate financial records for tax purposes. In **figure 2**, about 40.89% of female of the gender male have shown more responses that they have been involved or encountered situations where they fall to accounting methods where they are used to manipulate financial records for tax purposes. In **figure 3**, above 14.78% of PG students have agreed and show more responses to believe that addressing taxation and false accounting is crucial for maintaining a fair and transparent financial system. In **figure 4**, about 25.62% of the students have shown more responses to believe that addressing taxation and false accounting is crucial for maintaining a fair and transparent financial system. In **figure 5** about 14.78% of unmarried have shown more responses to how effective it is. The government should focus on simplifying tax regulations to reduce the likelihood of unintentional errors in accounting. In **figure 6** about 15.27% 21 to 30 years believe that addressing taxation and false accounting is crucial for maintaining a fair and transparent financial system. In **figure 7** about 24.63% of female respondents say under reporting income to the given statement. In **figure 8** about 27.59% of UG respondents say under reporting income to the given statement. In **figure 8** of 25.1% of PG respondents is hiding offshore accounts of the given statement. In **figure 9** about 14.98% of 51 years and above shows more response and agree to the statement. In **figure 10** above 14.98 self-employed respondents have shown more response and agree to the statement given.

DISCUSSION:

In **figure 1**, the age group between 21 to 30 years, have shown more responses that they have been involved or encountered situations where they fall to accounting methods where they are used to manipulate financial records for tax purposes. In **figure 2**, female of the gender male have shown more responses that they have been involved or encountered situations where they fall to accounting methods where they are used to manipulate financial records for tax purposes. In **figure 3**, PG students have agreed and show more responses to believe that addressing taxation and false accounting is crucial for maintaining a fair and transparent financial system. In **figure 4**, the students have shown more responses to believe that addressing taxation and false accounting is crucial for maintaining a fair and transparent financial system. In **figure 5** of unmarried have shown more responses to how effective it is. The government should focus on simplifying tax regulations to reduce the likelihood of unintentional errors in accounting. In **figure 6** of 21 to 30 years believe that addressing taxation and false accounting is crucial for maintaining a fair and transparent financial system. In **figure 7** female respondents say under reporting income to the given statement. In **figure 8** PG respondents are hiding offshore accounts of the given statement. In **figure 9** the 51 years and above shows more response and agreed to the statement. In **figure 10** the self-employed respondents have shown more response and agree to the statement given.

LIMITATION:

The main limitation faced by the researcher was the online survey method. Due to it the researcher wasn't able to understand the focus point or the main reason behind the option chosen by the respondents. It seemed like the respondents did not actually read the form and instead filled it just like that. Also the sample

frame was constricted and research is fully based and focused on Tamil Nadu.

SUGGESTION

The suggestions of this study is that the Tax evasion and false accounting can be prevented by strengthening the tax structure, improving tax regulations and laws, creating more awareness, reduction in tax rates etc.

CONCLUSION:

Tax Evasion is an illegal activity in which a person or being knowingly avoids paying a true tax liability. To willfully fail to pay taxes is a federal offence under the Internal Revenue Service (IRS) tax code. Tax evasion applies to both the illegal non-payment as well as the illegal underpayment of taxes. Generally, a person is not considered to be guilty of tax evasion unless the failure to pay is deemed intentional. In India there are various ways through which people evade tax are Smuggling, evasion of sales and Value Added Tax, Evasion of Income Tax, Evasion of Wealth Tax, Evasion of Customs Duty and Evasion of Excise Duty. The suggestions of this study is that the Tax evasion and false accounting can be prevented by strengthening the tax structure, improving tax regulations and laws, creating more awareness, reduction in tax rates etc. Also, officials takes bribery and helps in making fabricated statements instead of reporting to tax authorities. Idealist willfully fails to file return, submit false returns, submits false certificates to get deduction, exemptions and claim low income, charging personal expenses to revenue, fails to pay dues within due date and so on to evade tax. It is concluded from the above discussion that Tax Avoidance and Tax Evasion are those concepts which enables a person to avoid liability on his income tax charged. One concept is completely legal as provided under Income Tax Act 1961 and another is completely illegal. For the purpose of Tax Avoidance, Government has provided various ways in which a person can legally restrain tax on his income whereas on the other

hand Government has given various penalties on the concept of Tax Evasion.

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