An Empirical Study on Assigning the Income to Evade Tax and it's Consequential Risk in Indian Economy

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Abstract: *This empirical study investigates the practice of income assignment used for tax evasion in India, highlighting its impact on the economy and the associated risks. Tax evasion, a significant issue within India's fiscal structure, involves strategies such as underreporting income, misclassifying earnings, and utilizing complex offshore schemes to minimize taxable liabilities. This study employs a combination of statistical analysis and case studies to assess the prevalent methods of income misreporting across various sectors, examining the economic implications for the country's tax system and public revenue. Special focus is given to the consequences of income misallocation on fiscal health, income inequality, and economic governance. The research also evaluates the role of government initiatives, such as the Goods and Services Tax (GST), e-filing systems, and anti-money laundering regulations, in combating these practices. The findings underscore the need for improved enforcement mechanisms, stricter penalties, and systemic reforms to reduce the growing risks posed by tax evasion to India's economic stability and growth. The study provides actionable insights and recommendations for policy reforms aimed at improving tax compliance, enhancing revenue generation, and promoting fair economic growth in India.*

Keywords: Tax evasion, income assignment, economic risk, tax avoidance strategies, fiscal policy, tax compliance