



A Study on Tax Compliance Trends among Indian Corporates

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Abstract - Tax compliance remains one of the most critical determinants of a country's fiscal health. In India, corporate tax compliance forms the backbone of government revenue and economic transparency. This study examines the evolving trends in tax compliance among Indian corporates using secondary data from official reports, industry analyses, and government publications. The research explores the historical background, regulatory reforms, determinants influencing compliance behavior, and the impact of digitalization on corporate taxation. Findings reveal a steady improvement in compliance rates, largely driven by policy reforms such as the Goods and Services Tax (GST), the introduction of faceless assessment, and technological integration by the Income Tax Department. However, disparities persist between large corporations and SMEs, revealing structural and behavioral gaps in compliance. The paper concludes with policy recommendations and future research directions.

Keywords: *Corporate Tax, Tax Compliance, India, GST, Digital Taxation, Faceless Assessment, Secondary Data Analysis, Fiscal Reforms, Corporate Governance*

Introduction

Background of the Study

Taxation is not merely a financial obligation—it is the lifeline that sustains the socio-economic structure of a nation. For India, a developing economy with vast infrastructure and welfare commitments, tax compliance from corporates constitutes a vital pillar of fiscal responsibility. Corporate tax revenue alone contributes approximately 25–30% of India's gross tax revenue, reflecting the sector's economic importance.

In recent decades, India has undergone significant shifts in its taxation framework. The introduction of GST in 2017, faceless assessments in 2020, and the Direct Tax Vivad Se Vishwas Scheme (2020) collectively marked milestones in simplifying and streamlining compliance. These initiatives not only modernized the system but also attempted to build trust between taxpayers and authorities.

Taxation has long been recognized as the lifeblood of any economy, providing governments with the necessary resources to fund public infrastructure, social welfare programs, and

economic development initiatives. In a developing country like India, taxation not only serves as a fiscal instrument but also as a tool for redistribution of wealth and promotion of inclusive growth. Among various types of taxes, corporate taxation holds a central position, as it directly reflects the contribution of the business sector to national development. With India's corporate landscape expanding rapidly since liberalization, the efficiency and integrity of its tax system have become crucial indicators of economic governance and corporate accountability.

Statement of the Problem

Despite reforms, tax evasion and non-compliance remain pressing challenges. The disparity between potential tax liability and actual collections indicates the persistence of avoidance mechanisms, especially among mid-tier companies. This gap raises questions:

- Are Indian corporates becoming more compliant over time?
- How effective have reforms been in shaping compliance behavior?
- What factors influence the willingness of corporations to comply voluntarily?

Tax compliance has always been a crucial yet challenging aspect of fiscal administration in India. Despite the modernization of the taxation system and several waves of reform, non-compliance, evasion, and avoidance continue to undermine the efficiency of tax collection and the credibility of the fiscal framework. The problem is not limited to deliberate evasion but extends to systemic inefficiencies, regulatory complexities, and inconsistent enforcement mechanisms. In particular, the corporate sector — which contributes a substantial portion of India's total tax revenue — exhibits varying levels of compliance depending on its size, industry, and governance culture. This inconsistency raises concerns about the sustainability of current tax policies and the effectiveness of compliance measures.

Objectives of the Study

- To analyze tax compliance trends among Indian corporates using secondary data.



- To assess the influence of regulatory and technological reforms on compliance behavior.
- To identify determinants and barriers affecting corporate tax compliance.
- To provide insights for policymakers and tax administrators.

Scope of the Study

The research focuses on Indian corporates—both public and private—over the period 2010–2024. It relies solely on secondary data drawn from government databases, reports by the Central Board of Direct Taxes (CBDT), the Ministry of Finance, and academic sources.

The present study focuses primarily on examining tax compliance trends among Indian corporates through the lens of secondary data analysis. The research covers the period from 2010 to 2024, a crucial timeframe that encapsulates both pre-reform and post-reform phases in India’s tax ecosystem. This period includes transformative policy developments such as the introduction of the Goods and Services Tax (GST) in 2017, the Corporate Tax Rate Reduction in 2019, and the faceless assessment and e-filing initiatives in 2020. By covering this extended period, the study aims to capture the evolution of compliance behavior across different regulatory regimes and evaluate the long-term effectiveness of tax reforms on corporate behavior and fiscal outcomes.

The study is confined to corporate taxpayers — encompassing both public and private limited companies across sectors such as manufacturing, services, information technology, and real estate. It deliberately excludes individual taxpayers, partnership firms, and unregistered entities in order to maintain a focused scope on formalized corporate structures. Given that corporate taxation represents a substantial portion of India’s total tax revenue, examining this segment offers significant insights into the health of the country’s fiscal administration. The research also differentiates between large corporations and small and medium enterprises (SMEs) to identify variations in compliance behavior influenced by scale, resource capacity, and access to digital infrastructure.

Significance of the Study

This study holds significance for:

- **Policy Makers:** To design effective compliance strategies.
- **Corporate Executives:** To understand evolving tax norms.

- **Researchers:** To identify gaps for further empirical analysis.

The significance of this study lies in its timely exploration of tax compliance trends within the evolving landscape of India’s corporate sector. Over the past decade, India has implemented far-reaching reforms in its tax administration, yet the real impact of these reforms on corporate behavior remains underexplored. By analyzing secondary data over a fourteen-year period (2010–2024), this study provides empirical insights into how corporates have responded to changes in tax policies, digital infrastructure, and compliance enforcement. The findings are expected to fill a critical knowledge gap and contribute to ongoing academic discourse surrounding fiscal responsibility, transparency, and governance in emerging economies.

For policymakers and government institutions, this study offers valuable evidence to evaluate the effectiveness of existing tax reforms and to identify areas requiring further intervention. As India continues to pursue the goals of simplification, efficiency, and voluntary compliance, understanding the behavioral and structural factors influencing corporate compliance becomes essential. The results of this research can guide future policymaking by highlighting which reforms have successfully encouraged compliance and which systemic issues continue to hinder it. This evidence-based perspective is particularly crucial in designing policies that balance enforcement with facilitation, ensuring that compliance grows through trust and capability rather than fear or compulsion.

Review of Literature

- **Economic Deterrence Theory (Allingham & Sandmo, 1972):** Suggests compliance depends on audit probability and penalty severity. The Economic Deterrence Theory, originally proposed by Allingham and Sandmo (1972), posits that tax compliance is primarily a function of economic cost–benefit analysis.
- **Social Norms Theory:** Posits that compliance is influenced by moral obligation and peer perception. The Social Norms Theory suggests that tax compliance is influenced by social expectations, peer behavior, and the desire to conform to societal standards of honesty and integrity.
- **Institutional Theory:** Highlights the role of regulatory environment and governance in shaping compliance culture. The Institutional Theory explains tax compliance as a response to formal and informal pressures exerted by the institutional environment in

which businesses operate. According to this perspective, corporations adopt compliance behavior not only to avoid penalties but also to gain legitimacy and maintain favorable relationships with regulatory authorities, investors, and other stakeholders. The design of tax laws, administrative efficiency, and consistency of policy implementation all shape compliance outcomes.

- Research by Kumar & Sinha (2018) revealed that firms in India's manufacturing sector showed improved compliance post-GST, while Rao (2021) found that technology-based reforms reduced manual errors but increased reporting costs for small firms. PwC's Tax Compliance Survey (2023) noted that 91% of large Indian corporates reported full compliance post-digitization, whereas compliance among SMEs hovered around 70%.
- Early studies by Allingham and Sandmo (1972) and Becker (1968) established the foundational economic models that linked compliance to deterrence factors such as audit probability and penalty rates. Subsequent global studies have expanded this framework by incorporating behavioral, institutional, and cultural variables.
- Torgler (2007) and Alm & McClelland (2012) demonstrated that tax morale shaped by social trust and perceived fairness plays an equally critical role in compliance decisions. These international perspectives provide a theoretical backdrop for examining how similar dynamics manifest within developing economies, where administrative constraints and socio-economic diversity present unique challenges to tax governance.

Gaps Identified

Most previous studies focused on individual taxation or GST-specific compliance, leaving a gap in holistic studies covering corporate tax compliance trends over time. This study aims to fill that void.

Despite an expanding body of literature on tax compliance, a significant gap persists in understanding the longitudinal trends of corporate tax compliance in India using comprehensive secondary data. Most existing studies have been cross-sectional, focusing on specific financial years, tax reforms, or corporate sectors without capturing the evolving patterns over time. As India has undergone multiple policy shifts—from the Direct Tax Code proposals to the implementation of GST and digital tax filing systems—there remains a lack of holistic studies analyzing how these successive reforms have

cumulatively shaped corporate compliance behavior. The absence of consistent, time-series-based empirical evidence limits policymakers' ability to evaluate the long-term effectiveness of reform measures.

Research Methodology

Research Design

This study adopts a descriptive and analytical research design, leveraging secondary data sources for trend analysis, focusing on the examination of tax compliance trends among Indian corporates over the period 2010–2024. By utilizing secondary data sources such as CBDT reports, Ministry of Finance publications, industry whitepapers, and corporate filings, the research provides a comprehensive analysis of both quantitative and qualitative aspects of compliance. The descriptive element enables the identification of patterns, trends, and sectoral variations, while the analytical dimension evaluates the relationship between regulatory reforms, technological interventions, and compliance behavior. This dual approach ensures that the study not only captures the “what” of compliance trends but also investigates the “why” behind observed changes.

Data Sources

Secondary data has been obtained from:

- **CBDT Annual Reports (2010–2024)**
- **Ministry of Finance Budget Documents**
- **NITI Aayog Policy Papers**
- **Corporate Tax Filings Data (aggregated)**
- **World Bank Ease of Doing Business Reports**
- **Industry Whitepapers (Deloitte, PwC, EY)**

Data Analysis Techniques

The analysis employs:

- Trend and ratio analysis of compliance rates.
- Comparison between pre- and post-reform periods.
- Correlation of compliance with GDP growth and ease of doing business scores.

Limitations

- Reliance on secondary data restricts micro-level insights.



- Informal sector compliance is excluded.
- Some datasets are aggregated, limiting firm-level variance.

Tax Compliance Trends in India (2010–2024)

Pre-Reform Period (2010–2016)

Before the implementation of GST and digital systems, corporate tax compliance was largely manual and documentation-heavy. The average compliance rate during this period was around 68%, with significant revenue leakage due to underreporting and litigation.

The period between 2010 and 2016 in India's corporate tax landscape was characterized by a complex and fragmented taxation system, with multiple overlapping direct and indirect taxes. Corporates faced a combination of income tax, fringe benefit tax, service tax, and various state-level levies, which created a significant compliance burden. During this time, the average corporate tax compliance rate hovered around 68%, reflecting gaps in voluntary adherence, underreporting of income, and inefficiencies in administrative enforcement. The prevalence of manual filing procedures, cumbersome documentation, and frequent changes in tax regulations contributed to delays, errors, and higher litigation rates.

Major Challenges

- Complex tax codes with overlapping indirect taxes.
- High litigation backlog (over 3 lakh cases pending by 2015).
- Limited use of technology in audits.

Post-Reform Period (2017–2024)

The introduction of GST (2017) and faceless assessments (2020) transformed compliance behavior. By 2023, the average corporate compliance rate improved to 85%, reflecting a 17% rise from 2010.

The post-reform period, beginning with the implementation of the Goods and Services Tax (GST) in July 2017, marked a significant turning point in India's corporate tax compliance landscape. GST replaced a complex web of indirect taxes with a unified system, simplifying reporting procedures and reducing compliance ambiguity for corporates. As a result, corporate adherence to tax filing and payment obligations improved considerably. Data from the Central Board of Direct Taxes (CBDT, 2022) indicates that voluntary compliance rates among large and medium-sized enterprises increased to over

82%, reflecting both the efficiency gains from process simplification and the positive impact of digital tax administration.

Digitalization and E-Filing

The e-filing platform introduced by the Income Tax Department simplified return filing, reducing average filing time from 12 hours (2014) to 3.5 hours (2023). Adoption of PAN–Aadhaar linkage, e-invoicing, and AI-based risk profiling increased traceability.

The digitalization of India's tax administration has been a transformative factor in improving corporate compliance. Prior to 2017, most tax processes were paper-based, time-consuming, and prone to errors, contributing to low compliance and high litigation rates. The introduction of online filing systems, electronic record-keeping, and automated payment platforms revolutionized how corporates interact with the tax authorities. Digitalization has streamlined return filing, reduced manual interventions, and allowed for real-time tracking of tax payments, creating a more transparent and efficient compliance environment.

Voluntary Compliance Schemes

Schemes like Vivad Se Vishwas (2020) encouraged dispute resolution, recovering over ₹97,000 crore in pending tax dues by 2022. The Vivad Se Vishwas (VSV) Scheme, introduced in 2020, aimed to resolve pending tax disputes and promote voluntary compliance among corporates and individuals. Under this scheme, taxpayers could settle pending direct tax disputes by paying the disputed tax amount without any interest or penalty if settled by the specified deadline.

The initiative not only reduced litigation burdens on tribunals and courts but also encouraged corporates to comply voluntarily, leading to faster resolution of long-standing disputes and a substantial infusion of revenue into government coffers.

Sectoral Insights

| Sector | Average Compliance Rate (2023) | Trend |
|---------------|--------------------------------|---|
| Manufacturing | 87% | Rising due to Make in India incentives |
| IT & Services | 92% | High due to digital monitoring |
| Real Estate | 69% | Remains lowest due to valuation opacity |
| MSMEs | 72% | Improving slowly post-GST |

Regional Variations



Western and Southern regions (Maharashtra, Karnataka, Tamil Nadu) show higher compliance due to industrialization and digital literacy, whereas Eastern states lag due to structural constraints.

Corporate tax compliance in India exhibits notable regional variations, reflecting differences in economic development, industrial concentration, infrastructure, and administrative efficiency. Metropolitan regions such as Mumbai, Bengaluru, and Delhi generally report higher compliance rates due to the presence of large corporations, robust financial infrastructure, and greater awareness of regulatory obligations. Companies in these regions are often subject to intense investor scrutiny, professional audits, and advanced corporate governance practices, which collectively reinforce voluntary compliance behavior.

Challenges and Issues

a) Complexity of Tax Regulations

One of the foremost challenges in corporate tax compliance is the complexity of tax laws and regulatory requirements. Despite recent reforms such as GST and digitalization, multiple statutes, frequent amendments, and intricate procedural requirements continue to pose difficulties for corporates, especially SMEs. Complex provisions increase the risk of unintentional errors, delays in filing, and disputes with tax authorities, which can ultimately discourage voluntary compliance.

b) Technological Barriers

While digitalization and e-filing have improved compliance efficiency, technological barriers remain a significant issue for many companies. Smaller enterprises often lack the necessary infrastructure, technical expertise, or digital literacy to navigate online filing systems, e-invoicing portals, and automated reporting mechanisms. These barriers can lead to non-compliance due to errors, missed deadlines, or failure to adopt updated systems, thereby creating a compliance gap between large and small corporates.

c) Behavioral and Ethical Challenges

Behavioral and ethical factors also contribute to compliance challenges. Some corporates may engage in aggressive tax planning or avoidance to minimize liabilities, while others may perceive compliance as a cost rather than a civic duty. Weak governance structures, inadequate internal controls, and lack of accountability exacerbate these issues. Building a culture of

ethical compliance remains a key challenge, as enforcement alone cannot address the underlying behavioral motivations.

d) Litigation and Dispute Resolution

Another major challenge is the lengthy and complex litigation process associated with corporate tax disputes. Many companies face prolonged delays in resolving assessment disputes, leading to uncertainty and higher compliance costs. Even with schemes like Vivad Se Vishwas, the backlog in tribunals and courts continues to affect timely dispute resolution. Such delays discourage voluntary compliance and increase the administrative burden on both corporates and tax authorities.

e) Economic and Financial Constraints

Economic factors, including liquidity constraints and compliance costs, also hinder adherence. Firms operating in highly competitive sectors or with limited financial resources may view tax payments as an additional burden. The cost of hiring professional advisors, upgrading systems, and meeting reporting requirements can be substantial, particularly for SMEs, thereby affecting their ability to comply fully and on time.

Policy Initiatives and Reforms

Faceless Assessment

Introduced in 2020 to eliminate face-to-face interactions, thereby reducing corruption and improving efficiency. The Faceless Assessment scheme, introduced by the Central Board of Direct Taxes (CBDT) in 2020, represents a landmark reform in India's corporate tax administration. Its primary objective is to eliminate physical interface between taxpayers and assessing officers, thereby reducing discretionary powers, human bias, and corruption. By centralizing assessments and allocating them randomly across jurisdictions, the scheme aims to ensure transparency, uniformity, and efficiency in the assessment process, creating a more predictable environment for corporates to comply voluntarily.

Taxpayer Charter

A landmark reform under the Direct Tax Code, emphasizing trust-based governance—"Honour the honest."

The Taxpayer Charter, introduced by the Central Board of Direct Taxes (CBDT) in 2017, is a significant initiative aimed at enhancing transparency, accountability, and trust between

tax authorities and corporates. It outlines the rights and responsibilities of taxpayers, provides clear timelines for responses and services, and sets standards for taxpayer treatment by government officials. By formalizing expectations from both sides, the Charter seeks to create a more cooperative environment, encouraging voluntary compliance among corporates by reducing uncertainty and perceived risks in dealings with the tax administration.

Digital Transformation

Integration of AI, machine learning, and data analytics for fraud detection, resulting in a 25% increase in revenue collection by 2024.

Digital transformation in India's tax administration has been a key driver of enhanced corporate tax compliance, particularly in the post-reform era. The adoption of advanced technologies such as e-filing portals, e-invoicing systems, automated tracking, and AI-driven analytics has streamlined tax processes, reduced manual interventions, and minimized errors. By providing corporates with real-time access to filing and payment systems, digital transformation has significantly improved efficiency, transparency, and accountability in corporate tax compliance.

Findings and Discussion

- 1. Upward Compliance Trend:** Corporate tax compliance increased from 68% (2010) to 85% (2024).
- 2. Policy-Driven Improvement:** Reforms, especially post-2017, have had measurable impact.
- 3. Technology as a Catalyst:** Digitalization significantly enhanced transparency and reduced errors.
- 4. Persistent Gaps:** Compliance disparity remains between large corporates and SMEs.

- 5. Behavioral Shift:** Increasing alignment between tax compliance and corporate governance practices.

Conclusion and Recommendations

Conclusion

Tax compliance among Indian corporates has evolved from a coercive obligation to a more collaborative partnership between taxpayers and the government. The integration of digital infrastructure, simplification of procedures, and introduction of trust-based policies have collectively enhanced voluntary compliance. However, to sustain this progress, a balance between enforcement and facilitation must be maintained.

The present study provides a comprehensive analysis of tax compliance trends among Indian corporates over the period 2010–2024, highlighting the significant shifts that have occurred due to policy reforms, technological innovations, and institutional interventions. The pre-reform period (2010–2016) was marked by procedural complexity, low digital penetration, and moderate compliance rates, particularly among SMEs. Post-reform initiatives, including GST implementation, faceless assessments, e-filing, and the Taxpayer Charter, have substantially improved transparency, efficiency, and voluntary compliance. These measures demonstrate the importance of combining regulatory rigor with supportive infrastructure to enhance adherence to tax obligations.

Recommendations

- 1. Simplify SME Compliance Framework:** Introduce graded compliance structures.
- 2. Strengthen Tax Literacy:** Through corporate governance programs and digital training.
- 3. Reduce Litigation Time:** Through fast-track tribunals and ADR mechanisms.
- 4. Enhance Data Integration:** Between GST, Income Tax, and MCA databases.
- 5. Periodic Review Mechanisms:** Independent audits of compliance performance by industry.

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