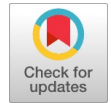




Rewarding Poverty, Penalising Effort: A Deep Dive into Taxpayer Stress and Welfare Incentives

Jitendrakumar Narayanlal Suthar



Abstract: India collects taxes at scale. What it does not do—reliably, visibly, or convincingly—is return value to the people who pay them. This paper asks why that gap persists and why it has produced a specific folk label—"tax mafia"—that circulates among salaried professionals and small traders, with a conviction that goes well beyond routine fiscal complaints. The research draws on published state budget data, compliance cost studies of Indian microenterprises, fiscal federalism literature, and a documented episode from late 2025 in which the Income Tax Department's automated systems dispatched bulk notices implying fraudulent filing to largely compliant taxpayers. No new primary data are collected; the paper's contribution is analytical, reading existing evidence against the specific question of why formal-sector taxpayers feel structurally penalised rather than served. Three findings emerge. First, India's welfare architecture has grown in ways that make staying poor the financially rational choice for many households: free utilities, untargeted ration entitlements, and farm loan waivers are structured in ways that impose steep benefit cliffs on households that cross income or mobility thresholds. States have allocated 20–37% of receipts to subsidies and transfers—Chhattisgarh at 37.6%, Punjab carrying debt at 73.1% of revenue—leaving chronic shortfalls in capital expenditure. Second, tax compliance is not free. A sole proprietor in Bhiwandi or Pimpri who registers under GST, files GSTR-1 and GSTR-3B monthly, reconciles TDS certificates, and responds to AIS mismatches is bearing a compliance cost that her unregistered roadside competitor does not. This is not a minor administrative friction; it is a recurring tax on honesty. Third, the state communicates with its taxpayers as though they are suspects. The December 2025 notice episode—"false claims"—dispatched to tens of thousands of filers days before deadlines is the latest example of a long pattern in which the default register of official communication is accusatory rather than helpful. These findings matter because the standard response to taxpayer grievances—public education campaigns and awareness of where taxes go—addresses the wrong problem. The grievance is not ignorance; it is experience. Fixing it requires changing the experiences: portable welfare benefits that do not penalise mobility, GST return frequencies that do not penalise small-scale formalisation, and notice language that does not penalise honesty. The paper closes with a set of specific, technically feasible reforms oriented to each of these.

Keywords: Economic Incentives, Freebies, Indian Taxation, Poverty Trap, Public Finance, Tax Compliance, Taxpayer Perception, Welfare Policy

Manuscript received on 30 January 2026 | First Revised Manuscript received on 13 March 2026 | Second Revised Manuscript received on 19 April 2026 | Manuscript Accepted on 15 May 2026 | Manuscript published on 30 May 2026.

*Correspondence Author(s)

Jitendrakumar Narayanlal Suthar*, Department of Economics, Savitribai Phule Pune University, Pune (Maharashtra), India. Email ID: jkumars1997@gmail.com, ORCID ID: [0009-0000-3775-5675](https://orcid.org/0009-0000-3775-5675)

© The Authors. Published by Lattice Science Publication (LSP). This is an open-access article under the CC-BY-NC-ND license <http://creativecommons.org/licenses/by-nc-nd/4.0/>

Nomenclature:

AIS: Annual Information Statement
CA: Chartered Accountant
CBDT: Central Board of Direct Taxes
DISCOM: Distribution Company (electricity)
GST: Goods and Services Tax
GSTR: GST Return
HRA: House Rent Allowance
ITR: Income Tax Return
LPG: Liquefied Petroleum Gas
MRP: Maximum Retail Price
NFSA: National Food Security Act
NIPFP: National Institute of Public Finance and Policy
PDS: Public Distribution System
PHC: Primary Health Centre
TDS: Tax Deducted at Source
VAT: Value Added Tax

I. INTRODUCTION

Consider the arithmetic a salaried teacher in Nagpur faces. She pays income tax at source—no choice in the matter, TDS goes before she sees the slip. She files a return, reconciles Form 26AS, and maybe pays a CA Rs. 3,000 to do it properly. Her neighbour, a daily-wage labourer, pays nothing—and receives, depending on the state, free rations under NFSA, subsidised LPG, and a state electricity connection at below-cost rates. Neither of them chose this arrangement. But only one of them resents it.

That resentment has a name in popular usage: tax mafia. The phrase has been in circulation long enough that it no longer shocks. What it describes is not just a hostile bureaucracy—though it is partly that—but something more precise: a conviction that the formal fiscal system is tilted against the people who participate in it honestly. The salaried middle class pays, the non-taxpaying poor receives, and the state spends the difference on things that benefit neither. Whether this conviction is strictly accurate matters less than the fact that it is grounded in identifiable, documented policy features—not paranoia or fiscal ignorance.

This paper traces those features. Three are examined in depth. First, India's welfare architecture—free utilities, farm loan waivers, residence-linked ration entitlements—is structured in ways that make it financially rational to stay below income thresholds. Several states now spend upwards of 37% of receipts on subsidies and transfers [1], crowding out roads and hospitals while creating benefit cliffs that punish the first steps of economic mobility. Second, participating honestly in the tax system entails compliance costs that informal competitors do not bear: monthly GSTR filings, TDS reconciliations, and CA fees—a recurring hidden tax on formalisation [3]. Third, when the state does communicate with its taxpayers, it tends to do so in the register of suspicion. The December 2025 automated



notice episode—in which bulk emails implied false filing by tens of thousands of largely compliant filers—is only the latest example [4].

The paper's objectives are to examine each of these features in turn, assess the fiscal and behavioural evidence behind them, and identify the specific reforms that would address them. The argument is not that India's tax system is irredeemably broken—faceless assessment, GST unification, and e-filing represent genuine progress. It is that progress has been uneven, and that the taxpayer's lived experience has not improved at the pace suggested by administrative statistics. Fixing that gap does not require new legislation or large budgets. It requires political will of a kind that has so far been directed elsewhere.

II. LITERATURE REVIEW

Start with what the compliance literature actually says about why people pay taxes. Alm [13], synthesising roughly four decades of experimental and field-based research, finds that detection probability and penalty severity—the standard deterrence model—explain only part of the variance in compliance behaviour. What matters at least as much is perceived fairness: whether citizens believe others are paying, whether they trust that government delivers something in return, and whether the administrative encounter treats them with basic respect. India fails on all three counts, and in ways that are not accidental but structural.

Das-Gupta and Mookherjee [6] examined tax enforcement reform across developing countries. They found that third-party information systems—exactly what India's TDS and AIS architecture provides—are the most effective tool available to tax administrations with limited direct audit capacity. They also noted, with a prescience that reads oddly well twenty-five years later, that the same information infrastructure can become a source of harassment if its outputs are communicated without procedural care. The December 2025 automated notice episode analysed in this paper is, in that sense, a known failure mode.

On the welfare side, the literature divides roughly between those who document what Indian transfer programmes achieve and those who document what they distort. Thomas [8] firmly belongs to the first camp on PDS: her state-level analysis shows that well-administered food distribution achieves meaningful caloric coverage for poor households, and she is appropriately cautious about overstating failure. But her data also show that targeting errors—both exclusion of the genuinely poor and inclusion of the non-poor—are common, and that residence-linked eligibility creates real mobility barriers. That last finding is central to this paper.

Narayanan and Mehrotra [9] examined farm loan waivers across major Indian states. They found that these schemes, despite their political appeal, largely benefit larger institutional borrowers while all taxpayers bear their fiscal costs. More relevant for present purposes is what their analysis reveals about transfer design in general—that poorly targeted relief programmes can simultaneously fail their intended beneficiaries and distort the incentives

of households they were not designed for. Kurlwal and Shreyansh [1] bring this to the current political moment, documenting the fiscal arithmetic of competitive freebie politics across Indian states with a granularity that most commentary on the subject lacks.

Darshini and Gayithri [7] document the structural constraints on state revenue mobilisation, showing that Indian states exhibit erratic patterns of growth in tax and non-tax revenue sources and display a declining capacity to diversify their revenue base—a fiscal architecture in which states face stronger incentives to spend visibly than to tax adequately. Mukherjee [10] quantifies the revenue efficiency gap at the state level, finding that states realise substantially less than their GST potential, confirming the systematic undertaxing relative to taxable capacity that has long characterised subnational public finance. Chakraborty and Sinha [11] and Gupta [3] complete the picture on the compliance side, documenting the transitional burden imposed by the GST rollout on small manufacturers and the ongoing time and cost of compliance for microenterprise proprietors. Jha's [12] broader treatment of fiscal legitimacy in developing country settings provides the theoretical frame within which these disparate findings cohere.

III. CAUSES OF THE "TAX MAFIA" PERCEPTION

A. Welfare Incentives Favour the Poor Rather Than Workers

Start with arithmetic. A household earning Rs. 3.5 lakh a year through salaried work pays income tax—modest, but real. A household below the exemption threshold, receiving free rations under NFSA, subsidised LPG, and a state electricity subsidy, pays nothing and loses all three benefits the moment its income rises past certain thresholds. The incentive structure this creates is not subtle. It rewards stasis and punishes the first steps of economic mobility—precisely the steps a developing economy needs its citizens to take.

Kurlwal and Shreyansh [1] document the scale of what they call India's competitive freebie politics: state governments in electoral competition have consistently outbid each other on visible transfers, with the consequence that subsidy and transfer spending consumed 20-30% of total receipts across several major states [1]. What gets squeezed is capital expenditure—roads, irrigation, secondary schools, district hospitals—the very infrastructure that would raise returns to effort and make higher income worth seeking. Staying poor, paradoxically, can be the rational choice when mobility costs are high and benefit cliffs are steep.

B. The Political Economy of Visible Handouts

A slab rate reduction saves a taxpayer perhaps Rs. 8,000 a year. Spread over 365 days, it is invisible. A free gas cylinder is photographable and announceable, and it arrives with the ruling party's logo on the delivery receipt. This is not a criticism of voters—it is a description of how political incentives work when benefits are concentrated, and costs are dispersed. The politician who announces a farm loan waiver faces no immediate electoral consequence from the taxpayers who will fund it; they are many, diffuse, and their loss is abstract. The farmers who benefit are organised, identifiable, and grateful in the short run.



Chhattisgarh ran subsidies and transfers at 37.6% of total receipts; Haryana at 21.0% [1]. Punjab's debt stock reached 73.1% of revenue receipts, substantially driven by subsidy commitments accumulated across successive governments of different parties [1], which suggests this is not an ideological problem but a structural one. When the incentive to announce is strong, and the cost of fiscal deterioration is borne years later under a different administration, the rational political actor announces. The middle-class taxpayer watching the state borrow to fund consumption transfers while the local PHC runs out of paracetamol is not being paranoid. The sequencing is exactly as they perceive it.

C. A Legacy of Official Harassment

Separate from the welfare question entirely, a substantial part of the hostility toward taxation is hostility toward tax officials—earned over decades of documented rent-seeking behaviour. Verma [2] catalogues the pre-digital experience: arbitrary scrutiny, demands for documents that served no assessment purpose. What became a widely understood informal tariff for obtaining refunds that one was legally owed. The term "tax terrorism" entered common usage not because taxpayers were prone to exaggeration but because the experience it described was common enough to be shared.

Faceless e-assessment, rolled out in 2020, is a genuine reform—removing the face-to-face encounter eliminates the moment when informal payments were typically solicited. But institutional culture does not change at the pace of software deployment. Assesseees who spent years learning to navigate a system that treated them as revenue sources rather than rights-holders do not immediately recalibrate when the interface changes. The suspicion is baked in, and it means that even legitimate notices—now more common because automation has made them cheap to generate—are read through the lens of an adversarial history.

D. The Hidden Penalty of Compliance

Compliance costs are the least discussed and most regressive component of India's tax burden. Gupta [3] studied microenterprises and found that proprietors spent meaningful hours annually on paperwork—not on running their business or serving customers, but on reconciling TDS certificates, filing GSTR-1 and GSTR-3B returns, and responding to system-generated queries. For a chartered accountant's client in a large firm, these hours are invisible—handled by the back office, amortised across hundreds of transactions. For the sole proprietor of a spare parts shop in Pimpri or a tailoring unit in Bhiwandi, they are personally felt and genuinely costly.

The irony is that informal competitors face none of this. The unregistered trader who sells from a roadside stall has no GST number, files no return, and spends zero hours on compliance. The formally registered small business—the one that, by definition, participates honestly in the state's fiscal architecture—pays a penalty in the form of time, professional fees, and anxiety. This is not a feature; it is a design flaw, and one that Alm [13] identifies as a significant driver of voluntary non-compliance globally.

E. Automated Systems That Accuse Rather Than Guide

Towards the end of 2025, the Income Tax Department's matching systems cross-referenced AIS data against filed returns and dispatched bulk emails to tens of thousands of filers. The language in these communications referred to "false claims" and "mismatches" in deduction schedules. Chartered accountants reported, with some frustration, that clients who had claimed legitimate HRA deductions or Section 80C investments were receiving notices that implied fraudulent filing [4]. Several received these notices within days of the filing deadline, making it practically impossible to verify, respond, and revise within the available window (Times of India 2025).

Nothing in this episode was technically illegal. Cross-verification is sound administrative practice [4]. The failure was in the communication design—specifically, in framing an informational query as an accusation. A system built to assist with compliance would say: "We have noticed a discrepancy in your claimed deduction—please verify and correct if needed." What arrived instead carried the implicit message that the filer was presumed dishonest until proven otherwise. For a citizen who has faithfully filed for twenty years, that is not a minor UX problem. It is, in miniature, precisely the experience that produced the tax mafia label in the first place [2].

IV. WELFARE POLICIES AND THE "POVERTY TRAP" IN INDIA

"Poverty trap" is sometimes used loosely. Still, in the context of Indian benefit design, it points to something specific and measurable: the marginal effective tax rate faced by a low-income household when its earnings rise above a benefit threshold can exceed 100%. Lose the ration card, the electricity subsidy, and the LPG entitlement simultaneously—as can happen when a household's declared income crosses a state-set threshold—and the net financial position after the income gain may be worse than before it. Whether or not this threshold is actually crossed in practice depends on the local benefit mix, but the direction of the incentive is documented [8].

A. Free or Subsidised Utilities

Power subsidies for agricultural consumers have a long history in Indian state politics, and an equally long history of producing perverse outcomes. Distribution companies in subsidy-heavy states accumulated losses running into thousands of crores—DISCOM debt required two successive central bailout packages without permanently resolving the underlying problem. In subsidised areas, power availability is frequently worse than in commercial zones, because the revenue model cannot sustain adequate maintenance or capacity addition.

What Shreyansh and Kurlwal [1] observe—that these policies produce entitlement rather than capability—is borne out by the behaviour they generate. Farmers in states with generous power subsidies have been documented maintaining artificially low declared incomes to preserve eligibility. Power-intensive small industries deliberately locate in less subsidy-heavy states with higher supply reliability. The subsidy, meant to help, ends up distorting the choices of both its recipients and those who choose to avoid depending on it.

B. Loan Waivers and Cash Handouts

Farm loan waivers are announced at the start of election seasons and forgotten by the next budget. This pattern, repeated across states since at least 2008, has been studied enough that its mechanics are well understood. Waivers benefit borrowers with formal institutional loans—typically larger, better-connected farmers—and redistribute the cost to all taxpayers [1]. They do not address waterlogging, poor price realisation, fragmented landholding, or any of the structural causes of agricultural distress. And they create, as Narayanan and Mehrotra [9] have shown in related contexts, a moral hazard: if debt relief arrives periodically and unpredictably, the rational farmer under-invests in repayment capacity and over-invests in political visibility.

The farmer who repaid on schedule after the last drought is in a materially worse position than the one who did not—a fact not lost on either of them. What this does to credit culture, trust in formal institutions, and the longer-term viability of rural banking is rarely costed out in the press release announcing the waiver.

C. Food and Fuel Subsidies

NFSA's achievement in extending food security coverage is real and should not be dismissed. The question is not whether food subsidies are justified—for a country with India's malnutrition indicators, they plainly are—but whether their design creates unnecessary lock-in effects. When subsidy eligibility is tied to residential status and determined by locally maintained ration cards, migration to higher-wage urban employment involves real risk: the new city may not recognise the card, the entitlement is interrupted, and the migrant family faces higher food expenditure precisely when incomes are most uncertain.

Chhattisgarh's 10 kg monthly rice scheme and similar programmes constitute a meaningful real-income supplement—Thomas [8] estimates that PDS provides substantial household caloric coverage in high-performing states. Forgoing that supplement to take a factory job in another district requires a level of financial cushion that many poor households simply do not have. A portable, Aadhaar-linked subsidy architecture—technically achievable and partially piloted—would eliminate most of this distortion. The persistence of residence-linked design is a political choice, not a technical constraint [1].

D. Free Education and Healthcare Programs

Mid-day meals, free school uniforms, subsidised textbooks, Ayushman Bharat—these programmes are categorically different from consumption subsidies and deserve to be treated differently in policy analysis. They build human capital, raise future productive capacity, and reduce the intergenerational transmission of poverty. The critique that applies to untargeted freebies does not apply here, or applies much more weakly.

Where these programmes fail, the failure is almost always in implementation rather than design: teacher vacancies running at 40-50% in some states, district hospitals without resident doctors, health centres that dispense only paracetamol and referral slips. The problem there is not that the programme exists but that it is

inadequately funded and monitored. Bundling these together with unconditional cash transfers and electricity subsidies under the single heading of freebies—as some commentators do—is analytically misleading and politically convenient for those who want to dismantle both (Shreyansh and Kurlwal 2025).

Punjab's fiscal position illustrates the aggregate endpoint of this dynamic. With debt at 73.1% of revenue receipts [1], the state has effectively pre-spent future tax revenues on legacy subsidy commitments. Capital expenditure—on roads, irrigation, and schooling—receives whatever residual remains after fixed costs, debt service, and subsidies are met, which is rarely enough. The crowding-out is not a metaphor; it appears in the budget line items year after year. Rao and Singh [7] identified this fiscal federal trap over two decades ago; little in the intervening period suggests the incentive structure has meaningfully changed.

Purohit [10] noted that tax capacity in Indian states is systematically lower than taxable capacity—meaning states are consistently undertaxing relative to their economic base—partly because the political returns from spending are higher than from collecting. The circle completes itself: undertaxation produces fiscal stress, fiscal stress produces underfunded services, underfunded services produce taxpayer cynicism, and taxpayer cynicism produces political pressure for visible transfers rather than invisible institutional improvement. Breaking this cycle requires changing the political reward structure, which is the hardest reform of all.

V. TAX COMPLIANCE AND MODERNIZATION STRESSES

India's tax administration has genuinely improved since 2015. Faceless assessment, e-filing, GST's unification of indirect taxes, and real-time TDS matching are all substantive reforms. The problem is not the direction but the execution—specifically, the assumption that digitisation solves the compliance burden problem when in fact it sometimes displaces it onto filers who now bear the cost of keeping up with a rapidly changing system.

A. High Compliance Burden on Small Taxpayers

Take a cloth merchant in Bhiwandi running a proprietorship. Pre-GST, he filed one annual return under the state VAT law. Post-GST, he files GSTR-1 monthly, GSTR-3B monthly, an annual GSTR-9, and a reconciliation statement. If he employs a few workers on a salary, TDS returns are due quarterly as well. His income tax return now pulls in data from AIS, requires reconciliation with Form 26AS, and may trigger an automated notice if any discrepancy appears between bank deposits and declared turnover. Gupta [3] documents that microenterprises were spending a substantial and increasing share of working hours on compliance even after digitisation—hours that, for a sole proprietor, come directly out of business operations.

The regressive character of this burden is worth stating plainly. A large company can hire a full-time tax manager and amortise the cost across crores of turnover. The compliance cost per rupee of revenue is negligible. For the small proprietor, the same hours represent a much larger fraction of productive capacity, and the hired CA's fees represent a much larger fraction of income [3]. This is a well-understood problem in the tax administration literature [13]; it is not resolved



by making the process digital if the digital process itself is complex and frequently amended.

B. GST and the Tax-on-Tax Problem

GST replaced a genuinely dysfunctional cascading indirect tax structure, and on that measure, it was an improvement. But the implementation exposed a set of design tensions that were underestimated at rollout. Four main rate slabs plus exemptions plus cess structures plus composition scheme thresholds—the complexity that was supposed to be eliminated was partly recreated in a different form. Chakraborty and Sinha [11] noted, in their preliminary assessment, that small manufacturers, in particular, faced GST compliance costs that exceeded those under state VAT during the transition period.

The tax-on-tax effect arose in specific product categories where GST was applied to MRP-inclusive prices that already contained excise duty or earlier-stage tax. Consumers paying for packaged food or branded goods in the years immediately after the 2017 rollout sometimes faced effective GST rates higher than the headline rate because the base had not been properly cleaned. This generated real, justified confusion—and it fed the broader sense that the system was designed to extract from those who could not navigate its complexity rather than to facilitate compliance by those who wanted to.

C. Automated Notifications and Risk Flags

Cross-verification of ITR data against AIS, Form 26AS, and bank transaction records is a sound policy. Das-Gupta and Mookherjee [6] established long ago that effective tax enforcement in developing countries depends on third-party information—precisely what the annual information statement and TDS architecture provide. The question is not whether to verify but how to communicate the results of verification to filers.

December 2025 provided a live case study in how not to do it. Bulk emails went out to filers whose claims had been flagged in the system, using language—such as "false claims" and "mismatched deductions"—that implied deliberate fraud rather than possible error [4]. Chartered accountants across Maharashtra, Gujarat, and Delhi reported clients in distress, uncertain whether to revise already-filed returns or await formal notices that might or might not arrive [4]. A communication that said, "We have noticed a discrepancy—please review and clarify", would have conveyed identical information with a fraction of the stress. The choice of language was, in this sense, a policy decision with measurable welfare consequences [2].

D. The Transparency Deficit

Underlying all of the compliance grievances is a more fundamental disconnection: taxpayers have no usable sense of what their payments produce. Jha [12] argues that fiscal legitimacy in developing countries depends critically on the perceived fairness of both contribution and benefit distribution, and India performs poorly on the benefit-visibility dimension. The Union Budget is a public document, but its translation into constituency-level outcomes is opaque. A salaried taxpayer in Nashik who paid Rs. 85,000 in income tax last year has no way of tracing any portion of that payment to the road that was

resurfaced, or the PHC that received new equipment, or the scholarship that sent a local student to an IIT [5].

This is not merely a communications problem. It reflects the way Indian public expenditure is reported—in aggregate functional categories rather than in outcome-linked project formats that citizens could interrogate. States that have experimented with participatory budgeting or granular expenditure tracking—Kerala's people's planning initiative being the most-cited example—have found that citizen engagement with public finance increases substantially when the link between contribution and outcome is made visible. Replicating this at scale is technically feasible; the obstacle is institutional inertia rather than capability.

VI. THE OVERLOOKED BENEFITS OF TAXATION

Every pothole complaint is, in a sideways sense, an acknowledgement that road maintenance is a government function—which requires revenue—which comes from taxes. Every call to the police, every child in a government school, every lorry that crosses a national highway on an expressway built with public money, represents a tax rupee converted into usable infrastructure or service. These connections are real and, taken together, substantial. Yet in public discourse, they are almost absent from conversations about taxation, which focus overwhelmingly on what appears on the wage slip.

The asymmetry is structural. TDS is deducted monthly, line-itemed on the payslip, and is personally attributable. The benefit from the district court that cleared a property dispute, or the vaccination programme that kept a family's children healthy, or the weather satellite whose data saved the kharif crop from an unseasonal storm—none of this arrives with a tax invoice. The receipt for public goods is collective, invisible, and temporally distant from the payment. Psychologically, losses are felt more acutely than equivalent gains, which means the salience of extraction exceeds the salience of benefit even when the two are materially balanced.

India has taken initial steps—the Union Budget's economic survey, some state expenditure dashboards, the e-courts data portal—but these are tools for specialists, not for the salaried employee trying to understand what happened to the Rs. 1.2 lakh she paid in direct taxes last year. Constituency-level spending maps, outcome reporting in plain language, and participatory budget consultations at the gram sabha and ward level are the instruments that close this gap. None requires new legislation. Most require sustained administrative will, which is in shorter supply than the technical capacity to deliver them.

VII. CONCLUSION

The tax mafia characterisation is both wrong and right, depending on which aspect of India's fiscal system one examines. Wrong, in that taxes do fund real public goods—infrastructure, defence, basic education, disease surveillance—that most taxpayers benefit from even when they cannot see the connection. Right, in that the specific experiences of compliance, official communication, and benefit distribution that most taxpayers actually encounter are often exactly as frustrating as the label implies: extract first, explain never, accuse when in doubt.

Correcting the wrong part—making the benefits of taxation visible—is important but secondary. The priority is

Rewarding Poverty, Penalising Effort: A Deep Dive into Taxpayer Stress and Welfare Incentives

correcting the right part: the actual experiences that produce the grievance. Welfare design needs to create pathways out of dependency rather than structures that trap recipients below income thresholds. This means time-limiting transfers where possible, making benefits portable so that mobility is not penalised, and distinguishing clearly between investment-type spending (education, health) and consumption transfers in both budgeting and public communication. Tax compliance needs simplification at the specific margins that hurt most—monthly GST return frequency for small businesses is an obvious candidate, as is the language and timing of automated notices. Faceless assessment should be deepened and its scope extended rather than quietly narrowed as implementation difficulties mount (Verma 2017).

None of this is technically difficult. The National Informatics Centre has the infrastructure for expenditure dashboards. The GST Council has the authority to adjust return frequencies. The CBDT has the template library to reword its automated communications, if it chooses to. What is missing is the political prioritisation of the compliant taxpayer as a constituency worth cultivating—as opposed to a captive revenue source to be maximised and managed. Until those changes, the tax mafia will remain the operative folk theory of the state-citizen relationship, a relationship that the state, with modest effort, could do considerably better at (Garg 2024; Alm [13]).

DECLARATION STATEMENT

Some of the references cited are outdated, noted explicitly as [6], and [12]. However, these works remain significant for the current study, as they are pioneering in their fields.

As the article's author, I must verify the accuracy of the following information after aggregating input from all authors.

- **Conflicts of Interest/ Competing Interests:** Based on my understanding, this article has no conflicts of interest.
- **Funding Support:** This article has not been funded by any organizations or agencies. This independence ensures that the research is conducted objectively and without external influence.
- **Ethical Approval and Consent to Participate:** The content of this article does not necessitate ethical approval or consent to participate with supporting documentation.
- **Data Access Statement and Material Availability:** The adequate resources of this article are publicly accessible.
- **Author's Contributions:** The authorship of this article is contributed equally to all participating individuals.

REFERENCES

1. Kurlwal, A. and Shreyansh (2025): "Electoral Freebies and Democratic Erosion: Centre-State Tensions, Governance Deficits and Societal Impacts in India," Indian Journal of Law, Vol. 3, No. 6, pp. 112–124. Available at: <https://law.shodhsagar.com/index.php/i/article/download/152/161/342>
2. Verma, B. (2017): "E-assessment to curb tax officials' corruption?", *globallawexperts.com*, 21 Dec 2017. Available at:

<https://globallawexperts.com/e-assessment-to-curb-tax-officials-corruption/>

3. Gupta, R. (2024): "Tax compliance costs and small business growth: A study of Indian microenterprises," *International Journal of Research in Finance and Management*, Vol. 7, No. 1, pp. 343–349. Available at: <https://www.allfinancejournal.com/article/view/315/7-1-54>
4. Times of India (Business Desk) (2025): "Income Tax department emails rattle taxpayers! Tax refunds, ITR processing on hold over claim mismatches—here's what's happening," *The Times of India*, 31 Dec 2025. Available at: <https://timesofindia.indiatimes.com/business/financial-literacy/taxation/income-tax-department-emails-rattle-taxpayers-tax-refunds-itr-processing-on-hold-over-claim-mismatches-heres-whats-happening/articleshow/126227128.cms>
5. Garg, K. (2024): "Tax Terrorism in India: A Deep Dive into the Complexities and Injustices of the System," *LinkedIn Pulse*, 24 Dec 2024. Available at: <https://www.linkedin.com/pulse/tax-terrorism-india-kunal-garg-ln2dc>
6. Das-Gupta, A. and Mookherjee, D. (1998): *Incentives and Institutional Reform in Tax Enforcement: An Analysis of Developing Country Experience*. Oxford University Press, New York. Available at: <https://global.oup.com/academic/product/incentives-and-institutional-reform-in-tax-enforcement-9780195642704>, works remain significant, see the [declaration](#)
7. Darshini, J. S. and Gayithri, K. (2023): "An Econometric Analysis of Revenue Diversification Among Selected Indian States," *South Asian Journal of Macroeconomics and Public Finance*, Vol. 12, No. 1. DOI: <https://doi.org/10.1177/13915614231158438>
8. Thomas, S. M. (2021): "The impact of Public Distribution System on poverty in India," *Journal of Public Affairs*, Vol. 21, No. 4. DOI: <https://doi.org/10.1002/pa.2048>
9. Narayanan, S. and Mehrotra, N. (2019): "Loan Waivers and Bank Credit: Reflections on the Evidence and the Way Forward," *Vikalpa: The Journal for Decision Makers*, Vol. 44, No. 4, pp. 198–213. DOI: <https://doi.org/10.1177/0256090919896873>
10. Mukherjee, S. (2020): "Goods and Services Tax Efficiency across Indian States: Panel Stochastic Frontier Analysis," *Indian Economic Review*, Vol. 55, pp. 225–251. DOI: <https://doi.org/10.1007/s41775-020-00097-z>
11. Chakraborty, P. and Sinha, A. (2018): "GST Implementation in India: A Preliminary Assessment," NIPFP Working Paper No. 231, National Institute of Public Finance and Policy, New Delhi. Available at: <https://www.nipfp.org.in/publications/working-papers/1843/>
12. Jha, R. (2007): "Fiscal Policy in Developing Countries: A Synoptic View," G-24 Discussion Paper No. 43, UNCTAD, Geneva. Available at: https://unctad.org/system/files/official-document/gdsmdpbg2420073_en.pdf, works remain significant, see the [declaration](#)
13. Alm, J. (2019): "What Motivates Tax Compliance?" *Journal of Economic Surveys*, Vol. 33, No. 2, pp. 353–388. DOI: <https://doi.org/10.1111/joes.12272>

AUTHOR'S PROFILE



Jitendrakumar Narayanlal Suthar is an independent researcher and alumnus of Savitribai Phule Pune University, where he was awarded a Gold Medal in Economics. He is SET-NET qualified. His research interests include public finance, welfare economics, taxation policy, and the political economy of redistribution in India. He has closely studied the intersection of taxpayer behaviour, welfare incentives, and fiscal federalism, with a particular focus on Maharashtra and the PCMC region. His work aims to contribute to evidence-based policy discourse on India's evolving tax-and-transfer system, challenging both populist freebie culture and oppressive tax administration. He advocates for a balanced fiscal approach that rewards effort, simplifies compliance, and directs public spending toward durable human capital rather than short-term electoral handouts.

Disclaimer/Publisher's Note: The statements, opinions and data contained in all publications are solely those of the individual author(s) and contributor(s) and not of the Lattice Science Publication (LSP)/ journal and/ or the editor(s). The Lattice Science Publication (LSP)/ journal and/or the editor(s) disclaim responsibility for any injury to people or property resulting from any ideas, methods, instructions, or products referred to in the content.

