

PRESUMPTIVE TAX SCHEMES FOR RESIDENT INDIANS: PROVISIONAL CHANGES AND GROWTH IN OUTREACH

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ABSTRACT

Presumptive taxation in India was launched in 1994 after the Chelliah Committee's proposals, with the aim of facilitating voluntary estimation of income and return filing by small traders. The system has been subject to numerous changes since its launch, with the addition of a new section for retail traders, which was subsequently merged with the existing provision for businessmen and become inoperative from the assessment year 2011–12. Later, under the Finance Act of 2016, a new section was brought in to include professionals under presumptive taxation and enhance the scope. A review of budget documents over the years indicates that all such amendments and revisions have been aimed at streamlining the system for easy-going, widening the tax base, enhancing numbers of taxpayers, and curbing tax avoidance and evasion.

In order to evaluate the degree to which these goals have been met, the study quantifies outreach of presumptive taxes by secondary sources like CBDT press releases, annual budget documents, and newspaper clippings. A study of the annual growth rate (AGR) of presumptive tax outreach shows that every amendment has caused an instantaneous positive push to the targeted taxpayers. But the trend line of AGR shows a slowing path, that of a

steady decline in the rate of growth in outreach of presumptive taxation. This is also supported by the Compound Annual Growth Rate (CAGR), which reflects a substantial drop in long-term momentum of growth. However, the continuity of consistent yearly rises points to the continued efficacy of successive amendments, showing that adjustments to the presumptive taxation regime keep on producing beneficial results by expanding the taxpayer base and affirming the character of the system as a genuine Sugam (simplified) system of taxation.

Keywords: Presumptive Tax, presumptive tax outreach, amendments, annual growth rate, CAGR

I. INTRODUCTION

Taxation on the basis of presumption acts as a widely accepted tool throughout the globe for simplification of tax structure, to widen the tax base and to increase the compliance rate. According to Rajaraman (1995) “presumptive norms can be used either to generate estimated income in actual, or potential income in terms of what is possible with average effort”. According to the report of the Chelliah Committee (1991) for improving the vertical equity and expansion of tax base presumptive taxation considered as one of the principal efforts. Self-declaration and presumption of potential taxability has narrowed the information gap about the potential tax payers, boosted up the revenue collection and improved the proficiencies of tax administration in this direction. Presumptive taxation helps in increasing the proficiencies of tax administration when determination and verification of taxability and monitoring and restricting of tax evasion and tax avoidance becomes otherwise difficult (Slemrod, Whiting and Shaw 2006). Bird (1989) has argued that as presumptive taxes measure potential rather than actual, it acts as the efficient tools for taxing ‘hard-to-tax’ groups.

According to Bird (1983), hard-to-tax doesn’t include only potentially small taxpayers, professionals of high tax bracket with evasive behaviour also come under the ambit of hard-to-tax groups. In developing countries monitoring mechanism to control tax evasion for ensuring horizontal equity involves a high compliance costs. Taxation of hard-to-tax group on the basis of presumption may increase the compliance rate and reduce the compliance cost by reducing evasion. The presumptive taxation motivates hard-to-tax group to contribute a bare minimum to

the Government exchequer and assures vertical equity. By reducing the compliance cost implementation of presumptive taxation can improve the efficiency of the tax system across different countries (Thuronyi, 1996). Though in developing countries, due to non-availability of economic data it becomes quite difficult to measure the equity attained by a tax system (Memon, 2013).

Logue and Vettori (2011) has pointed out that small and medium-sized businesses and self-employed taxpayers exhibit the highest levels of noncompliance compounded by the inefficiency of traditional auditing techniques, led to exploring alternative effective taxation strategies, like presumptive taxation. According to Martins and Sa (2018) Presumptive taxation methods can be highly beneficial when it is challenging for tax authorities to assess, verify, and monitor financial records, or when those records do not accurately represent the taxpayer's ability to pay taxes. Ahmad and Stern (1991) provide a clear definition of presumptive taxation, explaining that it involves methods where the tax base, whether for direct or indirect taxes, is not directly quantified; it is estimated using easily observable indicators that are simpler to measure than the actual base itself. The term "presumptive" denotes the legal presumption that the taxpayer's actual tax base will be no smaller than the presumed value (Bongwa, 2009). By analysing the data of several developing countries Bucci (2019) has observed that effective presumptive taxation systems enhance voluntary tax compliance, boost up tax revenues, and reduce fiscal evasion. But its effectiveness depends absolutely on the information used to reconstruct the tax base.

In India presumptive taxation was introduced long past in seventies for non-resident Indians. At that time there was no self-declared tax for resident Indians. Presumptive tax for resident small Indian business was introduced with the recommendations of Chelliah Committee (1992). Chelliah Committee (1992) recommended that presumptive tax scheme be introduced on the basis of estimation of income and implemented for small trading, brokerage or commission activities and construction contract activities. During last three decades direct taxes in India on the basis of presumption have gone through a course of amendments, additions and alterations. Types of businesses as well as threshold limits for self-declaration have been changed several times. Presumptive Tax Scheme for professionals has been introduced from the assessment year 2017-18 to get better compliance and to improve the tax behaviour of professionals (Budget, 2016). According to the Budget Speech (2018) of the then Finance Minister, the Income Tax Department has

received an additional 44,72,000 returns in the year 2017-18 in comparison to the earlier fiscal year of which 12.7% were under the scheme of presumptive taxation. Union Budget 2021-22 has highlighted that number of filings in 2020 is almost double as compared to the year 2014.

Presumptive tax system motivates hard-to-tax groups to formal registration with tax authorities, enhances voluntary tax compliance and reduces tax evasion. According to De Jantscher and Tanzi (1987), presumptive taxation, by simplifying the tax system lead to voluntary compliance and higher levels of horizontal equity. Memon (2013) explained that a “too preferential” system of presumptive tax would notably increase the risk of abuse by the taxpayers. Dube (2018) has pointed out that Taxpayers might modify their actions to qualify for a presumptive tax regime not necessarily for efficiency reasons, but to take advantage of the opportunity to lower their tax liability. When a presumptive tax regime imposes the same tax liability to taxpayers having differing actual incomes but an identical presumptive tax base, it breaches the principle of vertical equity. (Taube and Tadesse, 1996). According to Bird and Wallace (2004), when presumptive taxation methods are misapplied or poorly incorporated for the sake of simplicity, the tax system may become highly fragmented, resulting in substantial administrative burdens and increased inefficiency.

II. OBJECTIVES OF THE STUDY

Some studies observed the presumptive tax system in light of efficiency and effectiveness. Some studies analyzed how the systems of presumptive taxation increase the voluntary tax payment. A few number of studies viewed Presumptive Taxes as a measure of simplification of tax procedures. A very few studies have analyzed presumptive taxes as a measure of reducing tax liability for hard-to-tax group of tax payers. Some studies have highlighted the abuse of presumptive tax schemes. But the influence of provisional changes of presumptive tax schemes on its outreach yet to observe.

Keeping in view the drawings from different literature on Presumptive Taxation and in light of the Indian Income Tax Act, the study has made an attempt:

- (i) to delineate the amendments in the system of Presumptive Taxation for Indian residents
- (ii) to analyze the growth in number of assesseees using the system over the years or the outreach as a result of different amendments in the system of Presumptive Taxation.

III. RESEARCH METHODOLOGY

The study is basically descriptive in nature and based on secondary data. Data has been collected from the website of Central Board of Direct Taxes (CBDT), different press releases by Central Board of Direct Taxes (CBDT), and different year's budget documents for observing the Indian practice and outreach of Presumptive Taxation. Some websites sourcing secondary data including some leading newspapers are also consulted. Data so collected explained and analyzed to grab a complete view of the Indian practices in Presumptive Taxation and revisions/amendments throughout the period since the insertion of this voluntary tax computation and filing system. Descriptive statistics also used to reflect the influence of different amendments/revisions in presumptive tax schemes on the presumptive tax outreach.

IV. PRESUMPTIVE TAX SYSTEM FOR RESIDENT INDIANS

Income –tax systems prevail in different countries throughout the globe tackle income earners who do not maintain books of accounts or whose accounts are highly unreliable by inserting provisions for approximation of income to safeguard the system against tax evasion. In India, most small businesses including retailers, service providers like small grocery shop owners, pan shops, road-side food sellers, small salons, caterers etc. generally don't keep any formal accounts. Likewise, entities like logistic service providers having less number of vehicles, small scale contractors hardly keep proper records related to actual financial transactions of their business, because of the involved complexity and cash-related nature of their expenses. Even in bigger retail stores, the need to provide proper sales vouchers with customer information—such as addresses and names—is very often overlooked. This leaves ample scope for account manipulation. Moreover, most professionals including advocates, physicians, architecture, chartered accountants, make-up artists, fashion designers, models and others, though highly educated, want to avoid complexities related to maintain of financial records in order. Heavy use of cash transactions makes it more difficult to determine their correct earnings. These segments of assessee pose a serious challenge to the Indian tax administration in implementing its objective to widen the income tax base. A potential solution to this problem is an alternative tax system based on presumption or estimation of income.

The onset of Presumptive Taxation in India was witnessed in 1994, after the recommendations of the Chelliah Committee. The Committee proposed the

Presumptive Tax schemes based on estimated income exclusively for small businesses dealing with trading, brokerage, or commission-based operations. It was proposed by the committee that profit ratios for each activity would be computed based on presumed gross total turnover / receipts and these presumptions be made rebuttable, with exceptions being made where they are needed, to protect the presumptions from any legal dispute. Before the inception of present format of presumptive tax scheme, very existence of presumptive tax was there. Presumption of income from the business of liquor, auction of timber and tender of selling other products produced from forest resources was introduced in 1988 under section 44AC and subsequently omitted in 1992. In 1994 presumptive tax was introduced in its present format under section 44AD and 44AE.

Since its inception in 1994, the system has gone through several changes. In 1998 a new section 44AF was inserted to presume income from business of retail trade and made redundant and merged with sec. 44AD in the Finance Act 2009 with effect from 1st April, 2011. Thus from April 2011, the Presumptive Taxation system was restricted to Sections 44AD and 44AF applicable to small businesses and logistic service providers respectively. Later on with the Finance Act 2016 a new section 44ADA was inserted to bring professionals under the umbrella of presumptive tax system. Table-1 depicts the timeline indicating year wise changes in the presumptive tax scheme to understand the shape of the presumptive tax scheme and its amendments. Table 1 portrays different revisions (insertion/ amendment/ deletion) in presumptive tax schemes exclusively applicable for businesses in the pre- merger period of section 44AD and 44AF along with nature of those revisions.

TABLE 1: YEAR-WISE REVISION IN PRESUMPTIVE TAX SCHEME FOR RESIDENT BUSINESSES IN THE PRE-MERGER PERIOD OF SECTION 44AD AND 44AF (A.Y. 1994-95 TO A.Y. 2011-12)

A.Y.	Presumptive Tax Scheme under Section		
	44AD	44AE	44AF
1994-95	Inserted Applicable to civil contractors Threshold limit: Gross Annual	Inserted Applicable for goods carriages Threshold limit:	Not Existed

	Receipts up to Rs. 40 lakhs Presumed Taxable income: 8% of Gross Annual Receipts No deduction for sec. 28 to 43C	Owning up to 10 vehicles Presumed Taxable Income: <i>Light Vehicle:</i> Rs. 2000 p.m. each vehicle <i>Heavy Vehicles:</i> Rs. 2500 p.m. each vehicle No deduction for sec. 28 to 43C	
1997-98	Not Amended	Amended Revision in presumption Taxable Income : <i>Light Vehicle :</i> Rs. 3150 p.m. each vehicle <i>Heavy Vehicle :</i> Rs. 3500 p.m. each vehicle	Inserted Applicable to small retail traders Threshold limit: Gross Annual Turnover Rs. 40 lakhs Taxable income: 5% of Gross Annual Income No deduction for sec. 28 to 43C
1999-2000	Amended Assessee can declare lower income than prescribed under presumptive tax scheme if books of accounts are maintained under sec	Amended Assessee can declare lower income than prescribed under presumptive tax scheme if books of accounts are maintained under sec	Amended Assessee can declare lower income than prescribed under presumptive tax scheme if books of accounts are maintained under

	44AA audited under sec 44AB	44AA audited under sec 44AB	sec 44AA audited under sec 44AB
2011-12 (inserted in Finance Act 2009)	Amended Substitution of Sec. 44AD (Sec. 44AD merged with Sec. 44AF) Applicable to small businessmen except mentioned in sec. 44AE Widening of threshold limit to Rs. 60 lakhs (Gross Annual Turnover / Receipts)	Amended Revision in presumption of Taxable Income : <i>Light Vehicle</i> : Rs. 4500 p.m. per vehicle <i>Heavy Vehicle</i> : Rs. 5000 p.m. per vehicle	Deleted Inoperative and merged with Sec 44AD

Source: Budget Documents of different Years

Note: Calculation and compilation done by authors

TABLE 1 is self-explanatory. It advocates the scenario of presumptive tax system till the merging of section 44AF with section 44AD. This table portrays how the provisions have been modified, amended, and merged to make the system simplified one (Sugam), broaden the tax base and reduce tax evasion. The tax base has been widened by covering more resident business units in the tax fold, both by raising the threshold limit as well as by covering different groups of businesses in the scheme. Present schemes of presumptive tax for resident businesses continue with these two sections 44AD and 44AE. With the merger of section 44AF with section 44AD the structure of presumptive tax system for resident businesses has been streamlined with fewer sections and more simplified framework.

The scenario of presumptive tax system after the merging of section 44AF with section 44AD is explained in TABLE 2.

TABLE 2: YEAR-WISE REVISION IN PRESUMPTIVE TAX SCHEME FOR RESIDENT BUSINESSES IN THE POST-MERGER PERIOD OF SECTION 44AD AND 44AF (FROM A.Y. 2012-13 TILL DATE)

A.Y.	Presumptive Tax Scheme under Section		
	44AD	44AE	44ADA
2013-14	Amended Widening of threshold limit to Rs. 1 crore (Gross Annual Turnover / Receipts)	Not Amended	Not Existed
2017-18	Amended Widening of threshold limit to Rs. 2 crore (Gross Annual Turnover / Receipts) Insertion of new clause: Presumptive tax scheme opted by the assessee should be continued for a minimum period of 5 years (If opt out cannot be returned to presumptive tax scheme within 5 years) <i>Introduction of Digital Transactions</i> <i>Incentive :</i> 6% of Turnover received digitally [Section 44AD (1)]	Not Amended	Inserted Applicable to Professionals Threshold limit: Gross Annual Receipts up to Rs. 50 lakhs Taxable income: 50% of Gross Annual Receipts
2018-19	Not Amended	Amended Definition of Goods carriage,	Not Amended

		Heavy-weight vehicles, Light-weight Vehicles, Unladen weight introduced Revision in presumption Taxable Income : <i>Light-weight Vehicle</i> : Rs. 7500 p.m. each vehicle <i>Heavy-weight Vehicle</i> : one thousand rupees per ton of gross vehicle weight or unladen weight	
2021-22	Not Amended	Not Amended	Amended Change in assessee type Only "Resident Individual" and "Resident Partnership Firm" other than LLP are covered.

Source: Budget Documents of different Years

Note: Calculation and compilation done by authors

TABLE 2 is also self-explanatory. From TABLE 2 it is evident that the coverage of presumptive tax scheme has been restricted not only among different types of resident businesses but from the Assessment year 2017-18 the coverage of presumptive tax has also been extended to hard to tax professionals. A separate section 44ADA has been inserted from the assessment year 2017-18 to include

professionals including advocates, physicians, architecture, chartered accountants, make-up artists, fashion designers, models. Thus it can be said that present framework of presumptive tax encompasses nearly all small businesses and professions within its scope.

All the revisions mentioned in TABLE 1 and TABLE 2 indicate that over the passage of time, schemes for presumption of income have rolled through a path of change. Different years' budget documents indicate that whatever changes or amendments made in presumptive tax schemes, all are directed towards widening of tax bracket, increasing number of assesseees in the tax net and lessening of tax avoidance and tax evasion. Whether those objectives are fulfilled or not could be understood from the outreach of presumptive tax schemes. For measuring outreach, the study has considered the number of assesseees filing returns under presumptive tax schemes i.e. filing returns under ITR-4 (earlier ITR-4S). ITR-4 or ITR-4S has made the tax filing SUGAM i.e. smooth and simplified for easy-going.

TABLE 3 has demonstrated outreach of presumptive tax schemes over the period. It is evident from TABLE 1 that current framework of presumptive tax schemes for resident businesses has taken the shape from the assessment year 2011-12 when merger of section 44AD and 44AF held. At least one fiscal year is required to monitor the effect of this merger on presumptive tax outreach and assessment year 2012-13 has therefore been considered as the starting point for observing outreach of presumptive tax schemes for the purpose of the present study. As the filing period for assessment year 2024-25 is yet to be completed, A. Y. 2024-25 is not considered within the purview of the study period. The next section analyzes the growth in presumptive tax outreach attributable to different modifications introduced in different provisions of presumptive tax schemes over the time.

V. PRESUMPTIVE TAX SCHEMES—GROWTH IN OUTREACH:

The presumptive tax outreach—total count of assessee filing ITR4/ITR4S (SUGAM) under Presumptive Tax schemes in different assessment years have been presented in this section.

According to the Income Tax Act of India, currently, those choosing Presumptive Taxation make their returns under ITR-4. Previously, these assesseees had to file under ITR-4S, which was in effect until assessment year 2016-17. However, since the assessment year 1997-98, the return filing process has been

revised and taxpayers under presumptive tax filing are now permitted to submit their returns under ITR-4. Thus total count of ITR4/ ITR4S submitted in respective assessment year has been considered to study the outreach of presumptive tax schemes. For collecting secondary data related to total ITR4/ ITR4S filed in respective assessment year, the website of Central Board of Direct Taxes (CBDT), press releases by Central Board of Direct Taxes (CBDT), paper cuttings and different year's budget documents have been consulted. Data so collected are reported and year wise growth has been calculated by using the following formula:

Annual Growth Rate (AGR)

$$= \frac{(\text{Total no. of ITR4 filed in any assessment year} - \text{Total number of ITR4 filed in previous assessment year})}{\text{Total number of ITR4 filed in previous assessment year}} \times 100$$

in outreach of presumptive tax schemes and for this purpose Compound Annual Growth Rate (CAGR) is used and the formula for finding CAGR is:

Compound Annual Growth Rate (CAGR)

$$= \{(\text{End number of ITR4 filings} - \text{beginning number of ITR4 filings})^{1/n} - 1\} \times 100$$

Where, n = Number of Years = 1,2,3,.....,11

TABLE 3 demonstrates the growth in Presumptive Tax outreach over the period attributable to different modifications in Presumptive Tax schemes is as follows:

TABLE 3: GROWTH IN OUTREACH OF PRESUMPTIVE TAX SCHEMES (MEASURED IN TOTAL NUMBER OF ASSESSEE FILING ITR-4/ ITR-4S)

Assessment Year	Type of Return	Outreach of Presumptive Tax Schemes# (Round up to two decimal points)	Annual Growth Rate (AGR) of Presumptive Tax Outreach (%)	CAGR of Outreach of Presumptive Tax schemes (%)
2012-13	ITR-4S	0.16 crores@	-	-
2013-14	ITR-4S	0.29 crores@	81.25	81.25
2014-15	ITR-4S	0.66 crores	127.59	103.10
2015-16	ITR-4S	0.77 crores	16.67	68.71
2016-17	ITR-4S	0.81 crores	5.19	50.06
2017-18	ITR-4	1.27 crores	56.79	52.68
2018-19	ITR-4	1.48 crores	16.53	44.23
2019-20	ITR-4	1.28 crores **	(-)13.51	32.05
2020-21	ITR-4	1.09 crores*	(-) 14.84	26.67
2021-22	ITR-4	1.60 crores	46.78	29.15
2022-23	ITR-4	1.67 crores	4.37	27.86
2023-24	ITR-4	1.81 crores	8.38	26.48

Source: Press Release by Ministry of Finance in different years and different dates through Press Information Bureau; CBDT Annual Report;

** Business Standard (26/12/2021) **The Economic Times (05/01/2021)*

@ (Singh, 2016)

Note: Calculation and compilation done by authors

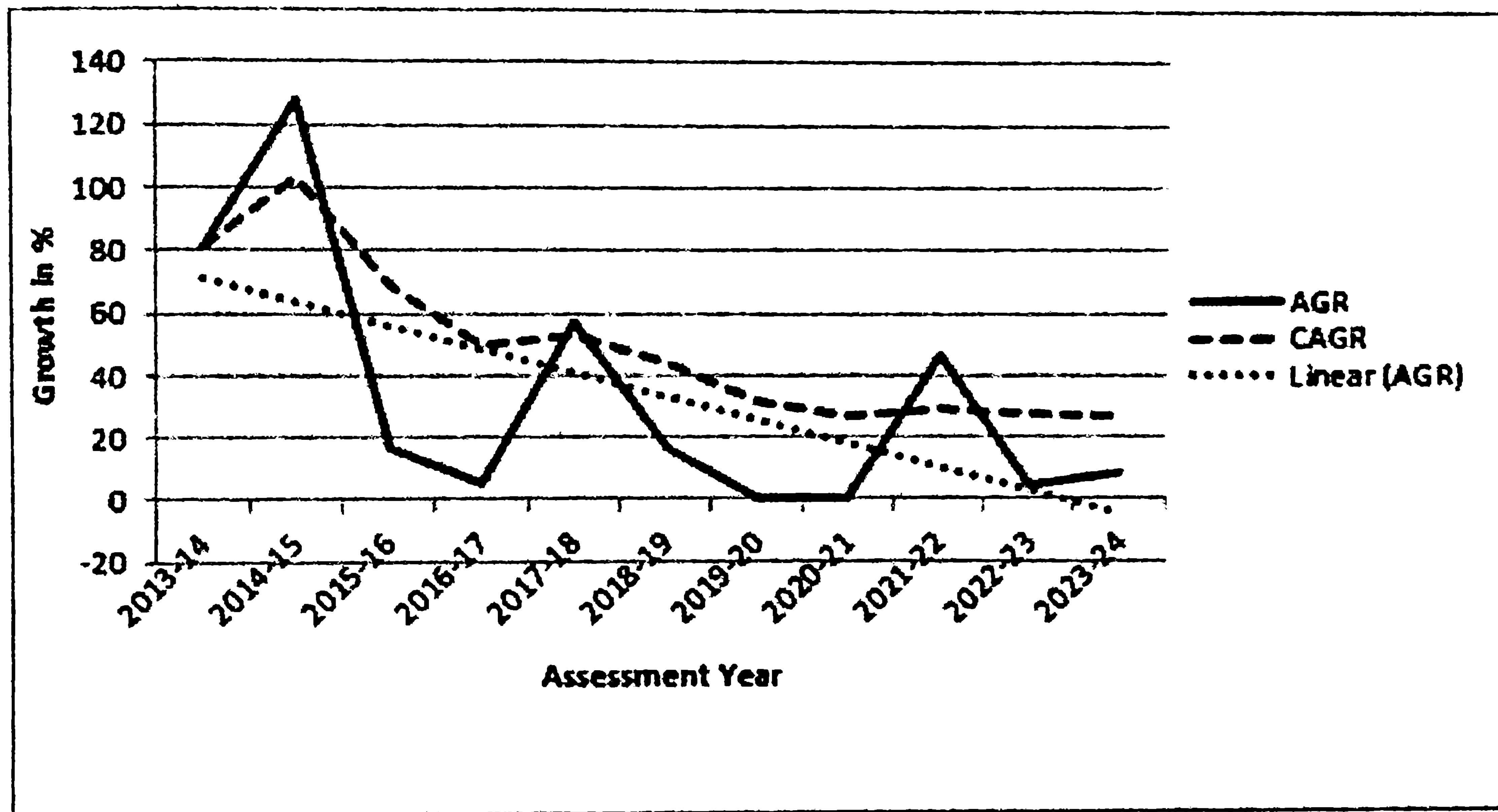
** Outreach of Presumptive Tax is denoted by total number of ITR4/ITR4S filed*

In TABLE 3 annual growth rate (AGR) indicates how the outreach of presumptive tax schemes increases/decreases over a one-year period. If we compare TABLE 3 with TABLE 1 and TABLE 2, it can easily be inferred that after the major amendment done in presumptive tax scheme in the assessment year 2011-12 in form of merging of section 44AD and 44AF and enhancement in presumption of taxable income under section 44AF, annual growth rate of outreach of Presumptive Tax scheme is quite high—more than 80%. The AGR recorded a growth of more than 125% after the significant widening of threshold limit under section 44AD. Broadening of threshold limit under section 44AD coupled with insertion of new section of presumptive tax scheme under 44ADA for professionals in the assessment year 2017-18, has contributed to the boosting up of annual growth rate (AGR) of presumptive tax outreach. The acceleration of AGR in this case is relatively moderate when compared with the annual growth rates (AGR) recorded in previous years. Subsequent policy changes have had a positive push on AGR of presumptive tax outreach, though the magnitude of this push has not been so much noteworthy. The phases of negative growth in AGR of presumptive tax outreach are largely attributable to the COVID-19 pandemic.

Being a descriptive tool Compound Annual Growth Rate (CAGR) indicates compound annual growth rate over the span of 12 years. It smoothes out fluctuations and long term performance can be understood through CAGR. The corresponding average growth rate measured here in comparison with a base year – here, the initial year of the study period i.e. assessment year 2012-13. The CAGR as tabulated showing a positive growth rate throughout the period but the growth rate is showing a declining trend.

The study has now made an attempt to create a comparative view of annual growth rate (AGR) and compound annual growth rate (CAGR) of tax outreach under presumptive tax schemes as computed in TABLE 3 with the help of the FIGURE 1.

FIGURE 1: COMPARATIVE AGR AND CAGR OF TAX OUTREACH UNDER PT SCHEMES



Source: Table-3

Note: PT represents Presumptive Tax

Above line graph implies that whenever certain changes are incorporated it pushes up the AGR of outreach of presumptive tax system. The effect of revisions on the year-to-year rate of growth of presumptive tax outreach appears to be inconsistent across different years with different levels of increase. The trend line drawn based on annual growth rate (AGR) of tax outreach under PT system over the study period is showing a downward trend in the growth rate in long run. To substantiate this trend line CAGR has been used in the study and it provides long term compounded trend of growth rate of outreach of presumptive tax schemes. Compounded annual growth rate (CAGR) also indicates the downward trend in growth rate of presumptive tax outreach over the study period.

Whatever computation, compilation and analysis have been done before, all are based on absolute value of ITR4/ITR4S (SUGAM) filings. Comparative analysis of total ITR4/ ITR4S (SUGAM) and total ITR filings need to carry out yet.

In continuation with AGR and CAGR the study has made an attempt to find out the outreach of presumptive tax schemes as a percentage of total tax outreach in

a particular assessment year. Total count of income tax returns (ITRs) in an assessment year denotes the outreach of income tax in the respective assessment year and the total count of ITR4/ ITR4S (SUGAM) denotes the tax outreach of presumptive tax schemes of the respective assessment year. Percentage share of ITR4/ITR4S (SUGAM) in total ITR filings also indicates the outreach of presumptive tax schemes.

TABLE 4: OUTREACH OF PRESUMPTIVE TAX SCHEMES

Assessment Year	Total ITR filings (Round up to two decimal points)	Total Filings under ITR4/ITR4S (SUGAM) (Round up to two decimal points)	Share of ITR4/ITR4S (SUGAM) in Total IT Filings (%)
2012-13	2.15 crores	0.16 crores@	7.44
2013-14	3.36 crores	0.29 crores@	8.63
2014-15	3.79 crores	0.66 crores	17.41
2015-16	4.35 crores	0.77 crores	17.70
2016-17	5.28 crores	0.81 crores	15.34
2017-18	6.74 crores	1.27 crores	18.84
2018-19	6.68 crores	1.48 crores	22.16
2019-20	5.95 crores	1.28 crores**	21.51
2020-21	6.39 crores	1.09 crores*	17.05
2021-22	7.38 crores	1.60 crores	21.68
2022-23	7.51 crores	1.67 crores	22.24
2023-24	8.09 crores	1.81crores	22.37

Source: Press Release by Ministry of Finance in different years and different dates through Press Information Bureau; CBDT Annual Report;

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Note: Calculation and compilation done by authors

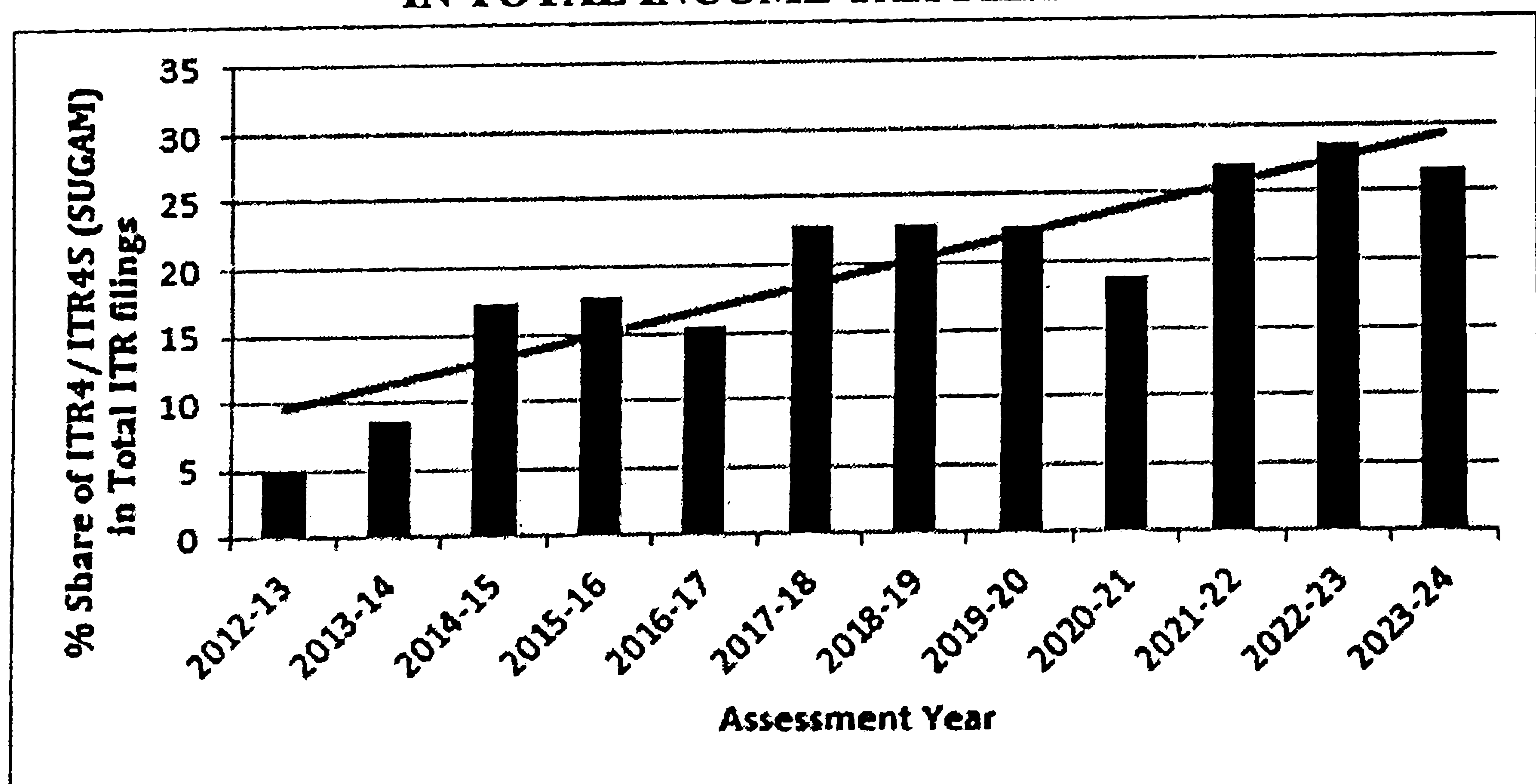
[#] *Outreach of Presumptive Tax is denoted by total number of ITR4/ITR4S filed*

TABLE 4 is self-explanatory. Presumptive tax filings, as a percentage of total income tax filings, show a general upward trend, except for the years affected by the COVID-19 pandemic. This upward trend exhibits the increasing presumptive tax outreach over the periods attributable to modifications in presumptive tax schemes over different years. This observation would be distinctly portrayed through a graphical representation with the trend line plotted over the study period.

The trend line in FIGURE 2 would graphically exhibit this rise in the percentage of presumptive tax filings as a part of total tax returns filed. Percentage share of presumptive tax filings is an indicator of outreach observed through share of PT filings as a percentage of total tax filings in any assessment year.

This growth in outreach of presumptive tax schemes is pointed out by the trend line set in FIGURE 2.

**FIGURE 2: SHARE OF TAX FILINGS UNDER PT
IN TOTAL INCOME TAX FILINGS**



Source: Table 4

The trend line as shown in FIGURE 2 gives a proper graphical representation of the increasing proportion of presumptive tax returns in the total number of income tax returns. This graphical illustration indicates a clear upward

trend, thus showing the progressive growth of presumptive tax as an element of the overall tax base. Although temporary disruptions are visible during pandemic years, the overall trend projected by the trend line supports the long-term increase in the adoption of presumptive tax throughout the research period.

VI. CONCLUSION AND POLICY PRESCRIPTIONS

Chelliah Committee (1992) has suggested presumptive tax as the most important weapon for widening the tax net. Accordingly expanding the threshold limit of presumptive tax schemes has the potential to broaden the taxpayer base by bringing a larger segment of assesses within its fold, thus imparting a boost to voluntary compliance as well as ensuring the overall efficiency of the tax filing system. Taxation schemes for hard-to-tax businesses and professionals on the basis of presumption has been introduced and amended several times with an objective to widen the tax net, to motivate voluntary taxation, to reduce tax evasion and to spread positivity among tax payers. Every revision made to presumptive tax schemes has intended to bring on simplifications and make the entire process simplified and easy going—‘Sugam’. The entire study has reflected that every single amendment creates a positive push among targeted tax payers as an immediate effect and thus reflects the short term dynamics of each and every revision/amendment made in the presumptive tax schemes as evident from annual growth rate of presumptive tax outreach. The increase in the annual growth rate of presumptive tax outreach attributable to various revisions is not uniform over the subsequent periods. The AGR trend line indicates a declining momentum highlighting a significant deceleration in the rate of growth of outreach of presumptive tax system in the overall growth trajectory. In nutshell it could be inferred that modifications in the presumptive tax system continue to yield positive outcomes even during a slowdown. The increasing stake of returns filed under Presumptive Taxation schemes in the total income tax filings over time identifies not only growing acceptance of simplified tax system but also reflects their effectiveness in fostering voluntary compliance and widening of tax base.

According to Kelkar Committee (2002), the quality of services extended to taxpayers by providing support through disseminating information facilitates tax compliance. Effective communication about tax policies, together with clear enunciation of taxpayers' rights and obligations, is utmost important for promoting a strong compliance culture. Thus greater attention from the tax authorities is required for promotional initiatives through diverse medial channels for wider

dissemination of awareness, more popularity and more acceptances by the target group. The Directorate of Income-tax (RSP & PR) should organize publicity campaign to promote the Presumptive Tax Scheme through electronics and print media such as newspapers, magazines, posters, FM Radio, Television channels etc. to reach the grass root level. Strategic promotion and awareness campaigns can be conducted by efficient use of social media platforms. Furthermore, initiatives like word-of-mouth publicity, personalized counseling by income tax officials may be encouraged. Awareness programs on presumptive tax schemes may be launched through different television channels, newspapers and magazines to educate tax experts and professionals. Income tax department may organize workshops, seminars in this direction. If tax authorities take proper initiatives to make the system more understandable, this easy-to-understand scheme can produce more favorable tax behavior among tax payers and eliminate tendencies of tax evasion. As an effective tax tool, presumptive tax schemes motivate taxpayers to presume their income with ease and allow really 'Sugam' filing of returns.

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