iJRASET
International Journal For Research in Applied Science and Engineering Technology



INTERNATIONAL JOURNAL FOR RESEARCH

IN APPLIED SCIENCE & ENGINEERING TECHNOLOGY

Volume: 13 **Issue:** III **Month of publication:** March 2025

DOI: https://doi.org/10.22214/ijraset.2025.67831

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International Journal for Research in Applied Science & Engineering Technology (IJRASET)
ISSN: 2321-9653; IC Value: 45.98; SJ Impact Factor: 7.538
Volume 13 Issue III Mar 2025- Available at www.ijraset.com

The Future of Taxation: Integrating GST and Income Tax Through Technology

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I. INTRODUCTION

The tax administration of India has been significantly improved over the last few years, which includes the successful launch of Goods and Services Tax (GST) and digitalization of income tax procedures. However, this improvement caused a lack of integration between the two systems and caused redundant compliance activities, missed opportunities for optimization, and increased risks of tax evasion. What is the potential for technology to bring these systems together in an integrated framework?

II. THE ARGUMENT FOR INTEGRATION

India's tax regime consists of two pillars

1) Income Tax (Direct Tax): Covers the income of individuals and corporations.
2) GST (Indirect Tax): GSTR-1 and GSTR-3B are used to pick up the transactional data.

Both of these systems require financial reporting; however, they operate independently, which may lead to a number of inefficiencies including:

III. PRIMARY CHALLENGES

1) Data Silos: Income tax filings tend to focus on income and earnings, whereas GST captures transaction-level details; without synergy, discrepancies could arise, such as an underreporting of turnover in income tax.
2) Compliance Burden: The taxpayers must submit adequate data to both systems individually, thus increasing time, effort, and costs overall.
3) Missed Opportunities: The fragmented datasets prevent the government from identifying anomalies, discovering corruption, and making policy that is informed by data. In its place a coherent tax framework holds the hope of addressing these gaps and helps in the elimination of redundancies, and further compliance.

IV. HOW TECHNOLOGY CAN ENABLE INTEGRATION

A. API for real-time Data Synchronization

It allows an easy exchange between the income tax databases and the GST system because of compatible Application Programming Interfaces. GSTR-1 and GSTR-3B returns can be validated simultaneously against income tax submissions by picking up mismatches through this system as it simplifies the understanding of tax evaluation at the same time.

For example, if an organization has reported GST turnover of ₹10 lakh, wherein it declares only ₹5 lakh for income tax might attract immediate attention for examinations, this automation helps eliminates the manual reconciliations and ensures consistency, this helps in reduce errors and avoid frauds easily.

B. Techniques in Anomaly Detection

For instance, AI-powered systems can scan through vast databases to identify suspicious patterns but there can be a mistake made as AI detections do not guarantee 100% accuracy.

Australia has employed artificial intelligence to forecast tax evasion and to guarantee adherence to these regulations. India might implement similar strategies that align with the nation’s financial environment.

C. Blockchain for transparency and security

With decentralized ledger technology, blockchain can provide tamper-proof and immutable data. Thereby enhancing the trust between taxpayers and authorities. A shared blockchain for GST and income tax could:

Automatically link GST invoices into income tax filings.

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Avoiding fraud cases and preventing under-reporting by feeding all departments with the same data.
Global Example: With the introduction of a blockchain enabled tax system in Estonia, the compliance time of taxpayers has been significantly reduced, and the transparency has increased.

D. E-Invoicing to Report Instantly.

In GST e-invoicing work is already in progress whereby each transaction in real-time level is generating data.
Its integration into the income tax framework may yield:
Enable direct access to GST-reported invoices to income tax authorities.
Eliminate duplicate data input for businesses.
This would reduce the compliance burden on SMEs significantly, who are more often faced with such a situation because of resource constraints.

E. Portal With Cloud-Based Technologies Integration

Such a cloud-based platform could be the platform through which taxpayers have access to the centralization of all procedures regarding GST and income tax.

1) One single uploading, the information which was synchronized on both.

It ensures scalability on the infrastructure of the cloud to take a large amount of data when filing volumes get to a peak.
Advantages include streamlined processes, a reduction in mistakes, and considerable time efficiency for both organizations and administrators.

2) Examining Perspectives from Global Innovators

TurboTax and Intuit, these two companies in which the parent organization, Intuit, help exemplify the role that technology plays in making the process of filing taxes more simple, it is known as the top tax preparation software, TurboTax has revolutionized the experiences of thousands of people by combining artificial intelligence and cloud-based systems into highly accessible user interfaces.

3) Basic Characteristics of TurboTax's Infrastructure

The software automates data entry by directly taking in financial information from employer payrolls, banks, and investment accounts. Artificial intelligence guides users through the tax forms, giving the mistake checks and personalized recommendations for maximum deductions. TurboTax easily integrates with QuickBooks and other accounting software, thereby making the preparation of business taxes very smooth.

4) Relevance to India's Tax Integration

India can adopt the same approach for GST as well as tax integration. For instance:
APIs may help to share data between enterprises and government tax gateways of ERP (Enterprise Resource Planning) systems easier.
TurboTax's SmartLook feature and other AI-based chatbots can now help taxpayers with rapid service that saves them much from human intervention.
Looking at firms such as Intuit (which makes tax compliance simple) & Stripe (payments), Cloud solutions like those deployed by Intuit can enable GST and IT filing to be done from a unified interface Therefore, India could make a user-centric, technology-driven solutions platform that matched the country's diverse diversity.

5) Solve Challenges

While this new form of technology offers wide-ranging capabilities, approaches must be made to take into account and even specific barriers that need to be formally addressed to ensure an effective implementation.

a) Data privacy problem: Taxpayer information is sensitive and heavily privileged; this means that it requires strong encryption and compliance with acts.
Frequent assessments and well-defined regulations regarding data sharing can foster trust between involved parties.

b) Infrastructure Gaps: Poor digital infrastructure, especially rural areas, can deter its use.
Invest in improving broadband connectivity and a reliable supply of power to the under-served communities.

c) Stakeholder Resistance: Taxpayers and political leaders might try and oppose these changes because they do not understand or are afraid of the complexity. Comprehensive training programs and intuitive user interfaces greatly ease the process.

d) Interoperability issues: The existing GST and income tax IT systems may not be in sync with each other.
Planned and phased implementation with rigorous testing and pilot programs, guarantees risk mitigation in each phase.

V. BENEFITS

1) Enhanced Adherence: Real-time reconciliations and anomaly identification will reduce errors and combat tax evasion.

2) Decrease Costs: Uniform filing procedure saves time and resources for taxpayers and administration.

3) Higher Earning: It would enable the government to raise taxes simply by eliminating loopholes, raising accuracy rather than by rates.

4) Evidence-based policy development: Integrated datasets make it possible for their governing bodies to develop policies which have a solid financial footing.

VI. THE WAY FORWARD

Successful integration is achieved through a proactive and collaborative approach,

1) Experimental Activities: Choose areas in electronic trade or manufacturing as test bed areas for models of integration.

2) Stakeholder Engagement: To collaborate with taxpayers, businesses and technology experts to build new solutions together.

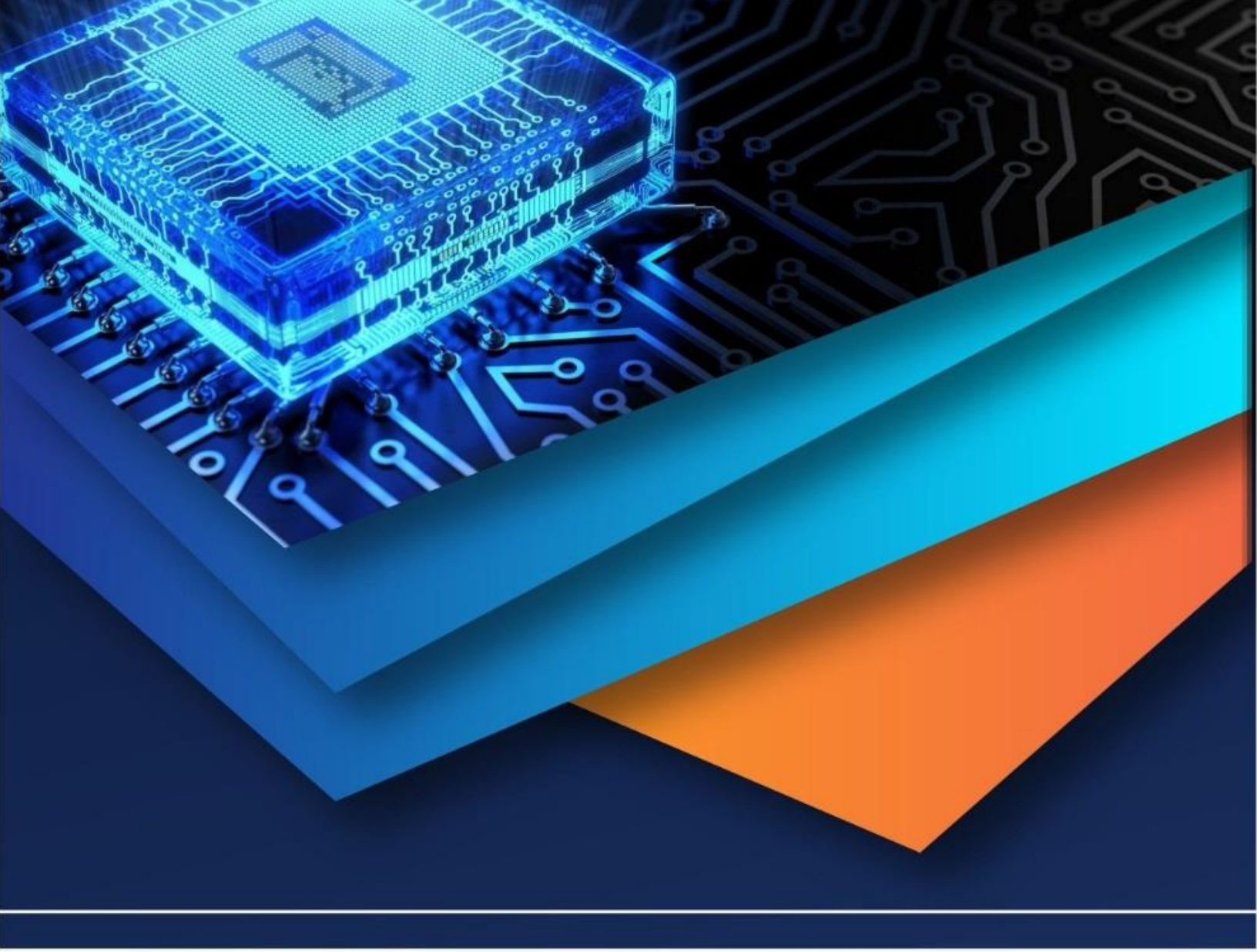
3) Legal and policy reforms: Tax laws need to be reformulated for making robust data exchange legal and is also not seen in violation of individual rights.

4) Monitoring Innovation: A special task force needs to be set up which absorbs and Indianizes the global best practices for tax structure of India.

VII. CONCLUSION

Technology holds out some wonderful possibilities to reshape the taxation landscape of India by connecting the income tax and GST frameworks. This would add compliance by removing redundancy while maximizing collection with real time integration through AI-based insight, block chain transparency, and the unified interface. Inspired by global leaders such as TurboTax and Intuit, India could deploy intuitive taxpayer-friendly solutions that would give confidence to the people and simplify compliance. This would require strong commitment, collaboration, and investment in infrastructure. And with such strong action taken today, India can set the world pace for tax reformation, setting up an example for other countries to follow.

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