



ABOUT THE BOOK

This book is the official proceedings of the One Day National Level Conference on “Future of Taxation: Empowering the Next Generation of Tax Professionals”, organized by the School of Commerce at Rathinam College of Arts and Science. It brings together research papers and expert insights on the evolving field of taxation, highlighting the growing role of technology, digital governance, AI, GST reforms, sustainability, and global tax policies. The volume serves as a valuable resource for students, academicians, professionals, and policymakers by addressing both challenges and emerging opportunities in modern tax practice. In short, the book connects academic knowledge with practical, real-world taxation in the digital era.

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 **FUTURE OF TAXATION : EMPOWERING THE NEXT GENERATION OF TAX PROFESSIONALS**

Future of Taxation

*Empowering the Next Generation
of Tax Professionals*

**Dr. T. M. Hemalatha
Dr. G. Arut Geevitha
Dr. B. Geethpriya**

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CHAPTER 5

DIGITALIZATION OF THE INDIAN TAX SYSTEM AND DIGITAL LITERACY AMONG YOUNG ADULTS

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ABSTRACT

The digitalization of the Indian tax system represents a drastic shift in public financial administration, due to the advancements in information and communication technology and government initiatives to pursue transparency, efficiency, and taxpayer convenience.

Over the past twenty years, India has moved from manual and paper-based tax procedures to digital platforms including income tax e-filing, the Goods and Services Tax Network (GSTN), and faceless assessment mechanisms. These reforms have made compliance easier, decreased the processing time and increased transparency in the tax administration. However, the effectiveness of digital tax reforms depends not only on technological infrastructure but also on the digital literacy of taxpayers. Young adults, comprising students, early-career professionals, and first-time taxpayers, form a critical group in this digital transition due to their increasing participation in the formal tax system. This paper examines the evolution of digital tax reforms in India and highlights the key digital initiatives implemented by tax authorities. It further discusses the concept of digital literacy and its relevance for young adults in accessing and using digital tax platforms. The paper also reviews

government-led initiatives aimed at enhancing digital tax literacy and awareness. The study concludes that while India has made substantial progress in digital tax administration, strengthening digital literacy among young adults is essential for promoting voluntary compliance, reducing dependency on intermediaries, and ensuring inclusive and sustainable digital tax governance.

Keywords: Digitalization, Indian Tax System, Digital Literacy, Young Adults, Tax Governance

INTRODUCTION

India is undergoing a significant transformation in tax digitalisation, with the government's strong push towards innovation and a taxpayer-friendly ecosystem. The momentum towards digitalisation has led to the ease of doing business, enhanced efficiencies and reduced time spent on compliance for taxpayers. The rapid advancement of digital technology has transformed governance systems worldwide, redefining the way public services are delivered and accessed. In India, digitalization has emerged as a key policy instrument to modernize administrative processes, reduce inefficiencies, and improve transparency. One of the most significant areas of digital reform has been the tax system, which plays a vital role in revenue generation and economic development.

Historically, India's tax administration was characterized by manual procedures, extensive paperwork, physical interaction with tax officials, and delays in assessment and refunds. These features often resulted in high compliance costs, limited transparency, and scope for errors and corruption. Recognizing these challenges, the Government of India initiated a series of digital reforms aimed at simplifying tax processes and enhancing taxpayer convenience.

Young adults occupy a central position in this digital transition. As digital natives, they possess higher exposure to technology and are more adaptable to online systems. At the same time, they are increasingly entering the tax net as salaried employees, professionals, freelancers, and entrepreneurs. Their level of digital literacy

significantly influences their capacity to engage with digital tax platforms effectively. This paper examines the digitalization of India's tax system and critically analyzes the role of digital literacy among young adults in strengthening digital tax governance.

OBJECTIVES

- To understand the evolution of digitalization in the Indian tax system.
- To examine digital tax initiatives in India, with reference to income tax and GST administration.
- To explain the concept of digital literacy in a digitalized tax environment.
- To discuss the relevance of digital literacy among young adults in using digital tax platforms.
- To describe government initiatives aimed at promoting digital tax literacy.

Digitalization in the Tax System

Digitalization of the tax system implies the systematic use of digital technologies in the tax administration processes of registration, filing returns, paying taxes, assessment, audit, and resolving a dispute. It is a process that entails the substitution of manual and paper-based systems by automated, online, and data-driven systems. The main elements of digital taxation are online portals, electronic data bases, real-time sharing of information, and the application of sophisticated technologies like data analytics and artificial intelligence. The objectives of digitalization include efficiency and effectiveness in operations, reduction of human input, accuracy, and transparency in tax administration (OECD, 2020). Digitalization in the Indian

context is directly correlated with the larger policy efforts like Digital India, Ease of Doing Business and Minimum Government-Maximum Governance. The aim of these initiatives is to establish a smooth interface between the citizens and the government and make the government accountable and inclusive.

Table 1 – Traditional Vs Digitalized Tax system

Aspect	Traditional Tax System	Digitalized Tax System
Filing Process	Manual, paper-based	Online e-filing
Tax Payment	Physical challans	Digital payment modes
Transparency	Limited	High transparency
Processing Time	Lengthy	Faster and automated
Compliance Monitoring	Manual scrutiny	Data-driven analytics
Interaction	Physical interaction	Faceless and electronic

EVOLUTION OF DIGITAL TAX REFORMS IN INDIA

The process of digitization of the Indian tax system has been slow and incremental. The first step was concerned with the creation of simple digital infrastructure and unique identifier systems of taxpayers. The use of Permanent Account Number (PAN) and Tax deduction account number (TAN) paved way to electronic monitoring of taxpayers and transactions.

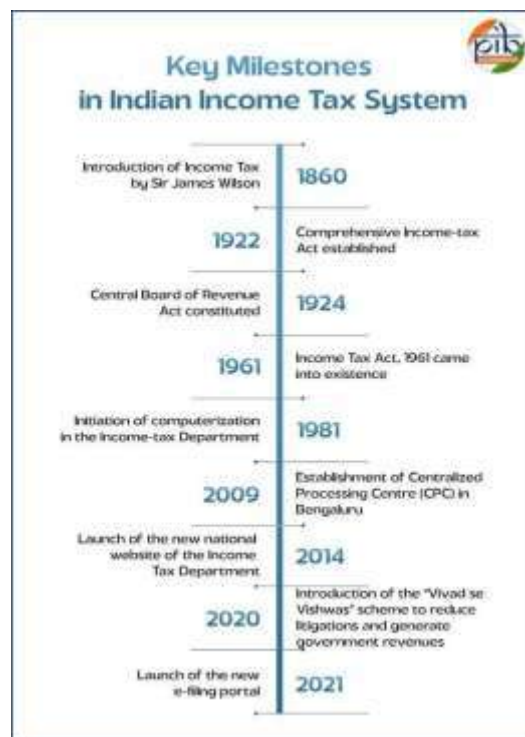
The second step was with the introduction of the online tax filing and payment systems. Income tax e-filing system helped taxpayers to submit returns electronically and verify returns online and receive refunds in direct bank transfer. The system of Online Tax Accounting System (OLTAS) also simplified the accounting and payment of taxes.



One of the biggest achievements was the introduction of the Goods and Services Tax (GST) in 2017. The GST Network (GSTN) launched a common digital platform of registration, filing of returns, matching of invoices and paying of taxes nationwide. In more recent times, the introduction of faceless assessment, faceless appeal and faceless penalty systems has enhanced the physical contact between the taxpayers and tax authorities in order to enhance transparency and objectivity.

The services that are offered by the income tax e- Filing portal include online registration, pre filled returns, e-verification, redressal of grievances online, and quick refund triggering. These properties have enhanced accessibility and procedural complexity has been minimized. GSTN is the technological infrastructure of the GST implementation, as it allows business to meet taxation mandates via a single digital platform.

It has also been integrated with banks, accounting software and e-invoicing systems which has added to the efficiency. Monitoring compliance and risk evaluation have been enhanced through the application of data analytics and artificial intelligence. By analysing masses of transaction information, tax officials are able to detect anomalies, signify tax avoidance, and take a risk-based method of examination. These measures are a sign of transition between the reactive enforcement and the proactive preventive tax administration.



DIGITAL LITERACY IN THE DIGITALISED TAX SYSTEM

Digital literacy in a digitalised tax system refers to the ability of taxpayers to effectively access, understand, and use digital platforms for tax-related activities such as registration, return filing, tax payment, verification, grievance redressal, and compliance tracking. It goes beyond basic computer skills and includes awareness of tax regulations, confidence in using government portals, understanding digital financial transactions, and the ability to protect personal data.

In a fully digital tax environment, digital literacy becomes a critical enabler of voluntary compliance and efficient governance. Without adequate digital

literacy, taxpayers may face difficulties in navigating tax portals, leading to errors, delays, and dependence on intermediaries.

MEASURES TO ENHANCE DIGITAL LITERACY

Government-Led Awareness Programs

The government has introduced awareness initiatives such as taxpayer education campaigns, online tutorials, FAQs, and helpdesks on income tax and GST portals. These initiatives aim to familiarize taxpayers with digital filing procedures, online payments, and compliance requirements.

INCOME TAX DEPARTMENT INITIATIVES:

- **Taxpayer Education Campaigns:** E-campaigns alert taxpayers about high-value transactions, mismatches, and compliance requirements (e.g., Advance Tax e-campaign).
- **Online Tutorials:** Step-by-step guides on registration, linking Aadhaar with PAN, and understanding IT Act provisions (e.g., TDS under Section 194R).
- **FAQs:** Covers ITR filing, PAN management, Form 26AS, charitable trust provisions, Benami property rules, and other tax matters.
- **Helpdesks:** E-filing help desk and contact numbers (e.g., 1800 103 0025) for assistance.

GST Portal Initiatives:

- **Online Tutorials:** Guidance on GST registration, return filing (GSTR-1, 3B, 6, 9), payments, refunds, and portal functionalities.

- **FAQs:** Clarifies registration, Input Tax Credit (ITC), invoice/e-invoicing rules, composite/mixed supplies, and procedural queries for various taxpayer types.
- **Helpdesks/Grievance Redressal:** Portal allows logging notices, submitting grievances, and tracking responses.
- **SMS Services:** Return due date reminders and NIL return filing via SMS for certain forms.
- **Welcome Kits & Newsletters:** The GST Council and the portal also provide materials like "Welcome Kits for New Businesses" and periodic newsletters to disseminate updates and simplify compliance.

Integration of Digital Tax Education in Curriculum

Incorporating basic tax literacy and digital tax compliance modules into higher education curricula helps young adults understand tax responsibilities early. This measure prepares future taxpayers to confidently use digital tax systems.

User-Friendly Digital Platforms

Simplified interfaces, pre-filled returns, step-by-step guidance, and multilingual support on tax portals enhance usability and reduce the digital skill barrier. Mobile-friendly portals further increase accessibility among young adults.

Capacity Building and Training Programs

Workshops, webinars, and training sessions conducted by tax authorities, educational institutions, and professional bodies improve practical digital skills. These programs focus on return filing, digital payments, and grievance redressal mechanisms.

Strengthening Digital Financial Literacy

Promoting awareness of digital payment systems such as UPI, net banking, and e-wallets supports smooth tax payments and refund tracking. Financial digital literacy complements tax digitalization by reducing transaction-related challenges.

Cybersecurity Awareness and Data Protection Measures

Educating taxpayers about secure passwords, phishing risks, and safe digital practices protects sensitive tax information. Awareness of data privacy rights enhances trust in digital tax systems.

Relevance of Digital Literacy among Young Adults in Using Digital Tax Platforms

Young adults need to be digitally literate in order to use digital tax portals like Income Tax e-filing portal and GSTN. Being first-time and first-stage taxpayers, young adults need sufficient digital competence to create an account on portals, file returns, and pay taxes online and undergo e-verification procedures.

Digital literacy will ensure compliance is done correctly and in a timely manner because it allows digital literate users to learn the portal features, automated calculations and compliance alerts. It eliminates reliance on intermediaries and reduces compliance expenses and motivation to participate in taxes on their own. It is also encouraged by the familiarity with digital payment systems and online records including Form 26AS and AIS that facilitate transparency and effective management of taxes.

In addition, digital literacy improves cybersecurity awareness where the young adults can secure sensitive financial information as they utilize the online tax

services. It also enhances tax consciousness and civic behavior which contributes to the creation of a positive compliance culture within a digital governance setting.

On the whole, to make digital tax platforms accessible, comprehensible, and helpful to young adults in India, digital literacy is a major facilitator that would help to achieve inclusive and sustainable digital tax administration.

CONCLUSION

India has embarked on a revolutionary move to digitalize its tax system, which is a move toward efficient, transparent and citizen-friendly governance. Although technology has made life easier in the administration of the tax, this depends on the level of digital literacy of the taxpayers. On the one hand, young adults are digitally active and economically active citizens, which shapes the digital tax reforms. Increased digital literacy in young adults will not just increase the level of tax compliance but will also facilitate confidence in the state bodies and long-term financial sustainability. It is necessary to adopt a balanced approach combining the use of technology, education, and the policy support in order to achieve the full potential of the digital tax governance in India.

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