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Analytical study on Income Tax Return (ITR) filing trends in India

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Abstract

This research paper presents a comprehensive analysis of Income Tax Return (ITR) filing trends in India for the financial year 2024–25. It examines the total number of taxpayers filing returns, the steady growth in filings over the past decade, and the persistent issue of defaulters who have paid tax but not filed their returns. Using verified data from the CBDT, the Income Tax Department, and the PIB, the study evaluates the influence of digital initiatives, policy reforms, and improved data-integration on compliance behaviour. It also reviews regional and demographic shifts in filing patterns, the rise of first-time and gig-economy filers, and the effectiveness of enforcement measures such as AIS/TIS monitoring and non-filer notices. The paper concludes with key insights into evolving compliance trends and provides recommendations aimed at enhancing transparency, simplifying procedures, and strengthening voluntary participation in India's direct tax system.

Keywords: Income Tax Return (ITR), filing trends, Board of Direct Taxes (CBDT), Tax Compliance

Introduction

Income Tax Return (ITR) filing forms a crucial component of India's fiscal framework. Each financial year, individuals and organisations disclose their income, deductions, and taxes paid through these returns. This paper aims to examine filing patterns for FY 2024–25 and assess how taxpayer compliance has changed over time. It also highlights the major reasons behind non-filing or delayed filing among different categories of taxpayers, offering insight into behavioural and structural factors influencing compliance.

India's income tax system plays an essential role in revenue mobilisation, economic planning, and promoting transparency in financial transactions. Beyond enabling efficient tax collection, it provides valuable data to understand income distribution, sectorial growth, and regional economic disparities. Over recent years, government initiatives such as Digital India, the Faceless Assessment Scheme, pre-filled ITR forms, and integrated data-reporting tools like AIS and TIS have simplified procedures and encouraged wider participation in the tax net.

Despite these advancements, a segment of taxpayers continues to miss filing deadlines or avoid filing altogether, resulting in gaps between tax deducted and tax reported. Analysing these patterns is crucial for identifying administrative bottlenecks, behavioural barriers, and awareness-related issues. A clearer understanding of these challenges helps policymakers design targeted interventions—such as improved taxpayer services, awareness campaigns, and enhanced technological solutions—to strengthen voluntary compliance and ensure a more robust and equitable direct tax system in India.

Objective of Research Paper

The objective of this research is threefold:

1. To analyse the statistical trends in Income Tax Return (ITR) filings from FY 2015–16 to FY 2024–25, with a focus on growth patterns and shifts in taxpayer participation.
2. To examine taxpayer compliance behaviour and identify the key economic, administrative, and behavioural factors influencing timely and accurate filing.
3. To evaluate the magnitude of non-filers and compliance gaps and to propose evidence-based policy recommendations aimed at enhancing voluntary compliance and strengthening India's direct tax administration.

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Review of Literature

Existing literature highlights substantial progress in India’s direct tax compliance over the past decade. The number of Income Tax Returns (ITRs) filed has risen from approximately 4.3 crore in FY 2015–16 to 9.19 crore in FY 2024–25, demonstrating a significant expansion of the taxpayer base. Scholars and official reports note that reforms such as pre-filled ITR forms, digital verification mechanisms, the Annual Information Statement (AIS), and the introduction of faceless assessment procedures have simplified compliance and reduced procedural burdens, thereby promoting voluntary filing.

Studies also emphasise the pivotal role of the Central Board of Direct Taxes (CBDT) and the Income Tax Department (ITD) in modernising tax administration. Initiatives including the Taxpayers’ Charter (2020), enhanced data analytics for compliance monitoring, and the integration of PAN with Aadhaar have strengthened transparency, accountability, and trust among taxpayers. Furthermore, the new e-filing portal is widely recognised for improving efficiency by minimising manual errors and reducing processing time.

Earlier research, including analyses presented in various *Economic Survey* reports, has pointed out that India’s tax-to-GDP ratio has traditionally been lower than that of comparable emerging economies. Factors such as income under-reporting, low levels of tax awareness, and the prevalence of informal employment were identified as major contributors to this gap. However, the steady increase in return filings over the last ten years is widely interpreted as evidence of structural improvements in the tax compliance ecosystem.

Additionally, literature examining broader economic reforms—such as the implementation of the Goods and Services Tax (GST) and the 2016 Demonetisation initiative—suggests that these measures helped expand the formal economy, bringing a larger number of individuals and small enterprises under the tax net. Recent data further shows that individual taxpayers now account for more than 80 per cent of total filers, indicating a broadening and deepening of tax participation across the population.

Research Methodology

This study employs a descriptive and analytical approach, relying primarily on secondary data collected from credible online sources and existing scholarly literature. The conclusions are derived after a systematic examination of the information gathered. The theoretical foundation of the research is built on insights drawn from published papers, articles, and academic journals that discuss tax compliance and administrative reforms in India.

The empirical data for this study has been sourced from official and publicly accessible platforms, including the Income Tax Department’s Time Series Data, Press Information Bureau (PIB) releases, and CBDT reports. These sources offer verified statistics on the number of returns filed, tax collections, and patterns of compliance across various assessment years.

A descriptive and comparative research design has been adopted to analyse trends in Income Tax Return (ITR) filings over a ten-year period, from FY 2015–16 to FY 2024–25. The analysis focuses on:

- Year-wise growth in ITR filings
- Annual growth rates and long-term trends

- Estimates of non-filers or defaulters
- Major policy interventions influencing taxpayer behaviour

To facilitate clearer interpretation, the study incorporates graphical representations and tabular summaries that illustrate key trends and patterns. Statistical measures—such as year-on-year growth rates—have been manually computed using official figures published by CBDT and validated through PIB notifications.

While the research is predominantly quantitative, it also integrates qualitative assessments of policy reforms and behavioural responses of taxpayers. The combination of both quantitative and qualitative techniques enables a comprehensive understanding of the evolution of India’s income tax system and helps identify areas where compliance gaps persist.

Limitations of the Study

While the findings of this research provide valuable insights, several limitations should be acknowledged:

1. The analysis is based primarily on secondary data obtained from government sources; any future updates or revisions by the CBDT may lead to minor changes in the reported figures.
2. The study focuses on filing compliance and reported defaulters and does not directly measure tax evasion.
3. Behavioural and attitudinal aspects, such as taxpayer awareness and perceptions of the tax system, are inferred from official reports and commentary rather than primary survey data.

Despite these constraints, the study provides a reliable and up-to-date overview of ITR filing trends and the evolution of taxpayer compliance in India over the past decade.

Data Analysis

The statistical review of India’s Income Tax Return (ITR) filings for FY 2024–25 indicates a continued expansion of the taxpayer base and notable progress in digital compliance. According to data released by the Central Board of Direct Taxes (CBDT) and the Press Information Bureau (PIB), a total of 9.19 crore ITRs were filed during the year, reflecting an estimated 7.5% increase over FY 2023–24.

This growth underscores a consistent upward trajectory in tax participation since FY 2015–16, highlighting both economic recovery and the impact of policy reforms aimed at simplifying compliance.

Financial Year	ITRs Filed (crore)	Annual Growth (%)	Cumulative Increase (vs. 2015–16)
2015–16	4.35	—	—
2017–18	5.48	7.2	+25.9%
2019–20	6.84	8.3	+57.2%
2021–22	7.43	6.1	+70.8%
2023–24	8.55	7.1	+96.5%
2024–25	9.19	7.5	+111.4%

Source: Compiled from CBDT Time-Series Data (2022–2025)

The data demonstrates that the number of individual taxpayers has more than doubled over the past decade. This surge can be attributed to greater taxpayer awareness, simplification of the filing process, and strengthened

monitoring through digital initiatives such as the Annual Information Statement (AIS) and e-verification systems, which have collectively enhanced compliance efficiency and reliability.

Composition of ITR Filers (FY 2024–25)

Category	Approx. Filers (crore)	Share (%)
Salaried Individuals	5.32	57.9
Business / Professional Income	1.92	20.9
Capital Gains / Investment Income	0.64	7.0
Others (including HUFs, Trusts, etc.)	1.31	14.2
Total	9.19	100.0

The data highlights that salaried individuals continue to constitute the majority of ITR filers, accounting for nearly 58% of the total. At the same time, there has been a notable increase in filings from the business and professional income segment, reflecting broader adoption of digital compliance among small enterprises, freelancers, and self-employed professionals. This shift suggests an expanding

State-Wise Distribution of ITR Filings (Indicative)

State / UT	Approx. Returns Filed (Lakh)	Share (%)
Maharashtra	1,480	16.1
Delhi (NCT)	760	8.3
Tamil Nadu	680	7.4
Karnataka	655	7.1
Gujarat	630	6.8
Uttar Pradesh	610	6.6
West Bengal	530	5.8
Others (Combined)	3,245	35.9
Total	9,190	100.0

The data indicates that Maharashtra, Delhi, Tamil Nadu, and Karnataka together account for nearly 40% of total ITR filings. This concentration reflects the prevalence of formal income sources and employment opportunities in states with strong industrial and service-sector bases. It also highlights regional disparities in tax participation, underscoring the need for targeted awareness and compliance measures in states with lower filing shares.

Discussion

The analysis indicates that India’s tax compliance environment has strengthened significantly in recent years, driven by multiple structural and policy reforms:

- **Digitalisation:** The enhanced e-filing portal and the Annual Information Statement (AIS) have streamlined the filing process, reduced manual errors, and increased transparency.
- **Policy Initiatives:** Measures such as Faceless Assessments and the Updated Return (ITR-U) scheme encourage voluntary corrections and compliance rather

than relying solely on punitive actions.

Growth Rate and Taxpayer Behaviour

The compound annual growth rate (CAGR) of ITR filings from FY 2015–16 to FY 2024–25 stands at approximately 8.7%, reflecting a consistent expansion of the taxpayer base and improving voluntary compliance. This trend indicates rising financial literacy, greater convenience through online filing platforms, and a perception among taxpayers that compliance procedures are becoming simpler and less burdensome.

Notably, the proportion of returns filed by the due date (July 31) increased to 84% in FY 2024–25, up from 79% in the previous year. This improvement can be attributed to enhanced pre-filing features on the e-filing portal, user-friendly digital interfaces, and extensive awareness campaigns conducted through social media and other communication channels. The data suggests that such measures are positively influencing taxpayer behaviour and encouraging timely compliance.

- **Data Integration:** Linking PAN with Aadhaar and GST data has improved the government’s ability to monitor financial transactions and identify discrepancies efficiently.
- **Behavioural Shifts:** Greater trust in government systems, faster refund processing, and user-friendly digital interfaces have incentivised timely filing and broader participation.

Despite these positive developments, several challenges remain. Income disparities among filers, regional variations in compliance, and a persistent non-filer population of approximately 2.3 crore individuals highlight the need for continued efforts. Addressing these gaps requires a balanced approach that combines robust enforcement with taxpayer facilitation, awareness campaigns, and targeted policy interventions to ensure more inclusive and equitable compliance.

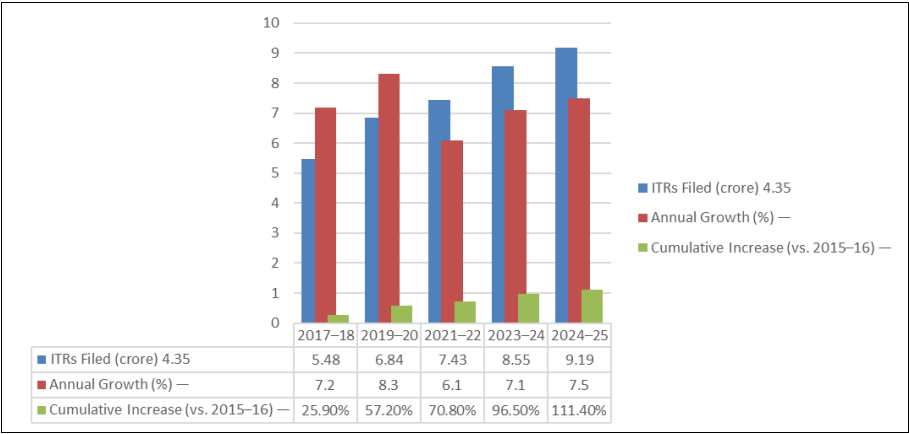


Fig 1: Statistical review of India’s Income Tax Return (ITR) filings

Analysis of Non-filers (‘Defaulters’)

Non-filers, or defaulters, are individuals or entities who have tax deducted or paid but fail to submit their Income Tax Returns (ITRs) within the prescribed due date. According to official data for Assessment Year (AY) 2023–24, approximately 2.35 crore taxpayers fell into this category, with the figure for FY 2024–25 expected to remain largely unchanged. These taxpayers represent potential revenue leakage and underscore the need for strengthened compliance monitoring and enhanced taxpayer education.

The reasons for non-filing are varied and often interrelated:

- **Lack of awareness:** Many taxpayers are unaware of the legal requirement to file a return, even when their tax liability is nil.
- **Reliance on TDS:** Employees often assume that filing is unnecessary if tax has already been deducted at source.
- **Technical or procedural challenges:** Some taxpayers encounter difficulties with the e-filing portal, particularly during peak filing periods.

- **Informal sector and self-employment:** Individuals with informal income or self-employment earnings often have limited record-keeping, leading to missed filings.

A comparative overview of estimated filers and non-filers over recent years is presented below:

Assessment Year	ITRs Filed (crore)	Estimated Non-filers (crore)	Compliance Ratio (%)
AY 2021–22	7.43	2.70	73.3
AY 2022–23	8.35	2.45	77.3
AY 2023–24	8.55	2.35	78.4
AY 2024–25*	9.19	2.30 (est.)	80.0

Source: Compiled from CBDT Time-Series Data and PIB releases

The data highlights a gradual improvement in compliance ratios over the past few years, yet the persistent population of non-filers indicates the need for targeted interventions, including awareness campaigns, process simplification, and enhanced monitoring to further reduce compliance gaps.

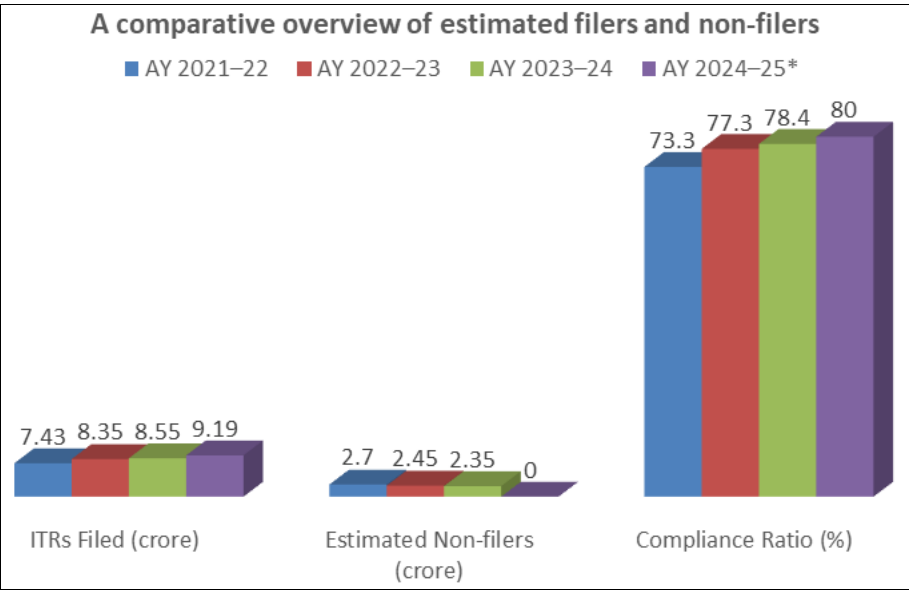


Fig 2: Estimated share of filers vs non-filers

In recent years, the Income Tax Department has strengthened its compliance management framework through data-driven strategies. By analysing high-value transactions, Annual Information Statement (AIS) entries,

and TDS/TCS data, the department can now automatically identify individuals who have not filed returns despite significant financial activity. Notices under Section 142(1) and Section 148A are subsequently issued to prompt

compliance.

The introduction of the Updated Return (ITR-U) under Section 139(8A) of the Income Tax Act further facilitates voluntary compliance by allowing taxpayers to correct or file delayed returns within a two-year window. This measure has successfully brought a substantial number of previously non-compliant taxpayers into the formal system, reducing the adversarial nature of enforcement.

Overall, the integration of technology with taxpayer-friendly provisions has strengthened voluntary compliance and lowered the proportion of habitual defaulters. Nevertheless, continued efforts—such as targeted awareness campaigns and simplified digital interfaces—remain essential to ensure that all income-earning individuals actively participate in the nation's tax ecosystem.

Findings & Recommendations

The findings of this study indicate that India's direct tax system is progressing steadily toward digital modernisation and higher voluntary compliance. However, sustaining this momentum requires a balanced approach combining policy reforms, administrative enhancements, and taxpayer facilitation measures.

1. **Strengthening Compliance Infrastructure:** The consistent rise in ITR filings demonstrates the effectiveness of digital transformation initiatives. To maintain public trust and efficiency, it is essential to continuously upgrade backend systems, minimise portal downtime, and improve mobile accessibility for taxpayers.
2. **Data-Driven Enforcement:** The integration of PAN–Aadhaar, AIS, and GST databases has enhanced the government's ability to detect income discrepancies. Leveraging AI, predictive analytics, and machine learning can further identify non-filers and reduce potential revenue leakages.
3. **Behavioural Insights for Compliance:** Evidence suggests that taxpayers respond more positively to transparency and nudges rather than penalties alone. Tools such as reminder emails, SMS notifications, and prefilled ITR suggestions can encourage timely and accurate filings, sustaining voluntary compliance.
4. **Inclusive Digitalisation:** While e-filing adoption has grown, certain groups—such as small traders, senior citizens, and rural taxpayers—still face digital barriers. Establishing local tax facilitation centres, mobile help kiosks, and outreach programmes can help bridge this digital divide and expand coverage across all demographics.

Recommendations

To further strengthen India's tax compliance ecosystem, the following measures are recommended:

- **Simplify ITR Forms and User Interface:** Streamline filing for small taxpayers and freelancers by providing prefilled, single-page return formats, reducing complexity and errors.
- **Launch Incentive Schemes:** Introduce modest rebates, early-bird incentives, or priority refunds for timely and consistent filers to encourage compliance.
- **Enhance Awareness Campaigns:** Partner with educational institutions, local panchayats, and business chambers to promote tax literacy and inform taxpayers of filing obligations.

- **AI-Based Compliance Alerts:** Deploy automated alerts for non-filers and data mismatches to enable proactive compliance with minimal manual intervention.
- **Reform Penalty Structure:** Establish proportionate and transparent penalties that motivate voluntary filing, rather than instilling fear of litigation.
- **Encourage MSME Formalisation:** Support small and medium enterprises in adopting digital bookkeeping and integrating GST and ITR systems to expand the formal tax base.

These recommendations aim to combine administrative efficiency, behavioural nudges, and taxpayer facilitation to achieve higher compliance rates and a more inclusive direct tax ecosystem in India.

Fostering a policy environment that integrates digital efficiency, robust taxpayer education, and a supportive, empathetic approach to administration will be key to sustaining and further enhancing India's income tax compliance in the years ahead.

Conclusion & Future Scope

This study demonstrates that India's income tax ecosystem has undergone a significant transformation over the past decade. The number of Income Tax Return (ITR) filers has more than doubled, rising from 4.3 crore in FY 2015–16 to 9.19 crore in FY 2024–25. This growth reflects the effectiveness of policy reforms, digitalisation initiatives, and the emergence of a more aware and compliant taxpayer base.

Key drivers of this transformation include technological interventions such as the revamped e-filing portal, Annual Information Statement (AIS), prefilled return systems, and digital verification mechanisms. Policy measures like Faceless Assessments and the Updated Return (ITR-U) scheme have enhanced transparency, reduced fear of scrutiny, and promoted voluntary compliance. Additionally, data integration across PAN, Aadhaar, GST, and banking channels has strengthened monitoring, enabling the identification of non-filers and habitual defaulters.

Despite these positive developments, challenges remain. A significant proportion of taxpayers, particularly individuals and small businesses, still falls outside the formal tax network. Regional disparities, informal sector participation, and digital accessibility issues further limit full compliance. Behavioural factors, such as reliance on TDS and low awareness of filing requirements, also contribute to non-filing.

Policy implications from this study emphasize the need for a balanced approach that combines:

- **Digital Efficiency:** Continuous upgrading of e-filing infrastructure and backend systems to ensure accessibility and reliability.
- **Data-Driven Enforcement:** Leveraging AI and predictive analytics for targeted identification of non-filers and income discrepancies.
- **Behavioural Interventions:** Awareness campaigns, incentives, reminder systems, and prefilled forms to encourage timely voluntary compliance.
- **Inclusive Measures:** Support for rural taxpayers, small traders, and senior citizens through facilitation centres, simplified interfaces, and outreach programmes.

Future Research Scope

This study lays the groundwork for further research in several directions:

1. **State-wise and Sectoral Analysis:** Detailed insights into income distribution and compliance patterns can be drawn once ITR microdata for FY 2024–25 becomes available.
2. **Behavioural Tax Compliance Studies:** Survey-based investigations can explore the role of digital literacy, perceptions of fairness, and income stability in shaping taxpayer behaviour.
3. **Impact Assessment of Incentives:** Evaluating how rebate schemes, priority refunds, and pre-filled forms influence compliance rates among different income groups.

In conclusion, India's income tax system is on a steady path toward digital modernisation and higher compliance. Sustaining this upward trajectory will require a combination of technology-driven enforcement, taxpayer education, facilitative administration, and inclusive policy measures that bridge gaps in the formal tax network. Such a holistic approach will ensure that the benefits of reforms are broadly shared and that the direct tax system continues to strengthen over the coming years.

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