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# A Study on Taxpayer Compliance and Risk Mitigation in Scrutiny Assessment Through ClearTax Platform

R Arun Kumar[1*], Thrisha. P[2]

[1,2]*Dayananda Sagar Business School Post Graduate Diploma in Management (PGDM)*

[*]*Corresponding author*

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## Abstract

Tax compliance in India is undergoing a fundamental shift driven by digital infrastructure expansion and increased regulatory oversight. This study examines taxpayer compliance and risk mitigation in scrutiny assessments through the Clear Tax platform, comparing technology-driven digital filing with traditional manual approaches. Using a quantitative research design, primary data were gathered from 91 respondents comprising individual taxpayers, chartered accountants, and finance professionals through a structured questionnaire. The analysis focused on filing frequency, ease of use, error reduction, scrutiny selection rates, confidence in regulatory compliance, and overall satisfaction. Findings reveal that ClearTax significantly reduces scrutiny risk for the majority of users, with 45.6% reporting no scrutiny experience after platform adoption, and nearly 64% expressing confidence in regulatory compliance. Automated validations, real-time alerts, and structured notice-management features were identified as key contributors to risk reduction. However, a notable minority expressed skepticism regarding data security and effectiveness, indicating scope for further improvement. The study concludes that digital tax platforms like ClearTax meaningfully enhance compliance quality, reduce litigation exposure, and improve taxpayer confidence when compared to conventional filing methods.

***Keywords:*** Tax Compliance, Scrutiny Assessment, ClearTax, Risk Mitigation, Digital Tax Platform, GST Reconciliation, Taxpayer Confidence, India

## Introduction

Tax compliance in India is evolving rapidly. For years, taxpayers relied on traditional approaches that involved offline consultants, manual documentation, and limited system-based checks. While such methods ensured basic adherence to regulations, they also left room for errors, inconsistencies, and delays that often-triggered scrutiny assessments. With the expansion of digital infrastructure and the introduction of more systematic, data-driven regulatory oversight, scrutiny assessments have become risk-based and increasingly precise. In this environment, compliance is not merely about meeting deadlines; it demands proactive transparency and accuracy.

Technology-led platforms have emerged to address this gap. Among them, ClearTax has positioned itself as a

leading tax-tech solution in India, providing digital tools for income tax return filing, GST compliance, invoice reconciliation, TDS management, and notice resolution. By combining automation, expert review, and AI-powered validations, the platform aims to reduce the risk factors commonly associated with scrutiny, such as invoice mismatches, reporting discrepancies, and incomplete documentation.

This study focuses on taxpayer compliance and risk mitigation in scrutiny assessments through the ClearTax platform. The central construct is compliance quality, defined as the degree to which taxpayers file accurate, timely, and transparent returns while minimising the probability and impact of scrutiny assessments. Measurable indicators include error rates, frequency of scrutiny notices, resolution timelines, and taxpayer confidence. The study is grounded in a three-month internship experience at ClearTax in Bengaluru, during which the researcher observed filing processes, client onboarding, and responses to scrutiny notices firsthand.

Academically, while tax compliance and audit risk have been widely studied in global contexts, there is limited empirical research on how digital tax platforms directly influence scrutiny outcomes in the Indian environment. This study addresses that gap by comparing traditional compliance approaches with ClearTax-supported processes and examining how each impacts taxpayer compliance, scrutiny selection, and resolution effectiveness.

## Scope and Importance of the Study

This study evaluates the effectiveness of traditional tax compliance methods compared to the ClearTax platform, with a focus on improving taxpayer accuracy, reducing scrutiny notices, and enhancing overall compliance behaviour. By analysing primary survey responses across both approaches, the research highlights the strengths and limitations of manual versus technology-driven filing in terms of minimising risk, ensuring transparency, and maintaining long-term trust between taxpayers and regulatory authorities.

The study further explores how digital platforms enable real-time validation, automated reconciliation, and expert-assisted filing, providing actionable insights into how taxpayers can reduce errors and manage scrutiny more effectively. The findings contribute to the growing body of knowledge on technology-enabled compliance and offer practical recommendations for individuals, businesses, and professionals seeking to adopt digital tax tools for better accuracy, risk mitigation, and smoother assessment experiences.

## Review of Literature

Hasan and co-authors (2022) conducted a semi-systematic review of Artificial Intelligence in accounting and auditing, highlighting that tools such as machine learning, automated anomaly detection, and continuous auditing significantly increase accuracy and reduce manual errors. Their work supports the case that AI-based validation and reconciliation features, as offered by ClearTax, can meaningfully lower scrutiny risk.

Abdullah et al. (2024) examined the impact of artificial intelligence and Industry 4.0 on accounting and auditing practices, demonstrating that big data analytics, cloud computing, and AI improve efficiency and audit quality. Firms using such technology recorded fewer post-audit restatements or adjustments, providing theoretical support for automated compliance tools in mitigating tax scrutiny.

Mehta, Bhargava, Kumar et al. (2022) used graph-based methods to detect circular trading under GST in Telangana, showing that analytics can surface anomalous patterns in large tax datasets. Their findings support the role of platforms that flag unusual transactions, thereby helping taxpayers avoid scrutiny flagging.

Research into algorithmic fairness and audit-selection models (2022) demonstrates that machine learning-based audit selection can shift scrutiny burdens and potentially reduce arbitrary assessment if implemented

transparently. This underscores the importance of risk model transparency, which is directly relevant to platforms such as ClearTax.

A practice-oriented article from ClearTax (2025) on enterprise compliance describes how businesses increasingly rely on technology, including automated data validations, centralised dashboards, and continuous monitoring, to satisfy regulatory demands and reduce notices and penalties. The emphasis on reconciliation, internal controls, and timely filings aligns closely with the platform's own product design.

Kokina et al. (2025) studied how large accountancy firms use AI, noting benefits in fraud detection, anomaly identification, and efficiency gains, alongside challenges of data quality, model transparency, and regulatory acceptance. Their findings are relevant to ClearTax's context: automated risk tools may reduce scrutiny risk, but they must be reliable and user-accepted.

Agostino et al. (2025) discussed how governments and regulatory frameworks can adopt data science to enable continuous auditing and predictive risk identification, showing that proactive tools improve compliance rates by enabling taxpayers to identify and correct errors earlier. This supports the investigation into how ClearTax's real-time validation and mismatch alerts influence taxpayer behaviour.

## Research Gap

The table below summarises the major themes addressed in existing literature and the specific gaps that the present study seeks to address.

| Aspect from Literature | Key Findings | Research Gap Addressed |
|---|---|---|
| Technology & Tax Compliance | Digital tools improve filing accuracy and reduce errors | Limited empirical evidence on digital platforms specifically reducing scrutiny in India |
| AI in Accounting & Auditing | AI-based validation and anomaly detection reduce audit risk | Insufficient studies linking AI-powered tax platforms to scrutiny outcomes |
| GST Fraud Detection | Graph analytics detect circular trading and high-risk patterns | Lack of research on how compliance platforms help taxpayers avoid flagging |
| Audit Selection Models | ML-based audit models shift scrutiny burdens more fairly | No direct study on how platform-supported filing influences scrutiny selection |
| Taxpayer Confidence & Digital Platforms | Digital workflows reduce compliance burden and improve trust | No comparative study between ClearTax and traditional methods on taxpayer confidence |
| Risk Mitigation in Scrutiny | Automated reconciliation builds audit trails and reduces disputes | Limited quantitative evidence on notice resolution effectiveness via digital platforms |

## Objectives of the Study

1. To evaluate how taxpayers respond to scrutiny assessment procedures and measure the level of compliance achieved through the use of the ClearTax platform.
2. To analyse the role of the ClearTax platform in mitigating risks such as errors, penalties, and legal disputes during the scrutiny assessment process.

3. To determine whether the adoption of digital tax platforms like ClearTax enhances transparency, reduces compliance burden, and improves taxpayer confidence in the assessment system.

## Statement of the Problem

Despite the increasing digitalisation of tax administration and the availability of platforms like ClearTax, many taxpayers continue to face challenges in complying with scrutiny assessment requirements. Errors in filings, lack of awareness regarding documentation needs, and fear of penalties result in unnecessary disputes and delays. At the same time, tax authorities struggle to ensure transparency while minimising risks of non-compliance and revenue leakage. The central problem is whether technology-driven solutions such as the ClearTax platform can effectively bridge this gap by simplifying compliance, reducing risks, and supporting taxpayers through scrutiny assessments. This study investigates whether ClearTax meaningfully improves compliance levels and mitigates risks compared to traditional methods of handling scrutiny cases.

## Research Methodology

### Research Design

This study adopts a quantitative research approach, particularly suited for examining taxpayer compliance and the effectiveness of risk mitigation strategies during scrutiny assessments. The approach emphasises numerical data collection and analysis, enabling the researcher to measure how the ClearTax platform influences filing accuracy, compliance levels, and dispute resolution. Key variables assessed include error reduction, time savings, penalty avoidance, and user satisfaction.

### Sampling Technique and Sample Size

Non-probability convenience sampling was employed, as respondents were required to have direct experience with the ClearTax platform during scrutiny-related processes. A total of 91 responses were collected from individual taxpayers, chartered accountants, and finance professionals over a three-week period. This sample size provides adequate diversity in terms of taxpayer categories, levels of digital adoption, and compliance experiences, while remaining manageable for detailed statistical analysis.

### Data Collection

Primary data were gathered through a structured questionnaire distributed via Google Forms. The questionnaire included close-ended questions, multiple-choice items, and scaled questions designed to measure compliance levels, perceptions of risk, and confidence in the ClearTax platform. Secondary data were drawn from government publications, academic journals, and reliable online resources, including reports from the Income Tax Department and scholarly articles available on Google Scholar, to validate and contextualise primary findings.

### Methods of Data Analysis

Data collected via Google Forms were exported to Microsoft Excel for analysis. Basic statistical methods were applied, including frequency distribution, percentages, and descriptive statistics, to identify patterns in taxpayer compliance, risk perception, and platform satisfaction. Charts and tables were generated to represent findings visually.

**Data Analysis and Interpretation**

Objective 1: Taxpayer Response to Scrutiny and Compliance Levels

**Filing Frequency:** The data shows that 68.9% of respondents use ClearTax once per year, consistent with tax filing being an annual activity. About 24.4% access the platform monthly, possibly for compliance updates, while only 6.7% reported weekly usage.

| Options | Respondents | Percentage |
|---|---|---|
| Daily | 0 | 0% |
| Weekly | 6 | 6.7% |
| Monthly | 22 | 24.4% |
| Once Per Year | 62 | 68.9% |

*Table 1: Filing Frequency on ClearTax Platform*

**Ease of Use:** A majority of respondents rated ClearTax positively for ease of use. About 32.2% gave a rating of 4, and 20% rated it very easy (5), indicating that over half the users find the platform convenient. However, 23.3% were neutral, and 20% gave a low rating, reflecting scope for interface improvement.

**Error Reduction:** When asked whether ClearTax reduces errors compared to manual filing, 48.9% agreed, reflecting strong confidence in its accuracy. However, 27.8% disagreed and 23.3% were unsure, indicating that awareness of the platform's error-reduction capabilities needs strengthening.

**Regulatory Compliance Confidence:** About 32.2% of respondents reported being very confident that their ClearTax-filed returns comply with government regulations, with a further 25.6% expressing confidence. However, 26.7% expressed low or no confidence, highlighting a trust gap that requires attention.

**Scrutiny Selection Rates:** Significantly, 45.6% of respondents reported never being selected for scrutiny after adopting ClearTax, and a further 28.9% experienced reduced scrutiny frequency. However, 25.6% reported more frequent scrutiny, suggesting that platform benefits vary across taxpayer profiles and case complexities.

| Options | Respondents | Percentage |
|---|---|---|
| Much Less Often | 11 | 12.2% |
| Less Often | 15 | 16.7% |
| Never | 41 | 45.6% |
| More Often | 16 | 17.8% |
| Much More Often | 7 | 7.8% |

*Table 2: Scrutiny Selection Frequency After Using ClearTax*

Objective 2: Risk Mitigation Through ClearTax

**Alert and Notification System:** About 49.4% of respondents received occasional alerts from ClearTax

regarding potential errors or mismatches, while 24.7% received frequent alerts. This demonstrates the platform's proactive monitoring role, though 13.5% reported never receiving alerts, suggesting variability in notification effectiveness.

**Penalty Avoidance Effectiveness:** A combined 47.8% of respondents rated ClearTax as effective or very effective in helping avoid penalties (ratings 4 and 5 respectively), while 26.7% were neutral. About 25.5% rated it low, indicating inconsistent experiences that may depend on filing complexity or individual knowledge.

**Notice Resolution Support:** Exactly 50% of respondents confirmed that ClearTax helped them resolve notices or queries from tax authorities more easily. About 30.7% marked the question as not applicable, suggesting they had not faced scrutiny, while 19.3% did not find the feature beneficial.

| Options | Respondents | Percentage |
|---|---|---|
| Yes | 44 | 50% |
| No | 17 | 19.3% |
| Not Applicable | 27 | 30.7% |

*Table 3: Ease of Notice Resolution Through ClearTax*

**Automated Validations:** About 50.5% of users found automated features such as GST reconciliation and TDS checks either extremely helpful or helpful in mitigating filing risks. While 25.8% remained neutral, 23.6% found these features unhelpful, indicating a need for better visibility and communication of the platform's technical capabilities.

**Legal Dispute Reduction:** A strong 64% of respondents agreed or strongly agreed that ClearTax reduces the risk of legal disputes during scrutiny compared to manual filing. About 16.8% disagreed or strongly disagreed, while 19.1% remained neutral, reflecting variation in real-world experiences with disputes.

Objective 3: Transparency, Compliance Burden, and Taxpayer Confidence

**Transparency in Filing:** About 48.3% of respondents stated that ClearTax completely makes the filing process transparent by clearly showing steps and calculations, while 37.9% said it does so partially. Only 13.8% reported no transparency benefit, confirming that clarity in process is one of the platform's recognized strengths.

**Time and Effort Reduction:** About 48.7% of respondents rated ClearTax highly (scores 4 and 5) for reducing time and effort compared to traditional methods. The remaining respondents gave neutral or low ratings, suggesting that efficiency gains are experienced unevenly across the user base.

**Data Trust:** About 57.3% of respondents reported very high or high trust in ClearTax to handle their tax-related data accurately and securely. However, 20.2% expressed low or very low trust, and 22.5% remained neutral, pointing to persistent concerns around data security that need to be addressed through stronger communication of security protocols.

**Platform Recommendation:** About 52.8% of respondents indicated they would definitely or probably recommend ClearTax to other taxpayers. However, 34.8% stated they would probably or definitely not recommend it, reflecting a significant group of dissatisfied or unconvinced users.

**Overall Satisfaction:** About 56.7% of respondents were satisfied or very satisfied with ClearTax for managing compliance and scrutiny risk. Notably, 20% expressed very high dissatisfaction, indicating that while the

platform performs well for many, it fails to consistently meet all user expectations.

| Options | Respondents | Percentage |
|---|---|---|
| Very Satisfied | 24 | 26.7% |
| Satisfied | 27 | 30% |
| Neutral | 13 | 14.4% |
| Unsatisfied | 8 | 8.9% |
| Very Unsatisfied | 18 | 20% |

*Table 4: Overall Satisfaction with ClearTax Platform*

## Findings

- Traditional tax filing practices such as manual documentation and offline consultations remain useful for basic compliance but often result in delays, errors, and lack of clarity when managing scrutiny notices.
- ClearTax's digital platform simplifies scrutiny-related processes through structured guidance, document management, and automated checks, which collectively reduce errors and improve the accuracy of submissions.
- A majority of respondents reported greater confidence in their compliance when using ClearTax, as the platform reduces chances of misreporting, penalties, and follow-up queries from tax authorities.
- The platform's automated alert and validation system is effective in flagging potential mismatches, with nearly 74% of users receiving occasional or frequent notifications.
- Half of the respondents confirmed that ClearTax assisted them in resolving notices or queries from tax authorities more easily, demonstrating practical value in scrutiny management.
- About 45.6% of respondents reported no scrutiny experience after adopting ClearTax, and a further 28.9% noted reduced scrutiny frequency, validating the platform's risk-mitigation effectiveness.
- Transparency is a notable strength, with 86.2% of users finding the filing process either completely or partially transparent through ClearTax.
- Data security concerns remain among approximately 20% of users, indicating that while trust is generally strong, targeted communication around security protocols is essential.
- ClearTax is widely recognised as a time-saving tool, with nearly half the respondents rating it highly for reducing time and effort compared to traditional methods.
- Overall, ClearTax was found to be more effective than traditional methods in improving compliance behaviour, reducing scrutiny risk, and strengthening taxpayer confidence during assessment procedures.

## Suggestions

- Promote wider adoption of digital platforms by encouraging taxpayers to use solutions like ClearTax to simplify compliance, reduce filing errors, and ensure greater transparency during scrutiny assessments.
- Strengthen the use of automated validations, error detection, and real-time notifications to help taxpayers identify issues proactively and avoid penalties or mismatches.
- Provide clear tutorials, webinars, and educational resources through ClearTax to help taxpayers better understand scrutiny procedures, compliance requirements, and the specific risk-reduction features available.
- Continuously improve security protocols to build taxpayer trust and ensure that sensitive tax information is handled with the highest level of accuracy and confidentiality.
- Introduce personalised features such as tailored compliance guidance, AI-driven recommendations, and expert consultation within the platform to address individual taxpayer needs more effectively.
- Collect regular user feedback to refine platform tools, improve user experience, and ensure that the system remains aligned with evolving taxpayer expectations and legal requirements.
- Build stronger integration between ClearTax and government regulatory systems to streamline processes, minimise duplication of effort, and create a seamless experience during scrutiny assessments.

## Conclusion

This study emphasises the growing importance of digital tax platforms like ClearTax in improving taxpayer compliance and reducing risks during scrutiny assessments. While traditional filing methods have long served as the norm, they regularly expose taxpayers to errors, penalties, and disputes that may have otherwise been avoided. The adoption of ClearTax enables greater accuracy, transparency, and confidence in the compliance process, making tax filing less burdensome and more reliable for a broad range of taxpayers.

The survey data from 91 respondents confirms that a clear majority of ClearTax users experience fewer scrutiny incidents, benefit from proactive alerts, and find notice resolution more manageable through the platform's features. At the same time, the study acknowledges that a notable minority remains dissatisfied or unconvinced, pointing to the need for improvements in interface design, data security communication, and personalised support.

By integrating features such as automated validations, real-time alerts, expert-assisted filing, and secure data handling, ClearTax builds trust among users while enhancing their ability to meet regulatory requirements. Overall, the platform proves to be a valuable tool for fostering compliance, mitigating risks, and ensuring a smoother scrutiny experience for taxpayers in the evolving Indian tax ecosystem. Future research should explore longitudinal outcomes, comparison with alternative digital platforms, and the impact of AI-driven assistance in further reducing scrutiny risk.

## Scope for Further Research

- Future research can compare different digital tax platforms beyond ClearTax, such as government-provided filing systems or competing solutions, to evaluate their relative effectiveness in compliance and risk mitigation.

- Longitudinal studies could assess the sustained role of such platforms in improving taxpayer confidence, reducing disputes, and promoting voluntary compliance over multiple filing cycles.
- Researchers could explore how different taxpayer categories such as salaried individuals, freelancers, or small businesses benefit uniquely from digital compliance tools.
- Investigating the impact of AI-driven assistance, predictive analytics, and integration with regulatory systems would provide deeper insights into how digital platforms can further simplify compliance and transform the scrutiny assessment process.
- Comparative analysis between traditional and digital compliance methods using larger and more geographically diverse samples would strengthen the generalisability of findings in the Indian context.

## Declaration of Conflicting Interests

The authors declare that there are no conflicts of interest related to the research, analysis, authorship, or publication of this study titled "A Study on Taxpayer Compliance and Risk Mitigation in Scrutiny Assessment Through ClearTax Platform." The research was conducted independently and objectively for academic purposes.

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