

AN ANALYTICAL STUDY OF USE OF INFORMATION TECHNOLOGY BY TAX ADMINISTRATOR IN INDIA

Dr. Rajesh D. Raut

Asst. Professor , Ness Wadia College of Commerce,Pune-1

Abstract:

Indian Income Tax Act 1961 is a backbone for the Government of India to collect the Taxes. The Income Tax plays an important role in the collection of taxes by the Government. The Income Tax Department over the period has changed its modus operandi from manual filing to electronic filing.

The use of Information Technology by the Income Tax Department helps it to find out the loopholes in the system as well as to ease the filling and collection of data. Due to information technology Department(here department means Income Tax Department) is able to share the data from other exchequers also resulted into more stringent processing of data and analytical study of the taxing pattern, filing of returns, non-conventional sources of tax collection and to bridge the gap between possible sources of tax evasion and avoidance.

Key Words:

Income Tax, E-filing, Information and Technology, Taxes

Introduction:

Before use of Information Technology by the Department, it used to collect the data through manual filing which took lot of time to process and delayed the collection of taxes which were short paid or not paid. On the other hand there was no system to cross verify the claims made by the assessee in respect of taxes paid. All these resulted into heavy losses of revenue.

To overcome the shortfalls in the present system and to make our taxation system at par with the international taxation system Government has started use of information technology devices to deploy in the tax system. For this purpose the Income Tax Department has taken various steps.

Research Objectives:

1. To Know the use of information technology by tax administrators
2. To know the impact of use of information technology by tax administrators.
3. To know the impact of information technology on tax payers.
4. To know the contribution of information technology in tax collection.
5. To know the implications of information technology on assessment proceedings.

Research Methodology:

1. **Primary Data:** Considering the time and money constraints the researcher decided to complete the study on secondary data only.
2. **Secondary Data:** The researcher has mainly collected the secondary data from the books, research articles and web sites of the Income Tax Department. The researcher has used simple statistical analysis tool to analyses the data.

Hypothesis:

1. The use of information technology by income tax department has increased the revenue collection.
2. The use of information technology by income tax department resulted into increase in number of tax payers.

The following are the various processes in detail and their relevance

1. PAN Verification and Linking with Aadhaar:

Initially there was no system to check duplicate and doubly issued PAN cards but with the development of the system the Department has come up with registration of PAN card on the Income Tax Website as a first step and then linking of PAN cards with the Aadhaar Card ensures that the duplicate and wrong PAN cards get revealed or thrown out of the system. This has resulted into cancellation of Duplicate PAN cards in lakhs and savings in the proposed transactions that may took place by using this PAN cards and corresponding savings in tax evasion or avoidance.

Table 1: Comparative PAN Allotment Status@

Type of Taxpayer	31.12.2017	% to Total Applicants	31.03.2018	% to Total Applicants
Association of Persons	9,39,255	0.26	9,95,107	0.26
Body of Individuals	56,513	0.02	60,184	0.02
Company	15,80,760	0.44	16,12,427	0.43
Firm	40,22,239	1.12	41,09,252	1.08
Government	16,762	0.00	19,596	0.01
Hindu Undivided Family	19,22,200	0.53	19,51,204	0.51
Artificial Judicial Persons	34,885	0.01	35,420	0.01
Local Authority	56,019	0.02	59,941	0.02
Individual	35,00,85,561	97.39	36,94,73,536	97.46
Trust	7,45,054	0.21	7,67,389	0.20
Total	35,94,59,248	100.00	37,90,84,056	100.00

@Income Tax Department PAN allotment statistics

The above table indicates that there is considerable rise in the application and allotment of PAN in a quarter.

2. E-TDS Returns and Form No.26as:

TDS has become a major and important source of tax collection for the department. At present all payments are covered by TDS provisions except few e.g. Salary, Rent, Professional Fees, Sale of Property. The statistical data of the department indicates that approx...40% of the total tax collection is through the TDS only. One of the important aspects of TDS is that there is collection of Tax in advance. It ruled out deferment of taxes and Government is able to collect the taxes on time.

From Assessment Year 2005-2006 Department has made in compulsory for all the assesses covered by the provisions of TDS to file their TDS returns electronically. This has resulted into fast assessment of TDS returns and ease in cross verification of TDS claim. The idea is to control the fake or wrong TDS certificates and their claim. The fake certificates resulted into huge revenue loss as there was no time consuming process to verify the claim.

Initially the data generated was used to analyze to check whether compliance of TDS provisions was adhered or no. It further extended to cross verification with income and TDS credit. The E-filing mechanism also ensures the timely payment of taxes, proper credit, timely compliance and collection of revenue in the form of penalty and fine for non-compliance on time.

Presently Form 26 AS has become an important tool for the tax authorities to estimate and assess the correct income of the person and correct claim of the refund. One has to cross verify the income with the income reported in Form 26 AS before filing of the return otherwise assessment of the return will result into issuance of notice.

Table 2: Number of Income Tax Returns filed during last five years@

Category	2013-14	2014-15	2015-16	2016-2017	2017-2018
Association of Persons	1,01,290	1,06,848	1,47,693	1,62,455	2,07,218
Body of Individuals	4,283	4,178	5,556	5,546	6,963
Company	7,15,013	7,53,514	7,80,470	8,03,962	9,42,821
Firm	9,60,678	9,92,192	11,10,823	11,81,296	13,93,762
Government	10	35	75	108	238
Hindu Undivided Family	9,55,504	9,66,554	10,42,561	11,60,871	12,86,075
Artificial Judicial Persons	8,654	8,786	10,384	10,889	11,440
Local authority	2,818	2,631	3,396	3,480	3,957
Individual	3,50,44,548	3,74,10,677	4,29,27,250	5,21,16,096	6,43,88,028
Trust	1,83,756	1,88,199	2,75,837	2,64,383	2,92,008
Total	3,79,76,554	4,04,33,614	4,63,04,045	5,57,09,086	6,85,32,510

@Time Series Data published by the Income Tax Department for the financial year 2000-01 to 2017-18

3. Annual Information Return:

The department is collecting information from various sources to track the financial and non- financial transactions which resulted into tax obligations. Keeping into view the possible areas of such sources Department has made it compulsory to Banks, Financial Institutions, Non Banking Financial Companies, and Registrars of Land Records. In Annual Information Return these authorities are supposed to furnish the data about the financial and non-financial transactions involving the amount specified in the law. For example: Banks are required to report the transactions made in a single day on any account involving amount of Rs.200000/- are more, Registrar has to report the transactions of Sale and Purchase of properties alongwith PAN Numbers, Credit Card payments worth Rs.200000/- or more etc.

Through Annual Information Returns Department is collecting the data of Transactions and cross verifying with the returns filed by the assessee. The cross verification leads to increase in the number of assessee and the tax collection. Therefore the person who enters into the above mentioned transactions has to ensure that he has reported the said transactions in his income tax return otherwise return will be resulted into defective one. This has resulted into disclosure of all the transactions and reporting of them in the income tax returns and payment of accurate and proper taxes by the persons.

4. E-Verification Of Returns:

At the initial stage of e-filing process, assesses are supposed to send ITR-V acknowledgement through speed post or ordinary post to Centralized Processing Cell, Bengaluru. This resulted into half digitization and Department has observed that Persons are failed to comply with this part most of the time. With the introduction of Digital Signature and Aadhaar Linking department has come up with e-verification of filed return through Digital Signature or Aadhaar One Time Password or through Net Banking Facility.

The Assesses are finding it user friendly and are opting for this option very regularly. On the other hand department also find it very useful as it result into fast processing of filed returns.

5. E-assessment and E-Compliance:

This is the new feature introduced by the department with a view to reduce human interactions in the income tax proceedings. The purpose is to provide a facility to the assesses to comply with the law without visiting the Income Tax Office. This has resulted into savings in time and cost of compliance of the law with speed and accuracy.

With the collection of mail ids and contact numbers Department find it easy to communicate the assesses in short span of time resulting in non-repudiation, fast delivery, authentic and valid delivery of notices and intimations. This initiative records fast and speedy hassle free assessment of income tax returns and grant of refund or collection of taxes. Paperless assessment has made it easy for persons to comply with the law and get rid of from future consequences.

Table 3:Cost of Collection (Rs.in Crores) @

Financial Year	Total Collections	Total Expenditure	Cost of Collection
2000-01	68305	929	1.36%
2001-02	69198	933	1.35%
2002-03	83088	984	1.18%
2003-04	105088	1050	1.00%
2004-05	132771	1138	0.86%
2005-06	165216	1194	0.72%
2006-07	230181	1349	0.59%
2007-08	314330	1687	0.54%
2008-09	333818	2248	0.67%
2009-10	378063	2726	0.72%
2010-11	445995	2698	0.60%
2011-12	493987	2976	0.60%
2012-13	558989	3283	0.59%
2013-14	638596	3641	0.57%
2014-15	695792	4101	0.59%
2015-16	741945	4593	0.61%
2016-17	849713	5578	0.66%
2017-18*	1002741	6087	0.61%

@ Time Series Data published by the Income Tax Department for the financial year 2000-01 to 2017-18. * The figures of 2017-18 are provisional.

Conclusion:

The information technology has brought tremendous changes in the tax collection, data collection and assessment process at departmental level which can be witnessed from the above discussion and statistical data.

With the use of information technology tools Department has brought so many new assesses in the tax bracket result into hefty rise in direct tax collection.

On the other hand tax collection cost has been cut down by more than 50% in last 18 years on account of use of information and technology. This also indicates that there is less recruitment of the staff in Income Tax Department; one cannot overlook this aspect also.

The change which was brought by the Information and Technology in the Tax Administration has really gained a momentum and ease in compliance of the law. The day will not be too far that every financial transaction will be automatically reported to the income tax department without knowledge of the person entering into transaction.

References:

1. Students Guide to Income Tax by Dr.V.K.Singhanian
2. Time Series Data Analysis published by Income Tax Department.
3. www.incometaxindia.gov.in
4. www.tin-nsdl.com
5. www.taxguru.com
6. Income Tax Act 1961 by Taxxmann
7. Income Tax Rules Act 1962
8. The Economic Times
9. The Financial Express
10. The Business Standard
11. Direct Tax Law and Practice by Dr.V.K.Singhanian and **Dr.Kapil Singhanian**