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## Digitalization and e-Governance: Income Tax Perspective

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**PRESENTLY**, we are passing through a very important phase in human history. This is a period of digitalization, automation, AI and 5G. So far, the human civilization has passed through three phases or waves; firstly, the wave of agriculture- which lasted until 17th century, secondly, the wave of manufacturing and industrialization- which continued till late 20th century and thirdly the phase of services and knowledge economy which included banking, insurance, consultancy, IT, software, etc. and lasted till 2010-15. *The fourth phase has just begun which is the age of digitalization, AI, Data Analytics, ML, Block Chain, robotics and 5G networking. In words of Hon'ble Prime Minister, we cannot afford missing this fourth phase and India will be in forefront in taking advantage of this fourth phase .* Thus, 2023 is going to be very important for us. We have assumed presidency of G-20 and will provide global leadership to various issues and digital tech is going to be one of the main agendas of India's G-20 presidency. India is going to share its digital stack or digital public goods with global south, which includes UPI, Aadhar, Digilocker, CoWin Platform, etc. The Government has also initiated Digital India campaign for digital inclusion of the masses and rendering various services to the citizens in efficient and corruption free manner. The Direct Benefit Transfer (DBT) is an example of that.

The Income Tax department has been one of the pioneers in inducting digital technology with a view to promote ease of doing business and to make compliance easy. Way back in 1991 when I joined the Government, we used to do entire work in physical mode. Today, almost entire thing is being done online, be it tax payments, tax filing, processing, tax refunds, registration or even assessment. In fact, even the grievances are handled online now. The work is being done much faster, efficiently and transparently. This is the power of digitalization and automation. Way back in 1991 we used to handle about 77 Lakh tax returns, today we handle more than ten times at 7.78 Cr. tax returns but the process is being done at 1/10th of the time being taken earlier. This is the power of technology and how it enables the Government to provide quality services to the citizens. Now we can analyze massive data of Income Tax Returns financial transactions and tax payments through Artificial Intelligence and Machine Learning (AIML) and pin point any case in which risk is involved and can investigate such cases further in a non-intrusive way. Escaping tax evasion has become really difficult now. Annual Information System (AIS) and improved AS-26 have enabled the department to capture almost every financial transaction by a tax payer and the system can analyze whether any income has escaped taxation.

The Income Tax department has also initiated various other measures such as 1) Pre-filled Returns, 2) e-Verification Portal, 3) Updated Returns, 4) Unified Returns Form, 5) Instant PAN , which are very helpful to the tax payers. This has created trust and has reduced litigation, thus promoting ease of doing business.

As a result of the above steps, we made a tax collection of 16.62 Lakh Cr. in the last fiscal year and 7.78 Cr tax returns were filed ( fig: 1 to 4 ). In the current year, already 6.78 Cr. returns have been filed with 56 Lakh returns being filed for the first time which may be attributed as new taxpayers. We have a dedicated portal for taxpayer services, as also a dedicated helpline which is headed by a senior officer, to take care of taxpayers' problem. Not only we are doing well, our sister department GST has also done equally well in digitalization and computerization. GSTN is a very robust network now. It is seen that registered entities have doubled since the launch of GST in the year 2017. The tax collections under GST have also stabilized at about Rs. 1.5 Lakh Cr. This is the power of digitization technology.



**Fig. 1 to 4, constructed by author from CBDT statistics 2023**

Globally, it is seen that tax compliance improves with rational tax structure, simplification of tax laws, payment procedure, tax education, tax awareness, handholding of taxpayers, and further simplification of processes. It also improves when you appreciate taxpayers' contribution towards the exchequer and how it contributes to nation building. In the last 3-4 years, there has been a lot of emphasis on facilitation, tax education, awareness, and outreach programmes. Also, greater emphasis has been laid on appreciating the taxpayer's contribution from the highest level.

The mission of the tax department is "to enforce tax laws with fairness and to make compliance easy". In this regard, Ayakar Seva Kendras have been established across the country to help taxpayers. Also, efficient grievance redressal mechanisms are placed which are monitored at the highest level and a Citizen Charter has also been issued. Besides, a lot of online resources are available on income tax websites along with some very useful YouTube videos. Besides, a help desk is available for a taxpayer to lodge a complaint, raise a query, or even call up an officer.

The use of digital technology has had a tremendous impact on tax compliance. Now the entire tax system is fully automated, and a person can pay taxes online at any hour of the day. Similarly, he can file for returns at any time, even on a holiday or at night. The returns will be directly credited to his bank account. He can file grievances online and can track progress as well. Now Citizens need not visit a tax office for any of the above mentioned processes as these services have been made available online.

There has been a lot of improvement in compliance after digitalization and computerization of the tax processes, which is reflected in tax collection figures as also in growth of payment of taxes and overall tax base. Now, we can do 360 degree profiling of taxpayers, as to what are they doing, what are their incomes from different sources and where are they spending or investing, in non-intrusive ways, without visiting a taxpayer. *In fact, after computerization, compliance costs at the end of taxpayers have also substantially reduced, which helped in better compliance.* The speed of the department in processing tax payments and tax returns has increased considerably. Presently tax refunds are being issued within 16 days which we further intend reduce to 10 days. *Today, one can file the tax returns or pay his tax sitting at home at any time 24X7 and can also see the progress in their matter online.* Therefore, technology has provided a lot of flexibility. Now, many tax returns are processed the same day it is filed and tax refund is also issued to the assessee within a few days. Therefore, technology has made life easy, both for the taxpayers and also for the tax department.

**Problem Areas:** Coming to the problems, technology throws its own problems which need to be managed and a user has to get used to it. The biggest problem is of public awareness and access. One has to have an internet connection, a computer and a smartphone to access the above facilities. In due course, the connectivity will get better with 5G networking and mobile telephony will also be available in almost every corner of the country, which will have better access. At the end of the assessee, they may need a bit of help for some matters, like filing of tax returns or claiming tax credit which we provide with the help of technology.

**Cyber-security :** The Income Tax Department is the Custodian of important tax and income data of an individual/company, which is a privileged information and access to the same is not available to anybody else, other than the relevant tax officer. To protect the data/information, elaborate arrangements are made in tax network as to how a particular data/information is stored, how it is retrieved, how it is accessed and suitable data backup is to be created along with security of servers. The Income Tax Department follows the international standards in cyber security; security of data/information and network and suitable firewalls, anti APT (Advanced Persistent Threat) systems and IPS (Intrusion Prevention System) systems are put in place. There is a dedicated network/highway which cannot be intruded by anyone and there has not been any such incident so far. Coming to the user security, two factored authentications are provided before a user can log into the system. Firstly, with the help of user ID and password and second layer with the help of a RSA token (which is a real time number and keeps changing every minute) and pin number. Further, even after a user has logged into the system, he/she cannot access the entire information or entire data. He can access only the data related to his work list or work item or role assigned to him within the department. Therefore, even if his RSA token is stolen or misplaced or misplaced by anyone, firstly the person may not be in a position to log into the system and secondly even if he has, he can access only limited information. Thirdly, the departmental officers are provided dedicated computers/laptops in which the facility for inserting pen drive is not there. Fourthly, while working on the departmental network, the officer cannot work on internet. Finally, the technical vendors working for the department has got their own security teams which keep a check on things from time to time. The second layer is departmental EDT officers who also keep check on security of the systems/networks under overall control of DG systems. The audit of security aspects is done by STQC which is a Ministry of Electronics and Information Technology (MeitY) based organization. ISO certification of the security aspects is also done. There is a Chief Information Security Officer (CISO) of the rank of Commissioner who sits in CBDT/Ministry, who looks after overall security of the information systems in the department and issues directions to the field formation from time to time. Thereafter, at local level also, there are senior officers who have been made responsible to take care of security aspects. Therefore, the security of the information systems in the department is fully taken care of.

**Digital India** is a program initiated by the Government in 2015 with a view to transform India into a digitally empowered society and knowledge based economy by ensuring - (i) Digital access, (ii) Digital inclusion, (iii) Digital empowerment. The aim of digital technology is to improve the life of every citizen, expand India's digital economy and create investment and employment opportunities. Digital India has helped delivery of services directly to the beneficiary in transparent and corruption free manner. In this regard, the Government has taken various initiatives.

Common Services Centre deals in providing day to day services of the Government programs in rural areas. Unified Mobile Application for New Age Governance (UMANG) is quite useful to the people. e-District enables district administration to issue birth/death/caste/residency certificates to the citizenry online. It also helps in updating land records, electoral roll, etc. Digi-Locker ensures paperless availability of public documents like land holding etc. UPI or Digital payment platforms like PayTm, Rupay etc. help in easy transfer of money. Co-WIN platform dealt with vaccination during Covid period and issuing of certificates. MyGov platform deals with participatory governance. Public can give their ideas and suggestions to the Government. Direct Benefits Transfer (DBT) is Aadhar based direct benefits transfer to the people, directly to the beneficiary bank account. Besides, the Government has also initiated e-NAM - e-National Agriculture Market enables online competitive bidding system for farmers. e-Tendering Process for Government contracts, e-Procurement - Procurements in Government through GeM portal, e-Office - Central Government has initiated its working on e-office, which is a very smooth, paperless kind of work and tracking the file has become very easy and e-Courts have also started functioning in electronic mode and the litigants/lawyers need not be present in the court now. This has promoted ease of doing business and has created efficiency, trust and transparency.

How did digitalization actually start in India and how it became so successful in a huge country like India is discussed as below -

**How did we do Digitalization** : In the year 2009, the Government set up Unique Identification Authority of India (UIDAI) with a view to provide unique identity to all its citizens. The process involved a 12 digit identity for every person which was also called Aadhar. In this process, Bio-metrics of a person was done by taking finger prints and iris scan. By the year 2021, 99% of the adults in the country were covered by Aadhar. This was a massive exercise to cover 135 Cr. population of the country. The next important step that Government took was Pradhan Mantri Jan Dhan Yojana (PMJDY). This yojana envisages financial inclusion of the people and in fact over 16 Cr. bank accounts were opened during the year 2015-16 for the people who were not having bank accounts thus far. Aadhar linking of bank accounts:- The next step that the Government took was linking bank accounts with Aadhar Number of every person.

**Direct Benefits Transfer (DBT)** - The DBT was the next step that the Government took, in which the Government directly transferred benefits/funds to beneficiary bank accounts. The DBT scheme of the Government of India has been praised world-wide because it enables the Government to transfer benefits to the people directly, faster and in corruption free manner.

**The digital payments through UPI** are key drivers to the economic development of the country today and even small traders have adopted the same. This has improved formalization of economy. Today a villager sitting in a remote area can access information about weather or rates of agricultural produce on real time basis. He/she can also talk to a relative near/dear one through a video call. Various benefits are being transferred to his bank account directly by the Government through DBT mechanism. In due course, more and more such initiatives will be taken by the Government which will reduce compliance burden and will promote ease of doing business. This will take India to the higher orbit and will make it truly developed nation by 2047.

**[The views expressed are strictly personal.]**

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