

TAXPAYER SERVICES: NEW HORIZONS FOR INCOME TAX PAYERS

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Certificate

I have the pleasure to certify that Bhaskar Goswami, IRS (IT) has pursued his research work and prepared the present dissertation titled “Taxpayer Services: New Horizons for Income tax payers” under my guidance and supervision. The dissertation is the result of his research and to the best of my knowledge, no part of it has earlier comprised any other monograph, dissertation or book. This is being submitted to the Panjab University for the degree of Master of Philosophy in Social Sciences in partial fulfillment for the Advanced Professional Programme in Public Administration of Indian Institute of Public Administration (IIPA), New Delhi.

I recommend that the dissertation of Bhaskar Goswami is worthy for the consideration for the award of M. Phil degree of Panjab University, Chandigarh.

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Bhaskar Goswami, IRS (IT)

Declaration

I, undersigned hereby declare that this dissertation titled, “Taxpayer Services: New Horizons for Income tax payers” is my own work and that all the sources I have accessed or quoted have been indicated or acknowledged by means of complete references/bibliography. The dissertation has not been submitted for any other degree of this University or elsewhere.

Bhaskar Goswami, IRS (IT)

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List of Abbreviations

Sl. No	Abbreviation	Full form
1	ADG	Additional Director General
2	AO	Assessing Officer
3	ASK	Aayakar Seva Kendra
4	BIS	Bureau of Indian Standards
5	CAG	Comptroller and Auditor General
6	CBDT	Central Board of Direct Taxes
7	CCIT	Chief Commissioner of Income tax
8	CCRA	Canada Customs and Revenue Agency
9	CIAT	Chilean IT Association
10	CIT	Commissioner of Income tax
11	CPC	Central Processing Centre
12	CPGRAMS	Centralized Public Grievance Redress and Monitoring System
13	DARPG	Department of Administrative Reforms and Public Grievances
14	DEO	Data Entry Operator
15	DGIT	Director General of Income tax
16	FAD	Fiscal Affairs Department
17	GIR	General Index Register
18	GOI	Government of India
19	IMF	International Monetary Fund
20	IRD	Inland Revenue Department (Hong Kong, China)
21	ITBA	Income tax Business Analytics
22	ITD	Income tax Department
23	ITO	Income tax Officer
24	ITR	Income tax return
25	LAC	Latin America and Caribbean
26	MIS	Management Information System
27	NJRS	National Judicial Referencing System
28	NSDL	National Securities Depository Limited

29	OECD	Organization of Economic Cooperation and Development
30	PAN	Permanent Account Number
31	PCCIT	Principal Chief Commissioner of Income tax
32	PCIT	Principal Commissioner of Income tax
33	PMU	Performance Monitoring Unit
34	RFD	Results Framework Document
35	SBI	State Bank of India
36	SQM	Service Quality Manual
37	TAN	Tax Deuduction ad Collection Account Number
38	TARC	Tax Administration Reforms Commission
39	TDS	Tax deducted at source
40	TIN	Tax Information Network
41	TPS	Taxpayer Services
42	TRP	Tax Return Preparer
43	USAID	United States Agency for International Development
44	UTIITSL	UTI Infrastructure Technology and Services Limited

Executive Summary

- i. The objective of this dissertation is to examine the Taxpayer Services (TPS) that have been developed by the Income tax Department (ITD). Traditionally the ITD has been an enforcement agency of the Government which is largely associated with tax assessments, search and seizure operations (known as ‘raids’ in common parlance) and other enforcement and investigative actions taken in the context of the campaign to unearth black money, in recent times.
- ii. The dissertation is largely a descriptive one and also has an element of causal research as it seeks to make an impact analysis of the strategic delivery of TPS and the increase in the voluntary compliance by taxpayers in general. The dissertation relies on published reports of various national and international agencies to examine its research questions.
- iii. The ITD has come a long way in the matter of delivery of TPS. TPS is a matter of constant improvement of processes and their effective monitoring. In this connection, it is recommended that the ITD must use technology in a more productive way. The technology must be such that the taxpayer does not have to fill in too many values and the electronic tax return should be able to populate all fields automatically once the PAN is entered.
- iv. Some taxpayers still feel that the process of filing a tax return is confusing, cumbersome especially for senior citizens or persons who may not be tech savvy. A recommendation has been made that the ITD should create consultative machinery between the Directorate of TPS and the Directorate of Systems such that the Directorate of TPS can drive the required technological development in the light of

the experience it has gathered in its work. This will fulfill the aspirations of the taxpayers faster and more effectively.

v. Another issue that agitates taxpayers is that they perceive a lack of accountability of the system towards the taxpayers. The taxpayers' aspiration is that taxes paid by them are judiciously spent. It has been recommended that ITD should create specialization in the field of TPS. Officers who have flair of working in this field and are able to give results should be allowed to work in this field for an extended tenure of at least five years. This will ensure that these suitable officers will be able to effectively engage with the taxpayers and explain the various steps to their satisfaction. As much as it is important to take effective steps in the matter of TPS, it is equally important to have an effective strategy for communication with taxpayers.

vi. Taxpayers also want a strong, fair and quick appeal disposal mechanism. This makes a very important point as it shows that the other core activities of the ITD are inextricably linked with providing TPS. It has been recommended that the ITD should sensitize all its officers to the fact that no matter in which division they are working, as much as they are an enforcement agency, they are also providing a service to the taxpayer. This will go a long way in ensuring that the ITD acts reasonably and fairly in all its functions.

vii. It has also been recommended that in case taxpayers do not receive their refund as per the time specified in the Citizens Charter, apart from the interest that is paid for the delay, the ITD should explain in writing the reasons for the delay. This will ensure that the officers will be more alert in attending to grievances apart from ensuring that all taxpayer dues are paid out in time.

viii. It has also been recommended that grievances filed by taxpayers should be allowed to be closed only after it has been finally resolved and not mid-way by giving a reply that the matter is 'in process'. This will ensure that the ITD does not abandon the taxpayer mid-way in the process and ensures that all grievances are taken to their logical conclusion.

Chapter 1 : Introduction

1.1 The purpose of this dissertation is to examine the Taxpayer Services (TPS) that have been developed by the Income tax Department (ITD). Traditionally the ITD has been an enforcement agency of the Government which is largely associated with tax assessments, search and seizure operations (known as 'raids' in common parlance) and other enforcement and investigative actions taken in the context of the campaign to unearth black money, in recent times.

1.2 In this context, it needs to be examined whether the TPS that the ITD has put in place gets the requisite attention. The purpose of this dissertation is to draw attention to the fact that the ITD also plays the role of service provider as much as an enforcement agency. In the year 2014-15, the Tax Administration Reforms Commission (TARC) headed by Dr. Parthasarathi Shome has made several recommendations on the restructuring/improvement of functioning of the Central Board of Direct Taxes (CBDT). One of the recommendations of the TARC was to set up a dedicated vertical for TPS. The CBDT/ITD has since taken several steps to strengthen the existing machinery for providing TPS and has also added to the different ways of providing services to taxpayers.

1.3 However, simply putting in place certain mechanisms is not enough unless they operate efficiently. The purpose of this dissertation, apart from describing the actions of the ITD in putting in place TPS mechanisms is also to examine the results of these measures and the impact they have had in settling taxpayer grievances.

1.4 TPS is of importance to any tax administration if it must evolve into a mature tax administration. Over time, the role of any tax administration moves beyond the

mere collection of tax into one that has trust and faith as the cornerstone of its functioning as opposed to an adversarial manner of functioning.

1.5 In India too that narrative has changed and therefore, as the Indian tax administration evolves into one that is keen on quickly adopting international best practices, the importance of TPS cannot be missed.

1.6 As has been mentioned at para 1.1, the primary task of the ITD is to collect taxes (generally classified as Direct taxes, including Corporate tax and Personal Income tax). The ITD gets its target for tax collection from the Union Budget presented in the Parliament. The methods/methodology that the ITD uses to achieve these tax collection targets are specified in the Income tax Act, 1961 (“the Act”).

1.7 Apart from the overall target of tax collection, the ITD has its own internal targets that include processing of tax returns filed, issue of refunds wherever applicable, timely completion of tax assessments, collection out of arrear demand, collection out of current demand raised, settlement of audit objections, investigation of specific information received from other agencies, attending to information received related to tax evasion, etc. This profile of the ITD makes it primarily an executive department tasked with the enforcement of the relevant laws.

1.8 However, it is also a fact that given its profile as discussed in para 1.7, the ITD also has an extremely significant human interface in its dealings with the taxpayers and other persons related to the work of tax collection. This public dealing activity of the ITD also makes it a public service agency that necessarily has to ensure prompt and efficient service delivery. It is imperative that any service department/agency will have to set up a mechanism that looks into and effectively addresses grievances of all persons it comes into contact with. The ITD is no exception.

1.9 In the past, the ITD mostly concentrated on the business of tax collection. The compliance with tax laws and procedures was left largely to the taxpayers and tax professionals. It has been said that this also created an atmosphere that was largely adversarial. It needs to be examined if over the last few years, this situation has changed. It also needs to be examined whether that reality that significant public dealing places a responsibility of providing services to the taxpayers, has been recognized by the ITD.

1.10 The CBDT and ITD have been claiming that they have taken steps to ensure that the adversarial atmosphere is replaced with an atmosphere of trust. In recent years, slogans of the ITD like 'File, Smile and Go' or the more recent '*Imaandari ka Utsav*' are counted as steps in this direction. While tax collection may always remain one of the core functions of the ITD, providing high quality TPS to the taxpayers is part of its functions. There may be a relation between this approach and higher tax compliance. This dissertation seeks to examine whether the increased stress on TPS has been accompanied by a higher rate of growth in the number of taxpayers, over the last few years. Accordingly, the relation between these TPS and tax compliance will be examined in this dissertation.

1.11 The Government of India has instituted the 'Prime Minister's Award for Excellence in Public Administration' for 'Easy Tax Compliance through Quality Service'. The purpose of the award is to acknowledge, recognize and reward the extraordinary and innovative work done by Districts/organizations of the Central and State Governments. The criterion for the award reads as:

(a) The awards for implementing Priority Programme will be evaluated on the basis of pre-determined parameters in consultation with Line Ministry/ Department.

(b) The awards for Innovations will be evaluated on the basis of following criteria:

i. Introducing and implementing an innovative idea/ scheme/project to meet stake holders' requirement.

ii. Bringing perceptible improvements in processes/ systems and building institutions.

iii. Making public delivery systems responsive, transparent and efficient, particularly by leveraging technology.

iv. Preparedness/ performance in emergent situations, disasters like cyclone, earthquake, flood etc.

1.12 In the year 2015, the ITD received this award. It was mentioned at that time that the award was conferred to the ITD for setting-up and for successful implementation of end to end solution of core services. These include integrated e-governance initiatives viz. Tax Information Network ("TIN"), e-filing portal, Centralized Processing Cell ("CPC-TDS") for processing of TDS statements, Centralized Processing Centre ("CPC") for processing of Income Tax Returns and the Refund Banker¹.

¹ The Refund Banker Scheme was introduced in the year 2007. Prior to this, the ITD used to send refund cheques to the taxpayer that had to be presented to the Bank. Under the Refund Banker Scheme, the ITD sends an advice to designated Banks who make out the refund cheque in favour of the taxpayer.

1.13 This dissertation will examine whether the criteria are itself meaningful in the context of the TPS provided by the ITD. The dissertation will also examine whether the ITD has actually lived up to this criteria and if so, whether it continues to do so. Getting an award is not enough as it is necessary to examine the situation on the ground in terms of actual disposal of grievances of taxpayers.

1.14 Given the discussion in the preceding paragraphs, the purpose of this research are:

- i. To examine the processes and mechanisms that the ITD has put in place to achieve its goal of providing TPS.
- ii. To examine the following in the context of the domain of TPS:
- iii. the definition of TPS and its kinds;
- iv. the need for and the goal of TPS;
- v. evolution of TPS (International trends);
- vi. role of Tax administration in TPS. Sometimes a tax administration may outsource some portion of TPS delivery to a private party.
- vii. To describe the specific mechanisms used by the ITD in India to provide high quality TPS. These include (i) tax payer education, (ii) assistance in filing tax returns (Tax Return Preparers scheme), (iii) e-services (including tax calculators, form downloads, website for FAQs, helpdesk, live chat, expert opinion), (iv) Citizens Charter (promising post tax return filing deadlines) and (v) Grievance redressal (through BIS certified Aayakar Seva Kendra's and online services) .

- viii. To test the hypothesis that strategic delivery of TPS leads to higher voluntary tax compliance, apart from reducing grievances. For this, the study examines the position that existed prior to 2014 and after, with respect to the manner in which this issue of Taxpayer services has been addressed within the ITD.
- ix. To examine the nature of public grievances that are received by the ITD and the different mechanisms employed, to address these grievances. The study will also examine how the ITD follows up the steps that need to be taken within the Department to redress these grievances. It will also examine if there is any mechanism to ensure that these grievances do not recur.

1.15 The research design of the study is a descriptive and causal research. The study largely describes the situation as it has evolved over the last fifteen years between 2003 and 2018. The research has an element of causal research as it will attempt to examine the impact of strategic delivery of TPS on voluntary tax compliance, apart from reducing grievances.

1.16 As for the research strategy is concerned, it will be a mixed research as it will combine both Quantitative and Qualitative methods.

1.17 The following research questions have been framed and probed into:

- i. What is the current state of TPS in the Income tax Department?
- ii. What are the processes and mechanisms that the ITD has put in place to achieve its goal of providing high quality TPS?

- iii. Does the strategic delivery of TPS lead to higher voluntary tax compliance, apart from reducing grievances?
- iv. What is the nature of public grievances that are received by the ITD and what are the different mechanisms employed, to address these grievances?
- v. What are the steps taken by the ITD (internally) to redress these grievances?
- vi. Is there any mechanism to ensure that these grievances do not recur?

1.18 This research describes the steps that the ITD has taken to reach the present stage of development in the matter of providing high quality and strategic delivery of TPS. It has been mentioned earlier that the ITD has received an award for public service delivery in 2015. Describing this journey will be useful in order to examine as what any public service organization needs to do in its development. Apart from that it has also been mentioned earlier that this dissertation examines the criteria of the award itself.

1.19 The study will assess the impact of these steps on the core function of the ITD, of increasing voluntary tax compliance. The study identifies and analyses lessons learnt in this process.

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Chapter 2: Literature Review and Identification of Research Gap

2.1 The literature review carried out is described at (i) to (v). It may be pointed out that in the Indian context; this is a development that has occurred since 2003. Though there were some grievance redressal mechanisms prior to 2013 that but the TPS vertical was created in the year 2013-14. Therefore, limited literature available directly related to the Indian experience.

- i. Central Board of Direct Taxes: Manual of Office Procedure on redressing taxpayer grievances (2016): This manual describes the new procedure to be followed by officers of the Department after receiving a grievance. However, since this is a procedural manual, no specific finding was given and no impact analysis was made. Accordingly, a research gap was identified that no clear linkage drawn between the new procedure prescribed in the manual and the performance of the ITD in the matter of settling grievances.
- ii. Central Board of Direct Taxes: Manual of Office Procedure on redressing taxpayer grievances (2003): This manual describes the steps to be taken by officers of the Department after receiving a grievance. However, since this was a procedural manual, no specific finding was given and no impact analysis was made. Accordingly, a research gap has been identified that no clear linkage drawn between the steps prescribed in the manual and the performance of the ITD in the matter of settling grievances.
- iii. International Monetary Fund: Report of the Fiscal Affairs Department (FAD) (2010): This report presents some guidelines for

Improved Tax Administration in any mature administration. The report describes taxpayer expectation and the steps that a Tax Administration can take. However, a research gap has been identified such that the report did not give any specific finding in respect of India but it does provide an opportunity to compare the steps taken in India.

- iv. Quality Council of India: Report on behalf of the Performance Monitoring Unit (PMU) of the Department of Administrative Reforms and Public Grievances (DARPG) (2015): This report monitors implementation of identified reforms catering to grievance issues and review public grievances. As it does with other departments, the report discusses the progress of the ITD in settling different kinds of grievances. A research gap has been identified as no clear linkage has been drawn between the systemic reforms undertaken and the improvement in the performance of the ITD in the matter of settling grievances.
- v. United States Agency for International Development (USAID) (2013): This publication provides/suggests detailed guidelines for Improved Tax Administration in Latin America and the Caribbean. It describes taxpayer expectation and the steps that a Tax Administration can take in this regard. A research gap has been identified as this did not give any specific finding in respect of India but provides an opportunity to compare the steps taken in India.

2.2 As can be seen from the description in para 2.1, none of the available literature addresses the research questions that are proposed to be answered by this research. Therefore, this represents a research gap that justifies this research.

2.3 This research seeks to use secondary data arising from the study of documents that will be collected from various sources. The data that will be taken from reports/studies related to disposal of taxpayer grievances that have been published by:

- i. The Department of Personnel & Training, GOI;
- ii. The Quality Council of India for the DARPG;
- iii. The Central Board of Direct Taxes;
- iv. The field formations of the Income tax Department; and
- v. Some international bodies like the Organization of Economic Cooperation and Development (OECD).

2.4 The research questions that will be answered by the study of these documents have been identified in the earlier paragraphs. The documents will also provide relevant data that will seek to examine the hypotheses that have been put forward earlier.

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Chapter 3: Taxpayer Services-Basic Concepts

3.1 In general terms, the term TPS refers to the manner in which the taxpayers are treated. The basic concept is that all taxpayers must be treated (i) in a fair manner (ii) in a respectful manner and (iii) in a professional manner. It also refers to a set of strategic initiatives undertaken by the tax administration to assist taxpayers in compliance.

3.2 Taxpayers have come to expect the same level of service from public organizations as they receive from the best private sector organizations. Taxpayers are increasingly becoming more comfortable using new technology and are looking for easier, more efficient, and time effective ways to obtain information and interact with government agencies. To effectively meet taxpayer demands, administration staff must embrace the concept of viewing the taxpayer (customer) as the most important person to the organization².

3.3 The development of a TPS vertical is rooted in the migration of tax administrations from organization structures based on type of tax, to those based on function. An effective organization is the basic platform from which all other procedural reforms are launched and maintained. Without the right organization structure in place, revenue administrations cannot operate effectively and their revenue collection efforts will be sub-optimal. Where function-based organizations have not been implemented, the extensive procedural and operational reforms needed to support modernization would likely to be ineffective³.

² United States Agency for International Development (USAID) (2013)

³ International Monetary Fund : Report of the Fiscal Affairs Department (FAD) (2010)

3.4 It has been universally recognized that an effective Tax Payer Service strategy integrates three broad areas. These are (i) Tax simplification: simple policies and procedures facilitate voluntary compliance; (ii) Tax Payer Assistance: Helping a tax payer to file returns, pay taxes, resolve issues in compliance of procedures, answer questions; and (iii) Facilitation of tax collection and enforcement.

3.5 In the matter of Taxpayer assistance, the assistance could be divided into three sub-divisions of (i) pre-filing assistance; (ii) filing assistance; and (iii) post-filing assistance. The ‘filing’ that is being referred to would mean not just filing of tax returns, it would also mean filling of all other applications, appeals and documents.

3.6 Facilitation of tax collection and enforcement also finds its place in the ambit of TPS as the ultimate goal of any Tax administration is to collect the proper amount of tax revenue due to the government. Hence providing a mechanism for regular and timely remittance of due taxes is an essential enabling tool for encouraging voluntary compliance.

3.7 The advantage of developing a TPS vertical based is that the tax administration develops specialization in the matter. Otherwise this would be lost in the maze of the several functions of the administration. The specific advantages that accrue by following the model of creating a TPS vertical are para’s 3.7.1 to 3.7.6. In fact, the points mentioned are applicable to creation of vertical based tax administration. The advantages mentioned in the points at para’s 3.7.1 to 3.7.6 accrue to the TPS vertical likewise.

3.7.1 ***Greater uniformity and specialization across the organization:*** This arises from the creation of verticals or silos within the tax administration, each designed to serve a separate function. This captures core knowledge and expertise within each

vertical. It is not as if these silos do not communicate with each other. The synergy that they develop can improve efficiencies with the tax administration. It also allows for efficient monitoring of the various functions.

3.7.2 *Improved compliance results:* The tax administration benefits from a complete view of taxpayer behavior across all tax types. The administration can track instances of non-compliance along with individual taxpayer behavior. Creating a TPS vertical also allows the tax administration develops technology solutions that are tailored specifically for this vertical.

3.7.3 *Simpler processes for the taxpayer and the administration:* Once the processes including the technology for the vertical has been developed, it results in easier and simpler interactions for the taxpayer. This results in simpler tax administration processes.

3.7.4 *Centers of excellence:* One of the strengths of the function-based tax administration is the ability to develop specialties within the administration. For example, all work related to TPS is located at one place. The organization can study, research, develop and perfect new techniques and approaches to ensuring that the taxpayer grievances are handled as efficiently as possible. This same approach holds true for other specializations within the tax administration.

3.7.5 *Better resource management:* Resource management improves for several reasons. Overall administration costs should be reduced as duplicated processes are eliminated. For example, the function-based organization only requires one IT system and support team, not multiples for each type of tax. In the Indian context, the ITD collects Corporate Tax, Personal Income tax, deducts tax at source and levies several presumptive taxes for different specified businesses.

3.7.6 *A tool for integrity:* The function-based tax administration shares responsibility for all tax types across functional lines. As no one unit or division is entirely responsible for the entire tax administration process, the opportunity for collusion amongst officers is reduced.

3.8 As seen from the discussion in para 3.7 and sub-para's 3.7.1 to 3.7.5, the evolution to a function based administration is the underpinning for the development of verticals like TPS within a tax administration. The underlying objective is to ensure that all taxpayers get a fair deal from the tax administration by access to systems that are fair, just and equitable. Apart from that it also reduces corruption and harassment that taxpayers may otherwise be subject to.

3.9 At the same time, it does not lose sight of the fact the core function of any tax administration is collection of tax. Hence, TPS also ensures that the tax administration collects a fair amount of tax. The goal of efficient delivery of TPS cannot be said to be achieved if the core function of the tax collection is compromised.

3.10 At the same time a mature tax administration is expected to realize that the taxpayer is not an adversary. This new narrative needs to be implemented by creating an attitudinal change in the tax administrators, developing their soft skills and improving their attitude and orientation. This ought to result in a triple-win situation with the matching benefits to the tax administration, the taxpayer and the country.

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Chapter 4: Taxpayer Services in India

4.1 The CBDT has always stated that as a Government Department responsible for administering the tax laws, it strives for excellence in carrying out this role and contributes towards promoting the country's prosperity and stability. During the past few years they claim to have been continuously improving its structure, operations and services, in order to better respond to social development and functional changes. They also state that they have recognised the merits of employing the latest information technology, streamlining work procedures and emphasising staff training – measures directed at enhancing their work efficiency and professionalism.

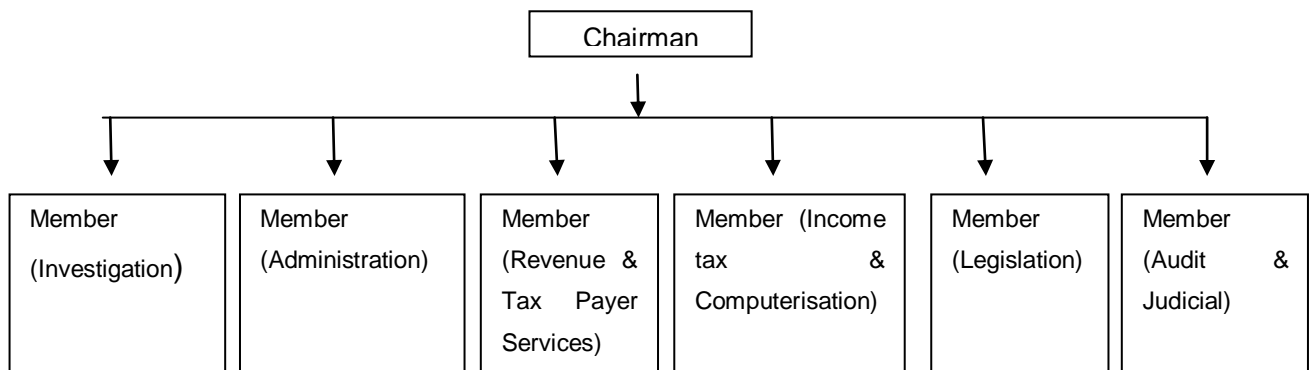
4.2 At the same time, they state that they have been continuously stringing to cultivate a customer-centric service culture. Over the years the CBDT has faced various challenges, such as those posed by ups and downs in the economy, increasing workloads, and the growing complexity of taxation issues as business and financial operations become more sophisticated.

4.3 Information technology has become increasingly an important tool in the development and refinement of tax operations. CBDT has implemented various Information Systems Strategy Plans to strengthen our computer systems, allowing the introduction of automated processes and facilitating progress towards a paperless office in the future. It has enhanced the infrastructure of its internal information systems, and at the same time built up a database of taxpayer information.

4.4 The administrative structure of the CBDT and the field formations is given in Figure 4.1. This will be useful as a point of reference in the discussion in this dissertation. It may be mentioned that the Member (Revenue and TPS) was so designated in 2016. Prior to that it was only Member (Revenue). The field formations

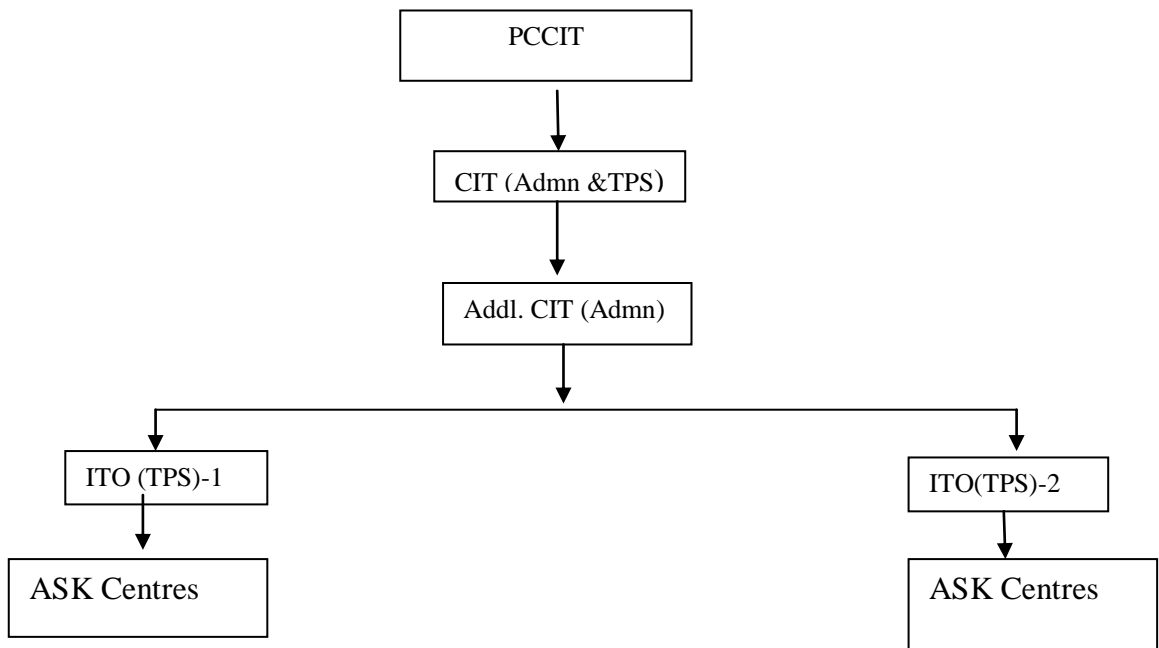
are headed by Principal Chief Commissioners/Chief Commissioners and their subordinate officers. The administrative structure of the field formations is discussed later in Chapter 4.

Figure 4.1: Administrative Structure of CBDT and Field offices



(Source: Directorate of Taxpayer Services, CBDT)

Administrative Structure of Field formations



Situation of TPS in India in 2003

4.5 At this stage let us examine the journey of the CBDT in this direction. One of the earliest that was found was the Manual of Office Procedure of the CBDT

published in the year 2003. This has laid out the procedure that an officer of the ITD needed to follow on receipt of a grievance. The manual recognized that grievances could arise on account of delay in transfer of files, harassment during search and seizure operations, surveys or during assessment proceedings, discourteous behavior of officers/officials etc.

4.6 It was also noted that grievance redressal is a major aspect of the ITDs public relations exercise. The aim of the machinery set up by the ITD at that time was the following:

- i. Prompt redressal of every public grievance;
- ii. Safeguarding the rights and dignity of the taxpayer in a democratic set-up;
- iii. Enforcing higher standards of accountability on officers and staff of the ITD by taking disciplinary action against erring persons in selected cases;
- iv. Gaining insight into the working of the system through the feedback received from the public with a view to effecting appropriate changes in the system;
- v. Acquiring better knowledge about officers and staff;
- vi. Using public grievance as an input for the functioning of the ITDs vigilance machinery.

4.7 As for the machinery that was set up to achieve these ends at that time (2003), it consisted of a hierarchy of Grievance Cells created within the ITD. These consisted of the following, along with a brief description of their duties:

- i. The Central Grievance Cell under the Chairman, CBDT: This had the original function of dealing with grievances that were filed directly with it. It also had the supervisory function of overseeing the Regional and other grievance cells. The regional cells had to submit two-monthly reports to the central cell;
- ii. Regional Grievance Cell: This had the original function of dealing with grievances relating to the jurisdictional Commissioners of Income tax (CITs). This cell was located in the office of the Chief Commissioner of Income tax (CCIT) of the region. It also supervised any other grievance cell functioning in any other location within the region of the CCIT.

4.8 Turning to the procedure that was laid down, it stipulated that whenever a grievance petition was received in any office other than the Grievance Cell, the original petition has to be sent to the concerned Grievance Cell. The officer receiving the petition shall keep a copy of the same and act on it immediately. A compliance report has to be sent to the Grievance Cell, through proper channel. The Grievance Cell in turn would enter the complaint in its register and allot a unique number to it.

4.9 The Grievance Cell has to ensure that all grievances are redressed within 'a reasonable time'. Where it is not possible to help the taxpayer, he should be informed accordingly. It is notable that at that time no specific timeline was prescribed for the officer to act on the grievance.

4.10 On the part of the Grievance Cells, it was mandatory for them to send the petitions received by them, to the field officers through the supervisory officers. This was so that the supervisory officers had visibility on the grievances pending with their subordinates and they could monitor the progress. The 2003 manual states that the supervisory officers should monitor the disposal of these grievances within a 'specified time'. The supervisory officers were also tasked with analyzing these grievances so as to identify the areas that need attention and such action can be taken so that these grievances do not recur. The supervisory officers were also expected to refer the cases of delinquent officials for vigilance action.

4.11 The 2003 manual also laid out other measures related to TPS. These are discussed in points 4.11(i) to 4.11(v).

i. **Samman scheme:** As part of the ITDs efforts to motivate taxpayers to comply with their statutory obligations, the department launched this scheme in 1998. Its purpose was to the contribution of honest taxpayers to the nations cause. The scheme provided for giving the Samman award to the individual taxpayers who paid the highest tax for any financial year at the national award, in the three categories of business, profession and salary. Persons against whom any penalty was imposed, prosecution has been instituted, was subject to search and seizure action or had in any defaulted in their tax obligations were barred from getting an award.

ii. **Sampark scheme:** Under the scheme, various taxpayer services were to be provided using Information Technology. These included availability of forms on the departmental website and tax return preparation software through a simple question answer session. The scheme also allowed bulk filing of tax returns under the Suvidha scheme.

iii. **Regional Direct Taxes Advisory Committee:** With a view to increasing mutual understanding and cooperation between the ITD and the taxpayers and enhancing the image of the department, this committee was set up as an advisory body and would deal with matters relating to income tax and other taxes administered by the ITD. The committee was to discuss matters for developing and encouraging mutual understanding between the taxpayers and the ITD and removing administrative and procedural difficulties of a general nature. The committee would be concerned with problems of the Chief Commissioners jurisdictional region and would have a term of two years. The committee consisted of the CCIT (as the Chairman), the MP of the region, a lawyer dealing with income tax matters, a Chartered Accountant, representative of trade, representative of industry, representative of the State Government and a University professor or a College principal.

iv. **Interactive Voice Response System (IVRS):** The IVRS is a facility for providing pre-recorded replies on telephone in respect of frequently asked questions through dedicated phone lines. The facility was initially set up at Delhi, Mumbai, Chennai and Kolkata. The facility was available in Hindi, English and one regional language. The types of queries covered by this scheme were related to computation of taxable income under different heads, deductions and exemptions, tax rates, procedures, various forms, important dates, PAN etc. Simple question, which are generally raised by taxpayers in respect of these areas and their replies were provided in the form of a pre-recorded text. Various options were available under sub-menus. The system also had an option of receiving a written reply through fax in case the caller was speaking from a fax phone. The text was updated after the passage of every

Finance Act and the system automatically maintained a record of the number of calls received, nature of queries etc.

v. **Citizens Charter:** The Citizens Charter actually existed since 1998. However, it was incorporated as a measure of providing TPS in 2003 along with the others discussed above. This move gave it an administrative structure for proper implementation; something that was missing earlier. The Charter of 1998 is reproduced at figure 4.2.

Figure 4.2: Citizens Charter 1998

CITIZENS' CHARTER

**A DECLARATION OF OUR COMMITMENT TO EXCELLENCE IN OUR
SERVICE TO TAXPAYERS**

WE SEEK

TO BE FAIR

- By being impartial and objective
- By collecting taxes as per the law

TO BE HELPFUL

- By being courteous and efficient.
- By displaying names designations, telephone numbers and locations of the officials dealing directly with the public

- By informing tax payers as to their rights, duties, entitlements and obligations under the law.
- By providing information, leaflets, forms, etc. at the information & Facilitation Counters.
- By providing information regarding procedures and authorizes for legal remedies.

TO BE EFFICIENT

- By setting tax matters promptly and correctly.
- By handing personal and business information/materials furnished to the Department confidentially and as permitted by the law.
- By acknowledging all communications from tax payers on the spot and in any case within 7 days and furnishing final replies within 30 days.
- By redressing all complaints and grievances within 30 days.
- By issuing Income Tax Clearance Certificate u/s 230 of Income Tax Act within 30 days.
- By giving effect to appellate orders within 30 days of the receipt of such orders.
- By issuing refunds within 30 days of determination.

WE EXPECT YOU

- To be prompt, honest and accurate

- To pay taxes in time.
- To quote permanent Account Number (PAN)/GIR Number in all your returns and correspondence.

This Citizens Charter was re-drawn in 2014. The re-drawn Charter is given at figure 4.3. There is another revision that is under process now.

Figure 4.3: Citizens Charter 2014

CITIZEN'S CHARTER 2014

A Declaration of our commitment of the taxpayers

INCOME TAX DEPARTMENT

Government of India

**The Citizen's Charter of the income Taxes Department is a declaration of its vision,
Mission and Standards of Services Delivery**

VISION

To partner in the nation building process through progressive tax policy efficient and effective administration and improved voluntary compliance

MISSION

- To formulate progressive tax policy
- To make compliance easy

- To be accountable and transparent & act with honesty, in a fair & judicious manner
- To deliver quality services
- To continuously upgrade skills and build a professional and motivated workforce

WE BELIEVE IN

- Equity and transparency;
- Promoting taxpayer awareness and encouraging and assisting them towards voluntary compliance;
- Effective deterrence against tax evasion;
- Continuous research as the foundation of tax policy and administration and;
- Adopting technology as an enabler for improved service delivery;

Service delivery Standards

We aspire to provide the following key services within specified timelines:

Sr. no	Key Services	Timelines (from the end of the month to which return/application is received/ cause of action arises)
1.	Issue of refund alongwith interest uinder section 143(1) of the I.T Act	
	In case of electronically filed returns	8 months
	Other returns	9 months
2.	Issue of refund including interest from proceedings other than section 143(1) of the I.T Act	1 months

3 .	Decision on application for rectification	2 months
4.	Giving effect to application/revision order	1 month
5.	Acknowledgement of communication received through electronic media or by hand	Immediate
6.	Decision on application seeking extension of time for tax payment or for grant of installment	1 month
7.	Issue of Tax Clearance Certificate under section 230 of I.T Act	Within 3 working days from the date of receipt of application
8.	Decision on application for recognition/approval to provident fund /superannuation fund/ gratuity fund	3 months
9.	Decision on application for grant of exemption to institutions (University, School, Hospital, etc.) under section 10(23c)of the I.T. Act	12 months
10.	Decision on application for approval to fund under section 10(23AAA) of the I.T. Act	3 months
11.	Decision on Application for registration of charitable or religious trust or institution	4 months
12.	Decision on application for approval of hospitals in respect of medical treatment of prescribed disease	3 Months
13.	Decision on application for grant of approval to institution or fund under section 80G(5)(vi) of the I.T. Act	4 months
14.	Decision on application for no deduction of tax or deduction of tax at lower rate	1 month
15.	Redressal of grievance	2 months
16.	Decision of application for transfer of case from one charge of another	2 months

The above timelines will apply to cases where return/application is complete in all respects.

Expectations from Taxpayers

We expect our taxpayers:

- To be truthful and prompt in meeting all legal obligations:

- To pay taxes in time
- To obtain PAN and quote it in all documents and correspondence
- To obtain TAN and quote it in all documents and correspondence
- To quote correct tax payment/deduction particulars in tax returns'
- To verify credits in tax credits statements
- To file complete & correct returns within the due dates and in appropriate tax jurisdictions
- To quote correctly Bank Account Number MICR/IFSC code and other bank details in the return of income
- To intimate any changes in PAN particulars to designated agency
- To quote PAN of all deductees in the TDS statement; and
- To respond promptly to the communication from the Department

We Endeavour

- To promote voluntary compliance;
- To educate taxpayers and citizen about tax law;
- To provide information, forms and other assistance at the facilitation counters and also on website www.incometaxindia.gov.in
- To continuously improve service delivery;

- To induct state-of-the-art and green technology with a user friendly interface;
- To inculcate a healthy tax culture where the taxpayers and the tax collection discharge their obligations with a sense of responsibility towards nation building;
- To promptly deal with taxpayers grievances arising on account of technological issue and
- To adhere to the schedule of appointments with taxpayers

Grievance Redressal

- All grievance received will be redressed within two months from the end of the month of their receipt;
- Petitions on un-redressed grievance filed before next higher authority will be decided within 15 working days of receipt:
- The Taxpayers can approach the income-tax ombudsman in case of un-redressed grievance;

The grievance redressal mechanism including contact details of public grievance officers are available on the website www.incometax.gov.in

4.12 A comparison of the two Citizen Charters shows that in the Charter of 2014, there was a greater emphasis on maintaining service delivery standards. Timelines had been fixed for a wide range of functions and the level of efficiency became measurable. The Charter of 2014 also dovetailed all the core functions into the

domain of TPS, thereby recognizing that taxpayer services actually encompassed all the core functions of the ITD.

Impact of the measures taken in 2003

4.13 The measures and steps taken in 2003 were definitely among the first that the ITD took to focus attention on the domain of TPS. The positive impact could be felt within the Department itself that formal grievance redressal structures were created. The officers within each CCIT region were now alive to the fact that this was also an area where their performance could be measured.

4.14 But eventually something can become an effective Key Result Area when it is actually measurable and is so measured and more importantly it has an enabling technology to back it up. The procedure that was laid down in 2003 did provide for format of reports in which the officers would report the progress (as discussed above) but there was little or no enabling technology to back up the process.

4.15 These were the days when the ITD was still depending upon manual processes for most of its actions. This meant that the officers had to maintain manual records of all grievances, they would have to attend to these grievances manually, without any efficient technological intervention and all this meant that attending to these grievances took time and the end result was not always to the satisfaction of the taxpayer.

4.16 It has to be borne in mind, at all times that the field officers in the ITD are overworked. They have myriad activities to attend, all equally urgent, time consuming and vital to the core function of tax collection. Add to this the fact, that the ITD has

been plagued by shortage of staff over the years and it becomes a very difficult path for the field officers to negotiate.

4.17 In the year 2010, as part of its Vision 2020 initiative the ITD published a strategic plan for the period 2011-2015. This document, among other things recognized the fact that now the time has come when promoting voluntary compliance ought to be one of the prime concerns of ITD. It stated that voluntary compliance is enhanced when taxpayers find it easier to comply with tax laws. The challenge before the ITD is to identify the barriers to voluntary compliance and take proactive steps to remove them by putting in place excellent public service delivery mechanism. ITD intends to be responsive and sensitive to the needs of all categories of taxpayers by segmenting taxpayers for crafting targeted facilitating packages after ascertaining the specific requirements.

4.18 The Strategic Plan made an admission (possibly among the first time in the long history of the ITD) that tax compliance costs impose a burden on the taxpayers. If the amount is a big percentage of the tax payable, it deters small & medium taxpayers from being a part of the tax system. The ITD recognized the challenge to ascertain the extent of compliance cost for different categories of taxpayers and develop focused programmes to reduce the compliance costs for improving voluntary compliance.

4.19 E-governance was identified as a strategic tool for transforming Governance and improving the quality of services provided to the taxpayers. It was to enable delivery of services as per the convenience of the taxpayers in a cost effective manner while ensuring accountability. With the increase in Internet and mobile connection amongst the citizens in India, taxpayers look forward for a one stop solution from the

ITD that can be accessed easily for getting a desired service. The challenge before the ITD is to set clear goals to meet the expectations of taxpayers with focus on outcomes.

4.20 It was declared that the ITD has to address the need for ‘Integrated Service Delivery’ mechanisms cutting across functional areas of ITD. Integrating back office information processing systems with the Internet to provide an online interface to the taxpayers is the key for transiting to an era of e-governance. However, the digital divide in the taxpayer population was to be kept in mind while planning for service delivery to the taxpayers who do not have access to the Internet.

4.21 ITD decided to take proactive steps to better understand compliance issues from the perspective of taxpayers by taking the following action steps:

Action Point 1: Take operational decisions after incorporating the views of the affected parties;

Action Point 2: Facilitate participation in the tax system by all segments of taxpayers;

Action Point 3: Institute a study on barriers to compliance as an ongoing programme;

Action Point 4: Institute a study on compliance cost of different categories of taxpayers on a periodic basis.

4.22 The Citizens’ Charter which had first been created in 1998 was amended in 2010 to incorporate the new standards of service delivery promised by the ITD of its key services to the taxpayers. The implementation of the Charter was by now being

done through Aayakar Seva Kendra (ASK), a single window facility for taxpayers for filing all applications for services & redressal of grievances including paper returns. Whenever a grievance was received at an ASK, a unique acknowledgment number was issued against each application to facilitate monitoring of status during the life cycle of an application/return. This continues even now.

4.23 ASK is the front office of ITD supported by the intranet of the Department, with standardised design and a brand identity of its own, guided by the philosophy of “Sevottam” (Excellence in Service Delivery). In 2010 it was commenced in at three buildings at Pune, Kochi and Chandigarh on a pilot basis. It was designed as a pilot project that would be made operational at all the buildings of ITD in a phased manner during the strategic plan period 2011-15. The quality policy of the ITD contained in its Service Quality Manual 2010, promised that ASK will be made compliant to IS: 15700:2005; the only standards for excellence in public service delivery for public service organisations.

4.24 There were ten action points decided upon at that time. They are as at action points 1 to 10:

Action Point 1: Display Citizen’s Charter of ITD prominently at all buildings of ITD and monitor implementation of Citizen’s charter;

Action Point 2: Communicate service standards contained in the Citizen’s charter to all taxpayers through different channels;

Action Point 3: Build capacity to meet the service standards by developing integrated service delivery mechanism cutting across

functional areas of ITD. Make ASK the flagship project of ITD for excellence in taxpayer service delivery;

Action Point 4: Implement scientific record management for improving service delivery;

Action Point 5: Develop a mechanism for taking feedback from taxpayers and conduct periodic surveys through independent agencies to measure taxpayer satisfaction;

Action Point 6: Expand the bundle of services to be provided at ASK by providing facilities for online filing of applications including grievances, acknowledging all applications from taxpayers on real time basis, providing facility for online checking of status of all applications and making all relevant information materials available to taxpayers online;

Action Point 7: Set up Integrated Call Centre facility to check status of applications filed at ASK centers across the country;

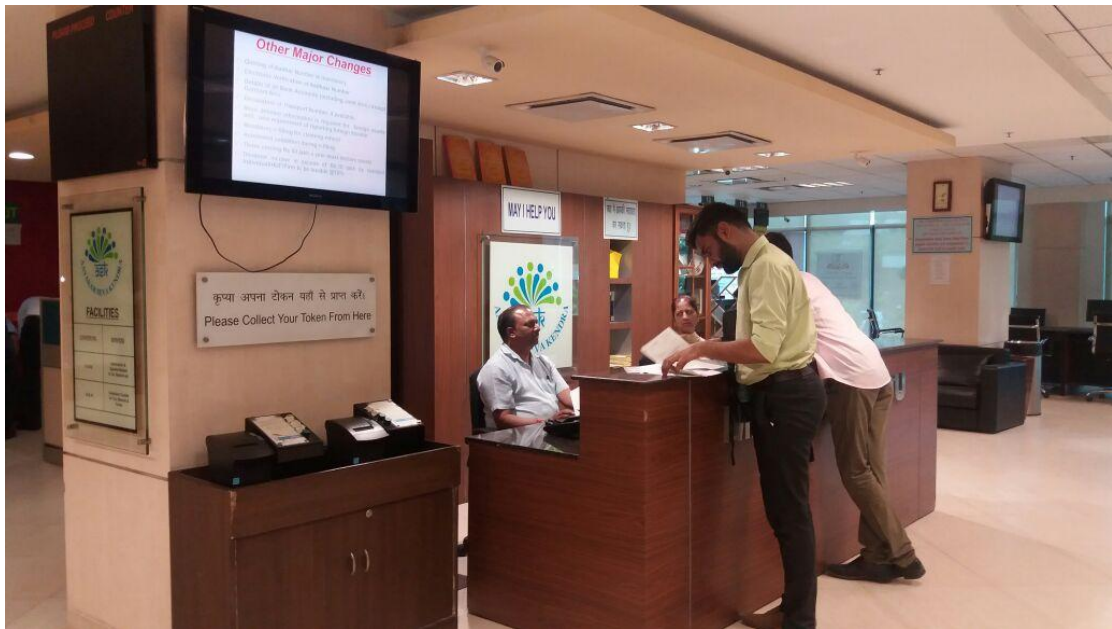
Action Point 8: Set up ASK at all buildings of ITD on fast track;

Action Point 9: Make all ASK centers of excellence and IS:15700 compliant; and

Action Point 10: Develop FAQs centrally for use across the country.

4.25 The ASKs have become a centre point of the service delivery apparatus of the TPS mechanism of the ITD. The photographs at picture 4.1 give a feel of a typical ASK.

Picture 4.1: A Glimpse of an ASK Centre



4.26 In addition to this the ITD also decided to commence outreach programmes among the tax practitioners as these were the first point of contact for taxpayers. Building bridges to this segment was considered useful as they would be effective in spreading the message of tax compliance. It was also noted that there are also a large number of third party partners of ITD who act as agents by collecting taxes on its behalf and depositing them within a stipulated period. This group is diverse and has

differing levels of tax literacy and ability to access technology. The ITD decided to organize outreach programs to extend support to these partners.

4.27 Another measure that the ITD thought of in 2010 in the process of assessing and extending the impact of the measures taken in 2003 was to reduce litigation. In fact, the beginning made in 2010 continues to be followed up even today. Reducing needless litigation by the ITD was recognized as a significant confidence building measure in adding to voluntary compliance by taxpayers and eventually being part of the bouquet of TPS.

4.28 The department decided to set up a mechanism for putting an end to unproductive litigation. It was noticed that the field of International taxation was the one that was spawning high volume of long drawn and high value litigation. Accordingly it was decided to make dispute resolution panel work efficiently and effectively with proper administrative support and consider expanding its scope. It may be mentioned that this body continues to operate till today and has been instrumental in reducing a large volume of litigation.

4.29 In this connection it was also decided to complete work on the Judicial Referencing system on fast track and make it available to all personnel. Today the National Judicial Referencing System (NJRS) of the ITD is very much in place and has helped reduce litigation and streamline the process of filing appeals. Another area that was made an action point was to finalise the Advance Pricing Agreement (APA) procedure for transfer pricing. This has also borne fruit as on today more than 250 APAs have been signed reducing litigation and providing tax certainty to the tax payers.

Impact assessment in 2015

4.30 The result of the appraisal or impact assessment done by the ITD of the TPS mechanism that was set up in 2003 have been brought out in para 4.13 to 4.30. Several concrete measures such as setting up of efficient ASK Centres, setting and adhering to timelines for attending to grievances and other applications have been implemented. This shows the commitment of the Government to provide high quality TPS to taxpayers.

4.31 It is also a fact that there was a long road still ahead of the ITD with regard to establishing international best practices in matter of TPS. In the year 2015, there was another round of impact assessment. This looked at the effectiveness of the measures adopted as part of the Strategic Plan of 2011-2105 as part of the Vision 2020 of the ITD.

4.32 Unlike in the past, where the impact assessment was largely carried out by the ITD itself, in 2015 the impact assessment was external to the ITD. This was a good development as it increased the level of dispassion that would normally be expected in such a task.

4.33 The Department of Administrative Reforms and Public Grievances (DARPG) received 8,52,451 (related to Central Government) grievances in 2015-16 across 88 Ministries/Departments through Centralized Public Grievance Redress and Monitoring System (CPGRAMS). The key objectives of this Department are to issue policy guidelines, monitor public grievances and improve public service delivery.

4.34 Moving towards this goal, the DARPG commissioned a Grievance Analysis Study in 2015 of top 20 highest grievance receiving Ministries/Departments. The

Study involved identification of top grievance causing issues and recommendation of systemic reforms. Hence, this Study sowed in the seeds for bringing about systemic reforms to drive citizen centric Government in India. The CBDT was at the 9th position in the top 20 grievance receiving Ministries/Departments.

4.35 With respect to the CBDT, the DARPG data showed that between 01.01.2012 to 19.08.2015 as many as 38,825 grievances were received. This brought CBDT in the 20 highest grievance causing Ministries/Departments, which were chosen for analysis. The preliminary statistics compiled by DARPG with respect to CBDT was at figure 4.1.

Table 4.1: Grievances Received by CBDT

	2014-15	2015-16	2016-17 (as on 30.06.2017)
Grievance received	19,670	32,284	24,066
Grievance disposed	15,178	37,239	23,675
Average response time (days)	108	41	25

Source: DARPG

4.36 A Project Management Unit (PMU) from Quality Council of India was set up by DARPG in August 2016. The objective of this PMU was to monitor implementation of identified reforms catering to grievance issues and review public grievances. The four-point approach for monitoring included identification of systemic reforms, formulation of monitoring metrics, data collection and evaluation of change in grievance issues.

4.37 In the detailed grievance analysis study by the DARPG for Central Board of Direct Taxes, they found that delay and inefficiency in refund process accounted for 70% of the sampled grievances followed by issues with IT Return/PAN cards, technical issues with website/helpline and inaccessibility of IT officers which

accounted for 19%, 5% and 4% respectively. The specific details of these type of grievance issues have been detailed out in the table 4.2:

Table 4.2: Grievance Issues of CBDT

Sl.No	Grievance Issues	Impact percentage (01.05.2015 to 31.08.2015) (%)	Issues
1.	Inefficiency in refund process	70	<ul style="list-style-type: none"> • Long delays in refund payment (ranging from several months to years) • Faulty rejection of refund Claims
2.	Issues with IT Return/PAN Issuance Process	19	<ul style="list-style-type: none"> • Calculation mistake in TDS, refunds, adjustments, etc. • Delays and mistake in PAN card issuance
3.	Technical Issues with Website & Helpline	5	<ul style="list-style-type: none"> • IT Return website not functioning properly (Server down; error in registration and file uploading) • No acknowledgment email received post filling a return • Central Processing Centre (CPC) helpline responses not up to date or incorrect
4.	IT officers are inaccessible	4	<ul style="list-style-type: none"> • IT officers are inaccessible to general public for voicing grievances. • Inaction by IT officers

Source: DARPG

4.38 This study conducted by the DARPG over 2015 to 2017, coincided with certain systemic changes that were being carried out by the ITD. Most of these came about in 2016. These will be discussed in a subsequent section titled ‘TPS reforms of 2016’. The DARPG meanwhile, conducted detailed discussions with the implementation body in CBDT to understand the reforms and processes. The questions revolved around new policies and operational improvements that have been

implemented leading to grievance resolution at the root cause level. The systemic reforms and the initial results are tabulated at table 4.3:

Table 4.3: Initial results of systemic reforms (2015-16)

Sl.No	Grievance Issues	Systemic Reforms	Category (Digitization/Process/Policy)	Year of initiation
1.	Inefficiency in refund process Long delays in refunds payment (ranging from several months to years)	<ul style="list-style-type: none"> • Expediting refunds below Rs 5,000/- Quick refund issuance below Rs 5,000/- before adjustment of outstanding tax demand under section 245 • Faster refund issuance below Rs. 50,000/- Expediting refunds below Rs 50,000/-, reconciliation will follow. 	Policy	2016
2.	Issues with IT Return/ PAN Issuance Process Calculation mistake in TDS, refunds, adjustments, etc.	<ul style="list-style-type: none"> • TDS alert system SMS alert system to intimate employees about the TDS deducted and reported by their employers. 	Process improvement	2016
3.	IT officers are inaccessible IT officers are inaccessible to general public for voicing grievances. Inaction by IT officers	<ul style="list-style-type: none"> • E-Nivaran Online platform for citizens to lodge complaint with necessary documents enabling tracking of 	Digitization	2016

		redressal status. Training on E-Nivaran conducted in 9 Ayakar Seva Kendras (ASK)		
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Source: DARPG

4.39 Based on identified reforms, monitoring metrics were formulated to ensure time bound and quality implementation. This analysis is tabulated at table 4.4:

Table 4.4: Monitoring Metrics

Sl.No	Systemic reforms	Monitoring metrics	Status (as on 31.03.2017)	Status (as on 30.06.2017)
1.	Quick refunds up to Rs. 5,000/-	No. of refunds disbursed under Rs 5000/-	0.76 Crores	0.95 Crores
		Amount of refunds released	Rs.1,489 Crores	Rs.1,839 Crores
2.	Faster refund issuance below Rs. 50,000/-	No. of refunds disbursed under Rs 50,000/-	1.6 Crores	1.72 Crores
		Amount of refunds released	Rs.14,611 Crores	Rs.17,316 Crores
3.	TDS Alert system	No. of messages sent	0.29 Crores	6.46 Crores
4.	E-Nivaran	No. of grievances filed on E- Nivaran	3.33 Lakhs	4.65 Lakhs
		Average no. of grievances disposed per day	1,222	1,242

Source: DARPG

4.40 After identification of grievance issues and systemic reforms, a need was felt by the DARPG monitoring team to monitor identified grievance issues. CBDT received 21,538 grievances on the CPGRAMS portal from 1.08.2016 to 31.03.2017 and the team analyzed 10% random sample, results of which are at table 4.5:

Table 4.5: DARPG Analysis of 2017

Sl.No	Grievance issue	Percentage Impact (1.05.2015 to 31.08.2015) (%)	Percentage Impact (1.08.2016 to 31.03.2017) (%)
1.	Inefficiency in refund process	70	47
2.	Issues with IT Return/PAN Issuance Process	19	38
3.	Technical Issues with Website & Helpline	5	2
4.	IT officers are inaccessible	4	4
	<i>In addition to the above grievance issues, grievances related to same PAN allotted to multiple users (5%), wrong PAN number allotted (3%) were found in the new analysis of grievances received by CBDT</i>		

Source: DARPG

4.41 As a success story, the DARPG noted that Aayakar Seva Kendras (ASK) are being upgraded to operationalize E-Nivaran module across the country. E-Nivaran module is for online lodging of grievances and enabling tracking of their disposal. It consolidates grievances received across all platforms viz. CPGRAMs, E-filing, CPC-ITR, CPC-TDS, ASK, NSDL, UTIISL and SBI-Refund Banker. Thus, it ensures constant monitoring of grievances and delivery of services to taxpayers.

4.42 From the DARPG exercise, it emerges that the ITD needed to strengthen its systemic reforms and streamline and make efficient its processes so that there could be a proper control on the settlement of grievances. The ITD should be able to attend to all the different kinds of grievances related to issue of refund, giving effect to appellate orders, rectification applications etc. It should not be that while one kind of grievances is being successfully resolved, another kind was being neglected. This would only add to the grief of the taxpayers and would bring no credit to the efforts of the ITD.

TPS Reforms of 2016

4.43 The systemic reforms carried out in 2016 have been incorporated in the CBDT's manual of office procedure of that year. Now a dedicated structure for delivery and monitoring of tax payers services in the Central Board of Direct Taxes (CBDT) and its attached offices were created. Now the Member (Revenue and Tax Payer Services), CBDT would oversee the delivery and monitoring of taxpayer services and the Principal Director General of Income Tax (Administration and Tax Payer Services) would be responsible for monitoring of Tax Payer Services in attached Directorates of CBDT as well as field offices of Income Tax Department and report to Member (Revenue and Tax Payer Services), CBDT.

4.44 The administrative structure of the CBDT and the field formations in relation to TPS, have been described at figure 4.1. This may be kept in mind to understand the manner of functioning and division of responsibilities that will now be described.

4.45 There would now be two separate Directorates for delivery and monitoring of tax payer services viz Directorate of Income Tax (Tax Payer Services-I) and Directorate of Income Tax (Tax Payer Services-II) each headed by an Additional Director General of Income Tax (TPS-I) and Additional Director General of Income Tax (TPS-II) respectively. These two Directorates would report to the Principal Director General of Income Tax (Administration and Tax Payer Services). This is at table 4.6 and 4.7

Table 4.6: Functions of Directorate of TPS-I

Directorate of TPS-I		
S. No.	Function	Action Points
1.	Coordination with the field	<ul style="list-style-type: none">• Overseeing and coordinating all matters relating to grievances/issues pertaining to taxpayers failing within the

	TPS setup	<p>jurisdiction of Assessing Officers across the country.</p> <ul style="list-style-type: none"> • Co-ordinate with all the Commissioners of Income Tax (Admn. & Tax Payer Services)/Addl. Commissioners of Income Tax (Headquarters & Tax Payer Services) working under Pr. Chief Commissioners of Income Tax/Chief Commissioners of Income Tax across the country and collate the monthly reports received from them and put-up a consolidated report to Member, (Revenue & Tax Payer Services) on a quarterly basis through Pr. DGIT (Administration and Tax Payer Services). • Co-ordinating all matters being dealt by Aayakar Seva Kendras and overseeing integration of Sevottam with the new computerised Grievance Handling System i.e. e-Nivaran. • Ensuring that all formalities required for BIS IS 15700 : 2005 certification is carried out as per the Service Quality Manual (SQM). • Overseeing upgradation of infrastructure at the field authority level and ASKs as required for the Unified Handling of Grievances through e-Nivaran.
2.	Monitoring and Reporting	<ul style="list-style-type: none"> • Effective monitoring and reporting mechanism for Tax Payer Services in field offices. As the ASK Centres operate under the Sevottam Scheme, the MIS generated through the Sevottam and for grievances through the e-Nivaran would be used for the monitoring of the performance of the ASK Centres. • Providing inputs for the Central Action Plan to allocate targets to the field formation regarding tax payer services. • Suggesting modifications to CAP-II Statement for effective capturing of the tax payer services/grievance redressal in consultation with ADGIT (O&MS). • Reviewing & monitoring the implementation of the Citizen's Charter. • Monitoring, implementation and review of the Tax Return Preparer (TRP) Scheme.
3.	Publicity of tax payer services and Education of Tax Payers	<ul style="list-style-type: none"> • Carrying out research and surveys on taxpayer satisfaction. • Study the established mobile telephone based apps and SMS and give suggestions to the Directorate of Systems for improvements/changes. • Educating Tax Payers about the ASKs and other facilities for tax payers through advertisements in coordination with the Directorate of Income-Tax (PR, PP & OL) and the Directorate of Income-tax (TPS)-II. • Coordinating with Directorate of PP PR & OL for publishing of latest literature in form of apps, e-books etc. made available on mobiles and Android/IOS platform etc.
4.	Training	<ul style="list-style-type: none"> • Coordinating with the NADT and the RTIs for training of Officers/officials in the TPS vertical in the field.

		<ul style="list-style-type: none"> Coordinating with the Directorate of Systems for providing training of the personnel in the revamped ASK module in ITBA.
5.	Miscellaneous	<ul style="list-style-type: none"> Maintain effective co-ordination with Directorate of Income-tax (Tax Payer Services – II). Any other function relating to delivery and monitoring of Tax Payer Services.

Source: Directorate of Taxpayer Services, CBDT

Table 4.7: Functions of Directorate of TPS-II

Directorate of TPS-II		
S. No.	Function	Action Points
1.	<ul style="list-style-type: none"> Educate taxpayers in respect of E-services Deal with grievances of taxpayers relating to matters such as processing of returns of income, issue of refunds, demand verification, PAN, TAN, CPC-TDS related grievances. Co-ordinate with the Directorates under Pr. DGIT(Systems) including Centralised Processing Centre-ITR, Centralised Processing Centre-TDS to ensure delivery standards of e-enabled Taxpayer 	<ul style="list-style-type: none"> Coordinating with ADG (Systems)-3, CIT(CPC-ITR) and CIT(CPC-TDS) to provide access on real time basis to the respective portals for the feedback on their functionalities and accordingly educating the tax payers about the e-services. The following agencies/ sources are used for the collection of the feedback:- <ul style="list-style-type: none"> a) Surveys conducted by Directorate of PR, PP & OL etc., b) Discussion page on MyGOV web portal for the innovative ideas, suggestions on tax policies and administration, c) e-Nivaran i.e. Unified Grievance Redressal Mechanism on iTBA for various grievances, d) To coordinate with Directorate of TPS-I for getting feedback relating to taxpayer e-services. Coordinating with field formations for organizing workshops/seminars for tax payer information on TPS and collect feedback. The workshops/seminars are used for dissemination of the information relating to e-taxpayer services by distribution of literature, speeches, audio-video presentations, etc. Analysis and classification of feedback and identification of actionable points for the Systems Directorates. Developing FAQs for improvement of delivery system on regular basis. Organizing meetings to understand and to find out ways to mitigate systemic problems and to educate stakeholders about the changes and constraints. Collecting and reflect feedback in the monthly reports about policy changes desired by certain stakeholders/ public.

	Services.	
2.	Coordinating with Directorate of Systems regarding instructions for monitoring of grievances and setting of timelines for various actions to be taken by the Directorate of Systems.	<ul style="list-style-type: none"> • To prepare timelines for various e-services actions to be taken in consultation with the Directorate of Systems. • Collection, compilation and collation of data relating to e-services.
3.	Coordinate with Directorate of Systems for effective functioning of the National Call Centre (NCC) of the Department (Telephone No. 1961)	To devise feedback mechanism in coordination with Systems Directorate regarding Grievance Pattern and caller satisfaction and suggest steps to optimize the usefulness of NCC.
4.	Prepare monthly reports regarding E-services and grievances relating to E-services and put-up a consolidated report to Member (Revenue and Tax Payer Services) on a quarterly basis through Pr. DGIT (Administration and Tax Payer Services)	Compilation and consolidation of various MIS escalated by the ITBA and put-up a consolidated report to Member (Revenue and Tax Payer Services) on a quarterly basis through Pr. DGIT (Administration and Tax Payer Services).
5.	Maintain effective co-ordination with Directorate of Income Tax (Tax Payer Service-I)	Maintain effective co-ordination with Directorate of Income-tax (Tax Payer Services – II).
6.	Misc.	Any other function relating to delivery and monitoring of E-Services.

Source: Directorate of Taxpayer Services, CBDT

4.46 The new scheme that was envisaged in 2016 also laid down the role that would be played by the field authorities. The same is table 4.8.

Table 4.8: Functions of PCCIT

Functions of PCCIT with multiple CCITs Charges and role of CCIT for charges with single CCIT having multiple PCITs		
S. No.	Function	Action Points
1.	Administration of TPS setup.	(i) Ensuring time bound delivery of tax payer services within the timeframe given in the Citizen's Charter, 2014. (ii) Appointing a Nodal officer, preferably of the rank of Pr. Commissioner of Income-tax/Commissioner of Income-tax for each ASK in his/her region for following functions: <ul style="list-style-type: none"> • for conducting Internal Audit of the ASKs as per the requirement of the Service Quality Manual (SQM) for BIS certification of the ASKs. • For allocating of grievances submitted in the e-Nivaran Grievance Handling System without stating the PAN. (iii) Ensuring that Internal Audit and Management Review at the local level is conducted twice in a year, one for the period April-September and second for the period October-March. (iv) Carrying out Management Review of the Internal Audit Report submitted by the Pr.CIT/CIT of the ASKs. (v) Ensuring that the above reports are sent to the office of ADGIT (TPS-I) after each six months period as per the requirement of the SQM. (vi) Processing proposal for upgradation of infrastructure at the ASKs and field Offices as required for the new computerised Grievance Handling System (e-Nivaran).
2.	Implementing e-Nivaran	(i) Monitoring the status and disposal of grievances/ Citizen's Charter/Others generated through ITBA (e-Nivaran) MIS. (ii) Providing upgraded infrastructure at the ASKs and field Offices as required for the new computerised Grievance Handling System (e-Nivaran).
3.	Monitoring and Reporting.	(i) Monitoring the progress of disposal of communication/grievances Citizen's Charter/Others (DAK) through ASKs on a fortnightly basis. (ii) Monthly reporting of the communications/grievances (DAK) disposal through ASKs to Member (Revenue & TPS) through the Directorate of Income-tax (TPS-I).
4.	Publicity of tax payer services and	(i) Carrying out publicity regarding the tax payer services being rendered through the ASKs/E-Nivaran/CPC-ITR etc. (ii) Taking taxpayer services initiatives and holding regular

	Education of Tax Payers.	workshops/seminars disseminating information regarding taxpayer services being rolled out by the Department. (iii) Organizing Monthly seminars /conferences /workshop /meetings / interaction sessions/ Innovative methods etc. inviting tax payers and other stake holders like professionals, representatives of ICAI, CII, ASSOCEM, trade and locally present various specific business associations/unions. (iv) Ensuring that the composition of the participants in the meetings/ seminars/ shows etc. is from all streams of stakeholders. (v) Intimating Directorate of TPS-I and TPS-II of such meetings and also forward the feedback received in the meetings.
5.	Training.	(i) Ensuring that adequate training is provided to all concerned officers/staff posted in the TPS vertical for efficient tax payer services delivery.
6.	Misc.	Any other function relating to delivery and monitoring of Tax Payer Services.

Source: Directorate of Taxpayer Services, CBDT

Table 4.9: Functions of CIT (Administration & TPS)

Functions of CIT (Administration & TPS)		
S. No.	Function	Action Points
1.	Administration of TPS setup.	(i) Ensuring that an ITO(TPS) is made in charge of the ASK in each of the ITD Buildings in the region (ii) Ensuring that communications/grievances/Citizen's Charter and Others (DAK) received through ASKs are disposed within the timeframe given in the Citizen's Charter, 2014. (iii) Ensuring that the processes needed for the service, service delivery, compliance of citizen's charter and grievance handling are implemented and maintained at the respective ASKs. (iv) Monitoring the progress of disposal of communications/grievances through ASKs on a weekly basis. (v) Coordinating with the nodal officer for timely completion of Internal Audit and submitting for Management Review to the Pr. CCIT regularly. (vi) Forwarding the Management review report after internal audit of the ASKs to the ADGIT(TPS-I). (vii) Monitoring the pending communications/grievances/Citizen's Charter/ Others (DAK) received through ASKs for periods beyond the timeframe provided in the Citizen's Charter, 2014. (viii) Ensuring that adequate personnel are posted in the ASKs to manage all the counters and efficiently

		functioning as per the Process Document of the SQM. (ix) Providing requisite infrastructure i.e. high speed scanners, printers etc at the ASK Centres and to all the officers in the TPS vertical.
2.	Implementing e-Nivaran	Providing upgraded infrastructure at the ASKs and field Offices as required for the new computerized Grievance Handling System (e-Nivaran).
3.	Monitoring and Reporting.	(i) Ensuring that the records of Management Review at unit level, training records, internal audit results/follow-up action and records relating to corrective and preventive action is maintained. (ii) Appraising the progress of the DAK disposal through ASKs to the Pr. CCIT on a fortnightly basis. (iii) Appraising the progress of the DAK disposal through ASKs to the ADGIT (TPS-I) on a monthly basis. (iv) Monitoring of CPGRAMS ON PGPORTAL (https://pgportal.gov.in/cpgoffice).
4.	Publicity of taxpayer services and Education of Tax Payers.	(i) Taking taxpayer services initiatives and holding regular camps disseminating information regarding taxpayer services being rolled out by the Department. (ii) Organizing Monthly seminars /conferences /workshop /meetings / interaction sessions/ Innovative methods etc. inviting tax payers and other stake holders like professionals, representatives of ICAI, CII, ASSOCHEM, trade and locally present various specific business associations/unions. (iii) Ensuring that the composition of the participants in the meetings/ seminars/ shows etc. is from all streams of stakeholders. Such events should be well advertised beforehand to optimize the benefits. (iv) Intimating Directorate of TPS-I and TPS-II of such meetings and also the feedback received in the meetings. (v) Recording the proceeding (audio-video) of meetings etc. on the electronic devices and send it to the Directorate through e-mail, whatsapp etc. for compilation and analysis.
5.	Training.	Ensuring that training is provided to all concerned officers/staff in coordination with the Directorate of Income-tax TPS-I and the RTIs.
6.	Misc.	Any other function relating to delivery and monitoring of Tax Payer Services.

Source: Directorate of Taxpayer Services, CBDT

Table 4.10: Functions of Nodal Officer of ASK

Functions of Nodal Officer of ASK Centre		
S. No.	Function	Action Points
1.	Monitoring of the functioning	Ensuring that the ASK in the ITD Building is functioning as per the Service Quality norms. Forming an audit team comprising of Pr.CIT/CIT, Addl. CIT/Jt.

	g of the ASK in the ITD building	CIT, DCIT/ACIT, ITO for the internal audit of ASK. Ensuring that Internal Audits of the respective ASKs are conducted at six monthly interval, or earlier if considered necessary, to determine whether the SQMS conforms to the requirements of IS 15700:2005. Analysing the internal audit report and present it for Management Review by the Pr. CCIT/CCIT.
2.	Role in revamped ASK module in ITBA (e-Nivaran)	Ensuring that the front desk (FD) and back desk (BD) employee to have employee number, name based email id and RSA token. Ensuring that grievances/Citizen's Charter/Others where PAN/TAN is not mentioned is assigned to the correct jurisdictional officer on the basis of address of the grievance filer. In case the PAN/TAN or the AO is not identified, then closing the grievance with remarks "Assessee not traceable" with the approval of the immediate supervisory officer.

Source: Directorate of Taxpayer Services, CBDT

4.47 Similarly the role to be played by officers down to the assessing officers who have to take action on the grievances was laid down along with the timelines. At this stage, it would be relevant to briefly mention something about the various schemes/mechanisms that were put in place towards redressal of grievances.

i. **e-Nivaran (Unified Grievance Handling Mechanism):** Unified Grievance Handling Mechanism (e-Nivaran) is aimed at consolidating grievances received across all platforms viz. CPGRAMs, E-filing, CPC-ITR, CPC-TDS, ASK, NSDL, UTIISL and SBI-Refund Banker. Internal channelization of grievances between different department systems and workflow based grievance resolution mechanism in the ITBA for department users is aimed at centralized monitoring and speeding the grievance redressal mechanism. In the process through e-Nivaran, all the Income-tax related grievances filed on CPGRAMs, e-filing (including CPC-ITR), CPC-TDS, ASKs, NSDL, UTIITSL, SBI refund banker and manually having PAN/TAN are routed through the ITBA e-Nivaran application and/or onward to the respective Systems such as e-filing/CPC-ITR, CPC-TDS etc. based on the categorization of the grievance by the taxpayer. The salient features of e-Nivaran are:

- a. Grievance can be entered by any officer/official and marked to designated AO or system (CPC-ITR, CPC-TDS, NSDL/UTITSL, SBI Refund banker, E-filing) for resolution.
- b. Online filing of grievance is made available through E-filing.
- c. Paper format received at ASK, DEO or by Officer's staff or Officer using simple data entry screen – no RSA token required.
- d. Grievances are resolved by integration with respective ITBA modules such as rectification, refund re-issue, return receipt and processing.
- e. Grievance can be transferred from one system to another (AO to CPC-ITR) through system.
- f. Resolution of grievance communicated to taxpayer.
- g. Unified view of all grievances and status by AO and hierarchy.
- h. Taxpayer to get email/SMS on grievance filing and resolution (if email and mobile is provided).
- i. Proposed redirection from CPGRAMS to E-filing for single window online grievance filing for operational issues (needs discussion with DARPG).
- j. Taxpayer to view status at ASK or AO for walk-in mode and through E-filing for Online Mode.

- k. Comprehensive MIS of all grievances irrespective of where it is filed.
- l. Integration with all other systems – CPC-ITR, CPC-TDS, E-filing, NSDL/UTITSL, SBI-Refund Banker for transfer of grievances.
- m. Integration with all ITBA modules.
- n. Integration with common ASK and online Dak Module for data entry.
- ii. **Aayakar Seva Kendras (ASKs):** As per the structure of the Tax Payer Services delivery and monitoring system prescribed above, Aayakar Seva Kendra (ASK) has been made the smallest unit for Tax Payer Services. Aayakar Seva Kendra (ASK) is the mechanism used by CBDT for implementing the philosophy of ‘Sevottam’ initiated by the PMO. Aayakar Seva Kendra (ASK) is the single window system for implementation of Citizen’s Charter of the Income Tax Department and a mechanism for achieving excellence in public service delivery. The procedure to be followed at the ASKs is provided in the Process Document of the Service Quality Manual (SQM).
- iii. The details of ASKs set up over the years are in the table 4.11:

Table 4.11: Details of ASK Centers set up

	Ph-I	Ph-II	Ph-III	Ph-IV	Ph-V	Ph-VI	Ph-VII	Ph-VIII	Ph-IX
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
N-West Region	3	5	7	6	4	2	4	4	5
GUJRAT	2	5	3	3	5	4	6	3	3
PUNE	1	4	4	6	1	3	1	3	1
KERLA	1	1	5	1	3	3	1	1	0
MUMBAI	0	1	1	1	0	0	0	1	1
DELHI	0	2	1	0	0	0	0	0	2
TAMILNADU	1	4	3	3	12	4	5	4	4

ORISA	1	3	2	2	2	1	2	3	0
RAJASTHAN	1	3	3	6	5	5	7	3	1
MP & CG	1	4	6	4	3	5	10	1	0
BIHAR & JHARKHAND	1	2	3	2	4	3	2	0	3
N-East	1	4	2	3	4	3	4	2	0
A.P. & TELENGANA	0	4	3	5	4	5	4	4	2
KARNATAKA & GOA	0	4	3	6	3	3	2	5	1
WEST BENGAL & SIKKAM	2	3	4	5	2	0	3	4	3
NAGPUR	0	2	1	1	0	1	0	3	0
UP EAST	0	5	3	1	4	5	0	3	0
UP WEST	0	4	3	2	5	0	5	3	4
	15	60	57	57	61	47	56	47	30

Source: Directorate of Taxpayer Services, CBDT

iv. The ITD has been making special efforts to train the staff that mans the ASK centers. This is done at various locations across the country through the ITDs training institutes. The ASK centers also receive BIS certification by a quality audit that is carried out once every three years. Apart from the regular audits, surprise checks are also carried out so that no complacency sets in.

v. **TRP Scheme:** Another scheme that has been of great significant is the Tax Return Preparer (TRP) scheme. In 2005 a committee was set up by the ITD to suggest ways in which the number of taxpayers can be increased. The committee found that one of the main issues facing the general public was the perceived complexity of the procedure for filing tax returns.

vi. To overcome this, the committee recommended launching of a scheme called “Tax Return Preparer Scheme” in which nearly 7,500 – 10,000 Commerce and Law graduates were to be trained every year by the Department with the help of a training partner to enable them to prepare simple tax-returns of small and marginal income earners. The committee had noted the daunting task set forth by the CBDT, of bringing in nearly 50 lakhs new assesses and 80 lakhs stop filers back into the tax net.

The scheme recommended by the committee sought to achieve this target over a period of time by removing the difficulties faced by the small and marginal income earners in complying with the tax laws and administrative procedures.

vii. In the first phase of the scheme, approximately 5000 unemployed graduates were shortlisted out of one lakh applications received. They underwent a thorough training at various centers across the country on how to prepare Income Tax Returns. 3737 participants qualified at the end of the course examination. These TRPs have been assisting thousands of small tax preparers since 2006-07 in filling their returns of income.

viii. In order to take the scheme forward, post 2016, it was proposed to reach out to 5,000 additional people with the aim of making them Tax Return Preparers. To ensure that 5,000 candidates undergo training in this phase, over 100,000 applications were sought. There was invitation and waitlist made of a total of 6000 trainees so that they are able to train a total of 5000 candidates. There was a need to achieve pan-India coverage for reaching out to a large number of locations – even multiple locations within the same cities/ districts. For this 80 locations were selected.

ix. Bulk SMS' and mass mailers were sent to a large database of current and former students and prospects – a large pool of people, many of whom meet the minimum eligibility criteria. Case-study based illustrations were used as a new feature of the content development during this phase. This enabled better understanding of the real life scenarios. Help was also taken from old TRPs (volunteers) to interact with the new trainees to assist in the training. It was proposed that training be delivered for 12 working days. This was followed by conduct of an assessment for all candidates on the 13th working day. Some more interactive initiatives are included e.g.

publication of monthly physical journals that was mailed to these TRPs, improvement in the portal etc.

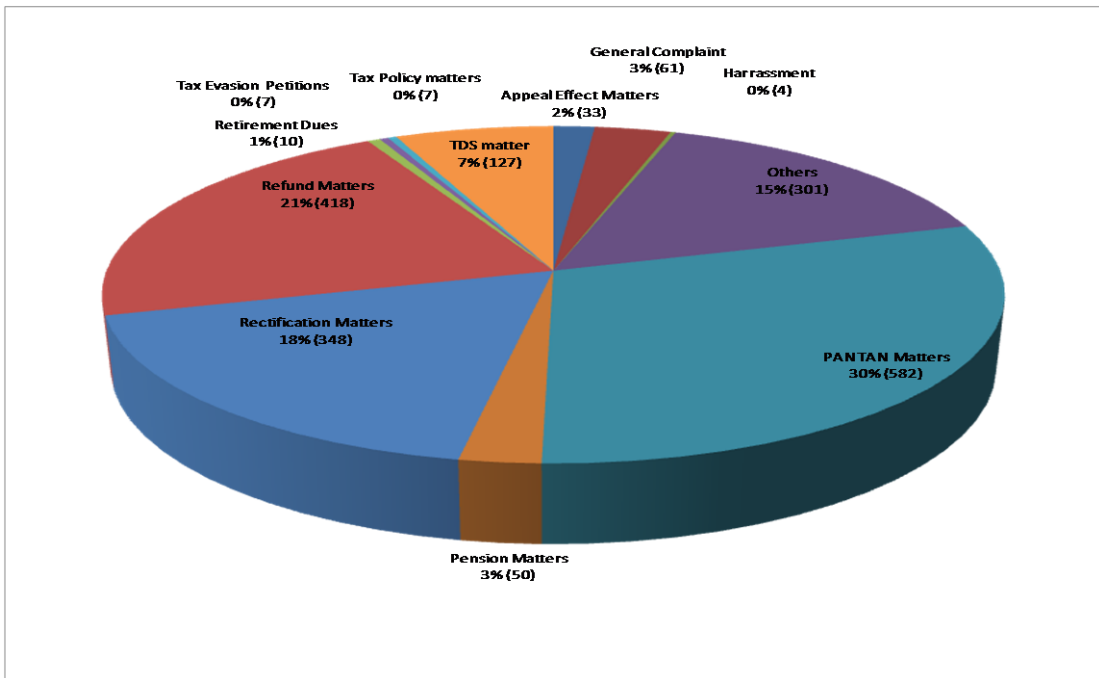
x. The ITD has recently launched the Aayakar Setu mobile app that has features like live chat, FAQs, map visibility of the nearest ASK, nearest TRP and tax calculators.

xi. The TRP scheme has proved to be extremely helpful for small businessmen, senior citizens and other taxpayers who do not want to engage a tax professional given the costs involved. Apart from that it has also helped dispel the notion that filing a tax return is a difficult and complicated process. This was even more useful when the ITD moved to electronic filing of tax returns. The TRPs could help persons who are wary of using new technology or may otherwise find it difficult to get around.

Impact of the reforms of 2016

4.48 The impact of the reforms of 2016 can be easily gauged from the performance of the ITD in the following years. The pendency of the grievances and their nature is depicted in graph 4.1. This shows a total of 1948 grievances pending as on October 2017. The numbers in parentheses is the actual number of grievances in that category:

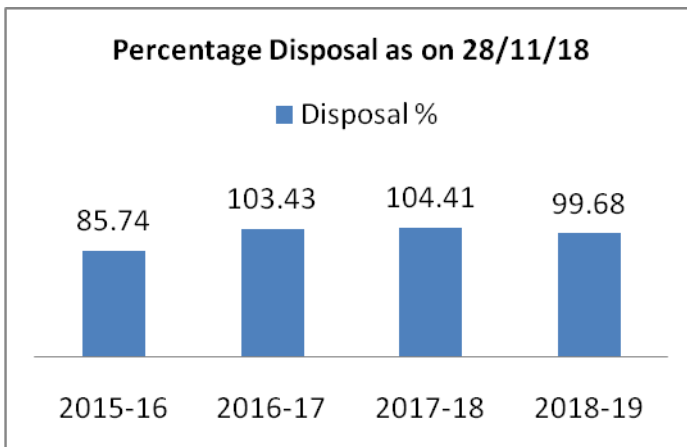
Graph 4.1: Grievances Pending in Oct 2017



Source: Directorate of Taxpayer Services, CBDT

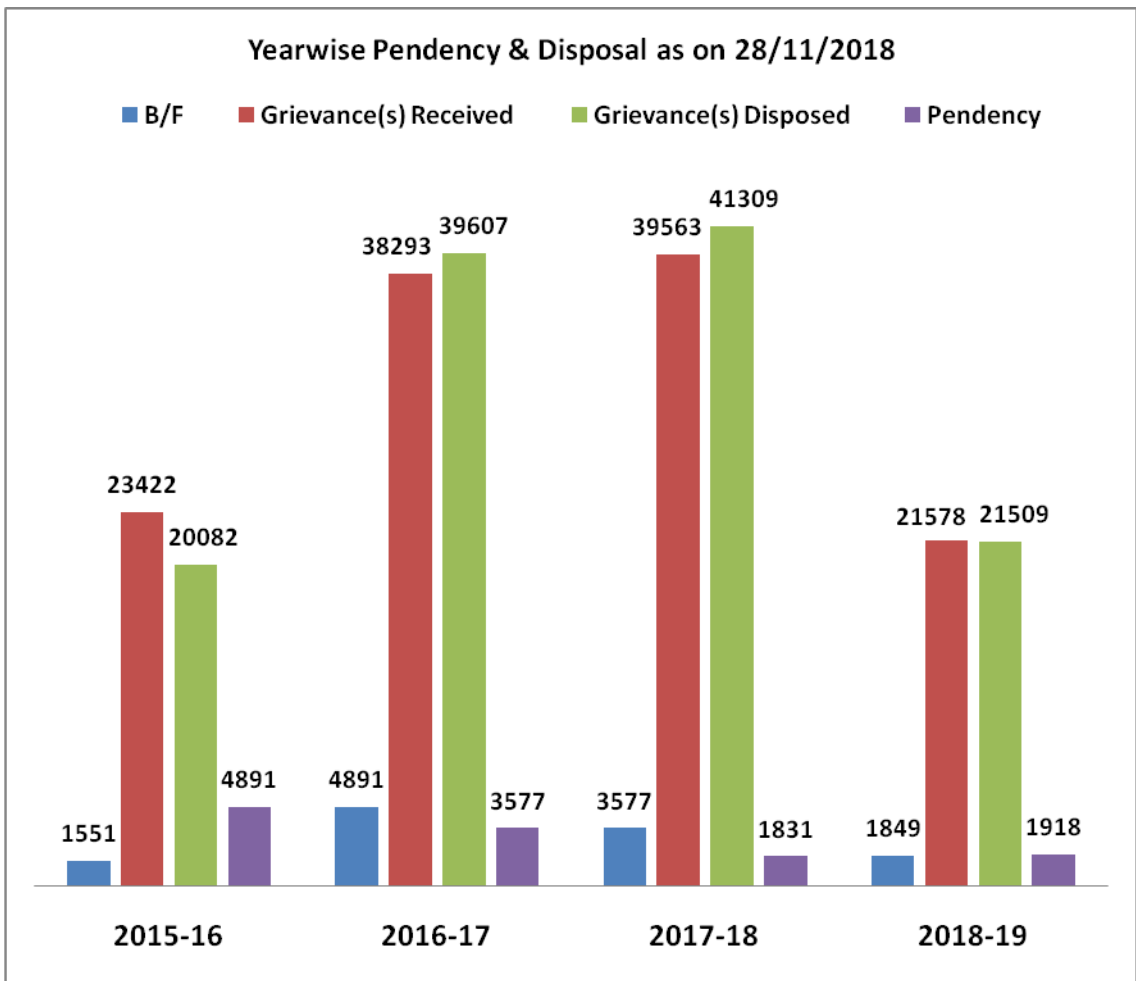
4.49 The manner in which these grievances have been handled including the new ones received in FY 2017-18 are shown in the graphs 4.2 and 4.3. It may be pointed out the Directorate of TPS was set up in February 2016.

Graph 4.2: Grievance Disposal - Nov 2018



Source: Directorate of Taxpayer Services, CBDT

Graph 4.3: Disposal of Grievances⁴

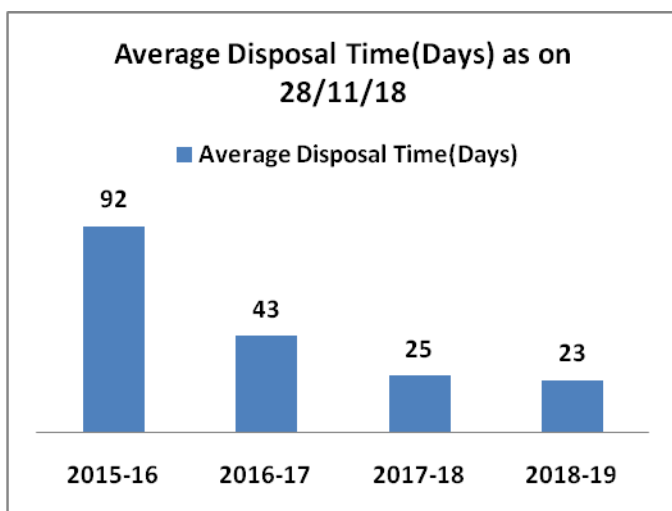


Source: Directorate of Taxpayer Services, CBDT

4.50 The time that is now taken in disposal of grievances is in the graph 4.4:

⁴ 'B/F' refers to the number of grievances brought forward.

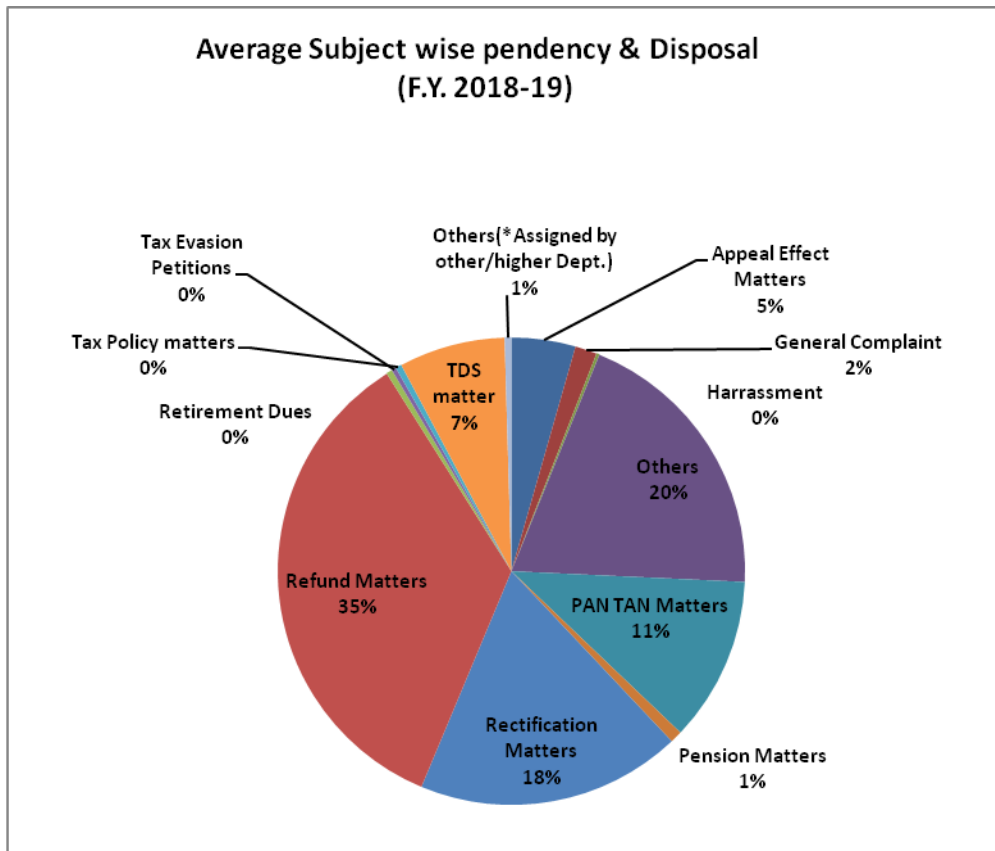
Graph 4.4: Time Taken for Grievance Disposal



Source: Directorate of Taxpayer Services, CBDT

4.51 The ITD now also has a mechanism of tracking the nature of the grievances filed. The same with respect of FY 2018-19 as a sample, is given in the graph 4.5:

Graph 4.5: Subject Wise Grievances



Source: Directorate of Taxpayer Services, CBDT

4.52 After looking at these statistics even a casual observer will conclude that the ITD is now alive to its responsibilities of expeditiously attending to the grievances and also successfully tracking their progress. The ITD also plots the feedback that it receives from taxpayers in the matter of attending to grievances so that it knows which are the areas of strengths and weaknesses.

4.53 The ITD has created a Results Framework Document (RFD) that sets goals for the matter of settling grievances. This creates a matrix against which the performance can be measured. The RFD is given in table 4.12:

Table 4.12: RFD Goals

Target/Criteria Value									
Objective	Weight	Action	Success Indicator	Weight	Excellent	Very Good	Good	Fair	Poor
					100%	90%	80%	70%	60%
Grievance Resolution	2%	Grievances to be reduced within 30 days of receipt with CBDT	(i) No. of cases reduced out of total pendency	1.20%	Disposal above 80% of total pendency	Disposal of 71-80% of total pendency	Disposal of 61-70% of total pendency	Disposal of 51-60% of total pendency	Disposal of less than 50% of total pendency
			(ii) Pendency above 1 Yr.	0.16%	1-10 pendency	11-20 pendency	21-30 pendency	31-40 pendency	More than 40
			(iii) Pendency above 180 days to 1 Yr.	0.16%	1-20 pendency	21-40 pendency	41-60 pendency	61-80 pendency	More than 80
			(iv) Pendency above 91 to 180 days	0.16%	1-100 pendency	101-200 pendency	201-300 pendency	301-400 pendency	More than 400
			(iv) Pendency above 61 to 90 days	0.16%	1-200 pendency	201-400 pendency	401-600 pendency	601-800 pendency	More than 800
			(iv) Pendency above 31 to 60 days	0.16%	1-400 pendency	401-800 pendency	801-1200 pendency	1201-2000 pendency	More than 2000

4.54 The success rate against this target is at table 4.13:

Table 4.13: RFD Achievements

Objective	Weight	Action	Success Indicator	Weight	Excellent	Very Good	Good	Fair	Poor
					100%	90%	80%	70%	60%
Grievance Resolution	2%	Grievances to be reduced within 30 days of receipt with CDBT	(i) No. of cases reduced out of total pendency	1.20%	Disposal above 80% of total pendency (26806, i.e. 98.83%)	Disposal of 71-80% of total pendency	Disposal of 61-70% of total pendency	Disposal of 51-60% of total pendency	Disposal of less than 50% of total pendency
			(ii) Pendency above 1 Yr.	0.16%	1-10 pendency (0)	11-20 pendency	21-30 pendency	31-40 pendency	More than 40
			(iii) Pendency above 180 days to 1 Yr.	0.16%	1-20 pendency (4)	21-40 pendency	41-60 pendency	61-80 pendency	More than 80
			(iv) Pendency above 91 to 180 days	0.16%	1-100 pendency	101-200 pendency (115)	201-300 pendency	301-400 pendency	More than 400
			(iv) Pendency above 61 to 90 days	0.16%	1-200 pendency (143)	201-400 pendency	401-600 pendency	601-800 pendency	More than 800
			(iv) Pendency above 31 to 60 days	0.16%	1-400 pendency (306)	401-800 pendency	801-1200 pendency	1201-2000 pendency	More than 2000

Prime Minister's Award for Excellence in Public Administration

4.55 The Government of India has instituted the 'Prime Minister's Award for Excellence in Public Administration' for 'Easy Tax Compliance through Quality Service'. The purpose of the award is to acknowledge, recognize and reward the extraordinary and innovative work done by Districts/organizations of the Central and State Governments. The criterion for the award reads at points (a) and (b)(i) to (b)(iv):

- (a) The awards for implementing Priority Programme will be evaluated on the basis of pre-determined parameters in consultation with Line Ministry/ Department.

(b) The awards for Innovations will be evaluated on the basis of following criteria:

i. Introducing and implementing an innovative idea/ scheme/project to meet stake holders' requirement.

ii. Bringing perceptible improvements in processes/ systems and building institutions.

iii. Making public delivery systems responsive, transparent and efficient, particularly by leveraging technology.

iv. Preparedness/ performance in emergent situations, disasters like cyclone, earthquake, flood etc.

4.56 In 2015, the ITD has received this award. The dissertation has also set out to examine whether the criteria of this award is applicable to the ITD. Among other things, the award is given for (1) Introducing and implementing an innovative idea/ scheme/project to meet stake holders' requirements, (2) bringing perceptible improvements in processes/ systems and building institution and (3) making public delivery systems responsive, transparent and efficient, particularly by leveraging technology.

4.57 The ITD has fulfilled all these requirements and has achieved a high level of customer satisfaction. These efforts of the ITD must be seen in the backdrop of the fact that the Department is primarily an executive department tasked with enforcement. ITD has made a paradigm shift to a consumer focus and customer orientated approach without losing the enforcement role.

4.58 Chapter-5 'TPS and Voluntary Compliance in India' discusses dovetailing TPS efforts with the core function of tax collection.

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Chapter 5: TPS and Voluntary Compliance in India

Measurement of Voluntary Compliance

5.1 It is a fact beyond argument that the primary task of the ITD is the collection of taxes (Personal Income tax and corporate tax). This being so, it is natural for the ITD to measure of the success of all its other functions (core and non-core) as to how much they contribute to more efficient tax collection.

5.2 The ITD had a few years ago set up the Central Processing Centre, Bangalore (CPC, Bangalore). The CPC Bangalore has matured into an institution that has changed the narrative about the processing of tax returns. Now it is common to hear that taxpayers receiving their refunds within three months of filing their return. On the lines of the CPC Bangalore, the ITD has set up the CPC TDS in Vaishali. The CPC TDS handles the processing of returns filed in relation to Tax Deducted at Source (TDS).

5.3 TDS returns are filed by persons like Drawing and Disbursing Officers (DDOs) who deduct tax at source on salaries and other payments made to contractors and service providers. The ITD noticed that there were compliance gaps in this and that persons who should deduct tax at source were either not doing so, or after doing so were not paying it into the government account on time or not at all, or even they paid it into government account were not filing their TDS return on time.

5.4 The CPC TDS was a TPS initiative in so much that it provided institutional support by holding training seminars and workshops and acting as an enabler in the process. This led to a growth of the number of persons covered by the TDS

mechanism. The time-series data released by the ITD clearly reflected this. The same is given in table 5.1. All years refer to the financial year.

Table 5.1: Number of Taxpayers

NUMBER OF TAXPAYERS					
Category	2012-13	2013-14	2014-15	2015-16	2016-17
AOP	141,533	160,116	180,715	205,598	224,399
BOI	6,304	7,077	7,518	8,687	9,290
COMPANY	704,473	748,173	769,425	811,309	838,174
FIRM	1,042,649	1,092,692	1,161,163	1,254,193	1,316,305
GOVERNMENT	240	357	510	763	1,313
HUF	964,277	1,003,089	1,058,504	1,121,578	1,136,853
AJP	10,273	10,629	11,146	11,720	11,501
LOCAL AUTHORITY	6,027	7,188	7,591	8,356	9,093
INDIVIDUAL	49,711,477	53,911,494	58,094,614	65,598,364	70,319,448
AOP(TRUST)	206,289	217,996	232,513	253,266	260,874
TOTAL	52,793,542	57,158,811	61,523,699	69,273,834	74,127,250
Note: A "Taxpayer" is a person who either has filed a return of income for the relevant Assessment Year (AY) or in whose case tax has been deducted at source in the relevant Financial Year but the taxpayer has not filed the return of income.					
Abbreviations: AOP: Association of Persons; BOI: Body of Individuals; HUF: Hindu Undivided Family; AJP: Artificial Juridical Person					

Source: www.incometaxindia.gov.in. Accessed on 25.02.2019

5.5 The number of tax returns also showed an upward growth as can be seen from the data tabulated at table 5.2.

Table 5.2: Returns Filed Including Revised Returns

NUMBER OF RETURNS FILED (Including Revised Returns)					
Category	2013-14	2014-15	2015-16	2016-17	2017-18
AOP	1,01,290	1,06,848	1,47,693	1,62,455	2,07,218
BOI	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
HUF	9,55,504	9,66,554	10,42,561	11,60,871	12,86,075
AJP	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
AOP (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
Abbreviations: AOP: Association of Persons; BOI: Body of Individuals; HUF: Hindu Undivided Family; AJP: Artificial Juridical Person					

Source: www.incometaxindia.gov.in. Accessed on 25.02.2019

5.6 The number of original returns (less revised returns) showed the following trend.

Table 5.3: Number of Original Returns Filed

NUMBER OF PERSONS FILING TAX RETURNS					
Category	2013-14	2014-15	2015-16	2016-17	2017-18
AOP	84,928	88,437	1,06,575	1,22,467	1,55,113
BOI	3,672	3,588	4,205	4,258	5,323
COMPANY	6,36,024	6,70,902	6,92,696	7,15,200	7,99,687
FIRM	8,81,063	9,02,954	9,83,992	10,60,326	12,08,319
GOVERNMENT	10	26	41	68	156
HUF	8,73,758	8,91,805	9,40,837	10,07,742	11,12,951
AJP	7,377	7,133	7,784	8,479	9,130
LOCAL AUTHORITY	2,267	2,221	2,465	2,579	2,955
INDIVIDUAL	3,04,97,686	3,23,72,535	3,61,38,842	4,15,91,644	5,08,74,369
AOP (TRUST)	1,60,587	1,62,857	1,79,591	1,91,971	2,23,229
TOTAL	3,31,47,372	3,51,02,458	3,90,57,028	4,47,04,734	5,43,91,232
Abbreviations: AOP: Association of Persons; BOI: Body of Individuals; HUF: Hindu Undivided Family; AJP: Artificial Juridical Person					

Source: www.incometaxindia.gov.in. Accessed on 25.02.2019

5.7 The data that was reflected in the time-series data released by the ITD was also corroborated by the report of the Comptroller and Auditor General for 2016 that was placed before the Parliament. The report of the CAG dealing with the appraisal of the CBDT (Report No. 3 of 2016) showed the following statistics (at Appendix I of the report).

Table 5.4: Details of Taxpayers as Per CAG

Details of Direct Taxes Administration (Rs in crore)						
1	Collection	2010-11	2011-12	2012-13	2013-14	2014-15
i)	Corporate Tax	2,98,688	3,22,816	3,56,326	3,94,678	4,28,925
ii)	Income Tax	1,39,102	1,64,525	1,96,843	2,37,870	2,58,374
iii)	Other Direct Taxes	8,205	6,646	5,820	6,048	8,493
iv)	Total Direct Taxes Collection	4,45,995	4,93,987	5,58,989	6,38,596	6,95,792
2. Assessee profile (Figure in lakh)						
i)	Non-corporate assesses	332.04	357.61	367.87	463.57	599.88
ii)	Corporate assesses	3.76	5.85	5.90	6.75	7.72
	Total assesses	335.80	363.46	373.77	470.32	607.60

Source: CAG Report no 3 of 2016

5.8 It is therefore a strong case that the number of persons in the direct tax coverage almost doubled from FY 2010-11 (table 5.4) to 2017-18 (table 5.2). The number of taxpayers rose from 3,31,47,372 to 6,85,32,510. If there was anything that the ITD did in a big way in this period it was the accent on TPS. However, that does not mean to say that the ITD did not improve its mechanisms of enforcement. It did that too, and in a big way. But any result is a variety of factors and the increase in voluntary compliance over this period is something that TPS has significantly contributed to.

5.9 The ITD has also made efforts to reach out to taxpayers at various trade events. This has also increased the visibility of the Department and has helped in addressing concerns that taxpayers may have about rules and procedures. The details of such outreach are given in the following table.

S.NO.	Name of Trade Fair/Exhibition	Name of Service counter	Expected footfall at counter (Approximately)
1.	Time Utsav, Oct, 2016 (For 10 days)	26AS, e-Filing, TRP, ASK	1560
2.	India International Trade Fair, New Delhi, Nov, 2016 (for 14 days)	26AS, CPC TDS, TRPs, e-filing	4690
3.	Vibrant Gujarat, Jan, 2017 (for 5 days)	26AS, TRP, e-Filing,	190
4.	Times Utsav, Sept, 2017 (for 10 days)	26AS, e-filing TPS, TRP	1580
5.	India International Trade Fair, New Delhi, Nov, 2017 (for 14 days)	TRP, e-filing, 26AS	4620
6.	India International Mega Trade Fair, Bhubaneswar, Nov, 2018 (for 12 days)	TRP, e-filing, 26AS	1896
7.	India International Trade Fair, New Delhi, Nov, 2018 (for 14 days)	TRP, ASK, e-filing, 26AS	4550
8.	India International Mega Trade Fair, Kolkata, Dec, 2018 (for 12 days)	TRP, ASK, e-filing, 26AS	2112

9.	Vibrant Gujarat Global Trade Show, Gujarat, Jan, 2019 (for 5 days)	TRP, ASK, e-filing, 26AS	175
10.	Pravasia Bharatiya Divas, Varanasi, Jan, 2019 (for 3 days)	TRP, ASK, e-filing, 26AS	35

Source: Directorate of Taxpayer Services, CBDT

5.10 Though the numbers are small when compared to the number of taxpayers, these events have helped in educating taxpayers and have increased public engagement, especially in the young adults.

5.11 All these efforts have bolstered the TPS campaign of the Department. It was said at the outset that a successful TPS strategy is a win-win situation for the Tax authorities, the taxpayers and the country at large. The facts enumerated in paragraphs 5.1 to 5.8, supported by the analysis from various sources supports this point. It is clear that the increased outreach of the ITD coupled with the efficient disposal of grievances to the satisfaction of the taxpayers has increased their confidence in the Department. They are no longer afraid or hesitant to engage with the Department and this has led to an increase in voluntary compliance, seen by a rapid increase in the number of persons voluntarily filing ITR and complying with other provisions like TDS.

Taxpayers Expectations

5.12 It is imperative to examine as to what is it that real people want when they hear of taxpayer services. To that end, a random sample out of the other participants of the 44th APPPA has been drawn and a single question ‘What are their top three expectations from the ITD in the matter of providing taxpayer services?’ has been

asked of them. The concerns/suggestions of the respondents are listed out at (i) to (xvii):

- i. More openness - aim to drive away fear mentality;
- ii. Simple Procedure and feedback-aim consumer friendly;
- iii. Taxpayer awareness and education and accountability towards the taxpayer with regard to the use of the taxes he pays;
- iv. Easy to understand ready-reckoner for tax payers;
- v. A strong appeal and redressal mechanism. Quick disposal of appeals;
- vi. Easier interface in Saral forms with examples of what are the instruments that fall under a particular section allowing deduction. Form 16 in same format as Saral form. All finance schemes/funds launched/cleared, should have a section as to which column of saral form its income is to be reflected for different categories of taxpayers;
- vii. Real time intimation that based on information related to advance tax paid/TDS deducted as to whether there is any additional tax due or refund, based on last year's returned income;
- viii. Easy to fill tax returns that have drop down menus, questions on investments and loans, interest etc with interactive options that help in filling the tax return;
- ix. Some chat helpline to resolve minor issues;
- x. Widening of tax base;

- xi. focus more on non-taxpayers rather than increasing TDS coverage;
- xii. Easy to understand ready-reckoner for taxpayers. All tax saving clauses should be summarized in one page so that taxpayer doesn't have to keep checking elsewhere;
- xiii. Advance tax including TDS should populate itself from Traces or elsewhere;
- xiv. CAs should be made accountable for incorrect claims if a person uses a CA;
- xv. Tax payment through phone-filing as an option other than electronic and paper, especially for senior citizens;
- xvi. A 6/9 months interest free installment plan (based on previous year's tax assessment) may be considered under which the tax is collected directly from the bank; and
- xvii. Payment of tax through direct deduction/ by phone/internet banking/debit & credit card/taxpayers' service counters.

5.13 It emerges from the suggestions that the efforts of the ITD are proceedings in the right direction. By the introduction of the Refund Banker Scheme and the setting of the CPC, the Department has been leveraging on the available technology to ensure that taxpayers get their refunds into their bank accounts, as early as within three months of the filing their ITR. Similarly, the other schemes of the ITD like the TRP scheme, E-nivaran have helped reduce the time taken in attending to and disposing of

grievances. The ITD has been continuously simplifying the ITR forms so as to make it easy for the taxpayers.

5.14 The Central Action Plan of the CBDT sets timelines for all other functions of the ITD like disposal of appeals, attending to rectification applications and the giving effect to appellate orders. This also helps in reducing grievances.

5.15 The setting up a Directorate of Taxpayer Services, that is dedicated to monitoring all grievances filed before the ITD also goes a long way in meeting the aspirations of the taxpayers. This Directorate is continuously monitored by the CBDT to ensure that all Key Result Areas always get the attention they deserve.

5.16 The website of the ITD allows the taxpayer to engage in a live chat with a back end office that will help address the queries of the taxpayer. The dissertation in the earlier sections has shown that through the TRP scheme and other outreach programmes, the ITD is trying its best to reach out to taxpayers.

5.17 Another point that the ITD has understood that the effective delivery of TPS cannot be seen in isolation from its other core functions. It is seen from the suggestions of the respondents (para 5.13) that taxpayers expect quick and effective disposal of appeals very much part of services that are expected from the ITD. This will be discussed in greater detail later in the 'Way Forward' section (chapter 7).

5.18 It may be mentioned that from the next financial year (FY 2019-20) the ITD is attempting to send pre-filled ITRs to the taxpayers. This will also help in assuaging many of the concerns expressed by the respondents above.

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Chapter 6: International Best Practices

6.1 One of the methods of assessing any effort undertaken by any administration is to compare it with what is being done in other countries/jurisdictions. It would be worthwhile to examine the international best practices across some selected jurisdictions. This will help us place the TPS efforts in India in a context and when we have that perspective, it will be easier to assess as to where we stand. We will be able to decide where to we go from our present situation, what are the mid-course corrections that we need to make and most importantly what are our strengths, weaknesses, opportunities and challenges.

6.2 Generally speaking the universally accepted norms in relation to TPS may be listed as at points (i) to (xiii)⁵:

- i. Understanding an appropriate balance of resources between enforcement and service is critical tool in achieving higher overall tax compliance as a measure to improve voluntary compliance;
- ii. Treating taxpayers as clients with rights that are codified in the form of charters, etc, and publicized;
- iii. Public Agencies work together to provided coordinated services to clients;
- iv. Tailored approach of service delivery to match the needs of various taxpayer segments and the risk to revenue;

⁵ International Monetary Fund : Report of the Fiscal Affairs Department (FAD) (2010)

- v. Modern marketing techniques are extensively utilized to influence taxpayer behavior;
- vi. Services staff are highly qualified in terms of being able to match the expectations of taxpayers and those of professional tax accountants and advisors;
- vii. Establishment of client call centers and a move towards larger and more centralized service centers to ensure delivery of consistent, high quality service that enables specialization (e.g., by taxpayer segment or tax and procedure);
- viii. Services are available independent of time and place in step with the growing possibilities for electronic services (e.g., interactive telephones, e-services, and websites);
- ix. Provision of dedicated inquiry services for tax professionals;
- x. Goal to move taxpayers to web and e-services with compulsory e-filing and payments requirements for certain taxpayer segments (e.g. large taxpayers) and annual targets for take-up rate;
- xi. Taxpayer services (excluding staff involved with returns filing and coding) consume about 10 percent of tax agencies' human resources;
- xii. Consulting widely with taxpayer and / or their representatives prior to the implementation of changes; and
- xiii. Establishing and monitoring services delivery performance according to prescribed performance standards; measuring client satisfaction; and

demonstrating accountability by publicizing the levels of performance achieved against service standards set.

6.3 It has been discussed earlier (Chapter 3) that setting up a vertical or unit dedicated to TPS is based on the philosophy of function-based organization. Such an organization structure is based on two important principles: (1) that it is necessary to have policy direction and oversight located at headquarters and separate from actual field operations and (2) that policy direction should be organized by functional specialty i.e. service and registration, processing and payment, collections enforcement, audit, and tax operations policy.

6.4 A function-based organization for tax administration is the most effective organization to launch successful reforms and to support a modernization program. A function-based organization is based on fundamental principles of matrix management. Managers have dual accountabilities to both vertically (the traditional reporting relationship) and horizontally (from headquarters to the field office and back). The function-based organization offers the best possibility of developing specialties within the tax administration i.e. registration and services, returns and payment processing, audit etc and allows for the development of centres of excellence. Managing within a function-based organization can be complex, depending on the size and overall geographic spread of the organization. It requires a high degree of management vigilance and some countries may want to consider implementation in phases to ensure success.

6.5 The function-based organization does require a headquarters staff of sufficient size to monitor the overall health of the tax administration system, formulate national strategies to achieve improvements in overall performance, design reform initiatives

and arrange for their implementation, and then to evaluate the results of such reforms. At the same time, headquarters is also responsible for monitoring operational performance to detect negative trends that may require a timely and cross-country response.

6.6 While the head (or heads) of field operations report to the commissioner, they receive direction from each expert headquarters unit, depending on their area of specialization. Field offices are usually structured in a manner that mirrors the functions established at headquarters. In this way, services are properly set up for taxpayers, staff efficiency can be maximized, and the locus of functional direction will be clear. Depending on the size of the organization, some tax administrations opt to have all field offices report directly to the commissioner (for larger administrations) while others choose to have subordinate field managers report to one person who in turn reports to the commissioner.

6.7 A large tax administration might also choose to organize its field offices into a smaller number of regions and these regions in turn would report directly to the commissioner. As noted earlier, some administrations have created large taxpayer offices (LTOs) and even medium taxpayer offices (MTOs) as key components of their field network. Recent work by the OECD shows that larger economies, such as Australia, Canada, Ireland, New Zealand and the United States tend to have a greater number of staff assigned to headquarters.

6.8 **Canada: A function-based tax administration:** On November 1, 1999, the Canada Customs and Revenue Agency (CCRA) was created as an agency of government (assuming the functions of the former Department of National Revenue). It is responsible for the administration of tax programs as well as the delivery of

social and economic benefits. It also administers certain provincial and territorial tax programs. In addition, the CRA has the authority to enter in to new agreements with the provinces, territories and other government bodies to administer non-harmonized taxes and other services at their request and on a cost recovery basis.

6.8.1 The CRA is lead by a Commissioner and employs close to 40,000 people. It has a function-based organization structure with a headquarters that includes branches for:

- i. Taxpayer service and debt management
- ii. Compliance
- iii. Assessment and benefit services
- iv. Legislative Policy and Regulatory Affairs
- v. Assessment and collections
- vi. Appeals

6.8.2 These branches set national programs, develop operational policy and procedures and monitor performance against targets that they set. They play a role in resource allocation to a network of field offices that includes five regional offices and a number of subordinate tax offices. The CRA is also supported by a number of corporate branches that provide essential support and these include internal audit and evaluation, finance and administration, human resources, information technology, legal services, public affairs and corporate strategies and business development.

6.9 Hong Kong, China: Effective use of Information Technology: The Inland Revenue Department (IRD) of Hong Kong, China has used Information technology by using its interactive website to provide TPS. The IRD Homepage is an effective and important channel for disseminating tax information and providing electronic services to the public. With continuous expansion in the scope and updates on the contents, the homepage enables taxpayers to obtain the most current information about taxes in Hong Kong anytime, anywhere.

6.9.1 Through the homepage, members of the public can, (i) obtain information on how to complete tax returns, fulfil tax obligations and solve common tax issues; (ii) download IRD software and tax forms; (iii) use the interactive application software to compute their liability under salaries tax and personal assessment; and (iv) access to the personalised on-line tax services under eTAX, a new taxpayer portal. Annual businesses with the Department, like receipt and filing of tax returns, the receipt and payment of tax bills, and also correspondences with IRD, can all be done on the Internet at all hours.

6.9.2 Other programmes available in the homepage include a Tax Representatives' Corner, as well as e-Seminars for employers, property owners and individual taxpayers. The Department offers a wide range of electronic enquiry services which serve as convenient alternatives to enquiries in person or by post. Electronic enquiry services are available through eTAX. Department's Enquiry Service Centre handles telephone and counter enquiries. The Centre is equipped with a computer network linked to the Department's Knowledge Database and aims to provide, as far as possible, an immediate "one-stop" service.

6.9.3 The Centre makes use of an Interactive Telephone Enquiry System, with 144 telephone lines to provide service. Callers can gain access on a 24-hour basis to a wide range of tax information by listening to recorded messages and obtaining facsimile copies of the information and forms. Callers can choose to speak to operators during office hours. A "Leave-and-call-back" facility, for recording information requests, and a "Fax-in enquiry" service are also available. An eTAX help desk hotline was added in January 2008 to support users of eTAX services at <www.gov.hk/etax>.

6.9.4 On the IRD Homepage, the Department provides e-Seminars for tax representatives, employers, property owners and individual taxpayers. Information on how to complete tax returns, fulfil tax obligations and overcome difficulties in compliance are uploaded to facilitate unlimited access. Enquiries can be raised electronically at the "Q&A Column" and replies are made on a regular basis.

6.9.5 If a taxpayer is dissatisfied with the Department's services or cannot solve his or her problem satisfactorily through normal channels, the Complaints Officer may be approached for assistance. The complaint channel provides taxpayers with the means of having individual grievances dealt with independently at a senior level, and ensures that their cases are handled in a fair and unbiased manner. If a taxpayer is dissatisfied with any administrative action taken by the Department, the person concerned may refer the matter to the Ombudsman.

6.10 Latin America and the Caribbean-Guidelines from the American People:
These countries have relied upon the guidelines received from USAID. Almost all Latin America and the Caribbean (LAC) countries have initiated some form of taxpayer service program. For example, Peru's tax administration – Superintendencia

Nacional de Administración Tributaria (SUNAT) – makes constant outreach and education efforts among taxpayers to inform them of their tax rights and obligations as a means to facilitate voluntary compliance. Costa Rica has adopted a similar approach via its tax reform bill – Proyecto de Ley de Ordenamiento Fiscal – and incorporated a one-stop filing process, in conjunction with other government agencies, for taxpayers registering a business. Bolivia has developed a series of brochures for its outreach programs. Chile has made intensive use of IT to facilitate taxpayer assistance. Several countries (Argentina, Chile, Dominican Republic, and Mexico) have increased reliance on web portals to provide services and confidence to taxpayers.

6.10.1 In 2003, the tax administration of Chile Servicio de Impuestos Internos (SII) won the United Nations Good Practices and Innovations in Public Governance Award for its web-based tax management system, which aided in making tax compliance easier and less costly for taxpayers. The site has also won several other awards, including the "Technology Innovation Award" from the Chilean IT Association, a Management Innovation Award from the Chilean government, and the award for the best public institution website in the country from readers of *El Diario* newspaper. SII data show 155 million visitors to the website annually.

6.10.2 The SII website performs two key functions: i) it enables taxpayers to communicate directly with the tax administration online; and ii) it serves as a channel for providing an array of information. The information available can be grouped into the following categories:

- i. Informative: Provides taxpayer (general and specific) information relative to tax regulations, personal information contained in the SII databases, opinion studies, news, etc.
- ii. Transactional, oriented towards compliance: Facilitates business registration, tax declarations filing, deregistration at end of business activity, the issue of electronic tax documents, and tax payment of all types.
- iii. Transactional, auditing: Allows the taxpayer to provide and/or correct information.
- iv. Tax portal for foreign investors: Provides information on investing in Chile.
- v. Tax portal for micro, small, and medium businesses: Allows micro, small, and medium-sized enterprises to obtain electronic tax documents, at no cost to them, directly from the website.
- vi. Tax education portal: In conjunction with the Ministry of Education, SII has made a Portal of Tax Education available to teachers and children, with a focus on educating children about taxes and the social benefits they produce.
- vii. Pre-populated returns: Contains electronically pre-populated returns based upon information received from third-party sources.

6.10.3 LAC taxpayer assistance programs should generally be placed in the second level of the maturity model above, noting of course, that there are differences,

including some countries that are much further along. The approaches utilized to enhance service delivery in LAC are centered on the following key areas:

- i. Information services: The most common tools include advertising campaigns, informational brochures, letters, and practical handbooks, instructions, and guides.
 - a. Advertising campaigns: This is the principal tool used by the tax administrations to offer assistance services or raise tax awareness around issues of special interest and significance for compliance.
 - b. Informational brochures: These are designed to provide taxpayer specific information on a range of topics impacting voluntary compliance, while also making the public aware of services provided.
 - c. Letters: Letters are mailed to groups of taxpayers as reminder notices or to make them aware of changes that impact them.
 - d. Practical handbooks, instruction, and guides: These guidelines are developed to assist taxpayers in preparing their own tax returns.
 - e. Assistance services: Telephone and face-to-face channels are the primary methods made available to taxpayers to facilitate their compliance with tax obligations through assistance on preparing tax returns,

explanations relative to technical aspects of the law, information on procedural requirements, etc.

- ii. Information technology: As noted above, there have been increased efforts to provide online taxpayer services. Available online services include those for general and restricted use, as described at (a) and (b):
 - a. General use: Through these services, any taxpayer can have access to general information, such as forms, brochures, frequently asked questions, etc.
 - b. Restricted use: These require some form of secured login to file returns and make payments; inquire about taxpayers' account status, etc. These uses are typically at the early stages of development in LAC.

6.10.4 Quality taxpayer service is a main goal in the strategies of many LAC tax administrations. In Belize, the tax administration's strategic plan calls for improving and providing service and education in the pursuit of voluntary compliance through available information, quality service, an accurate taxpayer register, communication programs, the development of the capacity of staff, and a pilot one-stop shop. Ecuador has conceptualized a "model citizen service" approach based on establishing the proper processes, opening assistance channels, and developing the appropriate culture of tax administration. A recent CIAT study however, notes that, while such goals may be comprehensive and there has been some improvement, implementation lags in certain areas. For example, while taxpayer satisfaction surveys are common, allowing taxpayers the ability to view their records is largely non-existent. While it is possible

to file through the web in all Latin American countries, seven do not allow online payments.

6.11 **Learning for India:** A perusal of the international practices described above would lead to the following conclusions in the Indian context:

- i. India's TPS programme is of a standard that matches comparable economies;
- ii. In some cases, the use of technology is of a higher standard in India;
- iii. But India can use the experience in certain measures like providing pre-filled tax returns to take our TPS programme a notch above;
- iv. India can also think of having separate information portals for different categories of taxpayers like individuals, pensioners, SMEs and large businesses;
- v. This will help in focused and relevant information being provided to the particular taxpayer.

6.12 India has already begun many of these tasks and has progressed some distance. The website of the ITD (www.incometaxindia.gov.in) has added several sections like important links for services like e-payment of taxes, TRP locators, instructions and circulars, new initiatives, press releases, changes in tax law, links to related services like mobile apps, tax calculators, jurisdiction details, nearest ASK locations, helpdesk and toll free numbers.

6.13 These services get millions of hits and the ITD is able to meet the service needs of a large number of its taxpayers. Taxpayers may also provide feedback and suggestions on the website that enable the ITD to improve its performance.

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Chapter 7: Way Forward, Conclusion and Recommendations

Way forward

7.1 The one lesson that the ITD seems to have learnt is that the process of change is a constantly evolving one. In 2017, the ITD began work on another Vision Document that is now being released to the field formations. The contents of this document are:

Vision

Transforming tax administration in the direction of voluntary compliance, through technology-driven and customer oriented approach

Mission

To simplify tax laws in a manner which is easy to understand and easy to comply

To extensively use technology in tackling tax evasion as well as unfair practices

To re-orient the tax department to adopt a customer focused approach

To create highly skilled, professional and motivated workforce in Tax Department

To use effectively enforcement agencies as a deterrence against tax evasion

Mile-stones - For 15 years (2020-2035)

To enhance the tax GDP ratio from current 17.5% to 25% in 15 years

To make 90% paperless office and achieve near zero face-to-face interaction with tax payers

To increase income tax payers' base up to 50% of non-agricultural adult population

To be in top 3 countries of the world in term of Logistics Performance Index (LPI) in respect of International Trade

Making effective use of Enforcement agencies such as Enforcement Directorate(ED), Directorate of Revenue Intelligence (DRI), Directorate

General of Central Excise Intelligence (DGCEI)

Milestones - For 7 years (2020-2027)

1.1 .Smooth implementation of Goods and Services Tax (GST)

1.2. 100% linkage of PAN and AADHAR

1.3. Rationalization of Tax rates

2.1 .Successful implementation of projects INSIGHT and IMPACT for maximum utilization of technology

2.2. All tax compliance be made friendly through free downloadable interactive mobile tax applications.

3.1 Better follow up of AIR data base

3.2 Encouraging tax payers by sending letters and certificates of appreciation for tax compliances.

3.3 Better outreach by way of educating taxpayers and students.

3.4 Better use of Information Education Communication (IEC) technology

4.1 .Extension of SWIFT

4.2. 100% risk based approach in all departments

4.3. Integration of all portals dealing with foreign trade

4.4. Technology based inspection through use of non-intrusive tools and technology such as Scanners, Geo-tagging etc.

5.1 Prioritise enforcement activities towards deliberate fraud and evasion

5.2.Introduction of modern methods, tools and technology of investigation

5.3. Develop common Compliance Risk Management Framework to manage strategic and operational risks

5.4.Robust segmentation strategy to address compliance risk based on structural & economic and behavioural factors

5.5. To initiate automatic exchange of financial account information (AEOI) under CRS with all relevant jurisdictions

5.6. To develop a robust system for collection, transmission, monitoring and effective utilization of the financial account information under AEOI

5.7 To actively participate in the inclusive framework for monitoring the implementation of BEPS action points at global level

Milestones - For 3 years (2020-2023)

1.1.1 Formulation of simple and clear GST law

1.1.2 Ensure smooth transition from current Indirect Tax regime to GST

1.1.3 Establish Standard Operating Procedures for interaction between Centre and States

1.1.4 Increased Tax payer outreach, Education & Capacity building of State and Centre officials

1.1.5 PAN to be linked with AADHAR in respect of all active I TR filers

1.2.1 PAN to be linked with AADHAR in respect of all active ITR filers

1.3.1 Simplify and rationalize tariffs — Review of exemptions

1.3.2 Implementation of phase out plan of tax incentives coupled with reduction of tax rates as envisaged by 2020

1.3.3 Design tariff structure to encourage value addition, income generation and job creation

1.3.4. Correct tariff inversion (higher duty on raw materials and lower duty on finished goods) to support domestic manufacturers and provide a level playing field to the domestic industry

1.3.5. Review of import duty structure for agricultural products from time to time so as to take care of the interests of producers and consumers

1.3.6. Clarify issues so as to ensure uniformity in assessment practice and eliminate disputes and consequent litigation

2.1.1 Targeting tax frauds and tax leakage using state-of-art analytical tools

2.1.2 Broadening of tax base using data from other government departments

2.1.3 Better monitoring using mobile dash-boards for senior management

2.1.4 Operationalization of Compliance Management CPC (CMCPC)

2.1.5 Implementation of comprehensive Risk management system

2.2.1 Introduction of Mobile App for real-time tracking of status

2.2.2 Mobile App for compliance-related information

2.2.3 Mobile App for tax payments

2.2.4 E-enablement and e-filing of all statutory forms

2.2.5 Development and deployment of free downloadable interactive mobile Apps

3.1.1 Implementation reporting compliance management system

3.1.2 Implementation of data exchange mechanism with 3 data exchange partners

3.2.1 Re-introduction of Samman scheme

3.2.2 Implementation of Platinum, Gold and Silver Certification scheme for compliant taxpayers

3.3.1 Introduce chapter on Taxes and its compliance in school curriculum

3.3.2 Tax Awareness program for undergraduate students in coordination with HRD and UGC

3.3.3 Creation of Taxpayer Education website

3.3.4 Extend the Outreach Programme to all major cities having Income Tax Offices

3.3.5 Preparation and uploading of useful videos for taxpayer education to be institutionalized

3.4.1 Use of third party information

3.4.2 Assist MSME/SME in tax compliance through print, electronic & social media

3.4.3 Preparation and uploading of useful videos for taxpayer education to be institutionalized

3.4.4 Establishment of Social Media Cell

3.4.5 Engagement with taxpayers through multiple social media platform using free and open software

4.1.1 Extension of SWIFT to all Partner Government Agencies

4.1.2 Facility to upload supporting documents/licences/permits on SWIFT

4.1.3. Introduction of SWIFT for export clearances

4.2.1 Phased reduction in interdiction of cargo to 10%

4.2.2. Introduction of system-driven, entity-based and transaction-based parameters

4.2.3. Integrated Risk Management System for all Partner Government Agencies

4.3.1 Augmentation of the existing compliance portal in ICEGATE for all cross-border regulatory requirements

4.3.2. Inter-linking of CUSTOMS ICEGATE with other Foreign Trade related web portals

4.3.3. Hosting of web-service modules relating to foreign trade in a single Foreign Trade portal

4.4.1 Providing container scanners- mobile/fixed x-ray/drive through at every port

4.4.2. Radio/GPS tagging of every container

4.4.3. Supply of hand operated devices (tablets/Personal Radiation Detectors/Radionuclide Identification Devices) at sheds/factories

4.4.5. Provision of videoscopes

7.2 It emerges that the ITD has a wide horizon before it in the matter of its overall functioning. It is also a lesson that is being learnt that all the core functions of the ITD need to go hand in hand. In fact, that will be part of the conclusion in the next section.

Conclusions

7.3 Based on the analyses undertaken, it emerges that the link between strategic delivery of TPS and increase in voluntary compliance, exists. The international experience in this regard has also been examined. It has been found that the countries that are moving forward on TPS use technology efficiently, set timelines for attending to grievances, sensitize and train officials engaged in this work and create an organization that is specialized in this function. The key takeaways from this exercise are listed as:

- i. The ITD has come a long way in the matter of delivery of TPS. The ITD has understood that TPS is a matter of constant improvement of processes and their effective monitoring;
- ii. In spite of the efforts made over the years; the ITD has still a long way to go in the matter of providing strategic TPS. The journey has just begun. From the replies received in the mini-survey discussed in Chapter 5, it is clear that some taxpayers still feel that the process of filing a tax return is confusing, cumbersome especially for senior citizens or persons who may not be tech savvy;
- iii. There is also a crying need for more networking. For instance, once TDS has been deducted, and it is linked to the taxpayers PAN, as soon as he fills up his PAN, all the income and TDS deducted and tax

payments should get automatically populated in his tax return. In this day and age of big data and networking, there is no place to expect the taxpayer to fill up each column of his tax return. This will go a long way in meeting the expectations of the taxpayers and making the interface with the ITD easy and pleasant;

- iv. Another issue that agitates taxpayers is that they perceive a lack of accountability of the system towards the taxpayers. The taxpayers' aspiration is that taxes paid by them are judiciously spent.
- v. Taxpayers also want a strong, fair and quick appeal disposal mechanism. This makes a very important point as it shows that the other core activities of the ITD are inextricably linked with providing TPS. That taxpayer will see no value in ASK, E-Nivaran or CPGRAMS if he sees that the other core processes are not witnessing any systemic improvements. The ITD needs to take a holistic view of everything that it does. Creating silos may help in creating specialization, but these silos need to work in tandem.

7.4 The best solutions come from the people who suffer the problem. If the ITD is sincerely receptive and is sensitive to tax payers, its efforts will be most effective and best rewarded. No matter where we work or live, we are all taxpayers and consumers of the services provided by the ITD. Just as we expect the ITD to provide services of high quality, we must also be mindful of our duties. Eventually this a journey based on a partnership between the tax collector and the taxpayer. It is only together that both can succeed.

Recommendations

7.5 The following recommendations are made:

- i. The ITD must use technology in a more productive way. For instance, once TDS has been deducted, and it is linked to the taxpayers PAN, as soon as he fills up his PAN, all the income and TDS deducted and tax payments should get automatically populated in his tax return. In this day and age of big data and networking, there is no place to expect the taxpayer to fill up each column of his tax return;
- ii. ITD should create a consultative machinery between the Directorate of TPS and the Directorate of Systems such that the Directorate of TPS can drive the required technological development in the light of the experience it has gathered in its work;
- iii. ITD should create specialization in the field of TPS. Officers who have a flair of working in this field and are able to give results should be allowed to work in this field for an extended tenure of at least five years;
- iv. In case taxpayer do not receive their refund as per the time specified in the Citizens Charter, apart from the interest that is paid for the delay, the ITD should explain in writing the reasons for the delay;
- v. Grievances filed by taxpayers should be allowed to be closed only after it has been finally resolved and not mid-way by giving a reply that the matter is 'in process';

- vi. ITD should sensitize all its officers to the fact that no matter in which division they are working, as much as they are an enforcement agency, they are also providing a service to the taxpayer. This will go a long way in ensuring that the ITD acts reasonably and fairly in all its functions.

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