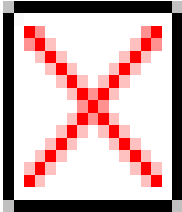


**Tax laws & tax technology need to walk hand-in-hand!**

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**WHILE**

the migration of 2 components impacting the compliance requirements for a taxpayer- Income Tax Return (ITR) and TDS statements- from a physical to an electronic medium has been path breaking, many other legislative and administrative interventions for a full-fledged e-governance of Income Tax administration are no less significant. As stated, Finance Act 2007 introduced section 139D to make rules for furnishing returns in electronic forms and specify the class or classes of taxpayers who shall be required to furnish ITR in electronic forms, and progressed from a stage of mandatory e-filing for companies and individuals having income in excess of Rs 10 lakhs, through the stage of mandatory e-filing of ITR for those having income in excess of Rs 5 lakhs to the present day, where Rule 12 of Income Tax Rules would ensure that all classes of taxpayers- individual, HUF, company, political party or those required to file ITR 7, firm or LLP- barring few exceptions file their ITR electronically under digital signature. Similarly Finance (No 2) Act, 2004 laying down the requirements of TDS quarterly statements in the prescribed manner before the appropriate authority through section 200, and Finance Act 2009 providing for a Board approved scheme for centralised processing of TDS statements submitted under section 200 through introduction of section 200A made the way for a purposive and full scale implementation of the TDS regime.

While on one hand, consistent efforts for the taxpayers to move to an electronic medium have been ongoing through legislation and rules and instructions backed by legislation, similar initiatives are on also for the department's workflow to migrate to an online mode via designing of forms and templates as provided under the Rules. Rule 131 of Income Tax Rules introduced vide Notification 83/2021 dated 29-7-21 in that regard enables the Systems Directorate with the approval of the Board to identify any of the forms, returns, statements, reports and orders as laid out in Appendix II of the Rules for online submission and to lay down the data structure, standards, and procedure of furnishing and verification of such forms to make them compatible for electronic submission.

To say at this stage that complete datafication, migration to an online regime and introduction of online processes for discharging statutory functions , for example, faceless assessment through sections 143(3A),(3B) and 3(C) vide Finance Act, 2018, or faceless inquiry or valuation through section 142B vide Finance Act 2020, faceless penalty scheme through the enabling legislation under section 274(2A), (2B) and 2(C), faceless e-verification scheme 2021 under section 135A, e-assessment of income escaping assessment scheme of 2022 under section 151A rendering the procedure for faceless reassessment under sections 147,148, 148A and 151 and many more such initiatives rode solely on the shoulders of legislation would be erroneous. Changes to legislation in all these cases have been powered by layers of enabling technical infrastructure , sophisticated application modules and impactful technology projects.

While integrated e-filing and CPC 2.0 (IEC 2.0) is well known and has large coverage on account of the mandatory nature of the compliance requirements across all types of users, the intranet backbone of all the departments projects- ITBA, CPC-TDS, CPC-ITR, Insight, e-assessment, e-appeal, ASK,PAN etc- running under Taxnet since 2005 provides for intranet connectivity to all IT offices at 780 locations; facility management services (FMS) operational since 2007 ensures through deployment of resident and city reporting engineers an uninterrupted connected environment for conducting the required operations; www.incometaxindia.gov.in since 2014 provides resources in form of acts, rules, notification, circulars, tax and deduction calculators for all users. CPC-TDS built around the sanction under section 200A ensures computerised processing of TDS statements. Its TDS reconciliation, analysis and correctional enabling system (TRACES) generates annual tax credit statements 26AS for each taxpayer, TDS certificates in Form 16/16A. identifies TDS defaulters of short and late payment, short deduction and late filing fees, and in a way connects the tax deductors, deductees, pay and accounts officers through its twin-facing portals, one being the TRACES portal for bulk functions for deductors and deductees for example correction in TDS/TCS statements or

issuance of lower or no TDS certificates; and two, the AO portal for the TDS assessing officers.

Another project- Tax Information Network (TIN)- operational since 2004 registers, collects, maintains and reports on tax payments made at Pr CCA authorised designated banks, TDS and TCS information submitted by deductors through TDS and TCS statements at TIN facilitation centres, and houses the operational dashboards on collection statistics.

Department's business intelligence platform- Insight- primarily geared at promoting voluntary compliance and deter non-compliance through data warehousing and predictive analysis tools is the fulcrum behind Department's risk management strategy and extensively used for framing rules for high risk ITRs, high risk non-filers and thematic risk assessment.

Digital transformation of a knowledge based department and its work processes require not just the technical infrastructure layer, which allows for greater technical efficiency, flexibility, safety, resilience and modularity among the various sub-systems, but also recognition of a fact that law-making and regulatory design must neither outpace nor fall behind the technology induction, requiring both of them to remain constantly dynamic and responsive to each other's need. While tackling the many issues of technical and commercial contractual SLAs with various MSPs who partner in Department's IT projects and resolving those in accordance with the rules and precedents would be easier of the tasks, the greater challenge would always be to synchronise induction and development of new law with induction and development of technology.