ORGANIZATIONAL ISSUES FOR TAX ADMINISTRATION

Managing Compliance Risk

10th IMF-Japan High-Level Tax Conference for Asian Countries
April 25-26, 2019 - Tokyo

P.C MODY
CHAIRMAN,
CENTRAL BOARD OF DIRECT TAXES, INDIA
Organization Structure - Tax Administration in India

Ministry of Finance

Department of Revenue

CBDT

CBIC

ED/CEIB/FIU
Organisational Structure of Direct Taxes in India

Policy making Role
- Chairman + 6 members
- Pr. Chief Commissioners/Chief Commissioner
- Pr.Commissioner/Commissioner

Supervisory Role
- Addl.Commissioner/Joint Commissioner
- Deputy Commissioner/Astt.Commissioner

Operational Role
- Operational Team
- Support Staff
- Senior Management
- CBDT
...Organization Structure (continued)

- Central Board of Direct Taxes
  - Chairman
  - Assisted by the Directorates
    - Member (Inv.)
    - Member (Admin.)
    - Member (R&TPS)
    - Member (IT&C)
    - Member (L)
    - Member (A&J)

- Systems (Digitization)
- Human Resource Development (Cadre Management)
- Vigilance
- Infrastructure & Logistics
- Admin. & Taxpayer services
- Risk assessment (Data mining & analysis)
- Legal & Research (Judicial)
## The Canvas for the Indian Tax Administration

<table>
<thead>
<tr>
<th>F.Y</th>
<th>No. of Tax Payers (In million)</th>
<th>% growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-15</td>
<td>57.15</td>
<td>8.17%</td>
</tr>
<tr>
<td>2015-16</td>
<td>61.52</td>
<td>7.64%</td>
</tr>
<tr>
<td>2016-17</td>
<td>69.23</td>
<td>12.53%</td>
</tr>
<tr>
<td>2017-18</td>
<td>74.12</td>
<td>7.06%</td>
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</table>
Function Based Verticals in the Field

- Assessment
- Investigation
- International Taxation
- Withholding Tax (Tax deducted at source)
- Audit
- Appellate & Judicial Work
- Systems (Central Processing Centres)
- Exemption/Trust
Challenges in Assessment & Resolution

• Challenge:
  ✓ How to do assessment work without any personal interface between taxpayers and tax officers.

• Resolution:
  ✓ Within the next two years, almost all verification and assessment of returns selected for scrutiny will be done electronically through anonymised back office, manned by tax officials, without any personal interface between taxpayers and tax officers.
Challenges related to Investigation and Resolution

• Challenges:
  ✓ Explosion of Digital data.
  ✓ Information from Foreign jurisdiction (TIEA, MLAT, Egmont).
  ✓ Data security.

• Resolution:
  ✓ Directorate of Risk Assessment established and data analytical capabilities institutionalised.
  ✓ Data Warehouse and Business Intelligence (DWBI) established titled Project Insight with data storage and modern analytical tools.
  ✓ Audit (Scrutiny) Selection: Selection of cases carried out only after risk assessment and the reasons for selection made known to the assessing officers.
  ✓ CRS, FATCA, CBCR Data: The incoming data is risk profiled, compared with the available data and only high risk cases are taken up for further investigation.
  ✓ Third Party Information: The incoming information is stored in the data warehouse and used for risk profiling, developing a 360 degree profile of the persons for tax investigation.
  ✓ Data Security: Given top priority and institutional data security policies put in place.
Challenges related to International Taxation and Resolution

• Challenges:
  ✓ Base Erosion and Profit Shifting (BEPS)
  ✓ Changing Business Model.
  ✓ Digital Economy
  ✓ Tax Certainty

• Resolution:
  ✓ India participated in G-20- OECD BEPS project on equal footing.
  ✓ Wide network of DTAAs & TIEA
  ✓ Introduction of equalization and the concept of Significant Economic Presence (SEP)
  ✓ Establishment of Dispute Resolution Panel, Introduction of Advance Pricing Agreement & Safe Harbour Rules
  ✓ Domestic law on international tax related matters suitably amended as per international developments.
  ✓ Up-gradation of skill by deputing officers to OECD Global Relations Training Programs/ CATA Training Programs etc.
Challenges related to Withholding Tax and Resolution

**Challenges:**

- From electronic to automated and real-time compliance and service delivery
- Improving accuracy and timeline in filing of TDS Statements and payment of taxes withheld.
- Increase in contribution of TDS towards Direct Tax Collection

**Resolution:**

- CPC-TDS
- Using digital platforms and technologies such as AI and Blockchain
- Online, email, Call Centre Services for resolving taxpayer problems.
Challenges related to Audit and Resolution

• Challenge:
  ✓ To have uniform policy, methodologies and modalities to improve the quality of assessments by reducing the errors and omissions

• Resolution:
  ✓ The ITD digital platform.
  ✓ Having Standard Operating Procedure (SOP).
  ✓ Introduction of an Income Tax Audit Module on its digital platform to ensure selection of appropriate cases for Audit, on the basis of an Audit Potential Index (API).
  ✓ The work of Audit and settlement is carried out in a time bound manner every year, based on the annual Central Action Plan.
Challenges related to Appellate & Judicial Work and Resolution

• Challenge:
  ✓ How to decrease tax litigation in order to ensure finality and fairness of taxes for taxpayers?

• Resolution:
  ✓ By Revision of monetary limits for filing of appeal.
  ✓ By Priority disposal of high value appeals by Appellate Authority.
  ✓ International best practices such as Dispute Resolution Panel, APA etc has been adopted.
  ✓ Issuance of Clarification/Circular on contentious issues.
Challenges related to Systems and Resolution

• Challenges:
  ✓ To provide online mechanism for tax administration in a vast country like India.
  ✓ Platform for E-Assessment.
  ✓ Platform for Withholding Tax.
  ✓ Platform for Trust.
  ✓ Grievance resolution.
  ✓ Electronic Tax Payment.
  ✓ E-filing of first appeal.
## Resolving Tax administration Challenges through infusion of Technology through Systems

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Present status</th>
<th>Goal</th>
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<tbody>
<tr>
<td>Allotment of Tax Payer Identification (Permanent Account Number)</td>
<td>Over 430 Million allotted</td>
<td>Issue PAN in near real time</td>
</tr>
<tr>
<td>Link PAN with Aadhaar (Citizen ID)</td>
<td>Over 230 Million linked</td>
<td>100% linking</td>
</tr>
<tr>
<td>Enable Offline validation of PAN for transaction</td>
<td>QR Code based Card launched</td>
<td>100% validation (Online or Offline)</td>
</tr>
<tr>
<td>Increasing the coverage of Electronic Filing of Income Tax Returns</td>
<td>68.4 Million (98.6%)</td>
<td>100% E-filing and increased use of Mobile App</td>
</tr>
<tr>
<td>Pre-filling of Income Tax Returns</td>
<td>Partial</td>
<td>100% for all salaried taxpayers</td>
</tr>
<tr>
<td>Increased taxpayer outreach through digital medium</td>
<td></td>
<td>Targeted campaigns to taxpayers on social media</td>
</tr>
<tr>
<td>Faster Processing of Income Tax Returns</td>
<td>8 weeks</td>
<td>Within 1 day for 90% of ITRs</td>
</tr>
<tr>
<td>Electronic Credit of Refunds to taxpayer bank account</td>
<td>95%</td>
<td>100%</td>
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<td>Online access to taxpayer of their Tax deducted at source and tax payments (26AS)</td>
<td>100%</td>
<td>Enable online access through multiple modes</td>
</tr>
<tr>
<td>Reporting of Tax deduction by Deductors</td>
<td>100%</td>
<td>Next generation through natural systems</td>
</tr>
<tr>
<td>Electronic tax payments</td>
<td>87%</td>
<td>100% through multiple digital modes</td>
</tr>
<tr>
<td>Common Electronic Grievance for taxpayers</td>
<td>Less than 1% in paper mode</td>
<td>100% electronic and integrated with faster response time including satisfaction score measurement</td>
</tr>
<tr>
<td>Notices, letters, orders digital signed by Officers</td>
<td>97% overall in Assessment</td>
<td>100% across all functions</td>
</tr>
<tr>
<td>E-Assessment in scrutiny (audit) cases</td>
<td>0.3 Million cases</td>
<td>Larger coverage under E-Verification</td>
</tr>
<tr>
<td>All communication to taxpayer in electronic mode</td>
<td>Nearly 100% email/taxpayer account in E-filing portal for assessment</td>
<td>100% across all functions</td>
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# Resolving Tax administration Challenges through infusion of Technology through Systems

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<td>All first appeals are e-filed</td>
<td>Nearly 97 % (exception for small taxpayers)</td>
<td>100%</td>
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<tr>
<td>All applications for registration of Charitable/Religious organizations</td>
<td>Nearly 100%</td>
<td>100%</td>
</tr>
<tr>
<td>Integrated taxpayer profile view and business intelligence/business analytics</td>
<td>Basic</td>
<td>Strategic and operational intelligence for faster decision making on risk analysis</td>
</tr>
<tr>
<td>Information collection from third party and data exchange</td>
<td>One-way</td>
<td>Automated 2 way exchange with data quality analysis and correction</td>
</tr>
<tr>
<td>Compliance portal for real time interaction with taxpayers on compliance issues</td>
<td>Available in E-filing portal</td>
<td>Dedicated portal for deeper and focussed interaction</td>
</tr>
<tr>
<td>Verification back office for factual enquiries and closure</td>
<td>All verification will be electronic with faster closure which will include rule based decision making</td>
<td></td>
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Unified Grievance Handling System

ITBA Unified Grievance Handling Module

- Taxpayer
- Aayakar Seva Kendra (ASK)
- e-Filing Website
- Assessing Officer
- CPC-ITR
- CPC-TDS
- Direct Submission to ITD Authorities
- CBDT/FM/PMO Ref
Thank You