

Challenges of Digitalization for Tax Administrations

Session on Digitalisation & Artificial Intelligence

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Abhishek Tripathy
Indian Revenue Service (IRS)
Department of Revenue, Ministry of Finance
Government of India



General Overview of the Presentation

1.

- **Technology & Indian Direct Tax Administration: Some Highlights of Current Practices**

2.

- **Challenges faced by Indian Direct Tax Administration**

3.

- **Suggesting Solutions to Challenges**

1. Technology & Indian Direct Tax Administration- Some Highlights of Current Practices

I. Introduction of Annual Information System (AIS)

- Widening the ambit of income disclosure and on a real-time basis,
- Compliance management through outreach and nudge approach. An important milestone in digitalisation of income tax administration in India. E.g., voluntary compliance is being encouraged through E-Verification Scheme 2021 (**CBDT Press Release dtd March 4, 2024**)

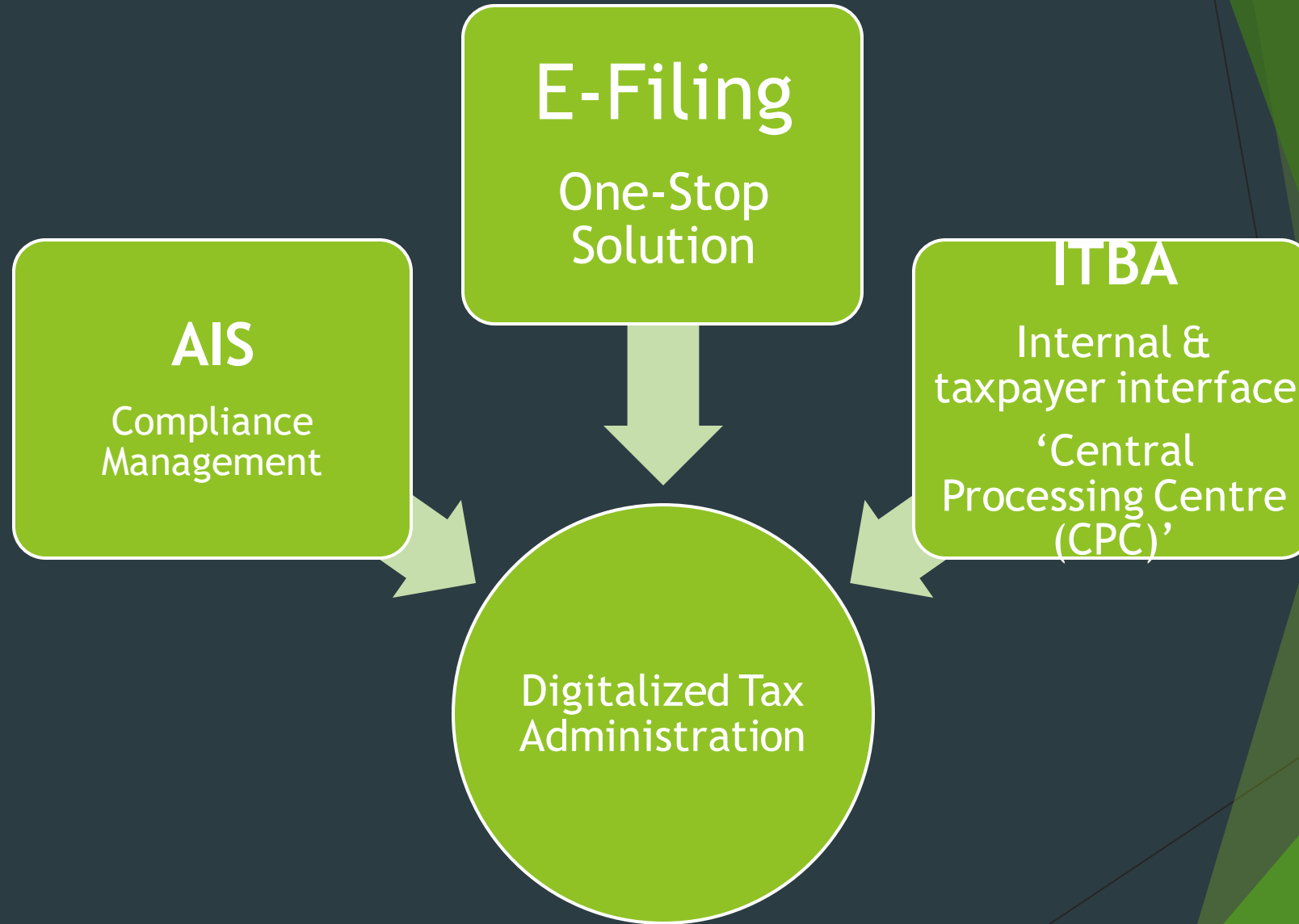
II. E-Filing:

- One stop solution for all tax-payers. Taxpayers can file electronically their returns/compliances/responses and so on.

1. Technology & Indian Direct Tax Administration (Contd.)

III. Income Tax Business Application (ITBA) Portal

- All business processes now carried out on a single application
- Integration with taxpayer facing systems – e.g., in FY 2023-24, refunds worth INR 3,36,808 crore (INR 3,368,080 million) have been issued online (**CBDT Press Release dtd. March 19, 2024**)
- Aligning core aspects of income taxation, such as, registration, filing, refund claims and rectification related aspects. Comprehensive and dynamic: continuous effort to expand the scope of services that could be offered through ITBA.



1. Technology & Indian Direct Tax Administration (Contd.)

IV. E-Assessment Scheme

- Assessments in most matters are jurisdiction- less, pan-India, enabled through e-filing portal of the Income Tax Department. Team-based assessment. Dynamic administrative intervention has facilitated tax-payers to file ITRs from April 1, 2024 (start of FY in India) [**CBDT Press Release dtd April 4, 2024**]. A bright example of ease of compliance & seamless taxpayer services.
- Eliminates physical interaction between the tax-payers and tax authorities.

1. Technology & Indian Direct Tax Administration (Contd.)

V. Grievance Redressal

- Grievance redressal mechanism is available online to the tax-payers.
- CPGRAMS and E-Nivaran enable taxpayers to e-file grievances and for tax administrators to endeavour resolution of disputes online has added to the ease of dispute resolution in direct tax matters in India.
- Aaykar Seva Kendras (ASK): creation of what can be translated as 'Income Tax Service Centres' for enabling taxpayers to file grievance petitions in person at designated centres in each office of the Income Tax Department. Accessibility of technology enabled solutions to the masses

2. Challenges faced by the Indian Direct Tax Administration

I. Compliance Management Challenge:

- For a country-wide roll out of digitalized tax administration, need to ensure optimum infrastructure creation
- Tax 'Digital' Literacy: challenge faced by India where digital penetration is not a major limitation, rather, perusing digital infrastructure by taxpayers is a challenge.

II. Legal & Policy Certainty

- Changing law poses challenges of additional data ingestion, retention, mapping and logical changes so on. IT systems need to be kept updated of law/ policy-based changes in a dynamic manner, so that such changes are reflected immediately, in a homogenous manner, and across the board.

2. Challenges faced by the Indian Direct Tax Administration (Contd.)

III. Adaptation of New Technology

- Response to newer technology and challenge of updating/ expanding hard infrastructure, human resource skilling/ training and taxpayer education/ outreach.

IV. Data related Challenges

- Obtaining data from various agencies, with each agency having its respective standard protocols, makes it a challenge to obtain data/ information from them
- Digitization of data which is not digital: Old records that are usually in physical format need to be digitized- The challenge is the quality of the physical data, and its availability.

3. Suggesting Solutions to the Challenges

- ▶ Better coordination amongst various agencies for data sharing
- ▶ Addressing privacy issues with better targeted policies/legislations
- ▶ Continuous engagement with the tax-payers and/or citizens – tax digital literacy concerns

Thank You!