150 Years
Income Tax

VISION
2020
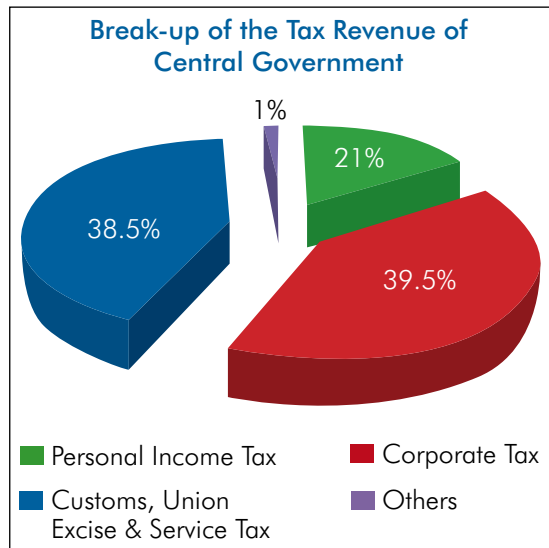
STRATEGIC PLAN 2011–15

INCOME TAX DEPARTMENT

INCOME TAX DEPARTMENT
GOVERNMENT OF INDIA

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INTRODUCTION

1.1 Direct taxes, now the major source of tax revenues to the central government, have grown at an average annual rate of 24% in the last five years and have nearly trebled from ₹1,32,771 Crore in 2004-05 to about ₹3,78,000 Crore in 2009-10. The contribution of Direct Taxes to the Central Tax Revenues has grown from 43.79% to 60.5% during the same period. The ratio of direct taxes has increased from 4.1% of GDP in 2004-05 to 6.1% in 2009-10. The Thirteenth Finance Commission (2010-15) has projected direct tax revenue collection at ₹8,29,668 Crore by 2014-15 and direct tax to GDP ratio of 7.62%.

Break-up of the Tax Revenue of Central Government

- Personal Income Tax: 21%
- Corporate Tax: 39.5%
- Customs, Union Excise & Service Tax: 38.5%
- Others: 1%

1.2 The vision of the Income Tax Department (ITD) is to be a partner in the nation building process through progressive tax policy, efficient and effective tax administration and improved voluntary compliance. This will be achieved by an enabling policy environment and augmenting the revenue mobilisation apparatus for optimum revenue collection under the law, while maintaining taxpayer confidence in the system.

1.3 The strategic planning for this purpose will have to be done in dynamic settings taking into account external challenges & opportunities and internal strengths & constraints. This document states the Vision 2020 and a strategic plan covering the five year period 2011-15. A mid-term review of the implementation of the plan will be done in 2013. The Strategic Plan itself will be reviewed in 2014 to evaluate

the effectiveness of the initiatives taken, requirement for course correction and the need, if any, for new initiatives in the next five years.

1.4 Vision 2020 spells out the Vision, Mission and Values of ITD in Chapter 2. Analysis of major challenges confronting the ITD and various opportunities likely to be thrown up by these challenges during the strategic plan period 2011-15, is contained in Chapter 3. The Strategic Plan is discussed in Chapter 4. Finally, conclusions are drawn in Chapter 5.

2

2.1 Our Vision

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

2.2   The following Mission statement outlines the roadmap for the ITD to realise its vision:

Our Mission

- To formulate progressive tax policies
- To make compliance easy
- To enforce tax laws with fairness
- To deliver quality services
- To continuously upgrade skills and build a professional and motivated workforce

2.3   **Our Values** will steer us through the journey towards realising our Vision and will be reflected in all our decision making processes.

VISION, MISSION & VALUES

Our Values

Integrity
"We discharge our duties truthfully, honestly and transparently"

Accountability
"We are responsible for our actions and outcomes"

Responsiveness
"We are sensitive, prompt, fair and objective in our dealings with our stakeholders, fostering mutual trust"

Professionalism
"We strive for improving performance and competence with a focus on achieving excellence"

Innovation
"We encourage new ideas, methods, processes and practices"

Collaboration
"We work together with our stakeholders and partners to achieve common goals"

3

CHALLENGES & OPPORTUNITIES
IN THE NEW DECADE

3.1 In an ever changing environment, ITD seeks to have a clear focus on its goals to be able to continually review its policies, operating approaches and procedures for being responsive and adaptive to the changing business and legislative environment. New technological development, accelerated globalisation, exchange of information between revenue authorities and the new Direct Tax Code offer both challenges and opportunities. ITD is poised to seize the opportunities and meet the challenges to realise its Vision through progressive tax policies, efficient & effective administration and improved voluntary compliance. An understanding of the challenges and opportunities they throw up is the first step towards meeting the challenges. The challenges have accordingly been classified under the three enablers for realisation of vision.

3.2 Policy Intervention Challenges

3.2.1 Developing Comprehensive Database of All ITD Data

The Challenge to formulate progressive tax policy is critically dependent on availability of reliable data on taxpayer compliance behavior, efficacy of various instruments used by the tax administration for improving compliance, possible opportunities for tax leakages, the revenue potential of the economy etc.

3.2.2 Developing Research Capabilities

Developing research capabilities to collect such data as a national database and mine and analyse the data is the challenge that needs to be addressed by ITD for moving towards a research driven tax administration.

3.2.3 Estimation of the Tax Base & Revenue Leakages

The starting point for the revenue optimisation effort would be to ascertain the potential tax base of the country and the extent of revenue leakages. Absence of a scientifically developed revenue forecasting model is a constraint that needs to be addressed.

Estimation of the true revenue potential with a customised forecasting model will help ITD to quantify the gap between the potential revenue and the actual collection. A study on the extent of the revenue leakage with clear identification of the activities and the factors responsible for its growth will help ITD to optimise its revenue mobilisation.

3.2.4 Complexities in Tax Laws

Complexities in tax laws are regarded as one of the major impediments to voluntary compliance. A lot of effort has been made in the past decade to simplify the direct tax laws in the country. This effort needs to be continued in future also.

3.3 CHALLENGES FOR EFFICIENT & EFFECTIVE ADMINISTRATION

3.3.1 Assessment and Reduction of Compliance Risk

Complexity and innovation in business structures, new financial products, large number of taxpayers, growth in international trade supported by rapid expansion of e-commerce, commoditisation of tax avoidance schemes, are some of the factors leading to increased compliance risk for the tax administration. It may not be possible for ITD to address these risk factors through the traditional tools based on verification and enforcement action alone. ITD has to pay greater attention to understanding the factors that shape taxpayers' compliance behaviour in order to craft and implement potentially more effective set of responses. The challenge before the ITD is to identify and assess compliance risks, not only domestically but also internationally, on the basis of priorities identified with the help of a sound risk management system.

3.3.2 Human Capital Challenges

The human resource of ITD with over 57,793 employees is the strategic foundation of the ITD.

"Estimation of the true revenue potential with a customised forecasting model will help ITD to quantify the gap between the potential revenue and the actual collection"

Skilled and committed employees who are valued and treated equitably are more likely to be fair and professional in their dealings with taxpayers. Creating opportunities for development and advancement of careers is an instrument for developing an attractive work environment. The challenge is to motivate and equip each and every member of ITD to reach his or her unique and full potential.

In response to the changing business environment, increased complexity of tax administration and workload and tax payers' expectations of service, ITD is on a transition path from a manual to an IT-enabled system. Traditional problem solving methods of working in isolation no longer work in a networked environment where cross-functional problem solving through collaboration is the new mantra. ITD intends to inculcate a culture of collaboration across functional areas for achieving the overall objective of the department.

There is an urgent need to upgrade the technical capabilities of the personnel to effectively perform their functions. The challenge before the ITD is to map the new skill sets required with the existing skill sets of the personnel and come up with a comprehensive plan to bridge the gap through targeted training. ITD has attracted and retained some of the best civil service talent in the country to man its managerial cadres. In the face of stiff competition for talent in the country, especially from the highly competitive private sector, ITD cannot remain complacent on this score. ITD intends to provide a challenging and stimulating work environment for its personnel, where talented employees can realise their full potential, contribute to the growth of ITD and take pride in the public service ethos as members of the premier service of the government.

3.3.3 Development of Real Time knowledge Sharing Mechanism

In a knowledge driven organisation like ITD, it is imperative for its personnel to update their knowledge

> "The challenge before the ITD is to identify and assess compliance risks, not only domestically but also internationally, on the basis of priorities identified with the help of a sound risk management system"

constantly. Knowledge connotes ability to understand the law and its myriad interpretations as well as ability to understand accounts. At another level, knowledge comprises the ability to detect evasion, devise strategies for improving compliance, improve internal efficiency and efficacy, compete globally to attract and retain multinational taxpayers. The challenge is to identify the requirements of knowledge by various functionaries of ITD, institutionalise the process of imparting and co-creation of knowledge, create an institutional memory and put in place a mechanism for real time sharing of knowledge by developing both formal & informal channels.

3.3.4 Technology Challenge

a. *Technology Transforming Rules of Commerce*

Advent of new technology poses both challenges and opportunities for ITD. Technology has changed the very basis of commerce. With rapid expansion of sophisticated computer and communications technology, taxpayers are finding innovative means to conceal economic transactions. This paradigm shift in the very basis of commerce calls for a fundamental change in ITD's conduct of its affairs. A fresh look has to be taken in various functional areas including investigations, taxpayer services, legal framework, skill sets of its personnel, placement of officers across international tax jurisdictions, making in-house technical support & expertise available and making changes in internal structure. The challenge is to outline a comprehensive Technology plan which addresses diverse issues relating to technology. Availability of new technology also offers an opportunity for ITD to adopt the same as the fulcrum around which the functioning of the entire organisation revolves in the new decade. The tax compliance process encompassing various stages is a chain. Seamless flow of information to each link in this chain through enabling technology will aid the ITD personnel in making informed decisions.

b. Explosion of Digital Data

The volume of data the ITD is handling today is huge as can be gauged from 270 million entries relating to tax deducted at source alone. This volume will only grow manifold in the coming decade. Data pertaining to high value transactions received from third parties is worth ₹100 trillion today. The present day network, which operates on "Single Application Single Database" model, is soon likely to be rendered inadequate. The challenge for the ITD is to develop computational capacity with facility for web computing.

3.3.5 Accelerating Globalisation

The administration of a tax code is much more complex in an open global economy. Taxpayers are more sensitive to differences in inflation, tax treatment, exchange rates, tax rates and the ability of tax administrations to monitor trade and income flows. Generation of income across the world poses a challenge to the ability of revenue authorities to verify the accuracy of taxpayers' returns thereby increasing the risk of incidence of tax avoidance. International tax advisors act in concert to put together complex structures spanning various jurisdictions taking advantage of the technology. In this scenario, protection of tax base and collaboration amongst tax authorities becomes essential. The challenge before ITD is to take a leadership role in protecting the national tax base through concerted efforts and active participation in global fora.

3.3.6 Transition from 1961 Act to DTC

The introduction of the new Direct Taxes Code (Bill), 2010 (DTC) in the Parliament is a landmark event in the history of 150 years of Income Tax in India, posing both challenges and opportunities. At an operational level, the transition from a fifty year old 1961 IT Act to the new DTC would

> " The tax compliance process encompassing various stages is a chain. Seamless flow of information to each link in this chain through enabling technology will aid the ITD personnel in making informed decisions "

require effective communication with the taxpayers through awareness programs about the new law. Departmental personnel will also have to be trained on the new tax code.

The need to develop a new ITD software application package for the new code, making it compatible with the legacy system, training the departmental personnel in the new system within the shortest possible time, will be a challenge. At the same time, it offers an opportunity for the ITD to move to a fully automated technology-driven system on a single technology platform right from inception for fully integrating people, process and technology.

3.4 CHALLENGES FOR IMPROVED VOLUNTARY COMPLIANCE

3.4.1 Removal of Barriers to Voluntary Compliance

Promoting voluntary compliance is one of the prime concerns of ITD. 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.

3.4.2 Reduction in Compliance Cost

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 challenge before the ITD is 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.

"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"

3.4.3 Meeting Increasing Aspirations of Taxpayers

The ITD has been rolling out various services to the taxpayers to make compliance easier for them. However, many of these services have not been optimally utilised by the taxpayers. There is a need to analyse the requirements of the taxpayers for developing a channel strategy for delivery of services.

3.4.4 Transition to an Era of E-governance

E-governance is viewed by ITD as strategic tool for transforming Governance and improving the quality of services provided to the taxpayers. It enables 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. 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 is to be kept in mind while planning for service delivery to the taxpayers who do not have access to the Internet.

3.4.5 Faster Resolution of Disputes

The rising litigation with the taxpayers and the quantum of revenue locked up in appeals is a matter of serious concern that requires attention. ITD intends to address this concern with comprehensive proposal for reducing unwarranted litigation with taxpayers, faster disposal of appeals and prompt redressal of grievances in a consistent manner.

> " E-governance is viewed by ITD as strategic tool for transforming Governance and improving the quality of services provided to the taxpayers "

STRATEGIC PLAN

Three strategic initiatives linked to the three enablers captured in the vision have been identified by ITD to meet various challenges outlined in Chapter 3 for realisation of its vision.

4.1. OBJECTIVE: TO FORMULATE PROGRESSIVE TAX POLICY

4.1.1 Estimating the Tax Base & Developing a Revenue Forecasting Model

The first step for optimisation of revenue mobilisation is to ascertain the true tax base of the country. ITD intends to develop a revenue forecasting model by identifying the tax base and the variables influencing direct tax revenue from the perspective of tax administration. The existing revenue forecasting models used are conceptualised from a slightly different perspective without explicitly focusing on administrative aspect of tax policy. A customised model for ITD may identify and use variables affecting the compliance level explicitly, in addition to the GDP used as a proxy for the tax base.

Action Point: *Constitute an expert group for developing a revenue forecasting model with departmental officers and outside experts including economists, statisticians and other government agencies Constitution of the Expert Group to be done before the end of the financial year 2010-11*

4.1.2 Instituting Study on Plugging of Tax Leakages

In its optimisation effort, ITD has to ascertain evasion prone sectors of the economy; reasons for non-compliance; possible methods of tax avoidance and evasion; and measures to plug such tax leakages. To this end a study by a broad based group of experts coordinated by departmental officers will be carried out.

Action Point: *Constitute an expert group for conducting a study on tax leakages and suggesting measures to plug such leakages with departmental officers and outside experts including economists, statisticians, other social scientists and other government agencies. Constitution of the Expert Group to be done before the end of the financial year 2010-11*

4.1.3. Setting up of a Research Unit

Modern tax administrations all over the world make policy and administrative decisions based on scientific research. Following international best practice, ITD intends to set up a research unit.

Action Point 1: *Set up a research unit having a multi-disciplinary team coordinating efforts on tax research as an ongoing program after ascertaining all the research requirements of ITD*

Action Point 2: *Set up Revenue Services Research Institute with physical and digital library and dedicated bandwidth*

Action Point 3: *Make Revenue Services Research Institute the nodal agency for conducting research on demand*

Action Point 4: *Make a multi-year commitment to research program to transform ITD into a research driven organisation*

Action Point 5: *Develop research-driven methods to detect non-compliance and other aspects of tax administration*

Action Point 6: *Encourage research by trainee officers at National Academy of Direct Taxes and officers pursuing study leave for inculcating a new culture of research-backed tax administration*

"
Modern tax administrations all over the world make policy and administrative decisions based on scientific research. Following international best practice, ITD intends to set up a research unit
"

Action Point 7: Bring all data of ITD under a single custodian for formulating progressive tax policy

4.2 OBJECTIVE: TO PROVIDE EFFICIENT AND EFFECTIVE ADMINISTRATION

4.2.1 Developing Data Warehouse & Business Intelligence Solution

ITD intends to use innovative methods to supplement its traditional enforcement tools in order to reduce the tax gap during the strategic plan period 2011-15. A conscious effort will be made to move towards non-intrusive targeted enforcement tools.

Action Point 1: Make internal data available almost on real time basis by capturing data from Paper Returns immediately after receipt

Action Point 2: Make internal data robust and current by including information gathered during enforcement action by the Investigation Wing and the Assessing Officers

Action Point 3: Make external information data base extensive by gradually expanding scope of AIR and securing access to data bases of financial and other institutions and establishments

Action Point 4: Build partnership across government agencies to gather and share information and work out uniform accounting / reporting practices

Action Point 5: Put all the functions relating to collection of information under one Directorate

Action Point 6: Ensure that the work of Assessing Officer and the Commissioner

> " ITD intends to use innovative methods to supplement its traditional enforcement tools in order to reduce the tax gap during the strategic plan period 2011-15 "

(Appeals) is done online on the system

Action Point 7:   Update and clean PAN database on a regular basis

Action Point 8:   Consider modification of ITR forms to capture relevant information to facilitate matching of external information

Action Point 9:   Bring all data of ITD under a single custodian for deploying effective data mining tools

Action Point 10: Ensure integrity / evidentiary value of digital data by following cyber forensic best practices

Action Point 11: Make standard operating practices (SOP) in respect of cyber forensic best practices for acquiring, analysing and archiving digital data flowing into the system

Action Point 12: Upgrade current data mining and other initiatives for Data Warehousing Solutions for developing Comprehensive Business Intelligence for just in time enforcement capability

Action Point 13: Create a Directorate of Risk Management for dedicated attention to management of risk

Action Point 14: Use Risk Management methodology to identify high risk taxpayers by continuously revising and enhancing case selection process

Action Point 15: Extend unit of risk assessment from individuals to group of taxpayers

Action Point 16: Make business intelligence available to the actual users almost on real time basis

Action Point 17: Use IT-enabled tools to navigate through software accounting packages

4.2.2 Developing Mechanism for Monitoring Tax-exempt Sector

The size and diversity of the tax exempt sector makes it incumbent for ITD to focus on compliance in this sector and also provide necessary guidance for ensuring compliance. ITD will continue to monitor the activities of this sector to ensure that tax forgone is well deserved.

Action Point 1: Develop a national data base of tax-exempt entities and list out their activities

Action Point 2: Extend facilities for timely registration of the tax-exempt entities

Action Point 3: Proactively address misuse of tax-exempt status

4.2.3 Meeting the Challenges of International Tax Administration

Proliferation of tax avoidance schemes across national borders due to advancement in technology, integrating world economy, mobile capital and mobile population etc. are posing a challenge to tax administrators across the world. Complex structuring of transactions by Multinational corporations makes it difficult for the tax authorities to comprehend the full impact unless regularly updated on various issues relating to tax laws across revenue jurisdictions.

In order to effectively meet the challenges brought about by increased globalisation and to protect its tax base, ITD needs to continue to raise skill levels of its personnel. It also has to play an increasing role in the international fora to shape international tax standards, to push for greater transparency and exchange of tax information in order to curb tax evasion and avoidance.

> " In order to effectively meet the challenges brought about by increased globalisation and to protect its tax base, ITD needs to continue to raise skill levels of its personnel "

Action Point1:	Expand knowledge base of employees on the latest trends in international taxation issues
Action Point 2:	Capacity building in complex areas of transfer pricing and international taxation
Action Point 3:	Enhance cooperation with the treaty partners and other international organisations and work towards raising its international profile
Action Point 4:	Exchange and sharing of information with other tax administrations
Action Point 5:	Set up overseas units for facilitating exchange of information
Action Point 6:	Set up good administrative practices for quicker disposal of disputes through mutual agreement procedure

4.2.4 Ensuring Surveillance of Fund Flow that Impact the Physical and Economic Security of the Country

The next decade will see an increased role of the ITD in scrutinising transactions and fund flow impacting national security and identifying money laundering, terror and narcotic funding. This will require the ITD to deploy considerable resource and energy on criminal investigation. Effective criminal investigation will necessarily include a comprehensive international strategy to combat offshore tax evasion, and fund flows that threaten security of the country.

Action Point 1:	To develop a robust system of criminal investigation with focus on fund flows that impact national security
Action Point 2:	To develop an outreach program to sensitise stakeholders about economic and financial security

Action Point 3: To keep tabs on fund flow relating to money laundering, narcotics and terror

Action Point 4: To ensure exemplary enforcement against abusive schemes and corporate tax frauds

4.2.5 Ensuring that Tax Practitioners and Departmental Personnel Adhere to Professional Standards

> "In the interest of the nation, it is important for the ITD to reiterate the importance of ethical standards in public life"

Recent exposures in India regarding manipulation of accounts by public corporations and failure of the public accountants to point them out have raised certain critical ethical issues. In the interest of the nation, it is important for the ITD to reiterate the importance of ethical standards in public life. The same ethical standards are to be followed by the departmental personnel as well.

Action Point 1: Administer effective system of sanctions for those who fail to follow the law

Action Point 2: Make departmental personnel demonstrate exemplary ethical standards while implementing the tax laws

4.2.6 Developing a Tax Collection Strategy

The best possible revenue forecasting model cannot ensure that actual revenue mobilisation reaches the potential unless the collection machinery is geared up for this purpose. Demand is raised by the ITD as a result of assessments which is referred to as 'regular demand'. Uncollected regular demand brought forward at the beginning of a financial year is termed as 'arrear demand'. The brought forward arrear demand comprises of two components: (a) arrear out of fresh demand raised during the preceding financial year, and (b) arrear-out-of-arrear demand. As ITD improves and upgrades its assessment effort, the arrear-out-of-fresh demand component brought forward every year

is bound to go up. This is the healthy component of arrear demand which, after accounting for reductions due to appeals etc, yields revenue. It is the good *debt stock* or *current asset* of the Department. Thus, the growth of brought forward arrear demand, in-so-far as it represents growth in the annual rate of fresh demand, is a positive development, and has to be viewed as such.

Arrear-out-of-arrear demand component of the brought forward demand is the hard core arrear demand, most of which is in-collectible for various reasons. It is also bound to rise on account of the annual accretion of statutory interest, which the Department is obliged to charge, because there is no provision in law for not charging interest on bad or doubtful debts of tax.

ITD intends to put in place a detailed collection plan for improving efficiency and productivity in collections.

Action Point 1:   *Develop an annual collection plan that would set targets and time standards for both current and arrear demand to be collected on the following basis:*

    a)   *Analysis of the nature of current and arrears demand to identify collection pattern*

    b)   *Analysis of the tax records of taxpayers*

    c)   *Use of risk scoring techniques to create risk profiles of debtors*

Action Point 2:   *Improve communication to make taxpayers understand their obligations*

Action Point 3:   *Develop effective procedures for writing off uncollectable tax arrears*

Action Point 4:   *Include both pre-assessment and post assessment taxes in the demand analysis*

Action Point 5:   Consider separation of assessment and collection function

4.2.7 Aligning HR Strategy to Goals

The strategic foundation of the tax administration is the human capital and optimal use of this resource is critical for realisation of the vision. A comprehensive HR strategy covering all aspects of manpower planning and development has to be formulated with a strong structural support for Human Resource Directorate.

Action Point 1:   *Conduct a detailed analysis of shortages of manpower and reasons thereof and come up with possible solutions*

Action Point 2:   *Consider a separate recruitment board for expeditious recruitment of staff*

Action Point 3:   *Expedite processing of cadre restructuring proposal and develop automatic mechanism for timely periodic evaluation*

Action Point 4:   *Formulate a comprehensive HR strategy encompassing all aspects of personnel requirements and development with a sound structure for HR Directorate*

Action Point 5:   *Match job requirements with skill sets of employees for placements by developing Human Resource Information System (HRIS)*

Action Point 6:   *Create motivational climate for employees to excel by designing a career progression path*

Action Point 7:   *Reinforce a culture of cross-functional problem solving approach through collaboration*

Action Point 8:   *Encourage innovations at work*

Action Point 9: Conduct training needs analysis and invest in high quality training for overall development of personnel

Action Point 10: Set up real time knowledge sharing mechanism for enhancing revenue productivity

Action Point 11: Conduct an employee satisfaction survey through an independent agency for ascertaining satisfaction level of departmental employees

4.2.8 Strategic Technology Initiative

1. Developing Strategic Technology Plan

ITD intends to outline a comprehensive Technology plan to address the diverse issues relating to technology

Action Point 1: Formulate Strategic Technology Plan

Action Point 2: Make provision for a robust Management Information System (MIS) for effective decision making and reducing reporting requirements by personnel

Action Point 3: Augment computational capacity and network connectivity for handling huge data volumes in an environment of dynamic computing paradigms

Action Point 4: Plan to remain cost effective and avoid technology obsolescence

Action Point 5: Resolve multiplicity of platforms in favor of uniform holistic rule-based application matrix that can optimally run on the state of the art hardware and networks

Action Point 6: Integrate all the elements of tax collection process through

technology with information seamlessly flowing to the users for informed decision making

Action Point 7: Ensure security of all information assets and database through a systemic implementation of periodic vulnerability testing, security & forensic audits to prevent frauds

Action Point 8: Create a single data center under a single custodian for storing all taxpayer and third party data

Action Point 9: Make business intelligence out of processed data and make it available to the actual users almost on real time basis

Action Point 10: Upgrade skills of the ITD personnel on a continuous basis

Action Point 11: Develop a mechanism of knowledge sharing on real time basis within ITD

Action Point 12: Plan to reduce carbon footprint through green technology

Action Point 13: Devise a detailed transition plan for e-governance initiatives

Action Point 14: Consider setting up of Special Purpose Vehicle for quick and effective response to the Technology challenge

2. Developing Integrated Technology Platform: Making the transition for New DTC Smooth

The new DTC is likely to replace the 50 year old Income Tax Act with effect from April 2012. It offers an opportunity for ITD to integrate its people, process and technology through an integrated technology platform.

Action Point 1:   *Prepare for the transition with a detailed outreach program both for the taxpayers and departmental personnel*

Action Point 2:   *Make use of the opportunity to move towards a fully automated technology-driven system*

Action Point 3:   *Integrate the compliance process chain through a common technology platform*

4.2.9 Real Time Knowledge Management

The challenge for creating an institutional memory for ITD commences with identification of the requirements of knowledge by various functionaries of ITD and sources of knowledge. This has to be followed by institutionalisation of the process of co-creation of knowledge, and putting in place a mechanism for real time sharing through formal & informal channels. Framing of Quality Assessments after making quality investigations is considered the primary deterrent against tax evasion.

1.   *Ascertaining Knowledge Requirements of ITD*

To develop consistency in interpretation of law is in the larger interest of ITD for reducing litigation and enhancing revenue productivity. As a first step, knowledge gap prevailing in the Department will be identified and knowledge requirements across various functional areas will be ascertained.

Action Point 1:   *Identify knowledge gap and ascertain knowledge requirements across functional areas of ITD*

Action Point 2:   *Identify sources of knowledge creation*

Action Point 3:   *Encourage the process of co-creation*

Action Point 4:   *Develop institutional memory*

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Framing of Quality Assessments after making quality investigations is considered the primary deterrent against tax evasion "

2. Developing Mechanism for Real Time Knowledge Sharing

"Let us Share – A compilation of Best Practices and Orders" is the current institutional mechanism for sharing of knowledge within ITD. The scope of this effort will be expanded to evolve into an online real time knowledge sharing mechanism.

Action Point 1: *Provide facility for online learning management system with facility for transmitting and storing webcasts and VOIP*

Action Point 2: *Set up online discussion forum to discuss issues relating to tax administration*

Action Point 3: *Set up mechanism of knowledge sharing through formal & informal channel*

Action Point 4: *Provide for corporate subscription of judicial referencing system and economic data bases*

4.3 OBJECTIVE: TO PROMOTE VOLUNTARY COMPLIANCE

4.3.1 Incorporating Taxpayer Perspectives to Improve Service Delivery

ITD intends 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*

4.3.2 Create a Channel Strategy for Taxpayer Services

Lack of awareness about tax laws and non-availability of taxpayer services in multiple channels in which different segments of taxpayers are comfortable may also result in non-compliance from small and medium taxpayers. It is important that the taxpayer's behavior is properly studied before designing a suitable channel mix for providing informative, interactive and transactional services to the taxpayers.

Action Point: *Segmentation of taxpayers to develop appropriate channel strategy for communication and for providing targeted and timely guidance*

4.3.3 Single Window Facility for Taxpayers

The Citizens' Charter 2010 of ITD contains the current standards of service delivery promised by the ITD of its key services to the taxpayers. The implementation of the Charter is 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. Unique acknowledgment number is issued against each application to facilitate monitoring of status during the life cycle of an application/return. 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*). Currently operating at 3 buildings at Pune, Kochi and Chandigarh on a pilot basis, ASK will 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, promises that ASK will be made compliant to IS: 15700:2005; the only

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The Citizens' Charter 2010 of ITD contains the current standards of service delivery promised by the ITD of its key services to the taxpayers
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standards for excellence in public service delivery for public service organisations.

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

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

4.4.4 Strengthening Partnership With Tax Practitioners; Tax Deductors; and Third Party Partners

A vast majority of taxpayers interact with the ITD through the tax practitioners who play a critical role in the compliance process at different stages. To improve the quality of service to the ultimate taxpayers, ITD intends to maintain centralised contact with both tax practitioners and business associations for bridging knowledge gap.

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. ITD intends to organise outreach program to extend support to these partners.

A large number of agencies furnish third party information to the Department which forms the basic data for conversion into actionable intelligence. ITD intends to collaborate with such partners with meaningful dialogue and education programs

Action Point 1: Constitute central and zonal Direct Tax Advisory Councils and make these fora effective through regular interaction

Action Point 2: Disseminate information through tax practioners and extend services to them

Action Point 3: Strengthen partnership with tax deductors with proper handholding and education programmes

Action Point 4: Strengthen partnership with third party information providers with guidance

Action Point 5: Devise standardised format for supply of third party data and create facility for electronic submission of data

4.4.5 Litigation Management

Delay in resolution of tax disputes adversely affects voluntary compliance. Protracted litigation results in wasteful expenditure of time and resources for both taxpayer and the Department. A systemic approach to resolve disputes would be a win-win situation both for the ITD and the taxpayers. ITD intends to put in place a mechanism for putting an end of unproductive litigation.

Action Point 1: Set up mechanism for putting an end to unproductive litigation

Action Point 2: Make dispute resolution panel work efficiently and effectively with proper administrative support and consider expanding its scope

Action Point 3: Implement appeal registry and strengthen appellate commissioner machinery for quicker disposal of appeals

Action Point 4: Issue revenue rulings on important legal issues having wider ramifications

Action Point 5: Complete work on the Judicial Referencing system on fast track and make it available to all personnel

Action Point 6: Finalise Advance Pricing Agreement procedure for transfer pricing

> " Protracted litigation results in wasteful expenditure of time and resources for both taxpayer and the Department. A systemic approach to resolve disputes would be a win-win situation both for the ITD and the taxpayers "

CONCLUSIONS

Vision 2020 is a document that contains what the Department believes is possible for it to accomplish

Vision is what vision does. Vision must be articulated, internalised and acted upon. At the end of it, the worth of the vision is in its executed reality. As a professional organisation, ITD will bring the power of shared vision to the workplace and act upon it. An effective communication strategy will be implemented for reaching out to the two most important stakeholders of ITD, namely, employees and the taxpayers.

Execution of the projects would require the ITD to inculcate a culture of collaboration across functional areas. ITD is committed to throw its full weight behind these initiatives to realise its vision.

Income Tax Department
Department of Revenue, Ministry of Finance
Government of India