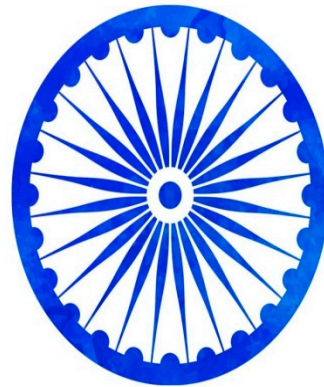




ORGANIZATIONAL ISSUES FOR TAX ADMINISTRATION



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



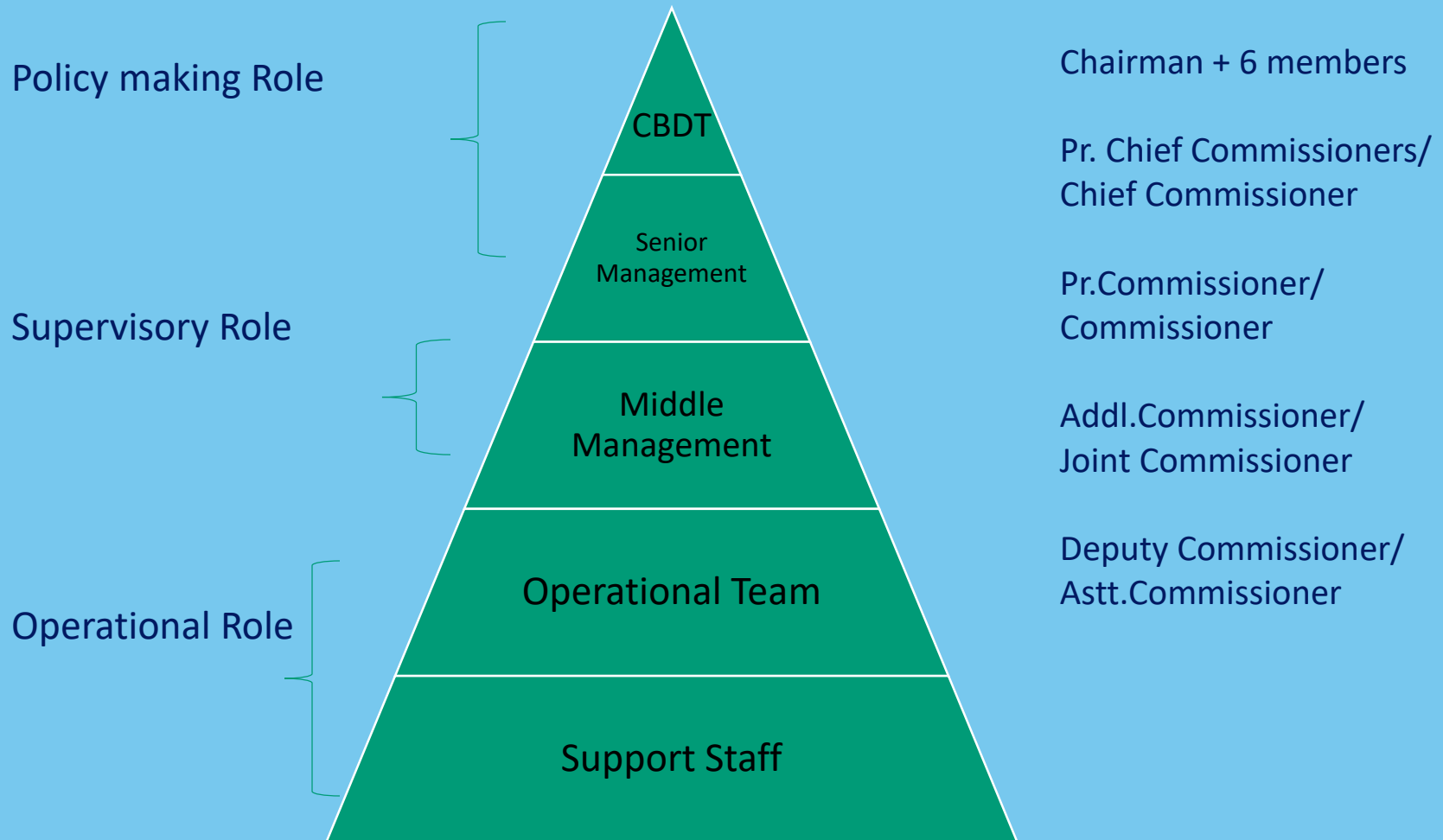
CBIC

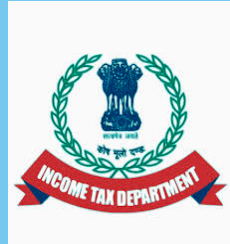


ED/CEIB/FIU

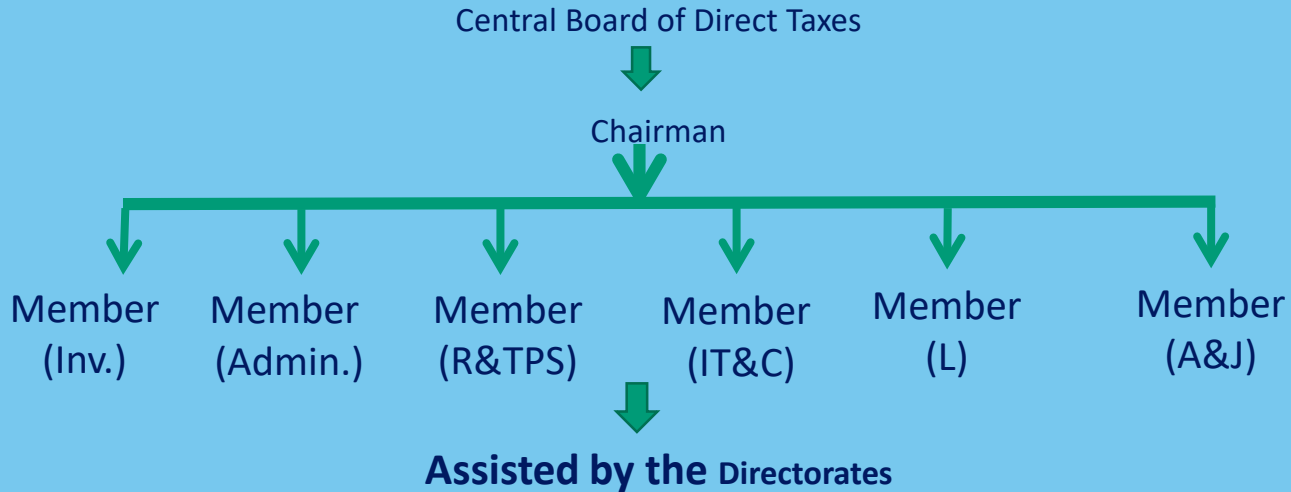


Organisational Structure of Direct Taxes in India





...Organization Structure(continued)



- Systems (Digitization)
- Human Resource Development(Cadre Management)
- Vigilance
- Infrastructure & Logistics
- Admin.& Tax payer services
- Risk assessment (Data mining & analysis)
- Legal & Research (Judicial)



The Canvas for the Indian Tax Administration



F.Y	No. of Tax Payers (In million)	% growth
2014-15	57.15	8.17%
2015-16	61.52	7.64%
2016-17	69.23	12.53%
2017-18	74.12	7.06%



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 DTAA's & 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 Programmes 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 Block chain
- ✓ 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



Initiative	Present status	Goal
Allotment of Tax Payer Identification (Permanent Account Number)	Over 430 Million allotted	Issue PAN in near real time
Link PAN with Aadhaar (Citizen ID)	Over 230 Million linked	100% linking
Enable Offline validation of PAN for transaction	QR Code based Card launched	100% validation (Online or Offline)
Increasing the coverage of Electronic Filing of Income Tax Returns	68.4 Million (98.6%)	100% E-filing and increased use of Mobile App
Pre-filling of Income Tax Returns	Partial	100% for all salaried taxpayers
Increased taxpayer outreach through digital medium		Targeted campaigns to taxpayers on social media
Faster Processing of Income Tax Returns	8 weeks	Within 1 day for 90% of ITRs
Electronic Credit of Refunds to taxpayer bank account	95%	100%



Resolving Tax administration Challenges through infusion of Technology through Systems



Initiative	Present status	Goal
Online access to taxpayer of their Tax deducted at source and tax payments (26AS)	100%	Enable online access through multiple modes
Reporting of Tax deduction by Deductors	100%	Next generation through natural systems
Electronic tax payments	87%	100% through multiple digital modes
Common Electronic Grievance for taxpayers	Less than 1% in paper mode	100% electronic and integrated with faster response time including satisfaction score measurement
Notices, letters, orders digital signed by Officers	97% overall in Assessment	100% across all functions
E-Assessment in scrutiny (audit) cases	0.3 Million cases	Larger coverage under E-Verification
All communication to taxpayer in electronic mode	Nearly 100% email/taxpayer account in E-filing portal for assessment	100% across all functions



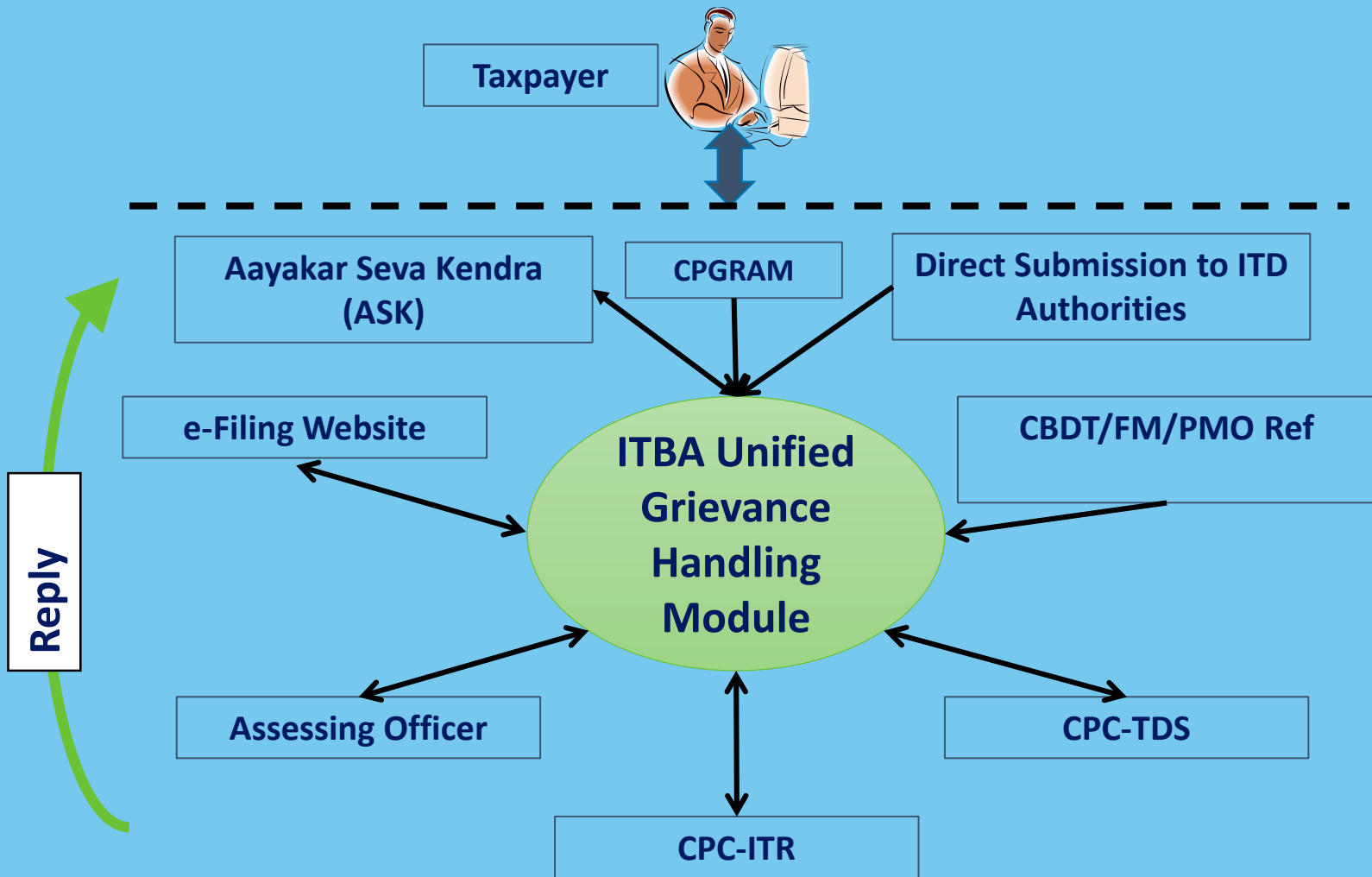
Resolving Tax administration Challenges through infusion of Technology through Systems



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



Unified Grievance Handling System





Thank You