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An Empirical Study on Digitalisation of Central Board of Direct Tax

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ABSTRACT: In recent years, developments in technology have brought about changes in operational procedures across a wide range of industries. These changes may be seen in the public and private sectors, as well as academia, business, and industry. In response to these shifts, the Internal Revenue Service has been moving toward a fully digital infrastructure across all compliance areas as well as in its contacts with taxpayers. One such innovation is the appeals and review procedure that is conducted in secret. Now that we have the new technology, it is no longer necessary for taxpayers to have any kind of interaction with the revenue agency. Taxpayers are excluded from the need that they physically engage with tax authorities or visit tax facilities if this proposal is put into effect. Through the use of the income tax website, the individual is able to electronically submit a response to the assessment, allowing them to remain in the comfort of their own home while doing so. The platform for honest taxes, which places a high priority on openness and seeks to lessen the difficulties of compliance while also accelerating refunds for those who have done what is required of them. The tax system is now undergoing reform in order to make it friendlier to both taxpayers and the communities they serve. The most recent changes that have been made to the tax system may be attributed to a government that is motivated by policy, a general confidence in the integrity of its people, technological advances on the leading edge, and administrative procedures that have been simplified. In this essay, we want to provide a more in-depth explanation of this platform as well as its objectives.

I. INTRODUCTION

The federal government has, over the course of many years, been working to modernize the tax system that our nation uses in an attempt to reduce the amount of taxpayer discretion and unneeded harassment. It has a history of routinely incorporating cutting-edge IT into intricate tax processes. Applicants are now able to electronically submit a number of the required applications and returns under the Income Tax Act, 1961 (also known as the "IT Act"), and the Indian Revenue Authorities (also known as the "IRA") have already notified applicants of their approvals or objections through the electronic filing platform. The information technology systems of the IRA needed to be upgraded so that they could support the new electronic filings procedures. The implementation of these innovative techniques has compelled taxpayers to familiarize themselves with cutting-edge technology innovations and to embrace them. The amount of times a taxpayer is required to physically interact with their IRA has also decreased over the years. The majority of income tax compliances do not need manual filings anymore, which means that extended wait periods at tax counters are a thing of the past. It has also boosted openness at the local level, which has decreased the likelihood that bribes would be used to cover up instances of late files or other dishonest methods used to acquire superfluous approvals. In addition to this, it makes it much simpler to comply with the various requirements of the IT Act, which in turn saves tax administrators and taxpayers a significant amount of time and effort. Because it generates an electronic audit trail of all tax returns and notifications sent by tax authorities, it is much simpler to determine who is liable for what. Utilizing information and communication technologies may be very beneficial to publicly provided services, especially the collection of taxes. As a consequence of this, "it is not surprising that technology has also affected how tax systems are designed and administered in developing countries," and "most countries have now moved from rooms full of clerks posting entries by hand in large ledger books—or, as we observed in one country as late as the early 1990s, writing in pencil on little pieces of paper" to the widespread use of computers to administer their tax systems (Bird and Zolt, 2008:4).

However, as information and communications technology (ICT) and computing power continue to expand rapidly, these developments provide great opportunities for tax agencies to improve service quality while simultaneously reducing service costs. Governments all over the world have been using information technology in a variety of ways for decades. The electronic tax payment system is an application of information and communications technology that was developed to increase the effectiveness of tax collection. This method does not need taxpayers to physically interact with the tax authorities in any way. Instead, it makes it possible for taxpayers to pay their taxes over the Internet. "The United States of America was the first country to introduce the idea of making tax payments electronically. Since then, other countries that are able to take advantage of technological advancements have followed suit, including Australia, Canada, England, Germany, India, Singapore, and Taiwan" (Turner and Apelt, 2004:2). The government has taken a



huge step forward in this area by introducing the new system of conducting the assessment processes under the Income tax online. This represents an incredible leap forward in this direction. The method has been given the name faceless assessment. It will eliminate the need for the taxpayer to interact with the evaluating officer in a human capacity. Under this plan, taxpayers are not required to meet in person with any tax officers, visit an income tax office, or run from pillar to post upon receiving an income tax scrutiny assessment notice or rush to a tax professional or accountant. In addition, taxpayers are not required to face any audits or investigations related to their tax returns. However, he or she may avoid the trouble of going to any tax officials by electronically filing a response to the assessment using the income tax site from the convenience of their own home. In a faceless assessment, all contact with taxpayers is conducted electronically by a central cell in Delhi, and the identity of all evaluating personnel remains unknown to the tax payers at all times. This ensures that taxpayers are not subjected to any bias in the assessment process. In the previous system of assessment, tax officers had the opportunity to accept bribes because of the physical interaction they had with taxpayers. However, in the faceless assessment system, taxpayers submit their tax returns directly without knowing to whom they are submitting them; this removes the opportunity for taxpayers to pay a bribe. The goal of this strategy is to make the taxes system more open and honest people will be rewarded for their honesty.

II. LITERATURE REVIEW

The term "e-assessment of income tax" refers to a method of calculating a taxpayer's income tax obligation via electronic methods. This technique of assessment makes use of technological advancements to provide a more streamlined and less time-consuming manner of tax compliance, which benefits both taxpayers and tax authorities. Electronic filing of tax returns is the first step in the e-assessment process, which is then followed by the tax authorities doing their own verification and processing of the returns. The taxing authorities may undertake an electronic assessment if they discover any inconsistencies or mistakes in the returns. This would include delivering a notification to the taxpayer and giving them the opportunity to provide any supporting documentation or explanations online. The final grade may be submitted digitally if preferred. The goal of electronic income tax assessment is to streamline the process, make it more transparent, and cut down on human mistake and corruption. Income tax assessment, processing, and collection may all be accomplished digitally, a process known as "e-assessment." The filing of tax returns, the provision of supporting materials, and the making of corresponding payments may all be performed using electronic means. Income tax assessment and collection are simplified, streamlined, and modernized via the use of the e-assessment system. Automation helps accomplish this goal by decreasing the amount of face-to-face time required between taxpayers and revenue officers. The electronic filing of tax returns is made possible by the e-assessment system, which also employs data analytics to identify and counteract instances of tax return fraud. Individuals may check the progress of their tax returns and get answers to their questions about that process online as well. Electronic tax payments are also supported by the e-assessment system, streamlining the payment procedure. There has been a rise in the use of electronic income tax assessments in several nations as a means of increasing openness and responsibility. In an effort to standardize openness and lessen the need for face-to-face contact between assessors and taxpayers, the Central Board of Direct Taxes (CBDT) has launched a campaign. This initiative seeks to streamline, improve, and simplify the procedure by which income tax is calculated. An integral part of this initiative is the e-assessment system, which enables the electronic filing of tax returns and using data analytics to identify and counteract instances of tax return fraud. There is less need for taxpayers to physically contact with tax authorities because of the e-assessment system's ability to allow taxpayers to examine and follow the progress of their tax filings online. Easier tax payments are now possible thanks to the e-assessment system, which supports internet payments. The initiative also makes advantage of technological communication channels like email and SMS to remind taxpayers of crucial deadlines and changes about their tax filings. A greater degree of openness and responsibility in determining taxable income is a primary goal of this initiative. **Steps taken by CBDT to reduce physical gap**

Several measures have been implemented by the Central Board of Direct Taxes (CBDT) to lessen the need for direct contact between the assessing officer and taxpayers and to provide a consistent system of transparency. Examples of this process include:

- a. **E-assessment:** The CBDT has implemented an e-assessment system, which paves the way for taxpayers to electronically submit tax returns and makes use of data analytics to spot and stop fraudulent filings. Using this technology, taxpayers may check on the progress of their tax returns online, eliminating the necessity for face-to-face contact with tax authorities.
- b. **Electronic Communication:** The CBDT uses electronic channels of communication including email and SMS to remind taxpayers of crucial filing dates and provide them with relevant information regarding their tax returns. Because of this, fewer taxpayers and revenue officers will need to meet face to face.
- c. **Faceless Assessment:** With the advent of faceless assessment, CBDT hopes to lessen the burden on taxpayers who must deal directly with assessing personnel. The assessment is made by an unknown assessing officer using the data and proof presented in the taxpayer's income tax return.



- d. **Automatic Scrutiny Selection:** The requirement for face-to-face interaction between taxpayers and tax authorities has been reduced thanks to a new method of autonomous scrutiny selection based on risk parameter developed by CBDT.
- e. **Video Conferencing:** To further eliminate the requirement for in-person interaction, CBDT has now made video conferencing available for conducting processes in instances of evaluation, appeal, and punishment.
- f. **Use of digital signatures:** Additionally, CBDT has mandated digital signatures for all correspondence with the agency and taxpayers.
- g. These measures are being taken to lessen the need for taxpayers to meet in person with tax authorities while also increasing the process's openness and accountability.

PAN based assessment

Assessing a taxpayer's taxable income using their Permanent Account Number (PAN) is called a PAN-based assessment method. By associating all of a taxpayer's tax data with their PAN, the tax authority can more easily monitor and analyze each person's tax burden.

The PAN-based assessment method intends to minimize the necessity for taxpayers to meet personally with tax authorities. Through this system, taxpayers may use online services for submitting returns, making payments, and receiving correspondence from the tax agency. This means that taxpayers no longer have to go to the tax department in order to hand in paperwork and other information.

In addition to facilitating electronic communication channels like email and SMS to keep taxpayers aware of crucial deadlines and updates on tax returns, the PAN-based assessment system enables the use of data analytics to identify and prevent fraud.

The Central Board of Direct Taxes (CBDT) is implementing this system to streamline, standardize, and automate the income tax assessment procedure for the benefit of all taxpayers through:

- **Efficiency:** E-assessment allows for the efficient collection, storage, and analysis of data, reducing the time and effort required for the assessment process.
- **Convenience:** E-assessment allows taxpayers to file their tax returns, make payments, and receive communications from the tax department through an online portal, eliminating the need for taxpayers to physically visit the tax department.
- **Transparency:** E-assessment allows for the use of data analytics to detect and prevent fraud, improving the transparency and accountability of the income tax assessment process.

The Benefits of Income Tax Assessment Online

E-assessment of income tax has various benefits:

- a. **Accessibility:** Students in rural or underprivileged regions may have better access to educational opportunities because to e-assessment, and test-takers may appreciate the flexibility of taking tests at their own leisure.
- b. **Immediate Feedback:** With the real-time feedback provided by an e-assessment, both students and educators may quickly and easily identify areas for growth and development.
- c. **Cost-effective:** E-assessment aids in cost reduction by eliminating the need for human labor and paper documentation, two of the main causes of high assessment costs.
- d. **Easier compliance:** Due to the convenience of electronic filing and payment, e-assessment facilitates taxpayers' adherence to tax laws.
- e. **Better tracking and monitoring:** E-assessment allows for more thorough monitoring and surveillance of the tax assessment procedure, which aids in the detection of mistakes and fraud.
- f. Overall, e-assessment of income tax is a contemporary method that benefits taxpayers and tax authorities via increased transparency, efficiency, and convenience.

E assessment in India

The Central Board of Direct Taxes (CBDT), an agency under the Indian Ministry of Finance, is in charge of overseeing and implementing the country's e-assessment of income tax. The goal of India's new electronic assessment system is to streamline, modernize, and simplify the country's method of calculating and collecting individual income taxes.

Taxpayers in India may use an electronic assessment system (e-assessment) to submit their returns, attach supporting documents, and pay their taxes online. Online, filers may also check the progress of their returns and make any necessary adjustments. Indian e-assessment makes use of data analytics to detect and stop tax fraud, and it also permits the use of email and text message alerts to remind taxpayers of filing deadlines and other relevant information regarding their returns.

Further reducing the need for taxpayers and tax authorities to interact in person is India's implementation of faceless assessment and automated scrutiny selection based on risk characteristic, both of which complement the country's e-assessment system.



As part of its mission to modernize and increase transparency and accountability in the country's income tax assessment process, the Indian government has implemented an electronic assessment system, or "e-assessment." Income tax in India is measured and collected electronically using a process called "e-assessment," which has become more crucial as the country embraces technology.

Revenue collection for government

There are a number of ways in which the government's ability to collect taxes might benefit from electronic income tax assessment. They include:

Increased compliance: Thanks to e-assessment, taxpayers may more easily meet tax requirements by having instantaneous access to data and the option to submit and pay taxes online. This has the potential to boost government income by encouraging more people to submit tax returns and pay the appropriate amounts.

Improved accuracy: better accuracy in tax assessments and increased taxpayer accountability thanks to the use of data analytics made possible by e-assessment. For the government, this means more money in their coffers.

Reduced costs: The expenses of assessing and collecting taxes may be reduced with the use of e-assessment since it requires less human labor and paper-based paperwork. The money saved on operating expenses might then be used for taxation rather than spending.

Automatic Scrutiny Selection: E-assessment allows for the automatic selection of returns for scrutiny based on risk parameters, which can help to detect and prevent tax evasion, resulting in higher revenue collection for the government.

Real-time monitoring: With the advent of e-assessment, tax assessments may be monitored in real-time, which can lead to the detection and prevention of tax evasion, as well as an increase in the reliability of tax assessments, and, ultimately, a rise in government income.

E-assessment of taxable income has the potential to boost government revenue collection due to its ability to boost compliance, increase accuracy, decrease costs, enable automated scrutiny selection, and provide real-time surveillance of the tax evaluation process.

Benefits to government

The government may reap several advantages from income tax assessments conducted electronically, including:

- **Increased compliance:** By providing a streamlined method of filing and paying taxes, e-assessment facilitates compliance with tax laws. This has the potential to boost government income by encouraging more people to submit tax returns and pay their dues.
- **Improved accuracy:** Better accuracy in tax assessments and increased taxpayer accountability thanks to the use of data analytics made possible by e-assessment.
- **Reduced costs:** The expenses of assessing and collecting taxes may be reduced with the use of e-assessment since it requires less human labor and paper-based paperwork.
- **Automatic Scrutiny Selection:** To identify and deter tax evasion and increase government revenue collection, e-assessment enables the automated selection of returns for inspection based on risk indicators.
- **Real-time monitoring:** With the advent of e-assessment, it is now possible to track the status of an individual's tax return in real time, which may aid in the fight against tax evasion and increase the reliability of individual tax returns.
- **Faceless Assessment:** The interaction between taxpayers and assessors is minimized, leading to a more objective and fair evaluation.
- **Improved transparency and accountability:** E-assessment increases the openness and reliability of the tax assessment procedure by facilitating the use of digital signatures, electronic communication, and online monitoring of tax returns.
- **Better utilization of resources:** E-assessment has the potential to streamline the tax assessment procedure, freeing up government employees for higher-priority work and maximizing resource utilization.

E-assessment can help the government in many ways, including through increased compliance, improved accuracy, reduced costs, automatic scrutiny selection, real-time surveilling of the tax evaluation process, anonymous assessment, increased transparency and accountability, and more efficient resource utilization.

Cost For Government

Several variables, including the scale of the project, the kind of technology used, and the quantity and quality of the necessary resources, might affect the final price tag for building an online evaluation system. The government would have had to spend a lot of money on hardware, software, people, and upkeep if they had done any of those things.



Creating an electronic assessment system would have necessitated spending money on things like designing and constructing the required information technology infrastructure, creating and implementing the software system, training government employees to use the system, and providing ongoing support and maintenance. The government also would have had to spend money on security to safeguard taxpayer privacy and forestall fraud.

III. METHODOLOGY

The present research relied on secondary sources, such as scholarly publications, journals, books, and yearly reports about the Indian tax system that had already been published by organizations like the Central Bank of India (CBI), and others. There were many unrealized potentials in the study of information systems, as Jarvenpaa (1990) noted. By analyzing tax revenue records from CBDT and CBI, we will look into the issue of how effectively FIRS is operating in terms of corporate income revenue collection and the percentage of revenue contribution of CIT with the introduction of ICT. Using information from the Indian Tax Administration, a quantitative study was conducted to examine, among other hypotheses, whether or not there is a correlation between information and communication technologies (ICTs) and the effectiveness with which taxes on corporate income are collected

IV. DATA ANALYSIS & DISCUSSION

Demographic and background attributes such as gender, age, position, experience and educational background were discussed and are presented in the table 1 below

Table 1: Background and Demographic distribution of respondents

		Frequency	Percentage (%)
Gender	Male	142	61.7
	Female	88	38.3
Age	Below 20	9	3.9
	20 -29	50	21.7
	30 -39	90	39.1
	40 - 49	62	27.0
	50 and above	19	8.3
Position	Director	7	3.1
	Manager	79	34.3
	Officer	144	62.6
Experience	0-2Years	35	15.2
	3-5Years	66	28.7
	6-10Years	83	36.1
	>10Years	46	20.0
Educational Background	OND	17	7.4
	HND/BSC	103	44.8
	MSC/PHD	63	27.4
	ACA/ACIT/ACCA	41	17.8
	OTHERS(specify)	6	2.6

Source: (Thakan, 2022)

The respondents' demographic information is shown in Table 1 above: Most of the respondents had served for over six years, indicating their level of expertise, and 61.7% were men and 38.3% were women. This indicates that those being interviewed have a good grasp of how information and communication technology (ICT) influences their operations, the depth of their knowledge of ICT, the nature of the infrastructure at their disposal, the limitations they face, and the current and future effects of ICT on the collection of corporate income tax. In the following paragraphs, we'll chat about people's familiarity with CIT collecting through ICT.

V. CONCLUSION

The major objective of this study was to analyze the impact that ICT has had on the CIT collecting system in India. Information and communication technology (ICT) refers to any and all electronic media and software utilized for communication, such as but not limited to radio, television, cellular phones, computers, networks, and satellites. As an illustration of the various services and applications made available by developments in communication technology,



consider videoconferencing and other types of remote schooling. Common examples of such media include paper, ink, magnetic tape, CDs, DVDs, and even flash memory. It is now the usual rather than the exception to get information every minute, to communicate with people halfway across the world, or to work on a project with teammates who aren't physically there. Information and communication technology have become indispensable in modern life. This concept, also known as the information society, has been around for around four decades, and it is primarily due to the internet, which gave rise to email, IM, and webpages. The widespread availability of internet access has led to a profusion of data repositories. The barriers that formerly prevented information from being transmitted effectively via literary works, schools, and parents are no longer an issue. Nowadays, everyone has access to the internet, yet the material available on the web is of varying quality. The ability to communicate between people and between businesses has improved significantly. Political blogs and films on YouTube are only two examples of how the expansion of ICT, especially in the last decade, has affected every aspect of society. The data itself is of paramount importance, especially with today's networks, sending and receiving information only takes a few moments. At the same time, the evolution of these technologies signifies the birth of new codes and languages, the increasing specialization of content based on its audience (breaking mass culture), and the emergence of behaviors that were previously unthinkable.

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