

INTERIM BUDGET 2019-20

# Soon, assessment and refunds in 24 hours

Technology-led improvements being undertaken by the government will result in a more user-friendly experience for taxpayers

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The government has been using technology extensively to make taxpayers' lives easier. Even during the interim Budget, the finance minister (FM) highlighted the progress that has been made on the increased use of technology by the tax department. Many functions such as returns, assessment, refunds and queries are now undertaken online.

With a massive increase in the number of tax return files - almost 68.5 million - it is not easy to deliver a taxpayer-friendly experience. Strong technology support is required to process returns without errors and to carry out other functions online.

The government is moving ahead fast. As the FM announced in his speech, the government has approved a technology-intensive project wherein tax returns will be processed within 24 hours and refunds will be issued simultaneously. This is certainly music to the ears of taxpayers. It means if they have refunds, they will get it back almost immediately. Questions and queries will be raised by the Income Tax (I-T) Department sooner, making it easier for taxpayers to respond, as the details will be fresh and handy.

## More transparency, lower corruption

The road map for the future is equally exciting. The FM mentioned that within the next two years, verification and scrutiny of returns will happen electronically through anonymised back offices manned by tax experts and officials. It will function without any personal interface between taxpayers and tax officers. Both the taxpayer and the tax officer will not know each other - who is scrutinising whose return, and at which place. Exchange of information will happen electronically in a faceless manner.

This will certainly boost the confidence of taxpayers, as the latter still fear visiting tax offices. It will also help reduce corruption. The government will also be able to utilise its work-



force optimally. The tax authorities will be able to use tax experts to add to the knowledge domain in processing assessments. This will in turn help bring in more transparency and reduce litigation.

Electronic scrutiny has already become a reality as it has been made mandatory. The recent cycle of scrutiny of returns for assessment year 2016-17 was completed electronically on December 31, 2018. However, both the jurisdictional assessing officer and the taxpayer know each other. In certain circumstances, the assessing officer also has the authority to call on the taxpayer to appear in person.

## Escaping the tax net is difficult

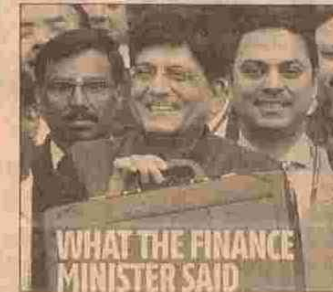
After demonetisation, it was the use of technology that enabled the tax authorities to identify individuals whose deposit of money in their bank accounts was not corroborating with their income level and other details available with the tax authorities. Hence, further information was sought to cross check the details. Even now, those who are yet to file their tax returns for financial year

(FY) 2017-18 have been sent a communication to file them or submit a response through the compliance portal online.

There is a mandatory levy of penal fee, if the taxpayer failed to file the tax return for FY 2017-18, within the due date of July 31, 2018. The penal fee is ₹5,000, where the return was filed by December 31, 2018, otherwise it is ₹10,000 (₹1,000 where taxable income does not exceed ₹5 lakh). Taxpayers will not be able to file their tax returns at all, if they miss filing it before March 31, 2019.

The purpose of introducing this penal fee was to enforce discipline among taxpayers to complete their tax filings on time. Although a few weeks are left for March 31, communication has been sent to taxpayers who are yet to file their tax returns. This shows the government's seriousness about enforcing compliance discipline.

One goal on which the government has remained focused over the years is expanding the tax base. Be it linking Aadhaar with PAN, bringing in the provision of withholding tax



"Path-breaking, technology-intensive project to transform the Income Tax department into a more assessee-friendly one"

"All returns will be processed in 24 hours and refunds issued simultaneously"

"Verification and assessment of returns selected for scrutiny will be done electronically through anonymised back office... without any personal interface between taxpayers and tax officers"

not contributing to taxes, is not cheap and would also not be possible without the use of robust technology. That speaks of the confidence of the government to serve such a large taxpayer base, which may continue to grow in future.

While technology helps to check non-compliance, it has also begun to help in bringing down the compliance burden on taxpayers, providing ease of filing return, or interacting with the tax authorities. Whether you are in India or abroad and you need to file return or submit any details, all this can now be done practically anytime and from anywhere.

Even pre-filled return forms can be downloaded when you file your tax return. It automatically captures your personal details and details of taxes deducted or paid, and so on. You just need to review the details and modify and provide other current details to complete your tax filing.

## Compliance requirements are declining

Even the Interim Budget contained a few proposals which show how the government is trying to bring down compliance burden. For example, raising of the tax withholding threshold on interest on bank/post office deposits from ₹10,000 to ₹40,000, and also for rent payments from ₹1.8 lakh to ₹2.4 lakh will help small taxpayers.

They need not wait now until the year-end to file their tax returns and claim the refund of taxes withheld, if their income is below the taxable threshold. Such taxpayers can also submit form 15G or 15H, whereby the payer of interest may not deduct TDS. Now they will be relieved of submitting such forms if their interest income is below ₹40,000. The government's focus on automation and use of high-end technology thus raises the hope that taxpayers will enjoy a more user-friendly experience in the times to come.

It may not be surprising if at some point in future even the requirement of tax filing may go away altogether for taxpayers having simpler returns. With a high tech and interconnected compliance environment, the chances of hiding income will reduce considerably. It will help India move towards becoming a more tax-compliant society. And as compliance levels improve, we may even witness the lowering of tax rates.

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