

LESS TAXING TIMES AHEAD FOR I-T DEPT

Winds of technology change are sweeping across the I-T department. Its Centralised Processing Centre is fuelling better citizen services and going forward, it can save the exchequer thousands of crores of rupees in interest payment on delayed refunds

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DRIVING down Bangalore's Ho-Nur highway towards Electronic City, one could easily miss the quiet looking building amid the haze of technology superstructures and fancy car showrooms. Appearances are said to be deceptive and that's certainly true here. The building, yet to be fully occupied, is the nerve centre of a complex transformation—inside, a few government officers and hundred odd employees of India's most admired information technology services firm Infosys are busy transforming the tax system of the entire country.

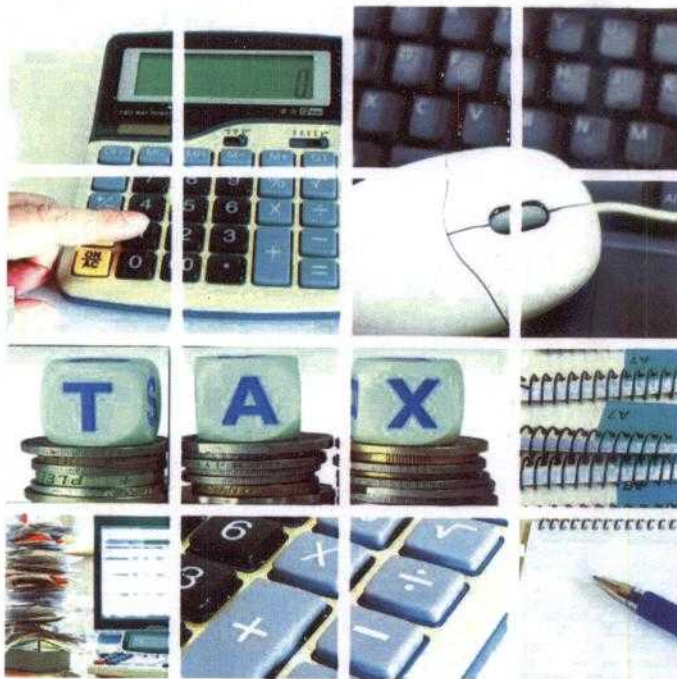
The building is host to the Centralised Processing Centre (CPC), the Income Tax Department's newly formed back office. It processes all the country's electronically filed IT returns and the paper returns of Karnataka and Goa. This, it does at an amazing speed, unheard of thus far—the CPC has a processing capacity of 1 to 1.5 lakh returns a day. High-end software has been integrated and over 2,000 new business rules for computation designed. The speed of processing will make it possible to issue returns and refunds quickly, saving the government exchequer thousands of crores of rupees in interest payment on delayed refunds.

The more important transformation, however, is in citizen service. The Income Tax Department has started to talk about "superior customer service", extremely rare words in government circles. The difficult to access department is becoming rather friendly and from December 1, has started sending SMS and e-mail alerts once the returns are processed. There is a call centre inside the CPC to answer queries on the status of processing and refunds. Currently available in English, Hindi and Kannada, the call centre will soon expand to include an interactive voice response based service. It has 19 agents and receives on an average 1,000 calls a day. The more internet savvy citizen can track the status on the department's e-filing website. E-filings are growing at more than 40% a year.

"For tax payers, it is a cultural shock," an income tax officer who did not want to be identified said. "They are used to running around for getting status updates. Typically, they would need to get hold of a contact in the department to know whether their claims have been allowed," he added.

The CPC, he believes, has embarked on a path breaking initiative that "would now change the face of the department". It would lower a tax payer's cost to transact with the department while assuring service delivery standards.

All of this began many years ago when Income Tax officials who designed the department's legacy system realised its limitation. The system was incapable of handling large volumes and returns had to be processed one at a time. Things could have gone out of hand if the processes were not



IMAGING: MADHANA SAKSHI

re-engineered.

Favourable demographics was resulting in the growth of tax payer base in India. However, the department's capacity to process forms and returns remained stagnant. While the department had the capacity to process 1.5 crore returns a year, it was receiving more than 3 crore returns. The unprocessed returns got carried forward and were added to next year's returns.

The delay in the issue of refunds meant an extremely high burden on the exchequer—on an average, the interest paid on delayed refunds total Rs 4,000-6,000 crore a year. The department was in dire need of an engine that could reduce the time taken to process IT returns and enable accurate cross verification.

The government engaged the directorate

OFFICERS IN CPC NOW HOPE THE DEPARTMENT CAN DO BETTER MANPOWER MANAGEMENT, DIVERTING RESOURCES FOR MORE CRITICAL FUNCTIONS SUCH AS ENFORCEMENT, COLLECTION AND RECOVERY OF TAXES

of the I-T Department for a business process reengineering study in 2007. The study recommended that the working of the department be divided through a 'bulk operations division', a division that could handle routine activities which did not require high individual attention. Returns could be processed in batches as opposed to 'one by

one' processing through the application of technology; this would result in faster clearing of returns. The idea behind the CPC had taken birth and the Union Cabinet approved its establishment in February 2009.

Tenders were floated and the work was awarded to Infosys Technologies which proposed a transaction-based model. The firm would invest in the facility; the systems, the software upfront and charge a rate for every transaction made. Infosys invested about Rs 80 crore, expecting a top line of Rs 200 crore in five years. The business rules for computation and financial accounting system were tested and the first set of IT returns was processed in October 2009.

A year later, the results have been encouraging. Much of the objectives for setting the CPC appear to be working. The centre has

vastly added to the processing capacity of the department; it is reducing the interface between the taxpayers and tax officials, facilitating jurisdiction free processing and providing modern-day customer service.

For financial assessment (FA) year 2010-11, 11 lakh returns have already been processed by the CPC and the centre expects to complete processing 80 lakh by March next year. In the legacy system, processing for FA 2010-11 may not have started before April-May 2011. Depending on workload of officers, the average time to refund in the traditional way can take upto one and half years—for instance, if a return is filed in July 2008, a taxpayer could only get refunded in Jan-Feb 2010. The CPC can aid a refund in four-five months from the date of filing, or in less than half the time compared to the legacy ways. Over 13.5 lakh refunds have been generated thus far.

Officers in CPC now hope the department can do better manpower management, diverting resources for more critical functions such as enforcement, collection and recovery of taxes. "In India, there are 6,000 field officers, along with subordinate IT personnel total 15,000. They can handle 1.5 crore returns a year. In comparison, the CPC can handle 80 lakh to 1 crore returns a year with just 30 odd people from the I-T Department. This means it would free up personnel for other work," a tax officer said.

Executing on the project was challenging for Infosys, which was looking to ramp up its recent India business. The company realised early they didn't have a technology problem; it was a change management issue. The firm appears to have cracked the challenge in the midst of protests by I-T department unions on outsourcing. A lot of help came from consultants who supervised the processes.

"It is a very important and prestigious project, one of the largest of its type in the world. It is extremely complex and high impact. We have spent a lot of time writing the system, testing it to make sure it is scalable. All the checks and balances have been put in to the system. It is a reiteration of our capability as a system integrator," Infosys's Board member Mohandas Pai said.

The department has contributed substantially towards the success of the CPC. "The government's decision from the department has been an extraordinary group of individuals, the best of the generation, both in terms of technical expertise and domain competence. What they have achieved is extraordinary at the country level," he added.

Protests against the outsourcing of work to Infosys, however, are unlikely to subside in a hurry. Income tax officers are continuing dialogue with the unions, telling them how the CPC has been beneficial to the country—to its citizens who are much less harassed, to the government that can reduce its interest payment burden, to the I-T department that can now improve record management and make more efficient use of manpower.