I-T dept goes for tech upgrade to tighten tax net

To tighten the noose around tax evaders and expand the tax net, the finance ministry is rolling out seven-eight big-ticket technology projects that would significantly bolster its capabilities. The projects, at various stages of implementation, would enable the income tax department to carry out a complete profiling of taxpayers.

The new capabilities would ensure seamless movement of information within the department. And, the business intelligence and trend analysis tools used to mine the data will make the department more "proactive than reactive" in nabbing tax dodgers. The department is also considering collecting transaction data from external sources such as the internet.

"The country's tax base is not going up. If you look at our tax-to-gross domestic product (GDP) ratio, it is the lowest in the world," said a senior official with a technology firm working with the government on some of the projects. "We, as a country, specialise in how to evade taxes. That's the reason why the government is looking at using technology tools to check tax evasion in the country." (**SHARPER TECH EYES**)

There are about 35 million taxpayers in the country. In 2012-13, the Centre's tax to-GDP ratio stood at 7.8 per cent.

The Rs 200-crore income tax business applications project aims at refreshing and significantly upgrading the department's entire existing technology. The department is also implementing a network project that would provide better connectivity across income tax offices, with higher speed bandwidth.

A senior income tax official said currently, data didn't move seamlessly because modules added through the last 15 years such as e-filing, central processing centre for returns or for tax deducted at source (TDS) use different technology platforms . "Now, we are rebuilding everything and putting everyone under one structure." The human resources system was also being integrated to make details on postings and profiles of officers accessible, the official added.

Similarly, the department's data warehousing project would store all the electronic data in one place and build business intelligence applications to organise the mammoth data.

Another project, aptly named Tax 360, would profile taxpayers by monitoring their transactions such as foreign travel and high-value purchases. The letters in the last few months to 2,10,000 permanent account number card holders who didn't file their returns was a pilot of the data warehousing project which collects data from e-filing, TDS, and annual information return.

"New technology tools will be used to help in the risk-profiling of taxpayers on the basis of their transactions, but in a non-intrusive manner. This would help widen the tax base," said another official.

Recently, Finance Minister P Chidambaram, who has been cracking the whip on tax evaders, said to increase tax collections, tax officials should target non-filers and stop-filers. "We are in favour of an

intelligence and technology-based tax collection system that is both non-intrusive and non-evasive," he had said in May.

Neel Ratan, executive director at audit and consultancy firm PricewaterhouseCoopers India, said various technology projects implemented by the government in the past had armed it with a huge amount of electronic data on taxpayers. "This is the foundation for the ongoing tech upgrade at the I-T department and I think the department is ready to harness all the data available across different systems," he said.

However, challenges related to such data sharing have already started emerging. In the case of the Tax 360 project, the sales tax department of the Maharashtra government had used the data available with various central agencies to get information on tax evaders. Now, this project seems stuck, as five more states ask the Centre to provide them data, as the I-T department isn't comfortable sharing certain information on this platform, said an official with the Central Board of Direct taxes.

(Business Standard)