

E-Filing: Creating New Revolution in Taxation of India

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Abstract

With the advancement of technology and use of internet in financial and fiscal affairs globally has necessitated the e-filing of Income Tax in India also. Considering its benefits and urgency, the e-filing has become mandatory for major chunk of tax payers in India. Present paper focuses on the reasons for making the e-filing mandatory for a selected class of assessee. The paper further takes into consideration the benefits accruing from e-filing along with some bottlenecks that encounter in the process of such transformation. The data source has been secondary with regard to number of intermediaries performing this function in various cities throughout India. The data has been processed and analyzed to find out the growth of e-filing in India. The researcher discusses the role of government and intermediaries such as TRPs in this direction and offers some suggestions to overcome the problems for smooth working of e-filing in India. The paper concludes that the major challenge ahead is regarding system security, mass awareness is needed in order to make e-filing more successful, TRPs have to play a very catalytic role and the Government would have more revenue with global integration through technological advancement of e-filing. Present study is beneficial for tax authorities, policy makers, present and prospective tax payers, e-filing intermediaries, financial software engineers and academicians as the paper attempts to focus on the crucial aspects of e-filing in India.

Keywords: E-filing, ITR, E-governance, Assessee, TRPs

Introduction

E-filing is the process of filling your tax documents through internet with the help of software's or by registering yourself to the income tax website. In India, e-filing of income tax was introduced in September, 2004, initially on a voluntary usage basis

for all categories of income tax assessee. But from July, 2006, it was made mandatory for all corporate firms to e-file their income tax returns. Taking this process further, from assessment year 2007 to 2008, e-filing of income tax return was made mandatory for all companies and from 2013 Individuals having more than INR 10 lakh income are mandate for filling income tax online. Electronic filing options include:

- (1) Online, self-prepared return, using a personal computer and tax preparation software, or
- (2) Online submission of returns using a tax professional's computer and tax preparation software.

For whom e-filing of Income Tax is mandatory from AY 2013-14?

CBDT has vide notification No. 34/2013 dated 01.05.2013 has made it mandatory for the following category of the Assesses to file their Income Tax Return Online from A.Y. 2013-14 :-

- (a) It is mandatory for every person (not being a co. or a person filing return in ITR 7) to e-file the return of income if its total income exceeds INR. 5,00,000.
- (b) An individual or a Hindu undivided family, being a resident, having assets (including financial interest in any entity) located outside India or signing authority in any account located outside India and required to furnish the return in Form ITR-2 or ITR-3 or ITR-4, as the case may be.
- (c) Every person claiming tax relief under Section 90, 90A or 91 shall file return in electronic mode.
- (d) Those who are required to get their Account under Section 44AB
- (e) A firm required to furnish the return in Form ITR-5 or an individual or Hindu Undivided Family (HUF) required to furnish the return in Form ITR-4 and to whom provisions of section 44AB are applicable.
- (f) A company required to furnish the return in Form ITR-6.

Advantages of E-filing

- Convenience – Returns can be filed at anytime (day or night);
- Fast refunds – It allows taxpayers receiving refunds to get them sooner,
- Taxpayers get instant acknowledgement of receipt.
- Value added services like viewing Form 26AS, tracking of refunds, email, SMS alerts regarding status of processing and refunds.
- Certainty of delivery and quick confirmation – provides immediate confirmation from tax administration that returns have been received,
- Taxpayers can correct their mistakes or make and save changes in their ITR many times before the final submission of ITR form.
- Eliminates error notices from tax administrations caused by data entry errors,
- Increment in freelance job opportunities as Tax Consultant and TRPs etc.
- Reduction in Documents handling and storage space.
- Reduced operating costs for tax administration by reducing the cost of handling paper returns and eliminating unnecessary staff.

- Accessibility is allowed 24x7x365,
- Online help facilities and user guides.

Growth of E-filing:

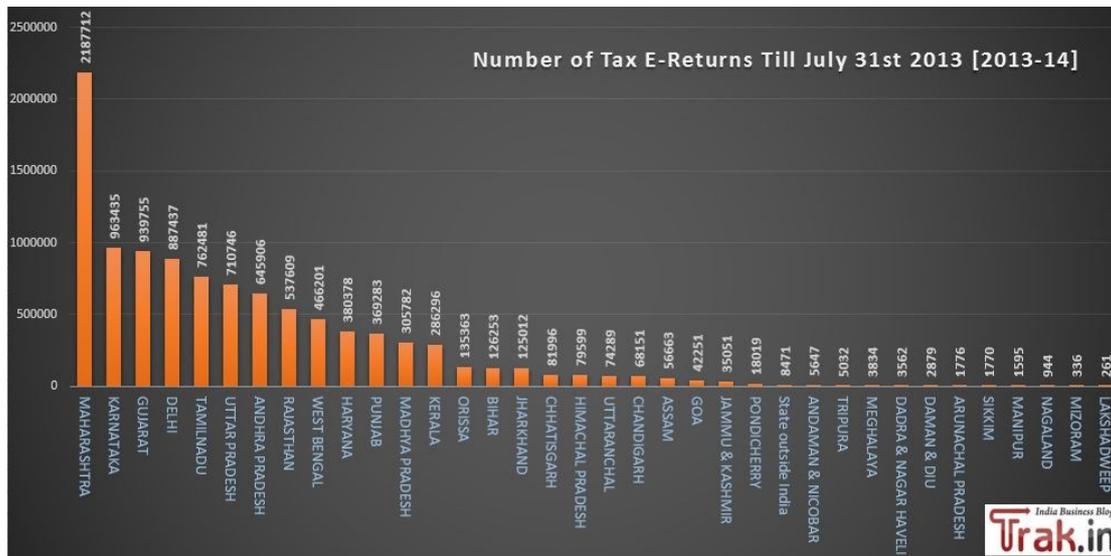


Figure:1 State-wise report of E>Returns Till July 31st 2013 [2013-14]

The above figure clearly shows that Maharashtra is the leading state among all in E-filing of returns while some of the states have very less number of e-returns such as Mizoram, Manipur, Nagaland etc. but this may be because of literacy level and internet awareness among citizens of the states. But this growth itself appreciable because before E-filing comes into existence this figure is very less and without e-return facility it is not possible to acquire this number of returns in this short time span.

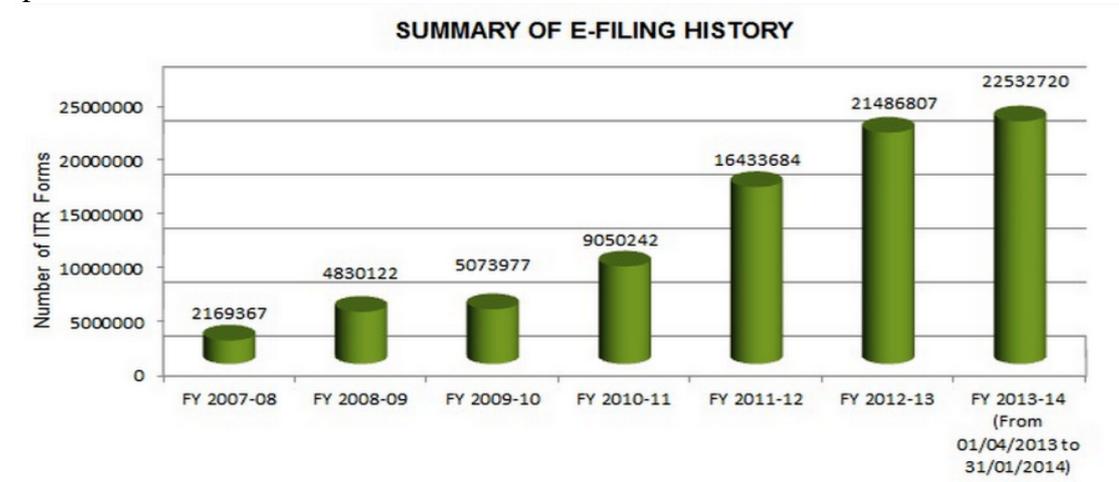


Figure2: Year-wise summary of E-Filing in India

Growth is continuous but not rapid as expected

The above scenario clearly reflects the steady and continuous growth of e-filing in India. There is lump sum 9.60% increase in e-filing from FY 2007-08 to 2013-14 which is appreciable in itself and this growth possible only because of adoption of information technology by Income Tax department. This increase may be due to the benefits enjoyed by the people over manual Filing of ITRs. Filing of return electronically is easy and user friendly as user has to follow step by step instructions. Also, with the latest technology for internet security in use; it is very safe to e - file. There is advantage of acknowledgement from Centralized Processing Centre (CPC), Bangalore about the receipt of ITR.

According to CBDT report they get Overwhelming Response for e-filing i.e. ; more than 82 Lakh Returns E-Filed till 29th July, 2013 which is More than 40% of the Returns e-filed during the Same Period Last Year from Every Corner of the Country.

Reasons For limited growth:

- Lack of awareness towards use of internet.
- Insecurity towards e-payments security among assessee.
- Lack of adequate financing to set up the appropriate infrastructure in tax offices.
- Lack of a reliable and accessible internet service.

Conclusions and Recommendations:

The main focus of this paper is to show the changing scenario of income tax due to implementation of e-filing. The above facts and figure clearly shows that India is in the phase of revolutionary changes in information technology which also gives great advancement in e-filing field of income tax department. It has highlighted the benefits and challenges of such a system and has shared some countries experiences with these systems. Income tax department just have to promote e-filing campaigning and enhance some job opportunities as TRPs in the society so that people become more aware about this new opportunity.

Various researchers have different opinion regarding the benefits of e-filing; however according to some researchers many challenges are there regarding adoption of e-filing by mass population. Main challenge is risk of security. This study shows that the e-filing is the new effective method of filing income tax return through online and make e-payment tax. It saves our golden time, energy and cost and also reduces our tension and continuous advancement in technology makes it more simple and effective.

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