

CHALLENGES AND PROSPECTS OF E-FILING

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ABSTRACT

E-filing of income tax refers to successful filing of income tax through the internet. E-filing is one of the E-government services that have been adopted by many developed countries today where the public has to discharge their responsibility to the government via online tax filing. E-filing allows taxpayers to file taxes online so that they can receive a quicker refund or pay owed taxes online. According to the Internal Revenue Service, more than 90 million people their tax returns in 2009 through E-filed. By late 2012, all federal courts of appeals were using electronic filing (e-filing). State appellate courts, however, have been less universal in adopting e-filing. The paper 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 challenges and prospects of such a system.

Keywords: E-filing, taxpayers, income tax, Information technology

INTRODUCTION

E-filing (Electronic filing) was first introduced by the US-IRS as a pilot project for the 1986 filing period with the primary objective of improving its efficiency in processing tax returns. Prior to the launching of the project, the IRS worked closely with tax-preparation software providers and tax professionals to ensure a successful launch of the program. During the test year, the IRS offered E-filing services in three cities and restricted the types of tax payers and the types of return that could be filed electronically. Example tax preparers were only allowed to file returns with nil balances. The pilot project was successful and IRS gradually expanded the program to other cities and states and by 1990 was able to offer E-filing of balance due returns, followed by Tele filing in 1992 and E-payment in 1996.

In India E-filing Income tax was introduced in September, 2004, initially on a voluntary usage basis for all categories of Income tax assesses. But from July, 2006 it was mandatory for all corporate firms to E-file their Income tax returns. E-filing has manifold benefits; the taxpayer can file a tax return from the comfort of home, at any convenient time, once the tax agency begins accepting returns. It is mandatory for the companies and firms requiring statutory audit under section 44AB to submit the Income tax returns electronically. E-filing is possible with or without digital signature. Digital signature is mandatory for companies from assessment year 2010-11. The landscape of Income Tax returns filing has been witnessing a slow and steady change with e-filing of returns picking up momentum, especially among the youth, owing of factors like familiarity, ease-of-use, security and speed. The number of those opting for e-filing has grown from 2.5 million some years ago to 4.5 million in 2008-09 and it is expected to touch the 10 million mark in three years.

FEATURES OF E-FILING:

E-filing is the transmission of tax information directly to the tax administration using the Internet Electronic filing. Some of the features of E-filing are

- User can register as a legal heir to do E-filing on behalf of the deceased. This is a new feature provided for individual user.
- Facility to demand pre-filled.
- For new users, resend activation link feature-helpful if not received or mail deleted earlier. User password can be changed now with digital signature verification also.
- Feedback option for user.
- In the new E-filing project there is deducted call center and help disk to deal with any query or grievance related to E-filing.
- Tax professional is a new user on this portal. They can E-file Income tax audit report forms (other than Income tax returns).

ADVANTAGE OF E-FILING:

Electronic filing is the fastest way to file. Electronic returns are processed quickly, even if you wait the due date to file. The following are some of the advantages of E-filing.

- Improved Customer service:

Revenue can provide a more efficient, timely and cost effective service to our customers. Access to your own Revenue account from your own PC with 24 hour, 365 day access to ROS. Calculation facilities to assist customers with determining their exposure to tax. Built-in electronic acknowledgments and uniform communications with all customers.
- Reduced Processing costs:

There will be cost savings as a result of the reduction in duplicated manual processing, that substantially reduce compliance costs for the customer along with a better distribution of the workload for employees. Staff resources will be redeployed to other areas e.g. customer service.
- Faster Turnaround Time:

By eliminating mailing, handling, and keying in of returns, they are now processed more quickly and retrieved rapidly.
- Improved Accuracy and Audit trails:

By eliminating the manual keying in of tax data and by implementing a series of computer checks and validations, the system allows more accurate processing of tax data. Specific problem fields are more easily identified.

- Other potential savings:

There will be a reduction in costs associated with procurement, printing, postage, storage, replacement, stocktaking and distributing printed forms.

TYPES OF E-FILING:

They are of three types.

- Type I: In case you are using digital signature, no further action is required.
- Type II: In case you are filing the return without digital signature, ITR-V form is to be filed with the department. This is a single page receipt-cum-verification form.
- Type III: You can also file your return through an e-return intermediary who would do e-filing and also assist you file the ITR-V form.

PROCESS OF E-FILING:

The following are the process of e-filing.

- Select appropriate type of return form.
- Download return preparation software for selected return form.
- Fill your return offline and generate a XML file.
- Register and create user id/password.
- Login and click on relevant form on left panel and select “submit return”.
- Browse to select XML file and click on “upload” button.
- On successful upload acknowledgement details would be displayed. Click on “print” to generate print out of acknowledgement/ITR-V form
- In case the return is digitally signed, on generation of “Acknowledgement” the return filing process gets completed. Assesses may take a printout of the acknowledgement for his record.
- In case the return is not digitally signed, on successful uploading of e-return, the ITR-V form would be generated which needs to be printed by the tax payers. This is an

acknowledgement-cum-verification form. The tax payer has to fill-up the verification part and verify the same. A duly verified ITR-V form should be submitted with the local income tax office within 15 days of filing electronically. This completes the return filing process for non-digitally signed returns.

CHALLENGES OF E-FILING:

Even though tax season generally coincides with monsoon, unlike the latter, the former is not a season that taxpayers look forward to. This is because filing income tax returns is a taxing process. The following are some of the challenges of e-filing.

- Entering the correct details manually:

The ITR forms carry a number of rows and columns that need to be filled out at the time of filing one's income tax returns. The details have to be entered in a particular format, which if not done properly can lead to errors in the returns. For example, dates have to be entered in the DD/MM/YYYY format only. If the date is entered in any other format, the returns would be incorrect.

- Correct computation of income:

Tax payers need to compute their income accurately, including income other than salary. This additional incomes can be from sources like savings account interest, fixed deposit interest, rental income from house property, income from short-term capital gains, etc. These incomes have to be included and entered in the relevant fields in the ITR forms.

- Mismatch in details of TDS:

Often, details of tax deducted at source end up being incorrect because TDS is deducted not only from salary but from other incomes as well. If the details entered in the ITR forms do not match with the government's data, the field returns would be incorrect. Taxpayers can look at their tax credit statement (form 26AS) to verify the TDS deducted from different sources.

- Forgetting login password:

Since income tax filing is something that a taxpayer has to do only once a year, people tend to forget the password of their accounts. In such cases, they have to reset their passwords to be able to e-file their tax returns. Even then, to reset their password

they have to answer a secret question and answer, which is also something that people tend to forget.

- Different form 16s because of changed jobs:

Whenever a taxpayer changes jobs, they end up with different form 16s from each employer at the time of filing their tax returns. Filing returns with multiple form 16s can be tricky and taxpayers are often not sure about how to do it.

- HRA not being given by employer:

If an individual doesn't submit the rent receipts with the company HR, he or she won't be able to get house rent allowance. Often, taxpayers are not aware that they need to have their landlord's PAN to avail the HRA benefit. Furthermore, calculating the applicable amount of HRA is also tricky.

- Calculating how much deductions can be claimed:

Taxpayers are allowed to claim deductions of up to Rs. 1.5lakh in a financial year by way of certain investments and expenses. But how much can be claimed from what source is a tricky thing to figure out. Often, taxpayers are also not aware of some expenses that are eligible deductions.

Prospects of E-filing

The following are some of the prospects of E-filing.

- Error free submission:

Real time error check is possible through income tax authorities. Validations are helpful to ensure the return perfect.

- Quick refund:

Online filing enables the department to process the return with minimum time and therefore refund become very easy.

- Acknowledgement receipt:

Online filing followed by an acknowledgement receipt with summary of income and tax bearing a serial number become an authenticated document before any authority.

- History and database:

Any time available database for any filed years is an added advantage. At a glance an assessee can refer the details of his income tax history.

- Effortless and efficient:

Controlled and guided entry set by the utility or software pave the way to proper and fast completion of IT return.

Conclusion

People's acceptance of E-filing is highly related to their level of technology readiness. Technology readiness is defined as people propensity to embrace and use new technology for accomplishing certain tasks. So more efforts must be made in this direction by Indian Income Tax Department then only they can achieve their mission. The use of electronic services to improve tax administrations efficiency and provide enhanced taxpayer services has become one of the main objectives of many tax administrations. Online shopping allows customers to sit in their homes and buy goods from all over the world. Similarly allows merchant to sell their products to all over the world from home. Most of the population will use online payment in near future.

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