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E-filing of Income Tax in India: An Indication

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Abstract

E-filing is the influential instrument that can transport noteworthy social and economic benefits. It can provide a strong support to the government for good governance and large population to pay their liabilities to the government successfully. 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 mass of taxpayers in India. Present focuses on the reasons for making the e-filing mandatory for a selected class of taxpayers. The paper further takes into consideration the benefits accruing from e-filing along with some restricted access that encounter in the process of such transformation. The role of government and intermediaries such as Tax Return Preparer Scheme 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, Tax Return Preparer Scheme 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 taxpayers, e-filing intermediaries, financial software engineers and academicians as the paper attempts to focus on the crucial aspects of e-filing in India. E-filing has given ease of use to the income taxpayers, yet they are facing various problems like peak rush, difficulties in operations in this process.

Keywords: E-filing, ITR (income tax return), E-governance, awareness, perceptions, satisfaction, problems

INTRODUCTION

In the present world, new technologies are rising day by day with enhanced and fast speed in all fields. The new technology gifted to a taxpayer for filing their Income Tax Returns (ITRs) is e-filing. The e-governance has developed the concept of e-filing of ITRs through the internet. The IT department has superior the taxpayers with defining the provisions to be followed, which can be filed and the procedure to file ITRs for the benefit of income taxpayers as well as the government [1]. E-filing is the influential instrument that can provide important social and economic benefits. The present study is used to know taxpayer's perceptions about different perceived benefits of e-filing of ITR. This study is focused on the teachers, businessmen, professor, private employees and others who do online filing of ITRs themselves [2]. In India the tax system is so complex from the beginning. The Income Tax Department of the Ministry of Finance, Government of India is constantly striving and committed to provide simple and easy procedure to taxpayers in the country. The income tax department had introduced e-filing of ITRs to make the filing process easier for taxpayers who will result into reduction of time and paperwork. Due to advanced technology and use of internet in financial and fiscal affairs globally, the need had

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raised for the e-Filing of ITR in India also. From the year 2013 the e-filing has become mandatory for major mass of taxpayers in India [3]. This paper deals with the importance and awareness of e-filing among the citizens of the country and further takes into consideration the benefits accruing from e-filing along with some restricted access that encounter in the process of such transformation. It attempts to focus on the crucial aspects of e-filing in India. E-filing is the process of filling your tax documents through internet with the help of software or by registering yourself to the income tax website [4]. 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 portion of taxpayers in India [5].

HISTORICAL BACKGROUND

Income tax department is one of the important departments of Ministry of Finance, Government of India. This department has come into existence in 1860 [6]. The department followed this act only for five years and, the second act came in force in 1865. There were major changes in this act as compared to the first act [7]. With this act the income tax department started working with a new concept of agriculture income. However, the original story of income tax came into existence in 1922 with the implementation of income tax act 1922. It showed the major changes from the last act by imposing the charges in the year of assessment on the income of last year [8]. After this, in 1956 the government revised this act with few changes keeping the original in its format. For its review, a committee was formed by the government. This committee made few changes and submitted the income tax bill in Lok Sabha during April 1961. The president accepted this bill on 13th September 1961. Since 1961, government has been using this act for running Indian taxation system [9]. The system identified few important facts that tax payment decreases when tax saves investment increases along with the income and employees preferred to invest in Life Insurance Corporation, provident fund and national saving certificate. In India, e-filing of income tax was introduced in September 2004, initially on a voluntary usage for all categories of income tax assesses. But from July 2006, it was made mandatory for all corporate firms to e-file their ITRs. E-Filing the process of electronically filing ITRs through the internet is known as e-filing. The income tax return forms are called ITR. There are many ITR forms for each class of taxpayers [10].

E-Filling in India

In 2014, income tax department has established a system for centralized process of returns and one prominent type is the introduction of electronic filing system for income taxpayers. A system was desired that would make the process of filing of ITRs easier for taxpayers and as well as reduce the time required for data entry at tier end of receipt of ITRs [11]. Electronic filing is a new and effective method of filing ITRs online and has electronic taxes. The major advantage of electronic filing includes the ease of use, technology, reduction in rush and saves the time. After using an electronic service over the internet, the public may find that the electronic service system is easy and useful [12]. Why there was an evolution of e-filing system existed? In this era the modern people use the exclusive technology then the government of India makes some possible facts towards electronic filing that the taxpayers have been submitted their tax returns online with the help of the website. Electronic filing comes with many benefits like Income Taxpayer can file their online return anytime in day or night. Certainty of delivery and quick confirmation provides immediate confirmation from tax administration that returns have been received. Taxpayer receiving refunds to get them sooner, privacy and security is assured by government of India [13]. Different drawback related like chance of data entry errors however in online the transaction can be done electronically with a click of button. The handling and storing of data and documents are easy. It is the fastest way to file electronic returns and helps to proceed quickly; even the due date to file is over. Paper returns take approximately four to six weeks to process. If the filing of returns is done electronically and choose direct deposit of your refund, the fund will transfer directly in the bank account within few days. It is free for the income taxpayers who are willing to file the returns. It is a secured process that is using the private network designed to meet the highest security standards [14]. Electronic filing is the process of submitting tax

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returns over the internet, using tax preparation software that has been pre-approved by relevant tax authority that means the income tax imposed on the individual or taxpayers that varies with the income of the taxpayers [15].

OBJECTIVES

- To know about the perception of income taxpayers towards electronic filing.
- To know about the income taxpayers' problems towards electronic filing.
- To understand about the satisfaction level and risk of the income taxpayers toward electronic filing.
- To know about the awareness level of taxpayer [16].

The general aim of e-taxation is to replace cumbersome manual, bureaucratic service systems with collaborative, efficient, process-driven and secure online delivery. The department preferred the system of e-filing because that would make the process of filing of ITRs easier for taxpayers as well as reduce the time required for data entry at their end on receipt of the ITRs. Enabling the filing of ITRs over the internet was the most feasible answer to the department's needs & taxpayers, the department had to create an environment in which the user would feel secure about filing his ITRs online [17]. E-filing helped furnishing ITRs through authorized intermediaries who were called e-return intermediaries. Response time for processing the ITRs as well as claiming refund dropped considerably. Duplication of efforts were eliminated by these intermediaries and most of all in the online procedure the taxpayers do not have to be actually present for filing their returns [18].

In the present world, new technologies are rising day by day with enhanced and fast speed in all fields. The new technology gifted to a taxpayer for filing their ITRs is e-filing. The e-governance has developed the concept of e-filing of ITRs through the internet. The IT department has superior the taxpayers with defining the provisions to be followed, which can be filed and the procedure to file ITRs for the benefit of income taxpayers as well as the government. E-filing is the influential instrument that can provide important social and economic benefits. The present study is used to know taxpayer's perceptions about different perceived benefits of e-filing of ITR. This study is focused on the teachers, businessmen, professor, private employees and others who do online filing of ITRs themselves [19].

CALCULATION OF TOTAL INCOME

- Income from salaries,
- Income from house property,
- Profits and gains from business or profession,
- Income from capital gains,
- Income from other sources [20].

The total income from all the five heads of income is calculated in accordance with the provisions of the Income Tax Act, 1961 in respect of each head as they stand on the 1st of April of any financial year. The competence and justice in collecting fiscal revenues are government priorities for any administration. The income tax department is responsible for all activities related to the taxation process [21]. The priority given by taxpayers for accuracy, support from websites and tax calculation facility which help them in which they can easily calculate their tax amount and calculation of different kinds of financial transactions and because of e-filing accuracy has improved in filing of return as compared to traditional method of filing of ITR. Then after they gave priority to reduced manual work as it is all kinds of work like calculations are easily calculate, filling of personal details of taxpayers etc. are very simple and important about benefits like checking status if refund, fast refund, easy submission of return as they think that the refund facility is not respectable and submission is not easy because of sometimes websites of income tax department are not work properly in e-filing of ITR [22].

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MERITS

- E-File ITR from your home or office.
- E-file ITR 24×7.
- Personal details and tax paid amount would be already there in the ITR.
- The ITR utility will immediately calculate the tax liability. You can tally it with the TDS.
- Online record of ITR for further verification.
- The income tax refund is swift through the e-filing.
- Reduction in documents handling and storage space.
- Eliminates error notices from tax administrations caused by data entry errors.
- Fast refunds [23].

REASONS FOR PARTIAL EXPANSION

- Lack of awareness towards use of internet.
- Insecurity towards e-payments security.
- Lack of adequate financing to set up the appropriate infrastructure in tax offices.
- Lack of a reliable and accessible internet service.
- Important Documents for ITR e-filing [24].

TAX REFORM IN INDIA

Tax reform is more complex, as it involves tax rate cuts as well as base-broadening changes. There is a theoretical presumption that such changes should raise the overall size of the economy in the long-term, though the effect and magnitude of the impact are subject to considerable uncertainty. One fact that often escapes unnoticed is that broadening the tax base by reducing or eliminating tax expenditures raises the effective tax rate that people and firms face and hence will operate, in that regard, in a direction opposite to rate cuts. But base-broadening has the additional benefit of reallocating resources from sectors that are currently tax-preferred to sectors that have the highest economic return, which should raise the overall size of the economy [25]. A fair assessment would conclude that well designed tax policies have the potential to raise economic growth, but there are many stumbling blocks along the way and certainly no guarantee that all tax changes will improve economic performance. Given the various channels through which tax policy affects growth, a growth inducing tax policy would involve (i) large positive incentive effects that encourage work, saving, and investment; (ii) income effects that are small and positive or are negative, including a careful targeting of tax cuts toward new economic activity, rather than providing windfall gains for previous activities; (iii) a reduction in distortions across economic sectors and across different types of income and types of consumption; and (iv) minimal increases in the budget deficit [26]. Reductions in income tax rates Reductions in income tax rates affect the behavior of individuals and businesses through both income and substitution effects. The positive effects of tax rate cuts on the size of the economy arise because lower tax rates raise the after-tax reward to working, saving, and investing. These higher after-tax rewards induce more work effort, saving, and investment through substitution effects.

This is typically the intended effect of tax cuts on the size of the economy. Another positive effect of pure rate cut is that they reduce the value of existing tax distortions and induce an efficiency-improving shift in the composition of economic activity even holding the level of economic activity constant away from currently tax-favored sectors, such as health and housing [27]. But pure rate cuts may also provide positive income or wealth effects, which reduce the need to work, save, and invest. An across-the-board cut in income tax rates, for example, incorporates all of these effects. It raises the marginal return to work increasing labor supply through the substitution effect. It reduces the value of existing tax subsidies and thus would likely alter the composition of economic activity. It also raises a household's after-tax income at every level of labor supply, which in turn, reduces labor supply through the income effect. The net effect on labor supply is ambiguous. Similar effects also apply to

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the impact of tax rate cuts on saving and other activities [28, 29]. Both changes in the level of revenues and changes in the structure of the tax system can influence economic activity, but not all tax changes have equivalent, or even positive, effects on long-term growth. The argument that income tax cuts raise growth is repeated so often that it is sometimes taken as gospel. However, theory, evidence, and simulation studies tell a different and more complicated story. Tax cuts offer the potential to raise economic growth by improving incentives to work, save, and invest. But they also create income effects that reduce the need to engage in productive economic activity, and they may subsidize old capital, which provides windfall gains to asset holders that undermine incentives for new activity [30]. In addition, tax cuts as a stand-alone policy that is, not accompanied by spending cuts will typically raise the federal budget deficit. It will also reduce the impact of the rate cuts on effective marginal tax rates and thus reduce the impact on labor supply, saving, investment, etc. However, expansion the base will have one other effect as well by reducing the extent to which the tax code subsidizes alternative sources and uses of income [31].

CONCLUSION

In the present world technology has introduced in each and every field, e-filing is no exception to it. In the present study we can find that majority of taxpayers are giving opinion that in e-filing perceived benefits like reducing processing cost, time saving and round the clock facility are most preferred benefits according to taxpayers. Improved accuracy and support from website are also most favorable benefit. Refund reacted criteria are less preferred benefit among taxpayer so, income tax department tried to improve speed and help so that taxpayer submits the return with a smile [32]. The forms on the website of the department have been revised with such details that taxpayers need not file any supporting document along with. Return is submitted electronically at the site. E-Filing also has to support tax authority processes by workflow systems and electronic record management on the one hand and knowledge management and automated risk analysis to assess the reliability of tax returns on the other hand. The procedure of electronically filing ITRs through the internet is known as e-filing. The developing world of electronic filing has certainly evolved during the past few years [33].

Suggestions

- Income taxpayer demands the website eco-friendlier that means when the taxpayers operate the website then the websites gives the steps for filing the returns if these changes develop then the income taxpayers do not depend on others for electronic filing.
- Government also focusses about the income taxpayers’ expectations that what problems occurs for filing the returns online that will help to the income taxpayers for filing the ITRs.
- For the betterment of the website the government must focus on the website server that the website properly works in the peak months and make sure to use more and more advance technology for make easy website for the income taxpayers for filing the ITRs [34].

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