

Case study 2: Integrated E-filing and Centralised Processing Centre-2.0 (IEC2.0)

I. Title

A case study on the Integrated E-Filing and Centralized Processing Centre 2.0 (IEC 2.0) in India.

II. Authors

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III. Abstract

The Integrated E-Filing and Centralized Processing Centre 2.0 (IEC 2.0) is a technology led innovation that has transformed the landscape of filing of tax returns and processing of the same. Beyond the core functions of e-Filing and processing of tax returns, this project has also helped taxpayer engagement and facilitation ensuring enhanced compliance.

IV. Key words

E-filing; CPC; tax transparency; taxpayer services; Pre-fill; processing.

V. Problem Statement

The problems dealt with here are the challenges faced by the Indian tax administration in the process of delivery of quality taxpayer services while ensuring voluntary compliance from the taxpayers.

VI. Case analysis

To elevate taxpayer experience, there was a need to leverage data and technology to ensure hassle free process of payment of taxes, filing of Income Tax Returns and processing of the same resulting in quicker refunds of excess taxes paid.

2. This entailed that taxpayers should have a user friendly interface and easy access to information while filing their returns of income. The four pillars of speed, usability, convenience and accuracy were to be achieved through the planned intervention. Moreover, there was a need for proactive and continuous engagement with the taxpayers to resolve a wide spectrum of issues ranging from simple to complex – including tax demands – in a more efficient and effective manner.

VII. Alternative solutions:

To address the problem on hand:

- a. One option was to increase the manpower and server capabilities linked to these functions as well as carrying out large scale Information, Education and Communication drives to the taxpayers on the intricacies of return filing.
- b. Second option was to revamp the complete online interface itself, making it more responsive and tutorial in nature, besides integrating pre-filled data so as to assist taxpayers in filing their returns.

2. The second option was deemed more feasible due to the complexity of the problem, the scale of operations involved and the evolving needs of the technology led tax administration.

VIII. Evaluation and outcome

Beyond the core functions of e-Filing and processing of tax returns, this project has helped taxpayer engagement and facilitation for resolution of issues in a more efficient and effective manner.

2. The project has achieved its objectives

- a. by making it easier to file returns using wizard-based forms, which are a set of simple questions to guide the tax return filing journey
- b. providing an intuitive user interface for all compliances
- c. by ensuring pre-filled returns for the tax payers.

3. In the financial year 2023-24, 72 million returns were filed on this IEC platform. The Platform is also actively promoting taxpayer education and compliance. It has promoted e-verification of tax returns which has completely dispensed the need of physical verification.

4. IEC 2.0 has reduced the processing time of returns on a year-on-year basis and is achieving real time processing of returns for over 40% of the returns filed thereby ensuring quicker refunds. The average processing time has reduced to 10 days.

5. IEC 2.0 has reduced errors, and is achieving its target of “first-time-right”. It aims to provide convenience and simplicity through a taxpayer first model, helping reduce compliance burden.

6. By implementing the IEC2.0, the Indian Tax Administration has facilitated greater voluntary compliance resulting in an increase of over 16% of returns filed as compared to the earlier financial year.

IX. Limitations and recommendations

The research is aimed to present a theoretical overview of the introduction of IEC 2.0 by the Indian tax administration. This study is not able to use data analytics for measuring the impact of the study over a length of time. Moreover, though there has been a pervasive positive effect of the intervention, no direct co relation with revenue figures has been claimed, as the same does not subscribe to sound statistical principles.

2. The initiative has transformed the way tax administrations engage taxpayers. With a focus on increased trust and transparency, taxpayer facilitation is now the key driver of compliance, rather than pure enforcement led compliance.
