

ANALYTICAL STUDY OF TAXPAYERS AND TAX PRACTITIONERS TOWARDS E-PROCESS UNDER INCOME TAX ACT WITH SPECIAL REFERENCE TO JALGAON DISTRICT IN MAHARASHTRA STATE OF INDIA

Nitin Manakchand Zawar*
Dr. Rahul Anant Kulkarni**

ABSTRACT

Every year in financial budget Honorable Finance Minister made the changes in Income Tax Act. The landscape of Income Tax in India has experienced huge changes in recent years. The Pace of changes are increased tremendously in last few years, driven by the government's objective to enhance economic growth, improve tax compliance, and create a more equitable tax system. This article provides a comprehensive analysis of the recent reforms in direct tax legislation, focusing on key initiatives and their implications for various stakeholders, including individuals, businesses, and the government. The introduction of the Income Tax (Amendment) Act aims to simplify the tax structure and broaden the tax base. Notably the introduction of a new tax regime which offers lower tax rates for individuals who forego certain deductions and exemptions. These reform are required to simplify the various process. Additionally, the implementation of the faceless assessment and Appeal scheme represents a transformative approach to tax administration, by minimizing human interface and ensuring transparency with measures to curb tax evasion by using technology, the article discusses the challenges associated with the implementation of this scheme, including the need for adequate infrastructure and training for tax payers to adapt to digital processes. Furthermore, the article analyzes measures taken to curb tax evasion, such as the use of information technology and data analytics to identify non-compliance. The government's push towards digitalization, including the implementation of e-filing and online compliance mechanisms is evaluated for its effectiveness in increasing taxpayer participation and reducing the compliance burden. Despite these advancements, challenges remain, including the need for continuous taxpayer education and awareness to navigate the evolving tax landscape. The article highlights the importance of discussion between the various authorities and taxpayers to address concerns and improve the overall tax environment. In conclusion, this article provides insights into the reforms in direct taxation in India represent a critical step towards creating a more efficient and fair tax system. By focusing on simplification, transparency, and compliance, these reforms have the potential to foster economic growth and enhance the government's ability to mobilize resources for development.

Keywords: Financial Budget, Income Tax Act, Direct Taxation, Tax Reforms, Economic Growth.

Introduction

Research in Income Tax need to be carried out continuously. Speed of changes are increased significantly in last few years. Some of them are beneficial to the assessee and some are not favorable to the assessee. During the last few years there are changes not only in taxation but also in procedural parts. Due to Introduction of digitization some assesses are benefited but due to lack of knowledge

* Research Scholar, Affiliated to Kavayitri Bahinabai Chaudhari North Maharashtra University, Jalgaon, Maharashtra, India.

** Assistant Professor (Research Guide), Research Department of Commerce, B. P. Arts, S.M.A. Science, K. K. C. Commerce College, Chalisgaon, Maharashtra, India.

regarding technology and Infrastructural issues some assesses are facing difficulty in complying with the statutory compliance in time which resulted in huge tax demand and penalties to them specifically in semi urban and rural area. But the evolution of online income tax process in India is a significant part of the country's journey toward a more digital and transparent economy. Hence there is need to study E-processes under Income Tax act, awareness of Income Tax Assessee regarding E-Process under Income Tax, satisfaction of Assesseees and Tax Practitioners regarding E-process Under Income Tax, suggestion to the Authorities for better implementation of E-process for the development of Economy with simplifying the entire process.

Introduction of Income Tax in India

The first Income Tax Act in India was introduced on 24 July 1860. The main reason behind Introduction of this Act was after Indian Rebellion of 1857 the British Government faced a Severe Financial Crunch. To come out of this financial crunch Income Tax was introduced by the British Government. The First Income Tax was introduced in India's First Union Budget by Pre – Independence Finance Minister Mr. James Wilson on April 7, 1860.

This event marked the beginning of a taxation system that has become an integral part of the India's fiscal policy. The concept of Income Tax was already existing in western countries, during 1860 India was under control of British colonial rulers, hence they had implemented a similar system in India.

The Income Tax is introduced with the concept of Individuals with higher Incomes were taxed at a higher rate. Certain categories of Income were exempted from Taxation. The Act which is introduced in 1860 had limited scope. The initial act primarily focused on taxing incomes from landed Properties, professions and traders, Securities and Salaries and pension.

Subsequently Income Tax Act was replaced with New Income Tax Act time to time.

- Income Tax Act 1860 was replaced against New Income Tax Act 1886.
- Income Tax Act of 1918 updated with the Income Tax Act 1886 and Introduced Various Changes in it.
- Income Tax Act 1886 was replaced with The Income Tax Act 1922. Organizational structure of The Department was introduced in the Act. It gave specific nomenclature to Authorities first time in the History of Income Tax.
- The Act introduced in 1922 had become extremely complicated due to number of amendments in It. Due to which Ministry of Finance referred the same to the law commission of India to simplify the same. The new Income Tax Act 1961 has been introduced from 1st April 1962.
- Since 1962 every year several amendments of are introduced in Finance budget every year. After passing the same finance Bill in both the house of Parliament and received the accent of Honorable President it become the Finance Act.
- Efforts to create new Direct Tax Code i.e. the set of rules that is going to change the existing Act started from 2009. In 2009 government has introduced discussion paper on Direct Tax code. The same Direct tax code Bill was introduced in Parliament in the year 2010. This bill was send to the Standing committee of Finance which is chaired by Mr. Yashwant Sinha. Government intends to implement Direct Tax Code from April 1, 2012, but this was not achieved due to delay in Standing committee report and other reasons. Now Honorable Finance Minister Nirmala Sitaraman Mentioned in her Budget speech in July, 2024 that government is again trying to Introduce new direct tax code in short period of time.

In recent years, India's direct taxation landscape has been marked by significant reforms aimed to simplify the act, enhancing compliance, and expanding the tax base. The annual financial budget typically presents modifications to the Act. These reforms are crucial as they align with the government's broader goals of economic growth with ensuring a fair tax system that benefits all stakeholders.

Overview of Recent Tax Reforms

• Filing of Income Tax Return through Income Tax portal

Initially all the Income Tax process was Manually on paper. It Changed time to time. The detail study of the same revealed as under:

- Before 2006 Assessee must submit their return manually in paper format. It is very time-consuming process which required huge paperwork.

- The concept on e-filing or electronic filing was first introduced in 2006 and initially it was optional and targeted specially to corporate assesses. The early adoption of this system was slow and accepted by small number of assesses.
- Between 2010 to 2015 government has made significant efforts and to promote the e-filing of Income Tax return on Income Tax portal. In the year 2013 e-filing of return was made mandatory for taxpayers with Annual Income more than Rs. 5 Lacs.
- Gradually after 2015 it made compulsory to every assessee to file the return electronically. After 2015 assessee has adopted the e-filing system rapidly due to introduction of several innovative measures and streamline the process of filing online return. Introduction of e-verification through Aadhar OTP, Bank EVC, validation through Net banking / D-mat account or through digital signature of return.
- Due to the system of e-filing and various measures taken by Ministry of Finance for simplification in return filing process the return filers are increased in large numbers. As per the data received from Income tax portal Total Number of return filers in F.Y. 2014 - 2015 was 35102185 which is increased to 74010269 in F.Y. 2022-2023 which is more than double in last 8 to 9 years. While Tax collection from various sources in F.Y. 2014-2015 was Rs. 799459 Crores which is increased to Rs. 1972248 Crores in F.Y. 2022-2023.
- Old and New Tax Regime: The Income Tax (Amendment) Acts since last few years introduces several key changes to the existing tax framework. One of the most notable reforms is the introduction of a new tax regime. This new regime is introduced to simplify the taxation process by reducing the number of deductions and exemptions allowed to taxpayers. As a result, taxpayers can potentially enjoy lower tax liabilities, provided they are willing to forgo specific deductions. The new regime is characterized by lower tax rates, which range from 5% to 30% depending on the income bracket. While this approach aims to enhance compliance by making tax payments more straightforward, it raises questions about the equity of the taxation, particularly for individuals who rely on deductions to minimize their tax burdens.

The Finance Act of 2023 has revised Section 115BAC from AY 2024-25, making the new regime the default option for individual taxpayers, Hindu Undivided Families, Associations of Persons excluding co-operative societies, Bodies of Individuals and Artificial Juridical Persons. However, eligible taxpayers still have the choice to opt out of the new regime and continue under the old system. The old regime is the previous method of calculating income tax with its own set of tax slabs, and it allows taxpayers to claim various deductions and exemptions. For taxpayers not involved in business or profession, the option to choose between the two regimes can be exercised annually when filing the Income Tax Return (ITR), due by the date specified under Section 139(1).

For taxpayers with business or professional income, opting out of the new tax regime requires filing Form 10-IEA by the due date for submitting the return under Section 139(1). If a taxpayer wishes to withdraw from the old tax regime, this can also be done through Form 10-IEA. However, taxpayers with business or professional income can only switch back to the old tax regime once in their lifetime.

Finance Minister Smt. Nirmala Sitharaman highlighted in her budget speech that, "in FY 2022-23, 58% of corporate tax revenue came from the simplified tax regime, and over two-thirds of individual taxpayers opted for the new tax regime in the previous year, based on available data".

The Finance Minister also introduced several measures in the 2024-25 Union Budget for providing tax relief to salaried individuals and pensioners who choose the new regime. These measures are part of the government's broader push to streamline the tax system. The new tax regime has been further refined to offer significant benefits to salaried employees, particularly middle-income earners, in order to encourage greater compliance and reduce financial strain. These changes are expected to increase disposable income for salaried individuals and pensioners, thereby supporting overall economic growth.

• **Integration and collection of Data from various organizations**

After 2021 government integrated data with other government organization and introduction of Specified financial transaction return (SFT Returns) to certain organization which resulted in availability of all high value financial transactions and information related to the same on Income Tax portal through AIS / TIS Statement. Data integration resulted in better compliance and reducing chance of tax evasion.

- **Faceless Assessment and Appeals and other tax Litigation**
 - **Faceless Assessment:** Since 2020 Government has keep one step forward and introduced the new initiative in the era of digitization, which is Faceless assessment and Faceless Appeal i.e. Appeal before Honorable CIT(A). This initiative seeks to reduce the direct contact between taxpayers and tax authorities. By utilizing technology, the scheme allows for assessments to be conducted online, enhancing transparency and accountability.

Despite its potential benefits, this scheme faces several challenges. One primary concern is the adequacy of infrastructure and resources to support this digital transition. Additionally, many taxpayers may struggle to adapt to the new processes, necessitating extensive training and support from the government. After 2021 new method of Assessment has been introduced by using the digitization and Information technology which is known as Faceless Assessment. The assessment is carried out without meeting personally by the Assessee and Assessing officer. All the correspondence is carried through electronic system without reveal the details of the Assessing officer. Income Tax department is using Information technology extensively for simplifying the entire process. In spite of this Income Tax Law is considered as complicated law by various assessees. As per article published in Money Control on Dt. 02.08.2024 "Tax defaults in India Surge 1000% in 10 years at the same time disputes are doubled. The total revenue demands raised but not collected surged to Rs. 21.30 lakh crore in FY 2023, compared to Rs. 5.03 lakh crore in FY 2014". This demand is based on Scrutiny and other Assessments.

After reviewing various decisions of Income Tax Tribunals it is observed that in most of the cases are remand back to the authority as the same are not correctly adjudicated by learned Assessing officer or not received natural justice to the assessee due to miscommunication of notice. It may be possible that the same is result of the Faceless communication and lack of knowledge in Assessee regarding faceless communication. In Majority of the cases orders are passed on best judgement Assessment U/s. 144 of the Income Tax Act as the Assessing officer has not received the response from the Assessee due to lack of communication. Maximum orders are passed by the Assessing Officer by considering all the receipts or deposits in Bank accounts under section 68, 69, 69A, 69C etc., and consecutively demanding tax and surcharge at 72% as per Section 115BBE of the Act.

A significant number of cases exist where the assessee remains unaware of the outstanding demands. This status is due to blind adoption of Section 282 of the Act read with IT Rule 127. This section contains many options to communicate notices and orders with the assessee, but after Amendment of section 282 and Rule 127 (02.02.2015) and changing the method of sending Notices and Orders the department are using single option i.e. sending Notices, Orders etc. only through e-mail after uploading them in the IT Portal. Though section 282 read with the Rule 127 contains various other options to serve the notices and orders but the Department strictly followed only through the e-mail option.

- **Faceless Appeals**

The Finance Act 2020 introduced amendments that granted the government an authority to establish a formal scheme for implementing Faceless Appeals. "The Central Board of Direct Taxes vide its notification dated 25th September 2020, notified the Faceless Appeal Scheme 2020 "(the "Scheme"/ "Faceless Appeal Scheme")".

Due to above mentioned difficulties The pendency at CIT(A) has increased heavily since last four years as the Government implemented Faceless Appeal Scheme in line of Faceless Assessment Scheme. As per the details received and provided by the Bombay Chamber of Commerce and Industry in their representation to the Finance Secretary on Dt. 06.10.2023 referred that "4.92 lacs cases are pending before CIT (Appeals) as at 31.03.2023 across the country. The backlog of litigation at various levels, particularly at the CIT (Appeals), negatively affects the industry by causing delays in resolving pending demands, leading to aggressive recovery actions by the Tax Department and restricting working capital through the freezing of bank accounts for recovery purposes."

- **Various measures Taken by government**

- Government has taken various measures to come out of these difficulties faced by the stakeholders. The Finance Act 2023 brought about an amendment to create additional post of Joint CIT(Appeals). In Budget Speech, the Hon'ble Finance Minister proposed the deployment of approximately 100 Joint Commissioners to expedite the resolution of small appeals. In this regard the CBDT has notified the e-Appeals Scheme, 2023 on 29 May 2023 which is facilitating Faceless appeals before Joint CIT(A). Subsequently, on 14 June 2023, Notification No. 40/2023 established 100 new posts for Additional/Joint Commissioners of

Income-tax (Appeals) across the country. Further on 16 June 2023 Central Board of Direct Taxes issued the Instruction No. F. No. 370149/97/2023-TPL as per which small appeals are transferring from CIT(Appeals) to Joint CIT(Appeals). While these measures have helped expedite appeal disposal, the process still falls short of expectations.

- The Finance Bill 2024 has made significant changes to the powers of the Commissioner (Appeals) under Section 251 of the Income-tax Act. Finance Bill 2024 granted the Commissioner (A) an authority to return best judgement assessment cases to the learned Assessing Officer for a fresh assessment. This change is designed to help address the backlog of appeals.
- The Direct Tax Vivad se Vishwas Scheme, 2024 (DTVsV Scheme, 2024) is introduced by the Government of India on 20th September 2024 to resolve pending income tax disputes. The scheme was enacted through the Finance (No. 2) Act, 2024. The scheme has taken effect from 1st October 2024. The rules and forms necessary for its implementation have been issued through Notification No. 104/2024, dated 20th September 2024. This scheme can help the Assessee to settle the litigation with department and resultantly pendency of appeals at various appellate level will be reduced.
- In another measure to reduce uncertainty and disputes, reduction in time period for reassessment has been proposed. Assessments can now be reopened by the learned assessing officer beyond the three-year limit but up to five years only from the end of the assessment year. The Assessment can be reopened beyond three years and maximum up to 5 years only if the escaped income exceeds ₹50 lakhs. The Finance Minister also announced that in cases involving searches under section 132, the time limit for reopening assessments will be reduced to six years prior to the year of the search instead of limit of ten years.
- As per announcement in Budget 2024-25, the CBDT issued orders to raise the monetary limits for filing appeals in cases related to Direct Taxes before Tax Tribunals, High Courts, and the Supreme Court. The new limits for filing an appeal are set at Rs. 60 lakhs for tribunals, Rs. 2 crores for High Courts and Rs. 5 crores for Apex Court respectively. Due to which it is expected to reduce the number of cases pending at various appellate forums, which will help to decrease tax litigation.
- In addition, the government has deployed more officers dedicated to hearing of appeals and deciding the matter, particularly those involving huge tax demand.
- Honorable Finance Minister Nirmala Sitaraman Mentioned in her Budget speech in July, 2024 that "government is again trying to Introduce new direct tax code in short period of time." Central Board of Direct Taxes has constituted a committee to work out simplification of language, reduction in Litigation and compliance while drafting new direct Tax code.

Suggestions to Improve Direct Tax code and Procedural Part

- Effective communication strategies, such as public awareness campaigns and targeted outreach programs, can play a vital role in improving taxpayer education. This will help them to understand various online process initiated by the Government for simplification of Taxation procedure.
- Communication of Income Tax notices with assessee can be made through many other options mentioned in Section 282 of the IT Act read with IT Rule 127.
- Simplify the language of The Act which is helpful for the layman to understand and they can comply with the statutory liability easily.
- Language used in the notice should be simple and easy to understand by the assessee which can help him to reply the notices correctly. Resultantly litigation and disputes can be reduced.
- Opportunity for Communication through Video Conferencing in the case of CIT(A) should be introduced which can help the assessee to explain the complicated matters through verbal communication. Which can reduce the further disputes and litigations.

Conclusion

In conclusion, the evolution of Income tax reflects the government's ongoing efforts to modernize and streamline the taxation system. From its introduction in 1860 to the latest reforms. The recent reforms in direct taxation in India represent a critical step towards creating an effective and

equitable tax system including the new regime and the push for a Direct Tax Code, these changes aim to enhance compliance, reduce tax evasion, and simplify the filing process by focusing on simplification, transparency, and compliance. These reforms have the ability to boom economic growth and enhance the government's ability to mobilize resources for development. While the introduction of faceless assessment schemes more emphasis given on technology and digitalization signify progress. Continuous taxpayer education, effective communication, and ongoing dialogue between the tax authorities and taxpayers are essential for navigating the evolving tax landscape. As India moves forward with these reforms, the commitment to creating a equitable tax system will ultimately benefit all stakeholders and contribute to the nation's economic development. Various initiatives taken by government highlight their commitment to addressing these issues, including measures to expedite appeals and reduce litigation. The government's proactive stance signals a positive trajectory toward a more effective and accessible taxation framework.

References

1. Website of Income Tax Department: <https://incometaxindia.gov.in/Pages/Direct-Taxes-Data.aspx>
2. Income Tax Appellate Tribunal Website: <https://itat.gov.in/>
3. Income Tax Act 1961 as amended by Finance Act 2024: <https://incometaxindia.gov.in/Pages/acts/income-tax-act.aspx>
4. Income Tax Rules 1962 as amended by Finance Act 2024: <https://incometaxindia.gov.in/Pages/rules/income-tax-rules-1962.aspx>
5. Article in Money Control Financial App: <https://www.moneycontrol.com/news/business/tax-defaults-in-india-surge-1000-in-10-years-disputes-double-12785498.html>
6. Representation by Bombay Chamber of Commerce and Industry: https://bombaychamber.com/knowledge_article/representations-to-reduce-pendency-of-direct-tax-litigation/#:~:text=As%20per%20information%20sourced%20through,March%202023%20across%20the%20country.
7. Union Budget 2024-25: Key Tax Reforms and Relief Measures by Press Information Bureau – Government of India.: <https://pib.gov.in/PressNoteDetails.aspx? NoteId=151961& ModuleId=3®=3&lang=1>
8. Author may be reached at Email Id: nitinmzawar@rediffmail.com.

