

TDS Reconciliation & Correction Enabling System (TRACES)

Implemented through Centralized Processing Cell (TDS) in the Directorate of Income Tax (Systems), Income Tax Department

Submitted for:-

**Awards Scheme for Exemplary Implementation of
E-Governance Initiatives 2013-14**

Contents

1.	COVERAGE – GEOGRAPHICAL AND DEMOGRAPHIC	2
	DEMOGRAPHIC SPREAD	3
	GEOGRAPHICAL SPREAD	5
2.	SITUATION BEFORE THE INITIATIVE	7
	LEGAL REQUIREMENTS	7
	CHALLENGES IN LEGACY IMPLEMENTATION	7
	BOTTLENECK/ CONSTRAINTS	8
	SOLUTION THROUGH SETTING UP OF CENTRALIZED PROCESSING CELL (TDS)	8
3.	EXTENT OF PROCESS RE-ENGINEERED	9
	PROCESSES BEFORE SETTING UP OF CPC (TDS)	9
	AFTER SETTING UP OF CPC (TDS)	10
	REENGINEERED PROCESSES FOR CPC (TDS) STAKEHOLDERS	11
	E-ENABLED SERVICES TO CPC (TDS) STAKEHOLDERS	18
4.	STRATEGY ADOPTED	20
	STUDY FOR BUSINESS PROCESS REENGINEERING	20
	PROBLEMS IDENTIFIED DURING THE INITIAL PHASE	23
	IMPLEMENTATION MODEL	23
	COMMUNICATION AND DISSEMINATION STRATEGY AND APPROACH USED	24
5.	TECHNOLOGY PLATFORM USED	26
	TDSCPC ARCHITECTURE FRAMEWORK AND METHODOLOGY	26
	TECHNICAL SOLUTION	26
	APPLICATION ARCHITECTURE VIEW	27
	TECHNOLOGY ARCHITECTURE VIEW	29
	INFRASTRUCTURE ARCHITECTURE	33
	INTEROPERABILITY	34
	SECURITY CONCERNS	34
	SERVICE LEVEL AGREEMENT (SLAs)	38
6.	CITIZEN CENTRICITY	39
7.	USER CONVENIENCE	50
8.	EFFICIENCY ENHANCEMENT	53
9.	COST EFFECTIVENESS	58
10.	CAPACITY BUILDING AND ORGANIZATIONAL SUSTAINABILITY	65
	OFFICERS/ OFFICIALS OF THE INCOME TAX DEPARTMENT	65
	PERSONNEL/ STAFF OF MANAGED SERVICE PROVIDER	66
11.	ACCOUNTABILITY	69
12.	INNOVATION	71
13.	APPROPRIATE DELEGATION	75
14.	RESULT ACHIEVED/ VALUE DELIVERED TO THE BENEFICIARY OF THE PROJECT	77
15.	EXTENT TO WHICH THE OBJECTIVE OF THE PROJECT IS FULFILLED	85
16.	ADAPTABILITY ANALYSIS	88
17.	COMPARATIVE ANALYSIS OF EARLIER VS NEW SYSTEM WITH RESPECT TO THE BPR	92
	COMPARATIVE ANALYSIS	92
	CHANGE MANAGEMENT	93
	CHANGES IN LEGAL SYSTEM, RULES AND REGULATIONS	95
18.	CONCLUSION	96

TDS Reconciliation, Analysis & Correction Enabling System

Implemented through Centralized Processing Cell (TDS) in the Directorate of Income Tax (Systems),
Income Tax Department

1. Coverage – Geographical and Demographic

The Centralized Processing Cell (Tax Deducted at Source) [CPC (TDS), in short] at Vaishali, Ghaziabad (UP) services its stakeholders that are **spread across the country**. The stakeholders include tax deductors and tax payers across India and abroad. It touches all government establishments, banks, financial institutions, corporates on one hand and on the other provides services to ALL the taxpayers whether filing tax returns or otherwise.

The TDS statements are being received electronically **through more than 2500 Tax Information Network- Facilitation Centres spread all over the country**. The **Statements can also be filed online** with digital signature through the website <https://www.tin-nsdl.com/>. The CPC (TDS) provides a facility for Online Correction of the TDS statements through its own website www.tdscpc.gov.in.

The CPC (TDS) processes TDS statements received from **all over the country** in a jurisdiction free manner. The CPC (TDS) works on the “HUB-SPOKE” model. CPC (TDS) is the hub for e-delivery of services. The TDS offices located all over India act as extended delivery centres through e-office model.

Apart from the web based services, the **CPC (TDS) connects** with its stakeholders through following channels:-

- **All agency Banks in India** are integrated with CPC (TDS) website for providing ‘Tax Credit Statement (26AS)’ information to their account holders through respective Banks’ websites. 35 banks are linked to the CPC (TDS) system through secured channels for transfer of information;
- **E-filing website of the Income Tax Department: Around 3 Crore registered users of e-filing website of the Income tax Department (www.incometaxindiaefiling.gov.in) have online access to the CPC (TDS) website without any additional registration**
- **Over 500 Officers of the Income Tax Department administering TDS provisions across India** connect with CPC (TDS) through its Intranet services. In addition, a dedicated Helpdesk for assistance to these Officers has been enabled.
- The Inbound Call Centre, with a toll free number is accessible to all stakeholders for immediate assistance during business hours 6 days a week.

CPC (TDS) has provisioned for easy and convenient services to **its stakeholders across globe through email**.

An **Online Grievance module** is available for the benefit of deductors, through the CPC (TDS) website.

Written queries, grievances and letters can be sent to CPC (TDS). CPC (TDS) has a fully automated ‘Document Management System’ in place where physical letters are digitized and processed through an elaborate digital workflow.

Demographic spread

CPC (TDS) brings value to various institutions, organizations (both within and outside government) and **all** taxpayers across India. It also offers services to those tax entities abroad that have entered into financial transactions in India. The users of the facilities at CPC (TDS) include –

- **More than 4 crore Taxpayers** (as their tax stands deducted by various organizations) including corporates, individuals, business entities and others.
- **More than 15 Lakh Deductors** (entities responsible for withholding of taxes on payments made to the taxpayers) including more than 1,75,000 offices of the Central & State Governments
- **More than 5000 Government** (Central & state) treasuries, sub-treasuries in each district and other Principal Accounts officers reporting tax paid without production of challan
- **More than 500 field officers** of the Income Tax Department, spread across the country, who are responsible for TDS administration
- **Taxation policy wing** of the Central Board of Direct Taxes
- **Agencies** involved in Automated Exchange of Information of foreign accounts

The CPC (TDS), through bouquet of services, helps the following entities that are spread across the country, to fulfill their obligation of Tax Deduction at Source:

Sr.	Types of entities	Count of entities
1	Employers including both Government & Private establishments	5 lakhs
2	Entities making payments to contractors, professionals, commission agents	6 lakhs
3	Banks including Bank Branches	30,000
4	Entities reporting cross border transactions	45,000
5	Buyers of the property worth Rs. 50 Lakhs or more	75,000
6	Sellers of jewellery, mining, alcoholic liquor, timber & scrap	35,000
7	Tenants/hirers paying rent above a threshold amount	7,25,000

Thus the coverage of CPC (TDS) is 100% with respect to the tax deductors and tax payers that fall under the ambit of Income tax Act 1961, across India and abroad.

Geographical Spread

The table below gives state-wise breakup of the deductors and taxpayers using CPC (TDS) services:-

Stakeholders breakup State Wise			
States*	Number of Deductors	Number of Tax Payers	Total
ANDAMAN AND NICOBAR ISLANDS	857	35,252	36,109
ANDHRA PRADESH	64,403	2,763,049	2,827,452
ARUNACHAL PRADESH	761	21,752	22,513
ASSAM	12,158	616,105	628,263
BIHAR	16,574	1,153,193	1,169,767
CHANDIGARH	6,912	220,078	226,990
CHHATISHGARH	15,404	467,512	482,916
DADRA & NAGAR HAVELI	486	19,481	19,967
DAMAN & DIU	513	14,737	15,250
DELHI	114,823	2,690,458	2,805,281
GOA	5,509	220,192	225,701
GUJARAT	129,098	3,063,658	3,192,756
HARYANA	39,929	1,394,187	1,434,116
HIMACHAL PRADESH	9,091	422,903	431,994
JAMMU & KASHMIR	6,467	341,615	348,082
JHARKHAND	14,239	668,000	682,239
KARNATAKA	87,325	2,828,625	2,915,950
KERALA	45,667	1,293,466	1,339,133
LAKSHWADEEP	79	2,713	2,792
MADHYA PRADESH	42,077	1,648,173	1,690,250

MAHARASHTRA	279,867	7,882,452	8, 162,319
MANIPUR	365	29,547	29,912
MEGHALAYA	890	35,176	36,066
MIZORAM	174	4,364	4,538
NAGALAND	284	15,942	16,226
ORISSA	15,072	822,457	837,529
OTHERS	2,293	553,895	556,188
PONDICHERRY	1,689	70,338	72,027
PUNJAB	57,898	1,717,832	1,775,730
RAJASTHAN	82,129	2,066,598	2,148,727
SIKKIM	521	12,724	13,245
TAMILNADU	84,764	3,030,332	3,115,096
TRIPURA	1,630	72,195	73,825
UTTAR PRADESH	73,084	3,816,975	3,890,059
UTTARANCHAL	11,142	425,163	436,305
WEST BENGAL	85,227	2,933,827	3,019,054
TOTAL	1,309,401	43,374,966	44,684,367

**Tax Payers state as per address in PAN Database & Deductors state as per address in TAN Master*

The CPC (TDS) also provides Online View of “Tax Credit Statement” facility to taxpayers living abroad.

Thus the geographical coverage of the initiative is entire country and also the taxpayers living abroad.

2. Situation before the Initiative

Legal Requirements

The Income Tax Act, 1961 provides for Tax Deduction at Source (TDS) by the payer on certain categories of transactions. The person/entity deducting tax (deductor) has to fulfill following responsibilities:-

- The Tax Deducted at Source (TDS) has to be deposited in the government account within due date.
- The amount of TDS and the details of transactions have to be reported to the Income Tax Department in the form of a TDS statement within prescribed time period.
- The Deductor has to issue a TDS certificate to the payee.

Based on the TDS certificate issued by the deductor, the payee (taxpayer) can claim credit of TDS in its Return of Income.

Challenges in Legacy Implementation

Since the inception of the Income Tax Department in 1861, the taxpayers were being given credit of TDS on the basis of manual TDS certificates, issued by the deductor. Such certificates were issued under the stationary of the deductor without any cross referencing that could be invoked for verification. With rising volumes and economic activity and the focus of the government to put in place a non-intrusive mechanism of collecting taxes, the concept of TDS gradually involved deductors of varied background (within and outside government) and taxpayers that rose from a few lakhs to crores. With enormous volume of transactional information, it was impossible to verify the genuineness of TDS certificates that were being presented to the Income Tax Department for claiming tax credits. **The Income Tax Department was, therefore, facing a challenge in giving the credit for TDS on the basis of manual TDS certificates.** Some of the other challenges with manual TDS certificates are as below:-

- The process of verification of TDS certificates was lengthy, time consuming leading to delayed Income Tax Refunds and harassment of the taxpayers.
- There was no mechanism for checking fraudulent tax credit claims.
- The deductors did not pay “deducted” amount to the government account and/or did not file TDS statements leading to loss of revenue.
- The taxpayers had to maintain physical certificates and copies for years in order to claim credit.
- The Income Tax Returns had to be accompanied by a number of annexures

Thus, the tax payers were burdened with a high compliance cost. The delayed refunds were a source of large number of grievances. The discretion involved in granting credit for TDS certificates, led to charges of corruption and malpractices in processing of Income Tax Returns. Further, in case of default on part of the tax deductor, the loss to the exchequer was manifold.

Bottleneck/ Constraints

On an analysis during the Business Process Reengineering Study, conducted by the Income tax Department, the following Bottleneck/ Constraints were identified:-

- The department did not have technology driven capability to handle large volumes of TDS statements received.
- Limited manpower and resources were stuck in handling routine jobs like issuing intimations, with no time left for taxpayer services and effective enforcement.
- There was no mechanism to reconcile the Tax Deducted with the Tax Credit claimed in the Income Tax Return. **The Annual Tax Credit Statement (Form 26AS) was not reliable and had to be overridden by the manual TDS certificates.**
- There was no centralized accounting for either the deductors or taxpayers.
- There was no integrated platform for deductors, taxpayers and Field Assessing Officers to interact.
- The time lag between deduction of tax by the deductor and giving its actual credit to the taxpayer was inordinately long. In some cases, the delay was more than 2-3 years. The business relationship had ended by the time the TDS mismatch was discovered. Thus the taxpayer was not in a position to get the reporting of TDS rectified by the deductor.

Solution through setting up of Centralized Processing Cell (TDS)

CPC (TDS) has been conceptualized to undertake **end to end processing of TDS statements through a Rule Based Technology enabled system**. The rule based automated processing of Statements leads to uniform results and faster turnaround time. CPC (TDS) introduces transparency in the processes through online display of information and provides an integrated platform for tax deductors, taxpayers and the officers of Income tax department.

The CPC (TDS), through the **Business Process Reengineering**, addresses the issues of TDS mismatch, TDS Frauds and other challenges involved in TDS administration. The path breaking initiatives of CPC (TDS) include:

- Generation of digital TDS certificates that are derived from the data reported by the deductors, after matching tax payments (reported through banks or other competent entities).
- Bulk processing of TDS statements for identifying the defaults and centralized issue of intimations to deductors.

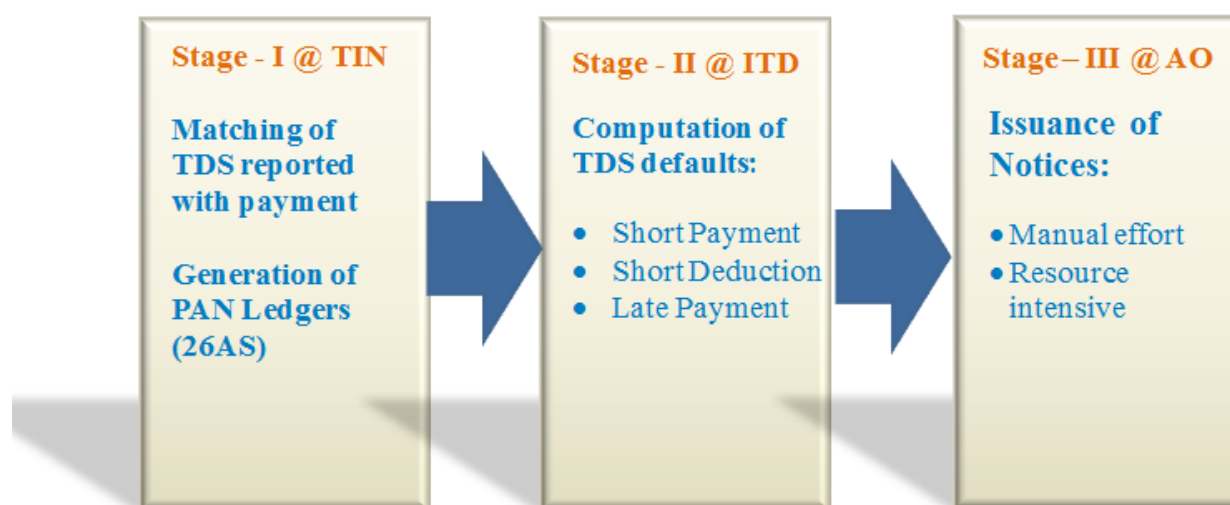
India is one of the few countries to put in place an initiative of this scale for reconciliation of Tax Deducted at Source.

3. Extent of Process Re-Engineered

Processes before setting up of CPC (TDS)

Before setting up of CPC (TDS), the processing of TDS statements was in **three watertight stages**:-

- In the first stage, the statement was received at the Tax Information Network and processed for generating the Annual Tax Credit Statement(Form 26AS).
- The statement data was then forwarded to the Directorate of Systems in the Income tax Department for processing of the TDS statement for identification of defaults like Short Payment, Short Deduction, Late Payment and Late Deduction etc.
- In the third stage, the processed data was forwarded to the Field Assessing Officers for determination of defaults and issuance of the physical default notices.



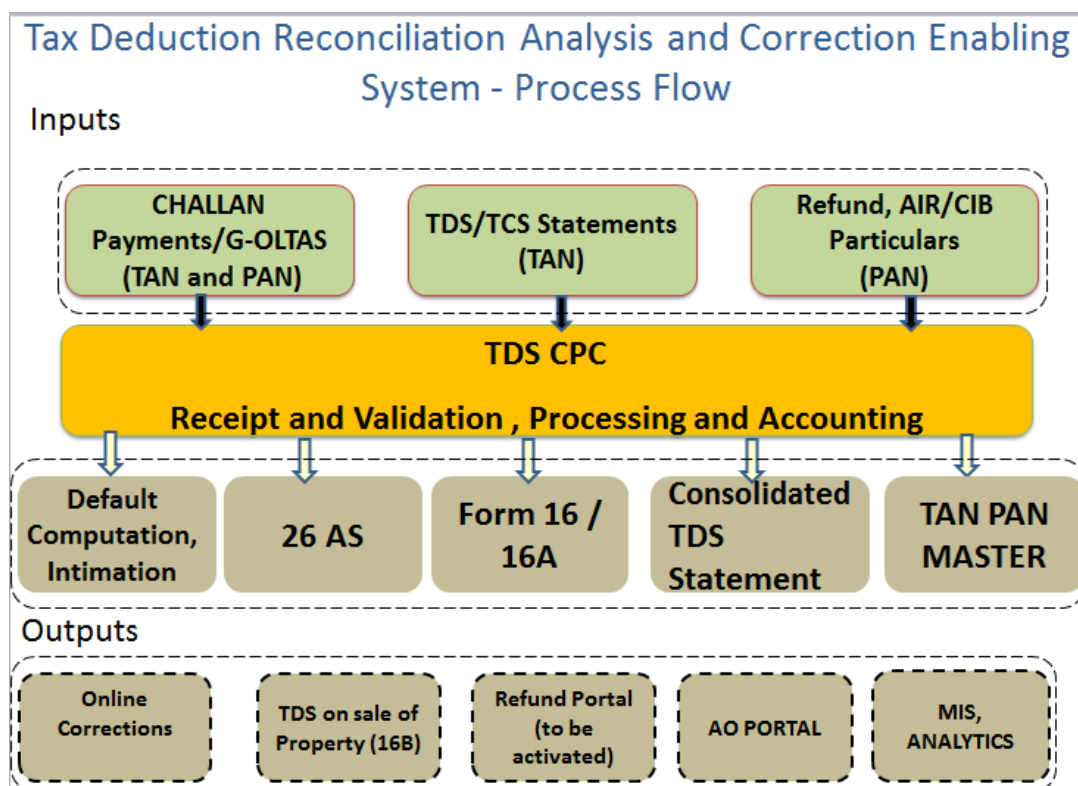
The process was fraught with following drawbacks:-

- **The three platforms were independent with uni-directional flow of data. Therefore any correction by subsequent stages would not flow back to the previous stage**
- The department did not have technology driven capability to handle the large volumes of TDS statements received.
- Limited manpower and resources were stuck in handling routine jobs like issuing intimations, with no time left for taxpayer services and effective enforcement.
- There was no mechanism to reconcile the “Tax Deducted” with the “Tax Credit” Claimed in the Income tax Return. **Annual Tax Credit Statement (Form 26AS) was not reliable and complete. Hence was overridden by the manual TDS certificates.**
- There was no centralized accounting for either the deductors or taxpayers.
- There was no integrated platform for deductors, taxpayers and Field Assessing Officers to interact.

- The time lag between deduction of tax by the deductor and giving its actual credit to the taxpayer was inordinately long. In most of the cases, the business relationship had ended by the time the TDS mismatch was discovered. Thus the taxpayer was not in a position to get the reporting of TDS rectified by the deductors.

After setting up of CPC (TDS)

In order to address the above challenges, the CPC (TDS) was conceptualized to undertake **end to end processing of TDS statements through a Rule Based Technology enabled system**. Thus all the **three stages of processing of a TDS statement have been consolidated at the CPC (TDS)**. The core engine of the CPC (TDS) is called as TRACES(Tax Deduction Reconciliation, Analysis & Correction Enabling System). The process flow at CPC (TDS) is as depicted below:-



Reengineered Processes for CPC (TDS) stakeholders

With the inception of CPC (TDS), following processes have been reengineered:-

A. Issue of Digital TDS Certificate

Before

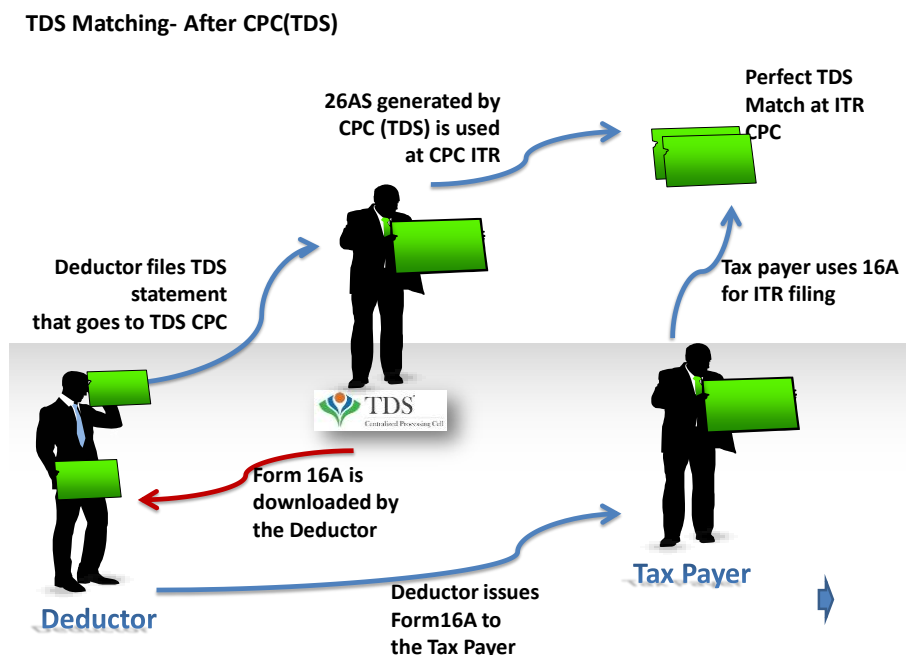
The traditional practice of manual TDS certificates has been a major cause of TDS mismatch in the processing of Income Tax Returns. Manual TDS certificates had following issues associated with them:-

- The process of verification of TDS certificates was lengthy and time consuming leading to delayed Income Tax Refunds and harassment of the taxpayers.
- There was no mechanism for checking fraudulent tax credit claims.
- The deductors were either not reporting the tax deducted or were reporting an amount different from the TDS certificate issued. This led to mismatch during the processing of Income tax Returns.
- Since the Annual Tax Credit statement was not accurate, automated processing of Income tax Returns was not effective as the resolution of TDS mismatch required manual intervention.

After

In order to address the above challenges, the CPC (TDS) now generates TDS certificates from the data reported by the deductors and after matching tax payments (reported through banks or other competent entities). **These certificates, having a reference number, are verifiable online and are unique for a deductor-deductee combination.** The authenticity of the certificates can be ascertained online by the interested entity. In this way the amount depicted in the TDS certificate matches with the amount populated in the Annual Tax Credit Statement and rulling out possibility of a mismatch during the processing of Income tax return.

The re-engineered solution is represented in the diagram below:-



The Red Arrow in the above diagram is the central point in the re-engineered process that has brought about transformational change in the overall TDS administration. This modification has ensured a single version of truth for the department and the taxpayer in respect of TDS credits.

This reengineered process has eliminated TDS mismatch issues being faced by lakhs of taxpayers. The matching of TDS credits while processing of ITRs has improved from 89% to 96% over a period of last two years.

The verified single version of truth through reengineering has also eliminated any possibility of fraudulent claim of TDS based on bogus TDS certificates.

TDS certificates, that have been downloaded till date, are more than 15 crore by 10.5 lakhs deductors. **The statistics clearly reflects that more than 80% of the deductors have already adopted the reengineered process by the deductors.**

Further, in the process TDS mismatch, if any, on account of incomplete or incorrect reporting by the deductor to the Department gets noticed immediately by the taxpayers at the time of issuance of the TDS certificate. The gaps can be addressed through filing of **online corrections facility that is available on anytime anywhere basis** (one of the major component of the integrated interactive platform of CPC (TDS)).

B. Online Correction of TDS statements

Before

The deductors are often required to make corrections to the PAN and other details quoted in the statements in order to resolve the TDS mismatch for the taxpayers and for the resolution of TDS defaults. The deductors were reluctant in filing correction statements as it involved time, effort and money. This led to rise in the number of taxpayer grievances as they would be denied due credit of taxes deducted.

After

The CPC (TDS) provides facility for online correction of TDS statements. Thus the deductors can now correct PANs and other attributes of the transactions by promptly filing a correction **any time anywhere**. Therefore this functionality of online correction of TDS statements has benefitted the tax payers as any discrepancy in the data (reported in the TDS statements) which may have resulted in TDS mismatch gets promptly corrected by the deductors at the time of issuance TDS certificate itself.

At the same time, with this facility, any correction, for the resolution of defaults can also be carried out at the deductor convenience.

C. E-Office

Before

The Field TDS offices in the Income tax department have been running in a traditional manual mode. Some of the major issues identified with the manual functioning of these offices are listed below:-

1. Time and space constraint forced the officers to handle routine tasks in an ad-hoc manner.
2. Manual record maintenance posed challenges in retrieval & collation of documents.
3. Audit trail for various actions taken by the officers was not maintained systematically.
4. There was no synchronization between the actions being performed through technology enabled system and the actions performed manually by the officers.
5. Limited interface for resolution of grievances, that was available with the deductors/stakeholders, was through written communication and visit to the Income tax office.

After

The CPC (TDS) provides an integrated technology driven platform for enabling e-office in the Income Tax Department. **Over 500 Officers of the Income Tax Department, administering TDS provisions across India, connect with CPC (TDS) system through its Intranet services.** In addition, a dedicated Helpdesk for assistance to these Officers has been enabled.

The CPC (TDS) has reengineered following processes in the office of TDS Field Officers:-

A process has been introduced for the correction of challans, the request for correction of challans can be raised only through online mode. The supporting documents are to be uploaded at the time of raising request for correction of challans. The challan correction is applied only after necessary approvals have been obtained online. In this way, there is perpetual digital record of the supporting documents required for correcting a challan. Since necessary approvals are obtained through an online mode, an audit log is maintained.

The CPC (TDS) provides a visibility to the Field Officers regarding the grievances of the deductors/ taxpayers related to their jurisdiction. In this manner, a need for a visit to the Income tax office for redressal of grievances is being minimized.

The CPC (TDS) has provided a facility for Online Generation of Notices and Orders required for the enforcement of the TDS provisions. Thus manual activities of the Field Officers are being kept track of on a centralized system. This ensures better supervision and control by the administrative authorities.

The Online repository of the notices and orders facilitates adherence to statutory timelines. The tax demand, raised as consequence of these actions, is also captured in the system.

The CPC (TDS) facilitates consolidation of “manual demands” and “system generated demands” on one platform. Since all the statutory functions are to be carried out through the e-enabled system, CPC (TDS) is able to capture all the data related to the enforcement functions, carried out by TDS officers of the Income tax department.

CPC (TDS) provides **platform for sharing of knowledge and best practices among the officers of the Income Tax Department.** A dedicated functionality for uploading “quality cases” and “awareness material” has been enabled on the CPC (TDS) portal for field Income Tax Officers. This is poised to ensure uniformity in approach. Further, resource sharing promises to be a force multiplier as regards taxpayer services and enforcement.

D. Centralized Issue and Dispatch of Intimations through an automated Document Management System

Before

In the legacy system, the Directorate of Income tax (Systems) would push the data after processing the TDS statements to the Field Income Tax Officers for generation of defaults and issue of intimations. The process of dispatch of intimations was unorganized and was managed at the local level by each of the Field Officers separately.

Following drawbacks/challenges were identified:-

- a. The printing and dispatch of intimations was a manual process. The Field Income Tax Officers, with limited manpower and resources, were not able to handle the workload. As a consequence, issue of intimations in all the cases could not be ensured. Further, there was significant delay between the generation of default and the issue of intimation to the deductors.
- b. There was no organized record maintained for service of intimations. The date of service of intimation could not be ascertained. Thus the Field Officers could not effectively pursue the demand raised as the deductor could always deny that the intimation was served upon or could dispute the date of service.
- c. The Core enforcement functions of the Field Officers were neglected as significant effort and time went into the printing and service of TDS intimations.

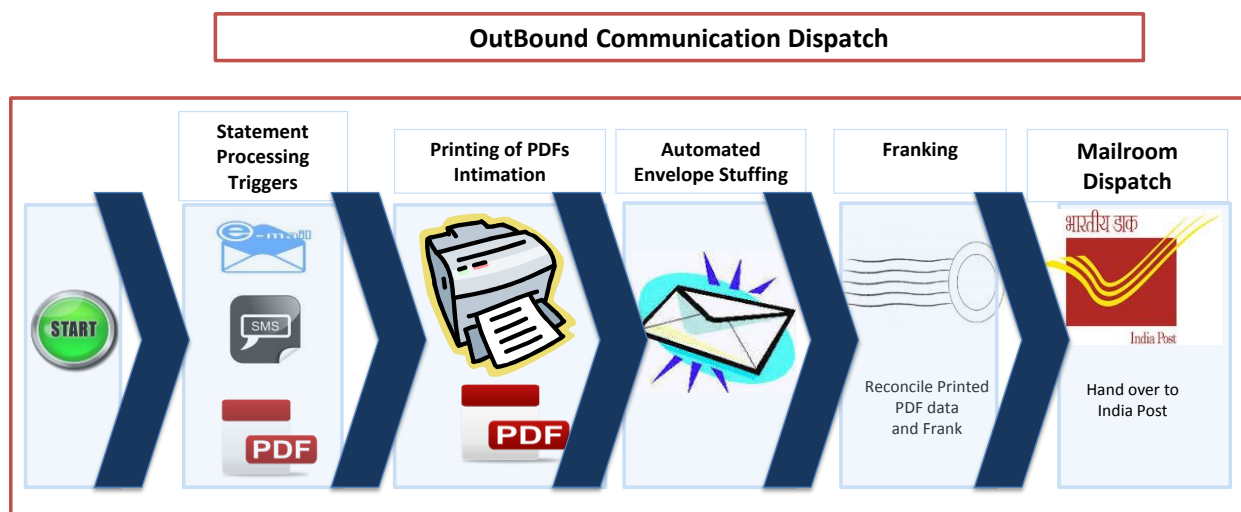
After

The intimations are now being dispatched in a centralized manner through an automated system. . The intimations are also being sent through email and shown on the dashboard of the deductor. The digitized record of issuance and service of the Intimations is maintained at CPC (TDS). The intimations that are “Returned as undelivered” are also tracked and efforts are made to ensure their service at alternate addresses available in the database.

With above service in place, the manpower in the department has been relieved of the task of manually sending out the intimations and can now focus on quality tasks.

The deductors also benefit as the defaults are intimated within seven days of filing of the TDS statement leading to better compliance. There are better chances of service as address is same as stated in the TDS statement.

The schematic diagram of the process that has been put in place, is as follows:



E. Proactive dissemination of Information for promoting voluntary compliance

Before

The Income tax department has been relying on the traditional methods of advertisements, postal letters and seminars to disseminate information. The communications sent out by the department were generic and did not deliver focused message to a particular audience.

After

The inception of CPC (TDS) marks a paradigm shift in the TDS administration towards achieving a Non-Adversarial, Non-Intrusive Tax administration. The effort of the department is to educate and empower the deductors/taxpayers and not wait for them to commit a mistake leading to an enforcement action. **More than 1.50 Crore educational emails on various issues have already been sent by CPC (TDS) to the deductors.**

Timely processing of TDS statements coupled with multifold communication channels (Portal, emails and call centre) have facilitated compliance driven ecosystem for the deductors. CPC (TDS) has leveraged these channels **to send specific emails to the target audience** (e.g. non-filers, late filers, tax defaulters etc.) with an aim to create “**TDS default free**” environment and to promote voluntary compliance.

Three pronged approach has been adopted to address the closure of the defaults:

- Timely intimation to the deductors –giving sense of “someone watching”-- pursues them for voluntary compliance

- Email and call centre campaign to persuade the deductors to close the defaults
- Any time anywhere facility for online correction

The impact is clearly visible in following areas of TDS administration:

- Improvement in filers of TDS Statements within due date
- Improvement in deposit of tax within due date
- Reduction in TDS default cases
- Reduction in quoting of invalid PANs

F. Institutionalized mechanisms for Grievance redressal and communication with the stakeholders

Before

The Legacy system did not have an integrated platform for the handling of grievances. There was no mechanism for bringing the stakeholders in grievance on the same platform to work out a resolution to such grievance.

After

The CPC (TDS) has put in place a Call Centre for real time support to all the stakeholders. Further, the stakeholders can also reach CPC (TDS) through email, Grievance Portal on the website and by writing a letter. The grievances are being handled in a centralized manner and all the stakeholders are given visibility regarding the grievance by virtue of an integrated system.

The CPC (TDS) solution has been designed in a manner that the grievance filed by a taxpayer gets reflected on the dashboard of both deductor and deductor's jurisdictional Assessing Officer. The response of any one of the three stakeholders is visible to all three of them for faster resolution of the grievance. Similarly the integrated platform is used to communicate grievances of the deductors to CPC (TDS) and the jurisdictional Assessing officers. The Tax-Payer/Deductor can track the status of grievance resolution online.

G. Reliable Source of Data for Policy Formulation and Social Policy Planning

Before

The Legacy system for processing TDS statements did not use any tools for data analysis. Only static standalone reports were available without any inter-linkages.

After

The CPC (TDS) system has the capability to analyze the centralized reliable source of data. The **Trend and Pattern Analysis** can be used for effective enforcement actions by Field Income tax Officers such as identification potential defaulters viz. Non-filers, late filers, high risk deductors, etc. **Using data mining and analytics tools, CPC (TDS) is providing the updated MIS and business intelligence reports to the field authorities to focus on the potential cases involving high risk.** Field authorities stand empowered and equipped to take up the enforcement work in effective and efficient manner.

The output of analytical tools also acts as an input for effective policy formulation. As an example, the data related to Foreign Remittances available with CPC (TDS) can be a useful input for negotiation of Double Taxation Treaties. The demographic profile of the taxpayers and the nature of transactions forms a valuable input for social policy planning.

E-enabled services to CPC (TDS) stakeholders

Leveraging on the centralized processing of statements, several value added services and process improvements have been introduced. Online services, being provided to all the stakeholders, are driven through **TRACES** i.e. **TDS Reconciliation Analysis and Correction Enabling System** (Core engine of CPC (TDS))

A. Deductors

The deductors have been provided an elaborate deductor portal on the CPC (TDS) website www.tdscpc.gov.in. Some of the functionalities available for deductors are as given below:-

- Dashboard
 - Statement Status and Default payable
 - Inbox
 - Communication Inbox
- Statement and Challan Status
- View TDS/TCS Credit
- Online PAN Verification
- TAN – PAN Consolidated File
- View Defaults Summary
- Online Corrections
- Downloads
 - TDS Certificates Form 16/ 16A
 - TDS Certificates - Form 16B
 - TCS Certificates - Form 27D
 - Transaction Based Report (27Q)

- Consolidated File
 - Justification Report
- Profile – To View/ Modify
- NRI Taxpayer Registration
- Aggregated TDS Compliance Report
- e-Tutorials and FAQs
- Circular and Notifications
- CPC (TDS) Communications

B. Taxpayers

The taxpayers can register on the CPC (TDS) website for viewing the Annual Tax Credit Statement (Form 26AS). The functionality is also made available through the e-filing website of the Income tax department and the Net Banking facility of various banks. They can download TDS Certificates in Form 16B involving “Sale of Immovable Property”. The high end taxpayers who have single or multiple “Tax deducting branches” have online view of the TDS defaults of respective deducting units.

C. Field Assessing Officer of the Income tax Department

- VIEW
 - View Statement Processing Status
 - View TAN/AIN details
 - View OLTAS Challan details
 - View Intimations/Communications
 - 15CA View
 - Justification Report
- CORRECTION
 - TAN-to-TAN Challan Correction
 - PAN-to-TAN Challan Correction
 - Assessment Year Correction in Challan
- DEMAND MANAGEMENT
 - Tag/ Replace Challans
 - Demand Summary without Justification
 - Manual upload of Demands
- Consolidated File download
- Interactive platform for sharing of quality work by the officers
- Wide range of MIS Reports
- Grievance Portal
- Portal for issuing orders, penalty and prosecution

4. Strategy Adopted

Study for Business Process Reengineering

The Income Tax Department conducted a 'Business Process Reengineering Study' in F. Yrs. 2004-2007. In its final report submitted on December 26, 2007 the study highlighted some of the key challenges faced by the department viz: -

- Widening gap between the personnel strength required by the Department and the actual deployment
- Co-existence of manual and computerized processes; and
- Lack of technology enabled modern infrastructure.

The BPR report was submitted in two parts; the first consisting of 'As-Is' findings and the second consisting of recommended 'To-Be' models. In the context of setting up of CPC (TDS), detailed 'To-Be models' and recommendations in respect of "Bulk Operations Division" and "Payment of Taxes and Timely and Correct Credit for Taxes Paid" are relevant. The findings of the study are reproduced below for ready reference:-

"Bulk Operations Division"

An analysis of ITD operations shows several activities of ITD interface with a large number of taxpayers, like receiving and processing IT and TDS returns, tax accounting, issuing and maintaining PAN/ TAN database, issuing refunds, etc. These transactions, being large in number, are referred to as 'Bulk'. These activities are repetitive, do not require exercise of discretion in individual cases and are amenable to large scale automation. In contrast, certain activities are undertaken on a limited number of taxpayers, primarily for enforcement functions such as scrutiny, recovery, survey etc. These activities are less in volume, require specialized knowledge and involve exercise of discretion in individual cases and are referred to as "Compliance" activities.

With an ever increasing taxpayer base, a larger portion of ITD resources – people, infrastructure and IT are currently occupied in meeting the requirements of the 'Bulk operations'. This, as brought out in the 'As-Is' report submitted earlier, is often at the expense of volume and quality of the 'Compliance' functions.

There is outsourcing of data entry happening for "Bulk functions" at the local level with no service level agreements/monitoring of service levels. There are no effective processes in place to ensure error-free data entry.

At present, both the 'Bulk' and the 'Compliance' functions are performed by the same set of officials; whereas both these functions are distinct and require significantly different orientation and skill sets.

Recommendations

To enable the Department to become more citizen-centric, it is proposed to functionally segregate the working of the Department across two broad lines; a 'Bulk Operations Division', (BOD) handling routine, repetitive and activities (not requiring exercise of discretion in individual cases) and a 'Compliance Operations Division' (COD) to carry out specialized enforcement activities for a smaller number of taxpayers.

The BOD would be a faceless organization to carry out activities such as granting and maintenance of PAN and TAN; digitization, scanning and processing of tax returns; identifying tax credit mismatches and their reconciliation, issuing refunds, cleansing and matching third party data, identifying non-filers/ stop filers and follow-up, etc. on the entire taxpayer base.

The COD would deal with scrutiny assessments, rectifications, recovery, appeals, survey and other enforcement functions in respect of much smaller number of taxpayers. The BOD would be made operational by setting up new, state of the art, 'Regional Processing Centres' at an appropriate number of new locations.

The COD would function from the present ITD offices which would be less cluttered (due to transfer of Bulk functions) and would have better enablers. A 'Bulk Communications Unit' would be created within each BOD to handle all communication to the taxpayers such as notices (to stop-filers / non-filers, demands, refunds etc.) and receive responses to be routed to the concerned desks for further action.

A dedicated unit would be set up in the BOD to receive and cleanse third party data by finding the PAN where it is not quoted, matching and making the information available in a meaningful way to the COD for identifying new taxpayers and under-reported income.

Payment of Taxes and Timely and Correct Credit for Taxes Paid

Based on the existing quality of information contained in challans and TDS returns, it is estimated that for over 11 crore transactions, credit may not be provided to the taxpayer and would require reconciliation / resolution. There is low or incorrect quoting of PAN by deductees in TDS return, impacting the return processing and leads to difficulties in giving correct credit to deductees. This leads to taxpayer grievance.

There are a large number of unmatched entries and there is no well-defined process for reconciliation. Credit can be given without claiming the challan from the suspense account. A large suspense account is a potential revenue risk.

Additionally, given the quality of data in OLTAS and TDS returns being filed, the deadline for dematerializing TDS does not look realistic.

There are delays in the TDS returns being made available for processing after filing and many returns are never processed. Additionally, it was found that, while notices for non-filers are generated and some of them are dispatched centrally, there are no processes in place for effective monitoring of action and compliance thereafter. A detailed process for tracking payment of TDS by Government Departments/ Quasigovernment agencies has not been laid down. ITD has no system whereby it can match book adjustments with TDS payments.

Recommendations

Currently, the Assessing Officer proceeds to reconcile the payment made by the taxpayer for giving credit only at the stage of return processing or during rectification proceedings. To overcome this, a multi-stage reconciliation process, which starts from the receipt of payment at the bank, has been suggested. This process intends to ensure that only correct data enters the system and that mismatches are resolved at various stages of accounting. Banks would be given access to ITD systems to enable them to verify the PAN/TAN (for TDS statement) and name of the taxpayer and record the transaction on the ITD system online (All TDS returns would be checked at the time of receipt for the correctness of the taxes claimed as paid and PAN of the deductees. To curb non-quoting of PAN, it is recommended that the deductor be authorized to deduct tax at the prescribed rate plus a prescribed percentage say, an additional 5%) in the event of the deductee not furnishing his PAN despite written request from the deductor.

Initial Phase for Generation and Dissemination of ‘Annual Tax Credit Statement (Form 26AS)’:-

The Income Tax Department started generating Annual Tax Credit Statement (Form 26AS) in Financial Year 2007-08 onwards. The data in the Form 26AS was used for giving credit of TDS and taxes paid on an automated basis. The processing of the TDS statements for defaults was also started in-house by the Directorate of Income Tax (Systems) in F. Yr. 2009-10. However, exercise burdened field formations with excessive workload of the bulk functions including logistics related to TDS administration.

Further with the setting up of the Centralized Processing Centre for Income tax returns at Bengaluru, it became imperative that the tax credit data should be reliable and is generated on a near real time basis.

Problems Identified during the initial Phase

The initial phase gave insights into the following issues that involved administration of TDS provisions:-

- An integrated technology driven platform that provided consistent data to all the stakeholders was required to achieve robust TDS administration. The three platforms viz. Tax Information Network, the Directorate of Income Tax (Systems) and the Field Officers were not integrated.
- The extant solution did not provide an end to end visibility to all the stakeholders.
- The issues of TDS mismatch and TDS frauds remained unresolved.
- Any correction/modification of data by one stakeholder was not visible to the others.
- Logistic constraints including issues of shortage of manpower in field offices, unorganized means of issuance of demand intimations, constraints of record management etc. remained unaddressed.
- The third stage at the end of Field Assessing officer being entirely manual, the volumes could not be handled.

Thus it became imperative that a CPC (TDS) for processing the TDS statements may be set up in line with the recommendations of the Business Process Reengineering study and to address the issues identified during the Initial Phase.

The Rollout of CPC (TDS) involved various milestones, as below:-

- September 2010 – Consultant engaged
- June 2011 – Request for Proposal issued
- September 2011 – ‘Managed Service Provider.’ selected
- October 2011 – Project kick-off meeting
- March 2012 – Contract signed
- November 2012 – Soft launch of TRACES website
- February 2013 – The CPC (TDS) was dedicated to the Nation by the Union Finance Minister Sh. P. Chidambaram.
- May 2013 – Project commissioned

Implementation Model

The Income Tax Department provides “strategic leadership” through active participation by Officers of the department. The Managed Service Provider supports the initiatives with technology infrastructure under the Public Private Partnership Model. The Income tax Department verifies and approves both the technical and domain specific processes. The approved processes & requirements are designed & implemented through the Managed Service Provider. The Income tax department also integrates inputs from

multiple agencies like banks, Government departments, *e-intermediaries* etc. for e-enabling tax payer services. The engagement with Managed Service Provider is driven through SLA based contract on 'Transaction based' model.

Communication and dissemination strategy and approach used

It was felt that the success of the project lay in not only developing a good software solution but also in ensuring that the stakeholders actually make use of the project.

The project team recognized the importance of regular communication with all the stakeholders so as to understand their expectations from the project as also to engage them for using its varied features. It has been ensured that the communication touch points like emails, mobile nos. etc. gets validated as and when the user approaches the CPC (TDS) for any services. This has helped in communicating with the stakeholders on generic and specific issues.

The approach used by CPC (TDS) in engaging with its stakeholder through various channels includes -

- **A dedicated web based Portal www.tdscpc.gov.in** for delivery of services. The facility is being used by more than 12.5 lakh registered deductors.
- **Integration with all the Banks in India** with CPC (TDS) website for providing 'Tax Credit Statement (26AS)' information to their account holders through Banks' websites. 35 banks are linked to the CPC (TDS) system through secured channels for transfer of information; **More than 2.5 crore taxpayers are viewing their 26AS statements** through banks, e-filing website of the Income Tax Department & TRACES (Web portal of the CPC (TDS))
- **Over 500 Field Income Tax Officers across India** connect with CPC (TDS) through its Intranet services. In addition, a dedicated Helpdesk for assistance to Assessing Officers has been enabled.
- **The Inbound Call Centre**, with a toll free number is accessible to all stakeholders for immediate assistance during business hours 6 days a week. CPC (TDS) receives more than 2000 calls per day (Overall 7 Lakh calls have been received & answered till date)
- CPC (TDS) has provisioned for easy and convenient email services to **its stakeholders across globe**. More than 500 emails are received and responded per day (Overall 2 Lakh emails have been received and answered till date)
- An **Online Grievance Module** is available for the benefit of deductors, through the CPC (TDS) website.

- Written queries, grievances and letters can be sent to CPC (TDS). The CPC has a **fully automated Document Management System** in place. The physical letters are digitized and processed through an elaborate digital workflow. (More than 1.3 Lakh physical letters have been analyzed and acted upon till date)

In addition, the Income Tax department has also been making all out efforts for spreading awareness about the initiative among the stakeholders through:-

- **Seminars and Workshops** - Being conducted by CPC (TDS) and respective TDS charges all over the country, for spreading awareness about the functionalities available through CPC (TDS).
- **Training** – Being provided to departmental officers/officials about the functioning and facilities available through CPC (TDS).
- **E-tutorials and User Manuals** (for accessing various functionalities of CPC (TDS)) have been prepared and published online on the web portal of CPC (TDS) as well as are being distributed among the stakeholders.
- **Educational movies and Print Material** regarding CPC (TDS) has been disseminated at various forums within the department and outside.
- **Proactive dissemination of Information** through educational emails for promoting voluntary compliance. (More than 1.5 crore emails have been sent to stakeholders)
- Constant interaction/feedback with the departmental officers/officials working in the TDS wing of the field formations.

It may, therefore, be seen that the comprehensive communication strategy to engage stakeholders cutting across all organizations across India, has been effective and has brought immense value to the project.

5. Technology Platform Used

TDSCPC Architecture Framework and Methodology

TDS CPC's solution is architected and designed based on following key principles and best practices. They have provided the context for making decisions and guiding the development of programmatic and enterprise class TDSCPC solution. They have helped in prioritizing and sequencing development activity that eventually led to the development & deployment of the end state Technology solution at TDS CPC.

Business Principles	Data Principles	Application Principles	Technology Principles
<ul style="list-style-type: none"> • Business Priority • Optimum Enterprise Benefit • Enable Business Continuity 	<ul style="list-style-type: none"> • Data is a Business Asset • Data is Shared & Accessible • Common Data Definitions • Data Security 	<ul style="list-style-type: none"> • Ease-of-use • Log provisioning • Audit provisioning • Loosely coupled interfaces • Service based integration • Integration change management 	<ul style="list-style-type: none"> • Secure Information Access • Security Control Management • Interoperability • Reliability of network connectivity • System management

SUMMARY OF ARCHITECTURE PRINCIPLES

Technical Solution

The Technology Solution implemented for TDS-CPC program has been summarized under following architectural viewpoints:

- **Application Architecture View**
- **Technology Architecture View**
- **Database Architecture View**
- **Infrastructure Architecture View**

Application Architecture View

Overall TDS-CPC solution would be broken down into multiple applications based on the grouping of functionality, manageability, security requirements and deployment needs.

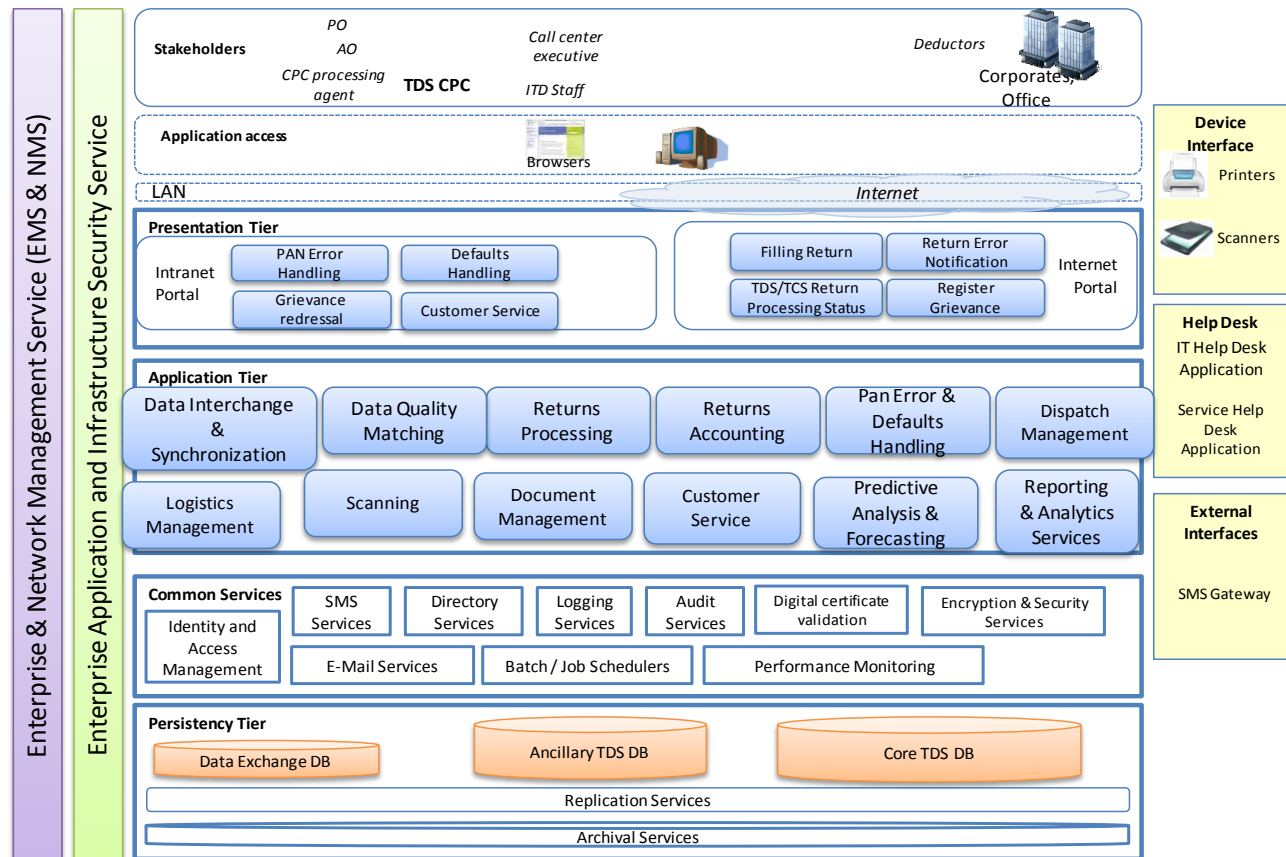
The applications identified as part of the TDS-CPC solution are:

#	Application	Deployed at	Type
1	Logistics	CPC- Vaishali	Batch& Online
2	Data Digitization	CPC- Vaishali	Batch& Online
3	Data Interchange	Data Center	Batch
4	PAN Error Management	Data Center	Batch& Online
5	Returns Processing	Data Center	Batch
6	PAN/TAN- Accounting	Data Center	Batch
8	Defaults Handling	Data Center	Online
9	TDS–CPC Intranet Portal	Data center	Online
10	TDS–CPC Internet Portal	Data center	Online
11	Communications	Data Center	Batch & Online
12	MIS Reporting	Data Center	Online & Batch
13	Records Management	Data Center	Batch & Online
14	Customer Service – Call Center	CPC – Vaishali & Data Center	Online
15	BI & Analytics	Data Center	Online

Primarily logistics, digitization and IVR & Call Centre applications are deployed in the CPC –Vaishali data center. This deployment decision is based on the consideration that all of these applications would be online application used by the operations & call center teams based in CPC- Vaishali. The close proximity of the applications with the users will ensure optimum performance and minimize the WAN bandwidth requirement.

Applications deployed in the Data Center are the core business applications including the Batch Applications and Online Applications.

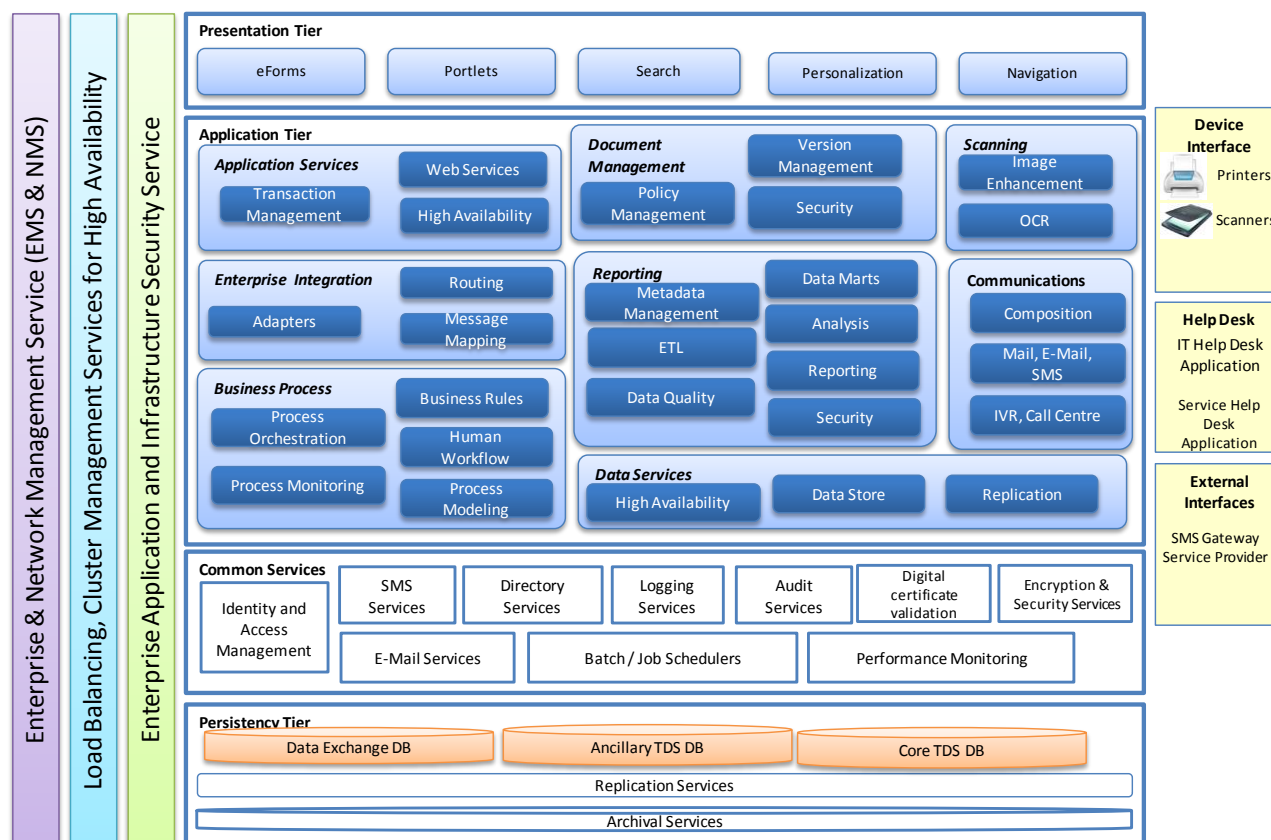
The overall application architecture envisaged for TDS- CPC solution would be as illustrated in the diagram below,



Application Architecture View

Technology Architecture View

The diagram below illustrates technology architecture that we envisage for the TDS-CPC Solution.



TECHNICAL ARCHITECTURE VIEW

Summary of the technology chosen for implementation is:

#	Capability	Product Used
1	Presentation Services	IBM WebSphere Portal Server, JSF/JQUERY framework
2	Document Management Services	NewGen Document Management System
3	Web services, Business and Data Layers	IBM Websphere Application Server
4	Authentication and Single sign-on	IBM Tivoli Identity &
5	Business Processes, Human	JBoss Business Process Management

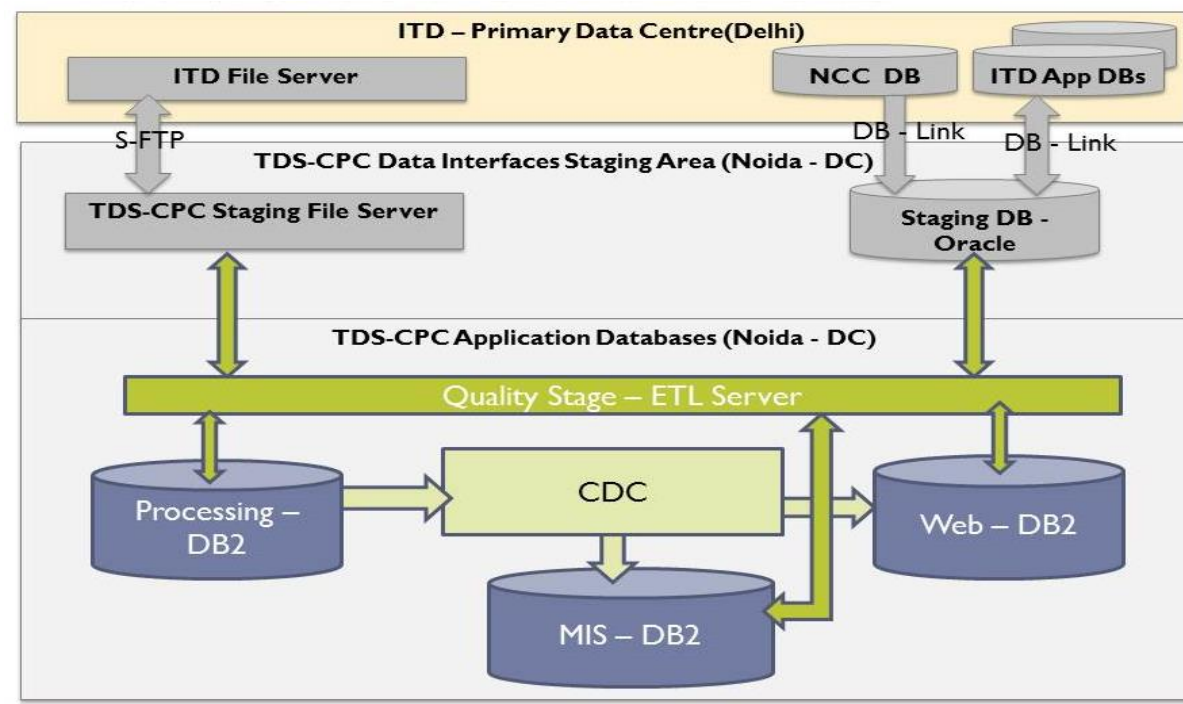
Technology Platform Used

	Workflow	System
5	Rule Engine	JBOSS Business Rule Management System
6	Database	IBM DB2 LUW 10.1
7	BI Reporting & Analytics	IBM Cognos
8	Data Quality	IBM Quality Stage
9	Data Mining	IBM SPSS
11	Communication -Outbound (Composition, E-Mail & SMS)	Infosys Communication Platform
12	Communication – Inbound & Call Center	Altitude u Agent
13	Customer Relationship Management	Altitude Synergy
14	Mail & Messaging Server	IBM Lotus

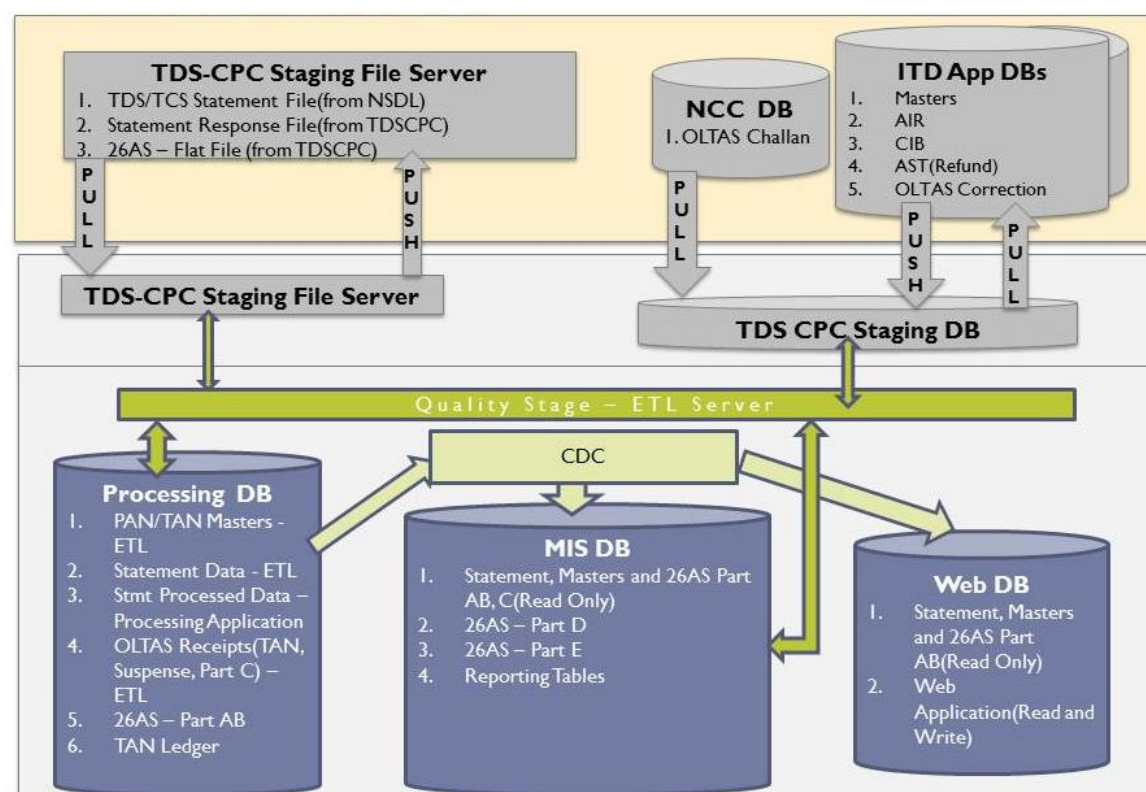
Database Architecture

TDSCPC has implemented a ‘Nothing Shared’ architecture using DB2 LUW, CDC and HADR solution. As the name suggests, multiple database nodes are operated with none of them sharing or having common components between them. This ensures that DB deployment is completely devoid of the ‘Single Point of Failure’ factor. The database can be seamlessly restored to client application in the event of failure of any of the individual component, without either data corruption or data base failure or database outage.

The data is segregated across three different databases so that workload is distributed across different instances. **Change Data Capture(CDC) technology** is used for creating read only copies of data from processing database onto the MIS and Web database. This is done in selective way at table level based on application requirements.



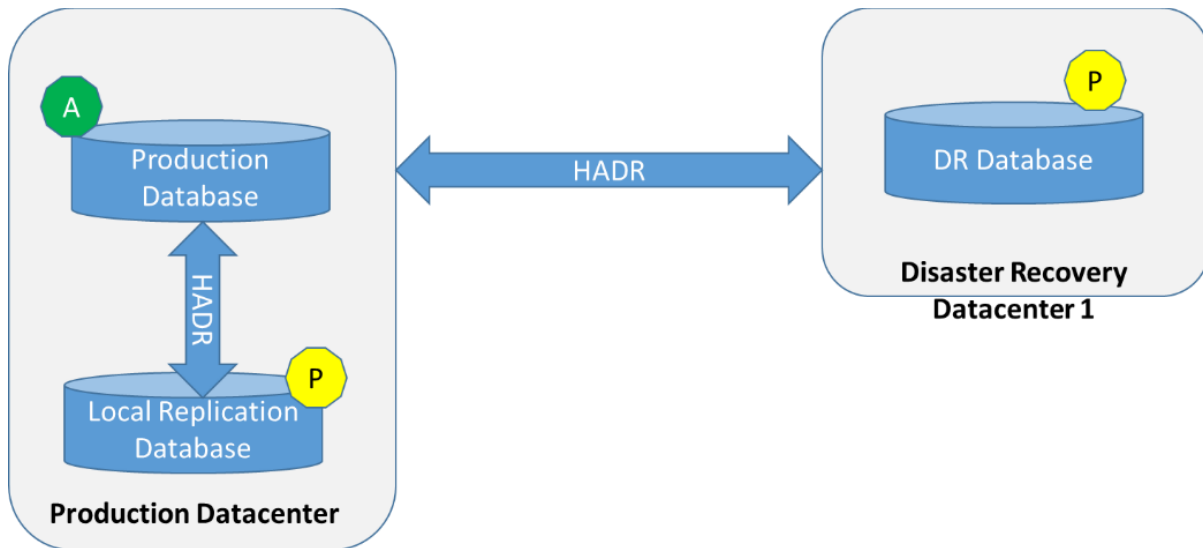
DATA LOAD BALANCING THROUGH CDC TECHNOLOGY



DATA LOAD BALANCING THROUGH CDC TECHNOLOGY (WITH DATA AREAS)

While CDC is used for selective table level replication for load balancing the mixed batch and online workloads, HADR(HIGH AVAILABILITY AND DISASTER RECOVERY) is used for full DB replication. For each DB two copies are getting replicated, one local and another remote. These are close to real time and enable automated failover incase the primary close down. Local HADR is configured as primary failover node and Remote HADR is configured as secondary failover node.

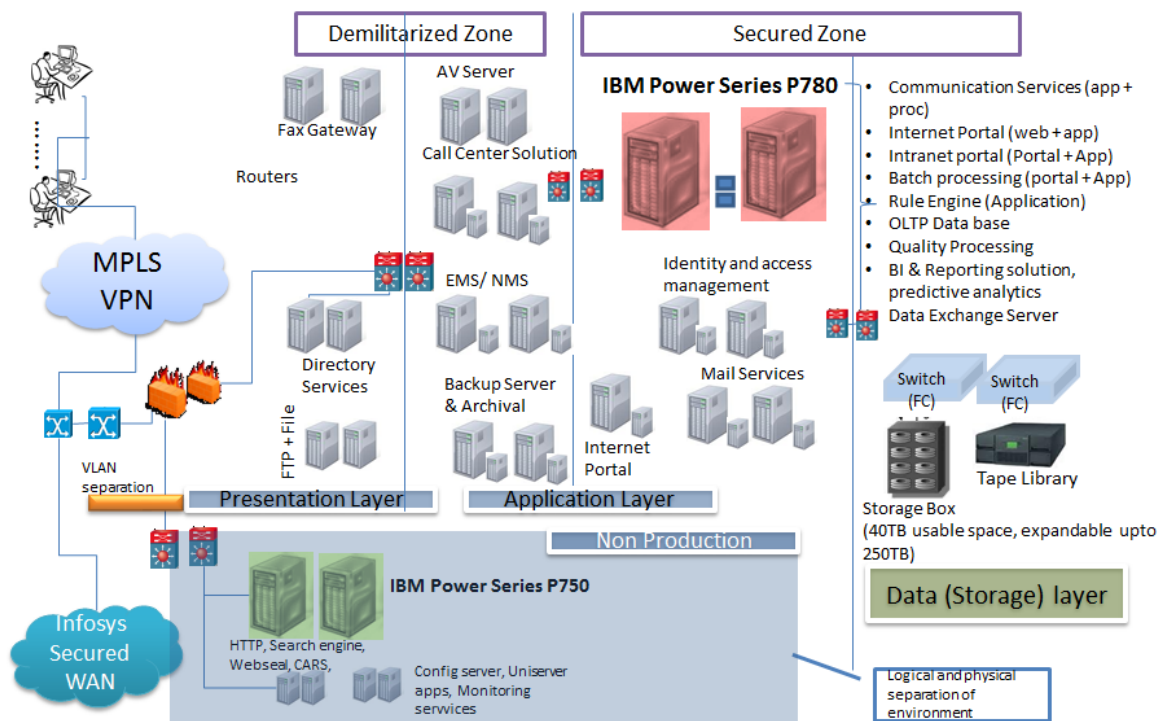
Local HADR is for any localized failures on primary nodes to ensure High Availability. Remote HADR is in case of scenario where all databases and application need to be failed over to DR.



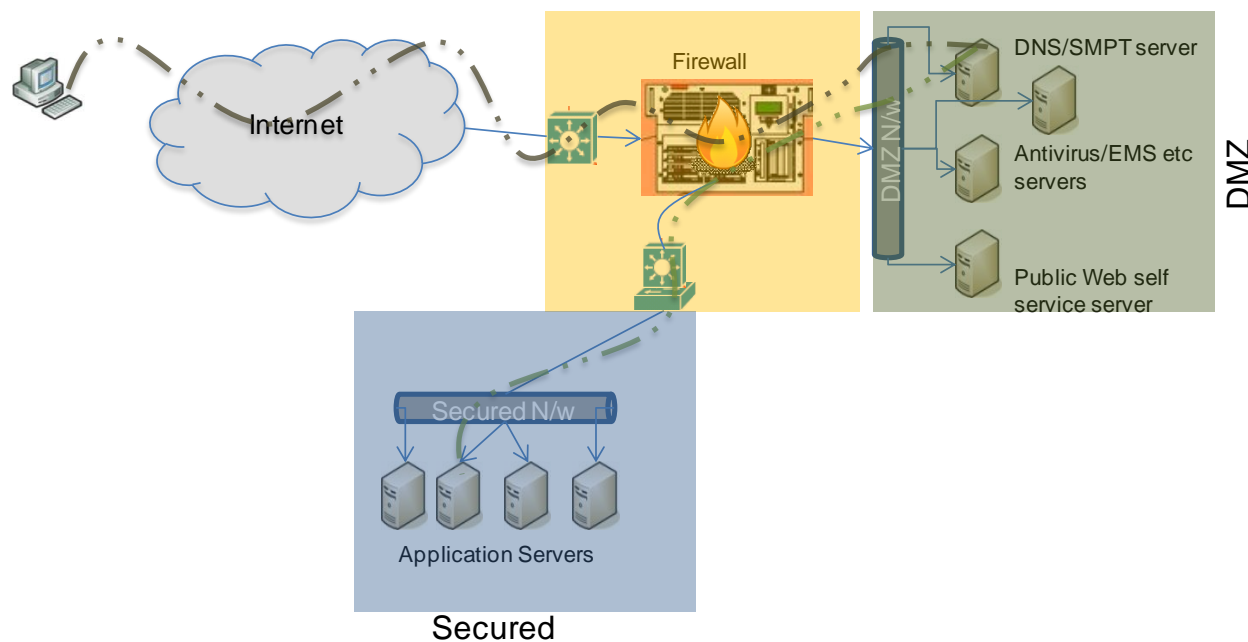
HA AND DR ACHIEVED USING HADR TECHNOLOGY

Infrastructure Architecture

Below diagram depicts the deployment architecture of server, storage, network and other computing devices at DC and DR i.e. production environment



SYSTEM DEPLOYMENT ARCHITECTURE IN DC & DR



DMZ DATA FLOW

- Secured zone, which consists of, end-user systems, servers containing private data and all other systems with which is not supposed to shared with outside world. All the cirticial and business application servers are hosted in the secure zone. This zone is made accessable only to authorized users with a secured sessions created.
- Demilitarized zone (DMZ), a network containing publicly accessible servers that is isolated from the “Secured” network proper but not necessarily from the outside world. Following diagram details about the properities of the DMZ.

Interoperability

The technology platform used by CPC TDS is based on open standards for software interoperability. Income tax department has consciously ensured the implementation of instructions issued by department of Information technology in respect of interoperability & vendor neutrality. Broad implementation of these software interoperability standards and specifications has improved the ability to communicate data across system within and outside the department using different technologies.

Open standards has delivered the following results

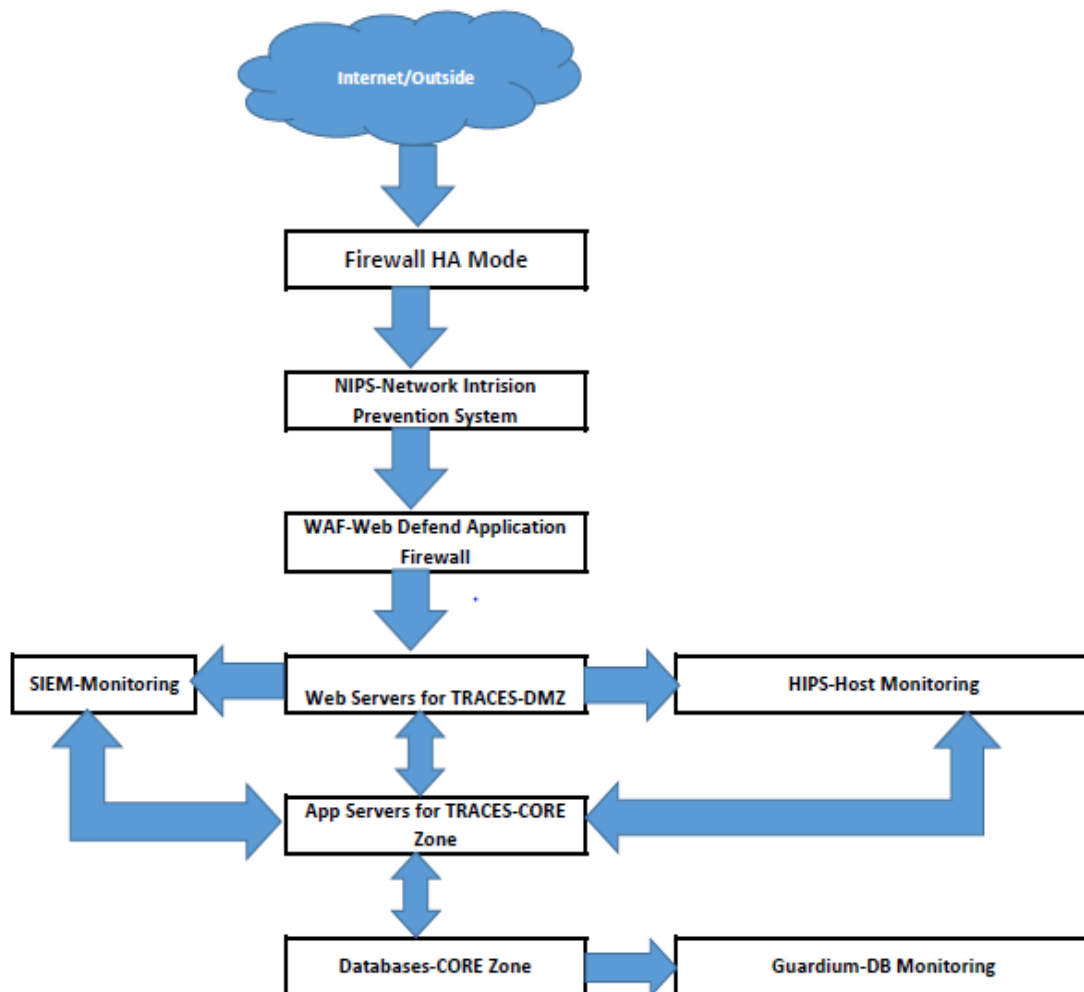
- **Prevent vendor lock-in**
- **Place the government, not vendors, in control**
- **Reduce investment risk and barriers to entry**
- **Enhance efficiency and service levels**
- **Cost-saving**

Security Concerns

CPC (TDS) system is available to the end users through internet. Accordingly, the security risk to the system is high. In order to mitigate the security concerns, Information Security Management System is implemented in CPC (TDS) as per ISO 27001: 2013 implementation guidelines which includes hardening of different platforms, processes and policies. CPC (TDS) is very uniquely secured with Firewall, NIPS, WAF, and HIPS. It has a complex architecture segregated with DMZ and MZ zones.

A dedicated team of experts under the supervision of ‘Chief Information Security Office (CISO)’ is in place. The team keeps vigil on any possible threats/ attack on the CPC (TDS) system and blocks such sites immediately. Further, the team regularly issues guidelines, DO’s & DON’Ts for the personnel who use CPC (TDS) system. This helps in minimizing security risks/threats.

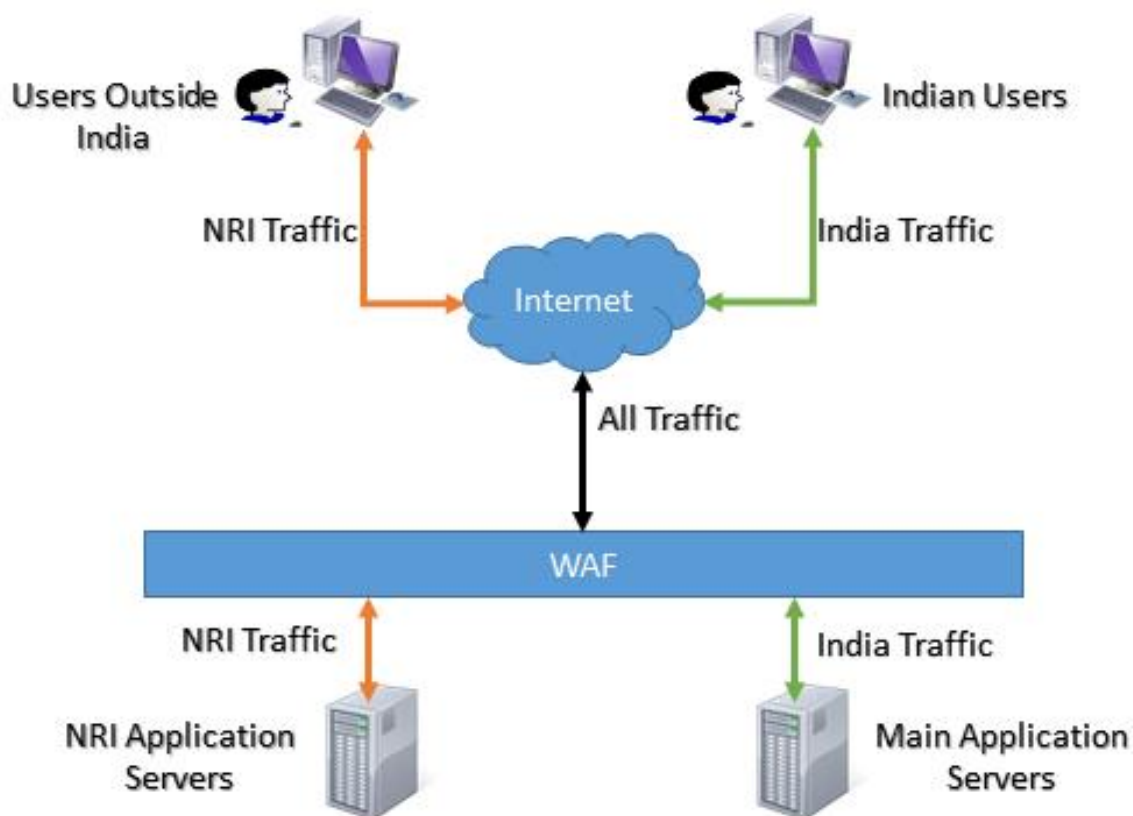
Network Security Flow Diagram



Security Concerns- Outside Indian Geography

CPC (TDS) end users include Non-Resident Tax payers. The security concerns (virus attacks, hacking attacks etc.) are higher in providing access to the users outside Indian geography. CPC (TDS) has developed a completely isolated system on a different physical server where Non-Resident Tax payers can access the required information in a request-response model.

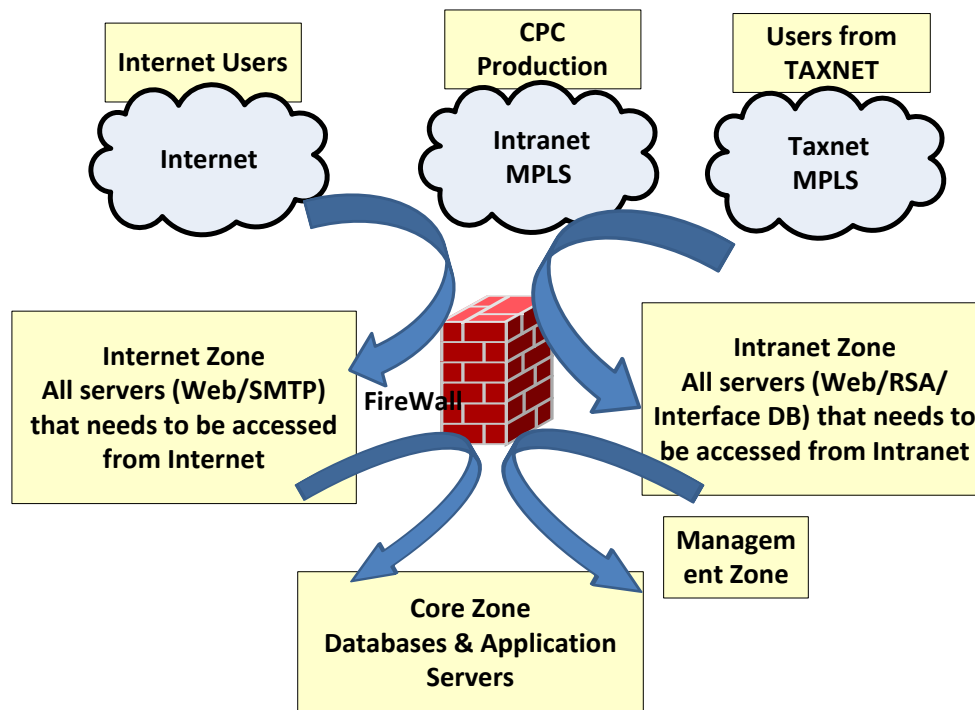
This has helped in securing the CPC (TDS) system as a whole because the database is hosted on the different physical server and is not on the same network.



Security Concerns- Inside Indian Geography

There are security concerns (virus attacks, hacking attacks etc.) in providing access to the users within Indian geography. It has been taken care by maintaining three different databases- Processing Database (to churn all unprocessed data), Reporting Database (used for analytics and MIS reporting) and Web Database (used by TRACES website to view 26AS and download Form 16/16A/16B). Therefore, only the web layer of CPC (TDS) is exposed to the end user, which, in turn, is protected by Firewall, Network Intrusion Prevention System (NIPS), Web Application Firewall (WAF), and Host Intrusion Prevention System (HIPS).

The following schematic describes that the servers are placed in appropriate zones based on the overall security considerations.



Any Issue with the Technology used

Limitations of Open Source Platforms

CPC (TDS) has deployed the following Open Source platforms in the system:-

- JASPER
- JBPM for Ticket Management
- Tortoise SVN

Open source systems are having following limitations: -

- Limited support exists for open source software.
- No guarantee of updates.
- Limited features in the open source system.
- Higher Cost of enhancement.

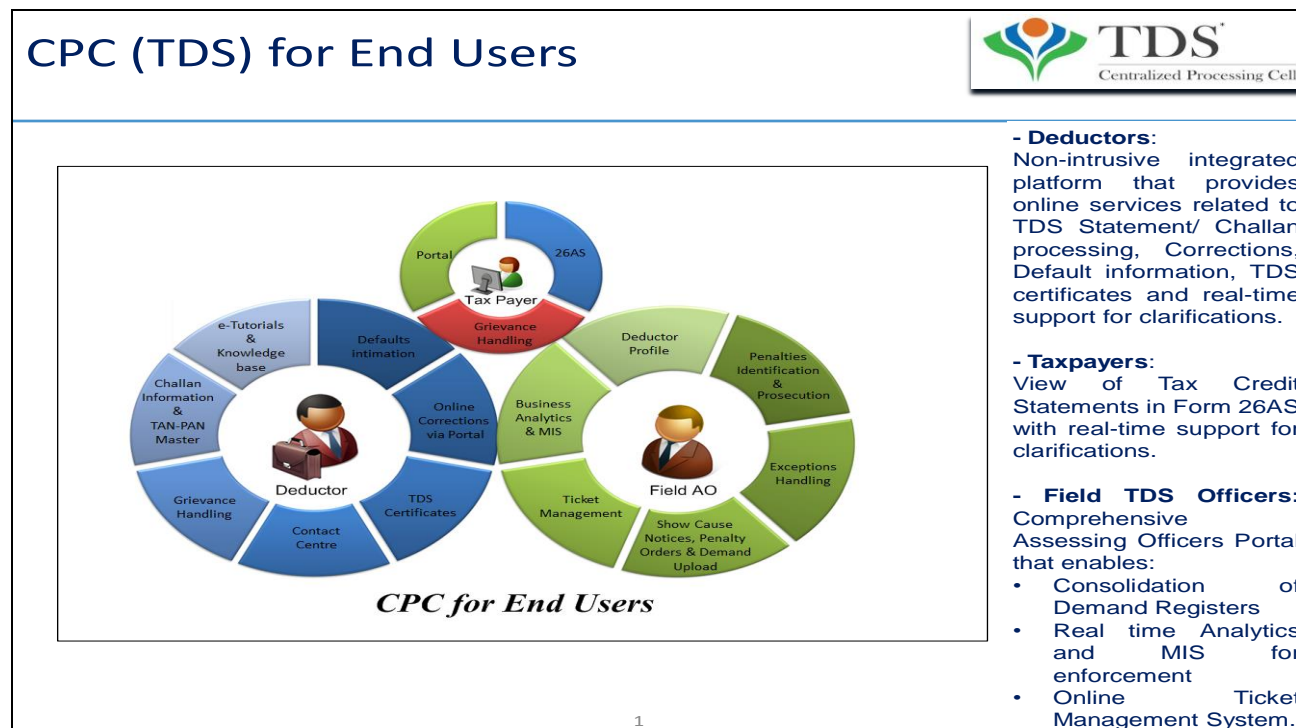
In view of the above, it has been ensured by CPC (TDS) that **core functions of processing** are **not** dependent on the open source platform.

Service Level Agreement (SLAs)

CPC (TDS) have 18 Infra SLAs covering server/network/application availability as per RFP. The critical SLAs that are very closely monitored are **Website (TRACES Availability)**, **AO Portal Availability**, **Server Availability**, **Storage Response**, **Network Availability**. The availability is calculated as per the process defined in 'Request for Proposal'. All the SLA reporting is done by Cognos reporting tool and is in the user readable format. We have Operations Manuals, SLA & Methodology Document in place for reference & periodical reviews.

6. Citizen Centricity

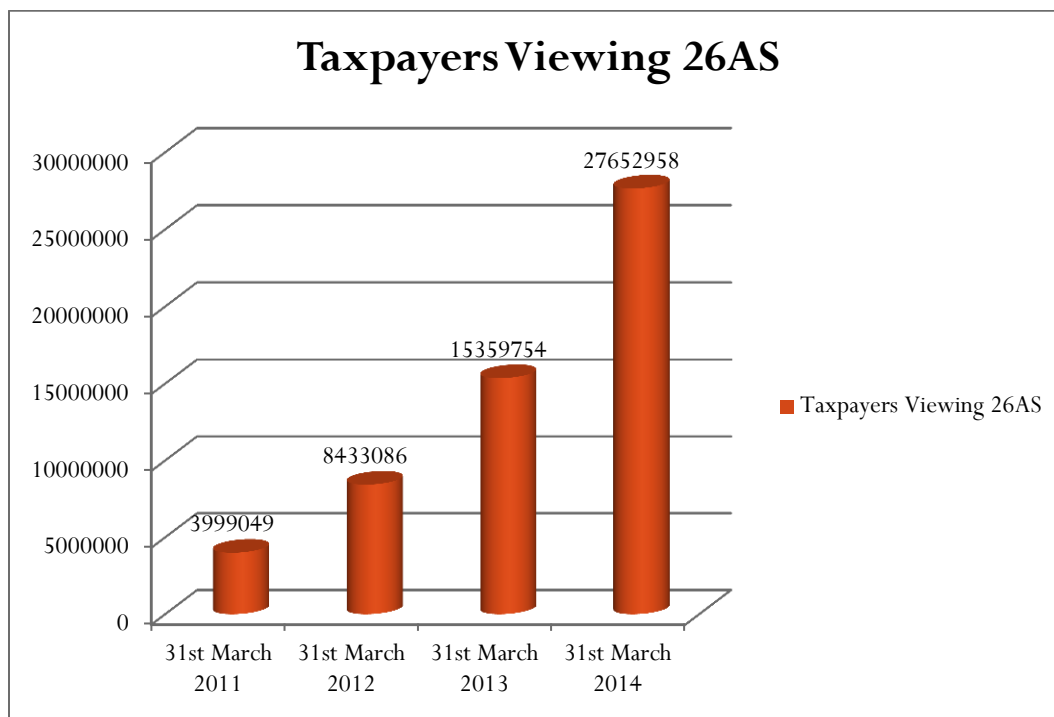
The operationalization of CPC (TDS) has benefited multiple stakeholders of CPC (TDS) by way of an integrated interactive platform for Service Delivery, Impact on effort, time and cost.



Taxpayers (More than 3 Crore taxpayers):-

1. CPC (TDS) has made it possible to download and issue digital TDS certificates by tax deductors. Thus the taxpayers can be sure that the amount reported in the TDS certificate matches with the amount reported to the Income tax department by the deductor. This would **eliminate any mismatch at the time of claiming credit for TDS in the Income Tax Return.**
2. The taxpayers do not have to maintain the record of manual paper TDS certificates. All data related to TDS credits is available online in the form of Annual Tax Credit statement (Form 26AS). The taxpayer has to only verify it from time to time.

The graph below shows that more and more taxpayers are viewing the form 26AS:-



3. The availability of the Form 26AS online has also facilitated accurate & complete reporting of Income. The tax payer is saved from the trouble of maintaining extensive documentation regarding receipt of income from various resources. It promotes voluntary compliance as the tax payer can compute the income and taxes paid accurately by referring to Form 26AS. As a consequence the **compliance cost for the taxpayer has come down**.
4. The e-filing website of the Income tax department pre-populates the Tax Credit data in the Income Tax return Form based on information sent by CPC (TDS). Thus user does not have to manually enter the TDS or Tax payment data and can **file the Income Tax Return form only by verifying that the tax/TDS data is correct**.
5. There is no requirement for verification of TDS certificate from the deductor by the Income Tax department. **This has cut down any unnecessary delays in the granting of credits**.
6. The availability of verified TDS/tax credit has **eliminated any discretion on the part of Income tax authorities. Thus, the malpractices in the issuance of refunds etc. have been minimized**.
7. In the pre CPC (TDS) era, the errors in the TDS reporting would surface only after a TDS mismatch was noticed at the time of processing the Income Tax Return. The time lag between the deduction of tax and the processing of Income Tax

Return would be such that the business relationship between deductee and deductor would already be over. Thus the taxpayer did not have any means of getting the TDS amount corrected. With the inception of CPC (TDS), **the Annual Tax Credit Statement is updated on a near real time basis**. Thus the credit amount is available to the taxpayer for verification as soon as the TDS statement is filed by the deductor. If there is any discrepancy in the TDS reported by the deductor, **taxpayer can approach the deductor while the transaction is very recent**.

Deductors (More than 15 lacs):-

1. **Single Window Delivery:** A comprehensive web based service delivery platform takes care of all the compliance needs of the deductors and is a source of constant feedback. Various facilities available to the deductors on the website of CPC (TDS) are listed below:-

- Dashboard
 - Statement Status and Default payable
 - Inbox
 - Performance Matrix
- Communication Inbox
- Statement and Challan Status
- View TDS/TCS Credit
- Online PAN Verification
- TAN – PAN Consolidated File
- View Defaults Summary
- Online Corrections
- Downloads
 - TDS Certificates Form 16/ 16A
 - TDS Certificates - Form 16B
 - TCS Certificates - Form 27D
 - Transaction Based Report for non-residents without PAN.
 - Consolidated File
 - Justification Report
- Profile – To View/ Modify
- NRI Taxpayer Registration
- Aggregated TDS Compliance Report
- e-Tutorials and FAQs
- Circular and Notifications
- CPC (TDS) Communications

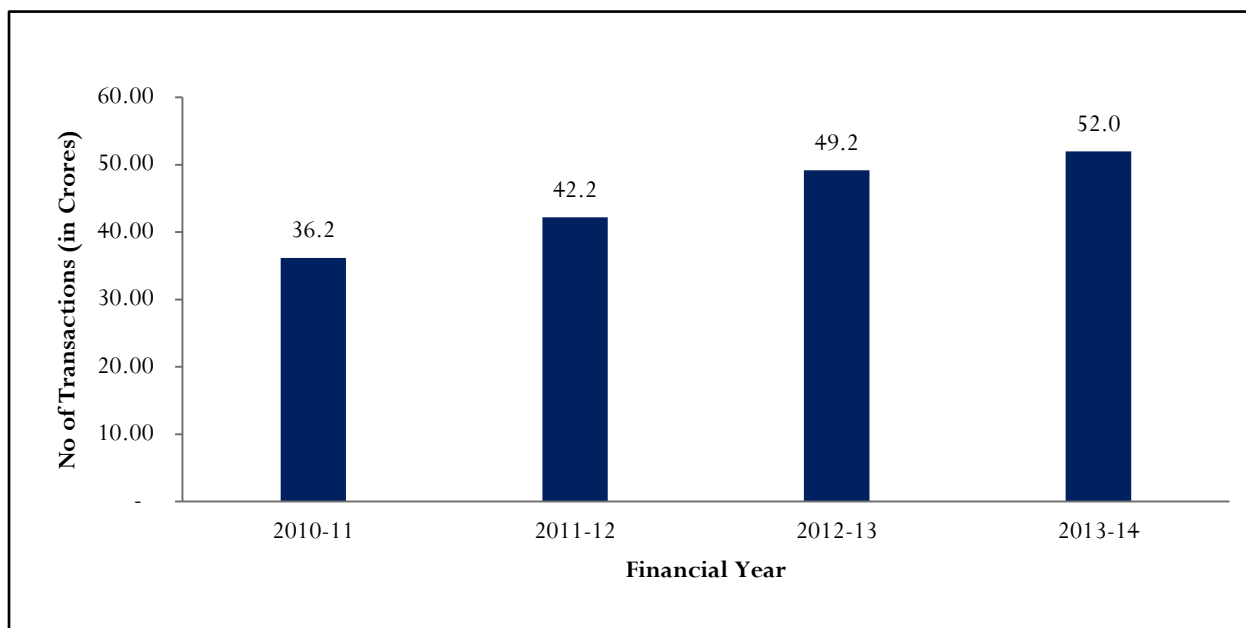
2. **Online resolution of defaults and correction in statements:** At the time of issuance of the TDS certificate any incomplete or incorrect reporting by the deductor to the Department gets noticed immediately by the taxpayers. The gaps can be addressed through filing of **online corrections**.

Prompt processing of TDS statements ensures that the defaults in the TDS statements are communicated to the deductors within seven days of filing of the statements. The deductors can thus file a correction statement using the Online Correction facility to correct the mistakes, if any. **Online Correction facility is available on anytime anywhere basis** (one of the major component of the integrated interactive platform of CPC (TDS)).

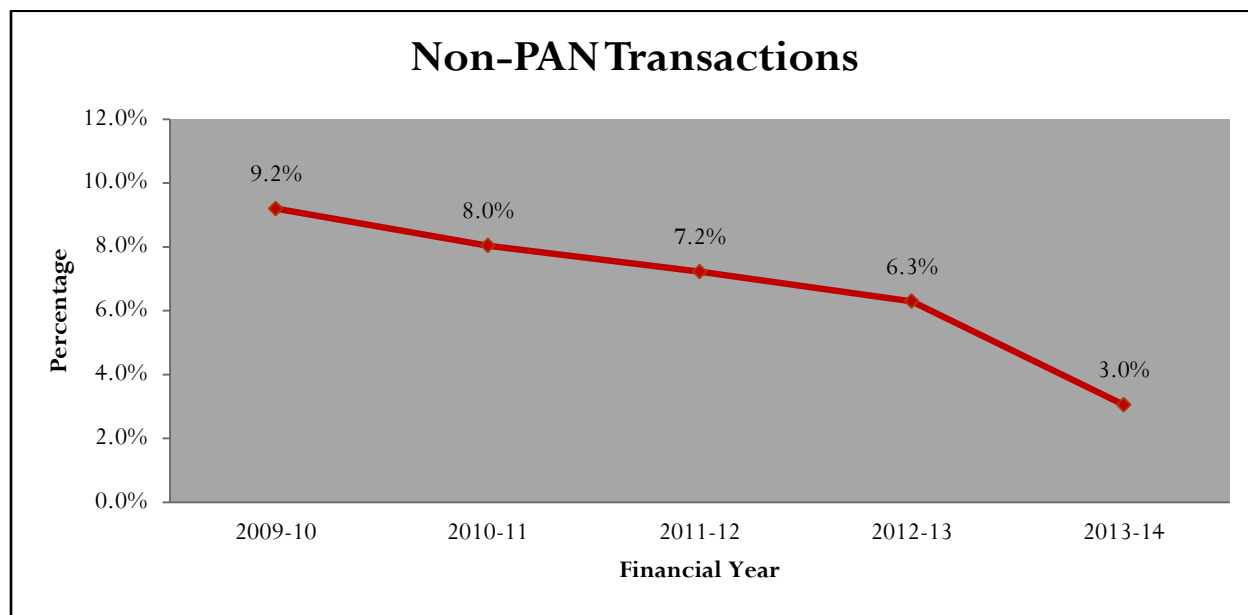
3. **The CPC (TDS) has promoted voluntary compliance by the deductors.** The **proactive** dissemination of Information by the CPC (TDS) has resulted in sensitizing the deductors towards fulfilling their responsibilities and obligations. The CPC (TDS) has been able to **help the deductors in avoiding defaults and consequent costs by providing valuable updates through educational emails and other sources**.

This in turn benefits the taxpayers as the tax deducted is being reported accurately and within time. The graph below shows both quantitative and qualitative improvement in reporting of transactions by the deductors:-

Increase in Number of Transactions Reported (Quantitative Improvement)



Decrease in Non-PAN Transactions (Qualitative Improvement)



Officials of the Income Tax Department:-

1. The CPC (TDS) provides a comprehensive Portal for use by the departmental officers over the Intranet. The functionalities available for the Field Officers are listed below:-

- **Consolidation & Update of TDS Demand:**
 - Upload & updating of manual demand raised by the Assessing Officer
 - Integration of Manual Demands with demands generated by the CPC (TDS)
 - Tagging of Challans against demand entries to liquidate demands
- **View and Download of:**
 - TDS/TCS Statement Processing Status
 - TAN/ AIN details
 - Consolidated Statement files
 - Intimations u/s 200A/ 154 of the Income tax Act
 - Challan details
 - Justification Reports
 - Foreign Remittance Reports in Form 15CA
- **Challan Corrections:**
 - Change of one TAN/ PAN to other TAN/ PAN
 - Change of Assessment Year
 - Change of section Code

- **Generation of customized MIS and Data Analytics Reports on various features of TDS Compliance.**
 - **Access to Grievance Portal**
 - **Portal for Issuing Orders, Penalty etc.**
 - **Interactive Platform for sharing quality work**
2. The CPC (TDS) has also taken over the Bulk function responsibilities of the Field Assessing Officers in the following areas:-
- **Intimation of defaults 200A of Income Tax Act, 1961**
 - **Rectification of Intimation 200A**
 - **Intimation of 'INVALID PAN'**
 - **Sensitization about tax provisions, due date, deductor obligations etc.**

Thus the Field Assessing Officers are freed from the routine repetitive tasks of 'intimation printing and dispatch' and they can focus the time and energy on Compliance related tasks.

3. The CPC (TDS) has a **centralized reliable source of data** that can be subjected to analysis. The same is being used for Risk Analysis, Trend Analysis and generation of MIS reports. The CPC (TDS) provides specific, reliable and actionable data for enforcement actions by the field formations. A number of MIS reports have been made available to the supervisory officers for effective planning in order to achieve the budget targets.

It is therefore evident that the CPC (TDS) solution has provided the integrated platform for service delivery to the deductors & tax payers and officers of the Income Tax Department that gives a "Single version of truth". The initiative has minimized requirement of multiple visits to income Tax Officers or even Tax Consultants. It has reduced expenses on paper work & postage etc. through functionalities that encourage e-office concept. Further, with facilities available online, the initiative has saved the stakeholders, their time and effort. This has therefore, contributed toward savings in terms of cost, time and effort on part of taxpayers, deductors and field officers.

Feedback and Grievance Redressal

As has been elaborated above, the CPC (TDS) provides an integrated platform for redressal of grievances. The grievances can be filed through the multiple channels of communication like website, email, call centre and written communication. The grievance is made visible to all the stakeholders for an early resolution. The centralized tracking of grievance ensures that the time taken for redressal can be minimized. The CPC (TDS) solution has been designed in a manner that the grievance filed by the taxpayer gets reflected on the dashboard of both deductor and deductor's jurisdictional

Assessing Officer. The response of any one of the three stakeholders is visible to all three of them for faster resolution of the grievance. The integrated platform is used to communicate the grievances of the deductors to CPC (TDS) and the jurisdictional Assessing officers. The Tax-Payer/Deductor can track the status of grievance resolution online.

Similarly online templates are available that capture feedback about the usefulness and user-friendliness of the online facilities. Regular interactions through Video-conferences and Seminars with Field Officers, Standing Committee etc. help in further strengthening the solution.

Audit Trail

1. The accountability and responsibility for ensuring data integrity is critical in the technology driven project. CPC (TDS) has audit logs that reflect who has accessed the system, when and from where the access has been sought and what has been accessed. Audit logs of the front end users (field assessing officers, CPC MSP users, CPC ITD users, deductors and taxpayers) are also maintained through “user administration” module at the server level which facilitates fixing of the accountability for any edit of the data.
2. CPC (TDS) has deployed network level access control system for authentication, authorization and accountability. The audit trails are maintained for access of network services. HIPS (Host intrusion prevention system) agent has been installed on critical servers to avoid any critical change by internal and external users.

The user access principles applied at CPC (TDS) are:

- **‘Least privilege’—provides least access necessary for a given user to complete the assigned business role.**
- **‘Need to know’—provide access to systems and information only where there is a need for the recipient to have such access.**
- **‘Controlled Access’—define procedures to monitor, enable and disable access methods at TDSCPC**

Thus, CPC (TDS) solution provides for well-defined identity management system that includes Identification, Authentication, Access Control, Administration and Audit.

Stakeholder consultation

The CPC (TDS) has made constant effort to gather valuable inputs from the stake holders even from the conceptualization stage. The consultations were made at the following stages:-

- A) Conceptualization/Initial stage – Before finalization of Tender Document.
- B) System Design & Implementation stage.
- C) Post Roll Out.

In all the phases, extensive interaction was held with: -

- Officers of the Income Tax Department administering TDS functions.
- Technology solution providers.
- Deductors
- Tax Information Network Service Provider

In addition, the feedback received at different platforms including advisory committees, professional institutions (ICAI, FICCI, PHD chamber etc.) was also kept in mind while designing and implementing the CPC (TDS) solution. The interactions have been held through consultative committees, seminars & workshops.

The CPC (TDS) makes constant endeavor to improve its services based upon feedbacks from the stake holders. Thus the feedback mechanism from the user has been institutionalized at CPC (TDS). An Online feedback form on website for deductors as well as for deductees has been made available on TRACES for sharing their thoughts & experience on services provided on TRACES Portal. A snapshot of the feedback is given as under:-

a) Online Feedbacks on Website:

Feedback Form
Thank you for visiting TRACES. Your feedback will help us to serve you better.

Feedback on Portal | **Deductor Feedback on TDS CPC Processes**

TAN of Deductor:
PAN of Tax Payer:

It is mandatory for Deductors to enter TAN and for Tax Payers to enter PAN.

Name*:
Email Id*:
Phone No.*:

How did you find navigation through TRACES?*

☐ User-friendly ☐ Complicated

How would you rate the ease of registration process on TRACES?*

☐ User-friendly ☐ Complicated ☐ Not Registered

Feedback Form
Thank you for visiting TRACES. Your feedback will help us to serve you better.

Feedback on Portal | **Deductor Feedback on TDS CPC Processes**

TAN of Deductor*:
Name*:
Email Id*:
Phone No.*:

How would you rate the View Default Summary functionality on TRACES?*

☐ Easy to understand ☐ Complicated ☐ Not used

How would you rate the Conso File & Justification Report download process on TRACES?*

☐ Easy to understand ☐ Complicated ☐ Not used

How would you rate the Justification Report template as provided by TRACES?*

☐ Easy to understand ☐ Complicated ☐ Not used

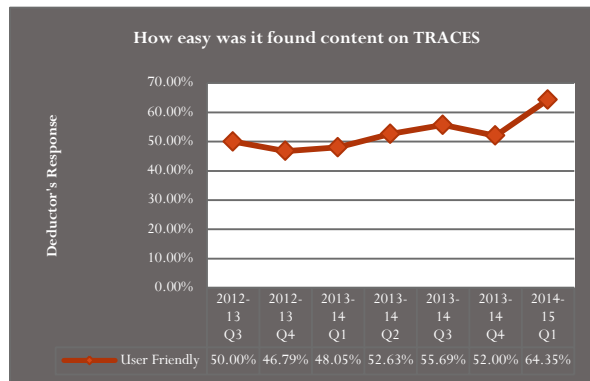
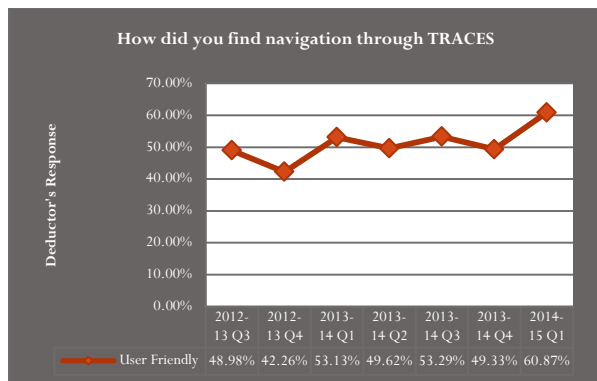
How would you rate the communication mechanism on TRACES?*

☐ User-friendly ☐ Complicated ☐ Not used

Following graphs provide a snap shot of the **Deductors' Responses** on few of the online questions till 3rd June 2014:-



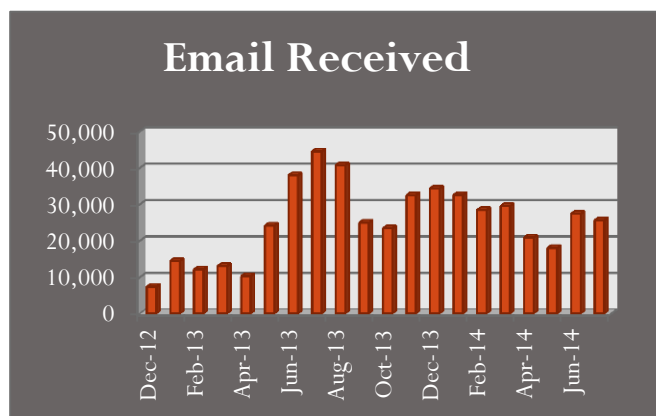
Following graphs gives a snap shot of the **Deductees' Responses** on few of the online questions in the feedbacks:-



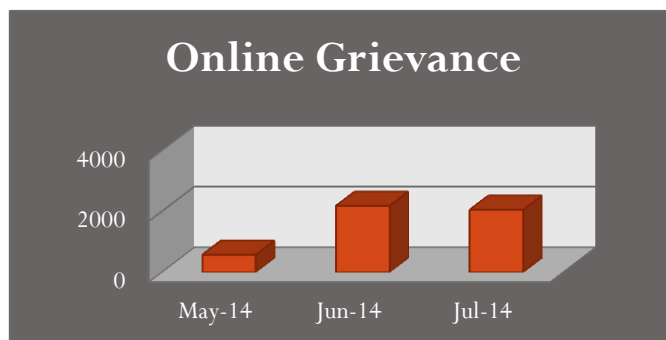
The above graphs reflect that the feedbacks from deductors as well as deductees, is being taken on continual basis. Further the **increasing trend in the graphs** is a pointer to the fact that CPC (TDS) attaches immense value to the feedbacks received from the stakeholders and strives to put in place a solution that is more user-friendly and acceptable. The stakeholders have also been consulted from time to time through other channels of communication too including Workshops, Call Centre, E-mail, Website, DMS and recently launch Online Grievance Portal.

b) Feedbacks through e-mails and Online Grievance Portal:

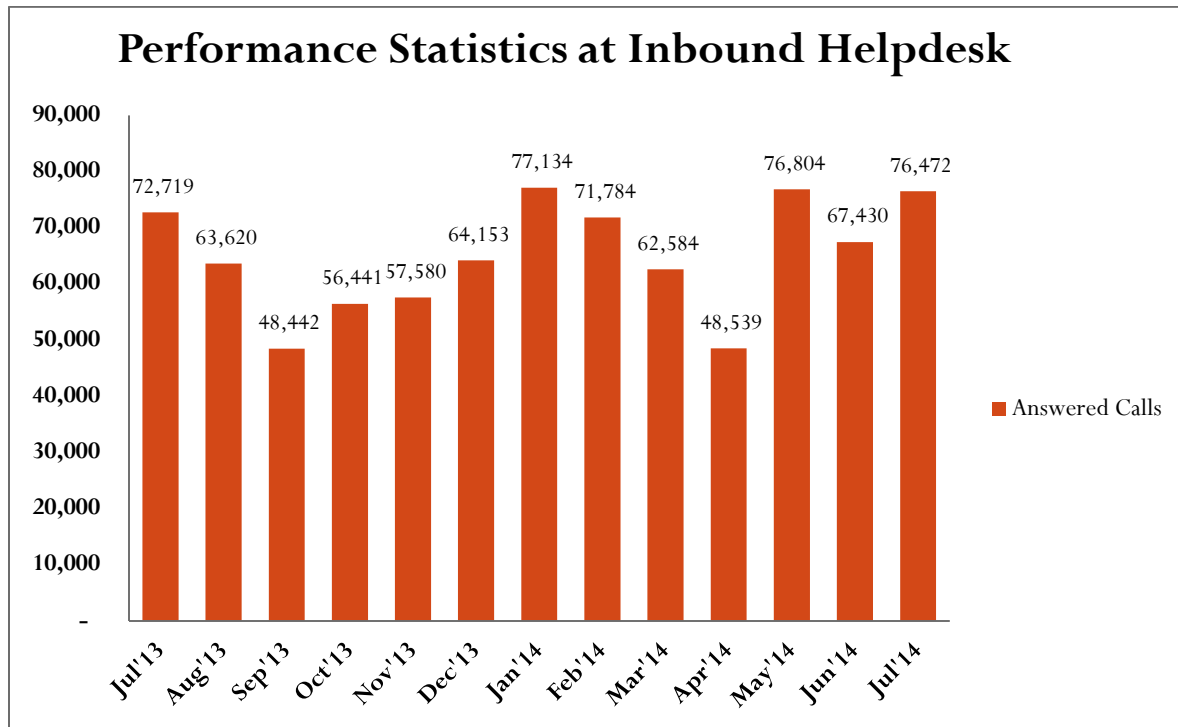
E-mails:



Online Grievance Portal:



Call Centre:



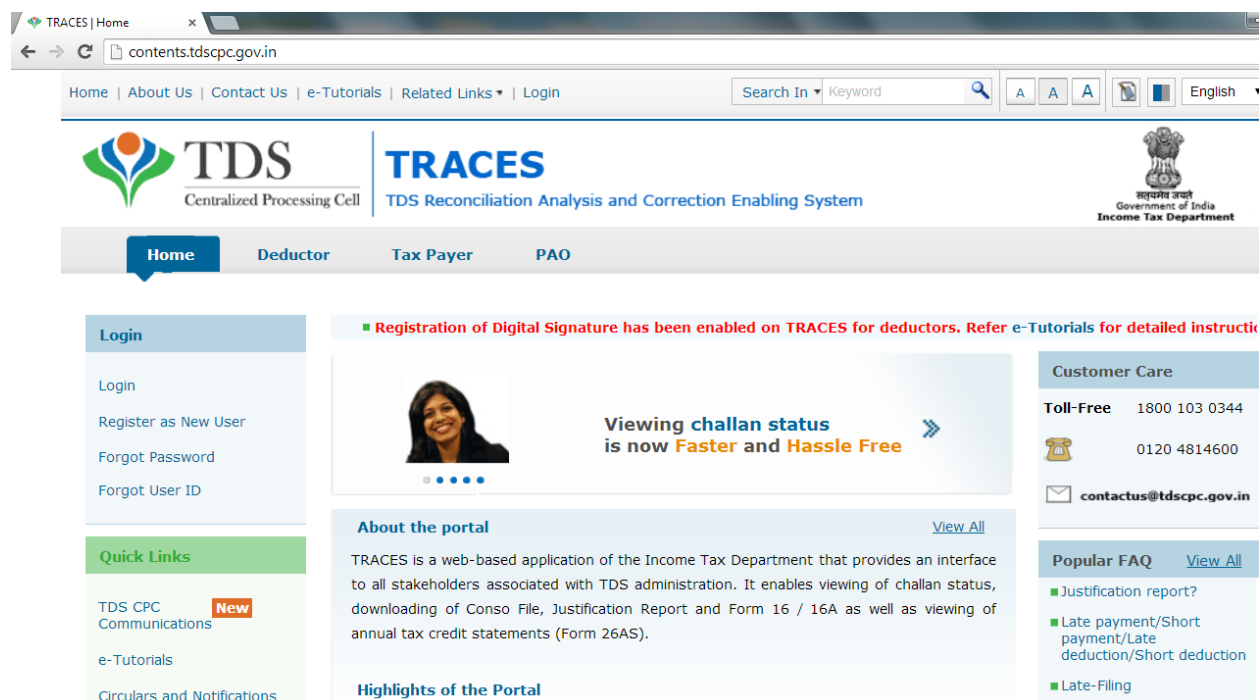
The above graphs reflect that a robust feedback mechanism that involves stakeholder consultation is in place at CPC (TDS).

7. User convenience

The philosophy behind the project is to ensure end to end e-enabled services that are accessible on anytime-anywhere basis, with no cost to the taxpayer/deductor. The CPC (TDS) delivers value added services to the wide spectrum of stake holders ranging from common citizen (having limited access to technology) to highly tech savvy entities. Therefore, the entire solution revolves around:

- Providing online and offline support through portal, email, call centre and physical documents as regards facilities/functionalities provided by CPC (TDS).
- Providing a comprehensive feedback to the stakeholders about
 - The stage of processing
 - Discrepancy, if any as regards data, interpretation etc.
 - Justification for identifying defaults & raising tax demands
- Comprehensive Online Support to minimize data errors, thus ensuring data consistency.
- End to End e-services for identifying gaps, filing corrections, verification of certificates, view of tax credits, filing of grievances and service of intimations etc.

The online solutions are available to stake holders on anytime, anywhere basis. The primary means of service delivery by the CPC (TDS) is comprehensive web based portal www.tdscpc.gov.in



The services at the CPC (TDS) are also supported by:-

- The Inbound Call Centre, with a toll free number is accessible to all stakeholders for immediate assistance during business hours 6 days a week
- CPC (TDS) has provisioned for easy and convenient email services to all across globe.
- An Online Grievance Module has been made available for the benefit of deductors, through the TRACES website.
- Written queries, grievances and letters can be sent to CPC (TDS). The CPC has put in place a fully automated “Document Management System”. The physical letters are digitized and processed through an elaborate digital workflow.

The TDS statements are being received electronically through TIN website www.tin-nsdl.com. The filing of TDS statements is facilitated through more than 2500 Tax Information Network- Facilitation Centres spread all over the country. The CPC (TDS) website provides the facility to file Correction Statements in order to address the issue of data errors, data inconsistency, tax defaults and tax payments.

The flagship service of the CPC (TDS) is the ‘**Annual Tax Credit Statement**’ in **Form 26AS**. The Form 26AS is also available through the Net Banking Facility of the banks and the e-filing website of the Income tax department. The users accessing the Form 26AS through the bank website and the e-filing website do not have to register again on the TRACES website.

Over 500 Field Income Tax Officers across India connect with CPC (TDS) through its Intranet services. In addition, a dedicated Helpdesk for assistance to Assessing Officers has been enabled.

The CPC (TDS) provides an end to end visibility to the users regarding the processing status of the statements. The various service requests given by the users can also be tracked online.

The CPC (TDS) website provides the facility for the following downloads for deductors:-

- TAN– PAN Consolidated File Downloads
- TDS Certificates Form16 /16A
- Transaction Based Report for Non- Residents
- Consolidated Statement File
- Justification Reports on Defaults

The Taxpayers have been given the following download facilities:-

- Annual Tax Credit Statements in Form26AS
- TDS Certificates in Form16B for TDS on Sale of Property.

The Field Assessing Officers have been given the following View and Download Facilities:-

- TDS/TCS Statement Processing Status

- TAN/ AIN details
- Consolidated Statement files
- Intimations u/s 200A/ 154 of the Income tax Act
- Challan details
- Justification Reports
- Foreign Remittance Reports in Form15CA

From the above it may be seen that the adequate facility for online/offline resolution of issues pertaining to TDS administration have been enabled through the CPC (TDS) solution to cater wide spectrum of stake holders. Any-Time, Any-Where service delivery channels through web, email, SMS etc. are comprehensive. The information provided to the stake holders is complete and all-encompassing the different facets of TDS administration. In its endeavor to provide complete transparency in the processes the solution gives visibility of the different stages of proceeding to relevant stake holders.

With the above facilities in place, a deductor/ taxpayer is not required to visit Income Tax Office for:

- Filing TDS Statement/ Income Tax Return
- Payment of Taxes
- Reconciliation of Tax Credits
- Receiving of TDS Certificates and other documents
- Resolution of Grievances
- Resolution and closure of Defaults

The fact that users across the spectrum in terms of technology access, big or small, are actually accessing the system is a pointer to the fact that functionalities are useful, user-friendly and relevant. This has made the life of a normal deductor/ taxpayer easier and hassle-free.

8. Efficiency Enhancement

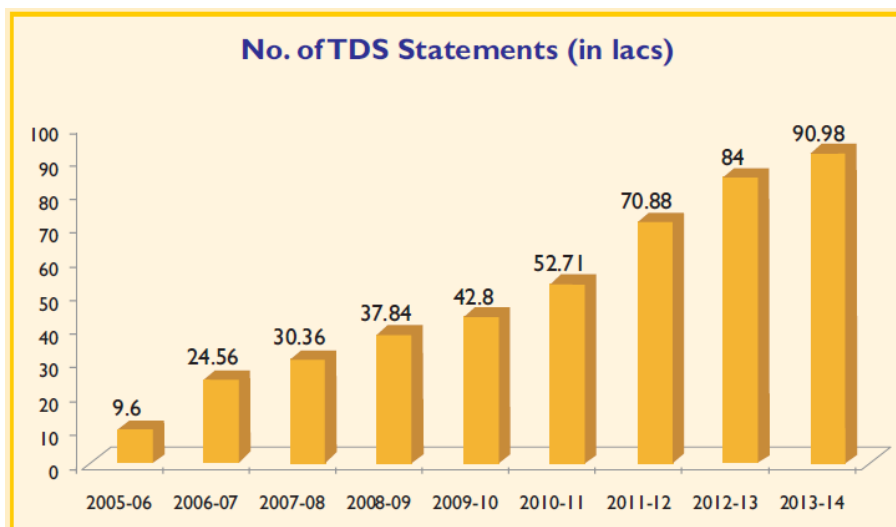
CPC (TDS) has transformed the legacy system of TDS administration in the country and facilitates an efficient and enabling compliance environment.

Within a short period of 15 months, the CPC was able to build unparalleled efficiency in the new system with use of the state-of-the-art IT platform, using the best of the breed technology for all its software and hardware architecture.

Volume of Transactions Processed

CPC (TDS) is currently managing over **15 Lakh registered deductors and over 4 Crore Taxpayers** of the country with provision of end-to-end relevant services. The CPC is also driving TDS compliance by following up with deductors who have not been consistently complying to TDS requirements and the number of registered deductors are expected to **go up to approximately 14 Lakhs in the current financial year**. An integrated forward looking system has been developed that can take care of the challenges of present and future to effectively cope with the growth in volumes.

Graph below shows the **increasing trend of volume of statements** processed over the years: -



The following figures provide a snapshot of the extent of transactions in the CPC (TDS)

Particulars	View/ Download in Number of Transaction
Tax Credit Statements (Form 26AS)	>9 crores
TDS Certificate (Form 16/16A)	>15 crores
Download of Justification Reports	>30 Lakhs
Consolidated Files	>55 Lakhs
Intimation Posted	>75 Lakhs

TDS Statement processing efficiency

With the setting up of CPC (TDS) system, there is a marked improvement in the efficiency of end to end processing of the TDS statements. In the legacy system, the printing and dispatch of intimations was a manual process. ‘Limited man power of Income Tax Officers was not able to handle the workload’. As a consequence, the issue of intimations in all the default cases could not be ensured. Further, there was significant delay between the generation of default through bulk processing and the issue of intimation.

CPC (TDS) has efficiently processed increasing volume of the TDS statements. **The average processing time for the TDS statements is T*+3 days. The intimations in the default cases through emails and SMS are being sent on the day of processing itself and the paper intimations are usually sent within T*+5 days.**

*T – T represent the day of receiving of TDS statements in CPC (TDS) system.

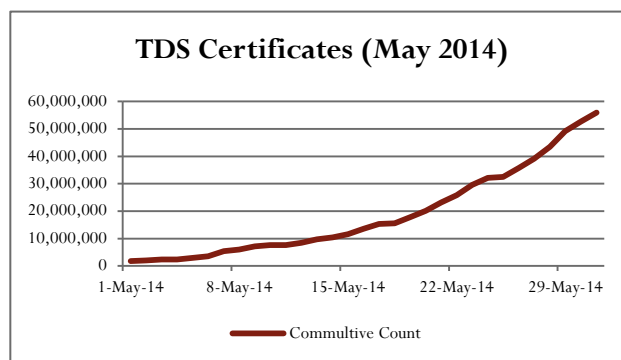
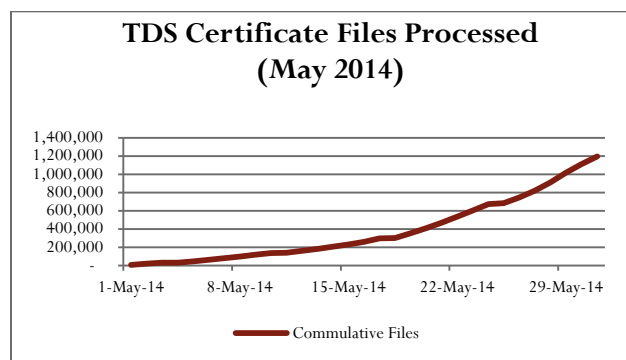
CPC (TDS) has been able to successfully process the peak volume of 50,000 TDS statements in May 2014. Similarly a maximum of 1.25 lakhs intimations were dispatched in one day in the month of December 2013.

An internal sample Audit process of the processed statements ensures accuracy of the tax credits statements (26AS), TDS certificates (FORM 16/16A/16B) and computation of TDS defaults. The internal audit team comprising of domain experts from the department & Business Analysts, Chartered Accountants & Technical Personnel from the MSP continually audit the accuracy of output & promptly plug any gaps that are brought to its notice by any of the stakeholders. CPC (TDS) has sent **77 lakhs intimations** in respect of TDS defaults.

TDS Certificates processing efficiency

As highlighted in Pt 3. “*Extent of Process re-engineered*”, the CPC (TDS) now generates TDS certificates from the data reported by deductors and after matching tax payments. CPC (TDS) has provided functionality on the website for the deductors to download the TDS certificates. CPC (TDS) has successfully managed to handle the peak load of download request in month of May 2014. This is evident from the stats below:-

- Total **5.6 crore** TDS certificates were downloaded with a turn around time of 24 hours.
- Daily Average volume of 39.17 lakh certificates during peak days.
- **Peak volume of 57.14 lakhs certificates on a single day.**
- Turn-around-time of “within 2 hours” achieved during the non-peak season.

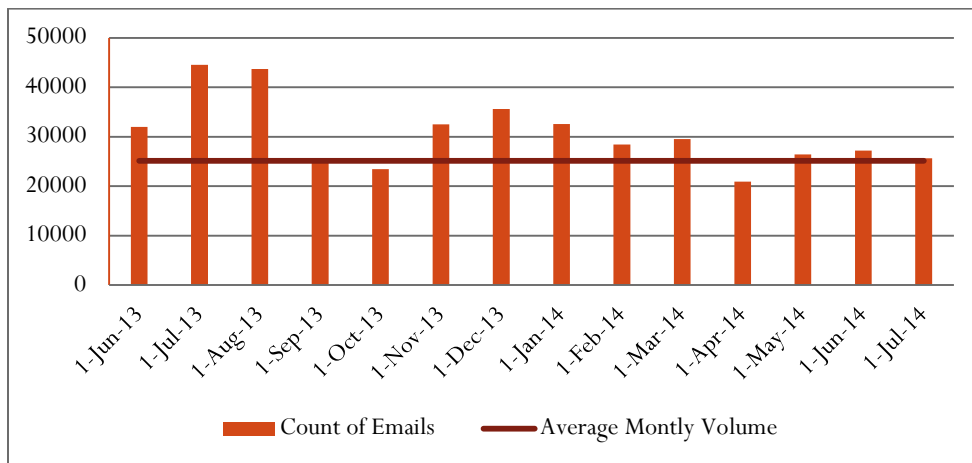


CPC (TDS)) e-mails processing efficiency:

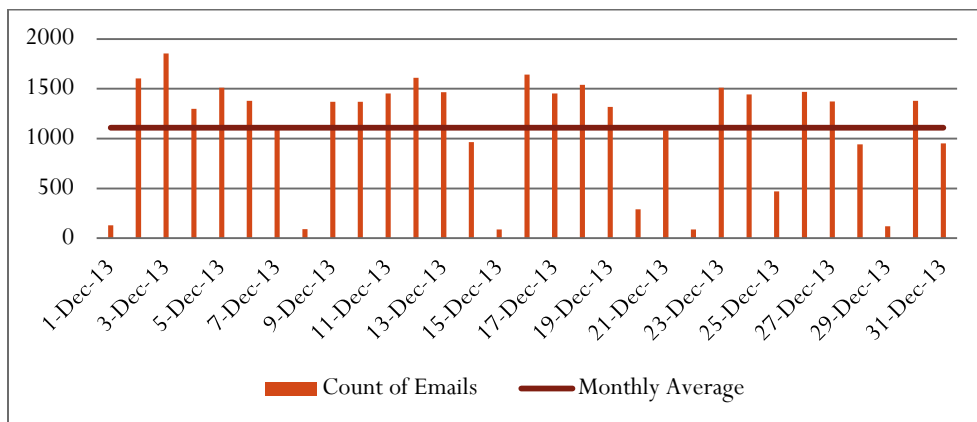
CPC (TDS) has established processes to efficiently manage emails received from Deductors/Taxpayers seeking guidance and resolution to their TDS related queries and grievances. Following are some key statistics demonstrating CPC’s capability:

- Total of 2 **Lakh emails** have been processed till July 2014.
- Average monthly volume of 25,000 emails was received by CPC -TDS. CPC has effective scalability to manage growth in transactional volumes. This is reflected in processing of over 34,000 emails during the peak witnessed during December 2013. During December’2013, over 1,400 emails were processed each day for 12 days of the month.
- 90% of the emails are responded within 2 business days.
- An internal Audit mechanism ensures an accuracy of over 98% for the emails responded.
- In order to save the time and effort of stakeholders’, outbound calls are arranged for repeated e-mails to provide resolution/ guidance.

Volume of e-mails Processed



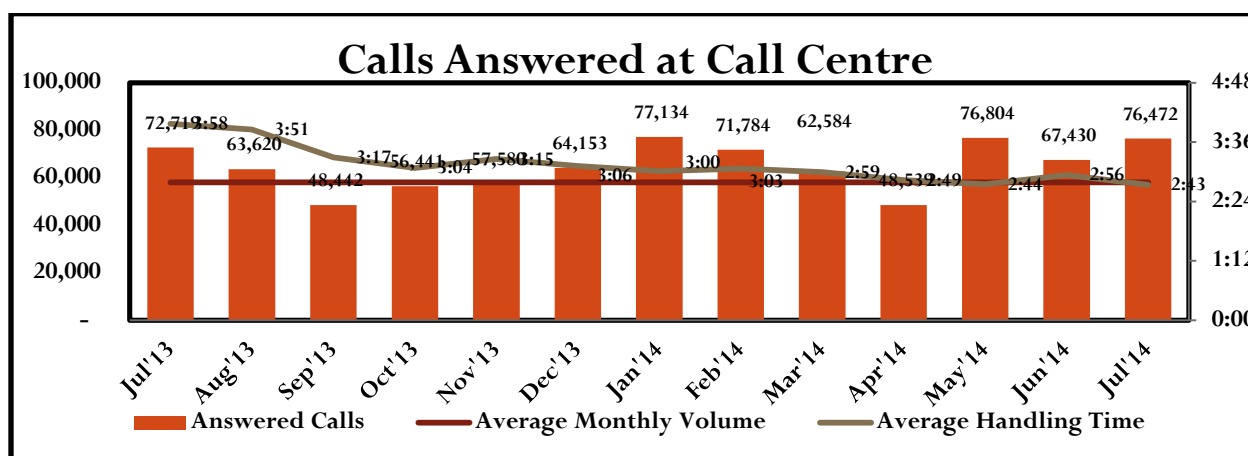
Efficiency achieved in December 2013



CPC (TDS) Call Centre efficiency:

CPC (TDS) assists the end-users with its toll-free Inbound Helpdesk facility 30 resources are available during business hours 6 days a week.

- Average of **45,000 calls has been responded every month** at the Call Centre.
- The Call Centre has been able to respond to over 77,000 calls during peak periods, representing a 33% improvement over average monthly transactional volumes.
- The Average Call handling time has significantly reduced from 4:41 minutes to 2:43 minutes since June 2013 adding to the efficiency of the Call Centre.
- In addition, the call centre has been able to manage an average of 4,800 calls per day, during peak period of May 21 – 28, 2014.
- An internal Audit process ensures accuracy of the calls with average Call Quality score of 88%.



9. Cost effectiveness

The cost effectiveness, as a result of the project, can be measured from the following perspective.

- Saving for the deductors.
- Saving for the Tax Payers
- Saving for the government.

Savings for the Deductors

With the rolling out of ‘Online correction’ through TRACES portal of CPC (TDS), the deductor is able to file correction statement “anytime anywhere” without any physical visit to TIN-FC, Further, with no ‘uploading fee’ for filing online correction, there is saving of cost for the deductors on both accounts viz. physical visits and filing charges.

The online facilities for download of certificates, justification reports, PAN validation and default status have saved the deductors from visiting tax office as also expenses on multiple printing of documents. The table below gives, in brief, various services that are now available to the deductor through online mode.

Details of Service	Cost incurred by user
Downloading of Files and Certificates	Free of charge
TDS Certificates in Form 16/ 16A/ 16B	Free of charge
TCS Certificates in Form 27D	Free of charge
Consolidated Files	Free of charge
Justification Reports	Free of charge
Online PAN Validation	Free of charge
Transaction Based Report for NRIs with no PAN	Free of charge
Default Summary	Free of charge
Online Statement Correction	Free of charge
Aggregated TDS Compliance Report	Free of charge
Online Grievance Portal	Free of charge
e-Tutorials (self-help)	Free of charge
Frequently Asked Questions (self-help)	Free of charge

As indicated in response to Section 7, end-to-end TDS Compliance from payment of taxes to resolution of defaults is now possible online with the setting up of this project.

Savings for the taxpayers

With the robust tax reconciliation mechanism being put in place through the CPC (TDS), the tax payer is given accurate and timely credit for the taxes paid/deducted. This has led to faster refunds and minimal grievances. As a result, multiple follow up by the taxpayer with income tax offices (for getting correct tax credits) have minimized. The savings for the tax payers include:-

1. Cost of maintaining voluminous physical TDS certificates.
2. Cost involved in reconciliation of taxes with the deductors
3. Cost involved in submitting Income Tax Returns, in paper form with annexures.

Further, CPC (TDS) saves the taxpayers from physical visit to Income tax offices for redressal of their grievances through enablement of 'Online Integrated Grievance Portal'. The grievance filed by the taxpayer gets reflected on the dashboard of both deductor and deductor's jurisdictional Assessing Officer. The response/resolution is visible to all three of them. Turnaround time to address such grievances stands reduced substantially on account of the integrated interactive platform. The table below gives, in brief, various services that are now available to the tax payer through online mode.

Details of Service	Cost incurred by user
26AS View	Free of charge
Online Grievance Module	Free of charge
Helpdesk Services	Free of charge
Aggregated TDS Compliance Report	Free of charge

As indicated in response to Section 7, with the setting up of CPC (TDS), the taxpayer can now discharge its obligations of payment of taxes, tax reconciliation, filing of Income Tax Returns etc. online and thus saving enormous costs.

Savings for the government

- ***Robust TDS administration***

With the setting up of CPC (TDS), the deductor is being given regular feedback about his compliance and gaps if any on near real time basis. As a result the system has been able to ensure that the deductor pay their taxes and file the correct and complete TDS statements within time. This is evidenced from the following:-

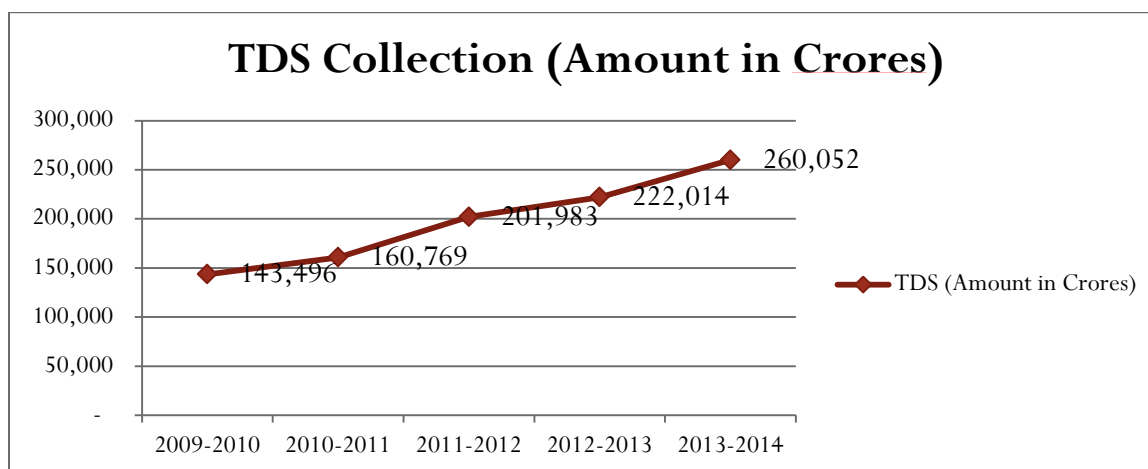
Financial Year	Percentage of statements received within due date	Percentage of Statements where TDS Payment made within due date
2011	29.7%	53.6%
2012 (Inception of CPC (TDS))	36%	50.8%
2013	60.45%	65.5%

Better compliance on part of the deductor has resulted in revenue augmentation.

Online View of Outstanding Demand has saved the Department from sending multiple notices through personal visits of its officials and /or notices through post. Further, notification of demand online prompts better compliance on part of deductor and payment of tax dues;

Aggregated TDS Compliance facility being provided by the CPC (TDS) gives comprehensive view to the principal offices about the defaults of its subsidiaries. This prompts compliance and saves cost both for government as well as the deductor organization.

Further, the CPC (TDS) has taken over bulk operations which were being otherwise performed by the field TDS-officers. This left very little time for them to focus on compliance related enforcement assignments. With the CPC (TDS) in place they can now focus on taking up the compliance related enforcement assignments based on specific intelligence provided by the CPC (TDS). The focused approach has resulted in the revenue augmentation. The graph below shows that the TDS revenue has grown by over 17% in FY-13-14 as compared to a growth of only 9% in FY 12-13.



- ***Savings due to prevention of frauds of claim of Tax Deduction at Source (TDS)***

Hitherto the Department had been giving credit of TDS claims based on TDS certificates filed along with the Income Tax Return in the cases of TDS mismatch. In such a situation, the probability of claim of bogus TDS credits was high. As the process of verification was not automated, physical interface between the taxpayer and the department could not be avoided.

With the setting up of CPC (TDS), the incidence of mismatch in TDS credits claimed by the taxpayer vis-a-vis available in the system have reduced substantially. With the near elimination of TDS mismatch cases, the process of verification of TDS claims has got automated, thereby preventing the TDS fraud cases and the physical interface with the department.

- ***Savings in Interest outgo on account of refund to Government***

The Government pays interest on delayed refund to taxpayers under section 244A of the I-T Act 1961. If the processing of Income Tax Return ('ITR' in short), is delayed, then the quantum of interest keeps increasing. The TDS mismatches in tax claims of the taxpayers in Income Tax Return ('ITR') were one of the major reasons for the delay in processing of ITR. With the setting up of this project, issue of TDS mismatch has been addressed and mismatches have reduced to an 'insignificant' percentage. Turnaround time to address TDS mismatch, if any, stands reduced substantially and therefore, the interest cost to the department has reduced due to better TDS matching.

- ***Savings in cost of dispatch of intimations/ notices***

With the technology driven processes in place, that include communication through portal, e-mails, SMS and Call Centre, the deductors have been provided with option for paperless intimation (A major green initiative) which has impacted the cost on two accounts:

- Saving of paper cost for sending paper intimations
- Saving in postage cost

Further, postage cost is expected to come down in the coming years due to downward trend of TDS defaults on account of the innovative usage of technology platform as discussed below:

The processing of TDS statement involves number of sequential steps which are as under:

- Step-1--Matching of PAN of the taxpayers with the PAN master
- Step-2-- Matching of challan quoted in the TDS statement with OLTAS database
- Step-3--Generation of PAN ledgers (26AS)
- Step-4--Computation of TDS defaults (Short payment, short deduction, late payment interest, late filing fee etc.)

It has been observed that deductors make typographical mistakes in quoting valid and correct PAN and OLTAS challan particulars at the time of data entry for TDS statements. Such mistakes result in avoidable TDS defaults. Accordingly, to avoid such unnecessary defaults, CPC (TDS) has innovatively given view of the statements to the deductors after completion of first two steps to facilitate them to make online correction of the mismatch PAN and challans quoted in TDS statements before 'Step 4' of the processing i.e. the computation of TDS defaults.

This shall go a long way in TDS data cleansing and reduced incidence of TDS defaults, thereby resulting in better & default less TDS compliance. The downward trend of defaults will, in turn, result in saving of postage cost.

- ***Cost of the project***

CPC (TDS) is a comprehensive end-to-end 'Service Project' that includes supply of ICT infrastructure / manpower and construction of works. The 'payment' model is based on the count of processed transactions reported in TDS statements. The 'per transaction' cost to the government includes all expenses involving Civil & ICT infrastructure, Staff, development, Maintenance of software, cost of printing & service of letters through 'India Post' & other daily Operational expenses.

The following cost heads are already included in the project cost and therefore, are not required to be paid separately.

1. **Cost of executing and maintenance of the Civil Works** (including fit-outs and interiors) as specified by Income Tax Department (hereafter called 'Department') at Main Processing Centre (including Call Centre), Data Centre and Disaster Recovery Site.

The commercial model of the project ensures that the ICT Solution encourages/ facilitates voluntary compliance on part of stakeholders. Therefore, a 'default less' ecosystem has been built through various means including interactive website for deductors/ taxpayers, a portal for field TDS officers, holding periodical awareness campaigns for deductors, seminars, webinars and technology enablement for ease of use of the system etc.

2. **Cost of procuring, deploying & maintenance of the ICT Hardware** as specified by the 'department' (including Servers, Client Nodes, Printers and Peripherals) at Main Processing Centre (including Call Centre), Data Centre and Disaster Recovery Site.
3. **Cost of Licenses for various Proprietary and System Software** (including Portal, DMS, BI Tool, CRM and Call Centre Application) in accordance to the numbers specified by the 'department'.
4. **Cost of design, development and deployment of suitable Application Software** including Portal, BI, DMS etc. at CPC (TDS) for processing and reconciliation of TDS Statements (in accordance with Function Specifications as provided by the 'department'). The cost also includes changes as per scope of work and any future amendments in any of the provisions of Direct Taxes that may be necessary for processing of e-TDS/TCS statements.
5. **Cost of migration / digitalization and management / maintenance of Data** (including TAN / PAN Ledgers etc.), as required for effective processing of the TDS Statements.
6. **Cost of deploying suitable Manpower** as specified in the 'Request For Proposal' and as required from time to time at Main Processing Centre (including Call Centre), Data Center, Disaster Recovery Site etc. for a period of minimum 5 years (from the date of "Go-Live") in order to process the TDS Statements and to maintain the entire ICT infrastructure of the CPC (TDS).
7. **Cost of satisfactorily processing and reconciling TDS Statements** (including cost of analyzing the Statements and ascertaining Defaults / PAN Errors, cost of outbound calls at the Call Centre, cost of printing and sending Letters to Deductors via post / courier and cost of digitalizing / scanning and analyzing the Responses as received from Deductors)
8. **Costs of all certifications, inspections and audits** as required by the 'department' for the CPC (TDS) and its infrastructure / operations / processes including cost of Third Party Audits.
9. **Record management** (of physical as well digital documents) related costs.
10. **Cost for consumables and telephone calls** (including toll-free charges and personal telephone provided to Officers/ officials of the department who are posted in CPC (TDS)).
11. **Cost for performing services related to Facility Management** at the CPC (TDS) facility as specified by the department.

12. **Cost of visits to be made by the technical partner of CPC (TDS) to any of the 'department' offices in India for the CPC (TDS) project.**

Therefore, there is no other overhead, direct and indirect cost except for the 'transaction cost' to the government as the project is, a transaction based model and all other costs are subsumed in the transaction cost, as discussed above.

10. Capacity Building and Organizational Sustainability

Officers/ Officials of the Income Tax Department

CPC (TDS) is technology driven initiative aimed at transforming TDS administration in the country. It is the driving force for improving the TDS compliance environment in the years to come. The Income tax department provides the strategic leadership in this regard through experienced officers, being posted to manage the project. The departmental officers are responsible for:-

- Translating the Provisions of the Income tax Act into logic that can be implemented through software code
- Driving the statute towards technology enablement.
- Identifying the potential areas for use of technology.
- Long Term Planning and Vision for the technology initiatives
- Contract Management-Enforcement of SLAs.

The Income Tax Department has put in place separate institution of a Commissioner charge to manage day to day operations. Commissioner of Income Tax is supported by the regular complement of subordinate officers and staff, from a Tax Assistant to Additional Commissioner of Income Tax.

In order to ensure a broad based participation from the Income tax departmental personnel, the officials posted in CPC (TDS), have been brought on deputation from different regions of the country. On the completion of the deputation tenure at CPC (TDS), these officials are expected to spread awareness regarding the functioning of CPC (TDS) in their respective regions.

The CPC (TDS) has been conducting trainings all over the country in order to train departmental personnel as regards use of various functionalities available at CPC (TDS). Detailed e-tutorials and user manuals have been prepared and uploaded on the Intranet portal to facilitate use by the departmental personnel. A dedicated helpdesk has been established to resolve any query that the field officers might have regarding the functioning of CPC (TDS).

Each of the officials posted at CPC (TDS) is a contact point for one of the regions in the country. They interact with the field officers on a daily basis for feedback and dissemination of information.

The Income tax department also hires the services of professional consultants for inputs on complicated technology related issues. The Consultants step in to address any gaps in the technical solutions offered by the Service Providers. The system has also been subjected to a detailed third party audit by STQC and has been found to be in line with the best Industry Practices.

Personnel/ Staff of Managed Service Provider

The technological support is being provided by the service providers. CPC (TDS) incorporates Organizational sustainability into the projects mission, vision and values. With this view, CPC (TDS) has made a conscious effort in defining resource requirement for all components of the program and constantly assesses requirements as part of its change management process

- **Role Description:** The Request for Proposal provides description for every position in the organization's hierarchy with well-defined Roles, Competencies expected, Educational Qualifications, Relevant Experience and Responsibilities.
- **Sourcing of resources:** CPC (TDS) engages with institutions of repute across the country through its Managed Service Provider for identifying talent. In addition, experienced resources are sourced through consultants and internal referrals. The MSP also engages in identifying talent internally to source resources at CPC as per the requirements. The robust hiring process with written assessment tests followed by interviews ensures acquisition of right-skilled resources with appropriate knowledge and experience in the area of their work.
- **Onboarding of resources:** All the resources undergo an Orientation program spanning over four weeks followed by assessments. The orientation program consists of the following elements:
 - Organizational Cultural sensitization
 - Overview of Organizational processes and procedures
 - Functional and Income Tax Domain training
 - OJT (On the Job) Training related with specific functions, systems and applications to be used by the role for which resources have been hired
 - Assessments, Refresher and Periodic assessments to ensure constant up-gradation of knowledge
 - Role-specific need-based specialized in-house and external training programs
 - Skill-enhancement training programs

- **Goal Setting and Performance Management:** Every role in the Organization has defined goals and the resources are periodically assessed on defined expectations. The Organization provides for both quantitative and qualitative approach for performance assessments driven by Organizational SLAs. CPC encourages innovations and performance a part of every role's job.
- **Retention Programs:** The organization constantly engages in talent retention through various Rewards and Recognition initiatives, in addition to employee engagement, job rotation and job enrichment activities.

Following are the details of the core training programs for onboarding of resources:

New Hire Training Plan			
Training Content	Content Reference	Hours	
Introduction, Overview and sections related to TDS	Introduction to TDS, Type of Taxes, Overview of TDS Administration in the country, Objectives of TDS, TDS Stakeholders : Deductors, Deductees and Income Tax Authorities, Steps in TDS reporting, TAN and Procedure of applying TAN. Introduction to relevant sections of Income Tax Act, 1961 and relevant rules of Income Tax Rules: Salaries (Sec 192) ; Interest on Securities (Sec 193) ; Dividends (Sec194);Interest other than securities (194A) ; Winnings from Lotteries (Sec 194B);Winning from Horse Races (Sec 194BB) ;	22	Week1
	Payment to Contractors (194C);Payment in Respect of (Sec 194EE); Payment in respect of repurchase of Mutual Funds (Sec 194F); Commission on sale of Lottery Ticket (Sec 194G) ; Commission on Brokerage (Sec 194H);Rent (Sec 194I) ; Fees for Professional or Technical Service (Sec 194J); Tax Collected at Source (206C) ;Certificate of Lower Deduction (Sec 197) ; No Deduction Certificates(Sec 197A)	20	
Assessment 1		2	Week2
Question Answer session for Assessment 1		2	
OLTAS, GOLTAS, 24G, E-Filing , PAN	PAN and Procedure of applying PAN Understanding of OLTAS and GOLTAS Work Flow Understanding of E-Filing Understanding of Correction Statements	20	

Basic Accounting Treatment	Understanding of Accounting Entries related to TDS/TCS	4	Week3
Rules And Penalties related to TDS/TCS	Understanding of Rules and Penalties related to TDS/TCS as per Income Tax Act,1961 and Income Tax Rules	14	
Assessment 2		2	
Question Answer session for Assessment 2		2	
Functional Training	Basic Understanding of TRACES workflows. Overview of FRS and SRS documents	34	
Assessment 3		2	
Question Answer session for Assessment 3		2	
Technical Operations Resources	On-the-Job training with knowledge of relevant Applications, Codes and Responsibilities	48	Week 4
Business Operations Resources	Understanding of Software Applications (Ticket Management System, Reports used for resolution of issues, Default Summary etc.)/ Email etiquettes / Performance and Quality Parameters	48	
Call Centre Operations Resources	Call etiquettes, Soft Skills Training, Self-Learning exercises based on real life scenarios (Call Barging/ Mock Sessions/ Case Studies), Performance and Quality Parameters	48	

11. Accountability

1. CPC (TDS) processes are technology driven and automated. These processes are administered by the Department through Service Level Agreement (SLA) with MSP. Standard Operating Procedures have been defined to take care of the various tasks in CPC (TDS). No discretion is used in running the day to day operations.
2. Income Tax Department officers are accountable for providing the functional requirements which form the basis of the application code. There is well defined approval and version control process in place for the documentation of the functional requirements. Similarly, the system requirement specifications, design documents and other process documents along with the details of the document “author” and “approver” are stored in the system for version and revision control management. This makes the system transparent and the responsibility for lapse, if any, can be fixed based on tracking of records.
3. Interactive integrated technology platform is the backbone of the CPC (TDS) system which provides transparency and accountability. The platform has enabled visibility of any activity by any of the stakeholders in CPC (TDS) system to other relevant stakeholders in the eco system. For example, the activity performed by the Field Assessing Officer is visible to the CPC (TDS) officials and the deductor. Similar is the case with the activities performed by the CPC (TDS) and/or the deductor. The fact that each of the stakeholders has view of what other is doing itself is a “game changer” so far as the issue of accountability and transparency is considered.
4. CPC (TDS) has rolled out an online grievance portal for the taxpayers and deductors. It is important to note that Service Level Agreement is in place to ensure resolution of the issues involved, if any, within a defined time interval. The life cycle of the grievance starts with the ticket generation and ends with ticket closure. The workflow system captures stage wise movement of the ticket till its closure. The main actors in the workflow system are a) Field assessing officers b) CPC-ITD officers/officials and c) MSP staff. Ticket gets generated at the level of either MSP staff or at the level of Field assessing officers and the ticket gets closed at the level of CPC-ITD officers/officials level. So, the system provides complete transparency in tracking of any ticket.
5. CPC (TDS) has audit logs that reflect who has accessed the system, when and from where the access has been sought and what has been accessed. The accountability of the owner of the relevant track can be fixed in case of any delay.

6. The accountability and responsibility for ensuring data integrity is critical in the technology driven project. Accordingly, CPC (TDS) has deployed access control tools that allow **only authorized user to access database with particular bind IP. It also** captures logs of database scripts run on the database along with the user id of the back end user. These logs are regularly monitored to check any unauthorized change in the database. The tool enables transparency in the system by providing audit logs which facilitates fixing accountability of the users.
 - 6.1 Audit logs of the front end users (field assessing officers, CPC MSP users, CPC ITD users, deductors and taxpayers) are also maintained through “user administration” module at the server level which facilitates fixing of the accountability for any edit of the data.
 - 6.2 CPC (TDS) has deployed network level access control system for authentication, authorization and accountability. The audit trails are maintained for access of network services. HIPS (Host intrusion prevention system) agent has been installed on critical servers to avoid any critical change by internal and external users.

The user access principles applied at CPC (TDS) are:

- **‘Least privilege’—provides least access necessary for a given user to complete the assigned business role.**
- **‘Need to know’—provide access to systems and information only where there is a need for the recipient to have such access.**
- **‘Controlled Access’—define procedures to monitor, enable and disable access methods at TDSCPC**

Thus, CPC (TDS) solution provides for well-defined identity management system that includes Identification, Authentication, Access Control, Administration and Audit.

12. Innovation

Technical, Functional and Financial solution envisaged for the CPC project has the following unique and innovative components

1. Integrated interactive platform for all stakeholders

The platform is based on the motto –“Information is power” as all stakeholders are equally informed and equally empowered through a common platform. The platform has ensured complete transparency in the system. Following innovative features resting on the platform have made a paradigm shift in the overall TDS administration: -

- **Online generation of TDS Certificates**

The CPC (TDS) generates TDS certificates from the data reported by the deductors and after matching tax payments. These certificates, having a reference number, are verifiable online and are unique for a deductor-deductee combination. The authenticity of the certificates can be ascertained online by the interested entity. The verified single version of truth, through reengineering, has also eliminated any possibility of fraudulent claim of TDS based on bogus TDS certificates.

TDS certificates downloaded till date 15 crore by 10.5 lakh deductors. The statistics clearly reflects that more than 80% of the deductors have already adopted the reengineered process.

- **Online Correction**

With the rolling out of online corrections “**anytime anywhere**”, the deductors can do the corrections online sitting at home/office in a **single step**. The facility has innovative features of showing the deductor only the relevant portions of the statements that need correction. Online validations have been inbuilt in the system that facilitate and guide the deductors to enter valid particulars only.

The “Intelligent” single step online correction of TDS statements is a remarkable improvement over the multi-step legacy process of filling correction that involved: -

- a) Download of consolidated statement.
- b) Import of consolidated statement in Return Preparation Utility to make corrections in the statement
- c) Validate the output file through File Validation Utility
- d) Visit nearest TIN-FC to submit the validated file in a CD.

- **Double entry accounting solution.**

Double entry accounting solution marks a shift from the legacy single entry accounting system. It accounts payments and receivables for over 15 lakh deductors and their allocation to more than 4 Cr taxpayers. Over 50 crore transactions per annum have been posted to taxpayer ledger accounts for Financial Years 2012-13 & 13-14. This lays the foundation for error-free and fraud –free accounting of tax collections and the application of such payments towards tax credits of the taxpayers.

- **Business Rule Driven architecture**

The business logic is implemented using Business Rules Engine. The software code built around it, can be changed, enhanced, replaced or tweaked without any adverse impact to the processing outcome. This overcomes the drawback of typical implementations of business logic entwined within workflow or application software requiring massive code change effort even for small changes in business logic.

- **Early engagement**

The CPC (TDS) has adopted an innovative strategy to engage the deductors in the initial stage of processing of TDS statement. It provides a window to the deductors to correct their typographical mistakes. The sequential steps of processing of TDS statements are as under:

- Step-1--matching of PAN of the taxpayers with the PAN master
- Step-2-- Matching of challan quoted in the TDS statement with OLTAS database
- Step-3--Generation of PAN ledgers (26AS)
- Step-4--Computation of TDS defaults (Short payment, short deduction, late payment interest, late filing fee etc.)

The deductors make typographical mistakes in quoting valid and correct PAN and OLTAS challan particulars at the time of data entry for TDS statements. On an average, PANs quoted in around 12 lakh transactions out of 52 crore transactions were found to be incorrect. The challan particulars in 1.87 lakh statements were found to have typographical mistakes. Such mistakes result in avoidable TDS defaults. CPC (TDS) gives an opportunity to the deductor (after the second step of processing) to make online correction of the mismatched PANs and challans quoted in TDS statements before Step 4 of the processing (the computation of TDS defaults).

The early engagement process, as described above, has been effective in resolution of grievances and minimizing of TDS defaults.

2. E-Office

The CPC (TDS) provides a platform for enabling the e-office in the Income tax department based on Hub-Spoke Model. **Over 500 Officers of the Income Tax Department administering TDS provisions across India connect with CPC (TDS) through its Intranet services.**

The CPC (TDS) has provided a facility for Online Generation of Notices and Orders required for the enforcement of the TDS provisions. Statutory functions are now to be carried out through the e-enabled system. Thus, CPC (TDS) is able to capture all the data related to the enforcement functions carried out by TDS officers of the Income tax department.

The CPC (TDS) provides a visibility to the Field Officers regarding the grievances of the deductors/ taxpayers related to their jurisdiction. In this manner a need for a visit to the Income tax office for redressal of grievances is being minimized.

CPC (TDS) provides the platform for sharing of knowledge and best practices among the officers of the income tax department.

- **Paper-less office**

Paper-less office to paper-less delivery by gradually phasing out paper based notices, intimations, letters and replacing by email, SMS, website driven delivery to deductors, marks a significant effort by the Department to reduce the carbon imprint and to 'Go Green'.

The liberation from paper enables a flexible and agile workflow while ensuring a clean work environment. The paper documents are stored in off-site storage for retrieval as a last resort only. Tracking of paper documents is enabled using barcode at document, carton and storage bin level.

3. Ease of tax payment

The deductors were required to pay the separate challan for separate nature of payment and separate financial year. CPC (TDS) has allowed the deductors to pay through single challan for different nature of payments and different financial years. This has following positive impact on the Deductors and the department:

- a) Less number of challan payments by the deductors,
- b) Carry forward of the balance amount to the next year to avoid application for refund of money
- c) Less processing cost, to be paid to the banks by the Department, as it is based on count of challans,

4. Proactive Communication

CPC (TDS) has taken proactive steps to reach out to the deductors in the form of awareness campaign, alerts, advisories, reporting of TDS compliance related issues etc. through channel of email communication and outbound calls. More than 1.5 crore emails have been sent to deductors till date on various issues. This periodic communication has been well received by the deductor community. The motto of the drive is to create voluntary compliance driven ecosystem.

Apart from the innovative use of technology to enable processes (as listed in Paras above), such initiative has not been attempted in similar Government projects so far.

5. Project Model

The project model comprehensively covers the scope of services including creation of a suitable Civil & ICT Infrastructure, deployment of the necessary Staff and bearing the operational expenses on daily-basis. This entire cost for establishing, operating and maintaining the CPC is borne by the MSP and stands factored in the 'Per Transaction Cost'.

The Department maintains strategic control by retaining ownership of the processing software, all software interfacing with other systems for data cleansing, payment / credit accounting and reconciliation, all software licenses relating to processing, all data and information provided to Service Provider and generated in the CPC, physical records, interiors and fit-outs, all computer, voice & networking infrastructure and hardware after end of contract period.

13. Appropriate Delegation

The CPC project has been implemented through the Directorate of Income Tax (Systems) who have been responsible for the project planning, design, execution and management.

The CPC (TDS) has been implemented in following 4 Phases:

- **Phase 1 – Conceptualizing the project, its deliverables** (August 2010 – November 2011): This phase involved designing & conceptualizing the domain requirements & the interfaces with other projects that are part of the process chain. In this phase the technology options, available in the note sheet as regards ICT infrastructure, security, communication protocols etc. were defined. Further, the financial & administrative model for the project was firmed up.

During this phase, a small team of 1 Director, 1 Addl. Director & 1 Asst. Director (Systems) engaged themselves with M/s Delloite – the consultant.

Phase 2 – Development & Deployment (November 2011– Feb 2013): Activities such as freezing functional & technical requirements and specifications for various components of envisaged CPC. This includes development of core application, Call Centre, Data Centre and Disaster Recovery Site, application software development, procurement & installation of hardware, network creation, data digitalization. Further, this phase involved migration & reconciliation of live data from two database eco systems viz. Tax Information Network & The Income Tax Department core applications. Suitable staff for CPC (including Processing Agents, Dispatch & Receipt Clerks, Call Centre Operators and staff such as DBAs, Experts on BI / other Tools, Network Administrators and Application Developers) was selected during the period. The exercise also included identifying prior gaps, study of technical feasibility and extent legal provisions.

This phase was driven by Director of Income Tax, 2 Additional Directors of Income Tax, 3 Deputy Directors of Income Tax, 1 Assistant Director(Systems)

- **Phase 3 – Testing & Fine-tuning** (Feb 2013 to May 2013): Implementation of the entire system on **pilot-basis** to test it from various perspectives on the actual data in the production environment. The purpose of this phase was to ascertain all issues that may exist in the entire workflow and to subsequently rectify them.

This phase was driven 1 Director of Income Tax, 2 Additional Directors of Income Tax, 3 Deputy Directors of Income Tax, 1 Data Processing Asst. & 13 Inspectors/TAs. The work related to User Acceptance Testing was delegated to 3 technical officers of the rank of AD(S).

- **Phase 4 – Commissioning** (May 2013 onwards): Complete rollout of the CPC (TDS) System and all its components. The components of the project included a) Call Centre

&Document Management System b) Infrastructure c) processing engine d) TRACES website e) AO portal.

It may be seen that a small team of officers/officials has driven different phases of the project. The strategic ownership of the project completely lies with the Department. Accordingly, the complete Detailed Functional Requirements and services to the stakeholders were provided to the MSP resources for conversion of the same in application code.

Present Status

In view of legal requirements of processing of TDS statements on centralized basis on PAN India basis & for long term sustainability of the project, separate institution of a Commissioner charge was created to manage day to day operations. Commissioner of Income Tax is supported by the regular complement of subordinate officers and staff, from a Tax Assistant to Additional Commissioner of Income Tax.

Each Officer and staff has been given specific role and responsibility that is aligned with the functional organization of the CPC (TDS) and in supervision of the line functionary of the SP to ensure a seamless hierarchy of the SP and ITD. The Organization structure is given below.

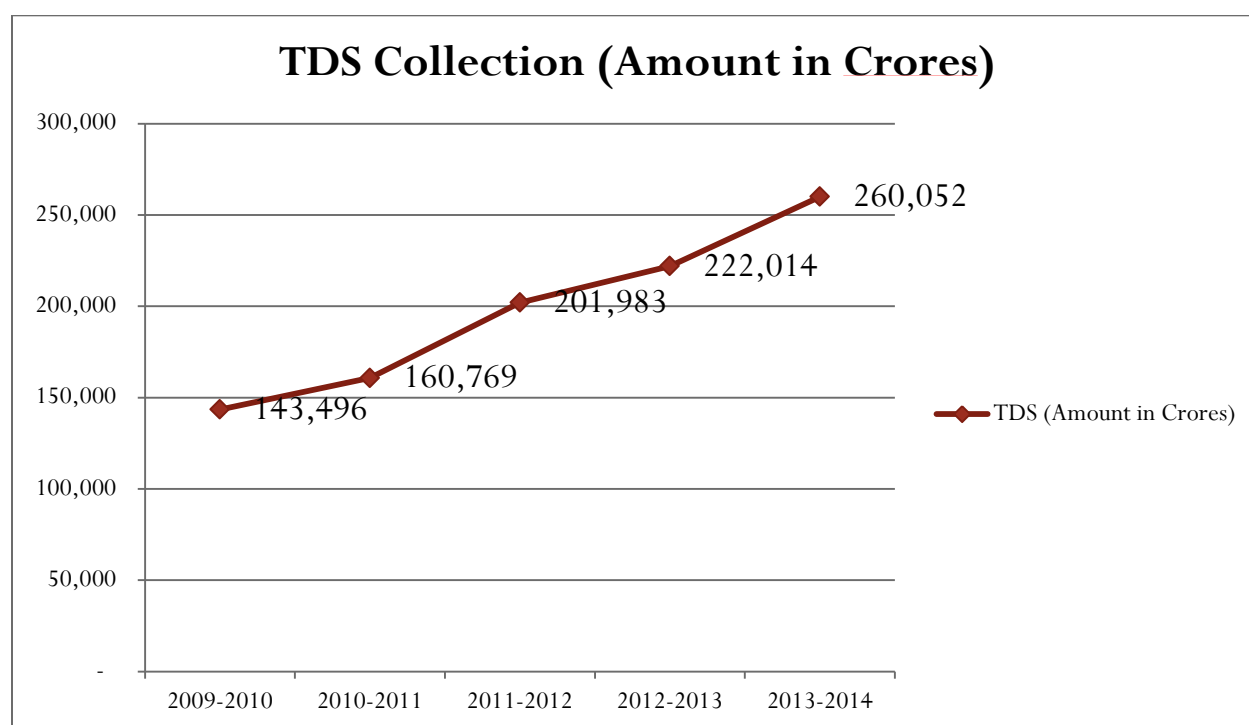
14. Result Achieved/ Value Delivered to the beneficiary of the project

To Organization

The inception of the CPC (TDS) marks the shift to a Non-Intrusive, Non-Adversarial technology driven TDS administration in the country. The positive impact of CPC (TDS) is already visible in the following key areas:-

1. Growth in TDS collections.

Tax Deduction at Source constitutes nearly 40% of the Direct Tax Revenue. The graph below shows the TDS collections over the last 5 years. In F.Yr. 2013-14, the growth in TDS is 17% as against 9.9% in F.Yr. 2012-13 and overall growth in Direct Tax Collection in F.Yr. 2013-14 was 14%.

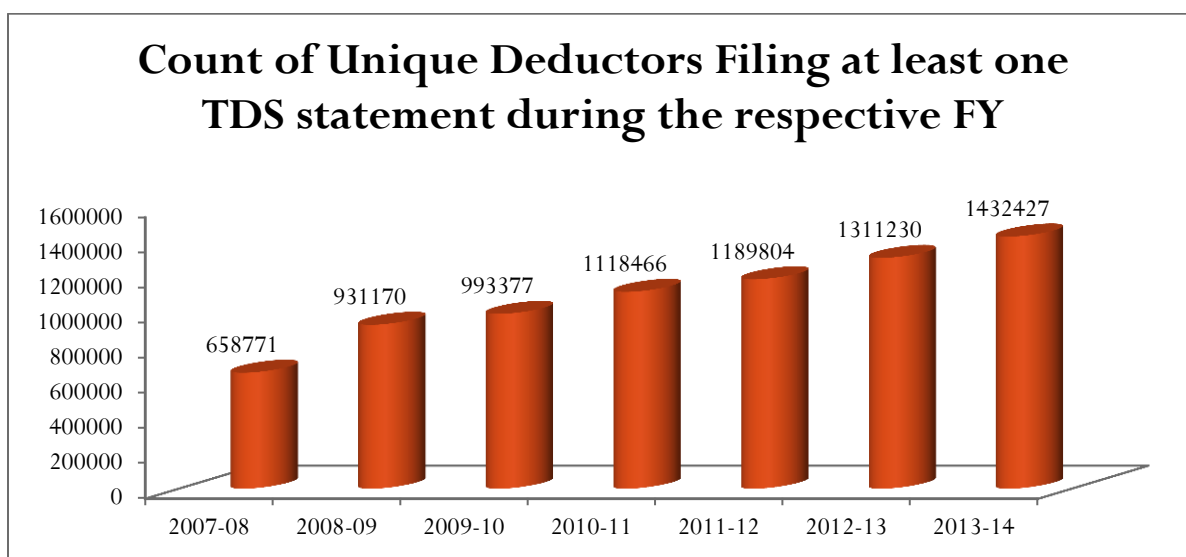


2. Qualitative and Quantitative improvement in TDS compliance.

CPC (TDS) initiated service of default notifications from June '2013 onwards. The CPC (TDS) is now sending out default notifications to the deductors within in 7 days of the receipt of the TDS statements. This has led to better compliance from the deductors in both qualitative and quantitative terms.

- Quantitative Improvement

- The graph below reflects increase in the number of deductors filing TDS statements:-



- The table below reflects improvement in TDS compliance with respect to filing of statements and payment of taxes:

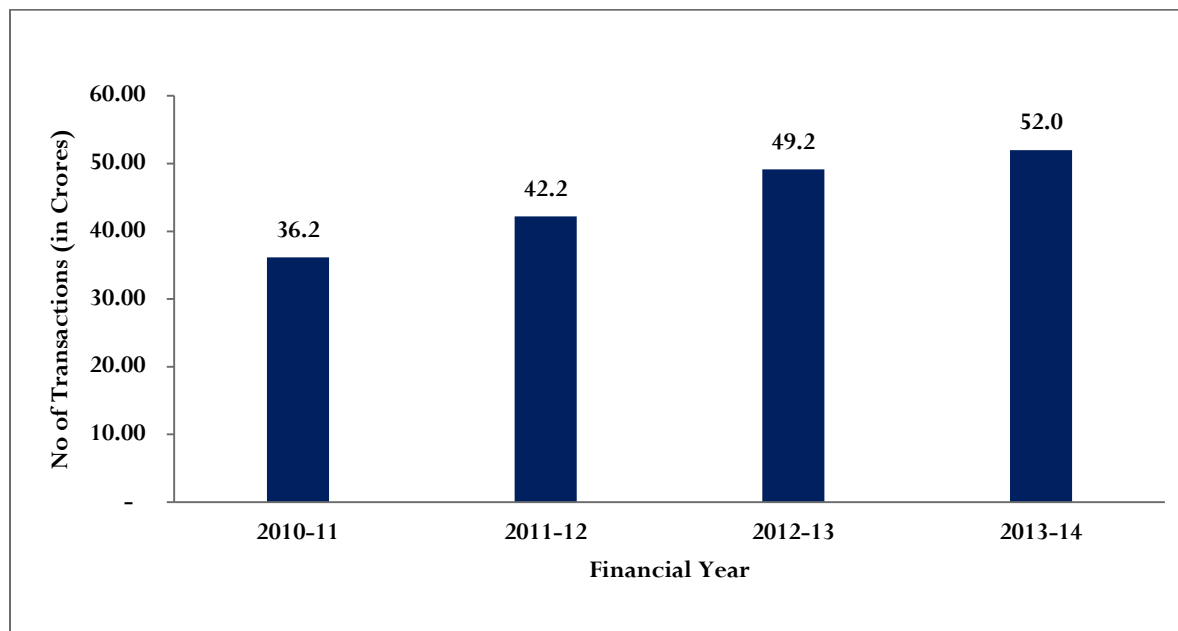
Financial Year	Percentage of statements received within due date	Percentage of Statements where TDS Payment made within due date
2011	29.7%	53.6%
2012 (Inception of CPC (TDS))	36%	50.8%
2013	60.45%	65.5%

- Qualitative Improvement:

The quality of reporting of the TDS transactions in TDS statements has also improved with the inception of CPC (TDS). The facility of 'Online Correction' has made it easier to correct any mistakes in the TDS statement data.

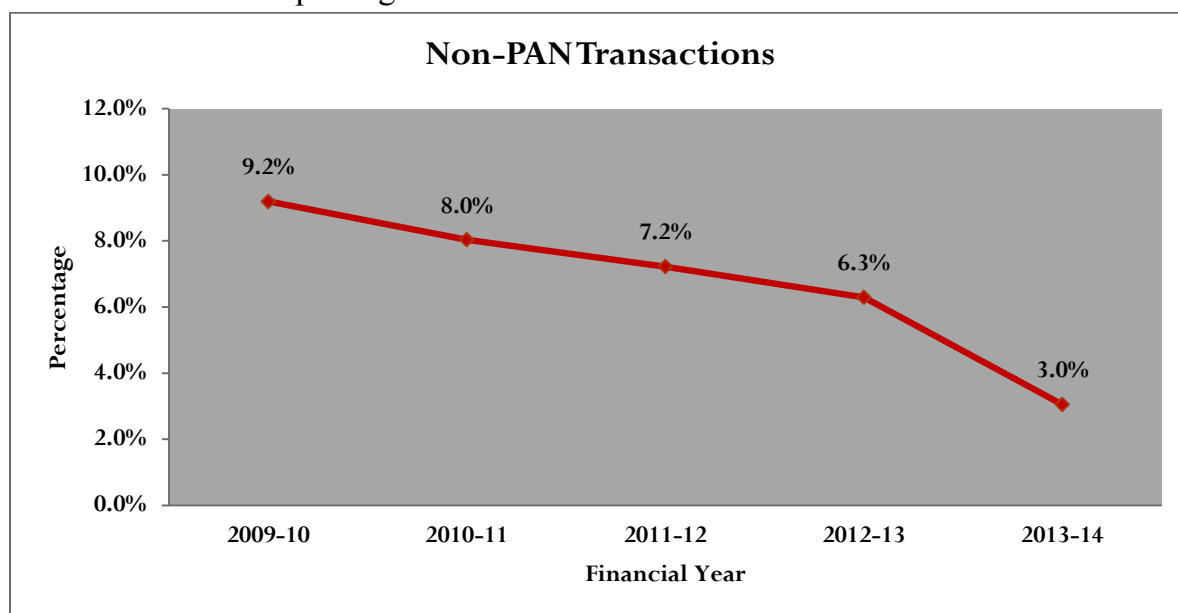
- No. of reported transactions

The graph below reflects the improvement in terms reporting of Transactions in TDS statements:-



- Invalid PAN

With the reporting of a larger number of transactions, the percentage of transactions with 'Invalid PAN' has reduced, substantially. The graph below shows decrease in reporting of 'Non – PAN' transactions:-



3. Better Customer Satisfaction – Decrease in TDS mismatch

The taxpayers have been the biggest beneficiaries of process improvements brought out by CPC (TDS). The issue of TDS mismatches stands resolved to a large extent. CPC (TDS) has ensured that every Rupee that has been deducted and reported is given credit to the respective taxpayer. The issuance of digital TDS certificates has empowered the taxpayer in ensuring that the deductors report correct TDS amount to the Income tax department. Prompt feedback mechanisms, through early processing of TDS statements, has ensured that the taxpayers can get the TDS data corrected while the business relationship with the deductor is still live and the transaction is fresh. As a consequence, the % age of TDS matching in income tax returns has increased from 89% to 96%. This has resulted in a decrease in number of grievances received by the Income Tax Department.

4. E-office – Environment friendly and better organized.

- E-Office through Hub-Spoke Model

The CPC (TDS) provides a platform for enabling the e-office in TDS offices of the Income tax department based on Hub-Spoke Model. **Over 500 Officers of the Income Tax Department (administering TDS provisions across India) connect with CPC (TDS) through its Intranet services.**

The CPC (TDS) has provided a facility for ‘Online Generation of Notices and Orders’ required for enforcement of the TDS provisions. All statutory functions now are to be carried out through the e-enabled system. The field offices are being prompted to upload supporting document to ensure audit trail & e-office. Thus, CPC (TDS) is able to capture all the data related to the enforcement functions carried out by TDS officers of the Income tax department.

Further, the CPC (TDS) provides a visibility to the Field Officers as regards grievances of the deductors/ taxpayers related to their jurisdiction. In this manner a need for visit to the Income tax office for redressal of grievances is being minimized.

For Capacity building within the Organization CPC TDS provides platform for sharing of knowledge and best practices amongst TDS officers of the department.

- Paper-less office

CPC (TDS) has put in place technology platform that promotes & prompts paperless office & paper less delivery of intimations letters etc. Eventually paper based notices, intimations, letters are being replaced by email, SMS, website

driven delivery to deductors. This marks a significant effort by the CPC (TDS) to reduce the carbon imprint and to 'Go Green'.

The liberation from paper enables a flexible and agile workflow while ensuring a clean work environment. In the CPC (TDS), paper documents are being stored in off-site storage while keeping a scanned copy for reference. Physical retrieval is a last resort in case such document is required for investigation etc. Tracking of paper documents is enabled using barcode at document, carton and storage bin level.

5. Cost Savings

- **Robust TDS administration**

With the setting up of CPC (TDS), the deductor is being given regular feedback about his compliance and gaps, if any, on near real time basis. As a result the system ensures that the deductors pay their taxes and file correct and complete TDS statements within time. As stated above, better compliance on part of the deductors has resulted in revenue augmentation.

Online View of Outstanding Demand has saved the Department from sending multiple notices & personal visits of its officials. Further notification of demand online prompts better compliance on part of deduction and payment of tax dues;

Aggregated TDS Compliance facility being provided by the CPC –TDS gives comprehensive view to the principal offices about the defaults of its subsidiaries. This prompts compliance, saves cost both for government as well as the deductor organization.

Further, the CPC (TDS) has taken over bulk operations which were being otherwise performed by the field TDS-officers. This left very little time for them to focus on compliance related enforcement assignments. With the CPC (TDS) in place, they can now focus on taking up the compliance related enforcement assignments based on specific intelligence provided by the CPC (TDS).

- **Savings due to prevention of frauds of claim of Tax Deduction at Source (TDS)**

With the setting up of CPC (TDS), the incidence of mismatch in TDS credits claimed, by the taxpayer vis-a-vis available in the system have reduced substantially. With near elimination of TDS mismatch cases, the process of verification of TDS claims has got automated. This has minimized TDS fraud cases and physical interface with the department.

Further, turnaround time to address TDS mismatch, if any, stands reduced substantially. Therefore, interest cost to the department has reduced due to better TDS matching.

- Savings in cost of dispatch of intimations/ notices

With the technology driven processes in place, that include communication through portal, e-mails, SMS and Call Centre, the deductors have been provided with option for paperless intimation (A major green initiative) which impacts cost on two accounts:

- Saving of paper cost for sending paper intimations
- Saving in postage cost

6. CBDT and policy making

The CPC (TDS) system has capabilities to analyze the reliable source of data in centralized manner. Trends and Pattern Analysis is being done for effective enforcement actions by Field Income tax Officers such as identification potential defaulters viz. Non-filers, late filers, high risk deductors, etc. Using data mining and analytics tools, CPC (TDS) is providing updated MIS and 'Business Intelligence' reports to the field authorities thus helping them focus on the potential cases involving high risk. Field authorities stand empowered and equipped to take up enforcement work in effective and efficient manner.

The output of analytical tools also acts as an input for effective policy formulation. As an example, the data related to Foreign Remittances available with CPC (TDS) is a useful input for negotiation of Double Taxation Treaties. The demographic profile of the taxpayers and the nature of transactions form other valuable inputs for social policy planning.

To Citizens

With the robust tax reconciliation mechanism being put in place through the CPC (TDS), the tax payer is given accurate and timely credit for the taxes paid/deducted. This has led to faster refunds and minimal grievances. As a result multiple follow up with income tax offices for getting correct tax credits have been minimized. The savings for the tax payers include:-

- Cost of maintaining voluminous physical TDS certificates.
- Cost involved in reconciliation of taxes with the deductors
- Cost involved in submitting Income Tax Returns in paper form with annexures.

CPC (TDS) has saved the taxpayers physical visit to Income tax offices for redressal of their grievances through enablement of 'Online Integrated Grievance Portal'. The grievance filed by the taxpayer gets reflected on the dashboard of both deductor and deductor's jurisdictional Assessing Officer. Turnaround time to address such grievances stands reduced substantially on account of the integrated interactive platform. The table below gives, in brief, various services that are now available to the tax payer through online mode.

Details of Service	Cost incurred by user
26AS View	Free of charge
Online Grievance Module	Free of charge
Helpdesk Services	Free of charge
Aggregated TDS Compliance Report	Free of charge

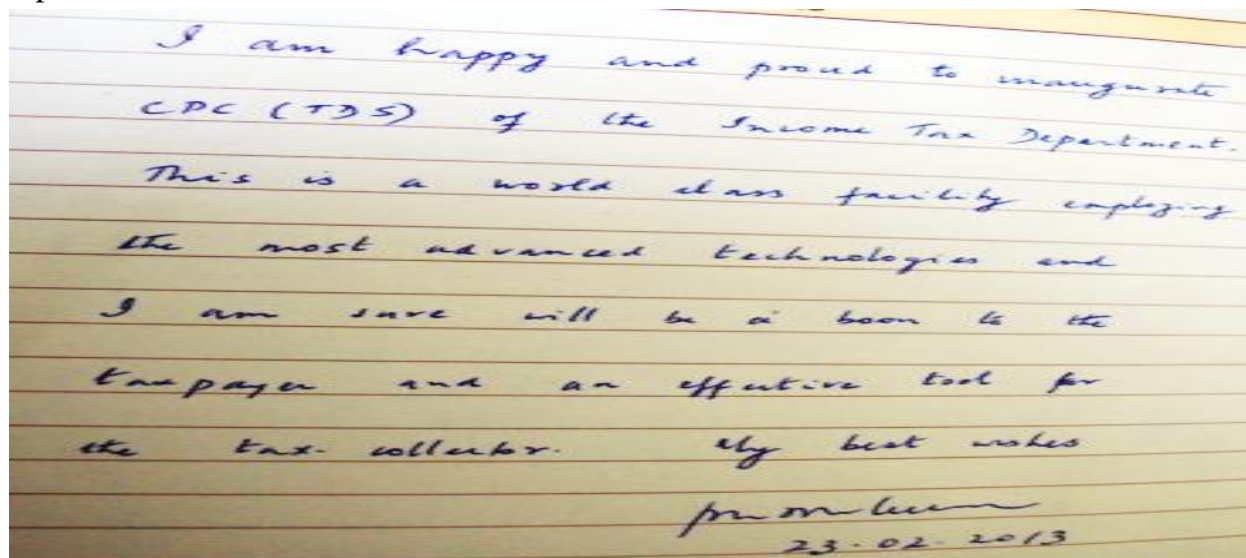
The table below gives, in brief, various services that are now available to the deductor through online mode.

Details of Service	Cost incurred by user
Downloading of Files and Certificates	Free of charge
TDS Certificates in Form 16/ 16A/ 16B	Free of charge
TCS Certificates in Form 27D	Free of charge
Consolidated Files	Free of charge
Justification Reports	Free of charge
Online PAN Validation	Free of charge
Transaction Based Report for NRIs with no PAN	Free of charge
Default Summary	Free of charge
Online Statement Correction	Free of charge
Aggregated TDS Compliance Report	Free of charge
Online Grievance Portal	Free of charge
e-Tutorials (self-help)	Free of charge
Frequently Asked Questions (self-help)	Free of charge

The online facilities for download of certificates, justification reports, PAN validation and default status have saved the deductors from visiting tax office as also expenses on multiple printing of documents.

With the rolling out of 'Online correction' through TRACES portal of CPC (TDS), the deductor is able to file correction statement "anytime anywhere" without any physical visit to TIN-FC. With no 'uploading fee' for filing online correction, there is saving of cost for the deductors on both accounts viz physical visits and filing charges.

Finance Ministers words during the Inauguration of CPC (TDS): - The then Union Finance Minister, Sh. P. Chidambaram had termed the CPC (TDS) as **boon for the government and taxpayers**. The snapshot of the comments in the visitor's book is reproduced below:-



To other stakeholders

The CPC (TDS) has reliable data related to transactions from all over the country. The data is useful for other organizations like Service Tax for improving their enforcement functions. Similarly, the data relating to demographic profile is useful for economic & policy planning analysis.

The basic design, concept and the solution architecture can be replicated in the departments like Provident fund and CENVAT. The model is being examined by the tax departments within India and outside. Delegations from developing countries like Bangladesh and Tanzania have visited the CPC (TDS) to understand the solution that have been put in place. They are keen to replicate the model in the respective countries. The then honorable Union Finance Minister of India had also desired that similar model can be replicated for Central Board of Excise & Custom for administering CENVAT. The CBEC is studying CPC (TDS) system for suitable adaptation for CENVAT.

15. Extent to which the Objective of the Project is fulfilled

G2G: Government to Government

The CPC (TDS) is providing TDS related services to more than 2 lac Government Deductors and More than 5000 Principal Accounts Officers in all the Central Government Department and all State Governments. The services, being provided through CPC (TDS), encompass Treasury Offices in **all** Districts across India & all departments including Defence, External Affairs, Para-military, Post Offices, Civil Ministries, Indian Embassies situated outside India. **Business Process Reengineering Study**, conducted by the Income tax Department, had observed the following with respect to TDS by Government Organizations:-

“A detailed process for tracking payment of TDS by Government Departments/ Quasigovernment agencies has not been laid down. ITD has no system whereby it can match book adjustments with TDS payments.”

With the inception of CPC (TDS), an elaborate process for reporting and matching of Book entry adjustments has been put in place. The Principal Accounts Officers (PAO) reports Book Entry Adjustments through the filing of Form no. 24G. Each book entry adjustment is identified by means of a Unique Book Entry Identification Number (BIN). The PAO provides the BIN, generated to the Government Deductor, as a proof of payment. The deductor files a TDS statement, quoting the BIN as a proof of payment. The BINs quoted by the Government Deductors are matched against the BINs reported by the PAOs in Form 24G at CPC (TDS). Thus credit is provided only against valid Book Entry Adjustments. The process set up at CPC (TDS) has gone a long way in eliminating frauds in TDS deducted by Government Organizations. The online download of TDS certificates from TRACES is mandatory for all entities including all Government Departments.

G2C: Government to Citizen

With the robust tax reconciliation mechanism being put in place through the CPC (TDS), the tax payer is given accurate and timely credit for the taxes paid/deducted. This has led to faster refunds and minimal grievances. As a result, multiple follow up with income tax offices for getting correct tax credits have been minimized. The savings for the tax payers include:-

- Cost of maintaining voluminous physical TDS certificates.
- Cost involved in reconciliation of taxes with the deductors
- Cost involved in submitting Income Tax Returns in paper form with annexures.

CPC (TDS) has saved the taxpayers physical visit to Income tax offices for redressal of their grievances through enablement of ‘Online Integrated Grievance Portal’. The grievance filed by the taxpayer gets reflected on the dashboard of both deductor and

deductor's jurisdictional Assessing Officer. Turnaround time to address such grievances stands reduced substantially on account of the integrated interactive platform.

The table below gives in brief various services that are now available to the deductor through online mode.

Details of Service	Cost incurred by user
Downloading of Files and Certificates	Free of charge
TDS Certificates in Form 16/ 16A/ 16B	Free of charge
TCS Certificates in Form 27D	Free of charge
Consolidated Files	Free of charge
Justification Reports	Free of charge
Online PAN Validation	Free of charge
Transaction Based Report for NRIs with no PAN	Free of charge
Default Summary	Free of charge
Online Statement Correction	Free of charge
Aggregated TDS Compliance Report	Free of charge
Online Grievance Portal	Free of charge
e-Tutorials (self-help)	Free of charge
Frequently Asked Questions (self-help)	Free of charge

The online facilities for download of certificates, Justification Reports, PAN validation and default status have saved the deductors from visiting tax office as also expenses on multiple printing of documents.

With the rolling out of 'Online correction' through TRACES portal of CPC (TDS), the deductor is able to file correction statement "anytime anywhere" without any physical visit to TIN-FC. Further, with no 'uploading fee' for filing online correction, there is saving of cost for the deductors on both accounts viz physical visits and filing charges.

G2B: Government to Business

The CPC (TDS) does not undertake any G2B transactions. However, the deductors engaged in business and filing TDS statements are already covered under the G2C category.

G2E: Government to Employees

1. The CPC (TDS) has taken over the Bulk function responsibilities of the Field Assessing Officers in the following areas:-
 - Intimation 200A
 - Rectification of Intimation 200A
 - Intimation of INVALID PAN

Thus the field Assessing Officers are freed from the routine repetitive tasks of intimation printing and dispatch can focus the time and energy on Compliance related tasks.

2. The CPC (TDS) works on Hub-Spoke Model. The field officers have been provided with e-office facilities that include electronically maintenance of demand registers, E-generation of notices by such offices and maintenance of records in electronic format.
3. The CPC (TDS) has a centralized reliable source of data, which can be subjected to analysis. The same is being used for Risk Analysis, Trend Analysis and generation of MIS reports. The CPC (TDS) provides specific, reliable and actionable for enforcement actions by the field formations. A number of MIS reports have been made available to the supervisory officers for effective planning in order to achieve the budget targets.

16. Adaptability Analysis

Department understands the criticality of adaptability, scalability and risk involved particularly in the context of providing value services on continuous improvement basis to the stakeholders over a period of time in a dynamic contemporary environment. Accordingly, various measures have been taken at the time of **conceptualization of the project** itself to ensure adaptability and scalability in the project which are as under:

Adaptability and Scalability- An integral part of project model

1. The **payment model of the project** was conceived on the basis of the transaction model. One of the main reasons for deciding the same was to ensure scalability in the project particularly on account of the increasing trend of TDS transactions reported in TDS statements on “year on year” basis. Accordingly, the details of the increasing volume of transactions were made part of the tender document to sensitize the vendors about increasing trend of the volume of transactions.

Further, **the transaction based payment model** is closely tied up with the performance in meeting the defined Service Level conditions as per Service Level Agreement. In order to adhere to the Service Level Agreement, with increase in volume of transactions over a period of 5 years, scalable system including infrastructure, architecture and the technical solution has been set up.

2. **Legislative amendments** are a part of the annual exercise in the Finance Budget. Accordingly, at the time of conceptualization of the requirements of the system, it was decided to factor that MSP would make necessary changes in the system to cater to the annual legislative amendments over a period of 5 years. The tender document also highlighted the requirement to make its processing engine “Rule Based” so as to incorporate annual legal changes without much effort. Accordingly, any change in tax rate, interest rate, country specific Double Tax Avoidance Agreement rate, widening of nature of payment covered for tax deduction at source, threshold amount for Tax Deduction at Source etc. can be incorporated in the Rule based engine without any change in the hard code. This aspect has ensured that the CPC (TDS) solution is adaptable and flexible.
3. **Technical specifications in the Contract-** Specific requirements in respect of interoperability, vendor neutrality, ISO specifications, certification from OEMs, regarding performance and scalability requirements of the COTS products deployed in the system, a clear road map for the offered system for 5 years, 100% headroom for memory and CPU upgrade etc. ensure that the system is adaptable, flexible and scalable. Further, the STQC has been assigned the task of audit & certification to

ensure that the CPC (TDS) system meets requirements of scalability and adaptability in addition to the open standards, and specifications as set out in the RFP.

4. **Change Management in the Contract-** In order to ensure adaptability, Change Control Mechanism has been defined to meet the requirements of any change within the scope or outside the scope of the project. There are two types of change requests. One change request relates to deviation from the signed-off Functional Requirements/System Requirements and the changes in the software in this case shall be implemented accordingly at no additional cost to ITD. Other change request relates to change in the scope of work and the MSP would prepare “CNS (change note on scope of work)” and get it approved by the department for the additional cost, effort and implementation time.

Adaptability and Scalability- An integral part of solution/system design

While designing the technical, application, Network & solution architecture of the CPC (TDS) a conscious effort has been made to ensure that the solution is adaptable and scalable to the future requirements of the project. The third party audit on periodical basis would ensure compliance in this regard.

The adaptability and scalability of the system is demonstrated based on the following practically implemented instances:

- A new stream of Tax Deduction at Source viz. TDS on sale of property was introduced in the Finance Act, 2013. The RFP was not having any specific requirement in respect of this stream as it was not on statue till the release of RFP document. However, on account of the adaptability feature of the solution, the MSP could roll out functionalities related to the new stream of Tax Deduction at Source within a month without any additional cost to the department as the RFP provides for meeting any change in requirements on account of legislative amendments at no additional cost.
- During one year of the operations, CPC (TDS) has modified its processing jobs from “Data Stage Framework” to “Spring Batch Framework” that enhances the scalability of the processing engine. This framework has a multiplier effect as multiple instances of jobs (in parallel) can be run to take care of peak loads.
- Web servers have been upgraded from X series to P series within 48 hours with downtime for 5-6 hours.
- 8 core Processing database servers and 8 core reporting database servers were upgraded to 16 cores each on the fly without any downtime.

Replicability

The basic design, concept and the solution architecture can be replicated in the departments like Provident fund and CENVAT. The model is being examined by the tax departments within India and outside. Delegations from developing countries like Bangladesh and Tanzania have visited the CPC (TDS) to understand solution that have been put in place. They are keen to replicate the model in the respective countries.

The then honorable Union Finance Minister of India in F.Y. 2013 had desired that similar model be replicated for Central Board of Excise & Custom for administering CENVAT. In view of such directions, **the Directorate of Systems in the Central Board of Excise and Customs has been seeking advice from the CPC (TDS) team about the framework, model and solution that are in place at CPC (TDS) so that the same is replicated in implementation of CENVAT.**

Risk Analysis

The following project risks were identified and the RFP document captures mitigation plan for the same.

- **Dependency on single MSP**

One of the main risks is the dependency on the single vendor (MSP). In order to mitigate the same, following measures have been taken:

- Detailed Exit Management Plan is a part of the contract signed with MSP. The same is renewable on annual basis to capture the changing needs of the system. Exit management plan includes transfer of assets, sharing of information to the new MSP/ITD and right of access to the premises where assets are located (e.g. Data Centre etc.). **This would help in continuation of operations without any loss of time.** It has also been provided that the MSP shall facilitate training and knowledge transfer for ITD and/or any Replacement MSP, as reasonably required for understanding the methods of delivery of the services employed by the MSP.
- Adequate emphasis has been given to maintain the **Standard Operating Procedures** for running the daily jobs on the operational side and to maintain the **updated detailed documentation of the application code including FRS, SRS and detailed design document, architectural diagram, inventory of all assets with specifications.** These measures shall ensure the smooth transition of the Managed Service Provider.
- Technical officers of the Department have been engaged in the implementation process and they have been groomed as a strategic owner of the application code through constant monitoring of the technical operations on day to day basis. This will help the department in mitigating the risk of unexpected exit of the MSP. So, the department has worked on the internal capacity build up to mitigate this issue.

- **Transfer of the project champions**

The success of the project lies to a large extent with the leadership of the project. The continuity of the project team in this case is critical. In this project, the same team has taken the project from the conceptualization stage to the roll out stage spanning over 3 years. However, the transfer of the team members cannot be ruled out. To mitigate the risk of transfer of project champions, it has been emphasized that **new officers should be willing one and should join at least 3-4 months before relieving of the existing officers so as to ensure sufficient knowledge transfer**. It is very critical for sustainability of the project.

To address the above risk, following has been done:

- The department has approved **staffing policy for Centralized Processing Centres** where in detailed guidelines have been given so as to encourage officers/officials to offer their services for a fixed tenure. **The transfer policy of the department also addresses the issue.**
- Updated functional requirement FRS/SRS along with versioning of documents is an essential requirement of the project. This has been done to ensure 'Knowledge Transfer' to the officers and the MSP personnel.

- **Disaster recovery**

Disaster recovery system has been put in place at Pune to provide uninterrupted services in case of any interruption at Primary Data Centre site at Noida.

Therefore the risk relating to Manage Service Provider, the Domain Experts and any exigency at the Data Centre has been adequately addressed. Further adequate safeguards in the form of **commitment from OEMs** have been obtained to take care of technology obsolescence which forms part of the tender proposal of the MSP.

17. Comparative Analysis of earlier Vs new system with respect to the BPR

Comparative Analysis

The Business Process Reengineering study had pointed out the following drawbacks in the system:-

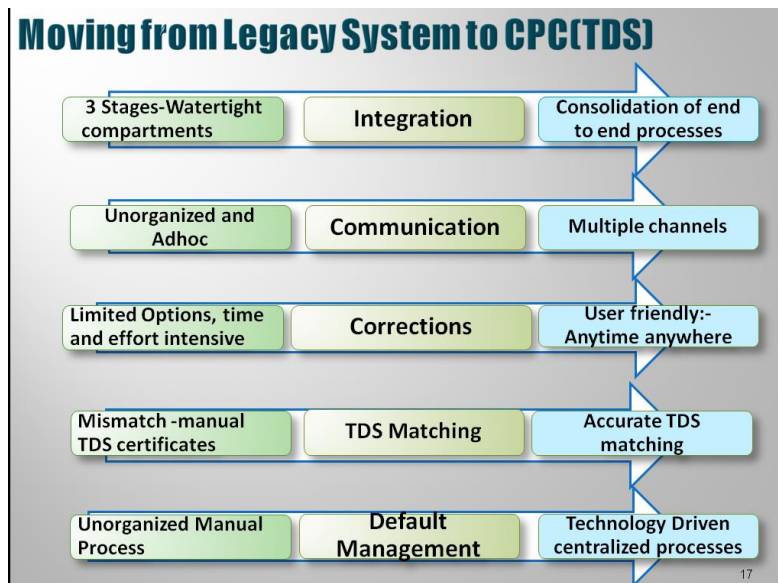
- Lack of technology driven capability to handle large volumes of TDS statements received.
- Limited manpower and resources stuck in handling routine jobs like issuing intimations, with no time left for taxpayer services and effective enforcement.
- No mechanism to reconcile the Tax Deducted with the Tax Credit Claimed in the Income tax Return. **The Annual Tax Credit Statement (Form 26AS) was not reliable and had to be overridden by the manual TDS certificates.**
- No centralized accounting for either the deductors or taxpayers.
- No integrated platform for deductors, taxpayers and Field Assessing Officers to interact.
- Inordinate delay between deduction of tax by the deductor and giving its actual credit to the taxpayer.

CPC (TDS) has been conceptualized to undertake **end to end processing of TDS statements through a Rule Based Technology enabled system**. The rule based automated processing of Statements leads to uniform results and faster turnaround time. CPC (TDS) introduces transparency in the processes through online display of information and provides an integrated platform for tax deductors, taxpayers and the officers of Income tax department.

The CPC (TDS) through the 'Business Process Reengineering' addresses issues of TDS mismatch, TDS Frauds and other challenges involved in TDS administration. The path breaking initiatives of CPC (TDS) include:

- Generation of digital TDS certificates that are derived from the data reported by the deductors, after matching tax payments (reported through banks or other competent entities).
- Bulk processing of TDS statements for identifying the defaults and centralized issue of intimations to deductors.

The Business Process Reengineering through CPC (TDS) has brought about a shift in the several key service areas as depicted below:-



Change Management

Change management is very important for the success of a project. Only a well informed and trained stakeholder can realize full potential of the advanced features of a new system. CPC (TDS) has recognized the need for change management of all its stakeholders. Accordingly, CPC (TDS) has taken following steps:

- 1. E-tutorials:** CPC (TDS) has made it a practice to release e-tutorial of any new functionality at the time of rolling out of the same in the production environment. E-tutorials capture sequential steps involved in performing a particular activity on the system. The insertion of dialogue boxes at the appropriate places in the screen shots make e-tutorials more illustrative & user friendly. This facilitates understanding complete features and the steps involved for usage of the relevant functionality. E-tutorials have been hosted on the home page of the TRACES site. Any user without the login also can download e-tutorials. Various tax related private sites have also hosted these e-tutorials that give wider publicity to the initiative. The e-tutorials have been received very well by the stakeholders, which is evident from the number of downloads of the e-tutorials till date. **Total downloads of e-tutorials from TRACES site are 3 lakhs.**
- 2. FAQ (Frequently Asked Questions):** Detailed Frequently Asked Queries with the clarifications have been hosted on the home page of the website. “TAG cloud” and “search” facility have been provided on the Home page for easy access of the query on a required topic. **300 questions with detailed explanations covering 32 topics have been posted on the site** for user’s convenience in adapting to the new system. The FAQs and e-tutorials are in English as well as Hindi.

3. **Call Centre: 30 agents** Call centre has been set up to clarify inbound queries raised by the stakeholders. **CPC (TDS) is responding to 2500 calls received on daily basis. Till date 7 lakhs calls received** have been responded through the call center. The e-tutorials and FAQs are regularly updated based on the feedback through call center. This practice of update of e-tutorials and FAQs has facilitated reduction in call volume on account of the higher satisfaction level of the stakeholders.
4. **Dedicated educational drive through targeted email campaign:** CPC (TDS) has initiated **a novel practice of sending educational emails on the registered email-ids of the stakeholders.** As the mails are addressed to the relevant deductor by the unique identity (TAN) and the content of the mail is very specific and relevant to the deductor based on the data analytics, **it has caught the attention of the stakeholders.** This periodic exercise has made a remarkable impact in spreading the awareness on compliance related issues among the stakeholders. **Total 1.5 crores emails have been sent on various topics.** Advisories on compliance related issues (e.g. non filing, late deposit of taxes, TDS defaults), information on new functionalities, good practices to reduce defaults etc. have been issued through this mechanism.
5. **Video Conferencing:** CPC(TDS) has conducted training of the field assessing officers through Video conferencing facilities in the department. The training has included the following:
 - Familiarize the assessing officer(s) about the big picture & about the paradigm shift in their role and responsibilities with the setting up of CPC (TDS). With this shift, the Assessing Officers are now required to perform core functions of investigation/enforcement based on the available information culled out on the basis of data analytics. This has replaced time consuming drudgery work involved in printing & dispatching of the notices intimating TDS defaults.
 - Familiarize them with the facilities, made available not only to them but to other stakeholders, as well so as to appreciate end-to-end processes at CPC (TDS).
 - Address employee's concerns & apprehensions as regards implementation of new CPC system.
 - Sensitize them above increasing requirement of e-office & the CPC-TDS model that makes on HUB-SPOKE philosophy.
6. **Seminars:** CPC (TDS) representatives have taken opportunity to introduce key aspects of the project in the seminars organized by FICCI, Merchant Chamber, PHD chamber of commerce, Chartered Accountants Associations etc. CPC (TDS) has taken note of the feedback of the stakeholders in order to improvise the system to make it more user friendly and to reduce their compliance cost.
7. **User Manual for stakeholders:** CPC (TDS) has published 'User Manual' for the Field Assessing Officers. The intent of the user manual is to make the user aware about broad scheme of the processes. Screen wise navigation helps them to use

different functionalities. The interlinking of User manual, e-tutorials and FAQs has made the training quite comprehensive and user friendly for the stakeholders.

Changes in Legal System, Rules and Regulations

Legal Enablement:- A new section 200A has been inserted in the Income – tax Act, 1962 with effect from 1st April, 2010 vide the Finance (No.2) Act, 2009, which provides for 100% processing of TDS statements within one year from the end of the financial year in which the statement is filed. **Further sub-section (2) of section 200A provides that for the purposes of processing of TDS statements, the Board may make a scheme for centralized processing of statements of tax deducted at source to expeditiously determine the tax payable by, or the refund due to, the deductor.**

1. **CBDT issued** scheme for Centralized Processing of Statement of Tax Deducted at Source vide Notification No. 03/2013 F.No. 142/39/2012-SO (TPL) Dated 15th January, 2013.
2. As the TDS defaults can be resolved only through filing of correction statement, therefore, the ‘Correction statement of Tax Deduction at Source’ has been given legal recognition through notification No. 03/2013 [F.No. 142/39/2012-SO (TPL)] Dated 15th January, 2013 and later through amendment in the provisions of Section 200 of Income Tax Act through Finance Act 2014.
3. It is now **mandatory for all deductors to issue TDS certificates in Form 16/16A after generating and downloading the same from TRACES vide CBDT circulars 04/2013 dated 17.04.2013, No. 03/2011 dated 13.05.2011 and No. 01/2012 dated 09.04.2012.** These circulars have been issued to provide legal authority to the game changing step of “Business Processing Re-engineering” which has led to near elimination of TDS mismatch issue.
4. Government deductors deposit the tax deducted at source without production of bank challan as the TDS stands paid through book adjustment. Since the tax payment was not covered in the OLTAS (Online Tax Accounting System data feed received from the banks) it was not verifiable during processing of TDS statements in the case of Government deductors. In order to plug this gap, Form 24G was introduced through amendment in Rule 30 and 37CA of Income tax Rules in F.Y. 2012-13. Form 24G is now required to be filed on monthly basis by the Principal Accounts Officers to whom the deductors report tax deducted at source through book adjustment. The information received through Form 24G has facilitated verification of tax payment, made through book adjustment. CPC (TDS) has initiated the process of verification of Form 24G (G-OLTAS) data with the tax claimed to be deducted in the TDS statement. This has resulted in better reconciliation of tax deduction at source in the case of Government deductors.
5. Revision of TDS forms, has been done through notification, to capture relevant information required to process TDS statements.

18. Conclusion

The CPC (TDS) is the harbinger of a Non-Intrusive, Non-Adversarial technology driven TDS administration in the country. The robust technology platform has been leveraged to provide value added services to more than 15 lakh deductors and 4 crore taxpayers from all over India and Abroad. The objectives of CPC (TDS) can be summarized below:-

- Provide a comprehensive technology platform for all stakeholders
- Enhance TDS processing capabilities
- Streamline tax accounting
- Address TDS mismatch issues through Online Generation of TDS certificates
- Minimize TDS frauds
- Improve filing of Income Tax Returns and reporting of correct Income
- Release of manpower from Bulk Functions
- Empower assessing officers using Business Analytics for risk profiling and enforcement functions
- Provide insights for policy formulation on the basis of data relating to nature & extent of financial transactions & demographic profile of persons involved in such transactions

The CPC (TDS) has introduced several new concepts and transformed several existing processes in the in TDS administration of the country. The CPC (TDS) reengineered the following processes:-

- Issue of Digital TDS Certificate
- Online Correction of TDS statements
- E-Office
- Centralized Issue and Dispatch of Intimations
- Proactive dissemination of Information for promoting voluntary compliance
- Grievance redressal and communication with the stakeholders
- Data Analytics
- E-enabled services to CPC (TDS) stakeholders

The initiative has benefitted deductors as it has reduced the cost of compliance. The CPC (TDS) facilitates the deductor in accurate reporting of TDS transactions. The taxpayers have benefitted as the issue of TDS mismatch has been minimized leading to prompt refunds. The taxpayers are also able to accurately report their Income and TDS with online availability of Form 26AS. The prompt handling of grievances is leading to better experience for the deductors/taxpayers. The Government has benefitted in terms of:-

- Improved Compliance
- Revenue Augmentation
- Robust TDS administration.
- Savings in terms time, cost and effort.

CPC (TDS), therefore sets an example of an e-governance initiative that provides complete end to end e-services solution to its stakeholders within & outside the government.