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Making tax compliance easier: A platform to honour the honest will build trust and broaden tax base

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The government has touched a new milestone by taking up a series of reforms to make tax compliance easier for taxpayers through the platform for 'Transparent Taxation – Honouring the Honest'. Launched by Prime Minister Narendra Modi, it meets the requirements of a 21st century taxation system.

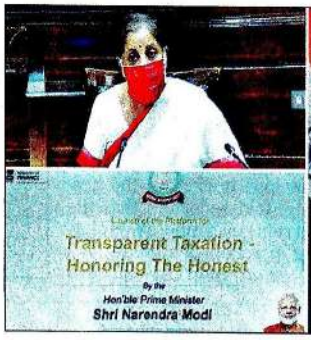
The platform lays down the framework for big reforms such as faceless assessment, faceless appeal, and taxpayers' charter, with focus on providing a transparent and taxpayer friendly regime while forging trust between the tax department and taxpayers. These measures strengthen the road map for making the income tax system seamless and painless. The system comes at an appropriate time, as the digital nature of the process ensures continuity through the Covid pandemic.

Under the ambitious faceless assessment and appeal mechanism, the government's thrust is towards imparting greater efficiency, transparency and accountability, while eliminating physical interface between taxpayers and tax officials. The faceless assessment system looks at promoting ease of compliance and functional specialisation, with improvement in quality of assessment and an expeditious disposal of cases.

The 'taxpayers' charter' is a significant step towards assuring the taxpayer of fair, courteous and rational behaviour from the tax officials. A pathbreaking reform, the tax department is now committed to provide all facilities required to honour and make the lives of honest taxpayers easy, such as fairness, privacy, timely decisions, confidentiality and accountability. The taxpayers' charter also expects taxpayers to be honest, compliant, timely and aware.

It is notable that the new tax platform places India among the frontrunners in a facilitative tax payment system. This will add to its ranking in the ease of doing business and attract investors

A policy driven governance based on digital interface provides greater clarity, eliminates discretion and promotes transparency and certainty. Honest taxpayers are important for the development of the country and the government's commitment to make the lives of such honest taxpayers easy is commendable.



With reduced hardships for the taxpayer, the faceless e-assessment system would foster voluntary tax compliance and bring about an expansion of the tax base. The transparency and objectivity brought in by the new system will reduce tax litigation, which hitherto has been a major challenge.

The objective is to ensure a hassle- and harassment-free process of assessment for honest taxpayers and thus foster a non-adversarial and conducive tax environment. The use of technology to that end will help build trust within industry and among wealth creators.

In the last few years, tax scrutiny cases have reduced by almost one-fourth, from 0.94% earlier to now 0.26%. This is a reflection of the trust that the government is placing on the taxpayers. Under the Vivad Se Vishwas Scheme, almost 3 lakh cases have been resolved out of court in a very short time frame, which is a major milestone.

The country has seen a new model of governance evolving in tax administration. There has been considerable reduction in the legal burden on the tax system where now the limit of filing cases in the high court has been fixed at up to Rs 1 crore and up to Rs 2 crore for filing in the Supreme Court.

Amidst all these efforts, the number of people filing income tax returns has increased by about 2.5 crore in the last 6-7 years. However, it can also not be denied that only 1.5 crore people pay taxes in a country of 130 crore.

It is notable that the new tax platform places India among the frontrunners in a facilitative tax payment system. This will add to its ranking in the ease of doing business and attract investors.

With such efforts from the government, it is hoped that income earners would feel encouraged to pay taxes and that the tax to GDP ratio will be enhanced. The use of technology to reduce the adversarial relationship with the tax authorities will go a long way towards collating the resources required for development and make each citizen and business enterprise a contributor to the task of growth.

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