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## **Income Tax Returns in India through E-Filing– A Present Trend of Simplification**

**Dr. Santanu Kumar Das**

*Assistant Professor, P.G. Department of Business Administration, Kalam Institute of  
Technology, Berhampur, Odisha, India*

### **Abstract**

*Information technology intervention is seen in every field around the globe. Information Technology has been adopted by the Income Tax Department to make the filing of returns faster, easier and to reduce the administrative cost. Adoption of e-filing in India has shown a positive trend over the years due to various advantages. However, it is still very low in many states. The present paper attempts to analyze the trends and growth of e-filing of ITRs in India. Secondary data was retrieved from the web site of the Income tax department. State-wise growths, percentage increase of ITRs received through online were analyzed. It is found that growth of e-filing adoption has received an overwhelming response where as in some other states the response is very low. It is suggested that the department has to make the e-filing system more user friendly, has see to it that the procedure is further simplified.*

**Keywords:** *E-Filing, ITRs, Information Technology, Income Tax Department.*

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**Introduction:** Information Technology (IT) is one of the prominent, remarkable scientific developments during the last few decades. I.T has greatly impacted the life style of human being around the world. Governments in many countries are effectively leveraging this technology to provide improved quality of services to the public in a more innovative fashion and for better public administration. One of the prominent e-governance initiatives which have been launched by a number of governments is in the form of online Income Tax Return filing.

Various reform measures have been taken by the Indian government over the past few years. Simplification of tax administration has been an important reform on the government's agenda. E-filing is one of the most important and advanced e-government services. It provides convenience to taxpayers for tax assessments and payment. Internet allows consumers to conduct transactions within a few seconds and just a mouse click. This convenience can serve as a key driver of e-filing adoption. E-filing provides many aspects

of convenience to taxpayers. Hence it is time to file, place to conduct the filing, ease-of use, information searching and online transactions more

### **What is e-filing?**

Income Tax Department launched e- return filing, TRPs and a Saral form (for individual tax payers) in new avatar in 2007 for better tax administration and good governance practices. The Tax Department made huge investment in terms of system development, safety and security of submitted information and sensitizing tax payers about the benefits of e-return filing using mass-media campaign. The campaign was targeted over the facility of anywhere/anytime filing, fast processing and automatic tax calculations with full safety and security of the information submitted.

### **E-Filing Initiatives in India:**

- a) CBDT through vide notification No. 34/2013 dated 01.05.2013 has made it mandatory for the following category of the Assesses to file their Income Tax Return Online from A.Y. 2013-14 :-
- b) It is mandatory for every person (not being a co. or a person filing return in ITR to e-file the return of income if its total income exceeds INR. 5, 00, 000/-.
- c) An individual or a Hindu undivided family, being a resident, having assets(including financial interest in any entity) located outside India or signing authority in any account located outside India and required to furnish the return in Form ITR-2 or ITR-3 or ITR-4, as the case may be.
- d) Every person claiming tax relief under Section 90, 90A or 91 shall file return in electronic mode.
- e) Those who are required to get their Account under Section 44AB
- f) A firm required to furnish the return in Form ITR-5 or an individual or Hindu Undivided Family (HUF) required to furnish the return in Form ITR-4 and to whom provisions of section 44AB are applicable.
- g) A company required to furnish the return in Form ITR-6.

The e-filing project is an innovative e-governance and e-delivery measure taken by the Income Tax Department for better services to the taxpayers and was notified in the year 2006-07. The e-filing website has been launched and made available for live service 24x7 on 9th November, 2012 with many new utilities like extension of electronic filing of all other forms as prescribed in the I-T Rules 1962, enabling access to history of returns filed, and other Services. The project is aimed at enabling E-filing of Income tax returns, Audit Reports and other forms of the Income Tax over Internet directly by taxpayers and through e-return intermediaries (ERIs) on Virtual Private Networks, enabling e-filing of Income Tax Returns and other web enabled services using XML to enable public private participation in the filing of returns. A portal <https://www.incometaxindiaefiling.gov.in> is functional with a host of services to taxpayers. The new system also offers personalized services including pre-filing of returns with assessee details and 26AS data; online and offline filing of returns etc. The system includes submission of online rectifications,

verification of status updates for receipt of ITR-V. Select information is also available through a mobile interface.

**New Features of E-filing:** Many new features have frequently been added and updated from time to time to make e-filing environment more user-friendly. The important new features are- Facility to download Pre-filled XML File-(after Login feature). PAN details at one place (Name, D.O.B, Status, Gender, Address) - (after Login feature). Request for Intimation - (Earlier there was no option to download if mail not received by the filer). (Submit request for resend print of Intimation to ITR/PAN Address/New Address or via Email, After Login Feature).For New Users, Resend Activation Link Feature is helpful if link not received or mail deleted earlier. User Password can be changed now with Digital Signature Verification also, Feedback Option for User. And, user can register as a Legal Heir to do e- Filing on behalf of the deceased. This is a new feature provided for Individual user. Quick e-File for ITR-1, where user need not download any utility and no software is required. Just fill and submit like an Online Application Form. Mobile Services can be availed using the URL: <https://www.incometaxindiaefiling.gov.in/mobile/>. Forms need to be authorized by CA with Digital Signature and XML to be uploaded in e-filing portal (3CA, 3CB, 3CD, 3CEB, FORM 29B). The portal includes 'Tax Professional' as a new user. They can e-File Income Tax audit report Forms (other than Income Tax Returns). In the new e-filing project there is dedicated call centre and help desk to deal with any query or grievance related to e- Filing.

**Following e-filing activities are planned to be added in the near future:** Validation of third party Utilities, Access to internal users such as Assessing Officers over departmental intranet, E enabling all forms of the Income Tax department.

#### **Advantages of E-filing:**

- ❖ Convenience - Returns can be filed at anytime (day or night);
- ❖ Accessibility is allowed 24x7x365,
- ❖ Fast refunds - It allows taxpayers receiving refunds to get them sooner,
- ❖ Taxpayers get instant acknowledgement of receipt.
- ❖ Value added services like viewing Form 26AS, tracking of refunds, email, SMS alerts regarding status of processing and refunds.
- ❖ Certainty of delivery and quick confirmation - provides immediate confirmation from tax administration that returns have been received,
- ❖ Taxpayers can correct their mistakes or make and save changes in their ITR many times before the final submission of ITR form.
- ❖ Eliminates error notices from tax administrations caused by data entry errors,
- ❖ Increment in freelance job opportunities as Tax Consultant and TRPs etc.
- ❖ Reduction in Documents handling and storage space.
- ❖ Reduced operating costs for tax administration by reducing the cost of handling paper returns and eliminating unnecessary staff.
- ❖ Online help facilities and user guides.

**Review of Literature:** Most of the literature related to e-filing are based on the Technology Acceptance Model (TAM) by Davis (1989) (Wang, 2002; Chang et al., 2005; Gallant et al., 2007), theory of planned behavior (TPB) Fishbein and Ajzen (1975) (Hsu and Chiu, 2004; Hung et al., 2006) and a unified model of both theories (Fu et al., 2006) to assess the acceptance and adoption intention of the e-filing system. Other literature such as Carter et al. (2008) used the Unified Theory of Acceptance and Use of Technology (UTAT), while Wang et al. (2007) used the Innovation Diffusion Theory to observe e-filing adoption among taxpayers.

E-filing adoption and acceptance is considerably related to the people's propensity to embrace and use of new technologies for accomplishing certain tasks as well as ease and usefulness of e-filing system and also security and facilitating support. Empirical findings have also indicated that technology readiness correlates with actual use and intention to use the technology-based products and services in varying degrees (Parasuraman and Colby, 2001). People with higher level of technology usage intention has more experience in using the technology based products and services in varying degrees.

Studies have found that perceived risk significantly influences the intention of present and potential users of the e-services, such as e-filing system (see, Hsu and Chiu, 2004; Fu et al., 2006; Gallant et al., 2007; Carter et al., 2008). However, these studies measure the effect of overall risk on the behavioral intention. The theory of perceived risk has been applied to explain consumer behavior in decision making since the 1960s (Bauer, 1967). Popularity of online transactions has changed the definition of perceived risk. In the past, perceived risk was primarily regarded as fraud and product quality. Perceived risk refers to certain types of financial, product performance, social, psychological, physical, or time risks when consumers make transactions online (Forsythe and Shi, 2003). Perceived risk has been tested with TAM in numerous studies in understanding consumer behavior towards adoption of online shopping (Bhatnagar et al., 2000; Gefen and Straub, 2003; Kamarulzaman, 2007). TAM application in the e-Government studies has been found to be very limited. Consumers perceive risk in most non-store purchasing decisions (including services) seems to have a higher level of perceived risk associated with them (Dollin et al., 2005). E-filing of Income Tax returns is similar to online shopping by consumers. Tan (1999) suggested that risk-averse consumers are less likely to do transaction on the Internet. Since Bauer, (1967) proposed the concept of perceived risk of consumers; many researchers have discussed the issue and have presented numerous extended definitions (i.e. Mitchell, 1999; Huanget al., 2004; and Pireset al., 2004).

According to Pavlou (2002) cognitive and affective factors are important variables that prevent people from trusting online services. Other studies also indicated that perceived risk is an important determinant of consumers' attitude toward online transactions (Bhatnagar et al., 2000; Dollin et al., 2005; Kamarulzaman, 2007). Since intention to use an e-filing for tax transactions involves a certain degree of uncertainty, perceived risk is incorporated as a direct antecedent of behavioral intention to use. Several types of perceived risk have been widely used in previous researches (Mitchell, 1999; Featherman and Pavlou, 2003;

Rotchana-kitumnuai, 2007). Rotchana-kitumnuai (2007) investigated on the use of three risk dimensions, namely privacy risk, performance risk and the fair financial audit risk on the tax e-payment system in Thailand and found that only performance risk and the fair financial audit risk were significant variables to the adoption of the e-payment method in Thailand. Lack of trust is one of the most frequently cited reasons for consumers not purchasing from Internet (Lee and Turban, 2002).

**Statement of the Problem:** Despite all the efforts on part of the Tax Department, the tax payer's perception about this new information technology oriented system is a cause of worry. Since the public don't directly communicate with tax personnel, the e-return filing system may provide little psychological satisfaction. Hence, the present study attempts to understand the features, advantages and growth of adoption of e-filing in India.

### Objectives of the Study:

- ❖ To understand the features and benefits of e-filing
- ❖ To examine the growth of e-filing of ITR in India
- ❖ To suggest measures to improve e-filing system

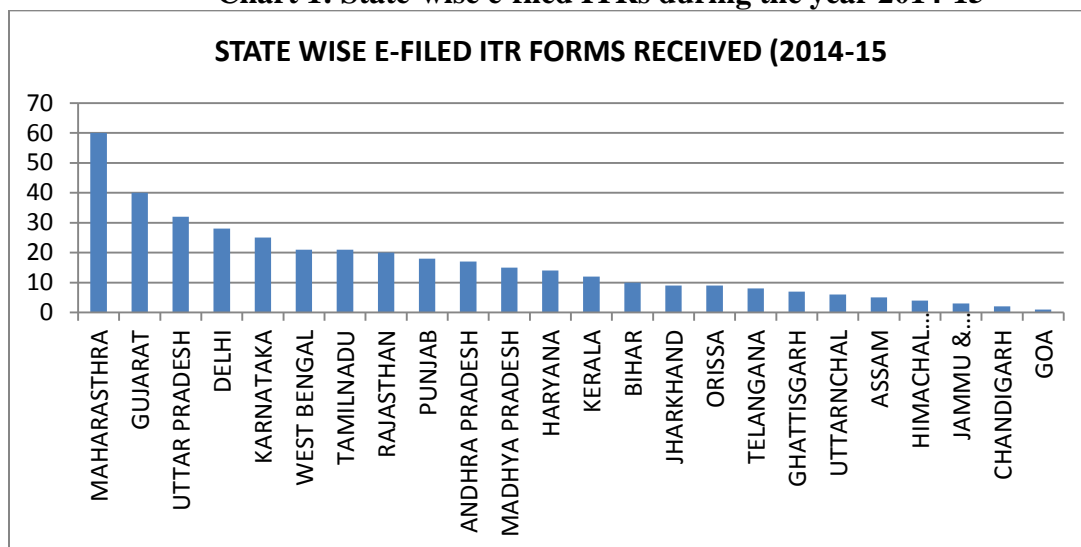
**Research Methodology:** The present study is conceptual and descriptive in nature. The study uses secondary sources of data. The secondary sources include the available literature on the problem, government websites, Income tax department website, journals, news papers and reports. Trends and growth percentages were calculated and exhibited through charts.

**Data Analysis and Interpretation:** Data on e-filed Returns were collected from the web site of Income Tax Department of India, <https://incometaxindiaefiling.gov.in> Table 1 shows the number of e-ITRs for various Assesses for the assessment year 2009-10 to 2015-16 (Up to 30<sup>th</sup> April).

**Table-1: Number of e-filed ITM Forms received**

FORM	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
ITR-1	656544	1983618	4439001	6409881	10676604	13010682	11373538
ITR-2	960384	1040281	1773659	2240995	3213262	3614874	1100230
ITR-3	211074	327409	522579	625890	721831	769081	153336
ITR-4S	0	0	1628612	2947568	4250709	5450081	2147818
ITR-4	2235221	4552028	6712032	7772966	9035055	9343539	2713724
ITR-5	512419	616007	765054	851327	960120	1065650	254994
ITR-6	498335	530899	593047	638184	713736	752070	45179
ITR-7	0	0	0	0	110477	168017	41905
<b>TOTAL</b>	<b>5073977</b>	<b>9050242</b>	<b>16433984</b>	<b>21486811</b>	<b>29681794</b>	<b>34173994</b>	<b>18422231</b>

(Sources: compiled from <https://incometaxindiaefiling.gov.in>)

**Chart 1: State-wise e-filed ITRs during the year 2014-15**

(Sources: compiled and computed from [www.incometaxindia.gov.in](http://www.incometaxindia.gov.in) )

Chart 1 shows disparity among the states. Adoption of e-filing is positive in few states and it is negligible in many states. Maharashtra being the number one state in which the level of adoption is very high. The total number of e-filed ITRs during the year 2014-15 were 62, 19, 523 in Maharashtra, 37, 36, 465 in Gujarat, 27, 17, 420 in Uttar Pradesh, in Delhi 23, 79, 561 and in Karnataka 22, 64, 223. Odisha reduced to sixteenth position in India over the past three years. There are less than one lakh e-returns received in most of the other states.

**Table-2: Growth of E-ITRs over the previous year**

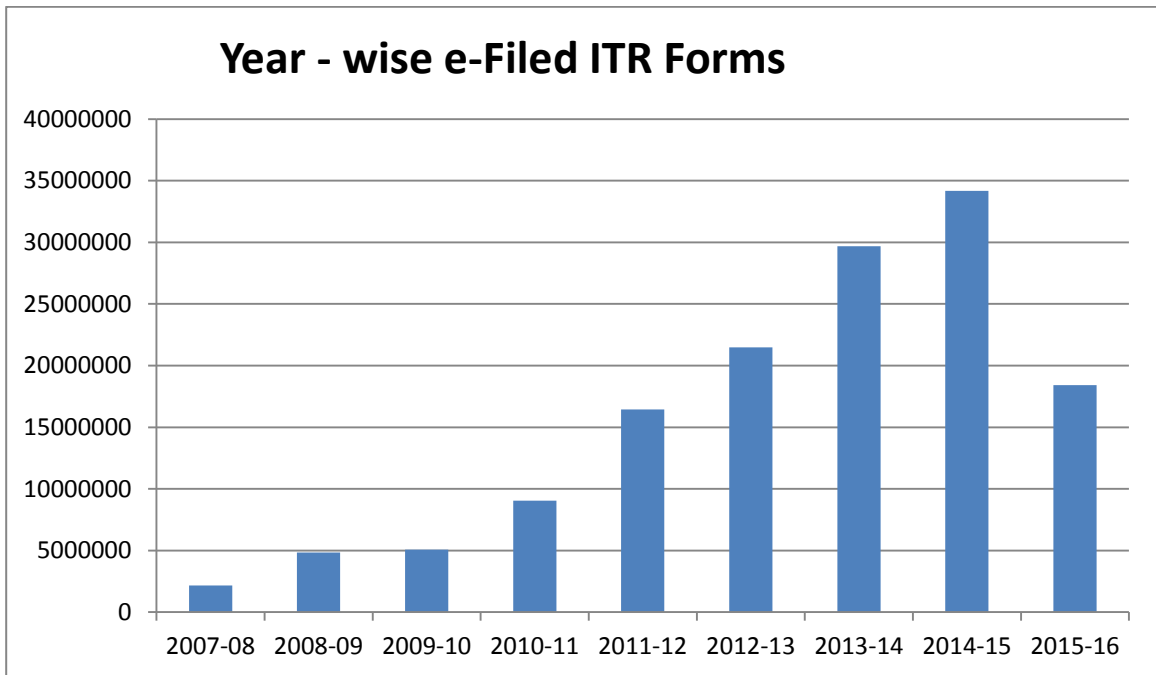
Assessment Year	No of e-filed ITR forms	% Increase over the base year 2007-08
2007-08	2169367	100
2008-09	4830122	122.65
2009-10	5073977	133.89
2010-11	9050242	317.18
2011-12	16433984	657.54
2012-13	21486811	890.464
2013-14	29681794	1268.22
2014-15	34173994	1475.29
2015-16 upto 30 <sup>th</sup> September	18422231	849.19

(Sources: compiled and computed from [www.incometaxindia.gov.in](http://www.incometaxindia.gov.in) )

The above tables show that there is a steady and continuous growth of e-filing in India from FY 2007-08 to 2014-15 and this growth possible only because of adoption of information technology by Income Tax department. This increase may be due to the benefits enjoyed by the people. However, the percentage of e-filed returns compared to total

number of income tax payers in India is very less, since it is mandatory only in certain cases.

The filing of ITR electronically is easy and user friendly as user has to follow step by step instructions. Also, with the latest technology for internet security in use; it is very safe to e - file. There is advantage of acknowledgement from Centralized Processing Centre (CPC), Bangalore about the receipt of ITR. The CBDT report highlights that there is an overwhelming Response for e-filing i.e. more than drastic increase in e-returns received compared to that of the previous years. During the year 2014-15, 34173994 ITR forms received through electronic filing, where as 29681794 e-returns received during the year 2013-14.



(Sources: compiled and computed from [www.incometaxindia.gov.in](http://www.incometaxindia.gov.in) )

### Findings and Suggestions:

- ❖ The study finds that the Adoption of e-filing is positive in few states and where in other many states are quite negligible.
- ❖ Maharashtra being the number one state in which the level of adoption is very high. Karnataka reduced to fifth place from second position in India over the past three years.
- ❖ There are less than one Lakh e-returns received in most of the other states.
- ❖ There has been a continuous growth of e-filing in India from FY 2007-08 to 2014-15 and this growth was possible only because of benefits of adoption of information technology by Income Tax department.

- ❖ The percentage of e-filed returns compared to total number of income tax payers in India is very less, since it is mandatory only in certain cases. Therefore e-filing deserves mandatory for all category of assesseees and persons.
- ❖ The study finds that there is an Overwhelming Response for e-filing i.e. more than 15% increase in e-returns received compared to that of the year 2014-15. The total number of ITRs received through electronic filing was 34173994, where as 29681794 e-returns received during the year 2013-14.
- ❖ Necessary steps shall be taken to improve the e-filing adoption in few states where the response is less. The Income Tax Department has to take Aggressive propaganda and encouragement by educating the filers, and making e-filing procedure little easier.

**Conclusion:** Income Tax Department of India took several genuine steps as per the recommendations of various committees. E-filing of Income Tax Returns over the year has received an overwhelming response over the years and still it is not completely adopted in many states. In order to avail the benefits of Technology intervention in filing of income tax returns the department has to make the procedure of web based services more user friendly and make sure that the privacy and security of the users of web services are protected. It is also required to further simplify the areas such as Password, retrieving ITR-V receipts, acknowledgements, and viewing the receipts and tax credit much easier. When the assesseees find no troubles in using information technology in the process of filing their Income Tax Returns it is sure that all the tax payers would rather voluntarily adopt and make the Department's Project more successful.

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