

## Tax department must introspect on failure in technology implementation



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Taxpayers do not appreciate being test users for software that is not fully functional

The launch of the new income tax portal has brought home the truth about how the tax department has made taxpayers dependent on technology in fulfilling their income tax obligations. The existing website was made non-functional from 1 June, and the new website was launched on 7 June. While the website became accessible only late in the evening on 7 June, even till 15 June, logging in remained a challenge, and even if one surmounted that, none of the functions worked.

Taxpayers wanting to make foreign remittances could not upload the prerequisite forms to make these. All such remittances were held up from 1 to 14 June, till the government clarified that these forms could be submitted manually to banks first, and uploaded online later. Meanwhile, taxpayers also received notices—those asking them to furnish details for assessment which would otherwise be completed ex-parte; show-cause notices threatening levy of penalty unless responded to; or notices warning of appeals being disposed of if submissions were not received in time. They were left hapless and wondering how the government could threaten them with consequences for failure to comply, while compliance was impossible.

This has been the unfortunate tale of taxpayers in relation to tax compliance in the past as well. Compliances are increased without regard to the difficulties taxpayers face. The budget amends tax laws every year with new provisions to punish taxpayers disproportionate to the offence committed.

Honest taxpayers are often penalized for small offences. A tax deductor may make thousands of tax deductions correctly, pay tax in time, file tax deduction returns in time and generate tax deduction certificates. But if he forgets to make one tax deduction, he is penalized by having the expenditure disallowed, resulting in his having to pay income tax higher than the tax deduction involved, besides having to pay interest and penalty for non-deduction.

Taxpayers are penalized by not allowing carry forward of losses if they file their tax returns even one day late, and even if such delay may be due to unfortunate circumstances such as a serious illness. Charitable trusts are worse off—they lose their tax exemption for the year if they file tax returns late even by a day. Late payment of provident fund dues by a day (even if the PF website is down) can result in huge income tax liabilities. There are numerous other such provisions, which are totally unjust.

Can such compliance be a one-way traffic, with 100% compliance expected from taxpayers, but no reciprocation from tax authorities? Is there no such thing as accountability for the tax department? During covid times, many taxpayers were upset that tax officers were given much more time to complete assessments (15 months), than what taxpayers were given to file tax returns (less than 6 months). Was the impact of the lockdown and the pandemic lesser on general taxpayers than tax gatherers?

In fact, rather than the tax department being supportive and assuring taxpayers that they will not suffer because of this non-functional portal, one sees a blame game taking place between the tax department and the software developer for the complete failure of the new portal. The compliance burden has not been eased.

Taxpayers definitely appreciate how computerization has speeded up the process of tax refunds and eliminated a large part of the discretion that tax officers used as leverage over taxpayers. But they certainly do not appreciate being test users for software that is not fully functional, resulting in wastage of time on rectification applications, appeals, or figuring out how to file return forms that do not fully and correctly reflect the legal position, or simply how to get credit for taxes that appear online but do not appear in their tax assessments (even almost 20 years after this was computerized). Can amended return forms, new software, new portals, etc. undergo thorough and rigorous testing for various situations, before being launched on hapless taxpayers?

We boast of some of the world's best software firms. If even these firms are not able to achieve the desired results, something is definitely wrong. Is it the specifications, the testing methodology, the manner in which implementation is rushed or simply the extremely complicated tax law provisions that have resulted in such failures? The tax department definitely needs to introspect and address the root of the problem. It is only then that taxpayers and tax gatherers will both be happy with the results.

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