Innovations in educating Taxpayers and other citizens

Presented By

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YOU KNOW, YOU'RE EVEN STARTING TO SCARE ME...
Introduction

- Taxation…
  - by a state upon its citizens to fund its various public expenditures.

- Why…
  - To raise resources for development and welfare programmes.
    - To bring about economic equality by imposing tax to the income earners and improving the socio-economic condition of the general people.
  - Socio-economic development of a Country is largely dependent on its Taxation Structure.
Tax Structure in India

- Three tier tax structure where taxes are levied by Central Government, State Government and Local Authorities
- Direct Taxes
  - Corporate tax and Income Tax
- Indirect Taxes
  - Central & State VAT, Service Tax, Octroi etc.
- The Central Board of Excise and Customs (CBEC) is the apex body in the indirect tax administration
- The Central Board of Direct taxes (CBDT) is the apex body in the direct tax administration
That’s why need for tax education
Objectives-

- Comparative Study of Tax Structure in India and other countries.
  - Tax to GDP ratio, Tax Rate (%age), Compliance hours
- Analysis of current approach of the Taxmen.
- Raising awareness among the citizens of their role in taxation.
- Identifying novel and innovative measures to educate and spread awareness among the taxpayers towards better and efficient tax compliance.
Need of the Study…. 

- Low Tax Revenue - GDP ratio.
- Low Tax Revenue to the corresponding sectoral Revenue.
  - (for ex. 35% in service tax for year 2015-16)
- Lagging behind the major Economies in taxpayer satisfaction index.
- To understand taxpayer behaviour and attitudes to taxation for developing stronger and more effective compliance risk treatments
- To formulate innovative methods of tax education
- Suggestion for improved tax administration and compliance management.
Methodology ..... 

- Data sourcing and Analysis 
- Taxpayers' behavioural analysis 
  - Study of various Research papers available 
  - Taxpayers/ People’ survey 
- Review of the present structure of Tax Administration
Where we stand ....

- GDP in 2015-16 – INR 152 Lakh Crores
- Tax Revenue – INR 23987 Billion
- Tax Revenue to GDP ratio – 16 %
- Rank as per size of GDP – 7th
- Ease of doing business rank - 130
- GDP Sector wise –
  - Agriculture – 17 %
  - Industry – 30 %
  - Services – 53 %

Ref. IMF 2016 and Economic Survey India 2015-16

MCTP-III (Innovations in Tax Education)- Group-I
Tax to GDP Ratio (% age)

<table>
<thead>
<tr>
<th>Country</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>17.7</td>
</tr>
<tr>
<td>USA</td>
<td>26.9</td>
</tr>
<tr>
<td>UK</td>
<td>39</td>
</tr>
<tr>
<td>South Africa</td>
<td>26.9</td>
</tr>
<tr>
<td>Mexico</td>
<td>19.7</td>
</tr>
<tr>
<td>China</td>
<td>22</td>
</tr>
<tr>
<td>World</td>
<td>21.82</td>
</tr>
</tbody>
</table>

Ref. PWC Survey 2016
## Taxpayers in the Service Sector

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Revenue (in Cr.)</th>
<th>Number of Assesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993–1994</td>
<td>254</td>
<td>2568</td>
</tr>
<tr>
<td>2005–2006</td>
<td>23055</td>
<td>846155</td>
</tr>
<tr>
<td>2015–2016</td>
<td>210000</td>
<td>2512617</td>
</tr>
</tbody>
</table>

Ref. IMF 2016 and Economic survey India 2015-16
Tax rate cost to business

Ref. world bank and PWC Survey 2016
Ease of doing business

<table>
<thead>
<tr>
<th>Country</th>
<th>Rank Secured in easy of Tax Payments amongst 189 Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>157</td>
</tr>
<tr>
<td>USA</td>
<td>53</td>
</tr>
<tr>
<td>UK</td>
<td>15</td>
</tr>
<tr>
<td>South Africa</td>
<td>20</td>
</tr>
<tr>
<td>Mexico</td>
<td>92</td>
</tr>
<tr>
<td>China</td>
<td>132</td>
</tr>
</tbody>
</table>

*Source:* World Bank Data
Taxpayers’ Behavioural pattern -

- Taxpayer surveys - to assess Customer satisfaction index
  - ascertain the needs and requirements of taxpayers as well as their overall satisfaction level.
  - Feedbacks help in fine-tuning taxpayer service and in improving overall customer satisfaction.
- Helpful in gauging revenue potential from ignorant sectors
- Stimulus to structural and policy level changes
Revenue response to taxpayers' behaviour
Current approach....

- Web base interface – ACES, ICES, SWIFT, AEO, EASIEST etc.
- Publicity campaigns and advertisements - major means of communication
  - To generate awareness about tax laws and compliance procedures.
  - Largely inform taxpayers about the due dates for filing, tax payments etc.
  - No communication structure.
- Citizen’s charter
- SEVOTTAM
- CPGRAMS – Online Grievance Redresal.
- No dedicated focus on taxpayer service or education.
**ACES** - Automation of Central Excise and Service Tax (ACES) is the e-governance initiative

- A web interface aims at improving tax-payer services, transparency, accountability and efficiency in the indirect tax administration in India.

**ICES** - Indian Customs EDI system

- Simplified and harmonized interface for customs.

**SWIFT** - Single Window Interface for Trade

- An integrated single entry point Customs Gateway (ICEGATE) interface.
- Reduce dwell time and cost of doing business
• **SEVOTTAM**-
  ◦ SEVA and UTTAM means Excellence in Service.
  ◦ Service Delivery System featuring transparency, accountability, reliability, responsiveness and empathy in taxpayer functions

• **CPGRAMS**-
  ◦ Centralized Public Grievance Redress and Monitoring System
  ◦ providing taxpayer services in terms of timelines in delivery, single window facility, trade facilitation and proactive feedback collection.
Why under achievement....??

- Sub optimal efforts in tax facilitation & taxpayer service.
  - Participation and contribution to national growth and generating revenue has although shown some growth but substantial participation is not visible.
  - Comparative economic statistics suggest improvement in Tax- GDP ratio, ease of doing business index or tax compliance index
- Ignorance/ less focus to taxpayers’ Education.
- Lack of efforts to sensitize and mobilise citizens in the early adoption stage.
- Under utilisation of Web/Telecom platforms.
Suggestions & Recommendations....

- Pareto's Principle
  - Italian economist Vilfredo Pareto
  - On unequal distribution of wealth

- Twenty percent of the people own eighty percent of the wealth.

- 80/20 Rule is a useful tool to help you prioritize and manage the work.

- Applicable to Taxation
  - 80 percent of Revenue comes from 20 percent of the total taxpayers.
  - Focus on 80% of the Taxpayers contributing 20% only.
Tax Ed. Programme *(Information Overdrive)*

- Part of school and University Curriculum.
- A long-term cultural shift through **School Tax Education Programme (STEP)**, targeting primary, secondary and tertiary level schools and college/Universities
  - Fun and engagement programme for children such as **Tax camp, Tax slogan/poster competition** etc.
- Model state - Kenya
  - Schools Outreach Programme was a success.
  - *(Source – OECD report on Tax Education 2013)*
Tax Outreach Programmes

- **Accounting and Tax Support Centre initiative**
  - in collaboration with top management/technical institutions
  - free support to low-income taxpayers and micro-entrepreneurs, focusing on compliance with taxpayer obligations and taxpayer rights, as well as reviving a tax-paying culture, educate young minds on their role in the fight against corruption and smuggling and the role the taxes play in socio-economic development of the nation.

- **Tax Vehicle** campaign
  - Similar to “food on wheels” or “108 ambulance services”
  - A mobile vehicle running across the nation with hybrid features of SEVOTTAM and Web interface.

- **Tax Workshop** at management and business institutions in urban areas for Small and Micro Businesses to provide basic education on accounts and taxation
Media blitz…

- **Tax TV**
  - Focus on high “EQ” TV campaign
    - Target the young minds
    - linking tax compliance with patriotism or duty
    - “service to the nation” or “service to the society”
  - TV commercials where tax compliance is linked with service to nation or society, satiates the social conscience or responsibility of taxpayers and boosts their tax morale.
    - P&G products (social cause) or Patanjali products (national cause) are few such examples.
- Periodical airing of television or radio advertisements during tax season or national budget.
- Association with Sports leagues – IPL, KPL, IHL, ISL etc.
• **Tax Radio…**
  - Remotest reach to the last strata of country
  - “Chat” or “कर की बात” kind of radio talk show/helpline platform
  - Information sharing on tax procedures and solution/ suggestions to taxpayers’ queries, doubts etc.

• **Web series or Television series—“Tax Guardians” “Airport”**
  - Reimaging taxmen’s role play in the national economy, cross border security, prevention of tax evasion, smuggling, risk factors involved in such operations.
  - Reminding citizens of their responsibility to pay taxes through entertaining yet educative methods.
    • “Guardians of economic frontiers” was one such web episode.
Tax Merchandise...

- Launch sports/ clothing merchandise and set up Tax Retail stores across the country.
- With interesting and eye catching Tax motivational/ awareness quotes such as – “the new age patriotism- Tax compliance”, “I serve my nation”, “I pay my tax, Do You…?” “Your tax can make India Bright”, “� कर do you कर” etc.
- Free distribution in schools/ colleges across the nation through Tax bodies or Educational institutions or local bodies.
• **Posters/stickers or Digital Billboards** displayed in public transport - local trains/buses/Taxis-Autos etc.

• **Tax-Graffiti** across city flyovers, under bridges or on the boundary walls of public offices or utilities.

• **Kar Chitra Katha and Tax Magazines**
  - monthly/fortnightly tax magazines covering various aspects of tax law, education guide, achievements of the department, visual jokes/graphics, Q&A section and suggestions or feedback etc.
  - Tax education through pictorial/graphical story telling
Tax mobile app

- Smart phones, a digitally induced revolution in communication.
  - Greater reach and user friendly.
- “Tax app”
  - A mobile app featuring modules- tax reminder, tax calculator, instant pay, instant file, etc. where the taxpayers can check their liability, pay taxes, file returns etc. with their registered mobile number or PAN.
- “Customs Traveller Guide India” is one such App providing information relating to customs Baggage Rules.
- Similar Apps can be developed and launched in other core tax sectors- Service tax and Central Excise and others.
Instant messaging facility

- “i_SMS”
  - an instant messaging facility
  - Cellular/Telecom based interface
  - The state to taxpayers
  - Expressing Gratitude/Recognition for contributing towards national development
  - Communication of Information related to the utilisation of the paid tax in social or infrastructural project for the benefit of the people.
  - Tax Care numbers with call back features

- “Tax_Call”
  - Toll free Tax helpline.
  - Improve Tax morale
  - Strengthen Citizens commitment to the common social causes
  - motivate to pay their taxes on the grounds that the state is keeping its side of the social bargain.
• **Payback or Loyalty points scheme**
  ◦ Similar to Privilege cards or Payback cards in Banking/ Finance/ Retail/ Airline sector,
  ◦ A loyal/ compliant Taxpayer can buy loyalty points for making advance tax payments on provisional basis over and above its liability or; on timely payments of its liability and returns filing which can be redeemed for minor lapse or technical defaults, if any in future, like delayed payment or non/late filing of returns.

• **“Tax credit Scheme”**
  ◦ Entitles a taxpayer ‘Tax credit’ equivalent to certain percentage of total growth in their tax liability for the year vis a vis last year’s with certain conditions.
    * Growth slabs
  ◦ Tax credit can be utilised for payment of subsequent tax liabilities or tax arrears.

• **“Deferred tax facility”**
  ◦ Consistent and Loyal Taxpayers to be extended the privilege of additional time for payment or Returns filing etc.
Tax Social Responsibility (TSR)

- An Initiative of the Tax department to promote social cause
- “Clean City” “Green city” “Help the poor” “Blood donation Camp” and “रोटी-कपड़ा Bank” etc. emphasizing on collective roleplay of tax collectors, taxpayers and ordinary citizens in Social, economic and infrastructural development of the country.
- Negate the negativity or fear factor, the taxpayers carry at large and provide a tax friendly ambience.
- Collaborative innovation
  - Other stakeholders like Tax practitioners/Trade associations may be collaborated for such initiatives.
Kiosk or Facilitation Centre (kar samadhan kendra)

- At Block or District level across the country.
  - P3 project in collaboration with ICAI/ CII/ ICWA etc.
- Providing services to taxpayers who may not have requisite IT infrastructure or resources, to use online/web interface.
- Available to the taxpayers free/on payment of minimal prescribed service charges for various services.
- Will also offer help and guidance to prospective taxpayers.
Felicitation/Reward or Incentive policy

- “Taxpayers’ Day”
  - Recognition and Award to the country’s best taxpayers – Tax Compliant – from among those in the highest income brackets, as well as taxpayers on small and medium incomes.
  - High-level public cum political engagement
  - Mass media coverage

- Strengthen links between taxation and national development, promote tax compliance, and build trust among the taxpayers and citizens.

- consistent and critical element of tax education when wide publicity is given which is very crucial in spreading awareness at large and influencing the prospective taxpayers towards tax compliance
  - Although the CBEC has been celebrating Central Excise day and Customs Day every year, however no wide publicity.
• **Social media**
  ◦ Facebook
  ◦ Twitter
  ◦ Linkedin
Deterrence Mechanism

• Tax evasion
  ◦ Lack of fear of punishment, limited enforcement, lack of tax awareness, misperception that the state collects taxes in an unfair and inefficient manner.
• Strengthen its enforcement capacity by improving its Audit and anti Evasion wings.
• Stringent punitive provisions for the habitual tax offenders
• Economic Offence intelligence sharing platform
  ◦ Coordination between different enforcement organisations - police, income tax, commercial tax etc.
What we expect...

- Better Tax Awareness
- Better Tax Compliance
- Growth in tax revenue
- Increase in GDP
- Better resources for socio economic development and welfare programmes
- Improved Human development index
- Happiness amongst all.....