

CHALLENGES AND PROSPECTS OF E-FILING

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ABSTRACT

E-Filing is one of the E-Government services that have been adopted by, many developed countries today where the public has to discharge their responsibility to the government, via online tax filing. The paper highlights the benefits and challenges of E-filing E-Payment. E-filing allows tax payers to file taxes online so that they can receive a quicker refund or pay owed taxes online. According to the Internal Revenue Services, more than 90 million people their tax returns in 2009 through E-filed. The aim of the article is to evaluate the process of E-filing E-payment. Benefits to E-filing are increased accuracy, fast confirmations, and quicker returns. However, E-filing is not error-free and some problems can arise from using this method of filing taxes.

Key Words: Benefits, Challenges, E-Filing, E-Payments, Problems.

Introduction

An E-filing program was first introduced by the US-IRS as a pilot project for the 1986 filing period with the primary objective of improving its efficiency in processing tax returns. Prior to the launching of the project, the IRS worked closely with tax-preparation software. Provides and tax professionals to ensure a successful launch of the program. During the test year, the IRS offered E-filing services in three cities and restricted the types of tax payers and the types of return that could be filed electronically. Example: tax preparers were only allowed to file returns with nil balances. The process of submitting tax returns over the Internet, using tax preparation software that has been pre-approved by the relevant tax authority, such as the IRS or the Canada Revenue Agency. E-filing has manifold benefits; the taxpayer can file a tax return from the comfort of home, at any convenient time, once the tax agency begins accepting returns. The landscape of Income Tax returns filing has been witnessing a slow and steady change with e-filing of returns picking up momentum, especially among the youth, owing to factors like familiarity, ease-of-use, security and speed. The number of those opting for e-filing has grown from 2.5 million some years ago to 4.5 million in 2008-09 and it is expected to touch the 10 million mark in future.

- The process of electronically filing Income tax returns through the internet is known as E-filing.

- It is mandatory for Companies and Firms requiring statutory audit u/s 44B to submit the Income tax returns electronically from AY 2007-08 onwards.
- Any Company/Firm requiring statutory audit u/s 44AB return submitted without a e-filing receipt will not be accepted.
- E-filing is possible with or without digital signature.
- Digital signature is mandatory for Companies from AY 2010-11 onwards.
- For the purposes of this paper we will define e-filing as the transmission of tax information directly to the tax administration using the internet. Electronic filing options include
- Online, self-prepared return, using a personal computer and tax preparation software.
- Online submission of returns using a tax professional's computer and tax preparation software.
- Electronic filing may take place at the taxpayer's home, a volunteer site, the library, a financial institution, the workplace, malls and stores, or a tax professional's place of business.

Advantages of E-Filing

There are also advantages to both Revenue and the customer in electronic filing.

➤ **Improved Customer Service:**

Revenue can provide a more efficient, timely and cost effective service to our customers. Everyone can access to your own Revenue account from our own Revenue account from our own PC with 24 hour, 365 day access to ROs. It provides Calculation facilities to assist customers in determining their exposure to taxes. There is a Built-in electronic acknowledgement and uniform communication with all customers.

➤ **Faster Turnaround Time:**

By eliminating mailing, handling, and keying in of returns, they are now process more quickly and retrieved rapidly.

➤ **Improved Accuracy and Audit trails:**

By eliminating the manual keying in of tax data and by implementing a series of computer checks and validations, the system allows more accurate processing of tax data. Specific problem fields are more easily identified.

➤ **Reduced Processing Costs:**

There will be cost saving as a result of the reduction in duplicated manual process, that substantially reduce compliance costs for the customer along with a better distribution of the workload for employees. Staff resources will be redeployed to other areas E.g. customer service.

➤ Other Potential Savings:

There will be a reduction in costs associated with procurement, printing, postage, storage, replacement, stocktaking and distributing printed forms.

E-Filing Process:

- ❖ Select appropriate type of return form.
- ❖ Download return preparation software for selected return form.
- ❖ Fill our return offline and generate a XML file.
- ❖ Register and create a user id/ password.
- ❖ Login and click on relevant form on left panel and select “submit return”.
- ❖ Browse to select XML file and click on “upload” button.
- ❖ On successful upload acknowledgement details would be displayed. Click on “print” to generate print out of acknowledgement/ITR-V Form.
- ❖ In case the return is digitally signed on generation of “Acknowledgement” the return filing process gets completed. Assesses may take a printout of the acknowledgement for record.
- ❖ In case the return is not digitally signed, on successful uploading of e-return, the ITR-V Form would be generated which needs to be printed by the tax payers. This is an acknowledgement-cum-verification form.
- ❖ The tax payer has to fill-up the verification part and verify the same. A duly verified ITR-V form should be submitted with the local income tax office within 15 days of filing electronically.
- ❖ This completes the return filing process for non-digitally signed returns.

Benefits of E-Filing

If we file our patent application on-line, we will;

- ✓ On-line verification to assure error-free filing and obtain our filing data.
- ✓ Save the data locally in our PC.
- ✓ Be able to recall our contact details for subsequent applications.
- ✓ Receive a patent application number immediately.
- ✓ Speed up the registration process.
- ✓ Print the completed application data and receive fee acknowledgement.

E-Payment

This paper defines e-payment as the transfer of money from a person’s bank account to the tax administration’s bank account using the internet. E-payment can be made online, at any time (during and after banking hours), and from any place. Generally, under an e-filing and e-payment system returns are

field and payments are made via the internet and tax administration sends an electronic confirmation acknowledging receipt of the return and/or payment. In the case of e-payment, the taxpayers also receive a debit confirmation from their financial institutions.

Problems of E-Filing

E-filing allows taxpayers to file taxes online so that they can receive a quicker refund or pay owed taxes online. According to Internal Revenue Service, more than 90 million people were e-filed their tax returns in 2009. Benefits to e-filing are increased accuracy, fast confirmations, and quicker returns. However, e-filing is not error-free and some problems can arise from using this method of filing taxes.

Incorrect W-2 or 1099 Information

When e-filing, all information on the W-2 or 1099 forms must be typed into the tax software program. If any of this information is entered incorrectly, such as the name or Social Security number does not match, the tax return and income documents will most likely need to be mailed to a specific address. However, we may receive a message back from the IRS via the software and it will specify what is wrong. We may be able to re-enter the information correctly and resend it. If this is not the issue, then we may need to send a hard copy.

E-File Payment.

A disadvantage for some taxpayers when using the e-file system is that they do not have a credit or debit card to pay for the service if necessary. These services do not allow people to use a checking account, but some software sites allow e-filers to deduct the amount from their tax refund. However, in this instance the price may be significantly higher or double if paying with a debit or credit card.

E-File Rejections

Taxpayers who use the e-filing service can receive a rejection from the IRS for many reasons. The most common rejection reasons are user error, software problems, or problems with the IRS or state filing systems. If this happens, it is best to try to correct the problem. It may be best to send in a paper return with the necessary documents if the e-file is rejected more than three times for proof that we filed a return.

Types of E-Filing

There are three ways to file returns electronically,

- ◆ Option 1: Use digital signature in which case no paper return is required to be submitted.
- ◆ Option 2: File without digital signature in which case ITR-V form is to submit to CPC Bangalore within 120 days of e-filing. This is a single page receipt cum verification form.

- ◆ Option 3: File through an e-return intermediary who would do e-Filing and also assist the Assessed file the ITR V Form.

Challenges in Implementing E-Filing

The basic for implementing successful e-filing and e-payment systems are,

- A reliable and accessible internet service.
- Cooperative financial institutions.
- IT oriented public;
- Adequate financing to set up the appropriate infrastructure in tax offices.

Ideally, the setting of an e-filing and e-payment system should form part of a comprehensive IT design, development and implementation strategy.

The implementation process for e-filing and e-payment systems begins with the development of a strategic business plan-documenting the ideas and actions, desired outcomes and the time frame for each component, taking into account the strength and weak nesses of the tax administration and environmental opportunities and threats. The plan should also document the implementation strategy including the implementation approach. Many countries have taken a gradual approach by allowing voluntary e-filing and e-payment for select segments of the taxpayer base, e.g. individuals or companies only, in the initial stages to allow for live testing of the system. After testing is complete filing becomes mandatory for some taxpayers, e.g. companies. The design of systems will depend on the environment within which the tax administration operates the quality of its business processes, and the amount of its funds available for system development. However, implementation of most e-filing and e-payments include the following three steps:

1. Developing a program for the preparations of returns which:
 - a) Is extremely user friendly;
 - b) Allows data import from taxpayers system and
 - c) Has a special version tax partners.
2. Developing a system with appropriate IT modules and firewalls to receive and validate electronic returns; and
3. Developing an electronic fund transfer system which:
 - a. Is safe and secure;
 - b. Permits taxpayers to schedule payments on different dates; and ensures the only amounts declared in tax returns can be debited from taxpayers bank accounts.

Conclusion

The use of electronic services to improve tax administrations efficiency and provide enhanced taxpayer services has become one of the main objectives of many tax administrations. Online shopping allows customers to sit in their homes and buy goods from all over the world. Similarly allows merchant to sell their products to all over the world from home. Most of the population will use online payment in near future. Most of the third world countries lagged behind in making good internet architecture. There is a need of a secure online payment gateway in developing countries. On the basis of proposed architecture of e-payment system of third world countries, this paper gives brief overview of existing electronic payment gateway. It also mentioned the requirement for an electronic payment gateway for customer and merchant's point of view. And on the basis of these facts and figures a new secure e-payment gateway has been designed and developed. The payment gateway would secure transactions.

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