

Sector:

IT/ITeS Industry

Project Title:

Computerization of Commercial Tax System

Project Description:

After demonstrating India's might in Information Technology (IT) to the whole world, efforts are being initiated to harness its true potential towards social upliftment and economic development of masses. Enhancing service delivery of government departments is the potential application area for such initiatives and is being actively pursued across various States in the Country. IT integrated approach can be effectively utilized to enhance efficiency, productivity and transparency of Government administrative machinery.

In a similar effort, the Government of Madhya Pradesh (GOMP) wishes to implement high-end IT integrated solutions to automate the functioning of commercial tax department and tax collection process in the State.

At the core of system would be a customized software for tax collection such as "Value Added Sales Tax Information System" (VASTIS) developed by TCS and implemented in Andhra Pradesh. This coupled with requisite hardwares, networking components, connectivity, facilities management services and various other peripherals would form the enabling infrastructure for implementing the system.

The system would also help in analysis of revenue collection and business trends enabling tax administrators to effectively plug revenue leakage. The software would have various information checkpoint for monitoring intra and interstate goods transfer, turnover tax and central sales tax functionality.

Comprehensive nature and integrated functioning capability of the system would enable automated operation of various key functions such as processing, notifying, account balancing etc. This in turn would facilitate transfer of precious manpower to more effective tasks such as invigilation, audit activities and monitoring of revenue collection.

The key aim for implementing such system would be:

- To create an efficient and transparent tax administration and collection system
- Streamline and integrate the functioning of tax department
- Promote voluntary compliance among the tax payers

- Expand the tax payers base
- Redefine the department and citizen interface and enhance service quality

To enable access to various services offered by the department and facilitate effective dissemination of information, a dedicated portal would be developed. It would provide host of customer friendly features such as e-returns, e-payments etc. Further, it would be linked to all the citizen service centers, which would facilitate payment of taxes and filing of returns at these centers. This would assist in increasing transparency and widening the outreach of government services.

To materialize this initiative the government invites participation from the leading national and international IT companies. Already, a database of all tax payers has been created and all 55 locations of the department have been networked.

Project Rationale:

Effective implementation of advanced IT solutions helps streamline communication, reduce processing cost and can significantly increase the scope and outreach of various government services. On the contrary, it empowers citizens and provides significant tangible and intangible benefits such as procedural convenience, increased accountability, abridged information gap and reduced corruption.

The State has a rapidly burgeoning economy and it is well poised to be the next investment destination in the Country. GOMP has ambitious plans to attract substantial investment especially FDI in the State, the key drivers for which are proactive government support, single window clearance and efficient administrative machinery. Further, modernization of state administrative machinery have become imperative due to increasing interest evinced by Various domestic and international investors in the State.

Commercial tax department being the nerve center of State revenue generating machinery demands imperative employment of advanced processing and information collation system for efficient and effective functioning.

Madhya Pradesh is among the foremost States to initiate tax reforms by adopting Value added Tax (VAT) system and is determined to further galvanize entire tax machinery for providing convenient, trustworthy and high quality services to its citizens. The envisaged system would assist the citizens and traders to comply with commercial taxation structure and imbibe the intricacies of VAT system and ensure effective compliance.

The deployment of an automated taxation system would expedite processing functions, enhanced information exchange and offer convenient service delivery. Thus it would modernize the administrative functioning and increase the

investor’s confidence by portraying a business like approach.

Proposed Services:

The envisaged system would provide the following key services:

- Online registration
- Online payment and returns filing
- Effective tax rates
- Key notifications
- Provisions and enactments
- Form download

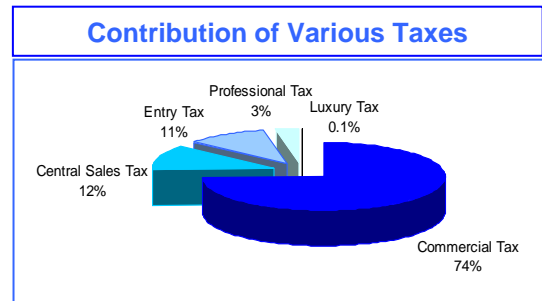
These services could be accessed through an internet connection without any geographical hindrance. Further, the citizen service center would cater to the need of IT incompatible and illiterate population. The center personnel would assist these people in effective utilization of various facilities and service offerings.

Market Potential and Demand Dynamics:

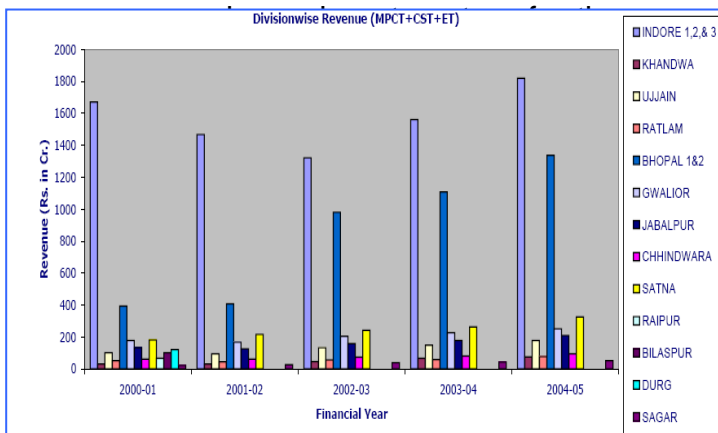
The Government of Madhya Pradesh is keen to utilize IT towards the socio-economic development of masses. The Government wishes to integrate entire tax functioning under one system to improve service delivery, which would lead to greater revenue collection due to increased outreach and widened tax base.

Government of MP has laid great emphasis on computerization of the various revenue generating departments.

Commercial Tax Department is the highest



Source: Dept. of Commercial Tax, GOMP



Government with a contribution of nearly 74% of the total revenue collected by the State treasury.

There are varieties of taxes levied by the government and as evident from the figure the commercial tax collection has shown a

constant YOY growth. Further, after implementation of VAT, the process has become cumbersome due to increased procedural intricacies and demands installation of a smart monitoring system.

The benefits of implementing IT integrated solutions in the tax department are evident from analyzing history of VASTIS in Andhra Pradesh. Wherein, the whole process has been streamlined and has led to a rapid surge in the base of taxpayers. Further, the system’s contribution has been critical in effective implementation of VAT in the State.

Madhya Pradesh has been at the forefront to initiate various e-governance initiatives. The GOMP has evinced high interest in employing IT towards increasing the service delivery of various state government agencies.

The joint study conducted by IDC & Dataquest, ranks Madhya Pradesh as the fourth leading State in India in terms of overall perceived improvement of delivery of Government Services through e-governance initiatives.

Perceived Improvement in Delivery of State Government Services to CITIZENS Through E-Governance							
S. No	E-Governance Assisted Service Delivery Area	Highest Score	State Scores				
			Gujarat	Madhya Pradesh	Kerala	Uttar Pradesh	Karnataka
1	Water utility- service delivery & support	91.4	85.0	91.2	82.2	80.0	83.4
2	Municipal taxes- payment & information	89.6	88.6	89.6	84.0	75.6	84.2
3	Applying for birth/ death/ marriage certificates	89.6	89.6	89.6	82.4	76.8	70.8
4	Power utility- service delivery & support	92.4	92.4	88.6	80.0	80.0	85.2
5	Filing of income tax returns	91.4	91.4	87.8	90.0	82.6	80.6

Perceived Improvement in Delivery of State Government Services to CORPORATES Through E-Governance							
S. No	E-Governance Assisted Service Delivery Area	Highest Score	State Scores				
			Andhra Pradesh	Maharashtra	Madhya Pradesh	Gujarat	Karnataka
1	Income tax department- filing of tax returns	94.6	85.6	80.0	92.4	90.4	82.0
2	Registration of land	91.4	88.0	71.2	90.6	83.4	71.6
3	Executing sale/ purchase of land/ property	93.6	93.6	72.8	90.4	80.0	70.0
4	Income tax department- application for PAN number	94.4	84.2	77.2	89.6	90.4	82.2
5	Sales tax/ Service tax- filing of returns	89.6	89.6	74.6	89.6	84.6	75.8

Some of the key e-governance projects initiated by the GOMP in the recent times are:

1. TRANSPORT DEPARTMENT

The department has implemented computerization of its activities viz. issue of driving licenses, vehicle registration, permits etc. With Smart Card interface, on a Build Own Operate (BOO) basis, the project has been operational since January 2002.

2. E-KRISHI VIPNAN (EKVI)

M.P. State Agriculture Marketing Board (Mandi Board) has initiated computerization of all its offices and mandis (around 230) phase wise, to facilitate e-agricultural marketing in MP Private sector company are implementing this project on a BOO Model. Presently a pilot is under implementation.

3. TREASURY NETWORK

Department of Finance, which manages Government funds through treasuries and sub treasuries, is also implementing major computerization project to automate and network with the State Headquarters. This aims to facilitate information access on-line and bringing greater transparency and efficient fiscal management of resources. Project will be operational shortly.

4. LANDS RECORD DIGITALIZATION

Project implemented to computerize the record of ownership of agriculture land of approximately 6.50 million landholders. It has been operational in the entire State for quite sometime now and almost all the records have been digitalized. Copies of the records are made available to the citizens, at Tehsil Offices

5. COMPUTERIZATION OF PROPERTY RECORD REGISTRATION

Stamps and Registration Department, another major revenue earning department of the Government, is in the process of computerizing its operations. Software for the activity has been developed and a pilot project has also been operational. Now the department is rolling out the pilot in all its offices on BOT model

- *MP is among a few front-ranking Indian States to use e-governance effectively in providing health services and promoting trade, business and industry.*
- *A nation-wide survey by DataQuest magazine ranks MP among leading States like Kerala, Delhi, Gujarat and Goa in the use of e-governance.*
- *The State holds first position in rendering public utility services through e-governance in areas such as municipal corporation, land (revenue), income tax and law. It also stood first in making proper arrangements to provide e-payment facility to the corporate sector.*

Computerization of commercial tax system is among the key e-governance initiatives envisaged by the GOMP to further its unwavering commitment towards modernizing the State administrative machinery.

Why Madhya Pradesh?

- Conducive environment for industry, package of incentives with investor friendly IT Policy.
- The State has set up over 24,000 kms of optical fibre backbone to cover all its 313 developmental blocks across 45 districts (One of the highest optical fibre coverage in the Country).
- Because of the central location the State is well connected to the major cities in the Country through air, road and railways. Presently the Government is also focusing on strengthening its road transport network. This excellent connectivity of the State is the key to all logistics related issues for the present and the potential upcoming industries.
- Presence of institutes of international repute like IIM (Indore), National Law University (Bhopal), IITM (Gwalior) and a large number of engineering, management, medical and other professional courses fulfill the needs of high quality education and provide the sources of quality workforce. The cost of professional manpower is comparatively less in MP (10-15% cheaper) as compared to other industrially developed/ developing States.
- Despite the potential, the rate of prime land in the State is among the lowest in the Country, thereby offering an indirect advantage to the potential investors by reducing their capital investments.
- The law and order conditions in the State are among the best in the Country thereby making it a safe place to invest and a better place to live.

Proposed Investment:

Substantial amount have to be invested in the development of various facilities and service components. The key capital cost would comprise of the following.

- Consultancy fees
- Hardware cost
- Software cost
- Manpower and training cost
- Networking
- Website development

The total cost for the Project is estimated around USD 6.6 million or INR 3 crores.

Returns:

The private player has the opportunity to build and maintain the system on the basis of Build Own Operate (BOO) model or it can charge a fixed annual amount from the Government for maintenance.

Coordinating Agency:

- **Madhya Pradesh Agency For Promotion of Information Technology**
- **Department of Information Technology**
- **Government of Madhya Pradesh**