

CHAPTER 3

ENFORCEMENT ISSUES IN ELECTRONIC COMMERCE

The effect of Internet on enforcement of tax laws has raised fears of governments being unable to meet legitimate demands of their citizens for public service. The Committee acknowledges that the advent of e-commerce in India will demand a high level of preparedness from the tax administrators, to address the many enforcement challenges likely to be posed by this fast emerging way of doing business.

This section discusses the following aspects:

- Identity and location of parties;
- Anonymity of transactions and accounts;
- Dis-intermediation;
- Transfer pricing issues;
- Online delivery and net cash;
- Easy access to tax havens and low tax jurisdictions;
- Identification of taxing jurisdiction;
- New evasion opportunities;
- Recovery of tax;
- Exchange of information; and
- Tax payer service opportunities.

One of the significant perceived threats associated with the advent of Internet is anonymity offered by the Internet -- the customer does not know where the server is located and the server can not identify where the customer is located. In his paper on Electronic commerce -- "*Answering emerging issues*", Stephane Buydens of OECD, has expressed the view that with e-commerce and use of private intranets, it may be difficult to know who is doing what. He also fears that without accurate identification, it may be difficult to tax a taxpayer.

There may be double taxation or problems in determining tax jurisdiction. Transfer pricing problems, existing even at present, are expected to become much more complicated with Internet. Internet also encourages disintermediation. This takes away third party source of information as also recovery of taxes as these have to be collected directly from a large number of taxpayers. It is also feared ["Globalisation and Tax " – Economist dated January 27, 2000] that with the Internet, mobility of enterprises increases. Enterprises can move to low tax jurisdictions, a trend which has been reflected in the past by British gambling firms. Tax havens become more easily accessible even for small enterprises with a consequent adverse effect on tax revenues. To some, 'the Internet has no physical presence location and it is difficult to monitor and prevent transmission of information or electronic cash'. Electronic delivery creates the problem of detection, ownership determination and taxation. With the increase in bandwidth, the volumes of transactions involving online delivery will accelerate. Buying online enables consumer to evade indirect taxes. Transactions involving digitized delivery are difficult to monitor or tax as no audit trail is left. When the payment is also through electronic cash, detection and monitoring will be impossible.

The Committee considered each of the above issues. It was noted that large volumes of business are not done between strangers. Sound commercial considerations make it necessary that the parties to the transactions of substantial size not only know each other, but are also satisfied with the credentials of the other party. Even in B2C commerce, both sides have to have some checks in place. Usually these would consist of reputation of the retailer and prepayment by consumers. Also in majority of the e-commerce transactions, the mode of delivery and payment remain traditional. These leave audit trails and are not anonymous. The real challenge for enforcement arises only where delivery and payment are through Internet or any other network. The e-commerce accounts for only a tiny part of total spending at present and is unlikely to cause serious erosion of tax base in the near future. The extent of commerce involving digitized delivery is a small fraction of this tiny part. There is, therefore, a view that 'the size of the potential drain tends to be exaggerated'. The delivery in digitized form creates complications for tax administrations in enforcement of law. But total anonymity exists only where both payment and delivery are in digitized form involving e-cash. The extent of such commerce is negligible at present and is not likely to acquire any significant volumes in the near future. But, once the technical problems of delivery and payment are sorted out, online commerce will grow exponentially. It is therefore necessary that tax administrators have adequate responses in place to meet the real challenges before they come. It is also necessary that tax administrators seize the tremendous opportunity offered by the Internet to improve taxpayer services.

In the following paragraphs, the Committee has discussed the specific enforcement challenges and its recommendations on the same.

1. Identity and location of parties

The anonymity available to parties to an e-commerce transaction, as also the scope of concealing the transaction through use of encryption and maintaining books on a server located in another tax jurisdiction are amongst the most serious concerns in an e-commerce situation. Even the fact that the domain name may indicate a link to some well-known business without there being any such link is a concern. But, in reality, the address given for registration with network service providers and the mode of payment of access charges will leave an audit trail. The fact that hackers into the systems of some of the big enterprises were quickly traced indicates that technically, tracing the correct identity and location of Internet users is possible. The experience in Australia, as presented in the IFA Asia Regional Conference on E-commerce and International Taxation held at Mumbai in November 2000, also reflects that with the available technology and co-operation between different tax jurisdictions, it is possible to trace the correct identity and location.

The need for ensuring smooth and unhindered growth of e-commerce also requires some safeguards to prevent frauds. Proper systems would, therefore, have to be put in place by responsible business organizations themselves. These will help in enforcement of tax laws. 'Measures such as registration of names, mailing addresses and telephone and facsimile numbers on their internet sites have been promoted by responsible businesses, that feel there are sound commercial reasons for them to work with the governments to ensure adequate identification'. It will, however, be necessary for Revenue authorities to be associated with such initiatives. The need for Revenue authorities to play a role in development of electronic trading, payment, certification, etc, is emphasized even by OECD.

The Committee therefore recommends that the Department of Revenue should:

- **get together with the business organisations in putting proper systems in place for identification of Internet and other network users. Businesses in some other countries have put in place systems, which would minimise tax compliance risks.**
- **involve other enforcement agencies like RAW, IB, CEIB, Customs and Central Excise, Narcotics Control Bureau, etc to devise uniform or compatible systems for restricting the anonymity of Internet and other network users and preventing illegal activities which would otherwise be encouraged by the anonymity offered. A common approach is required so as not to put unreasonable compliance burden on the intermediaries, like network service providers and banks.**
- **devise the systems in consultation with the above intermediaries, who will have to bear the compliance burden.**
- **create special cells within the tax administration, may be under each of the Directors General (Investigation), with expertise to tackle problems like tracing of identity and location of the parties relating to taxation of e-commerce. Such teams have been created in Japan.**

The systems to be devised will have to specify circumstances under which identification will be ordered, the level of officers who will exercise this authority, the penalties for non compliance and the period for retention of records by those required to comply.

The Committee is also of the view that the existing provisions in the Act are sufficient. Changes, if any required, may be considered once the systems are decided.

2. Anonymity of transactions and accounts

Concealing the true accounts is an existing problem faced by tax administrations. In e-commerce situation this will get aggravated due to relative ease of concealment at nominal cost. The existing legal provisions in India requiring disclosure by parties under threat of prosecution, if properly implemented take care of this problem even in the e-commerce situation. However, the reference to ‘books of accounts’ wherever occurring, including sections 131 and 132 of the Act, should be amended to include records kept as printouts of data stored in a floppy, disc, etc on the lines of the amendment to section 2 of the Banker’s Books Evidence Act, 1891 under the Information Technology Act, 2000 (“IT Act, 2000”). Similarly, the words ‘documents’ wherever occurring, including sections 131 and 132 of the Act, should be amended to include ‘electronic records’ on the lines of the amendments to the Indian Evidence Act, 1872 and the Indian Penal Code in the IT Act, 2000. The Committee is of the view that these amendments are required to prevent any unintended interpretations being derived if no change is made.

Since auditing organisations, as also the central bank would need to have access to the transactions through the Internet or other networks, for reasons other than enforcement of tax laws, co-operation between them and the Revenue department will help in more efficient implementation of income tax laws to the transactions through networks.

Systems providing for anonymity revocation under specific circumstances need to be put in place.

Such systems would require following elements:

- Specify circumstances for mandatory disclosure of transactions and encryption code by the party and the disclosure of transactions by the intermediaries like network service providers or banks;
- Provide for disclosure of digital signature by the certifying authorities appointed under the IT Act, 2000;
- Specify the level of officers who will have necessary authority; and
- Specify penalties for non compliance.

The other enforcement agencies responsible for tackling crime, including terrorism and drug trafficking, would also need to have similar access to information. With liberalization of rules relating to currency convertibility, the central bank in India will need to monitor fund flows. Even the audit agencies will require access to information. It will be advisable if all the concerned agencies are involved in devising the above systems so that individual endeavors in this regard do not place unreasonable compliance burdens on network service providers and banks. It is also necessary that the providers of information are involved in this exercise. This will ensure that systems do not place impractical demands on network service providers.

Once the nature of information to be furnished is decided, it will also be necessary to specify the period up to which it may be required. In fixing this period, consultation with network service

providers and banks would be necessary in order not to impose an excessive record-keeping burden on them. For concerned parties, the period for retention of records as well as the level at which the authority to demand it vests, should be compatible with the existing provisions for re-opening of past cases. The Professional Data Assessment TAG set up by the OECD is examining methods used by external professionals for data authentication, verification, etc. for considering their applicability for the tax administration in e-commerce situation. It will be advisable to get involved in such initiatives so that the systems to be designed are efficient and as far as possible, internationally compatible.

E-commerce also makes monitoring of transactions necessary by the Revenue authorities. This is because considering the easy possibility of evasion and also the difficulty in realizing tax dues from virtual firms, investigation of past transactions may cause serious loss of revenues once digitized delivery and payment mechanics become common. Since enforcement agencies concerned with illegal activities and the central banks will also have to monitor transactions on the networks it will be appropriate for the Revenue authorities to put in place a system of surveillance of such transactions in consultation with these agencies. Enforcement agencies in UK, including customs and excise, MI5, MI6, etc have reportedly proposed right of access to every phone call, email and Internet connection made in UK. The surveillance system's coverage should be narrower with higher monetary limits as well as level of officers authorized to implement. Considering the sensitivity of the activity this level should not be less than that of Commissioner of Income tax.

Information from banks and other financial institutions can be obtained under sections 131 or 133(6) of the Act only in particular cases, in respect of a proceeding pending before an Income tax Authority at present. In addition, general information with regard to any person can be obtained for the purpose of inquiry (even though no proceeding under the Act is pending), with prior approval of the higher authorities as provided in the second proviso to section 133(6) of the Act.

As per the Central Board of Direct Taxes (“CBDT”) instruction (FNo. 415/6/2000-IT (Inv)-I) dated June 8, 2000, general information may be called for from the banks only regarding cash transactions of Rs 1 lakh and above and declaration of assets for loan/ overdraft facilities in cases where the loan/ overdraft is Rs 50 lakhs and more.

The Committee on Fiscal Affairs of the OECD, in its report titled ‘Improving Access to Bank Information For Tax Purposes’, has noted that allowing tax authorities access to bank information through direct or indirect means does not jeopardize the confidentiality of information. Also denying tax authorities access to banking information can have adverse consequences domestically and internationally. The suggestions by the committee in paragraph 21 include undertaking measures to prevent maintenance of anonymous accounts; to remove requirements that prevent obtaining and providing to a treaty partner information, on specific request, which can be obtained for domestic tax purposes; and to re-examine policies and practices that do not permit tax authorities access to bank information for exchanging these in cases involving intentional conduct, which is subject to criminal prosecution. In the context of e- commerce, it is observed that it will be of little use to the tax administrations if identification and other systems are developed to increase transparency of e-commerce if bank secrecy or other laws prevent access to

such information. Restrictive bank secrecy in foreign tax jurisdictions is expected to pose a more significant barrier to tax administration than in the past. These aspects must be kept in view while developing the systems as discussed earlier.

The complexity of detecting transactions through the networks also make it necessary to put in place a system of disclosure of such transactions by the parties in their annual accounts with stringent penalties in case of non compliance. Generally, disclosure of total commerce undertaken through networks may suffice. However, the system should be decided in consultation with the Institute of Chartered Accountants of India and business organizations.

The Committee recommends that action on the lines suggested above needs to be initiated immediately. It also recommends that:

- **threshold levels for permitting investigation for tax purposes may be fixed in conformity with the levels existing for re-opening of cases under the Act;**
- **the level for authorising investigation should also be the same as under the existing law for re-opening of the cases;**
- **for surveillance, the threshold level must be higher where it is non party specific and that the level for authorising surveillance and the manner of exercising the same should be Commissioner of Income-tax and above; and**
- **co-operation with OECD and other international organisations engaged in research in these areas is necessary to ensure that the systems are as far as possible, internationally compatible.**

3. Disintermediation

The fear that e-commerce will lead to disintermediation is justified. The seller and buyer can get in touch directly without intermediaries. The wholesaler and retailer will be eliminated due to the capability of even small enterprises to access customers anywhere in the world at a nominal cost. For instance, an artist instead of going through a recording company, wholesaler and retailer, before reaching the consumer as required in traditional commerce, will go directly to consumer online or through the recording company. Disintermediation is expected to create problem in getting third party information and in recovery of taxes. However, as long as totally anonymous e-cash is not developed- an event not expected to occur in the near future-banks will continue to be a source of third party information as well as assist in the recovery of taxes. Network service providers will be the new intermediaries together with the controller and certifying authorities appointed under the IT Act, 2000. As discussed earlier, systems requiring network service providers to furnish information will have to be put in place. Once that is done, third party information would be available including information relating to assets.

4. Transfer pricing

Transfer pricing issues though not created by e-commerce will become more complex with Internet. This is because networks makes it possible to pool together resources from diverse locations to deliver a service or product to a customer. Pricing of such services is already a

difficult task and it will only become more complex with e-commerce. Similarly, attributing incomes to different related concerns involved in producing the finished product would be complex. These issues need to be seriously considered if unhindered growth of e-commerce is to be ensured. However, since a separate Committee is already examining transfer pricing issues it will not be appropriate for this Committee to examine the issues involved.

This Committee has, therefore, decided not to go into these issues and has left the same to be delved upon by the Committee on Transfer pricing.

5. Online delivery and e-cash

The real problems for enforcement in an e-commerce situation arise in transactions involving online delivery and payment. Even though the volume of online commerce is only a fraction of the total e-commerce, it is important enough to be specifically included in the definition of e-commerce by OECD. OECD policy brief No 1-1997 defines e-commerce to include 'electronically marketed products like travel and ticketing services, software, entertainment, banking, insurance and brokerage services, legal services, real estate services, health care, education and government services'. The switch to electronic delivery in these activities is growing at a fast pace. In these transactions where the supplier is from a foreign tax jurisdiction it becomes difficult to charge or collect direct as well as indirect taxes. Withholding of tax through a large number of small consumers for direct tax purposes or realizing indirect taxes from them is administratively impossible. Normal audit trail in the form of documents like purchase vouchers,

transportation documents and intermediaries, such as wholesalers or retailers would be missing in such transactions.

The development of e-cash - also referred to as net cash or digital cash-is an even more serious challenge for the tax administrations. Before discussing its implications, it is necessary to understand what exactly e-cash is. 'In its simplest form, e-cash system consists of three parties (a bank, a user and a shop) and four main procedures (account establishment, withdrawal, payment, deposit). In a coin's life cycle, the user ("U") first performs account establishment protocol to open an account with bank ("B"). To obtain a coin, U performs a withdrawal protocol with B. During a purchase, U spends a coin by participating in a payment protocol with the shop ("S"). To deposit a coin S performs a deposit protocol with the bank B. An e-cash system is anonymous if the bank in collaboration with the shop S cannot trace the coin to the user. The system is offline if during the payment the shop does not communicate with the bank B. Governments generally have rules and regulations effecting large monetary exchanges across different countries and when transaction amounts are large. Net cash facilitates several small purchases in seconds. Therefore, 'large exchange of funds could potentially be hidden'. The focus is, therefore, on development of e-cash with selective revocation of anonymity in a manner that the added burden to the basic system is minimal. Another consideration is that the anonymity revocation does not 'motivate crimes more serious than those it protects against'.

E-cash is intended to emulate the perceived anonymity of regular cash transactions for 'protection of use privacy and prevention of the compilation of personal data'. But, it can also facilitate frauds and criminal acts, such as money laundering, anonymous blackmailing and illegal

purchases. The attempt is, therefore, to develop ‘anonymity controlled e-cash’ with either ‘owner tracing’ or ‘coin tracing’ models. The first is useful for tracing ‘legal and regulatory requirements of large money exchanges’. The second model’s main purpose is to ‘track fraud and other criminal activities in a manner similar to tracking based on serial numbers on the notes’. The Committee notes that the e-cash requires initial withdrawal of funds from a bank account to buy units. Non disclosure of the use to which such funds are put is akin to showing a withdrawal without disclosing its purpose. The only difference would be that Internet enables large number of small transactions to conceal the true nature. Although, as mentioned above, the development of e-cash is not likely to be significant in near future, the Committee believes that there is a need for monitoring the developments in areas of e-cash on a regular basis in co-operation with other enforcement agencies, including the Reserve Bank of India.

The Committee is of the view that no laws need be enacted, for the present, to take care of the situation created by online delivery and payment by e-cash. However, there is a need for monitoring the developments in these areas on a regular basis. This may be done in cooperation with other enforcement agencies mentioned earlier, including the Reserve Bank of India.

The Committee is also of the view that disclosure norms would need to be evolved, in consultation with the Institute of Chartered Accountants of India, specifically for transactions involving online delivery and payment through net cash, at an appropriate time.

6. Use of tax havens

The next issue is the effect of easy accessibility of tax havens and low tax jurisdictions in an e-commerce situation. Mobility of capital results in its 'free' riding at the cost of less mobile labor. E-commerce makes low tax jurisdictions accessible to more people who wish to evade tax. This creates distortion in as much as the individuals continue to use the services provided by high tax countries without paying their taxes. Also the affluent are more mobile and therefore more likely to take advantage of tax havens. Tax havens are typically used for tax evasion and money laundering. British gambling firms have set up online operations off shore. Within OECD a study is being undertaken on what are called 'harmful tax practices'. These cover jurisdictions, which levy differential tax on foreign enterprises as compared to its citizens or place restriction on information exchange. A 1999 study shows that tax rates influence location of the business. The total investment of G7 countries in Caribbean and South Pacific grew more than 55 times between 1985 and 1994. Ireland, which had a GDP per head of 70 percent of EU average in 1996 now has per head GDP which exceeds Britain's and is likely to exceed the EU average by the year 2005. It has been reported that between 1984 and 1990 typical American MNCs have become twice more likely to locate their operations where tax rates are lowest. 'Growing number of continental Europeans are putting their funds in off shore accounts.' 'There is also a race among some of the developing countries for lowering tax rates.' It is feared that a stage may be reached when the countries are unable to even raise the revenues required for providing public services as a result of operations being located in tax havens.

Notwithstanding the potential that tax havens possess in respect of drain on revenues, as discussed above, it is to be noted that tax havens have been in existence for a long time and is not a phenomenon created by the Internet. In the last 30 years, revenues of tax havens as a percentage of GDP has risen. However, it is pertinent to note that tax rates are not the sole reason for choosing a location and that people generally do not like to move to another country. The methods for tackling this problem include measures such as 'Controlled Foreign Corporation' ("CFC") legislation currently prevalent in USA, which enables taxation of deferred dividend from such concerns. In USA again, penalties are prescribed for people giving up citizenship in the form of limits being imposed on such people from being able to visit USA. OECD has already initiated action against what are termed 'harmful tax practices'.

In India, the Foreign Exchange Management Act, 1999 ("FEMA") permits investments outside India subject to certain conditions. Though the erosion in tax base on this account is negligible at present, the growth of e-commerce and further liberalization of exchange regulations may change the position. Also, the growth of e-commerce is likely to aggravate the existing tendency of foreign investments being routed through low tax jurisdictions, particularly where tax benefits are also available under the DTA. The remedy lies in constantly monitoring the developments, cooperating with international action against harmful tax practices, introducing legal provisions for controlled foreign corporations at appropriate time and modifying DTAs which are found to cause serious erosion in country's tax base.

The Committee is of the view that:

- **legislation such as CFC be introduced in India;**
- **regular monitoring of relevant data and action to modify DTAs wherever these cause serious erosion of tax base in India; and**
- **international co-operation in the form of information exchange to curb harmful tax practices should be fully supported.**

7. Identification of taxing jurisdiction

The place of execution of contract and the place where title to the goods or services passes are important in determining where the income accrues or can be deemed to accrue and, therefore, taxed. In e-commerce, with offer and acceptance on the networks, the place where the contract is executed will not be known under laws and rules applicable to traditional commerce. Similarly, where delivery is of digitized goods or services the place where title to the goods or services passes is difficult to determine. Determination of the jurisdiction where a particular e-commerce transaction is taxable, therefore, becomes complex. This, however, is a legal issue. The remedy lies in clarifying the position under the domestic laws. The IT Act, 2000 provides 'legal recognition for transactions carried out by means of electronic data interchange and other means of electronic communication'. Sections 12 and 13 in Chapter IV of the IT Act, 2000 define 'acknowledgement of receipt' and 'time and place of dispatch and receipt of electronic record'.

The law is, therefore, in place for determination of place of execution of contract or place of passing of title in digitized goods or services provided through networks.

The Committee is of the view that with the enactment of IT Act, 2000, the law is in place for determination of the place of execution of contract or place of passing of title in digitized goods or services provided through networks. No other legal changes are required.

8. New evasion opportunities

One of the significant consequences of growth of e-commerce are that it facilitates “Hawala” transactions. Currently, foreign exchange remittances in respect of export realization are subject to scrutiny and detection when the physical goods are exported. No such scrutiny is possible in case of export of software or other digitized products. Inflated price can be shown to facilitate transfer of funds through illegal channels and their inflow as remittance in foreign exchange with direct and indirect tax subsidies. The problem is serious and if not tackled could erode the tax base significantly by providing easy mechanism for laundering untaxed income, which in turn could have a criminal nexus. The remedy lies in technically upgrading the appraisal system by the customs department and selective investigation of such inflows. International co-operation in information exchange is also necessary to implement this initiative.

The Committee is of the view that the long term remedy lies in withdrawal of favourable tax treatment for export incomes. Improved valuation methods and selective verification of

source of funds are also recommended. International cooperation in information exchange should be supported.

9. Recovery of taxes

The capacity of tax administrations to realize taxes from virtual companies is also a matter of concern among nations. The assets may be hidden and kept in other tax jurisdictions. This is not an unknown problem in a country such as India. Certain enterprises do not have any assets from which taxes may be recovered as the funds are misappropriated and kept in fictitious accounts or in accounts with fictitious names or in names of persons having no financial resources of their own. Large funds are also suspected to be placed in foreign bank accounts. The growth of e-commerce may make the problem more acute as such opportunities may become available even to small enterprises. The existing mechanism of tracing the source of funds of such individuals and greater access to information from other tax jurisdictions, including information from banks, is the only way to tackle this problem. This again focuses on the importance of international co-operation in information exchange and amending DTAs specifically to provide for mutual assistance in recovery of taxes.

The Committee is of the view that measures for more efficient exchange of information and mutual assistance in recovery of tax dues need to be introduced in DTAs. International co-operation in this area should be actively supported.

10. Exchange of information

The need for international cooperation is not only in evolving new concepts but also in assisting administer laws emerges as a key aspect in e-commerce situation. Unless such cooperation is forthcoming e-commerce will cause a serious erosion of tax base in nations. To ensure such co-operation it will be necessary to create separate units within each tax jurisdiction entirely for information exchange. Broad consensus on the type of information to be exchanged and compatibility in laws relating to banking secrecy would assist in preventing erosion of tax base. India needs to associate itself with international initiatives in this area.

The Committee is of the view that efficient exchange of information would require identification of types of information to be exchanged, setting up of separate units within each tax administration specifically for this purpose and a broad compatibility of banking secrecy laws amongst nations. International consensus has to be reached on these issues. The OECD initiative and any other similar initiative at international level in this regard needs to be supported.

11. Tax payer service opportunities

The preamble to the IT Act, 2000 in India, specifically includes promotion of efficient delivery of government services by means of reliable electronic records. OECD Policy brief No1-1997

included examining how new technologies can be used to provide better services to the tax payer as one of the key issues for taxation.

The 'Taxation Framework Conditions' of the OECD specify three areas for improving taxpayer service opportunities:

- improving communication facilities and access to information;
- minimizing compliance costs by simplifying registration and filing requirements and acceptance of electronic material; and
- enhancing voluntary tax compliance through electronic assessment and collection and easier, quicker and more secure ways of paying taxes and securing refunds.

The Revenue Department in Singapore has its own portal similar to Yahoo!. Australia and UK are in the process of doing the same. For development of web site and portal for Revenue departments, four stages have been suggested:

1. Departments need to have websites posting information about them.
2. Two way exchange, like providing information for change of address.
3. Websites need to enable payment of fines, renewal of licenses and enrollment for education, etc.
4. A portal needs to integrate the whole range of government services.

Valencia in Spain and Naestved in Denmark are the two other cities other than Singapore that have made impressive progressive in providing government services online. Making people go on-line is not always simple and the same may require incentives to be given for transacting online.

With the ongoing computerization in the income-tax department in India it is possible as well as necessary that Internet should be used to improve taxpayer services. Already, Government web sites exist. Online allotment of PAN is in operation in some places in India. Information on tax dues and adjustment of current payments can be provided online once Individual Running Ledger Account System (“IRLA”) is in place. Information on processing of salary returns can be made available immediately after the Assessee Information System (“AIS”) is in place all over the country. With the IT Act, 2000 in place the legal obstacle to filing of the returns online does not remain. Redressal of grievances through online filing and response is another area where technology can be immediately used to enhance the quality of taxpayer service. E-mail addresses of Chief Commissioners should be publicised so as to facilitate direct filing of grievances by the taxpayers. Disposal of such grievances should be monitored by the CBDT.

The Committee recommends that online allotment of PAN and providing online information on tax dues and processing of returns should be started at the earliest. Facility of online filing of returns should be extended to high income taxpayers and deductors of tax at source. This can be implemented through creation of separate cells to handle these cases. Redressal of grievances online should be started immediately.

Long term aim should include online filing of returns by anybody who wishes to do so, availability of information on processing of returns and direct crediting of refunds to the bank account of the taxpayers who furnish particulars of their accounts in the return forms.

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