

Centralized Processing Centre for Income Tax Returns to be set up at Bangalore [Dated: 21-03-09]

The Union Cabinet has approved the proposal of the Income-tax Department to establish a Centralized Processing Centre (CPC) at Bangalore for processing of all electronically filed returns in the country and the paper returns filed in Karnataka.

The CPC will enable the Department to process the returns and issue refunds expeditiously. It will encourage more tax payers to resort to electronic filing of returns. The creation of the new center entails an estimated expenditure of Rs. 255.46 crores over a period of five years.

The workflow in the CPC will be managed by departmental officers and staff who would be assisted by vendor supplied manpower. The Departmental Officers and Staff will be responsible for logistics, coordination, supervising operations and sovereign responsibilities. They will also be responsible for resolution of mismatches in the information contained in the tax return and the Departmental data base and redressal of public grievances. The vendor would be responsible for developing software for processing of Income-tax returns and tax accounting. He will also be responsible for collection of returns from income-tax offices, scanning data-entry and storage of IT returns.

The process of selection of the vendor is in its final stages and the Income-tax Department expects to operationalize the Centre within the next four months. The data relating to processing of returns would reside at the Primary Data-Centre of the Income-tax Department which has recently been commissioned at New Delhi. The Income-tax Department will continue to exercise full control over taxpayers' data so as to maintain privacy and security of tax payers' data. The establishment of the CPC will enable the department to release high-skilled resources, presently deployed for processing of returns, for redeployment to pursue large scale cross verification of actionable information.

Background The processing of tax returns is a low skilled voluminous activity. Further, the processing output is extremely slow since the business process is cross functionally designed. As a result, the pace of issue of refunds and follow up action on recovery of underpayments is slow. This imposes an extremely high burden on the exchequer in terms of payment of interest on delayed refunds and also results in

taxpayer dissatisfaction. This also encourages interface with the taxpayer. The delay in the recovery of the underpayments also entails a relatively higher interest cost for the Government in as much as it has to resort to borrowings to finance its expenditure. Therefore, the outcome of this processing exercise is not commensurate with the resources used. However, the importance of processing of returns lies in the fact that it signifies the ability of the tax administration to swiftly deal with non-compliance.