

THE MANAGEMENT INDICATORS: MAP AND SCORECARD

Anita Kapur
Member (L&C)
Central Board of Direct Taxes
Department of Revenue
Ministry of Finance
(India)

Contents: 1. The Indian Direct Tax Administration: An Overview. 2. Vision, Mission and Values. 3. The Tax Administration Structure in India. 4. Challenges before the Indian Direct Tax Administration. 5. The Strategic Plan. 6. The 'Citizen's Charter'. 7. Technical Performance Indicators. 8. Tax-audit Quality Indicators. 9. Management Performance Indicators.

1. THE INDIAN DIRECT TAX ADMINISTRATION: AN OVERVIEW

1.1. Direct taxes are the major source of tax revenues to the Government of India. The direct tax collection has witnessed an increase of amount five times from Rs. 1330 billion in 2004-05 to about Rs. 6380 billion in 2013-14. The contribution of Direct Taxes to the Central Tax Revenues has grown from 44% to 54% during the same period. The even increasing contribution of Direct Taxes to the national exchequer is the outcome of Tax Department's approach to have a clear focus on its goals to be able to continually review its policies, operating approaches and procedures for being responsive and adaptive to the changing business and legislative environment.

1.2 New technological development, accelerated globalization and exchange of information between revenue authorities offer both challenges and opportunities for the Indian Tax Administration. The Income Tax Department had undertaken an exercise to re-align their business processes and develop management indicators covering different aspects of tax administration to continuously evaluate its performance over a variety of tasks it undertakes so as to identify the areas requiring further improvement and thus streamlining the weaker links.

1.3 It was brought out in studies conducted in the Department that for a taxpayer to comply, systems and processes ought to be simple, responsive and taxpayer friendly. With a globalizing economy, growing

incidence of cross border commercial transactions, influx of global companies as well as the internationalization of Indian corporate, it became imperative that the tax administration in India should establish a technical, legal, policy & institutional framework that would admit and facilitate the Department to move towards the best practices in tax administration.

1.4 The Department has, thus, embarked on process of e-delivery of tax-payer's services as the consumer front end of the comprehensive computerization of the Income Tax Department. A series of steps have been taken towards addressing the concerns of the taxpayers with an overall objective to provide a robust platform on which an efficient, robust and effective tax administration shall rest.

2. VISION, MISSION AND VALUES

2.1. The vision of the Income Tax Department (ITD) is to be a partner in the nation building process through progressive tax policy, efficient and effective tax administration and improved voluntary compliance. To realize its vision, the tax administration has adopted the following roadmap.

- (1) To formulate progressive tax policies
- (2) To make compliance easy
- (3) To enforce tax laws with fairness
- (4) To deliver quality services
- (5) To continuously upgrade skills and build a professional and motivated work force

2.2. The values that the Tax Department strives to inculcate are Integrity, Accountability, Responsiveness, Professionalism, Innovation and Collaboration with stakeholders and partners.

2.3. The vision, mission and values of the Tax Administration can be achieved by an enabling policy environment and augmenting the revenue mobilization apparatus for optimum revenue collection under the law, while maintaining taxpayer confidence in the system. The strategic planning for this purpose has to be done in dynamic settings taking into account external challenges & opportunities and internal strengths & constraints. The Vision 2020 document and a Strategic Plan covering the five year period 2011-15 are the documents guiding the Tax Administration in achieving its ultimate objectives.

3. THE TAX ADMINISTRATION STRUCTURE IN INDIA

3.1 The Central Board of Direct Taxes (CBDT) is an apex body of the Income Tax Department in India working under the Ministry of Finance. CBDT formulates the inputs for policy and planning of Direct Taxes in India and at the same time it is also responsible for administration of Direct Tax Laws through the Income Tax Department.

It is headed by a Chairman and comprises of six Members. They supervise different areas of tax administration and monitor the performance of field offices allocated to them ('called zones')

3.2 The functions performed by CBDT as assisted by tax authorities deployed in field offices are:

- Formulating the policy regarding direct tax laws and their implementation
- Assessment and collection of direct taxes; developing strategy for revenue enhancement; recovery of taxes; widening of tax base
- Framing and implementing the general policy regarding
 - Organisation of the set-up and the structure of the Income-tax Department
 - Methods and procedures of the work of the Income-tax department
 - Measures for disposal of assessments, collection of taxes, prevention and detection of tax evasion and tax avoidance
 - Recruitment, training and other matters pertaining to service conditions and career prospects of the personnel of the Income-tax department
 - Grant of rewards and appreciation certificates, including sammaan awards to taxpayers
 - Infrastructure requirements of the Income-tax department
 - Computerization of the Income-tax Department
- Operating the first appellate machinery comprising of Commissioners of Income-tax (Appeals) to perform the work of disposal of appeals against the orders of the assessing officers
- Having an investigation machinery with the aim to curb tax evasion and unearth unaccounted money
- Coordination with the other investigation and enforcement agencies
- Handling the taxpayers grievances
- Dissemination of information relating to direct taxes.

3.3 The whole country is divided into 18 territorial divisions and each division headed by a senior commissioner (Principal Chief Commissioner) who monitors the work of tax administration under his

division. The total manpower in the Income Tax Department is more than 78,000 who provide services to around about 35 million taxpayers spread across the country.

3.4 In its functioning, the CBDT is assisted by 8 Directorates which play a vital role by developing a positive liaison between the field formations and the CBDT. These Directorates work in different areas indicated below-

- Directorate of Income-tax (Systems)
- Directorate of Income-tax (HRD)
- Directorate of Income-tax (Administration)
- Directorate of Income-tax (Vigilance)
- Directorate of Income-tax (Legal & Research)
- Directorate of Income-tax(Logistics)
- Directorate of Income-tax (Risk Assessment)

There is one more Directorate of Income-tax (Training), which addresses the training needs of tax-administrator.

4. CHALLENGES BEFORE THE INDIAN DIRECT TAX ADMINISTRATION

The challenges faced by the Indian Direct Tax Administration are classified as under-

- Policy Intervention Challenges
 - Developing Comprehensive Database
 - Developing Research Capabilities
 - Estimation of the Tax Base & Revenue Leakages
 - Complexities in Tax Laws
- Challenges for Efficient & Effective Administration
 - Assessment and Reduction of Compliance Risk
 - Human Capital Challenges
 - Development of Real Time Knowledge Sharing Mechanism
 - Technology Challenge
- Challenges for Improved Voluntary Compliance
 - Removal of Barriers to Voluntary Compliance
 - Reduction in Compliance Cost
 - Meeting increasing aspirations of Taxpayers
 - Transition to an era of E-governance
 - Faster resolution of disputes

5. THE STRATEGIC PLAN

The following strategic initiatives linked to the enablers forming part of the Vision of the Direct Tax Administration have been identified as under for realisation of its goal -

- To Formulate Progressive Tax Policy
 - Estimating the Tax Base & Developing a Revenue Forecasting Model
 - Instituting Study on Plugging of Tax Leakages
 - Setting up of a Research Unit
-
- To Provide Efficient Tax Administration
 - Developing Data Warehouse & Business Intelligence Solution
 - Developing Mechanism for Monitoring Tax-exempt Sector
 - Meeting the Challenges of International Tax Administration
 - Ensuring Surveillance of Fund Flow that Impact the Physical and Economic Security of the Country
 - Ensuring that Tax Practitioners and Departmental Personnel Adhere to Professional Standards
 - Developing a Tax Collection Strategy
 - Aligning HR Strategy to Goals
 - Strategic Technology Initiative
 - Real Time Knowledge Management
 - Single Window Facility for Taxpayers
 - Strengthening Partnership with Tax Practitioners; Tax Deductors; and Third Party Partners

6. THE 'CITIZEN'S CHARTER'

CBDT is committed to maintain high standards of service to the taxpayer as declared in its 'Citizen's Charter', which is a declaration of its vision, mission and its commitment towards maintenance of standards of service delivery to the tax payers. The timelines mentioned with respect to each of the key services mentioned therein are expected to be adhered to by each of the income-tax authorities responsible for providing such services to the tax payers.

7. TECHNICAL PERFORMANCE INDICATORS

7.1 In order to maintain focus on measurable activities, that are necessary for revenue mobilisation, CBDT also devises, on an annual basis, a Central Action Plan (CAP). This Plan consists of two parts, viz:

1. Focuses attention on certain key result areas that are required to be achieved in a prescribed time frame as they are intricately linked towards the efforts for budget target collection;
2. Focuses on certain strategies with respect to specific areas that may act as a guidance tool to be followed to achieve the basic objectives. It also includes an advisory to the supervisory authorities for action.

7.2 The key areas in respect of which targets are prescribed under the CAP include –

- Targets pertaining to direct tax collection ('budget target'). The targets for collection of tax out of demand raised during the year and the demand raised earlier but remained uncollected (arrear demand) is fixed separately. The overall targets for the entire country are allocated among various field units directly responsible for revenue collection
- Targets prescribing the time-bound scheme for processing of returns of income and audit of tax bases
- Targets for widening of tax base – aimed at identifying the non-filers and stop-filers of returns
- Targets related to settlement of objections raised as a result of Overview – (the Overview is done internally as well as by a regulatory Constitutional Authority)
- Targets related to various aspects of compliance, spot verifications and collection of tax deducted at source
- Targets related to finalisation of prosecution and compounding of offenses under Direct Tax Laws
- Targets in respect of disposal of first stage appeals arising out of tax disputes
- Targets related to training of tax administrators, creation and updation of infrastructure, systems security issues etc.
- Targets pertaining to e-delivery of tax-payer service and computerisation

7.4.1 The above targets are monitored both at supervisory level in field offices as well as at the apex, i.e.CBDT level. There are well established communication channels for monitoring evaluation of performance at different levels. These include monthly reports, zonal meetings and video conferencing etc. The annual individual performance appraisal statements, to be submitted at the yearend by each tax administrators, to his supervisory officer includes parameters like prescribed targets relevant to different activities and their achievement-status, reasons for shortfall, if any, etc., on the basis of which performance of an individual worker is evaluated.

8. TAX-AUDIT QUALITY INDICATORS

The quality of tax-audit is monitored through the system of 'inspection' and 'review'.

While conducting inspections, supervisory officers are required to examine and comment on the overall functioning of the tax-officer including handling of matters related to tax-audits, adherence to prescribed rules and regulations etc. The purpose of reviews is to ascertain whether all issues arising for consideration in the relevant audit have been considered.

9. MANAGEMENT PERFORMANCE INDICATORS

9.1 A Performance Monitoring and Evaluation System (PMES) for various Governments, Departments is in existence in India. Under PMES, each Department is required to prepare a Results-Framework Document (RFD). The Tax Administration Department is also covered under this.

9.2 Results Framework Document pertaining to Direct tax Administration is essentially a record of understanding between the Chairman CBDT and the seven Directorates (mentioned in para 3.4), being the Responsibility Centres. This document contains not only the agreed objectives, policies, programs and projects but also success indicators and targets to measure progress in implementing them. To ensure the successful implementation of agreed actions, RFD may also include necessary operational autonomy.

9.3 The RFD seeks to address three basic questions: (a) What are organization's main objectives for the year? (b) What actions are proposed by the organization to achieve these objectives? (c) How would someone know at the end of the year the degree of progress made in implementing these actions? That is, what are the relevant success indicators and their targets which can be monitored?

9.4 The RFD should contain the following six sections:

1. Organization's Vision, Mission, Objectives and Functions.
2. Inter se priorities among key objectives, success indicators and targets.
3. Trend values of the success indicators.
4. Description and definition of success indicators and proposed measurement methodology
5. Specific performance requirements from other departments/ organizations that are critical for delivering agreed results.
6. Outcome/Impact of activities of organization

9.5 CBDT has issued a Results Framework Document which requires tangible and measurable progress to be made on each of the stated objectives by the seven Directorates that will form the basis for evaluating their respective performance under the RFD as per the time bound objectives. RFD lists out various objectives and actions under each objective. Each objective and each action under the objective are given a weightage. Further, each action has a success indicator such as on-time submission, degree of implementation, setting up of infrastructure, etc. The completion of actions under the objectives is evaluated based on the success indicator i.e., completion date, % completed, etc., and the following scoreboard indicates the performance:

Success indicator achieved	Scoreboard
100%	Excellent
90%	Very Good
80%	Good
70%	Fair
60%	Poor

9.6 The objectives or performance obligations and their weightage are given as under:

Objective	Weightage
Efficient Functioning of the RFD System	4%
Enhanced Transparency/improved delivery of Ministry/Department	4%
Reforming Administration	7%
Single window facility for taxpayers	2%
Digitization of records	1%
Review of Strategic Plan 2014-15	1%
Digitization of Registers	1%
State of the art infrastructure to make efficient delivery system & pleasant environment for taxpayers & administrators	3%
Setting up of Local Area Network (LAN) in the office of DIT(EB)	1%
Digitization of records of DIT(EB)	1%
Digitization of records of DIT(BPR)	2%
Analysis of disposal of appeals by CIT(A)	2%
Improved litigation management to facilitate speedy resolution of disputes and eliminate unproductive litigation.	14%
Review of Citizen's Charter	2%
Better communication with Tax Payers	12%
Strengthening IT enabled services taxpayer services	14%
Better management and development of Human resources in the Income Tax Department to enhance Tax payer services	15%
Strengthening of the Vigilance administration and improving vigilance awareness	14%

9.7 A typical RFD document is styled in the following manner-

Objective	Weight of objective	Actions	Success Indicator	Unit	Weight of success -indicator	Column 6				
						Target /Criteria Value				
						Excellent	Very good	Good	Fair	poor
						100%	90%	80%	70%	60%
Objective 1		Action 1								
		Action 2								
		Action 3								
Objective 2		Action 1								
		Action 2								
		Action 3								
Objective 3		Action 1								
		Action 2								
		Action 3								

9.8 For the financial year 2013-14, RFD of the CBDT containing inter-priorities among key objectives, success indicators and targets pertaining to the Responsibility Centres (Directorates) of CBDT were prepared, finalized and approved by the Finance Minister. It is pertinent to mention that the key objectives, success indicators and targets criteria of the Responsibility Centres were resolved and communicated for incorporation in the RFD 2013-14 by the Responsibility Centres.

9.9 The CBDT has carefully reviewed its priorities in line with the Vision 2020 document and strategic plan 2011-15 with a view to evolve a strong strategy for achieving focused, effective and meaningful implementation of the taxpayer services that will also facilitate voluntary compliance for the Department.

