

## Chapter 31

### *Department of Sales Tax, Maharashtra ‡*

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#### **I) OVERVIEW**

Department of Sales tax till early 2000 was conservative in approach and considered assessment of every tax payer as its central function. There used to be a one to one relationship between a dealer and the officer of the department. A very important element of 'service' to the taxpayer was missing.

The taxpayers faced the following difficulties:

- The taxpayer had to personally visit the department for smallest of the requirement.
- The taxpayer had to wait for hours in the bank to file his return and payment of tax.
- He was also required to make multiple visits to the department for registration as well as to obtain declarations/certificates towards the interstate Sales at concessional rates.
- He was also visited by the Sales tax inspector routinely for cross checking their sales transactions.

The following difficulties were faced by the department:

- Even after putting a large number of committed resources, the department could not function effectively owing to the difficulty in keeping track of the record of each tax payer.
- The officers found it difficult to identify a defaulter or do an authentication of the transactions of the dealer.
- It was also very difficult to analyze the huge physical data or invalidated electronic data.
- It was also unable to use reliable third party authentication of business and accounts of major contributors to revenue.
- The department wished to change this image and improve its efficiency. To achieve this department took a decision to introduce comprehensive automation of the department including provision of eServices to the dealers.

Objective of the automation is

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‡ \* Winner of CSI e-Gov Awards, 2009-2010

- To bring the services of the Department closer to the doorsteps of the citizens through “Anywhere anytime services”.
- The Simplification and streamlining of the procedures of the Department and eradicating non-value adding processes from the system.
- To optimize the collection by having data exchange system with other departments and other states.
- This e-Governance initiative is targeted to benefit around 6, 00,000 registered dealers under VAT who file 15 lakhs returns per annum, 15,00,000 enrolled Profession Taxpayers, the department officials and other government officials.
- M/s Mastek was selected as the Software developer to develop the MAHAVIKAS (Maharashtra Vikrikar Automation System) application for the automation of the department and a consortium of M/s ECIL and M/s Terasoft was selected as vendor for creation of IT infrastructure across Maharashtra. The IT infrastructure outsourcing was done on BOOR (Build, Own, Operate and Refresh) Model. M/s PricewaterhouseCoopers was selected for process re-engineering and project management.

## II) RESULT INDICATORS

### 1. *Key Performance*

#### *a. Services ( G2C, G2B, G2G and G2E) delivered using ICT ; impact in terms of time and cost of delivery of services:*

Some of the e services initiatives of the Sales tax department improving the customer service are:

**E-Registrations:** Through this application dealers will be given the facility to fill the registration details online and visit the department with the verification details at their convenience leading to reduction in data entry error and convenience to dealer

**E>Returns:** Through this application dealers will be extended the facility to file their returns online leading to drastic reduction in errors in data entry and timely availability of MIS reports

**E-Scrolls:** This application will help the banks create the electronic scroll instead of manual scrolls thus cutting down the errors and time of availability of daily collection information.

**E-Payments:** This module will extend the facility of online payments to dealers leading to immediate up dation of dealer’s ledger and cutting down the time and errors related to bank collecting the return on behalf of the department

**E-Annexure:** The department will use this application for capturing the details of sales & purchases from the dealers in electronic form. The system will analyze these annexure's and generate the requisite information for necessary action. This is expected to significantly cut down the revenue leakage and improve the effectiveness of the department.

**E- Refund:** Through this module the dealers will be extended the facility to file the request for refund online. This will cut down the time of processing the refund request.

**Electronic Clearance for Refunds:** Through this service the dealers will receive their Refund amount through electronic clearance in their bank accounts directly. This will cut down the delay in dispatch and clearing of cheques and resultant cutting of costs.

**Demat of CST Forms:** For The department wishes to issue electronic CST forms to the dealers and share the information directly to the state where the delivery has to be made. This will provide convenience to the dealers and will also put curb on the menace like fake forms.

**E-Audit Report:** An audit report is prescribed under law for the dealers having turnover of more than Rs 40 lacs and dealers dealing in liquor. The e-Audit report will help in getting the arithmetically consistent and audited figures.

**Dealer Accounting System:** The purpose of the Dealer Accounting System to give a snapshot of the dealer along with his risk profile to the various officials of the MSTD. It will also give the dealer the history of its various transactions with the department.

**Dealer e Mail Services:** The offer of Free unique Email ID to their each and every Sales Tax Dealer is intended to have a Fast and easy Communication between department and dealers. The purpose of the innovation was to send various email based Reminders of Tax Payments, Alerts with a call to Defaulters, Newsletters, New Campaign updates, amendments, notifications, trade circulars, automated system generated report, Digitally signed notices without any manual intervention etc.

**Helpdesk facility** was developed to support all the locations and users across the State.

*b. Implementation coverage till date and during the year (geographical areas covered under pilot, roll-out, future plans )*

The project reach is across Maharashtra. The application is centralized and is accessed by the 38 Sales tax offices across the state. The department also has a functional portal which can be used for filing returns from across the globe. This e-Governance initiative is targeted to benefit around 6, 00,000 registered dealers under VAT who file 15 lakhs returns per annum, 15, 00, 000 enrolled

Profession Taxpayers, the department officials and other government officials. Since inception 42.5 lakhs electronic returns are accepted online.

## 2. Government Efficiency Improvement Initiatives

### a. Time and cost efficiency improvements in the working & delivery of services

- Non core processes involving data entry, printing and dispatching has been outsourced so that officials can focus on core processes.
- The current system allocates the cases to a particular desk based on equitable load distribution. Also maintaining the audit trail of each case in the MAHAVIKAS application has lead to **transparency** in the system.
- The availability of pending file lists in the application and more than 200 operation and MIS reports ensures more **accountability** in the system.
- The analysis of the authentic and correct data provides an excellent **tool for departmental intervention**.
- Completely integrated application has **cut down the redundant data** entry and time and effort for processing the data.
- The System automatically calculates the tax liability based on return files and generates defect memos. This helps in collection and has significantly **improved the revenues**. It has become **possible to identify return defaulters** accurately on real time basis.

Years	Revenue (Rs. In Crores)
2005-06	20802.50
2006-07	25537.59
2007-08	28508.72
2008-09	32324.57
2009-10	34867.36

- The returns can now be **processed immediately** and the actions against the defaulting dealers can be initiated within a week's time as compared to the earlier 3 months time.
- The storage of the returned file in image form can **help in extracting the file easily** for reference in future.
- Free unique email id to all the registered dealers and mail access to all Class II and above officers and Internet access to over 500 Department officials has **saved cost and time** to department.

### b. Specific innovative ideas implemented in eGov area; and their impact on services

#### **Free unique Email ID**

Considering the upcoming changes in technology (IT) that allow you to communicate more easily with your Network of People and continue to strive for professional excellence and communication in your place of business, Maharashtra Sales Tax Department opted to offer a **Free unique Email ID to their each and every Sales Tax Dealer** so as to have a Fast, Easy, Global & Common Communication platform across Maharashtra.

The purpose of the innovation was to –

- Send email based Reminders of Tax Payments,
- Alerts with a call to Defaulters,
- Newsletters,
- New Campaign updates,
- Amendments, notifications, trade circulars,
- Automated system generated report,
- Digitally signed notices without any manual intervention etc.

**Advantages:**

- Ensure the 100% communication delivery of every notice, circular and newsletter sent.
- Helps the department to track and have detailed log reports of all the communication done with these dealers.
- Estimated communications to the dealer through e-mail is approximate 6 Crores per annum, which will save time ( instantly ) , money ( 6, 00, 00, 000 \* Rs 9/- single courier), 100% accuracy and saves environment ( 20,000 trees per annum- 3000 notices send through mail will save 1 tree).
- Benefited in saving the cost on communication over Physical Postal Mailers, Printer Cartridges, Courier Cost, Stationery, etc
- This Email Platform is currently offered for the following reasons:
- A strong Technical Back up from Rediff.com India Ltd, the pioneers of mailing solution in India.
- Hosted with the Robust Data Centers in Mumbai, with multiple Co-Locations
- 99.99% assurance of Uptime for the 5 Years tenure of the agreement.
- Complete Protection towards Virus and Spam Issues.
- Compatible with Mobile Phones, PDA's & Blackberry Services.
- Compatible with the upcoming 3G Phones
- No Technical hardware or Software required at the either side, as the same will be managed by Rediff.com India Ltd.
- It's for the first time that any Government department is signing an agreement with a private party for email services.

Because the platform is adaptable, easily scalable and robust, the sustainability of the platform can be expected to be a huge success.

As on date total 5, 40,000 email ids are created and made live for the dealers to access over the www.mahavat.gov.in website, approximate 64, 80, 000 e-mail communications have been made so far and total estimated e-mail communications per annum is 6,00,00,000.

**Use of Web accelerator and cloud computing:**

In addition to the unique email facility, innovative technologies like **web accelerator and cloud computing** are used for efficiently handling the task of web portal management and providing infrastructure for accepting e-application uploads.

**100% Linkage of TIN to PAN number**

MSTD is the only state in the country to have achieved **the linkage of TIN to PAN number**. This ensures that there are no bogus dealers. It also assists in data exchange with various Govt. departments.

*c. Services integrated with other departments*

The department has initiated the project of **seamless data exchange** between various Govt. Departments, which will help to detect fraud or evasion of tax and augment revenue. This also ensures the transparency of governance.

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There are many initiatives undertaken by the department that can be replicated across the other government departments across the country. These initiatives are

- eServices offered
- Free emails to dealers
- Bulk SMS facilities
- e-filing of Returns.
- Outsourcing of the complete IT infrastructure

**III) ENABLER INDICATORS**

**1. Department Policy & Strategy**

*a. eGov/ICT vision roadmap for department and its current status*

S.No.	Activities	Timelines
	Phase I	

S.No.	Activities	Timelines
A.	<p><b><u>Software Development:</u></b>            In the Phase I of the project, enhancements are being made in the application for functionally structured VAT regime. The following modules are expected to be available after this phase</p>	Partly operational. However, development expected to be completed by September 2010
	Registration	
	Returns	
	Assessment	
	Recovery	
	Appeals / Legal / Tribunal	
	Enforcement	
	Forms Control	
	Package Scheme of Incentives	
	Public Grievance / Complaints	
	Rewards	
	Survey	
	LAQ	
	RAW	
	Crosscheck	
	Masters	
	Admin	
	Management Information System (MIS)	
B.	<p><b><u>Hardware and IT Operations:</u></b>            ECIL has been selected as a vendor on Build Own Operate and Refresh model which will have the following responsibility:            IT Infrastructure creation, Outsourcing of data digitisation services and IT operations, and Training to Sales Tax employees.            The payment will be made over the period of 5 years on the basis of number of transactions.            The status of the activities are as follows:</p>	Over the period of 5 years till March 2012
	Deployment of hardware and networking requirement	1/4/07
	Start of data digitisation services and IT operations	1/4/07
	Training of Sales Tax employees	31/12/07

<b>Phase II</b>		
<b>A.</b>	<b><u>Application Development</u></b> Development of applications for making the services citizen friendly and generating effective MIS. In the Phase II following application are being developed.	April 2010
	e- Returns	Completed in March 2008
	e- Registration	Completed in October 2009
	e- Payment	January 2010
	e-Refund	Completed in December 2009
	e-Scroll	Completed for Mumbai, Expected to be completed for rest of states by April 2010
	ECS of Refund	January 2010
	e-CST declaration	Electronic Acceptance of application and processing completed in June 2007. Issuance of e-CST forms expected to be completed in June 2010
	e-Audit Report	October 2009
	e- Cross Verification	June 2010
	Dealer Information System	September 2010
	Demat of CST forms	September 2010
	Dealer e-mail communication system	Completed by March 2009
<b>B.</b>	<b><u>Selection of Vendor for support in setting up of Data Warehouse:</u></b> A vendor will be selected on BOT model. The vendor is expected to bring in the Hardware, Software and provide IT operations related to Data Warehousing and Business Intelligence over the period of next 5 years.	
	Preparation of RFP for selection of Vendor	March 2010
	Selection of Vendor	May 2010
	Development of Application for e-Annexure and Data warehousing and data mining	October 2010
	Completion of Deployment of IT hardware for Phase II	October 2010
	Training of Sales Tax Employees	October 2010
	Operationalisation of Data-warehousing	November 2010



*b. To what extent the common infrastructure (national, state, other department; delivery channels) is being shared*

Mahavikas application is hosted at the Primary Data Centre in Mumbai and is accessed over the WAN by all the offices. The Disaster recovery site is in Hyderabad. The application is centralized and is accessed by the 38 Sales tax offices across the state. The department also has a functional portal which can be used for filing returns from across the globe.

The Departmental application came before the proposal for the common infrastructure like SDC, SWAN and CSC came. However, the department has planned for using MSWAN as a backup to its WAN. The plan is for extending the horizontal connectivity from the MSWAN district PoP to the department offices. These links will act as redundant links for the Department WAN.

*c. Technology standardization policy and its implementation*

The Mahavikas application uses open standards and is designed to be a platform independent system. The department has extensively used open source systems to bring down the cost. The following servers use Linux OS instead of a proprietary OS.

- Mail Server
- Report Server
- DNS Server
- Web Server
- Antivirus server
- NMS Server
- 39 local servers

80% of the client machines have been provided with the Linux Operating system. All the office automation tools installed on all the clients are open sourced i.e the clients having the windows operating system have also been provided with the Linux open office only.

## **2. Process Reengineering & Legal Reforms**

*a. Major front end process changes planned and current status*

<b>Module</b>	<b>Change Description</b>	<b>Change Status</b>
Registration	Integration of e-Registration with backend Registration	Complete
Returns	End to end process of Non-filer, Late filer, Short filer & defective filer	In progress
	Integration of e>Returns & e-Payments with backend Returns module	Complete
Central repository	Integration of TINXSYS & Central repository online portal with backend Central repository	In progress

Module	Change Description	Change Status
	module	
	Mahavikas module for processing of CST forms	In progress
Business Audit	End-to-end automation of Business audit functionality in Mahavikas	In progress
Audit Form 704	Integration of e-704 Form with backend Audit module	Pending
	e-704 Audit form processing in Mahavikas	Pending
Dealer Accounting System	Dashboard of dealer data for all sales tax functions	In progress
Refund	Dealer refund processing through refund as per return & miscellaneous refund application. Enabling ECS option for refund payment	Complete
Large Tax Payer Unit	Identification of large tax payers & their access implementation in Mahavikas application	In progress
MIS reports	List & analytical MIS reports for all modules	In progress
Admin	Improving user management & access control mechanism in Mahavikas admin module	In progress

*b. Major back end process changes planned and current status*

Module	Process Description / Report Name	Status
Audit E704	Identification of E704 Dealers	Complete
LTU	Identification of LTU dealers	Complete
Recovery	Recovery auto allocation procedure	Complete
Refund	Refund auto allocation procedure	Complete
Returns	Allocation process for notice generated for late filer process	Complete
	CST Short filer identification procedure	Complete
	Late filer identification process.	Complete
	Main scroll, sub-scroll, challans validation process	Complete
	Non filer identification process for CST act	Complete
	Non filer identification process for VAT act	Complete
	Non-filer notice generation process	Complete
	Non-filer Order generation Process	Complete
	Notice generation process for late filer	Complete

	Process for allocating desk for generated defective notices	Complete
	Process for allocating desk for generated short-filer notices	Complete
	Process for closure of identified short filers	Complete
	Process for notice generation for identified short filers VAT as well as CST	Complete
	Process of main scroll allocation	Complete
	Process of notice generation for defective returns identified in auto validation process	Complete
	Non-filer closure process	Complete
	VAT Short filer identification procedure	Complete
Business Audit	Business Audit case allocation process	In progress

**Legal reforms:** A provision has already been made in the law for online filing of returns and applications. MSD through issuance of various circulars and amendment in the rules has made provisions for e-Return, e-Registration etc. The department is also making further provisions in the rules for the introduction of electronic signature as per the provisions of the IT Act, 2000. Certain notifications were issued which are available on the Department's website, [www.mahavat.gov.in](http://www.mahavat.gov.in).

### **3. Capacity Building**

#### *a. Leadership support & visibility and current status*

The eGovernance initiatives of the department are driven by the commissioner sales tax himself. He has rendered his active participation throughout and encourages in house leadership.

A pilot for data exchange between revenue agencies to share the data among various revenue agencies has been developed to corroborate the data submitted by a dealer to various agencies leading to plugging of revenue leakage. The inter linkage between the TIN no. and the PAN No. is essential for the interdepartmental data to be used effectively. Since Maharashtra has already gone ahead and established the linkage between the TIN No. and PAN No., in the pilot Phase, the State has already gone ahead and sharing the data with CBDT and income tax at Delhi.

#### *b. Change management strategy defined and status thereof*

The Department is having a defined change management strategy. Committees for approving the change and enhancement requests have already been set up. So far, the Business Requirement Specification of all the

eservices has been approved and these eservices are in different stages of implementation and operation.

*c. Capacity building plan and its implementation status*

Based on the NeGP guidelines, an institutional framework has been proposed for the state of Maharashtra in the Capacity building roadmap of the Maharashtra. The training needs assessed are employee education, sensitization training, leadership training, training on new business processes, basic computer skill training, training on departmental applications, specialized technology training and training for dealers. A comprehensive awareness and training program has been conducted for both dealers and employees. Refresher courses are also being conducted on a regular basis. M/S Mastek Ltd. is expected to train 120 personnel on Mahavikas as part of their contract. STD would allow maximum up to 60 personnel of the selected vendor to attend this training. Those 60 vendor personnel, in turn, should impart train

*d. Are the Program Management Teams there full time (department officials/ consultants)*

A separate cell for the full time project coordination and management has been set up which is headed by an officer of the rank of Joint Commissioner. The members of the team are as follows:

Head Office: Mahavikas Cell

<b>S.No</b>	<b>Team Details</b>	<b>Number</b>
	Joint Commissioner	One
	Deputy Commissioner	Three
	Assistant Commissioner	Four
	Sales Tax Inspectors	Six

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