

VAT Information Computerization to Optimize Revenue Yields (VICTORY)

Saurbah Gupta

SIO and Project Leader

S.N. Behera

Technical Director and Project Coordinator

Ashok Kumar

Principal Systems Analyst and Project Member

Rajiv Ranjan

Sr. Systems Analyst and Project Member

National Informatics Centre, Bihar State Centre, Patna
sio-bih@nic.in

ABSTRACT

VICTORY system has facilitated unearthing crores of tax evasion by micro and macro analysis by adopting integration of top-down and bottom-up approach using HIT, MISS and Windfall. It also helped in scrutinizing of returns and validation of Input Tax Credit (ITC) from seller and purchaser data in centralized way thus speeding up the refund process. It widened the tax base in terms of Registered Dealers from 47,049 up to March 2005 (before VAT computerization) to 101,731 April 2006 to October 2006 depicting a growth rate of 116 percent. Similarly, Revenue Growth was also remarkable as it was 1604.36 in the year 2001–02 and augmented to 2389.98 in the year 2005–06 i.e. there is 785.62 crores of growth in 4 years of age of VICTORY. The satisfaction index for VICTORY effectiveness has gone above 86 percent despite of all odd circumstances in the state of Bihar. This creativity in reforms in tax administration fetched Oracle Excellence e-Governance Award in the category of 'IT against odds' in World Summit, 2006.

1. Introduction

Project conceptualization

Way back in 1999, there was virtually no discipline in the tax administration in Finance (Commercial Taxes) Department, Govt. of Bihar due to absence of computerization. Tax collection and its collation from above 1 lakh dealers dealing with hundreds of commodities spread over 46 circles across the state was very difficult task in the absence of proper systems to capture and analyze the data leading to appropriate actions to tune the tax compliance. There was no mechanism for data convergence at the HQ level within a

defined time period, so that the top management can take any decision that is required in the interest of the Department. Control, monitoring and analysis of the data for better tax administration and revenue collection was very strenuous and the policy decision without factual data was risky for the Department and hence the department was looking for the ways and means to overcome it in order to widen the tax base and improve the revenue growth.

2. Project Vision, Stakeholders, Objectives and Services

The objective of automating the entire tax administration is to capture each single transaction related to the tax on push button and on the desk of the officer dealing, supervising and monitoring the system.

It was thought to make the system more intelligent, so that it can track the abnormality, evasion, and manipulation of the tax by pre-empting the warning and alert messages through the system thus enforcing the tax compliance.

To adopt workflow based system, so that delay in the data flow in the system itself can be minimized. This will also help in capturing the data as and when it is generated in the process.

Stakeholders (Internal/External)

1. Commercial Taxes Department, Govt. of Bihar.
2. Finance Department, Govt. of Bihar.
3. 46 Circle Offices, 7 Divisions and 15 allied Offices of the Department.
4. Dealers within Bihar
5. Dealers outside Bihar
6. National Informatics Centre (NIC), Bihar State Centre
7. NIC Services Incorporated a section 25 Company under NIC

3. Public Private Partnership (PPP) —roles and responsibilities, audit, SLA, business model; If not PPP, funding process

It is in-house with hired manpower for 24 × 7 technical supports. Rollout of the application in 7 divisions and 46 circles spread across length and breadth of the state was a Herculean task to meet the timeline set by the Government with limited available sources. However, with limited NICSi hired technical hands at the division level, the challenge of rollout and implementation in addition to the trouble-shooting in the data and application was handled successfully, thus developing the confidence in the user in adopting the new system.

4. Project Plan

Requirements of process re-engineering and legal framework

Technology Architecture

Before the application software the department was able to monitor only top 25 dealers and 30 major commodities across the state manually. With software implementation the department was able to monitor each and every dealer who is contributing to the treasury.

The computerization opened up the perspectives of the department in understanding the issues related to dealers, tax behavior etc. and those in turn helped the department in formulating various policies and also in taking faster decision making.

The critical element of VAT implementation was TI generation, scrutiny of returns and Input Tax Credit match/mismatch. The application software helped the department in the implementation of VAT seamlessly from the pre-VAT regimes.

5. Milestones

- Creation of appropriate ICT infrastructure, inculcation of IT culture in the working of the Department and enhancing capacity building program to make the computerization work smooth.
- Develop suitable monitoring tool to evaluate the system and validate the processes.
- To capture the tax related data at the source of its generation i.e. in circles.
- 90–10 rule was adopted to monitor the tax from 10% top dealers contributing 90% of the revenue.
- Convergence of tax data from remote circles to Divisions and to HQ for periodical analysis.
- Identification of risk prone dealers through risk analysis model
- Tracking the tax behavior of the dealers on weighted composite parameters.
- Minimizing the revenue leakage through Identification of defaulters.

6. Project Management Structure

Table 1

User Department	NIC Project
Commissioner	Project Leader
Additional Commissioner	Project Coordinator
Deputy Commissioner (VAT)	Project Member
Commercial Taxes Officers	Team Member

A total of 5 full-time officers were engaged, two from the user Department and 3 from NIC. A total of 7 trained technical manpower were hired for 6 months duration to help implement the application in the Circle and Divisions. Their tenure used to get extended after expiry.

7. Implementation

- Strategy for Pilot to roll out
- Capacity building: Governance structure, Project management teams, Exit management team, Change management and training
- Evaluation and Measurement

8. Strategy for Pilot to Roll Out

The process of computerization was initiated in each circle with minimum ICT infrastructure for capturing the data generated during the core process of registration, payment, returns, forms etc. on the spot, thus building up of appropriate database at the circle level.

To overcome the manual process of tax administration a comprehensive action plan was drafted, discussed and formalized as part of strategic approach supported by the following actions.

- Creation of appropriate ICT infrastructure, inculcation of IT culture in the working of the Department and enhancing capacity building program to make the computerization work smooth.
- Develop suitable monitoring tool to evaluate the system and validate the processes.
- To capture the tax related data at the source of its generation i.e. in circles.
- 90–10 rule was adopted to monitor the tax from 10% top dealers contributing 90% of the revenue.
- Convergence of tax data from remote circles to Divisions and to HQ for periodical analysis.
- Identification of risk prone dealers through risk analysis model
- Tracking the tax behavior of the dealers on weighted composite parameters.
- Minimizing the revenue leakage through Identification of defaulters.

9. Capacity Building

Governance structure, Project management teams, Exit management team, Change management and training

Project management

A total of 5 full-time Officers were engaged, two from the user Department and 3 from NIC. A total of 7 trained technical manpower were hired for 6 months duration to help implement the application in the Circle and Divisions. Their tenure used to get extended after expiry.

Project policy level

All policy level decisions on various issues of the application were jointly taken by Commissioner, Commercial Taxes and State Informatics Officer, NIC.

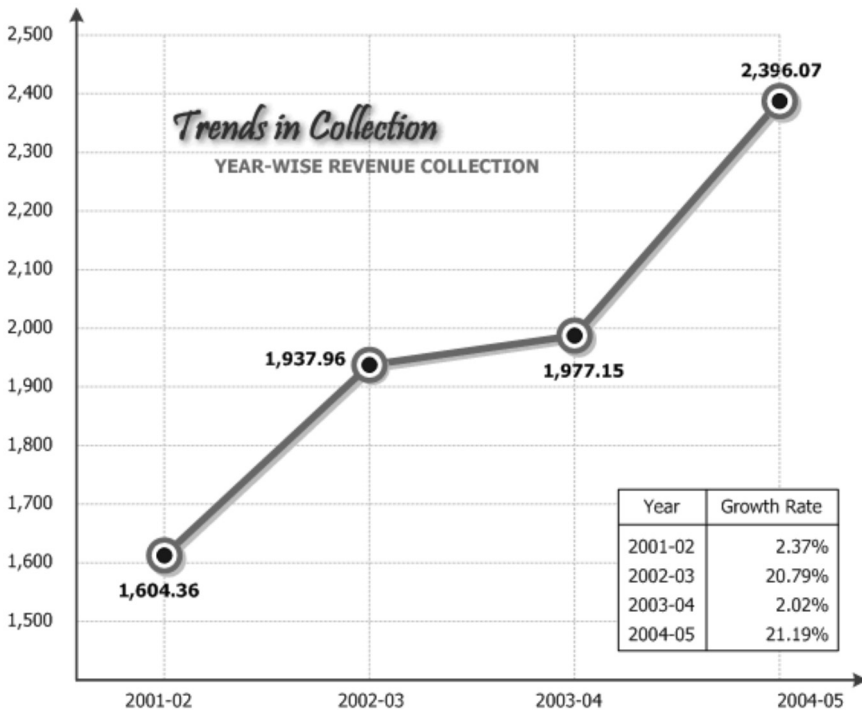
Change management

All 5 full-time members are responsible for bringing out the change requirements whenever there is need of it. Then it formally gets approved from the Commissioner before steps are initiated to incorporate the same.

10. Evaluation and Measurement

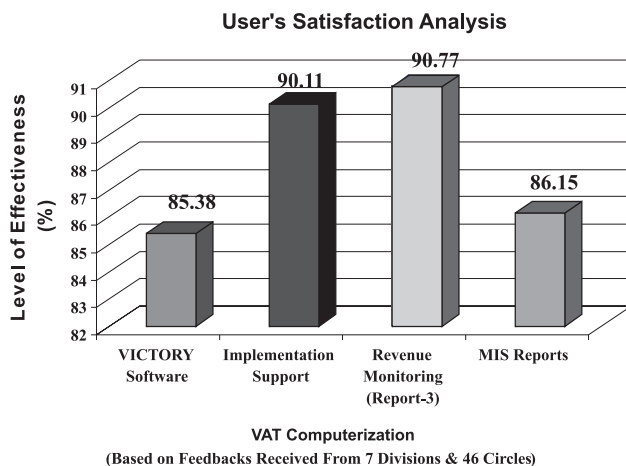
User's satisfaction index, regular feedbacks formal and informal, inputs received from officials of the department has been the measurement

Fig, 1



parameters for evaluation of the VICTORY software. Being Government organization and at the same time of the criticality of the project, the analysis and their redressal based on the measurements and evaluation have been the most critical success factor for the usability and acceptability of the project.

Fig. 2



11. Issues and their Solutions

- Lessons learnt - critical success factors, failure factors
- Replication in other states
- Road ahead

Lessons learnt-critical success factors, failure factors

There are lots to be learned when an application is being developed and implemented for any government department due to very nature of its functioning.

- In the absence of clarity in the requirements from the user, prototyping of software application development is the key for translation of the processes existing in the department.
- Application implementation exposes the requirement of process re-engineering for better service delivery with in time line with imposition of discipline in capturing the data at the source.
- User involvement is a critical factor in the analysis, design, and testing phase of the application software.
- The experience speaks that user must own and nurture the application rather than pointing fingers in case of any shortcomings
- There is a need for timely review of the project progress by project steering committee, implementation feedback with set of validation parameters for evaluation of the progress and success to achieve the objectives within the estimated time and effort.

Replication in other states

VICTORY was developed and implemented on pilot basis at 8 circles of Patna Division located in Patna. After incorporating a number of feedbacks from the user the software was standardized and rolled out in phases in all 46 circles, 7 Divisions and HQ of the Department in record time.

As the VAT rules are uniform across the states, VICTORY does not have any problem of transferability or replicability across the states. VICTORY-Bihar has been successfully customized for Jharkhand and is being implemented very smoothly in the work-flow environment.

Road ahead

In Government, the continuity and fore-casting can seldom happen. So it is the policy that will guide the future of the project continuity.

12. Status and Results

- Present status
- Specific achievements during the year 2006–07
- Future plans for readers seeking more information on project

Present status

Currently the VICTORY Application Software has been in use across all the 46 circles of the department where the transactions originate. Moreover, in the newly created 4 circles, the data migration from old to new and customization of the software for implementation is under-hand.

Specific achievements during the year 2006–07

Reliability and Smooth running of the VICTORY application software can be the measure achievement of the year. However, Oracle Corporation awarded VICTORY for Excellence in e-Governance special category “IT against Odd”. And time-to-time Press reporting on implementation of VAT is the testimony for specific achievement.

Future plans for readers seeking more information on project

Nothing specific.

Website of the department <http://comtax.bih.nic.in>