

MAIN APPLICATION FOR NATIONAL AWARDS FOR e-GOVERNANCE FOR THE YEAR 2014-15

1	Name of the Organization:	Commissioner of Commercial Taxes, Karnataka
2	Name of the Department:	Commercial Taxes Department
3	Name of State/UT/Central Government/Others:	Government of Karnataka
4	Name of the Project :	Automatic Generation of 'C' form
5	Nature of the project :	Issue of statutory form ('C' Form) to the dealers through the system without intervention of the CTD officers.
6	Category of Award Applying for	Excellence In Government Process Re-Engineering
7	Objective of the Project	<p>The Central Sales Tax Act stipulates a concessional rate of tax on inter-state sales provided the buying dealer confirms such transactions by furnishing a declaration that he/she has received such a consignment. In order to ensure that such declarations are accounted properly, the declaration has to be furnished by the purchaser in a pre-printed form supplied by the government. The declaration has to be filled in properly, giving all details such as invoice no., date of invoice, commodity, purpose etc., and sent by the seller to the buyer. The seller can then furnish this declaration to the officers of the Commercial Taxes Department and avail the tax concession. This would also ensure accountability of transaction and eventually tax compliance. At the beginning The dealers were required to visit the VAT office for obtaining the statutory forms and for furnishing the utilization statements etc., which resulted in waste of energy and time. The CTD designed, developed and put in a web enabled system wherein the dealer would access the CTD server through the internet by using the username and password and fill all the particulars which were required to be filed in the 'C' form. The server would redirect the request to the concerned officer. On receipt of the information on the computer, the officer would scrutinize the request, and if all requirements are complied with, the officer would approve the form. The approval would enable the server to generate a unique number and the dealer would print the 'C' form at his/her place. Thus the dealer would get the 'C' form at his/her door step. There were certain shortcomings in the system such as:</p>



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		<p>a. The number of C forms requests was so high that it was difficult task for the LVO to verify criteria before approval;</p> <p>b. Delay in approving the C forms were noticed; and</p> <p>c. Approving of requests of C form involve intervention of LVO which always entails discretion and subjectivity.</p> <p>To eliminate these problems, CTD developed a system of issue of 'C' forms without intervention of the officers . The features are :</p> <p>(i) The value of interstate purchases against 'C' Forms must have been declared in the monthly return.</p> <p>(ii) Commodities and purpose for which such commodities are intended to be used must have been included in the registration certificate prior to the purchase of goods.</p> <p>(iii) The details of interstate purchases shall be uploaded every month.</p> <p>Once, all this has been done, the 'C' forms can be automatically generated by the dealer at his place of business. The benefits associated are:</p> <p>a) It introduced a new concept of Self -Policing by the trading community:</p> <p>b) Reduction in footfalls to the tax offices to almost zero:</p> <p>c) Elimination of subjectivity and hence no scope for corruption</p> <p>d) Reduction in drudgery of officials: The monotonous work day-in & day-out and having to deal with unmanageable number of documents is now done away and analytical work for effective and efficient collection of taxes can be taken up</p>
8	Date of Launch of Project	01-05-2013
9	Beneficiary of the Project :	3.16 lakh dealers of Karnataka, registered under the Central Sales Tax Act, 1956

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Details of team for the nominated project

Sl NO	Name	Designation
1	Sri R. Jagadeesh Prasad	Additional Commissioner of Commercial Taxes (GST)
2	Sri S.A. Manvi	Additional Commissioner of Commercial Taxes (I&C)
3	Ms Sunitha Bennur	Principal System Analyst, NIC
4	Mr H L Ravindra,	Principal System Analyst, NIC
5	Sri S.S.Khazi	Assistant Commissioner of Commercial Taxes(Internal Audit)-2

Bangalore
30-08-2014




(Ajay Seth, IAS)

Commissioner of Commercial Taxes, Karnataka

AWARDS SCHEME FOR EXEMPLARY IMPLEMENTATION OF e-GOVERNANCE INITIATIVES

NAME OF CATEGORY- 'EXCELLENCE IN GOVERNMENT PROCESS RE-ENGINEERING'

1. Coverage – Geographical and Demographic

- (i) *Comprehensiveness of reach of delivery centres-* The system is web based and can be accessed anywhere by the dealer.
- (ii) *Number of delivery centers-* System is based on self-service and hence the place of business or any other place of the dealer would be the delivery center.
- (iii) *Geographical-* Whole State of Karnataka covering all the 30 districts. There are 3.16 lakh registered dealers under the provisions of the Central Sales Tax Act across the State. All these dealers are provided with username and password to enable to download the C forms from the system electronically.

2. Situation Before the Initiative

- (i) **Introduction – the problems of inter-state sales:** The Constitution ensures free movement of goods between States and Union Territories. Taxation on sales of goods falls within the purview of the States, and each State has its own law to levy this indirect tax. The Commercial Taxes Department (CTD) administers various revenue mobilization laws in a State and collection of the tax on sales of commodities is its primary function. The law provides that in case of movement of goods entailing movement across States, the State in which such movement originates is entitled to levy tax on the dealers who despatches the goods. Since an indirect tax is ultimately borne by the consumer, there could have been a tendency on the part of States to levy a very high rate of tax on inter-state sales of goods with an intention of revenue mobilization since any such levy would have impacted the persons in other States and persons residing in the dispatching State would not have been put to any hardship. In order to obviate any such possibility, the Parliament has stipulated through a concessional rate of tax on inter-State sales. While so stipulating, the law has also prescribed that the receiving dealer has to confirm that such a transaction has taken place by giving a declaration that he/she has received such a consignment. In order to ensure that such declarations are accounted properly, the declaration has to be furnished in a pre-printed form supplied by the government. The declaration has to be filled in properly, giving all details, and dispatched by the buyer to the seller. The seller can then furnish this declaration to the officers of the Commercial Taxes Department and avail of the tax concession. The assumption is that once such a form is deposited by the seller in the Commercial Taxes office, both the seller and buyer would account the transaction and there would be no possibility of either evading the tax, as the Commercial Taxes Department could verify the details filled in the form

with actual transaction. Thus two purposes were intended to be served – firstly to give concession on tax on inter-state sale and secondly to reduce evasion of tax.

- (ii) **Requirement of a large number of declaration forms:** The blank declaration forms- which have some security features – are issued by officers located all over the state. These forms are issues in pads containing 10 forms. There was a huge demand for such forms throughout the year. The magnitude of the demand can be judged from the fact that in a state there are about 50000 dealers which have inter-state transactions. Since these forms have certain security features their distribution was regulated. As a result, the dealers had to spend long waiting hours in the offices of Commercial Taxes. Moreover, the idea of issue of these forms was to ensure that both the seller and buyer would account these transactions and the States would get their dues on these taxes. But in practice, the magnitude of physical work involved in any such cross-verification is so high that such cross-verifications are seldom resorted to. Thus, the earlier system puts the dealers to hardship on the one hand and also does not help the department in preventing tax evasion. There are also complaints that sometimes 'speed money' also has a role to play.
- (iii) Several attempts were made in the past to reform the system. It was prescribed that the forms should be dispatched by special courier so that the dealers did not have to wait in queues. This was not liked by the dealers, as they wanted forms urgently. Attempts were made to follow the 'First in First Out' principle. But this could not always be enforced.
- (iv) **A web enabled form issue and monitoring system:** A web enabled system was designed, wherein each dealer was given a unique username and password. Apart from a Centralized server, offices in all important cities were networked. The dealer would access the Commercial Taxes Department (CTD) server through the internet and fill all the particulars which were required to be filed in the 'C form'. The server would redirect the request to the concerned officer. On receipt of the information on his/her computer, the officer would scrutinize the request, and it was expected from the officer to verify three criteria 1) whether the commodity for which the C form is requested has been incorporated in the registration certificate prior to the date of purchase 2) purpose for which such commodity is intended to be used is also included in the CST registration certificate and 3) whether the value for which C form is requested has been declared in the return. And if all requirements are complied with, the officer would approve the form. The approval would enable the server to generate a unique number and the dealer would print the 'C' form at his/her place. Thus the dealer would get the 'C' form at his/her door step. and if all requirements are complied with, the officer would give permission to issue the form. The permission would enable the server to generate a unique number and the dealer would print the 'C form' at his/her place. Thus the dealer would get the 'C form' at his/her door step.

3. Extent of Process re-engineered

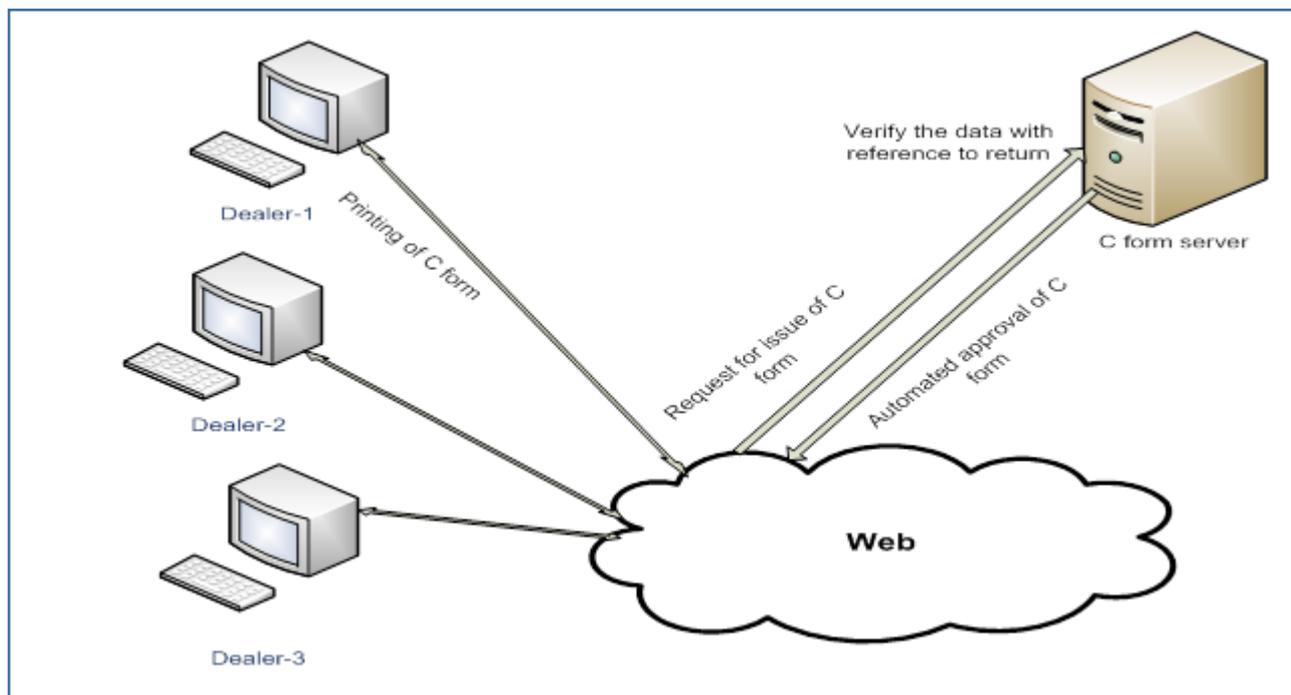
- (i) Issue of C forms on approval by the Local VAT Officer (LVO) had the following drawbacks.
 - a) The number of C forms requests was so high that it was difficult task for the LVO to verify the three criteria discussed above.
 - b) Delay in approving the C forms were noticed; and
 - c) Approving of requests of C form involve intervention of LVO which always entails discretion and subjectivity.
- (ii) To eliminate these problems, CTD developed a more advanced system of issue of 'C' forms which is generally called as automatic generation of 'C' forms. The prerequisites for automatic generation of C forms are:
 - a. The value of interstate purchases against 'C' Forms must have been declared in the specified box (9.11.1) of the monthly return in Form VAT 100.
 - b. Commodities must have been included in the registration certificate of the dealer and authorized by the LVO prior to the purchase of goods.
 - c. Purpose for which such commodities have been intended to be used shall be specified in the registration certificate and authorized by the LVO.
 - d. The details of interstate purchases shall be uploaded on to the departmental portal every month.

If these conditions are fulfilled, the 'C' forms can be automatically generated by the dealer at his place of business without the intervention of the VAT authorities.

4. Strategy Adopted

- (i) **Details of base line study done:** In the immediate past system of issue of 'C' form by approval mechanism, a time limit was fixed to verify the online requests of the dealers by the VAT Officers and every week the delayed disposals were analysed . That apart, there were large number of rejection of requests for issue of online 'C' forms for one or the other reasons.
- (ii) *Problems identified:* The delay in approval was attributable to the fact that number of C forms requests was so high that it was difficult task for the LVO to verify the three criteria 1) whether the commodity for which the C form is requested has been incorporated in the registration certificate prior to the date of purchase 2) purpose for which such commodity is intended to be used has been included in the registration certificate 3) whether the value for which 'C' form is requested has been declared in the return. Secondly, the approval mechanism was subjective as it involved a discretion of the officer.
- (iii) *Roll out/implementation model:* The dealers were conversant with the system of submission of request for online application and taking printout of 'C' forms after their request was approved by the LVO. Re-design of Process workflows was undertaken so as to incorporate the changes in activities of the dealers and their sequencing. While filing the return every month/ quarter, the dealer was mandated to enter the value of interstate purchase of goods against 'C' form in the appropriate boxes of the return. Thereafter, the dealer will upload the details of interstate

purchases like TIN of the selling dealer, Name, State, Invoice Number, Invoice Date, Value etc., corresponding to the value specified in the return. The system would verify the values in the return and in the request for 'C' form and generate the 'C' form and allows the dealer to download the same to the extent of the value declared in the return. The print out of such 'C' form can be taken by the dealer at his place only. The process involved is depicted in a schematic diagram as under



- (iv) *Communication and dissemination strategy and approach used.* **The Commercial Taxes Department had implemented most of the e-initiatives during 2009-10 to 2012-13.** During that time all the tax payers (around 5.00 lakhs) had to be educated and more importantly, they were made to realize the benefits of the new system. The first step was involving the trade bodies in the design of the system itself. Interaction sessions were held with the trade bodies/associations and the idea was exchanged with them and their suggestions were obtained. Once the trade bodies were convinced about the concept, meetings were held with district level trade bodies to educate them. Teams from the head office were sent to district level association to train them to use the system. The website of the department was uploaded with all the user manuals. Even print media was used to spread the message. The main selling point was that with the system of issue of online C forms on approval basis which had reduced considerable amount of hardship to the tax payers and saved their valuable time and energy, it was further convinced to them that the delay and harassment involved in the approval mechanism would get eliminated once the automatic generation of C forms was enabled.

5. Technology Platform used-

(i) Description:

- a) **Application Software** - The application software has been developed by NIC. The database used is Oracle, The platform is MS windows, the web technology being ASP .NET, and C# is used for the software application.

- b) **Architecture** - Web based architecture is used, consisting of a web layer, a business logic layer and a database layer.
 - c) **Connectivity** - For the Department, the connectivity is established through CTD's own Wide Area Network (CTD WAN). CTDWAN is established for networking all the 160+ VAT offices including 18 check posts. It connects more than 2500 computers back to the central server. The CTDWAN ensures all time connectivity through two means. The primary connectivity is provided through optical fibre (MPLS based leased line with bandwidth of 16 Mbps at the Headquarters to 526 kbps as a last mile connection in remote checkposts / VAT offices) and the secondary connectivity is provided via VSAT.
 - d) **Disaster Recovery (DR) Planning** - The DR site is established at the NIC Data Centre located outside the state. The primary site and the DR site are inter-connected and are in continuous synchronisation.
 - e) **Redundancy** – Additional two parallel websites are also provided to the dealers for download of SUGAM number as an alternate during peak loads so as not to delay their movement of goods due to the compliance required.
- (ii) *Interoperability*: All the modules of CTD are interoperable and being integrated for the purposes of data analysis and business intelligence.
- (iii) Security concerns. All the servers (the application software, data base and storage devices) are located at the NIC data centre Bangalore and all the physical and logical security policies are put in place and there are no security concerns.
- (iv) *Any issue with the technology used*; No issue.
- (v) *Service level Agreements(SLAs)*
- a) Development of application software, maintenance and customization is by the National Informatics Center (NIC) which is an organisation of Government of India.
 - b) The CTD has its own Wide Area Network provided by the Reliance Communication Limited selected after competitive bidding process. A comprehensive and well documented SLAs are put in place and enforced.
 - c) The hardware maintenance is assigned to RMS Technology Limited after competitive bidding process and well documented SLAs are entered into and enforced.

6. Citizen Centricity

- (i) *Impact on effort, time and cost incurred by user*:
 - a. **Reduction in footfalls to the tax offices to almost zero**: Earlier on an average 30,000 people would come to all the offices of the department every day.
 - b. **Elimination of subjectivity and hence no scope for corruption**: Almost all processes are now e-enabled, thus obviating the need for approaching the officers and being subject to their discretionary powers.

- (ii) *Feedback/grievance redressal mechanism:* A web based grievance redressal mechanism is put in place. The dealer can raise grievance at three stages: at the field officer level another at the supervisory officer level and third to the Commissioner. The grievances are redressed and informed to the dealer through the system.
- (iii) *Audit Trails:* All audit trails are maintained and monitored.
- (iv) *Interactive platform for service delivery:* System would prompt the dealer to correct the values and other procedure at the time of uploading the details of interstate purchases and downloading of C forms.
- (v) *Stakeholder consultation:* Consultative committees have been formed involving the senior officers of the CTD, representatives of trade bodies, tax consultants who would regularly meet, discuss and decide the issues to be resolved. Thereafter appropriate actions would be initiated by the CTD on the basis of minutes of the meetings. Interactive meetings, seminars are also conducted in coordination with the trade bodies and other stake holders to resolve the issues if any.

7. User convenience

- (i) *Service delivery channels:-* Services are provided through web enabled system.
- (ii) *Completeness of information provided to the users:* User manuals, FAQs are made available on the website itself. Help Desks are established at the field level (LVO), Supervisory officer level(Divisional VAT Officer) level and at head office level.
- (iii) *Accessibility (Time Window);* Services can be availed at any time round the clock (24X7) basis.
- (iv) *Distance required to travel to Access Points:* There is no necessity to travel anywhere. Service can be availed at any place.
- (v) *Facility for online/offline download and online submission of forms:* The system is completely online right from submission of request to auto generation of 'C' form.
- (vi) *Status tracking-* Available.

8. Efficiency Enhancement

- (i) *Volume of transactions processed:* Every month more than 1.00 lakh forms are being downloaded.
- (ii) *Coping with transaction volume growth:* The capacity of the servers, network, storage has been suitably enhanced considering the other transaction volume of other e-initiatives of the CTD as per the requirement.
- (iii) *Time taken to process transactions:* The time taken to process the request for downloading of C forms would not be more than a minute. However there are complimentary requirements such as filing of return with declaration of value of interstate purchase against C form, uploading the interstate purchase details which are mandatory as per the provisions of the Karnataka Value Added Tax Act.
- (iv) *Accuracy of output:* 100% accurate.
- (v) *Number of delays in service delivery-* It is a self-service and hence delivery is on demand. No delays.

9. Cost effectiveness

Before implementation of the automatic generation of C forms there was a necessity of visiting the VAT office to explain the discrepancy in the values declared in the return and the request of C form which involved waste of time, money and energy of the dealers. This is eliminated by the new system.

10. Capacity Building and Organizational

Capacity Building within the Department: All Officers and officials of the Commercial Taxes Department had to be acquainted with the new system along with other e-initiatives implemented by the CTD and made capable to handle it. This big task required training of 1000 officers and about 6000 officials. The arrangement for training of officers was made at the Administrative Training Institute, Mysore and the officials were trained at the District Training Institutes as a continuous process.

11. Accountability

The system provides a self-service to the dealers and there is no involvement of any employee of the department. Once the business process rules are incorporated, the system is more accountable and transparent.

12. Innovation

In the earlier system the intervention of the Officer of the CTD by way of approval was involved which resulted in delay and subjectivity. Sometimes the dealers were required to produce the books of accounts and other documents before the VAT officers to prove their claims. The new system has eliminated this process. Re-design of Process workflows was undertaken so as to incorporate the changes in activities of the dealers and their sequencing. While filing the return every month/ quarter the dealer was mandated to enter the value of interstate purchase of goods against 'C' form in the appropriate boxes of the return. Thereafter, the dealer will upload the details of interstate purchases like TIN of the selling dealer, Name, State, Invoice Number, Invoice date, Value etc. Corresponding to the value specified in the return. The system would generate the 'C' form and allow the dealer to download the same and take printout.

13. Appropriate Delegation

The system does not involve intervention of any employee and hence it is a totally self-services provided to the dealers.

14. Result Achieved/ Value Delivered to the beneficiary of the project.

(i) To organization:

- a) The accounting of transactions is automatic.
- b) Reduction in drudgery of officials: The monotonous work day-in & day-out and having to deal with unmanageable number of documents is now done away with and officers can concentrate on the much needed analytical work for effective and efficient collection of taxes.

c) Primary capture of voluminous data which is accurate and making analysis of various types possible: 4.5 lakh dealers are filing returns electronically every month. More than 1.00 lakh 'C' Forms are being downloaded per month by the dealers. Thus a massive database has been created and increases every day. Analysis of this data leads to very useful results.

d) Cross verification of 'C-forms' is a desk exercise rather than an elaborate exercise as in the past.

(ii) To citizen:

- a. It introduced a new concept Self Policing by the trading community: The traders themselves were uploading the data and once uploaded the entire trading chain was compelled to account the transactions.
- b. Reduction in footfalls to the tax offices to almost zero: Earlier on an average 30,000 people would come to all the offices of the department every day.
- c. Elimination of subjectivity and hence no scope for corruption: Almost all processes are now e-enabled, thus obviating the need for approaching the officers and being subject to their discretionary powers.
- d. Environment friendliness – The project saves on fuel, road wear and tear and other related resources

(iii) Other stakeholders

- a) The data of C form issued to the dealers of Karnataka by the CTD for furnishing to the dealers of other States is being shared with the TINXSYS(Tax Payers Information Exchange System) on regular intervals. The authenticity of such 'C' forms issued to the dealers of Karnataka by the CTD can be verified by the VAT authorities of selling dealers of other State from TNXSYS portal in addition to portal of CTD Karnataka.
- b) Wrong or false claims of concessional rate of tax by the selling dealers of other State can be detected immediately.
- c) Misuse of 'C' forms is totally elomomated.

15. Extent to which the Objective of the Project is fulfilled

- a) More than 50,000 dealers registered dealers under the provisions of the CST Act, 1956 are taking benefits of this initiatives. More than 1.00 lakh forms are being downloaded every month.
- b) CTD, Karnataka is utilizing the data of such issuance of C form for analytic purpose and effective collection of revenues.
- c) Other State VAT authorities are making use of the information for cross verification of claims of concessional rate of tax by the selling dealers of their State.

16. Adaptability Analysis

(iv) Measures to ensure adaptability and scalability

- a) The system is supported by a reliable technology.
- b) It is totally institutionalized.

- c) The project is highly adaptable and sustainable because of the benefits it has brought to the honest community of tax payers.
- d) The officers and staff stand to benefit as their drudgery has been reduced.
- e) All this has made the changes irreversible.

(v) *Measures to ensure replicability*

The following are the prerequisites for replicability

- a) Change in Law.
- b) ICT Enabler with relevant technology.
 - a. IEC (information education and communication) to stake holders.
 - b. Establishments of helpdesk.
 - c. Capacity Building of employees.

(vi) *Restrictions, if any, in replication and or scalability-* No restrictions.

(vii) *Risk Analysis*

The system is based on self-declaration of interstate value in the return and downloading of C forms equivalent to that value by the dealer. It is imperative that the necessary controls and validations have to be built into the system to ascertain the taxes as applicable on such interstate purchases have been paid by the dealer on the corresponding sales turnover.

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