

ICT enabled Commercial Taxes Administration for the Department of VAT, Daman and Diu

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About the Initiative

This publication is a part of the Capacity Building initiative under the National e-Governance Plan (NeGP) by NeGD towards sharing of knowledge across projects and geographies in the form of case studies so that the decision makers and implementers can benefit from the experience gained in other projects, states and regions towards meeting broader objectives of the NeGP plans by way of knowledge and skill building. Conceptualised and overseen by the National e-Governance Division (NeGD) of Media lab Asia/DeitY these case studies are submitted by e-Governance Practitioners from Government and Industry/Research Institutions. The cases submitted by the authors are vetted by experts from outside and within the Government for learning and reference value, relevance to future project implementers, planners and to those involved in e-governance capacity Building programs before they are recommended for publication. National Institute for Smart Government (NISG), working on behalf of this NeGD provided program management support and interacted with the authors and subject matter experts in bringing out these published case studies. It is hoped that these case studies would help practitioners to understand the issues involved, typical dilemmas faced by e-Governance project implementers, and possible solutions to resolve them.

Acknowledgment

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1. Project Abstract

The Project 'ICT enabled Commercial Taxes Administration for the Department of VAT, Daman and Diu' comes under the aegis of Commercial Taxes Mission Mode Project (CT-MMP), an initiative launched by the Union Ministry of Finance to standardize Commercial Tax administration across States and Union Territories and to introduce a bouquet of rationalized citizen-centric and service-oriented processes. The focus of the project on one hand is to provide improved set of services to the dealers and on the other, to improve the efficiency of the Commercial Taxes administration of the State Governments.

As part of the project, the Department of VAT, Daman and Diu had launched the Departmental portal as the one-stop solution, which offers various e-services such as e-registration, e-returns, e-payment, e-tds for authorities and online issuance of statutory forms, e-refund, e-audit and assessment.

2. Keywords

DoVAT Daman, CT-MMP, e-returns, e-TDS, e-Filing, e-Audit, ICT enabled commercial tax administration, VAT Application Software, PMU

3. Note to Practitioners

In spite of various risks and challenges which were faced, the CT-MMP project was successfully implemented in both these UTs. It was ensured that the dealers continue to file their paper returns and the channels of paper return filing and electronic return filing were made available to the users in parallel mode so as to disallow for the system to derail. The switch to the new system of filing online returns was made gradually when it became totally representative of the majority of dealers. It was also ensured that most of the dealers for whom return filing was made compulsory were properly trained in advance to use the system, hence the capacity building activity or the training of the dealers was started well in advance of the date when returns were made compulsory to be filed online. The success of implementation can be measured based on the number of dealers using online services at these UTs, which is in the range of 90 – 100 %, and the tax collection via internet mode which amounted to approximately Rs.4162 Lakhs over the calendar year 2012. The acceptability of the system in the UT can be ascertained by the simple fact that the annual collection for the tax-only head under the e-payment facility was to the extent of the above mentioned figure. This, added to the paper Challan based payments allowed the UT to cross its yearly target of tax collection by the figure as mentioned above.

Robust software entails creation and stabilization of a beta version/environment for the launch of the live services which was one of the hallmarks of this project. The problem was more complex owing to the fact that current system could not be stopped and hence the customization/changes to stable version and usage of the same for live returns had to be done with extensive time constraints.

4. Project Context

To adopt a structured approach for enhancing the e-governance capabilities of people, process and technology from the current state to a desired future state, to suit the requirements of implementing the VAT Applications Software project.

The return filing before deployment of VAT Software Application was highly unorganized and paper based. This process lacked standardization not just in terms of process followed but also in terms of applicable tax charges. Individual invoices were not captured and all the transactions were considered under two categories (sale or purchase). The tax calculations were performed on overall sale or purchase data and no separate tax charges were considered for commodities of different categories. Such representation of tax liabilities were reported on paper forms at the VAT office with no proper demarcation of inter and intra state sales or purchases. Moreover, commodities classification according to the tax rates applicable for respective categories was not practiced with diligence, resulting in inappropriate tax payments. Also, with returns being submitted on paper, cross checking and verification of returns filed by all the dealers becomes almost an impossible task considering the amount of paper data generated in the subsequent cycle of returns filing and payments.

Thus, the MMP for the Department of VAT (DoVAT), envisaged designing an online tax system that would computerize the VAT Department and would ensure the following:

- Online registration of new and missing dealers with supporting documents uploaded
- e-filing of returns both quarterly/monthly ensuring right calculations as per tax rates
- e-TDS for the TDS authorities to file 45(A) and 45(D)
- e- Audit and e-assessment for the enabling of enforcement
- e-Officer to allow for the administration of the module and the activities of the VAT office as regards to the CTD MMP is concerned and being computerized in the project.
- e-Refund as vigilance is ensured with department staff doing online checks/balances
- e-Payment to ensure penalty/payment of fees etc. happens on time and correctly
- Download of statutory forms from department website
- Issuance of CST forms from the dealer login provided as part of the e-filing
- e-amendment and e-deregistration

Over and above, there would be right communication from DoVAT to the dealers and vice versa. All these e-Services on offer will ensure that the right tax is collected and exchequer of DoVAT increases alike other states using VAT application software over a period of time. However, to ensure the following occurs promptly, there is a need for involvement of all the stakeholders. To address the concerns of each and every stakeholder for the successful adoption of VAT application software, it would be necessary to have an appropriate change management strategy at different levels of project implementation.

5. Project Overview

5.1. Project Description

For any Government Process Re – engineering project (GPR), the basic stages remain as plan→ do→ check→ act→ re – assess→ do. This feedback loop from the re – assess to the do/modify/version updating stage enabled better implementation. The basic phases of a project management life cycle also include initiation, conceptualization, planning, implementation, monitoring and project close – out. The stages of project management life cycle were aptly looked at so as to incorporate in the roll – out of the CTD Daman after adapting to the local conditions.

The typical e-Governance project life cycle stages presented below have been followed for this project :

a. E – Governance strategy development: was done for the CTD Daman project as part of the National E-governance Plan and was supported by the funding from the Ministry of Finance and administered for the UT's of Daman & Diu and Dadra & Nagar Haveli jointly under one administrator. The plans and development initiatives were undertaken for the e-enablement of the citizen services in the UT as part of the e-governance initiative henceforth. The CTD Daman project is also part of an effort to digitize the returns filing and the other citizen services that are offered by DoVAT, Daman & Diu. The detailed description of the e-services that were digitized is mentioned in the document at a later stage.

b. Current state assessment (As – IS analysis) and Future state assessment (To – Be process analysis): PMU was entrusted with the responsibility for doing the GAP analysis for the enablement of the e-services planned to be made online for the UT's of Daman & Diu and Dadra & Nagar Haveli. Accordingly, the GAP analysis reports were prepared for the following modules as an initial step for implementing the project:

- E – Audit
- E – CST
- E – Refund
- E – registration
- E – returns
- E – Tds
- E – payment

The GAP analysis reports once prepared, were dynamically updated based on the client need and the need for integrating/accommodating changes happening in the local tax regime, the stakeholder's benefits and coming up with a system that can give way to the GST regime. Thus,

the GAP analysis and other reports formed the basis for creating the skeletal infrastructure for the e-enablement of the citizen services offered by the VAT office and were regularly modified to add-on to the usability and adaptability of the system with the help of the technical partners.

c. Implementation approach and sourcing: As part of the GAP analysis phase itself, the process maps, initial improvement areas, stakeholder needs, scope and functionality, IT infrastructure, Organizational structures, roles, responsibilities, and change barriers alongside other parameters were clearly identified and defined and it was felt that, as part of this project, the Capacity building and change management of the end client, to bridge the gap between man and machine would come as the greatest challenge to be faced by the project team. Incorporation of the Clients' business needs, frequent change requests as requested by the department officials and assessed by the PMU Consultants deployed at the client site to customize the module for the Daman DoVAT were seen as the other big challenge. The resultant effect of the realization was that dedicated capacity building was done in the UT of Daman & Diu for the CTD Daman project since October 2011 by one on one and group training sessions, problem solving of the dealers, helpline numbers creation, e-mail id creation and even filing the returns on behalf of the dealers by constituting a helpdesk to achieve the same in addition to the usage of the PMU consultants. The training and the people capacity building went hand in hand with the Infrastructure capacity building and the scaling up of the IT infrastructure to support the applications running as part of the citizen services. The To – Be business processes, streamlining of the current ones and the data digitization/migration where ever applicable and necessary, were done. As part of the data digitization and capturing of the dealer (business owner) data, the DVAT – 04 forms were digitized and made to be filled by the dealers. Keeping in mind the computer familiarity of the general population coming under the scope of the project , the infrastructure gap that existed in the UT and to keep the citizen service individual centric, the paper based individual application for DVAT – 04 was used as a mode of input and for generation of the resultant user logins, certificates and credentials management of the dealers. Creation of the culture of submission of the project status reports and documents that form the project event log (activities accomplished and financial utilization) was done so as to allow for monitoring and evaluation by the concerned. Sourcing of the various IT infrastructure that needed to be procured for the IT system up scaling was done in a timely manner to add to the local server capacity alongside the remote server capacity in partnership with NIC.

d. Develop and implement IT: As already mentioned, the development of the VAT application software, IT Infrastructure creation, Third Party Acceptance Testing, training and capacity building

were all an integral part of the project strategy and were done for the project to allow for the current success rate to be achieved.

e. Operate and Sustain: IT Systems Operations & Maintenance, monitoring and evaluation was done regularly by the PMU and the systems were created to pass on to the VAT Office regular staff members.

5.2. Issues, Challenges faced and role of PMU

The project faced challenges that were unique to the client in the form of readiness of the client for implementation of the system and resistance to the changes proposed by the clients both inside the department (officers) as well as outside (the dealers and the business owners and the tax consultants).

The methodology of adopting a detailed approach to the return filing process, registration, payment and issuance of other statutory forms on the internet while keeping it close to the way the dealers were filing the returns earlier (paper format) was another challenge.

The tedious exercise of collection of the dealer data as well as verification of the data and the generation of username, passwords for each and every individual with enormous creep in the form of availability of necessary infrastructure was another marked feature of the project.

Moreover, frequent and repeated change requests by the client in the modules deployed and customization of the same to the local conditions further compounded the problem.

Legal changes sought, change management and creation of system capacity, both infrastructure (physical) as well as usage was another uphill task given the low computer literacy of the population using the system.

Integration and digitization of the legacy data that was present in the department and frequent technical downtimes that were experienced due to lack of physical infrastructure were great impediments that were aptly handled with the technical partner NICSIS's co – operation.

5.3. Mitigating the Issues and Challenges

Typical with many of the e-Governance projects, the implementation team experienced risks and challenges as outlined above in the current CT-MMP project at both these UTs. The challenges for analysis and case study development purpose were broadly classified into People, Process and Technology

The issues faced can be broadly classified into the categories of People, Process and Technology or the traditional (PPT) framework.

5.3.1. **People** :

I. *E-Readiness (acceptance from the stakeholders towards the newly introduced online services)*

- a. Orientation programs/workshops were conducted.
- b. Project review meetings were conducted by the Head of Department (Commissioner VAT) , in the presence of internal stakeholders, namely, banks, NIC, Wipro and Industry/Dealer/Business representatives.
- c. Basic IT training was provided to the staff of DoVAT, enabling them to confidently use computers in their daily activities .
- d. Wipro consultants were entrusted the responsibility for convincing the dealer community to accept the e-Services. The responsibility of issuing user-id and password to the dealers was given to the staff only for new registrations after making the e-registration module live in the month of August – September 2011, but the backlog clearance and verification was done by the PMU consultants themselves. Usage of the online services by the dealer was monitored by the PMU consultants themselves and passed on to the concerned staff later.
- e. Awareness was spread through workshops at industry associations for the entire e – services envisaged in the CTD Daman project.

II. *Capacity Building (ICT & Domain Knowledge enhancement of the stakeholders)*

- a. Extensive training programs were conducted for the staff of DoVAT to upgrade their knowledge on VAT Software Application and the e-Services offered by DoVAT.
- b. Office hours troubleshooting facility was delivered to the stakeholders by the PMU throughout the project phases. The team had shared their own mobile numbers and encouraged dealers to troubleshoot using the internet (e-mail) and it was ensured that they were available as a help desk for both dealers and tax consultants during the initial launch of the software.
- c. Help desk was setup with trained resources to handle the queries of the stakeholders regarding the online services.
- d. User manuals were distributed to the stakeholders in the form of soft copies through the VAT office helpdesk.
- e. Application Training Programs were conducted to the masses of dealer community to ensure proper understanding of the online VAT services.

5.3.2. **Technology**:

I. ICT Infrastructure (identification, procurement of Hardware, Networking and other necessary infrastructure)

- a. Routing the procurement procedure through the powers of Purchase Committee to purchase necessary ICT infrastructure either at DGS&D rates or at NICS rate contracts was adopted to get speedy supply of infrastructure elements.
- b. The approvals were sought for the deployment of servers and other necessary IT infrastructure and the same is under the process of creation for meeting the up-scaled need of the system.
- c. Laptops were provided to staff to ensure anytime connectivity for instant approvals.

5.3.3. Processes:

I. Requirement gathering

- a. Stake holder meetings were conducted to convey the importance of the project and its outcomes in the initial stages.
- b. Roles and responsibilities were assigned to competent authorities (staff), to provide necessary information for the GAP analysis study.
- c. Sign off on the GAP Analysis reports was taken from the competent authority.

II. Data Digitization (entering legacy data of DoVAT from the physical files, unavailability of critical documents in the files, verification of the entered data)

- a. The 3rd party for Data Entry selected by the DoVAT was closely monitored by the PMU team to ensure that correct data is entered within the given timelines. The data entry due to negligence of the third party operator was done by the PMU consultants themselves.
- b. The data was collected for the dealers from the relevant sources which included the dealers themselves, the department files and the tax consultants used by the dealers to file returns initially.
- c. The dealers were made responsible to contact the DoVAT, collect the printout of their data entered in the application, check for correctness/completeness and get their profiles updated, so that onus of data accuracy was shared between DoVAT and the dealers

III. Customization of VAT application software

- a. Online tracking and raising of customization requests was practiced, so that it can be handed over to the VAT office upon the closure of the project by the PMU.
- b. Screen shot based customization requirement submission was practiced so as to provide clarity in the communication of requirement to NIC (technical partner).

- c. SMS alerts were used for informing on the closure of customization requests.
- d. Extensive customization of the e – officer module was done so as to allow for the department activities to be conducted in a smooth manner.
- e. DoVAT competent authority was kept informed of all kinds of communications with the NIC-BLR development team.
- f. The nominated staff was trained upon content management software for maintenance of the official website of DoVAT.

6. Key Lessons

The basic objective of the Change Management methodology was to first create awareness and then to ensure knowledge sharing about the right utilization of VAT application software by engaging the employees and other stakeholders.

6.1. Awareness Creation

Following are the ways in which awareness was created:

I .Official Communication

- a. Circulars & Notifications: For all major decisions, initiations and communication requirements, official circulars and notifications were published/issued to the stakeholders.

II. Advertisements

- a. Leading Local Newspapers: Weekly advertisements in the leading local newspapers were published, to ensure the coverage of external stakeholders and the general public.
- b. Posters: Nearly 500 posters/banners were displayed at strategic locations throughout the twin UTs.
- c. Local Television and Information Boards (LCD/LED Displays): Animation video, informing the benefits of online services are been developed which shall be used at shopping malls, local television channels and other visual electronic media.

III. Press Coverage

- a. Press Conferences: Press persons were invited during various DoVAT events and informed about the developments of the project. They in return published write ups in their respective newspapers.
- b. Press Releases: press notes were released on a monthly basis, to ensure that the readers are in line/sync with the project developments.

6.2. Knowledge Sharing

Following are some of the ways in which knowledge was shared among the stakeholders :

I. Trainings

- a. Department of VAT: To ensure the DoVAT is completely in line with the VAT Software Application, extensive training programs were conducted.
- b. The Industry Associations: Several Orientation programs were conducted at Industry Associations to impart knowledge on VAT application software implementation.
- c. Dealers/Tax Consultants: Nearly 80% of the dealers and 100% of tax Consultants were personally invited for the training programs on VAT Software Application. Consequently, these dealers and consultants turned up in a huge numbers to attend the training programs. Feedback was collected from the participants and the same was incorporated to improve the online services.

II. Handholding Support

- a. Office hours based help desk service (Personal Mobile & email) alongside encouragement to dealers to use e-mails to communicate with VAT office, was provided by the Wipro Team during the initial phase of the project. This resulted in the dealers to avail anytime personal guidance in using the application with ease. To ensure the practice of handholding continues, a helpdesk was established with trained resources.

III. Official website of Department of VAT

- a. Regular updates and the provision of department related information relevant to the dealers was provided over the portal.
- b. Digitization and availability of the regular DoVAT forms in the internet format for the users to download and utilize.

The capacity building and change management thus carried out makes the UT of Daman & Diu e-ready for the future e-districts and lays down the foundation for implementation of projects like GST, SWAN and SSDG in the UT's of DD and DNH (to add to the physical infrastructure

requirement for the projects) and hence allows for progress towards the goals set by the NeGP guidelines for the implementation of the NeGP across the UT's and the enablement of the national MMP's .

The enormous data captured in this project allowed the creation of a basic database for the region for the future use as cited above. The best practices followed in this project also lay down guidelines to be followed elsewhere for future projects.

7. Methodology adopted for developing the case study

- 1) Secondary research as well as the primary research
 - a) Secondary research in the form of usage of guidelines and framework provided for the CT-MMP projects by the NeGP and the NISG.
 - b) Primary research in the form of data collection and usage of feedback forms by the department officials and other stakeholders to provide inputs over the acceptability of the project with the help of PMU resources on the client site.
 - c) Direct observation and systemic interviewing of the stakeholders.
- 2) Analysis of Case study evidence
 - a) Discussion on study findings with Focus Group.
- 3) Case study development
 - a) Development of the case study including conclusions, recommendations and implications based on the evidence.

The author is involved in the project in the capacity of Program Manager from past one year. He is well versed with the project progress, current happenings in the project and the way forward.

The author has direct contact with the Department as well as the Project Team and is involved in constant monitoring of the project progress.

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- Website of the UT of Daman and Diu www.daman.nic.in

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Project Case Fact Sheet

The project has been undertaken with the technical support of NIC Bangalore and NIC Daman and the program management support of Wipro. The system implemented in Daman and Diu was customization of VatSoft Karnataka customized as per Daman and Diu tax regulations and processes. The following team members were involved in the project at various stages:

- Mrs. Alka Diwan IAS, Commissioner(VAT), U.T. of Daman and Diu
- Mr. Reuban K, Technical Director, NIC, Karnataka
- Mr. Narendra K Solanki, Assistant VAT Officer(AVATO),Department of VAT, U.T. of Daman and Diu
- Mr. Vinod Kumar Chauhan, Scientific officer, NIC, Daman
- Mr. Dinesh Kumar Gupta, Consultant, Wipro, Daman and Diu

Program Area	:	e-Governance
Project Name	:	Commercial Tax MMP
Location	:	Daman and Diu
Project Sponsor	:	Union Ministry of Finance, Department of Revenue
Project Start Date	:	March 2011
Current Status	:	Ongoing