Case Studies on
e-Governance
in India

ICT-enabled Administration of Commercial Taxes – A Case Study of Andhra Pradesh

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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 with an aim to draw out learnings from various projects implemented in various States/ UTs and sharing this knowledge, in the form of case studies, with the decision makers and implementers to benefit them, by way of knowledge creation and skill building, from these experiences during planning and implementation of various projects under NeGP.

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 drawn from successful and failed e-Governance projects would help practitioners to understand the real-time issues involved, typical dilemmas faced by e-Governance project implementers, and possible solutions to resolve them.

Acknowledgment

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# 1.	Abstract

The case study "ICT Enabled Administration of Commercial Taxes - A Case Study of Andhra Pradesh highlights the reengineering process in the Commercial Taxes Department (CTD) of the Government of Andhra Pradesh towards improving service delivery to the clients. It evidences change from a traditional department to an online department with increasing number of clientele switching over to online transactions. The shift from manual mode to online mode has provided a better interface between the CTD and the clientele. The newly established system is immune from errors and delays on both the sides. The Government to Business (G2B) service has provided benefits to dealers across the state and also relieved the drudgery of the employees within the department. With the G2B project taking care of most of the activities, the employees are able to spend more time on productive and creative activities like accuracy of reporting, increase in collection of taxes, etc. This apart, the clientele have easy and hassle-free gateway to interact with the department. The case study thus focuses on the management of change, process reengineering, overcoming resistance and serving the clientele better.

Keywords: Commercial taxes, change management, delivery of services, business-centric, process reengineering, Andhra Pradesh

# 2.	Project context

The Commercial Tax Department (CTD) contributes more than 65% to the revenues of the Government of Andhra Pradesh. During the year 2010-11, the Department collected Rs. 32,800 Crores towards the state revenue. The CTD has more than 2.25 lakh dealers on its roll and every month more than 2 lakh dealers visit department offices just to file their monthly VAT Returns and to make tax payment. Approximately 3,000 new dealers visit tax offices per month for registration and another 20,000 dealers visit every month to apply for Statutory Forms. Every dealer on average makes at least three visits to get these Forms. All this resulted in unnecessary physical interface between dealers and CTD which in turn led to its associated ills. Not only ills of physical interface, there was secrecy and scope for subjectivity in decision making. There were delays in the delivery of service leading to increased scope for corrupt practices.

The nature and the functions of the tax departments give a semblance of discretionary powers while administering the tax laws. The tax payers perceive the same as harassment, inconvenience, rigidity and harshness at the hands of the tax department. Further, the tax department draws flak for high handedness, unfair treatment, etc, all of which make the tax payers keep themselves away from the tax department. All such criticism is gradually receding as the use of Information Technology (IT) as a medium of interface between the tax department and the tax payers is gaining acceptance. The processes have become

simple and convenient for the user which led to minimization of discretionary powers on the part of CTD. The focus is on providing simple and hassle free interface between the tax department and the tax payers so that there is more tax collection.

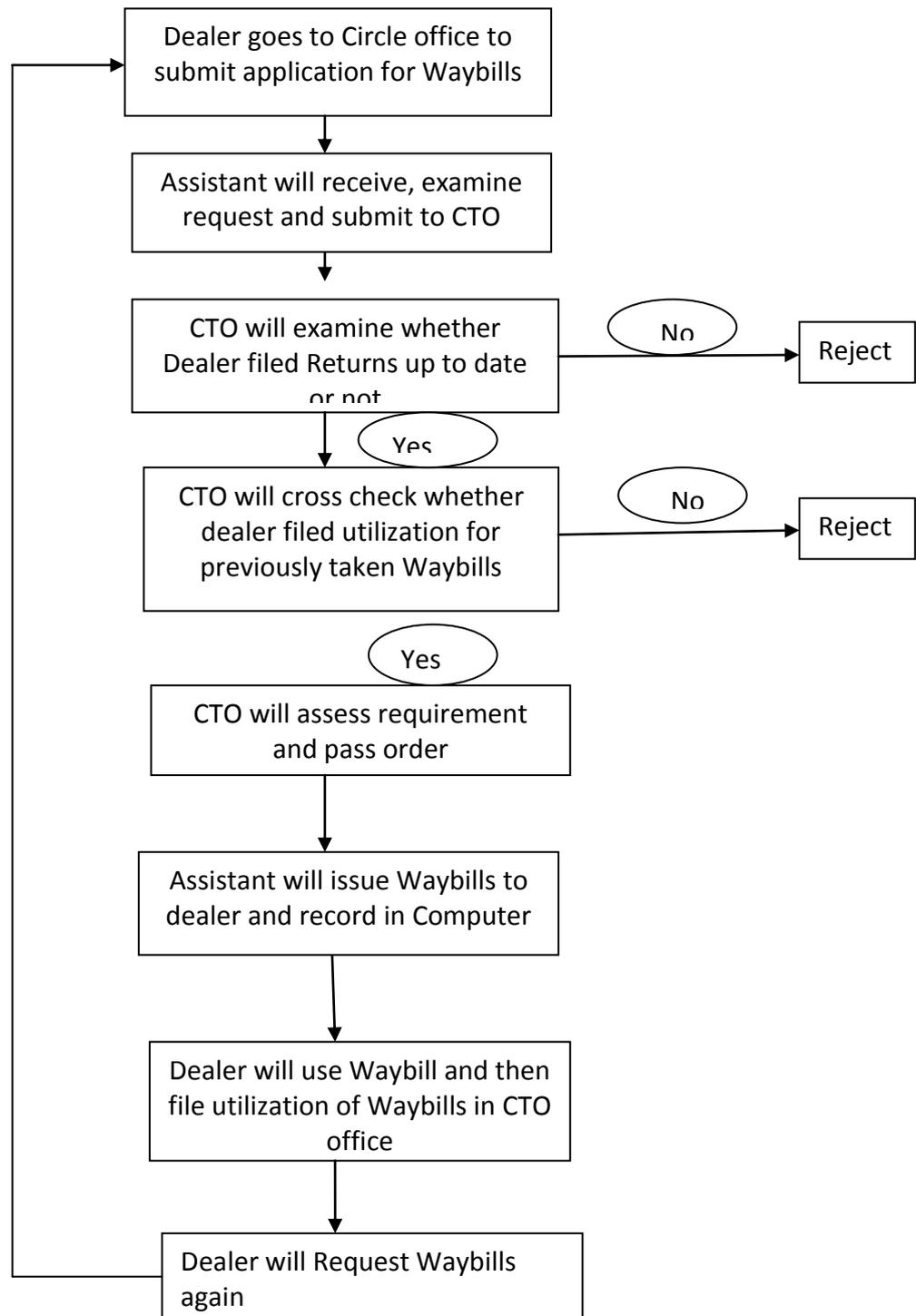**The Tax Administration – Earlier System**

The earlier system was riddled with complexities. The dealers had to visit the CTD offices physically and file their returns which resulted in wastage of time. Finding the discrepancies or errors in terms of numbers was a difficult task. The employees made all the inputs of the returns which were prone to errors and delays. The payment from the dealers routed through the banks also resulted in delayed payment to the public exchequer, usually five to six days. In case of any disturbances, the offices of the CTD remained closed and the dealers were put to inconvenience for filing their returns. Every month more than 2 lakh dealers visit tax offices just to submit tax return. Facility was available during working days and working hours only. If last date for filing returns happens to be Sunday or Holiday, the dealer was supposed to file return one day in advance of the last date.

The physical interaction between the dealers and the CTD provided scope for the misuse of the discretionary powers by the latter, particularly in accessing the statutory forms. Dealers for transporting goods from one place to another place require certain Forms like VAT Waybill, CST Waybill, and C Form etc. In the manual process the dealer need to apply to local tax office. The service was available during Office working days and during working hours only. Issue of such Forms by Tax office, always have been source of complaints from trading community. General complaints are delay in issue of Forms, issue of lesser number of Forms forcing them to approach Tax office again and again and complaints of tax office staff demanding bribes. On an average, 20,000 dealers approach Tax offices for about 15 lakh Forms per month.

The process for the issue of Waybills to dealers before the implementation of change is given in the **Flow Chart – A.**

Process: Issue of Waybills to Dealers *As Is process* before implementation of change:
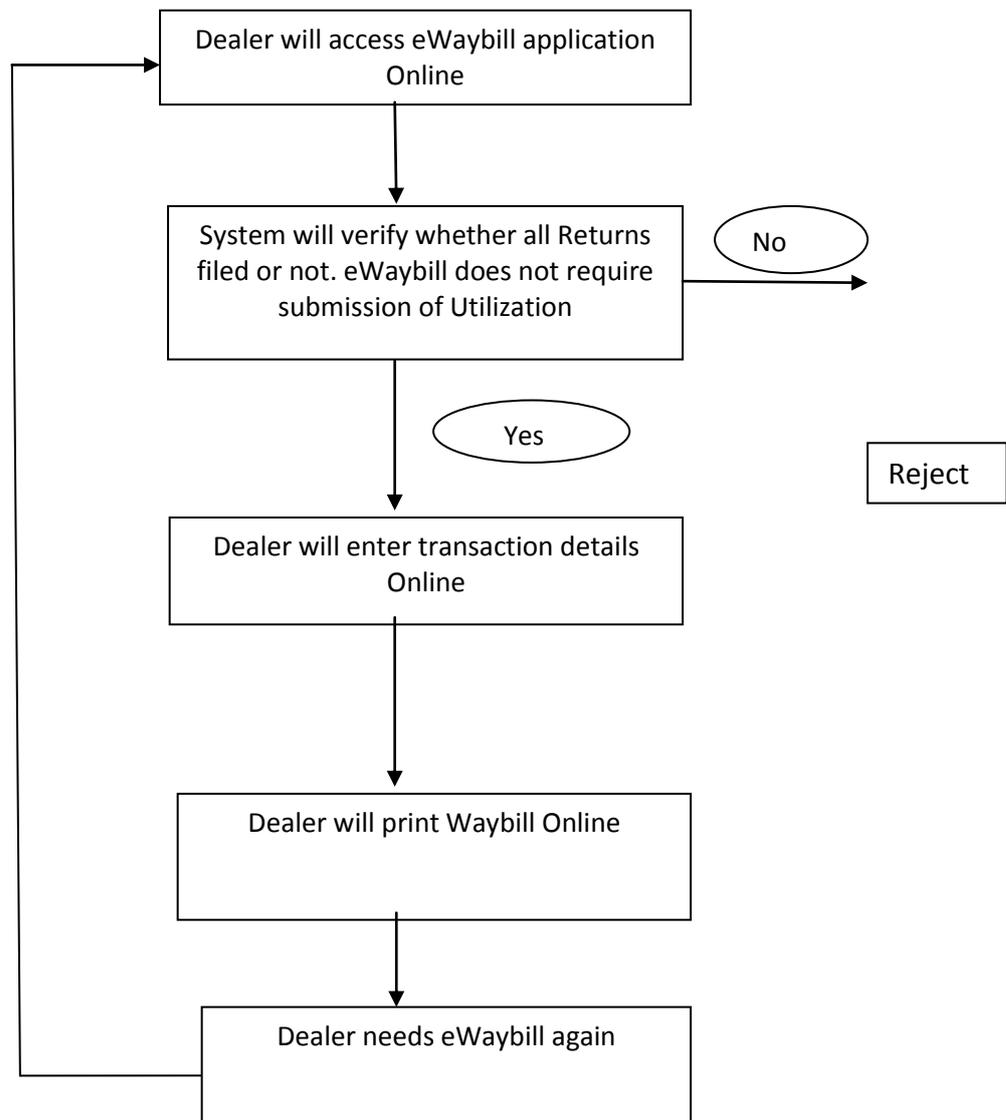
Flow Chart A

```
        ┌─────────────────────────────────┐
        │ Dealer goes to Circle office to │
   ┌───▶│  submit application for Waybills │
   │    └─────────────────────────────────┘
   │                   │
   │                   ▼
   │    ┌─────────────────────────────────┐
   │    │  Assistant will receive, examine │
   │    │     request and submit to CTO    │
   │    └─────────────────────────────────┘
   │                   │
   │                   ▼
   │    ┌─────────────────────────────────┐      ┌─────┐      ┌────────┐
   │    │  CTO will examine whether        │─────▶│ No  │─────▶│ Reject │
   │    │  Dealer filed Returns up to date │      └─────┘      └────────┘
   │    │  or not                          │
   │    └─────────────────────────────────┘
   │                   │  Yes
   │                   ▼
   │    ┌─────────────────────────────────┐      ┌─────┐      ┌────────┐
   │    │  CTO will cross check whether    │─────▶│ No  │─────▶│ Reject │
   │    │  dealer filed utilization for    │      └─────┘      └────────┘
   │    │  previously taken Waybills       │
   │    └─────────────────────────────────┘
   │                   │  Yes
   │                   ▼
   │    ┌─────────────────────────────────┐
   │    │  CTO will assess requirement     │
   │    │  and pass order                  │
   │    └─────────────────────────────────┘
   │                   │
   │                   ▼
   │    ┌─────────────────────────────────┐
   │    │  Assistant will issue Waybills to│
   │    │  dealer and record in Computer   │
   │    └─────────────────────────────────┘
   │                   │
   │                   ▼
   │    ┌─────────────────────────────────┐
   │    │  Dealer will use Waybill and then│
   │    │  file utilization of Waybills in │
   │    │  CTO office                      │
   │    └─────────────────────────────────┘
   │                   │
   │                   ▼
   │    ┌─────────────────────────────────┐
   └────│  Dealer will Request Waybills    │
        │  again                           │
        └─────────────────────────────────┘
```

Note: Some of the salient features of the earlier system were dealer had to make multiple visits to get Waybills, manual verification of past Returns and Utilization, discretion with CTO to give indented or less, Waybills and physical interface with CTD staff.

Changed Process after implementing Change eWaybill Process

Flow Chart B

```
┌─────────────────────────────┐
│ Dealer will access eWaybill │
│      application Online      │
└─────────────────────────────┘
              │
              ▼
┌─────────────────────────────┐      ╭──────╮
│ System will verify whether  │─────▶│  No  │────▶
│ all Returns filed or not.   │      ╰──────╯
│ eWaybill does not require   │
│ submission of Utilization   │        ╭──────╮   ┌────────┐
└─────────────────────────────┘        │ Yes  │   │ Reject │
              │                        ╰──────╯   └────────┘
              ▼
┌─────────────────────────────┐
│ Dealer will enter           │
│ transaction details Online  │
└─────────────────────────────┘
              │
              ▼
┌─────────────────────────────┐
│ Dealer will print Waybill   │
│           Online            │
└─────────────────────────────┘
              │
              ▼
┌─────────────────────────────┐
│  Dealer needs eWaybill again│
└─────────────────────────────┘
```

Note: Some of the salient features of the new system are service available on 24x7 basis, system driven, no discretion and no physical interface with CTD staff. These changes have transformed the CTD into a vibrant government agency with better customer satisfaction than in the past.

3.   Project Overview

The Commercial Taxes Department has adopted technology for providing better services to the clientele for accuracy and transparency. A web portal was launched for the interface between the dealers and the CTD which resulted in the efficiency of tax collection. The department is providing the facility to transact in an online mode with minimum or no interface with the personnel of the department. There is no physical interface between the CTD and the clientele which has resulted in reduction in costs and increase in satisfaction among the dealers. This apart, the online method is more convenient to the user as they can transact at their convenient hours. The clientele need to login into the CTD portal with the help of a username and a password and complete necessary transactions. Once the transactions are complete, they can logout. The entire system is secured; hence the clientele can feel safe and secured about their transactions.

The project has been designed to enhance transparency in the transactions between the clientele and the CTD on one hand and also increase the ease of transacting for the clientele. With the twin objectives in mind, the CTD adopted technology to drive its processes and transactions. The project also helped the employees to reduce drudgery in the process of inputting numbers and also increase their accuracy levels. In the *new system*, the clientele are responsible for filling up the forms and uploading the information. The onus is on the dealers in uploading the correct information about their transactions.

Modifications in Legal System

Legal changes have been carried out to facilitate eReturn and ePayment with the facility of accessing different types of forms through online mode. Under VAT system, every process has to be as per provisions of VAT Act and VAT Rules. Any process outside legal system will not be valid and may result in higher tax liability and penalties. Hence, the Andhra Pradesh VAT Rules were amended to make provision for Return filing online. Return filed online was as valid as Return filed manually. Earlier payment was through Challan/Cheque/DD only. Provision has to be created in Rules for making payment through ePayment system. Change in Rules require approval of Government as well Legislature. Accordingly, initially the Government notified these changes and later the same were approved by Legislature.

Major back end ICT and Non ICT and ICT process changes were planned and current status VAT software was initially implemented in 2005. The visit of the dealers to the CTD offices for registration, filing of returns, accessing statutory forms, etc, has been gradually replaced after the initiation of the ICT plan of the CTD. The switch over from manual processes to IT driven processes completely changed the nature of CTD transactions. The collection of taxes has become easier and predictable. The CTD portal is provided in the following exhibit.

(Source: CTD portal, Exhibit No.1)

Exhibit No.1
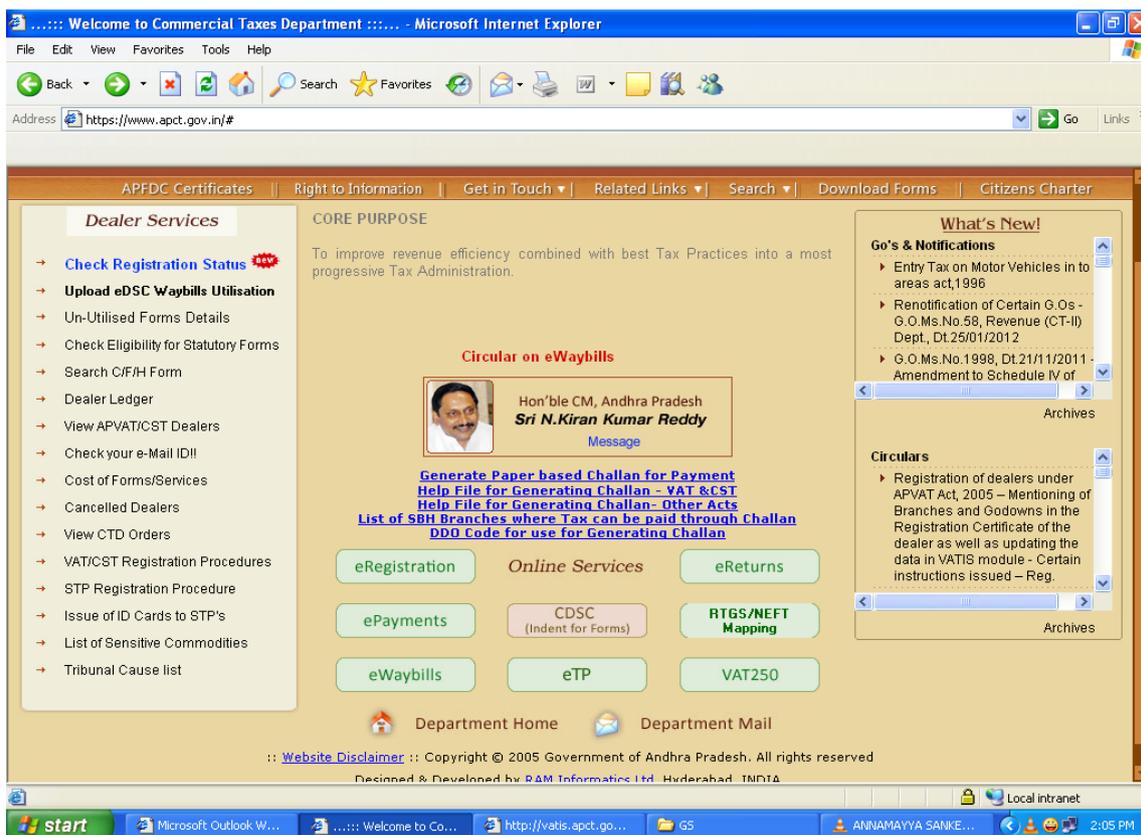
The CTD portal facilitates the dealers in filing their returns but also provides the following functions:

- Government Orders: The orders pertaining to the latest rates of tax slabs and other details which provided updated information for the dealers.

- Automatic Uploading of Orders issued under Appeals and Revisions: The orders are uploaded by the CTD for the benefit of the dealers in all the cases of Appeals and Revisions whenever disputes arise.

- Statutory Forms search: The dealers can access all those statutory forms which need to be submitted to the CTD from the portal itself without going to the offices.

- Online Citizen to CTD interface: This facility provides the dealers to provide feedback and also file filing complaints through the portal.

That apart, the portal has those dynamic features which have helped the CTD to increase the regularity of the taxes and the dealers in filing their returns at their convenience. Some of the important features of the portal are discussed below:

a. **ePayment: ePayment** is a big boon for the Government. If tax is paid through Cheque/DD, Government realizes Tax after, on an average, 6 days. In case of ePayment tax is realized by Government next day itself. Thus there is an improvement by 5 days. E-payment has led to increase in the regularity of filing of returns which in turn helped the CTD in predicting the revenue flows to the government. Now out of approximately Rs. 3200 Crores collection per month, more than Rs.2800 Crores (88%) collection comes to Government account by next day.

b. **VAT Information System:** The VAT Information System (VATIS) module handles various functions which include registration, Advance Visits, Returns, Payments, Refunds, Audit, GIS, MIS, Penalty, Notices, Administrative issues related, etc. The important features of this system are the work flow oriented system, role based access to the user, notifying alerts, to the user, the *to-do* list of the tasks and the generation of instant information through MIS reports for the use of users/supervisors.

c. **eRegistration and Central Registration Unit (CRU):** Prior to Reforms process, prospective dealer was supposed to go to local Tax office to file the tax returns. To provide choice (Breaking monopoly) and additional channels for service (Increasing supply), a Central Registration Unit (CRU) was created at Hyderabad. The areas covered by the CRU were Hyderabad and Secunderabad. Twin cities contribute more than 50 % tax revenue. At CRU, dealer gets Registration Certificate on the same day without the need to visit Tax office. In next step, eRegistration facility has been put in place. Prospective dealer can file his application Online through Internet and he can send documents to Tax Office through Post. Registration Certificate is dispatched to dealer's address through post.

d. **eReturn:** Through eReturn process, dealer can file his Tax Return through Internet from any place on 24x7 basis even on holidays and make payment Online through Internet Banking account. Dealers who do not have access to Internet can file Tax Return through any eSeva centre. Facility is created for Sales Tax Practitioners (STP) to file Return on behalf of Dealers so that dealers, who do not have their own IT infrastructure, can avail facility. This process has eliminated the need for more than 2 lakh dealers to visit tax offices every month. It also has helped Tax department as the responsibility to enter more than 2.90 lakh Returns in computer every month is shifted to the dealers. Earlier there used to be lot of data entry errors in Tax offices committed by Data Entry Staff. Now no errors, as Return is entered by dealer himself online. Even if we take average travel of 20 KMs per dealer per month, it has eliminated more than 4.80 Crores Person KMs travel per year. All this reduced the travel time and travel cost for the dealers and society also got benefit of reduced congestions on roads and less consumption of energy and fuel by automobiles.

e. **Issue of Statutory Forms:** As a first step towards reforms, a Centralized Computer Dealer Service Centre (CDSC) was created at Head Office. Dealers can file requests online through Internet on 24x7 basis to this Centre. The system will check eligibility and indicate the number of Forms that can be given to dealer. The Service provider (Third party) will dispatch Forms to dealer within 48 hours through courier. The entire process is completed without any interface with Tax staff. The system is self-sustainable and does not require any budget support from Government. The service provider, who is selected on an open tender basis, collects transaction charges from the dealer to meet his expanses and courier charges. *This is a new process which has* eliminated altogether the need to visit to the Tax office for getting Forms. On an average, more than 3.50 lakh (21%) Forms per month are delivered to dealer through this system.

f. **E-Way bill:** As a next step to further improve dealer services, the process enables the dealer to fill up goods transaction details which he desires. The Waybill online and self-Print of the Waybill is another process which enhances the dealer services.. This service is also available to the dealer on a 24x7 basis. This service has eliminated the need for dispatching Form through Courier and Form delivery to Dealer is instant. On an average, more than 8 lakh (53%) Forms per month are being self-printed by dealers.

4. Project Objectives

The change management and the process reengineering strategy focused on minimizing the interface between the dealers and the employees of the CTD. The portal is the backbone of the entire IT enabled initiatives of the CTD as that facilitates transactions between the dealers and the CTD. The idea was to route the interaction through the portal where the use or misuse of the discretionary powers is minimum. Besides, the CTD endeavored to simplify the process of filing the returns and the portal provided a better platform of the dealers. The portal is a hassle-free medium between the CTD and the dealers. Some of the objectives of the project include the following:

a. **Simplicity:** The project was conceived to provide a simple channel for the dealers which are less cumbersome and simple. Simplicity is all about providing flexibility and freedom to the dealers in filing their returns.

b. **Alternative channel:** The existing interface system was not disrupted but was allowed to continue and the change was not forced upon. Dealers were given sufficient time to switch over to the new one which was convenient compared to the existing one. The objective was to provide another channel for the dealers which reduced the significance of the manual process of filing returns.

c. **Discretion:** The CTD envisioned that the project would minimize the discretionary powers of the employees who have direct interface with the dealers. Such an interface provided scope for the misuse of the discretionary powers of the employees. The objective was to reduce and minimize the discretionary powers of the employees.

d. **24x7 services:** The portal is accessible in 24x7 mode which provides sufficient time for the dealers to log on and file the returns, which was not possible in the earlier system. The objective behind such a move was to increase the accessibility for the dealers to file their returns at their convenient time.

4. Project Outcomes

The portal has provided options and choices to citizen in accessing services, reduce discretion, avoid physical interface, service convenience and move towards online services. These initiatives brought savings to citizens in terms of reduced cost of travel and time and also savings for the Government in terms of reduced routine work in CTD. These initiatives have led to better image of the CTD and also led to increase in the satisfaction level of citizens.

- **Time:** Reduction of time in the delivery of services is one of the accomplishments of the project which has saved the taxpayers visiting the tax office physically and submitting the returns or availing the services from the CTD.

- **Cost of traveling:** Each taxpayer was supposed to spend a lot of travelling in availing the availing the services of the CTD which necessitated spending on fuel for travelling and other related expenses. Such an activity has been brought down as the taxpayers can directly avail the services online which has been a saving for the taxpayers

- **Malpractices:** The interface between the government and the citizen provided scope for malpractices which tarnished the image of the government. This in turn has led to diminishing of the government tax collection. Such malpractices have been greatly reduced due to minimum interface between the employees and the taxpayers. During 2012 year, 138.20 lakh Waybills were issued through Online System (74%) and 49.12 lakh (24%) through CTO offices. This shows that dealers were happy with new system and they preferred new system over manual system. Complaints from trade on non-issue of timely Waybills became zero.

- **Convenience:** The taxpayers are now convenient in the payment of the returns and avoid rush at tax offices. The facility of payment of the taxes in 24x7 mode has made the life of the taxpayers happy as it is convenient for the taxpayers to file the returns on any day and at any time.

- **Accountability:** The new system provides the CTD to evaluate the functioning of the department at various levels and also in various districts. The senior officers can access the number of returns filed and the taxes collected every day. Such an arrangement ensures better accountability in the collection of taxes for the government.

- **Transparency:** As things have been made online, the new system provides transparency to the highest degree which was not possible in the earlier one.

- **Onus:** The onus of filing e-returns is on the dealers as they cannot get away with any excuses anymore. There can be no delays or lengthy queues for e-returns and the clientele is responsible for all the data inputting and providing other details at the time of e-returns to the CTD.

Change Management and e-Inclusion

The project was designed to alter the existing processes which were manual in nature which led to lot of discrepancy in the data – submitted by the taxpayers and the CTD. This has led to incorrect estimation of collection the taxes and also increased the paper work of the employees of the CTD. Besides, the taxpayers had to face problems due to rush at the offices towards the last day leading to keying of incorrect information creating further confusion in the CTD.

Therefore, changing the existing practices with a view to provide better services on one hand and also ensuring better accountability and higher transparency was the need of the hour for the CTD. The CTD did not hesitate to take the succor of IT which has come a long way in reengineering and refining the existing practices and systems. For example, the CTD has started putting all its orders on its portal once the orders are issued for the information of the citizens and earlier, order passed by authorities were known to respective dealer and respective office only. Others had no access to such orders and now these orders are placed in public domain.

Change was envisaged in the CTD in such a way that certain services were spread among various points and the taxpayer was at liberty to choose the ideal point for availing the services. This has broken the monopoly of the tax offices which not only improved the image of the CTD. This apart, simplification of the processes has led to direct availing of the services by the taxpayers and it is found that most of them are using the portal for availing the services which is an accomplishment by itself. Some of the *objectives of the change management program* envisaged as a part of the project are as follows:

- Provide more points of services to the taxpayers.
- Reduce discretion on the part of CTD employees

- Practices are driven by systems, not individuals

- Minimum interface with the personnel of the CTD

- Convenience for the taxpayers in the payment of taxes

- Reduction of workload for the employees of the CTD

These initiatives have brought relief to the taxpayers in the form of reduced cost of travel and time and also savings to the CTD in terms of reduced routine work. The initiatives improved the image of the government in the eyes of the citizens and headed towards *e-inclusion.*

Legal changes have been carried out to facilitate the major front end ICT and non-ICT process changes. Under VAT system, every process has to be as per provisions of VAT Act and VAT Rules. Any process outside legal system will not be valid and may result in higher tax liability and penalties. Hence AP VAT Rules were amended to make provision for Return filing online. Return filed online was as valid as Return filed manually. Earlier payment was through Challan/Cheque/DD only. Provision has to be created in Rules for making payment through ePayment system. In Check Posts Rules, provision was created for generation of Transit Pass online. Change in Rules require approval of Government as well Legislature. Accordingly initially Government notified these changes and later same were approved by Legislature. Self Printed Waybill (eWaybill by dealers) Online was made valid Waybill under orders of Commissioner. Same way filing of VAT 250 Form (Option for composition), VAT Form 501 A and VAT Form 501B (TDS Certificate) was made valid by the Commissioner.

The VAT software which was initially implemented in the year 2005 was replaced to develop single software with a single data base under the control of a software agency. A full time project management team consisting department officials and technical team from the Institute of Electronic Governance and Centre for Good Governance has been put in place to oversee and monitor the reforms process. Thus, e-Inclusion in the nature of *digital inclusion* has been addressed to include the main stakeholders of the CTD, i.e., the dealers. Most of them have their own ICT infrastructure, but the small dealers who do not have the infrastructure have been allowed to take the assistance of Sales Tax Practitioners, authorized by the department to avail the online services, thus paving the way to take the advantage of e-initiatives. This aspect was focused by the department right from the beginning in the design, planning and implementing the reform process. E-participation was also addressed by the department with the stakeholders – dealers, field tax staff, their associations, trade organizations, media, senior tax administration staff and the government supporting the initiatives. Moreover, AP Technology Services, a Government of AP Enterprise has identified third party vendors for safe disposal of e-waste. Overall, these enablers and value indicators provided the *e-inclusive strategy* for the CTD.

Structural changes

The CTD has accepted that the dealers can go for online registration and also e-returns, which were earlier manual. The CTD was clear in its statement that the online registration and e-returns were also valid which gradually shifted the interface from physical to online. With the passage of time, more dealers are finding the online method more convenient and better. Therefore, the shift from the manual system to online system has been a change which paved the way for better engagement of the clientele.

This apart, the change initiated with the linkage between the treasury, banks, and the CTD proved fruitful for all the parties. The treasury was happy as the government was assured of e-returns irrespective of the disturbances inside or outside the departments. There were few instances – political agitations - where the entire state came to a grinding halt, but the CTD was successfully functioning due to its online mode of interface between the government and the clientele.

5.   Issues/challenges

The CTD was one of the departments which used the technology since 1989. However, it was limited to the internal departmental usage only. One of the plus points of the department was also the budget allocation which allowed computerization from time to time. Hence, financial support was also not an issue. Budget support helped the CTD to hasten the process and also make strides towards the integration of the process and technology. The sustained efforts of the CTD have resulted in the systemic change over a period of time. Some of the challenges of the CTD in the process of the establishment of the new system include the following:

The CTD was able to use technology in establishing the new system and the new processes. There is an increase in activities of the department and the consequent increase in the stakeholders in the process has led to issue of *sustaining the change*. There is a need for torchbearers who can sustain the change efforts as the department has grown from a limited usage to serving the larger clientele. The Commissioner as a change agent has put the organization on the path of change. However, succession planning for the second rung leaders is a challenge to the CTD. Any disconnect between the leaders and the team can put the entire change management program at stake.

The CTD has made strides in adopting technology and could attract a large dealer base. Even among the dealers the classification of tax payers is yet to be done based on Tier 1, Tier 2 cities and towns which itself is a challenge to the system. The sales tax practitioners as middlemen are gaining popularity and squeezing the system in the absence of classification and also the lack of computer literacy to log into the system on the part of the dealers.

Taxes have to be paid by the 20th of every month. Human tendency is to postpone till the last day/week where intense traffic on the IT system forms a *technical* challenge for a large state like Andhra Pradesh.

Tax evasion may not be the ultimate aim of any tax payer but the methodology might cause a deterrent as classification of products has not been attempted across the country. For example, a garment might attract a higher tax for the fashion and the design but the same has not been taken care of in the process, thus leaving gaps in the tax payment. Some penalty for tax evasion and incentive for tax payer might provide answer to whether technology facilitates the process or otherwise.

The Change Management Strategy

Tax administrators perform those functions that are regulatory in nature and tax administration is considered to be beyond the comprehension of common man. Hence, the perception that tax administration as a complicated function, is widely prevalent among the tax payers. The tax payers find themselves pitted against the tax administrators with higher discretionary powers in the collection of taxes. The dealers travelled to the tax offices to file their tax returns, which was a cumbersome process with involved time and travel costs. The CTD took several measures at the *individual level, at the group level and at the organization level.*

At the *individual level*, the Commissioner, taking help from industry bodies like CII, FAPCCI, and organized workshops to educate and dispel the fears of the uncertainty among the employees. Training/capacity building program was given to the employees in the department and all those connected with the process so that they are made familiar to the demands of the process and overcome resistance for change. A number of capacity building program for the employees were planned and implemented to provide the hands on training, but also to spread awareness about the benefits of the web portal. The CTD has launched VAT software in the year 2005. All the staff was were given training for making use of ICT initiatives. From each division Assistants were selected for imparting One day training (Demo of application as well as hand on sessions) in use of VATIS modules at Head Quarters, who in turn trained other users at Field level. The *Training of trainers model* was adopted. Training was given module wise. Simple help files were put Online for the benefit of users. During software development, very high focus was given on making software very user friendly. Litmus test was that anybody who has basic knowledge of computer should be able to use VATIS software without or with least training. The employees have been provided email ids for interacting among themselves, all of which led to the creation of an environment of change within the CTD.

At the *group level* the CTD planned initiatives to conduct workshops for the dealers and the sales tax practitioners. The help of FAPCCI was again taken and the benefits of the process were explained through focused-group discussions and workshops. The CTD did not

dismantle the existing system of physical visit to the office as there are a good number of dealers who even today pay taxes by visiting the offices. The CTD did not want such people to shift to online mode immediately as there are some conservative dealers who are afraid of using technology. Besides, the existing system, the establishment of an online system provided the dealers another channel for transacting with the CTD. As there is no specified time line for the co-existence of both the systems, the dealers have a choice of transacting with the CTD, albeit, more and more dealers are switching over to the online mode. Thus, regular meetings with dealers and industry bodies helped in taking the change forward and making the people accept change in a short span of time. The face to face meetings with dealers and industry bodies helped in creating right environment for early adaptation of IT initiatives.

Similarly, the apprehensions of the Sales Tax Practitioners over their loss of practice were also addressed part of the reengineering process of the CTD. The Sales Tax Practitioners were convinced about the benefits of the system and participated in the transition because the existing system of physical visit to the CTD was not dismantled altogether. Though their practice suffered, they accepted the change and assimilated change without much resistance.

At the *organizational level*, process reengineering adopting technology was the ultimate objective for improving the quality of service to the clients of the CTD. The manual processes gave way to the technology-enabled processes taking all the stakeholders in their process into confidence in a planned and phased manner. Thus, the overall change management strategy was aimed at the individual, the group and the organizational level.

6.   Beneficiaries and Stakeholders

The beneficiaries of the project have been the dealers who file their tax returns periodically and earlier they were doing the same by visiting the tax office physically. The physical visit to the office towards the last day not only led to crowding of the tax office but was prone to errors and malafide practices. With the adoption of technology as an enabler, changes have been effected so that the dealers can pay taxes online without visiting the office and also collect various forms from the portal. This not only saved time for the dealers but also saved them from resorting to malafide practices to get their things done. The beneficiaries of the project are the employees of the CTD as well. The employees have been saved from the drudgery of filling up various forms and also scrutinize thousands of records from the dealers. This apart, they are saved from entering the details of the payment which was prone to errors due to the deadlines. Now all this is history as the onus is with the dealers who are responsible for filing e-returns to the CTD.

The main stakeholders are again the dealers and efforts are on to ensure that many small dealers, who do not have their own ICT infrastructure, can also transact with the CTD

without any hassles. Presently, some dealers take assistance of Sales Tax Practitioners, who are authorized by department, to help the dealers in availing online services. From the beginning, facilitating the dealers in transacting with the CTD was given top priority so that their simple and hassle free transactions could attract other dealers into the online fold.

7. Key Lessons

1. A change management program will succeed if the leader is committed towards change and efforts are made in the same direction. The commitment from the leader plays an important role in driving change in an organization.

2. Change management needs to be a step by step process rather than a quick fix solution for the problems and the CTD followed the same process by inching towards change as a gradual process.

3. The views of the dealers were also taken into consideration as they were the final users of the initiative, which means that while effecting change, the views of the stakeholders also need to be taken into consideration which helps in paving the way for change.

4. There is a need to build a strong team of senior employees or officers who can sustain the efforts towards delivering better services to the clientele through e-Governance project. Without the help of such a team, change management cannot be sustained over a long period of time.

5. Any change has better chances of success only if it is planned and executed keeping all the stakeholders in the process of management of change.

8. Methodology of writing the Case Study

The case study has been written with a view to enable the readers to have an overall understanding of the change management process. The definition of change, the form of change, the initiatives, the evaluation of change along with the role of the change agent has been included in addition to the secondary data available in the public domain. This case has adopted the *case research format*. Several rounds of discussions with the Commissioner, his office, support staff and a number of stake holders in the process of commercial tax administration have been interviewed with an unstructured schedule to gather first hand information from each of them. The factual information has been collected from the commissioner and his office including the web sources. The other stakeholders like the dealers and the sales tax practitioners have been interviewed to elicit information on their opinions and perceptions on the change that has been initiated and implemented in the CTD to identify the issues and challenges from their perspective. The discussions also provided useful information about the manner in which the project was conceived and executed with a view to provide better services to the customers.

Practitioners/Teaching Note

The case study, "ICT-enabled Administration of Commercial Taxes – A Case Study of Andhra Pradesh" focuses on the application of IT for effective monitoring of commercial taxes administration. The Commercial Taxes Department (CTD) integrated Information Technology (IT) with its processes – payment, registration, accessing statutory forms, etc, for increasing its efficiency in tax administration. The initiative has been a boon for all the stakeholders as it has not only increased the speed of the CTD but also cut down the transaction cost and time for the dealers.

The CTD is able to track the progress of tax collection in the entire state as a result of the establishment of an IT enabled gateway. The CTD has made sustained endeavors towards such a system which increased the satisfaction of the clientele due to speed of transaction and also minimum physical interface with the CTD. Some of the major benefits include simplicity, 24x7 mode transactions, easy payments, easy registration, hassle-free services, accuracy, etc, all of which have improved the image of the CTD in the eyes of its stakeholders.

The case study can be used for discussing issues like *process reengineering, process simplification, change management, transparency, stakeholder benefits, leadership, etc, in the CTD.* The discussants of the case study can be the officers who intend to transform the processes for the better delivery of services. The case study is helpful for understanding change management in those departments where citizens come into contact at regular intervals in large numbers. The teaching objectives of the case study include the following:

1. Bringing in process change which can alter the way the department provides service delivery to its clientele.

2. Enabling change in such a manner that the clientele reap benefits – cost and time.

3. Providing the clientele of the department different and competitive channels for availing services.

4. The role of a leader in pushing changes among those employees who have entrenched interests in *status quo*.

5. The use of IT in citizen service delivery and the integration of processes for increased efficiency.

The important issues that can be discussed around the case study include, paving the way for establishment of a new system, continuance of dependence on the existing system, simultaneous existence of more than one delivery channel for clientele services, effective integration of the processes with IT, increasing efficiency in the collection of taxes, etc.

Discussion questions:

1. What are the benefits that have accrued to the dealers post IT enabled system of the CTD.

2. What are the challenges faced by the leadership in pushing changes ?

3. What are the other ways in which changes could have been brought in the CTD?

4. The biggest beneficiary of the IT enabled system is the CTD itself. Justify the statement.

5. What do you think is the role of a leader as a change agent in such situations?

6. Discuss the applications of IT in bringing about change in the Commercial taxes Department?

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Annexure

I. Questions/agenda of discussion with the Head, Commercial Taxes department.

1. How did you define change in the Commercial taxes department?

2. What is the form of Change you used in the change process?

3. Please discuss the process of change using IT in the Department?

4. Why do you think change was needed in the department?

5. What are the initiatives at the individual level?

6. What are the initiatives at the group level?

7. What are the initiatives at the organizational level?

8. What are the policy level changes that were made in the process?

9. Was there any capacity building/training that was given? Please elaborate?

10. How was the change communicated? How the entire process was handled?

11. What do you think is your role as change agent?

12. What do you think are the strengths/ weaknesses of the change over?

13. What do you think are the issues/challenges in the entire process?

14. How did you monitor/evaluate the change in the earlier system and the changed system?

15. What do you think are the outcomes of the exercise?

16. What is the strategy for the change management?

17. Who are the beneficiaries/stakeholders in the process?

II. Questions/Agenda of discussion with the dealers/ sales tax practitioners

1. Please discuss the process of change using IT in the Department?

2. Why do you think change was needed in the department?

3. What are the initiatives at the individual level?

4. What are the initiatives at the group level?

5. What are the initiatives at the organizational level?

6. What are the policy level changes that were made in the process?

7. Was there any capacity building/training given to you? Please elaborate?

8. How was change communicated? How was the entire process handled by the CTD?

9. What do you think is your role in the change process?

10. What do you think are the strengths/ weaknesses of the change over?

11. What do you think are the issues/challenges in the entire process?

12. How did you see the change in the earlier system and the changed system?

13. What do you think are the outcomes of the exercise?

14. What was your strategy for the change management? How did you co-operate?

15. Who are the beneficiaries/stakeholders in the process? Did you benefit in the change that had taken place? Elaborate.

16. What was the training given to you for the change over?

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