

**Speech of Hon'ble Finance Minister on the Occasion of Dedication  
of the Centralized Processing Center (CPC) of the Income Tax  
Department, Bengaluru to the Nation on May 29<sup>th</sup> 2010**

It gives me immense pleasure to be here on this occasion of the dedication to the nation of the Centralized Processing Center (CPC) of the Income Tax Department in Bengaluru. Bengaluru, the IT Capital and Silicon Valley of India, was appropriately chosen as the location for the first CPC. The setting-up of CPC is a big step in the utilization of technology for bringing in administrative reforms within the Income Tax Department. I am also happy to note that a Global Brand, Infosys has been selected by the Department as a partner in implementing the new initiative, which is highly information technology intensive.

2. The Income Tax Department had initiated computerization in the 90s with the establishment of the Regional Computer Centers and distribution of PCs to Officers. However, computerization gained momentum since 2003-04 with the introduction of Processing Software, outsourcing of PAN card services and establishment of the Tax Information Network (TIN) for tax payment and TDS reporting.
3. The objective for technology induction in the Department has been to enhance the capacity of the department to handle the increase in numbers of taxpayers and to provide better taxpayer services in a systematic manner. Over the past few years, the Department has

increasingly focused on E-Governance initiatives and building the technological framework to be able to handle challenges of the changing economic environment.

4. The introduction of electronic filing of I-T returns, e-payment of taxes, establishment of the national network (TAXNET), and consolidation of the Regional Computer Centers into the National Data Center have laid the foundation for the next generation administrative reforms in the Department.
5. Bulk processing of returns and redesigning the procedures in a centralized facility was determined to be the most efficient way to increase the processing capacity of the Department. The CPC project at Bengaluru was approved by the Union Cabinet at a total cost of Rs 255 Crore over a 5-year period. It should be endeavour of the Department to achieve economies of scale by automating non-core processes in partnership with the corporate sector and to attain operational excellence by high quality and service compliance levels. I am sure Department would save valuable skilled manpower by using technology intensive initiatives like the CPC for non-core areas. The skilled manpower so available can be used for deepening and widening of the tax base and also for investigations of cross border transactions, which have high revenue potential.

6. I am glad to note that the CPC has become operational in a short period of time and that it has processed over 7 Lakh returns during this period. I congratulate the Income Tax Department and its partner Infosys for the speedy execution of the CPC project.
7. The success of these kinds of initiative depends upon implementation as well as education. The Department faces a huge task of not only educating its own officers and staff, but also taxpayers. I am informed that the Department has already taken steps to educate the taxpayers as well as important stake-holders like State and Central Government deductors for increasing awareness about the issues, which, if not addressed properly, may act as a barrier in realizing the full potential of this Mega IT-Initiative Project.
8. The tax-policy making process has also undergone the substantial changes with technology induction. I understand that CBDT is making policies, which are system compatible and can easily be implemented using the information technology tools. The recent notification of the SARAL II form by the Department would simplify the task of complying with the Income Tax reporting requirements for the taxpayer. These kinds of initiatives are beneficial to the taxpayer as well as Income Tax Department, as it not only reduces the compliance cost for the taxpayer but also helps the Department in collating the information for tax policy planning as well as for sector-based investigations.

9. For the technology partner Infosys also, it is a unique experience in implementing a project full of legal and procedural complexities. I am sure that Infosys will come up to our expectations as well as that of taxpayers in partnering the Department in delivery of services of the highest standards and one of the best in the World.
10. The functioning of CPC has been made possible by reengineering key business processes coupled with automation. The working environment of CPC is different from that in the Government. Government employees here have an opportunity to excel while performing duties in this conducive environment, which is on the lines of the private sector and highly challenging. I am told that the tasks in CPC are managed by a small and dedicated team of 31 officers and staff of the Department. CBDT should ensure that the best talent from the Department is attracted and retained for this prestigious project. To ensure this, CBDT may consider designing suitable human resource policy with incentives within the existing Government rules and regulations.
11. Technological innovation is key to success in addressing issues relating to voluminous data and repetitive procedures. However, technological limitations invite criticism from those who are at the receiving end. There has been some criticism of computerization in the Department on issues relating to credit of TDS and refunds to the taxpayers. I would like to mention that even countries like USA started computerization of

processes in the year **1960s**, but they could start processing of the returns for the first time in the year 2004 on a new computer system. The Income Tax Department started computerization in the year 1990s and full scale processing was started in the year 2002-03 after pilot testing was done in the year 1999-2000. The point I am emphasizing is that the computerization projects involving complex legislative framework and evolving international tax jurisprudence are associated with risks and rewards. We should accept these challenges and should not be disappointed with failures. We should try out best to deliver the quality services to the taxpayers keeping in mind the challenges of technological limitations and continue to innovate to make the existing processes and procedures more efficient.

12. To adopt best global practices, CBDT is in cooperation with Brazil and South Africa under India-Brazil-South Africa (IBSA) Forum. Under this cooperation, one of the areas is relating to risk profiling and computerization. I am sure that CBDT would continue to take initiatives like this to adopt best global practices to deliver services to the taxpayers and at the same time performing the role of a revenue collecting organization of the Government.
13. Taking forward tax administration reforms, I have announced setting up two more Centralised Processing Centers during my Budget speech 2010-11, looking to the successful experience of the CPC at Bengaluru.

I am happy to announce that Income Tax Department has identified two more locations for setting up CPC at **Pune** and **Manesar**. These two locations would deliver services to the tax payers in the western and in the northern region of the country by exploiting the IT friendly environment.

14. With these words I dedicate the Centralized Processing Center of the Income Tax Department at Bengaluru to the nation and wish it all success in the years to come. I also congratulate the officers and the staff of the Income Tax Department, who have contributed to the success of this project.