

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF REVENUE  
RAJYA SABHA  
**UN-STARRED QUESTION NO. 3437**  
ANSWERED ON- 01/04/2025

**STRUCTURAL REFORMS IN TAX ASSESSMENT AND RECOVERY**

3437. SHRI VIVEK K. TANKHA:

Will the Minister of FINANCE be pleased to state:

- (a) whether Government acknowledges structural inefficiencies in the current tax assessment and recovery system;
- (b) if so, the reforms being implemented to improve efficiency and accountability; and
- (c) whether any technology-driven solutions are being considered to enhance tax compliance and enforcement?

**ANSWER**

MINISTER OF STATE IN THE MINISTRY OF FINANCE  
(SHRI PANKAJ CHAUDHARY)

(a) & (b): No. The Indian tax assessment and recovery system, while effective, has undergone significant reforms in recent years to enhance efficiency and accountability. These reforms are not necessarily due to inherent structural inefficiencies but are part of a proactive strategy to modernize, simplify, and increase transparency. Key reform measures include the digitalization of tax processes, faceless assessments and appeals, the use of electronic tracking systems etc. Additionally, the introduction of the Goods and Services Tax Network (GSTN) platform for GST filings ensures real-time monitoring and minimizes fraudulent claims. Various customs reforms and digital initiatives, such as the risk management system, electronic duty payments, electronic bonds and bank guarantees, and automated refunds, have further contributed to improving the efficiency and accountability of tax administration. To safeguard revenue and target tax evaders, the "Project Anveshan" (Analytics, Verification, Shortlisting of Anomalies) was initiated, using techniques like facial recognition systems (FRS), E-way bill data, and other tools to identify GSTINs with a high propensity for fraudulent activity. These measures have proven effective, either directly increasing revenue collection or plugging revenue leakage. Regarding tax recovery, the Demand Facilitation Centre (DFC) was established in Mysuru in June 2022 to assist taxpayers in resolving outstanding tax demands, particularly those requiring rectification or eligible for reduction. The DFC serves as a facilitation point, guiding taxpayers through the resolution process.

(c): A comprehensive range of technology-driven solutions has been implemented to improve tax compliance. Current systems include machine learning algorithms, behavioral anomaly detection models, and rule-based interdictions for risk assessment. Future advancements being developed include advanced AI models integrating natural language processing, computer vision, and data analytics such as predictive, fraud, and geospatial analytics. By combining data from various internal and external sources, the Income Tax Department (ITD) has been able to identify potential cases of tax evasion and promote voluntary compliance. Technology-driven solutions are also being considered for the upcoming Integrated E-filing and CPC (IEC) 3.0 project, which aims to enhance the e-filing experience and provide numerous benefits to taxpayers, ensuring better compliance and enforcement.

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