

Electronic Verification Code and E-filing Vault—Recent Initiatives for Strengthening Taxpayer Services



The Government is committed to ensuring world class tax payer services through its e-governance program and increasing the coverage and scope of electronic filing and processing of various forms and applications. In line with the overall objective of the Government, it has also been the constant endeavour of the Income-tax department to make compliance simpler for the taxpayer through use of technology. E-filing Vault and Electronic Verification Code (EVC) are the most recent technology driven initiatives launched by the Income-tax department to promote the concept of e-governance. The Income-tax department has from time to time issued advisories on the need to avoid phishing e-mails and carefully protecting passwords and OTPs and not sharing them with others. In order to enable taxpayers to shield their e-filing against any fraudulent activity, the Income-tax department has introduced a new facility called E-filing Vault. Further, in order to facilitate the taxpayers by providing end-to-end e-enabled services and reduce compliance burden, the Income-tax department has offered the facility of e-verification through EVC. This write-up provides an overview of the said two significant initiatives by the Income-tax department to strengthen taxpayer services – E-filing Vault and Electronic Verification Code.

E-Filing Vault

An E-filing account contains several details like PAN of the assessee, address, history of Income-tax returns filed, bank accounts and TDS. Therefore, it

becomes important to secure the account in order to ensure that the information is not accessed by anyone.

The E-filing Vault facility introduced by the Income-tax department helps taxpayers secure their E-filing account against any fraudulent attempts. In order to use this facility, taxpayers can log in to their

(Contributed by Direct Taxes Committee of the ICAI. Comments can be sent at dtc@icai.in.)

Taxation

E-filing Account and under their profile page, select "E-filing Vault – higher security".

Taxpayers can then select to login with any one or multiple options of the higher security methods, namely –

- (1) Using Aadhaar linkage to generate OTP,
- (2) Login through Net-Banking or
- (3) Login using Digital Signature Certificate (DSC).

Once this has been done, any future attempt to login will require the additional check of OTP using Aadhaar or the taxpayers will have to login using Net banking or login using DSC. By using this facility, taxpayers can prevent anyone from logging in even if in the past they shared the user id and password. The dual factor authorisation ensures higher degree of security compared to the simple User id and Password.

Similarly, taxpayers can also select how their password can be reset. Once the taxpayer has selected 'reset password' using any one or multiple options of the higher security methods namely – Using Aadhaar linkage to generate OTP, Login through Net-Banking or Login using Digital Signature Certificate (DSC), then no other person will be able to reset taxpayer's password even if the secret answer or E-filing OTP is known.

Additional EVC options using ATM, Bank Account Validation or Demat Account Validations are shortly going to be introduced and these options will also be available for the higher level of security for login as well as resetting of password.

Spreading awareness on E-filing Vault via email to taxpayers

The Income-tax Department has also sent e-mails to all the taxpayers and others who are registered at the e-filing website of the Income-tax Department (<http://incometaxindiaefiling.gov.in/>) informing them that they would be able to secure their e-filing account against any fraudulent login attempts by using the new facility called the 'E-filing Vault'. In order to use the facility, the tax payers have to log in to their e-filing account and select "E-Filing Vault–Higher Security" in their profile page.

The Income-tax Department has, vide its e-mail to registered e-mail ids, strongly advised all taxpayers to use a strong password (combination of at least one uppercase, one special character and one numeral) and select an option for login and resetting of password to add an additional layer of security to their E-filing Account.

The following is the tabular extract of the e-mail sent to taxpayers:

<p>Change your password to a strong password– Use at least one uppercase, one special character and one numeral – do not share your password with anyone.</p>	<p>Example: Xasft\$9056</p>
<p>Select the option to Reset Password using only: Digital Signature Certificate Net Banking login Aadhaar OTP</p>	<p>Any attempt to reset or forget password will require the additional check of OTP using Aadhaar or the taxpayer will have to login using Net banking or login using DSC.</p>
<p>Select the Option to Login to your e-Filing Account using only: Digital Signature Certificate Net Banking login Aadhaar OTP</p>	<p>Any attempt to login will require the additional check of OTP using Aadhaar or taxpayer will have to login using Net banking or login using DSC.</p>

Hosting of User-friendly Manual on Usage of E-filing Vault

The Manual hosted on the Income-tax e-filing website is an easy to understand document which would make it simpler for a user to understand the 'E-filing Vault–higher security' process. The Manual, at the outset, explains that the reason for emphasising the use of "E-Filing Vault–Higher security" is that restricting the methods/options for login and locking the reset password options will secure the account from possible misuse. This is for additional security or secured access.

Pre-requisites

- (a) User should be registered in the e-Filing portal
- (b) A valid Digital Signature Certificate (DSC) is already registered in the e-filing application; or a valid Aadhaar should be linked with PAN in the e-filing (in case of individual users)

Steps in E-filing Vault – Higher Security process

The steps involved in "E-filing Vault–Higher Security" process have been detailed in a user- friendly manner in the Manual with the help of screenshots:

- Step 1-** Login to e-Filing portal using user credentials.
Step 2- Navigate to Profile Settings→E-Filing Vault-

Higher Security. The following screen would be displayed.

E-filing Vault - Higher Security

Login with Higher Security Options

If you choose any option (s) below, then in addition to or instead of your userid and password, you will be required to use that option to login or provide the additional validation. This will provide additional security to your e-filing account.

Login through net-banking

Login using DSC

Login using Aadhaar OTP

Lock Reset Password Options

If you choose any option (s) below, if you forget your password, then, you will be required to use that option to reset your password. The existing options of E-filing OTP and Secret Question will be disabled. This will provide additional security to your e-filing account.

You can always login through net-banking and reset your password (default)

Using DSC

Using Aadhaar OTP

Proceed Cancel

Step 3- User can select the required options to secure the account. On successfully completing the above steps, the user will be allowed to login and Reset Password only with the above selected option(s).

Fields	Pre-requisite to avail the options
Login through Net Banking	Users should have logged-in to e-Filing portal through Net banking atleast once to avail this option.
Login using DSC	Users need to register Digital Signature Certificate before opting for "Login using DSC". To register DSC, go to My Profile→Register Digital Signature Certificate.
Login using Aadhaar OTP	Users need to link Aadhaar to the PAN before opting for "Login Using Aadhaar OTP". To link Aadhaar, go to My Profile→Link Aadhar

Login with Higher Security Options

Under login with higher security option, the user can choose to login through Net banking or through Digital Signature Certificate or using Aadhaar OTP, along with e-Filing User ID and Password. If user has linked Aadhaar to the PAN, a request is made to

the Aadhaar web service, OTP is generated and sent to the Mobile Number registered with UIDAI. This will ensure additional security to the user's e-Filing account. The step by step process, in each case, is detailed in the Manual.

Lock Reset Password Options

Under Lock Reset Password Options, if the user forgets his/her password, then the user will be required to use the option selected using this process to reset password. The default option is to reset password through Net banking. At any time the user can reset his password using Net Banking option. The other options to reset password are using DSC or using Aadhaar OTP. If the user chooses to reset the password using DSC, all the other options to reset the password will be disabled and the user can reset the password only using DSC. If the user chooses 'Reset password' using Aadhaar OTP, user will be required to reset the password using Aadhaar OTP generated. If user has linked Aadhaar to the PAN, a request is made to the Aadhaar Web service, OTP is generated and sent to the Mobile Number registered with UIDAI. This will ensure additional security to user's e-Filing account.

The existing option of e-filing OTP and secret question will be disabled. This will provide additional security to e-filing account.

For detailed understanding of the 'E-Filing Vault-Higher security' process, taxpayers may refer to the Manual hosted on the e-filing website at https://incometaxindiaefiling.gov.in/eFiling/Portal/StaticPDF/Efiling_Vault_Higher_Security.pdf

Electronic Verification Code

The concept of Electronic Verification Code (EVC) originated due to the failure of the assessee to send ITR-V to Centralised Processing Centre (CPC), Bengaluru in respect of income-tax returns (ITRs) filed electronically without Digital Signature Certificate (DSC). There is a huge backlog of ITRs electronically filed but not processed due to non-receipt of ITR V form. A large number of assessee tend to forget to send the verification form after filing ITRs without DSC. Consequently, the ITRs remained unprocessed despite the fact that time to send ITR V to the designated address gets extended year after year.

Year 2015 saw the first application of EVC with ITRs. The number of electronically verified ITRs with EVC has already crossed 82 lakhs¹. This stupendous number is achieved in less than a year of implementation of the concept of EVC.

What is EVC?

"Electronic Verification Code" means a code generated for the purpose of electronic verification of the person furnishing the Return of income as per the data structure and standards specified by the Principal Director General of Income-tax (Systems) or Director General of Income-tax (Systems)².

Initially, EVC as an alternative mode of electronic verification of ITR was first made available to the following assessee for filing Return of income for the Assessment year 2015-16:

- (i) Individual or Hindu undivided family whose accounts are not required to be audited under section 44AB.
- (ii) A person required to furnish the return in Form-ITR 7, other than a political party
- (iii) Firm or Limited Liability partnership or any person³, whose accounts are not required to be audited under section 44AB and who is required to file Return in Form ITR-5.

Procedures, data structure and standards for EVC

The Principal Director General of Income-tax (Systems) or Director General of Income-tax (Systems) is empowered to specify the procedures, formats and standards for ensuring secure capture and transmission of data and is also responsible for evolving and implementing appropriate security archival and retrieval policies in relation to furnishing of Returns electronically by, *inter alia*, EVC.

Accordingly, in exercise of powers delegated by the CBDT, the Principal Director General of Income-tax (Systems) has laid down the following procedures, data structure and standards for EVC⁴.

- (1) The EVC would verify the identity of the person furnishing the Return of income and would be generated on the E-filing website or as otherwise indicated.
- (2) The EVC can be used by a Verifier being an individual to verify his Income tax return or that of an HUF of which he is the Karta in Income-tax Return Form 1,2 2A, 3,4 or 4S or the Income-tax Return Form filed in ITR 5 or 7 of any person in accordance with Section 140 of the Income-tax Act, 1961.
- (3) The EVC generation process may vary based on the risk category of the assessee, method of accessing the E-filing website or interface with third party authenticating entity.
- (4) The EVC would be unique for an assessee PAN and will not be valid for any other PAN at the time of filing Income-tax return. The EVC used to verify the Income-tax return will be validated against the EVC stored against assessee PAN at the time of generation and only a valid and matched EVC will be accepted. Invalid, already used or unmatched EVC shall be rejected.
- (5) One EVC can be used to validate one return of the assessee irrespective of the Assessment Year or return filing type (original or revised).
- (6) The EVC will be stored against the assessee PAN along with the other verification details.
- (7) The EVC will be valid for 72 hours or as otherwise specified.
- (8) The verifier can use more than one mode to obtain EVC and can generate the EVC multiple times.
- (9) The EVC will be a 10 digit alpha-numeric number.

¹ Source: <http://incometaxindiaefiling.gov.in/>

² As defined in Notification Number 41/2015, dated 15.04.2015

³ Other than an individual/Hindu undivided family, Company and a person required to furnish the return in Form ITR-7.

⁴ Vide Notification No 2/2015 dated 13-7-2015

Option to validate ITRs of earlier Assessment Years filed electronically without Digital Signature through EVC

In order to give further impetus to the use of EVC, the CBDT⁵ had provided the taxpayers an option to validate ITRs pertaining to A.Y. 2013-14 and A.Y. 2014-15 filed electronically (without DSC) between 01.04.2014 and 31.03.2015 within the extended time of 31.10.2015 through EVC also, instead of sending ITR V.

To further facilitate the process of validation of tax-returns through EVC, the CBDT has directed⁶ that the following can also be validated through EVC:

- (1) Returns of income which are filed on or after 1.4.2015 electronically (without Digital signature certificate) pertaining to A.Y. 2014-15; or
- (2) Returns filed in response to various statutory notices as prescribed under the Income-tax Act, 1961; or
- (3) Returns filed as a consequence of condonation of delay under section 119.

Recently, the CBDT⁷ has also permitted verification through EVC of returns for Assessment Years 2009-10 to 2014-2015 which were uploaded electronically by the taxpayer within the time allowed under section 139 but which have remained incomplete due to non-submission of ITR-V form for verification. Such verification process is, however, required to be completed by 31.08.2016. As an alternative to EVC, the taxpayer is allowed to send a duly signed copy of ITR-V to the CPC, Bengaluru by this date by Speed post. In such cases, CBDT has also relaxed the time-frame for issuing the intimation as provided in second proviso to Section 143(1) and directed that such Returns shall be processed by 30.11.2016 and intimation of processing of such returns shall be sent to the taxpayer concerned as per the laid down procedure. In refund cases, while determining the interest, provision of Section 244A(2) would apply.

It is further clarified that where the taxpayer concerned has submitted ITR-V form after the permitted time, which was earlier being treated as Non-est/declared Non-est and evidence of the same is available with the Department, the same shall be treated as valid compliance of this order and dealt with accordingly. However, this relaxation would not apply in those cases, where during the intervening

period, Department has already taken recourse to any other measure as specified in the Income-tax Act, 1961 for ensuring filing of tax return by the taxpayer concerned after declaring the return as Non-est.

Success of EVC: Demonstration of faith reposed by taxpayers in the Department's e-governance initiative

The CBDT came out with a Press Release⁸ acknowledging and thanking the taxpayers for making all its e-enabled initiatives, and EVC in particular, a success. The CBDT pointed out that in the short period since introduction of EVC, 32.95 lakh e-returns have been verified through EVC and that the use of EVC had dramatically reduced the time taken for processing of e-filed returns for the A.Y. 2015-16. Further, as on 07.09.2015, Central Processing Centre had processed 45.18 lakh returns relating to the A.Y. 2015-16 and issued refunds to 22.14 lakh tax payers who had claimed refunds for the A.Y. 2015-16.

More recent statistics indicate that the EVC facility has been used by almost 82 lakh taxpayers. These numbers indicate the success of EVC and the faith reposed by taxpayers in the CBDT's e-governance initiatives.

Modes of generation of EVC

Four modes of generation of EVC [specified in cases 1 to 4 detailed below] were notified initially⁹. Later on, two additional modes [specified in cases 5 and 6 detailed below], for generation of EVC were also notified.¹⁰ These modes are detailed hereunder:

(1) Through Net Banking

In this case, the EVC is generated after Verifier logs into the e-filing website <https://incometaxindiaefiling.gov.in> through Net-Banking

Specified banks registered with the Income Tax Department for this purpose, provide direct access to the e-filing website "My Account" to a Verifier through Internet Banking. The Banks will be providing such facilities to their account holders whose Bank accounts have a validated PAN number (Primary Account Holder) as part of the 'Know Your Client' (KYC). The facility will be available on their present Internet Banking website and the Verifier will use this

⁵ Vide Order dated 20.07.2015

⁶ Vide Order dated 06.10.2015,

⁷ Vide Circular No. 13/2016, dated 09.05.2016

⁸ Press Release dated 10.09.2015

⁹ Vide Notification No. 2/2015, dated 13.07.2015

¹⁰ Vide Notification No. 1/2016, dated 19-1-2016

facility using existing internet banking user id, login password & transaction password. When the user logs in via Net-banking and seeks redirection to e-filing, then he will be redirected to the E-filing website where he can generate the EVC which will be displayed and also sent to his validated Mobile number registered with <https://incometaxindiaefiling.gov.in>. This EVC generated through this Net-banking mode can be used to verify assessee's Income-tax return.

(2) Using Aadhaar OTP

In this case, the EVC is generated after Aadhaar authentication using Aadhaar One Time Password (Aadhaar OTP)

The Aadhaar authentication framework of Unique Identification Authority of India (UIDAI) is an example of what is called 'Federated Identity Services for Government' i.e. an independent agency of the Government undertakes to authenticate the identity of the citizen/person using Aadhaar for all 'relying parties' or verifiers. The Income Tax Department has registered with UIDAI for Aadhaar authentication service.

A Verifier can provide his Aadhaar number for linking with his PAN on the e-filing website which will be verified on the basis of his name, date of birth and gender as per PAN database with similar data available under his Aadhaar with UIDAI. If the Aadhaar authentication in this manner is successful, the Verifier's Aadhaar will be linked to his PAN. Thereafter, an OTP will be generated by UIDAI and sent to the Verifier's mobile number registered with UIDAI. This Aadhaar OTP will be the EVC generated under this Aadhaar Authentication and OTP mode and can be used to verify the assessee's Income-tax return.

The Aadhaar OTP as EVC will be valid for 10 minutes (or as specified by UIDAI).

(3) Using ATM of a Bank

In this case, the EVC is generated using Automatic Teller Machine (ATM) of a bank.

Verifier whose ATM card is linked to PAN validated bank account and the Bank is registered with the Income Tax Department for providing this service can generate an EVC through this mode. A Verifier can access the ATM of the Bank in which he/she has an account using ATM (Debit/Credit) card. After due authentication by using ATM PIN at the Bank ATM, the Verifier can select the 'Generate EVC for Income Tax Return Filing' option on the ATM screen (A new

option that will be available at ATMs of specified banks). The Bank will communicate this request to the Income Tax Department E-Filing website which will generate the EVC and send the EVC to the Assessee on the Assessee's registered mobile number with E-Filing. EVC generated through this Bank ATM mode can be used to verify the assessee's Income-tax return.

(4) Registered E-mail ID and Mobile Number of assessee

In this case, the EVC is generated and sent to the Registered Email ID and Mobile Number of Assessee with E-filing Website

Where the total income as per the income-tax return is Rs.5 lakh or below and there is no refund claim, the Verifier can generate an EVC on the E-filing website that will be sent to the Registered Email ID and Mobile Number of the Assessee with E-filing Website. This option may further be restricted to assessee's based on other risk criteria that may be determined from time to time. EVC generated through this E-filing EVC mode can be used to verify an assessee's income-tax return.

(5) Using Bank details

In this case, the EVC is generated by giving bank details to the e-filing website. A facility to pre-validate Bank account details will be provided to the assessee under Profile Settings menu in e-Filing website.

The assessee has to provide the following bank account details:

1. Bank account number;
2. IFSC;
3. Email ID; and
4. Mobile Number.

These details provided by the assessee along with PAN and Name as per e-filing database will be validated against the details of the taxpayer registered with the bank. If the pre-validation is successfully completed, the assessee can opt for "Generate EVC using bank account details" option while verifying the Income-tax return.

Generated EVC will be sent by e-filing portal to taxpayer's Email ID and/or Mobile Number verified from bank.

List of Banks participating in this facility will be as provided in the website <https://incometaxindiaefiling.gov.in>

(6) Using Demat details

In this case, the EVC is generated after Demat account authentication using Demat details

registered with CDSL/NSDL.

A facility to pre-validate Demat account details will be provided to the assessee under Profile Settings menu in e-Filing website.

Assessee has to provide the following Demat account details:

1. Demat account number;
2. Email ID; and
3. Mobile Number.

These details provided by the assessee along with PAN and Name as per e-filing database will be validated against the details of taxpayer registered with depository (CDSL/NSDL). If the pre-validation is successfully completed, assessee can opt for "Generate EVC using Demat account details" option while verifying the Income tax return.

Generated EVC will be sent by e-filing portal to Email ID and/or Mobile Number verified from CDSL/NSDL. The Depositories (CDSL/NSDL) participating in this facility will be as provided in e-filing website.

Electronic Verification of forms other than ITRs through EVC: Expansion of scope of EVC

The scope of EVC for verification of electronically filed returns and forms has been expanded and now, the following forms filed electronically may also be verified using EVC.

S. No.	Notification	Form No.	Particulars
1	3/2016 dated 14-1-2016	9A	Application for exercise of option under clause (2) of the Explanation to Section 11(1)
2	3/2016 dated 14-1-2016	10	Statement to be furnished to the Assessing Officer/ Prescribed Authority under section 11(2)
3	11/2016 dated 1-3-2016	35	Form of Appeal to Commissioner (Appeals)

Further, the Principal Director General of Income-tax (Systems) has laid down the procedures, data structure and standard of Electronic Verification Code (EVC) for the said purpose of filing of Form No. 35 vide Notification No.5/2016 dated 6.4.2016. These are broadly in line with the procedure laid down vide Notification No.2/2015, dated 13.07.2015. Further, Notification No 5/2016, dated 06.04.2016 clarified

that as specified in Rule 45(3), the Verifier shall be the person who is authorised to verify the return of income under section 140 of the Income-tax Act, 1961 as applicable to the assessee. Where the Verifier represents an entity (HUF/Firm/AOP, etc), then, the Verifier shall be registered in the e-filing website as Principal contact of the entity. Also, the EVC would be unique for an assessee PAN or assessee TAN and will not be valid for any other PAN or TAN, as the case may be, at the time of furnishing of the form.

CBDT's E-initiatives: Towards enhanced taxpayer services

E-filing Vault facility is a significant initiative of the Department which will certainly help taxpayers secure their account against fraudulent login attempts. The EVC mechanism is also a welcome step and would relieve tax payers not using digital signature from the hassles of sending ITR-V to CPC, Bengaluru. Those taxpayers who have already e-filed their income-tax returns without digital signatures, can also use the EVC option for validation, and save themselves the effort of sending a signed hard copy acknowledgement in ITR V. Thus, it is clearly evident that the Income tax department remains firmly committed to improving taxpayer services through enhanced use of technology as also further improvements therein. On their part, the taxpayers too have reposed faith in the Department's initiatives and this is reflected in the stupendous number of returns e-filed and verified through EVC within a short span of time since its introduction.

In order to spread awareness of its initiatives amongst the taxpayers, the CBDT has come out with a number of Press Releases, Circulars and E-mailers to registered assesseees. The progress made by the CBDT in this direction has also been highlighted on the home page of its website. These initiatives will surely go a long way in making direct tax compliances a user friendly experience for the taxpayer.

Note- This write-up has been prepared by compiling and integrating information from various sources, the main sources being the notifications, circulars, orders and press releases issued by the Central Board of Direct Taxes, mailer sent by the Department to assesseees, Manual on "E-Filing Vault- Higher Security" hosted on the e-filing website of the Income-tax Department <https://incometaxindiaefiling.gov.in> and other information available on the said website.