

# NEWS FLASH

**CBDT announces seamless, painless,  
faceless tax administration model**

Nangia Andersen LLP

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# CBDT announces seamless, painless, faceless tax administration model



## a. Background

The government, since its inception, has recognised the fact that plethora of tax disputes and perverse assessments not only infuses fear in the minds of the taxpayers but also tarnishes the country's image globally. It has therefore worked relentlessly to build a conducive, taxpayer-friendly and simple tax regime. Rationalisation of tax rates, simplification of Income Tax Return Forms, faster processing of refunds, reduction of unnecessary litigation and penalising careless assessing officers are some efforts that have been made to wipe out the fear of taxmen and make India, a more tax compliant society.

Another attempt has now been made to add strength to the government's efforts of reforming and simplifying the tax system by way of introduction of the scheme of 'Transparent Taxation'. The government shall make extensive use of technology, digital analytics and even Artificial Intelligence to ease compliance burden, minimise the physical interface between the taxpayers and the tax officials to achieve the objective of providing a seamless, painless and faceless tax administration.

## b. Main features of the scheme- Taxpayers' Charter, faceless assessments, faceless appeals

1. **Taxpayers' Charter:** clearly articulates the rights and responsibilities of the taxpayers.
  - i. It states the *responsibilities of income tax department* and thus the tax department shall:
    - Respect privacy and maintain confidentiality of taxpayers
    - Provide fair, courteous and reasonable treatment to all taxpayers
    - Treat taxpayers as honest, unless there is a reason to believe otherwise
    - Hold its authorities accountable for their actions
    - Provide complete and accurate information
    - Provide mechanism for appeal and review
    - Collect correct amount of tax and provide timely decisions
    - Allow taxpayers to choose authorised representative of their choice
    - Provide a fair and just system and enable lodging of complaints and prompt disposal
    - Duly take into account the cost of compliance when administering tax legislation

- ii. Apart from laying down the commitments of the department, the Charter also lays down the *duties of the taxpayers*:
- Taxpayers are expected to be honest and well informed.
  - In addition to fulfilling all compliance and tax-payment obligations, they are required to keep accurate records as per law and disclose information, whenever required.
  - Essentially, taxpayers are expected to know what information and submissions are made by the authorised representatives

## Nangia Andersen LLP's Take

The Charter promises to maintain privacy and confidentiality of taxpayers and assures a fair, courteous and reasonable treatment to all taxpayers. The absence of such a guiding principle has mortified taxpayers in the past owing to the release of their tax affairs in the public domain. Further, the department shall hold its authorities accountable for their actions. This notion departs from current mind-set of the taxmen, who adopt an accusatorial approach. If adhered to, the measure shall help keep a check on the actions and operations of the tax officials and will promote transparency and confidentiality.

The public expects highest degree of efficiency and morality from tax officers, who work in a fiduciary capacity. If they change their adversarial attitude and become taxpayer-friendly, as promised, we shall see a complete overhaul of the tax administration system. In fact, it will enhance taxpayer sentiments and resultantly, the taxpayer ratio.

## 2. Faceless Assessments/ Appeals

The government shall now make extensive use of technology, digital analytics and even Artificial Intelligence to ease compliance burden, minimise the physical interface between the taxpayers and the tax officials to achieve the objective of providing a seamless, painless and faceless tax administration.

The CBDT has announced amendments to the faceless assessment scheme that was first notified in 2019. The revised scheme is called 'Faceless Assessment' Scheme.

### Procedure of assessments

1. The National E-Assessment Centre (NeAc) shall serve a notice to the assessee under section 143(2) of the Income Tax Act (the Act), specifying issues for selection of case for assessment
2. The assessee shall respond to the NeAC within 15 days from the date of receipt of notice
3. NeAC shall intimate the assessee that assessment in his case shall be completed under the faceless assessment scheme.
4. The NeAC shall assign the case to a specific Assessment Unit (AU) in any Regional e-assessment Centre (ReAC) through automated allocation system
5. Upon assignment, the AU may request NeAC for:
  - Obtaining further information, documents or evidence from the assessee or any other person, as it may specify
  - Conducting certain enquiry or verification by *Verification Unit (VU)*
  - Seeking technical assistance from the *Technical Unit (TU)*
6. Upon receiving such request by the AU, the NeAC shall issue appropriate notice/ requisition to the assessee or any other person for obtaining the information/ document/ evidence requisitioned by the AU
7. The assessee/ any other person shall file a response to the notice (referred to in 6) within time specified in the notice (or as extended by the NeAC, upon application)
8. The request of the AU for conduction of verification/ certain enquiry by VU or technical assistance by TU shall be assigned to a VU/TU in any ReAC through automated allocation system by NeAC.
9. The NeAC shall send the report so received from the VU or TU to the concerned AU
10. If assessee fails to respond to notice (stated in 6) or notice under 142(1)<sup>1</sup> or direction under 142(2A)<sup>2</sup> the NeAC shall serve a notice under section 144 giving him an opportunity to show-cause as to why a best judgement assessment must not be made in his case.
11. The assessee shall furnish his response to the NeAC within time specified in notice (or as extended, on application)
12. Upon assessee's failure to respond to notice under section 144 (within time specified in notice or as extended), NeAC shall intimate such failure to AU

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<sup>1</sup> Requisition to furnish Return/ information/ accounts/ documents/ statement of assets, liabilities

<sup>2</sup> Direction to get audited

13. The AU, after considering all material on record, make in writing, a draft assessment order, either accepting the income, or sum payable by, or sum refundable to, the assessee as per his return or modifying the said income or sum, and send a copy of such order to the NeAC (in case of intimation stated in 12 is received, a draft best judgement assessment shall be made)
14. The AU shall provide the details of penalty proceedings to be initiated (if any), while passing draft assessment order
15. NeAC shall examine the draft assessment order in accordance with the risk assessment strategy specified by the CBDT, including by way of an automated examination tool to:
  - Finalise assessment as per draft assessment order and serve a copy of such order and notice for initiating penalty proceedings (if any) to the assessee along with notice of demand
  - Provide an opportunity to the assessee (in case modification is proposed), by serving a notice on him asking him to show cause as to why assessment should not be finalised as per draft assessment order
  - Assign the draft order to the Review Unit (RU) in any ReAC through automated allocation system for conducting review of such order
16. The RU shall conduct review of draft assessment order and may agree or suggest modification and then send it to the NeAC
17. Upon receipt of concurrence, NeAC shall finalise assessment [as per 15 (a) and (b)]
18. NeAC upon receipt on any suggestion for modification from RU, shall send it to the AU (other than the AU which prepared the draft assessment order, through automated allocation system), which shall consider the suggestions of RU and send final order to NeAC (which shall again follow procedure in 15(a) and (b))
19. Upon the issuance of show cause notice, the assessee shall furnish his response to the NeAC on or before the date specified in the notice, failing which the assessment shall be finalized based on draft assessment order
20. The NeAC shall
  - Finalise the assessment if no response is received
  - Send response to AU (if response received from the assessee)
21. The AU shall make a revised draft assessment order, after taking into account the response furnished by the assessee and send it to the NeAC
22. Upon receipt, the NeAC shall
  - Finalise the assessment - in case no modification that is prejudicial to the interest of the assessee is proposed as per 15(a)
  - In case a modification prejudicial to the interest of the assessee is proposed with reference to the draft assessment order, provide an opportunity to the assessee, by serving a notice (as per 15(b))
23. NeAC shall after completion of assessment, transfer all the electronic records of the case to the Assessing Officer having jurisdiction over the said case for such action as may be required under the Act

#### **Transfer of case to Jurisdictional AO**

The Principal Chief Commissioner (PCC) or the Principal Director General (PDG), in charge of the NeAC, may at any stage of assessment, if considered necessary, transfer the case to the jurisdictional AO, with prior approval of the CBDT.

## Request for Personal Hearing

1. In case where
  - a modification is proposed in the draft assessment order and
  - an opportunity is provided to the assessee, to show cause as to why the assessment should not be completed as per the such draft assessment order,

a request for personal hearing may be made by the assessee or his authorised representative so as to make his oral submissions or present his case before the income-tax authority in any unit under this Scheme.

2. The Chief Commissioner or the Director General in charge of ReAC may approve this request if he is of the opinion that the request is covered under the circumstances as may be notified by the PCC/ PDG. The existing circular<sup>3</sup> in this regard providing list of cases where personal hearings may be granted holds good till a new circular is issued in this regard.
3. Such hearing shall be conducted exclusively through video conferencing

## Power to Specify Mode/ Format/ Procedure/ Processes

Two powers have been added - The PCC/ PDG with prior approval of the CBDT may lay down circumstances where exchange of communication through electronic mode shall not apply and circumstances where personal hearing can be approved.

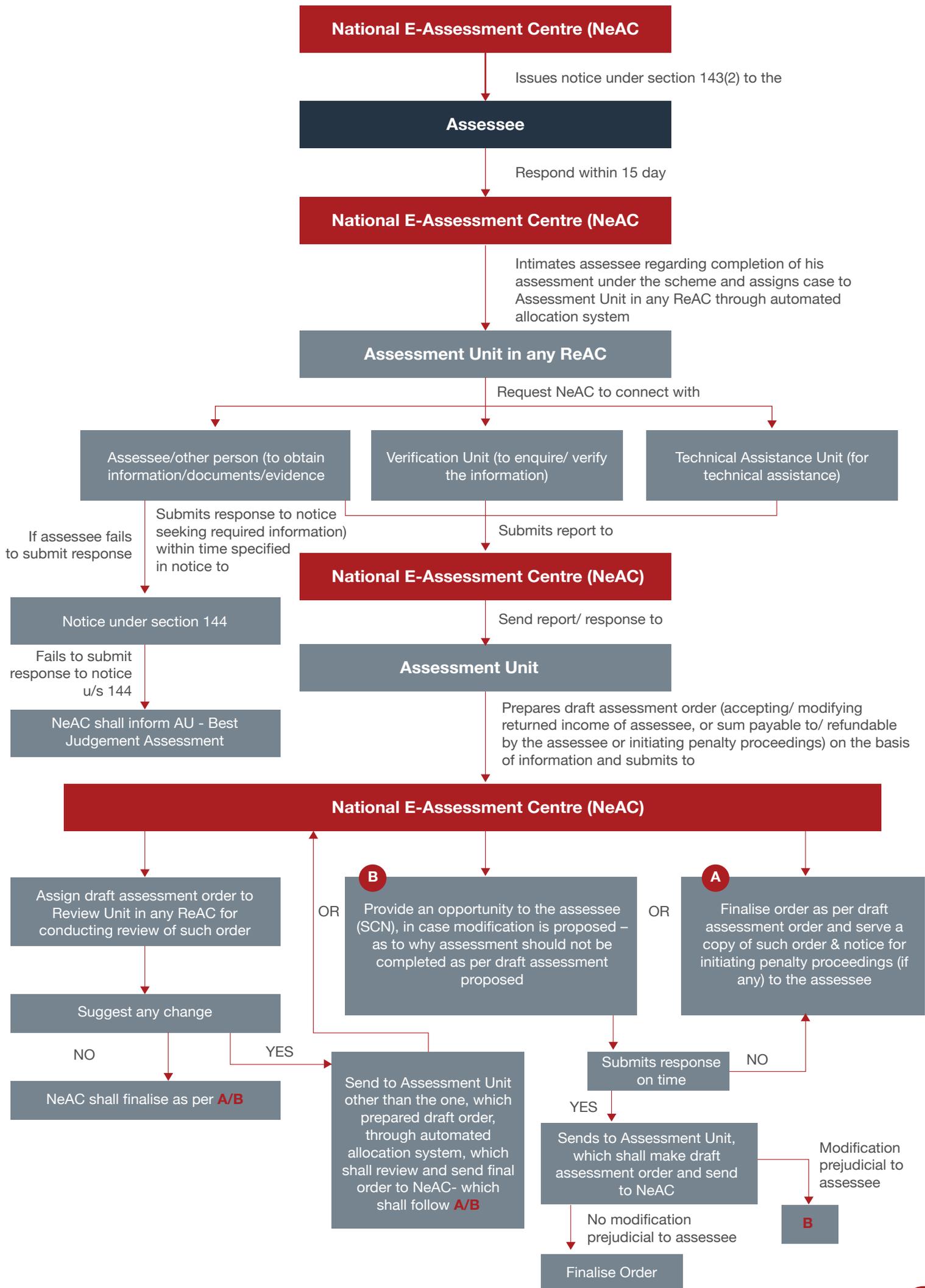
## Nangia Andersen LLP's Take

With features like automated random allocation of cases, abolition of territorial jurisdiction, central issuance of notices with Document Identification Number (DIN), team-based assessment/ review, faceless e-assessment attempts to curtail the powers of tax officials. Without DIN, a document emanating from the tax department shall be invalid, thereby enhancing authenticity and certainty of information and communication. Further, zero physical interface between the tax officials and taxpayers shall help address the impending issues of corruption/ overreach of tax officials, harassment of taxpayers and shall ensure expeditious disposal of cases.

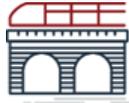
While faceless e-assessments become applicable with immediate effect, faceless appeals shall commence on September 25, 2020. We have had a foretaste of faceless assessments, and now, it will be interesting to see how e-appeals turn out, considering that, it would entail an efficient technology system to handle bulk documentations.

It is interesting to note that e-assessment is still not mandatory in all cases and the list of exceptional circumstances provided in the circular (Circular 27/2019 dated 26/9/2019), till the circular is not withdrawn/replaced.

<sup>3</sup> Circular 27/2019 dated Sep 26<sup>th</sup> 2019



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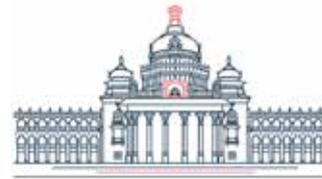
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