

16<sup>th</sup> August 2020

**Subject: Scheme for Faceless Income Tax assessment and appeals**

Prime Minister's announcement of 13<sup>th</sup> August 2020 comprises of reforms in respect of following four broad areas of work of Income Tax department:

1. Taxpayer's Charter,
2. Faceless Assessment Scheme,
3. Expansion of scope of reporting of transactions (SFT), and
4. Faceless Appeals Scheme.

Key features and highlights of these are being given below.

**2. Taxpayer's Charter:**

**2.1** A Taxpayer Charter has been announced which was promised in the budget speech of 2020. It makes following commitments to taxpayers and expectations from the taxpayers-

**2.2 Income Tax Department's commitment to taxpayers:**

- To provide fair, courteous, and reasonable treatment,
- To treat taxpayers as honest,
- To provide mechanism for appeal and review,
- To provide complete and accurate information,
- To provide timely decisions,
- To collect correct amount of tax,
- To respect privacy of taxpayers,
- To maintain confidentiality,
- To hold its authorities accountable,

- To enable representative of choice,
- To provide mechanism to lodge complaint,
- To provide a fair & just system,
- To publish service standards & report periodically, and
- To reduce cost of compliance.

### **2.3 Income Tax Department's expectations from taxpayers:**

- **Be honest and compliant** – Taxpayers are expected to honestly disclose full information and fulfil his compliance obligations.
- **Be informed** – Taxpayers are expected to be aware of their compliance obligations under tax law and seek help of department if needed.
- **Keep accurate records** - Taxpayers are expected to keep accurate records required as per law.
- **Know what the representative does on his behalf** – Taxpayers are expected to know what information and submissions are made by his authorised representative.
- **Respond in time** – Taxpayers are expected to make submissions as per tax law in timely manner.
- **Pay in time** – Taxpayers are expected to pay amounts due as per law in a timely manner.

## **3. Faceless Assessment Scheme:**

### **3.1 Objectives of the Scheme:**

- Introducing team-based assessments,
- Eliminating physical interface between the taxpayer and tax officers, and
- Imparting greater efficiency, transparency, and accountability.

### **3.2 Key features of the Scheme:**

Two notifications bearing Numbers 60 and 61 of 2020 have been issued by CBDT on 13<sup>th</sup> August 2020 in this regard. The key features of the Scheme are -

- All territorial jurisdictions of the assessing authorities have been abolished.
- Instead a National E-Assessment Centre (NEAC) and 30 Regional E-Assessment Centres (REACs) have been set up each headed by a Chief Commissioners and comprising of various Principal Commissioners and other officers. The NEAC and each REAC will have jurisdiction across the country.

- Each REAC will have four units: Assessment Unit (AU), Verification Unit (VU), Review Unit (RU) and Technical Unit (TU). Each of these will be headed by a Principal Commissioner.
- Returns of income will be selected for scrutiny only through Computerised system using Data Analytics and Artificial Intelligence.
- NEAC shall issue notices electronically to the taxpayers whose returns are selected for scrutiny specifying the issues for selection of the return.
- All notices to taxpayers shall be issued centrally online through NEAC only. These will carry a unique Document Identification Number (DIN). No physical notice will be issued by any officer otherwise than through NEAC.
- The NEAC shall assign the selected returns for e-assessment under this Scheme to an Assessment Unit in any REAC through an automated allocation system.
- Assessment notices/ questionnaires for obtaining further information, documents or evidence from the taxpayer or from any other person in respect of the returns so selected will be sent by the Assessment Units of the concerned REAC online to NEAC for issue to the taxpayer or the concerned third party.
- Taxpayers will be required to provide replies to notices/ questionnaires online to NEAC. There will be no physical interface with taxpayer and no requirement to visit income tax offices.
- Replies provided by taxpayers will be examined by the concerned Assessment Unit. Wherever necessary it may request the NEAC for obtaining additional document or information. NEAC will in turn issue notice online to the taxpayer calling for the same and provide it to the Assessment Unit.
- Wherever any enquiry or verification by Verification Unit, and/ or technical assistance from the Technical Unit becomes necessary the NEAC will assign the enquiry to Verification Unit or Technical Unit of any REAC across the country through an automated allocation system and provide its report to the concerned Assessment Unit.
- Assessment orders will be drafted by teams of officers of the Assessment Unit of the concerned REAC based on the material so coming on record and will be sent online to NEAC.
- The NEAC will examine the draft assessment order in accordance with the risk management strategy of the Board. It may either accept the draft and send it to taxpayer, OR send it to the taxpayer with a notice proposing modification

and providing opportunity to him to counter the proposed modification, OR assign the draft assessment order to a Review Unit in any other REAC through an automated allocation system for reviewing the draft order.

- The draft orders so referred will thereafter be reviewed by Review Unit in a different REAC. Where the Review Unit proposes modification of the draft assessment order a further opportunity will be granted to the taxpayer by the NEAC online and the assessment order will be finalised taking into account the response of the taxpayer.
- In a case where a modification is proposed in the draft assessment order, the taxpayer may seek personal hearing before an Income Tax authority in any Unit under this Scheme. The Chief Commissioner of the concerned REAC may permit oral hearing. The hearing will take place exclusively through video conferencing, including use of any telecommunication application software in accordance with the procedure laid down by the Board.
- All final assessment orders demand notices/ refunds, and penalty notices will be issued to the taxpayers online by NEAC only.
- In cases where the taxpayer fails to comply with any of the notices issued by NEAC it will refer the matter to the Assessment Unit for completing the assessment the best of its judgment under section 144 of the Income Tax Act based on material available on record.
- Penalty proceedings wherever initiated as part of the assessment orders will also be completed in the same manner.
- Thus, the assessment notices, draft assessment orders, and final orders in the same case will be prepared by officers in different REACs, which may be even in different cities.
- Online information relating to high value transactions coming to the Department via Statements of Financial Transaction (SFT) will be assigned to Verification Unit (VU) of different REACs through computerised systems for verifications.
- Powers of conducting surveys at business premises under section 133A of Income Tax Act have been withdrawn from all officers and have been assigned exclusively to Director Generals (Investigation) and Chief Commissioners (TDS).

### **3.3 Exceptions:**

The Scheme will not apply to cases of -

- Search and seizure, major tax frauds/evasion assigned to Central Circles,

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- Cases of International Tax Division, and
- Cases under the Foreign Black Money Act & the Benami Property Act.

#### **4. Expansion of scope of reporting of financial transactions:**

Section 285 BA of Income Tax Act requires certain entities to file Statements of Financial Transactions (SFT) above certain amounts online with Income Tax department. The existing list of these transactions is proposed to be expanded to include the following types of transactions/ expenses:

- Payment of educational fee /donations above INR 1 lakh per annum,
- Payments relating to electricity consumption above INR 1 lakh per annum,
- Expenses on domestic business class /foreign air travel above certain amount,
- Payment to hotels above INR 20,000/-,
- Purchase of jewellery, white goods, paintings, marble, etc. above INR 1 lakh,
- Deposit or credits in current account with banks above INR 50 lakh,
- Deposits or credits in other bank accounts above INR 25 lakh,
- Payment of property tax above INR 20,000/- per annum,
- Payment of Life Insurance premium above INR 50,000/-,
- Payment of Health insurance premium above INR 20,000/- and
- Sale of foreign exchange above INR 10 lakh.

Besides the above, the existing reporting requirements for transactions of investments in mutual funds, credit card transactions, immovable properties, etc. are also being rationalised.

A formal notification in this regard is yet to be issued.

#### **5. Faceless Appeals:**

Under the Income Tax Act first appeals against the Assessment Orders can be filed before the concerned Commissioner (Appeals). The procedure for disposal of these appeals is being changed under the Faceless Appeal Scheme which will be implemented from 25th September 2020.

##### **5.1 Key features of the Scheme:**

- The territorial jurisdictions of Commissioner (Appeals) will be abolished. Instead they will have country-wide jurisdiction in respect of appeals falling under the Faceless Appeals Scheme.

- Pending as well as new appeals will be randomly allotted by a computerised process to any Commissioner (Appeals) anywhere in the country.
- The identity of the Commissioners deciding an appeal will remain unknown.
- Appeal documents as well as submissions will be filed by Appellants online. There will be no need to visit the Income Tax Office or the Commissioner deciding the appeal.
- In appropriate cases oral hearing may be permitted on the request of the Appellant. Such hearings will take place exclusively through video conferencing in accordance with the procedure that may be laid down by the Board.
- The appellate decisions will also be team-based & will be reviewed by a different Commissioner before issue of appeal orders.

Full particulars of the appeal procedure under this Scheme are yet to be notified.

## **5.2 Exceptions:**

The Scheme will not apply to cases of:

- Search and seizure, major tax frauds/evasion assigned to Central Circles,
- Cases of International Tax Division, and
- Cases under the Foreign Black Money Act & Benami Property Act.

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