

FACELESS ASSESSMENT: A PARADIGM SHIFT IN INCOME TAX LAW

Jyoti Thakan*
Prof. (Dr.) Kavita Ratnaparkhi**

ABSTRACT

In this modern world no one can imagine their lives without technology. Over the past few years technology has changed the work styles in all sectors whether it is government or non-government organisation, academic world, private enterprise or in the society at large. The income tax department has also responded to these changes and has been gradually digitizing all areas of compliances and interactions with taxpayers. One such new addition is faceless assessment and appeals. This new scheme eliminated all human interface between the taxpayers and the income tax department. Under this scheme taxpayers need not see face to face any tax officer or visit an income tax office. He or she can e-file assessment's reply on the income tax portal from the comfort of his home without the hassle of visiting any tax office. The platform for transparent taxation, honouring the honest aimed at easing compliance, expediting refunds and benefiting honest taxpayers. The focus is on making the tax system people centric and public friendly. The factors responsible for changes in the taxation system were policy driven governance belief in people's honesty, the use of advanced technology and efficiency in bureaucracy. In the present paper an effort has been made to throw light on what this platform is all about and what is that we would like to achieve from this new transparent plan.

KEYWORDS: *Faceless Assessment, Faceless Appeal, Income Tax, Taxpayer, Non-Government Organisation.*

Introduction

Over the years, the government has worked to modernise our country's tax system in order to eliminate taxpayer discretion and excessive harassment. It has consistently implemented new technology into numerous tax compliances and proceedings. The Indian Revenue Authorities ("IRA") have enabled electronic filing of several applications and returns under the Income Tax Act, 1961 ("IT Act"), and have even informed their approvals or objections directly through the e-filing portal. The IRA's IT infrastructure had to keep up with the new procedures for electronic filings. Taxpayers have been driven to learn and adapt to emerging technology as a result of the implementation of these new procedures. Taxpayers' physical interactions with the IRA have also decreased. Long queues at tax counters are a thing of the past, thanks to the elimination of manual filings in most income tax-related compliances. It has also brought much-needed openness to the grassroots level, reducing the possibility of bribery being used to conceal instances of late submissions or other unscrupulous practises used to acquire undue clearances. Furthermore, it provides a great deal of convenience when carrying out various compliances under the IT Act, saving significant time and resources for both tax administrators and taxpayers. It also gives a paperless trail of tax filings made by taxpayers or notices issued by tax officers, increasing accountability for both parties.

Taking an enormous leap ahead in this direction, the government has introduced the new scheme of conducting the assessment proceedings under the Income tax online. The scheme is called faceless assessment. It will remove the human interface between the taxpayer and the assessing officer. Under this scheme taxpayers need not see face to face of any tax officers visit an income tax office or need not run pillar to post on receiving income tax scrutiny assessment notice or rush to a tax professional or accountant. Yet he or she can e-file assessment's reply on the income tax portal from the comfort of his/her home without the hassle of visiting any tax officers. In faceless assessment all communication with taxpayers is made electronically by a central cell in Delhi and the identity of all the

* Research Scholar, Barkatullah University, Bhopal, MP, India.

** Principal, Innovative College of Commerce, Bhopal, MP, India.

assessing officers remains unknown to the tax payers all times. In previous assessment scheme, the tax officers may take bribery due to physical interaction but in the faceless assessment the taxpayers directly submit their tax returns without knowing to whom they are submitting, thus it eliminates the possibility of bribery. The motto of this scheme is to make the transparent taxation system and honouring the honest.

Literature Review

Sahana S(2020) analyze the procedure involved in the e- assessment scheme and judicial interpretation of the provisions.

Pradhumna Malpani, Damodar H.Hake (2022) found that the system needed to be re-evaluated and modified to meet within constitutional constraints.

Gopal Mundhara (2022) analysed that personal hearing should also be granted.

Objectives of the Study

- To study how does faceless assessment work.
- To study how it makes a transformational change.

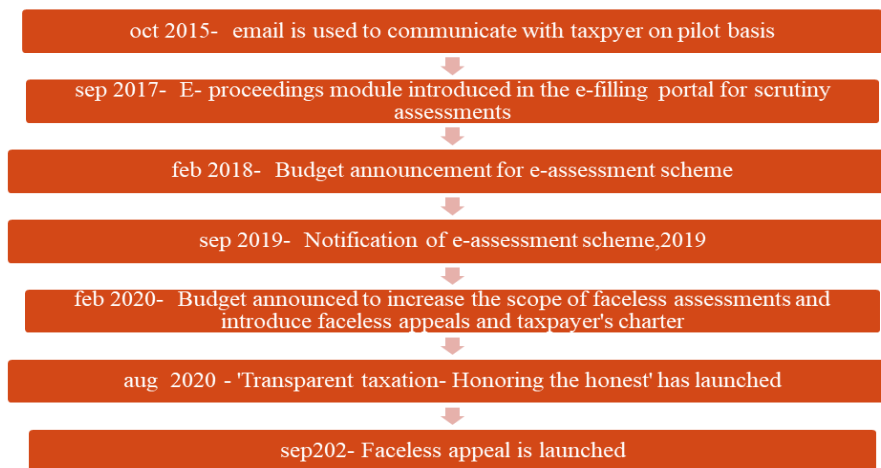
Research Methodology

The study is based on secondary data. The required data has been extracted from the various sources like research journals, magazines, government publications, periodicals and from newspaper articles and authenticated websites.

Faceless Assessment Scheme

On October 19, 2015, the CBDT initiated a pilot project for paperless assessment proceedings for a small number of non-corporate taxpayers in a few metro areas. This pilot experiment was only implemented on a voluntary basis, with the approval of taxpayers, and was then expanded to a few additional cities. In support of this, the Central Board of Direct Taxes ("CBDT") established a high-level team to develop a path for conducting faceless income tax proceedings. The honourable Finance Minister announced the implementation of a new e-assessment system across the country in 2018 and revised the necessary provisions of the IT Act, allowing the government to declare a scheme for this purpose. As a result of the foregoing, the CBDT on 20 august 2018 announced that scrutiny assessment under section 143(3) of IT act for the financial year 2018-19 would be conducted online mandatorily.

In 2019 the CBDT launched the E-assessment scheme which contains the detailed procedures for the conduct of faceless assessment proceedings electronically. The new procedures were not limited to scrutiny assessment proceedings under the IT Act, but also included proceedings before the Dispute Resolution Panel ("DRP"), penalty proceedings, and other matters. The scheme was designed to bring efficiency, transparency and accountability into assessment proceedings. Taking the next step in this direction the government on 13 august 2020, renamed the scheme as faceless assessment scheme a 'Transparent Taxation- Honouring the honest' platform. The 3 main features of the platform are- faceless assessment, faceless appeal and taxpayers' charter. The government passed the Taxation and other laws (Relaxation and Amendment of certain Provisions) Act, 2020 to incorporate the Faceless assessment Scheme under the provision of Income Tax Act, 1961.

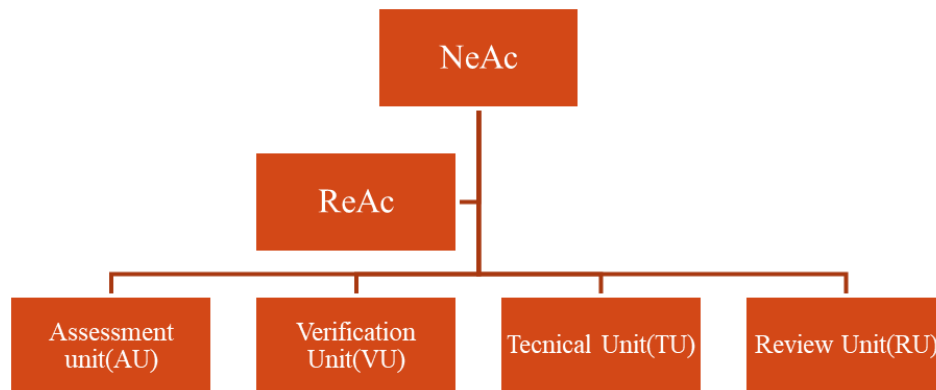


- **How does Faceless Assessment Works**

Under faceless assessment a central computer will pick up tax returns for scrutiny, based on risk parameters and any information mismatched. It will then randomly alert the returns for scrutiny to a team of officers anywhere in the country. This is done using data analytics and artificial intelligence which means the identity of the officer deciding the appeal will remain unknown. The allocation of cases for scrutiny will be reviewed by officers at another randomly selected location and only if concurred, a notice will be sent by the centralized computer system. All such notices will have to be responded to electronically by the assessee without the need to visit a tax office in person or meet any official. All the decision will be team based. It will also include best judgement assessment that refers to tax assessment done as per the best of the judgement of the tax officer. The income tax department has also issued additional guidelines for the demarcation of roles of officers for the implementation of faceless assessment making national e-assessment centre the main gateway for communication with a taxpayer. Under the amended scheme principal chief commission of income tax or principal director general of income tax in charge of national e-assessment centre have been empowered to transfer case to jurisdictional assessing officer at the request of taxpayer or under specified circumstances, which requires a personal hearing. National e-assessment centre can also grant additional time to the taxpayers to furnish details or to forward its case for best judgment assessment. Earlier best judgment assessment in cases of non-cooperating taxpayers could only be done by jurisdictional AO. The scheme therefore abolishes territorial jurisdiction. CBDT has notified the national e-assessment centre at Delhi and various regional e-assessment centre across 20 cities for implementing faceless assessment scheme.

Structure of Income Tax Authority

For the smooth conduct of e-proceedings, the CBDT has established the following units, each with its own jurisdiction, roles, and obligations.



Role of Different Authority

- **NeAc**
 - National e-Assessment Centre will be the only authority which will virtually connect with assessee.
 - It will send notices and receives response from assessee. It will convey documents to the appropriate units and make the proceedings more centralised.
 - All the communication among different units shall be done through NeAC.
 - Principal Director General of Income-tax will be incharge of NeAC.
- **ReAc**
 - CBDT has set up Regional e-Assessment Centres with 30 headquarters across 20 cities.
 - Each ReAC consist of different units and will report to NeAC.
- **Assessment Unit**
 - It will perform function of making assessment i.e determine liability or refund according to Act.

- **Verification Unit**
 - It will do the function of verification like examine witness, recording of statement etc.
- **Technical Unit**
 - It provides technical assistance which include advice on legal, informational technology, forensic, accounting, valuation etc.
- **Review Unit**
 - It will review draft assessment order i.e.
 - Check whether relevant and material evidence has been brought on record.
 - Whether relevant point of fact have been incorporated in draft order.
- **Evaluation of Faceless Assessment Program: Towards a Paperless, Faceless, Transparent Regime**

Fast and Efficient

Faceless assessment makes the assessment process and other proceedings faster and efficient for the department as well as for the taxpayers. Earlier taxpayers or their representatives have to spend countless hours visiting the tax department and have to wait for long even for a short hearing. On the other hand, it is also efficient for assessing officer as all the process is computerised, he can take more cases in less time than earlier. This scheme will ensure effective utilisation of time and resources.

In addition, the program departs from the general practice of obtaining a taxpayer's tax return certificate stamp from the affected alternative tax authorities and serves as evidence of the filing to the appealing authorities. It should be noted that taxpayers have previously requested the date of issue of the notice under RTI Act and made some requests to obtain a copy of the satisfaction recorded by senior officials. Faceless assessments collect relevant data online, eliminating the need to submit such an application.

- **Transparent**

Transparency usually means an open and clear procedure. In this program, all communication between the taxpayer and the IRA is routed through the NFAC and communicated on the taxpayer's electronic filing portal. In addition, cases are assigned to any AU of any REAC via an automated allocation system determined by advanced algorithms based on artificial intelligence and machine learning. Therefore, there is no discretion in the taxpayer's authority to attribute a particular case to a particular entity, ensuring a high level of transparency in the system.

In addition, it helps reduce the physical interaction between tax department and taxpayers. Physical interactions between the taxpayers and tax authorities during the valuation process have been shown to lead to unnecessary harassment of taxpayers and demands for illegal profits. Such exchanges will reduce genuine tax claims and reduce tax collections by the relevant tax authorities. The new system will help you complete your investment process fairly and transparently.

- **Challenges for Implementing a Faceless Evaluation Scheme**

In terms of modernising the current system of conducting income tax proceedings under the IT Act, the new scheme advances us significantly. The government shall be responsible for taking appropriate action to overcome any obstacles that may occur during the implementation of the Scheme, including any difficulties that taxpayers may have when going through the Scheme's procedures.

For instance, it would not be acceptable to presume that all taxpayers have the necessary IT infrastructure in place to have the documentation of such excessive data in electronic format. Assessment hearings frequently require the production of bulky voluminous statements. Therefore, it is essential that the department provide the necessary facilities or advice centres in the form of e-centres to aid the taxpayers who require technological assistance when filing or who are dealing with particular challenges. Additionally, it is only reasonable that e-centres be constructed close to income tax authorities to offer taxpayers the most recent IT infrastructure and technological instruments at a low cost.

Conclusion

The new assessment scheme is undoubtedly a start in the right direction. The faceless evaluation method has allowed taxpayers in general to save a lot of time and effort, and it is indicating to some extent it is a credible step by government in attaining its goal of providing transparency and

legitimacy, but its true effectiveness won't become apparent until the assesseees have gained some experience. Whatever the conclusion, this is the way to go, and we hope the CBDT is prepared to adjust its management as needed to make the effort a success. This is something that India unquestionably needs because it would help India solidify its position as a preferred investment jurisdiction for foreign businesses and institutional investors.

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