FACELESS ASSESSMENT*

Background

Every taxpayer is required to furnish the details of his/her income and other details as to the Income Tax Department by filing Income Tax Return electronically on yearly basis. Once the taxpayer filed the return of income, the next step is the processing of the return of income by the Income Tax Department. The Income Tax Department examines the return of income for its correctness. The process of examining the return of income by the Income Tax Department is called as "Assessment". Assessment also includes re-assessment under section 147 of the Income Tax Act, 1961 and best judgment assessment under section 144 of the Income Tax Act, 1961. Under the Income Tax Law, there are four major assessments given below:

Assessment			
Summary Assessment [Section 143(1)]	**Scrutiny Assessment [Section 143(3)]**	**Best Judgement Assessment [Section 144]**	**Income Escaping Assessent [Section 147]**
This is a preliminary assessment and is referred to as summary assessment without calling the assessee (i.e., taxpayer).	It is like preliminary checking of the return of income. At this stage no detailed scrutiny of the return of income is carried out. At this stage, the total income or loss is computed after making the various adjustments	In the best judgement assessment, the A.O assesses the assessment in his own judgement to gather sufficient information and to form a concrete opinion of the assessment.	If an AO has any reason to believe that any income chargeable to tax has escaped assessment, the AO has authority to reopen the case for scrutiny under section 147 i.e. Income escaping assessment.

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Views expressed in the Article are the sole expression of the Author and may not express the views of the Institute.

The conventional manual mode of conducting of regular assessments involving physical interface and verbal communication between the assesses and the assessing officer (Income Tax Officials).

Thereafter, the 'e-Assessment Scheme, 2019' had been notified by the Ministry of Finance vide Notification dated 12.09.2019. In the first phase, the Income Tax Department had selected 58,319 cases of regular assessments u/s 143(3) of the Income Tax Act, 1961, for AY 2018-19, for scrutiny under the 'e-Assessment Scheme, 2019', on pilot basis. The remaining regular assessment cases for AY 2018-19, were being conducted in the traditional manner by the Jurisdictional Assessing Authorities via e-Proceedings functionality, in the e-filing portal of the Income Tax department.

Further, the coverage of the 'e-Assessment Scheme 2019' has been extended to all the regular assessments u/s 143(3) of the Income Tax Act, 1961, best judgment assessments u/s 144 of the Income Tax Act, 1961, and income escaping assessments u/s 147 of the Income Tax Act, 1961.

On August 13, 2020 the Hon'ble Prime Minister Sh. Narendra Modi has launched a new platform for Transparent Taxation for 'Honouring the Honest Taxpayers'. This move showcases the perceived changed nature of the tax administration in India. The thrust of this taxation platform is on Faceless Assessments, Faceless Appeals and Taxpayers' Charter. The objective of the platform is to achieve Faceless Assessment, Faceless Appeal and implement Taxpayer's Charter. Whereas, Faceless Assessment and Taxpayer's Charter is implemented with immediate effect, the Faceless Appeal will be effective from September 25, 2020.

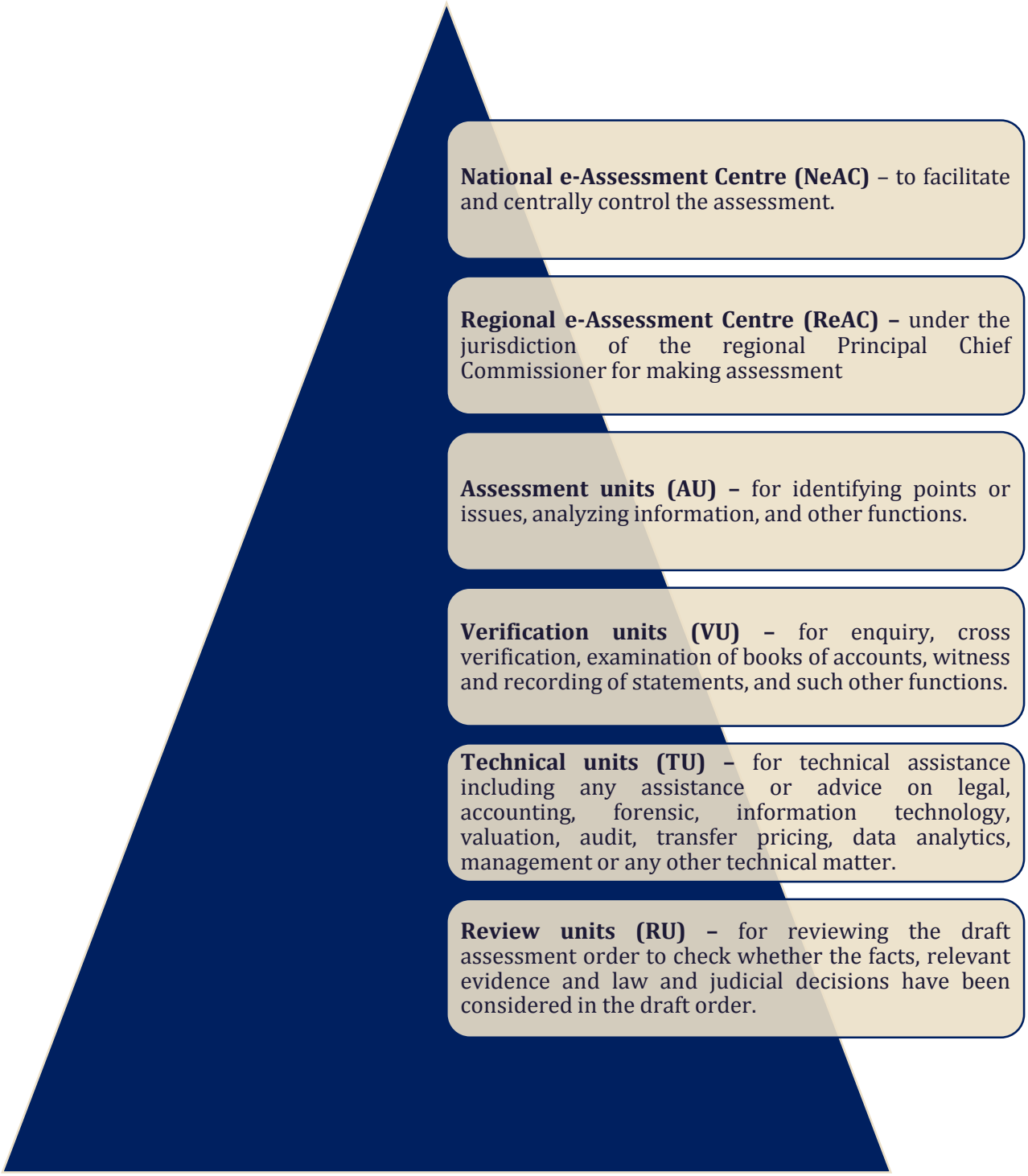
Accordingly, Central Board of Direct Taxes vide Notification dated August 13, 2020, have amended the "e-Assessment Scheme 2019", to provide that w.e.f. August 13, 2020 the "e-Assessment Scheme 2019", shall he termed as "Faceless Assessment Scheme 2019", and all Income Tax Assessments (subject to certain exceptions) shall be conducted in faceless manner. Further, CBDT vide its order dated August 13, 2020 has directed, that all the assessment orders shall hereafter be passed by National e-Assessment Centre (NeAC), through the Faceless Assessment Scheme 2019.

The Faceless Assessment Scheme aims to eliminate the human interface between the taxpayer and the Income Tax Department. The features of the Faceless Assessment Scheme are as under:

- Selection of a tax payer only through system using data analytics and Artificial Intelligence (AI)
- Abolition of territorial jurisdiction which means a tax payer may belong to one city but the ITR may be assessed in some other city through random selection by computer.
- Automated random allocation of cases
- Central issuance of notices with Document Identification No (DNI)
- No physical interface and no need to visit the Income Tax Office
- Team based assessments and team based review

The Structure, Procedures and Exception of Conducting Faceless Assessment are as under.

STRUCTURE OF FACELESS ASSESSMENT



Procedure of Conducting Faceless Assessment

Under the 'Faceless Assessment Scheme, 2019' the conventional manual mode of conducting of regular assessments involving physical interface and verbal communication between the assessees and the assessing authorities has been completely done away with and all the communication/interface between the assessees and the assessing authorities shall be done electronically only via the 'e-Proceedings' utility in the registered 'e-Filing' accounts of the assessees.

Step 1	The National e-Assessment Centre (NeAC) shall serve notice to assessee. Assessee may reply within 15 days of receipt of notice. NeAC shall assign case to specific Assessment units (AU) in any one Regional e-Assessment Centre (ReAC) through automated allocation system.
Step 2	AU may request to NeAC for • Obtaining information's, documents or evidence from assessee • Conducting enquiry or verification by Verification Unit (VU) • Seeking technical assistance from Technical Unit (TU)
Step 3	NeAC shall issue notice to assessee and assign request to VU and TU. After receiving documents from assessee and reports from VU and TU, NeAC shall transfer the same to AU.
Step 4	If assessee fails to comply with notice, then NeAC shall serve notice u/s 144 as to why assessment should not be completed to best of its judgement.
Step 5	Assesee shall within the time frame file reply to NeAC. If assessee fails to file response than NeAC shall examine draft assessment order as per Risk Management strategy and automation examination tool where it may decide to- • Finalize Assessment Order • Provide opportunity to assessee if modification is proposed • Assign Draft assessment order to Review Unit (RU) in any one ReAC through automated allocation system for conducting review of such order
Step 6	The RU shall conduct review of Draft Assessment Order and may decide to concur with draft assessment order and intimate to NeAC or suggest modifications and send its suggestions to NeAC.
Step 7	NeAC shall upon receiving concurrence of review unit finalize the Draft Assessment Order. NeAC shall upon receiving suggestions for modifications from RU, assign case to AU other than AU which has made draft assessment order through automated allocation system. AU shall after considering modifications suggested by RU send the final Draft Assessment Order to NeAC.
Step 8	NeAC shall finalize Assessment Order or if modifications are proposed follow such procedure.

Step 9	Where Show Cause Notice (SCN) has been served to assessee, he shall furnish reply within time frame. NeAC shall • If no response of SCN, finalize assessment as per draft assessment order. • If response to SCN received, send response to AU and AU shall make draft assessment order and send it to NeAC.
Step 10	NeAC shall after receiving revised Draft Assessment Order – • If modification is not prejudicial to interest of assessee with reference to Draft assessment Order, finalize Assessment Order • If modification is prejudicial to interest of assessee with reference to Draft assessment Order, provide opportunity of being heard. • NeAC shall deal with response with same procedure i.e. AU will make draft assessment order and so on.

NeAC shall after completion of assessment transfer all the electronic records to Assessing Officer having jurisdiction over the said case for-

- Imposition of Penalty
- Collection and recovery of demand
- Rectification of mistake
- Giving effect to appellate order
- Submission of remand report or any other report
- Representation of record before authorities
- Launch of Prosecution

NeAC may at any stage of assessment, transfer the case to Assessing Officer having jurisdiction over such case.

Exception to the Faceless Assessment Scheme

i. Assessment orders in cases assigned to Central Charges (Block Assessment Cases u/s 153A/153C);

ii. Assessment Orders in cases assigned to International Tax Charges.

It has also been stipulated in the CBDT's order, that any assessment order, which is not in conformity with the Faceless Assessment Scheme 2019, shall he treated as non-established and shall be deemed to have never been passed.

References

1. https://taxguru.in/income-tax/faceless-assessment-procedure.html
2. https://www.incometaxindia.gov.in/communications/notification/notification_60_2020.pdf

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