



## Faceless Assessment Scheme



# Finance Minister's Budget Speech & Launch on 07.10.2019

The Hon'ble FM, in her Budget Speech on 5<sup>th</sup> July 2019 announced:

- ✓ Faceless assessment in electronic mode
- ✓ With no human interface
- ✓ Notices to be issued electronically by a Central cell
- ✓ Cases to be allocated to Assessment Units in a random manner
- ✓ Central Cell to be the single point of contact between taxpayer and the Department

Faceless Assessment Scheme inaugurated as Phase 1 on 7<sup>th</sup> Oct 2019 with 58,320 assigned cases

# Transparent Taxation: Honoring the Honest

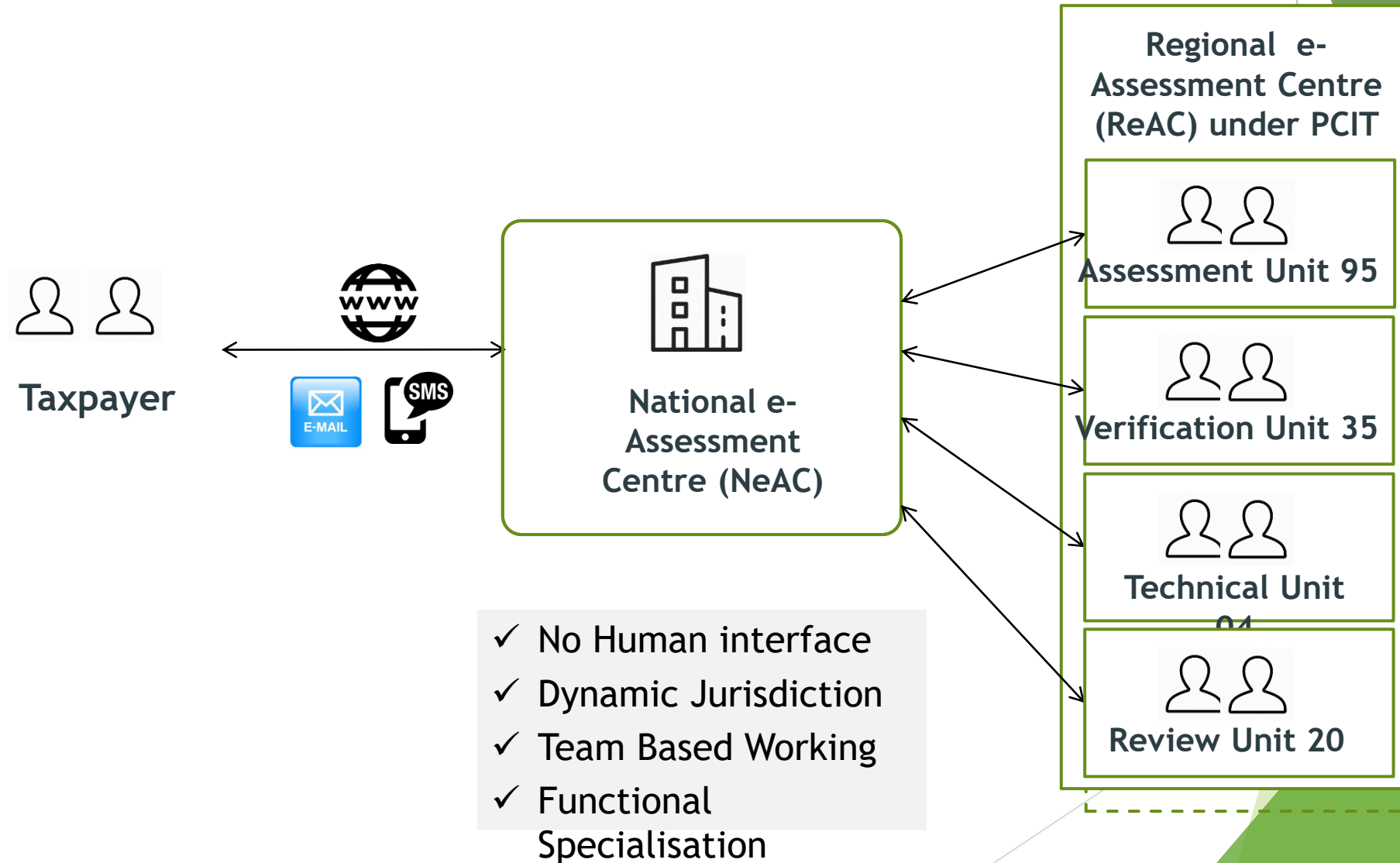
- ▶ Hon'ble Prime Minister on 14<sup>th</sup> August Launched Platform
- ▶ Features of Transparent Taxation
  - ▶ Taxpayers' Charter giving legal basis to taxpayer's rights & duties
  - ▶ E Communication of information with department
  - ▶ E-Confirmation by Taxpayer
  - ▶ E-verification,
  - ▶ E-Response &
  - ▶ Faceless Assessment are the main pillars of the platform for transparent taxation & focus of the ITD in future
  - ▶ All Cases other than those assigned to Central & International Taxes to be done through Faceless e-Assessment



# Changes thereafter

- ▶ Finance Act 2020
  - ▶ Jurisdiction to pass judgment order u/s144 of the Act given for Faceless Assessment
  - ▶ *Time limit for specifying exceptions, modifications and adaptations to the Act for Faceless Assessment Act extended to 31<sup>st</sup> March 2022 (instead of 31<sup>st</sup> March 2020)*
- ▶ Changes notified on 13.09.2020 vide S.O. 2745 (E) and 2746 (E)
  - ▶ Scheme renamed Faceless Assessment Scheme
  - ▶ Procedure Assessment to be adopted for Faceless Assessment laid out

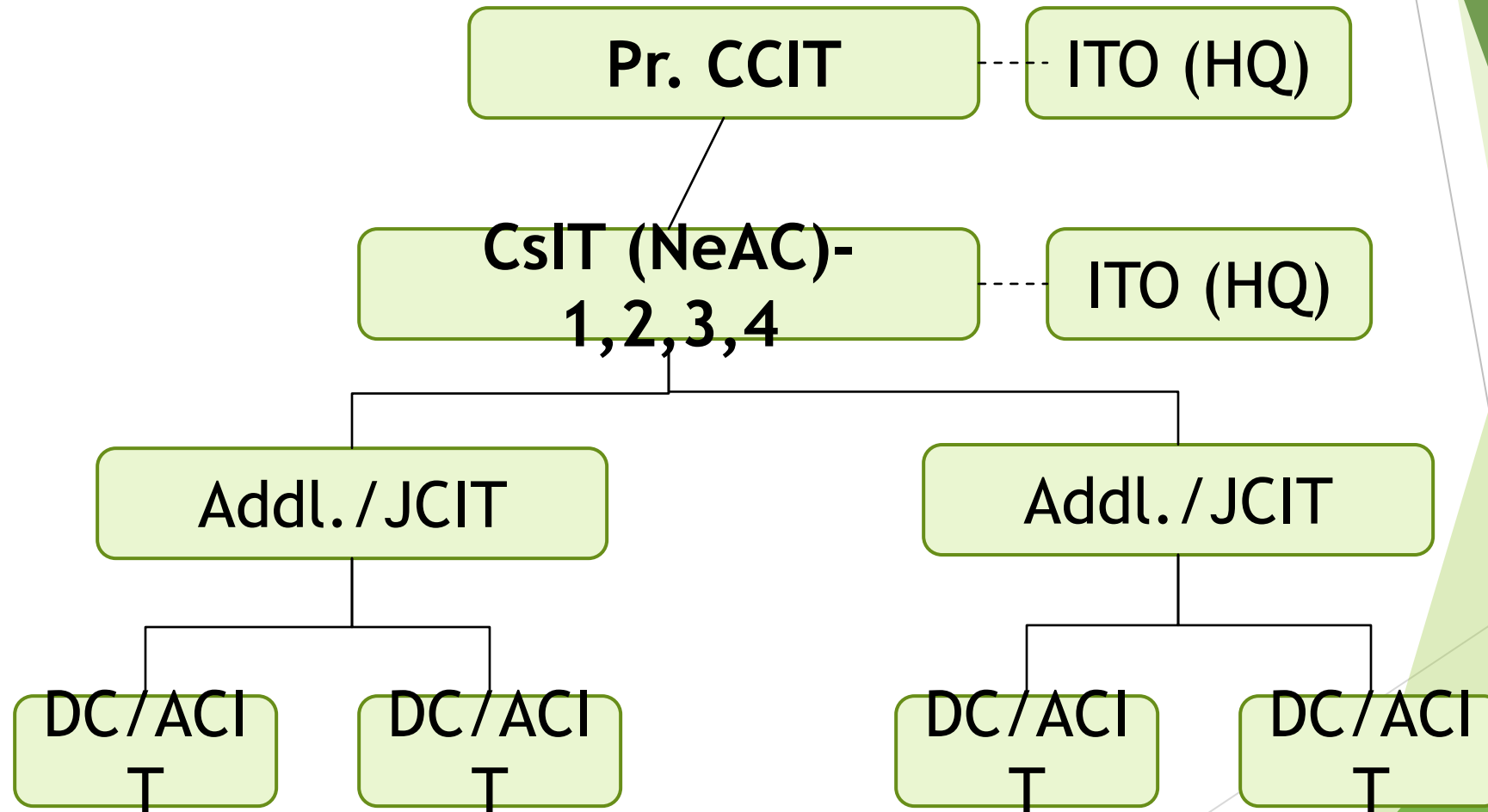
# Faceless Assessment Ecosystem



# ReAC MUMBAI : Sanctioned Strength

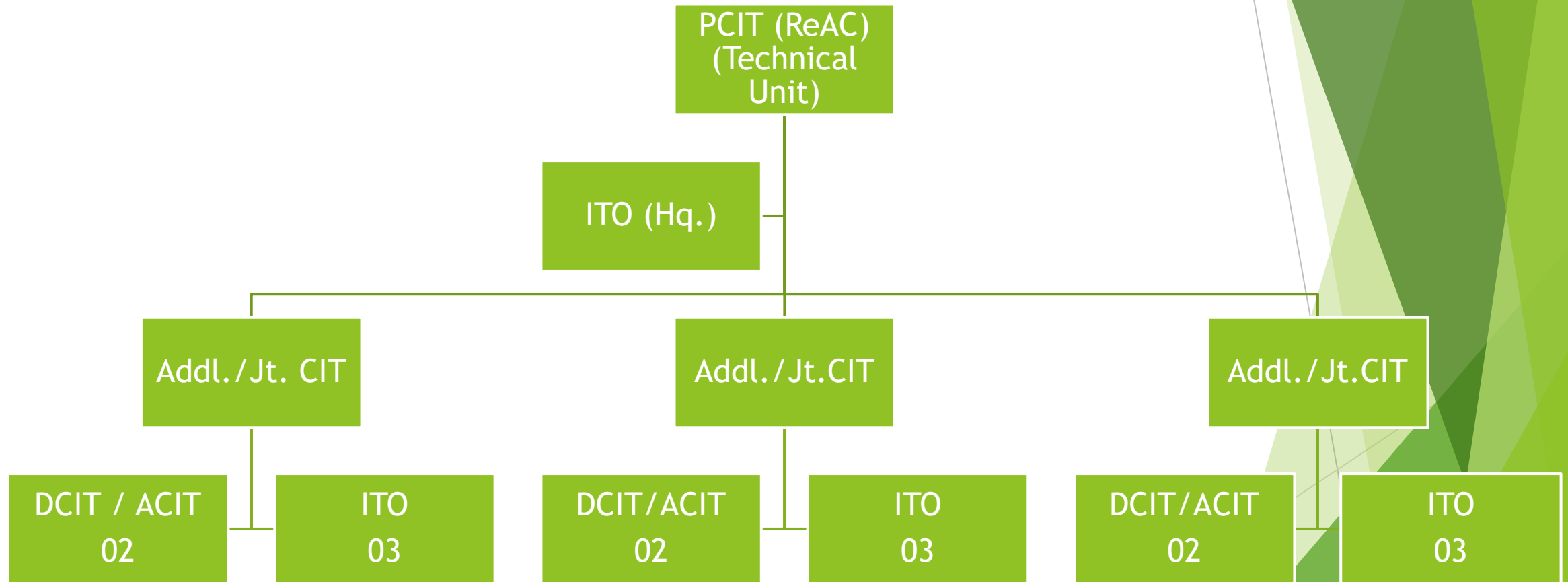
Designation	Sanctioned Strength
CCIT (ReAC), Mumbai	05
PCIT	23(16AU,3 RU,3VU,1TU)
Addl. / Jt. CIT (NeAC)	85 ( 64 AU, 9RU,9VU, 3TU)
DCIT / ACIT (NeAC)	106( 64AU, VU18, RU,18VU,6TU)
ITO	170
ITO HQ	28

# National e-Assessment Centre (NeAC) Delhi



# Technical Unit

[Under Pr. CCIT (NeAC) for administrative purposes]





# Functions of NeAC 1/2

- ▶ Specify format, mode, procedure and processes after approval from Board
- ▶ Allocate E-verification under Section 133C to Verification Units through Automated allocation tool
- ▶ Send all notices/communication electronically
- ▶ Assign cases to AUs through automated allocation system
- ▶ On a request for verification by an AU allocated case to verification units (ReAC) through automated allocation system.
- ▶ Provide Technical Inputs through Technical Units including on Issues such as Legal, Technical, Data Analytics, Forensic Accounting forensic, information technology, valuation and audit

# Functions of NeAC 2/2

- ▶ Inform AU if Assessee fails to comply with a notice
- ▶ Select Draft Assessment Order (DAO) for review & allocate to review unit through automated allocation system
- ▶ Where RU suggests modification allocate case to an AU other than original AU through automated allocation system
- ▶ Providing opportunity to taxpayer in case of any order prejudicial to Assessee before finalising assessment order
- ▶ Finalize assessment orders
- ▶ Transfer all electronic records to jurisdictional AO for post assessment work
- ▶ Transfer Cases to Jurisdictional AO after Approval from Board

# Constitution Of ReACS



Each PCIT Assessment Unit controls four Range Head each with One ACIT/ DCIT and Five ITOs



Each PCIT Verification Unit controls 3 Range Heads each with Two ACIT/ DCIT and Five ITOs

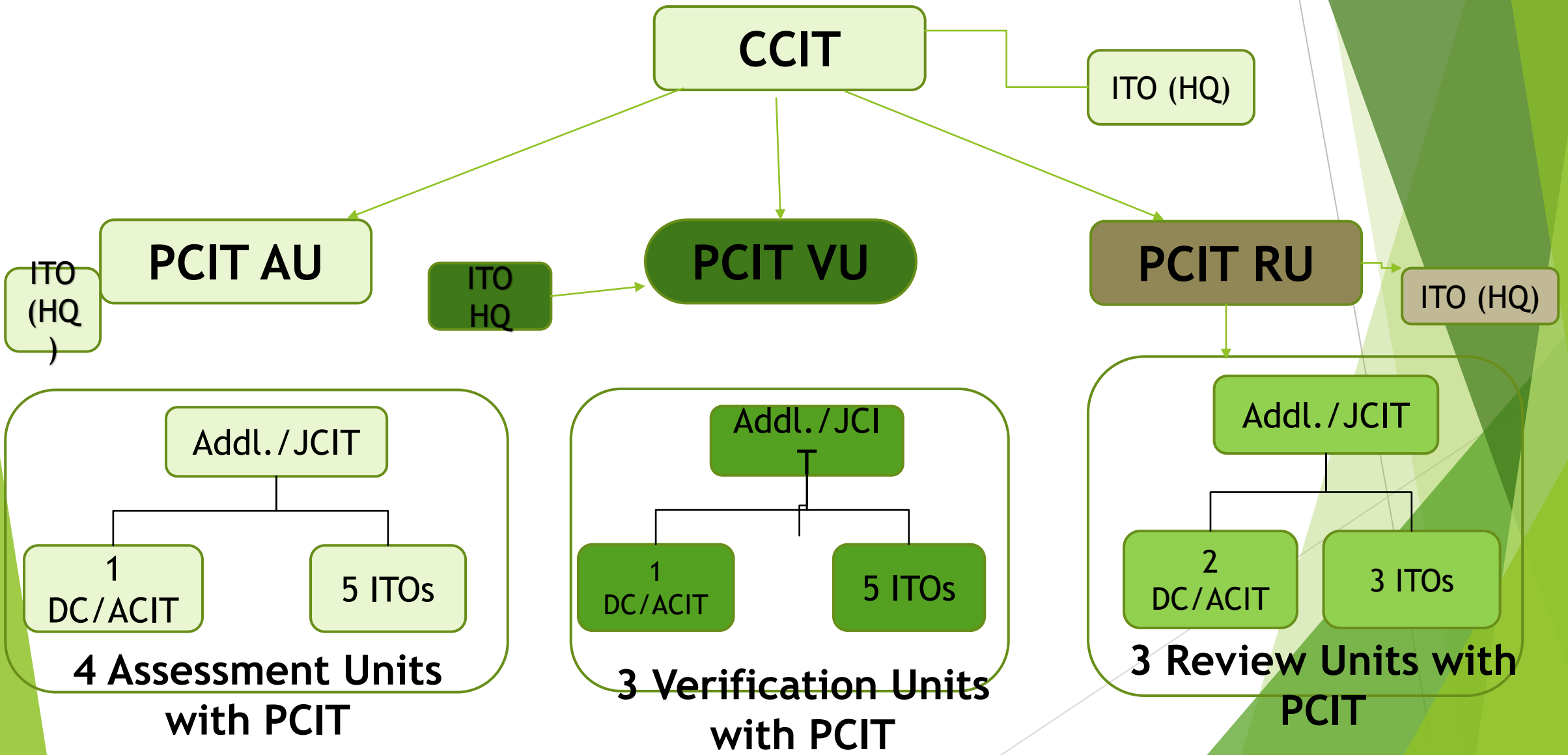


Each PCIT Review Unit Controls 3 Range Head each with 2 ACIT / DCIT and 3 ITOs



Each PCIT Technical Unit Controls 3 range head 2 ACIT / DCIT and 3 ITOs

# Regional e-Assessment Centres (ReAC)



# Functions of ReACs

- ▶ **Assessment Unit** - Identify issues, seek information and analyse material to frame draft assessment orders
- ▶ **Verification Unit** -
  - ▶ Conduct E-verification u/s 133C
  - ▶ Conduct enquiry, examination of books of account, examination of witnesses and recording of statement
  - ▶ Conduct Physical Enquiry only in instances covered by Pr.CCIT NeACs order 12(vi) of the scheme
- ▶ **Review Unit** - Review of Draft Assessment Order - Whether material evidence brought on record, points of facts and law incorporated, application of judicial decisions considered, arithmetic correctness etc.
- ▶ **All actions of AU, VU, RU & TU Officers are approved by the respective Range Heads**

# CURRENT Vs FACELESS ASSESSMENT

Present Assessment System	Faceless Assessment System
1. Case Selection through a) System b) Manual c) Tax evasion information	1. No discretion to any officer in selection 2. No Selection except through system red alerts 3. No Selection other than information-based
1. Cases were permanently assigned to a territorial jurisdiction	1. Automated random allocation of cases 2. Dynamic jurisdiction to any faceless team anywhere in the country – 95 AUs, 35 VUs, 20 RUs and 4TUs
Issue of notices both manually and on System	1. No discretion in issue of notices 2. System generated notices triggered by alert 3. Notices without DIN are invalid 4. Notices to be issued electronically and centrally from the NEACin Delhi. 5. The NeACis the single point of faceless contact between the taxpayer and the Department.

# CURRENT Vs FACELESS ASSESSMENT

Present Assessment System	Faceless Assessment System
<ol style="list-style-type: none"> <li>1. During scrutiny proceedings multiple physical meetings between the taxpayer and the Officers</li> <li>2. Long waiting time before meeting the officers</li> </ol>	<ol style="list-style-type: none"> <li>1. No physical meetings with any officer</li> <li>2. No officer will call you to office</li> <li>3. No more waiting outside the office</li> <li>4. Officer identity to remain unknown</li> <li>5. No human interface at any stage</li> <li>6. Assessments in electronic mode</li> </ol>
<ol style="list-style-type: none"> <li>1. Wide discretion with officers leads to subjective approach and varying interpretations</li> </ol>	<ol style="list-style-type: none"> <li>1. No discretion with any individual officer. Team based assessment</li> <li>2. Draft in one city, review in another city, finalization in third city</li> <li>3. Objective, Fair and just order</li> </ol>
<ol style="list-style-type: none"> <li>1. 6584 officers and 33750 subordinate staff totaling to 40334 were performing various assessment functions</li> </ol>	<p>Faceless Assessment now has 4224 officers and 17193 subordinate staff totaling to 21417.</p> <p>All other functions also in faceless manner except those shown un exception<sup>17</sup></p>

# Residual Hierarchy

- ▶ The residual hierarchy will now have 32 Chief Commissioners 96 Principal Commissioners. 252 Ranges, 261 AC /DCs and 1274 ITOs with attendant staff
- ▶ Due to diversion of posts to Faceless Assessment
  - ▶ In the Residual Hierarchy, each range will have at least One AC /DCIT but ITOs will vary from place to place Range to Range depending upon the sanctioned strength; On an average there will be 4-5 ITOs per Range.
  - ▶ Each PCIT will have at least 1 range, although number of ranges per PCIT may go upto 5 or 6. Average Range per PCIT are 3





# Functions of Residual Hierarchy1 / 2

- ▶ Taxpayer outreach education & facilitation.
- ▶ Rectification proceedings
- ▶ Grievance handling.
- ▶ Demand Management & Collection and Recovery of taxes.
- ▶ Audit functions including handling matters pertaining to Revenue and Internal Audit and taking remedial actions.
- ▶ Judicial functions including giving effect to the appellate orders of CslT (A), ITAT, High Court, Supreme Court, Settlement commission;
- ▶ Preparing scrutiny reports and filing of appeal wherever considered necessary; defending writ petitions; recommendation of SLPs etc.



# Functions of Residual Hierarchy 2/2

- ▶ Statutory powers under section 263 / 264 of the IT Act, 1961.
- ▶ Prosecution and compounding proceedings and related court matters.
- ▶ Administrative, HRD and cadre control matters including related court matters.
- ▶ Custody and management of Case records.
- ▶ Management and control of infrastructure
- ▶ All the above Functions have to be done in Faceless Manner through ITBA Portal



# Cases Covered by Faceless

- A. Existing Cases where the notice under section 143(2) was issued by NeAC;
- B. Cases where returns of Income are filed and Case already selected for Scrutiny
- C. Cases where notices under section 142(1) has been issued and no return has been furnished and another notice u/s 142(1) calling for information has been issued.
- D. Cased where the assessee has not furnished return of income under section 148(1) and a notice under section 142(1) calling for information has been issued

# Procedure for Assessment 1 / 1

- ▶ In assigned cases, AU, may make a request to NeAC for
  - ▶ obtaining further information, documents or evidence from the assessee or any other person,
  - ▶ conducting of enquiry or verification by VU
  - ▶ seeking technical assistance from the TU
- ▶ where a request has been made by the AU, the NeAC shall issue '**appropriate notice or requisition**' to the assessee or any other person for obtaining the information,
- ▶ the assessee or any other person, shall file his response to above within the specified/ extended time
- ▶ Request for verification or technical support shall be assigned by the NEAC to a VU/ TU through automated allocation system(AES);
- ▶ NeAC shall send Verification/ Technical report received from the VU /TU, to the concerned AU

# Procedure for Assessment 1/2

- ▶ In all Cases the AU after taking into account relevant material available on the record shall prepare a Draft Assessment Order (DAO) either accepting the return or modifying the income or sum payable,
  - ▶ Also providing details of the penalty proceedings to be initiated therein, if any
- ▶ Send DAO to the National e-assessment Centre;
- ▶ NeAC shall examine the DAO through RMS using Automatic Examination tool (AET)
- ▶ The RMS may or may not select the Case for Review;
- ▶ NeAC may
  - ▶ In case no review suggested and no modification in income or sum payable done ; AO to finalise Assessment order to be signed & served on the Assessee by NeAC
  - ▶ In case no review suggested and modification in income or sum payable proposed, the SCN shall accompany DAO and NeAC to provide an opportunity to show cause as to why the assessment should not be completed as per the DAO or
  - ▶ In Case of Review assign the DAO to an RU through an automated allocation system, for conducting review

# Process of Review

- ▶ NeAC will Assign the case (DAO) for Review through automatic allocation to any Review Unit in any ReAC
- ▶ Review Unit may either concur with DAO or suggest modification
- ▶ In case it concurs with AU either
  - ▶ order will be finalized: where no modification proposed or
  - ▶ Issue SCN along with DAO.
- ▶ In case RU suggests modification to DAO, case shall be re-assigned to fresh AU;
- ▶ The new AU shall consider the suggestions made and submit fresh DAO to NeAC.
- ▶ NeAC shall again either pass order or issue SCN
- ▶ Where no response to SCN within allowed time, the assessment shall be finalized as per DAO.
- ▶ Response to SCN shall be forwarded to the AU (New) to prepare revised DAO and send it to NeAC.
- ▶ In case of no modification by RU, NeAC shall pass & serve order if no if modification with reference to revised DAO; another SCN to be issued



## Consequences of No Response by Taxpayer:

- ▶ Non-compliance to **appropriate notice or requisition**, notice u/s 142(1) or directions u/s 142(2A)
  - ▶ After exhausting Service of Notice opportunities through electronic means including to email IDs of the Assessee with the department
- ▶ NeAC shall serve notice under section 144 giving an opportunity to show-cause, why best judgment order should not be passed
- ▶ In case Assessee fails to respond NeAC to intimate the failure to the AU
- ▶ The AU shall, prepare DAO to the best of its judgment, either accepting the or modifying the income or sum payable , and send DAO to the NeAC along
- ▶ The DAO shall be examined under RMS as in the case of other orders as mentioned above

# Authentication of Electronic Record

- ▶ By the NeAC by affixing its digital signature;
- ▶ the Assessee or any other person, by
  - ▶ affixing his digital signature if required under the Rules to furnish return of income under digital signature,
  - ▶ in any other case by affixing his digital signature or under electronic verification code; (EVC)





# Taxpayers' Charter

## THE INCOME TAX DEPARTMENT

### is committed to

1. provide fair, courteous, and reasonable treatment
2. treat taxpayer as honest
3. provide mechanism for appeal and review
4. provide complete and accurate information
5. provide timely decisions
6. collect the correct amount of tax
7. respect privacy of taxpayer
8. maintain confidentiality
9. hold its authorities accountable
10. enable representative of choice
11. provide mechanism to lodge complaint
12. provide a fair & just system
13. publish service standards and report periodically
14. reduce cost of compliance

### and expects taxpayers to

1. be honest and compliant
2. be informed
3. keep accurate records
4. know what the representative does on his behalf
5. respond in time
6. pay in time