

# Central Government amends E-assessment Scheme, 2019 to conduct faceless assessments

August 17, 2020

## In brief

The Prime Minister (PM) launched a platform for “Transparent Taxation - Honouring the Honest.” The tax system aims at being Seamless, Painless and Faceless with three pillars under consideration: (a) Faceless Assessment, (b) Faceless Appeals, and (c) Taxpayers’ charter, with faceless assessment and taxpayers’ charter coming into force from 13 August 2020, and faceless appeals to be available from 25 September 2020.

## In detail

### Background

- The Central Government, with the idea of easing income-tax assessments, embarked on a new initiative of going “paperless” and using e-mail as the mode of communication for assessment proceedings in October 2015. The pilot project was introduced only in major cities for a limited number of cases.
- In April 2017, the CBDT launched an e-proceeding facility for electronically conducting scrutiny assessment proceedings under which the Tax Officer (TO) could communicate with the taxpayer through the income-tax e-filing website.
- The Finance Act, 2018 amended section 143 of the

Income-tax Act, 1961 (Act) to incorporate enabling provisions for an assessment scheme to impart greater efficiency, transparency and accountability by doing the following:

- a. eliminating the interface between the TO and taxpayer to the extent feasible by technology;
  - b. optimising utilisation of resources through economies of scale and functional specialisation;
  - c. introducing a team-based assessment with dynamic jurisdiction.
- Accordingly, an e-assessment scheme was notified in September 2019 outlining the set-up and

process for faceless assessments.

- As on 4 August 2020<sup>1</sup>, of the 58,319 cases selected for faceless assessment, 8700 have already been disposed.
- On 13 August 2020<sup>2</sup>, the PM launched the platform, “Transparent Taxation - Honouring the Honest” to meet the requirements of the twenty first century taxation system. While addressing the nation, the PM emphasised on a tax system aiming to be Seamless, Painless and Faceless with three pillars under consideration:
  1. Faceless assessment;
  2. Faceless appeals;
  3. Taxpayers’ Charter.
- The faceless assessment and taxpayers’ charter came into force from 13

<sup>1</sup> [Press Information Bureau, Ministry of Finance, 4 August 2020](#)

<sup>2</sup> [Press Information Bureau, Ministry of Finance, 13 August 2020](#)

- August 2020 and faceless appeals shall be available from 25 September 2020.
- The new platform, apart from being faceless, is also aimed at boosting the confidence of the taxpayer.
- With the launch of the said platform, the Central Government notified amendments in the E-assessment Scheme 2019 (Scheme) and the key changes<sup>3</sup> are outlined below.

**Key amendments made**

S. No.	Details as per existing Scheme 2019	Amendments introduced in the new Scheme 2019 <sup>4</sup>
1.	<b>Nomenclature of the Scheme [paragraph 1]</b> The Scheme is called “E-assessment” Scheme.	The Scheme is called “Faceless Assessment” Scheme.
2.	<b>Scope of assessment [paragraph 2]</b> “Assessment” means assessment under section 143(3) of the Act.	“Assessment” to now includes “Best Judgement Assessment” (under section 144 of the Act) as well.
3.	<b>Set-up of technical units to facilitate the conduct of E-assessment [Paragraph 4(1) of the Scheme]</b> Such technical units will perform the function of providing technical assistance, including any assistance or advice on legal, accounting, forensic, information technology, valuation, transfer pricing etc.	Such technical units shall also be entitled to perform the function of providing assistance on “audit” in addition to the rest of the functions as stated in the original Scheme.
4.	<b>Procedure for assessment: [paragraph 5]</b> <ul style="list-style-type: none"> <li>National e-Assessment Centre (NeAC) shall serve a notice on the taxpayer under section 143(2) of the Act, specifying the issues for selection of the case for assessment;</li> <li>The taxpayer may, within 15 days from the date of receipt of such notice, file his response to the NeAC;</li> <li>The NeAC shall assign the case to a specific assessment unit in any one Regionale-assessment Centre (REC) through an automated allocation system;</li> <li>The assessment unit may request the NeAC for: <ul style="list-style-type: none"> <li>obtaining further information, documents or evidence from the taxpayer;</li> <li>conducting of certain enquiry or verification-by-verification unit; and</li> <li>seeking technical assistance from the technical unit.</li> </ul> </li> <li>Based on the request from the assessment unit, the NeAC shall issue a notice to the taxpayer for obtaining information, documents or evidence;</li> </ul>	The following additions/ amendments have been proposed in the procedure for assessment: <ul style="list-style-type: none"> <li>NeAC shall intimate the taxpayer that assessment in his/ her/ it’s case shall be completed under this Scheme in the specified circumstances;</li> <li>Upon receipt of the notice from NeAC for furnishing the requisite information, the taxpayer or any other person, as the case may be, shall file his/ her/ it’s response to such notice within the given time specified therein or such time as extended on the basis of an application in respect thereof;</li> <li>Upon receipt of a report from the verification or technical unit prepared on the basis of the desired enquiry or verification performed, NeAC shall pass such report to the concerned assessment unit;</li> <li>Where the taxpayer fails to comply with the notice or direction issued, NeAC shall serve a show cause notice under section 144 of the Act upon such taxpayer as to why the assessment in his/ her/ it’s case should not be completed to the best of its judgement;</li> <li>Upon receipt of such notice, the taxpayer shall file his/ her/ it’s response with NeAC within the time specified in the notice or as extended basis the application filed seeking an additional time;</li> </ul>

<sup>3</sup> Notification No. 60/ 2020/ F.No.370149/ 154/ 2019-TPL and Notification No. 61/ 2020/ 370149/ 154/ 2019-TPL

<sup>4</sup> The key changes have been captured

S. No.	Details as per existing Scheme 2019	Amendments introduced in the new Scheme 2019 <sup>4</sup>
	<ul style="list-style-type: none"> <li>• Based on the request from the assessment unit, the NeAC shall assign the requisition to verification unit or technical unit through the automated allocation system.</li> <li>• The assessment unit, after taking into account the relevant material, shall make a draft assessment order in writing, either accepting or modifying the returned income of the taxpayer and send a copy of such order to the NeAC.</li> <li>• Penalty proceedings, if any, are required to be initiated by the assessment unit in the draft assessment order.</li> <li>• The NeAC shall examine the draft assessment order in accordance with the risk management strategy specified by the CBDT, including by way of an automated examination tool, and may decide to: <ul style="list-style-type: none"> <li>– Finalise the assessment as per draft assessment order and serve the order with a penalty notice (if any) and demand notice to the taxpayer; or</li> <li>– Provide a show cause notice to the taxpayer, if any modification is proposed; or</li> <li>– Assign the draft order to a review unit in any one REC through the automated allocation system to review such order.</li> </ul> </li> <li>• If concurrence is received from review unit then NeAC shall forward order/ show cause notice, as the case may be, to the taxpayer. However, in case of receipt of suggestions (if any) from the review unit, the NeAC shall, communicate the same to the assessment unit.</li> <li>• The assessment unit shall consider the suggestions made by the review unit and send the final draft assessment order to the NeAC.</li> <li>• The NeAC shall serve such order with a penalty notice (if any) and demand notice or serve a show cause notice, as the case may be, to the taxpayer.</li> <li>• The taxpayer may furnish a response to the show cause notice to the NeAC within the date and time specified in the notice.</li> <li>• The NeAC shall forward the response of the taxpayer to the assessment unit; however, if no response is received from the taxpayer to the show cause notice, then assessment as draft order shall be finalised and order along with penalty/ demand notice shall be sent to the taxpayer.</li> </ul>	<ul style="list-style-type: none"> <li>• Where the taxpayer fails to file his/ her/ it's response with the given or agreed time, NeAC shall intimate such failure to the assessment unit;</li> <li>• The assessment unit, after taking into account the relevant material, shall make a draft assessment order, or in cases where the taxpayer does not respond to the notice and an intimation of such failure has been served by NeAC to the taxpayer, it shall make a draft assessment order to the best of its judgement, in writing, either accepting or modifying the returned income of the taxpayer and send a copy of such order to the NeAC.</li> <li>• Where any suggestions for modification in the draft assessment order is received by NeAC from the review unit, NeAC shall assign the case to an assessment unit other than the one that has made the draft assessment order through an automated allocation system.</li> <li>• The NeAC, after completion of the assessment, shall transfer all electronic records to the jurisdictional TO for such action as may be required under the Act.</li> <li>• Pr. Chief Commissioner of Income-tax or Principal Director General, in charge of the NeAC, may at any stage of the assessment, if considered necessary, transfer the case to jurisdictional TO, with the prior approval of the CBDT.</li> </ul>

S. No.	Details as per existing Scheme 2019	Amendments introduced in the new Scheme 2019 <sup>4</sup>
	<ul style="list-style-type: none"> <li>Where response is received from the taxpayer, the assessment unit shall consider the response of the taxpayer and send the revised draft assessment order to the NeAC.</li> <li>Where a modification prejudicial to the taxpayer is proposed, NeAC shall, after giving appropriate opportunity, finalise the assessment and serve a copy of the assessment order along with penalty (if any) and demand notice.</li> <li>The NeAC, after completion of the assessment, shall transfer all electronic records to the jurisdictional TO for imposition of penalty, recovery of demand, rectification of mistake, giving appeal effect orders, submission of remand reports, prosecution proceedings, etc.</li> <li>The NeAC is empowered to transfer the case, at any stage, to the jurisdictional TO, if it's considered necessary.</li> </ul>	
5.	<p><b>Penalty proceedings for non-compliance [paragraph 6]</b></p> <p>The NeAC shall levy the penalty as per the said draft order of penalty and serve a copy of the same on the taxpayer or any other person, as the case may be.</p>	<p>The NeAC shall levy the penalty as per the draft order of penalty and serve a copy of the same along with the demand notice on the taxpayer or any other person, as the case may be, and thereafter, transfer electronic records of the penalty proceedings to the jurisdictional TO for such action as may be required under the Act.</p>
6	<p><b>Personal hearing in the centres or units [paragraph 11]</b></p> <p>Provision provided that the taxpayer or his/ her authorised representative was entitled to seek for personal hearing so as to present his/ her/ it's oral submissions.</p>	<p>The amended provision provides that the taxpayer or his/ her authorised representative "may make a request" for personal hearing which "may" be approved only by the Chief Commissioner or the Director General of the regional E-assessment centre in case of specified circumstances (<i>yet to be prescribed</i>).</p>

### The takeaways

- In these unprecedented COVID-19 times, where physical meetings and hearings has its challenges, the success of the Faceless Assessment Scheme, 2019 could be a real game changer

and pave the way for transparency and fairness in the assessment proceedings.

- By unveiling the Faceless Assessment and Faceless Appeals, the Government has achieved another milestone in the journey of structural

reforms to boost the confidence of the taxpayers.

### Let's talk

For a deeper discussion of how this issue might affect your business, please contact your local PwC advisor

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