

TAX REFORMS

[AS ANNOUNCED BY HON'BLE PM ON 13TH AUGUST 2020]

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INTRODUCTION

- The Hon'ble PM Shri Narendra Modi dreamed of corruption free India taking help of Information and Technology and conceived the idea of Digital India.
- In a national Conclave of Tax officials, he desired to introduce a faceless assessment scheme with a view to help honest taxpayers and impart greater efficiency, transparency & accountability in the assessment process.
- To make his dreams come true, the Central Government in the last few years has taken various steps to reduce human interface between the Taxpayer and the Tax Administration to ensure **consistency, transparency and increase efficiency in the ability of Tax Administration with the help of information and technology.**

TRANSPARENT TAXATION - HONORING THE HONEST

- Hon'ble PM Narendra Modi rolled out a taxpayers charter and faceless assessment as part of the government's effort to easing the compliance for assesseees and reward the "honest taxpayer". He also launched the "Transparent Taxation - Honoring The Honest" platform, in what he said will strengthen efforts of reforming and simplifying the country's tax system.
- Following are the key announcement regarding tax reforms:-
 1. Faceless Assessment from 13th August, 2020.
 2. Faceless Appeals from 25th September, 2020.
 3. Taxpayers' Charter
 4. Proposed Expansion of Reportable Transaction under SFT.
 5. Change in Power of Survey

1. FACELESS ASSESSMENT

E- Assessment Scheme, 2019

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

- E-Assessment in electronic mode with no human interface to be launched in 2019 in a phased manner.
- 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
- Vide notification no. 61 of 2019, CBDT initiated E-Assessment to be framed u/s 143(3) of the Act during FY 2019-20 in respect of such territorial area, or persons or class of persons, or incomes or class of incomes, or cases or class of cases, as may be specified.

Faceless Assessment

- CBDT, vide order dated 13th August, 2020, extended the scope of e-Assessment Scheme, 2019 to each and every assessment proceedings being conducted or to be conducted in future in faceless manner and all the assessment order shall be passed by national e-Assessment Center through Faceless Assessment Scheme.
- However, as of now, assessment cases assigned to Central Charges and International Taxation Charges are kept out of the purview of Faceless Assessment Scheme
- Any assessment order passed by department which is required to be passed through Faceless Assessment Scheme, 2019, shall be deemed to be void-ab-intio if passed otherwise.

AMENDMENT IN FACELESS ASSESSMENT SCHEME, 2019

Amendment in Faceless Assessment Scheme, 2019 (Earlier called E-assessment Scheme, 2019)

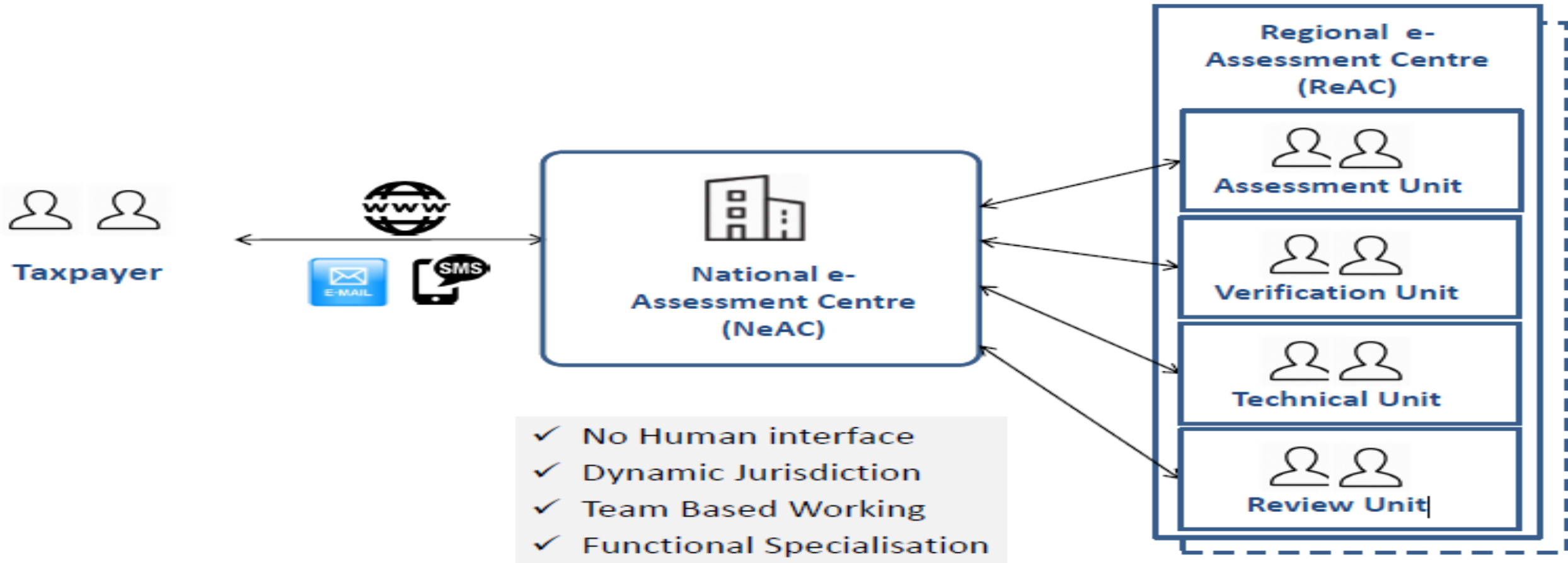
CBDT vide notification no. 60 dated 13th August, 2020, amend the E-assessment Scheme, 2019 and renamed it as Faceless Assessment Scheme, 2019. Further, CBDT also amended “Procedure for Assessment” which is as follows:-

- Now Faceless Assessment Scheme also cover cases
 - Where a notice u/s 143(2) has been issued by AO.
 - Where Assess fails to furnish ROI in response to notice issued u/s 142(1) by AO.
 - Where Assessee fails to furnish ROI in response to notice issued u/s 148(1) and a notice u/s 142(1) has been issued by AO.
- Now, if assessee fails to comply with any notice issued under this scheme or notice issued u/s 142(1) or 142(2A), then NeAC shall serve a notice u/s 144 of the Act giving him an opportunity to show cause , why the assessment in his case should not be completed to the best of its judgement. If assessee fails to file response to the notice issued u/s 144(1), then NeAC shall intimate about such failure to AU and then AU will draft a assessment order to best its judgement.

COMPARISON BETWEEN E ASSESSMENT SCHEME AND FACELESS ASSESSMENT SCHEME

Particular	E Assessment Scheme, 2019 (Applicable upto 12 th August 2020)	Faceless Assessment Scheme, 2019 (Applicable from 13 th August 2020)
Applicability	Applicable only in relation to assessment proceeding u/s 143(3) of the Income Tax Act, 1961.	All assessment proceeding under the Income Tax Act except with central charge and international taxation charge
Non – Applicability	Following categories of assessments were kept outside the purview of E- Assessment: <ol style="list-style-type: none"> 1. Re-assessment u/s 147. 2. Assessment u/s 153A & 153C. 3. Best Judgement assessment u/s 144. 4. Assessment related to International Taxation. 	Following categories of assessments are kept outside the purview of Faceless Assessment: <ol style="list-style-type: none"> 1. Assessment cases with Central Charges. 2. Assessment related to International Taxation.
Compulsion	Assessment order which was required to be passed under this scheme, if passed otherwise shall not be treated as Non - Est	Any assessment order passed by department which is required to be passed through Faceless Assessment Scheme, 2019, shall be treated as Non – Est, if passed otherwise

FACELESS ASSESSMENT SCHEME 2019



FACELESS ASSESSMENT SCHEME 2019

Role of various Agencies such as NeAC, ReAC, AU, VU, TU, RU

**National E-
Assessment Centre
(NeAC)**

To facilitate the conduct of E-Assessment proceedings in a centralized manner. NaAC will be vested with assessment proceedings

**Regional E-
Assessment Centre
(ReAC)**

To facilitate the conduct of E-Assessment proceedings in the cadre controlling region of Principal Commissioner

Assessment Unit (AU)

To facilitate the conduct of E-Assessment, to perform the foundation of making assessment, seeking information or clarifications, analysis of material furnished by the assessee etc.

FACELESS ASSESSMENT SCHEME 2019

Role of various Agencies such as NeAC, ReAC, AU, VU, TU, RU

Verification Unit(VU)

To perform the function of verification including enquiry, cross verification, examination of books, witness, recording of statement etc.

Technical Units (TU)

To perform the function of providing technical assistance including any assistance or advice on legal, accounting, forensic, information technology, valuation, ^{audit} transfer pricing, data analytics or any other technical matter etc

Review Unit (RU)

To perform the function of review of the draft assessment order, including checking:

- ❖ Whether relevant and material evidence has been brought on record,
- ❖ Whether the relevant points of facts / law have been incorporated in draft order,
- ❖ Whether issues on which addition or disallowance, should be made have been discussed in the draft order,
- ❖ Whether the applicable judicial decisions have been considered and dealt with in the draft order,
- ❖ Checking the arithmetical correctness of modification proposed etc.

FUNCTIONS TO BE PERFORM IN FACELESS MANNER

Following functions of Income Tax Act, 1961 to be perform in faceless manner to the extent possible:-

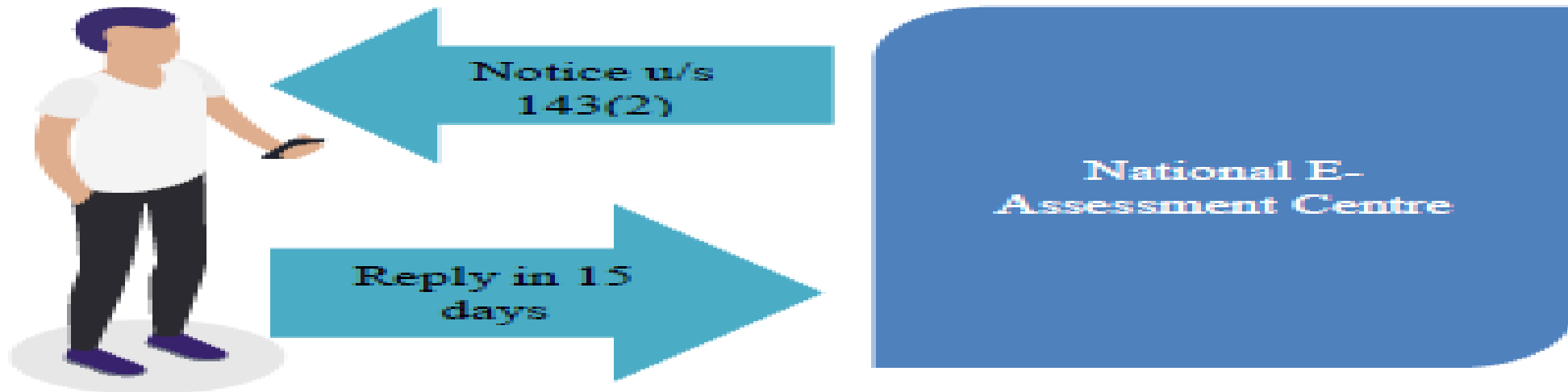
- Taxpayer outreach, Taxpayer Education and Taxpayer Facilitation.
- Rectification proceedings.
- Grievance handling.
- Demand Management.
- Collection and Recovery of taxes.
- Audit functions including handling matters pertaining to Revenue and Internal Audit and taking remedial actions.
- Judicial functions including giving effect to the appellate orders of CIT(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.
- Statutory powers under section 263 / 264 of the Act.
- Prosecution and compounding proceedings and related court matters.
- Custody and management of Case records.
- Management and control of infrastructure.

FACELESS ASSESSMENT PROCEDURE

CBDT vide notification no. 60 dated 13th August, 2020, amend the E-assessment Scheme, 2019 and laid down the procedure for completing the Faceless Assessment.

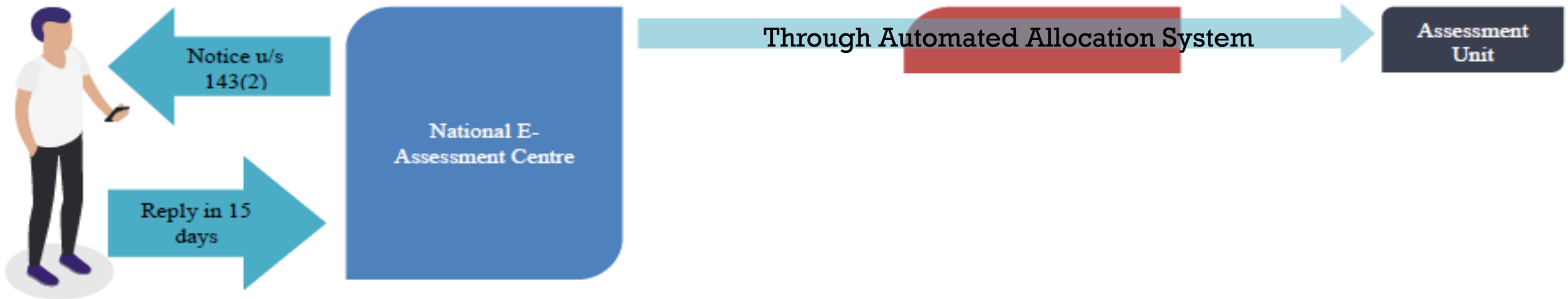
The Assessment under Faceless Assessment Scheme, 2019 shall be made as per the following procedure:-

1. NeAC shall serve a notice on the assessee u/s 143(2), specifying the issues for selection of his case for assessment.
2. Assessee will be required to give reply on the points mentioned in the notice within a period of 15 days.

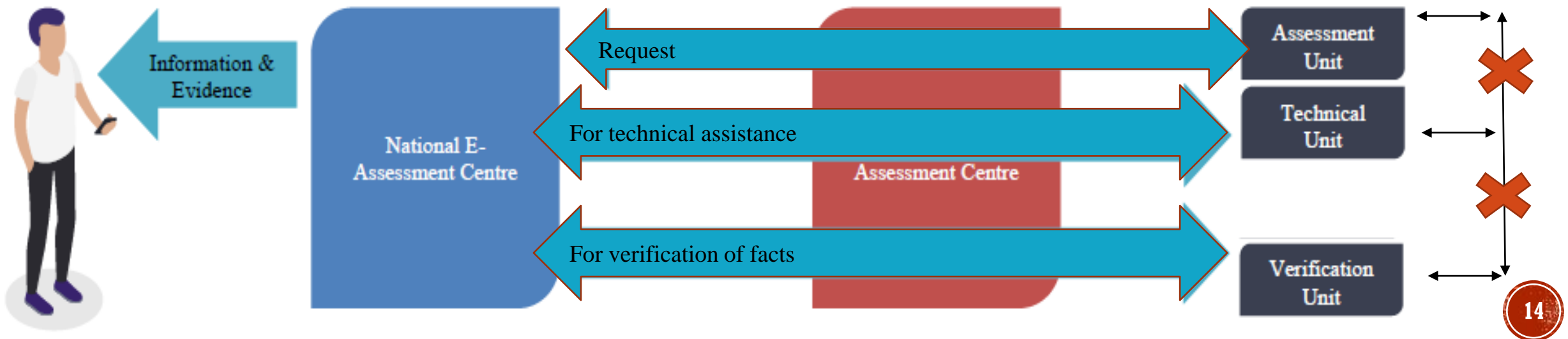


FACELESS ASSESSMENT PROCEDURE

3. Where the assessee-
 - i. A return has been furnished u/s 139 or in response to notice u/s 142(1) or 148(1) and a notice u/s 143(2) has been issued by the AO;
 - ii. Has not furnished his ROI in response to a notice issued u/s 142(1) by the AO;
 - iii. Has not furnished ROI u/s 148(1) and a notice u/s 142(1) has been issued by the AONeAC shall intimate the Assessee that assessment in his case shall be completed under e-Assessment Scheme, 2019.
4. On receipt of reply case will be assigned to an Assessment Unit (AU) in any Regional E-assessment Centre (ReAC) through automated allocation system.



5. Where a case is assigned to the AU, it may make a request to the NeAC for
 - a. Obtaining such further information, documents or evidence from the assessee or any other person, as it may specify;
 - b. Conducting of certain enquiry or verification by verification unit (VU); and
 - c. Seeking technical assistance from the technical unit (TU).
6. NeAC after receiving the request for obtaining further information, documents or evidence from the assessee or any other person has been made by the AU, the NeAC shall issue appropriate notice or requisition to the assessee or any other person.



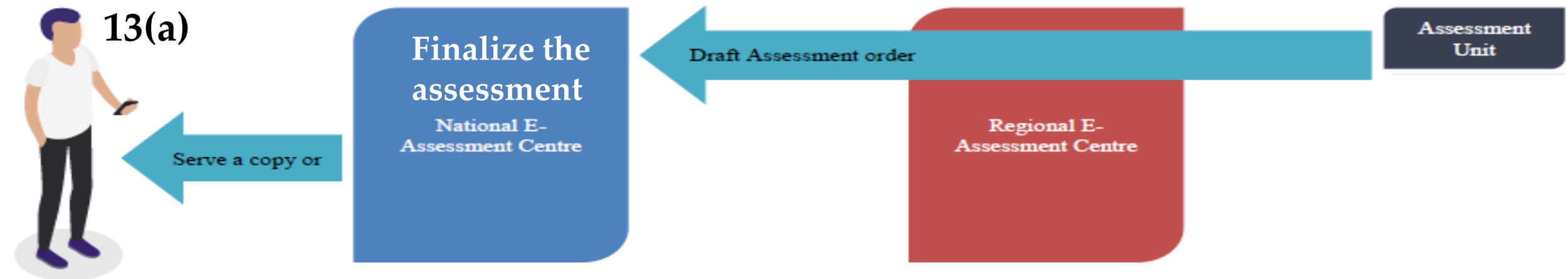
7. The Assessee or any other person shall file his response to the notice referred in S. NO. (6) within the time specified therein or may make an application for giving more time.
8. Where a request for conducting of enquiry or verification has been made by AU, such request shall be assigned by NeAC to a VU in any ReAC through automated allocation system. After receiving the report from VU, NeAC shall forward it to concerned AU.
9. Where a request for seeking technical assistance has been made by AU, such request shall be assigned by NeAC to a TU in any ReAC through automated allocation system. After receiving the report from TU, NeAC shall forward it to concerned AU.
10. If assessee fails to comply with the notice issued u/s
 - a. Notice issued by NeAC for obtaining any information, documents or evidence .
 - b. Notice issued u/s 142(1).
 - c. Notice issued u/s 142(2A), then

NeAC shall serve a notice u/s 144 giving an opportunity to show-cause, on a date and time to be specified in the notice, why the assessment in his case should not be completed to the best of its judgment.

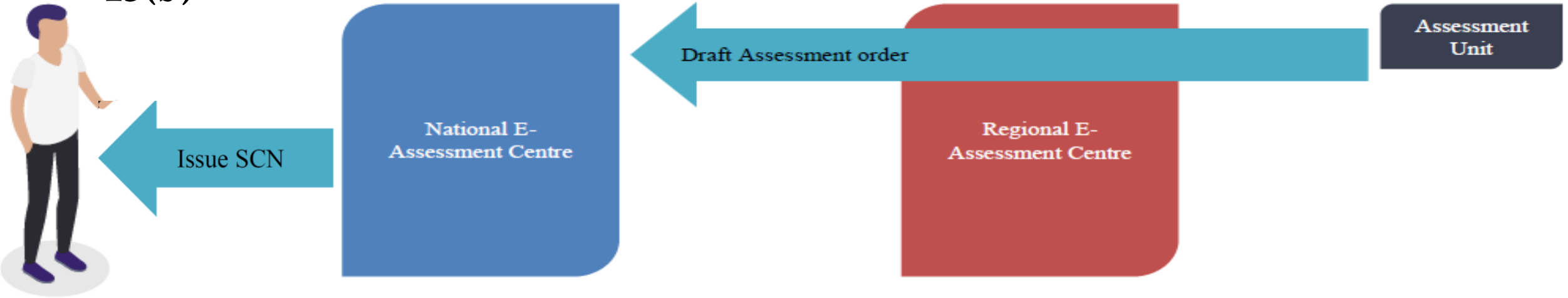
The assessee shall file response to the notice referred above within the time referred in the notice or within the extended time.

11. Where the assessee fails to file response to the notice issued by NeAC u/s 142(1)/142(2A) or fails to file information in response to any notice issued by NeAC, within the time specified in the notice or within the extended time, if any, the NeAC shall intimate such failure to the assessment unit
12. The AU shall, after taking into account all the relevant material available on the record make in writing, a **draft assessment order** or, in a case where intimation referred to in S. No. (11) mentioned above is received from the NeAC, make in writing, a draft assessment order to the best of its judgment, either **accepting the income, or sum payable by, or sum refundable to, the assessee as per his return or modifying the said income or sum**, and send a copy of such order along with the details of the penalty proceedings to be initiated therein, to NeAC.

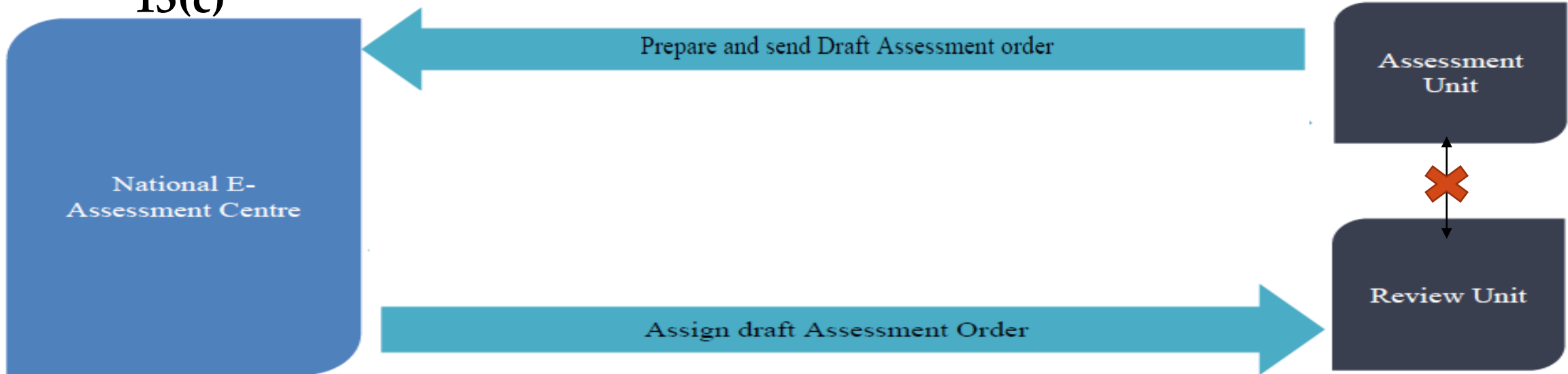
13. The NeAC shall examine the draft assessment order in accordance with risk management strategy specified by the board, by way of an automated examination tool, whereupon it may decide to:-
- Finalise the assessment as per draft assessment order and serve a copy of such assessment order and notice for initiating penalty proceeding, if any, to assessee along with demand notice; or
 - Provide an opportunity to the assessee case a modification is proposed, by serving a notice calling upon him to show cause as to why the assessment should not be completed as per the draft assessment order; or
 - Assign the draft assessment order to a RU in any one ReAC, through an automated allocation system, for conducting review of such order



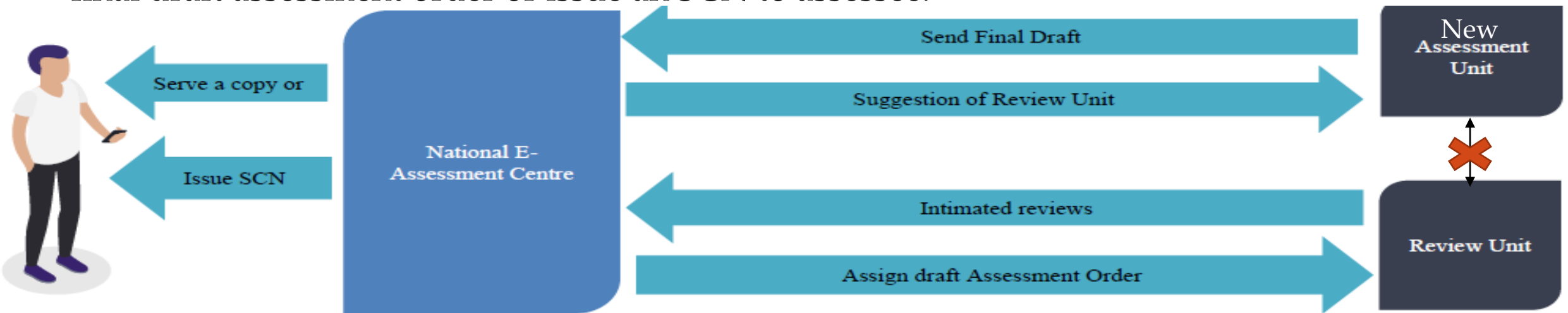
13(b)



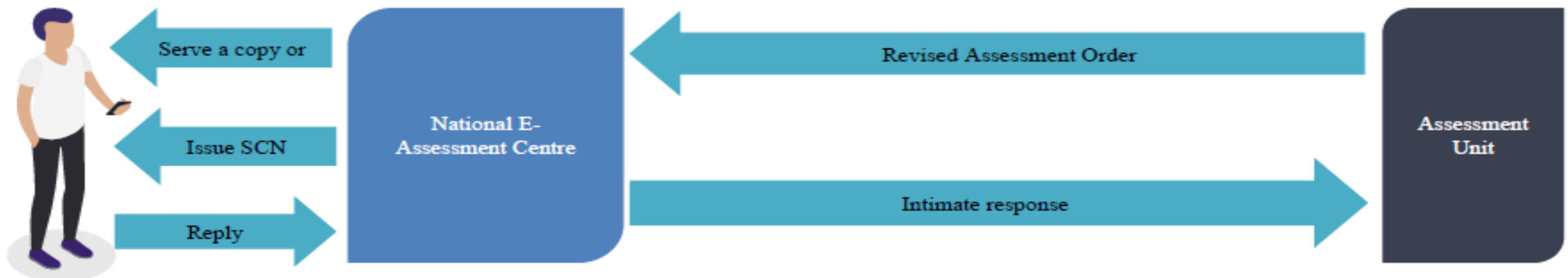
13(c)



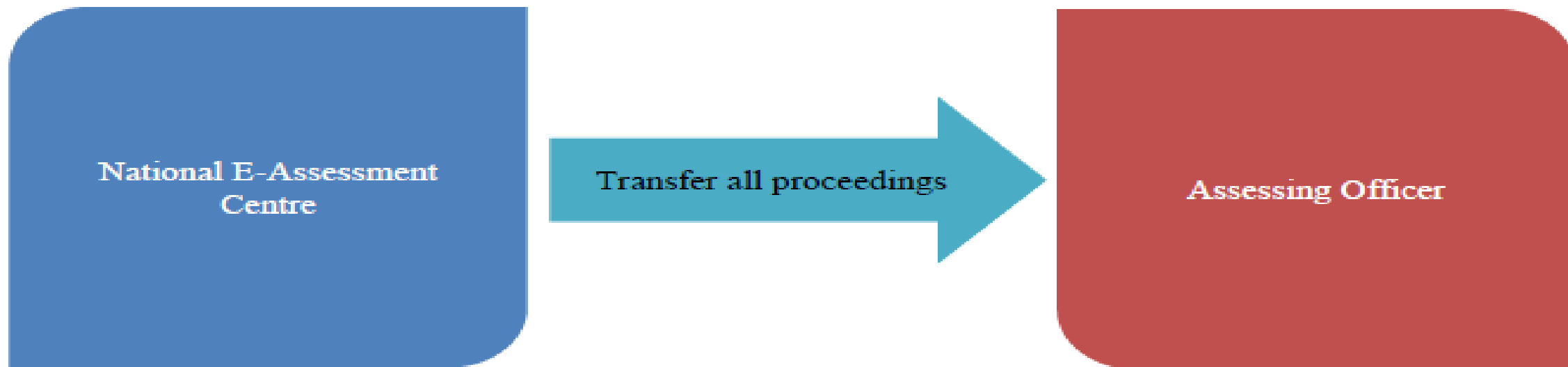
14. The RU shall conduct review of the draft assessment order, referred to it by the NeAC whereupon it may decide to, —
 - a. concur with the draft assessment order and intimate the National e-assessment Centre about such concurrence; or
 - b. suggest such modifications, as it may deem fit, to the draft assessment order and send its suggestions to the National e-assessment Centre;
15. The NeAC shall, upon receiving concurrence of the RU, can finalize the assessment as per draft assessment order or issue an SCN to assessee.
16. The NeAC shall, upon receiving suggestions for modifications from the RU, assign the case to an AU, other than the AU which has made the draft assessment order, through an automated allocation system.
17. The AU shall, after considering the modifications suggested by the RU, send the **final draft assessment order** to the NeAC.
18. The NeAC shall, upon receiving **final draft assessment order**, can finalize the assessment as per final draft assessment order or issue an SCN to assessee.



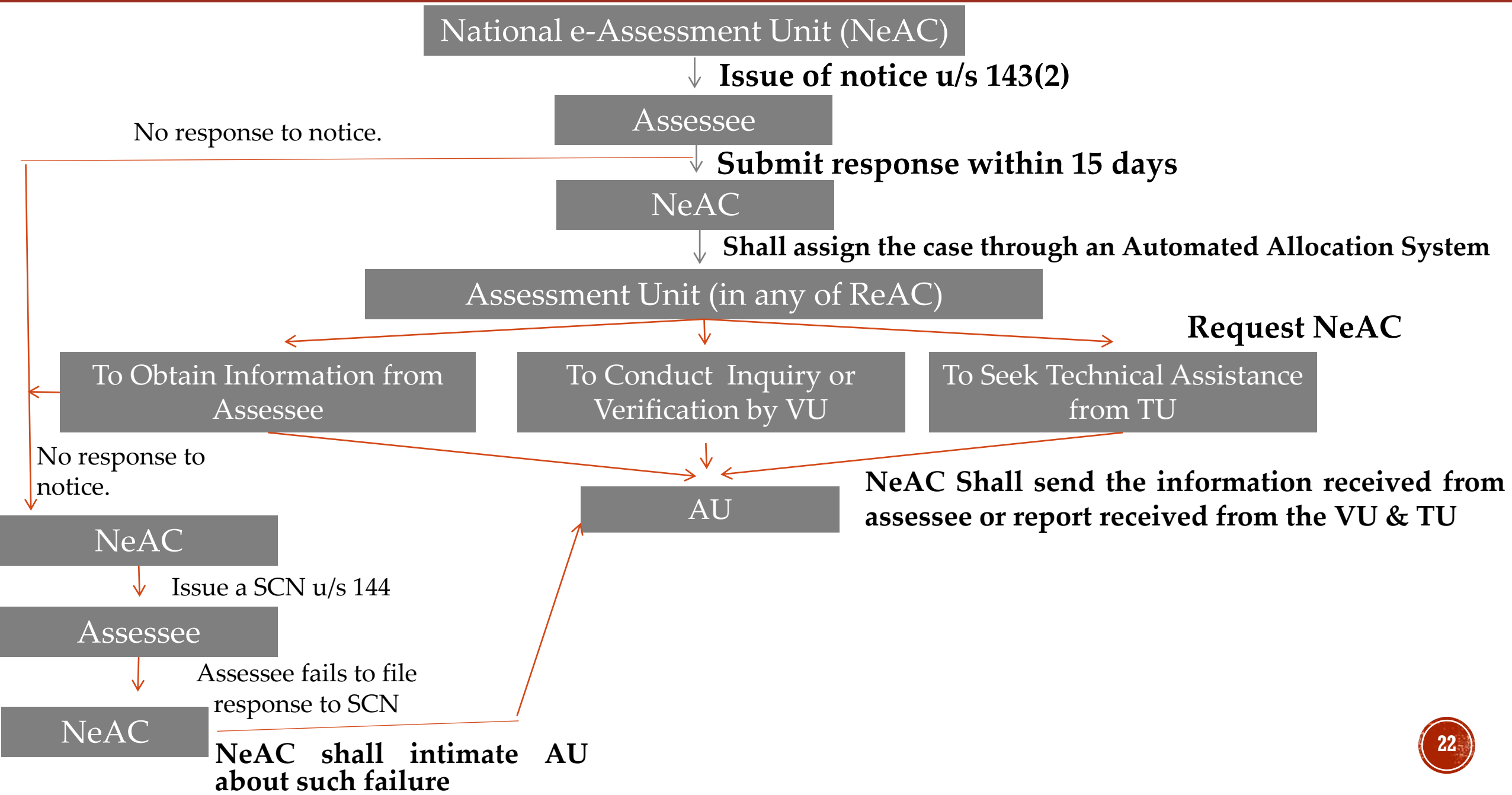
19. The assessee may, in a case where SCN issued by NeAC has been served upon him, furnish his response to the NeAC on or before the date and time specified in the notice or within the extended time, if any.
20. NeAC shall,-
 - a. In a case where no response to the SCN is received, finalize the assessment as per the draft assessment order.
 - b. In any other case, send the response received from the assessee to the assessment unit;
21. The AU shall, after taking into account the response furnished by the assessee, make a **revised draft assessment order** and send it to the NeAC.
22. NeAC shall, upon receiving the revised draft assessment order, —
 - a. In case no modification prejudicial to the interest of the assessee is proposed with reference to the draft assessment order, finalize the assessment as per revised draft assessment order or issue an SCN to assessee
 - b. In case a modification prejudicial to the interest of the assessee is proposed with reference to the draft assessment order, provide an opportunity to the assessee;
 - c. The response furnished by the assessee shall be dealt with as per the procedure laid down in S. No. (19), (20) & (21).



23. All communications between the NeAC and the assessee, or his authorised representative, or any other person shall be exchanged exclusively by electronic mode.
24. Assessee will not know which is the Assessment Unit, Verification Unit, Review Unit or Technical Unit working on his case.
25. After the Assessment Order or Penalty order has been passed electronic record will be forwarded by the NeAC to the Jurisdictional AO for further action in the case such as recovery etc.



FLOW OF INFORMATION IN FACELESS ASSESSMENT



AU after considering all the relevant material available on the record will make a draft assessment order or best judgement order

Assessment Unit

Send a Copy of Draft Assessment Order to

NeAC

13(C) Assign to

Review Unit

Yes

Suggest any changes?

No

NeAC can take action as per 13(a) or 13(b)

NeAC will assign the case to a New AU

New AU

Other than the AU, which made assessment order

Final Draft Assessment Order

13(b) If any modification is proposed to the Draft order or Final Draft Order

SCN to Assessee

Response by Assessee?

No

Yes

AU

After considering the response furnished by assessee

Revised Draft Assessment Order

Modification prejudicial to the interest of Assessee

No modification prejudicial to the interest of Assessee

13(a)

Final Order

Send a Copy

Assessee

PRACTICAL ASPECTS AT A GLANCE

1. NeAC shall serve a notice on the assessee u/s 143(2) of the Act, specifying the issues for selection of his case for assessment. For each specific issue there are model questions and the same model questions should be restricted to the issue for selection of assessment.
2. For uploading of information, there will be “xml” or ‘jason” formats. This will facilitate quicker uploading of information.
3. Procedure for examination of books of accounts is under contemplation.
4. The process of translation of data (from vernacular to english) is already in place to facilitate understanding of the document and evidence by the officers of AU, VU, TU and RU.
5. Meaning of “registered e-mail address”
 - i. Email available in electronic filing account; or
 - ii. Email available in last ITR; or
 - iii. Email available with PAN database; or
 - iv. In case of individual having Aadhar Number then, email available with Unique Identification Authority of India; or
 - v. In case of company, email available on the official website of Ministry of Corporate Affairs; or
 - vi. Email address made available by the addressee to the income-tax authority or any person authorized by such authority.

ISSUES NEEDS TO BE ADDRESSED

1. Department need to issue a policy regarding the time limits within which assessee can file all the details regarding the issue involved in assessment proceeding. Further, department shall not issue any further notice regarding the same matter after the expiry of time limit.
2. Department has to provide clarity on the applicability of judgment passed by high courts, as there will be no such concept of jurisdiction in Faceless Assessment Scheme, 2020.
3. Scope of review u/s 263 of the Act.
4. Currently, there is a restriction on maximum size (10 MB per file) and maximum number (10 Files) of file which can be uploaded, department should increases this limit.
5. Can issues responded fully earlier, be re-addressed?

DEPARTMENTAL STATISTICS

WEEKLY MIS REPORT as on 17th August 2020

CCIT	Region	Cases Allotted	Cases sent back to Field AO	Cases where no reply received till date	Draft Aseesment Orders submitted for Risk Assessment	Outcome of RMS/AET			Cases where SCN issued post review	Order Passed
						Selected for Review	For SCN (Additon proposed)	Passing of order as per DAO*		
CCIT (ReAC), CHENNAI	ReAC, KARNATAKA AND GOA	4666	7	1615	953	244	24	709	16	893
CCIT (ReAC), CHENNAI	ReAC, Chennai	9332	14	3313	1289	499	27	790	12	1211
CCIT (ReAC), DELHI	ReAC, DELHI	11663	28	3954	1742	327	15	1415	17	1686
CCIT (ReAC), DELHI	ReAC, Ahmedabad	4666	13	1621	847	186	8	661	8	815
CCIT (ReAC), KOLKATA	ReAC, Hyderabad	4668	10	1476	823	244	15	579	3	780
CCIT (ReAC), KOLKATA	ReAC, KOLKATA	9327	19	3455	1701	489	52	1210	17	1576
CCIT (ReAC), MUMBAI	ReAC, MUMBAI	9332	23	3183	1653	686	16	962	25	1565
CCIT (ReAC), MUMBAI	ReAC, PUNE	4665	8	1637	1146	274	38	868	11	1085
Total:		58,319	122	20,254	10,154	2,949	195	7,194	109	9,611



DEPARTMENTAL STATISTICS

DISPOSAL as on 16th August 2020 at 5.00 pm

	Cases Submitted for RMS	Cases In Review	Cases where orders are signed & despatched	Cases pending approval at various stages
Cases Completed till March 2020	1729	0	1729	0
Cases of DAO ready till March 2020 (3246 cases)	3246	0	3212	0
Aditonal Cases	5162	156	4668	338
Total	10137	156	9609	338



5. CHANGE IN POWER OF SURVEY

- CBDT vide order u/s 119 of the Act, dated 13th August, 2020, directed that survey u/s 133A of the Act can only be carried out only and exclusively by DGIT (Inv) for investigation wing and Pr. CCIT/ CCIT (TDS) for TDS Charge.

Relevant Notifications

1. Notification No. 61 of 2019 ([Click Here for PDF](#))
2. Notification No. 62 of 2019 ([Click Here for PDF](#))
3. Notification No. 60 of 2020 ([Click Here for PDF](#))
4. Notification No. 61 of 2020 ([Click Here for PDF](#))
5. Order u/s 119 dated 13.08.2020 ([Click Here for PDF](#))
6. Order u/s 119 survey powers dated 13.08.2020 ([Click Here for PDF](#))

Thank You

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