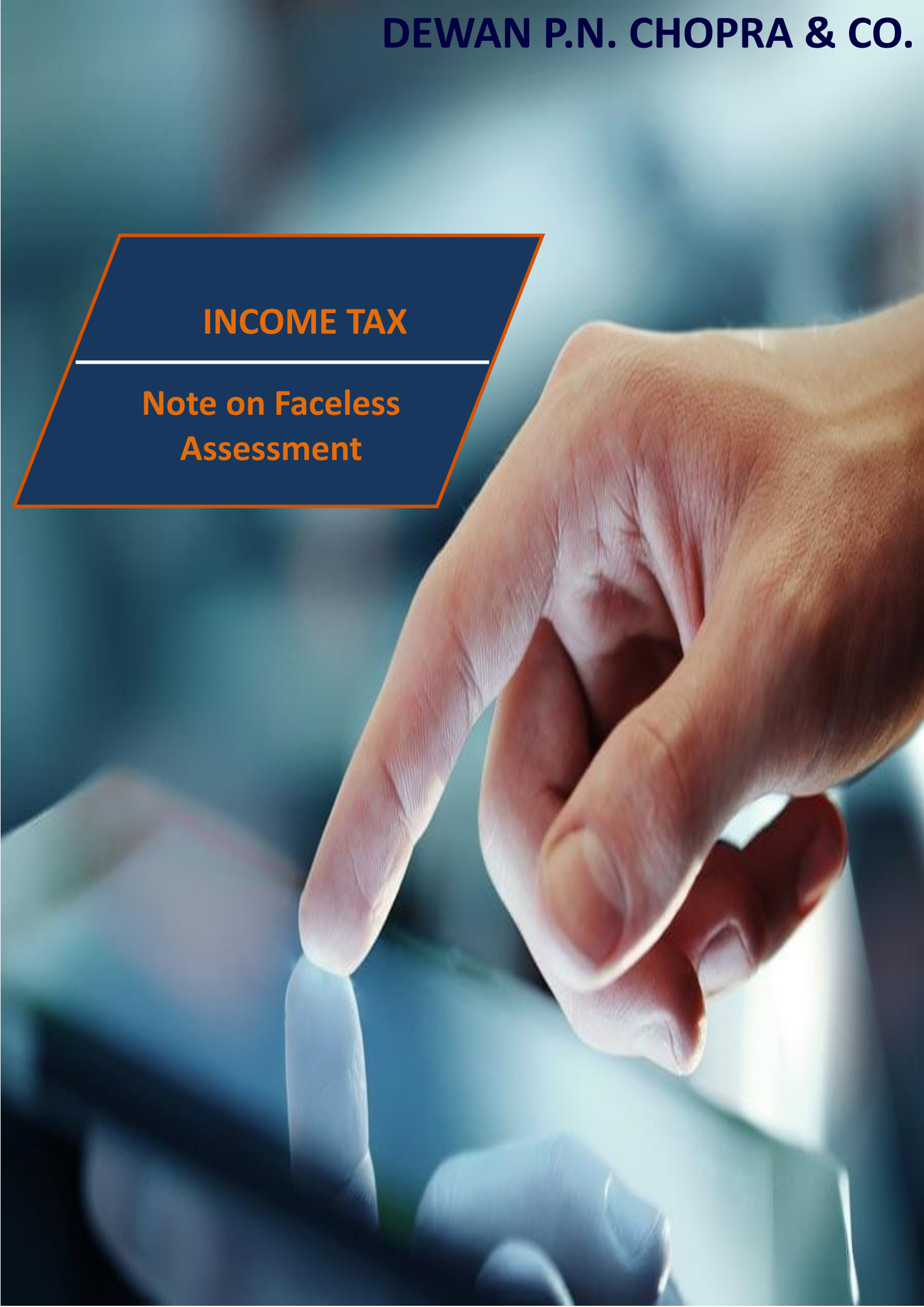


**INCOME TAX**

---

**Note on Faceless  
Assessment**



## Note on Faceless Assessment

### Background:

The Hon'ble Prime Minister of India, Sh. Narendra Modi on 13th August, 2020 while inaugurating National E-Assessment Centre ('NeAC') announced that the new platform is aimed at boosting the confidence of the taxpayer and also making them fearless.

He made the following important announcements: -

- a) **Faceless Assessment and Taxpayer's Charter:** Faceless Assessment & Taxpayer's Charter have been enforced w.e.f. 13<sup>th</sup> August 2020. Assessments will be made without personal interaction between Jurisdictional Assessing Officer and the Assessee. The said reforms are aimed at making the tax system seamless, painless and faceless.
- b) **Faceless Appeals before CIT(A)-** All appeals before Commissioner of Income (Appeals) ["CIT(A)"] shall be faceless w.e.f 25<sup>th</sup> September 2020.

## Salient Features of Faceless Assessment Scheme

1. **E-Assessment Centre**- The Income Tax Department has set up National E-Assessment Centre (“NeAC”) and Regional E-assessment Centre(s) (‘ReAC’) for facilitating conduct of e-assessments proceedings without interaction between the Assessee and the Assessing Officers.
2. **Role of NeAC**- NeAC shall be the sole body of the Income Tax Department which will be coordinating with the Assessee(s) during the course of the assessment proceedings vide electronic mode only.
3. **Units of ReAC**- ReAC shall have the following units:
  - Assessment Units (Total 95 units);
  - Verification Units (Total 35 units);
  - Review Units (Total 20 units); and
  - Technical Units (Total 4 units)

Assessee will not be aware of the Assessment Unit/ Verification Unit/ Review Unit/ Technical Unit who is handling their assessment.

4. **Type of Cases Covered under Faceless Scheme**- NeAC shall make assessment of the Assessee under Faceless scheme in the following cases:

- Assessee has furnished Return of Income u/s 139 or in response to Notice under Section 142(1) or Section 148(1); and a notice u/s 143(2) has been issued;
- Not furnished Return of Income in response to notice u/s 142(1);
- Not furnished Return of Income u/s 148(1) and a notice u/s 142(1) has been issued by AO.

5. **Assessment Orders not covered under Faceless Scheme 2019**- Central Board of Direct Taxes (“CBDT”) vide Order dated 13<sup>th</sup> August 2020 hereby directs that all assessment orders shall hereafter be passed by NeAC through Faceless Scheme 2019, except as provided hereunder:

- Assessment orders in cases assigned to *Central Charges*
- Assessment orders in cases assigned to *International Tax Charges*.

6. **Procedure for Faceless Assessment**: A brief procedure under Faceless Assessment is as follows:

- a) **Notice u/s 143(2) to be issued by NeAC**- Notice u/s 143(2) for assessment shall be issued by NeAC

specifying the issues due to which case of the assessee has been picked up for scrutiny.

- b) **Assessee to respond within 15 days**- Assessee will be required to give reply on the issues mentioned in the notice within a period of 15 days.
- c) **Case Assigned by NeAC to Assessment Unit**- On receipt of reply from the Assessee, case will be assigned to an Assessment Unit in any ReAC through automated allocation system by NeAC.
- d) **Action by Assessment Unit**- Assessment unit after going through the reply of the assessee can request the NeAC:
- to call for further information or documents from the assessee or
  - refer the matter to Verification unit for the purpose of verifying the information or
  - refer the matter to Technical Unit for its opinion.
- e. **Action by NeAC**- NeAC shall issue notice to assessee/other person to call for further information or shall refer the matter to Verification unit or Technical Unit of any ReAC through automated system.

- f. **Notice u/s 144 by NeAC in case of non-compliance-** Where assessee fails to comply with the notice issued by NeAC, NeAC shall serve upon such notice under section 144 giving him an opportunity to show cause.
- g. **Response by Assessee to NeAC-** Assessee shall file response in respect of notice received and where the assessee fails to make a response within time specified, NeAC shall intimate such failure to assessment unit.
- h. **Draft Assessment Order by Assessment Unit-** After collecting the information or verification or opinion of Technical Unit, the matter will again be referred to Assessment unit and the Assessment unit after going through further details or report of Verification Unit or Technical Unit or after receiving intimation of failure of response by assessee, prepare the draft assessment order along with details of penalty proceedings (if any) and send to NeAC.
- i. **Analysis of Draft Assessment Order by NeAC-** NeAC shall examine the draft assessment order in accordance with **risk management strategy** specified by CBDT by way of an automated examination tool.

j. **Action on Draft Assessment Order by NeAC**- After examination, NeAC will either:

- Issue the final order and notice for initiating penalty proceedings or;
- Send draft order to assessee to provide an opportunity to show cause why additions proposed in the draft order should not be made or;
- Assign the draft assessment order to a review unit in any ReAC through an automated allocation system, for conducting review of such order.

k. **Review of Draft Order by Review Unit of ReAC**

**Situation (i)** - Where after review of the draft order, the review unit concurs with the draft order, NeAC shall either:

- issue final order or
- Send draft order to assessee to provide an opportunity to show cause why additions proposed in the draft order should not be made

**Situation (ii)** - Where review unit suggests some modification in the draft Assessment Order, NeAC shall assign the case to some other Assessment unit through an automated allocation system.



The Assessment unit shall send the final draft assessment order after making the required modifications suggested by review unit to the NeAC for issuing final order or sending the draft order to the assessee to provide opportunity where modification is proposed.

I. **Response on Draft Assessment Order by Assessee-**

Response not received- In case no response is received from the Assessee in respect of the draft order in which modifications are proposed, NeAC shall finalize the assessment as per draft assessment order.

Response Received- Where response is received, the NeAC shall send back the matter to Assessment Unit and the Assessment Unit will prepare the revised draft order and send it to NeAC.

m. **Action on Revised Draft Order by NeAC**- The NeAC after receiving the revised draft order from Assessment unit shall either:

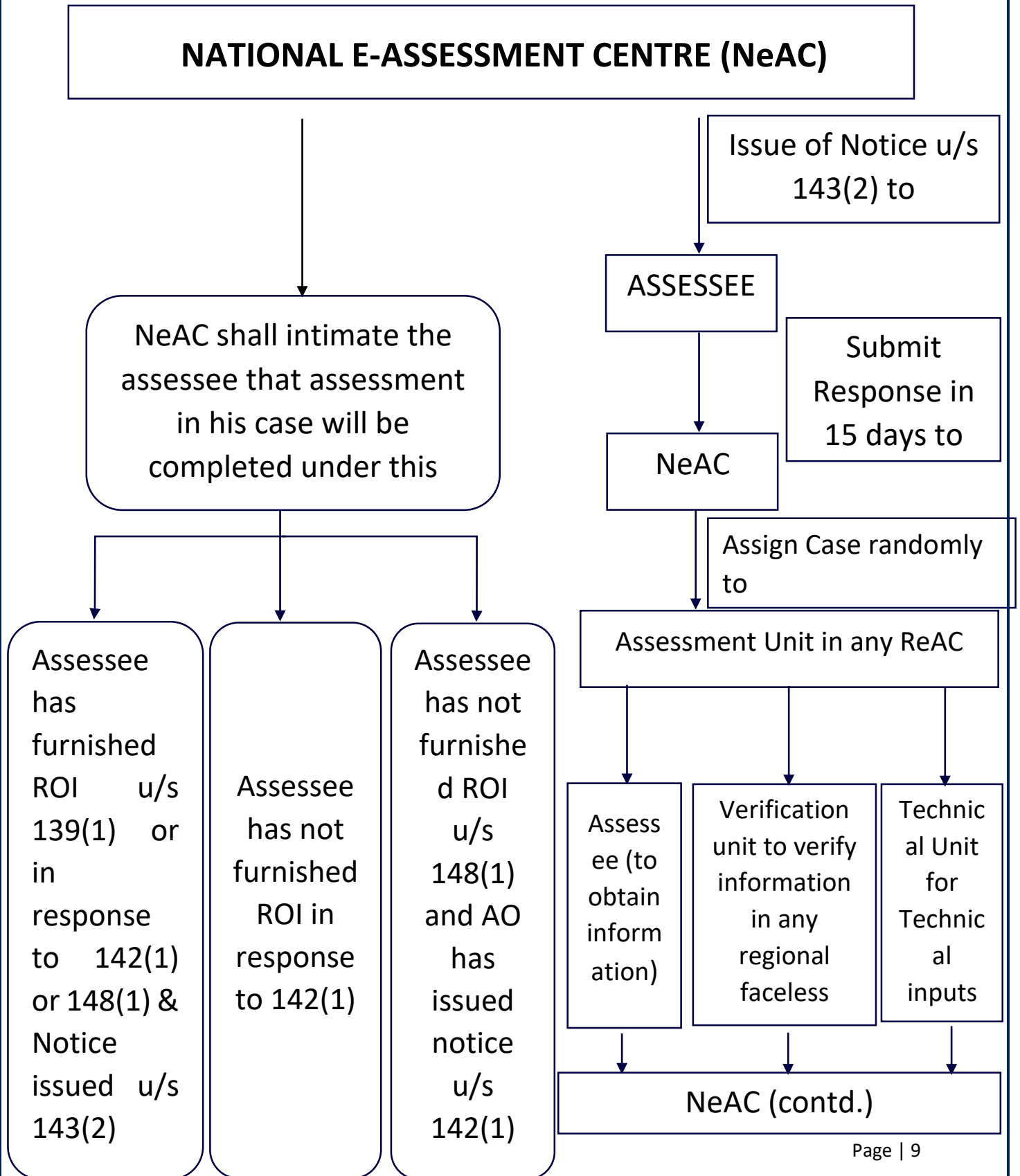
- a. Finalize the assessment in case no modification is proposed or
- b. Provide an opportunity by serving notice, in case modification is proposed and the response to such notice shall be dealt in the manner as mentioned above.



- n. **Transfer of Case to Jurisdictional AO**- PCIT or the Principal Director General, in-charge of NeAC, may at any stage of assessment, if considered necessary, transfer the case to the Jurisdictional AO after obtaining prior approval of board i.e. CBDT.
- o. **Option for Personal Hearing**- Personal Hearing if requested by the assessee shall be provided only through video conferencing subject to certain conditions and approval of Chief Commissioner or the Director General, in charge of ReAC.
- p. **Final Assessment Order**- Final Assessment order will be issued by NeAC.
- q. **Action by Jurisdictional AO**- After the Final 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.

# Mechanics of Faceless Assessment Scheme through Flow Chart

## PROCEDURE OF FACELESS ASSESSMENT



NeAC (Contd.)

Send Reply/ Reports received from Assessee, Verification & Technical

Assessment Unit (AU)

On the basis of information and inputs, prepare draft assessment order including details of penalty proceedings and send to

NeAC

AU other than one who made

Assign to

NeAC

Review Unit

Yes

No

Suggest Any change

If prejudicial to Assessee

Finalize the Order

NeAC

Provide opportunity to Assessee, including notice u/s 144 of the Act in case of compliance

Send a copy of order along with notice of demand and penalty proceedings

If response filed by Assessee

Yes/No

Send All Records to

Assessing Officer

Assessee

For such action as and when required under the Act

## Some Concerns & Suggestions

1. Income Tax Department has not yet informed the circumstances wherein personal hearing shall be allowed to the assessee under Faceless Assessment Scheme.
2. Detailed procedure should be informed to Assesseees and Officers on how the personal hearings shall be conducted so as to avoid any ambiguity.
3. Personal hearings may be provided for in some cases where merited by exceptional circumstances including complexity, volume of data and communication difficulty.
4. In the E-Assessment proceedings last year, hardships were faced by Assessee in uploading documents due to size of file being uploaded, server not working etc. The same should be addressed to avoid hardships to Assessee.
5. Where the assessee is unable to provide relevant submission/information/document on the due date due to unforeseen circumstances, a mechanism should be provided to request the NeAC for extending time limit of furnishing such documents on the window portal. It is noticed that the response portal automatically closes after due date and there is no mechanism provided for Assessee to respond to notice.

6. Time limit for furnishing reply by the assessee should not be fixed to 15 days and should be considered in light of voluminous information/documents. It is suggested to provide adequate time to respond to the queries.
7. Any communication from the NeAC should be compulsorily sent on e-mail and informed by SMS to the Assessee to prevent any non-compliance of the notice by the Assessee.

**DISCLAIMER:**

*The information contained herein is in summary form based on interpretation of Faceless Assessment Scheme 2019 as amended from time to time through various Notifications issued by CBDT. While the information is believed to be accurate to the best of our knowledge, we do not make any representations or warranties, express or implied, as to the accuracy or completeness of this information. Reader should conduct and rely upon their own examination and analysis and are advised to seek their own professional advice. This document is not an offer, invitation, advice or solicitation of any kind. We accept no responsibility for any errors it may contain, whether caused by negligence or otherwise or for any loss, howsoever caused or sustained, by the person who relies upon it.*