

# E-NEWSLETTER

## FACELESS E-ASSESSMENT SCHEME AND ITS MODUS OPERANDI



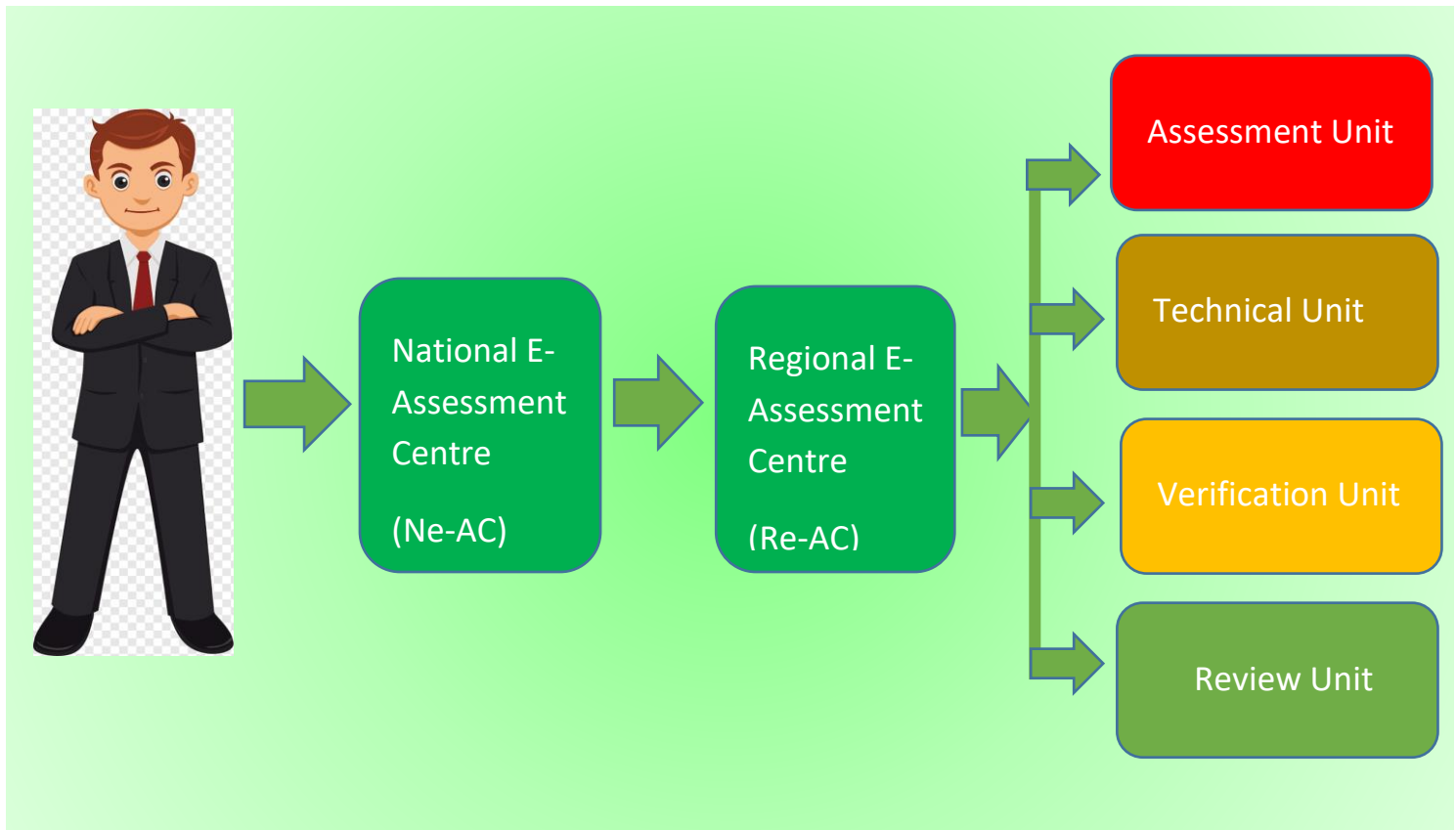
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In the Union Budget 2019, our Honorable Finance Minister proposed the introduction of the scheme of faceless e-assessment which was later brought in vide Notification No. 61/2019 dated 12<sup>th</sup> September, 2019. The intention of the scheme was to bring transparency and reduce human interface between the taxpayer and income tax officials. Recently on 13<sup>th</sup> August, 2020, our Honorable Prime Minister, launched the "Transparent Taxation Platform – Honouring the honest", thus creating a taxpayer friendly ecosystem by introducing greater transparency, simplification and ease of meeting tax compliance. The platform which encompassed faceless assessments, faceless appeals and the tax payer's charter, marked significant development in the tax administration reform. Along with the launch, the E-assessment Scheme, 2019 was also amended vide Notification No. 60/2020 dated 13.08.2020.

We at Team NGOenabler have compiled a detailed understanding of the scheme and its modus operandi i.e. the structural and the procedural aspects of the E-assessment proceedings, in this newsletter to give a complete overview and perspective to the taxpayers.

### STRUCTURE OR FRAMEWORK FOR FACELESS E-ASSESSMENT PROCEEDINGS



From the above structure, it is clear that there shall no be direct communication between the assessment unit and the taxpayer. National E-Assessment Centre shall act as a Nodal Agency between the two and facilitate the smooth functioning of E-Assessment proceedings.

## PROCEDURE OF FACELESS E-ASSESSMENT SCHEME



### A. UNDERSTANDING THE ROLE OF EACH OF THE ABOVE CENTRES/UNITS

**i) National E-Assessment Centre (Ne-AC)** – Facilitating and centrally controlling the assessment proceedings

**ii) Regional E-Assessment Centre (Re-AC)** – The jurisdiction of the regional Principal Chief Commissioner for making assessment. Such centres shall be present in as many as 20 cities across the country and will conduct e-assessment proceedings through its units.

**a) Assessment Unit** - This unit is mainly responsible to carry out the analysis of material furnished in the selected case by identifying issues and points material for determination of any liability or refund. Wherever any detailed enquiry or verification is required, or if any further information is needed, the assessment unit can take the support of technical and verification unit. However, such support can be taken only via National E-Assessment Centre and not directly.

**b) Technical Unit** – The role of technical team is to provide any kind of technical assistance to the assessment unit during the assessment proceedings such as expert advice on legal, accounting, forensic, valuation, information technology etc...

**c) Verification Unit** – Where the assessment unit, wants to have a detailed enquiry or verification, it looks upto the verification unit but again through National E-Assessment Centre. The role of verification unit is to conduct enquiries and cross-examination, verifying books of accounts, examining witnesses through video conferencing, recording statements etc..

**d) Review Unit** – This unit is mainly responsible for reviewing the draft assessment order to check whether the facts and relevant evidences has been brought on records and related law and judicial decisions have been considered in the draft order.

**Special Note:** It is to be noted neither the Regional E- Assessment Centre, nor any of its units can be selected or can communicate directly with each other, other than by National E-Assessment Centre through automated allocation system with the use of Artificial Intelligence.

### B. PROCEDURAL FLOW OF PROCEEDINGS UNDER FACELESS E-ASSESSMENT

#### **i) Serving Notice to Assessee**

Ne-AC shall serve the notice on the assessee along with the reasons for selection of the case. Such notice shall be served through registered E-mail ID of the assessee and will also be available on its income tax portal under the tab “E-Proceedings”. The intimation regarding the issue of such notice shall also be sent via SMS on the registered contact number as per the income tax records.

#### **ii) Response to the Notice**

The assessee is required to file the response within 15 days from the date of such issue to NeAC. Unlike under existing manual proceedings, in case of E-Assessment, it seems that the date of issue of notice shall be considered as date of serving of notice.

### **iii) Assigning the case to Assessment unit**

With the use of artificial intelligence and automated allocation system, NeAC shall randomly assign the case anonymously to the assessment unit of any one of the ReACs. This shows that even NeAC shall not decide or control as to which unit shall conduct the assessment of any particular assessee. Every allocation shall be system driven to completely reduce human interface even within the department.

### **iv) Conduct of Assessment**

Once the case is assigned to the Assessment Unit, it shall carry out the assessment proceedings by identifying key issues and information, material for determining the liability or refund in the said case.

However, during the course of assessment, the Assessment unit can put forth the following requests to NeAC, before arriving at any conclusion and preparing the draft assessment order:

- a) Further evidences, information, documents etc.. from the assessee, wherever needed
- b) Support of technical unit can be called for, in case any technical expertise related to legal matters, accounting, forensic etc... is required.
- c) Support of verification unit can be requested in case detailed enquiry and investigation is required such as verifying the books of accounts or recording statements or examining witnesses. All such enquiry shall be done through video conferencing only, and no physical appearance of the assessee can be called for.

### **v) Action by NeAC**

On receipt of such a request, the NeAC shall request the concerned assessee for further documents and evidences in a similar manner as was done in case of the issue of notice. As far as coordination with the technical and verification unit is concerned, the process remains the same i.e. with the use of artificial intelligence and automated allocation system, the request of Assessment unit shall be forwarded to the Technical or Verification unit of any one of the ReACs.

**Special Note:** Such selection process ensures that entire E-assessment is devoid of any human interference at any stage, thus making it completely faceless. As mentioned earlier, even NeAC shall not decide or control the selection of any ReACs and its units. It shall only be acting as a facilitator and nodal agency.

### **vi) Issue of Draft Assessment Order**

After the Assessment unit is provided with the respective assistance by technical and verification unit on the basis of its request to NeAC, it proceeds with making the draft assessment order and sends a copy of the same to NeAC.

## **PROCEDURE OF FACELESS E-ASSESSMENT SCHEME (Contd....)**



### **vii) Action by NeAC on receipt of draft assessment order**

On such receipt, NeAC shall examine the draft assessment order in accordance with the risk management strategy specified by CBDT, including by way of an automated examination tool.

It can explore any out of 3 options:

- a) Finalize the assessment order as per the draft so received and serve the copy of order to the assessee on the basis of such assessment;
- b) Provide an opportunity to the assessee, in case any 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
- c) Assign the draft assessment order to the review unit through automated allocation system for conducting the review of such order.

### **viii) Action by Review unit**

The review unit either agrees to the draft assessment order and intimate the same to NeAC or suggest any modification, as it may be deemed fit, to such draft order and send it to NeAC.

### **ix) Finalization of Assessment Order by NeAC and completion of assessment**

On receiving a go ahead from the Review unit, the NeAC might finalize the draft assessment order or provide an opportunity to the tax payer to show cause why the assessment should not be completed as per the draft order. If no reply is received from the taxpayer, the NeAC might send back the draft order to the Assessment unit for preparing the final order.

In case any modification is suggested by the review unit, the same is communicated to the assessment unit for consideration while preparing the final draft assessment order.

### **x) Serving of order or notice on the taxpayer**

Once the final draft assessment order is received by NeAC, the same procedure is repeated i.e. either the draft order is finalized and served on the assessee or an opportunity is provided to the taxpayer in case a modification is proposed, as the case may be.

### **xi) Response from the taxpayer**

In case no response is received from the taxpayer within the time limit specified in the notice, the NeAC might finalize the final draft assessment order.

However, in case of response, the same is sent back to the assessment unit and the assessment unit shall make a revised draft assessment order, after considering the response furnished by the taxpayer.

### **xii) Issue of Final Order by NeAC**

On receipt of the revised draft assessment order, the NeAC shall either finalize such assessment order if it is not detrimental to the interest of the taxpayer and if it is so, provide an opportunity to the taxpayer for hearing and making his submission. Such submission shall this time directly be dealt with by NeAC and draft assessment order is then finalized.

## **PROCEDURE OF FACELESS E-ASSESSMENT SCHEME (Contd....)**

On completion of the assessment and issue of final order, the NeAC shall transfer all the electronic records relevant of the case to the Assessing Officer having jurisdiction over such action. All such internal communications between the NeAC, ReAC and its units, shall be exchanged exclusively by electronic mode.

Moreover, all the electronic records issued under the scheme shall be authenticated by the NeAC by affixing the digital signature, or by the taxpayer or any other person affixing their digital signature or through an Electronic Verification Code (EVC) generated online.

Every notice or order or any other communication during the proceedings shall be delivered to the taxpayer by way of:

- a) Uploading an digitally signed copy of the notice/order in the taxpayer's portal authenticated by DIN or;
- b) Sending the copy of same uploaded notice/order to the taxpayer's registered email address whether it is of the taxpayer itself or of his authorized representative and;
- c) Uploading such copy on the mobile app of the taxpayer which shall be followed by the real time alert to the concerned assessee.

So, after understanding the entire flow of Faceless E-Assessment Scheme, three things are very evident.

**First**, the Government have tried to create a **robust infrastructure to ensure that the entire proceedings are conducted smoothly and hassle-free for the assesseees**. However, ground realities will come up only after a substantial amount of E-Assessments are successfully completed but yes, as I already explained in my previous video on the topic, certain practical challenges might have to be faced by the assesseees.

**Second**, the corruption will almost be wiped out with **no scope of direct interface and well monitored interaction between the assessing officer and the taxpayer**.

**Third**, the **assesseees need to be now technologically sound as well as equipped** with the necessary resources in order to successfully comply with the E-Proceedings.

**THIS NEWSLETTER IS ONLY FOR THE PURPOSE OF PRIVATE CIRCULATION**