

Income Tax

E-Assessment



Artificial

Intelligence (AI)

How realistic it is ?



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# FACELESS ASSESSMENT SCHEME 2019

The Central Government introduced the Faceless Assessment Scheme to provide greater **transparency**, **efficiency** and **accountability** in income tax assessments.

All provisions introduced under Faceless Assessment, under the Income Tax Act, 1961, are introduced to –

- Eliminate Face to Face meeting between the Assessing Officer and the assessee during the course of proceedings, to the extent that is technologically feasible.
- Optimise the utilisation of **resources** through **economies of scale**
- Introduce a **team-based determination** of **arm's length price** with dynamic jurisdiction (allotting cases of Income Tax to various benches without human intervention).

# WHAT IS THE FACELESS ASSESSMENT SCHEME?

In the **Union Budget 2019**, the Finance Minister proposed the introduction of a scheme of faceless e-assessment. **The scheme seeks to eliminate the human interface between the taxpayer and the income tax department. The scheme lays down the procedure to carry out a faceless assessment through electronic mode.** From 13 August 2020, the **e-assessment scheme** of 2019 stands amended and is hence known as the **Faceless Assessment scheme**.

The faceless assessment scheme when came applied only to **scrutiny assessment and best judgment assessment**. However, as per the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Bill, 2020, **Faceless Assessment will now bring other provisions of the Income Tax Act, 1961 under its purview.**



## SECTION 144B OF THE INCOME TAX ACT

Section 144B in the Income Tax Act, 1961 has been introduced in the Income Tax Act by **National e-Assessment Scheme**. The ambitious scheme **launched in August 2020** seeks to bring the much-needed reform revolution to the income tax procedure.

The new initiative, "**Transparent Taxation- Honouring the Honest Platform**," has the admirable goal of implementing the "**faceless system**," **a cutting-edge technology to digitise the process of "scrutinising" a file**, where no one would be subject to face arbitrary demands made by officers of the IT department i.e. "**under the table**" **dealings**.

The plan is also seen as a relief because **it gave taxpayers the convenience of filling audit reports, representations, etc. electronically, saving them time, money, and effort**.

## FACELESS ASSESSMENT UNDER INCOME TAX ACT - APPLICABILITY

Under the Income-tax Law, there are four major assessments given below:

- Assessment under **section 143(1)**, i.e., **Summary assessment** without calling the assessee.
- Assessment under **section 143(3)**, i.e., **Scrutiny assessment**.
- Assessment under **section 144**, i.e., **Best judgment assessment**.
- Assessment under **section 147**, i.e., **Income escaping assessment**

## ASSESSMENT UNDER SECTION 143(1)

Assessment under section 143(1) is like **preliminary checking** of the return of income. At this stage, no detailed scrutiny of the return of income is carried out. **At this stage, the total income or loss is computed after making the following adjustments (if any) like an arithmetical error or an incorrect claim.**

### TIME LIMIT

Assessment under section 143(1) can be made within a period of **9 months from the end of the financial year** in which the return of income is filed.

## ASSESSMENT UNDER SECTION 143(3)

This is a **detailed assessment** and is referred to as a **scrutiny assessment**. At this stage a **detailed scrutiny of the return** of income will be carried out to confirm the correctness and genuineness of various claims, deductions, etc., made by the taxpayer in the return of income.



## **ASSESSMENT UNDER SECTION 144, I.E., BEST JUDGMENT ASSESSMENT**

This is an assessment carried out as per the **best judgment of the Assessing Officer on the basis of all relevant material he has gathered**. This assessment is carried out in cases where the taxpayer fails to comply with the requirements specified in section 144.

## **ASSESSMENT UNDER SECTION 147**

If any income of an assessee has **escaped assessment for any assessment year**, the Assessing Officer may, subject to the new provisions of sections 148 to 153, assess or reassess such income and also any other income which has escaped assessment and which comes to his notice subsequently in the course of the proceedings.

## Section 144B of Income Tax Act



Assignment of Case

Intimation to Assessee

Service of Notice

Request for Information

Further information, documents, or evidence

Conducting Enquiry or Verification

Failure to Comply

Opportunity to Show Cause

Assessment Order

Penalty Proceedings

Transfer of Electronic Records

Special Provisions

Faceless Assessment Jurisdiction

Centres and Units

Transfer of Case



# E-ASSESSMENT CENTRES -SIX

The following centres will be established to conduct e-assessment proceedings

## 1. NATIONAL E-ASSESSMENT CENTER (NEC)

The NEC will act as a **regulatory committee** to implement rules and regulations and monitor **regional centres**. It also assesses, verifies, modifies and send show-cause notices to the assessee if necessary.

A National e-Assessment Centre to facilitate and centrally control the e-assessment. **All the communications between all the units for the purpose of making an assessment under this scheme would be through the National e-Assessment Centre.**

## 2. REGIONAL E-ASSESSMENT CENTERS

The regional e-assessment centres will be **established to implement the actions** as informed by the NEC. **The Principal Chief Commissioner shall monitor the division to assess regulation and process.**

### 3. ASSESSMENT UNIT

The following are the critical functions of Assessment Units:

- To verify the modifications in the draft,
- Suggest and assess modifications to NEC,
- Identifying details regarding payments or refund,
- Request information or to provide for the issues raised,
- Scrutinise the information provided by the assessee.

### 4. VERIFICATION UNITS

The verification units perform the following functions as per the regulation of NEC:

- Cross verification,
- Examination of books of accounts,
- Examining the statements or recordings of witness,
- Sending enquiry to assessment or technical units for clarification on documents.

## 5. TECHNICAL UNITS

- The technical units are established to assist with legal, forensic and accounting.
- Similarly it is for information technology, data analytics, valuation, transfer pricing and other technical requirements.

## 6. REVIEW UNITS

The review units play an essential role by performing the following functions:

- Assessing all the documents sent by the assessee,
- Reviewing the draft assessment order,
- Cross verification of the material evidence,
- Reviewing the relevant points has been added as per the guidelines of NEC.

## DIFFERENCE BETWEEN THE CURRENT ASSESSMENT AND FACELESS ASSESSMENT SCHEME

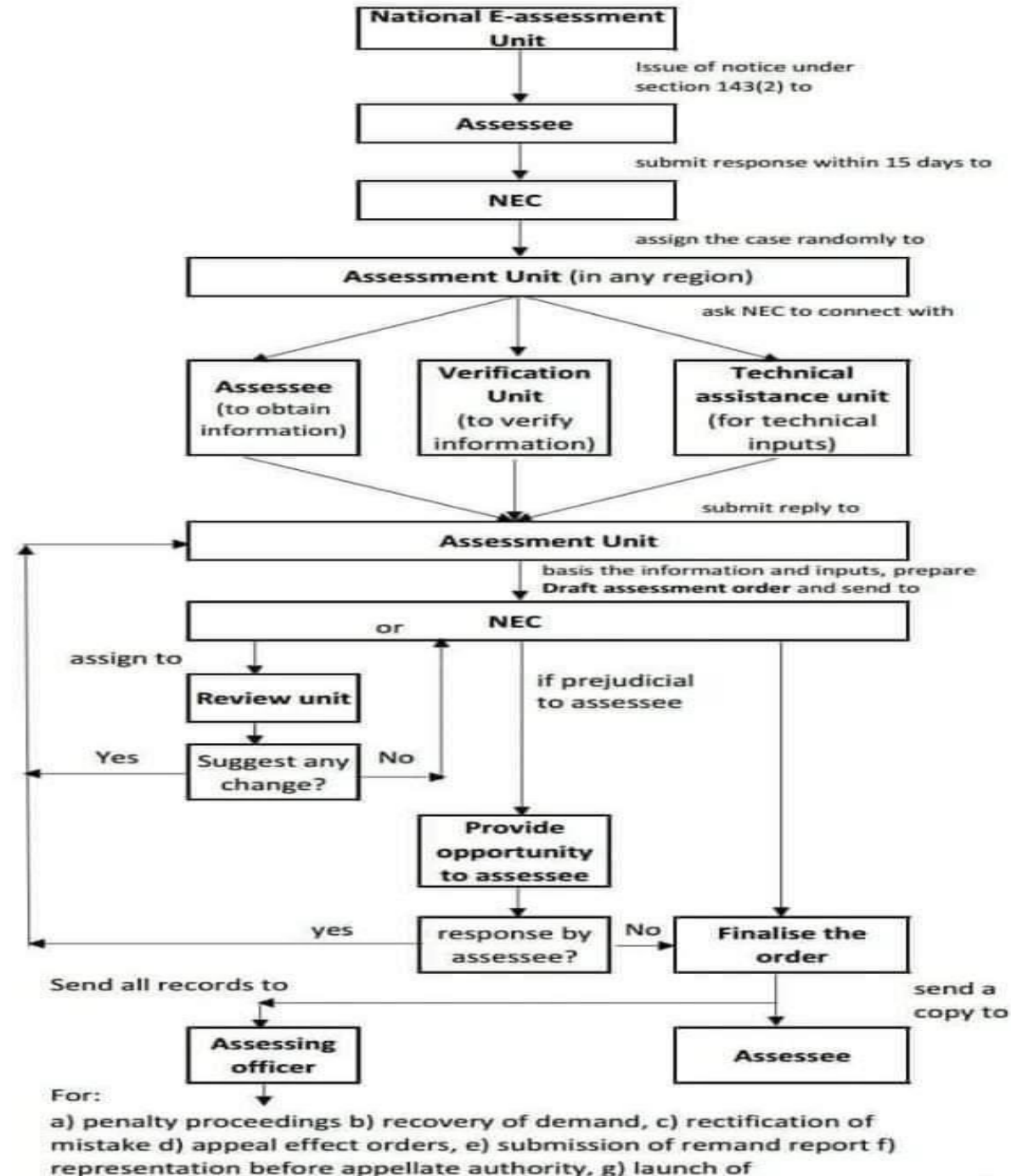
S. No.	Present Assessment System	Faceless Assessment System
1	Case selection through: a. System b. Manual c. Tax evasion information	1) No discretion to any officer in selection 2) No selection except through system red alerts 3) No selection other than information based
2	Cases were permanently assigned to a territorial jurisdiction	1) Automated random allocation of cases 2) Dynamic division to any faceless team anywhere in the country – 95 AUs, 30 VUs, 20 RUs and 4 TUs.
3	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 (Documentation Identification Number) are invalid 4) Notices to be issued electronically and centrally from the NeAC in New Delhi. (NeAC will be an independent office that will look after the work of e-Assessment scheme) 5) The NeAC is the single point of faceless contact between the taxpayer and the Department



S. No.	Present Assessment System	Faceless Assessment System
4	<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 meeting with any officer</li> <li>2) No officer to call the taxpayer to office</li> <li>3) No more waiting outside the office</li> <li>4) The identity of the officer to remain unknown</li> <li>5) No human interface at any stage</li> <li>6) Assessments in electronic mode</li> </ol>
5	Wide discretion with officers leads to varying interpretations (Interpretation/Opinion vary case to case)	<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 the third city</li> <li>3) Objective, Fair and just order</li> </ol>
6	6,584 officers and 33,750 subordinate staff, totaling to 40,334 were performing various assessment functions	<ol style="list-style-type: none"> <li>1) Faceless Assessment now has 4,224 officers and 17,193 subordinate staff totaling to 21,417.</li> <li>2) All other functions also in faceless manner except those shown as exceptions</li> </ol>

# THE FOLLOWING FLOWCHART EXPLAINS THE PROCESS OF NEC

National e-  
Assessment Centre  
(NeAC/NEC) :  
NeAC will be an  
independent office  
that will look after the  
work of e-Assessment  
scheme which is  
recently notified for  
faceless e-assessment  
for income tax payers.



S. No.	<b>PROCEDURES OF SERVING NOTICE THROUGH E-ASSESSMENT SCHEME</b>
1	Serving e-assessment notice to the taxpayer upon the discrepancy
2	The individual must reply within 15 days from the date mentioned on the receipt
3	The individual should respond to the notice only through the registered account. The response shall be notified by National e-assessment centre
4	Individuals no longer have to visit any I-T departments with regards to the notice received for submitting any documents
5	All communication between the individual and the department for verification or enquiry will only be through online
6	<p>If the regional I-T departments require assistance from verification or technical unit, it will be processed through an automated system. The requirements such as:</p> <ul style="list-style-type: none"><li>▪ Requirement of additional documents or evidence</li><li>▪ Conducting enquiry or verification regarding the returns filed</li><li>▪ Seeking technical assistance from the technical unit</li></ul>
7	The NEC can assign scrutiny case to any regional centres through an automated allotment system

S. No.	PROCEDURES OF <b>PENALTY PROCEEDINGS</b> THROUGH E-ASSESSMENT SCHEME
1	<p>Any draft order that initiates penalty proceedings should follow the following regulations:</p> <ul style="list-style-type: none"><li>▪ The draft order should be initiated as specified by the committee of NEC</li><li>▪ The penalty proceedings should be initiated by sending a copy to the assessee. The copy shall include demand notice, pending payments as well as details of the refund.</li><li>▪ The draft order should provide all the details of the penalty proceedings</li></ul>
2	The assessee should be notified in case of any modifications
3	The draft order can be assigned to any of the regional e-assessment centres through an automated allotment system
4	The assessee shall reply, upload or request the details through registered account only (through online mode).



S. No.	PROCEDURES OF <b>REVIEW PROCEEDINGS</b> THROUGH E-ASSESSMENT SCHEME
1	<p>The draft order or the proceedings can be reviewed in the case of:</p> <ul style="list-style-type: none"><li>▪ When the review unit concurs/agree with the draft order</li><li>▪ When the draft order is set to review by the consent of NEC</li><li>▪ <b>Providing suggestions for modification</b> with regards to the draft order to the NEC</li></ul>
2	<p>The <b>NEC</b> can apply, change or modify the draft order as per the <b>suggestions received from the review unit</b> as stated by the procedure</p>
3	<p>Upon revisions to the draft stated by the review unit, the <b>NEC forwards to the Assessment unit</b></p>
4	<p>Assessment unit shall review the suggestions, modify if necessary and prepares the final draft to the NEC</p>
5	<p>The <b>NEC</b> finalise the revised order.</p>

S. No.	PROCEDURES OF <b>SHOW-CAUSE NOTICE</b> THROUGH E-ASSESSMENT SCHEME
1	The assessee should respond to the show-cause notice within the stipulated time to the NEC
2	In case of no response, the NEC finalises the assessment as per the procedure
3	If the assess sends the details for the notice, NEC forwards to the Assessment unit

S. No.	PROCEDURE FOR <b>FINALISING THE DRAFT</b>
1	The <b>Assessment unit</b> verifies the details sent by the assessee and forwards to the NEC for finalising the draft
2	In the modification of the NEC has no prejudicial interest towards the assessee, the NEC shall follow as per the procedure
3	Upon having a prejudicial interest towards the assessee, the <b>NEC should provide an opportunity of being heard</b> as per the procedure
4	<b>The response should be reviewed/assessed</b> as per NEC committee procedure





# Thank You!

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