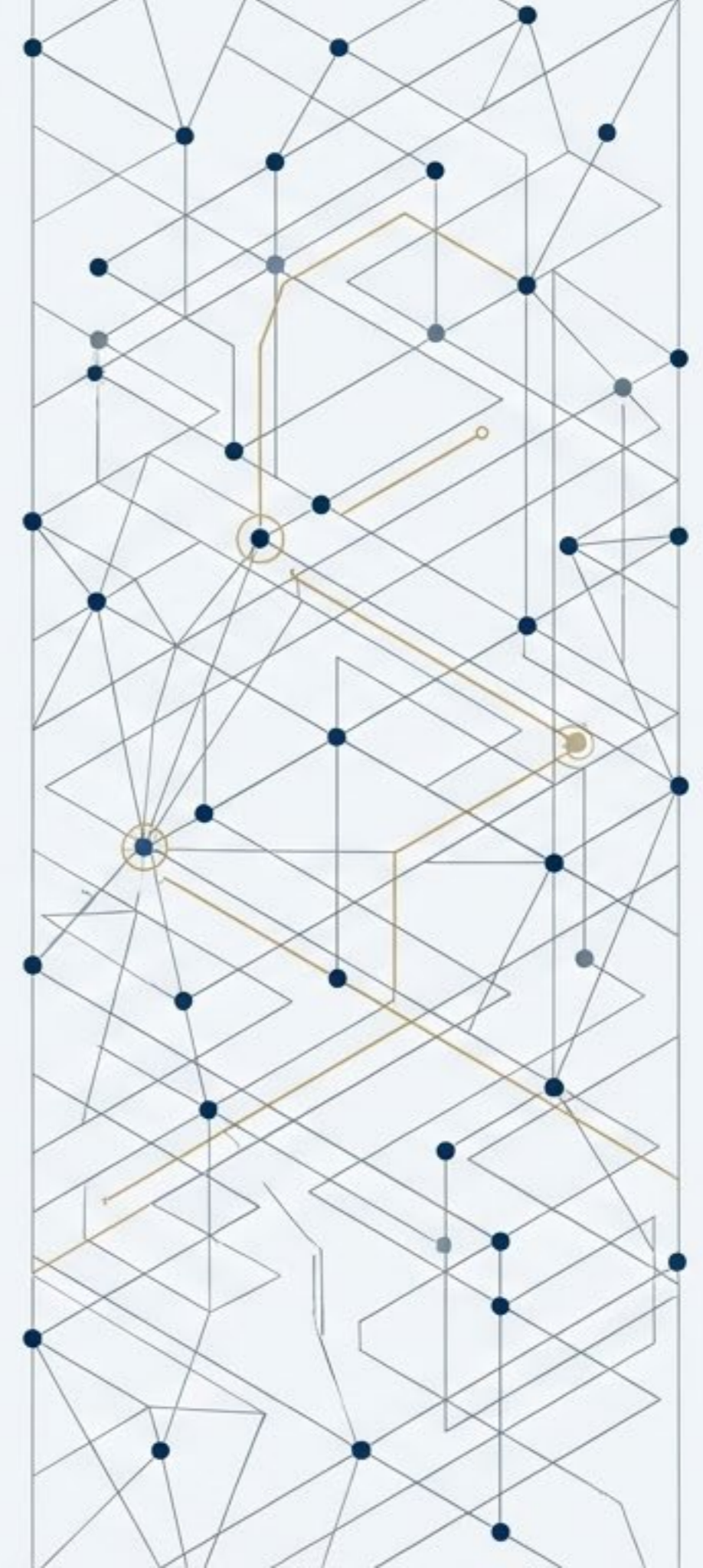


The Faceless Appeal Scheme, 2021

Effective Date: 28th December 2021.

Vikassh Mundhrra



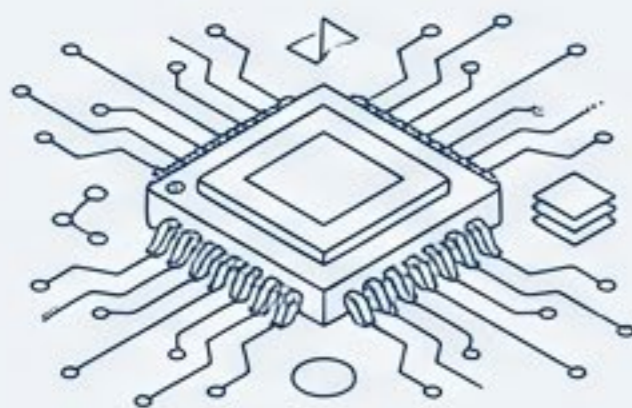
Transition to a Digital Appellate Mechanism



This Scheme supersedes the Faceless Appeal Scheme, 2020.

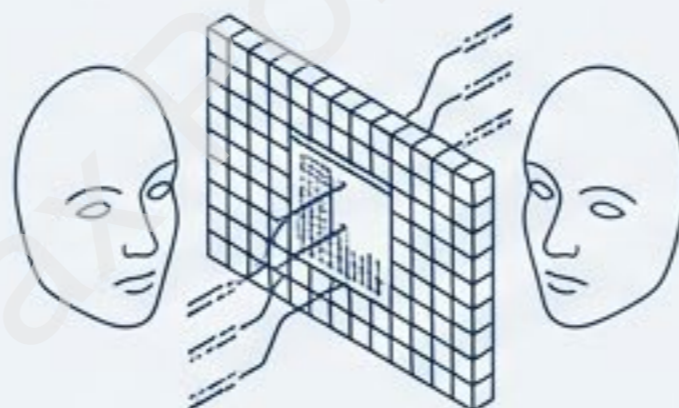
While previous actions remain valid, all new procedures apply effectively from 28th December 2021.

Efficiency



Optimizing resource use via Automated Allocation Systems utilizing AI/ML.

Transparency



Elimination of physical interface between the Appellant and the Commissioner (Appeals).

Centralization



Conduct of e-appeal proceedings through a single nodal agency.

Vikassh Mundhrra

The Shift in Tax Appeals: Traditional vs. Faceless Approach



The Faceless Appeal Scheme, 2021, marks a total shift in Indian tax litigation, moving from physical, local interactions to a centralized, digital environment using a National Faceless Appeal Centre (NFAC) to ensure transparency and efficiency.

Traditional Appeal Approach



Physical & Geographic Jurisdiction



Cases were assigned to local officers based on the taxpayer's physical location.

Manual & Paper-Based Process

Required physical filing of documents and in-person appearances before the Commissioner (Appeals).



Face-to-Face Interaction

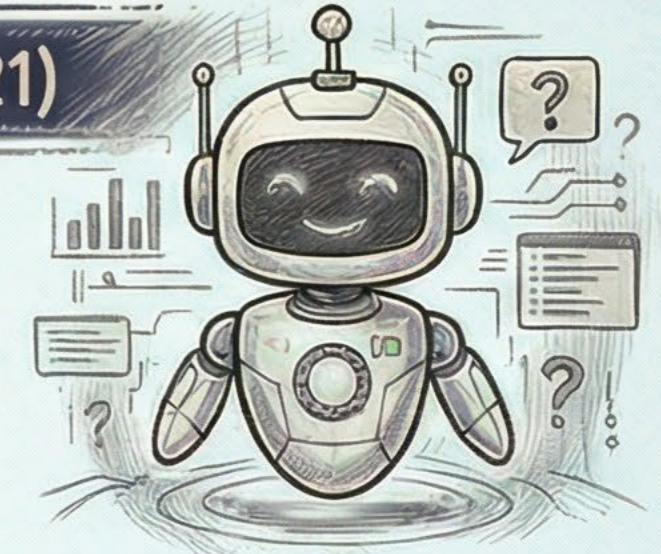
Personal hearings were conducted in physical offices, often involving direct contact with tax authorities.



Faceless Appeal Scheme (2021)

AI-Driven Case Allocation

An automated allocation system uses AI and machine learning to randomly assign cases to appeal units.



Centralized Communication (NFAC)

All communication between the appellant and authorities flows exclusively through the National Faceless Appeal Centre.

100% Electronic Mode

Interaction occurs only via digital portals, email, and mobile apps; hearings are via video conferencing.



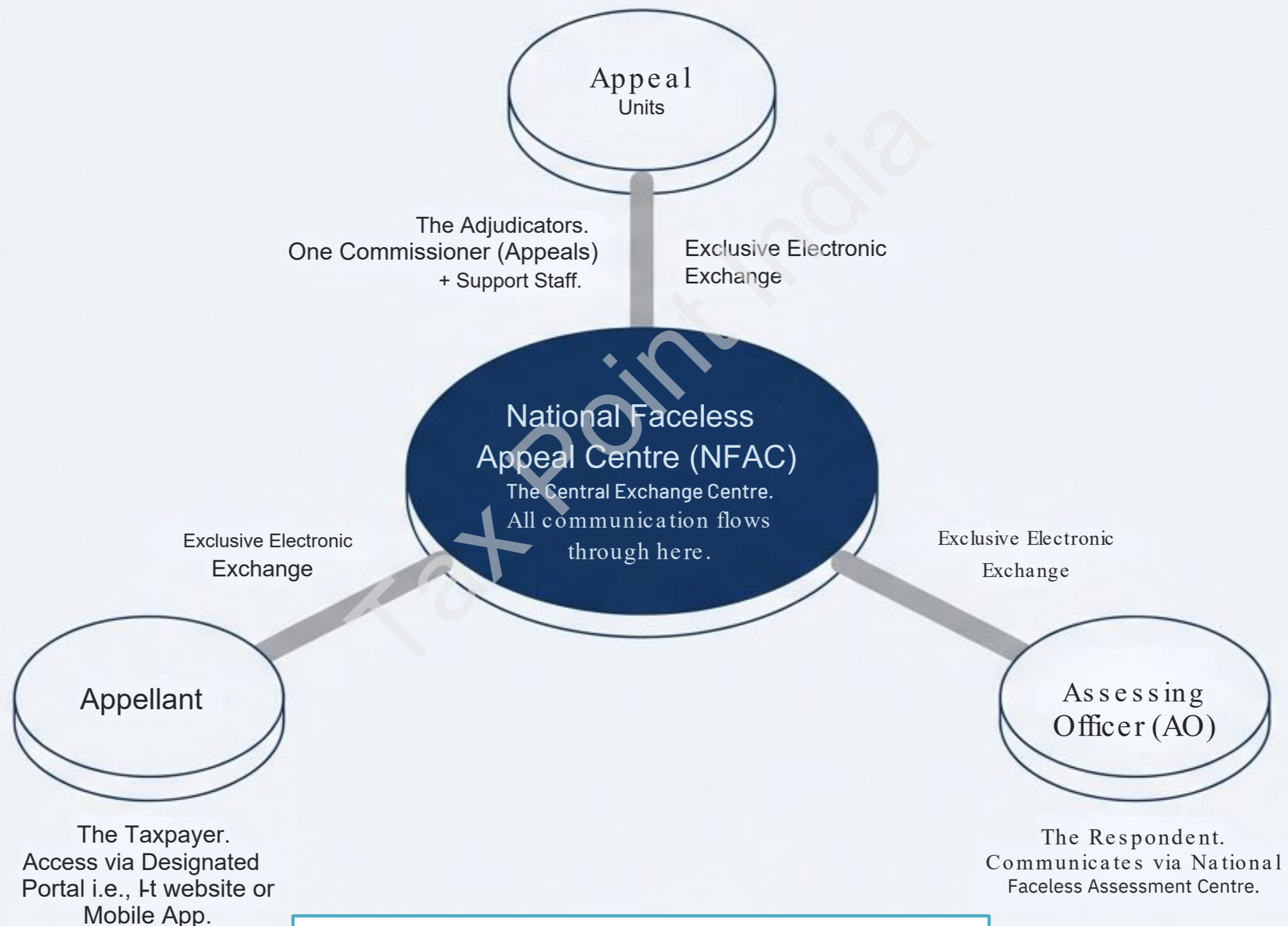
Faceless Protocol

Personal Appearance	Prohibited; replaced by Video Telephony/Conferencing.
Evidence Submission	Limited by Rule 46A; must be filed digitally through a registered account.
Authentication	Validated via Digital Signatures (DSC) or Electronic Verification Codes (EVC).

VS

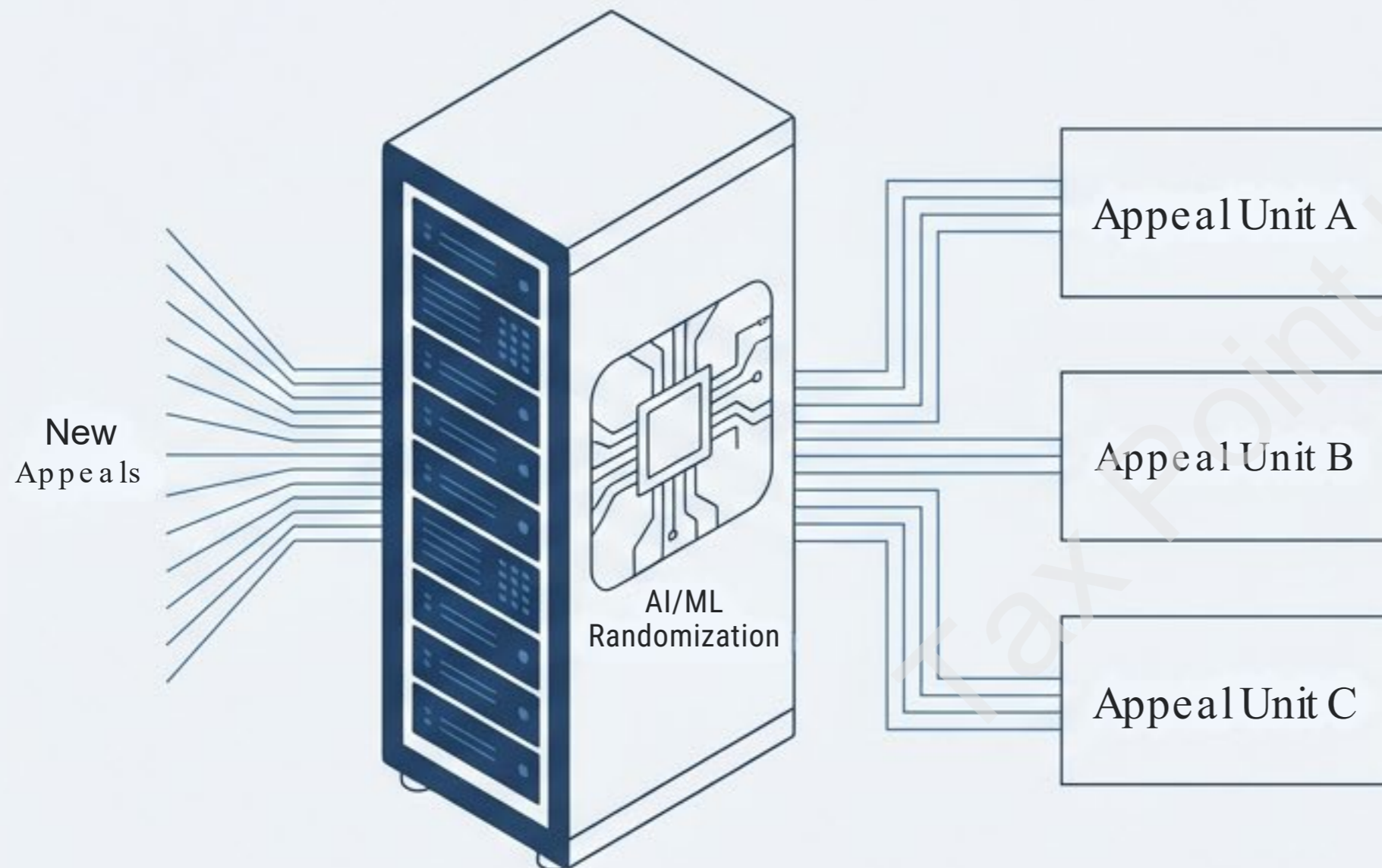


The Structural Ecosystem



Vikassh Mundhrra

The Automated Allocation Algorithm

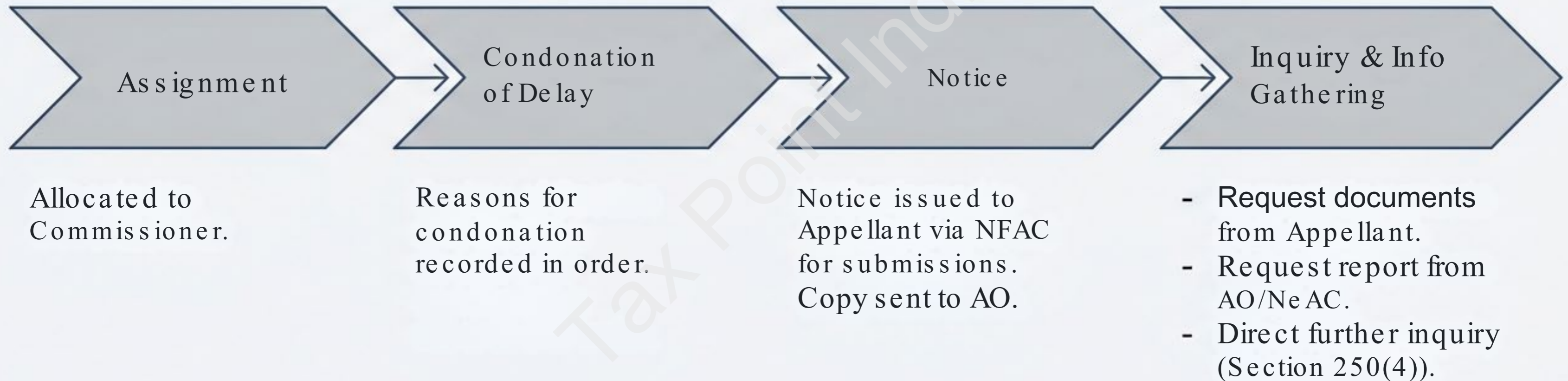


Automated Allocation System

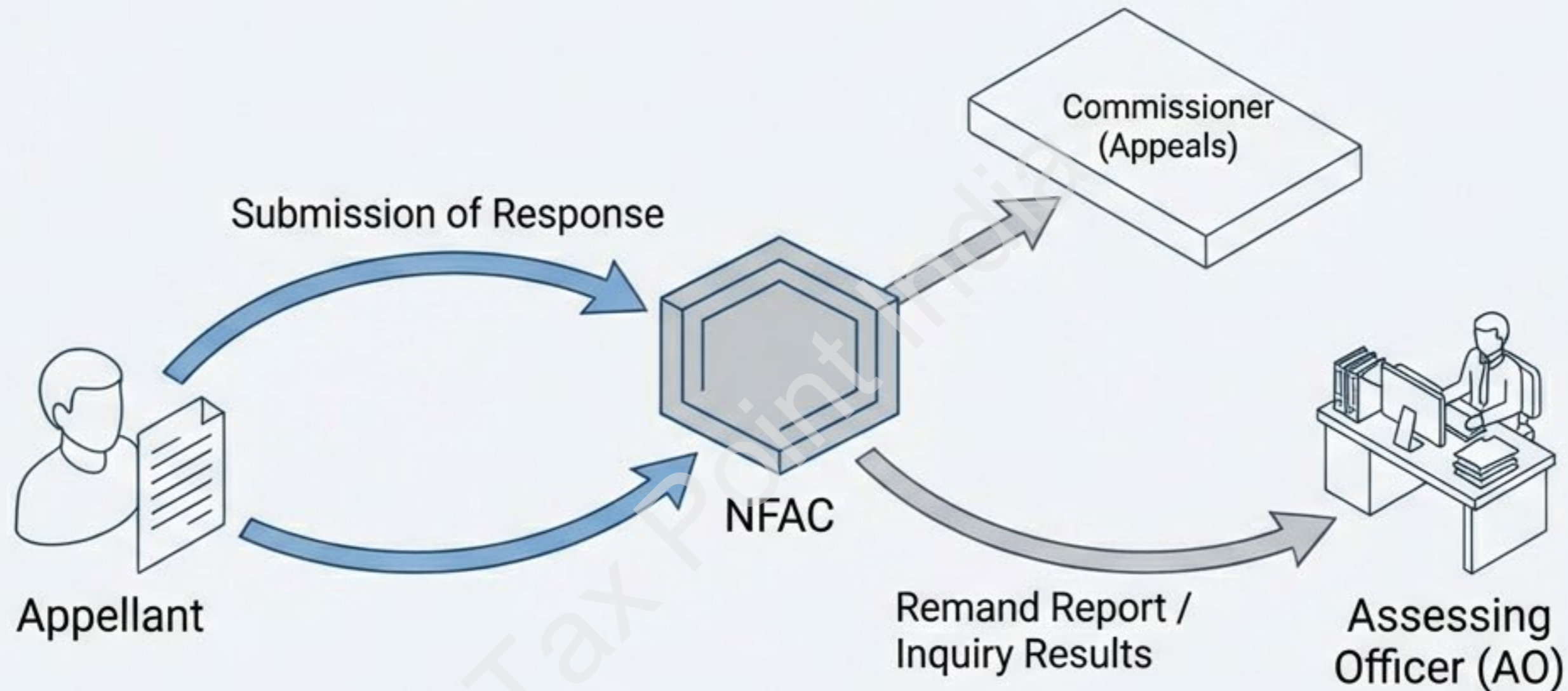
An algorithm for randomised allocation of cases using technological tools, including Artificial Intelligence (AI) and Machine Learning (ML).

1. Appeal Filed.
2. NFAC assigns appeal to a specific Commissioner (Appeals).
3. Assignment is random to eliminate bias and optimize resources.

Appeal Procedure : Admission and Inquiry



The Feedback Loop: Response and Rebuttal



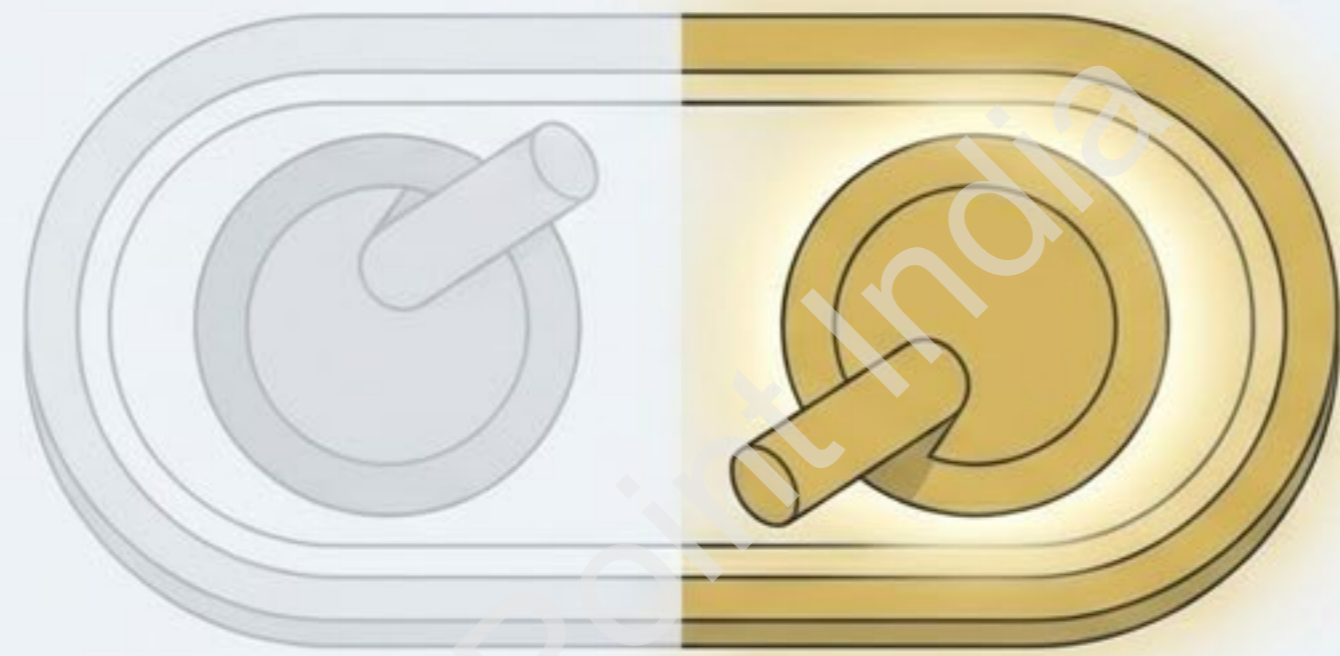
The Bridge Protocol:

- Neither party communicates directly.
- Appellant submits to NFAC.
- AO submits to NFAC.
- NFAC routes all data to the Commissioner (Appeals).



Personal Appearance and Video Conferencing

Physical Presence:
FORBIDDEN



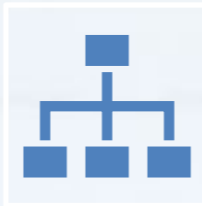
Video Conferencing:
ALLOWED



General Rule: No personal appearance at Centres/Units.



The Exception: Appellant may request personal hearing for oral submissions.



The Mandate: Commissioner SHALL allow the request.

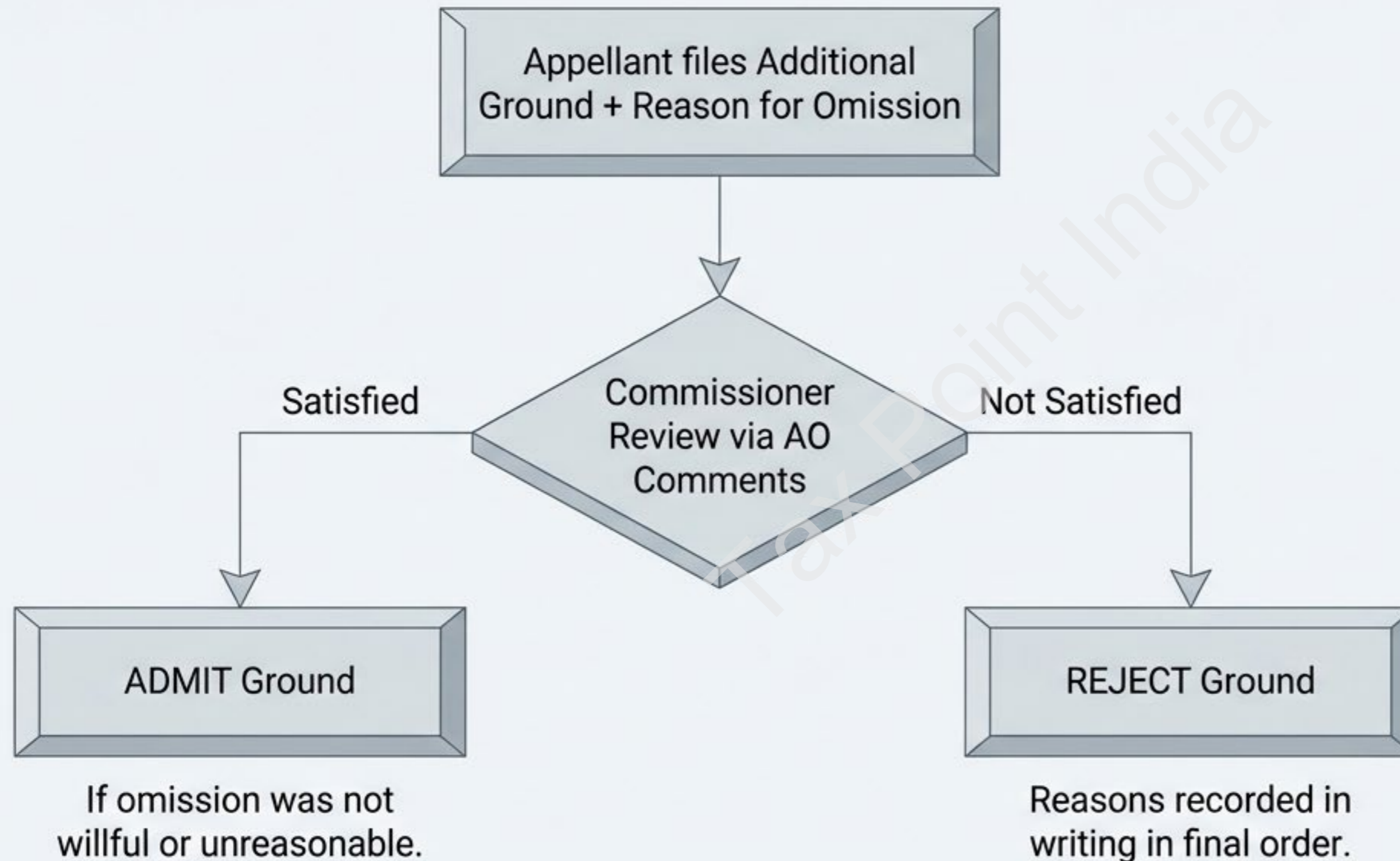


The Mode: Exclusively via Video Conferencing (VE) or Video Telephony:



Board to establish VC facilities for appellants lacking infrastructure.

Procedure for Additional Grounds of Appeal [Sec. 250(5)]



Workflow:

1. Filing via NFAC.
2. Commissioner sends to AO for comments.
3. AO furnishes comments.
4. Commissioner decides.

Additional grounds can be raised before appellate authorities if they involve a **pure question of law**

Admissibility of Additional Evidence (Rule 46A)



Submission Criteria

Appellant submits evidence with justification of “exceptional circumstances” under Rule 46A(1).



The Process

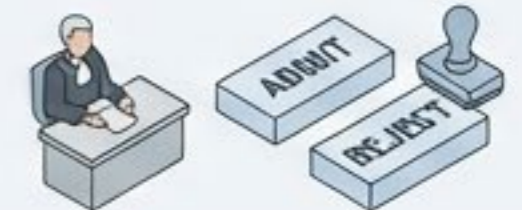
1. **Admissibility Check:** Commissioner sends evidence to AO for report.



2. **AO Report:** AO submits report on admissibility.



3. **Decision:** Commissioner admits or rejects (in writing).



4. **If Admitted (The Rebuttal):**



- Mandatory opportunity for AO to examine evidence.



- Mandatory opportunity for AO to cross-examine witnesses.



- Commissioner considers AO's rebuttal report before final decision.



Rule 46A

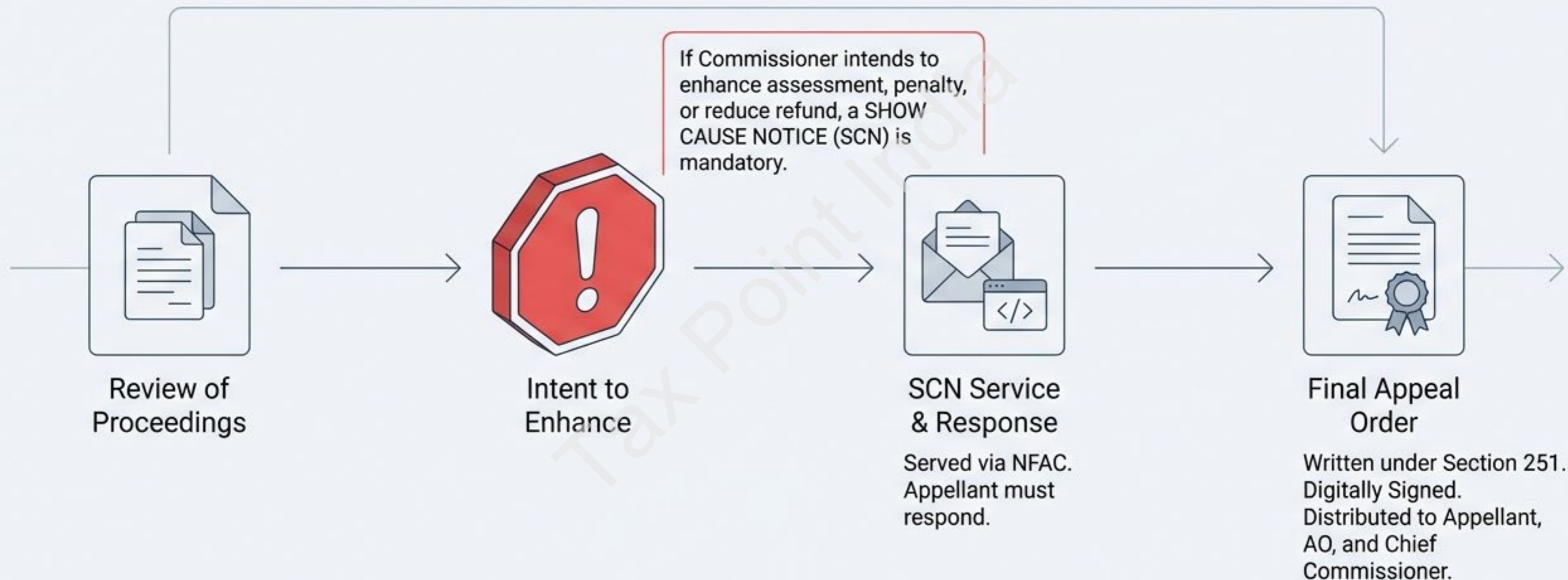
The appellant shall not produce any evidence other than the evidence produced by him during the course of proceedings before the AO, except in the following circumstances:

- where the AO has refused to admit evidence which ought to have been admitted ; or
- where the appellant was prevented by sufficient cause from producing the evidence which he was called upon to produce by the AO; or
- where the appellant was prevented by sufficient cause from producing before the AO any evidence which is relevant to any ground of appeal ; or
- where the AO has made the order appealed against without giving sufficient opportunity to the appellant to adduce evidence relevant to any ground of appeal.

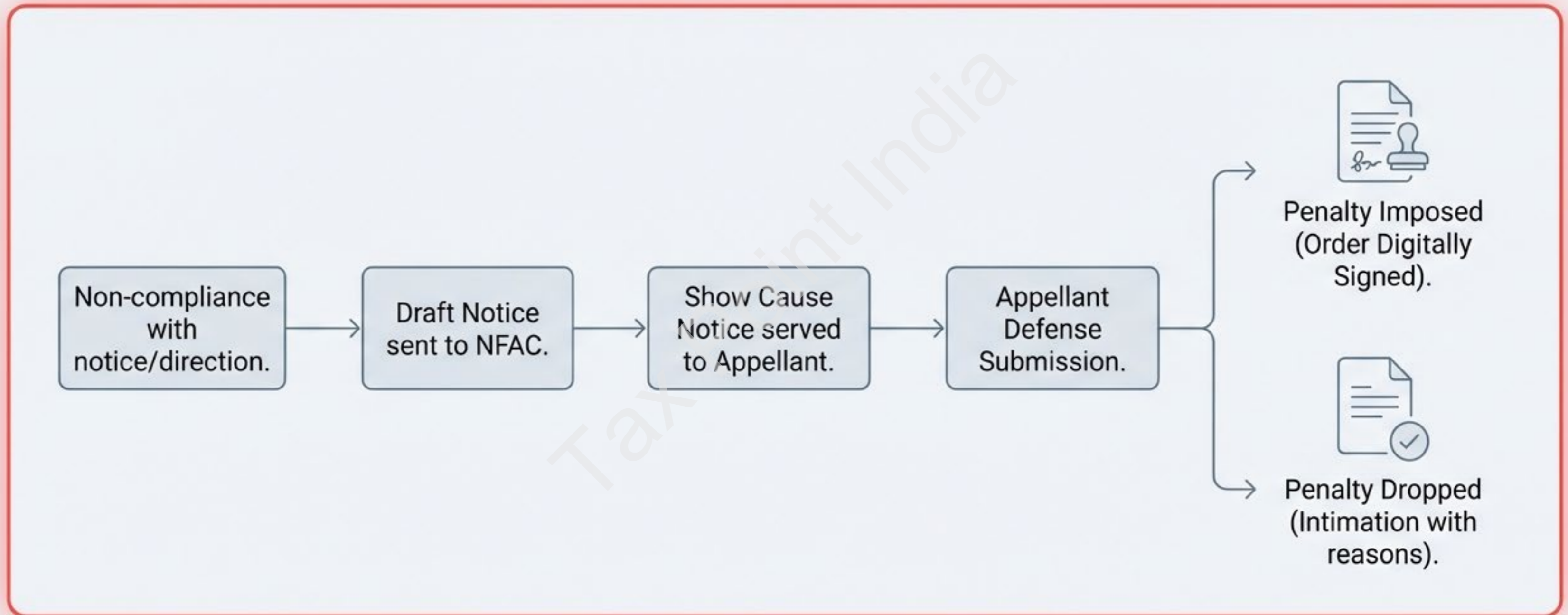


Adjudication and Enhancement

Power to confirm, reduce, enhance or annul the assessment [Sec. 251]

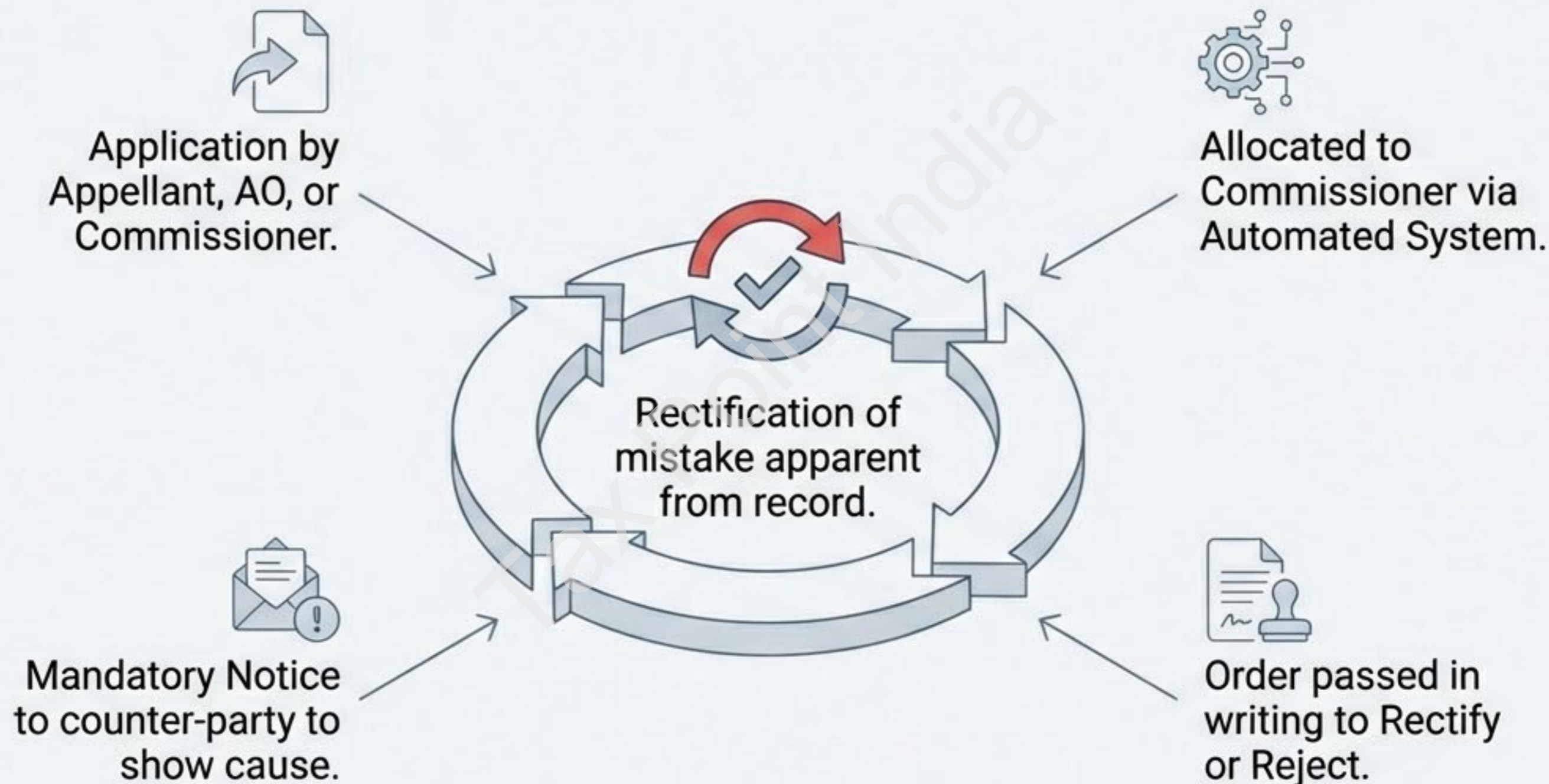


Compliance Protocol: Penalty Proceedings



All orders/intimations communicated via NFAC to Appellant and AO.

Rectification of Mistakes



Digital Delivery and Authentication Standards



Delivery Modes



- Upload to Registered Account.



- Sent to Registered Email.



- Upload to Mobile App + Real-time Alert.

Authentication

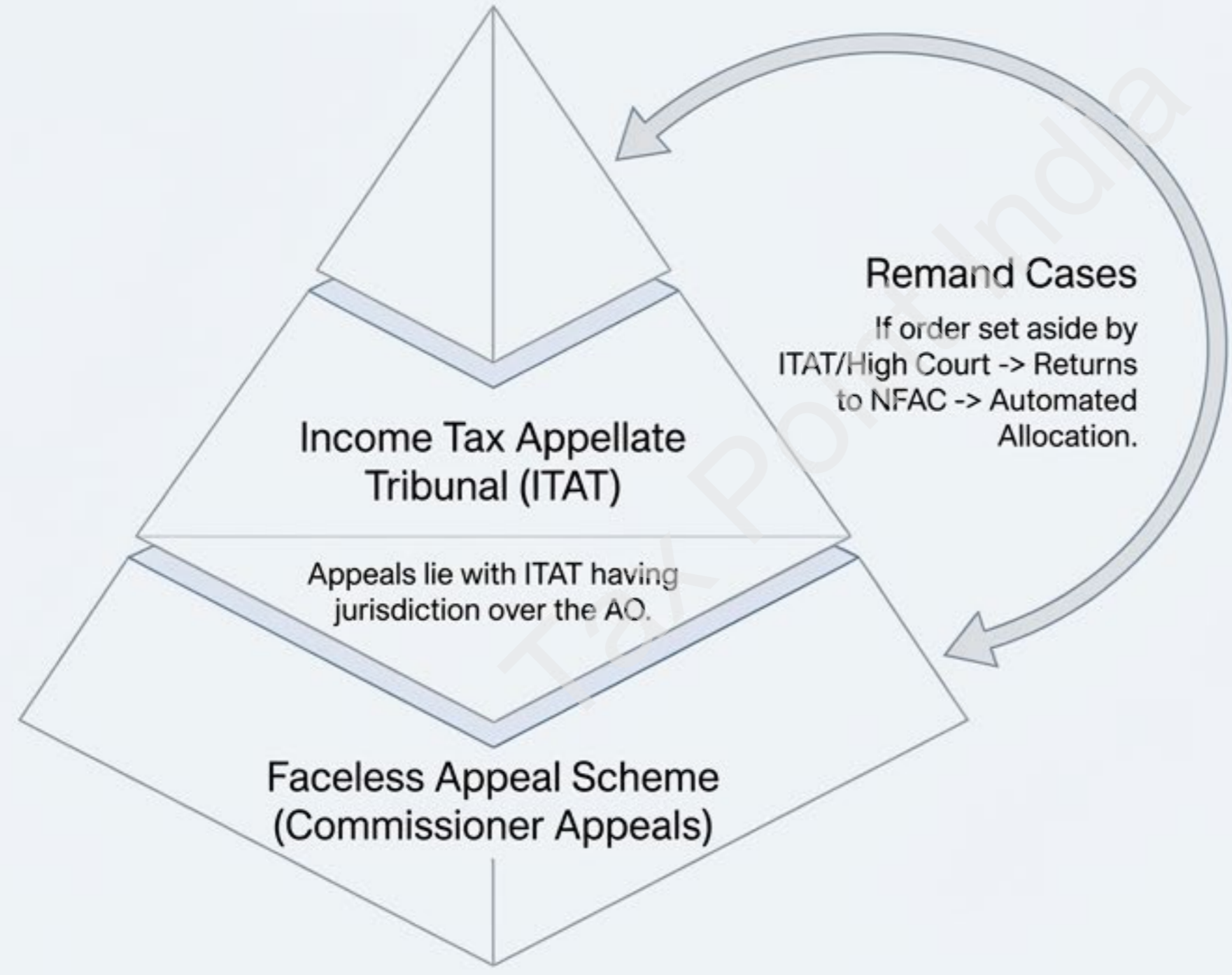


- Commissioner: Digital Signature (DSC).
- Appellant: DSC, Electronic Verification Code (EVC), or Account Login.

Legal Basis

Time of Receipt governed by Section 13, Information Technology Act, 2000.

Jurisdiction, Transfer, and Appellate Hierarchy



Remand Cases
If order set aside by ITAT/High Court -> Returns to NFAC -> Automated Allocation.

Transfer Power:

The Board may transfer appeals to specific Commissioners (Section 120) at any stage if necessary.

Faceless Appeals: The Pros & Cons



ADVANTAGES (Efficiency & Integrity)

Enhanced Integrity & Objectivity

Reduces corruption and harassment by eliminating personal interactions and using automated allocation.



Greater Accessibility

Taxpayers can file and monitor appeals from any location in the country.



Faster, Lower-Cost Disposal

Automated workflows reduce compliance costs and promote quicker resolution of cases.



From In-Person to Digital

CHALLENGES (Technical & Practical Barriers)

The Digital Literacy Gap

Heavy reliance on internet connectivity poses difficulties for taxpayers in remote areas.



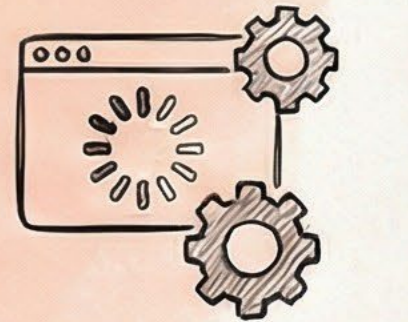
Complexity Communication Issues

Explaining intricate legal or financial issues is difficult without in-person interaction



Evolution Growing Pains

The evolving system occasionally suffers from delays in allocation and video hearing scheduling



Exceptions



- Search Cases
- Serious frauds,
- Major tax evasion matters relating to international taxation
- Cases under the Black Money (Undisclosed Foreign Income and Assets) Act, 2015, or the Prohibition of Benami Property Transactions Act, 1988

Priority Disposal of Appeals



Cases having demand above ₹ 1 Cr;

Cases where directions to this effect have been issued by the Courts

Cases where request is made by senior citizens and/or super senior citizens

Any other case of genuine hardship

Operational Summary: The Faceless Framework



Centralized

NFAC is the single point of contact. No direct interaction between Appellant and Commissioner.



Automated

Case allocation utilizes AI/ML to eliminate bias.



Digital

100% electronic communication via Registered Accounts, Email, and Mobile App.



Fair

Mandatory provision for Video Conferencing hearings upon request.



Rigorous

Strict protocols for Additional Evidence, Enhancement (SCN), and Rectification.