

# FACELESS E-ASSESSMENT FOR A TAXPAYER-FRIENDLY REGIME

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**T**AX reforms, for both direct and indirect taxes, have been one of the key focus areas of the Union government over the past few years. The shift has been towards rationalisation, simplification, greater transparency, ease of paying taxes and creating an overall taxpayer-friendly ecosystem.

The faceless e-assessment system for income tax, which is currently being piloted, is a milestone initiative towards achieving these goals. India is in fact one of the few countries in the world to adopt such a system. The scheme will bring in a paradigm shift in taxation by eliminating the human interface in the income tax assessment system.

Finance Minister Nirmala Sitharaman, while presenting the Union Budget 2019, announced the government's plans to replace the existing system of scrutiny assessment in the Income Tax department with faceless e-assessment.

Subsequently, the I-T department notified the Faceless As-

essment Scheme on 12 September 2019. A pilot project was inaugurated on 7 October 2019, wherein cases for scrutiny were allocated to assessment units in a random manner, using automated computer algorithms. Notices were then issued electronically by a Central Cell, the National e-Assessment Centre, without disclosing the identity of the assessment officer. The Central Cell is the single point of faceless contact between the taxpayer and the I-T Department.

In essence, the faceless e-assessment is a randomised and automated system based on the concept of dynamic jurisdiction and follows a team-based approach. It eliminates the undesirable practices that emerge when there is scope for individual discretion and subjective judgment. The anonymous nature of the process will discourage high-pitched assessments and lead to objective, fair and just assessment orders, which can be finalised in a very short time. The government has notified a revised Form 26AS, which

has additional details on taxpayers' high-value financial transactions, like cash deposits/withdrawals and property purchases undertaken during a financial year. This will help in verifying all available information facilitating seamless implementation of the first phase of faceless assessment.

The system will ensure uniformity of approach and uniform application of law-making, and make the assessment process more efficient and friendly for the taxpayer. Under the new system, taxpayers will not be required to visit territorial jurisdiction tax officers or the I-T Department on receiving income tax scrutiny or assessment notices, obviating the need for face-to-face interactions. This will put an end to



The faceless e-assessment system for income tax, currently being piloted in India, will eliminate the undesirable practices that emerge when there is scope for individual discretion and subjective judgment. This will put an end to any possible harassment of honest taxpayers. The transparency will also help bring about a substantial increase in the tax base

any possible harassment of honest taxpayers. The system is also expected to bring about a substantial increase in the tax base, by making the process more transparent and taxpayer-friendly.

With reduced hardships for the taxpayer, the faceless e-assessment system will foster voluntary tax compliance. The transparency and objectivity brought in by the new system will reduce tax litigations, which hitherto have been a major challenge. The scheme is set to bring about a hassle- and harassment-free faceless assessment for the honest taxpayers and will foster a non-adversarial and conducive tax environment.

The faceless e-assessment system is a game changer in the arena of direct taxation. It has empowered the taxpayers and will alter the perception of overall tax administration in India. There is an increasing demand from the industry to scale up faceless assessment for all, and to swiftly implement the ambitious and successful scheme across the country. Large-scale implementation of the system is expected to be a big step that would benefit more than six crore income tax return filers in the country.

Over the last few years, the Income Tax Department has un-

dergone a revamp in its approach, from being just a revenue-collecting organisation to becoming a more citizen-centric one. The faceless e-assessment system is another step in this direction and takes forward the government's drive towards improving the taxpayers' experience by making available various functionalities online. Technology intervention through the faceless assessment system will also help build trust within industry and wealth creators. Some of the other important steps introduced recently by the I-T department to make the life of the average taxpayer easier while interacting with the department include facility to verify authenticity of tax notices through the use of Document Identification Number (DIN), allotment of e-PAN using Aadhaar card, PAN-Aadhaar interchangeability and a robust e-filing platform.

The system comes at a very appropriate time, wherein the digital nature of the process ensures continuity through the Covid-19 pandemic. With its successful implementation, India can set an example for the rest of the world in leveraging technology for curbing undesirable practices and offering better services to its tax-paying citizens.

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