

## A NEW NORM TO THE ASSESSMENT OF INCOME – FACELESS ASSESSMENT SCHEME

At the outset, we should know what assessment under Income Tax Act means,

Assessment is the process by which the details submitted by a taxpayer/assessee by way of an income tax return are evaluated and scrutinized by the government through officers appointed for this purpose called as Assessing officers (AO).

### **What was the norm?**

Before the introduction of faceless assessment scheme, the below mentioned process was the norm,

#### → **Filing of Return by the assessee:**

- The tax payer/assessee will file an income tax return (ITR).

#### → **Review & call for information:**

- The Jurisdictional assessing officer (AO) will review the return and select it for further scrutiny, the AO will issue notice to the tax payer/assessee,
  - *Requiring him to give explanation and clarification relating to certain/specific items contained in the ITR (and/or)*
  - *To submit further details or information in connection with the assessment.*

#### → **Submission of details:**

- The tax payer/assessee should submit all the details called for by the AO by visiting him in person.

#### → **Scrutiny & Evaluation:**

- Upon receipt of information, the AO will start scrutinizing the return of income and the details submitted.
- The AO is also empowered to ask for additional information/clarification as and when required during the course of the assessment in respect of which the assessee is required to provide the additional information/clarifications in person.

#### → **Reference to other officers:**

During the course of the assessment, the AO can make reference to the valuation officer (VO) or Transfer pricing officer (TPO) in order to ascertain the value of any domestic or international transaction/property.

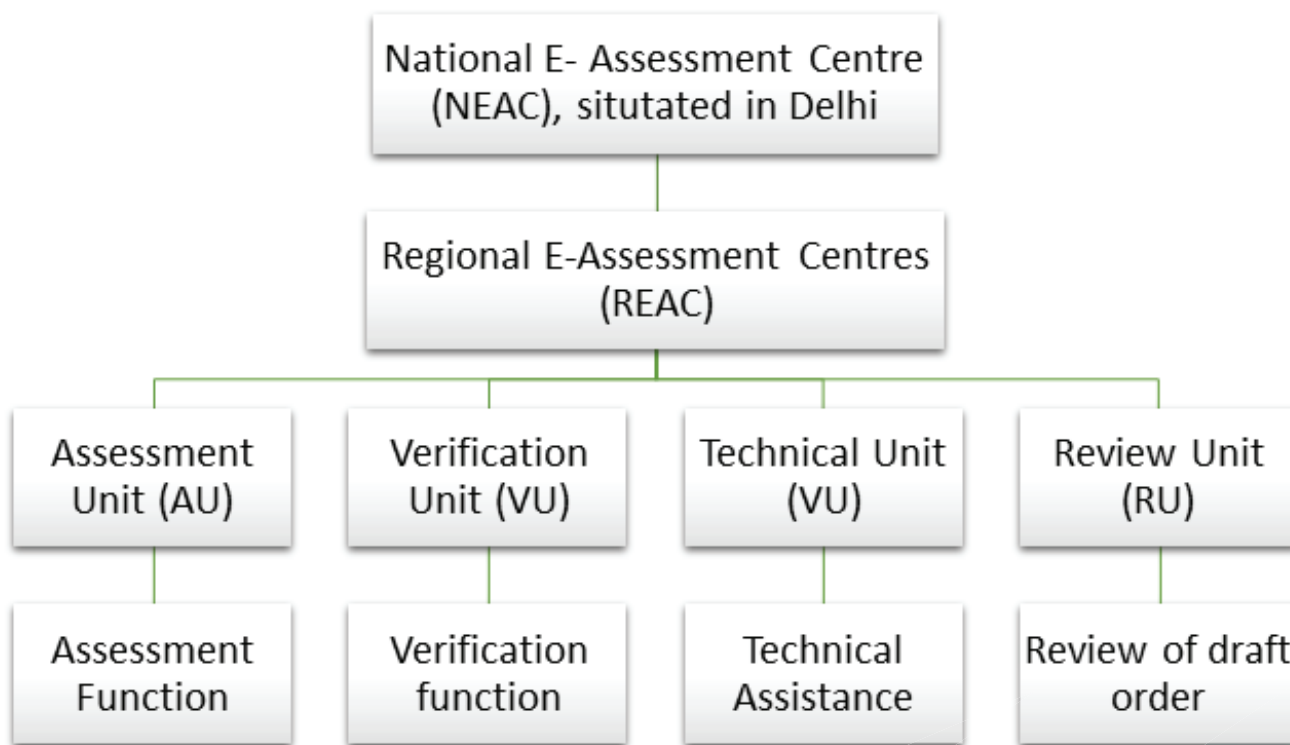
→ **Completion of the assessment:**

- At the end of the assessment, the AO will issue an assessment order which may or may not be favorable to the assessee.

→ If the assessee is aggrieved by the order passed by the AO, he can file an appeal to the Commissioner of Income tax (Appeals) or any other appropriate authority. The appellate authority will assess the income of the tax payer again (in a similar way as mentioned above).

**Introduction of Faceless Assessment**

- Faceless assessment was launched in 2019 and came into effect on 25<sup>th</sup> September 2020.
- With the introduction of the faceless assessment scheme, the assessee is no longer required to visit the office of the assessing officer. The tax payer/ assessee will not have the details of the assessing officer.
- Every correspondence will be made electronically via the income tax e-filing login.
- For this purpose, the government has established various authorities with different functions, namely



**What is the new norm?**

The assessment procedure has undergone a notable change with the introduction of the faceless assessment scheme, the new procedure is as follows,

→ **Filing of return by the Assessee:**

- The tax payer/assessee will file an income tax return.

→ **Review & call for information:**

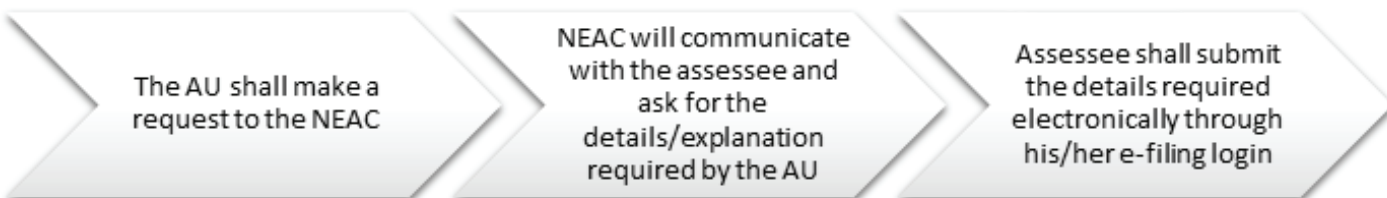
- NEAC shall review the returns and serve notice to the Assessee under respective sections of the Income Tax Act.

→ **Assignment of case:**

- The NEAC shall assign the case to any AU in India through **CASS (Computer Aided Scrutiny selection)**.

→ **Call for details:**

- If the AU requires any details/information from the assessee/taxpayer



- If the AU requires any assistance with enquiry, cross verification, evaluation of books of accounts etc,



- If the AU requires any technical assistance in the form of valuation, transfer pricing, accounting and legal advice,



(TU will cover reference to valuation officer, transfer pricing officer etc as per the old procedure).

→ **Draft Assessment order:**

- On the basis of the information and material with the AU, it shall determine liability or refund according to the provisions of the Income Tax Act.
- The AU shall prepare a draft assessment order and send it to NEAC

→ **Opportunity of being heard:**

- The NEAC shall provide opportunity of being heard to the assessee based on the draft assessment order if the variation in the order is harmful to the assessee.

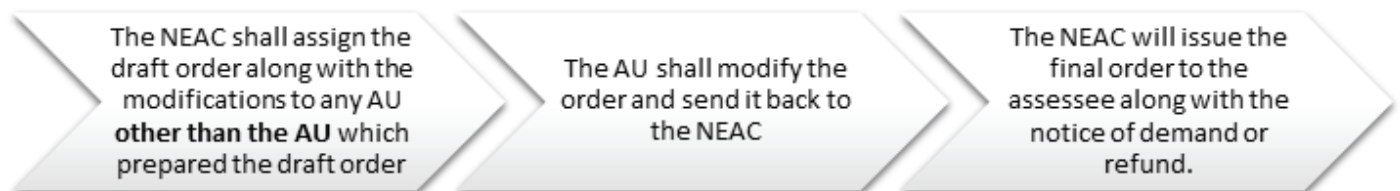
→ **Assignment of draft order:**

- NEAC shall assign the draft order to any RU in India through CASS
- The review Unit shall
  - Check whether material evidences & information on which the assessment is made has been properly disclosed in the assessment order.
  - Check whether the AU has disclosed all facts and relevant law relating to the assessment in its order.
  - Check whether the reasons for the liability or refund of tax is mentioned in the order prepared by the AU
- The RU may or may not suggest modifications and send the draft order to the NEAC.

→ **Completion of Assessment:**

- If RU has **not suggested** any modifications, the NEAC shall finalize the draft order and send the copy of the final order to the assessee along with the notice of demand or refund.

If RU has suggested modifications,



**Points to note:**

1. All communication between the Assessee, NEAC, REAC, AU, VU, TU and RU shall be **exclusively through electronic mode only.**
2. Personal hearing is not allowed to ensure transparency of the proceedings. However, if show cause notice under section 144 for best judgment assessment is served, the assessee can request for a personal hearing which should be approved by the REAC. Such a personal hearing should also be exclusively conducted via video conferencing.

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