

## Platform for 'Transparent Taxation - Honouring the Honest'

### MAXIMUM GOVERNANCE WITH MINIMUM GOVERNMENT

On 13<sup>th</sup> August 2020, PM Modi Launched a Platform for 'Transparent Taxation - Honouring the Honest'. It is aimed at easing compliance and expediting refunds, benefiting honest taxpayers. The new platform for filing income tax returns to ensure a transparent tax environment by eliminating physical interface between tax authorities and taxpayers.

The CBDT has carried out several major tax reforms in direct taxes in the recent years, including the latest being reduction in corporate tax last year to 22% from 30% for existing companies and 15% for new manufacturing units. Dividend distribution tax was also abolished.

The focus of the tax reforms has been on reduction in tax rates and on simplification of direct tax laws.

Three main features of the platform are **faceless assessment, faceless appeal and tax payers' charter**, Narendra Modi announced.

The PM said focus is on making the tax system people-centric and public friendly, "banking the unbanked, securing the unsecured, funding the unfunded and honouring the honest". According to the PM, where there is complexity, there is a problem in compliance and there were four factors responsible for changes in the taxation system:

- a) Policy-driven governance,
- b) Belief in people's honesty,
- c) The use of advanced technology and
- d) Efficiency in bureaucracy. "

Several initiatives have been taken by the CBDT for bringing in efficiency and transparency in the functioning of the IT Department, including Document Identification Number (DIN) and pre-filing of income tax returns to make compliance more convenient.

While compliance norms for start-ups have also been simplified, the Direct Tax "Vivad se Vishwas Act, 2020" was brought out for settling disputes. To effectively reduce the taxpayers' grievances or litigation, the monetary thresholds for filing of departmental appeals in various appellate Courts have also been raised.

## What are the Highlights?

- Tax system aims to be Seamless, Painless and Faceless.
- The platform has major reforms like **Faceless Assessment, Faceless Appeal & Taxpayers Charter**.
- Faceless Assessment & Taxpayers Charter have come into force from today while the facility of faceless appeal to be available from 25th September 2020.
- The role of honest taxpayers in nation building was appreciated and that making lives of such taxpayers easy is responsibility of the govt.
- No. of taxpayers is significantly low with only 1.5 crore paying taxes out of 130 Crore people. Hence, certain transactions are proposed to be added which will be needed to be reported.
- The PM urged people to introspect and come forward to pay Income taxes to build an AtmaNirbhar Bharat.
- With the launch of Tax Charter, taxpayer is assured of fair, courteous and rational behaviour.
- Focus of the Govt will be on “Banking the unbanked, securing the unsecured, funding the unfunded and honouring the honest”.
- Emphasis is on making every law and policy People-centric and Public-friendly rather than Power-centric.
- Initiatives like ‘Vivaad Se Vishwas’ Scheme pave the way for most of the cases to be settled out of court.
- Scrutiny of the cases were reduced by at least 4 times in last 6 years, from 0.94% in 2012-13 to 0.26% in 2018-19.
- Number of people filing Income Tax Returns increased by about 2.5 crores in last 6-7 years.

## Faceless assessment scheme

- Selection of a tax payer only through system using data analytics and AI
- Abolition of territorial jurisdiction
- Automated random allocation of cases
- Central issuance of notices with Document Identification No. (DIN)
- No physical interface, no need to visit the income tax office
- Team-based assessments and team-based review
- Draft assessment order in one city, review in another city and finalisation in third city.

**However, there are exceptions to this. They are cases relating to:**

- Serious frauds, major tax evasion, sensitive and search matters
- International tax
- Black Money Act and Benami Property

**Which transactions are proposed to be added in the expanded list of transaction under new tax regime?**

As part of the proposed expansion of reportable transactions under Statement of Financial Transactions (SFTs) u/s. 285BA of the Income Tax Act, 1961, the following transactions would be under scanner:

- Payment of educational fee/ donations above Rs 1 lakh per annum
- Payment to hotels above Rs 20,000
- Purchase of jewellery, white goods, marbles, paintings, etc. above Rs 1 lakh
- Life insurance premium over Rs 50,000
- Payment of property tax above Rs 20,000 per annum
- Electricity consumption above Rs 1 lakh per annum
- Health insurance premium above Rs 20,000
- Deposits/credits in current account above Rs 50 lakh
- Deposits/ credits in non-current account above Rs 25 lakh
- Domestic business class air travel/ foreign travel
- Share transactions/ demat accounts/ bank lockers

The government also proposes compulsory filing of returns by a person having bank transactions over Rs 30 lakh, payment of rent over Rs 40,000 and all professionals and businesses having turnover over Rs 50 lakh.

**What about existing reportable transactions?**

Banks and other reporting financial institutions used to share information about **high-value transactions** recorded in SFTs with tax authorities involving cash deposits aggregating Rs 10 lakh or more in a year, in one or more accounts (other than a current account and time deposit), cash payments made by any person aggregating to over Rs 1 lakh, and payments of bills for one or more

credit card of Rs 10 lakh or more by a person in a financial year, investment in bond/debentures, shares, mutual funds, buyback of shares exceeding Rs 10 lakh in a financial year, along with purchase or sale of immovable property of Rs 30 lakh and above.

In July, the government had launched a **revised Form 26AS** which included high-value transactions from SFTs from this assessment year, which would be now directly visible to the taxpayer at the time of filing of Income-tax Returns.

### **What does it imply?**

The government states these measures are aimed at **widening the tax base**. For taxpayers, this implies **enhanced flow of information** to tax authorities. When implemented, it would also reflect in Form 26AS, the consolidated annual statement showing tax deductions/ collections and advance tax against an individual's PAN. This would **create greater onus on the taxpayers to comply** in a voluntary manner.

As the people paying taxes in our country are "too less", the aim is to ask more people to come forward to pay taxes.

Also, the success rate of the tax department in these cases is very low. According to the Economic Survey 2017-18, the success rate of the tax department in tax cases at all levels of appeal i.e. the appellate tribunals, the high court and the Supreme Court is less than 30 per cent. Thus, shifting to a framework of faceless assessment and appeal is a step in the right direction. Measures like automated random allocation of cases, randomly allotting appeals to any officer in the country, and ensuring the officer's anonymity, could help reduce litigation and end taxpayer harassment.

## **Faceless appeal**

The Central Board of Direct Taxes (CBDT), which administers personal income tax and corporate tax, will launch faceless appeals beginning 25 September as part of the process to reduce physical interface between tax officers and taxpayers.

### **Among its key features:**

1. Appeals will be allotted at random to officers,
2. Taxpayers will not need to visit offices or meet any officials,
3. The identities of the officers deciding the appeal will remain unknown, the appellate decision will be team-based and reviewed.

The PM said the faceless appeal system, which comes into force on 25 September, would give the taxpayers the feeling of 'fairness and fearlessness'. "Effort is to make tax system seamless, painless and faceless... honest taxpayer plays an important role in the development of the nation," he said.

## **Tax Payers' Charter:**

The taxpayers' charter was unveiled by the PM. It outlines the rights and duties of the Tax Payer and also fixing the government's responsibilities towards the tax payer.

The tax officer will be committed to a 14-point charter whereas, the tax payer will have to be committed to 6-point charter. The salient points are as under:

### **Tax Officers' commitments:**

1. **Accountability:**  
The charter mandates the I-T Department to hold its "authorities accountable for their actions".
2. **To provide fair, courteous and reasonable treatment:**  
The income tax department shall provide prompt, courteous and professional assistance in all dealings with the taxpayer
3. **Treat taxpayer as honest:**

The I-T department shall provide fair and impartial appeal and review mechanism.

4. To provide mechanism for appeal and review:  
The I-T department shall provide fair and impartial appeal and review mechanism.
5. Provide timely decisions:  
The department shall take decision in every income-tax proceeding within the time prescribed under law.
6. To collect the correct amount of tax:  
The tax department shall collect only the amount due as per the law.
7. Respect privacy of taxpayer:  
The department will follow due process of law and be no more intrusive than necessary in any inquiry, examination, or enforcement action.
8. Maintain confidentiality:  
It shall not disclose any information provided by taxpayer to the department unless authorized by law.
9. Hold its authorities accountable:  
The department shall hold its authorities accountable for their actions.
10. Enable representative of choice:  
The department shall allow every taxpayer to choose an authorized representative of his choice.
11. To provide mechanism to lodge complaint:  
The department shall provide mechanism for lodging a complaint and prompt disposal thereof.
12. To provide a fair and just system:  
It shall provide a fair and impartial system and resolve the tax issues in a time-bound manner.
13. Publish service standards and report periodically:  
The I-T department shall publish standards for service delivery in a periodic manner.
14. Reduce cost of compliance  
It shall duly take into account the cost of compliance when administering tax legislation.

## **Tax Payers' commitments:**

1. To be honest, compliant:  
Taxpayers are expected to honestly disclose full information and fulfil all compliance obligations.
2. To be informed:  
The Taxpayer is expected to be aware of his compliance obligations under tax law and seek help of department if needed.
3. Keep accurate records:  
Taxpayers are expected to keep accurate records required as per law.
4. Know what the representative does on his behalf:  
They are expected to know what information and submissions are made by their authorised representative.
5. To respond in time  
Taxpayer is expected to make submissions as per tax law in timely manner.
6. Make payments in time  
The taxpayer is expected to pay amount due as per law in a timely manner.

## Reference:

CBDT issues Detailed guidelines for the implementation of **Faceless Assessment Scheme, 2019** and role of residual charges in this regard.

F. No.173/165/2020 -ITA-I  
Government of India  
Ministry of Finance  
Department of Revenue  
Central Board of Direct Taxes

dated 14th August, 2020

To,  
**All PrCCsIT,**

### **Subject: Guidelines for the implementation of Faceless Assessment Scheme, 2019 reg:**

The Income Tax Department has embarked on the journey of Faceless Tax Administration. The Faceless Assessment Scheme, 2019 has been announced by the Central Government. Further, the Central Board of Direct Taxes (CBDT) has notified the National e-Assessment Center (NeAC) at Delhi and various Regional e-Assessment Centers (ReACs) across 20 cities in the country for implementation of the Scheme. In view of the above, I am directed to provide the detailed guidelines for the implementation of the Scheme and role of residual charges in this regard.

### **2. Functions of the Faceless Hierarchy:-**

The NeAC/ReACs hierarchy will be tasked with management of Faceless Assessment proceedings and will be broadly responsible for functions listed below. All these functions will be through electronic means for which the NeAC will be the gateway and will function as such for all the flow of information. The officers and the staff in the ReACs will perform the functions relating to the assessment and verification function under the Income Tax Act, but all communications from the department to the taxpayer/assessee/third-party for the purposes of the Act will be in the name of the NeAC. No communication of any nature such as above will be made by any of the ReACs. The functions of the NeAC, ReACs [Assessment Unit (AU), Verification Unit (VU), Review Unit (RU) and Technical Unit (TU)] will be delineated in detail separately by the NeAC in consultation with the Board. Broadly the functions are as under:

- Assessment proceedings u/s 143, 144, 148 read with 143(2)/ 142(1) by the AUs
- Verification related to assessment by the VUs.
- Verification related to centralized dissemination of information by the Directorate of Systems, by the VUs.
- Review of draft orders by the RUs.
- Technical support by the TUs.
- Passing and dispatch of the final orders by the NeAC.

### **3. Functions of the field formations outside the NeAC/ReACs Hierarchy**

The Pr.CCsIT will be the cadre controlling authorities for all the officers and staff in their area of jurisdiction in respect of all field formations including ReACs, Central Charges, International Tax and Transfer Pricing Charges, Investigation Directorate, Exemption Charges etc. The field formations outside the NeAC/ReACs Hierarchy will perform the following functions in faceless manner to the extent possible:-



- Taxpayer outreach and taxpayer education.
- Taxpayer facilitation.
- Rectification proceedings.
- Grievance handling.
- Demand Management.
- Collection and Recovery of taxes.
- Audit functions including handling matters pertaining to Revenue and Internal Audit and taking remedial actions.
- Judicial functions including giving effect to the appellate orders of CsIT (A), ITAT, High Court, Supreme Court, Settlement commission; preparing scrutiny reports and filing of appeal wherever considered necessary; defending writ petitions; recommendation of SLPs etc.
- Statutory powers under section 263 / 264 of the IT Act, 1961.
- Prosecution and compounding proceedings and related court matters.
- Administrative, HRD and cadre control matters including related court
- Custody and management of Case records.
- Management and control of infrastructure.

3.1 Wherever communication under the income tax proceedings is required to be made with the taxpayer/assessee/ third-party, the same shall be made through electronic means using the ITBA/ Department Portal.

3.2 The power of survey u/s 133A of the Act henceforth will be exercised by the Investigation Directorates and the TDS charges only. In cases of surveys of the International Taxation charge or any other charges, the same will be conducted in collaboration with the Investigation Directorates.

3.3 In order to implement the scheme, the Board has diverted the existing manpower at all levels of the department to the Faceless Assessment charges. The hierarchy in faceless scheme will work with 30 CCsIT, 154 PCsIT, 565 Addl./Joint CsIT, 645 DCsIT/ACsIT, 2830 ITOs and attendant staff. The Board has diverted these posts vide order No.149 of 2020 dated 13.8.2020, as a result of which the residual jurisdiction will now rest with 32 CCsIT, 96 PCsIT, 252 Addl./Joint CsIT, 261 DCsIT/ACsIT, 1274 ITOs and attendant staff.

#### **4. Approach adopted for restructuring**

The overall manpower strength of the NeAC/ReACs consists of 30 CCsIT, 154 PCsIT, 565 Addl./Jt., 645 DCs/ACsIT and 2830 ITOs. The Office order for setting up of NeAC and ReACs has already been issued. The following norm has been adopted for creation of hierarchy in each ReAC:

- Each ReAC (AU) will have 1 PCIT, 4 Addl./Jt.CsIT, 4 DCs/ACsIT and 20 ITOs
- Each ReAC (VU) will have 1 PCIT, 4 Addl./Jt.CsIT, 4 DCs/ACsIT and 20 ITOs
- Each ReAC (RU) will have 1 PCIT, 3 Addl./Jt. CsIT., 6 DCs/ACsIT and 9 ITOs
- Each ReAC (TU) will have 1 PCIT, 3 Addl./Jt.CsIT, 6 DCs/ACsIT and 9 ITOs

5. The notification for diversion of existing posts of CCIT, PCIT and CIT to NeAC/ReACs has already been issued. In furtherance of the same, it is important that the Pr. CCsIT now issue orders for diversion of posts of Addl. CIT/Jt. CIT, DCIT/ACIT, ITO upto all levels of staff to the newly created NeAC/ReACs in their jurisdiction. An exercise has been carried out to identify posts which can be diverted to NeAC/ReACs. The following guidelines have been adopted in identification of the posts for diversion:

- At least one office in every building is retained in the residual hierarchy to ensure continued ownership and responsibility of case records.

- The jurisdiction of AOs posts selected for diversion to NeAC/ReACs hierarchy is proposed to be given to another AO/(s) (not diverted) in the same building to avoid any transfer of case records between buildings.
- In the residual hierarchy, each Range will have at least one DC/ACIT. The average number of ITOs in residual hierarchy is 4-5 per Range. The actual number of ITOs have been increased or decreased depending on the number of ITOs and buildings in jurisdictions that have been merged.
- While merging the jurisdictions, there might be shortages / excesses depending upon the charge and manpower management as per the enclosed list.
- In case of excesses / shortages in the rank of Addl. CIT/ JCIT/ DCIT/ACIT, the same may be added to / drawn from Special Ranges and
- In case of excesses / shortages in the rank of ITO, the same may be added to / drawn from TRO and headquarters.
- Renumbering of the residual charges *in seriatum* will be done at a later date once the new jurisdiction settles down and to facilitate easy retrieval of records in the interim period.
- In case of 3 LTUs which have been diverted from Delhi, Mumbai and Chennai, the cases will be transferred vide order u/s 127 by the Pr. CCIT transferring the cases to one particular charge.

6. The detailed list of posts identified for diversion are enclosed along with list of residual charges required to be merged. It is very important that the orders for transfer of jurisdiction and diversion of posts at the level of Addl. CIT/Jt. CIT, DCIT/ACIT, ITO to NeAC/ReACs units are issued expeditiously. **It must be ensured that the attached PDF list for diversion of posts of Addl. CIT / JCIT / DCIT / ACIT/ ITO is strictly adhered to and the summary sheet enclosed with the list is to be referred to for detailing purpose while passing the diversion order.** It is also submitted that while diverting and mentioning that a particular Addl. CIT / JCIT / DCIT / ACIT / AO is converted to a particular AU/ VU/RU/TU, if the Principal CCsIT is of the opinion that the proposal needs modification, they may suggest changes giving reasons for the same and submit to the Board before 12 Noon on Monday, 17<sup>th</sup> August, 2020.

6.1 While finalizing the diversion of posts to ReACs, following guidelines may be followed to achieve administrative efficiency and optimization of resources: -

1. The technical and review units may be kept together (to the extent possible) in bigger buildings.
2. The verification units may be spread out to cover large geographical
3. All the orders should be passed with effect from 13.8.2020.
4. The following orders may be passed by the field charges latest by 19<sup>th</sup> August, 2020 in order to give effect to the changes:-
  - i) Diversion of posts from the Addl. / Jt. CsIT upto the level of ITOs by the o/o Principal CCIT.
  - ii) Order u/s 120 to be passed by PCIT (Residual) giving jurisdiction to Range Heads (Template of order u/s 120 and the list of residual offices of Ranges is enclosed; rest are to be merged with the residual ranges )
  - iii) Order u/s 120 to be passed by Range Head (Residual) giving jurisdiction to AOs. (Template of order u/s 120 and the list of residual AO charges is enclosed; rest are to be merged with the residual AOs ).
  - iv) Posting orders of officers.

7. Board has issued the following notifications and orders which are also available on either the [irsofficersonline](#) or [incometaxindia](#) websites of the department. We are also attaching these PDF files as zip files :-

1. SO 2745/46 – TPL Gazette Notification.
2. SO 2755 – PCIT merger residual charges (Gazette Notification)
3. SO 2754 – CCIT residual charges (Gazette Notification)
4. SO 2756 – NeAC Notification – New Jurisdiction of NeAC (Gazette Notification)
5. SO 2757 – ReAC Notification – New Jurisdiction of ReAC (Gazette Notification)
6. SO 2758 – PCIT (VU) Notification – Prescribed Authority under Section 133C (Gazette Notification)
47. Office Order – 1 – Setting up of NeAC
8. Officer Order – 2 – Setting up of ReAC
9. Order u/ s 119 – Power of survey u/ 133A
10. Order u/s 119 – *Non est* order outside faceless assessment.

8. Further, I am directed to request you to communicate to the Board any discrepancy or omission in respect of any order / notification of ReAC / residual hierarchy / jurisdiction etc. latest by 12:00 Noon 17/8/2020, so that any corrigendum / amendment to the notification / order can be passed without any further delay.

Yours faithfully,

PrajnaParmita

Director ITA-1