

What taxpayers can expect from faceless assessment scheme

Updated: 10 Sep 2020, 08:26 AM IST

- **Taxpayers can expect better quality of assessment, as a team of officers, and not just one officer, will decide on the case but it all depends on how the government implements the scheme.**

The government recently launched faceless assessment scheme (FAS). Under this, a computer picks cases for scrutiny and randomly allots them to a team of tax officers. The idea is to eliminate the human interface between the taxpayer and the income tax department. Taxpayers can expect better quality of assessment, as a team of officers, and not just one officer, will decide on the case. But it all depends on how the government implements the scheme. Tinesh Bhasin spoke to experts on what taxpayers can expect from the new scheme and some aspects that they should watch out for.

A gap in understanding may lead to rise in litigations

Faceless assessments will require a structural change in the mind-set of tax authorities as well as significant infrastructure support. For successful implementation, the government will need to invest in training of officers, so that they can understand and take decisions based on written submissions made by taxpayers, without any personal hearing.

The quality of questionnaire needs to be designed as per the industry, profile and business model of the taxpayer. It should contain specific questions. Even taxpayers will need to make significant qualitative improvement in their submissions or replies, so that those can be easily understood without personal explanation.

In theory, the new system looks good. However, if there is lack of communication or understanding, which can't be resolved due to absence of personal explanation, it may result in ad-hoc additions or unwarranted adjustments and lead to increase in litigation

It needs to be accompanied by simple tax laws, processes

The success of the scheme hinges on good written communication by the taxpayer and accommodative understanding by the tax officers. While the scheme has provided for a window of hearing by video conferencing, thoughtless approvals may defeat the purpose and strict refusal may lead to unwarranted misunderstanding. The key would be clear guidelines.

Given that the recent amendments have shortened the timelines for assessments (excepting covid-19 extensions), communication across multiple units, multiple rounds of clarifications, opportunity for taxpayer to clarify his position before a tax adjustment are all likely to cause conflicts between justice, quality and timelines.

Hasty and inflexible implementation may bring more hardship than acceptance. One of the objectives is to create a taxpayer-friendly system. By itself the scheme may see limited success to this objective, unless it is coupled with simplification of income tax laws and procedures.

Making Corporate India Comply

The success of the scheme lies in qualitative assessment

The Prime Minister has laid down an excellent vision of complete faceless assessments and soon-to-be-launched faceless appeals. However, the policies must also reflect in the functioning of tax administration.

Officers need to be well-trained and the focus needs to shift from raising tax orders to supporting taxpayers and streamlining assessments. The idea behind faceless assessments is to prevent harassment of taxpayers and allow them convenience. The success of this lies in how qualitative the assessment is and whether it is true and fair for the taxpayer.

Some of the aspects of the scheme such as team assessments and a well-defined hierarchy for implementation of such assessment are welcome. The entire communication will be made through digital channels. All of this will improve the outcomes for taxpayers. Tax officers need to be well-versed with different aspects of businesses that could be peculiar to an industry in a region.

Taxpayers need to articulate well to convey their issues

Earlier, taxpayers felt secure that they could sit across the virtual table to reconcile facts and figures and give perspective to past litigation. Now, they must rely on their ability to articulate through a faceless system. Perception about the system's wherewithal to read, review and analyze and treat each taxpayer as unique compounds the problem.

Also, the taxpayer used to get live feedback. In FAS, in addition to the fear of information being demanded at short notice, there is no system of feedback. It remains to be seen whether there will be true application of mind after voluminous data is uploaded or will it be a case of checking the box, leaving the taxpayer to appeals.

Two things can provide comfort. A liberal approach to granting an opportunity of being heard initially and a live dashboard showing the pendency of assessments. The taxpayer needs to adapt to the new normal through better articulation, anticipating queries and ready digitized records.