

Top taxpayers may get flexibility to exit faceless assessment scheme

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The Centre is looking at modifying the ambitious Faceless Assessment Scheme (FAS) meant to cut down the physical interface between a taxpayer and the Income Tax Department. Among other things, the change could offer flexibility to the top rung of taxpayers whose income exceeds Rs 200 crore. Such taxpayers could get room to opt out of the faceless scheme and go for jurisdictional assessment, a government official in the know said.

Also, talks are on to explore if areas such as international taxation and capital gains could be handled by expert teams within the tax department. If required, complex cases could be sent back to jurisdictional assessment officer like it used to be done earlier.

Discussions have also been held on how to tackle local and regional barriers during a faceless assessment, and whether cases could be kept with the same state and different cities.

“The finance ministry’s revenue department has received several such suggestions from industry stakeholders. We are examining the pros and cons of these proposals to see whether there’s room for modification,” the official said.

“As the faceless scheme is still evolving, it will require continuous rework to make it viable for taxpayers. The purpose of the scheme was to eliminate corruption and not to cause inconvenience to taxpayers,” he added.

The discussion follows concern raised by taxpayers over anomalies since the new regime was introduced last year. Some even took the legal route against the faceless regime.

On the flexibility option for top taxpayers, there have been talks on complex cases with income of over Rs 200 crore, according to the official. Only about 100,000-150,000 cases are taken up annually for scrutiny. This is about 0.5 per cent of the total taxpayer base, of which majority are complex matters.

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Even as the new regime aimed at quicker and effective resolution of cases, some of them are facing delays and inconvenience due to the faceless system, said another official.

A decision on the flexibility for top taxpayers would be taken after weighing the viability of such a suggestion as some believe similar flexibility should be provided to smaller tax payers, too, one of the officials said.

Other specific issues have come up too. For example, as majority of information technology companies are based in Bengaluru, officers there are more equipped to handle international taxation cases and those in Mumbai can better deal with cases of capital gains tax. “Due to hands-on experience of assessing officer in dealing with specific subjects, the revenue department is evaluating whether such cases should be dealt by an expert team or empower other assessing officers,” said another source.

Taxpayers can also face language barriers while explaining their cases to an assessing officer in another part of the country. “The department is considering if cases can continue to be faceless but can be dealt by officers who are well-versed with the language and other local challenges, even if they are based in other cities of the state,” he explained.

Recently, the National Faceless Assessment Centre (NaFAC) had sought a restructuring of the faceless system by merging the role of supervisory officers from the level of Commissioner of Income Tax (CIT) and above. The faceless centre, constituted by the Central Board of Direct Taxes (CBDT), is the nodal authority and works as an interface for FAS rolled out last year.