

Plenty of issues hinder faceless tax assessment



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This was the first season of faceless assessments, whereby income tax assessments were carried out with the process being completed by multiple unknown teams of tax officers, and all interface with such officers being routed by electronic means through the National Faceless Assessment Centre.

Similarly, faceless appeals had commenced in the last week of December, with a number of notices issued in cases of almost all pending appeals, asking taxpayers to make submissions within a couple of weeks. Most of the tax assessments have now been completed, and appeal submissions have been filed online in the case of most appeals. What has been the experience so far?

The experience has generally been good in most of the cases, with assessment orders being passed accepting the returned income, not seeking to make unwarranted small additions as used to happen in the past in case of assessments completed through physical appearance before tax officers. However, in quite a few cases, taxpayers have faced problems, which need to be sorted out to improve the process and the overall experience. Taxpayers who had faced additions to their returned income in the past continued to receive identical orders, even though it had been pointed out that appellate authorities had decided the issue in favour of the taxpayers for past years since the last order.

The notices received by some taxpayers have asked for voluminous details not justified by the facts of the case. For instance, companies whose accounts are audited have been asked to provide copies of all bank statements, sometimes with summaries of transactions, and sometimes with the narration of each transaction. For even most small and mid-sized companies, this is a difficult and time-consuming task. Officers may need to be trained better to ask for the right type of information, depending upon the type of case that he is handling.

Very often, given the copious amount of information sought and the format in which it was needed to be compiled, the time given to respond to the notice was insufficient. Many entities were not able to respond in time due to constraints caused by lockdowns or unavailability of staff. A large number of documents were sought, necessitating plenty of time spent in scanning documents and uploading of information in multiple batches, given the capacity constraints for upload of information on the portal at a time. Officers need to be sensitized to the fact that taxpayers should not be put to an undue burden of supplying too much information, which may not really be needed, as it also impacts taxpayer productivity. The time given to provide the information should also be commensurate with the amount of information sought.

Many taxpayers did not receive draft assessment orders as contemplated by the scheme, but directly received the final assessment orders. Those who did receive the draft orders were often given inadequate time to respond. There have been cases where such notices were received on a Friday evening, asking for a response by Monday. Justice demands that taxpayers should be given at least five working days' time to respond to the notices.

The objections filed in response to draft assessment orders were generally merrily ignored by the officers, as if the addition was pre-decided and seeking of objections was just a formality.

The worst experience was in the case of requests for video-conferencing by taxpayers, who felt the issue had not been understood properly by the authorities. A majority of such requests was ignored. A few received messages asking them to request video-conferencing by a particular date, and before that, they received their final assessment orders, rendering the whole concept futile.

In order to make faceless assessment fair to the taxpayer, and really serve its purpose, these problems need to be resolved at the earliest. If these issues are ironed out soon, then the scheme would definitely be a feather in the cap of the tax department.

The less said about the faceless appeals scheme, the better. Taxpayers were given at most a couple of weeks to file their detailed submissions. They scrambled to meet the deadlines, along with simultaneous deadlines of finalization of tax audits, filing tax returns and making faceless assessment submissions.

Their efforts have been rewarded with complete silence from the National Faceless Appeals Centre, with not a single appeal being decided, except those where appeals were withdrawn because of the Vivad Se Vishwas scheme. One hopes that all such appeals are quickly decided in a judicious and fair manner. Only then would some semblance of taxpayer confidence be regained.

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