

# Opinion | Will centralised e-assessment scheme be a game changer for tax dept?

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The software needs to be thoroughly tested before the roll-out of the new system

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The government has announced the launch of the Centralised e Assessment Scheme, to be implemented from assessment year 2018-19. Steps such as its notification, setting up of various units and posting of officers in these units have already been taken for the launch and implementation of this scheme. So how will the scheme work and how will it affect the taxpayers?

The scheme envisages setting up of a national e assessment centre (NeAC), regional e assessment centres (ReACs) and four types of units. One, assessment units (AUs) for identification of material points or issues, seeking information or clarification on such points and analysis of the material furnished. Two, verification units (VUs) for enquiry, cross-verification, examination of books of accounts, examination of witnesses and recording of statements. Three, technical units (TUs) for assistance or advice on legal, accounting, forensic, information technology, valuation, transfer pricing, data analytics or any other technical matter. Four, review units (RUs) for review of the draft order, checking whether relevant and material evidence has been brought on record, relevant points of fact and law have been duly incorporated, issues on which addition or disallowance is made have been discussed, whether applicable judicial decisions have been considered and checking for arithmetical correctness, among others.

All communication with the taxpayer would be through NeAC, which will send the initial notice and allocate the case to any AU in the ReAC, through an automated allocation system. The AU will request NeAC for further information or documents, or for enquiry by VU or for technical assistance from TU. The AU will send a draft assessment order to NeAC, which will either finalize it, or send a show-cause notice to the taxpayer where an addition is proposed or refer it to RU. If a taxpayer wants a personal hearing, it will happen through video-conferencing. The assessment order will be finalized after receiving the responses.

Honest taxpayers will be happy with the objective of this scheme—to eliminate personal interface with tax officials, and reduce corruption. The scheme certainly is well thought through on that count. But given the experience of current e-assessments by individual officers, what could be the practical glitches?

The first is the time given for making submissions. Very often, taxpayers receive a notice on Friday evening, asking for certain details to be furnished by Monday, leaving no time for proper compliance. Taxpayers need to get at least a week's time or even longer, if the details sought are voluminous. If the taxpayers require more time, provision needs to be made accordingly.

Today, there is a restriction of 20MB of data which can be uploaded. Sometimes, just one or two 100-page agreements may exhaust the limit. The limits need to be realistic, considering the type of data sought. Taxpayers experience should be easy.

Most tax officers today are not able to view the data uploaded in the system, at least for two days, or are unable to download it. Thus, often, taxpayers get notices threatening penalty for non-compliance, in spite of due compliance, or receive calls asking for hard copies of online submissions. The tax assessment systems have to be more robust and internet bandwidth adequate, so that it's really an e-assessment, and not a part-physical assessment.

Often, additions are made on account of the tax officers' lack of understanding of the commercial aspects or exigencies of businesses. Today, through physical attendance, it is possible to explain such nuances. The technical teams need to be properly trained on real-life commercial realities, so that no additions are made on account of such lack of understanding.

Today, all assessment orders are uploaded and processed through the system, but software errors result in incorrect demands, leading to rectification applications and follow-ups. The software needs to be thoroughly tested before the roll-out, so that taxpayers are not subjected to multiple proceedings. Importantly, the system should not be used as an excuse for raising incorrect demands or denying refunds, as is the position today.

Further, currently, it is generally only one or a few officers who may decide to take an extreme view on a particular issue, contrary to the settled legal position, even as taxpayers are able to convince a few other officers, backed by a legal case and arguments. Now, if the tax department takes a contrary stand on an issue, it will be applied to all taxpayers through the centralized system. Such contrary stands should be adopted with care, only after CBDT or the law ministry concur, and after examining all aspects of the issue, so that the system is not swamped by taxpayer appeals.

If these precautions are taken, then e-assessment will serve the purpose for which it is being implemented. Otherwise, it may result in taxpayer inconvenience and further tarnish the tax department's already damaged reputation.

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