

# DECODING TAX REFORMS

AS ANNOUNCED BY  
HON'BLE PM  
13<sup>TH</sup> AUGUST 2020



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16<sup>th</sup> August 2020

# TAX REFORMS ANNOUNCED BY HON'BLE PM ON 13.08.2020

- Prime Minister launched the platform for “Transparent Taxation – Honoring the Honest” via videoconferencing on 13<sup>th</sup> August 2020
- Key Announcements in the PM Speech
  - Taxpayers’ Charter
  - Faceless Assessments to be made effective from 13.08.2020
  - Faceless Appeals to be made effective from 25.09.2020
  - Extending Scope of SFT (notification to be issued)
- Statutory Orders to give effect of PM announcements
  - Order u/s 119 dt 13.08.20 -Power of survey u/s 133A
  - Order u/s 119 dt 13.08.20 – Faceless Assessment
  - Transfer order dt 13.08.20 wherein number of field officers transferred under NeAC
- In this presentation, we have tried to explain the implications of above tax reforms

# CHANGES IN POWER OF SURVEY

# NO POWER OF ASSESSING OFFICER TO CONDUCT INCOME TAX SURVEY

- Simultaneous with Hon'ble PM Speech, CBDT has come out with an order u/s 119 dated 13.08.2020, in terms of which Income Tax Survey can only be carried out by DGIT (Inv) for investigation wing and Pr. CCIT/CCIT(TDS) for TDS charges henceforth.
- Thus, in terms of aforesaid order, henceforth Income Tax Surveys can only be done by Investigation Wing. This is a welcome step as henceforth Survey operations shall normally be done for serious tax evasions.
- It may be noted that in terms of insertion of Section 133A(2A) from 01.10.2014, the Power of TDS Officers in case of Survey had been restricted. Thus, in case of TDS Surveys, the TDS officers have been empowered to restrict their scope to verify TDS/TCS provisions. Thus, they have no power to make inventory of stock, place identification on records, impound books of accounts etc.

# Extended Scope of SFT

# INCOME TAX DEPARTMENT WATCHING YOU THROUGH SFT

- SFT (Specified Financial Transaction) is a report filed by 'specified persons' under Section 285BA of I.T.Act, which records transactions exceeding threshold limit, including investments and expenditures done by taxpayers in a FY.
- Under existing reporting system, Banks and financial institutions used to share information about high-value transactions recorded in SFTs with tax authorities.
- In July 2020, 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.

# INCOME TAX DEPARTMENT WATCHING YOU THROUGH SFT (2)

## ■ List of existing SFT

- Cash Deposits > Rs. 10 lacs in saving bank account
- Purchases of bank drafts, pay orders, etc >Rs 10 lakh in FY
- Cash payment made for FD > Rs 10 lakh in a FY
- Cash deposit or withdrawal > Rs. 50 Lakh current account in a FY
- Cash received >Rs. 2 Lakh for sale of goods or rendering of services.
- Expenditure in foreign currency via debit card, credit card or traveler's cheque >10 lakhs in FY
- Payment by credit card >Rs.10 Lakh in FY
- Credit card bill paid in cash >Rs 1 lakh in FY
- Purchase/sale of immovable property, stamp duty value>Rs.30 lacs
- Mutual Fund Investment >Rs 10 lakh in FY
- Purchase of bonds or debentures >Rs 10 lakh in FY
- Purchase of shares through the public offer or right issue >Rs 10 lakh
- Share buy-back from a person >Rs. 10 lakhs

# INCOME TAX DEPARTMENT WATCHING YOU THROUGH SFT (3)

- Proposed transactions to be covered under SFT (as released on 13.08.20)
  - 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 >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



# COMPULSORY FILING OF RETURN

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
- all professionals and businesses having turnover over Rs 50 lakh.

# IMPLICATIONS OF PROPOSED CHANGES IN SFT REPORTING

- For Income Tax Department, these measures are aimed at watching consumption and investment pattern of assessee and matching with their return profile.
- The responsibility of capturing the data and informing to Income Tax Department has been vested to the Vendor of goods and services who is supposed to have necessary infrastructure to capture the information.
- The Income Tax Department will get information from various sources like shopping platforms, Electricity companies, Banks, Hotels, Insurance Companies, Educational institutions, Charitable organizations etc.
- Once the CBDT releases the Notification in this regard, the Department shall start getting multiple informations through SFT.

# Faceless Assessment

# FACELESS ASSESSMENT SCHEME

## – PRESENT AND FUTURE (1)

### ■ E-assessment Scheme (applicable upto 12.08.2020)

- Section 143(3A) to 143(3C) were inserted by Finance Act 2018– these sections gave power to CG to make a scheme for e-assessment by notification in official gazette
- Subsequently on 7-10-2019, E-Assessment scheme launched by Revenue Secretary, with the inauguration of the National e-Assessment Centre (NeAC) at New Delhi.
- Even after launch of the said Scheme, practically, most of the assessments are still being done, wherein assessee or his a/r appear physically before jurisdictional assessing officers. This was because, many types of assessments (for instance order u/s 147, 144 etc) were not covered under the Scheme. Even otherwise, not all scrutiny cases were transferred to NeAC.

# FACELESS ASSESSMENT SCHEME

## – PRESENT AND FUTURE (2)

- Faceless assessment Scheme (applicable from 13.08.2020)
  - Now excepting some assessments (Search cases and International Tax cases), all assessments will be under Faceless Assessment Scheme, where there cannot be any interface between AO and assessee.
  - Assessment orders which are not in conformity with the Faceless Assessment Scheme shall be treated as Non-Est
  - The PCCIT or PDGIT, in charge of National e-assessment Centre, may at any stage of the assessment, if considered necessary, transfer the case to AO having jurisdiction over such case, with prior approval of Board.

# E-ASSESSMENT ASSESSMENT

VS

# FACELESS

## E- Assessment (upto 12.08.20)

Applicable only in relation to assessment proceedings under section 143(3).

Thus, it is seen that the following categories of assessments are kept **outside the purview** of E- Assessment:

- (a) Reassessment u/s. 147.
- (b) Search Assessment u/s 153A
- (c) Best judgment assessment u/s. 144
- (d) Cases related to International Tax

## Faceless Assessment (From 13.08.20)

All income tax cases picked up for scrutiny, except those relating to search & seizure as well as international tax charges.

Thus, it is seen that following categories of assessments are kept **outside the purview** of Faceless Assessment:

- (a) Search Assessment u/s 153A
- (b) Cases related to International Tax

# FACELESS ASSESSMENT - SALIENT FEATURES

- Scrutiny Selection only through automated system using Data Analytics and Artificial Intelligence- *Thus no manual involvement in selection for Scrutiny*
- Abolition of territorial jurisdiction – *Thus the AO shall be situated in other cities and the assessee may not be able to know who is the AO.*
- Central issuance of notice with DIN – *Thus, all notice can be issued by Income Tax Department will have trials*
- No physical interface, no need to visit Income Tax office – *Thus, all reply by assessee should be submitted electronically*
- Team based assessments and team based review – *Thus, Draft assessment order in one city, review in another city and finalization in third city*
- 2/3rd of department's manpower for faceless assessments and balance for other functions

# FACELESS ASSESSMENT IN INDIA - EVOLUTION

**2015 – Introduction of e-proceedings on pilot basis in New Delhi and Mumbai**

**2017- E-proceedings scheme extended to other cities**  
• Option provided to taxpayers to opt for such proceedings

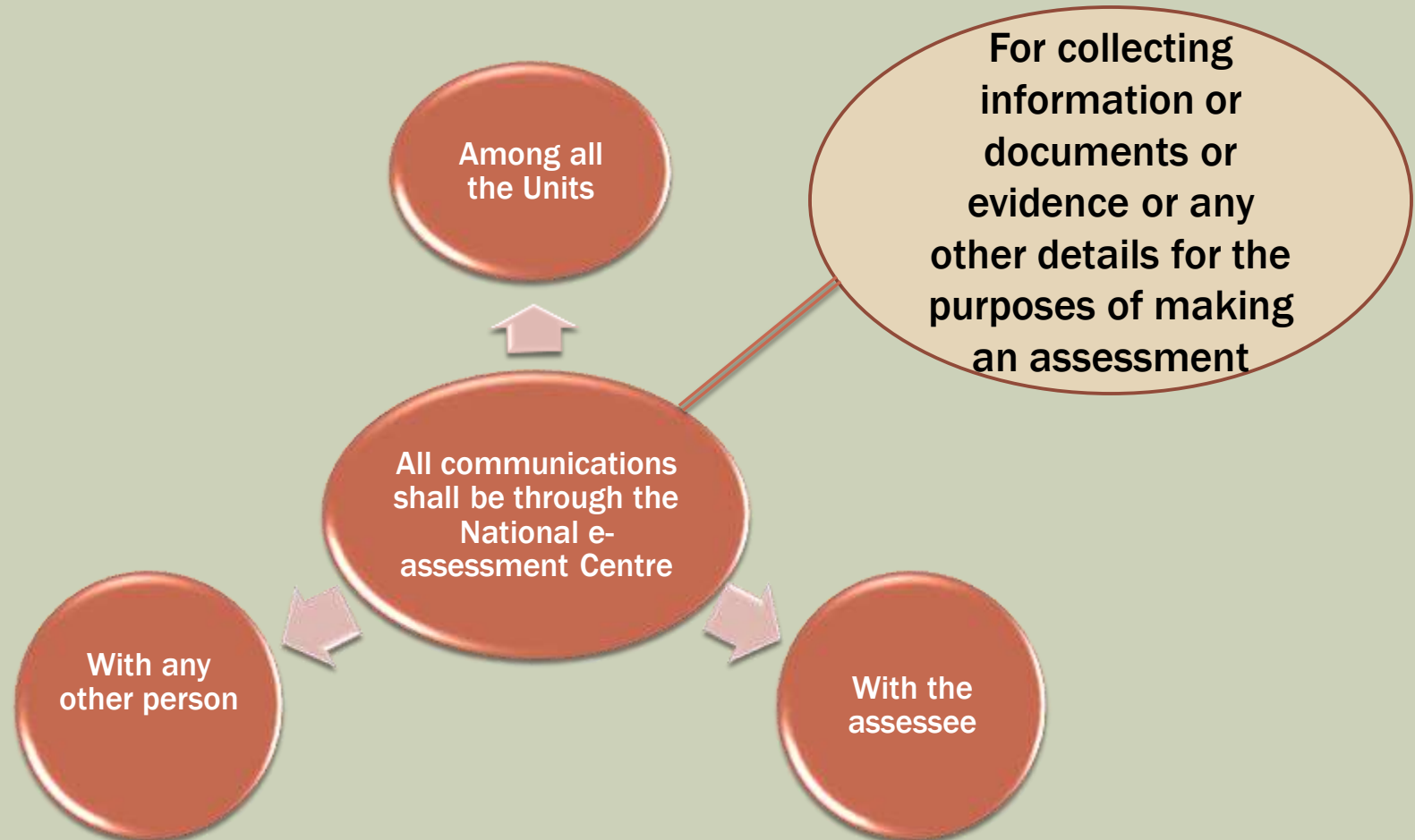
**2018 - Formal system of e-assessment announced in Budget 2018**  
• E-proceedings made mandatory for all taxpayers – (with certain exceptions)

**2019 - E- Assessment Scheme Notified**  
• Introduced in a phased manner  
• Notices issued for AY 2018-19 and AY 2017-18 ( for belated/revised return)

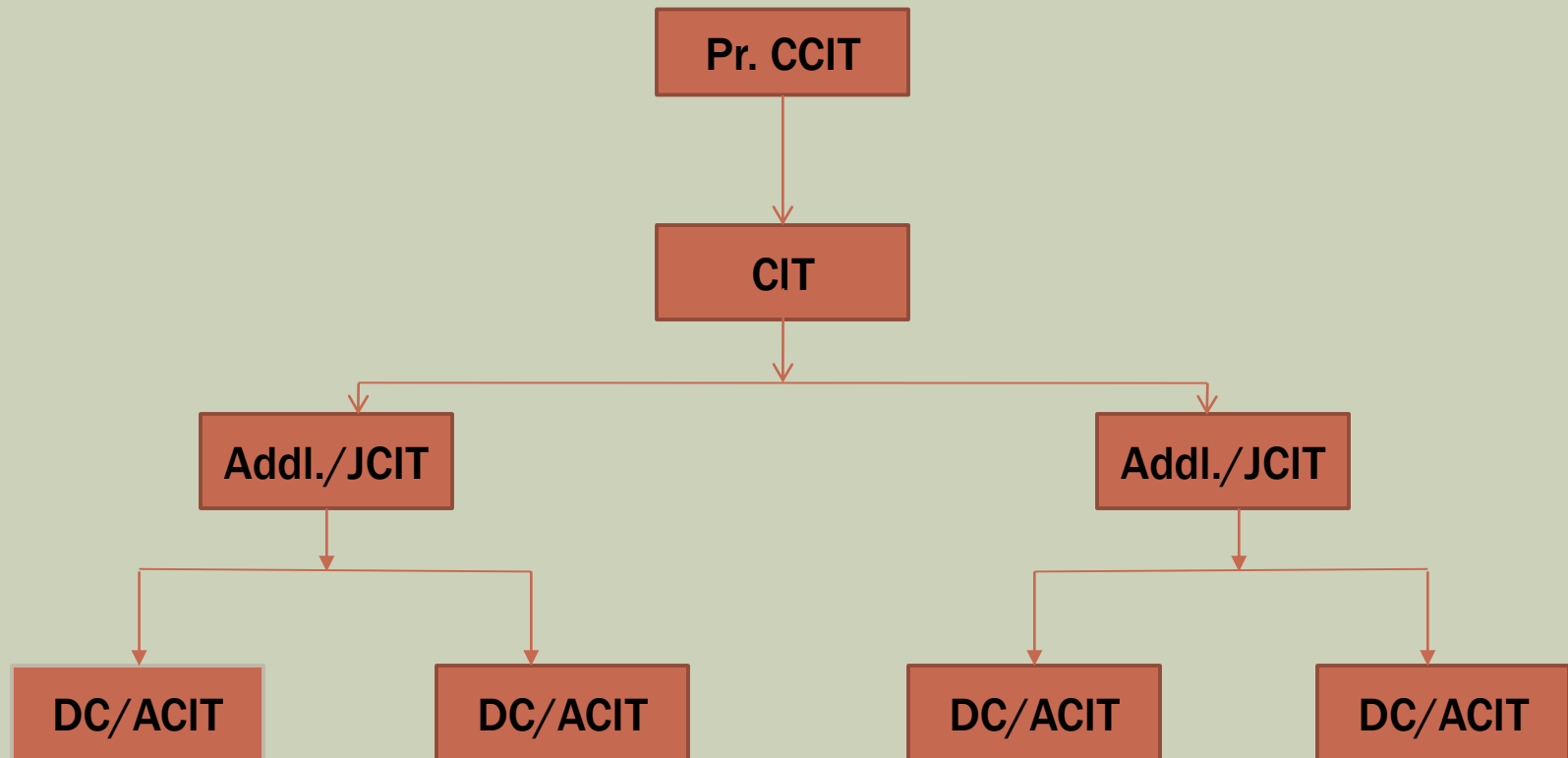
**2020 – Faceless Assessment Scheme Notified**



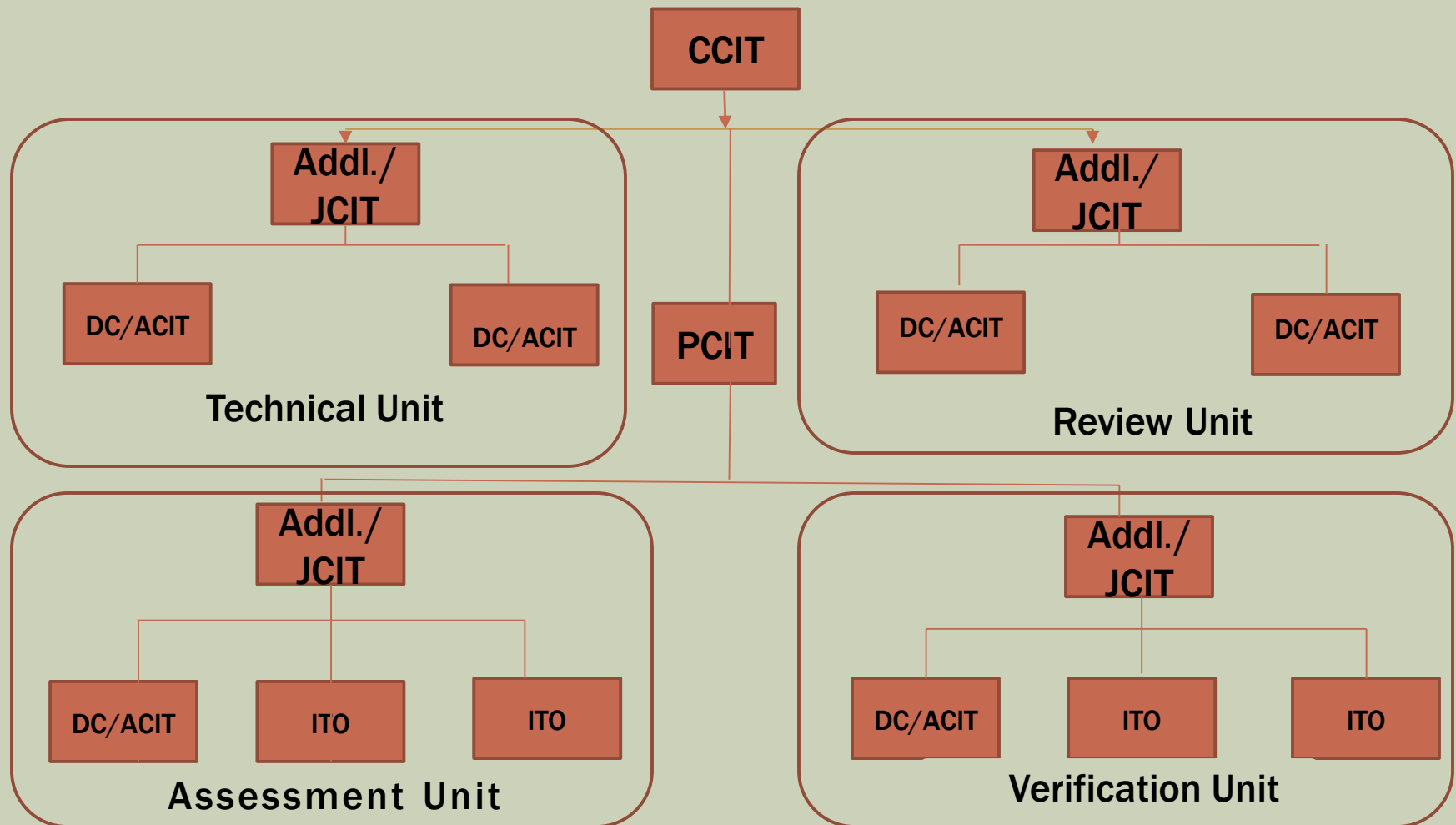
# FACELESS ASSESSMENT SCHEME COMMUNICATION



# NATIONAL E-ASSESSMENT CENTRE, DELHI



# REGIONAL E-ASSESSMENT CENTERS (REAC)



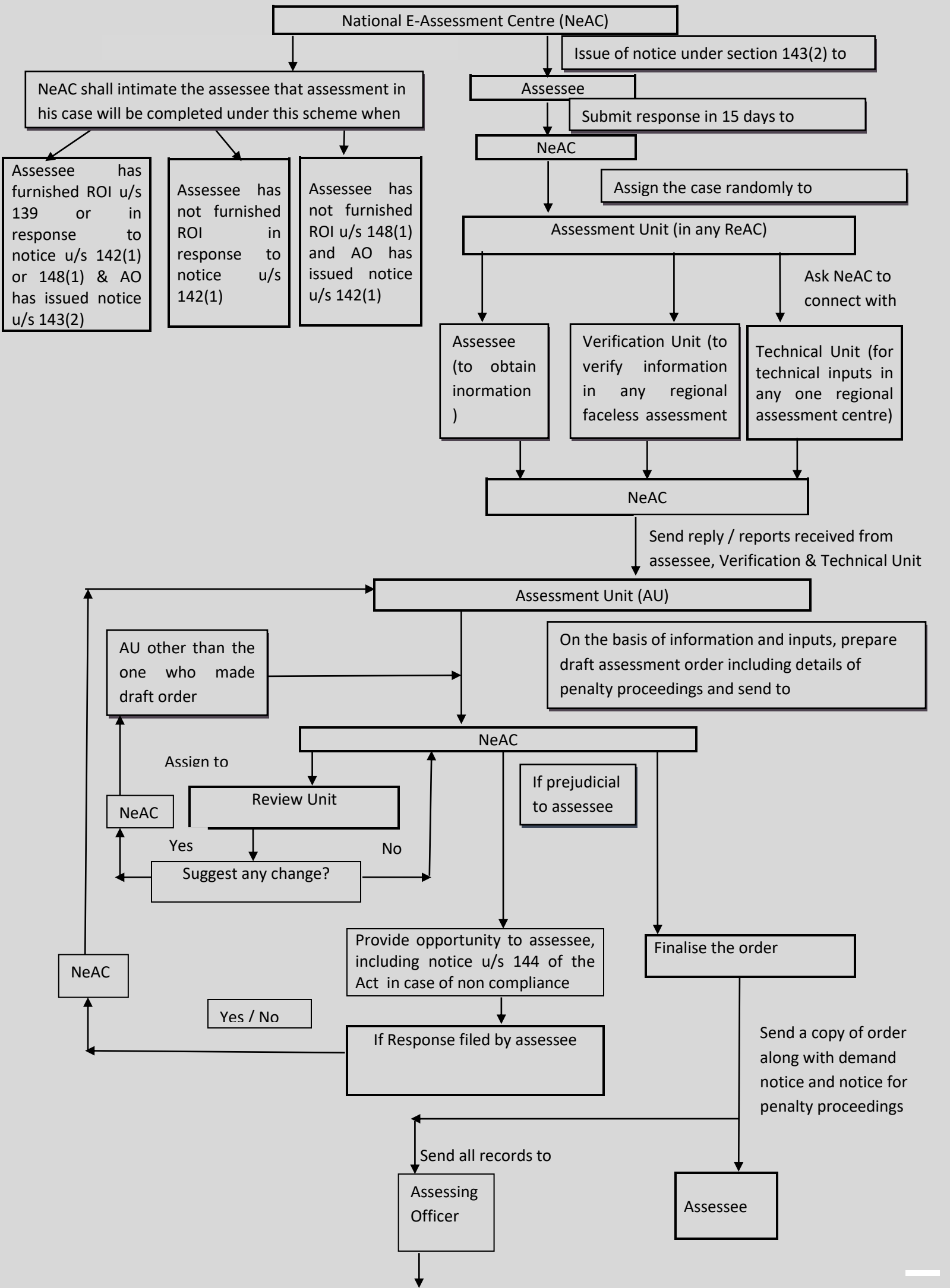
# E- ASSESSMENT CENTRES AND UNITS(1)

<b>Centre Name</b>	<b>Description</b>
<b>National e-Assessment Centre ('NeAC')</b>	Facilitate conduct of e-assessment proceedings in a centralised manner, vested with jurisdiction to make assessment
<b>Regional e-assessment Centres ('ReAC')</b>	Facilitate conduct of e-assessment proceedings, vested with the jurisdiction to make assessment
<b>Assessment Units</b>	To perform the function of making assessment which includes identification of material points/issues in the ITR, seeking information/ clarification on such points, analysis of material furnished by Assessee and making of draft order.
<b>Verification Units</b>	To perform function of verification including enquiry, cross verification, examination of b/a, recording of statement, witness etc.

# E- ASSESSMENT CENTRES AND UNITS (2)

Centre Name	Description
Technical Units	To provide technical assistance which includes assistance/ advice on legal, accounting , forensic, valuation , transfer pricing etc.
Review Units	To review the draft assessment order i.e. to check whether the relevant facts, legal points & judicial pronouncements etc. have been properly incorporated in the draft assessment order.

Procedure of Faceless Assessment



For such action as and when required under the Act

# FUNCTIONS OF THE FIELD OFFICERS (1)

- As mentioned in earlier slide, henceforth 2/3<sup>rd</sup> of Department officer shall perform Faceless assessments. The balance 1/3<sup>rd</sup> officers (field officers) will perform the following functions in faceless manner to the extent possible:-
  - Taxpayer outreach and taxpayer education
  - Rectification proceedings
  - Grievance handling.
  - Demand Management.
  - Collection and Recovery of taxes.
  - Statutory powers under section 263 / 264 of the Act
  - Prosecution and compounding proceedings
  - Administrative, HRD and cadre control matters

# FUNCTIONS OF THE FIELD OFFICERS (2)

- As mentioned in earlier slide, henceforth 2/3<sup>rd</sup> of Department officer shall perform Faceless assessments. The balance 1/3<sup>rd</sup> officers (field officers) will perform the following functions in faceless manner to the extent possible:-
  - Custody and management of Case records.
  - Management and control of infrastructure.
  - Audit functions including handling matters pertaining to Revenue and Internal Audit and taking remedial actions
  - Judicial functions including giving effect to appellate orders of CIT(A), ITAT, HC, SC, Settlement commission; filing of appeal wherever considered necessary; defending writ petitions; recommendation of SLPs etc.



# CREATION OF HIERARCHY IN EACH REAC

Particulars	Number
Each ReAC (AU) will have	<ul style="list-style-type: none"><li>• 1 PCIT</li><li>• 4 Addl./Jt.CsIT,</li><li>• 4 DCs/ACsIT</li><li>• 20 ITOs</li></ul>
Each ReAC (VU) will have	<ul style="list-style-type: none"><li>• 1 PCIT</li><li>• 4 Addl. /Jt.CsIT,</li><li>• 4 DCs/ACsIT</li><li>• 20 ITOs</li></ul>
Each ReAC (RU) will have	<ul style="list-style-type: none"><li>• 1 PCIT</li><li>• 3 Addl./dt. CsIT.</li><li>• 6 DCs/ACsIT</li><li>• 9 ITOs</li></ul>
Each ReAC (TUC will have	<ul style="list-style-type: none"><li>• 1 PCIT</li><li>• 3 Addl./dt.CsIT</li><li>• 6 DCs/ACsIT</li><li>• 9 ITOs</li></ul>

# DIVERSION OF MANPOWER TO FACELESS ASSESSMENT CHARGES

Particulars	Faceless Assessment Charges	Residual Jurisdiction
CCIT	30	32
PCIT	154	96
Addl/Joint CIT	565	252
DCIT/ACIT	645	261
ITOs and attendant staff	2830	1274
Total	4224	1915

# DIVERSION OF MAN POWER

## – KOLKATA EXAMPLE

- Earlier in Kolkata, around 58 officers have been appointed in Assessment Units for Faceless Assessments.
- With effect from 13.08.2020 around 319 officers are appointed for Faceless Assessment.

Particulars	Past – till 12.08.2020	Future – W.e.f 13.08.2020
PCIT	4	11
Additional CIT	$(4*4)=16$	$(11*4)=44$
DCIT/ACIT	$(4*4)=16$	$(11*4)=44$
ITO	$(4*4*2)=32$	$(11*4*5)=220$
Total	58	319

# Taxpayers' Charter

# TAXPAYERS' CHARTER

- Finance Minister on 01.02.2020 in budget speech explained the requirement of giving statutory force to Taxpayers' Charter and relevant extracts of the speech reads as under:

*“Any tax system requires **trust** between taxpayers and the administration. This will be possible only when **taxpayer's rights** are clearly enumerated. Towards this end, and with the objective of enhancing the efficiency of the delivery system of the Income Tax Department, I propose to amend the provisions of the Income Tax Act to mandate the Central Board of Direct Taxes (CBDT) to adopt a Taxpayers' Charter. The details of the contents of the charter shall be notified soon.”*

- Subsequently Finance Act, 2020 inserted section 119A, with effect from 01-04-2020, to empower CBDT to adopt and declare a Taxpayer's Charter.
- Now, on 13th August 2020, the Hon'ble Prime Minister unveiled country's first charter of taxpayers' rights and duties.
- CBDT has issued Citizen's Charter from time to time, (last revised on 29-4-2014), for standards of service delivery, grievance redressal, etc. However, the same never had statutory backing and didn't form part of Statute Book.
- Though the Taxpayers' Charter in the present form is too generic in nature, but the intentions are worth praising. Many countries have already implemented Taxpayer's Charter including Australia, Canada, Malta, New Zealand, Kenya, etc. In country like UK, Taxpayer Charter has statutory backing.

# **TAXPAYERS' RIGHT**

## **– DEPARTMENT OBLIGATIONS**

<b>Taxpayer's expectations</b>	<b>Department's Obligations</b>
<b>Provide fair, courteous, and reasonable treatment</b>	<b>The Department shall provide prompt, courteous, and professional assistance in all dealings with the taxpayer.</b>
<b>Treat taxpayer as honest</b>	<b>The Department shall treat every taxpayer as honest unless there is a reason to believe otherwise.</b>
<b>Provide mechanism for appeal and review</b>	<b>The Department shall provide fair and impartial appeal and review mechanism.</b>
<b>Provide complete and accurate information</b>	<b>The Department shall provide accurate information for fulfilling compliance.</b>
<b>Provide timely decisions</b>	<b>The Department shall take decision in every income-tax proceeding within the time prescribed under law.</b>

# TAXPAYER CHARTER IS COMMITTED TO:-

Taxpayer's expectations	Department's Obligations
Provide mechanism to lodge complaint	The Department shall provide mechanism for lodging a complaint and prompt disposal thereof.
Provide a fair & just system	The Department shall provide a fair and impartial system and resolve the tax issues in a time-bound manner obligations under the law.
Publish service standards and report periodically	The Department shall publish standards for service delivery in a periodic manner
Reduce cost of compliance	The Department shall duly take into account the cost of compliance when administering tax legislation. The Department shall allow every taxpayer to choose an authorized representative of his choice.

# TAXPAYER CHARTER IS COMMITTED TO:-

<b>Taxpayer's expectations</b>	<b>Department's Obligations</b>
<b>Collect the correct amount of tax</b>	<b>The Department shall collect only the amount due as per the law.</b>
<b>Respect privacy of taxpayer</b>	<b>The Department will follow due process of law and be no more intrusive than necessary in any inquiry, examination, or enforcement action.</b>
<b>Maintain confidentiality</b>	<b>The Department shall not disclose any information</b>
<b>Hold its authorities accountable</b>	<b>The Department shall hold its authorities accountable for their actions.</b>
<b>Enable representative of choice</b>	<b>The Department shall allow every taxpayer to choose an authorized representative of his choice.</b>



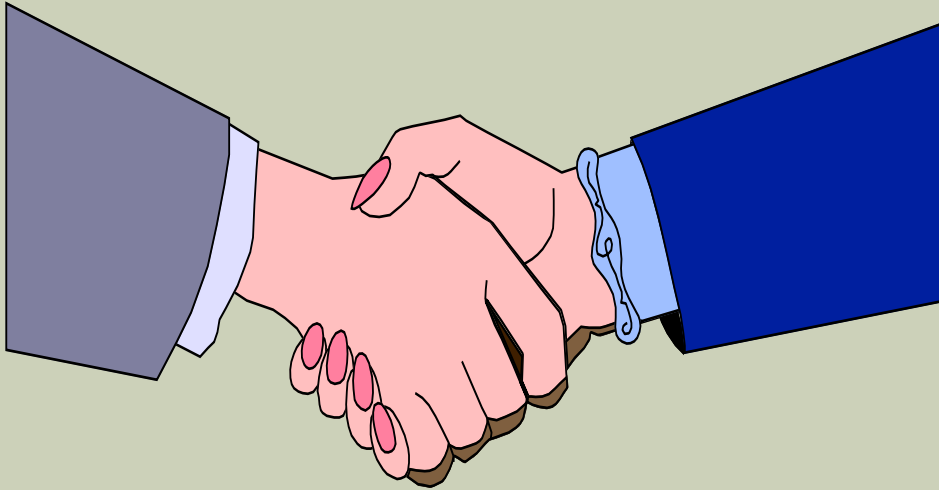
# INCOME TAX DEPARTMENT EXPECTATION

<b>Tax Payer's Obligations</b>	<b>Department's expectations</b>
Be honest and compliant	Taxpayer is expected to honestly disclose full information and fulfil his compliance obligations.
Be informed	Taxpayer is expected to be aware of his compliance obligations under tax law and seek help of department if needed.
Keep accurate records	Taxpayer is expected to keep accurate records required as per law.
Know what the representative does on his behalf	Taxpayer is expected to know what information and submissions are made by his authorised representative.
Respond in time	Taxpayer is expected to make submissions as per tax law in timely manner.
Pay in time	Taxpayer is expected to pay amount due as per law in a timely manner.

# Faceless Appeals

# FACELESS APPEALS

- Finance Minister in Budget 2020 announced the introduction of Faceless Tax Appeals in Income Tax Act 1961 on the lines of Faceless Assessment
- As announced by Hon'ble PM today, CBDT will launch faceless appeals beginning 25<sup>th</sup> September 2020 (incidentally the birth anniversary of Deen Dayal Upadhyay) as part of the process to reduce physical interface between tax officers and taxpayers.
- Appeals will be allotted at random to officers, taxpayers will not need to visit offices or meet any officials, the identities of the officers deciding the appeal will remain unknown, the appellate decision will be team-based and reviewed.
- **Exceptions to Faceless Appeal :** Cases relating to
  - Appeal includes, serious frauds, major tax evasion, sensitive and search matters.
  - International Taxation and
  - Black Money Act & Benami Property.



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