

CNK & Associates LLP

Flash:

- Transparent Taxation – Tax Payers’ Charter
- Faceless Assessment & Appeals
- Expansion of scope of reporting: Form 26AS

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Summary:

The Tax Payers' Charter, referred to in the Budget speech of the FM earlier this year, was unveiled under the "Transparent Taxation – Honouring the Honest" platform. The document outlining the rights & obligations of the tax payers' is heralded to ensure tax payers' trust in tax administration.

The E-assessment scheme introduced in September' 2019 is now the "faceless" assessment scheme, to come into effect immediately, aimed at ensuring transparency & accountability in the assessment process. "Faceless" scheme shall also be made applicable in case of appellate proceedings in due course.

Tax Payers' Charter

The Income Tax Act, 1961 (the Act) was earlier amended this year to introduce section 119A to empower the Central Board of Direct Taxes (CBDT) to adopt and declare taxpayers' Charter and issue necessary guidelines for administration of the same. The aim of this Charter is nurturing the relationship between taxpayers and the tax administration. The Charter details the rights and obligations of the tax payers along with the responsibilities and duties of tax officers. It promises to hold the tax authorities accountable for their actions. It further states that the department would provide fair, courteous, prompt and reasonable treatment as well as professional assistance to all taxpayers. Another important aspect of the Charter is commitment to provide full information to the tax payers' in order to ensure compliance. This will be facilitated by the recent expansion in scope of Form 26AS (discussed later in the flash)

CNK Comments:

The Charter, if implemented effectively, could prove to lay down the foundation of a stable and tax-payer friendly administrative regime in India.

Faceless Assessment & Appeals

The Government had earlier come out with an E-Assessment scheme on 12th September, 2019 which laid out the procedure for e-assessment. The term "E-Assessment" is now replaced with "Faceless Assessment" and the existing procedure under the Income Tax Rules has been modified. The mechanism for assessment procedure will have a technology driven interface and will involve the National E-Assessment Centre for conduct of assessment proceeding including the service of notice. The faceless assessment scheme envisages no face to face interaction among the taxpayer and the officers in charge of assessment. Scrutiny Assessment will be allocated to any officer in any state and review to be done by another unit located in a different state. The CBDT has

extended this scheme to cover best judgement assessments as well. The faceless assessment procedure shall come into effect immediately.

Following the faceless procedure for assessment, the procedure of appeal will also be faceless, involving no interaction amongst the taxpayers and tax administration, aiming at dynamic jurisdiction, with effect from 25th September 2020.

CNK Comments: The procedure for faceless assessments and appeals is directed at reducing otherwise prevalent unfair practices in conduct of these procedures. This scheme will apply to all assessments, including pending assessments, where notices have been issued. While it may have set the correct tone, it should be complemented with adequate support from the machinery in its implementation. It may be subject to certain teething problems and whether it will achieve the intended purpose and prove to be a landmark change in the long run is what remains to be seen.

Expansion of scope: Form 26AS

Form 26AS is a consolidated statement which provides auto-populated details to tax payer based on various statements or returns filed by other persons or by assessee himself. The scope of reporting under Form 26-AS had recently been expanded, in line with the Government's measures for widening the tax base. As a result of which, information received by the Income Tax Department from the filers of specified

financial transactions (SFT) will now be shown in **Part E of Form 26AS** to facilitate voluntary compliance, tax accountability and ease of e-filing of returns. The transactions covered therein are tabulated as under:

Nature of Transaction	Value
Payment of educational fee or donation	Above INR 1 Lakh per annum
Electricity Consumption	Above INR 1 Lakh per annum
Domestic Business Class Travel / Foreign Travel	No threshold specified
Payments to Hotels	Above INR 20,000
Purchase of jewellery, white goods, painting, marble etc.	above INR 1 lakh
Deposits / credits in current account	above INR 50 lakh
Deposits / credits in non-current account	above INR 25 lakh
Payment of property tax	above INR 20,000
Payment of Life Insurance Premium	above INR 20,000
Payment of Health Insurance Premium	above INR 25,000
Share Transactions / D-Mat Accounts / Bank Lockers.	No threshold specified

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