



# Faceless Assessment and Appeals Scheme

**A step towards greater transparency and  
accountability**



October 2020

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As a part of a major overhaul of the tax administration, on 13 August 2020, the 'Transparent Taxation' platform was launched encompassing faceless assessments and faceless appeals with a view to bring greater efficiency, transparency and ease of compliance for the taxpayer



India has been one of the frontrunners in embracing advanced technology in its tax governance framework which is evident from its migration to e-proceedings from the erstwhile face-to-face regime.

With the introduction of the 'e-Assessment Scheme' in September 2019, the process of tax audit in India has witnessed a paradigm shift where greater emphasis is laid on elimination of human interface through dynamic jurisdiction as well as team-based and specialised audits.

On 13 August 2020, the e-Assessment Scheme of September 2019 has been renamed Faceless Assessment Scheme, 2019\* (FAS) modifying certain aspects of assessment procedures to enforce the government's agenda of faceless, anonymous and objective tax audits. FAS has been proposed to be subsumed under the Indian tax law from 1 April 2021\*\*

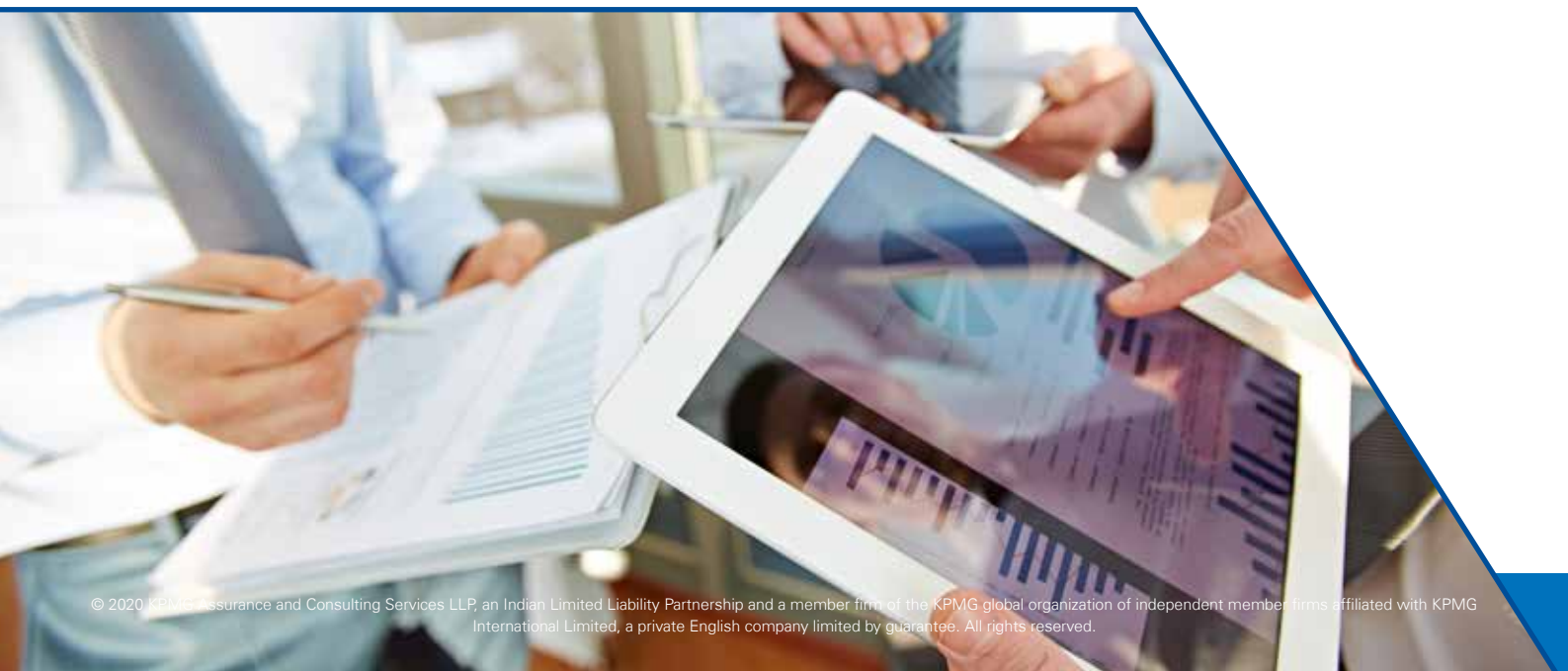
Further, on 25 September 2020, the Faceless Appeal Scheme, 2020 (FAPS) has been notified to conduct first-level appellate proceedings.

To implement the FAS, a nodal agency – National e-Assessment Centre has been established along with regional centres which will be supported by specialised functional units. On similar lines, a nodal agency – National Faceless Appeal Centre has been established to conduct e-appeals in a centralised manner, along with Regional Faceless Appeals Centres to facilitate the conduct of e-appeals with the support of Appeal Units.

Under the faceless regime, advanced technologies would be leveraged to randomly allocate cases to regional centres, thereby reducing discretion and leading to improvement in quality.

\*Notification No. S.O. 2743 (E) dated 13 August 2020

\*\* Taxation and Other Laws (Relaxation and Amendment Of Certain Provisions) Act, 2020 (the Act 2020)



# Framework of FAS



Assessment orders issued outside FAS after 13 August 2020 – *non-est*

Covers all ongoing cases except International tax and Central charge

**National e-Assessment Centre (NeAC)\*\*\***

**Regional e-Assessment Centre (ReAC)\*\*\***

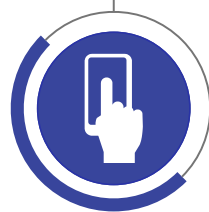
**One-stop interface** between the taxpayer and revenue

**Facilitation and coordination** of faceless assessment in a centralised manner

Issue of **notice specifying reasons for selection** of case

**Finalisation** of assessment order

**Transfer of files** to residual hierarchy (jurisdictional tax officer) for post-assessment activities



**Assessment unit (AU)**

Seeking additional information, identifying issues for adjustment, analysis of data furnished by taxpayer and preparation of Draft Assessment Order (DAO)



**Verification unit (VU)**

Enquiry, cross verification, examination of books of accounts/ witnesses and recording of statements



**Technical unit (TU)**

Advice on legal, accounting, forensic, information technology valuation, audit, transfer pricing (TP) and data analytics



**Review unit (RU)**

Review of DAO including relevance of evidence, points of facts, factual and legal review, applicability of judicial decisions and arithmetical accuracy of the modifications proposed



\*\*\*To be renamed to National and Regional Faceless Assessment Centre respectively from 1 April 2021



# Framework of FApS

## National Faceless Appeal Centre (NFAC)

- Facilitate e-appeals in a centralised manner
- Finalisation of appeal as per draft order and service of final order to the appellant and NeAC/assessing officer.



## Regional Faceless Appeal Centre (RFAC)

- Facilitate e-appeals in specific regions through involvement of various appeal units.

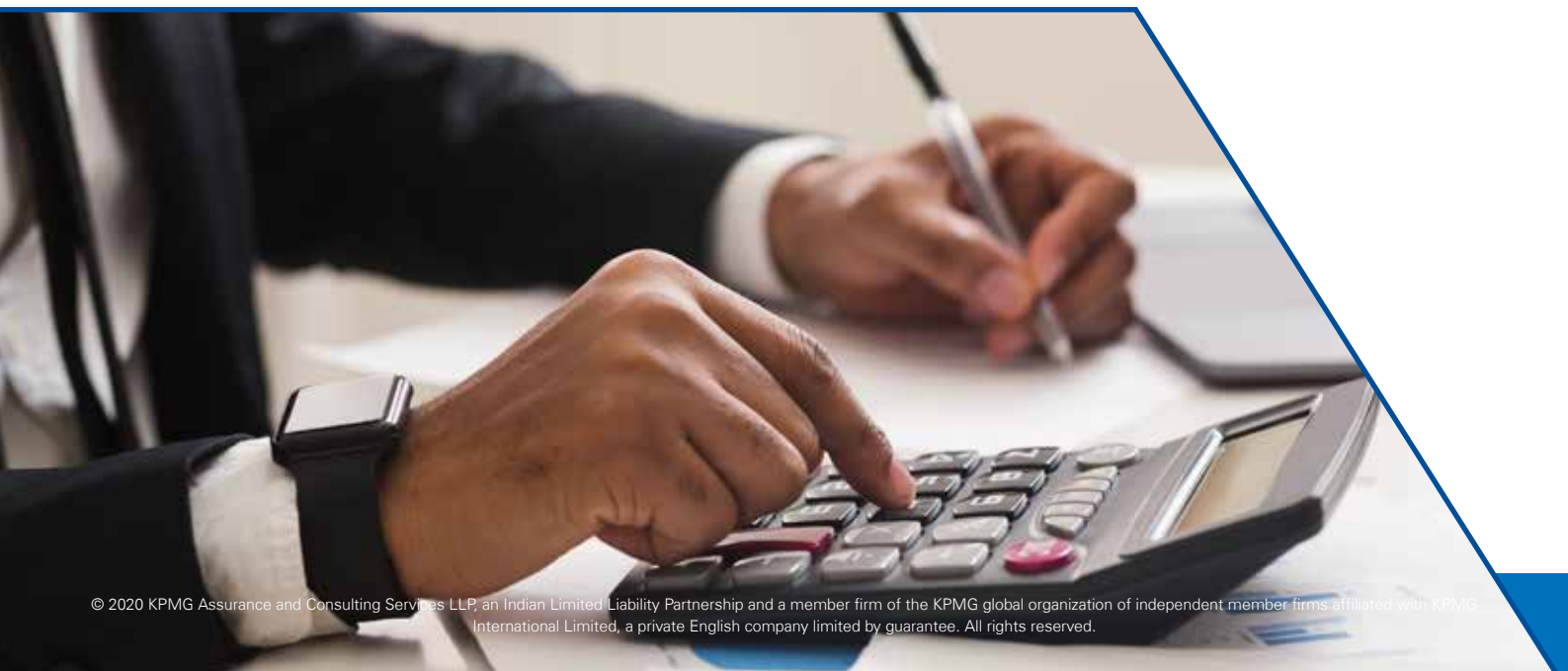


## Appeal Unit (ApU)

- Admitting additional grounds of appeal and additional evidences<sup>#</sup>
- Providing condonation of delay
- Making inquiries with appellant
- Directing NeAC or Jurisdictional assessing officer to make further inquiry
- Seeking information on admitted grounds of appeal
- Providing opportunity of being heard
- Analysis of material furnished by appellant
- Preparation of draft order
- Penalty for non-compliance with notice
- Rectification of mistake in NFAC's order.



<sup>#</sup>ApU to receive comments/report from the NeAC/assessing officer on the admissibility of additional ground/evidence. The detailed procedure in this respect defined under FApS and related forms for filing to be notified.



# Highlights of the schemes



## A new perspective



- **Dynamic jurisdiction** for greater transparency
- **Team-based approach** with functional specialisation
- **Comprehensive analysis** through inter-departmental data cross referencing
- **Digital audit trail** to achieve accountability by mapping taxpayer and revenue behaviour.

## Broader agenda



- **Coverage of assessments** (including best judgement and re-assessment) **and first-level appellate proceedings**
- **Faceless penalty proceedings\*** for non-compliance
- **Reduced arbitrariness** through use of advanced technology and artificial intelligence tools for random selection.

## Streamlined procedures



- **Restricted video conferencing\*\*** facility to eliminate discretion
- **Stringent norms to seek adjournment** to ensure effective conduct
- **Alertness of taxpayer** to track income-tax portal/e-mails to mitigate risk of best judgment assessment.

\*Penalty for non-compliance of notice, direction or order covered under the faceless regime. Penalties in other cases to be dealt outside the faceless regime

\*\*Circumstances to be specified

# Areas for consideration



Interplay between TU, AU, TP officer in TP cases

Opportunity of being heard for admission of additional grounds/evidence

Relevant authority for withholding refunds under the provisions of domestic tax law

Authority for audit of modified returns post Advance Pricing Agreement

Modalities around functioning of DRP

Relevance of revisionary powers with revenue under the provisions of domestic tax law

Conduct of audit proceedings for matters before the Settlement Commission

Instances and discretion of tax department to permit video conferencing

Consideration of past history of taxpayer and covered matters under FAS

Criteria for selection as well as flagging of case under risk management system

Approach for filing fresh/additional claims not covered in return of income

Possibility of additional evidence at appellate forums due to team based approach

Interplay of NeAC and assessing officer during appellate proceedings

Interplay of faceless and residual charge in re-assessment and penalty proceedings

Sector-specific standardisation and audit consistency across India

Quality of submissions in case of fact-intensive and voluminous data





# Extension of faceless agenda

**Amendments to the Income-tax Act, 1961 notified under the Act 2020  
– detailed guidelines to follow**



**Tax collection and recovery, lower withholding tax certificates**



**Revision of orders, stay of demand and order giving effect**



**Prosecution and compounding**



**DRP proceedings**



**Approvals and registrations**



**Enquiry, valuation, collection of information**



**Rectification and issuance of notice/intimation**



**Appeals before appellate tribunals**



**Determination of arms length price – TP assessment**





# The KPMG in India advantage

The Indian tax regime today, is at the helm of change with the government working to build a more robust, transparent and stakeholder friendly tax framework by adopting the faceless regime. KPMG in India helps clients understand these changes and manage challenges and opportunities



**Wide business presence** comprising of over 1900 tax professionals



**In-depth technical knowledge and experience delivered** through a competent and dedicated client service team



**Empaneled team of senior advisors (ex-revenue officials)** with extensive tax domain knowledge and experience



**Processing and documenting client tax litigation data** by harnessing in-house tax technology tools



**Industry focused tax specialisation** garnered by serving wide range of Indian and global clients



**Access to knowledge database of KPMG in India** and an Integrated Center of Excellence

## How can we help?



**Focus on quality of submissions**

**Strategising approach** towards submissions to highlight the assertions of the taxpayer



**Involvement of senior advisors**

**Involving our team of eminent senior advisors** to harness their extensive experience in the faceless proceedings, including video conferencing



**Proactive preparedness for faceless regime**

**Forearming with reconciliations, digitalised document trails and anticipating audit areas** using in-house tax technology tools



**Leveraging on sectoral experience**

**Engaging our vast sectoral experience** spread across India to pre-empt and act upon emerging trends by drafting high quality responses



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