

# TAX FLASH NEWS

21 September 2020



## CBDT issues guidelines for compulsory selection of returns for complete scrutiny during the FY 2020-21

On 13 August 2020, the Prime Minister launched 'Transparent Taxation' platform encompassing faceless assessments, faceless appeals, etc. On the same day, Central Board of Direct Taxes (CBDT) issued Notifications to amend the E-Assessment Scheme and to implement the Faceless Assessment Scheme. CBDT also notified the National e-Assessment Center (NeAC) at Delhi and various Regional e-Assessment Centers (ReACs) across 20 cities in the country for implementation of the Scheme.

Recently, CBDT has issued guidelines<sup>1</sup> for compulsory selection of returns for complete scrutiny during the FY 2020-21. Keeping in view the Faceless Assessment Scheme, 2020 implemented by the tax department and the difficulties being faced amid COVID-19 pandemic, the parameters for compulsory selection of returns for complete scrutiny and conduct of assessment proceedings in such cases are prescribed in these guidelines.

The guidelines specify that the assessment proceedings to be conducted in the following manner:

Parameters	Assessment proceedings to be conducted by
<b>Cases pertaining to survey under Section 133A</b>	
Cases pertaining to survey under Section 133A, excluding those cases where books of accounts, documents, etc. were not impounded and returned income (excluding any disclosure made during the Survey) is not less than returned income of preceding assessment year. However, where taxpayer has retracted from disclosure made during the Survey, such cases will be considered for scrutiny.	
<ul style="list-style-type: none"> <li>In respect of such cases selected for compulsory scrutiny and where there is impounded material</li> </ul>	<ul style="list-style-type: none"> <li>After the issue of scrutiny notice<sup>2</sup> by the Jurisdictional Assessing Officer (AO) for compulsory selection, such cases shall be transferred to Central Charges under Section 127 within 15 days of issue of such notice</li> </ul>
<ul style="list-style-type: none"> <li>In respect of such cases selected for compulsory scrutiny and where there is no impounded material</li> </ul>	<ul style="list-style-type: none"> <li>After the issue of scrutiny notice<sup>3</sup> by the Jurisdictional AO for compulsory selection, assessment proceedings in such cases will be conducted by NeAC. The AO shall upload the Survey Report in the ITBA at the time of such issue of notice</li> </ul>
<b>Cases pertaining to Search and Seizure</b>	
Assessments in search and seizure cases <sup>4</sup> and also for return filed for assessment year in which	The cases falling under Section 153C, if lying outside Central Charges, shall be transferred to Central Charges under Section 127 within 15 days of

<sup>1</sup> CBDT Order No. F.No.225/126/2020/ITA-II, dated 17 September 2020

<sup>2</sup> under Section 143(2)

<sup>3</sup> Under Section 143(2)

<sup>4</sup> Under Section 153A, 153C read with Section 143(3)

authorisation for Search and Seizure was executed under Section 132 or 132A.	issue of notice under Section 143(2) for compulsory selection.
<b>Cases in which notices under Section 142(1)/148 have been issued</b>	
<ul style="list-style-type: none"> <li>Cases where no return has been furnished in response to a notice under Section 142(1)</li> </ul>	<ul style="list-style-type: none"> <li>These cases will be taken up for compulsory scrutiny by NeAC.</li> </ul>
<ul style="list-style-type: none"> <li>Cases where no return has been furnished in response to notice under Section 148.</li> </ul>	<ul style="list-style-type: none"> <li>In such cases, Jurisdictional Assessing officer shall issue notice under Section 142(1), calling for information regarding the issues on the basis of which notice under Section 148 was issued, subsequent to which, assessment proceedings in such cases will be conducted by NeAC.</li> </ul>
<ul style="list-style-type: none"> <li>Cases where return has been furnished in response to notice under Section 142(1)/148 and where notice under Section 142(1)/148 was issued due to the information contained in NMS Cycle/AIR information/information received from Directorate of IC&amp;I.</li> </ul>	<ul style="list-style-type: none"> <li>These cases will not be taken up for compulsory scrutiny and the selection of such cases for scrutiny will be through CASS cycle.</li> </ul>
<ul style="list-style-type: none"> <li>Cases where return has been furnished in response to notice under Section 142(1)/148 and where notice under Section 142(1)/148 the Act was issued due to the specific information received from Law Enforcement Agencies, including the Investigation Wing; Intelligence/Regulatory Authority/ Agency; Audit Objection; etc.</li> </ul>	<ul style="list-style-type: none"> <li>After the issue of notice under Section 143(2) by the Jurisdictional Assessing Officer for compulsory selection, assessment proceedings in such cases will be conducted by NeAC.</li> </ul>
<b>Cases related to registration/approval under various sections of the Act, such as 12A, 35(1)(ii)/(ia)/(iii), 10(23C), etc.</b>	
Cases where registration/approval under various sections of the Act, such as Section 12A, 35(1)(ii)/(ia)/(iii), 10(23C), etc. have not been granted or have been cancelled/withdrawn by the Competent Authority, yet the taxpayer has been found to be claiming tax-exemption/deduction in the return. However, where such orders of withdrawal of registration/approval have been reversed/set-aside in appellate proceedings, those cases will not be selected under this clause.	After the issue of notice under Section 143(2) by the Jurisdictional AO for compulsory selection, assessment proceedings in such cases will be conducted by NeAC.

Further, the cases which are selected for compulsory scrutiny by the international Taxation and Central Circle charges following the above prescribed guidelines, shall, as earlier, continue to be handled by these charges.

The exercise of selection of cases for compulsory scrutiny on the basis of the above parameters shall be completed by 30 September 2020.

## Our comments

CBDT has prescribed five broad parameters for compulsory selection of returns for complete scrutiny under faceless assessment for FY 2020-21. The broad parameters include survey, search and seizure, cases where notice under Section 148 has been issued, cases relating to revocation of registration or approval by authorities under Sections 12A/10(23C) and cases where notices under section 142(1) have been issued calling for return.

CBDT has clarified various situations basis which the cases would be selected for scrutiny and has specified when scrutiny shall be conducted by NeAC or transferred to the Central charge. This selection process has to be completed by the month end.

This is a welcome move by the government where it has made its intention clear and emphasised its vision for conducting scrutiny covering various matters through faceless assessment scheme. With this, the taxpayers will have clarity as regards the selection of their case for scrutiny and need to gear up for the technology driven faceless assessment.

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