

TAX FLASH NEWS

14 December 2021

CBDT notifies e-Verification Scheme, 2021 for faceless collection of information

Executive Summary

On 13 August 2020, the Prime Minister launched the platform for 'Transparent Taxation - Honouring the Honest' to make the tax system 'Seamless, Painless and Faceless'. Subsequently, the government issued a series of notifications to implement the faceless assessment and appeal schemes.

Further, the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 introduced a new set of provisions under Section 135A¹ to widen the scope of the faceless mechanism. The central government has been empowered to make a e-scheme for faceless collection of information, by notification in the official gazette, for the purposes of calling for information under Section 133, collecting certain information under Section 133B, calling for information by prescribed income-tax authority under Section 133C, exercise of power to inspect register of companies under Section 134, exercise of power of Assessing Officer (AO) under Section 135 so as to impart greater efficiency, transparency and accountability.

Recently, the Central Board of Direct Taxes (CBDT) has issued a Notification² introducing the e-Verification Scheme, 2021 (the Scheme) for faceless collection of information.

CBDT Notification

Scope

The scope of the Scheme shall be in respect of:

- Calling for information under Section 133
- Collecting certain information under Section 133B

- Calling for information by the prescribed income-tax authority under Section 133C
- Exercise of power to inspect registers of companies under Section 134; and
- Exercise of power of AO under Section 135³.

Applicability

The Scheme shall be applicable to exercise the above functions for processing or utilisation of the information which is –

- In possession of the Principal Director General of Income-tax (Systems) or Director General of Income-tax (Systems), or
- Made available to the Principal Director General of Income-tax (Systems) or Director General of Income-tax (Systems), by
 - The Director General of Income-tax (Intelligence and Criminal Investigation)
 - The Commissioner of Income-tax in charge of the Centralised Processing Centre for processing of returns
 - The Commissioner of Income-tax in charge of the Centralised Processing Centre (TDS) for processing of statement of tax deducted at source or
 - Any other authority, body or person.

¹ Faceless collection of information

² CBDT Notification No. 137/2021, dated 13 December 2021

³ The Principal Director General or Director General or Principal Director or Director, the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner and the Joint Commissioner shall be competent to make any enquiry under this Act, and for this purpose shall have all the powers that an Assessing Officer has under this Act in relation to the making of enquiries

Electronic Collection and Verification

- The Commissioner of Income-tax (e-Verification) shall collect the prescribed information, in accordance with the procedure laid down by the Principal Director General of Income-tax (Systems) or Director General of Income-tax (Systems).
- The Principal Director General of Income-tax (Systems) or Director General of Income-tax (Systems) shall make available the prescribed information to the Commissioner of Income-tax (e-Verification):
 - Which was uploaded to the registered account or sent on the registered mobile number, wherever available, of the taxpayer and not accepted by him or in a case where no response has been received from the taxpayer within 90 days
 - In respect of which no registered e - mail account or mobile number is on record.
- The Commissioner of Income-tax (e-Verification) shall process the information made available to it for initial e-verification.
- The initial e-verification by the Commissioner of Income-tax (e-verification) shall be through an automated issuance of communication to the source from where the information is received and the Principal Director General of Income-tax (Systems) or Director General of Income-tax (Systems), shall enable such automated communication.
- In cases where the mismatch between the amount accepted by the taxpayer and the amount reported by the reporting entity persists, the information after such initial e-verification shall be run through a risk management strategy laid down by the CBDT and the information found to be no or low risk on such risk criteria, where no further action is required, shall be processed for closure.
- The remaining information shall be transferred electronically by the Principal Director General of Income-tax (Systems) or Director General of Income-tax (Systems), to the Prescribed Authority through a process of automated allocation system.
- The verification of the information so allocated, shall be completed by the Prescribed Authority in the manner as per the procedure laid down in this regard by the Director General of Income-tax (Intelligence and Criminal Investigation), with the prior approval of the CBDT.

- The information verified as above, shall be sent back electronically in the form of a preliminary verification report for verification to the Commissioner of Income-tax (e-Verification).
- The Commissioner of Income-tax (e-Verification) shall match the preliminary verification report with the information in the return of income of the respective taxpayer, where such return is available electronically and prepare a final verification report.
- Based on the final verification report, the information found to be low risk in accordance with the criteria approved by the CBDT shall be considered for closure.
- The remaining information in the form of final verification report shall be processed as follows:
 - If the information pertains to a pending scrutiny assessment, it shall be made available electronically to the Faceless AO or Jurisdictional AO.
 - If it does not pertain to a pending scrutiny assessment, it shall be utilised for further necessary action in accordance with the provisions of the Act.

Random Allocation of information

The Principal Director General of Income-tax (Systems) or the Director General of Income-tax (Systems), shall, with the approval of CBDT, devise a process to randomly allocate or transfer the information, as may be prescribed, to the Prescribed Authority.

Issue and service of notice

For the purpose of verification of information, the Prescribed Authority shall issue notice to a person requiring him to furnish information or documents as necessary for such verification. The notice shall be issued under digital signature of the Prescribed Authority. The information or documents as may be called shall be furnished on or before the date specified in the notice or as extended by the Prescribed Authority on the request made by the person.

Response to notice

The Director General of Income-tax (Systems) shall in consultation with the Director General of Income-tax (Intelligence and Criminal Investigation) shall specify the procedure, formats and standards for furnishing response to the notices and may specify a machine-readable structured format for furnishing the information or documents by the person in response to the notice issued.

No personal appearance

No person shall be required to appear personally or through authorised representative before the Prescribed Authority in connection with any proceedings. In exceptional cases, where personal appearance is requested by such person, the Prescribed Authority may allow personal appearance through video conferencing or video telephony, to the extent technologically feasible.

Communication exclusively by electronic mode

- All communications between the Commissioner of Income-tax (e-Verification) and various authorities from whom the information is received, shall be in the electronic mode
- All communications between the Commissioner of Income-tax (e-Verification) and the Director General of Income-tax (Intelligence and Criminal Investigation), shall be in the electronic mode
- Every notice or any other communication under this Scheme from the Prescribed Authority shall be delivered to the person or his authorised representative electronically, to the extent technologically feasible
- The person or the authorised representative shall furnish his response to any notice or any other electronic communication, under this Scheme, to the Prescribed Authority electronically, to the extent technologically feasible
- All communications between the Commissioner of Income-tax (e-Verification) and the Faceless AO or the Jurisdictional AO shall be conducted through the Principal Director General of Income-tax (Systems) or the Director General of Income-tax (Systems), as the case may be.

Authentication of electronic record

For the purposes of this Scheme, an electronic record shall be authenticated by the:

- Commissioner of Income-tax (e-Verification) or the Prescribed Authority by affixing its digital signature
- Person or his authorised representative, by affixing his digital signature if he is required under the rules to furnish his return of income under digital signature, and in any other case, by communicating through his registered e-mail address.

Power to specify procedure and processes

- The Director General of Income-tax (Intelligence and Criminal Investigation) shall, with the approval of the CBDT, specify from time to time, procedures and processes for effective implementation and functioning of this Scheme, with respect to the following matters:
 - Standard Operating Procedures (SOPs) and techniques of verification to be followed, by the prescribed authorities while verifying such information
 - Managing administration functions such as receipt, scanning, data entry, storage and retrieval of information and documents in a centralised manner
 - Grievance redressal mechanism for handling grievances under the Directorate of Income-tax (Intelligence and Criminal Investigation).
- The Director General of Income-tax (Systems) shall, with the approval of the CBDT, specify from time to time, procedures and processes for effective implementation and functioning of the Scheme, with respect to the following matters:
 - Mode and format for issue of acknowledgment of the response furnished by the addressee
 - Provision of web portal facility including login facility, tracking status of verification, display of relevant details, and facility of download
 - Call centre to answer queries and provide support services, including outbound calls and inbound calls seeking information or clarification.

Our comments

Introduction of e-verification Scheme, 2021 is another step of government towards faceless mechanism under the income-tax regime.

Under this Scheme no person shall be required to appear personally or through authorised representative before the Prescribed Authority in connection with any proceedings for collection of information. In exceptional cases, where personal appearance is requested by such person, the Prescribed Authority may allow personal appearance through video conferencing or video telephony.

All communications between the tax department and with the person from whom information sought to be collected will be conducted in the electronic mode.

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