

Chapter-heads



	PAGE
<i>Acknowledgement</i>	I-5
<i>Preface to Fourth Edition</i>	I-7
<i>About the Book</i>	I-9
<i>About the Author</i>	I-11
<i>Contents</i>	I-19

DIVISION ONE **FACELESS ASSESSMENTS**

Chapter 1

- ◆ Faceless Taxation Regime Enters Legislature 3

Chapter 2

- ◆ Personal Hearing via Video Conferencing in Faceless Assessments 32

Chapter 3

- ◆ Practical Guide to Faceless Assessments 40

Chapter 4

- ◆ Practical Case Study on 'Faceless Assessment' under section 143: Receipt of Share Capital/Share Premium 80

Chapter 5

- ◆ Practical Case Study on 'Faceless Assessment' under section 143: Long Term Capital Gain on Penny Stocks 103

Chapter 6

- ◆ Practical Case Study on Faceless Assessment under section 143 : Disallowance under section 14A read with rule 8D 115

Chapter 7

- ◆ Practical Case Study on 'Faceless Assessment' under section 143: Disallowance of pre-commencement business expenditure 125

Chapter 8

- ◆ Practical Case Study on Faceless Assessment under section 143 : Taxability of Compensation received under RCTLARR Act, 2013 138

Chapter 9

- ◆ Practical Case Study on Faceless Assessment under section 143 : Revenue Recognition & Expenditure Booking in Real Estate Business 148

Chapter 10

- ◆ Practical Case Study on Faceless Assessment under section 147 : Bogus Purchase Entries 157

Chapter 11

- ◆ Practical Case Study on Faceless Assessment under section 147 : Seized Diary/Loose Sheets 178

Chapter 12

- ◆ Practical Case Study on Faceless Assessment under section 147 : Annual Information Return (AIR) 186

Chapter 13

- ◆ Practical Case Study on Faceless Assessment under section 147 : Information from Investigation Wing 198

Chapter 14

- ◆ Practical Case Study on Faceless Assessment under section 147 : Cash Deposits during Demonetisation 208

Chapter 15

- ◆ Practical Case Study on Faceless Assessment under section 147 : Valuation of Shares u/s 56(2) 215

Chapter 16

- ◆ Practical Guide to e-Filing of rectification application u/s 154 & e-response to outstanding Income-tax demand 220

Chapter 17

- ◆ Decoding Lesser Known Nuances of 'Faceless Assessment Scheme, 2019' 241

Chapter 18

- ◆ Faceless Assessments : Few Critical Suggestions to Make them Flawless 248

Chapter 19

- ◆ International Best Practices & Indian Tax Administration 258

Chapter 20

- ◆ FAQs on Faceless Assessments 273

Chapter 21

- ◆ Key takeaways of SOPs issued by NeAC for Faceless Assessments 293

Chapter 22

- ◆ New Faceless regime as per 'The Taxation Amendment Act, 2020' 310

DIVISION TWO
FACELESS APPEALS

Chapter 23

- ◆ Faceless Appeals: One more step towards Digital Tax Administration!! 323

Chapter 24

- ◆ Decoding Faceless Appeal Scheme, 2020 331

Chapter 25

- ◆ Practical Guide to Faceless Appeals 350

Chapter 26

- ◆ Key Takeaways from Deliberations of Sr. Income Tax Department Dignitaries on Faceless Assessments & Appeals 378

Chapter 27

- ◆ Practical Case Study on Faceless Appeals: Addition in respect of Foreign Bank Account 393

Chapter 28

- ◆ Practical Case Study on Faceless Appeals: Information from Another IT Authority 412

Chapter 29

- ◆ Practical Case Study on Faceless Appeals: Admission of Additional Evidence 423

Chapter 30

- ◆ Practical Case Study on Faceless Appeals: Cash Deposits During Demonetisation 444

Chapter 31

- ◆ Practical Case Study on Faceless Appeals: AO's Treatment of Business Rental Income as Income from House Property 456

Chapter 32

- ◆ Practical Case Study on Faceless Appeals: Challenge to Revisionary Order u/s 263 462

Chapter 33

- ◆ Practical Case Study on Faceless Appeals: TDS on Transmission & Wheeling Charges 468

Chapter 34

- ◆ Practical Case Study on Faceless Appeals: Challenge to Rectification Order u/s 154 479

Chapter 35

- ◆ Decoding the New Rules of Penalty Shoot-out: Faceless Penalty Scheme 2021!! 487

Chapter 36

- ◆ Final Fact-Finding Appellate Authority ITAT Also Going Faceless w.e.f. 1.4.2021 510

Chapter 37

- ◆ Faceless Taxation Regime & Audi Alteram Partem 514

APPENDICES

- ◆ RELEVANT PROVISIONS OF INCOME-TAX ACT 525
- ◆ PRESCRIBED INCOME-TAX AUTHORITIES/NATIONAL & REGIONAL ASSESSMENT CENTRES FOR FACELESS ASSESSMENT 562
- ◆ CLARIFICATIONS UNDER SECTION 144B [FACELESS ASSESSMENT] 568
- ◆ FACELESS APPEAL SCHEME, 2020 581
- ◆ DIRECTIONS TO GIVE EFFECT TO FACELESS APPEAL SCHEME, 2020 596
- ◆ PRESCRIBED NATIONAL/REGIONAL FACELESS APPEAL CENTRE 608
- ◆ FACELESS PENALTY SCHEME, 2021 624
- ◆ DIRECTIONS TO GIVE EFFECT TO FACELESS PENALTY SCHEME, 2021 636
- ◆ CLARIFICATION AND GUIDANCE UNDER FACELESS PENALTY SCHEME 644

Contents



	PAGE
<i>Acknowledgement</i>	I-5
<i>Preface to Fourth Edition</i>	I-7
<i>About the Book</i>	I-9
<i>About the Author</i>	I-11
<i>Chapter-heads</i>	I-13

DIVISION ONE **FACELESS ASSESSMENTS**

1

FACELESS TAXATION REGIME ENTERS LEGISLATURE

1.1	Taxalogue - An open tax dialogue with my beloved readers!!	3
1.2	The New Face of Faceless Assessments	4
1.3	New Faceless Regime as envisaged in 'The Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020'	5
1.4	CBDT Notifications on faceless assessments u/s 144B	7
1.4-1	Order F. No. 187/3/2020-ITA-1, dated 31-3-2021	7
1.4-2	Notification Nos. 23/2021; 24/2021 & 25/2021, dated 31.3.2021	7
1.4-3	CBDT Order u/s 119 to Substitute NeAC by NaFAC in all Notices w.e.f. 1.4.2021	8
1.5	Key Characteristics of New Regime of faceless Assessments	8
1.6	Difference between traditional e-proceedings assessments & new faceless assessments u/s 144B of Income-tax Act	9
1.7	Procedure and Manner of Conducting of Faceless Assessments	12

	PAGE	
1.8	Restructuring and Re-organisation of Income Tax Department	19
1.9	Mode and Manner of Interface/Communication	20
1.10	Authentication of Electronic Record	21
1.11	Manner and Mode of Service of Assessment Notice & Order	21
1.12	No Personal Visits or Appearances	22
1.13	Personal Hearings through Video Conferencing in Specified Circumstances	22
1.14	Power to Lay down Standards, Procedures and Processes under Faceless Assessment Regime	23
1.15	Transfer of the Cases to Jurisdictional Assessing Officer	24
1.16	Assessments to be considered <i>non est</i> if not made in accordance with procedure laid down in section 144B	24
1.17	Key Definitions	24
1.18	Pictorial Representation of Comparison between Manual Mode of Assessments and Faceless Assessments u/s 144B	27
1.19	The Functional Classification of the different Assessment Units in the new 'Faceless Assessments Ecosystem'	28
1.20	Faceless Assessments: Organisational Structure	29
1.21	Recent Recommendations of the 'Task Force' on 'Direct Tax Code' and 'Tax Administration Reforms'	29
1.22	Concluding Remarks	30

2

PERSONAL HEARING VIA VIDEO CONFERENCING IN FACELESS ASSESSMENTS

2.1	Personal Hearing through Video Conferencing (VC) in Specified Cases in Faceless Assessments	32
2.2	FAQs on the Manner & Mode of Seeking Opportunity of Personal Hearing through Video Conferencing (VC)	33
2.3	FAQs - on 'Seek adjournment'	39A

3

PRACTICAL GUIDE TO FACELESS ASSESSMENTS

3.1	Faceless assessments regime u/s 144B of the Income- tax Act	40
3.2	Document Identification Number	41

	PAGE
3.2-1 Procedure for Authenticating all Notices/ Requisitions/Letters/Orders received from Income Tax Department using DIN	41
3.3 Points of distinction between the existing assessments being conducted through the 'e-Proceedings' functionality and the assessments to be conducted under the 'Faceless Assessment Scheme, 2019', in Practical Terms	44
3.4 Step by Step Guide to 'faceless assessment proceedings' under sections 143(3), 144 and 147	45
3.4-1 Faceless Assessment Proceedings under section 143(3)	47
3.4-2 Faceless Assessment Proceedings under section 147 of the Act (Income Escaping Assessment)	64
3.4-3 e-Proceedings under section 143(1)	73
3.5 Practical Case Studies on Faceless assessments under section 143 & section 147 of the Act	78

4

PRACTICAL CASE STUDY ON 'FACELESS ASSESSMENT' UNDER SECTION 143: RECEIPT OF SHARE CAPITAL/ SHARE PREMIUM

4.1 Case Study on Issue of Receipt of Share Capital/Share Premium Money under sections 68 & 56(2)	80
--	----

5

PRACTICAL CASE STUDY ON 'FACELESS ASSESSMENT' UNDER SECTION 143: LONG TERM CAPITAL GAIN ON PENNY STOCKS

5.1 Case Study on Issue of Long-term Capital Gains on Sale of Penny Stocks under section 10(38)	103
--	-----

6

PRACTICAL CASE STUDY ON FACELESS ASSESSMENT UNDER SECTION 143 : DISALLOWANCE UNDER SECTION 14A READ WITH RULE 8D

6.1 Case Study on Issue of Disallowance of Expenditure incurred in earning Exempt Income under section 14A read with Rule 8D	115
--	-----

7

**PRACTICAL CASE STUDY ON 'FACELESS
ASSESSMENT' UNDER SECTION 143 :
DISALLOWANCE OF PRE-COMMENCEMENT
BUSINESS EXPENDITURE**

- 7.1** Case Study on Issue of Disallowance of Expenditure incurred Prior to Commencement of Business/Commercial Production 125

8

**PRACTICAL CASE STUDY ON FACELESS
ASSESSMENT UNDER SECTION 143 : TAXA-
BILITY OF COMPENSATION RECEIVED
UNDER RFCTLARR ACT, 2013**

- 8.1** Case Study on Issue of Claim of Exemption of Compensation received towards Compulsory Acquisition of Land under Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (RFCTLARR Act) 138

9

**PRACTICAL CASE STUDY ON FACELESS
ASSESSMENT UNDER SECTION 143 : REVENUE
RECOGNITION & EXPENDITURE BOOKING
IN REAL ESTATE BUSINESS**

- 9.1** Case Study on Issue of Accounting for Revenue Recognition & Expenditure Booking in Real Estate Business 148

10

**PRACTICAL CASE STUDY ON FACELESS
ASSESSMENT UNDER SECTION 147 :
BOGUS PURCHASE ENTRIES**

- 10.1** Case Study on Reopening of Already Concluded Assessment under section 147/148 on account of Bogus/Accommodation Purchase Entries 157

11**PRACTICAL CASE STUDY ON FACELESS
ASSESSMENT UNDER SECTION 147 :
SEIZED DIARY/LOOSE SHEETS**

- 11.1** Case Study on the issue of reopening of already concluded assessment on account of alleged non-disclosure of expenditure/income in the books of account on the basis of some loose papers/diary seized during the course of survey 178

12**PRACTICAL CASE STUDY ON FACELESS
ASSESSMENT UNDER SECTION 147 :
ANNUAL INFORMATION RETURN (AIR)**

- 12.1** Case Study on Reopening of the Already Concluded Assessment under section 147 of the Act based on Annual Information Return (AIR) 186

13**PRACTICAL CASE STUDY ON FACELESS
ASSESSMENT UNDER SECTION 147 :
INFORMATION FROM INVESTIGATION WING**

- 13.1** Case Study on Reopening of already concluded assessment based on information of Suspicious Transactions (STR) received from Investigation Wing 198

14**PRACTICAL CASE STUDY ON FACELESS
ASSESSMENT UNDER SECTION 147 :
CASH DEPOSITS DURING DEMONETISATION**

- 14.1** Case Study on Reopening of already concluded assessment pertaining to cash deposits during demonetisation period 208

15**PRACTICAL CASE STUDY ON FACELESS
ASSESSMENT UNDER SECTION 147 :
VALUATION OF SHARES U/S 56(2)**

- 15.1** Case Study on Reopening of already concluded assessment pertaining to valuation of shares u/s 56(2) 215

16**PRACTICAL GUIDE TO E-FILING OF RECTIFICATION
APPLICATION U/S 154 & E-RESPONSE TO
OUTSTANDING INCOME-TAX DEMAND**

- 16.1** Practical Guide to 'E-filing' of rectification application u/s 154 of the Act & 'e-response' to outstanding income-tax demand 220
- 16.2** Reconciliation between Returned Income & Return Reflected under section 143(1) 221
- 16.3** The practical gateways of 'mini-e-assessments' 222
- 16.3.1** 'e-filing' of request for rectification of mistake apparent from record under section 154 of the Income-tax Act 222
- 16.3.2** Filing Online Responses to Outstanding Income-tax Demand 230

17**DECODING LESSER KNOWN NUANCES OF
'FACELESS ASSESSMENT SCHEME, 2019'**

- 17.1** Introduction 241
- 17.2** Lesser Known Nuances & Litigative Issues of 'Faceless Assessments' 241
- 17.3** Concluding Remarks 247

18**FACELESS ASSESSMENTS : FEW CRITICAL
SUGGESTIONS TO MAKE THEM FLAWLESS**

- 18.1** Faceless Assessments : Few critical suggestions to make them flawless 248
- 18.2** Concluding remarks 257

19**INTERNATIONAL BEST PRACTICES &
INDIAN TAX ADMINISTRATION**

19.1	The Changing Landscape of Tax Administration: Global Trends	258
19.2	Digital Transformation of Tax Administrations World-Wide	260
19.3	International Best Practices concerning Digital Transformation of the Tax Administrations	261
19.4	Country Specific International Best Practices in Tax Administration	262
19.5	Digitalisation of Indian Tax Administration	267
19.5-1	Where Does Indian Tax Administration Stands in Comparison to International Best Practices?	267
19.5-2	The Key Technology Oriented Initiatives being introduced and implemented in the Indian Income-tax Administration System	268

20**FAQs ON FACELESS ASSESSMENTS**

20.1	'Frequently Asked Questions' (FAQs) on 'Faceless Assessments'	273
-------------	---	-----

21**KEY TAKEAWAYS OF SOPs ISSUED BY NeAC
FOR FACELESS ASSESSMENTS**

21.1	Key Takeways of SOPs Issued by NeAC for Faceless Assessments	293
-------------	--	-----

22**NEW FACELESS REGIME AS PER 'THE
TAXATION AMENDMENT ACT, 2020'**

22.1	New Faceless Regime as envisaged in 'The Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020'	310
-------------	--	-----

DIVISION TWO
FACELESS APPEALS

23

**FACELESS APPEALS: ONE MORE STEP TOWARDS
DIGITAL TAX ADMINISTRATION!!**

23.1	New Era of Faceless Appeals	323
23.2	Insertion of enabling legislative provisions	323
23.3	Launch of new Faceless Appeal Scheme, 2020	324
23.4	Difference between conventional appeals before CIT (Appeals) & Faceless Appeals under Faceless Appeal Scheme, 2020	325

24

DECODING FACELESS APPEAL SCHEME, 2020

24.1	Insertion of the new Faceless Appeal Scheme, 2020 by the Legislature	331
24.2	Key Definitions under Faceless Appeal Scheme, 2020	331
24.3	The New Faceless Appeals Hierarchy	333
24.4	Faceless Appeals Eco-system under the new Faceless Appeal Scheme, 2020	335
24.5	Procedure of Appellate Proceedings under Faceless Appeal Scheme, 2020	336
24.6	Exchange & Mode of Communication	343
24.7	Rectification Proceedings	344
24.8	Penalty Proceedings	345
24.9	Manner & Mode of Appeal to Next Higher Appellate Level of ITAT	346
24.10	Authentication of electronic record	346
24.11	Delivery of electronic record	347
24.12	No Personal Appearance in the Centres or Units	347
24.13	Power to specify format, mode, procedure and processes	348

25

PRACTICAL GUIDE TO FACELESS APPEALS

25.1	Step by Step guide to file e-appeal in online Form 35 through e-Filing Portal	350
-------------	---	-----

	PAGE
25.2 Step by Step guide to faceless appeals proceedings after e-Filing Form 35	364

26

KEY TAKEAWAYS FROM DELIBERATIONS OF SR. INCOME TAX DEPARTMENT DIGNITARIES ON FACELESS ASSESSMENTS & APPEALS

26.1 Snapshot of the recently Conducted Webinar by Taxmann, India research Forum & income tax department on faceless assessments & faceless appeals on 20-10-2020	378
---	-----

27

PRACTICAL CASE STUDY ON FACELESS APPEALS: ADDITION IN RESPECT OF FOREIGN BANK ACCOUNT

27.1 Case study on appeal representation in respect of addition in respect of foreign bank account	393
27.2 Step by Step Guide to Uploading Electronic Appeal Submission under the Faceless Appeal Scheme, 2020, concerning addition being made in Re-assessment Order, on account of existence of an Undisclosed Foreign Bank Account	394

28

PRACTICAL CASE STUDY ON FACELESS APPEALS: INFORMATION FROM ANOTHER IT AUTHORITY

28.1 Case study on appeal representation on addition based on information received from another income tax authority	412
--	-----

29

PRACTICAL CASE STUDY ON FACELESS APPEALS: ADMISSION OF ADDITIONAL EVIDENCE

29.1 Case study on appeal representation on admission of additional evidence under rule 46A read with section 250(4)	423
--	-----

30**PRACTICAL CASE STUDY ON FACELESS APPEALS:
CASH DEPOSITS DURING DEMONETISATION**

- 30.1** Case study on appeal representation on addition on account of cash deposits during demonetisation 444

31**PRACTICAL CASE STUDY ON FACELESS APPEALS:
AO'S TREATMENT OF BUSINESS RENTAL INCOME AS
INCOME FROM HOUSE PROPERTY**

- 31.1** Case study on appeal representation on addition on account of treating business rental income as income from house property 456

32**PRACTICAL CASE STUDY ON FACELESS APPEALS:
CHALLENGE TO REVISIONARY ORDER U/S 263**

- 32.1** Case study on appeal representation in respect of challenge to revisionary order passed by CIT u/s 263 462

33**PRACTICAL CASE STUDY ON FACELESS APPEALS:
TDS ON TRANSMISSION & WHEELING CHARGES**

- 33.1** Case study on appeal representation in respect of order u/s 201/201(1A) in respect of TDS on transmission and wheeling charges 468

34**PRACTICAL CASE STUDY ON FACELESS APPEALS:
CHALLENGE TO RECTIFICATION ORDER U/S 154**

- 34.1** Case study on appeal representation in respect of challenge to rectification order u/s 154 479

35**DECODING THE NEW RULES OF PENALTY SHOOT-OUT:
FACELESS PENALTY SCHEME 2021!!**

35.1	Learning the New Rules of the Penalty Shoot-out Game	487
35.2	Faceless Penalty Scheme, 2021, Decoded	487
35.3	Launch of Faceless Penalty Scheme, 2021	488
35.4	Key Definitions	488
35.5	Difference between Conventional Penalty Proceedings & Faceless Penalty Proceedings under Faceless Penalty Scheme, 2021	491
35.6	The New Faceless Penalty Proceedings Hierarchy	497
35.7	Procedure of Penalty Proceedings under Faceless Penalty Scheme, 2021	498
	35.7-1 Procedure in penalty	499
35.8	Rectification Proceedings	503
35.9	Appellate Proceedings	504
35.10	Exchange of communication exclusively by electronic mode	504
35.11	Authentication of Electronic Record	504
35.12	Delivery of Electronic Record	505
35.13	No Personal Appearance in the Centres or Units	505
35.14	Power to specify format, mode, procedure and processes	506
35.15	Handy Practical Considerations in Faceless Penalty Regime	507
35.16	Few Critical Suggestions to Make Faceless Penalty Scheme, 2021, Flawless	507
35.17	Concluding Remarks	509

36**FINAL FACT-FINDING APPELLATE AUTHORITY
ITAT ALSO GOING FACELESS W.E.F. 1.4.2021**

36.1	Final Fact-Finding Appellate Authority ITAT Also Going Faceless w.e.f. 1.4.2021	510
36.2	The Explanatory Memorandum to Finance Bill, 2021	511

	PAGE
36.3 The Seed Thought	511
36.4 Enactment of Enabling Legislative Provisions	512
36.5 Some Critical Issues Warranting Immediate Concern of Legislative Authorities	512

37

FACELESS TAXATION REGIME & AUDI ALTERAM PARTEM

37.1 <i>Audi Alteram Partem</i> (Hear the Other Side)	514
37.2 Essential Ingredients of <i>Audi Alteram Partem</i>	514
37.3 Faceless Tax Administration Regime & ' <i>Audi Alteram Partem</i> '	515
37.3-1 ' <i>Audi Alteram Partem</i> ' & Faceless Assessments	516
37.3-2 ' <i>Audi Alteram Partem</i> ' & Faceless Appeals	518
37.3-3 ' <i>Audi Alteram Partem</i> ' & Faceless Penalty	520
37.4 Concluding Remarks	521

APPENDICES

◆ RELEVANT PROVISIONS OF INCOME-TAX ACT	525
◆ PRESCRIBED INCOME-TAX AUTHORITIES/NATIONAL & REGIONAL ASSESSMENT CENTRES FOR FACELESS ASSESSMENT	562
◆ CLARIFICATIONS UNDER SECTION 144B [FACELESS ASSESSMENT]	568
◆ FACELESS APPEAL SCHEME, 2020	581
◆ DIRECTIONS TO GIVE EFFECT TO FACELESS APPEAL SCHEME, 2020	596
◆ PRESCRIBED NATIONAL/REGIONAL FACELESS APPEAL CENTRE	608
◆ FACELESS PENALTY SCHEME, 2021	624
◆ DIRECTIONS TO GIVE EFFECT TO FACELESS PENALTY SCHEME, 2021	636
◆ CLARIFICATION AND GUIDANCE UNDER FACELESS PENALTY SCHEME	644