

## Faceless Assessment Under the Indian Income-Tax Regime: A Taxpayer-Centric Perspective on Approaches, Challenges and Solutions

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### Abstract

The Faceless Assessment Scheme, covered under Section 144B of the Income-tax Act, 1961, represents drastic digital and e governance reform aimed at enhancing time bound assessment, transparency, objectivity and efficiency in India's direct tax administration. From a taxpayer's standpoint, however, the transition from traditional scrutiny to an entirely electronic assessment demands significant procedural preparedness and digital adaptability. This paper evaluates the issues faced by taxpayers and proposes a structured approach for effectively managing faceless assessments. The Study highlights common taxpayer-side concerns such as size and number of submissions, standard and extensive questionnaire, system-generated mismatches, limited time for response, and reliance on automated risk parameters that may not fully reflect facts and realities. The analysis further identifies emerging challenges such as restricted interpersonal interaction, technical glitches, and inadequate acknowledgement of detailed replies within the workflow. The paper examines rules, regulations, statutory guidelines, CBDT circulars and recent judicial interventions that directly impact taxpayer rights, including the principles of natural justice, opportunity for personal hearing, consideration of evidence and technical fairness. A practical taxpayer-oriented framework is developed, emphasising readiness through robust documentation, reconciliations, disciplined maintenance of digital records, and timely upload of structured submissions supported by verifiable evidence. The paper also proposes strategic response techniques, including issue-wise tabulation, factual substantiation, legal positioning, and escalation mechanisms where procedural irregularities arise. Recommendations are provided to strengthen taxpayer experience, including improved interface functionality, wider use of video hearings, extended response windows, and clarity in communication.

Overall, the paper equips taxpayers with actionable insights to navigate faceless assessments effectively while ensuring procedural compliance and safeguarding statutory rights

**Keywords:** Faceless Assessment, Income Tax Act, Efficient and Effective Assessment, Natural Justice, Taxpayer Rights, Electronic Proceedings, CBDT, Scrutiny Management, India Tax Department.

### Introduction:

Faceless assessment under Income Tax Act 1961 [ herein after referred as "the act"] means assessment carried out as per section 144B (Sitharaman, 2020) of the Act. Under the new Income Tax Act, 2025 which will be effective April 1, 2026, faceless assessment is governed by Clause 273 of the new Tax Bill. This provision institutionalizes the faceless regime, continuing the framework of assessment, reassessment, or recomputation via electronic means through a National Faceless Assessment Centre [ herein after referred as "NFAC"]. The Faceless assessment can be understood as a mandate for the income tax payer to reply the queries , reply and submit the details required for assessment procedures with the help of electric mode through which the income tax payer need not interact or face any official in person (Finzo, 2022). The Taxpayer is not aware about the details of the assessing officer who is conducting the faceless assessment. The faceless assessment was launch by the Government of India on 13<sup>th</sup> of August 2020 (Manrulkar & et al, 2021). Income Tax is the revenue for Union Government, which is levied on the Income earned by the persons as per the act. The step to derive income and tax liability assessed of the person is known as "procedure for assessment", this process is enumerated in Chapter XIV covering section 139 to section 158 of the Act (Income Tax Act, 1961). Till 2020, assessment under the act was manual with many challenges and hurdles. Post 2020, the act had provision of Faceless Assessment. Faceless Assessment is assessment where the person or the assessee and the AO do not meet face to face (Arolkar & et al, 2022-23). Faceless Assessment has claimed to help in accomplishing the Taxpayers Charter whereby the Income Tax Department is committed to-provide fair, courteous, and reasonable treatment. India is pioneer in introducing the faceless assessment process whereas major developed countries are still following face to face assessment procedures (Vasal, Sawhney, & Shah, 2020).

### **Aim and Objective of the Study:**

The aim of this paper is to analyze the objective compliance and challenges faced by the taxpayer while undergoing faceless assessment and to formulate and identify the problems. Faceless assessment is initiated to benefit the taxpayers on aspects like reducing hardship by less face-to-face interaction, eliminating travel time, no waiting time, less harassment, less humiliation, less corruption, fairness, more accountability, better justice. Denial of Principle of Natural Justice – Article 21 of Constitution of India says, every proceeding/ procedural must be reasonable, fair and equitable (Manrulkar & et al, 2021).

Thus, the Objectives are:

- To identify if there are significant challenges and problems of technical, procedural and conceptual nature in Faceless Assessment from taxpayers.
- To identify the measures taken by the Central Board of Direct Taxes (CBDT) for the effective and efficient assessment has served the purpose.
- To provide recommendations for Tax Payers as well as the Income Tax Department for error free and dispute less Faceless Assessment.

### **Literature Review:**

1. The policy intent for faceless assessment emerged from Vision 2020 (Income Tax Department, 2011), which emphasized e-governance and non-intrusive tax administration. The report highlighted the need for robust IT infrastructure and reduction of taxpayer hardship, but did not address procedural safeguards or grievance redressal mechanisms.
2. The Union Budget 2019-20 (Sitharaman, 2019) formally introduced faceless assessment to enhance compliance and transparency. Subsequent legislative backing was provided through the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 (Sitharaman, 2020). These measures focused on statutory restructuring but revealed gaps in alternative assessment procedures and grievance handling frameworks.
3. Professional literature expanded on operational dimensions. Manrulkar et al. (2021) and Raghavan (2021) examined procedural architecture and communication protocols, identifying deficiencies in authorization matrices and taxpayer interaction. Bavishi (2021) and Agarwal (2023) further observed that while faceless assessment reduced physical interface, problem-resolution mechanisms remained fragmented.
4. Empirical and policy-oriented studies such as the Receipt Budget 2023-24 (Ministry of Finance, 2023) provided revenue comparisons but failed to isolate the impact of faceless assessment quantitatively. Gargieya & Gargieya (2022) and Abrol (2022) highlighted operational SOPs under section 144B, stressing the absence of structured deviation controls and officer training modules.
5. Recent scholarship (Jalan, 2022; Sitaraman, 2023; Jain, 2020; Chauhan, 2021) emphasized time-bound assessments and taxpayer charter principles. However, recurring gaps persist regarding conflict resolution timelines, grievance escalation, and consistency in procedural application.

### **Methodology for Research Design:**

The study adopts a descriptive analytical design using:

Secondary legal and professional literature available on governmental portal, official websites, laws and rules, material published on open-source platforms.

Primary data via structured questionnaire (n = 63 taxpayers and professionals). Likert scale (1–5) responses were analysed using mean score interpretation. The structured questionnaire was circulated through google form and the response were collected from tax payers and chartered accountants who represents the tax payers

### **Result:**

The findings indicate that taxpayers experience significant procedural, technical, and communication-related challenges under the Faceless Assessment Scheme. Major concerns relate to short response timelines, limited opportunity for effective hearing, and repeated requisition of documents already available on the portal.

Technological constraints such as portal instability, document size limits, and non-integration of prior filings increase compliance burden and risk of adverse inference.

Further as per Primary data having questions pertaining to the challenges faced by the tax payers and their representative chartered accountants resulted as follows:

| Dimension                       | Mean Score  |
|---------------------------------|-------------|
| Online submission is tedious    | <b>4.25</b> |
| Portal complexity               | <b>4.03</b> |
| File size limits problematic    | <b>4.00</b> |
| Format restrictions problematic | <b>4.11</b> |
| Need for defined grievance TAT  | <b>4.05</b> |
| Right to update submissions     | <b>4.16</b> |
| Scope of representation clarity | 3.46        |
| Multiple ARs allowed            | 3.65        |

**Key Findings:**

- Strong agreement that technical constraints increase compliance burden.
- Moderate agreement that roles and scope are clearly defined.
- High concern about grievance redressal timelines and submission rigidity.
- Limitations for uploading the data and documentations.

**Discussion:**

The results corroborate literature indicating that while faceless assessment reduces physical interface, it increases procedural rigidity and process limitations. Taxpayers perceive dilution of right for natural justice and procedural fairness due to limited interaction and algorithm-driven queries.

Faceless assessment enhances transparency and administrative efficiency but remains incomplete from a taxpayer perspective. The system currently prioritizes process automation through e-governance over participative justice.

Without strengthened grievance redressal, integrated data usage and flexible hearing mechanisms, digital efficiency risks becoming procedural rigidity. Long-term legitimacy requires embedding fairness into technology

As e governance and compliance for taxation activity accelerate, challenges or problems or hurdles to the various stakeholders will become inevitable. It's the requirement of time that stakeholders in India need become more techno savvy and law literate.

The paper develops a taxpayer-oriented response strategy emphasising documentation discipline, reconciliations, structured replies and timely escalation where procedural irregularities arise. Policy recommendations include enhanced portal integration, wider use of video hearings, defined turnaround times for grievances and clearer communication protocols.

High mean scores (>4) for portal constraints demonstrate that technological design directly affects substantive justice. Procedural compliance is increasingly mechanical, risking adverse inference despite factual correctness.

Thus, efficiency gains must be balanced with interpretative flexibility and structured communication.

**Conclusion:**

Primary data obtained through a structured questionnaire (n = 63) indicates that taxpayers experience difficulty in document submission, short response timelines, repetitive information requests and limited opportunity for meaningful interaction. Respondents strongly agreed that portal constraints, file size limits and rigid formats increase compliance burden (mean scores > 4.0). The study further identifies concerns regarding procedural fairness and partial dilution of natural justice due to automated risk parameters and absence of personal hearings in complex matters.

From a taxpayer perspective, the reform alters compliance behaviour, replacing oral explanations with structured digital submissions. While aligned with the Taxpayers' Charter objectives of fairness and efficiency, the scheme raises concerns regarding procedural justice, technological dependence and interpretative rigidity in complex factual cases.

The study concludes that while faceless assessment improves administrative efficiency, its legitimacy depends on embedding fairness, flexibility and responsive grievance redressal into digital tax governance.

**Limitation:**

- Sample size is limited and region-specific.
- Sector-wise taxpayer classification not undertaken.
- Judicial outcome-based validation not covered.
- International comparison excluded.
- This study is not focused on any specific type of Assessee or tax payers

**Contribution and Recommendations of this Research Paper:**

Policy Recommendations (Taxpayer-Centric)

| Area          | Recommendation  |
|---------------|---|
| Technology    | Auto-integration of ITR, AIS and audit data, During submissions auto saving mode should be introduced. Proceeding sheet with reasoning. Technology should also offer Zip file to be uploaded. |
| Communication | Mandatory VC hearing for complex cases and physical service of notice should also be made mandatory.  |
| Procedure     | Reasonable statutory response period and extension and adjournment granting process needs to be liberal.  |
| Grievance     | Time-bound disposal with tracking needs to be incorporated along with reasons and resolutions.  |
| Submissions   | Right to revise responses and file size for submission and attachment fields need to be enhanced.   |

Provides empirical taxpayer-centric evidence on faceless assessment.

- Links digital governance with constitutional principles of natural justice.
- Bridges gap between statutory intent and taxpayer experience.

This study re-orientates evaluation of faceless assessment from revenue metrics to procedural fairness and compliance sustainability. Proposes practical, natural and actionable procedural reforms.

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