BE-AWARE OF TRANSPARENT TAXATION

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BEWARE OF TAX SCOPE

Honourable Prime Minister Narendra Modi, on 13th August 2020, launched a platform for **'Transparent Taxation'** for honoring the honest taxpayers. The platform brings in a transparent, efficient and accountable tax administration. It uses technology, Data Analytics and Artificial Intelligence.

Through the platform, the government aims to remove any physical interface between the taxpayer and the income tax department. The platform is a people-centric and public friendly initiative where the focus is on ***"minimum government, maximum governance"***. Also, taxpayers who are honest and prompt in complying with the income tax laws will be benefited. The platform will create awareness among the taxpayers and help them understand the tax reforms through timely professional assistance from the department. PM Modi, in his speech, continued to highlight the advantages of existing measures and went on to emphasize that NO Income Tax is charged on a net taxable income upto Rs. 5 Lakh and also stated that India is one of the lowest tax consuming countries in the globe concerning corporate taxation.

In the new system, the scope for wrong dealing, influence and harassment has now become zero. Needless litigation will also be reduced.

Honourable Prime Minister also stated that the goal is to make our system

- **Seamless:** focused on problem-solving rather than harassment
- **Painless:** everything is simple
- **Faceless:** No bearing who is taxpayer & tax officer

But the PM also said that the number of taxpayers is significantly low with only 1.5 Crore paying taxes in a country of 130 Crore people. He urged the people to come forward and pay taxes which are legitimately due on them to build an **'AtmaNirbharBharat'**.

The platform shall focus on:

1. Faceless Assessment Scheme
2. Faceless Appeals
3. Taxpayer's Charter

1. Faceless Assessment Scheme

It has come into effect from 13th of August' 2020. The main objective is to impart greater efficiency, transparency and accountability, i.e., *"Eliminating physical interface between the taxpayer & tax officers."*

Features:

- Selection only through system using data analytics & Artificial Intelligence
- Abolition of territorial jurisdiction
- Automated random allocation of cases
- Central issuance of notices with Document Identification Number (DIN)

- No physical interface/no need to visit income tax office
- Team-based assessments and review
- Draft assessment order in one city, review in another city & finalization in the third city

Advantages:

- Transparency & Efficiency
- No Human Interface
- Ease of compliance for taxpayers
- Improvement in quality of Assessment
- Expeditious Disposal of Cases
- Functional Specialization
- Speedy completion of cases

The CBDT has, on the same date, notified the amendments in the E-assessment Scheme, 2019 vide **Notification No. 61/2020/F.No. 370149/154/2019-TPL.**

Also, Officers of Investigation & Central Charges of Income-tax Department are directed to make electronic communication by CBDT vide **Notification No. F.No. 414/29/2020 – IT (Inv. I).**

Further, Jurisdiction of income-tax authorities have been defined under section 120 of the Income-tax Act, 1961. Following the implementation of faceless assessment to all taxpayers as announced by the PM Shri Narendra Modi, the Central Board of Direct Taxes (CBDT) has amended jurisdiction of various designation of the Income-tax Authorities.

Furthermore, the Central Board of Direct Taxes, in exercise of powers under section 119 of the IT Act, 1961 hereby directs that the officers posted in Directorates of Investigation (Investigation Wing) and Commissionerates of TDS, only and exclusively shall act as "Income-tax Authority" for the purposes of power of survey under section 133a of the Income-tax Act vide **Notification No. F.No. 187/3/2020-ITA-I**.

2. Faceless Appeals

The system is to be implemented from 25th September 2020. From this date, every appeal has to be faceless appeal.

Characteristics:

- Random allotment of Appeals to any officer in the country
- The identity of officers deciding appeal will remain unknown
- Electronic replies to ensure zero interface and no visit to department required
- Team based review before final order
- Fair and just order
- Greater transparency, accountability and efficiency
- The appellate decision will be Team-based.

But the above characteristics does not apply to all. Exceptions to appeals are the cases relating to:

- Serious frauds, Major Tax Evasion, Sensitive & Search Matters
- International Tax
- Black Money Act & Benami Property

3. <u>Taxpayer's Charter</u>

It is a historical document that contains the right of the taxpayer, it also contains obligations associated with these commitments.

The charter ensures:

- To provide fair, courteous, and reasonable treatment
- Treat taxpayer as honest
- To provide mechanism for appeal and review
- To provide complete and accurate information
- To provide timely decisions
- To collect the correct amount of tax
- To respect privacy of taxpayers
- To maintain confidentiality
- To hold its authorities accountable
- To enable representative of choice
- To provide mechanism to lodge complaint
- To provide a fair & just system
- To publish service standards & report periodically
- To reduce cost of compliance

In return, the government expects taxpayers to

- Be honest and compliant
- Be Informed
- Keep Accurate Records
- Know what representative does on his behalf
- Respond in time
- Pay on time

To sum up this, the government intends that: 'Every rule, regulation, and policy are being transferred from process and power centric approach to people-centric and public friendly.'

<u>Further, not only this, the citizens are supposed to be aware of the widening of the scope of tax by:</u>

A. Deduction or collection of tax TDS or TCS on new transactions:

- TDS on Cash withdrawal above Rs. 1 crore (in case of Non-filers limit is Rs. 20 lakh)
- TCS on motor vehicle above Rs. 10 Lakh
- TCS on Foreign remittance under LRS above Rs. 7.5 lakh/overseas tour packages
- TDS on e-commerce suppliers & TCS on purchase of goods above Rs. 50 Lakh

B. Expansion of scope of Reporting of transactions:

- Cash deposit or withdrawal of Rs. 50 lakh or more in current account
- Cash Deposit of above Rs. 10 lakh or more in non-current account
- Sale of foreign exchange above Rs. 10 lakh
- The reporting of transactions of mutual funds, credit card transactions, immovable property, etc. rationalized

C. Compulsory Filing of return:

- Deposit above Rs.1 crore in current account or
- Expenditure of above Rs. 2 lakh on foreign travel &
- Electricity consumption above Rs. 1 lakh

However, the government has also proposed measures for Widening of the tax base by expansion of scope of Reporting of transactions (SFT):

- Payment of educational fee or donations above Rs. 1 lakh per annum
- Electricity consumption above Rs. 1 lakh per annum
- Domestic business class air travel or foreign travel
- Payment to hotels above Rs. 20,000
- Purchase of Jewellery, white goods, painting, marble, etc. above Rs. 1 lakh
- Deposit or credits in current account above Rs. 50 lakh
- Deposit or credits in non-current account above Rs. 25 lakh
- Payment of property tax above Rs. 20,000 per annum
- Life Insurance premium above Rs. 50,000
- Health insurance premium above Rs. 20,000
- Share transactions /D-MAT accounts/Bank lockers

Conclusion:

The Government has launched a very assessee friendly scheme to avoid harassment and mental pressure but at the same time, communication skills through writing has become an important aspect here. Also, the taxpayers need to be aware of the documents being provided by them to the professional and in turn be aware of the replies being filed by the professional. At the same time, by widening of tax scope, taxpayers have to beware of the transactions being done by them throughout the year. In short, to sum up, I would like to quote ***“BEWARE and BE-AWARE”***