

ARTICLES

FINANCE BILL, 2021—TAX ADMINISTRATION

Radical Reforms in Tax Administration Driven by Digitalization

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The learned author summarises some of the amendment proposed by the Finance Bill, 2021 in the area of tax administration.

The current Financial Year (2020-21) has been truly a year of radical reforms in tax administration driven by digitalization. Earlier this year, the government had extended “Faceless E-Assessment Scheme” doing away with the decades old jurisdiction based localised tax assessments. The accelerated processing of tax returns and highest ever refunds issued this year are no minor accomplishments. The Union Budget 2021 has accelerated this process to improve tax administration and reduce tax compliances :

- It is proposed that time limit for re-opening of assessment proceedings shall be reduced to 3 years from 6 years from the end of the relevant assessment year. Only in cases, where there is evidence of concealment of Income of Rs. 50 lakhs or more, re-opening of assessment can be made upto 10 years and that also with prior approval of Pr.CCIT. This move would eliminate lot of uncertainty for the tax payers as the re-opening of the assessments was like a “hanging sword” and “finality” of tax assessments is an essential prerequisite for modern tax administration. This time limit is also in line with the global best practices which normally have a 3 to 5 years’ time limit.
- Reducing Litigation for small tax payers – It is proposed to constitute Faceless Dispute Resolution Panel for persons with Total Income upto Rs. 50 lakh and disputed income of Rs. 10 lakh. The said Panel shall be in line with existing Dispute Resolution Panel for International tax and Transfer pricing cases.
- Income Tax Appellate Tribunal shall become Faceless and only electronic communication will be done across the country. Opportunity for personal hearing may be granted through video conferencing’. One hopes that with this, we could have national Tribunals and uniformity of verdicts throughout India instead of the

current status where there may be divergent views on the same matter by different jurisdictional Tribunals.

- The last date for filing of belated or revised returns of income, as the case has been reduced by 3 months and now it can be filed three months before the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.
- Discontinuance of Income-tax Settlement Commission- It is proposed to discontinue Income-tax Settlement Commission (ITSC) with effect from 1-2-2021 and to constitute Interim Board of settlement for pending cases.
- Since the assessment procedure has been completely overhauled by the introduction of the Faceless Assessment Scheme, 2019, it has been proposed that the time limit for completion of assessment proceedings may be reduced further by three months. Thus the time for completing of assessment is proposed to be nine months from the end of the assessment year.