Budget Proposals

Direct tax proposals announced in the budget have been largely towards simplification, ease of doing business and digitization of tax administration.

- Moving ahead with Faceless Assessment, Appeals and Penalty scheme, there is a proposal to introduce Faceless Dispute Resolution Committee for small taxpayers with taxable income up to INR 5,000,000 and disputed income up to INR 1,000,000.

- With focus on digitization, Income Tax Appellate Tribunals are proposed to be faceless. A National Faceless Income Tax Appellate Tribunal Centre. All communication between the Tribunal and the appellant shall be electronic. Where personal hearing is needed, it shall be done through video conferencing.

- With a view to advance the objective of ease of doing business, time limit for re-opening of assessments has been reduced to 3 years, from the end of the relevant assessment year, from current 6 years. Re-opening up to 10 years is proposed to be allowed only if there is evidence of undisclosed income of INR 5,000,000 or more for a year.

- Further, it is proposed to completely remove discretion in re-opening and henceforth re-opening shall be made only in cases flagged by system basis data analytics, objection of C&AG and in search/survey cases.

- With emphasis on machine learning, artificial intelligence and data analytics, scope of pre-filled income tax returns is increased to include details of capital gains from listed securities, dividend income, interest from banks, post office, etc.

- Existing constitution of advance ruling and settlement commission of income tax to be replaced with Board of Advance Rulings. These boards are constituted with the highest level of administrative officers and the orders passed by such boards are appealable before the High Court.

- Reduction of look back period to 3 years improves M&A and brings down premium on tax insurance too.

ELP’s Insight

- Establishment of Dispute Resolution Committee is a step in the right direction, which will certainly address concerns of small taxpayers seamlessly and without much hardship.

- Further, the income tax litigation is poised for major transition with introduction of Faceless Income Tax Tribunal.

- Reduction of time limit to re-open assessment will go a long way in providing certainty to industry.