

**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.

