



CBDT introduces the Faceless Penalty Scheme 2021 in the Official Gazette of India on 12th January 2021.

CBDT vide notification number S.O. 118(E) has established the procedure regarding faceless penalties to be imposed in line with the faceless assessments. The scope of the penalties including procedure to be followed is as penned down in the Faceless Penalty Scheme 2021.

The gist of the notifications issued is summarized hereunder:

All penalties imposed under this scheme shall be imposed in respect of such territorial area, or persons or class of persons, or income or class of income or cases or class of cases or penalties or class of penalties as may be specified by the board.

Establishment of Faceless Penalty Centres

In order to ensure efficient execution, clause 4 of the notification specifies the centres that may be set up by the Board. These include:

- National Faceless Penalty Centre
- Regional Faceless Penalty Centre
- Penalty Units

- Penalty Review Units.

All communication among the aforementioned centres shall be through the National Faceless Penalty Centre. These Centres shall have the appropriate authorities as noted in clause 4(3) of the notification.

The Penalty Procedure

Where any income-tax authority or the National Faceless Assessment Centre:

- Initiates penalty proceedings or issues a show cause notice for imposition of penalty; or
 - Recommended initiation of penalty proceedings
- It shall refer such case to the National Faceless Penalty Centre. Thereafter the proceedings shall be followed in the manner as prescribed in the notification.

Rectification Proceedings

The National Faceless Penalty Centre may, with reason to rectify a mistake from the record, amend any order passed in such scheme through an order passed in writing. Under clause 6 (2), an appeal may be made by the following persons to rectify a mistake as specified above:

- Assessee or any other person, as the case may be;
- The Penalty Unit which prepared such order;

- The Penalty Review Unit which reviewed such order;
- Income-tax authority;
- National Faceless Assessment Centre.

Such rectification must be made as per the process laid down in clause 6 of the Notification.

Appellate Proceedings

Any appeal against the order passed by the National Faceless Penalty Centre under this scheme, shall be produced before the Commissioner (Appeals) who has the jurisdiction over the jurisdictional income-tax authority or before the National Faceless Appeals Centre, as the case may be.

Mode of Communication

For the purpose of this scheme all communication whether external (between the assessee or any other person and the National Faceless Penalty Centre) or internal (amongst the Centres', units and income tax authorities.) shall be exclusively in an electronic mode.

Electronic Record

- Authentication- The authentication of an electronic record shall be through the digital signature of the National Faceless Penalty Centre and by either the electronic verification code or the digital signature affixed by the assessee or any other person, as applicable.
- Delivery- All electronic records shall be delivered in accordance with clause 10(1) of the notification and thereafter shall be followed by a real time alert. Under clause 10(3), any response of the assessee shall be deemed to be authenticated upon receiving the hash result generated upon successful submission contained in the acknowledgement by the National Faceless

Penalty Centre. The time and dispatch and receipt of such record shall be governed by section 13 of the IT Act, 2000.

Personal Appearances

- No person shall appear in person before any units specified in the scheme. Under clause 11(2), a request may be made for a personal hearing.
- Clause 11(3) sanctions the Director General or the Chief Commissioner in charge of the Regional Faceless Penalty Centre, under which the concerned unit is set up to approve such request.
- The request if approved can only be conducted through video conferencing including the telecommunication application software that supports such video telephony and no other means.

Power to specify format, mode, procedure and processes

The Principal Chief Commissioner or the Principal Director General in charge of the National Faceless Penalty Centre may lay down the procedures, processes and standards required for the effective functioning of the National Faceless Penalty Centre, the Regional Faceless Penalty Centre, the penalty units and review units established under this scheme in an automated and mechanized environment. Such must be done with the approval of the board. The aforementioned include format, mode, procedure and processes with respect to the specifics mentioned in clause 12 (i) – (ix).

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