

TRANSPARENCY VERSUS NATURAL JUSTICE: A CRITICAL EXAMINATION OF INDIA'S FACELESS ASSESSMENT SCHEME

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ABSTRACT

The Government of India launched the Faceless Assessment Scheme, a major reform of the Indian tax system in over a decade, under Sec 144B of the Income Tax Act, 1961. This scheme uses digital technology, ensures anonymity, and removes face-to-face interactions between taxpayers and tax officials. Its goals include reducing corruption, standardizing assessments, and improving administrative efficiency. However, this technological shift has led to significant legal debate. Does simplifying tax processes and eliminating human contact violate basic principles of natural justice, like the right to be heard and the requirement for reasoned decisions? This article critically examines the Faceless Assessment Scheme. It places the scheme within the context of constitutional and administrative law in India and considers whether it strikes a fair balance between transparency and procedural fairness. The article suggests that, while this plan is a worthy attempt to reduce misuse of power, its implementation reveals serious structural issues that put taxpayer rights at risk. It references judicial decisions from Indian High Courts and the Supreme Court and compares the scheme to digital tax systems in the United Kingdom and Australia. To balance effective administration with natural justice principles, the article recommends specific legislative and administrative changes.

Keywords: Faceless Assessment, Natural Justice, Audi Alteram Partem, Income Tax Act 1961, Section 144B, Digital Tax Administration, Taxpayer Rights, Constitutional Law.

I. INTRODUCTION

On 13 August 2020, the Government of India announced a major overhaul of the country's direct tax system.⁸³⁹ With the Taxation and other Laws (Relaxation and Amendment of Certain Provisions Act, 2020, Parliament added Section 144B to the Income Tax Act, 1961 (hereafter "the Act").⁸⁴⁰ This section set up the Faceless Assessment Scheme (hereafter "the Scheme") and created the National e-Assessment Centre (NeAC) as the main contact point for all scrutiny

assessments. The main idea behind the Scheme is straightforward.⁸⁴¹

Corruption, harassment, and inconsistency in Indian tax administration often come from the personal relationships, or vendettas, between assessing officers and taxpayers. By using anonymizing technology to separate the two, the Scheme seeks to break the connection between discretion and abuse. This promise is appealing. India ranked 63rd out of 190 countries in the World Bank's 2020 Ease of Doing Business Index. The lack of transparency in its tax administration was often viewed as a barrier to foreign investment.⁸⁴²

⁸³⁹ Press Release, Ministry of Finance, Government of India, Transparent Taxation – Honouring the Honest (Aug 13, 2020), <https://pib.gov.in/PressReleasePage.aspx?PRID=1645971>

⁸⁴⁰ Press Release, Ministry of Finance, Government of India, Transparent Taxation – Honouring the Honest (Aug 13, 2020), <https://pib.gov.in/PressReleasePage.aspx?PRID=1645971>

⁸⁴¹ Central Board of Direct Taxes, Notification No. S.O. 3265(E), The faceless Assessment Scheme, 2019 (Sep.12, 2019) (amended 2020)

⁸⁴² World Bank Group, Doing Business 2020: Comparing Business Regulation in 190 Economies 4 (2020),

However, the Scheme's setup, which focuses on digital-only communication, the anonymity of decision-makers, strict timelines, and limited personal hearings, has led to many constitutional challenges and court interventions. Indian High Courts, and increasingly the Supreme Court, have had to determine whether Sec 144B's procedures adequately protect the rights granted by Art. 14 and 21 of the Constitution.⁸⁴³

This article unfolds in several sections. Part II outlines the Scheme's evolution from jurisdiction-based assessments to e-assessments and the current faceless setup. Part III looks at the key principles of natural justice related to Indian tax administration. Part IV critically assesses the Scheme's strengths and weaknesses within that natural justice context. Part V reviews the judicial reactions. Part VI provides a comparative view using digital tax models from the United Kingdom and Australia. Part VII suggests changes to legislation and administration. Part VIII wraps up the discussion.⁸⁴⁴

II. EVOLUTION OF TAX ASSESSMENT IN INDIA: FROM JURISDICTION TO THE DIGITAL FRONTIER

A. The Traditional Jurisdiction-Based Model

For much of the Income Tax Act's history since independence, the assessment processes were based on jurisdiction. Each taxpayer was connected to a specific Assessing Officer (AO) in a certain area and function. All communications, including notices, personal hearings, and document submissions, occurred face-to-face. This model had certain advantages. A jurisdictional AO became familiar with a taxpayer's business, could understand anomalies in returns, and was accountable,

though imperfectly, to a visible institutional hierarchy.⁸⁴⁵

But the problems with the old system were inherent and known to all. The CBDT pointed out in its annual report that many of the complaints against tax payers dealt with harassment, unjustified assessments, and corruption in the assessment process. The personal interaction between taxpayers and AOs created opportunities for exploitation. Transfers and postings of officers became tools of manipulation.

B. The E-Assessment Interregnum (2019–2020)

The Government began a pilot of an e-assessment regime in 2019 in terms of Sec 143(3A) of the Act. In this pilot, scrutiny assessments were performed using e-assessments where questionnaires and answers would be shared via the Income Tax e-filing portal. Although this was revolutionary compared to the conventional scrutiny process, this regime did not have any team assessment or anonymity for the officers, but rather retained the existing jurisdictional structure.⁸⁴⁶

C. The Faceless Assessment Regime (2020–Present)

Sec 144B, introduced by the Amendment Act 2020, established the faceless regime through four pillars: the National e-Assessment Centre (NeAC), Regional e-Assessment Centres (ReACs), Assessment Units, and verification/technical review units. Case allocation is randomized through automated data analysis.⁸⁴⁷ Taxpayers are not informed about the authority officer handling their cases. All communication occurs through registered e-filing accounts. Assessment orders are processed through team reviews that distribute decision-making authority and try to reduce bias. The subsequent changes to the system

<https://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2020-report-web-version.pdf>

⁸⁴³ See, e.g., Lakshya Budhiraja v. Union of India, 2021 SCC OnLine Del 3711 (India); Shree Ganesh Remedies Ltd v. Union of India, 2021 SCC Online Bom 1238 (India)

⁸⁴⁴ Parthasarathi Shome, Tax Administration Reform in India: Spirit, Purpose and Empowerment, Working Paper No. 2012-97, National Institute of Public Finance and Policy 12 (2012).

⁸⁴⁵ Central Board of Direct Taxes, Annual Report 2018-19, at 87 (Ministry of Finance, Govt. of India 2019) (documenting taxpayer grievances in assessment proceedings).

⁸⁴⁶ Income Tax Act, 1961, S 143(3A) (India), inserted by Finance Act, 2018, No.13 of 2018, S 38; Central Board of Direct Taxes, Notification No. S.O. 3265 (E) (Sep. 25, 2020) (Faceless Penalty Scheme, 2021)

⁸⁴⁷ Income Tax Act, 1961, S 144B(1)-(4) (India)

have expanded its jurisdiction further. The Faceless Appeals Scheme and Faceless Penalties Scheme have taken the faceless system to cover appeals and penalties, making it an end-to-end faceless ecosystem, as stated by the government.⁸⁴⁸

III. STRUCTURAL FRAMEWORK OF THE FACELESS ASSESSMENT SCHEME

A. National Faceless Assessment Centre (NFAC)

The National Faceless Assessment Centre oversees coordinating the whole faceless assessment process. The Principal Chief Commissioner or Principal Director General of Income Tax is in charge of it. It is the only way for the person being taxed to talk to the Income Tax Department.⁸⁴⁹The NFAC handles all notices, questionnaires, show cause notices, and orders. The NFAC also routes communications between specialized units within the same department, making sure that everything is centralized and that everyone is responsible.

B. Regional Faceless Assessment Centres (RFACs) and Specialized Units

Under the NFAC, Principal Chief Commissioners are in charge of setting up Regional Faceless Assessment Centres. Four separate functional divisions operate within every RFAC, namely, (i) Assessment Units (AUs) to calculate the tax amount, conduct analysis, and prepare draft assessment orders; (ii) Verification Units (VUs) to undertake investigations and verifications; (iii) Technical Units (TUs) to offer legal, accounting, valuations, and technical assistance; and (iv) Review Units (RUs) to verify draft assessment orders as regards their legal, factual, and mathematical accuracies.⁸⁵⁰

⁸⁴⁸ Central Board of Direct Taxes, Notification S.O. 3696 (E) (Sep. 25, 2020) (Faceless Appeal Scheme, 2020); Notification S O 3699(E) (Sep. 25, 2020) (Faceless Penalty Scheme, 2021).

⁸⁴⁹ IndiaFilings, Section 144B of Income Tax Act: Faceless Assessment, <https://www.indiafilings.com/learn/section-144b-of-income-tax-act> (last visited Apr. 8, 2026).

⁸⁵⁰ Quicko, Faceless Assessment under Income Tax, <https://learn.quicko.com/faceless-assessment-scheme-2019-income-tax> (last visited Apr. 8, 2026).

C. Dynamic Jurisdiction and Randomized Case Allocation

One of the biggest changes from the old system is that territorial jurisdiction has been replaced by dynamic, AI-driven random allocation. An officer in a city far away from where a taxpayer lives may check their tax return.⁸⁵¹This spatial decoupling is meant to get rid of geographic bias and protect the assessment process from local networks of influence. The Central Board of Direct Taxes (CBDT) sets the rules for the automated allocation system, which assigns cases to AUs without any human input.

The Faceless Assessment Scheme operates through a multi-tired institutional structure designed to ensure anonymity, accountability and efficiency:

UNIT	FUNCTIONS
National Faceless Assessment Centre (NFAC)	Central hub that issues notices, coordinates all units, and passes final order. Acts as the single point of contact between taxpayer and Department.
Regional Faceless Assessment Centres (ReACs)	Regional coordination bodies established within the jurisdiction of Principal Chief Commissioners to manage area-specific case loads
Assessment Units (Aus)	Conduct substantive examination of income returns, gather information, identify tax implications, and prepare draft assessment orders
Verifications Units(VUs)	Authenticate documents, verify facts, and conduct field inquiries where necessary. CBDT empowered physical verification in certain

⁸⁵¹ Business Standard, What is Faceless Assessment Scheme 2019 and its Exceptions?, <https://www.business-standard.com/about/what-is-faceless-assessment-scheme> (last visited Apr. 8, 2026).

	circumstances from August 1, 2024
Technical Units (TUs)	Provide expert input on complex technical, financial, legal or forensic matters arising during assessment
Review Units (RUS)	Quality-Control function: review draft assessment orders for factual accuracy, legal correctness, and arithmetic accuracy before finalisation.

IV. ARTIFICIAL INTELLIGENCE AND MACHINE LEARNING IN THE FACELESS ASSESSMENT SCHEME

A. AI-Driven Case Selection

The FAS uses AI and data analytics to find cases that need more investigation at its core. The plan replaces the old manual and CASS-based selection processes with an AI-driven risk management system that finds returns that have problems like income suppression, claim irregularities, or other unusual patterns.⁸⁵² The goal of this change from human-to-algorithm selection is to make the gatekeeping role of tax administration more objective and consistent with statistics.

AI's job also includes figuring out how much freedom Income Tax Officers have, keeping an eye on the quality of assessments, and finding patterns of abuse by both assessesee and officers.⁸⁵³ AI makes it possible for systemic accountability that wasn't possible before the digital age by creating a data trail from case selection to final order.

B. Machine Learning in Risk Profiling

The scheme uses machine learning algorithms to help the system learn from past assessment patterns, court outcomes, and compliance behaviour. The ML model sorts return by risk

level, putting cases where evasion is more likely at the top of the list. The number of scrutiny cases in India has dropped from 0.71% to 0.25% of filed returns over the years. This is partly because AI is used to choose cases and processes are moving from manual to automated.⁸⁵⁴

C. Automated Order Drafting and Review

AI tools are helpful for the Assessment Units when they put together those draft assessment orders. They match up what the assessee submits with stuff from other places, like the Annual Information Statements, or AIS, and the Tax Information Networks, TIN, plus data coming from banks and financial spots. It kind of pulls everything together in one go. Then the Review Unit looks over the draft. They use these rule-based things to check if the math adds up right, if it follows the legal rules, and if the facts line up. I think that covers the main parts without missing too much. All this tech layered on top is supposed to make the final orders better quality. Though sometimes it feels like it depends on how well the data connects in the first place.

D. Digital Infrastructure: E-Filing Portal and Secure Communication

Everything in this scheme happens online, through that income tax e-filing portal. I think notices and responses get sent that way, along with orders too. They use electronic verification code, or EVC, or sometimes a digital signature certificate, which is DSC, to make sure it's all real. The scheme requires database records to be authenticated electronically, and the same for any documentary evidence. That setup creates some kind of chain of custody, verifiable one, for the information they exchange in assessments. It feels like it's meant to keep everything tracked properly, though I am not totally sure how tight that chain really is in practice.⁸⁵⁵

⁸⁵² Lexology, Faceless Assessment Scheme Under the Income Tax Act, 1961, <https://www.lexology.com/library/detail.aspx?g=229dd8f-da4f-4564-8bce-43712e5c8b1> (March 13, 2026)

⁸⁵³ Quicko, supra note 12

⁸⁵⁴ Taxmann India's Shift to Faceless Income Tax Assessment, <https://www.taxmann.com/post/blog/indias-shift-to-faceless-income-tax-assessment/> (March 14, 2026)

⁸⁵⁵ ClearTax, Faceless Assessment Scheme Under Section 144B, <https://cleartax.in/s/e-assessment-scheme-2019> (last visited April 8, 2026)

V. NATURAL JUSTICE IN THE CONTEXT OF INDIAN TAX ADMINISTRATION

A. Theoretical Foundations

Natural justice, based on common law, has two main rules: the rule against bias (*nemo iudex in causa sua*) and the right to a fair hearing (*audi alteram partem*). A third rule has come about over time: decision-makers must give orders that make sense. Indian courts see this as an important part of fair procedures. The Supreme Court of India has made it clear that natural justice is not a set idea; what it means depends on the type of case, the rights at stake, and the effects of the decision. The Court said in *Union of India v. W.N. Chadha* that the duty to act fairly can change depending on the kind of decision and the relationship between the person and the body that makes the decision.⁸⁵⁶

B. Constitutional Anchoring

In India’s constitutional framework, natural justice principles are supported by two articles. Art.14 guarantees equal protection of the laws and equal treatment under the law. The Supreme Court says this means that the government can’t act without a good reason. An assessment order that doesn’t give people a fair chance to be heard is seen as unfair and against the law. Art. 21 guarantees the right to life and personal freedom.⁸⁵⁷ The Supreme Court interprets this broadly to mean the right to make a living and run a business without too much government interference.⁸⁵⁸ Art. 21 comes into play when tax assessments lead to demands that could put a business out of business. This makes it harder for revenue authorities to follow the rules.

C. Natural Justice in Taxation: The Specific Context

Natural justice in tax proceedings has a well-established history in Indian law. In *GE India Technology Centre Pvt. Ltd. v. Commissioner of Income Tax*, the Supreme Court said that tax

assessments have big effects on people’s lives and must follow rules for fairness in the process.⁸⁵⁹ In *Shree Ganesh Remedies Ltd. v. Union of India*, the Bombay High Court said that switching to a digital interface does not lessen the state’s duty to give people a real chance to be heard before making negative decisions.⁸⁶⁰

Transparency Gains	Natural Justice Concerns
Eliminates AO-taxpayer nexus	No guaranteed personal hearing
Removes Scope for bribery and bias	Audi-alteram partem compromised
Randomised Case allocation	Identity of AO concealed
No-cherry-picking of assessors	Accountability for decisions unclear
Complete digital audit trail	Digital divide disadvantages
Every step recorded on e-portal	Rural/elderly taxpayers excluded
Multi-tier review mechanism	Complex cases hard to explain
AU-RU-NFAC safeguards	Nuance lost without oral hearing
Geographical neutrality	Judicial strikes on show cause
Any taxpayer assessed by any city	Courts quashed orders sans hearing

VI. CRITICAL EVALUATION OF THE FACELESS ASSESSMENT SCHEME

A. Structural Strengths

The scheme has significantly improved transparency. It has replaced a jurisdiction-based model with automated case allocation, reducing opportunities for forum shopping and officer-taxpayer collusion. With all

⁸⁵⁶ *Union of India v W .N. Chadha*, 1993 Supp (4) SCC 260, 49 (India)

⁸⁵⁷ *E.P. Royappa v. State of Tamil Nadu*, (1974) 4 SCC 3, 85 (India)

⁸⁵⁸ *E.P. Royappa v. State of Tamil Nadu*, (1974) 4 SCC 3, 85 (India)

⁸⁵⁹ *GE India Technology Centre Pvt. Ltd v CIT*, (2010) 10 SCC 29 (India)

⁸⁶⁰ *Shree Ganesh Remedies Ltd. V Union of India*, 2021 SCC OnLine Bom 1238,22(India)

communications going through the NeAC portal, there is now a complete digital audit trail a permanent record of every notice, response, and order. This audit trail, which was absent in the traditional system, genuinely enhances accountability.⁸⁶¹

The team-based assessment process, where draft orders are reviewed by an independent Review Unit before finalization, adds peer scrutiny that single-officer assessments lack. Ideally, this system should yield more consistent and well-reasoned orders. Anonymizing decision-makers addresses the bias issue at least partly, as an officer unaware of the taxpayer's identity or past dealings is less likely to be influenced by personal motivations.⁸⁶²

B. Structural Deficiencies: Natural Justice Under Pressure

1. The Personal Hearing Deficit

Sec 144B(7)(vii) states that personal hearings should be conducted via video conferencing "only if the assessee requests it."⁸⁶³ However, the law does not require granting this request; it merely allows for the possibility. In real life, requests for video conferencing are often turned down without a good reason, especially when taxpayers are dealing with complicated factual issues like detailed accounting, technical valuations, or specific industry practices

The audi alteram partem rule says that not only should you be able to respond in writing, but you should also have a chance that is appropriate for the case's level of complexity. When a taxpayer's situation depends on their credibility, behaviour, or documents that need to be clarified, relying only on written answers may not be enough to meet constitutional standards.⁸⁶⁴ As the Allahabad High Court noted in Prayagraj Nagar Nigam v. Additional CIT, the right to be

heard should not be treated as a mere formality.⁸⁶⁵

2. Mechanical Assessments and Non-Application of Mind

A common criticism of the scheme is the use of formulaic assessment orders that reflect little engagement with the specific facts and arguments from taxpayers.⁸⁶⁶ The Supreme Court has previously ruled that an order that fails to address important submissions from the taxpayer shows a lack of consideration and can be annulled. There is growing judicial evidence that the faceless system, by splitting assessment duties among different units with limited awareness of individual cases, makes this problem worse rather than better.⁸⁶⁷

3. Technical Infrastructure Failures

The dependability of the underlying digital infrastructure determines how effective a digital-only evaluation system is. The Income Tax e-filing platform has had a lot of technical problems, especially since it was redesigned in 2021. Some of these problems are not being able to upload documents, getting notices late, having sessions time out while submitting, and having the system go down at important compliance times. These shortcomings, which the CBDT has acknowledged by issuing several circulars extending deadlines, amount to a structural justice deficit: when the legally required communication channel is unreliable, the taxpayer's right to be heard is jeopardized without their fault.⁸⁶⁸

4. Compressed Timelines

Specific deadlines for responding to assessment notices are required by Sec 144B.⁸⁶⁹ Due process concerns have been raised by the combination of tight deadlines, unreliable portals, and the

⁸⁶¹ Arbind Modi, Faceless Assessment: A Game Changer, 50 Econ & Pol. Wkly.15,17(2021)

⁸⁶² Income Tax Act, 1961, S 144 B(6)(vii)(India)

⁸⁶³ Income Tax Act, 1961, S 144B(7)(vii)(India)

⁸⁶⁴ De Smith, Woolf & Jowell, Principles of Judicial Review, 7-031(7th ed.2013)

⁸⁶⁵ Prayagraj Nagar Nigam v Additional CIT, 2022 SCC Online All 198, 14 (India)

⁸⁶⁶ Taru Jain, Natural Justice in Faceless Assessments, 53 J. Indian L. Inst. 411, 419-21 (2021)

⁸⁶⁷ CIT v Sahara India (firm), (1991) 1 SCC 232, 9(India); CIT v Dalmia Cement (Bharat) Ltd, (1999) 9 SCC 266, 12(India)

⁸⁶⁸ Central Board of Direct Taxes, Circular no. 16/2021 (Aug.29,2021)(extending deadlines acknowledging portal differences.

⁸⁶⁹ Income Tax Act, 1961, S 144B(7)(ii)-(vi)(India)(Prescribing timelines for responses to assessment communications)

complexity of needed submissions, even though statutory time-consciousness is a valid administrative goal. In many cases, taxpayers especially small and medium-sized businesses without access to expert tax counsel are unable to gather and submit thorough answers in the allotted time. Extension requests are not always granted. As a result, the fundamental natural justice requirement that decisions be based on all pertinent information is violated when adverse orders are issued based on insufficient records.⁸⁷⁰

5. The Reasoned Order Requirement

In Indian administrative law, it is both a natural justice duty and a constitutional imperative under Art.14 to provide reasoned orders. Three purposes are served by a reasoned order: the decision-maker is disciplined, the impacted party may comprehend the rationale behind the decision, and effective appellate review is made easier. Courts have criticized and overturned assessment orders issued under the Scheme for failing to address specific arguments put forth by assesses, relying on general formulations that do not address the specific facts of the case, and drawing conclusions that seem unrelated to the reasoning presented.⁸⁷¹

VII. JUDICIAL RESPONSE: COURTS AS GUARDIANS OF PROCEDURAL FAIRNESS

Since the Faceless Assessment Scheme's inception, Indian courts have addressed challenges to it in great detail. A constant judicial commitment to upholding natural justice standards against the deterioration caused by administrative digitization is evident in the jurisprudence. In Writ Petition No. 3067 of 2021, the Bombay High Court set aside a faceless assessment ruling on the grounds that the petitioner's request for video conferencing had been denied without explanation and that an oral hearing was necessary due to the intricacy of the transactions under investigation. The court ruled

that the order was null and void because it violated the audi alteram partem norm to deny video conferencing in these situations.⁸⁷²

In this regard, the Delhi High Court has been especially active. The court in *Lakshya Budhiraja v. Union of India* overturned an assessment order that was issued within twenty-four hours of a show cause notice, ruling that there was no real chance to reply during that time. The court made it clear again that procedural justice is a basic constitutional right, not just a technicality.⁸⁷³

The Supreme Court stepped in in *Mon Mohan Kohli v. Assistant Commissioner of Income Tax* to make it clear that if a taxpayer's request for a personal hearing is denied, the assessment order must include specific reasons for the denial; otherwise, the order is void.⁸⁷⁴

This choice made an important procedural protection by forcing decision-makers to say why a personal hearing wasn't needed.

A distinct judicial concept is evident in all of these rulings: the substantive standards of natural justice are unaffected by the technological medium of a process. The transfer from the physical to the digital realm does not affect the right to be adequately and meaningfully heard.⁸⁷⁵

VIII. COMPARATIVE PERSPECTIVES: DIGITAL TAX ADMINISTRATION IN THE UNITED KINGDOM AND AUSTRALIA

A. The United Kingdom's Making Tax Digital Programme

The Making Tax Digital (MTD) system was implemented by HMRC to lay the groundwork for digitizing taxation processes. It is vital to note

⁸⁷⁰ *Maneka Gandhi v Union of India*, (1978) 1 SCC 248, 56(India)

⁸⁷¹ *Mon Mohan Kohli v ACIT*, 2021 SCC Online Del 5249, 18 (India); see also *DLF Home Developers Ltd v ACIT*, 2022 SCC OnLine Del 601, 23(India)

⁸⁷² Writ Petition NO. 3067 of 2021 (Bom. High Ct. 2021) (unreported) (as cited in Jain, supra note 24, at 422)

⁸⁷³ *Lakshya Budhiraja v Union of India*, 2021 SCC OnLine Del 3711,

⁸⁷⁴ *Mon Mohan Kohli v ACIT*, 2021 SCC OnLine Del 5249

⁸⁷⁵ Vivek Kohli & Ankit Goyal, *Faceless Assessment and Natural Justice: An Uneasy Truce*, 46 Indian L. Rev. 201, 214 (2022)

that there are robust taxpayer protections in the UK's digital taxation system.⁸⁷⁶ An unconditional right of appeal to the First-tier Tribunal, an independent adjudicatory body, is preserved by Section 49 of the Taxes Management Act of 1970. The revenue authority is committed to "resolving tax disputes by agreement where possible" under the Charter of Taxpayer Rights, which is supported by HMRC's Litigation and Settlement Strategy. It also expressly acknowledges taxpayers' rights to representation and explanation of judgments.⁸⁷⁷

The UK example shows that natural justice need not be sacrificed for digitalization: the MTD software maintains the human interface during the dispute resolution phase while automating compliance. Studying this distinction between automated compliance and rights-protective dispute resolution might be beneficial for India's faceless regime.⁸⁷⁸

B. Australia's Tax Administration Framework

The Australian Taxation Office (ATO) has also adopted digital administration, such as automated risk profiling and e-communication, while keeping the Taxpayer's Charter in place to protect taxpayer's rights. The Charter says that the ATO must treat taxpayers fairly, explain its decisions, and give people the chance to review them. The Administrative Appeals Tribunal Act 1975 sets up an independent appeals court for tax disputes. The Inspector-General of Taxation oversees keeping an eye on the ATO's actions.⁸⁷⁹

Australia's experience shows how important institutional architecture is beyond the main assessment process. This includes independent oversight, easy-to-reach appellate forums, and tools for enforcing taxpayer rights. India's

faceless government doesn't have the same kinds of structural protections.⁸⁸⁰

IX. PROPOSALS FOR LEGISLATIVE AND ADMINISTRATIVE REFORM

The preceding analysis delineates five structural domains necessitating legislative or administrative intervention.

A. Required Video Conferencing for Certain Types of Cases

Sec 144B should be changed to make personal hearings via video conferencing required, not optional, in cases where: (a) the additions are more than a certain amount of money; (b) the additions are the first time; (c) the transactions involve complicated factual or technical issues; and (d) the taxpayer is an individual or small business without professional representation. The present formulation, which permits the grant of a personal hearing at the discretion of the administration, is constitutionally indefensible in the specified categories.⁸⁸¹

B. Requirement for Statutory Reasoned Orders

The Act should clearly say that assessment orders must include: (a) a summary of the taxpayer's arguments; (b) specific findings on each issue that is in dispute; and (c) the reasons for accepting or rejecting the taxpayer's explanation. Orders based on templates that don't address specific submissions should be considered void from the start, and appellate authorities should be required by law to send them back instead of allowing these kinds of mistakes.⁸⁸²

C. Responsibility for Independent Digital Infrastructure

There should be a law that says that any response or submission that couldn't be filed because of technical problems with the portal

⁸⁷⁶ HM Revenue & Customs, Making Tax Digital: Overview, Gov.Uk(last updated March 2026), <https://www.gov.uk/government/publications/hmrc-charter>

⁸⁷⁷ Taxes Management Act 1970, c 9, s 49(UK)

⁸⁷⁸ HM Revenue & Customs, HMRC charter (2021), <https://www.gov.uk/government/publications/hmrc-charter>

⁸⁷⁹ Australian Taxation Office, Taxpayer Charter- What you Need to Know (2022), <https://www.ato.gov.au/About-ATO/Commitments-and-Reporting/IN-detail/Taxpayers-Charter/>.

⁸⁸⁰ Administrative Appeals Tribunal Act 1975 (cth) (Austl); Inspector-General of Taxation Act 2003 (cth)(Austl).

⁸⁸¹ See Mukesh Patel, Reforming Faceless Assessment: The case for Statutory Video Hearings, 28 Nat'l L. Sch. India Rev. 78, 91 (2022)(advocating mandatory hearing rights in high-stakes cases)

⁸⁸² Compare Administrative Procedures Act, 5 U.S.C. S 557 (c) (3) (A) (2018)(United States)(requiring federal agencies to include findings and conclusions on all material issues of fact, law, or discretion in final orders).

should be considered filed on time, as long as the taxpayer provides proof of the problem. There should be an independent technical audit system that reports to Parliament and checks the reliability of the portal. It should also suggest punishments when repeated technical problems hurt taxpayers' rights.⁸⁸³

D. An independent oversight body

India should think about setting up a legal Taxpayer Advocate Service based on the National Taxpayer Advocate in the United States. This service should be able to step in when the faceless regime is causing systemic problems and should report to Parliament every year on problems with the way the scheme is being carried out.⁸⁸⁴

E. Taxpayer Awareness and Infrastructure for Digital Access

The Scheme's digital premise is based on the false idea that all Indian taxpayers have the same level of digital access. The government should set up physical facilitation centres with assisted digital access, set aside certain times for taxpayers in areas with poor internet access to submit their forms, and make the scheme available in more languages than just English and Hindi.⁸⁸⁵

X. CONCLUSION

The Faceless Assessment Scheme really stands out as a bold attempt at shaking up India's administrative system. The goal is clear: cut the link between discretion and corruption, make everything traceable, and bring some consistency to the way assessments are done. That's exactly the kind of fix the old system needed, and the folks behind this idea nailed the

diagnosis. But here's the real question did they get the treatment right?

This article points out that the way the Scheme's been rolled out has some serious structural flaws. Limiting personal hearings, relying on cookie-cutter orders, having shaky digital infrastructure, and pushing for lightning-fast responses these things all chip away at the taxpayer's basic right to actually be heard and have a fair shot. You don't have to look far for proof. Indian courts keep stepping in to fix these gaps, and that alone shows the system isn't working as it should.

If you look at the UK and Australia, it's obvious that you can run a digital tax system without sacrificing natural justice. It's all about careful design. You need mandatory hearings for tough cases, solid requirements for clear, reasoned orders, independent oversight, and a tech setup that doesn't buckle under pressure. If these things don't happen, the Faceless Assessment Scheme could just swap one kind of arbitrary process personal, but corrupt with another: cold, automatic, and impossible to challenge.

Being "faceless" shouldn't mean being "faithless." Taxpayers deserve the chance to speak up, understand decisions made about them, and fight those decisions if they need to. The Scheme's promise means nothing if transparency in the process isn't backed up by fairness in the outcome.

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2. M.P. Jain, *Indian Constitutional Law* (9th ed., Bharat Law House / LexisNexis 2025)
3. Faceless Assessment Scheme Notifications: "Specifically Notification No. 60/2020 and No. 61/2019"
4. Report of the Task Force on Direct Tax Code, Ministry of Finance, Government of India, at 141-42 (2019) (identifying digital access gaps as a structural concern in tax administration reform)

⁸⁸³ Central Board of Direct Taxes, Circular No. 16/2021(Aug.29,2021)(providing ad hoc extension for portal failures- a legislative analog is needed).

⁸⁸⁴ See Taxpayer First Act, Pub. L.NO. 116-25, 133 stat. 981 (2019)(United States) (establishing the National Taxpayer Advocate as a Statutory office Within the Internal Revenue Service.

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