

Government of India
Ministry of Finance
Central Board of Direct Taxes
National e-Assessment Centre
New Delhi

Dated: 19/11/2020

Subject: SOP for functioning of Verification Unit under the Faceless Assessment Scheme, 2019.

The Principal Chief Commissioner of Income Tax, National e-assessment Centre, with the prior approval of the Central Board of Direct Taxes, New Delhi, lays down the following SOP on the above subject:

1. As per Faceless Assessment Scheme, 2019, the AU can request VU for specific enquiry or verification, examination of books of accounts, examination of witnesses and recording of statements and such other functions as may be required for the purposes of verification. All general enquiries from assessee or from INSIGHT/E-Filing or from Banks etc shall be done by the AU itself. The AU shall make reference for enquiry in the prescribed format as per Annexure.
2. On receipt of request for enquiry or verification, the VU shall examine the reference in context of facts of the case. The VU can view all the case records through status monitor and devise a strategy for completion of the enquiry/verification.
3. The AUs have been provided access to case information as well as profile view of cases assigned to them. They can also get access to profile view of other persons related to the case after getting approval of the supervisory authority. However, VU has more access rights in INSIGHT and therefore VU should check whether the enquiry/verification can be done through INSIGHT (Refer INSIGHT Information Access policy for more details on Information access rights).

A: Handling of case(s), having digital footprint, received for Verification or Enquiry.

- 1 If the PAN, in respect of whom enquiry or verification is received, is registered on e-filing portal then that PAN would be regarded to be having a digital footprint.
- 2 Information shall be called from the party by sending notice u/s 133(6) of the Act, within 5 days of receipt of request, giving the party a time of 7 days to respond.

- 3 Such notice shall be generated through the digital footprint tab, for generation of notice provided, by ITBA. The AU will fill the PAN, compliance date and information to be called for. The rest of information shall be auto-populated by ITBA.
- 4 The notice shall be delivered on e-filing portal of the third party and intimation in respect of the same shall be sent on the latest email and mobile number of the party.
- 5 On receipt of reply, the VU shall examine the reply in light of information required in the case and may call for further information or may decide for physical verification or may compile its report.
- 6 In case the AU later gets the information from the taxpayer for which verification was sought, there should be facility to withdraw the reference. The VU would send the report on the basis of verification made so far.

B : Handling of case(s), not having digital footprint, received for Verification or Enquiry.

- 1 If the PAN, in respect of whom enquiry or verification is received, is not registered on e-filing portal then that PAN would be regarded to be not having a digital footprint, irrespective of whether email of such person is available with VU or not. Such parties also include the parties which have many decentralized offices but one PAN like Sub Registrars, Banks, SEBI, CIBIL, ROC, Customs & Excise, other state or central government offices, etc. The same procedure shall be used to call for the information from persons like Valuation Officers who are directly not connected with/involved in the case.
- 2 Information shall be called from the party by sending notice u/s 133(6) of the Act physically through centralized mailing system (handled by INSIGHT) of Faceless Assessment Scheme as well as to the email of the party, within 5 days of receipt of request, ideally giving the party a time of 15 days to respond.
- 3 Such notice shall be generated through the non-digital footprint tab, for generation of notice provided, by ITBA. In this case the VU shall have to fill the PAN (if available), current address of the party, compliance date and information required.
- 4 The party not having digital footprint shall reply through the procedure elaborated in the notice, through the e-filing portal, by giving reference of the notice and after validation of uploading party by e-filing. *(Till such functionality is developed by the e-filing, an alternate procedure may be adopted to handle such cases with non-digital footprint, the SOP for which shall be issued separately)*

- 7 On receipt of reply the VU shall examine the reply in light of information required in the case and may call for further information or may decide for physical verification or may compile its report.

C: Handling of case(s), where request is received for physical verification or VU decides for physical verification.

1. In some select cases, the AU can request for physical verification or in some other cases the VU itself may consider it necessary that the matter needs physical onsite verification.
2. The VU shall make request for physical verification to the designated VU after recording reasons in writing and obtaining the approval of Pr.CIT in the following circumstances:
 - a. It is a high risk potential case
 - b. The impugned PAN is a potential fraud PAN
 - c. AU suspects a large tax evasion in the case

Whereas, in any other circumstances, the approval of CCIT (ReAC) shall be obtained. The request for obtaining approval for physical verification shall be in prescribed format.

3. After approval, the physical verification request shall be sent to designated VU. Designated verification units have been mapped to the pin-code to enable optimised handling of physical verification references.
4. The case/issue should be referred to designated VU ideally within 7 days of receipt of reference from AU.

D: Handling of case(s), received by designated VU for physical verification.

- 1 On receipt of request for physical enquiry/verification, the designated VU shall decide the strategy to be adopted for verification and the Inspectors (atleast two) to be deputed for the purpose. Ideally this strategy shall have to be approved by PCIT(VU) within 5 days of receipt of request.
- 2 After approval the Inspectors shall be assigned the enquiry/verification to be conducted and they should submit their report within 3 days which shall contain the photographs of the object/place of enquiry/verification. The report shall include all facts observed by the Inspectors alongwith issues the faced, if any.

- 3 The designated VU shall forward the report alongwith the photographs and its comments to the referring VU/AU ideally within 10 working days.

E: Procedure for seeking clarification from AU

1. In case of any ambiguity, the VU may seek clarification from the AU. However, it should try to seek all clarifications through a single communication so as to avoid any delay in verification/enquiry process. It may provide the AU time of 3-4 days to respond.
2. Unnecessary clarification on facts/information which are available on record should not be called from the AU

F. Handling of case(s), which are not responding to notices u/s 133(6) of the Act and levy of penalty u/s 272A of the Act.

1. Where the party does not respond to first notice u/s 133(6) by compliance date, then a second reminder notice should be issued through portal or email/phone number/address previously used and alternate emails, phone numbers & addresses as well by searching on INSIGHT.
2. If the second reminder notice also remains uncomplied then:
 - i) Issue of centralized reminder from NeAC (An anonymized physical notice to the party through the INSIGHT on reference from NeAC).
 - ii) SMS reminders should be issued firstly within 7 days of the issue of the notice; Secondly, on the day prior to the date of compliance of notice and thirdly on the date of compliance mentioned in the notice.
 - iii) Where the notice issued in point (i) has not been responded by the compliance date then the party can be issued show cause notice for levy of penalty for non-compliance.
3. A request for physical verification can be made by the VU to the designated VU as per Para C(2) of this SOP.

4. Where the party does not respond even after physical notice and/or physical verification then show cause notice for levy of penalty for non-compliance u/s 272A(1) shall be issued to the party. Such notice ideally would give a time of 15 days for response. A penalty shall be levied on non-compliance of such notice or on facts and circumstances of the case if there is compliance to the showcause notice.

G: Handling of case(s), received for examination of books of account.

The SOP for this shall be shared after finalization of the process.

H: Handling of case(s), for examination or cross examination of witnesses.

The SOP shall be shared separately when the VC procedure is in place.

I: Preparation of Verification Report.

1. The VU shall prepare a verification report after the enquiries/verifications have been completed.
2. The verification report shall invariably contain :
 - a. Reason(s) for verification
 - b. Facts gathered during verification/enquiry
 - c. Whether any statement recorded during verification
 - d. Report on the matter with clear conclusion
 - e. All documents/photographs/evidence collected during verification/enquiry should be included as attachment
 - f. Any issues faced in verification/enquiry should also form part of the report.
3. The VU should ideally send the verification report within 20 working days of receipt of request for verification/enquiry.

Every reference shall be accompanied by following checklist and structured questionnaire for third party, if any. Till checklist is incorporated in the System, it can be sent as an attachment to the VU

CHECKLIST FOR MAKING REFERENCE FROM AU TO VU

Reference no. **System generated**

S.No	Description	Particulars
1	PAN	AUTO-POPULATED
2	ASST. YEAR	AUTO-POPULATED
3	Head of income	DROPBOX ARRANGEMENT – 5 BOXES
4	Section (if specifiable)	
5	Reason for reference	
6	Type of scrutiny	LIMITED/COMPLETE(AUTO-OPULATED)
7	Factors for Verification (a) Genuineness of claim of agri. income (b) Genuineness of claim of unsecured loans (c) Allowability of deduction u/s____ (d) Determination of ALV (e) Genuineness of expenses claimed (f) Export-import data (g) Others	DROPBOX ARRANGEMENT WITH OPTION TO FEED “OTHERS” BOX. For (c) also a box to feed the relevant Section. In (e) there can be two code numbers. 1 to indicate sales promotion; and 2 to indicate commission
8	Assessee’s claim (in brief)	
9	Location of assessee’s claim : (a) Page/Schedule of ITR (b) Letter dated/uploaded (c) Annexure No.	
10	Documents, if any, relied upon by assessee: (a) Description of document (b) Date on which uploaded (c) Annexure No.	
11	A.O.’s perception, if any, of the claim	
12	Documents, if any, relied upon by AO: (a) Description of document (b) Reference for access	
13	Method/s of verification suggested by AO: (a) Field enquiry u/s 131(1)(d) (b) Collecting of info. u/s 133(6) (c) Collection/Examination of documents u/s 131 (d) Recording of statement u/s 131 (e) Others (Google earth, etc)	DROPBOX ARRANGEMENT WITH 5 BOXES WITH OPTION TO FEED 5 TH BOX “OTHERS”.
14	Due date by which report is expected	TO PICK FROM CALENDAR
15	AO’s detailed note, if any, attached	YES (OR) NO

Format for proposal for physical verification

Brief description of enquiry/verification proposed to be assigned to designated VU by VU	
Verification proposed to be done in physical enquiry	
Justification for physical enquiry	