



FACELESS TAX ADMINISTRATION IN INDIA: FROM PHYSICAL INTERFACE TO ALGORITHMIC GOVERNANCE – A REVISIT OF NATURAL JUSTICE AND TAXPAYER RIGHTS

Karthiga R* Dr. Sreeja B G*

INTRODUCTION

India's taxation system has undergone a fundamental transformation from conventional physical interface models to technology-driven faceless administration. The Income Tax¹ Department's faceless assessment scheme, introduced to eliminate the direct interaction between the taxpayer and the officer, is not merely a procedural change but indicative of a larger move toward algorithmic governance in public administration. The automated assignment mechanisms, artificial intelligence and machine learning used in this digital architecture allow the assessment proceedings to be carried out electronically, resulting in greater efficiency, transparency and less arbitrary decision-making.

The anonymous model addresses the historic problems of administrative arbitrariness, inconsistent decision-making and corruption with a technological intervention. It seeks to standardise processes and to create a comprehensive audit trail through the designation of functions to specialised units and the requirement for electronic communication. But such a technological evolution also poses fundamental questions as to how to uphold principles of natural justice in digital governance. Tax assessment requires complex factual findings, legal interpretations and individual circumstances that may necessitate substantive engagement beyond formal electronic submissions. Audi alteram partem, the constitutional right to be heard, means a real chance to participate, not a formalistic adherence to procedure. The statutory framework provides safeguards such as personal hearings via videoconferencing, but the key question is whether the technologically mediated processes can produce substantively fair outcomes. Compounding the difficulty of this challenge is the use of algorithmic decision

*LLM, SECOND YEAR, HINDUSTAN UNIVERSITY, PADUR, CHENNAI.

*PROFESSOR, HINDUSTAN UNIVERSITY, PADUR, CHENNAI.

¹ Income tax act 2025 which came into force from April 2026(Amended from earlier income tax act 2015)

support systems that can be opaque in their logic. “Taxpayers can read the automated outputs, but they cannot read the rationale behind the automated outputs. This creates tensions between the purpose of administrative efficiency and the constitutional requirements of justifiable public power. The present paper deals with the effect of faceless tax administration on the principles of natural justice in India. The article discusses the balance of technological innovation and procedural fairness through constitutional analysis, judicial review and empirical assessment. The article argues that for digital governance to enhance natural justice, technology must be subordinate to transparency, reasoned decision-making, and meaningful participation to achieve taxpayer-centred digital governance that balances administrative efficiency and constitutional accountability operational criteria.

Taxpayers can understand the automated outputs but not the reasons behind the automated outputs. This causes tensions between the goal of administrative efficiency and the constitutional requirements of justifiable public power. The present paper deals with the effect of faceless tax administration on principles of natural justice in India. Through constitutional analysis, judicial review and empirical assessment, the article discusses the balance between technological innovation and procedural fairness, arguing that digital governance can improve natural justice only when technology is subordinate to transparency, reasoned decision-making and meaningful participation, ensuring taxpayer-centred digital governance that reconciles administrative efficiency with constitutional accountability.

SCOPE OF THE STUDY

1. To examine the transformation of Indian tax administration from a physical interface to a faceless and technology-mediated system.
2. To evaluate whether faceless assessment adequately incorporates the principles of natural justice, particularly the right to an effective hearing and reasoned decision-making.
3. To analyse the implications of algorithmic and data-driven governance for transparency, explainability, and accountability in tax administration.
4. To assess whether the existing legal and procedural safeguards are sufficient to protect taxpayers against technological and administrative errors.
5. To suggest a rights-based framework for reconciling digital efficiency with natural justice and taxpayer protection in India's tax administration.

DELIMITATION OF SCOPE

The study will primarily focus on income-tax administration and faceless assessment, rather than attempting to examine every aspect of India's digital taxation ecosystem. GST², customs and other indirect-tax systems may be referred to only where they provide useful comparative insight. The research is principally concerned with administrative procedure, natural justice and taxpayer rights, rather than the technical design or programming of algorithms themselves.

LITERATURE REVIEW

Sharma, Y. (2021), *The Faceless Assessment – Principle of Natural Justice*, Mondaq: Sharma analyses the relationship between faceless assessment and the principles of natural justice. The study recognises the benefits of technology in reducing physical interaction, discretion and potential corruption, but cautions that inadequate implementation may result in increased litigation. It emphasises that facelessness should not result in voicelessness for taxpayers.

Malpani, S. & Hake, S. (2022), *Constitutional Validity of E-Assessment and Faceless Hearing: A Study of Natural Justice Principles*: Malpani and Hake examine the constitutional validity of India's e-assessment and faceless hearing framework, particularly from the perspective of natural justice and the right to be heard. They argue that technological efficiency cannot override procedural fairness and that taxpayers must receive a meaningful opportunity to present their case. Their study provides an important constitutional foundation for analysing faceless assessment.

Rai, S. & Suganthiya, R. (2025), *Faceless Assessment Scheme: An Empirical Study of Operational Challenges and Taxpayer Experience*: Rai and Suganthiya examine the operational challenges faced by taxpayers under India's Faceless Assessment Scheme. Their study identifies issues such as extensive digital submissions, communication difficulties, technical limitations and the absence of verbal clarification in complex matters. The study demonstrates that digital efficiency does not automatically ensure a satisfactory taxpayer experience.

B Kothari critically evaluates faceless assessment under Section 144B in terms of transparency, efficiency and natural justice. The study highlights concern regarding extensive documentation, limited personal communication and the possibility that automated risk criteria

² Goods and services Act 2017

may not accurately capture complex financial circumstances. It therefore questions whether the scheme sufficiently guarantees fairness and equality for all taxpayers.

Kolapkar, U.S. & Deshmukh, T. (2026), Faceless Assessment Under the Indian Income-Tax Regime: A Taxpayer-Centric Perspective on Approaches, Challenges and Solutions, *Journal of Informatics Education and Research*, 6(1): Kolapkar and Deshmukh adopt a taxpayer-centric approach to examine the practical challenges of faceless assessment. Their findings identify system-generated mismatches, limited response periods, technical glitches, extensive questionnaires and inadequate consideration of detailed electronic replies. They recommend stronger video-hearing mechanisms, clearer communication and improved digital interfaces to strengthen taxpayer protection.

Kurian, A. (2026), Transparency Versus Natural Justice: A Critical Examination of India's Faceless Assessment Scheme, *Indian Journal of Legal Review*, 6(7), 472–481: Kurian critically examines whether the Faceless Assessment Scheme successfully balances transparency with natural justice. The study finds that although anonymity and digitalisation can reduce arbitrary interaction, concerns remain regarding effective hearing and reasoned decision-making. It recommends strengthening procedural safeguards to ensure that technological reform does not compromise taxpayer rights.

Arunkumar, A. (2026), Critical Analysis of Faceless Assessment and Adjudication Systems under Income Tax: Need to Reimagine the Principles of Natural Justice: Arunkumar examines faceless assessment and adjudication in the context of the increasing use of digitalisation and artificial intelligence in tax administration. The study argues that traditional principles of natural justice must be reconsidered in technology-mediated adjudication because procedural safeguards developed for physical proceedings may not adequately address digital decision-making.

Yadav, P. (2026), Faceless but Not Voiceless: Rethinking Natural Justice under India's E-Assessment Regime: Yadav examines the transformation from traditional officer-centric assessment to technology-mediated faceless assessment and argues that digitalisation should not be viewed merely as an administrative upgrade. The study highlights the need to preserve meaningful participation, natural justice and taxpayer voice within the electronic assessment framework.

Dispute Management under Income Tax Law in the Age of Algorithmic Governance: A Critical Study of Digitalisation, Taxpayers' Rights and Institutional Challenge in India (2025): Recent literature on algorithmic governance identifies a broader problem beyond conventional natural justice: technological opacity. The literature argues that where automated or data-driven systems influence administrative decisions, affected persons should have adequate information about the basis of decisions and mechanisms for review and accountability. This perspective is particularly relevant to faceless tax administration because automated risk parameters can influence taxpayer scrutiny.

Das, K. (2026), Faceless Assessment in Income Tax Act and its Impact on Principles of Natural Justice: Das examines the impact of faceless assessment on natural justice and observes that Section 144B represents a major shift toward transparent, efficient and accountable digital tax administration. However, the study identifies a continuing tension between the objectives of administrative efficiency and the taxpayer's procedural rights.

RESEARCH GAP EMERGING FROM THE LITERATURE

The existing literature establishes that faceless tax administration has improved the technological architecture of tax governance, but it remains inconclusive whether such digital transformation has strengthened substantive natural justice. The present study therefore seeks to move beyond the traditional question of physical versus faceless assessment and examine whether algorithmic governance can deliver transparency, explainability, meaningful participation and effective protection of taxpayer rights.

FACELESS ASSESSMENT SCHEME

The introduction of faceless assessment represents a significant transformation in India's income-tax administration. The traditional assessment model was characterised by direct interaction between taxpayers and assessing officers, whereas the faceless model seeks to separate the taxpayer from the assessing authority through electronic communication and institutionalised allocation of assessment functions. The underlying objectives include reducing personal interaction, minimising opportunities for arbitrary discretion, improving efficiency, promoting transparency and creating greater uniformity in tax administration.

However, the movement from a human-interface model to a technology-mediated model raises a fundamental question: Does the removal of a physical interface necessarily result in greater

procedural fairness? The answer depends not merely on the extent of digitisation but on whether taxpayers continue to receive meaningful opportunities to present their case, understand the basis of adverse findings and obtain decisions from an accountable authority.

STRUCTURE OF THE FACELESS ASSESSMENT MECHANISM

The faceless assessment framework is designed around the functional separation of different stages of assessment. Instead of one assessing officer handling the entire assessment through direct interaction with the taxpayer, different functions may be distributed among specialised units.

The principal institutional components include –

National Faceless Assessment Centre (NaFAC) – coordinates and facilitates the faceless assessment process.

Assessment Units (AUs) – undertake assessment-related functions, including examination of information and determination of taxable income.

Review Units (RUs) – review draft assessment orders in accordance with the prescribed framework.

Technical Units (TUs) – provide technical assistance on specialised issues.

Verification Units (VUs) – undertake verification or enquiry where required.

This functional distribution is intended to reduce individual discretion and introduce internal checks into the assessment process.

IMPLEMENTATION OF THE SCHEME

The implementation of faceless assessment has progressively expanded the use of electronic communication, digital records and technology-assisted processing. Notices, questionnaires, submissions and assessment orders can be exchanged electronically, thereby substantially reducing the necessity for taxpayers to appear personally before tax authorities.

The scheme is therefore based on three important characteristics:

First, Electronic Communication: Communication between the taxpayer and the tax administration takes place primarily through digital platforms.

Second, Functional Separation: Assessment, verification, technical examination and review functions are distributed among different units.

Third, Technology-Mediated Allocation and Processing: Technology plays an important role in allocating cases and managing the assessment process, thereby reducing the direct role of a single officer in the taxpayer's case.

These features represent an important departure from the traditional model of tax administration.

IMPACT ON THE TAXPAYER EXPERIENCE

The taxpayer experience under faceless assessment is significantly different from conventional assessment proceedings.

Reduction of Physical Interface: One of the principal advantages is the elimination or substantial reduction of physical interaction between taxpayers and tax officials. This can reduce geographical constraints, travel expenses and the possibility of inappropriate personal influence. However, the disappearance of physical interaction can also create difficulties where taxpayers need clarification regarding complex factual or legal issues.

Greater Convenience and Accessibility: Digital submission allows taxpayers and tax professionals to respond to notices without visiting tax offices. This is particularly beneficial for taxpayers located outside major cities. At the same time, complete dependence on electronic communication may create difficulties for taxpayers with limited digital literacy or inadequate technological resources.

Speed and Standardisation: Technology has the potential to streamline assessment proceedings and reduce administrative delays. Standardised procedures may also produce greater consistency in the manner in which assessments are conducted. Nevertheless, standardisation may become problematic if complex or fact-specific cases are approached through rigid procedural templates.

The Right to an Effective Hearing: The most significant concern from the perspective of natural justice is whether an electronic opportunity to submit a written response amounts to a meaningful opportunity of hearing. A taxpayer may technically be allowed to respond, yet procedural fairness may still be questioned where the following occurs:

- Insufficient time is provided;
- Relevant documents are not disclosed;
- The taxpayer's submissions are not properly considered;
- Adverse material is relied upon without adequate disclosure;
- Personal hearing is denied where circumstances justify it; or
- The final order does not adequately address the taxpayer's contentions.

Thus, facelessness should not become synonymous with hearinglessness.

NATURAL JUSTICE IN A FACELESS ENVIRONMENT

The faceless model creates a new dimension to the traditional principles of natural justice.

The principle of audi alteram partem requires that a person affected by an administrative decision should have a meaningful opportunity to present their case. In a digital environment, this principle must extend beyond simply providing an electronic response box.

A meaningful hearing requires:

- adequate notice;
- reasonable time to respond;
- access to relevant information and material;
- an opportunity to rebut adverse findings;
- consideration of the taxpayer's submissions; and
- a reasoned and intelligible final decision.

The challenge is therefore to ensure that procedural fairness survives technological transformation.

ALGORITHMIC GOVERNANCE AND THE TAXPAYER:

An important emerging dimension of faceless administration is the increasing use of data analytics, risk assessment and automated technological processes. While these tools may improve efficiency and help identify potentially high-risk cases, they introduce questions of algorithmic accountability. A taxpayer may be affected by a technology-driven risk assessment without necessarily knowing the following:

- What information triggered the selection?
- How the relevant risk was calculated;
- Whether inaccurate data contributed to the selection; or
- How much human oversight was involved in the decision?

This creates a potential transparency gap between the taxpayer and the administration. The traditional taxpayer could identify the officer responsible for the assessment and engage with that officer. Under algorithmic governance, the decision-making process may become institutionally and technologically fragmented. Consequently, the question of who is accountable for an erroneous or procedurally unfair outcome becomes increasingly important.

CRITICAL ASSESSMENT

The faceless assessment model should therefore not be evaluated solely on whether it has successfully eliminated physical interaction. The more important question is whether it has replaced personal discretion with accountable institutional decision-making.

Technology can reduce certain forms of arbitrariness, but technology itself is not inherently neutral. The design of digital systems, allocation mechanisms, risk parameters and automated processes can influence administrative outcomes. Consequently, the introduction of technology does not eliminate discretion; rather, it may relocate discretion from individual officers to institutional processes, system architecture and algorithmic parameters. This distinction is central to understanding the relationship between faceless assessment and taxpayer rights.

CONCLUSION

The faceless assessment framework represents an important step towards modernising Indian tax administration. Its emphasis on digital communication, functional separation and reduced physical interface has the potential to improve efficiency and minimise certain forms of

administrative arbitrariness. However, technological efficiency cannot by itself establish procedural fairness.

The real measure of a successful faceless tax administration should therefore be whether the taxpayer continues to enjoy notice, disclosure, meaningful opportunity of hearing, reasoned decision-making, access to remedies and institutional accountability. The transition from physical administration to algorithmic governance should not result in a transition from visible discretion to invisible discretion. The legitimacy of faceless tax administration ultimately depends upon ensuring that technological advancement strengthens, rather than weakens, the fundamental principles of natural justice and taxpayer rights.

REFERENCES

Acts and Statutes:

- Constitution of India, 1950.
- Income-tax Act, 1961.
- Finance Act, 2020.
- Finance Act, 2021.
- Income-tax (Appellate Tribunal) Rules, 1963.
- Faceless Assessment Scheme, 2019, issued by the Central Board of Direct Taxes.
- National Faceless Assessment Centre provisions under Section 144B of the Income-tax Act, 1961.
- Central Board of Direct Taxes (CBDT), Circulars, Notifications and Instructions relating to Faceless Assessment.

Books:

- H.M. Seervai, *Constitutional Law of India: A Critical Commentary*, Universal Law Publishing.
- M.P. Jain, *Indian Constitutional Law*, LexisNexis.
- I.P. Massey, *Administrative Law*, Eastern Book Company.
- S.P. Sathe, *Administrative Law*, LexisNexis.
- C.K. Takwani, *Lectures on Administrative Law*, Eastern Book Company.
- De Smith, Woolf & Jowell, *De Smith's Judicial Review*, Sweet & Maxwell.
- Jerry L. Mashaw, *Greed, Chaos & Governance: Using Public Choice to Improve Public Law*, Yale University Press.

Journal Articles and Research Papers:

- Sharma, Y., "The Faceless Assessment – Principle of Natural Justice," *Mondaq* (2021).
- Malpani, S. & Hake, S., "Constitutional Validity of E-Assessment and Faceless Hearing: A Study of Natural Justice Principles" (2022).
- Rai, S. & Suganthiya, R., "Faceless Assessment Scheme: An Empirical Study of Operational Challenges and Taxpayer Experience" (2025).

- Kothari, K., “Faceless Assessment under Section 144B of the Income Tax Act: A Critical Analysis of Transparency, Efficiency, and Natural Justice Principles” (2026).
- Kolapkar, U.S. & Deshmukh, T., “Faceless Assessment Under the Indian Income-Tax Regime: A Taxpayer-Centric Perspective on Approaches, Challenges and Solutions,” *Journal of Informatics Education and Research*, Vol. 6, No. 1 (2026).
- Kurian, A., “Transparency Versus Natural Justice: A Critical Examination of India's Faceless Assessment Scheme,” *Indian Journal of Legal Review*, Vol. 6, No. 7, pp. 472–481 (2026).
- Arunkumar, A., “Critical Analysis of Faceless Assessment and Adjudication Systems under Income Tax: Need to Reimagine the Principles of Natural Justice” (2026).
- Yadav, P., “Faceless but Not Voiceless: Rethinking Natural Justice under India’s E-Assessment Regime” (2026).
- Das, K., “Faceless Assessment in Income Tax Act and its Impact on Principles of Natural Justice” (2026).
- “Dispute Management under Income Tax Law in the Age of Algorithmic Governance: A Critical Study of Digitalisation, Taxpayers’ Rights and Institutional Challenge in India” (2025).

Reports and Institutional Materials:

- Central Board of Direct Taxes, *Annual Reports*, Government of India.
- Income Tax Department, Government of India, materials relating to Faceless Assessment and Faceless Appeal.
- Department of Revenue, Ministry of Finance, Government of India, reports and policy documents concerning digitalisation of tax administration.
- NITI Aayog, *Responsible AI for All: Approach Document for India*, Government of India.
- NITI Aayog, reports and discussion papers concerning artificial intelligence, algorithmic governance and responsible use of technology in public administration.
- OECD, *Tax Administration 2024: Comparative Information on OECD and Other Advanced and Emerging Economies*, OECD Publishing.

Important Judicial Authorities:

- *Maneka Gandhi v. Union of India*, (1978) 1 SCC 248.

- *A.K. Kraipak v. Union of India*, (1969) 2 SCC 262.
- *Mohinder Singh Gill v. Chief Election Commissioner*, (1978) 1 SCC 405.
- *S.N. Mukherjee v. Union of India*, (1990) 4 SCC 594.
- *Canara Bank v. Debasis Das*, (2003) 4 SCC 557.
- *Gokak Patel Volkart Ltd. v. Collector of Central Excise*, (1987) 2 SCC 93.
- *Tin Box Company v. Commissioner of Income Tax*, (2001) 249 ITR 216 (SC).
- *Andaman Timber Industries v. Commissioner of Central Excise*, (2016) 15 SCC 785.
- *Dharampal Satyapal Ltd. v. Deputy Commissioner of Central Excise*, (2015) 8 SCC 519.
- *State of Orissa v. Dr. (Miss) Binapani Dei*, AIR 1967 SC 1269.

Websites:

- Income Tax Department, Government of India — official portal and resources concerning income-tax administration and faceless assessment.
- Central Board of Direct Taxes (CBDT), Ministry of Finance, Government of India — notifications, circulars and administrative guidance.
- Department of Revenue, Ministry of Finance, Government of India.
- NITI Aayog — publications relating to artificial intelligence and responsible digital governance.
- OECD — publications concerning tax administration and digital transformation.