

# ASSESSMENT PROCEDURE (FOR DEPARTMENTAL EXAMS)

BY

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# RETURN OF INCOME

## **SEC. 139(1) – WHO IS LIABLE TO FILE RETURN?**

EVERY PERSON-

- (A) BEING A COMPANY OR A FIRM; OR
- (B) BEING OTHER THAN A COMPANY OR A FIRM, IF HIS (OR ANY OTHER PERSON'S OF WHICH HE IS ASSESSABLE) TOTAL INCOME DURING THE PREVIOUS YEAR EXCEEDED THE MAXIMUM AMOUNT NOT CHARGEABLE TO INCOME TAX.

## **WHEN?**

ON OR BEFORE DUE DATE.

## **HOW?**

IN THE PRESCRIBED FORM, VERIFIED IN THE PRESCRIBED MANNER AND SETTING FORTH PRESCRIBED PARTICULARS

# RETURN OF INCOME (CONTD.)

## **WHO ELSE HAVE TO FILE?**

### **FOURTH PROVISO TO SEC.139:**

A RESIDENT PERSON (OTHER THAN NOT ORDINARILY RESIDENT) - IF, AT ANY TIME DURING PREVIOUS YEAR-

- (a) HOLDS, AS A BENEFICIAL OWNER OR OTHERWISE, ANY ASSET (INCLUDING FINANCIAL INTEREST IN ANY ENTITY) LOCATED OUTSIDE INDIA OR HAS SIGNING AUTHORITY IN ANY ACCOUNT LOCATED OUTSIDE INDIA; OR
- (b) IS A BENEFICIARY IN ANY ASSET (INCLUDING FINANCIAL INTEREST IN ANY ENTITY) LOCATED OUTSIDE INDIA

### **FIFTH PROVISO TO SEC.139:**

INDIVIDUAL BENEFICIARY NEED NOT FILE IF INCOME FROM SUCH ASSET IS INCLUDIBLE IN THE INCOME OF BENEFICIAL OWNER

### **SIXTH PROVISO TO SEC.139:**

INDIVIDUAL, HUF, AOP, BOI, AJP – IF TOTAL INCOME WITHOUT CLAIMING DEDUCTION U/S 10(38), 10A, 10B, 10BA OR CHAPTER-VIA EXCEEDED THE NON-TAXABLE LIMIT.

# SEC.139 - RETURN OF INCOME

- EXPLN.2 TO SEC.139(1)- WHAT IS "DUE DATE"?
  1. 30<sup>TH</sup> SEPTEMBER FOR-  
COMPANY; OR PERSON (OTHER THAN COMPANY)  
WHOSE ACCOUNTS ARE TO BE AUDITED; OR  
WORKING PARTNER OF FIRM WHOSE ACCOUNTS  
ARE TO BE AUDITED
  2. 30<sup>TH</sup> NOVEMBER FOR –  
ASSESSEE REQUIRED TO FILE REPORT U/S 92E
  3. 31<sup>ST</sup> JULY FOR –  
ANY OTHER ASSESSEE

# RETURN FORM & MODE OF FILING

RETURN FORMS ARE PRESCRIBED IN RULE 12.

MODE OF FILING IS ALSO PRESCRIBED IN R.12:-

COMPULSORILY ELECTRONICALLY FOR ALL. BUT INDIVIDUALS OR HUF FILING RETURN IN ITR-1 OR ITR-2 (FOR A.Y.2017-18) CAN ALSO FILE PAPER RETURN IF:-

- 1) ASSESSEES ARE OF THE AGE OF 80 OR MORE; OR
- 2) TOTAL INCOME DOES NOT EXCEED 5 LAKHS AND NO REFUND IS CLAIMED

# RETURN OF LOSS

- SEC. 139(3)-
- PERSON WHO SUSTAINED LOSS UNDER “BUSINESS/PROFESSION” OR “CAPITAL GAINS” AND CLAIMS CARRY FORWARD TO FILE RETURN WITHIN TIME U/S 139(1).

# BELATED RETURN

- S.139(4)-
- PERSON, WHO DID NOT FILE WITHIN TIME U/S 139(1) - MAY FILE BEFORE **END OF ASST. YEAR** OR COMPLETION OF ASST., WHICHEVER IS EARLIER.
- CONSEQUENCES-
  1. LIABLE FOR INTEREST U/S 234A
  2. NOT ELIGIBLE FOR INTEREST U/S 244A (FOR REFUND) FOR PERIOD OF DELAY

# LIABILITY TO FILE RETURN IN SPECIAL CASES

- 139(4A)- PERSON IN RECEIPT OF INCOME FROM TRUST PROPERTY
- 139(4B)- CEO OF POLITICAL PARTY
- 139(4C)-
  - (a)- RESEARCH ASSOCIATION. U/S 10(21)
  - (b)-NEWS AGENCY U/S 10(22B)
  - (c)- ASSOCIATION OR INSTITUTION U/S 10(23A)
  - (ca)- PERSON U/S 10(23AAA) (W.E.F. 1-4-2018)
  - (d)- INSTITUTION U/S 10(23B)
  - (e) – FUND/INSTITUTION/TRUST/UNIVERSITY/EDUCATIONAL INSTITUTION/HOSPITAL/MEDICAL INSTITUTION U/S 10(23C)
  - (ea)-MUTUAL FUND U/S 10(23D)
  - (eb)-SECURITISATION TRUST U/S 10(23DA)
  - (eba)- INVESTOR PROTECTION FUND U/S 10(23EC) OR (23ED) (W.E.F. 1-4-2018)
  - (ebb)-CORE SETTLEMENT GUARANTEE FUND U/S 20(23EE) (W.E.F. 1-4-2018)
  - (ec)-VENTURE CAPITAL COMPANY/FUND U/S 10(23FB)
  - (f)- TRADE UNION U/S 10(24)
  - (fa)- BOARD OR AUTHORITY U/S 10(29A) (W.E.F. 1-4-2018)
  - (g)- BODY/AUTHORITY/BOARD/TRUST/COMMISSION U/S 10(46)
  - (h)- INFRASTRUCTURE DEBT FUND U/S 10(47)
- 139(4D)-UNIVERSITY/COLLEGE/INSTITUTION U/S 35
- 139(4E)-BUSINESS TRUST
- 139(4F)-INVESTMENT FUND U/S 115UB



# REVISED RETURN

- 139(5)- RETURN FILED U/S 139(1) OR 139(4) MAY BE REVISED BEFORE –

(A) **THE END** OF ASST. YEAR;

(B) COMPLETION OF ASSESSMENT\* ,

WHICHEVER IS EARLIER

\*REFERS TO ASSESSMENT U/S 143(3) OR 147

**CLAIM FOR DEDUCTION CAN BE MADE ONLY THRO'  
REVISED RETURN- GOETZE (INDIA) LTD. (2006)  
157 TAXMAN 1 (SC)**

# DEFECTIVE RETURN

- 139(9)- IF A.O. CONSIDERS RETURN IS DEFECTIVE, HE MAY GIVE ASSESSEE AN OPPORTUNITY TO RECTIFY WITHIN 15 DAYS (OR EXTENDED PERIOD ALLOWED ON APPLICATION).

IF NOT RECTIFIED, IT WILL BE TREATED AS INVALID AND ATTRACTS PROVISIONS FOR FAILURE TO FILE THE RETURN.

IF DEFECT IS RECTIFIED BEYOND PERMITTED PERIOD BUT BEFORE ASSESSMENT, A.O. MAY CONDONE THE DELAY.

# DEFECTIVE RETURN (CONTD.)

- 139(9)- WHEN A RETURN IS DEFECTIVE?
- EXPLANATION TO SEC.139(9)- UNLESS ALL THE FOLLOWING CONDITIONS ARE FULFILLED-
  - (a) ANNEXURES, STATEMENTS & COLUMNS IN RETURN FORM DULY FILLED IN (aa)...
  - (b) COMPUTTION OF TAX ATTACHED
  - (bb) REPORT U/S 44AB ATTACHED
  - (c) PROOF OF TDS, TCS, AT & SELF-ASST. TAX ATTACHED
  - (d) COPIES OF FINANCIAL STATEMENTS ATTACHED
  - (e) WHERE BOOKS HAVE BEEN AUDITED, COPIES OF AUDITED ACCOUNTS ATTACHED
  - (f) WHERE BOOKS ARE NOT MAINTAINED, STATEMENT INDICATING TURNOVER/GROSS RECEIPTS/GROSS PROFIT/EXPENSES/NET PROFIT AND BASIS OF SUCH COMPUTATION/TOTAL SUNDRY DEBTORS/CREDITORS/STOCK-IN-TRADE/CASH BALANCE AT YEAR END ATTACHED.

**BUT AS PER RULE 12 RETURNS ARE TO BE ANNEXURE-LESS ENABLED U/S 139C**

# SEC.140 – RETURN BY WHOM TO BE VERIFIED

- SEC.140-
- (a) INDIVIDUAL –
  - (i) HIMSELF
  - (ii) IF HE IS ABSENT FROM INDIA - HIMSELF OR DULY AUTHORISED PERSON (THRO' POA)
  - (iii) IF HE IS MENTALLY INCAPACITATED – GUARDIAN OR PERSON COMPETENT TO ACT
  - (iv) IF, FOR ANY REASON HE IS NOT ABLE TO SIGN, DULY AUTHORISED PERSON (THRO' POA)
- (b) HUF- KARTA AND WHERE HE IS ABSENT FROM INDIA/MENTALLY INCAPACITATED, ANY OTHER ADULT MEMBER

# SEC.140 – RETURN BY WHOM TO BE VERIFIED (CONTD.)

- (c) COMPANY- BY M.D. OR IF, FOR ANY REASON HE IS NOT ABLE TO SIGN OR NO M.D. ANY DIRECTOR  
**PROVISO**-IF CO. IS NON-RESIDENT, POA HOLDER  
2<sup>ND</sup> PROVISO- LIQUIDATOR – IF BEING WOUND UP, ETC  
PRINCIPAL OFFICER- IF MANAGEMENT IS TAKEN OVER BY GOVT.
- (cc) FIRM – BY M.P. OR IF, FOR ANY REASON HE IS NOT ABLE TO SIGN OR NO M.P. ANY PARTNER (NOT MINOR)
- (cd) LLP-DESIGNATED PARTNER OR IF, FOR ANY REASON HE IS NOT ABLE TO SIGN OR NO D.P., ANY PARTNER
- (d) LOCAL AUTHORITY – PRINCIPAL OFFICER
- (dd) POLITICAL PARTY – C.E.O. OF SUCH PARTY
- (e) ANY OTHER ASSOCIATION – ANY MEMBER OR PRINCIPAL OFFICER
- (f) ANY OTHER PERSON – THAT PERSON OR SOME PERSON COMPETENT TO ACT ON HIS BEHALF

# SEC.140A- SELF-ASSESSMENT

- 140A(1)-TAX PAYABLE ON RETURN U/S 139/142/148/153A/158BC/115WD/115WH TO BE PAID, WITH DUE INTEREST U/S 234, BEFORE FILING & PROOF ATTACHED

## **EXPLANATION:**

IF AMOUNT PAID IS LESS THAN PAYABLE, PAID AMOUNT SHALL FIRST BE ADJUSTED TOWARDS INTEREST & BALANCE, IF ANY, TOWARDS TAX.

# SEC.140A- SELF-ASSESSMENT (CONTD.)

- 140A(1A)- INTEREST PAYABLE U/S 234A SHALL BE COMPUTED ON THE BASIS OF TAX ON DECLARED TOTAL INCOME AS REDUCED BY-
  - (a) ADVANCE TAX
  - (b) TDS OR TCS
  - (c) RELIEF CLAIMED U/S 90/91
  - (d) RELIEF CLAIMED U/S 90A
  - (e) TAX CREDIT SET OFF CLAIMED U/S 115JAA OR 115JD

# SEC.140A- SELF-ASSESSMENT (CONTD.)

- 140A(1B)- INTEREST PAYABLE U/S 234B SHALL BE COMPUTED ON ASSESSED TAX (OR ON SHORTAGE OF A.T. PAID OVER ASSESSED TAX)

EXPLANATION: ASSESSED TAX MEANS TAX ON DECLARED TOTAL INCOME AS REDUCED BY-

(i) DUE TDS OR TCS ON INCOME INCLUDED IN COMPUTATION

(ii) RELIEF CLAIMED U/S 90/91

(iii) RELIEF CLAIMED U/S 90A

(iv) TAX CREDIT SET OFF CLAIMED U/S 115JAA OR 115JD



## SEC.140A- SELF-ASSESSMENT (CONTD.)

- 140A(2)- AFTER A REGULAR ASSESSMENT U/S 115WE/115WF/143/144 OR ASSESSMENT U/S 153A/158BC, AMOUNT PAID U/S 140A(1) SHALL BE DEEMED TO HAVE BEEN PAID TOWARDS SUCH REGULAR ASSESSMENT OR ASSESSMENT

## SEC.140A- SELF-ASSESSMENT (CONTD.)

- 140A(3)- ASSESSEE WHO HAS FAILED TO PAY WHOLE/PART OF TAX OR INTEREST DUE U/S 140A(1) SHALL, WITHOUT PREJUDICE TO ANY OTHER CONSEQUENCES, BE **DEEMED TO BE AN ASSESSEE IN DEFAULT** AND ALL THE PROVISIONS OF THE ACT SHALL APPLY.

# 142- INQUIRY BEFORE ASSESSMENT

142(1) –**FOR THE PURPOSE OF MAKING AN ASSESSMENT**, AN A.O. MAY SERVE ON ANY PERSON WHO HAS MADE A RETURN U/S 139 OR IN WHOSE CASE **TIME ALLOWED U/S 139(1) HAS EXPIRED** A NOTICE REQUIRING HIM ON A DATE SPECIFIED –

(i) IF HE HAS NOT MADE A RETURN WITHIN TIME U/S 139(1) OR \***BEFORE END OF ASST. YEAR** TO FURNISH A RETURN

(ii) TO PRODUCE ACCOUNTS/DOCUMENTS CALLED FOR

(iii) TO FURNISH INFORMATION (INCLUDING A STATEMENT OF ALL ASSETS & LIABILITIES, WHETHER INCLUDED IN THE ACCOUNTS OR NOT) CALLED FOR

\*REQUIRES AMENDMENT CONSEQUENT TO SEC.139(4)

# 142- INQUIRY BEFORE ASSESSMENT (CONTD.)

- PROVISIO TO SEC.142(1)-
  - (a) PRIOR APPROVAL OF JOINT COMMISSIONER TO BE OBTAINED BEFORE CALLING FOR STATEMENT OF ASSETS & LIABILITIES
  - (b) A.O. SHALL NOT REQUIRE ACCOUNTS RELATING TO A PERIOD MORE THAN 3 YEARS PRIOR TO THE PREVIOUS YEAR

# TYPES OF NOTICES U/S 142(1)

**1. U/S 142(1)(i):**

TO FURNISH RETURN OF INCOME

**2. U/S 142(1)(ii):**

TO PRODUCE, OR CAUSE TO BE PRODUCED, ACCOUNTS OR DOCUMENTS

**3. U/S 142(1)(iii):**

TO FURNISH INFORMATION (INCLUDING A STATEMENT OF ALL ASSETS & LIABILITIES, WHETHER INCLUDED IN ACCOUNTS OR NOT)

# NOTICE U/S 142(1)(i)

## **WHEN CAN BE ISSUED?**

### **FROM:**

ONLY AFTER "DUE DATE" FOR FILING RETURN FOR RELEVANT PERSON

### **TILL:**

\*THE END OF ASST. YEAR **(MY VIEW)**

\*CONSEQUENT TO AMENDMENT IN SEC.139(4) EVEN THOUGH THE REQUIRED AMENDMENT NOT MADE IN SECTION 142(1)(i) WHICH AUTHORISES ISSUE AFTER THE END OF ASST. YEAR.

# NOTICE U/S 142(1)(i)

## **WHETHER PRIOR APPROVAL REQUIRED?**

NO.

## **WHETHER SATISFACTION TO BE RECORDED?**

NOT COMPULSORY. PREFERABLE TO RECORD REASON FOR ISSUE, i.e.,

(A) STOP-FILER OR NON-FILER

(B) CONDUCT OF SURVEY OR SEARCH

(C) AIR/CIB/ANY OTHER INFORMATION

TO ENABLE APPROPRIATE FOLLOW-UP BY YOURSELF/SUCCESSOR

# NOTICE U/S 142(1)(i)

## **PURPOSE OF ISSUE?**

MAKING AN ASSESSMENT

## **CAN PROCEEDINGS BE DROPPED?**

YES, AFTER RECORDING SATISFACTION THAT ASSESSEE IS NOT LIABLE TO FILE RETURN. MATERIAL TO BE PLACED ON RECORD.

## **WHETHER ASSESSMENT U/S 143(3) IS COMPULSORY IN ALL CASES?**

- A. NO (IF NOTICES WERE ISSUED ONLY TO CALL FOR RETURNS IN CASES OF NON-FILERS/STOP FILERS)
- B. YES (IN SEARCH & OTHER CASES – AS PER BOARD'S INSTRUCTIONS FOR SELECTION FOR SCRUTINY ISSUED ANNUALLY)



# NOTICE U/S 142(1)(ii)

## **WHEN CAN BE ISSUED?**

1. WHEN A RETURN HAS BEEN FILED U/S 139 OR IN RESPONSE TO NOTICE U/S 142(1)/148/153A/153C - AFTER ISSUE OF NOTICE U/S 143(2) & BEFORE COMPLETION OF ASSESSMENT - WHETHER THERE IS COMPLIANCE TO NOTICE U/S 143(2) OR NOT
2. WHEN NO RETURN IS FILED IN RESPONSE TO NOTICE U/S 142(1)/148/153A/153C

# NOTICE U/S 142(1)(ii)

## **WHAT CAN BE CALLED FOR?**

1. ACCOUNTS OR DOCUMENTS IN POSSESSION OR CONTROL OF ASSESSEE (6 ITR 445). EVEN IF SEIZED, ASSESSEE COULD TAKE COPIES & PRODUCE (89 ITR 281). ASSESSEE TO PROVE THAT REQUIRED BOOKS DO NOT EXIST (9 ITR 225).
2. ACCOUNTS OR DOCUMENTS HAVING A BEARING ON MAKING OF ASSESSMENT {122 ITR 55 (SC)}

## **WHAT CAN NOT BE CALLED FOR?**

ACCOUNTS RELATING TO A PERIOD MORE THAN 3 YEARS PRIOR TO THE PREVIOUS YEAR

# NOTICE U/S 142(1)(iii)

## **WHEN CAN BE ISSUED?**

1. WHEN A RETURN HAS BEEN FILED U/S 139 OR IN RESPONSE TO NOTICE U/S 142(1)/148/153A/153C - AFTER ISSUE OF NOTICE U/S 143(2) & BEFORE COMPLETION OF ASSESSMENT – WHETHER THERE IS COMPLIANCE TO NOTICE U/S 143(2) OR NOT
2. WHEN NO RETURN IS FILED IN RESPONSE TO NOTICE U/S 142(1)/148/153A/153C

# NOTICE U/S 142(1)(iii)

## **WHAT CAN BE CALLED FOR?**

FURNISHING IN WRITING & VERIFIED IN THE PRESCRIBED MANNER "INFORMATION IN SUCH FORM & ON SUCH POINTS OR MATTERS A.O. MAY REQUIRE (INCLUDING A STATEMENT OF ALL ASSETS & LIABILITIES, WHETHER INCLUDED IN THE ACCOUNTS OR NOT)"

## **WHETHER ANY APPROVAL IS REQUIRED?**

PRIOR APPROVAL OF RANGE-HEAD IS REQUIRED BEFORE CALLING FOR STATEMENT OF ALL ASSETS & LIABILITIES NOT INCLUDED IN ACCOUNTS

# NOTICE U/S 142(1)(iii)

**AS ON WHAT DATE THIS STATEMENT TO BE CALLED FOR?**

AS ON 1<sup>ST</sup> APRIL AND 31<sup>ST</sup> MARCH OF PREVIOUS YEAR

**HOW THIS STATEMENT WILL BE USEFUL FOR ASSESSMENT?**

1. TO COMPARE THE INCREASE IN ASSETS WITH ADMITTED INCOME
2. TO DETECT BOGUS LIABILITIES
3. TO DETECT UNDER-VALUATION OF ASSETS
4. TO MAKE ASSESSEE COMMIT WITH REGARD TO HIS CAPITAL (TO PREVENT INFLATED CAPITAL BUILDUP IN FUTURE), DRAWINGS, COST OF IMPROVEMENT, EXEMPT INCOME/RECEIPTS, ETC

# 142- INQUIRY BEFORE ASSESSMENT (CONTD.)

- 142(2)- FOR THE PURPOSE OF OBTAINING FULL INFORMATION IN RESPECT OF INCOME OR LOSS, A.O. MAY MAKE SUCH INQUIRY AS HE CONSIDERS NECESSARY

# 142(2A)- SPECIAL AUDIT

HAVING REGARD TO –

NATURE & COMPLEXITY OF ACCOUNTS,

VOLUME OF ACCOUNTS,

DOUBTS ABOUT CORRECTNESS OF ACCOUNTS,

MULTIPLICITY OF TRANSACTIONS IN ACCOUNTS OR  
SPECIALISED NATURE OF BUSINESS **AND**

**INTERESTS OF REVENUE,**

IF A.O. , AT ANY STAGE OF PROCEEDINGS BEFORE HIM,  
OPINES THAT IT IS NECESSARY, HE MAY, WITH PRIOR  
APPROVAL OF CCIT OR CIT, DIRECT THE ASSESSEE TO GET  
ACCOUNTS AUDITED BY AN ACCOUNTANT U/S 288(2)  
NOMINATED BY CCIT/CIT AND TO FURNISH A REPORT

# 142(2A)- SPECIAL AUDIT (CONTD.)

- PROVISO TO SEC.142(2A)- A.O. SHALL NOT DIRECT SPECIAL AUDIT WITHOUT GIVING OPPORTUNITY OF HEARING
- 142(2B) – 142(2A) SHALL HAVE EFFECT EVEN IF ACCOUNTS HAVE BEEN ALREADY AUDITED
- 142(2C) – REPORT SHALL BE FILED WITHIN THE PERIOD SPECIFIED BY A.O.

PROVISO- A.O. MAY, SUO MOTO OR ON APPLICATION FOR GOOD & SUFFICIENT REASONS, EXTEND THE PERIOD BUT TOTAL PERIOD SHALL NOT EXCEED 180 DAYS OF DATE OF RECEIPT OF DIRECTION U/S 142(2A)

- 142(2D) – EXPENSES OF SPECIAL AUDIT DIRECTED ON OR AFTER 1-4-2007 SHALL BE DETERMINED BY CCIT/CIT & PAID BY CENTRAL GOVT.



## 142(3) - OPPORTUNITY TO ASSESSEE

- ASSESSEE SHALL (EXCEPT IN CASE OF ASST. U/S 144) BE GIVEN AN OPPORTUNITY OF HEARING IN RESPECT OF -  
ANY MATERIAL GATHERED U/S 142(2)  
OR  
ANY AUDIT U/S 142(2A)  
PROPOSED TO BE UTILISED FOR ASSESSMENT

# 142A- ESTIMATE BY VALUATION OFFICER

- 142A(1) – FOR MAKING ASSESSMENT OR RE-ASSESSMENT, IF AN ESTIMATE OF VALUE OF INVESTMENT U/S 69/69B OR VALUE OF BULLION/JEWELLERY/OTHER ARTICLE U/S 69A/69B OR FAIR MARKET VALUE OF PROPERTY U/S 56(2) IS REQUIRED, A.O. MAY REQUIRE VALUATION OFFICER (V.O.) TO MAKE AN ESTIMATE & REPORT
- 142A(2) – A.O. MAY MAKE A REFERENCE WHETHER OR NOT HE IS SATISFIED ABOUT THE CORRECTNESS OR COMPLETENESS OF THE ACCOUNTS OF THE ASSESSEE
- 142A(3)- V.O. SHALL HAVE ALL POWERS U/S 38A OF W.T. ACT, 1957.
- 142A(6)- V.O. SHALL SEND HIS REPORT WITHIN SIX MONTHS FROM THE END OF THE MONTH IN WHICH REFERENCE IS MADE.
- 142A(7) - ON RECEIPT OF REPORT, A.O. MAY, AFTER GIVING AN OPPORTUNITY TO ASSESSEE, **TAKE INTO ACCOUNT** SUCH REPORT

# SEC.143(1)- PROCESSING

**RETURNS FILED U/S 139** OR IN RESPONSE TO NOTICE U/S 142(1) SHALL BE **PROCESSED** AS UNDER-

(a) TOTAL INCOME OR LOSS SHALL BE COMPUTED AFTER MAKING THE FOLLOWING **ADJUSTMENTS**-

(i) ARITHMETICAL ERROR

(ii) **INCORRECT CLAIM, IF IT IS APPARENT FROM INFORMATION IN RETURN**

(iii) DISALLOWANCE OF B/F LOSS IF THAT LOSS RETURN WAS FILED BEYOND DUE DATE

(iv) DISALLOWANCE OF EXPENDITURE AS PER AUDIT REPORT NOT TAKEN INTO ACCOUNT

(v) DISALLOWANCE OF DEDUCTION U/S 10AA, 80-IA, 80-IAB, 80-IC, 80-ID, 80-IE IF RETURN WAS FILED BEYOND DUE DATE

(vi) ADDITION OF INCOME AS PER 26AS/16A/16 NOT INCLUDED

# SEC.143(1)- PROCESSING (CONTD.)

## EXPLANATION TO SEC.143(1)-

(a) INCORRECT CLAIM, IF IT IS APPARENT FROM INFORMATION IN RETURN, MEANS A CLAIM, ON THE BASIS OF ENTRY IN THE RETURN-

- (i) AN ITEM, WHICH IS INCONSISTENT WITH ANOTHER ENTRY OF SAME OF SOME OTHER ITEM IN SUCH RETURN;
- (ii) IN RESPECT OF WHICH INFO. REQUIRED TO BE FURNISHED TO SUBSTANTIATE SUCH ENTRY HAS NOT BEEN SO FURNISHED
- (iii) IN RESPECT OF A DEDUCTION, WHERE IT EXCEEDS SPECIFIED STATUTORY LIMIT EXPRESSED AS AMOUNT OR % OR RATIO OR FRACTION

(b) ACK. OF RETURN SHALL BE DEEMED TO BE INTIMATION WHERE NO SUM IS PAYABLE/REFUNDABLE OR NO ADJUSTMENT IS MADE

## SEC.143(1)- PROCESSING (CONTD.)

- FIRST PROVISIO TO **SEC.143(1)(a)**:
- NO ADJUSTMENT WITHOUT INTIMATION IN WRITING OR IN ELECTRONIC MODE
- SECOND PROVISIO:
- RESPONSE FROM ASSESSEE SHALL BE CONSIDERED.
- IF NO RESPONSE WITHIN 30 DAYS OF ISSUE OF INTIMATION, ADJUSTMENT SHALL BE MADE

# SEC.143(1)- PROCESSING (CONTD.)

- SEC.143(1)-
  - (b) TAX, INTEREST SHALL BE COMPUTED
  - (c) SUM PAYABLE/REFUNDABLE SHALL BE DETERMINED AFTER ADJUSTMENT OF TDS/TCS/AT/RELIEF U/S 90/90A/91/REBATE UNDER CHAPTER VIII/140A/PAID OTHERWISE
  - (d) INTIMATION SHALL BE SENT SPECIFYING SUM PAYABLE/REFUNDABLE
  - (e) REFUND SHALL BE GRANTED

# SEC.143(1)- PROCESSING (CONTD.)

- FIRST PROVISIO TO SEC.143(1)-  
INTIMATION SHALL ALSO BE SENT IF LOSS IS  
ADJUSTED BUT NO SUM IS  
PAYABLE/REFUNDABLE
- SECOND PROVISIO TO SEC.143(1)-  
NO INTIMATION SHALL BE SENT AFTER EXPIRY  
OF ONE YEAR FROM THE END OF FINANCIAL  
YEAR IN WHICH RETURN IS FILED.

# SEC.143(1)- PROCESSING (CONTD.)

- 143(1A) – CENTRALISED PROCESSING OF RETURNS
- 143(1B) - ENABLING GOVT. TO ISSUE NOTIFICATION TO GIVE EFFECT TO CENTRALISED PROCESSING
- 143(1C) - NOTIFICATION TO BE LAID BEFORE PARLIAMENT
- **143(1D) – PROCESSING SHALL NOT BE NECESSARY BEFORE ONE YEAR FROM END OF YEAR OF FILING WHERE A NOTICE HAS BEEN ISSUED U/S 143(2) BUT TO BE DONE BEFORE ORDER U/S 143(3).**
- **(FA 2017)- NEW 143(1D) WILL NOT APPLY FOR RETURNS FOR AY 2017-18 ONWARDS**



# SEC. 143(2) – NOTICE FOR SCRUTINY

- 143(2) – WHERE A RETURN IS FURNISHED U/S 139 OR IN RESPONSE TO NOTICE U/S 142(1), A.O. **OR PRESCRIBED I.T. AUTHORITY** SHALL-

IF HE CONSIDERS IT NECESSARY OR EXPEDIENT TO ENSURE THAT ASSESSEE HAS NOT UNDERSTATED INCOME OR HAS NOT COMPUTED EXCESSIVE LOSS OR HAS NOT UNDER-PAID THE TAX IN ANY MANNER, SERVE A NOTICE REQUIRING, ON A SPECIFIED DATE, ATTENDANCE OR PRODUCTION OF EVIDENCE **BEFORE AO** WHICH ASSESSEE MAY RELY IN SUPPORT OF RETURN.

NO NOTICE SHALL BE SERVED AFTER 6 MONTHS FROM THE END OF FINANCIAL YEAR IN WHICH RETURN IS FILED

# NOTICE U/S 143(2)

## **WHEN CAN BE ISSUED?**

ONLY WHEN RETURN IS FILED.

## **FROM:**

ANY DAY AFTER RETURN IS FILED

## **TILL:**

6 MONTHS FROM THE END OF FINANCIAL YEAR IN WHICH RETURN IS FILED.

e.g. IF RETURN IS FILED ON 1-4-2015, TILL 30-9-2016

# NOTICE U/S 143(2) (CONTD.)

## **LIMITATION – FOR ISSUE OR SERVICE?**

FOR SERVICE.

## **MODES OF SERVICE:**

1. BY REGISTERED POST WITH ACK. DUE
2. BY SPEEDPOST WITH ACK. DUE
3. PERSONAL SERVICE (THROUGH NOTICE SERVER/ITI) (WITH TEAR-OFF SLIP OR SPARE COPY OF NOTICE)

ADDITIONALLY BY E-MAIL OF DIGITALLY SIGNED NOTICE.

# SEC.143(3)- ASSESSMENT ORDER

- 143(3)- AFTER HEARING THE EVIDENCES PRODUCED BY ASSESSEE AND REQUIRED BY A.O. AND AFTER TAKING INTO ACCOUNT ALL MATERIALS GATHERED, A.O. SHALL, BY ORDER IN WRITING, MAKE ASSESSMENT OF TOTAL INCOME OR LOSS AND DETERMINE THE SUM PAYABLE OR REFUNDABLE

# SEC. 143(3)- SPECIAL CASES

- FIRST PROVISO TO SEC.143(3)- IN THE CASE OF

(a)- RESEARCH ASSN. U/S 10(21)

(b)-NEWS AGENCY U/S 10(22B)

(c)- ASSN. OR INSTN. U/S 10(23A)

(d)- INSTITUTION U/S 10(23B)

(e) – FUND/INSTITUTION/TRUST/UNIVERSITY/EDUCATIONAL INSTITUTION/HOSPITAL/MEDICAL INSTITUTION U/S 10(23C)

NO ASST. ORDER SHALL BE MADE, WITHOUT GIVING EFFECT TO SEC.10, UNLESS A.O. INTIMATED CENTRAL GOVT./PRESCRIBED

AUTHORITY CONTRAVENTION OF

SEC.10(21)/(22B)/(23A)/(23B)/(23C) **AND** APPROVAL GRANTED HAS BEEN WITHDRAWN OR NOTIFICATION ISSUED HAS BEEN RESCINDED

## SEC. 143(3)- SPECIAL CASES

- SECOND PROVISO TO SEC.143(3)- IF A.O. IS SATISFIED THAT ACTIVITIES OF UNIVERSITY, COLLEGE OR INSTITUTION U/S 35 ARE NOT BEING CARRIED OUT AS PER THE CONDITIONS FOR APPROVAL, HE MAY, AFTER GIVING A REASONABLE OPPORTUNITY, RECOMMEND TO CENTRAL GOVT. TO WITHDRAW APPROVAL AND THE GOVT. MAY BY ORDER WITHDRAW AND FORWARD A COPY TO UNIVERSITY, ETC, AND A.O.

# SEC. 143(3)- SPECIAL CASES

- THIRD PROVISIO TO SEC.143(3)-  
A.O. SHALL NOT GIVE EFFECT TO SEC.10(23C)  
IN CASE OF A TRUST OR INSTITUTION IF FIRST  
PROVISIO TO SEC.2(15) BECOME APPLICABLE,  
WHETHER OR NOT THE APPROVAL  
/NOTIFICATION IS WITHDRAWN/RESCINDED

## SEC.143(4)

- WHERE ASST. IS MADE U/S 143(3) OR 144-
  - (a) SUM PAID U/S 143(1) SHALL BE DEEMED TO HAVE BEEN TOWARDS SUCH ASST.
  - (b) IF REFUND DUE IS NIL OR LESS THAN REFUNDED U/S 143(1), WHOLE OR EXCESS REFUND SHALL BE DEEMED TO BE TAX PAYABLE AND PROVISIONS SHALL ACCORDINGLY APPLY.



# SEC. 144- BEST JUDGEMENT ASST.

- 144(1)- IF ANY PERSON-
  - (a) FAILS TO FILE RETURN U/S **139(1)**/(4)/(5); OR
  - (b) FAILS TO COMPLY WITH NOTICE U/S 142(1) OR DIRECTION U/S 142(2A); OR
  - (c) FAILS TO COMPLY WITH NOTICE U/S 143(2),  
A.O., AFTER CONSIDERING ALL MATERIAL GATHERED BY HIM, SHALL, AFTER GIVING AN OPPORTUNITY, MAKE ASSESSMENT OF TOTAL INCOME ON LOSS TO THE BEST OF HIS JUDGEMENT AND DETERMINE THE SUM PAYABLE

# SEC. 144- BEST JUDGEMENT ASST.

- FIRST PROVISIO TO SEC.144(1)-  
OPPORTUNITY BY WAY OF SHOW CAUSE  
NOTICE

SECOND PROVISIO TO SEC.144(1)-  
NOT NECESSARY TO GIVE OPPORTUNITY IF  
NOTICE U/S 142(1) HAS BEEN ISSUED BEFORE  
MAKING OF ASSESSMENT.

# SEC.144A- DIRECTIONS OF JCIT

- A JCIT MAY -  
ON HIS OWN ; OR  
ON REFERENCE BY A.O.; OR  
ON APPLICATION OF ASSESSEE  
CALL FOR & EXAMINE THE RECORD OF PENDING  
ASSESSMENT AND IF HE CONSIDERS, **HAVING REGARD TO  
NATURE OF THE CASE OR AMOUNT INVOLVED OR ANY  
OTHER REASON**, NECESSARY HE MAY ISSUE DIRECTIONS  
FOR GUIDANCE AND THEY SHALL BE BINDING ON A.O.  
PROVISO:- DIRECTIONS PREJUDICIAL TO ASSESSEE SHALL  
NOT BE ISSUED WITHOUT OPPORTUNITY TO ASSESSEE  
EXPLANATION: DIRECTIONS ON LINE OF INVESTIGATION  
SHALL NOT BE DEEMED PREJUDICIAL TO ASSESSEE

# REFERENCES TO CIT, ETC

- SEC.144BA-

REFERENCE TO CIT IN CASES OF  
IMPERMISSIBLE AVOIDANCE AGREEMENT  
UNDER CHAPTER X-A

SEC.144C-

REFERENCE TO DISPUTE RESOLUTION PANEL  
IN CASES OF TRANSFER PRICING

# SEC.145- METHOD OF ACCOUNTING

- SEC.145(1)-  
INCOME CHARGEABLE UNDER "BUSINESS" OR "OTHER SOURCES" SHALL, SUBJECT TO SEC.145(2), BE COMPUTED WITH EITHER CASH OR MERCANTILE SYSTEM.  
SEC.145(2)-  
CENTRAL GOVT. MAY NOTIFY ACCOUNTING STANDARDS (**ICDS**) TO BE FOLLOWED BY ANY CLASS OF ASSESSEES/INCOME  
SEC.145(3)- IF A.O. IS NOT SATISFIED ABOUT –  
CORRECTNESS OR COMPLETENESS OF ACCOUNTS; OR  
METHOD OF ACCOUNTING U/S 145(1) OR ACCOUNTING STANDARDS HAVE NOT BEEN REGULARLY FOLLOWED,  
HE MAY MAKE ASSESSMENT U/S 144.

# NOTIFIED ICDS

## **CBDT NOTIFICATION DATED 29<sup>TH</sup> SEPTEMBER 2016:-**

I-ACCOUNTING POLICIES

II-VALUATION OF INVENTORIES

III-CONSTRUCTION CONTRACTS

IV-REVENUE RECOGNITION

V-TANGIBLE FIXED ASSETS

VI-EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

VII-GOVERNMENT GRANTS

VIII-SECURITIES

IX-BORROWING COSTS

X-PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS

# SEC.145A- METHOD OF ACCOUNTING IN CERTAIN CASES

- 145A(a)- VALUATION OF PURCHASE & SALE OF GOODS AND INVENTORY SHALL BE-

- (i) IN ACCORDANCE WITH ACCOUNTING METHOD REGULARLY EMPLOYED; AND
- (ii) FURTHER ADJUSTED TO INCLUDE TAX, DUTY, CESS OR FEE, ACTUALLY PAID OR INCURRED TO BRING THE GOODS TO PLACE OF ITS LOCATION & CONDITION AS ON VALUATION DATE

EXPLANATION: TAX, DUTY, ETC, TO INCLUDE ALL PAYMENTS EVEN IF RIGHTS ARISE AS A CONSEQUENCE TO SUCH PAYMENT

145(b)-INTEREST RECEIVED ON COMPENSATION/ENHANCED COMPENSATION SHALL BE DEEMED TO BE INCOME OF THE YEAR OF RECEIPT

# SEC.153-TIME LIMIT FOR COMPLETION

- S.153(1) – ASSESSMENT SHALL BE MADE U/S 143/144 WITHIN **21 MONTHS** FROM END OF A.Y.
- **(FA 2017)** FOR AY 2018-19 – WITHIN 18 MONTHS  
FOR AY 2019-20 ONWARDS – WITHIN 12 MONTHS
- S.153(2) – ASSESSMENT SHALL BE MADE U/S 147 **WITHIN 9 MONTHS** FROM END OF F.Y. IN WHICH NOTICE WAS SERVED
- **(FA 2017)** NOTICES SERVED ON OR AFTER 1-4-2019 = 12 MONTHS
- S.153(3)-ORDER OF FRESH ASSESSMENT U/S 254/263/264, SETTING ASIDE OR CANCELLING AN ASSESSMENT, SHALL BE MADE WITHIN 9 MONTHS FROM END OF F.Y. IN WHICH ORDER U/S 254 IS RECEIVED BY PCCIT/CCIT/PCIT/CIT OR ORDER U/S 263/264 IS PASSED
- **(FA 2017)** ORDERS RECEIVED/PASSED ON OR AFTER 1-4-2019 = 12 MONTHS
- S.153(4)- IF REFERENCE U/S 92CA(1) IS MADE (TPO), ABOVE PERIOD SHALL BE EXTENDED BY 12 MONTHS



# SEC.153-TIME LIMIT FOR COMPLETION (CONTD.)

- S.153(5)- IF ORDER U/S 250/254/260/262/263/264 IS TO BE GIVEN EFFECT, WHOLLY OR PARTLY, OTHERWISE THAN BY FRESH ASSESSMENT, IT SHALL BE GIVEN **WITHIN 3 MONTHS** FROM END OF THE MONTH IN WHICH ORDER U/S 250/254/260/262 IS RECEIVED BY PCCIT/CCIT/PCIT/CIT OR ORDER U/S 263 /264 IS PASSED BY PCIT/CIT.
- **FIRST PROVISIO:**  
IF, FOR REASONS BEYOND A.O.'s CONTROL, IT IS NOT POSSIBLE TO DO SO WITHIN 3 MONTHS, PCIT/CIT, ON RECEIPT OF WRITTEN REQUEST FROM AO, IF SATISFIED, MAY ALLOW **FURTHER 6 MONTHS**.
- **SECOND PROVISIO:**  
IF ORDER U/S 250/254/260/262/263/264 REQUIRES **VERIFICATION OF ANY ISSUE BY WAY OF SUBMISSION OF ANY DOCUMENT BY ASSESSEE/ANY OTHER PERSON OR IF HEARING IS TO BE PROVIDED TO ASSESSEE**, ORDER SHALL BE MADE WITHIN TIME U/S 153(3)

## SEC.153-TIME LIMIT FOR COMPLETION (CONTD.)

### S.153(6)-

(I) IF ASSESSMENT/RE-ASST. IS MADE ON ASSESSEE OR ANY PERSON IN CONSEQUENCE OF OR TO GIVE EFFECT TO ANY FINDING OR DIRECTION IN AN ORDER U/S 250, 254, 260, 262, 263 OR 264 OR OF ANY COURT IN OTHER THAN APPEAL/REFERENCE PROCEEDINGS – BEFORE 12 MONTHS FROM THE END OF MONTH IN WHICH ORDER IS RECEIVED OR PASSED BY PCIT/CIT

(b) IF ASST. IS MADE ON A PARTNER IN CONSEQUENCE OF ASSESSMENT OF FIRM U/S 147 – BEFORE 12 MONTHS FROM END OF MONTH IN WHICH ORDER IS PASSED ON FIRM.

## SEC.153-TIME LIMIT FOR COMPLETION (CONTD.)

- 153(7): IF EFFECT TO ORDER REFERRED U/S-S (5) OR (6) IS TO BE GIVEN & IF SUCH ORDER HAS BEEN RECEIVED/PASSED BEFORE 1-6-2016, IT SHALL BE DONE ON OR BEFORE 31-3-2017.
- 153(8): ORDER REVIVED U/S 153A(2) SHALL BE MADE WITHIN ONE YEAR FROM END OF MONTH OF REVIVAL OR AS PER 153B(1), WHICHEVER IS LATER.

# SEC.153-TIME LIMIT FOR COMPLETION (CONTD.)

- EXPLANATION 1 TO SEC.153 (EXCLUSIONS IN COMPUTING LIMITATION) :
  - (i) TIME TAKEN TO COMPLY WITH SEC.129
  - (ii) PERIOD OF STAY BY ANY COURT
  - (iii) PERIOD FROM DATE OF INTIMATION TO CENTRAL GOVT./PRESCRIBED AUTHORITY CONTRAVENTION OF SEC.10(21), (22B), (23A), (23B), (23C)(iv)/(v)/(vi)/(via) AND DATE OF RECEIPT OF ORDER WITHDRAWING APPROVAL OR RESCINDING THE NOTIFICATION BY A.O.
  - (iv) PERIOD FROM DATE OF DIRECTION U/S 142(2A) AND
    - (a) LAST DATE ON WHICH THE REPORT IS REQUIRED TO BE FURNISHED; OR
    - (b) DATE ON WHICH COURT'S ORDER SETTING ASIDE DIRECTION U/S 142(2A) IS RECEIVED BY PCIT/CIT
  - (v) PERIOD FROM DATE OF MAKING A REFERENCE TO VALUATION OFFICER AND **DATE OF RECEIPT OF RECEIPT** OF REPORT
  - (vi) PERIOD (NOT EXCEEDING 60 DAYS) FROM DATE OF RECEIPT OF DECLARATION U/S 158A(1) AND DATE OF ORDER U/S 158A(3)

## SEC.153-TIME LIMIT FOR COMPLETION (CONTD.)

(vii) IF APPLICATION BEFORE ITSC IS REJECTED OR IS NOT ALLOWED TO BE PROCEEDED WITH, PERIOD FROM DATE OF APPLICATION TO DATE OF RECEIPT OF ORDER U/S 245D(1) BY PCIT/CIT

(viii) PERIOD FROM DATE OF APPLICATION TO AAR TO DATE ON WHICH ITS REJECTION ORDER IS RECEIVED BY PCIT/CIT

(ix) PERIOD FROM DATE OF APPLICATION TO AAR TO DATE OF RECEIPT OF RULING BY PCIT/CIT

(x) PERIOD FROM DATE OF MAKING OF REFERENCE (OR FIRST OF REFERENCES) FOR EXCHANGE OF INFORMATION U/S 90 OR 90A AND DATE OF LAST RECEIPT OF INFORMATION BY PCIT/CIT OR ONE YEAR, WHICHEVER IS LESS; OR

(xi) PERIOD FROM DATE OF RECEIPT OF REFERENCE U/S 144BA(1) AND DATE OF RECEIPT OF DIRECTION U/S 144BA(3) OR (6) OR (5) BY AO

## SEC.153-TIME LIMIT FOR COMPLETION (CONTD.)

**FIRST PROVISIO**: IF REMAINING PERIOD U/S-S (1), (2), (3) AND (8) IS LESS THAN 60 DAYS, IT SHALL BE EXTENDED TO 60 DAYS.

**SECOND PROVISIO**: IF PERIOD AVAILABLE TO TPO IS EXTENDED TO 60 DAYS U/S 92CA(3A) AND IF PERIOD TO AO IS LESS THAN 60 DAYS, IT SHALL BE EXTENDED TO 60 DAYS.

**THIRD PROVISIO**: WHERE A PROCEEDING BEFORE ITSC ABATES U/S 245HA, REMAINING PERIOD SHALL BE NOT LESS THAN ONE YEAR

ALL THE BEST