CHAPTER 15

ASSESSMENT PROCEDURE



LEARNING OUTCOMES

After studying this chapter, you would be able to -

- **appreciate** when return filing becomes mandatory for different persons;
- **identify and recall** the due dates for filing of return in case of such persons;
- **comprehend and apply** the provisions relating to belated return, revised return and defective return;
- **appreciate** the statutory provisions relating to special audit directed by the Assessing Officer;
- **appreciate** the procedure for assessment (including faceless assessment) – self-assessment, summary assessment, scrutiny assessment and best judgement assessment;
- **appreciate** the circumstances when the Assessing Officer can issue notice for reassessment of income and the time limit for issuance of such notice;
- **know and recall** the time limits for completion of assessments;
- **appreciate** the provisions for rectification of mistakes apparent from the record.

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CHAPTER OVERVIEW



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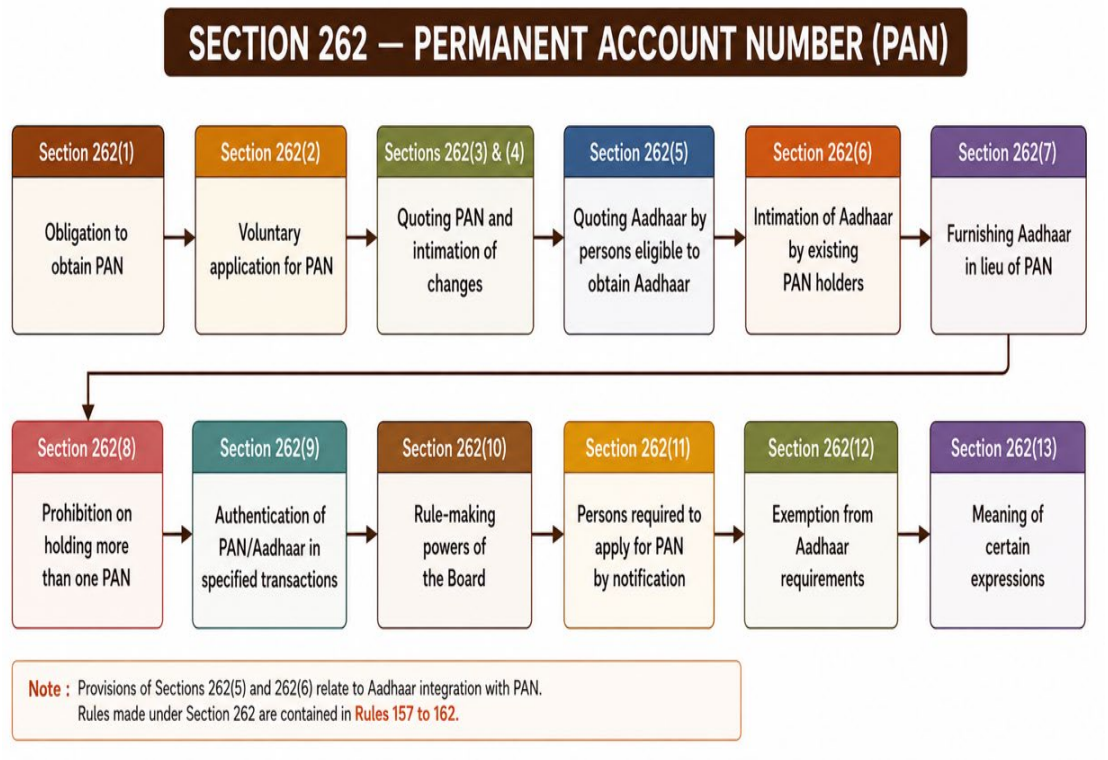
Intimation of loss [Section 291]

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15.1 PERMANENT ACCOUNT NUMBER (PAN) [SECTION 262]

A Permanent Account Number (PAN) is a unique identification number allotted by the Income-tax Department. It serves as a common identifier for all income-tax-related transactions of a person under the Act.



(1) Persons required to obtain Permanent Account Number

As per section 262(1), every person who has not been allotted a Permanent Account Number (PAN) shall apply to the Assessing Officer for its allotment within the time prescribed under Rule 158 if he belongs to any of the following categories –

Clause	Persons required to apply for PAN	Time limit for application
(a)	Where the total income of the person or the total income of any other person in respect of which he is assessable under the Act during any tax year exceeds the	**On or before 31st May of the tax year immediately succeeding the tax year** for

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	maximum amount which is not chargeable to income-tax.	which such income is assessable.
(b)	A person carrying on any business or profession whose total sales, turnover or gross receipts are or are likely to exceed **₹ 5,00,000** in any tax year.	Before the end of that tax year.
(c)	A person who is required to furnish a return of income under section 263 for any tax year or a person entitled to receive any amount on which TDS is deductible or collectible in any tax year	Before the end of that tax year.
(d)	A person, being a resident, other than an individual, which enters into a financial transaction of an amount aggregating to ₹ 2,50,000 or more in a tax year.	On or before 31st May immediately following such tax year.
(e)	A person, who is the managing director, director, partner, trustee, author, founder, karta, chief executive officer, principal officer or office bearer of the person referred to in clause (d) or any person competent to act on behalf of the person referred to in clause (d).	On or before 31st May immediately following the tax year in which the person referred to in clause (d) enters into such financial transaction.
(f)	Every person who intends to enter the transaction prescribed by Board in the interest of revenue. *[Covered below in Rule 159]*	At least 7 days before the date on which he intends to enter into the prescribed transaction.

As per section 262(2), any person who is **not covered under section 262(1)** may also apply to the Assessing Officer for the allotment of a Permanent Account Number (PAN). On receipt of such application, the Assessing Officer shall allot a Permanent Account Number to such person.

Thus, obtaining a PAN is not restricted only to persons covered under section 262(1). Any person may voluntarily apply for and obtain a PAN even though he is not under a statutory obligation to do so. [Section 262(2)]

A person having PAN, **cannot apply, obtain or possess another PAN.**

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Note – Rule 158(8) requires submission of application for allotment of PAN by the applicant in the prescribed form accompanied by the prescribed documents as proof of identity, address and date of birth of such applicant.

(2) Mandatory Quoting of Permanent Account Number (PAN)

As per sections 262(3), every person shall quote PAN in:

- all returns furnished to or correspondence with an income-tax authority; and
- all challans for payment of any sum due under the Income-tax Act, 2025.

Note: *In certain prescribed transactions, a person is also required to quote and authenticate his PAN or Aadhaar number. These provisions are discussed under* ***Section 262(9) read with Rule 161****.*

(3) Intimation of Changes in PAN Details

Section 262(4) provides that if there is a change in the address or in the name and nature of the business of a person, on the basis of which PAN was allotted to him, he should intimate such change to the Assessing Officer.

(4) Integration of Aadhaar and Permanent Account Number (PAN) [Sections 262(5) to 262(7) read with Rule 162]

I. Quoting of Aadhaar [Section 262(5)]

Every person who is eligible to obtain an Aadhaar number shall quote such Aadhaar number-

- in the application for allotment of PAN; and
- in the return of income.

II. Intimation of Aadhaar by existing PAN holders [Section 262(6)]

Every person, other than a person covered under section 262(5), who has been allotted PAN and is eligible to obtain an Aadhaar number shall intimate his Aadhaar number to the Director General of Income-tax (Systems) or the person authorised

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by the said authority in the prescribed form and manner.

If such person fails to intimate the Aadhaar number, the PAN allotted to him shall be made inoperative in the prescribed manner.

III. Consequences where PAN becomes inoperative [Rule 162]

(1) If a person who had been allotted a Permanent Account Number (PAN) and was required to intimate his Aadhaar number under section 262(6), but failed to do so, then his Permanent Account Number being inoperative, he shall be liable for payment of fees in accordance with rule 158.

Fee for subsequent intimation of Aadhaar: Rule 158(10) provides that where a person who was required to intimate his Aadhaar number under section 262(6)(a) failed to do so by 30th June, 2023, he shall, at the time of subsequent intimation of his Aadhaar number to the prescribed authority, be liable to pay a **fee of ₹ 1,000**.

(2) Where the person referred to in sub-rule(1) has intimated his Aadhaar number under section 262(6), after payment of fees in accordance with rule 158, his Permanent Account Number shall become **operative within thirty days from the date of intimation of Aadhaar number.**

(3) A person, whose Permanent Account Number has become inoperative under sub-rule(1), shall be liable for the following consequences for the period commencing from the date of commencement of this rule till the date it becomes operative:

(a) refund of any amount of tax or part thereof, due under the provisions of the Act shall not be made;

(b) interest shall not be payable on such refund for the period, beginning with the date of commencement of this rule and ending with the date on which it becomes operative;

(c) where tax is deductible or collectible at source under Chapter XIX-B in case of such person, such tax shall be deducted or collected, as the case may be, at higher rate, in accordance with provisions of section 397(2).

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Circular No. 9/2025 dated 21st July, 2025

It is hereby clarified vide this Circular that there shall be no liability on the deductor/collector to deduct/collect the tax at higher rates specified under section 206AA/206CC, as the case maybe, in the following cases:

- Where the amount is paid or credited from 01.04.2024 to 31.07.2025 and the PAN is made operative (as a result of linkage with Aadhaar) on or before 30.09.2025.
- Where the amount is paid or credited on or after 01.08.2025 and the PAN is made operative (as a result of linkage with Aadhaar) within two months from the end of the month in which the amount is paid or credited.

IV. Interchangeability of PAN and Aadhaar [Section 262(7)]

The Act permits the use of Aadhaar in place of PAN in the following cases:

Person	Provision
A person who has not been allotted PAN but possesses an Aadhaar number	He may furnish, intimate or quote his Aadhaar number in lieu of PAN. A PAN shall thereafter be allotted to him in the prescribed manner.
A person who has been allotted PAN and has intimated his Aadhaar number under section 262(6)	He may furnish, intimate or quote his Aadhaar number in lieu of PAN wherever PAN is required under the Act.

(5) Quoting and authentication of PAN or Aadhaar in specified transactions [Section 262(9) read with Rule 161]

Every person entering into the prescribed transactions shall quote his **Permanent Account Number (PAN) or Aadhaar number**, as the case may be, in the documents relating to such transactions and shall also authenticate such PAN or Aadhaar number in the prescribed manner. The person receiving such documents shall ensure that the PAN or Aadhaar number has been duly quoted and authenticated.

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The transactions prescribed under Rule 161 are as follows:

Sl. No.	Nature of transaction	Person responsible for ensuring PAN/Aadhaar is quoted and authenticated
1.	**Cash deposit** or deposits aggregating to **₹ 20 lakhs or more** in a financial year, in one or more account of a person with a bank or a co-operative bank or Post Office.	A bank or a co-operative bank or Post Master General of a Post Office.
2.	**Cash withdrawal** or withdrawals aggregating to ₹ **20 lakhs or more** in a financial year, in one or more account of a person with a bank or a co-operative bank or Post Office	A bank or a co-operative bank or Post Master General of a Post Office.
3.	Opening of a **current account or cash credit account** by a person with a bank or a co-operative bank or Post Office	A bank or a co-operative bank or Post Master General of a Post Office.

Exceptions [Rule 161]: The above provisions shall **not apply**:

- where person carrying out the transaction is the Central Government, a State Government or a Consular Office;
- where the transaction is undertaken by a non-resident (not being a company) or a foreign company with an IFSC Banking Unit, provided such non-resident or foreign company has no income chargeable to tax in India.

(6) Transactions requiring quotation of PAN and declaration in lieu of PAN [Section 262(1)(f), 262(10)(c)/(e) read with Rules 159 and 160]

Rule 159 prescribes the transactions in which quoting of Permanent Account Number (PAN) is mandatory.

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I. Transactions requiring quotation of PAN

Sl. No.	Nature of Transaction	Value of Transaction	Person receiving/ issuing the document in relation to transaction
1.	Making an application to any banking company or a cooperative bank to which the Banking Regulation Act, 1949, applies (including any bank or banking institution referred to in section 51 of that Act) or to any other company or institution, for **issue of a credit card.**	All such transactions [No Monetary Limit]	i. Manager or officer of a banking company or cooperative bank; or ii. the principal officer of the company; or iii. the principal officer of the institution, as the case may be
2.	**Opening of an account (Demat Account)** with a depository, participant, custodian of securities or any other person registered under section 12(1A) of the Securities and Exchange Board of India Act, 1992.	All such transactions [No Monetary Limit]	The depository, participant, custodian of securities or any other person registered under section 12(1A) of the Securities and Exchange Board of India Act, 1992.
3.	Payment to the Reserve Bank of India, constituted under section 3 of the Reserve Bank of India Act, 1934 **for acquiring bonds issued by it.**	Amount exceeding ₹ 50,000	The officer of the Reserve Bank of India, constituted under section 3 of the Reserve Bank of India Act, 1934, or of any agency bank authorised by the Reserve Bank of India.
4.	Payment to a **Mutual Fund** for purchase of its units.	Amount exceeding ₹ 50,000	The trustee or any other person duly authorised by the trustee of a Mutual Fund.
5.	A contract for **sale or purchase of securities**	Amount exceeding ₹1,00,000 per	i. The principal officer of the company; or

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	(other than shares) as defined in section 2(h) of the Securities Contracts (Regulation) Act, 1956.	transaction	ii. stock-broker, sub-broker, share transfer agent, banker to an issue, trustee of a trust deed, registrar to issue, merchant banker, underwriter, portfolio manager, investment adviser and such other intermediaries registered under section 12(1) of the Securities and Exchange Board of India Act, 1992 as the case may be
6.	**Deposit** with, - i. a banking company or a cooperative bank to which the Banking Regulation Act, 1949, applies (including any bank or banking institution referred to in section 51 of that Act); ii. Post Office.	Cash deposits aggregating to ₹ 10,00,000 or more in a financial year, in one or more account of a person	i. Manager or officer of a banking company or cooperative bank; or ii. postmaster; or iii. the principal officer of the institution, or as the case may be
7.	**Withdrawal** with, - i. a banking company or a co-operative bank to which the Banking Regulation Act, 1949, applies (including any bank or banking institution referred to in section 51 of that Act); ii. Post Office.	Cash withdrawals aggregating to ₹ 10,00,000 or more in a financial year, in one or more account of a person	i. Manager or officer of a banking company or cooperative bank; or ii. postmaster; or iii. the principal officer of the institution, or as the case may be

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8.	Sale or purchase of, – (i) **motor vehicle** or vehicle, as defined in section 2(28) of the Motor Vehicles Act 1988, which requires registration by a registering authority under Chapter IV of that Act except 'tractor' as defined in section 2(44) of the said Act; and (ii) **motor cycle** as defined in section 2(27) of the Motor Vehicles Act 1988.	Amount exceeding ₹ 5,00,000	The person who sells the motor vehicle or motor cycle.
9.	Sale or purchase, by any person, of **shares of a company not listed in recognized stock exchange**	Amount exceeding ₹ 1,00,000 per transaction	The principal officer of a company issuing such shares.
10.	Payment to a company or an institution for **acquiring debentures or bonds** issued by it	Amount exceeding ₹ 50,000	The principal officer of a company or an institution issuing such bonds or debentures.
11.	Purchase or sale or gift or joint development agreement by any person of any **immovable property**.	Amount exceeding ₹ 20,00,000 or valued by stamp valuation authority referred to in section 78 of the Act at an amount exceeding ₹ 20,00,000.	Inspector-General appointed under section 3 of the Registration Act, 1908 or Registrar or Sub-Registrar appointed under section 6 of that Act.
12.	Opening an account other than a time-deposit referred in Sl. No 13 and a Basic Savings Bank Deposit Account with	All such transactions	i. Manager or officer of a banking company or cooperative bank; or ii. the principal officer of

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	i. a banking company or ii. a co-operative bank to which the Banking Regulation Act, 1949, applies (including any bank or banking institution referred to in section 51 of that Act).		the institution, or as the case may be.
13.	A time deposit with, - i. a banking company or a cooperative bank to which the Banking Regulation Act, 1949, applies (including any bank or banking institution referred to in section 51 of that Act); ii. Post Office iii. a Nidhi referred to in section 406 of the Companies Act, 2013; or iv. a non-banking financial company which holds a certificate of registration under section 45-IA of the Reserve Bank of India Act, 1934, to hold or accept deposit from public.	Amount exceeding ₹ 50,000 or aggregating to more than ₹ 5,00,000 during a financial year	i. Manager or officer of a banking company or cooperative bank; or ii. postmaster; or iii. the principal officer of the company; or iv. the principal officer of the institution, or as the case may be.
14.	Commencement of account-based relationship with an insurer as defined in section 2(9) of the Insurance Act, 1938	All such transactions where insurance premium exceeds ₹ 50,000 during a financial year.	The manager or officer of an insurer.

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15.	Payment to i. a hotel or restaurant; or ii. a convention Centre; or iii. a banquet hall; or iv. any person engaged in event management against a bill or bills at any one time.	Payment in cash of an amount exceeding ₹ 1,00,000	The person issuing the document including the bill.
16.	Sale or Purchase by any person, of goods or services of any nature other than those specified at Sl. Nos. 1 to 15 of this Table, if any.	Amount exceeding ₹ 2,00,000 per transaction	The person issuing the document including the bill.

Minor to quote PAN of the parent or guardian

Where a person, entering into any transaction referred to in this rule, is a minor and who does not have any income chargeable to income-tax, he shall quote the PAN of his father or mother or guardian, as the case may be, in the document pertaining to the said transaction.

II. Furnishing of declaration in Form No. 97 in lieu of PAN

Any person **(other than a company or a firm)** who does not have a PAN and who enters into any transaction specified in **Sl. Nos. 11 to 16** of the above table, shall make a declaration in **Form No.97** giving therein the particulars of such transaction.

III. Mandatory application for allotment of PAN before entering into specified transactions *[Cross referencing to Section 262(1)(f)]*

A person **(other than a company or a firm)** who has not been allotted a PAN shall apply for allotment of PAN before entering-

(i) the transactions specified in **Sl. Nos. 1 to 10 of the Table** above; and

(ii) the transaction specified in **Sl. No. 11 of the Table** above, where the **consideration or the stamp duty value exceeds ₹ 45 lakh.**

Exception to mandatory application for PAN: The requirement to apply for allotment of PAN referred to in above shall **not apply**, where-

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(i) the person carrying out the transactions specified at Sl. Nos. 1 to 10 of the Table is a non-resident (not being a company) or a foreign company;

(ii) the transaction is entered into with an IFSC Banking Unit; and

(iii) such non-resident (not being a company) or foreign company does not have any income chargeable to tax in India.

IV. Responsibilities of the person receiving or issuing the document [Rule 159(5)]

The person referred to in the last column of the Table under Rule 159 shall ensure that:

(i) the Permanent Account Number, after verification, has been duly and correctly mentioned in the document or, as the case may be, a declaration in Form No. 97 has been duly furnished with complete particulars;

(ii) the valid PAN or the fact of furnishing Form No. 97 is duly mentioned in the records maintained in respect of the transaction; and

(iii) the PAN or the particulars of Form No. 97 are linked and mentioned in the information furnished to the income-tax authority or any other authority or agency under the provisions of the Act or the Rules.

V. Non-applicability of Rule 159(6)

The provisions of Rule 159 rule of mandatory quoting of PAN shall not apply to the following classes of person, namely: -

- the Central Government, the State Governments and the Consular Offices; and
- non-residents referred to in section 2(72) of the Act, in respect of the transactions referred to at Sl. No. 1, 3, 15 or 16 of the Table.

VI. Meaning of certain expressions [Rule 159(7)]

- **"IFSC banking unit"** means a financial institution defined under section 3(1)(c) of the IFSC Authority Act, 2019, that is licensed or permitted by the IFSC to undertake permissible activities under the IFSC Authority (Banking) Regulations, 2020.
- **"time deposit"** means any deposit which is repayable on the expiry of a fixed period.

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(7) Power of CBDT to make rules [Section 262(10)]

The CBDT is empowered to make rules with regard to the following:

(a) the form and manner in which an application for PAN may be made and the particulars to be given therein;

(b) the class or classes of persons to whom the provisions of this section shall not apply;

(c) the categories of documents pertaining to business or profession, or other transactions in which PAN shall be quoted by every person;

(d) the form and manner in which the person who has not been allotted a PAN

(e) manner of authentication of Permanent Account Number or Aadhaar number;

(f) class or classes of persons to whom the provisions of this section shall not apply having regard to the transactions or the circumstances.

Persons exempt from obtaining Permanent Account Number [Rule 157]

The provisions of section 262 shall not apply to

- a non-resident (not being a company or a foreign company) who has, during a tax year, made investment **in a specified fund**,
- a non-resident, being an **eligible foreign investor**, who has made transaction only in capital assets referred to in section 70(1)(r), which are listed on a recognised stock exchange located in any International Financial Services Centre and the consideration on such transfer of capital asset is paid or payable in foreign currency

if the following conditions are met:

(a) such non-resident does not earn any income in India other than the income from the investment in the specified fund during the tax year or such eligible foreign investor does not earn any income in India, other than the income from transfer of a capital asset referred to in section 70(1)(r);

(b) the income-tax due on such income of non-resident is deducted at source and remitted to the Central Government by the specified fund at the rates specified sections 393(1) [Table: Sl. No. 4(iii)], 393(2) [Table: Sl. No. 8] and 393(4) [Table: Sl. No. 14]; and

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(c) the non-resident or eligible foreign investor furnishes the following details and documents to the specified fund:

(i) name, email id and contact number;

(ii) address in the country or specified territory outside India of which he is a resident;

(iii) a declaration that he is a resident of a country or specified territory outside India; and

(iv) Tax Identification Number (TIN) in the country or specified territory of his residence, and where no such number is available, then a unique number on the basis of which the non-resident is identified by the government of that country or the specified territory.

Compliance by the Specified Fund/Stock Broker

The specified fund/stock broker, as the case may be, has to electronically furnish a quarterly statement for the quarter of the financial year, in which the details and documents furnished by such non-resident/eligible foreign investor are received by it.

It also required to upload the declaration of foreign residency received from such non-resident/eligible foreign investor **within fifteen days from the end of the quarter of the financial year to which such statement relates**.

Meaning of Certain Terms

Term	Meaning
Specified Fund	It shall have the meaning assigned to in Schedule VI [Note (1)(g)] to the Act.
Eligible Foreign Investor	A non-resident who operates in accordance with the guidelines issued by SEBI in its Circular No. IMD/HO/FPIC/CIR/P/2017/003 dated 4th January, 2017.
Stock Broker	A person having trading rights in a recognised stock exchange located in any IFSC and the member of such exchange.

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(8) Power of CG to notify or exempt certain persons [Section 262(11 and 12)]

The Central Government may, by notification, specify any class or classes of persons who shall apply to the Assessing Officer for the allotment of Permanent Account Number within such time as mentioned in such notification;

The class or classes of persons in clause (a) may include such persons

(a) by whom tax is payable under this Act; or

(b) by whom any tax or duty is payable under any other law in force; or

(c) being importers and exporters, even when no tax is payable by them

The provisions relating to quoting or intimating Aadhaar number under **section 262(5) and (6)** shall not apply to such **person or class or classes of persons, or any State or part of any State**, as may be notified by the Central Government.



Notification No. 37/2017 dated 11.05.2017

Accordingly, the Central Government has, notified that w.e.f. 1.7.2017, the provisions relating to quoting of Aadhaar Number would not apply to an individual who does not possess the Aadhaar number and is:

(i) residing in Assam, Jammu & Kashmir and Meghalaya;

(ii) a non-resident as per Income-tax Act, 2025;

(iii) of the age of 80 years or more at any time during the tax year;

(iv) not a citizen of India

(9) Meaning of certain terms [Section 262(13)]

	Term	Definition
(i)	Aadhaar Number	An identification number issued to an individual by the Unique Identification Authority of India, after verification of the demographic information and biometric information submitted by the individual.

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(ii)	Assessing Officer	Includes an income-tax authority who is assigned the duty of allotting PANs.
(iii)	Authentication	The process by which – (i) the PAN or Aadhaar number along with demographic information or biometric information of an individual is submitted to the income-tax authority or such other prescribed authority or agency for its verification; and (ii) Such authority or agency verifies the correctness or the lack thereof, on the basis of the information available with it.

(10) Penalty for failure to comply with the provisions of section 262 [Section 467]

Section	Default	Penalty
467(1)	Failure to comply with the provisions of section 262	₹ 10,000
467(2)	A person required to quote or intimate his **PAN or Aadhaar number** in any document referred to in section 262(9)(a), **provides, quotes or intimates a false number,** knowingly or believing such number to be false	₹ 10,000 for each such default
467(3)	Fails to quote or authenticate his PAN or Aadhaar number in any document referred to in section 262(9)(a)	₹ 10,000 for each such default
467(4)	Person referred to in section 262(9)(b) responsible for ensuring the correct quoting or authentication of Permanent Account Number or Aadhaar number, in documents relating to transactions prescribed under section 262(9)(a) fails to do so	₹ 10,000 for each such default

Fee for late intimation of Aadhaar Number, i.e., after the notified date [Section 430]: As per section 430, where a person, who is required to intimate his Aadhaar Number under section 262(6), fails to do so on or before such date, he shall be liable to pay such fee, as may be prescribed. However, such fee shall not exceed ₹ 1,000.

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15.2 RETURN OF INCOME

The Income-tax Act, 2025 contains provisions for filing of return of income. Return of income is the format in which the assessee furnishes information as to his total income and tax payable. The format for filing of returns by different assessees is notified by CBDT. The particulars of income earned under different heads, gross total income, deductions from gross total income, total income and tax payable by the assessee are generally required to be furnished in a return of income. In short, a return of income is the declaration of income by the assessee in the prescribed format.

I. Compulsory filing of return of income [Section 263(1)]

(1) As per section 263(1)(a), the following persons shall, for a tax year, on or before the due date, furnish a return of his income or the income of any other person in respect of which he is assessable during the said tax year:

(i) a company;

(ii) a firm

(iii) **a person other than a company or a firm,** if his total income or the total income of any other person in respect of which he is assessable under this Act during the tax year before giving effect to:

a. provisions of Chapter XVII-B (Special provisions for registered non-profit organization); or

b. provisions of Schedule VIII (in relation to the income which is chargeable under the head "Income from house property" or "Income from other sources" or "Capital gains" or any income by way of voluntary contributions received from any person by a political party registered under section 29A of the Representative of the People Act, 1951) or

c. deductions allowable under section sections 82, 83, 84, 85, 86, 87 and 88 of Chapter IV-E or Chapter VIII, as the case may be,

exceeded the maximum amount which is not chargeable to income-tax.

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(iv) A **"Specified Entity"**, if its total income, without giving effect to the provisions of section 11, exceeds the maximum amount which is not chargeable to income-tax.

Meaning of "Specified Entity" [Section 263(9)(c)]	
(1)	Research association referred to in Schedule III (Table: Sl. No. 23).
(2)	Association or institution referred to in Schedule III (Table: Sl. No. 24).
(3)	Person referred to in Schedule VII (Table: Sl. No. 2).
(4)	Institution referred to in Schedule III (Table: Sl. No. 25).
(5)	University or other educational institution or any hospital or other medical institution referred to in Schedule VII (Table: Sl. Nos. 17, 18 and 19).
(6)	Mutual Fund referred to in Schedule VII (Table: Sl. Nos. 20 and 21).
(7)	Securitisation Trust referred to in Schedule III (Table: Sl. No. 26).
(8)	Investor Protection Fund referred to in Schedule III (Table: Sl. Nos. 28 and 29).
(9)	Core Settlement Guarantee Fund referred to in Schedule III (Table: Sl. No. 30).
(10)	Venture Capital Company or Venture Capital Fund referred to in Schedule V (Table: Sl. No. 6).
(11)	Trade Union or Association referred to in Schedule III (Table: Sl. No. 31).
(12)	Board or Authority referred to in Schedule VII (Table: Sl. Nos. 33 to 40).
(13)	Body or Authority or Board or Trust or Commission (by whatever name called) referred to in Schedule III (Table: Sl. No. 36).
(14)	Infrastructure Debt Fund referred to in Schedule VII (Table: Sl. No. 46).

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(v) a university, college or other institution as referred to in section 45(3)(a);

(vi) a business trust;

(vii) an investment fund as referred to in section 224;

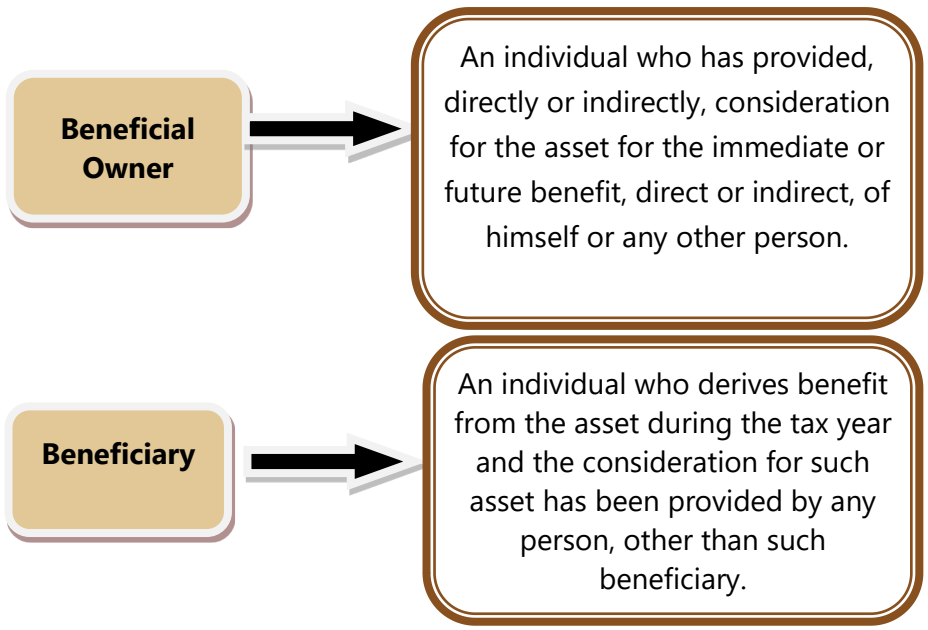
(viii) a person who has sustained a loss in the tax year under the head "Profits and gains of business or profession" or under the head "Capital gains" **and** who intends to claim that such loss, or any part thereof, is to be carried forward as per this Act;

(ix) a person, who is a resident, other than not ordinarily resident, and who at any time during the tax year-

a. holds, as a beneficial owner or otherwise, any asset (including any financial interest in an entity) located outside India, or has signing authority in any account located outside India; or

b. is a beneficiary of any asset (including any financial interest in an entity) located outside India, except where any income arising from such asset is includible in the income of person referred to in item (A).

Meaning of "beneficial owner" and "beneficiary" in respect of an asset for the purpose of section 263



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(x) a person, ***other than a company or firm***, who during the tax year, fulfils such conditions as may be prescribed:

Accordingly, Rule 163 prescribes the following conditions:

Prescribed Condition	Threshold
If he has deposited in one or more current accounts maintained with a banking company or co-operative bank	Amount or aggregate amount exceeds ₹ 1 crore
If he has incurred expenditure on travel to a foreign country for self or any other person	Amount or aggregate amount exceeds ₹ 2 lakh
Note - *"Travel to a foreign country" does* ***not*** *include travel to neighbouring countries or to such places of pilgrimage as may be notified by the CBDT.*	
If he has incurred expenditure towards consumption of electricity	Amount or aggregate amount exceeds ₹ 1 lakh
If his total sales, turnover or gross receipts from business	Exceeds ₹ 60 lakh
If his total gross receipts from profession	Exceeds ₹ 10 lakh
If the aggregate of tax deducted at source and tax collected at source	₹ 25,000 or more (₹ 50,000 or more in the case of a resident individual aged 60 years or more)
If he has deposited in one or more savings bank accounts	In aggregate of ₹ 50 lakh or more

(2) As per section 263(1)(b), persons referred in clauses (i) (ii) (v) (vi) (vii) and (ix) above shall furnish return on or before the due date **regardless of income or loss.**

(3) **Meaning of due date**: 'Due date' means the date of the financial year succeeding the relevant tax year as mentioned below:

	Person	Conditions	Due Date
1	Assessee, including the partners of the firm or the spouse of such partner (if	Where the provisions of section 172 apply	30th November

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	section 10 applies to such spouse)		
2	(i) Company; (ii) Assessee (other than a company) whose accounts are required to be audited under this Act or under any law in force; (iii) partner of a firm whose accounts are required to be audited under this Act or under any other law in force; or the spouse of such partner (if section 10 applies to such spouse)	Where the provisions of section 172 **do not** apply	31st October
3	(i) Assessee having income from profits and gains of business or profession whose accounts are not required to be audited under this Act or under any other law in force; (ii) partner of a firm whose accounts are not required to be audited under this Act or under any other law in force or the spouse of such partner (if section 10 applies to such spouse)	Where the provisions of section 172 do not apply	31st August
4	Any other assessee.		31st July

II. Particulars to be furnished with the return of income [Section 263(2)]

The Board may prescribe[1] form for furnishing return of income, manner of its verification and such other particulars including –

[1] *Rule 164 lays down the forms, eligibility, verification, etc. in respect of return of income.*

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(i) the class or classes of persons who shall be required to furnish the return in electronic form or otherwise

(ii) the form and the manner in which the return may be furnished, whether in electronic form or otherwise

(iii) the documents, statements, receipts, certificates, audited reports or any other documents which may not be furnished along with the return in electronic form but shall be produced before the Assessing Officer on demand and

(iv) the computer resource or the electronic record to which the return in electronic form may be transmitted.

The particulars to be furnished with the return of income may also include:

(1) income exempt from tax.

(2) assets of the prescribed nature and value, held by assessee as a beneficial owner or otherwise or in which he is a beneficiary.

(3) his bank account and credit card held by him.

(4) expenditure exceeding the prescribed limits incurred by him under prescribed heads.

(5) such other outgoings as may be prescribed.

(6) the report of any audit referred to in section 63 or a copy thereof.

(7) the particulars of the location and style of the principal place of the business or profession and all the branches thereof.

(8) the names and addresses of the partners, if any, in the business or profession.

(9) the names of the other members of the association of persons or the body of individuals and the extent of the share of the assessee and the shares of all such members in the profits of the business or profession and any branches thereof.

III. Exemption from furnishing of return of Income [Section 263(3)]

The Central Government may, by notification, exempt any class or classes of persons, from the obligation to file a return of income under this section, subject to the conditions specified therein.

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IV. Belated Return [Section 263(4)]

Any person who has not furnished a return within the time allowed to him under section 263(1), may furnish the return for any tax year at any time -

(i) within **nine months from the end of the relevant tax year (i.e., 31.12.2027 for T.Y. 2026-27)**; or

(ii) before the completion of the assessment,

whichever is earlier.

Thus, a belated return can be filed only in case a person has not furnished his return within the time allowed under section 263(1).

Consequences of filing a belated return

(i) Certain losses computed under specified sections cannot be carried forward for set-off in the subsequent tax years.

(ii) Interest under section 423 for the delay in furnishing the return shall be leviable.

(iii) Fee of ₹ 5,000 under section 428 would be payable where return is filed after the due date. However, the late fee shall not exceed ₹ 1,000 where the total income does not exceed ₹ 5,00,000.

(iv) Further, as per section 122, deductions in respect of certain incomes under Chapter VIII [Part C- Deduction in respect of certain incomes] would not be available.

(v) Additionally, no deduction under section 144 shall be available to an eligible unit established in SEZ if it fails to furnish its return of income on or before the due date.

(vi) Assessee cannot opt out of default tax regime under section 202 while filing a belated return. Accordingly, the belated return can be furnished only under the default tax regime.

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V. Revised return [Section 263(5)]

(1) If any person having furnished a return under section 263(1) or section 263(4), discovers any omission or any wrong statement therein, he may, subject to the provisions of section 428(b), furnish a revised return:

- **at any time within twelve months from the end of the relevant tax year** (i.e., 31.03.2028 for T.Y. 2026-27) or
- before completion of assessment,

whichever is earlier.

(2) The filing of a revised return of income beyond nine months from the end of the relevant tax year shall be subject to payment of fees of ₹ 5,000 under section 428(b). However, the late fee shall not exceed ₹ 1,000 where the total income does not exceed ₹ 5,00,000.

(3) The return can be revised for **any number of times** within the given time limit. In this case, the latest revised return filed replaces all other returns filed earlier.



CIT v. Govind Nagar Sugar Ltd. (2011) 334 ITR 13 (Delhi)

Issue: Can unabsorbed depreciation be allowed to be carried forward in case the return of income is not filed within the due date?

Analysis & Decision: The provisions of section 121 and Section 263(1)(a)(viii), requiring the return of income claiming loss to be filed within the due date, applies to, *inter alia*, carry forward of business loss and not for the carrying forward of unabsorbed depreciation. As per the provisions of section 33(11), the unabsorbed depreciation becomes part of the next year's depreciation allowance and is allowed to be set-off as per the provisions of the Income-tax Act, 2025, irrespective of whether the return of earlier year was filed within due date or not.

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VI. Updated return [Section 263(6)]

(1) Option to furnish updated return: Any person, **whether or not he has furnished a return under section 263(1) or (4) or (5)** for a tax year, may furnish an updated return of his income or the income of any other person in respect of which he is assessable under this Act, at any time within 48 months from the end of the financial year succeeding the relevant tax year.



Mr. X can furnish an updated return for T.Y. 2026-27 to 31st March, 2032. This is irrespective of whether or not he has furnished a return under section 263(1) or belated return under section 263(4) or revised return under section 263(5) for that tax year.

(2) Updated return can be filed if the original return is a loss return and updated return has the effect of reducing such loss: If any person has a loss in any tax year and has furnished a return of loss on or before the due date of filing return of income under section 263(1), he shall be allowed to furnish an updated return if such updated return is:

- a return of income or
- such updated return has the effect of reducing the loss.



If Mr. X has furnished his return of loss for T.Y. 2026-27 on 31.5.2027 consisting of ₹5,00,000 as business loss, he can furnish an updated return for T.Y. 2026-27 upto 31.3.2032, if such updated return is a return of income or has the effect of reducing the loss.

(3) Updated return can be filed after initiation of re-assessment proceedings under section 280: An updated return may also be furnished pursuant to a notice issued under section 280 i.e., income escaping assessment, within the period specified in such notice.

In such a case, the assessee shall not be entitled to furnish the return in response to such notice in any other manner.

(4) Non-applicability of the provisions of updated return: The provisions of updated return would not apply for a tax year if–

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(i) the updated return is a loss return except the updated return is filed to reduce loss; or

(ii) the updated return has the effect of decreasing the total tax liability determined on the basis of return furnished under section 263(1) or section 263(4) or section 263(5).

(iii) the updated return results in refund or increases the refund due on the basis of return furnished under section 263(1) or section 263(4) or section 263(5).

(iv) an updated return has already been furnished for the said tax year.

(v) any proceeding for assessment or reassessment or recomputation or revision of income under this Act is pending or have been completed for the said tax year, except where the return is filed in pursuance of notice issued under section 280.

(vi) the Assessing Officer is in the possession of information in respect of such person for the said tax year regarding violation of specified laws and the same has been communicated to him prior to the date of furnishing of updated return.

(vii) information for the said tax year has been received under an agreement referred to in section 90 or 90A of Income-tax Act, 1961 or section 159 of this Act in respect of such person and the same has been communicated to him, prior to the date of furnishing of updated return.

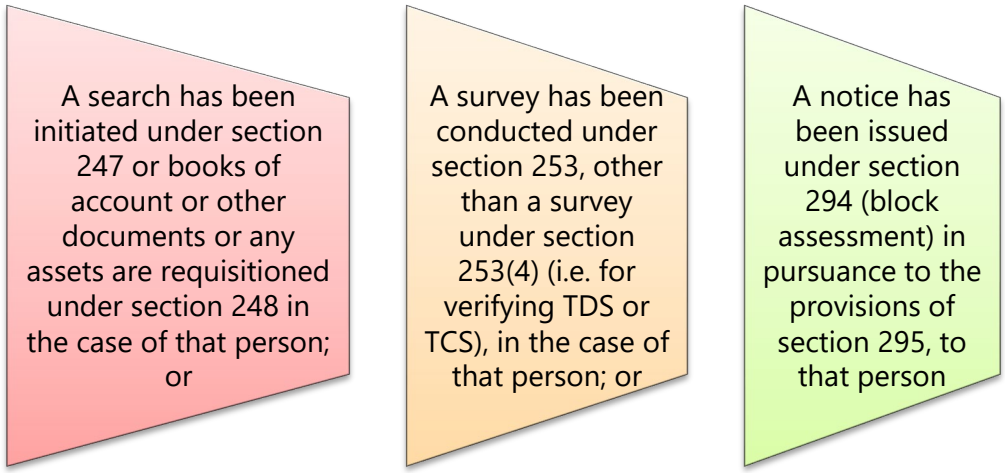
(viii) any prosecution proceedings under the Chapter XXII have been initiated for the said tax year in respect of such person, prior to the date of furnishing of updated return.

(ix) 36 months have expired from the end of the financial year succeeding the relevant tax year, and any notice to show-cause under section 281 has been issued in his case, except where an order under section 281(3) has been passed holding that it is not a fit case for issue of notice under section 280 i.e., income escaping assessment.

(x) he is such person or belongs to such class of persons, as may be notified by the Board in this regard.

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(5) Additionally, no updated return shall be furnished in the following scenarios –



Note: In any of the above situations, the updated return can not be furnished for the tax year in which either search is initiated or survey is conducted or requisition is made or notice is issued and also for any tax year preceding such tax year.

(6) Updated return to be furnished for subsequent tax year - Where, as a result of furnishing an updated return for a tax year-

- the loss carried forward under Chapter VII;
- unabsorbed depreciation carried forward under section 33(3)(b); or
- tax credit carried forward under section 206(2)(e) to (h) and section 206(3) and (4),

is reduced for any subsequent tax year, the assessee shall furnish an updated return for each such subsequent tax year.

VII. Defective Return [Section 263(7)]

(1) Under this sub-section, the Assessing Officer has the power to call upon the assessee to rectify a defective return.

(2) Where the Assessing Officer considers that the return of income furnished by the assessee is defective, he may intimate the defect to the assessee and give

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him an opportunity to rectify the defect within a period of 15 days from the date of such intimation. The Assessing Officer has the discretion to extend the time period beyond 15 days, on an application made by the assessee.

(3) If the defect is **not rectified** within the period of 15 days or such further extended period, then the return would be treated as an **invalid return**. The consequential effect would be the same as if the assessee had failed to furnish the return.

Rectify defect within 15 days of intimation

(4) Where, however, the assessee rectifies the defect after the expiry of the period of 15 days or the further extended period, **but before assessment is made,** the Assessing Officer can condone the delay and treat the return as a valid return.

(5) **Circumstances in which a return shall be regarded as defective [Rule 166]:** As per Rule 166 of the Income Tax Rules, 2026, return of income shall be regarded as defective, if any of the following conditions is satisfied, namely:

(a) all fields, parts, schedules, statements, and columns in the return of income, as applicable to the case of the assessee, have not been duly filled in, including those relating to computation of income chargeable under applicable heads of income, computation of gross total income and total income.

(b) the report of the audit, in auditable cases, referred to in section 63, has not been furnished prior to the filing of the return of income.

(c) if the return of income is furnished under section 263(6), the details of payment of tax as per section 267 are not duly filled in the return.

(d) the brought forward credit of minimum alternate tax (MAT) or alternate minimum tax (AMT) claimed in the return is not in accordance with the carry forward of MAT or AMT in the latest return, as the case may be, allowed to the assessee.

The Board may notify such class or classes of persons to whom any of the above conditions shall not apply or shall apply with such modifications as may be specified in the notification.

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Note: *Section 522 provides that no return of income, assessment, notice, summons or other proceedings furnished or made or taken or purported to have been furnished or made or issued or taken in pursuance of any of the provisions of the Act shall be invalid or shall be deemed to be invalid merely by reason of any mistake defect or omission in such return of income, assessment, notice, summons or other proceeding if they are in substance and effect in conformity with or according to the intent and purposes of the Act.*

The provision thus enables tax authorities to accept returns and other documents and taxpayers to accept orders, notice etc. received from tax authorities even in cases where there are a few typographical arithmetical or other mistakes which do not materially affect the objects with which the document was submitted by the assessee or order was issued by the department.

VIII. Return filed in pursuance of CBDT's order under section 239(3)(b)

As per section 263(8)(a), where any return of income is furnished in pursuance of an order under section 239(3)(b), then the provisions of section 263 shall apply.

Accordingly, such return shall be processed and dealt with in accordance with the provisions of section 263, including processing of the return and selection for scrutiny, wherever applicable.

Note: Students may refer to **Chapter 14 – Income-tax Authorities** for a detailed discussion on the powers of the CBDT under section 239(3)(b).

IX. Exemption for Specified Senior Citizens [Section 263(8)(b)]

The provisions of section 263 shall not apply to a **specified senior citizen**, as referred to in section 402(39), for the relevant tax year in which tax has been deducted at source under section 393(1)[Table Sl. No. 8(iii)].

Meaning of "Specified Senior Citizen" [Section 402(39)]:

A "**specified senior citizen**" means an individual, being a resident in India-

(a) who is of the age of 75 years or more at any time during the relevant tax year;

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(b) who is having pension income and no other income except the interest received or receivable from any account maintained by such individual in the same specified bank in which he is receiving his pension income; and

(c) has furnished a declaration to the specified bank containing particulars, in such form and verified in such manner as may be prescribed;

This provision is a compliance relief measure as it exempts certain senior citizens from the requirement of filing a regular income tax return in certain situations.

X. Modified return - Effect of order of Tribunal or Court in respect of business reorganisaton [Section 314]

(1) Requirement and timeline to file Modified Return [Section 314(1)] - Section 314 provides that **irrespective of anything contained in section 263,** in a case of **business reorganisation**, where prior to the date of order in respect of business reorganization by a High Court or Tribunal or an Adjudicating Authority as defined in section 5(1) of the Insolvency and Bankruptcy Code, 2016, any return of income has been furnished under the provisions of section 263 by an entity to which such order applies for any tax year, such successor shall furnish, within **six months from the end of the month in which the said order was issued**, **a modified return** in prescribed form in accordance with and limited to the said order.

(2) Assessment on the basis of modified return [Section 314(2)]

	Status of Assessment or reassessment proceedings for the relevant T.Y. to which the order of the business reorganisation applies	**Completion of Assessment by the A.O. on the basis of modified return**
(i)	**Completed proceedings** - If the proceedings have been completed on the date of furnishing of the modified return in accordance with the provisions of section 314(1)	The A.O. has to **pass an order modifying the total income of the relevant T.Y.** determined in such assessment or reassessment proceedings in accordance with the order of the business reorganisation and the modified return so furnished.

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(ii)	**Pending proceedings** - If the proceedings are pending on the date of furnishing of the modified return in accordance with the provisions of section 314(1)	The A.O. has **to pass an order assessing or reassessing the total income of the relevant tax year in accordance with the order** of the business reorganisation and the **modified return** so furnished.

All other provisions of the Act shall apply to such assessment or reassessment made in respect of the tax year to which the order of business reorganisation applies, and the tax shall be chargeable at the rate or rates applicable to such tax year.

(3) Meaning of "business reorganisation" – "Business reorganisation" means the reorganisation of business involving the amalgamation or demerger or merger of business or one or more persons.

(4) Meaning of "successor" – "Successor" means all resulting companies in a business reorganization, whether or not the company was in existence prior to such business reorganization.



If A Ltd. merges with B Ltd. with effect from 1.4.2026 vide order of the High Court dated 1.11.2027, and B Ltd. has already filed its return of income for the T.Y. 2026-27 on 30th October, 2027. In this case, B Ltd., being the successor, has to file a modified return for T.Y. 2026-27 in accordance with and limited to the Order of the High Court on or before 31st May, 2028.

15.3 SCHEME FOR SUBMISSION OF RETURNS THROUGH TAX RETURN PREPARERS [SECTION 264]

(1) This section provides that, for the purpose of enabling any specified class or classes of persons to prepare and furnish their returns of income, the CBDT may notify a Scheme to provide that such persons may furnish their returns of income through a Tax Return Preparer authorised to act as such under the Scheme. The scheme may be prescribed by CBDT irrespective of any provisions contained in section 263.

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Every notification for the Scheme referred to in section 264(1) shall be issued in accordance with **section 534** of the Act.

(2) The Tax Return Preparer shall assist the persons furnishing the return in a manner that will be specified in the Scheme and shall also affix his signature on such return.

(3) A **Tax Return Preparer** can be an individual, other than

(i) any officer of a scheduled bank with which the assessee maintains a current account or has other regular dealings.

Tax Return Preparer

(ii) an employee of the 'specified class or classes of persons'.

who has been authorised to act as a Tax Return Preparer under the Scheme.

(4) The **"specified class or classes of persons"** for this purpose means any person other than a company or a person whose accounts are required to be audited under section 63 (tax audit) or under any other existing law, who is required to furnish a return of income under the Income-tax Act, 2025.

KEY INSIGHTS

As per section 264(2)(a), an employee of the "specified class or classes of persons" is not authorized to act as a Tax Return Preparer. Therefore, it follows that employees of companies and persons whose accounts are required to be audited under section 63 or any other law for the time being in force (since they are not falling in the category of specified class or classes of persons), are eligible to act as Tax Return Preparers.

15.4 PERSONS AUTHORISED TO VERIFY RETURN OF INCOME [SECTION 265]

The return of income required to be furnished under section 263 shall be verified by the person specified in the corresponding entry in the following Table:

Sl. No.	Person furnishing return of income	Person authorised to verify the return
1.	An Individual	(i) By the individual himself; (ii) where the individual is mentally

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		incapacitated from attending to his affairs, by his guardian or any other person competent to act on his behalf; (iii) where, for any other reason, it is not possible for the individual to verify the return, by any person duly authorised by him through a valid power of attorney.
2.	A Hindu undivided family.	(i) By the karta; (ii) where the karta is absent from India or is mentally incapacitated from attending to his affairs, by any other adult member of such family.
3.	A company (other than cases mentioned at serial numbers 4, 5, 6 and 7 below)	(i) By the managing director of the company; (ii) where there is no managing director, or the managing director is not able to verify the return due to any unavoidable reason, by any director of the company or any other person as may be prescribed for verifying the return.
4.	A company not being resident in India.	By any person holding a valid power of attorney from the company to do so.
5.	A company which is being wound up by orders of the Court or otherwise, or where any person has been appointed as receiver of any assets of the company	By the liquidator as referred to in section 322(1).
6.	A company whose management has been taken over by the Central Government or any State Government under any law.	By the principal officer of the company

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7.	A company, for which application seeking corporate insolvency resolution process has been admitted by the Adjudicating Authority under section 7 or 9 or 10 of the Insolvency and Bankruptcy Code, 2016	By the insolvency professional appointed by such Adjudicating Authority
8.	A firm	(i) By the managing partner of the firm; (ii) where the managing partner is not able to verify the return due to any unavoidable reason, or there is no managing partner as such, by any partner of the firm, not being a minor.
9.	A limited liability partnership	(i) By the designated partner of the limited liability partnership; (ii) where the designated partner of the limited liability partnership is not able to verify the return due to any unavoidable reason, or where there is no designated partner, by any partner of the limited liability partnership or any other person as may be prescribed for verifying the return

Note – **Prescribed person for verification in case of a company and LLP [Rule 168]:** For the purposes of Sl. Nos. **3 and 9** of the above Table, where the return is to be verified by **"any other person as may be prescribed"**, such person shall be the person

- appointed by the **Adjudicating Authority**
- for discharging the duties and functions of an **interim resolution professional, resolution professional or liquidator**, as the case may be,
- under the Insolvency and Bankruptcy Code, 2016 and the rules and regulations made thereunder.

For this purpose, **"Adjudicating Authority"** shall have the same meaning as assigned to it in section 5(1) of the Insolvency and Bankruptcy Code, 2016.

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10.	A local authority	By the principal officer of the local authority.
11.	A political party as referred to in section 263(1)(a)(iii).	By the chief executive officer of such political party (whether the chief executive officer is known as secretary or by any other designation).
12.	Any other association	(i) By any member of the association; or (ii) by the principal officer of the association.
13.	Any other person	(i) By the person himself; or (ii) by any person competent to act on his behalf.

15.5 SELF-ASSESSMENT [SECTION 266]

(1) Payment of tax, interest and fee before furnishing return of income

Where any tax is payable on the basis of any return required to be furnished under section 263, or section 268 or section 280 or section 294, after taking into account-

(i) the amount of tax, already paid, under any provision of the Act

(ii) any tax deducted or collected at source;

(iii) any relief of tax claimed under section 157;

Self Assessment tax

(iv) relief of tax claimed under section 159(1) or 160 on account of tax paid in a country outside India;

(v) deduction of tax claimed under section 159(2) on account of tax paid in any specified territory outside India referred to in that section;

(vi) any tax credit claimed to be set-off in accordance with the provisions of section 206(2)(e) to (h) and 206(3) and (4);

(vii) any tax or interest payable as per the provisions of section 391(2).

the assessee shall be liable to pay such tax **together with interest and fee payable** under any provision of this Act for any delay in furnishing the return or any default or delay in payment of advance tax **before furnishing the return**.

The return shall be accompanied by proof of payment of tax, interest and fee.

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(2) Order of adjustment of amount paid by the assessee

Where the amount paid by the assessee under section 266(1) falls short of the aggregate of the tax, interest and fee payable as aforesaid, the amount so paid shall first be adjusted towards the fee payable and thereafter towards interest and the balance, if any, shall be adjusted towards the tax payable.

Fee payable → Interest payable → Tax payable

(3) Interest for default in furnishing return of income under section 423 [Section 266(4)]

For the above purpose, interest payable under section 423 shall be computed on the amount of tax on the total income as declared in the return, as ***reduced*** by the amount of-

(a) advance tax, if any, paid;

(b) any tax deducted or collected at source;

(c) any relief of tax claimed under section 157;

(d) any relief of tax or deduction of tax claimed under section 159(1) or 160 on account of tax paid in a country outside India;

(e) any relief of tax claimed under section 159(2) on account of tax paid in any specified territory outside India referred to in that section; and

(f) any tax credit claimed to be set off as per the provisions of section 206(2)(e) to (h) and 206(3) and (4).

(4) Interest for defaults in payment of advance tax under section 424 [Section 266(5) & (6)]

Interest payable under section 424 shall be computed on the assessed tax or on the amount by which the advance tax paid falls short of the assessed tax.

For this purpose, **"assessed tax"** means the tax on total income declared in the return as reduced by –

(a) advance tax, if any, paid;

(b) any tax deducted or collected at source;

(c) any relief of tax claimed under section 157;

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(d) any relief of tax or deduction of tax claimed under section 159(1) or 160 on account of tax paid in a country outside India;

(e) any relief of tax claimed under section 159(2) on account of tax paid in any specified territory outside India referred to in that section; and

(f) any tax credit claimed to be set off as per the provisions of section 206(2)(e) to (h) and 206(3) and (4).].

(5) Self-assessment tax deemed to have been paid towards regular assessment

After regular assessment under section 270 or section 271 or an assessment under section 294, any amount paid under section 266 shall be deemed to have been paid towards such regular assessment or assessment.

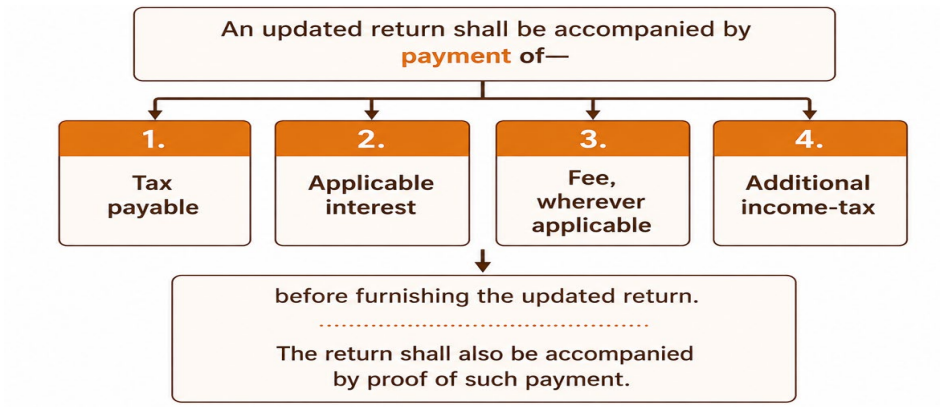
(6) Consequence of failure to pay tax, interest or fee

If any assessee fails to pay the whole or any part of such tax or interest or fees, he shall be deemed to be an **assessee in default** in respect of such tax or interest or fees remaining unpaid and all the provisions of this Act shall apply accordingly.

This shall apply **without prejudice to any other consequences** which the assessee may incur.

15.6 TAX ON UPDATED RETURN [SECTION 267]

(1) Payment of tax, interest and fee before furnishing an updated return of income



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(a) In a case where no return is furnished earlier [Section 267(1)]

(I) Tax to be paid along with interest and fee before furnishing of updating return: Where no return of income under section 263(1) or 263(4) has been furnished by an assessee and tax is payable, on the basis of updated return to be furnished by such assessee under section 263(6), then



- the assessee would be liable to pay such tax together **with interest and fee payable under any provision of this Act for any delay in furnishing the return or any default or delay in payment of advance tax**
- **such tax, interest and fee shall be payable along with the payment of additional tax** as computed as per section 267(5), before furnishing the return.

The updated return shall be accompanied by proof of payment of such tax, additional income-tax, interest and fee.

(II) Manner of computation of tax payable on the basis of updated return [Section 267(2)]: The tax payable is to be computed after taking into account the following -

(i) the amount of tax, if any, already paid as advance tax;

(ii) any tax deducted or collected at source;

(iii) any relief of tax claimed under section 157;

(iv) any relief of tax or deduction of tax claimed under section 159(1) or section 160 on account of tax paid in a country outside India;

(v) any relief of tax claimed under section 159(2) on account of tax paid in any specified territory outside India referred to in that section; and

(vi) any tax credit claimed to be set off as per the provisions of sections 206(2)(e) to (h) and 206(3) and (4).

(III) Interest under section 423 if no earlier return has been furnished: In a case, where no earlier return has been furnished, the interest payable under section 423 has to be computed on the amount of the tax on the total income

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as declared in the updated return under section 263(6), as per the provisions of section 266(4).

(b) In a case where return is furnished earlier [Section 267(3)]

(I) Tax to be paid along with interest before furnishing updated return: Where return of income under section 263(1) or 263(4) or 263(5) has been furnished by an assessee and tax is payable, on the basis of updated return to be furnished by such assessee under section 263(6),



- the assessee would be liable to pay such tax together with interest payable under any provision of this Act for any default or delay in payment of advance tax,
- along with the payment of additional income-tax computed under section 267(5) **(as reduced by the amount of interest paid under the provisions of this Act in the earlier return)** before furnishing the return.

The updated return shall be accompanied by proof of payment of such tax, additional income-tax and interest.

(II) Manner of computation of tax payable on the basis of updated return [Section 267(4)]: The tax payable has to be computed after taking into account the following -

(i) the amount of relief or tax referred to in section 266(1), the credit for which has been taken in the earlier return;

(ii) **tax deducted or collected at source**, as per the provisions of Chapter XIX-B, on any income which is subject to such deduction or collection and which is taken into account in computing total income and **which has not been included in the earlier return;**

(iii) **any relief of tax** or deduction of tax claimed under 159(1) or section 160 on account of tax paid in a country outside India on such income **which has not been included in the earlier return**;

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(iv) **any relief of tax** claimed under section 159(2) on account of tax paid in any specified territory outside India referred to in that section on such income **which has not been included in the earlier return;**

(v) **any tax credit claimed**, to be set off as per the provisions of sections 206(2)(e) to (h) and 206(3) and (4), which has not been claimed in the earlier return; and

Where any refund has already been issued on the basis of the earlier return, the amount of such refund shall also be added while computing the tax payable.

(III) Interest under section 424 where earlier return has been furnished: In a case where an earlier return has been furnished, **interest payable under section 424 has to be computed on the assessed tax.**

"Assessed tax" means the tax on the total income as declared in the updated return to be furnished under section 263(6), after taking into account the following:

(i) the amount of relief or tax referred to in section 266(1), the credit for which has been claimed in the earlier return, if any;



(ii) tax deducted or collected at source, in accordance with the provisions of Chapter XIX-B, on any income which is subject to such deduction or collection and which is taken into account in computing such total income, which has not been included in the earlier return;

(iii) any relief of tax or deduction of tax claimed under section 159(1) or section 160 on account of tax paid in a country outside India on such income which has not been included in the earlier return;

(iv) any relief of tax claimed under section 159(2) on account of tax paid in any specified territory outside India referred to in that section on such income which has not been included in the earlier return;

(v) any tax credit claimed, to be set off in accordance with the provisions of sections 206(1)(m) to(p) and 206(2)(e) to (h), which has not been claimed in the earlier return; and

The aforesaid tax would be increased by the amount of refund, if any, issued in respect of such earlier return.

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Interest under section 425 if earlier return has been furnished

Interest payable under section 425, where an earlier return has been furnished, has to be computed after taking into account the total income furnished in the updated return as returned income.

(2) Additional income-tax payable at the time of updated return [Section 267(5)]

The additional income-tax payable at the time of furnishing the updated return under section 263(6) would be –

S. No.	Time of furnishing updated return	Additional Income-tax Payable
(i)	If such return is furnished after expiry of the time available under section 263(4) or 263(5) and **before completion of the period of 12 months** from the end of the financial year succeeding the relevant tax year;	**25% of aggregate** of tax and interest payable, as determined in 267(1) or 267(3) above
(ii)	If such return is furnished **after the expiry of 12 months but before completion of 24 months** from the end of the financial year succeeding the relevant tax year	**50% of aggregate** of tax and interest payable, as determined in 267(1) or 267(3) above
(iii)	If such return is furnished **after the expiry of 24 months but before completion of 36 months** from the end of the financial year succeeding the relevant tax year	**60% of aggregate** of tax and interest payable, as determined in 267(1) or 267(3) above
(iv)	If such return is furnished **after the expiry of 36 months but before completion of 48 months** from the end of the financial year succeeding the relevant tax year	**70% of aggregate** of tax and interest payable, as determined in 267(1) or 267(3) above

Additional sum payable where updated return is filed pursuant to notice issued under section 280.

Where an updated return is filed in pursuance of a notice issued under section 280 within the period specified in the said notice, the additional income-tax payable as per aforesaid table shall be increased by a further sum of 10 % of the aggregate of tax and interest payable.

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Computation of Additional income-tax

For the purpose of computation of Additional income-tax -

- tax would include surcharge and cess, by whatever name called, on such tax.
- the interest payable would be interest chargeable under any provision of the Act, on the income as per updated return furnished under section 263(6), as reduced by interest paid in the earlier return, if any.

However, the interest paid in the earlier return would be considered to be nil, if no earlier return has been furnished.

Note - An updated return furnished under section 263(6) would be regarded as defective return as referred u/s 263(7) read with rule 166 if the details of payment of tax as per section 267 are not duly filled in the return.

(3) Power to CBDT to issue guidelines

In case of any difficulty arises in giving effect to the provisions of this section, the CBDT may issue guidelines for the purpose of removing the difficulty, with the approval of the Central Government. Every guideline issued shall be laid before each House of Parliament.

ILLUSTRATION

Mr. X would like to furnish his updated return for T.Y. 2026-27. In case he furnishes his updated return of income, he would be liable to pay ₹2,50,000 towards tax and ₹35,000 towards interest, after adjusting the tax and interest paid at the time of filing the earlier return. You are required to examine whether Mr. X can furnish an updated return-

(i) as on 31.3.2029

(ii) as on 28.2.2031

(iii) as on 31.5.2031

If yes, compute the amount of additional income-tax payable by Mr. X at the time of filing his updated return.

Would your answer be different with respect to filing of the updated return in case of

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(ii) above, where he has received a notice under section 280 for the said T.Y. 2026-27 on 23.7.2030.

SOLUTION

Mr. X may furnish an updated return of his income for T.Y. 2026-27 at any time within 48 months from the end of the financial year succeeding the relevant tax year, i.e., 31.3.2032.

Accordingly, Mr. X can furnish an updated return for T.Y. 2026-27 for all the above cases, i.e. 31.3.2029, 28.2.2031 and 31.5.2031.

Mr. X would be liable to pay additional income-tax

- @25% of aggregate of tax and interest payable, if updated return is furnished after the expiry of the time limit available under section 263(4) i.e., upto 31.12.2027 or 263(5), i.e., 31st March 2028 and before the expiry of 12 months from the end of the relevant financial year succeeding the relevant tax year, i.e., 31.3.2029.
- @50% of the aggregate of tax and interest payable, if updated return is furnished after the expiry of 12 months from the end of the relevant financial year succeeding the relevant tax year, i.e., after 31.3.2029 but before the expiry of 24 months from the end of the relevant financial year succeeding the tax year, i.e., 31.3.2030.
- @60% of aggregate of tax and interest payable, if updated return is furnished after the expiry of 24 months from the end of the relevant financial year succeeding the relevant tax year i.e., after 31.3.2030 but before the expiry of 36 months from the end of the relevant financial year succeeding the tax year, i.e., 31.3.2031.
- @70% of aggregate of tax and interest payable, if updated return is furnished after the expiry of 36 months from the end of the relevant financial year succeeding the relevant tax year i.e., after 31.3.2031 but before the expiry of 48 months from the end of the relevant financial year succeeding the tax year, i.e., 31.3.2032.

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Accordingly, Mr. X is liable to pay additional income-tax in case he furnished his updated return as on

(i) 31.3.2028 - ₹ 71,250 [25% of 2,85,000, being tax of ₹ 2,50,000 plus interest of ₹ 35,000]

(ii) 28.02.2031 - ₹ 1,71,000 [60% of 2,85,000, being tax of ₹ 2,50,000 plus interest of ₹ 35,000]

(iii) 31.05.2031 - ₹ 1,99,500 [70% of 2,85,000, being tax of ₹ 2,50,000 plus interest of ₹ 35,000]

Where the updated return is furnished pursuant to a notice issued under section 280 within the period specified in such notice, the additional income-tax payable shall be increased by a further 10% of the aggregate of tax and interest payable [section 267(5)(ii)].

Particulars	**Amount (₹)**
Additional income-tax @50%	1,71,000
Further 10% under section 267(5)(ii)	17,100
Total additional income-tax	**1,88,100**

15.7 INQUIRY BEFORE ASSESSMENT [SECTION 268]

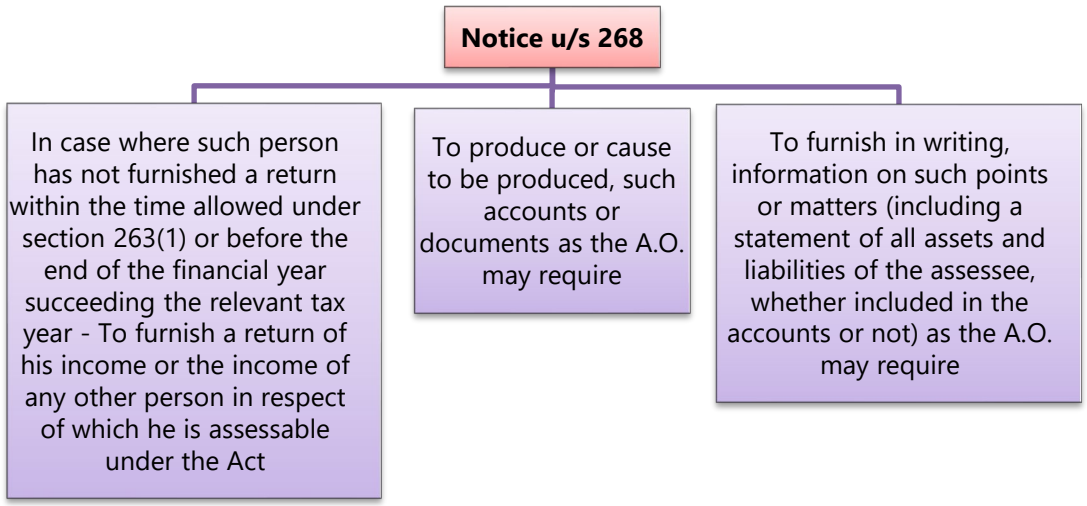
A. Issue of Notice to any person for making assessment [Section 268(1)]

For the purpose of making an assessment, the Assessing Officer may serve a notice on any person:

- who has made a return under section 263 or
- in whose case the time allowed under section 263(1) for furnishing the return has expired.

The purposes for which such notice can be served are depicted in the following diagram:

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It may be noted that the time-limit provided under section 286 for completion of assessment is one year from the end of the financial year succeeding the relevant tax year for which assessment is made [Refer to table on time limits for completion of assessment given later in this chapter], Therefore, since the assessment has to be completed within the said period, it appears that notice under section 268(1) should also be issued within that period.

B. Restrictions on powers of the Assessing Officer [Section 268(2)]:

(i) the previous approval of the Joint Commissioner shall be obtained by the Assessing Officer before requiring the assessee to furnish a statement of all assets and liabilities not included in the accounts;

(ii) the Assessing Officer shall not require the production of any accounts relating to a **period more than three years prior to the relevant tax year.**

C. Power to serve notice [Section 268(3)]

A notice under section 268(1)(a) may also be served by the prescribed income-tax authority.

Under Rule 170 of the Income Tax Rules, 2026, the prescribed income-tax authority who can issue notice under section 268(1) shall not be below the rank of Income-Tax Officer who has been authorized by the Central Board of Direct Taxes to act as such.

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D. Inquiry by Assessing Officer [Section 268(4)]

For the purpose of obtaining full information in respect of income or loss of any person, the Assessing Officer may make such inquiry as he considers necessary.

E. Basis for direction to get accounts audited or inventory valued [Section 268(5)]

If at any stage of the proceedings before him, the Assessing Officer, having regard to-

- the nature and complexity of the accounts; or
- volume of the accounts; or
- doubts about the correctness of the accounts; or
- multiplicity of transactions in the accounts; or
- specialized nature of business activity of the assessee, and

interests of the revenue, is of the opinion that it is necessary to do so, he may, after giving the assessee a reasonable opportunity of being heard, and with the previous approval of the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner, direct the assessee to get either or both of the following -

(i) to get the accounts audited by an accountant, and to furnish a report of such audit in the prescribed form[2] duly signed and verified by such accountant and setting forth such particulars, as may be prescribed, and such other particulars as the Assessing Officer may require;

(ii) to get the inventory valued by a cost accountant, and to furnish a report of such inventory valuation in the prescribed form[3] as duly signed and verified by such cost accountant and setting forth such particulars, as may be prescribed, and such other particulars as the Assessing Officer may require.

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[2] *Form 100*
[3] *Form 101*

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F. Nomination of accountant or cost accountant [Section 268(6)]

The accountant by whom the audit should be carried out and the cost accountant by whom inventory should be valued are nominated by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner of Income-tax specifically for the purpose.

G. Audit under section 268(5) irrespective of audit under any other law [Section 268(7)]

The provisions of section 268(*5*) shall have effect irrespective of whether or not accounts of the assessee have been audited under any other law for the time being in force or otherwise.

H. Time limit for furnishing audit or inventory valuation report [Section 268(8) to (10)]

The audit report or inventory valuation report, or both, must be furnished to the Assessing Officer by the assessee within the period specified by the Assessing Officer in his order.

The Assessing Officer may, on his own motion, or on receipt of an application made in this behalf by the assessee and for ***any good and sufficient reason***, extend the time-limit by such further period or periods as he deems fit.

However, the aggregate of the period originally fixed and the period or periods so extended **should not exceed 6 months** in any case. This time of 6 months must be reckoned from the end of the month in which the Assessing Officer's direction is received by the assessee.

I. Expenses of special audit or inventory valuation to be paid by the Central Government [Section 268(11)]

The expenses of any audit or inventory valuation, (including incidental expenses and remuneration of the accountant or the cost accountant), shall be -

a) determined by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner in accordance with the prescribed guidelines; and



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b) The expenses so determined shall be paid by the Central Government.

Rule 172 lays down guidelines for the purpose of determining expenses for audit or inventory valuation under section 268(5). Every Chief Commissioner would maintain panel of

- Accountants, out of persons referred to in section 515(3)(b) of the Act; and
- Cost accountants, out of the persons referred to in section 268(13) of the Act

for the purpose of section 268(5).

The expenses of, and incidental to, audit or inventory valuation (including the remuneration of the Accountant or Cost Accountant, qualified Assistants, semi-qualified and other Assistants who may be engaged by such Accountant or Cost Accountant), should not be

- less than ₹ 3,750 and
- not more than ₹ 7,500

for **every hour** of the period as specified by the Assessing Officer under section 268(5). Such period shall be specified in terms of the number of hours required for completing the report.

J. Assessee to be given an opportunity of being heard [Section 268(12)]

The assessee shall, except where the assessment is made under section 271, be given an opportunity of being heard in respect of any material gathered on the basis of any inquiry under section 268(4), or any audit or inventory valuation under section 268(5) and proposed to be utilised for the purposes of the assessment.

K. Meaning of Cost Accountant [Section 268(13)]

For the purposes of this section, "cost accountant" means a cost accountant as defined in section 2(1)(b) of the Cost and Works Accountants Act, 1959 and who holds a valid certificate of practice under section 6(1) of the said Act.

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15.8 ESTIMATION OF VALUE OF ASSETS BY VALUATION OFFICER [SECTION 269]

(1) Reference to the Valuation Officer [Section 269(1) & (2)]

The Assessing Officer may, for the purpose of assessment or reassessment, make a reference to a Valuation Officer to estimate the value, including fair market value, of any asset, property or investment and submit a copy of report to him.

The Assessing Officer may make a reference to the Valuation Officer whether or not he is satisfied about the correctness or completeness of the accounts of the assessee.

(2) Powers of Valuation Officer for inspection and entry [Section 269(3)]

(a) For estimating the value, including the fair market value, of the asset, property, or investment, the Valuation Officer or any engineer, overseer, surveyor, or assessor authorized by such Valuation Officer by an order in writing, may, on any day except public holidays, at any time between 6 a.m. and 6 p.m., -

(i) enter any land within the limits of the area assigned to the Valuation Officer; or

(ii) enter any land, building, or other place belonging to or occupied by any person in connection with whose assessment a reference has been made to the Valuation Officer; or

(iii) inspect any asset, property, or investment in respect of which a reference has been made to the Valuation Officer.

The expression "public holiday" includes Sundays, and any other day declared by the Central Government, by notification in the Official Gazette, to be a public holiday.

(b) The Valuation Officer or any engineer, overseer, surveyor, or assessor, may require any person in charge of, or in occupation or possession of, such land, building, or other place or such asset, property, or investment to afford the necessary facility to -

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(i) survey or inspect such land, building, or other place or such asset, property, or investment;

(ii) estimate its value; or

(iii) inspect any books of account, document, or record relevant for the valuation of such asset, property, or investment and gather other particulars relating to it.

(c) The Valuation Officer, engineer, overseer, surveyor, or assessor shall enter any land, building or place referred to in clause (*a*)(*ii*), or inspect any asset, property, or investment referred to in clause (*a*)(*iii*), with the **consent of the person** in charge of, or in occupation or possession of, such land, building, place, or asset, property, or investment, after providing such person **at least two days' notice in writing of his intention to do so**.

(d) If a person who, under this sub-section, is required to afford any facility to the Valuation Officer or the engineer, overseer, surveyor, or assessor, either refuses or evades to afford such facility, the Valuation Officer shall have all the powers as are vested in a court under the Code of Civil Procedure, 1908, when trying a suit in respect of the following matters-

(i) discovery and inspection;

(ii) enforcing the attendance of any person, including any officer of a banking company, and examining him on oath;

(iii) compelling the production of books of account and other documents; and

(iv) issuing commissions.

(3) Estimation of value of asset, property or investment [Section 269 (4)&(5)]

The Valuation Officer is required to estimate the value of the asset, property or investment after taking into account the evidence produced by the assessee and any other evidence in his possession gathered, after giving an opportunity of being heard to the assessee.

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If the **assessee does not co-operate** or comply with the directions of the Valuation Officer he may, **estimate the value** of the asset, property or investment **to the best of his judgment**.

(4) Submission and rectification of valuation report [Section 269 (6)&(7)]

The Valuation Officer shall send the report of the estimate made under section 269(*4*) or (*5*), to the Assessing Officer and the assessee.

With a view to rectifying any mistake apparent from the record, the Valuation Officer may amend any report made by him, as per section 287.

(5) Completion of assessment by taking into account valuation report [Section 269(8)]

On receipt of the report from the Valuation Officer, the Assessing Officer may, after giving the assessee an opportunity of being heard, take into account such report in making the assessment or reassessment.

(6) Time limit for submission of valuation report [Section 269(9)]

The Valuation Officer shall send a copy of his estimate to the Assessing Officer and the assessee **within a period of six months from the end of the month in which the reference is made**.

(7) Appointment of Valuation Officers and supporting officers [Section 269(10)]

For the purposes of this Act -

(i) the Central Government may appoint as many Valuation Officers as may be necessary; and

(ii) subject to the rules and orders of the Central Government regulating the conditions of service of persons in public services and posts, a Principal Chief Commissioner, Chief Commissioner, Principal Commissioner or Commissioner may appoint as many engineers, overseers, surveyors and assessors as may be necessary to assist the Valuation Officers in the performance of their functions.

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15.9 ASSESSMENT [SECTION 270]

Section 270 provides for processing of return of income and making of regular assessment.

A. Processing of return of income (summary assessment) [Section 270(1) to (7)]

(1) Summary assessment [Section 270(1)]

Where a return has been made under section 263, or in response to a notice under section 268(1), such return shall be processed by the Centralised Processing Centre (CPC) under section 270(1).

Thus, summary assessment, commonly referred to as intimation, is a computerised preliminary assessment or processing of the return of income filed by an assessee.

(i) Section 270(1)(a) provides **for computation of the total income of an assessee after making the following adjustments** to the returned income:-

(a) any arithmetical error in the return;

(b) an ***incorrect claim***, if such an incorrect claim is apparent from any information in the return;



(c) any such inconsistency in the return, with respect to the information in the return of any preceding tax year, as may be prescribed;

(d) Disallowance of loss claimed, if return of the tax year for which set-off of loss is claimed was furnished beyond due date u/s 263(1);

(e) Disallowance of expenditure or increase in income indicated in the audit report but not taken into account in computing the total income in the return;

(f) Disallowance of deduction claimed under any of the provisions of Chapter VIII-C, if the return is furnished beyond due date u/s 263(1);

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Meaning of "incorrect claim apparent from any information in the return" [Section 270(5)(a)]

An "incorrect claim apparent from any information in the return" means a claim, on the basis of an entry in the return -

(I) of an item which is inconsistent with another entry of the same or some other item in such return; or

(II) in respect of which the information required to be furnished under this Act to substantiate such entry has not been furnished; or

(III) in respect of a deduction, where such deduction exceeds the specified statutory limit, which may have been expressed as a monetary amount, percentage, ratio or fraction.

(ii) **Tax, interest and fee, if any, shall be computed** on the basis of the total income computed after making the adjustments as provided above.

(iii) The sum payable by, or the amount of refund due to, the assessee shall be determined after adjustment of such tax, interest and fee, if any, so computed by-

a. any tax deducted at source;

b. any tax collected at source;

c. any advance tax paid;

d. any rebate or relief allowable under Chapter IX;

e. any tax paid on self-assessment; and

f. any amount paid otherwise by way of tax, interest or fee;

(iv) Based on the above adjustments, **an intimation** shall be sent to the assessee specifying the sum determined to be payable by, or refund due to, the assessee; and

(v) the amount of refund due to the assessee in pursuance of the determination above shall be granted to the assessee.

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(2) Procedure to be followed before making adjustments [Section 270(2)]

Before making any adjustment under section 270(1)(a) -

(i) a communication is to be given to the assessee of such adjustments either in writing or in electronic mode;

(ii) the response received from the assessee in this regard, if any, shall be considered.

In a case where no response is received within thirty days of the issue of such communication, such adjustments shall be made and thereafter the intimation under section 270(1)(d) shall be sent.

(3) Intimation to assessee and time limit for issue [Section 270(3)/(4)/(5)

(i) An **intimation shall also be sent** to the assessee in a case where **the loss declared in the return by the assessee is adjusted** but **no tax, interest or fee is payable by, or no refund is due to, him**.

(ii) Time limit for issue of intimation [Section 270(4)]: No intimation under section 270(*1*) shall be sent after the expiry of **nine months from the end of the financial year in which the return is made**.

Intimation order can be issued within 9 months from the end of F.Y. in which return was furnished

(iii) Acknowledgement deemed to be intimation [Section 270(5)(b)]: The acknowledgement of the return shall be deemed to be the intimation in a case where no sum is payable by, or refundable to the assessee, and where no adjustment has been made.

(4) Mandatory processing of return of income before issuance of assessment order [Section 270(6) & (7)]

(i) For the purposes of processing of returns under section 270(1), the Board may make a scheme for centralised processing of returns with a view to expeditiously determining the tax payable by, or the refund due to, the assessee as required under the said sub-section.

(ii) The scheme made under section 270(6) shall, as soon as may be laid before each House of Parliament.

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B. Regular assessment [Section 270(8) to (15)]

(1) Regular assessment/Scrutiny assessment [Section 270(8)]

Where a return has been furnished under section 263 or in response to a notice under section 268(1), if the Assessing Officer or the prescribed income-tax authority considers it necessary or expedient to ensure that the assessee -

(i) has not understated the income;

(ii) has not computed excessive loss;

(iii) has not underpaid the tax in any manner;

shall serve on the assessee a notice requiring him, on a date to be specified therein -

(i) either to attend the office of the Assessing Officer; or

(ii) to produce, or cause to be produced before the Assessing Officer any evidence on which the assessee may rely in support of the return.

Prescribed income-tax authority [Rule 175]: The prescribed income-tax authority for issue of notice under section 270(8) shall be an income-tax authority **not below the rank of Income-tax Officer**, who has been authorised by the **Central Board of Direct Taxes** to act as such income-tax authority for the purposes of section 270(8).

Notice for assessment u/s 270(8) to be issued within 3 months from the end of F.Y. in which ROI is furnished

Time limit for service of notice [Section 270(9)]: It may be noted that notice for detailed scrutiny under section 270(8) cannot be served after the expiry of 3 months from the end of the financial year in which the return of income is furnished.

(3) Procedure for making regular assessment [Section 270(1)]

On the day specified in the notice issued under section 270(8), or as soon afterwards as may be, the Assessing Officer shall after -

- hearing such evidence as the assessee may produce;

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- consider such other evidence as the Assessing Officer may require on specified points; and
- take into account **all relevant material gathered by him**.

Thereafter, subject to the provisions of sections 270(11) and 270(13), the Assessing Officer shall-

(i) by an **order in writing**, make an assessment of the **total income or loss of the assessee**; and

(ii) determine the **sum payable by him or refund of any amount due to him** on the basis of such assessment.

(4) Assessment of Specified Entities [Section 270(11) and (12)]

In respect of following Specified Entities required to furnish required under section 263(1)(a)(iv), no order under section 270(10), making an assessment of the total income or loss of any such entity shall be made by the Assessing Officer, without giving effect to the provisions of section 11 of the Act, **unless**

(i) the Assessing Officer has intimated the Central Government or the prescribed authority the contravention of the provisions mentioned in Schedule III (Table: Sl. No. 23, 24 or 25), by such entity, where in his view such contravention has taken place;

(ii) the approval granted to such entity has been withdrawn or notification issued in respect of such entity has been rescinded.

Meaning of Specified Entities

(a) A research association for the time being approved for the purpose of section 45(3)(a).

(b) An association or institution established in India having as its object the control, supervision, regulation or encouragement of the profession of, law, medicine, accountancy, engineering or architecture or such other profession as the Central Government may, by notification specify in this behalf.

(c) An institution constituted as a public charitable trust or registered under the Societies Registration Act, 1860, or under any other law corresponding to that Act in force in any part of India.

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(5) Assessment of Registered Non-profit Organisation [Section 270(13)]

In the case of a registered non-profit organisation, where the Assessing Officer is satisfied that any such entity has committed any **specified violation** as mentioned in section 351(1), he shall

(a) send a reference to the Principal Commissioner or Commissioner to withdraw the approval or registration; and

(b) no order under section 270(10) making an assessment of the total income or loss of such registered non-profit organisation shall be made by him without giving effect to the order passed by the Principal Commissioner or Commissioner under section 351(2)(ii)(A) or (B).

Meaning of Specified Violation [Section 351]

The following shall constitute specified violation by a registered non-profit organization:



(a) where any income of the registered non-profit organization **has been applied, other than for its objects**; or

(b) it carries out any commercial activity in contravention of the provisions of section 345; or

(c) where it has applied any part of its total income for private religious purposes, which does not enure for the benefit of the public; or

(d) where a registered non-profit organisation, created or established after the commencement of this Act for charitable purpose, has applied any part of its income for the benefit of any particular religious community or caste other than the Scheduled Castes or the Scheduled Tribes or backward classes or women and children; or

(e) where any activity being carried out by the registered non-profit organisation is not genuine or is not being carried out in accordance with all or any of the conditions subject to which it was registered; or

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(f) the registered non-profit organisation has not complied with the requirements of any other law as referred under section 332(7)(a) and the order, direction or decree, holding that such non-compliance has occurred, has either not been disputed, or has attained finality; or

(g) where the registration application filed by the non-profit organization is incomplete or contains false or incorrect information.

(6) Recommendation for withdrawal of Approval granted to University, College and other Institution etc. [Section 270(14)]

The Assessing Officer is empowered to send a proposal to the Central Government recommending withdrawal of approval of university, college or other institution approved under section 45(3)(a) (referred as entity), if he is satisfied that the activities are not being carried out in accordance with all or any of the conditions subject to which any of the said entities had been approved.

The Assessing Officer may, after giving a reasonable opportunity of showing cause to the concerned entity, send a proposal to the Central Government recommending withdrawal of approval.

The Central Government may, by order, withdraw the approval and forward a copy of the order to the concerned entity and to the Assessing Officer.

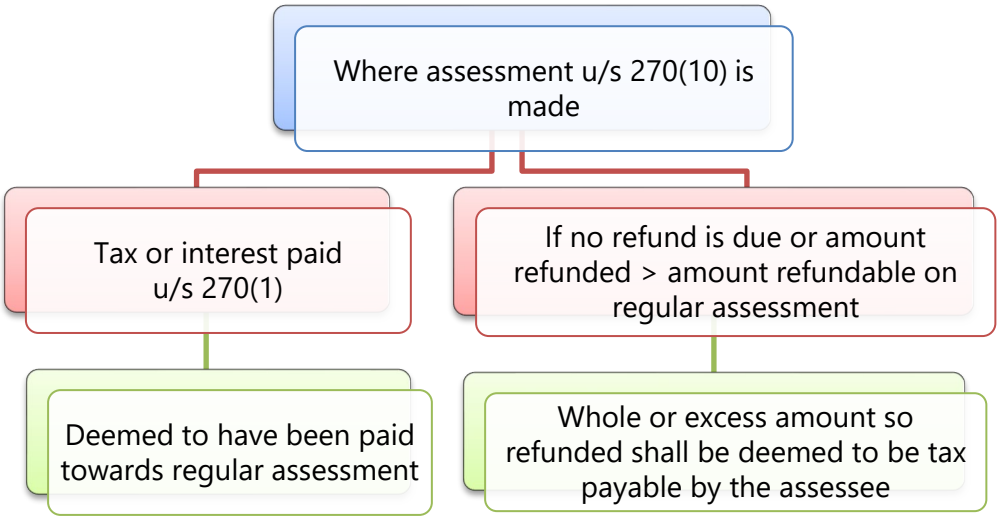
(7) Self-assessment tax deemed to have been paid towards regular assessment [Section 270(15)]

Where a regular assessment under section 270(10) or best judgement assessment under section 271 is made -

(a) any tax or interest paid by the assessee under section 270(1) shall be **deemed to have been paid towards such regular assessment.**

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(b) if no refund is due on regular assessment or the amount refunded under section 270(1) exceeds the amount refundable on regular assessment, the whole or the excess amount so refunded shall be deemed to be tax payable by the assessee and the provisions of this Act shall apply accordingly.



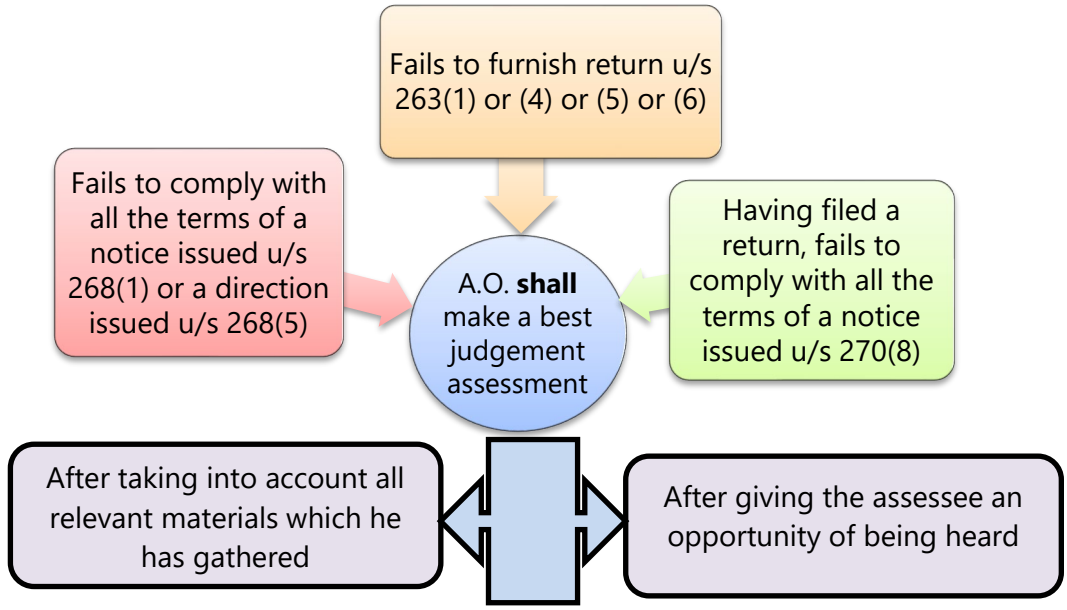
Distinction between Processing of Return and Regular Assessment

Particulars	Processing of Return [Section 270(1)]	Regular Assessment [Section 270(8) to (10)]
Basis	Return furnished under section 263 or in response to notice under section 268(1)	Return furnished under section 263 or in response to notice under section 268(1)
Nature	Processing after making specified adjustments	Assessment based on evidence and relevant material
Purpose	To determine tax payable or refund due after specified adjustments	To ensure that income has not been understated, loss has not been computed excessively or tax has not been under-paid
Procedure	Specified adjustments are made after following the procedure under section 270(2)	Notice is served requiring attendance or production of evidence, followed by hearing and consideration of relevant material
Opportunity	Communication of proposed	Notice requiring attendance/

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to assessee	adjustments; response to be considered, if received within **30 days** allowed	production of evidence and opportunity to present evidence
Outcome	**Intimation** specifying the sum payable or refund due	**Order in writing** determining total income/loss and the sum payable or refund due
Relevant time limit	Intimation: **9 months from the end of the financial year in which the return is made**	Notice under section 270(8): **3 months from the end of the financial year in which the return is furnished**

15.10 BEST JUDGMENT ASSESSMENT [SECTION 271]



(i) **Best judgment assessment mandatory in all three cases stated above** - It is mandatory for the Assessing Officer to make a best judgment assessment, and he has no discretion to make or not to make such assessment. These three cases are alternative and not cumulative for the purpose of making an *ex parte* assessment.

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(ii) Opportunity of being heard - Before making the best judgement assessment, the Assessing Officer has to take into account all relevant material which he has gathered. The assessee must be given an opportunity of being heard. Such opportunity shall be given by an Assessing Officer by serving a notice calling upon the assessee to show cause on a date and time to be specified in the notice, why the assessment should not be completed to the best of his judgment. Thereafter, the Assessing Officer shall make the assessment of total income or loss to the best of his judgment and determine the sum payable on the basis of such assessment.

However, where a notice under section 268(1) has been issued prior to the making of an assessment under this section, it is not necessary to give such an opportunity.

15.11 POWER OF JOINT COMMISSIONER TO ISSUE DIRECTIONS IN CERTAIN CASES [SECTION 272]

(1) A Joint Commissioner may, on his own motion or on a reference being made to him by the Assessing Officer or on the application of an assessee, call for and examine the record of any proceeding in which an assessment is pending and, if he considers that, having regard to the nature of the case or the amount involved or for any other reason it is necessary or expedient to do so, he may:

(i) issue such directions as he thinks fit for the guidance of the Assessing Officer to enable him to complete the assessment; and

(ii) such directions shall be binding on the Assessing Officer.

(2) No directions which are prejudicial to the assessee shall be issued without giving an opportunity of being heard to the assessee.

(3) However, directions given as to the lines on which investigation is to be made shall not be construed as one prejudicial to the assessee.

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15.12 FACELESS ASSESSMENT [SECTION 273]

(1) Applicability of Faceless Assessment [Section 273(1) & (2)]

Faceless assessment u/s 273

As per this provision, assessment under section 270(10) or best judgment assessment under section 271 or income escaping assessment under section 279 in respect of such territorial area or persons or classes of persons or incomes or class of incomes or cases or class of cases, as specified by the CBDT under section 273(2**), has to be made in a faceless manner as per the prescribed procedure.**

The procedure for faceless assessment, reassessment or recomputation is prescribed under Rule 176.

(2) National Faceless Assessment Centre and various Units [Section 273(3)]

For the purposes of faceless assessment, the CBDT may set up the following Centre and Units and specify their functions and jurisdiction:

National Faceless Assessment Centre (NFAC)	To facilitate the conduct of faceless assessment proceedings in a centralised manner, including assignment of cases to the Assessment Unit, intimation to the assessee, that assessment in his case shall be completed as per this section, serving notices under section 268(1) or 270(8) and forwarding responses of the assessee to the assessment Unit.
Assessment Units (AUs)	To conduct the faceless assessment, to perform the function of making assessment, which includes • analysis of the material furnished by the assessee or any other person • identification of points or issues material for the determination of any liability (including refund) under this Act • seeking information or clarification on points or issues so identified

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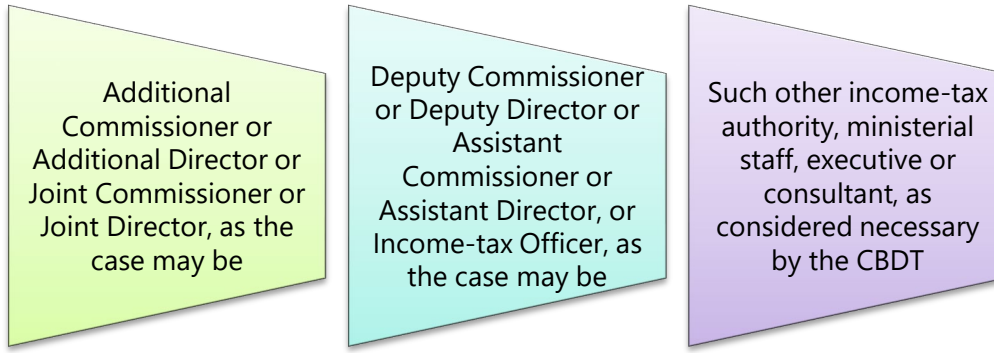
	• determination of any variation prejudicial to the assessee and such other functions as may be required for making the faceless assessment.
Verification Units (VUs)	To facilitate the conduct of faceless assessment, to perform the function of verification, which includes - enquiry, cross verification, examination of books of account, examination of witnesses and recording of statements, and such other functions as may be required for the purposes of verification.
Technical Units (TUs)	To facilitate the conduct of faceless assessment, to perform the function of providing technical assistance which includes any assistance or advice on legal, accounting, forensic, information technology, valuation, transfer pricing, data analytics, management or any other technical matter under this Act or an agreement entered into under section 159, which may be required in a particular case or a class of cases, under this section.
Review Units (RUs)	To review any variation proposed by the Assessment Unit, wherever considered necessary by NFAC. Such review includes checking whether relevant and material evidence has been brought on record, relevant points of fact and law have been duly incorporated, issues requiring addition or disallowance have been incorporated and such other functions as may be required for review.

For the purposes of section 273, the terms "Assessment Unit", "Verification Unit", "Technical Unit" and "Review Unit" refer to an Assessing Officer having powers so assigned by the Board [Section 273(5)].

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(3) Authorities constituting AU/TU/VU/RU [Section 273(6)]

The assessment unit, verification unit, technical unit and review unit will have the following authorities:



(4) Procedure for Faceless Assessment [Section 273(1) read with Rule 176]

The procedure for faceless assessment, reassessment or recomputation shall be as follows:

Clause of Rule 176(2)	Provision
Assignment of the case to a Specific Assessment Unit	
(a)	The National Faceless Assessment Centre (NFAC) **to assign** the case selected for the purposes of faceless assessment under this section **to a specific assessment unit** through an automated allocation system.
Intimation by NFAC to the assessee	
(b)	NFAC shall intimate the assessee that the assessment in his case shall be completed in accordance with the prescribed faceless assessment procedure.
Serving of notice on the assessee	
(c)	**Service of Notice:** Notice shall be served on the assessee through NFAC under section 268(1) or 270(8)
	Filing of response to the notice by the assessee: The assessee may file his **response to the notice within the date specified therein** to the NFAC which shall forward the same to the assessment unit.

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Request by Assessment Unit to NFAC for obtaining information/ conducting enquiry	
(d)	Where a case is assigned to the assessment unit, it may make a request to the NFAC for – (i) obtaining such further information, documents or evidence from the assessee or any other person, as it may specify; (ii) conducting of enquiry or verification by verification unit; and (iii) seeking technical assistance in respect of the determination of arm's length price, valuation of property, withdrawal of registration, approval, exemption or any other technical matter from the technical unit.
Course of Action when Assessment Unit submits request for obtaining further information to NFAC under sub-rule (2)(d)(i)	
(e)	**Notice or requisition to the assessee or any other person for obtaining the information:** The NFAC has to issue appropriate notice or requisition to the assessee or any other person for obtaining the information, documents or evidence requisitioned by the assessment unit.
	Assessee or any other person to file a response to the notice within the specified time: The assessee or any other person would be required to file response to the notice within the time specified therein or such time as may be extended based on an application in this regard to the NFAC, which shall forward the reply to the assessment unit.
Course of Action when Assessment Unit makes request for conducting enquiry or seeks technical assistance to NFAC under sub-rule (2)(d)(ii) or (iii)	
(f)	**Request for conducting inquiry or verification to be assigned to Verification Unit by NFAC:** Where a request for conducting of certain enquiry or verification by the verification unit has been made by the assessment unit, the request would be assigned by the NFAC to a verification unit through an automated allocation system.
	Request for seeking technical assistance to be assigned to Technical Unit by NFAC: Where a request for seeking technical assistance from the technical unit has been made by the assessment unit, the request would be assigned by the NFAC to a technical unit through an automated allocation system.

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(g)	**Report received from the Verification Unit/Technical Unit to be sent to Assessment Unit:** The NFAC has to send the report received from the verification unit or the technical unit to the concerned assessment unit.
Failure on the part of the assessee and initiation of best judgment assessment	
(h)	**NFAC to intimate the failure to assessment unit:** Where the assessee fails to comply with the notice served for obtaining the information, documents or evidence or notice issued under section 268(1) or section 270(8), the NFAC shall intimate such failure to the assessment unit.
(i)	**Serving notice u/s 271 for failure on the part of the assessee:** The assessment unit shall serve upon such assessee a notice, through the NFAC, under section 271, giving him an opportunity to show cause on a date and time as specified in such notice as to why the assessment in his case should not be completed to the best of its judgement.
(j)	**Assessee to file response to a notice issued under section 271:** The assessee has to, within the specified in the notice or such time as may be extended on the basis of an application in this regard, file his response to the NFAC which shall forward the same to the assessment unit.
(k)	**Intimation to Assessment Unit, of failure on the part of the assessee to file response to notice issued u/s 271:** Where the assessee fails to file response to the notice within the time specified therein or within the extended time, if any, the NFAC has to intimate such failure to the assessment unit.
Step to be taken by Assessment Unit after assessee files his response or fails to file his response	
(l)	The assessment unit shall, after taking into account all the relevant material available on the record, prepare, in writing – (i) an income or loss determination proposal, where no variation prejudicial to the assessee is proposed and send a copy of such income or loss determination proposal to the NFAC; or (ii) in any other case, a show cause notice stating the variations prejudicial to the interest of the assessee proposed to be made to the income of the assessee and calling upon him to submit as to

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	why the proposed variation should not be made and serve such show cause notice, on the assessee through the NFAC.
Assessee to file reply of show cause notice served under sub-rule (2)(l)(ii)	
(m)	**Assessee to file response to the notice within the specified time:** The assessee shall file his reply to the show-cause notice on a date and time as specified therein or such time as may be extended based on an application made in this regard, to the NFAC which shall forward the reply to the assessment unit.
(n)	**Intimation to Assessment Unit in case of no response from assessee:** Where the assessee fails to file a response to the notice served within the time specified therein or within the extended time, if any, the NFAC shall intimate such failure to the assessment unit.
Procedure to be followed after the assessee files his response under sub-rule (2)(*m*) or fails to file his response sub-rule (2)(n)	
(o)	**Assessment unit to prepare an income or loss determination proposal:** The assessment unit shall, after considering the response received under sub-rule (2)(m) or after receipt of intimation under sub-rule (2)(n), as the case may be, and taking into account all relevant material available on record, prepare an income or loss determination proposal and send the same to the NFAC.
(p)	Upon receipt of income or loss determination proposal, as referred to in sub-rule (2)(l)(i) or (2)(o), as the case may be, the NFAC may, on the basis of guidelines issued by the Board – (i) convey to the Assessment Unit to prepare a draft order in accordance with such proposal; or (ii) assign the proposal to a Review Unit to review such proposal through an automated allocation system for review.
Where proposal is assigned to review unit	
(q)	Review unit to prepare the review report: The review unit shall conduct a review of the income or loss determination proposal assigned to it by the NFAC, after that, it shall prepare a review report and send the same to the NFAC;
(r)	NFAC to forward the review report to the assessment unit, which has proposed the income or loss determination proposal.

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Preparation of Draft Order	
(s)	**Assessment Unit to prepare Draft Order:** The assessment unit shall, after considering such review report, accept or reject some or all of the modifications proposed therein and, after recording reasons in case of rejection of such modifications, prepare a draft order.
(t)	**Draft order to be sent to NFAC:** The assessment unit shall send such draft order prepared under sub-rule (2)(*p*)(*i*) or sub-rule (2)(*s*) where a proposal is not forwarded to review unit or where proposal is assigned to review unit to the NFAC.
Preparation of final assessment order (other than cases in relation to eligible assessee)	
(v) & (w)	**Passing of final assessment order by Assessment Unit:** The NFAC shall convey to the assessment unit to pass the final assessment order in accordance with such draft order. After that, the assessment unit shall pass the final assessment order, initiate penalty proceedings, if any, and send it to the NFAC.
(x)	**NFAC to serve a copy of such order to the assessee:** The NFAC shall serve a copy of final assessment order and notice for initiating penalty proceedings, if any, on the assessee, along with the demand notice, specifying the sum payable by, or refund of any amount due to, the assessee on the basis of such assessment.
Procedure to be followed by NFAC in case of an eligible assessee (as defined under section 275)	
(u)	**NFAC to serve draft order to the eligible assessee:** Where there is a proposal to make any variation which is prejudicial to the interest of an eligible assessee, as mentioned under section 275(1), the NFAC shall serve the draft order on such assessee.
(y)	**Procedure to be followed by the assessee:** Where a draft order is served on the assessee, he shall – (i) file his acceptance of the variations proposed in such draft order to the NFAC; or (ii) file his objections, if any, to such variations, with – a. the Dispute Resolution Panel, and b. the NFAC, within 30 days of the receipt by him of the draft order.

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(z)	**Intimation by NFAC to Assessment Unit:** The NFAC shall intimate the assessment unit to complete the assessment based on the draft order: (a) upon receipt of acceptance form of the eligible assessee; or (b) if no objections are received from eligible assessee within 30 days of his receipt of the draft order
(aa)	**Assessment Unit to pass the assessment order:** Upon receipt of intimation from NFAC under sub-rule (2)(*z*), the assessment unit shall pass the assessment order, in accordance with the relevant draft order within one month from the end of the month in which - the acceptance is received or - the period of 30 days for filing an objection expired and initiate penalty proceedings, if any, and send the order to the NFAC.
Procedure in case eligible assessee files objection with Dispute Resolution Panel (DRP)	
(ab)	**NFAC to intimate assessment unit about objections filed by assessee:** Where the eligible assessee files objections with the DRP, under sub-rule (2)(y)(ii), the NFAC shall send such intimation along with a copy of objections filed to the assessment unit.
(ac)	**NFAC to forward directions of Dispute Resolution Panel (DRP) to Assessment Unit:** Where the eligible assessee files his objections with the DRP, the NFAC has to, upon receipt of the directions issued by the DRP under section 275(5), forward such directions to the Assessment Unit.
(ad)	**Assessment Unit to prepare the Assessment Order:** In conformity with the directions issued by the DRP under section 275(5), the Assessment Unit has to complete the assessment within the time allowed under section 275(13) and initiate penalty proceedings, if any and send a copy of such order to the NFAC.
Serving a copy of assessment order in case of eligible assessee	
(ae)	**NFAC to serve a copy of the order to the assessee:** The NFAC shall, upon receipt of the assessment order referred to in sub-rule (2)(*aa*) or (*ad*), as the case may be, serve a copy of such order and notice for initiating penalty proceedings, if any, on the assessee, along with the demand notice, specifying the sum payable by, or the amount of refund due to, the assessee based on such assessment.

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Transfer of records, reference for special audit and verification through other faceless centres	
(af)	On completion of the assessment, the NFAC shall transfer all the electronic records of the case to the Assessing Officer having jurisdiction over the assessee.
(ag)	Where, at any stage of the proceedings, the Assessment Unit is of the opinion that the conditions specified in section 268(5) are satisfied and that special audit or inventory valuation may be required, it may, after recording reasons in writing, refer the case to the NFAC stating that the provisions of section 268(5) may be invoked.
(ah)	The functions of the Verification Unit may also be performed by a Verification Unit located in any other faceless centre set up under the Act or under any scheme notified thereunder. The request for verification may also be assigned by the NFAC to such Verification Unit.

(5)Procedure for authentication, communication and conduct of proceedings

As per rule 176(3), for the purpose of faceless assessment, reassessment or recomputation, the Rule provides the following procedure for authentication, communication and conduct of proceedings -

Authentication of Electronic records	An electronic record shall be authenticated as follows: • By the National Faceless Assessment Centre (NFAC) through an electronic communication; • By the Assessment Unit, Verification Unit, Technical Unit or Review Unit, by affixing their digital signature; • By the assessee or any other person, by using a digital signature, electronic verification code (EVC), or by logging into the registered account on the designated portal.
Delivery of Notice, Order or Other Communication to the Assessee	Any notice, order or electronic communication shall be delivered to the assessee by any of the following modes: • Placing an authenticated copy in the registered account of the assessee on the portal; • Sending an authenticated copy to the registered email address of the assessee or his authorised representative;

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	• Uploading the authenticated copy on the mobile app of the assessee, followed by a real-time alert.
Delivery of Communication to Other Persons	Where the communication is intended for any person other than the assessee, it shall be delivered by sending an authenticated copy to the registered email address of such person, followed by a real-time alert.
Filing of Response by the Assessee	The assessee shall submit his response to any electronic communication through his registered account on the portal. The response shall be treated as authenticated once an acknowledgement containing a hash result is generated and sent by the National Faceless Assessment Centre after successful submission.
Determination of Time and Place of Dispatch and Receipt	The time and place of dispatch and receipt of electronic records shall be determined in accordance with Section 13 of the Information Technology Act, 2000.
No Requirement of Physical Appearance	No personal appearance, either by the assessee or through an authorised representative, shall be required before any unit involved in faceless assessment proceedings.
Request for Personal Hearing	Where a variation is proposed in the income or loss determination proposal or draft order, and the assessee is issued a show-cause notice, the assessee or his authorised representative may request a personal hearing to present oral submissions or present his case before the income-tax authority of the relevant unit.
Mode of Personal Hearing	If such a request is received, the income-tax authority of the relevant unit shall allow the hearing through the National Faceless Assessment Centre, which shall be conducted exclusively through video conferencing or video telephony, including approved telecommunication software, as per the procedure prescribed by the Board.

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Examination or Recording of Statements:	Any examination or recording of statements of the assessee or any other person (except statements recorded during survey under section 253) shall also be conducted only through video conferencing or video telephony, to the extent technologically feasible.
Facilities for Video Conferencing	The Central Board of Direct Taxes (CBDT) shall establish suitable video conferencing or video telephony facilities at necessary locations to ensure that the assessee, authorised representative or any other person is not deprived of the opportunity of hearing merely due to lack of access to such technology.
Standards and Procedures for Faceless Assessment	The Principal Chief Commissioner or Principal Director General in charge of the NFAC, with prior approval of the Board, shall prescribe the standards, procedures and processes for effective functioning of the National Faceless Assessment Centre and the various units operating under the faceless assessment system in an automated and mechanised environment.

(6) Conduct of Faceless Assessment [Section 273(4)]

In accordance with the procedure prescribed for faceless assessment-

(i) **Role of Verification Unit, Technical Unit and Review Unit** – The Verification Unit, Technical Unit and Review Unit shall facilitate the conduct of faceless assessment.

(ii) **Role of Assessment Unit** – The Assessment Unit shall:

(a) make the assessment of the total income or loss by an order in writing after taking into account all relevant material gathered and after giving the assessee an opportunity of being heard; and may also initiate penalty proceedings, if any; and

(b) determine the sum payable by the assessee or the amount of refund due to him on the basis of such assessment.

(7) Communication among the units or with assessee [Section 273(7) & (8)]

Communication among units to be routed through NFAC: All communication among the assessment unit, review unit, verification unit or technical unit or with

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the assessee or any other person with respect to the information or documents or evidence or any other details, as may be necessary for the purposes of making a faceless assessment has to be through the NFAC.

Communication to be exchanged exclusively in electronic mode: All communications between the NFAC, the assessee, his authorised representative, or any other person shall be exchanged exclusively in electronic mode. Similarly, all internal communications between the NFAC and various units must be exchanged exclusively in electronic mode.

However, in certain circumstances, enquiry or verification may be conducted by the verification unit otherwise than by electronic mode. Such circumstances may be specified by the CBDT [Section 273(8)].

(8) NFAC's discretion to forward the reference of invoking audit or inventory valuation under section 268(5) [Section 273(9) to (11)]

(a) The Principal Chief Commissioner or the Principal Director General, as the case may be, in-charge of the NFAC shall, in accordance with the procedure laid down by CBDT in this regard, if he considers appropriate that the provisions of section 268(5) may be invoked in the case-

  (i) forward the reference received from an assessment unit to the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner having jurisdiction over such case. The assessment unit shall be informed accordingly.

  (ii) transfer the case to the Assessing Officer having jurisdiction over such case with the prior approval of CBDT.

(b) Once the reference has been received by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner, he shall direct the Assessing Officer, having jurisdiction over the case, to invoke the provisions of 268(5).

(c) It can happen that NFAC may not consider appropriate to forward the reference to the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner, having jurisdiction over the case. In such a case, the assessment unit has to proceed to complete the assessment in accordance with the procedure laid down in this section.

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(9) Transfer of case to jurisdictional Assessing Officer [Section 273(12)]

Irrespective of anything contained in section 273(1) or (2), the Principal Chief Commissioner or Principal Director General, as the case may be, in charge of the National Faceless Assessment Centre may, at any stage of the assessment, if considered necessary, transfer the case to the Assessing Officer having jurisdiction over such case. Such transfer can be made only with the **prior approval of the Board**.

(10) Meaning of Certain Expressions [Section 273(13)]

For the purposes of section 273-

Expression	Meaning
Designated portal	The web portal designated as such by the Principal Chief Commissioner or Principal Director General, in charge of the National Faceless Assessment Centre
Faceless assessment	Assessment proceedings conducted electronically through the **"e-Proceeding" facility** using the registered account of the assessee in the designated portal
Registered account of the assessee	The electronic filing account registered by the assessee in the designated portal

15.13 REFERENCE TO PRINCIPAL COMMISSIONER OR COMMISSIONER IN CERTAIN CASES [SECTION 274]

(1) Reference by Assessing Officer for Invoking GAAR: The Assessing Officer may make a reference to the Principal Commissioner or Commissioner at any stage of the assessment or reassessment proceedings before him, if, having regard to the material and evidence available with him, he considers that it is necessary to -

(a) declare an arrangement as an impermissible avoidance arrangement; and

(b) determine the consequence of such an arrangement within the meaning of Chapter XI.

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(2) **Issue notice and opportunity of being heard:** The Principal Commissioner or Commissioner shall, on receipt of a reference from the AO, if he is of the opinion that the provisions of Chapter XI are required to be invoked, -

(a) issue a notice to the assessee, setting out the reasons and basis of such opinion, for submitting objections, if any; and

(b) provide an opportunity of being heard to the assessee within such period, not exceeding 60 days, as specified in the said notice.

(3) **Directions where no objection is filed:** If the assessee fails to furnish any objection to the notice within the time specified in such notice issued, the Principal Commissioner or Commissioner shall issue such directions as he deems fit in respect of declaration of the arrangement to be an impermissible avoidance arrangement.

(4) **Reference to approving panel where objection is not accepted:** In case the assessee objects to the proposed action, and the Principal Commissioner or Commissioner, after hearing the assessee in the matter, is not satisfied with the explanation of the assessee, then, he shall make a reference in the matter to the Approving Panel for the purpose of declaration of the arrangement as an impermissible avoidance arrangement.

(5) **Order where GAAR provisions are not invoked:** If the Principal Commissioner or Commissioner is satisfied, after having heard the assessee that the provisions of Chapter XI are not to be invoked, he shall by an order in writing, communicate the same to the Assessing Officer with a copy to the assessee.

(6) **Directions by approving panel:** The Approving Panel, on receipt of a reference from the Principal Commissioner or Commissioner, shall -

(a) issue such directions, as it deems fit, in respect of the declaration of the arrangement as an impermissible avoidance arrangement as per the provisions of Chapter XI; and

(b) specify the tax year or years to which such declaration of an arrangement as an impermissible avoidance arrangement shall apply.

(7) **Opportunity of being heard before adverse directions:** No direction shall be issued unless an opportunity of being heard is given to the assessee and

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the Assessing Officer on such directions which are prejudicial to the interest of the assessee or the interests of the revenue, as the case may be.

(8) **Powers of Approving Panel for Further Inquiry and Records:** The Approving Panel may, before issuing any direction -

(a) if it is of the opinion that any further inquiry in the matter is necessary, direct the Principal Commissioner or Commissioner to make such inquiry or cause the inquiry to be made by any other income-tax authority and furnish a report containing the result of such inquiry to it; or

(b) call for and examine such records relating to the matter as it deems fit; or

(c) require the assessee to furnish such documents and evidence as it may direct.

(9) **Decision by Majority:** If the members of the Approving Panel differ in opinion on any point, such point shall be decided according to the opinion of the majority of the members.

(10) **Completion of assessment as per directions:** The Assessing Officer, on receipt of directions of the Principal Commissioner or Commissioner or of the Approving Panel, shall proceed to complete the proceedings as per such directions and the provisions of Chapter XI.

(11) **Application of Directions to Other Tax Years:** If any direction issued specifies that declaration of the arrangement as impermissible avoidance arrangement is applicable for any tax year other than the tax year to which the proceedings referred to in sub-section (1) pertains, then -

(a) the Assessing Officer while completing any assessment or reassessment proceedings relevant to such other tax year shall do so as per such directions and the provisions of Chapter XI; and

(b) it shall not be necessary for him to seek fresh direction on the issue for such other tax year.

(12) **Prior approval for passing assessment/reassessment order:** No order of assessment or reassessment shall be passed by the Assessing Officer without the prior approval of the Principal Commissioner or Commissioner, if any tax

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consequences have been determined in the order under the provisions of Chapter XI.

(13) Time limit for issuing directions by approving panel: The Approving Panel shall, issue directions **within six months from the end of the month in which the reference was received.**

(14) Exclusion of periods while computing six-month time limit: the Approving Panel is required to issue directions within six months from the end of the month in which the reference is received. However, certain periods are excluded while computing this six-month period:

Period excluded	Period of exclusion
Inquiry through an authority under an agreement referred to in section 159	The period starting from the date on which the Approving Panel first directs the Principal Commissioner or Commissioner to get the inquiry conducted, up to the date on which the information is last received by the Approving Panel **or one year, whichever is less**.
Stay by Court	The period starting from the date on which the proceedings of the Approving Panel are stayed by an order or injunction of a court, up to the date on which the **certified copy of the order vacating the stay is received** by the Approving Panel.

If, after excluding the above periods, the remaining time available to the Approving Panel is **less than 60 days**, the remaining period shall be **extended to 60 days**.

(16) Binding nature of approving panel's directions: The directions issued by the Approving Panel shall be binding on -

(a) the assessee; and

(b) the Principal Commissioner or Commissioner and the income-tax authorities subordinate to him.

(17) No appeal against directions of approving panel: No appeal under the Act shall lie against directions issued by the Approving Panel, irrespective of anything contained in any other provision of the Act.

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Timeline of Proceedings under Section 274 read with Rules 129 to 131

Particulars	Time limit
Notice by Assessing Officer: Before making a reference to the PC/C under section 274(1), the AO shall issue a notice to the assessee seeking objections, if any, regarding the applicability of the provisions of Chapter XI [Rule 129(1)]. The notice shall contain the prescribed particulars under Rule 129(2).	**No specific time limit prescribed**
Reference by AO to PC/C: The AO may, at any stage of assessment or reassessment proceedings, make a reference to the PC/C for declaring an arrangement as an IAA and determining its tax consequences. Such reference shall be made in **Form No. 62** [Section 274(1) read with Rule 129(3)].	**No specific time limit prescribed**
Notice and opportunity by PC/C: Where the PC/C is of the opinion that the provisions of Chapter XI are required to be invoked, he shall issue a notice setting out the reasons and basis of such opinion and provide the assessee an opportunity of being heard [Section 274(2)].	Period specified in the notice, **not exceeding 60 days**
Where no objection is furnished: If the assessee fails to furnish objections within the time specified in the notice, the PC/C shall issue directions declaring the arrangement to be an IAA [Section 274(3)].	**Within 1 month from the end of the month in which the date of compliance of the notice falls** [Rule 130(1)(a)]
Where PC/C concludes that Chapter XI is not required to be invoked: The PC/C shall record his satisfaction and issue directions to the AO in **Form No. 63** [Section 274(5) read with Rule 129(4)].	**Where based on reference from AO:** Within 1 month from the end of the month in which the reference is received. **Where based on assessee's reply:** Within 2 months from the end of the month in which

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	the final submission is received [Rule 130(1)(c)]
Where assessee objects but PC/C is not satisfied: After hearing the assessee, the PC/C shall make a reference to the Approving Panel for declaration of the arrangement as an IAA. Before making such reference, the PC/C shall record his satisfaction in **Form No. 64** and, where applicable, seek the prescribed factual report in respect of an entity located in an IFSC [Section 274(4) read with Rule 129(5) and (6)].	**Within 2 months from the end of the month in which the final submission of the assessee is received** [Rule 130(1)(b)]
Circulation of reference by Chairperson: On receipt of the reference, the Chairperson of the Approving Panel shall circulate it among the other members [Rule 131(1)(a)].	**Within 7 days from the date of receipt of the reference**
Opportunity before the Approving Panel: The Approving Panel shall issue notice to the AO and the assessee, providing them a reasonable opportunity of being heard [Section 274(7) read with Rule 131(1)(b)].	No separate time limit prescribed
Directions by the Approving Panel: The Approving Panel shall issue directions regarding declaration of the arrangement as an IAA and specify the tax year or years to which such declaration applies [Section 274(6)].	**Within 6 months from the end of the month in which the reference under section 274(4) is received** [Section 274(13)]
Completion of assessment/ reassessment: The AO shall complete the proceedings in accordance with the directions issued by the PC/C under section 274(3) or by the Approving Panel under section 274(6), as the case may be, and the provisions of Chapter XI [Section 274(10)]. Where tax consequences are determined under Chapter XI, prior approval of the PC/C is required before passing the assessment or reassessment order [Section 274(12)].	No separate time limit prescribed under section 274

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Approving Panel

	Particulars	Provisions	
(1)	Constitution	The Central Government may constitute one or more Approving Panels as may be necessary	
(2)	Composition	Each Approving Panel may shall consist of three members including a Chairperson	
(3)	Qualification of members	(i)	The Chairman shall be a person who is or has been a judge of a High Court
		(ii)	One member shall be a member of IRS not below the rank of PCCIT/CCIT
		(iii)	One member shall be an academic or scholar having special knowledge of matters, such as direct taxes, business accounts and international trade practices.
(4)	Term	Ordinarily for one year; May be extended from time to time upto a period of three years.	
(5)	Frequency of Meeting	The Chairperson and members of the Approving Panel shall meet, as and when required, to consider the references made to the Panel. They shall be paid the remuneration as may be prescribed.	
(6)	Powers	All the powers which are the vested in the Board for Advance Rulings under section 387.	
(7)	Rules	The CBDT may make rules for the purpose of the constitution and efficient functioning of the Approving Panel and expeditious disposal of the references received.	

15.14 REFERENCE TO DISPUTE RESOLUTION PANEL [SECTION 275]

Section 275 provides for an alternate dispute resolution mechanism in the case of an **eligible assessee**, where the Assessing Officer proposes to make any variation which is prejudicial to the interest of such assessee.

The provisions of this section shall not apply to any proceedings under Chapter XIV-B, i.e. for assessments of search cases.

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The procedure for reference to the Dispute Resolution Panel (DRP) is discussed hereunder.

(1) Forward Draft Assessment Order [Section 275(1)]

Eligible Assessee

Irrespective of anything to the contrary contained in this Act, the Assessing Officer shall, in the first instance, forward a draft proposed order of assessment (referred as "draft order") to the eligible assessee if he proposes to make any variation which is prejudicial to the interest of such assessee.

Meaning of Eligible Assessee [Section 275(17)(b)]

"Eligible assessee" means -

(i) any person in whose case such variation arises as a consequence of the order of the Transfer Pricing Officer passed under section 166(6); and

(ii) any non-corporate non-resident or any foreign company.

Such eligible assessee shall not include person referred to in section 292(1) or other person referred to in section 295 [Section 275(18)].

(2) Acceptance or Objection to Draft Order within 30 Days [Section 275(2)]

The eligible assessee shall, **within 30 days** of the receipt by him of the draft order -

(a) file his acceptance of the variations to the Assessing Officer; or

(b) file his objections, if any, to such variation with-

  (i) the Dispute Resolution Panel; and

  (ii) the Assessing Officer.

File acceptance or objection within 30 days

"Dispute Resolution Panel" means a collegium comprising of three Principal Commissioners or Commissioners of Income-tax constituted by the CBDT for this purpose.



Thus, where the eligible assessee does not accept the variations proposed in the draft order, objections are required to be filed simultaneously with the DRP and the Assessing Officer.

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(3) Assessment where draft order is accepted or no objection is filed [Section 275(3)]

The Assessing Officer has to complete the assessment on the basis of the draft order, if -

(a) the assessee intimates the acceptance of the variation to the Assessing Officer; or

(b) no objections are received within the period of 30 days specified in (2) above.

(4) Time Limit for Passing Final Assessment Order [Section 275(4)]

The Assessing Officer shall, irrespective of anything contained in section 286, pass the **assessment order** within **one month from the end of the month in which -**

(a) the acceptance is received; or

(b) the period of filing of objections expires.

This time limit shall apply irrespective of anything contained in section 286.

Further, where the draft of the proposed order of assessment is forwarded within the time period allowed under section 286, the further time period available to the Assessing Officer for completing the assessment shall be governed by the provisions of the above sub-section.



For example, if the Assessing Officer has issued the draft assessment order on 15 July 2026 and assessee has not raised any objections against the draft order by 14 August 2026, AO must pass the final order by 30 September 2026, irrespective of timelines provided in section 286 of the Act.

(5) Directions by the DRP where objections are raised [Section 275(5) to (13)]

(i) The Dispute Resolution Panel shall, in a case where any objections are received, issue such directions, as it thinks fit, for the guidance of the Assessing Officer to enable him to complete the assessment.

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(ii) The directions issued by the DRP shall be **in writing**, stating:

- the points of determination;
- the decision thereon; and
- the reasons for such decision.

(iii) Further Enquiry by the DRP: The Dispute Resolution Panel may, before issuing any such directions -

(a) make such further enquiry, as it thinks fit; or

(b) cause any further enquiry to be made by any income tax authority and report the result of the same to it.

(iv) Power of DRP to Confirm, Reduce or Enhance Variations: The Dispute Resolution Panel **may confirm, reduce or enhance the variations proposed** in the draft order.

Limitations on Powers of DRP: However, the **DRP shall not-**

- set aside any proposed variation; or
- issue any direction for further enquiry and passing of the assessment order.

The power of the DRP **to enhance the variation**, as mentioned, shall include **the power to consider any matter arising out of the assessment proceedings relating to the draft order**. This power to consider any issue shall be irrespective of whether the matter was raised by the eligible assessee or not.

While exercising the aforesaid power for considering any matter arising out of the assessment proceedings relating to the draft order, the DRP can only enhance the variation. The power of reducing the variation is not accorded to DRP in respect of such matters.

(v) Decision by Majority of DRP Members: If the members of the Dispute Resolution Panel differ in opinion on any point, the point shall be decided according to the opinion of the majority of the members.

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(vi) DRP Directions Binding on AO: Every direction issued by the Dispute Resolution Panel shall be binding on the Assessing Officer.

DRP direction binding on AO

(vii) Opportunity of Being Heard: If any direction is prejudicial to the interest of the assessee or the interest of the revenue, then, the same can be issued only after an opportunity of being heard is given to the assessee or the Assessing Officer, respectively.

(viii) Time Limit for Issuing DRP Directions: Such direction has to be issued within **nine months** from the end of the month in which the draft order is forwarded to the eligible assessee.

Issue directions within 9 months from the end of month in which draft order is forwarded to eligible assessee

(6) Assessment in Conformity with DRP Directions [Section 275(14)]

Upon receipt of the directions issued by the DRP, the Assessing Officer shall complete the assessment **in conformity with such directions**.

Such assessment shall be completed:

- without providing any further opportunity of being heard to the assessee; and
- within **one month from the end of the month in which the directions are received.**

The above time limit shall apply irrespective of anything contained in section 286.

Further, time period available for the Assessing Officer to pass the assessment order upon receipt of the direction issued by DRP, shall be governed by and subject to the overall time limit of **nine months** specified above provided the draft of the proposed order of assessment is forwarded within the time period allowed under section 286.

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(7) CBDT's Power to Make Rules [Section 275(15)]

The CBDT is empowered to make rules for the efficient functioning of the Dispute Resolution Panel and speedy disposal of the objections filed by the eligible assessee.

(8) Cases where DRP procedure does not apply [Section 275(16) & (19)]

The provisions of this section shall not apply to:

(a) any assessment or reassessment order passed by the Assessing Officer with the prior approval of the Principal Commissioner or Commissioner under section 274(12); and

(b) any proceedings under **Chapter XVI-B**.

15.15 INCOME ESCAPING ASSESSMENT [SECTIONS 279 TO 285][4]

(I) Income escaping assessment [Section 279]

Assessment of income escaped from tax: If any income chargeable to tax has escaped assessment for any tax year, the Assessing Officer may, subject to the provisions of sections 280 to 286:

- assess or reassess such income or
- recompute the loss or the depreciation allowance or any other allowance or deduction

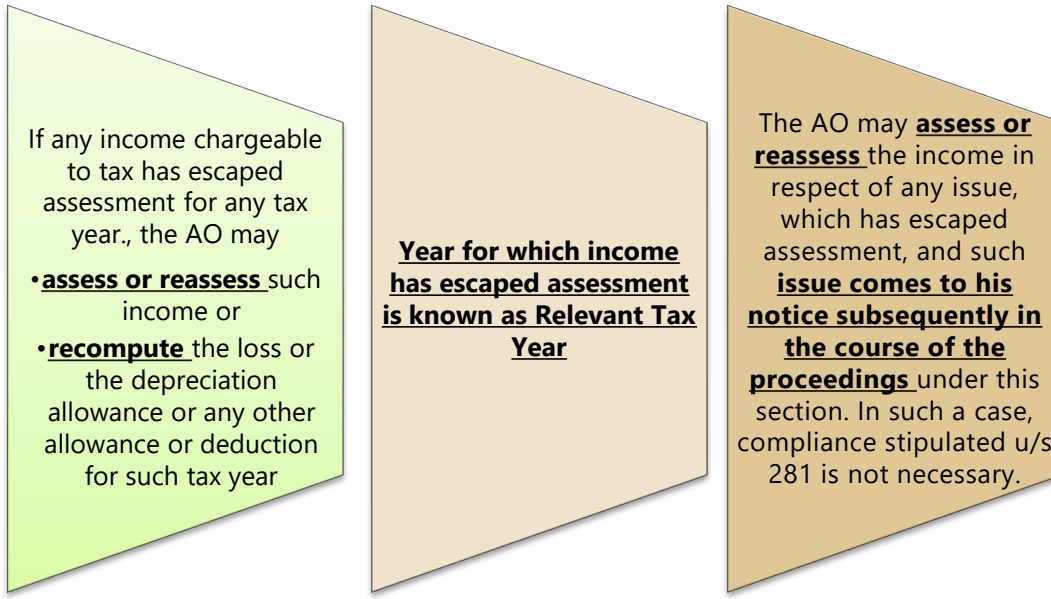
for such tax year (i.e. relevant tax year).

Assess or reassess escaped income which comes to AO's notice subsequently: The Assessing Officer may also, assess or reassess the income in respect of any issue, which has escaped assessment, and such issue comes to his notice

[4] *The reassessment provisions of the Income-tax Act, 2025 (Sections 279–286) will apply to Tax Year 2026-27 and subsequent tax years. For any tax year beginning before 1st April, 2026, only the old Act provisions will apply for reassessment. [FAQs on Interplay and Transition from the Income Tax Act, 1961 to the Income Tax Act, 2025 issued by the CBDT]*

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subsequently in the course of the proceedings under this section, irrespective of the fact that the provisions of section 281 have not been complied with in respect of such issue [Section 279(2)].



"**Assessing Officer"** for the purposes of sections 280 and 281 shall mean an Assessing Officer other than the National Faceless Assessment Centre or any assessment unit referred to in section 273(3).

II. Issue of notice where income has escaped assessment [Section 280]

Issue of notice [Section 280(1)]

Before making the assessment, reassessment or recomputation under section 279, the Assessing Officer shall, subject to the provisions of section 281, issue a notice under section 280 to the assessee, along with a copy of the order passed under section 281(3):

- requiring the assessee to furnish, within such period as may be specified in the notice, a return of his income or income of any other person in respect of whom he is assessable under this Act during the tax year.

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- **Time allowed for furnishing return:** The period specified in the notice shall-
  - not be less than 30 days from the date of such notice; and
  - not exceed three months from the end of the month in which such notice is issued.

Furnishing of return of Income [Section 280(2) & (3)]

The return of income shall be furnished in the prescribed form and verified in the prescribed manner and setting forth such other particulars as may be prescribed and the provisions of this Act shall apply accordingly as if such return were a return required to be furnished under section 263.

However, where a return of income is furnished beyond the period allowed above, such return would not be deemed to be a return under section 263 and accordingly, the assessing officer can proceed with best judgment assessment in such a case.

Issue of notice only if information suggests that income chargeable to tax has escaped assessment [Section 280(4)]

No notice under section 280 can be issued unless there is **information with the Assessing Officer which suggests that income chargeable to tax has escaped assessment** for the relevant tax year.

Meaning of 'information' with the Assessing Officer which suggests that the income chargeable to tax has escaped assessment [Section 280(6)]

For the purposes of sections 280 and 281, **the 'information'** with the Assessing Officer which suggests that the income chargeable to tax has escaped assessment means -

(i) any **information** in the case of the assessee for the relevant tax year in accordance **with the risk management strategy** formulated by the Board from time to time; or

(ii) any **audit objection** to the effect that the assessment in the case of the assessee for the relevant tax year has not been made in accordance with the provisions of this Act; or

(iii) any **information** received under **an agreement** referred to in section159 of this Act;

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(iv) any **information made available** to the Assessing Officer under the scheme notified in respect of faceless collection of information **under section 260**;

(v) any information which requires action in consequence of the **order of a Tribunal or a Court;**

(vi) any **information** emanating from a **survey conducted under section 253** (other than survey conducted under section 253(4) for verifying TDS and TCS);

(vii) any **direction** in the case of the assessee given by the **Approving Panel under section 274(6);**

(viii) **any finding or direction contained in an order passed by any authority, Tribunal or court** in any proceeding under this Act by way of appeal, reference or revision, or by a Court in any proceeding under any other law.

(III) Conducting inquiry, providing opportunity before issue of notice [Section 281]

(i) Opportunity of Being Heard Before Issuing Notice [Section 281(1)]

Where the Assessing Officer has information which suggests that income chargeable to tax has escaped assessment in the case of an assessee for the relevant tax year, he shall,

- before issuing any notice under section 280
- provide an opportunity of being heard to such assessee by serving upon him a notice to show cause as to why a notice under section 280 should not be issued in his case. .

(ii) Notice to show cause accompanied by Information which suggest income escape assessment [Section 281(2)]

Such notice to show cause shall be accompanied by the information which suggests that income chargeable to tax has escaped assessment in his case for the relevant tax year. On receipt of the notice, the assessee may furnish his reply within such period, as may be specified in the notice.

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(iii) Order determining whether or not it is a fit case to issue notice under section 280 [Section 281(3)]

The Assessing Officer shall, on the basis of material available on record and taking into account the reply of the assessee, if any, pass an order with the ***prior approval of the specified authority*** determining whether or not it is a fit case to issue notice under section 280.

(iv) Cases where section 281 does not apply [Section 281(4)]

The provisions of this section shall not apply to income chargeable to tax escaping assessment for any tax year in the case of an assessee where the Assessing Officer has received -

- Information under the scheme notified under section 260; or
- directions issued by the Approving Panel under section 274(6); or
- any finding or direction contained in an order passed by any authority, Tribunal or court in any proceeding under this Act by way of appeal, reference or revision, or by a Court in any proceeding under any other law.

Therefore, in the above cases, the Assessing Officer may proceed for issuance of notice under section 280 without following the procedure prescribed under section 281. **However, in such cases, no notice under section 280 can be issued without the prior approval of the specified authority [Section 280(5)].**

Section 284- "Specified authority" for the purposes of sections 280 and 281 shall be the Additional Commissioner or the Additional Director or the Joint Commissioner or the Joint Director.

IV. Time limit for issue of notice [Section 282]

Time limit for issue of notice under section 280 [Section 282(1)]

No notice under section 280 shall be issued for the relevant tax year -

(a) if 4 years and 3 months have elapsed from the end of the relevant tax year, unless the case falls under clause (b)

(b) if 4 years and 3 months, but not more than 6 years and 3 months, have elapsed from the end of the relevant tax year unless the Assessing Officer has

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in his possession books of account or other documents or evidence related to any asset or expenditure or transaction or entries which shows that the income chargeable to tax, which has escaped assessment, amounts to or is likely to amount to **₹ 50 lakhs or more.**

Time limit for issue of show-cause notice under Section 281 [Section 282(2)]

No notice to show cause under section 281 shall be issued for the relevant tax year-

(a) if 4 years have elapsed from the end of the relevant tax year, unless the case falls under clause (b)

(b) if 4 years, but not more than 6 years, have elapsed from the end of the relevant tax year unless the income chargeable to tax which has escaped assessment, as per the information with the Assessing Officer, amounts to or is likely to amount to **₹ 50 lakh or more.**

No notice under section 280 or 281 shall be issued within one year from the end of any tax year [Section 282(3)].

(V) Provision for cases where assessment is in pursuance of an order on appeal, etc. [Section 283]

Section 283 provides an exception to the normal time limits prescribed under section 282.

(i) Irrespective of anything contained in section 282, the notice under section 280 may be issued **at any time** for the purpose of making an assessment or reassessment or recomputation in consequence of or to give effect to -

(a) any finding or direction contained in an order passed by any authority. Tribunal or Court in any proceeding under this Act or any other law; or

(b) the directions issued by the Approving Panel under section 274(6).

(ii) **Restriction on applicability of this extended time limit:** The above provision shall not apply where the assessment, reassessment or recomputation relates to a tax year for which such assessment, reassessment or recomputation could not have made due to it being time barred, at the time when –

- the order, which was the subject matter before an authority, Tribunal or Court, was made or

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- the proceedings relating to assessment or reassessment or recomputation under this Act (other than those proceedings which have culminated in an order), which was the subject-matter before the Court, was initiated; or
- the reference from the jurisdictional Principal Commissioner or Commissioner is made to the Approving Panel under section 274(4).

(iii) **Time limit for issue of notice:** For the purposes of section 283(1), the notice under section 280 shall be issued **within three months from the end of the quarter** in which the certified copy of the order of the authority or the Court, as the case may be, is received by the jurisdictional Principal Commissioner or Commissioner.

Other Provisions relating to income escaping assessmemt [Section 285]

(1) **Tax Rate Applicable to Escaped Income [Section 285(1)]:** In an assessment, reassessment or recomputation made under section 279, the tax shall be chargeable at the rate or rates at which it would have been charged had the income not escaped assessment.

(2) **Assessee entitled to claim dropping of proceedings under section 279 in certain cases [Section 285(2)]:** Where proceeding initiated under section 279, the assessee may claim that the proceedings under section 279 shall be dropped on his showing that:

- He had been assessed on an amount not lower than what he would be rightly liable for, even if the income alleged to have escaped assessment had been taken into account. Alternatively, he can make such a claim on showing that the assessment or computation had been properly made **and**
- he has not impugned any part of the original assessment order for the relevant tax year under section 356, section 357 or section 378.

The assessee, while making such claim, shall not be entitled to reopen matters concluded by an order under sections 287, 288, 365(10), 368 or 377.

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15.16 TIME LIMIT FOR COMPLETION OF ASSESSMENTS, REASSESSMENTS AND RECOMPUTATION [SECTION 286]

(1) Time limits in different cases/circumstances

No order in respect of the proceedings specified below can be made after the expiry of the prescribed time limit.

Sl. No.	Nature of proceedings/ orders	Date from which the time limit is to be calculated	Time limit for completion
1.	Assessment order under section 270(10) or section 271	End of the financial year succeeding the relevant tax year for which the assessment is made	**1 year**
2.	Assessment order under section 270(10) or section 271, where an updated return is furnished under section 263(6)	End of the financial year in which such updated return is furnished	**1 year**
3.	Assessment order under section 270(10) or section 271, where a return is furnished in consequence of an condonation order under section 239(3)(b)	End of the financial year in which such return is furnished	**1 year**
4.	Assessment, reassessment or recomputation under section 279	End of the financial year in which notice under section 280 was served	**1 year**
5.	Fresh assessment order or fresh order under section 166, in pursuance of an order under section 359, 363, 377 or 378, setting aside or cancelling an assessment order or an order under section 166	(a) End of the financial year in which the order of CIT(A) or Appellate Tribunal is received OR	**1 year**

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		(b) End of the financial year in which revision order u/s 377 or 378 is passed.	
6.	Assessment or reassessment which stands revived after abatement as per section 292 (search cases)	End of the month in which such assessment or reassessment stands revived	**1 year**
7.	Assessment required to be made in the hands of a partner in consequence of an assessment made on the firm under section 279	End of the month in which the assessment order in the case of the firm is passed	**1 year**
8.	Assessment, reassessment or recomputation required to be made on the assessee or any other person in consequence of, or to give effect to, any finding or direction contained in an order passed by: (a) CIT(A) under Section 359 (b) Appellate Tribunal under Section 363 (c) High Court under Section 365 (d) Supreme Court under Section 368 (e) Revision order passed under section 377 or section 378 (f) Any court in a proceeding other than by way of appeal or reference under this Act.	End of the month in which such order is received or passed by the jurisdictional Principal Commissioner or Commissioner	**1 year**
9.	Order giving effect to an order under section 359, 363, 365(10), 368, 377 or 378,	End of the month in which the relevant appellate/ revision order	**1 year**

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	otherwise than by making a fresh assessment, reassessment or fresh order under section 166, where- (i) verification of any issue by submission of any document by the assessee or any other person is required; or (ii) an opportunity of being heard is required to be given to the assessee	is received or passed by the jurisdictional Principal Commissioner or Commissioner	
10.	Order giving effect to an order under section 359, 363, 365(10), 368, 377 or 378, otherwise than by making a fresh assessment, reassessment or fresh order under section 166, in cases other than Sl. No. 9	End of the month in which the relevant order is received or passed by the jurisdictional Principal Commissioner or Commissioner	**6 months**, extendable to **9 months** with the approval of the prescribed authority
11.	Modification of an assessment, reassessment or recomputation to give effect to an order passed under section 166 read with section 377	End of the month in which such order under section 166 is received by the Assessing Officer	**2 months**

(2) Extension of time limit where reference is made to the Transfer Pricing Officer

Where a reference is made by the Assessing Officer to the Transfer Pricing Officer under section **166(1)** for determination of the arm's length price, the time limit for completion of assessment or reassessment in the cases covered by **Sl. Nos. 1 to 5 of the above Table** shall be extended by an additional period of **twelve months**.

Accordingly, the time limit prescribed under the relevant entries of the Table, as applicable, shall stand extended by twelve months in a case where such reference is made to the Transfer Pricing Officer [Section 286(2)(a)].

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Draft order in cases involving reference to the DRP

Section 275 provides for reference to the Dispute Resolution Panel (DRP) in the case of an eligible assessee where the Assessing Officer proposes to make a variation prejudicial to the interest of such assessee. The section prescribes separate time limits for completion of the assessment after the draft order is forwarded to the eligible assessee.

Where the assessee accepts the proposed variation or does not file objections within the prescribed period, the Assessing Officer shall complete the assessment within **one month from the end of the month** in which the acceptance is received or the period for filing objections expires, as the case may be.

Where objections are filed before the DRP, the Assessing Officer shall complete the assessment in conformity with the directions of the DRP within **one month from the end of the month** in which such directions are received.

In such cases, section 286(2)(b) provides that the draft of the proposed order of assessment referred to in section 275 may be made at any time up to the time limit applicable for completion of the assessment, reassessment or recomputation under the relevant entries of the Table in section 286(1), as extended, where applicable, under section 286(2)(a). Thereafter, the completion of the assessment shall be governed by the specific time limits prescribed under section 275.



Section 286 governs the time available up to the stage of making/forwarding the draft assessment order under section 275. Once the draft order is forwarded within that applicable time limit, the subsequent completion of assessment is governed by section 275.

Exclusion of period [Section 286(3)]

While computing the period of limitation for completion of an assessment, reassessment or recomputation under section 286, the following periods shall be excluded:

	Case	Period excluded	Period ends on
(a)	Reopening or re-hearing of proceedings	Time taken in reopening the whole or any part of the proceeding on the	Completion of such reopening or re-hearing.

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		request of the assessee, or in giving an opportunity to the assessee to be re-heard under section 244.	
(b)	Stay granted by Court	Period commencing from the date on which stay of assessment proceedings is granted by an order or injunction of any Court.	Date on which the certified copy of the order vacating the stay is received by the jurisdictional Principal Commissioner or Commissioner.
(c)	Withdrawal of approval/rescission of notification	Period commencing from the date on which the Assessing Officer intimates the Central Government or prescribed authority about the contravention of the provisions of Schedule III (Table: Sl. Nos. 23, 24 and 25) or section 270(11)(i).	Date on which the copy of the order withdrawing the approval or rescinding the notification, as the case may be, is received by the Assessing Officer.
(d)	Audit of accounts or inventory valuation	Period commencing from the date on which the Assessing Officer directs the assessee to get his accounts audited or inventory valued under section 268(5).	(i) Last date by which the assessee is required to furnish the audit report or inventory valuation report; or (ii) where the direction is challenged before a Court, the date on which the order setting aside such direction is received by the Principal Commissioner or Commissioner.
(e)	Reference to Valuation Officer	Period commencing from the date on which the Assessing Officer makes a reference to the Valuation	Date on which the report of the Valuation Officer is received by the Assessing Officer.

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		Officer under section 269(1).	
(f)	Declaration under section 375(1)	Period (not exceeding 60 days) commencing from the date on which the Assessing Officer receives the declaration under section 375(1).	Date on which the order under section 375(3) is made by the Assessing Officer.
(g)	Application before Board for Advance Ruling	Period commencing from the date on which an application is made before the Board for Advance Rulings under section 383(1).	Date on which the order either rejecting the application or the advance ruling pronounced by it, is received by the jurisdictional Principal Commissioner or Commissioner under section 384(5) or (8), as the case may be.
(h)	Exchange of information	Period commencing from the date on which a reference or the first of the references for exchange of information is made by a competent authority under an agreement referred to in section 159.	Date on which the information requested - is last received by the jurisdictional Principal Commissioner or Commissioner, or - one year, **whichever is earlier**.
(i)	Impermissible Avoidance Arrangement	Period commencing from the date on which a reference for declaration of an arrangement as an impermissible avoidance arrangement is received by the jurisdictional Principal Commissioner or Commissioner under section 274(1).	Date on which a direction under section 274(3) or (6), or an order under section 274(5), is received by the Assessing Officer.
(j)	Reference relating to withdrawal of approval/regi	Period commencing from the date on which the Assessing Officer makes a reference to the	Date on which a copy of the order under section 351(2)(ii)(A) or (B) is received by the Assessing Officer.

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	stration in case of NPO	jurisdictional Principal Commissioner or Commissioner under section 270(13).	

Note - *In a case where the remaining time period for making an order of regular assessment or reassessment, after excluding the time period specified in point (j) above, ends before the end of the month, the remaining period shall be extended to the end of such month, and the specified time limit for completion shall be deemed to have been extended accordingly.*

(4) Extension of time to ensure a minimum period of 60 days

Where immediately after exclusion of the period as mentioned above, the remaining period for completion available to the Assessing Officer, for making an order of assessment, reassessment or recomputation, is less than 60 days, such remaining period shall be extended to 60 days and the aforesaid time limits for completion shall be deemed to have been extended accordingly.

Further, where the period available to the Transfer Pricing Officer is extended to 60 days under section 166(8) and, as a consequence, the period available to the Assessing Officer for making the order of assessment, reassessment or recomputation is less than 60 days, such remaining period available to the Assessing Officer shall also be extended to 60 days, and the aforesaid time limits for completion shall be deemed to have been extended accordingly.

(5) Deeming provisions in respect of assessment of excluded income for another tax year or on another person

For the purposes of section 286 and section 283, where an order referred to in Table Sl. No. 8 results in the following consequences:

(a) **Income shifted from one tax year to another tax year:** Where any income is excluded from the total income of an assessee for a tax year, the assessment of such income for another tax year shall be deemed to be an assessment made in consequence of or to give effect to a finding or direction contained in the relevant order.

(b) **Income shifted from one person to another person:** Where any income is excluded from the total income of one person and is held to be the income of another person, the assessment of such income in the hands of such other

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person shall be deemed to be an assessment made in consequence of or to give effect to a finding or direction contained in the relevant order.

However, this deeming provision applies only if such other person was given an **opportunity of being heard before the relevant order was passed**.

15.17 RECTIFICATION OF MISTAKES [SECTION 287]

(1) Manner of rectification of a mistake apparent from the record [Section 287(1)]

With a view to rectifying any mistake apparent from the record, an income tax authority referred to in section 236 may -

- Amend any order passed by it under the provisions of this Act
- Amend any intimation or deemed intimation u/s 270(1)
- Amend any intimation u/s 399

(2) Mistake apparent from the record: The jurisdiction of any authority under the Act to make an order under section 287 depends upon the existence of a mistake apparent on the face of the record.

(i) **Mistake apparent from the record may be a mistake of fact as well as a mistake of law** - For instance, the treatment of non-agricultural income as agricultural income and granting exemption in respect of such income is an obvious mistake of law, which could be rectified under section 287.

(ii) **Mere change of opinion cannot be a basis for rectification** - A mere change of opinion, however, cannot be the basis on which the same or

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the successor Assessing Officer can treat a case as one of rectification of mistake. A mistake is one apparent from the record in case, where it is a glaring, obvious, patent or self-evident. Mistake, which has to be discovered by a long-drawn process of reasoning or examination or arguments on points, where there may be two opinions, cannot be said to be a mistake or error apparent from the record.

(iii) **Subsequent decision of Supreme Court** - A mistake arising as a result of subsequent interpretation of law by the Supreme Court would also constitute an error apparent from the record.



(iv) **Retrospective amendment of law** - could also lead to rectification if an order is plainly and obviously inconsistent with the specific and clear provision, as amended retrospectively.

(3) Doctrine of Partial Merger [Section 287(2)]

Irrespective of anything contained in any law in force, the authority concerned may, amend any order or intimation under sub-section (1) in relation to any matter, other than the matter considered and decided in any proceeding by way of appeal or revision, relating to such order or intimation.

(4) Amendment may be *suo motu* or the same may be brought to notice by the assessee or deductor or collector [Section 287(3)]

Subject to the other provisions of this section, the authority concerned, -

(a) may make an amendment under sub-section (1) of its own motion; and

(b) shall make such amendment for rectifying any such mistake which has been brought to its notice by -

(i) the assessee or the deductor or the collector; or

(ii) the Assessing Officer, if the authority concerned is the Joint Commissioner (Appeals) or the Commissioner (Appeals).

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(5) Opportunity of being heard to be given to the assessee or deductor or collector before enhancing an assessment or reducing a refund [Section 287(3)]

An amendment which has the effect of enhancing an assessment or reducing a refund or otherwise increasing the liability of the assessee or the deductor or the collector, shall not be made unless the authority concerned has given

- notice to the assessee or the deductor or the collector of its intention so to do and
- has allowed the assessee or the deductor or the collector a reasonable opportunity of being heard.

(6) Action to be taken by the Assessing Officer depending upon the effect of the amendment made [Section 287(5) to (7)]

	Case	Consequences
(i)	Where an amendment is made under this section	The income-tax authority concerned shall pass an order in writing.
(ii)	Where any such amendment has the effect of reducing the assessment, or otherwise reducing the liability of the assessee or the deductor or the collector	The Assessing Officer shall make any refund due to such assessee or the deductor or the collector
(iii)	Where any such amendment has the effect of enhancing the assessment or reducing the refund already made or otherwise increasing the liability of the assessee or the deductor or the collector	The Assessing Officer shall serve on the assessee or the deductor or the collector, as the case may be a notice of demand in the prescribed form specifying the sum payable

The notice of demand referred to above shall be **deemed to have been issued under section 289**, and the other provisions of the Act shall apply accordingly.

(7) Time limit for rectification [Section 287(8) & (9)]

Except in cases which are specifically covered by section 288, no amendment under this section shall be made after the expiry of **four years from end of the financial year in which the order or intimation sought to be amended was passed**.

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Where an application for amendment is made by the assessee or by the deductor or by the collector, the income-tax authority shall pass an order within a period of **six months from the end of the month in which the application is received by it**, either making the amendment or refusing the claim.

It may be noted that the time limit of 6 months from the end of the month in which the application is received from the assessee or deductor or collector cannot exceed the outer time limit of 4 years from the end of the financial year in which the order sought to be rectified was passed.



CIT v. Tony Electronics Limited (2010) 320 ITR 378 (Delhi)

Issue: Whether the time limit of 4 years as per section 287(8) would apply from the date of original assessment order or the order of the Appellate Authority.

Analysis & Decision: Once an appeal against the order passed by an authority is preferred and is decided by the appellate authority, the order of the Assessing Officer merges with the order of the appellate authority. After merger, the order of the original authority ceases to exist, and the order of the appellate authority prevails.

Thus, the period of limitation of 4 years has to be counted from the date of the order of the Appellate Authority.

15.18 OTHER AMENDMENTS [SECTION 288]

Section 288 provides for amendment of an assessment order, intimation or deemed intimation in certain specified circumstances. The amendment is to be carried out within the period specified in the section, and the general provisions relating to rectification under **Section 287** shall, so far as may be, apply to such amendment.

Unlike the general time limit under Section 287, the period of **four years** in the cases covered by Section 288 is to be reckoned from the time specifically mentioned against the relevant case -

Sl. No.	Action	Conditions	Time limit for amendment
1.	Amendment of the assessment order of a partner to	Where remuneration determined in the completed assessment of the firm is	Four years from the end of the financial year in which the

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	adjust the income corresponding to remuneration which is subsequently found to be not deductible in the hands of the firm.	subsequently found not deductible under Section 35(e), as a result of: • assessment or reassessment of the firm; • reduction or enhancement of the income of the firm under section 287, sections 359, 363, 365, 368, 377 or 378; or	subsequent order was passed in the case of the firm.
2.	Amendment of the assessment order of a member to include or correct the member's share in the income of the AOP or BOI.	Where the share of the member determined in the completed assessment is subsequently found not to have been included, or to have been incorrectly included, in accordance with: • assessment or reassessment of the AOP or BOI; • reduction or enhancement of its income under section 287, sections 359, 363, 365, 368, 377 or 378; or	Four years from the end of the financial year in which the subsequent order was passed in the case of the AOP or BOI.
3	Recomputation of the total income of the succeeding year or years and consequential amendment made consequent to proceedings as per section 279 for any tax year.	Losses incurred in one year is claimed by the assessee in the subsequent year(s). However, the year of incurring loss may be subject to reassessment proceedings u/s 279 leading re-computation of total income, where excessive loss or depreciation allowance had been allowed. This would result in amending the order/intimation/deemed intimation of the subsequent	The four-year period for making the amendment of the subsequent years' order or intimation or deemed intimation would be reckoned from the end of the financial year in which the order was passed under section 279.

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		years in which the loss/allowance (computed as per return/intimation or original assessment) was claimed. Consequently, the total income of any succeeding year in which such loss or depreciation had been carried forward and set off under Section 111(1), Section 112(1), Section 113(2) or Section 115(1) is required to be recomputed.	
4	Recomputation of the total income of the transferor company and consequential amendment.	Where in the assessment for any tax year, - (a) the capital gain arising from the transfer of a capital asset is not charged under section 6717 in terms of section 70(1)(c) or (d); (b) such gains are deemed under section 71(1)19 as "Capital gains" of the tax year in which the transfer took place at any time before the expiry of the period of eight years from the date of such transfer by reason of - (i) such capital asset being converted by the transferee company into, or being treated by it, as stock-in-trade of its business; or (ii) the parent company or its nominees or, the holding company ceasing to hold the whole of the share capital of the subsidiary company.	Four years from the end of the financial year in which the relevant capital asset was converted into stock-in-trade or the holding company ceased to hold the entire share capital of the subsidiary company.

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5	Amendment of the assessment order to exclude capital gains which become eligible for exemption under the relevant provisions referred to in Section 89.	Where capital gains arising from transfer of the original asset were charged to tax, but within the period extended under the relevant provision, the assessee- • acquires the new asset; or • deposits or invests the capital gains, as required.	Four years from the end of the financial year in which the compensation was received by the assessee.
6	Amendment of the assessment order to allow deduction under Section 144.	Where deduction was not allowed because the income was not received in convertible foreign exchange in India, or was not brought into India in accordance with the prescribed conditions, but such income or part thereof is subsequently received in or brought into India as required for the deduction.	Four years from the end of the financial year in which such income or part thereof is received in or brought into India.
7	Amendment of the assessment order, intimation under section 270(1) to give credit for income-tax for the year in which such income is offered to tax or assessed to tax in India.	Where: • foreign tax credit was not allowed because payment of such tax was under dispute; • the dispute is subsequently settled; and • within six months from the end of the month in which the dispute is settled, the assessee furnishes evidence of settlement, evidence of payment and an undertaking that such credit has not been and will not be claimed for any other tax year.	Four years from the end of the financial year in which the dispute in the country is settled.

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		The credit of such tax shall be allowed in that year in which such income was offered to tax in India.	
8	The order of assessment to be amended to compute the capital gain by taking the full value of the consideration to be the value as so revised in appeal or revision or reference.	Where capital gains from transfer of land or building were computed by adopting the stamp duty value under Section 78(1), and such value is subsequently revised in appeal, revision or reference referred to in Section 78(2)(b). Consequently, the Assessing Officer shall amend the assessment order so as to compute the capital gain by taking the full value of the consideration to be the value as so revised in such appeal, revision or reference.	Four years from the end of the financial year in which the order revising the value was passed in that appeal, revision, or reference.
9	Amendment of the assessment order to recompute capital gains by adopting the reduced compensation or consideration.	Where capital gains arising from a compulsory acquisition or transfer for which consideration was determined or approved by the Central Government or RBI were computed on the basis of compensation or consideration, including enhanced compensation, and such compensation or consideration is subsequently reduced by a court, Tribunal or other authority. The Assessing Officer shall amend the assessment order so as to compute the capital gain by taking the	Four years from the end of the financial year in which the order reducing such compensation or consideration was passed by the Court, Tribunal or other authority.

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		compensation as so reduced by the judicial authorities to be the full value of consideration.	
10	Recomputation of total income to withdraw deduction allowed under Section 152	Where deduction in respect of royalty income from a patent was allowed under Section 152, but subsequently the patent is revoked or the assessee's name is excluded from the patents register as patentee by an order of the Controller or the High Court under the Patents Act, 1970. The Assessing Officer shall recompute the total income of the assessee for the relevant tax year and make necessary amendments	Four years from the end of the financial year in which such order of the Controller or High Court was passed. was passed.
11	Amendment of the assessment order, intimation to allow credit for TDS in the relevant tax year and credit of such TDS not to be allowed in any other tax year.	Where: • income has been included in the return for a tax year; • tax on such income is deducted and paid to the credit of the Central Government in a subsequent tax year; and • the assessee makes an application in the prescribed form within two years from the end of the tax year in which such tax was deducted.	Four years from the end of the financial year in which such tax was deducted.

Consequential amendment pursuant to determination of Arm's Length Price

Section 288(2) deals with a separate situation where the Transfer Pricing Officer determines the arm's length price for a transaction and validates the option exercised by the assessee for the **two immediately succeeding tax years**.

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Situation	Action by the Assessing Officer	Time limit
Assessment, intimation or deemed intimation for the two succeeding tax years has already been made	The Assessing Officer shall recompute the total income for such succeeding tax years by amending the relevant assessment order, intimation or deemed intimation in conformity with the arm's length price determined by the TPO and after taking into account the directions of the DRP, if any.	**Within 3 months from the end of the month in which the assessment is completed for the relevant tax year.**
Assessment, intimation or deemed intimation for either of the two succeeding tax years has not been made within the above period	The consequential recomputation shall be made after the relevant assessment order, intimation or deemed intimation is made.	**Within 3 months from the end of the month in which such assessment order, intimation or deemed intimation is made.**

15.19 NOTICE OF DEMAND [SECTION 289]

(1) **Notice of demand where any sum is payable:** When any tax, interest, penalty or fine or any other sum is payable consequent to any order passed under this Act, the Assessing Officer shall serve upon the assessee, **a notice of demand** in the prescribed Form, specifying the sum so payable.

The Apex Court has, in *Sri Mohan Wahi v. CIT (2001) 248 ITR 799,* held that failure to serve notice of demand renders the recovery proceedings invalid.

Note - *As per section 523, where an assessee had appeared in any proceedings or co-operated in any enquiry relating to an assessment or reassessment, it shall be deemed that any notice required to be served upon him, has been duly served upon him in time in accordance with the provisions of the Act and such assessee shall be precluded from raising any objection in any proceeding or enquiry that the notice was (a) not served upon him or (b) not served upon him in time or (c) served upon him in an improper manner. However, the above*

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provision shall not be applicable where the assessee has raised such objection before the completion of such assessment or reassessment.

(2) **Intimation deemed to be notice of demand**: An intimation under section 270 or section 399 would be deemed to be a notice of demand for the purpose of section 289, where any sum is determined to be payable by the assessee under section 270 or by the deductor or collector under section 399.



(2) **Special provision for tax on perquisite arising from specified security or sweat equity shares allotted by an eligible start-up:** Tax on perquisite of specified securities and sweat equity shares must be paid in the year of exercising of option. However, where such shares or securities are allotted by the current employer, being an eligible start-up referred to in section 140, the perquisite is taxable in the year -

- after the expiry of 60 months from the end of the relevant tax year
- in which sale of such security or share are made by the assessee
- in which the assessee ceases to be the employee of the employer,

whichever is earliest.

In such cases, tax or interest on such income included in the notice of demand referred to in (1) above shall be payable by the assessee **within 14 days from the earliest of the following events**

- after the expiry of 60 months from the end of the relevant tax year
- from the date of sale of such security or share are made by the assessee
- from the date when the assessee ceases to be the employee of the employer which allotted or transferred such specified security or sweat equity shares.

15.20 MODIFICATION AND REVISION OF NOTICE IN CERTAIN CASES [SECTION 290]

As per section 290(1), where, -

(a) any tax, interest, penalty, fine or any other sum in respect of which a notice of demand has been issued earlier under section 289; and

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(b) such tax, interest, penalty, fine or any other sum is reduced as a result of an order of the Adjudicating Authority as defined in section 5(1) of the Insolvency and Bankruptcy Code, 2016,

the Assessing Officer shall serve on the assessee a modified notice of demand specifying the sum payable, if any, and such notice shall be treated as a notice under section 289 and the provisions of this Act shall accordingly apply in relation to such notice.

The modified notice of demand shall be revised where the order referred to in (b) above is modified by the National Company Law Appellate Tribunal or the Supreme Court.



The notice of demand is modified to bring it in conformity with the order of the Adjudicating Authority and, where such order is subsequently modified by the NCLAT or the Supreme Court, the modified notice is correspondingly revised.

15.21 INTIMATION OF LOSS [SECTION 291]

The Assessing Officer shall **notify the assessee by an order** in writing the amount of the loss as computed by him for the purpose losses under the head "Capital Gains" under section 111(1), set-off business loss under section 112, speculation business loss under section 113(2) or loss from activity of owning and maintain race horses under section 115(1), where –

- in the course of the assessment of total income of any assessee, it is established that a loss has taken place and
- the assessee is entitled to have carried forward and set-off such loss.

15.22 BLOCK ASSESSMENT IN SEARCH AND REQUISITION CASES

Where a search is initiated or a requisition is made on or after **1st April, 2026**, the assessment of the total undisclosed income arising from such search or requisition shall be governed by the **special procedure of block assessment** contained in **Chapter XVI - Part B: Special Procedure for assessment of search cases.**

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The block assessment scheme provides for a consolidated assessment of the total undisclosed income of the block period. The provisions governing the scheme are contained in sections 292 to 301.

The concept of block assessment is not entirely new. A similar scheme existed under the Income-tax Act, 1961 and was subsequently reintroduced for searches initiated or requisitions made on or after 1st September 2024. Under the Income-tax Act, 2025, the scheme has been carried forward, with the corresponding provisions now contained in **Part B of Chapter XVI**.

Accordingly, where the conditions specified under this Part are satisfied, the Assessing Officer shall assess or reassess the **total undisclosed income of the block period** in accordance with the special procedure laid down therein.

(1) Definitions of certain terms

Before proceeding to the provisions relating to block assessment, it is necessary to understand certain expressions used in this Part:

<table>
<tr><th>Term</th><th>Meaning</th></tr>
<tr><td>Requisition
[Section 301(b)]</td><td>It means requisition of books of account, other documents or any assets under section 248.</td></tr>
<tr><td>Search
[Section 301(c)]</td><td>It means a search initiated under section 247.</td></tr>
<tr><td>Block Period
[Section 301(a)]</td><td>Means the aggregate of-
(a) the period comprising six tax years preceding the tax year in which the search was initiated or any requisition was made; and
(b) the period starting from the 1st April of the tax year in which the search was initiated or requisition was made and ending on the date of execution of the last of the authorisations for such search or requisition.</td></tr>
<tr><td>When is the last of the authorisations deemed to have been executed?</td><td><table><tr><td>(a)</td><td>in the case of search</td></tr><tr><td colspan="2">On the conclusion of search as recorded in the last panchnama drawn in relation to any person in whose case the warrant of authorisation has been issued irrespective</td></tr></table></td></tr>
</table>

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[Section 301(d)]	of whether or not any seizure is recorded in such *panchnama*. **(b) in the case of requisition** On the actual receipt of the books of account or other documents or assets by the Authorised Officer



If a search is initiated on 10th December, 2026 and the last of the authorisations is executed on 18th December, 2026, the block period shall comprise-

Tax years preceding the year of search	***Period of the tax year in which search is initiated***
2020-21 to 2025-26	*1st April, 2026 to 18th December, 2026*

Thus, the block period shall comprise six preceding tax years, along with the period commencing from 1st April of the tax year in which the search is initiated and ending on the date of execution of the last of the authorisations.

Undisclosed Income [Section 301(e)]	It includes: - any money, bullion, jewellery, virtual digital asset or other valuable article or thing or any expenditure or any income based on any entry in the books of account or other documents or transactions, where such money, bullion, jewellery, virtual digital asset, valuable article, thing, entry in the books of account or other document or transaction represents wholly or partly income or property which has not been or would not have been disclosed for the purposes of this Act, or - any expense, exemption, deduction or allowance claimed under this Act which is found to be incorrect, in respect of the block period.

(2) Assessment of total undisclosed income as a result of search [Section 292]

(i) **Assess or reassess the total undisclosed income of the block period:** Irrespective of anything contained in any other provision of this Act, where on or after **1st Apil 2026**, a search is initiated or requisition is made, in the case of any person, then, the Assessing Officer shall proceed to assess or reassess

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the total undisclosed income of the block period in accordance with the provisions of this part.

(ii) **Abatement of pending assessment or reassessment or re-computation:** The assessment or reassessment or re-computation under any other provisions of this Act (other than this Chapter), if any, pertaining to any tax year falling in the block period, **pending** on the date of initiation of the search or date of making requisition, as the case may be, shall **abate** and shall be deemed to have abated on such date.

(iii) **Abatement where notice is issued after initiation of search or making of requisition**: Any proceeding for assessment or reassessment or recomputation under any provision of this Act (other than this Chapter) pertaining to any tax year falling in the block period (other than the tax year in which the last of the authorisations for a search is executed or requisition is made), for which a notice has been issued during the period commencing on the date of initiation of search or the date of making of requisition and ending on the date of making of order under section 294(1)(c), shall abate and shall be deemed to have been abated on the date of issue of such notice

(iv) **Abatement of pending assessment or reassessment or re-computation on reference is made or order passed under section 166**: Where during the course of any pending proceeding for the assessment or reassessment or recomputation under the provisions of this Act, a reference under section 166(1) has been made, or an order has been passed under section 166(6), the assessment or reassessment or recomputation, along with such reference made or order passed, as the case may be, shall also **abate** and shall be deemed to have abated on the date of initiation of search or making of requisition.

(v) **Completion of assessment in case of subsequent search:** Where any assessment under the provisions of this Chapter ***is required to be made*** in the case of an assessee in whose case a subsequent search is initiated or a requisition is made,

- such pending assessment shall be duly completed, and

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- thereafter, the assessment in respect of such subsequent search or requisition shall be made under the provisions of this Chapter, i.e. the AO must complete the initial assessment before starting the new one.
- Where the period of completing the assessment with respect to the subsequent search is less than 3 months, such period shall be extended to 3 months from the end of the month in which the assessment with respect to the earlier search was completed.

(vi) **Revival of proceedings on annulment of block assessment:** If any proceeding initiated under this Chapter or any order of assessment or reassessment made under section 294(1)(c) has been annulled in appeal or any other legal proceeding, then, irrespective of anything contained in this Chapter or section 286,

- the assessment or reassessment or recomputation or reference [to TPO under section 166(1)] or order relating to any tax year which has abated above, shall revive with effect from the date of receipt of the order of such annulment by the Principal Commissioner or Commissioner.
- It is to be noted that such revival shall cease to have effect, if such order of annulment is set aside.



Proceedings abated → Block assessment / order annulled → Earlier proceedings revive from the date of receipt of the annulment order by the PCIT/CIT → If the annulment order is subsequently set aside, such revival shall cease to have effect.

(vii) **Separate assessment of Total Income other than undisclosed income:** The total income ***(other than undisclosed income)*** of the tax year in which the last of the authorisations for a search is executed or a requisition is made shall be assessed separately as per the other provisions of this Act.



Therefore, the provisions relating to block assessment apply for the determination of the total undisclosed income, whereas the income other than undisclosed income of the relevant tax year is assessed separately under the other applicable provisions of the Act.

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(viii) **Rate of tax on total undisclosed income:** The **total undisclosed income** relating to the block period shall be charged to tax, at the rate specified in section 192, as income of the block period irrespective of the tax year or years to which such income relates.

As per section 192, the total undisclosed income of the block period, determined under section 294, shall be chargeable to tax @60% as increased by the surcharge, if any, and Health and Education Cess.

(3) Computation of total undisclosed income of block period [Section 293]

(i) Computation of Undisclosed Income for Block Period

The total undisclosed income of the block period shall be an **aggregate** of the following:

(a) Undisclosed income declared in the return furnished under section 294.

(b) Undisclosed income determined by the AO under section 293(4) on the basis of

- evidence found as a result of search or survey or requisition and
- any other material or information as are either available with the Assessing Officer or comes to his notice during the course of proceedings under this Chapter.

(ii) Income not included in Total Undisclosed Income

The following income shall not be included in the total undisclosed income of the block period:

(a) **Income already determined or assessed:** The total income determined under section 270(1) or assessed under section 270(10) or section 271 or section 279 or section 294(1)(c) or corresponding specified provisions of the Income Tax Act 1961 namely section 143 or 144 or 147 or 153A or 153C or 158BC or 245D(4) prior to the date of initiation of the search or the date of requisition, in respect of any of the tax year falling within the block period.

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(b) **Income declared in a return filed before search or requisition:** The total income declared in the return of income filed under section 263 of this Act or section 139 of Income tax Act, 1961 or in response to a notice under section 268(1) of this Act or under section 142(1) Income tax Act, 1961, prior to the date of initiation of the search or the date of requisition, in respect of any tax year falling within the block period and not covered in (a) above.

(c) **Income computed by the assessee on the basis of books of account and other documents maintained in the normal course:** The following income, computed by the assessee on the basis of entries relating to such income or transactions recorded in the books of account and other documents maintained in the normal course, **shall not be included** in the total undisclosed income:

Period	Basis
A tax year which has ended, where the due date for furnishing the return for such year has not expired before the date of initiation of search or requisition	Entries relating to such income or transactions as recorded in the books of account and other documents maintained in the normal course **before the date of initiation of search or requisition**
Period from 1st April of the tax year in which search is initiated or requisition is made up to the day immediately preceding the date of search or requisition	Entries recorded in the books of account and other documents maintained in the normal course for such period **on or before the day immediately preceding the date of search or requisition**
Period commencing from the date of initiation of search or requisition and ending on the date of execution of the last of the authorisations	Entries recorded in the books of account and other documents maintained in the normal course for such period **on or before the date of execution of the last of the authorisations**

However, where the Assessing Officer is of the opinion that any part of the income computed by the assessee under the above provisions is **undisclosed**, he may recompute such income.

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(d) **Income in cases where return filing is not required:** The total income computed under the provisions where return filing is not mandatory under section 207(8) or section 216 or section 393(1) [Table: Sl. No. 8(iii)] of this Act or under section 115A(5) or section 115G or section 194P(1) of the Income-tax Act, 1961 and tax on such income is paid by TDS.

(iii) Treatment of Income Relating to International and Specified Domestic Transactions during Search Proceedings

Where any income required to be determined

- as a result of search or requisition of books of account or other documents or based on any other material or information as are either available with the Assessing Officer or comes to his notice during the course of proceedings under this Chapter, or
- on the basis of entries relating to income or transactions as recorded in books of account and other documents maintained in the normal course on or before the date of the execution of the last of the authorisations,

relates to any international transaction or specified domestic transaction referred to in section 166 and pertains to the period beginning from the 1st April of the tax year in which last of the authorisations was executed and ending with the date on which last of the authorisations was executed,

- such income shall not be considered for the purposes of determining the total undisclosed income of the block period and
- such income shall be considered in the assessment made under the other provisions of this Act.

(iv) Special provision for the determination of the undisclosed income:

- **For a firm -** such income assessed for each of the tax years falling within the block period shall be the income determined before allowing deduction of salary, interest, commission, bonus or remuneration by whatever name called to any partner not being a working partner;
- **Application of sections 102 to 105-** The provisions of sections 102, 103, 104, and 105 shall, so far as may be, apply and references to "tax year" in those sections shall be construed as references to the relevant tax year falling in the block period;

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- **Application of section 166** - The provisions of section 166 shall, so far as may be, apply and references to "tax year" in that section shall be construed as reference to the relevant tax year falling in the block period ***excluding*** the period beginning from the April 1st of the tax year in which last of the authorisations was executed and ending with the date on which last of the authorisations was executed.

(v) Charge of tax

The tax referred to in section 292(7) shall be charged on the **total undisclosed income pertaining to the block period**, determined in the manner specified in sub-sections (1), (2) and (3) of section 293.

(vi) Treatment of brought-forward losses and unabsorbed depreciation

For the purposes of block assessment-

- losses brought forward from a tax year **prior to the first tax year comprising the block period**, under Chapter VII; and
- unabsorbed depreciation under section 33(11),

shall **not be set off** against the undisclosed income determined in the block assessment under this Part.

However, such losses or unabsorbed depreciation may be carried forward for being set off in the tax year subsequent to the tax year in which the block period ends, for the remaining period, taking into account

- the block period;
- such subsequent tax year; and

as per relevant provisions of this Act.

(4) Procedure for block assessment [Section 294]

Where any search has been initiated or requisition has been made in the case of any person, the following procedure shall apply.

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(i) Issue of notice and furnishing of return

The Assessing Officer shall, in respect of such search or requisition, **issue a notice** to such person, require him to furnish within a period specified in the notice, **not exceeding 60 days**, a return in the form and verified in the manner, as may be prescribed, setting forth his undisclosed income for the block period:

- Such return shall be considered as if it was a return furnished under section 263 and notice under section 270(8) shall thereafter be issued.
- Returns filed under this section and furnished beyond the period allowed in the notice are not deemed to be a return under section 263.
- No notice under section 280 is required to be issued for the purpose of proceeding under this Chapter.
- A person who has furnished a return under this clause shall **not be entitled to furnish a revised return.**

Prior approval before issue of notice: The Assessing Officer must obtain prior approval from an Additional Commissioner, Additional Director, Joint Commissioner, or Joint Director before issuing a notice under this section 294.

Extension of time for furnishing return: The time allowed for furnishing a return under this clause may be extended by a further period of thirty days, where:

- The due date for furnishing the return of the tax year immediately preceding the year of search or requisition has not expired before the date of initiation of the search or the date of requisition;
- the assessee was liable for audit under section 63 for such tax year;
- The accounts (maintained in the normal course) of such tax year have not been audited on the date of issuance of such notice; and
- The assessee requests in writing for an extension of time for furnishing such a return so that he may get such accounts audited.

Processing of return under section 270(1) not applicable: The computerised processing of returns under Section 270(1) does not apply to returns filed under this section.

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(ii) Determination of total undisclosed income

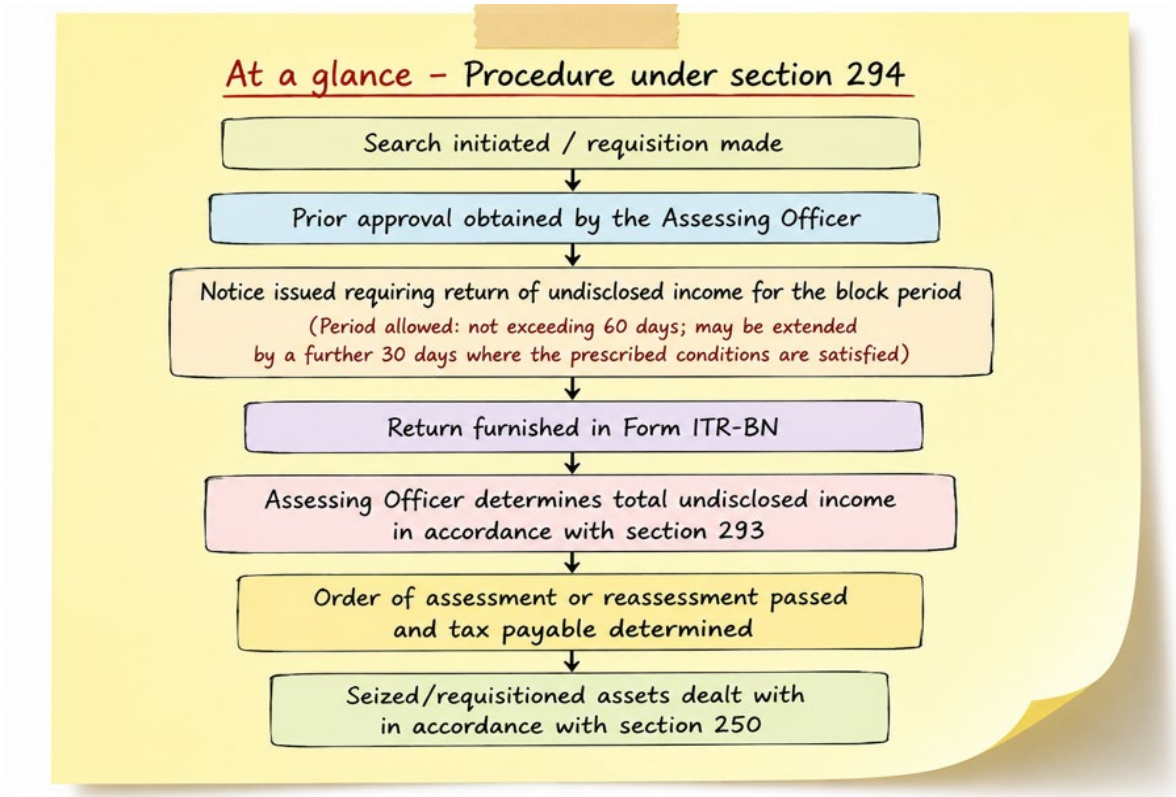
The Assessing Officer shall proceed to **determine the total undisclosed income of the block period**, in the manner laid down in section 293 and the provisions of section 268, 270(8), 270(10), 271, 276, 277and 278 shall, so far as may be, apply.

Order of assessment or reassessment

The Assessing Officer, on determination of the total undisclosed income of the block period in accordance with this Chapter, shall **pass an order of assessment or reassessment** and **determine the tax payable** by him on the basis of such assessment or reassessment.

However, the provisions of section 275, which deals with the Dispute Resolution Panel, do not apply to orders made under this scheme.

Treatment of seized or requisitioned assets: The assets seized under section 247 or requisitioned under section 248 shall be dealt with as per section 250.



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(5) Undisclosed income of any other person [Section 295]

Where the Assessing Officer is satisfied that any undisclosed income belongs to or pertains to or relates to any person ***(referred as "other person")***, other than the person (referred as ***"specified person***") with respect to whom search was initiated under section 247 or requisitioned was made under section 248, then,

- any money, bullion, jewellery, virtual digital assets or other valuable article or thing, or any books of account or other documents, seized or requisitioned or any other material or information relating to the aforesaid undisclosed income **shall be handed over to the Assessing Officer having jurisdiction over such other person**.
- The Assessing Officer of Other Person shall proceed under section 294 against such Other Person and the provisions of this Chapter shall apply accordingly.

Block period in case of other person

Cases	Block period of the other person
Where there is **one specified person** relevant to such other person	the block period for such other person shall be the same as that for the specified person.
Where there is **more than one specified persons** relevant to such other person	the block period for such other persons shall be the same as that for the specified person in whose case the block period ends on a later date.

Special cases where a shorter block period applies

Irrespective of the meaning of **"block period"** specified under section 301(a), a shorter block period shall apply in the following cases:

(a) **Undisclosed income relating only to the immediately preceding tax year and the current tax year:** Where the undisclosed income of the other person pertains only to the period-

- commencing from the tax year immediately preceding the tax year in which the search was initiated, or requisition was made (referred to as the "specified year"); and
- ending on the date of initiation of search or making of requisition,

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the block period in respect of such other person shall comprise-

- the specified year; and
- the period commencing from 1st April of the tax year in which the search was initiated or requisition was made and ending on the date of execution of the last of the authorisations for such search or requisition.

(b) **Undisclosed income relating to only one of the five years preceding specified year:** Where the undisclosed income of the other person pertains to only to a single tax year out of the five tax years preceding the specified year, the block period in respect of such other person shall comprise only that single tax year.

Date relevant for abatement of pending proceedings

Additionally, in case of such other person, for the purposes of abatement under Section 292(2)/(3), the reference to the date of initiation of the search or making of requisition shall be construed as a reference to the date on which such money, bullion, jewellery, virtual digital asset or other valuable article or thing or any books of account or other documents seized or requisitioned or any other material or information relating to the aforesaid undisclosed income were received by the Assessing Officer having jurisdiction over such other person.



Thus, in the case of ano*ther person*, the block assessment is initiated on the basis of undisclosed income relating to such person, but for the purpose of abatement of pending proceedings, the relevant date is **the date on which the material or information is received by the Assessing Officer having jurisdiction over such other person**, and not the date on which the original search was initiated.

(6) Time-limit for completion of block assessment [Section 296]

The time-limit for completion of block assessment has been specifically provided under section 296. Irrespective of the provisions of section 286, the time-limit shall be computed as follows:

(i) In case of specified person: The order under section 294 shall be passed **within 18 months from the end of the quarter in which the search was initiated or requisition was made.**

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Example: If a search is initiated on 10th May, 2026, the relevant quarter ends on 30th June, 2026. Accordingly, the order under section 294 must be passed by 31st December, 2027.

(ii) Extension where reference is made to Transfer Pricing Officer: Where, during the course of assessment or reassessment of the total undisclosed income of the relevant block period, a reference is made under **section 166(1)**, the period available for completion of such assessment or reassessment shall be **extended by 12 months**.

Period for handing over assets and material: The period (not exceeding 180 days) commencing from the date on which a search is initiated or a requisition is made and ending on the date on which assets [as provided in section 261(b)] and material seized or requisitioned [as provided in section 261(i)] are handed over to the Assessing Officer having jurisdiction over the assessee shall be excluded.

Where after exclusion of the period referred above, the period of limitation for making an order of assessment or reassessment, as the case may be, expires before the end of a month, such period shall be extended to the end of such month.

(iii) In case of other person as referred in section 295: In the case of an other person referred to in section 295, the assessment or reassessment for the block period shall be completed within 12 months from the end of the quarter in which the notice under section 294, in pursuance of section 295, was issued to such other person.

Where a reference under **section 166(1)** is made in the case of such other person, the period available for completion of the assessment or reassessment shall be **extended by 12 months**.

Exclusion from the limitation period

In computing the period of limitation, the following periods shall be excluded:

Clause	Case / Situation	Period commencing from	Period ending on
(a)	Stay on assessment proceedings by a court	Date on which **stay on assessment proceedings is granted** by an	Date on which the **certified copy of the order vacating the stay** was received by the

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		order/injunction of any court	jurisdictional Principal Commissioner/Commissioner
(b)	Reference for exchange of information	Date on which the **first reference for exchange of information** is made by the competent authority under the relevant agreement as referred u/s 159	Date on which the **requested information is last received** by the jurisdictional Principal Commissioner/Commissioner **or one year, whichever is earlier**
(c)	Reopening of proceedings / opportunity for re-hearing	Date on which the **process of reopening the whole or part of the proceedings** begins / opportunity to re-hear the assessee is required under section 244(2)	**Date on which such reopening/re-hearing is completed**
(d)(i)	Direction for audit of accounts / inventory valuation	Date on which the **Assessing Officer directs the assessee** to get the accounts audited or inventory valued under section 268(5)	**Last date by which the assessee is required to furnish** the audit report/inventory valuation report
(d)(ii)	Audit/inventory valuation direction challenged before court	Date on which the **Assessing Officer directs the assessee** to get the accounts audited or inventory valued	Date on which the **certified copy of the court order setting aside the direction** is received by the jurisdictional Principal Commissioner/Commissioner
(e)	Reference to Valuation Officer	Date on which the **Assessing Officer makes a reference to**	Date on which the **Valuation Officer's**

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		the Valuation Officer under section 269(1)	**report is received** by the Assessing Officer
(f)	Contravention relating to approval/notification	Date on which the **Assessing Officer intimates the Central Government/prescribed authority** about the contravention referred to in section 270(11)(i)	Date on which the **copy of the order withdrawing the approval or rescinding the notification** is received by the Assessing Officer
(g)	Reference to Principal Commissioner/Commissioner	Date on which the **Assessing Officer makes a reference** to the Principal Commissioner/Commissioner under section 270(13)	Date on which the **copy of the order under section 351(2)(ii)(A) or (B)** is received by the Assessing Officer
(h)	GAAR reference	Date on which the **reference for declaration of an arrangement as an impermissible avoidance arrangement** is received by the jurisdictional Principal Commissioner/Commissioner under section 274(1)	Date on which the **direction under section 274(3)/(6) or order under section 274(5)** is received by the Assessing Officer
(i)	Advance Ruling – application rejected	Date on which the **application is made before the Board for Advance Rulings** under section 383(1)	Date on which the **order rejecting the application** is received by the jurisdictional Principal Commissioner/Commissioner under section 384(5)

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(j)	Advance Ruling – ruling pronounced	Date on which the **application is made before the Board for Advance Rulings** under section 383(1)	Date on which the **advance ruling pronounced by the Board** is received by the jurisdictional Principal Commissioner/Commissioner under section 384(8)

Extension where the remaining period is less than 60 days: Where immediately after excluding the period specified above, the period of limitation available with the Assessing Officer for making the assessment is less than 60 days, then such period shall be extended to 60 days, and the period of limitation shall be deemed to be extended accordingly. Further, if the period of limitation expires before the end of a month after an extension, it is extended to the end of that month.

(7) Certain interests and penalties not to be levied or imposed [Section 297]

No interest under section 423, 424 or 425 or penalty under section 439 shall be levied or imposed upon the assessee in respect of the undisclosed income assessed or reassessed for the block period.

(8) Levy of interest and penalty in certain cases [Section 298]

(i) Interest for failure to furnish return within the specified time

When the assessee fails to furnish the return of undisclosed income, within the specified time in the notice issued under section 294(1)(a) or does not file it at all, then

- the assessee is liable to pay simple interest at the rate of 1.5% of the tax on the undisclosed income.
- The interest shall be paid for each month or part of the month, and the period shall start from the day immediately following the expiry of the time specified in the notice and ending on the date of completion of the assessment under section 294.

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(ii) Penalty for undisclosed income

The Assessing Officer or the Commissioner (Appeals) in the course of any proceedings under this Chapter, may direct that the person shall pay by way of penalty a sum which shall be equal to **50% of tax** so leviable in respect of the undisclosed income determined by the Assessing Officer under section 294.

Immunity from Penalty - No order imposing penalty under this section or section 444(1) or section 450 or section 451 or section 453 shall be made for the block period in respect of a person if-

- such person has furnished a return under section 294(1)(a);
- the tax payable on the basis of such return has been paid or, if the assets seized consist of money, the assessee offers the money so seized to be adjusted against the tax payable;
- evidence of tax paid is furnished along with the return; and
- an appeal is not filed against the assessment of that part of income which is shown in the return.

However, no immunity shall be available where the undisclosed income determined by the Assessing Officer is in excess of the income shown in the return. In such cases, the penalty shall be imposed on that portion of undisclosed income determined which is in excess of the amount of income shown in the return.

(iii) Procedure to impose the penalty

No order imposing penalty shall be made -

(a) unless an assessee has been given a reasonable opportunity of being heard;

(b) by the Deputy Commissioner or Assistant Commissioner or the Deputy Director or Assistant Director, where penalty exceeds ₹ 2 lakhs except with the previous approval of the Additional Commissioner or the Additional Director or the Joint Commissioner or the Joint Director.

(c) where the assessment is the subject-matter of an appeal under section 357 or section 362, -

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- after the expiry of the financial year in which the proceedings, in the course of which action for imposition of penalty has been initiated, are completed; or
- six months from the end of the financial year in which the order of the Commissioner (Appeals) or the Appellate Tribunal, as the case may be, is received by the jurisdictional Principal Commissioner or Commissioner,

whichever period expires later.

(d) in a case where the assessment is the subject-matter of revision under section 377, after the expiry of six months from the end of the financial year in which such order of revision is passed.

(e) in any case other than those mentioned in clause (c) and clause (d), after the expiry of the financial year in which the proceedings, in the course of which notice for the imposition of penalty has been issued, are completed, or six months from the end of the financial year in which notice for imposition of penalty is issued, whichever period expires later.

Exclusion of certain periods: In computing the period of limitation under this section, the following period shall be excluded:

- the time taken in giving an opportunity to the assessee to be reheard under the proviso to section 244(2) (change of incumbent of an office),
- the period commencing on the date on which stay on the proceedings above, was granted by an order or injunction of any court and ending on the date on which certified copy of the order vacating the stay was received by the jurisdictional Principal Commissioner or Commissioner.

If the remaining period after such exclusions is less than 60 days, it shall be extended to 60 days. Further, if the period of limitation expires before the end of a month after an extension, it is extended to the end of that month.

Forwarding of penalty order: A copy of the order imposing penalty shall be sent to an Assessing Officer unless such order is passed by Assessing Officer himself.

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(9) Authority competent to make assessment of block period [Section 299]

The order of assessment for the block period shall be passed by an Assessing Officer not below the rank of a Deputy Commissioner or an Assistant Commissioner or a Deputy Director or an Assistant Director, as the case may be.

However, no such order shall be passed without the previous approval of the Additional Commissioner or the Additional Director or the Joint Commissioner or the Joint Director, as the case may be, in respect of search initiated or requisitioned on or after 1st April 2026.

Save as otherwise provided in this Chapter, all other provisions of this Act shall apply to assessment made under this Chapter [Section 300].



15.23 INTERPLAY WITH THE REPEALED INCOME-TAX ACT, 1961

The Income-tax Act, 1961 has been repealed with effect from 1st April 2026. However, the repeal does not automatically discontinue all proceedings relating to earlier assessment years.

Section 536 of the Income-tax Act, 2025 contains transitional and saving provisions governing the treatment of rights, liabilities, proceedings and other matters arising under the repealed Income-tax Act, 1961. In particular, section 536(2) provides for the continued application of the repealed Act in respect of specified matters.

For the purposes of the provisions relating to **assessment, reassessment, rectification, penalty, revision and appeals**, the following transitional provisions are particularly relevant.

Relevant Transitional Provisions under section 536

- **Continuation of proceedings under the repealed Act [Section 536(2)(c)]:** The provisions of the repealed Income-tax Act, 1961 shall continue to apply to-

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- any proceeding pending on the date of commencement of the Income-tax Act, 2025; and
- any proceeding initiated on or after 1st April 2026,

including proceedings relating to notices, assessment, reassessment, recomputation, rectification, penalty, reference, revision and appeals, in respect of any tax year beginning before 1st April 2026.

Such proceedings shall be carried out in accordance with the procedure specified under the repealed Income-tax Act.

- **Penalty proceedings [Section 536(2)(d)]:** Any proceeding for the imposition of penalty in respect of a tax year beginning before 1st April 2026 may be initiated, and the penalty may be imposed, under the repealed Income-tax Act, 1961, as if the Income-tax Act, 2025 had not been enacted.
- **Pending applications, appeals, references and revisions [Section 536(2)(e)]:** Any proceeding pending on the commencement of the Income-tax Act, 2025 before-
  - any income-tax authority;
  - any other authority constituted under the repealed Income-tax Act;
  - the Appellate Tribunal; or
  - any court,

  by way of application, appeal, reference, revision or otherwise, shall be continued and disposed of as if the Income-tax Act, 2025 had not been enacted.
- **Expired period of limitation [Section 536(2)(k)]:** Where the period prescribed under the repealed Income-tax Act for making any application, appeal, reference or revision had expired on or before the commencement of the Income-tax Act, 2025, the provisions of the new Act shall not enable such application, appeal, reference or revision to be made merely because-
  - a longer period has been prescribed under the new Act; or
  - provision has been made for extension of time in suitable cases.

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- **Search and requisition proceedings [Section 536(2)(v)]:** Where a search under section 132 or a requisition under section 132A of the Income-tax Act, 1961 was initiated or made before the commencement of the Income-tax Act, 2025, all proceedings connected with such search or requisition shall continue to be governed by the repealed Income-tax Act, as if the new Act had not been enacted.

The transitional provisions may be better understood through the FAQs on Interplay and Transition from the Income Tax Act, 1961 to the Income Tax Act, 2025 released by the CBDT. These are available at

https://www.incometaxindia.gov.in/documents/81799/11848482/Updated-FQAs-on-Interplay%26Transitions.pdf

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TEST YOUR KNOWLEDGE

Questions

1. *Teachwell Education is registered non-profit organisation running various educational institutions. During the course of assessment under section 270(10), the Assessing Officer finds that the trust has applied its income for the purposes other than its objects. Hence, the Assessing Officer wants to pass an order without giving exemption under Schedule VIII [Table: Sl. No. 17], which the assessee objects. You are required to examine the following with respect to the provisions of Income-tax Act, 2025.*

   (a) Whether the Assessing Officer can pass an order without giving exemption under Schedule VIII [Table: Sl. No. 17]?

   (b) Can the Assessing Officer get any additional time limit in completing this assessment?

2. *State with reasons whether return of income is to be filed in the following cases for the Tax Year 2026-27:*

   (i) Mr. X, a resident individual, aged 80 years, has a total income of ₹ 2,85,000. He has claimed a deduction of ₹ 1,50,000 under section 123. Long-term capital gains of ₹ 80,000 is not taxable by virtue of the exemption available upto specified threshold under section 198. Assume that he has opted for the normal provisions of the Income-tax Act.

   Would your answer change if Mr. X has incurred ₹ 1,05,000 towards payment of electricity bills for T.Y. 2026-27?

   (ii) ABC, a partnership firm, has a loss of ₹ 10,000 during the Tax Year 2026–27.

   (iii) A educational institutional, eligible for exemption under Schedule III, Table: Sl. No. 17, has income from house property of ₹ 6,60,000.

   (iv) Mr. Y, aged 45 years, an employee of ABC (P) Ltd, draws a salary of ₹ 5,90,000 and has income from fixed deposits with bank of ₹ 10,000.

3. *The Assessing Officer issued a notice under section 268(1) on the assessee on 24th February, 2028 calling upon him to file return of income for Tax Year*

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2026-27. In response to the said notice, the assessee furnished a return of loss and claimed carry forward of business loss and unabsorbed depreciation. State whether the assessee would be entitled to carry forward as claimed in the return.

4. *State whether a public trust hospital having an aggregate annual receipt of ₹ 505 lacs have total income of ₹ 2,40,000 after making application of ₹ 502.6 lacs as per the provisions of under Chapter XVII-B is required to file return of income and if so, what would be the due date for the tax year 2026-27.*

5. *What will be the consequences on Mr. Raghav for not quoting his PAN with respect to the payment of ₹ 1,75,000 in cash to a Shruti hotel Ltd. for five days stay for business purposes?*

6. *For facilitating expeditious resolution of disputes relating to international transactions involving transfer pricing and foreign companies, the Income-tax Act, 2025, has provided for "alternate dispute resolution mechanism". In this context, you are required to answer the following:*

   (i) What meanings have been assigned to "dispute resolution panel" and the "eligible assessee" under this mechanism?

   (ii) When can a grievance for resolution be filed by an assessee?

   (iii) What evidence is considered by the panel to redress the grievance of the assessee?

7. *The Assessing Officer has the power to make an assessment to the best of his judgment, in certain situations. What are they?*

8. *Mr. Sanskar is engaged in the business of retail trade and has been declaring income of ₹ 10 lakhs to ₹ 15 lakhs every year in the last 10 years. A search was conducted under section 247 in the business premises of Sanskar on 5th July, 2026. The search was concluded by executing last of authorisation for search on 10th August, 2026. The A.O. has in his possession documents which revealed that Mr. Sanskar has incurred ₹ 5 crores in May 2020 for the marriage of his daughter. The A.O intends to issue a notice under section 294 to Sanskar for the tax year 2020-21. Can he do so?*

9. *Examine whether the Assessing Officer has the power to make any adjustment to income disclosed by the assessee in the return of income in course of processing the return under section 270(1)?*

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10. *Tai Ltd. filed its return of income for tax year 2026-27 on 26th September, 2027. The return is selected for regular assessment under section 270(10) for which notice under section 270(8) is served on the company on 3rd July, 2028. The company responded to the notice under section 270(8). Examine whether the service of the notice is within time and if not, whether the assessment order can be challenged by the assessee.*

11. *Discuss the correctness or otherwise of the following proposition in the context of the Income-tax Act, 2025:*

    "A fresh claim before the Assessing Officer can be made only by filing a revised return and not otherwise".

12. *The Assessing Officer within the powers vested in him under section 268(5), while examining the accounts of PNF Ltd., had ordered to get the same audited. The company challenges this order on the ground "that the opportunity was not provided to them by the Assessing Officer prior to passing of such an order". Decide the correctness of the action of the Assessing Officer.*

13. *Smt. Kanti, aged 49 years engaged in the business of growing, curing, roasting and grounding of coffee in India after mixing chicory, had income of ₹6,00,000 from this business which was her only source of income during the year ended on 31.3.2027. She consults you to have an opinion whether she is required to file return of income for the T.Y. 2026-27 as per the provisions of section 263(1).*

    Would your answer change if she had travelled to the USA during the T.Y. 2026-27 and incurred ₹2.20 lakhs for the same?

14. *Ram, an individual, filed his return of income for the tax year 2026-27 on 15.6.2027. He later discovered that he had not claimed deduction under section 123 in the said return though he had opted for the normal provisions of the Act. He claimed the said deduction through a letter addressed to the Assessing Officer. The Assessing Officer completed the assessment without allowing the deduction claimed by Ram. Is the Assessing Officer justified in doing so?*

15. *Examine the correctness or otherwise of the following statements in the context of provisions contained in the Income-tax Act, 2025 and the decided case laws:*

    "The Assessing Officer is bound to allow the set-off of brought forward losses under section 112 even if the assessee has not claimed the same in the return filed".

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16. *X, an individual, has got his books of account for the year ending 31.3.2027 audited under section 63. His total income for the tax year 2026-27 is ₹5,20,000. He desires to know if he can furnish his return of income for the tax year 2026-27 through a Tax Return Preparer.*

Answers

1. **(a)** Under section 270(13) of the Income-tax Act, 2025, where the Assessing Officer is satisfied that a registered non-profit organisation has committed any specified violation referred to in section 351(1), the Assessing Officer shall send a reference to the Principal Commissioner or Commissioner to withdraw the approval or registration. Specified violation *inter alia* includes a case where income of the institution has been applied other than for its objects.

Further, no order making an assessment of the total income or loss of such educational institution (non-profit organisation) shall be made by AO without giving effect to the order passed by the Principal Commissioner or Commissioner either cancelling the approval or refusing to cancel the approval of such educational institution under section 351(2)(ii).

Therefore, the Assessing Officer cannot independently deny the exemption merely on the basis of his finding regarding the specified violation. He must first make a reference to the Principal Commissioner or Commissioner and complete the assessment after giving effect to the order passed on such reference.

(b) As per section 286(3), the period commencing from the date on which the Assessing Officer makes a reference to the Principal Commissioner or Commissioner under 270(13) and ending with the date on which the copy of the order either cancelling the approval or refusing to cancel the approval is received by the Assessing Officer, shall be excluded for computing the period of limitation for completing the assessment.

Further, in case the time limit available to the Assessing Officer for passing an assessment order, after such exclusion is less than 60 days, such remaining period of assessment shall be deemed to have been extended to 60 days.

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Therefore, the Assessing Officer will get the above-mentioned additional time for completing the assessment of Teachwell Education.

2.

S. No.	Is filing of return required?	Reason
(i)	No	As per the provisions of section 263(1)(a)(iii), every person, whose total income without giving effect to the provisions of Chapter VIII exceeds the maximum amount not chargeable to tax, is required to furnish the return of income for the relevant tax year on or before the due date. The gross total income of Mr. X before giving effect to the deduction of ₹ 1,50,000 under section 123 is ₹ 4,35,000, which is less than the basic exemption limit of ₹ 5,00,000 applicable to an individual aged 80 years or more. Therefore, Mr. X need not furnish his return of income for the T.Y. 2026-27. Yes, the answer would change, since Mr. X has incurred expenditure of an amount exceeding ₹ 1 lakh towards the consumption of electricity. In such a case, he would have to file his return for T.Y.2026-27 on or before the due date u/s 263.
(ii)	Yes	As per section 263(1)(b), it is mandatory for a firm to furnish its return on or before the specified due date regardless of income or loss. Therefore, M/s ABC has to furnish its return of loss for the T.Y. 2026-27 on or before the due date under section 263(1), even if it has incurred a loss.
(iii)	Yes	Under **section 263(1)(a)(iv)**, a specified entity is required to furnish a return if its total income, computed without giving effect to section 11, exceeds the maximum amount not chargeable to income-tax. Since its income before giving effect to section 11 is ₹ 6,60,000, which exceeds the applicable maximum amount not chargeable to income-tax, it is required to furnish a return for T.Y. 2026-27.

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(iv)	Yes	As per the provisions of **section 263(1)(a)(iii)**, every person, whose gross total income exceeds the maximum amount not chargeable to tax, is required to furnish the return of income for the relevant tax year on or before the due date. Mr. Y's salary income is ₹ 5,15,000 (i.e., ₹ 5,90,000 *less* standard deduction of ₹ 75,000). The gross total income of Mr. Y is ₹ 5,25,000 (₹ 5,15,000 + ₹ 10,000), which exceeds the basic exemption limit of ₹ 4,00,000 applicable to an individual as per default regime of section 202. Therefore, Mr. Y has to furnish his return of income for the T.Y. 2026-27.

3. As per the provisions of section 263(1)(*a*)(viii), any person who has sustained loss under the head 'Profit and gains of business or profession' is allowed to carry forward such a loss, only if he has filed the return within the time allowed under section 263. Also, the provisions of section 121 specify that a loss which has not been determined as per the return filed under section 263(1) shall not be allowed to be carried forward and set-off under, *inter alia*, section 112(1) (relating to business loss) or section 113(2) (losses in speculation business) or section 111(1) (loss under the head "Capital gains") or section 115(3) (loss from the activity or owning and maintaining race horses) or section 114 (loss relating to a "specified business"). However, there is no such condition for carry forward of loss from house property under section 110 or unabsorbed depreciation under section 33.

In the given case, the assessee has filed its return of loss in response to notice under section 268(1). As per the provisions stated above, the assessee furnished return in response to notice under section 268(1) after the due date specified under section 263 and, therefore, the benefit of carry forward of business loss under section 112(1) or section 113(2) or section 114 shall not be available. The assessee shall, however, be entitled to carry forward the unabsorbed depreciation as per provisions of section 33(11).

4. As per section 263(1)(a)(iii), a person other than a company or a firm if his or its total income exceeds the maximum amount which is not chargeable to tax without giving effect *inter alia* to the provisions of Chapter XVII-B is mandatorily required to furnish its return of income on or before the specified due date.

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Since in the present case, the total income of public trust hospital exceeds the maximum amount which is not chargeable to tax without giving effect to the provisions of Chapter XVII-B, it is required to file its return of income by 31st October 2027.

5. As per section 262(1)(f) read with rule 159, every person shall quote his PAN in all the documents pertaining to the specified transactions, if it is of the prescribed value.

Payment in cash of an amount exceeding ₹ 1,00,000 to a hotel is one of the transactions specified in Rule 159. If a person fails to comply of the provisions of section 262, the Assessing Officer may impose penalty of ₹ 10,000 on him under section 467(1).

In the given case, since Mr. Raghav has not quoted his PAN with respect to cash payment exceeding ₹ 1,00,000 made to Shruti Hotel would attract penalty of ₹ 10,000 on him under section 467(1). Mr. Raghav has to be given an opportunity of being heard in the matter. If Mr. Raghav is not able to prove that there was a reasonable cause for the said failure, penalty under section 467(1) would be imposable.

6. **(i)** The term "Dispute Resolution Panel" has been defined to mean a collegium comprising of three Principal Commissioners or Commissioners of Income-tax constituted by the Board for this purpose.

The term "Eligible Assessee" means any person in whose case the variation referred to in section 275(1) arises as a consequence of the order of the Transfer Pricing Officer passed under section 166(6) and any non-corporate non-resident or any foreign company.

However, an eligible assessee shall not include a persons referred under section 292(1) or any other person referred under section 295. Further, as per section 275(19), the provisions of this section shall not apply to any proceedings under Chapter XVI-B i.e. search cases.

(ii) In case of an assessment of the eligible assessee, the Assessing Officer shall forward a draft of the proposed order of assessment. The eligible assessee shall file his objections to such variation within 30 days of receipt of such order, with the Dispute Resolution Panel and with the Assessing Officer.

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(iii) As per section 275(5), where any objection is received under section 275(2), the Dispute Resolution Panel shall issue such directions as it thinks fit for the guidance of the Assessing Officer to enable him to complete the assessment.

Further, before issuing such directions, the Dispute Resolution Panel may, under section 275(7)-

(a) make such further enquiry as it thinks fit; or

(b) cause any further enquiry to be made by any income-tax authority and report the result of the same to such Panel.

Accordingly, the Dispute Resolution Panel may consider the objections filed by the eligible assessee and may make, or cause to be made, such further enquiry as it considers necessary before issuing its directions.

The directions shall be issued **in writing**, stating the **points of determination, the decision thereon and the reasons for such decision**, as per **section 275(6)**.

Further, under section 275(8), the Dispute Resolution Panel may confirm, reduce or enhance the variations proposed in the draft order. However, it shall not set aside any proposed variation or issue any direction under section 275(5) for further enquiry and passing of the assessment order.

7. Under section 271, the Assessing Officer, after taking into account all relevant material which he has gathered, is under an obligation to make an assessment of the total income or loss to the best of his judgment and determine the sum payable by the assessee in the following cases –

(1) Where any person fails to make the return under section 263(1) and has not filed a belated return under section 263(4) or a revised return under section 263(5) or an updated return under section 263(6).

(2) Where any person fails to comply with all the terms of a notice issued under section 268(1) or fails to comply with a direction issued under section 268(5) for getting the accounts audited.

(3) Where any person, having made a return, fails to comply with all the terms of a notice issued under section 270(8).

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Further, section 276(3) permits the Assessing Officer to make an assessment in the manner provided in section 271 where -

(i) he is not satisfied about the correctness or completeness of the accounts of the assessee; or

(ii) the method of accounting under section 276(1) has not been regularly followed by the assessee;

(iii) income has not been computed as per the "Income Computation and Disclosure Standards" notified by the Central Government under section 276(2).

Faceless assessment as per section 273 shall be applicable to best judgement assessment under section 271, i.e., the assessment proceedings shall be conducted electronically in the e-proceeding facility through assessee's registered account in the designated portal. The faceless assessment shall be made in respect of such territorial area, or persons or class of persons, or incomes or class of incomes, or cases or class of cases, as may be specified by the Board.

8. In the given case, a search under section 247 was initiated in the case of Mr. Sanskar on 5th July, 2026, and the last authorisation for search was executed on 10th August, 2026. Accordingly, the provisions relating to block assessment contained in Chapter XVI-B become applicable.

Under section 301(a), where a search is initiated during Tax Year 2026-27, the block period comprises -

- the six tax years immediately preceding Tax Year 2026-27, i.e., Tax Years 2020-21 to 2025-26; and
- the period commencing from 1st April, 2026 and ending on 10th August, 2026, being the date of execution of the last authorisation for search.

In the present case, the documents found during the course of search reveal that Mr. Sanskar had incurred expenditure of ₹ 5 crore in May 2020 towards the marriage of his daughter. Such expenditure pertains to Tax Year 2020-21, which falls within the relevant block period.

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Accordingly, if the said expenditure represents undisclosed income in terms of the provisions of Chapter XVI-B, the same can be considered and assessed in the block assessment.

The Assessing Officer shall, in accordance with section 294(1)(a), issue a notice requiring Mr. Sanskar to furnish a return of his undisclosed income for the block period. ₹ 5 crore expenditure, being relatable to Tax Year 2020-21 falling within such block period, can be considered while determining the undisclosed income of the block period.

Therefore, the Assessing Officer can proceed under section 294(1)(a) for making the block assessment and assess the undisclosed income, if any, represented by the expenditure of ₹ 5 crore incurred in May 2020, since Tax Year 2020-21 falls within the relevant block period.

9. Under section 270(1), the total income or loss declared in the return can be adjusted at the time of processing of the return. Where a return has been furnished under section 263 or in response to a notice under section 268(1), the return shall be processed by making, *inter alia*, the following adjustments to the returned income or loss:

(i) any arithmetical error in the return

(ii) an incorrect claim, if such incorrect claim is apparent from any information in the return

(iii) any such inconsistency in the return, with respect to the information in the return of any preceding tax year, as may be prescribed.

(iv) disallowance of loss claimed, if return of the tax year for which set-off of loss is claimed was filed beyond the due date specified u/s 263(1)

(v) disallowance of expenditure or increase in income indicated in the audit report but not taken into account in computing the total income in the return

(v) disallowance of deduction claimed under any provision of Chapter VIII-C, where the return is furnished beyond the due date specified under section 263(1).

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No such adjustment shall be made unless an intimation is given to the assessee of such adjustment either in writing or electronic mode. Further, Assessing Officer shall make any adjustment after considering the response received from the assessee, if any. Where no response is received within 30 days of the issue of such notice, the above adjustment can be made.

For the purpose of section 270(1), "an incorrect claim apparent from any information in the return" means a claim on the basis of an entry, in the return of income:

(i) of an item, which is inconsistent with another entry of the same or some other item in such return;

(ii) in respect of which, the information required to be furnished under the Income-tax Act, 2025 to substantiate such entry, has not been so furnished;

(iii) in respect of a deduction, where such deduction exceeds specified statutory limit which may be expressed as monetary amount or percentage or ratio or fraction.

Thereafter, tax, interest and fee, if any, shall be computed on the total income so determined and the sum payable or refund due shall be determined after giving credit for the applicable taxes, rebate or relief and other payments as specified in section 270(1)(c).

Therefore, the Assessing Officer can make only the specified adjustments to the income or loss disclosed in the return while processing it under section 270. Such adjustments cannot be made without first communicating the proposed adjustment to the assessee and considering his response, if any.

10. Under section 270(9), no notice under section 270(8) can be served on the assessee after the expiry of three months from the end of the financial year in which the return is furnished.

In the given case, Tai Ltd. furnished its return for Tax Year 2026-27 on 26th September, 2027, i.e., during the financial year 2027-28. Therefore, the notice under section 270(8) was required to be served on or before 30th June, 2028. However, the notice was served on 3rd July, 2028. Hence, the notice under section 270(8) was not served within the time prescribed under section 270(9).

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However, section 523(1) provides that where an assessee has appeared in any proceeding or co-operated in any inquiry relating to an assessment or reassessment, it shall be deemed that any notice required to be served upon him under the Act has been duly served upon him in time. Consequently, the assessee is precluded from taking any objection that the notice was not served, was not served in time, or was served in an improper manner.

The above deeming provision shall, however, not apply where, as per section 523(2), the assessee has raised such objection before the completion of the assessment or reassessment.

Therefore, in the present case, although the notice under section 270(8) was served beyond the time limit specified under section 270(9), Tai Ltd. has responded to the notice. Accordingly:

- If Tai Ltd. had raised an objection regarding the delayed service of notice before completion of the assessment, section 523 would not preclude it from challenging the validity of the assessment order on this ground.
- If no such objection was raised before completion of the assessment, by virtue of section 523(1), Tai Ltd. would be deemed to have been served with the notice in time and would be precluded from challenging the assessment order on the ground that the notice under section 270(8) was served beyond the prescribed time limit.

11. **The proposition is correct**, subject to the availability of the option to furnish an updated return under section 263(6).

Under section 263(5), where a person who has furnished a return under section 263(1) or a belated return under section 263(4) discovers any omission or wrong statement therein, he may furnish a revised return at any time within twelve months from the end of the relevant tax year or before the completion of assessment, whichever is earlier. The latest revised return replaces the earlier return filed.

The Supreme Court, in Goetze (India) Ltd. v. CIT (2006) 284 ITR 323 (SC), held that the Assessing Officer cannot entertain a fresh claim for deduction otherwise than by way of a revised return. However, the Supreme Court clarified that this restriction is confined to the power of the Assessing Officer

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and does not impinge upon the powers of the appellate authorities.

Further, section 263(6) provides an option to furnish an updated return within 48 months from the end of the financial year succeeding the relevant tax year, irrespective of whether a return under section 263(1), 263(4) or 263(5) has been furnished.

However, an updated return cannot be used where it has the effect of, *inter alia*, decreasing the total tax liability determined on the basis of the earlier return, resulting in a refund or increasing the refund due. Therefore, section 263(6) cannot generally be used merely for making a fresh claim which reduces the tax liability or increases the refund.

Therefore, for making a fresh claim before the Assessing Officer which is otherwise permissible and results in a reduction of tax liability, the appropriate course is to furnish a revised return under section 263(5), within the prescribed time limit and subject to payment of fees under section 428(b) if revised return furnished after nine months from the end of the relevant tax year. A mere letter or application to the Assessing Officer cannot be treated as a valid mode of making such fresh claim.

12. As per section 268(5), the Assessing Officer shall not direct the assessee to get the accounts so audited unless the assessee has been given a reasonable opportunity of being heard.

Therefore, in this case, the order of the Assessing Officer is not valid, since the assessee was not given an opportunity of being heard prior to passing of such order.

13. The CBDT has, vide Circular No.10/2006 dated 16.10.2006, clarified that where an individual deriving income from growing, curing, roasting and grounding of coffee with or without mixing chicory would not be required to file the return of income if the aggregate of 40%[5] of his or her income from growing, curing, roasting and grounding of coffee with or without mixing chicory and income from all other sources liable to tax in accordance with the provisions of this Act, is equal to or less than the basic exemption limit of the relevant tax year.

[5] *As per Rule 271 of the Income-tax Rules, 2026*

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In this case, Smt. Kanti has a total income of ₹ 6,00,000 from this business, which was her only source of income for T.Y. 2026-27. 40% of her income works out to ₹ 2,40,000, which is less than the basic exemption limit of ₹ 4,00,000 (under section 202, being default regime) / ₹ 2,50,000 (if opting for normal provisions) in respect of an individual assessee. Therefore, Smt. Kanti is **not required to file a return of income** for the T.Y. 2026-27 as per the provisions of section 263(1).

If Smt. Kanti had travelled to the USA during the T.Y. 2026-27 and incurred ₹ 2.20 lakhs on such travel, she would be required to mandatorily file a return of income for T.Y. 2026-27 on or before the due date u/s 263, even though her total income does not exceed the basic exemption limit.

14. The Supreme Court has, in *Goetze (India) Ltd. v. CIT (2006) 284 ITR 323,* ruled that the Assessing Officer has no power to entertain a claim for deduction made after filing of the return of income otherwise than by way of a revised return. In the instant case, Ram has claimed the deduction under section 123, which he omitted to claim in the original return of income, through a letter addressed to the Assessing Officer and not by filing a revised return under section 263(5). In view of the decision of the Supreme Court cited above, the Assessing Officer was justified in completing the assessment without allowing the deduction under section 123.

15. The statement is correct.

The Supreme Court has, in *CIT v. Mahalakshmi Sugar Mills Co. Ltd. (1986) 160 ITR 920,* held that it is the duty of the Assessing Officer to apply the relevant provisions of the Act for the purpose of determining the true figure of the assessee's total income and consequential tax liability. Merely because the assessee has not claimed the set-off in the return filed, it cannot relieve the Assessing Officer of his duty to apply section 112 in the appropriate case.

As per *CBDT Circular No.14 (XL-35) of 1955 dated 11.04.1955*, it is the duty of the Assessing Officer to assist a taxpayer in every reasonable way, particularly in the matter of claiming and securing reliefs and in this regard, they should take the initiative in guiding a taxpayer where proceedings or other particulars before them indicate that some refund or relief is due to him.

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Therefore, on the basis of the above Supreme Court ruling and the CBDT Circular, the Assessing Officer is bound to allow the set-off of brought forward losses under section 112, even if the assessee has not claimed the same in the return filed, provided the loss was determined in pursuance of a return filed under section 263(1) in any earlier tax year.

Moreover, the wording used in section 112 is "shall", indicating that the provisions relating to set off of brought forward business loss are mandatory.

Therefore, the Assessing Officer is bound to allow the claim for set off of brought forward business losses even if the assessee has not claimed the same in the return filed.

16. Section 264(1) provides for submission of return of income through Tax Return Preparers. It empowers the Central Board of Direct Taxes (CBDT) to frame a scheme for the purpose of enabling any specified class or classes of persons to prepare and furnish their returns of income through Tax Return Preparers. Specified class or classes of persons have been defined to mean any person, other than a company or a person whose accounts are required to be audited under section 63 or under any other existing law, who is required to furnish a return of income under the Act. Thus, companies and persons whose accounts are liable for tax audit under section 63 do not fall within the definition of 'specified class or classes of persons' and consequently, cannot furnish their returns of income through Tax Return Preparers. In the instant case, the books of account of X for the year ending 31.3.2027 have been audited under section 63. As such, he **cannot** furnish his return of income for the T.Y. 2026-27 through a Tax Return Preparer.

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