CHAPTER 18

MISCELLANEOUS PROVISIONS



LEARNING OUTCOMES

After studying this chapter, you would be able to -

- **identify** the permissible mode of taking or accepting certain loans, deposits and money receivable in relation to transfer of immovable property and **examine** the penal consequences for non-compliance;
- **recognize** the permissible mode of receipt of amounts exceeding a certain threshold limit and **examine** the penal consequences for receipt of such amount by any other mode;
- **identify** the permissible mode of repayment of certain loans or deposit or advance money repayable in relation to transfer of immovable property and **examine** the penal consequences for non-compliance;
- **appreciate** the provisions relating to provisional attachment of property to protect the interest of the revenue;
- **list out** the permissible modes of service of notice and the persons on whom notice should be served;
- **comprehend** the meaning of "specified financial transaction" and **identify** the specified persons responsible for furnishing statement of financial transaction or reportable account;
- **list out** the persons who can act as "authorised representatives" on behalf of the assessee.

© The Institute of Chartered Accountants of India

CHAPTER OVERVIEW



- Mode of taking or accepting loan, deposit and specified sum [Section 185]
  - Penalty u/s 450 attracted for non-compliance
- Mode of repayment of certain loan or deposits [Section 188]
  - Penalty u/s 453 attracted for non-compliance
- Mode of undertaking transactions [Section 186]
  - Penalty u/s 451 attracted for non-compliance
- Facility for accepting payment through prescribed electronic modes [Section 187]
  - Penalty u/s 452 attracted for non-compliance
- Statements by producers of cinematograph films or persons engaged in specified activity [Section 507]
- Statement of Financial Transaction or Reportable Account [Section 508]
- Information on transaction of Crypto-Asset [Section 509]
- Annual Information Statement [Section 510]
- Transfers to defraud revenue void [Section 499]
- Provisional Attachment to protect the interest of the Revenue [Section 500]
- Service of Notice [Sections 501, 503 and 504]
- Authentication of notices and other documents [Section 502]
- Notice deemed to be valid in certain circumstances [Section 523]
- Other Miscellaneous Provisions [Sections 509, 516, 517, 518, 526, 527, 528, 529, 530, 531,532, 533, 534,535,536]

© The Institute of Chartered Accountants of India

18.1 MODE OF TAKING OR ACCEPTING CERTAIN LOANS, DEPOSITS AND SPECIFIED SUM [SECTION 185]

Section 185 provides that no person shall take or accept from another person any loan or deposit or specified sum, except through-

Higher limit of ₹ 2,00,000 for deposit accepted by/ loan taken from PACS or PCARD



(a) an account payee cheque; or

(b) account payee bank draft; or

(c) electronic clearing system through a bank account; or

(d) any other prescribed electronic mode,

if –

(i) the amount or the aggregate amount of such loan, deposit, or specified sum; **or**

(ii) the amount or the aggregate amount of any previously taken or accepted loan or deposit or specified sum by such person from such another person, which is remaining unpaid, whether due for repayment or not, as on the date of taking or accepting such amount as referred to in clause (i) ; **or**

Loan, deposit and specified sum of ₹ 20,000 or more received otherwise than by specified modes attracts penalty

(iii) the aggregate of amount referred to in (i) and (ii) is **₹ 20,000 or more.**

However, **higher limit of ₹ 2,00,000** is applicable in case of any deposit or loan where, -

© The Institute of Chartered Accountants of India

- such deposit is accepted by a primary agricultural credit society (PACS) or a primary cooperative agricultural and rural development bank (PCARD) from its member or
- a loan is taken from a primary agricultural credit society or a primary cooperative agricultural and rural development bank by its member.

Non-applicability of the above requirement in certain cases

(1) Loan or deposit or specified sum taken or accepted from or by

- the Government;
- any banking company, post office savings bank or co-operative bank,
- any corporation established by a Central, State or Provincial Act or
- any Government company as defined in 2(45) of the Companies Act, 2013.
- any institution, association or body or class of institutions, associations or bodies notified by the Central Government.



(2) Where person taking or accepting such loan or deposit or specified sum or person from whom such loan or deposit or specified sum is taken or accepted, both have agriculture income only and neither of them has any income chargeable to tax under the Act.

Meaning of certain terms

	Term	Meaning
(i)	Loan or deposit	Any loan or deposit of money
(ii)	Specified sum	any sum of money receivable, whether as advance or otherwise, in relation to transfer of immovable property, whether or not the transfer takes place.
(iii)	Prescribed electronic modes (for the purposes of	(a) Credit Card; (b) Debit Card; (c) Net Banking;

© The Institute of Chartered Accountants of India

	section 185, 186 and 188)	(d) IMPS (Immediate Payment Service); (e) UPI (Unified Payment Interface); (f) RTGS (Real Time Gross Settlement); (g) NEFT (National Electronic Funds Transfer), and (h) BHIM (Bharat Interface for Money) Aadhar Pay. (i) Tier-III: Full KYC Central Bank Digital Currency wallets, P-CBDC, Wholesale/Crossborder CBDC

Penalty for failure to comply with the provisions of section 185 [Section 450]

If a person takes or accepts any loan or deposit or specified sum in contravention of the provisions of section 185, the Assessing Officer may impose on him, a penalty equal to the amount of the loan or deposit or specified sum so taken or accepted.

Penalty = Amt. of loan, deposit or specified sum

18.2 MODE OF UNDERTAKING TRANSACTIONS [SECTION 186]

Section 186 provides that no person shall receive an amount of ₹ **2,00,000** or more -

(a) in aggregate from a person in a day; or

(b) in respect of a single transaction; or

(c) in respect of transactions relating to one event or occasion from a person.



except through-

(i) an account payee cheque; or

(ii) account payee bank draft; or

(iii) electronic clearing system through a bank account; or

(iv) any other electronic mode, as may be prescribed.

© The Institute of Chartered Accountants of India



Circulars

(1) **The CBDT has, vide Circular No. 22/2017 dated 3.7.2017**, clarified that in respect of receipt by **Non-banking Finance Companies(NBFCs) or Housing Finance Companies (HFCs)** in the nature of repayment of loan, the receipt of one instalment of loan repayment in respect of a loan shall constitute a 'single transaction' as specified in clause (b) of section 186 and all the instalments paid for a loan shall not be aggregated for the purposes of determining applicability of the provisions section 186.

Installments not to be aggregated

(2) The CBDT has, vide Circular No. 25/2022 dated 30.12.2022, clarified that in respect of Co-operative Societies, a dealership/ distributorship contract by itself may not constitute an event or occasion for the purposes of clause (c) of section 186.

Moreover, the receipt related to such a dealership/distributorship contract by the Co-operative Society on any day in a previous year, which is within 'the prescribed limit' and complies with clause (a) as well as clause (b) of section 186, may not be aggregated across multiple days for purposes of (c) of section 186 for that previous year.

Non-applicability of the above requirement in certain cases

(1) any receipt by Government, any banking company, post office savings bank or co-operative bank

(2) transactions of the nature referred to in section 185.

Receipt by Govt. Bank, PO and Co-operative bank excluded

(3) such other persons or class of persons or receipts, notified by the Central Government.

© The Institute of Chartered Accountants of India



Notification No. 28/2017, dated 5-4-2017 and Notification No. 57/2017, dated 3-7-2017

The Central Government has vide these notifications specified that the provision of section 186 shall not apply to the following, namely:-

(a) receipt (cash withdrawals) by any person from a bank, co-operative bank or a post office savings bank

(b) receipt by a business correspondent on behalf of a banking company or co-operative bank, in accordance with the guidelines issued by the Reserve Bank of India;

(c) receipt by a white label automated teller machine operator from retail outlet sources on behalf of a banking company or co-operative bank, in accordance with the authorisation issued by the Reserve Bank of India under the Payment and Settlement Systems Act, 2007;

(d) receipt from an agent by an issuer of pre-paid payment instruments, in accordance with the authorisation issued by the Reserve Bank of India under the Payment and Settlement Systems Act, 2007;

(e) receipt by a company or institution issuing credit cards against bills raised in respect of one or more credit cards;

(f) receipt which is not includible in the total income under section 10.

Penalty for failure to comply with the provisions of section 186 [Section 451]

The Assessing Officer may impose on a person, a penalty equal to the sum received by him in contravention of the provisions of section 186.

Penalty = Amount received in contravention of section 186

© The Institute of Chartered Accountants of India

Circular



Applicability of income-tax provisions under section 36(4), section 186 and Rule 159 to cash sale of agricultural produce by cultivators/agriculturists to traders [Circular No. 27/2017, dated 3-11-2017]

The provisions of section 36(4) provide for the disallowance of expenditure exceeding ₹ 10,000 made otherwise than by an account payee cheque/draft or use of electronic clearing system through a bank account. However, Rule 26 carves out certain exceptions from application of the provisions of section 36(4) in some specific cases and circumstances, which, *inter alia*, include payments made for purchase of agricultural produce to the cultivators of such produce. Therefore, no disallowance under section 36(4) can be made if the trader makes cash purchases of agricultural produce from the cultivator.

Further, section 186, subject to certain exceptions, prohibits receipt of ₹ 2 lakh or more, otherwise than by an account payee cheque/draft or by use of electronic clearing system through a bank account from a person in a day or in respect of a single transaction or in respect of transactions relating to an event or occasion from a person. Therefore, any cash sale of an amount of ₹ 2 lakh or more by a cultivator of agricultural produce is prohibited under section 186.

Furthermore, the provisions relating to quoting of PAN or furnishing of Form No. 97 under Rule 159 do not apply to the sale transaction of ₹ 2 lakh or less.

In view of the above, it is clarified by the CBDT that cash sale of the agricultural produce by its cultivator to the trader for an amount less than ₹ 2 lakh will not-

(a) result in any disallowance of expenditure under section 36(4) in the case of trader.

(b) attract prohibition under section 186 in the case of the cultivator; and

(c) require the cultivator to quote his PAN or furnish Form No. 97.

© The Institute of Chartered Accountants of India

18.3 ACCEPTANCE OF PAYMENT THROUGH PRESCRIBED ELECTRONIC MODES [SECTION 187]

Section 187 provides that every person shall provide facility for accepting payment, through the electronic modes as may be prescribed, in addition to other electronic modes if any, being provided by him, where –

(a) such person is carrying on business or profession; and

(b) total sales, turnover or gross receipts in such business or profession exceeds **₹ 50 crore** during the immediately preceding tax year.

Non-applicability of the above provision

The CBDT has, *vide* Circular No. 12/2020 dated 20.5.2020 clarified that the provisions of section 187 **shall not be applicable** to a specified person having only B2B transactions (i.e., no transaction with retail customer/ consumer) if at least 95% of aggregate of all amounts received during the previous year, including amount received for sales, turnover or gross receipts, are by any mode other than cash.



Rule 133 prescribe the following electronic modes for making payment, namely -

(a) Debit Card powered by RuPay;

(b) Unified Payments Interface (UPI) (BHIM-UPI); and

(c) Unified Payments Interface Quick Response Code (UPI QR Code) (BHIM-UPI QR Code)

(d) Tier-III: Full KYC Central Bank Digital Currency wallets, P-CBDC, Wholesale/ Crossborder CBDC.

© The Institute of Chartered Accountants of India

Penalty for non-compliance [Section 452] - The Assessing Officer may impose on a person, a penalty of ₹ 5000 for every day of the duration of failure where he fails to provide a facility for accepting payments through the prescribed electronic modes of payment, as referred to in section 187.



18.4 MODE OF REPAYMENT OF CERTAIN LOANS OR DEPOSITS [SECTION 188]

Section 188 provides that no branch of the banking company or a co-operative bank or any other company or co-operative society and no firm or other person, shall repay –



(a) any loan or deposit made with it; or

(b) any specified advance received by it,

except through-

(i) an account payee cheque;

(ii) account payee bank draft drawn in the name of the person who has made the loan or deposit or paid the specified advance; or

(iii) by use of electronic clearing system through a bank account or any other prescribed electronic mode,



if –

(1) the amount of loan or deposit or specified advance together with interest, if any, payable thereon; or

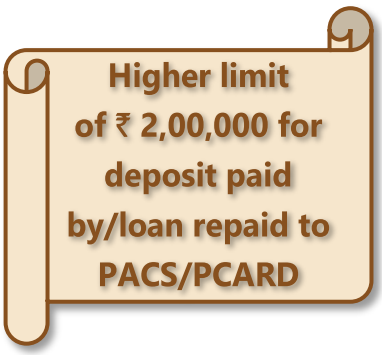
(2) the aggregate amount of the loans or deposits held by such person with the branch of the banking company or co-operative bank or, as the case may be, the other company or co-operative society or the firm, or other person either in his own name or jointly with any other person on the date of such repayment, together with the interest, if any, payable on such loan or deposit; or

© The Institute of Chartered Accountants of India

(3) the aggregate amount of the specified advances received by such person either in his own name or jointly with any other person on the date of such repayment together with interest, if any, payable on such specified advances is **₹ 20,000 or more**.

However, **higher limit of ₹ 2,00,000** is applicable in case of any deposit or loan where –

- such deposit is repaid to a member by a primary agricultural credit society (PACS) or a primary cooperative agricultural and rural development bank (PCARD) or
- such loan is repaid by a member to a primary agricultural credit society or a primary cooperative agricultural and rural development bank.



Non-applicability of the above requirement in certain cases

(1) Where the repayment is made by a branch of a banking company or a co-operative bank, by crediting such loan or deposit to the saving bank account or the current account, if any, with such branch of the person to whom such loan or deposit has to be repaid.

(2) Further, the provisions of this section shall not apply in case of repayment of any loan or deposit or specified advance taken or accepted from -



(i) Government;

(ii) any banking company, post office savings bank or co-operative bank;

(iii) any corporation established by a Central, State or Provincial Act;

(iv) any Government company as defined in section 2(45) of the Companies Act, 2013;

(v) any institution, association or body or class of institutions, associations or bodies notified by the Central Government.

© The Institute of Chartered Accountants of India

Meaning of certain terms

	Term	Meaning
(1)	Loan or Deposit	Any loan or deposit of money which is repayable after notice or repayable after a period. In the case of any person other than a company, loan or deposit of any nature will be covered by this section.
(2)	Specified Advance	Any sum of money in the nature of advance, by whatever name called, in relation to transfer of an immovable property, whether or not the transfer takes place.

Penalty for failure to comply with the provisions of section 188 [Section 453]

If a person repays any loan or deposit or specified advance referred to in section 188 otherwise than in accordance with the provisions of that section, the Assessing Officer may impose on him, a penalty equal to the loan or deposit or specified advance so repaid**.**

Penalty = Amount repaid in contravention of section 188



CIT v. Triumph International Finance (I.) Ltd. (2012) 345 ITR 270

Issue: Where an assessee repays a loan merely by, passing adjustment entries in its books of account, can such repayment of loan by the assessee be taken as a contravention of the provisions of section 188 to attract penalty under section 453?

Analysis and Decision: The High Court observed that the obligation to repay the loan or deposit by account payee cheque/bank draft as specified in section 188 is mandatory in nature. The contravention of the said section will attract penalty under section 453.

The cause shown by the assessee for repayment of the loan otherwise than by account payee cheque/bank draft was on account of the fact that the assessee was liable to receive amount towards the sale price of the shares sold by the

© The Institute of Chartered Accountants of India

assessee to the person from whom loan was received by the assessee. In order to avoid the unnecessary circular transfer of shares, both the parties agreed to set-off the amount payable and receivable by way of passing journal entries and the balance loan amount was paid by the assessee by way of an account payee cheque. The amount of loan settled by way of passing journal entries exceeds ₹ 20,000. It would have been mere formality to repay the loan amount by account payee cheque/draft and receive back almost the same amount towards the sale price of the shares. Also, neither the genuineness of the receipt of loan nor the transaction of repayment of loan by way of adjustment through book entries carried out in the ordinary course of business has been doubted in the regular assessment. Therefore, there is nothing on record to suggest that the amounts advanced to the assessee represented the unaccounted money of either party and also it cannot be said that the whole transaction was entered into to avoid tax. This is accepted as a reasonable cause under section 470.

Section 188 does not make a distinction between a *bonafide* or a *non-bonafide* transaction neither does it require the fulfillment of the condition mentioned therein only in case where there is outflow of funds. It merely puts a condition that in case a loan or deposit is repaid, it should be by way of an account payee cheque/draft. Therefore, in the present case, the assessee has repaid a portion of loan in contravention of provisions of section 188.

In effect, the assessee has violated the provisions of section 188 by repaying the loan amount by way of passing book entries and therefore, penalty under section 453 is applicable. However, since the transaction is *bona fide* in nature being a normal business transaction and has not been made with a view to avoid tax and since the assessee has shown reasonable cause for the failure under section 188, no penalty under section 453 could be imposed on the assessee for contravening the provisions of section 188 by virtue of the provisions of section 470.

Note: *In order to mitigate the hardship caused by certain penalty provisions in case of genuine business transactions, section 470 provides that no penalty under, inter alia, section 453 shall be imposed on a person for any failure referred to in the said section, if such person proves that there was reasonable cause for such failure.*

© The Institute of Chartered Accountants of India

18.5 CERTAIN TRANSFERS TO BE VOID [SECTION 499]

(1) As a safeguard against non-realisation of revenue due to fraudulent transferring of assets by a defaulting assessee it is provided under this section that, certain transfers specified therein are deemed to be void for purpose of income-tax.

Transfer of asset during pendency of proceedings shall be void



(2) Accordingly, in cases where, during the pendency of any proceeding under the Income-tax Act, 2025 or after the completion thereof, but before the service of notice by the Tax Recovery Officer as per procedure specified under section 413,

- an assessee creates a charge on, or parts with, the property by way of sale, mortgage, gift, exchange, or any other mode of transfer whatsoever of any of his assets in favour of any other person,
- such a charge or transfer must be deemed to be *void* as against any claim in respect of any tax or any other sum payable by the assessee as a result of the completion of the said proceedings or otherwise.

(3) This provision applies to all cases where the amount of tax or other sum of money which is payable or likely to be payable exceeds ₹ 5,000 and the assets which are charged or transferred by the assessee exceeds ₹ 10,000 in value.

(4) The charge or transfer made by the assessee, however, **would not be void** if it is made:

Case when transfer is not void

(a) for adequate consideration and without any notice of the pendency of such proceeding or, as the case

© The Institute of Chartered Accountants of India

may be, without any notice of such tax or other monies remaining payable by the assessee; or

(b) with the previous permission of the Assessing Officer.

(5) For this purpose, the term **'assets'** mean land, buildings, machinery, plant, shares, securities and fixed deposits in banks and virtual digital asset to the extent to which any of these assets **do not form part of the stock-in-trade** of the business of the assessee.



Further, the modes of creating a charge on or parting with the possession of such assets shall include sale, mortgage, gift, exchange or any other mode of transfer.



Dr. Manoj Kabra v. ITO (2014) 364 ITR 541

Issue: Can the Assessing Officer *suo moto* assume jurisdiction to declare sale of property as void under section 499?

Decision: The High Court held that the legislature had no intention to confer any exclusive power or jurisdiction upon the income-tax authority to decide any question arising under section 499.

The Income-tax Act, 2025, does not prescribe any adjudicatory machinery for deciding any question which may arise under section 499. In order to declare a transfer as fraudulent under section 499, an appropriate proceeding in accordance with law was required to be taken under section 53 of the Transfer of Property Act, 1882.

The Assessing Officer is required to file a suit for declaration to the effect that the transaction of transfer was void under section 499 of the Income-tax Act; but he himself cannot assume jurisdiction *suo moto* to declare the sale deed as void.

© The Institute of Chartered Accountants of India

18.6 PROVISIONAL ATTACHMENT TO PROTECT THE INTEREST OF THE REVENUE [SECTION 500]

(1) Assessing Officer's power to provisionally attach property for protecting interests of the revenue: Under section 500, where during the pendency of any proceedings for -



(a) the assessment of any income or for the assessment or reassessment of any income which has escaped assessment or

Provisional attachment where penalty u/s 444 exceeds ₹ 2 crores

(b) imposition of penalty under section 444 (penalty leviable for false entry etc. in books of accounts) where the amount or aggregate of amounts of penalty likely to be imposed under the said section exceeds ₹ 2 crores.

The Assessing Officer is of the opinion that for protecting the interests of the revenue it is necessary so to do, he may, with the previous approval of the Competent Authority by order in writing attach provisionally any property belonging to the assessee in the manner provided in the section 413.

(2) Validity of provisional attachment: The provisional attachment shall be valid for a period of 6 months from the date of the order made under the said sub section. However, the Competent Authority may, for reasons to be recorded in writing, extend the period and the total period of extension should not exceed 2 years or 60 days after the date of assessment or reassessment, whichever is later.

Valid for 6 months

© The Institute of Chartered Accountants of India

(3) Furnishing of bank guarantee in lieu of provisional attachment [Section 500(4)]: Where the assessee furnishes a guarantee from a scheduled bank for an amount **not less than the fair market value** of the property provisionally attached under sub-section (1), the Assessing Officer shall, by an order in writing, revoke such attachment.



Further, as per section 500(5), where the Assessing Officer is satisfied that a guarantee from a scheduled bank for an amount **lower than the fair market value** of the property is sufficient to protect the interests of the revenue, he may accept such guarantee and revoke the attachment.

(4) Reference to Valuation Officer [Section 500(6)]: the Assessing Officer may, for determining the fair market value of the property provisionally attached, make a reference to the Valuation Officer, who shall estimate the fair market value of the property in the manner provided under section 269(3) to (7) and submit a report of such estimate to the Assessing Officer within a period of 30 days from the date of receipt of such reference.

(5) Time limit for passing order revoking the attachment of property [Section 500(7)]: For ensuring revocation of attachment of the property in lieu of bank guarantee in a time bound manner, an order revoking the attachment has to be made by the Assessing Officer within the following time period:

Case	Time period for revoking attachment
(i) in a case where a reference is made to the Valuation Officer	within 45 days from the date of receipt of such guarantee
(ii) in any other case	within 15 days from the date of receipt of such guarantee

© The Institute of Chartered Accountants of India

(6) Assessing Officer empowered to invoke bank guarantee for failure to pay sum specified in notice of demand [Section 500(8)]: Where a notice of demand specifying a sum payable is served upon the assessee and the assessee fails to pay such sum within the time specified, the Assessing Officer may invoke the bank guarantee, wholly or partly, to recover the said amount.



(7) Power to invoke bank guarantee on assessee's failure to renew or furnish new guarantee [Section 500(9)]: The Assessing Officer shall, in the interests of revenue, invoke the bank guarantee, if the assessee fails to renew the guarantee referred to in sub-section (4) or (5), or fails to furnish a new guarantee from a scheduled bank for an equal amount, before 15 days of its expiry.

(8) Manner of adjustment of amount realized by invoking bank guarantee [Section 500(10)]:



(i) The amount realised by invoking the bank guarantee shall be adjusted against the existing demand which is payable by the assessee;

(ii) The balance amount, if any, has to be deposited in the Personal Deposit Account of the Principal Commissioner or Commissioner in the branch of Reserve Bank of India or the State Bank of India or any bank as may be appointed by the Reserve Bank of India as its agent at the place where the office of the Principal Commissioner or Commissioner is situated.

(9) Release of bank guarantee [Section 500(11)]: In a case where the Assessing Officer is satisfied that the bank guarantee is not required anymore to protect the interests of the revenue, he shall release that guarantee forthwith.

(10) For the purposes of this section, "Competent Authority" means the Principal Chief Commissioner or Chief Commissioner, Principal Commissioner or Commissioner, Principal Director General or Director General or Principal Director or Director.

© The Institute of Chartered Accountants of India

18.7 SERVICE OF NOTICE [SECTIONS 501, 503 & 504]

Section 501	Section 503	Section 504
•Service of Notice generally	•Service of notice when family is disrupted or firm is dissolved	•Service of notice in case of discontinued business

(1) Permissible modes of service of notice [Section 501]: The service of a notice or summon or requisition or order or any other communication under the Act may be made by delivering or transmitting a copy thereof to the person named therein -

(i) by post or such courier services as approved by the CBDT; or

(ii) in such manner as provided in the Code of Civil Procedure, 1908 for the purposes of service of summons; or

(iii) in the form of any electronic record as provided in Chapter IV of the Information Technology Act, 2000; or

(iv) by any other means of transmission as may be prescribed



(2) Rules to provide for the addresses for communication: The CBDT is empowered to make rules providing for the addresses (including the address for electronic mail or electronic mail message) to which such communication may be delivered or transmitted to the person named therein.

For the purposes of this section, "electronic mail" and "electronic mail message" means a message or information created or transmitted or received on a computer, computer system, computer resource or communication device including attachments in text, image, audio, video and any other electronic record, which may be transmitted with the message.

(3) Service of notice when family is disrupted or firm etc., is dissolved [Section 503]: After a finding of total partition has been recorded by the Assessing Officer under section 315 for any Hindu family, notices in respect of the income of the



© The Institute of Chartered Accountants of India

Hindu family shall be served

- on the person, who was its last manager, or,
- if such person is dead, then on all adults who were members of the Hindu family immediately before the partition.

Where a firm or other association of persons is dissolved, notices for the income of such firm or association may be served on any person, who was a partner (not being a minor) or member of the association, immediately before its dissolution.

(4) Service of notice in case of discontinued business [Section 504]: Where an assessment is to be made under section 320, the Assessing Officer may serve on the -

(a) person whose income is to be assessed; or

(b) person who was a member of a firm or association of persons at the time of its discontinuance, in the case of a firm or an association of persons; or

(c) principal officer, in the case of a company,

a notice containing all or any of the requirements which may be included in a notice under section 268(1) and the provisions of this Act shall, so far as may be, apply accordingly as if the notice were a notice issued under that section.

18.8 AUTHENTICATION OF NOTICES AND OTHER DOCUMENTS [SECTION 502]

(1) Section 502 provides that where any notice or other document is required to be issued by any income-tax authority, such notice or other document should be signed and issued in paper form or communicated in electronic form by that authority in accordance with the prescribed procedure[1].



(2) Every notice or other document required to be issued, served or given for the purposes of this Act by any income-tax authority, shall be deemed to be

[1] *Rule 233 prescribes the procedure for authentication of notices and other documents.*

© The Institute of Chartered Accountants of India

authenticated if the name and office of a designated income-tax authority is printed, stamped or otherwise written thereon.

(3) A "designated income-tax authority" means any income-tax authority authorised by the CBDT to issue, serve or give such notice or other document after authentication in the manner as provided in (2) above.

18.9 SUBMISSION OF STATEMENTS BY PRODUCERS OF CINEMATOGRAPH FILMS OR PERSONS ENGAGED IN SPECIFIED ACTIVITY [SECTION 507]



(1) Time limit for furnishing statement in prescribed form

60 days from the end of T.Y.

Section 507 read with Rule 236, requires a producer of a cinematograph film or a person engaged in any specified activity, or both, during the whole or any part of any tax year to furnish a statement in the prescribed form[2] within 60 days from the end of the tax year, in respect of the period during which such production or specified activity is carried on by him in such financial year.

[2] *Form No.164*

© The Institute of Chartered Accountants of India

(2) Manner of furnishing the statement

The said statement has to be furnished electronically to the Director General of Income-tax (Systems) or any person authorised by him. The Director General of Income-tax (Systems) or any person authorised by him will forward such form to the Assessing Officer.

(3) Threshold limit of payments in respect of which particulars have to be included in the statement



Such statement would contain the particulars of **all payments exceeding ₹ 50,000 in the aggregate made by him or due from him to each such person** as is engaged by him in such production or specified activity.

(4) Meaning of "specified activity"

"Specified activity" means any –

(i) event management

(ii) documentary production,

(iii) production of programmes for telecasting on television or over the top platforms or any other similar platform,

(iv) sports event management,

(v) other performing arts or any other activity as the Central Government may, by notification in the Official Gazette, specify in this behalf.

18.10 OBLIGATION TO FURNISH STATEMENT OF FINANCIAL TRANSACTION OR REPORTABLE ACCOUNT [SECTION 508]

(1) Obligation to furnish statement of financial transaction / reportable account: Section 508 imposes an obligation on specified persons to furnish statement of financial transaction or



© The Institute of Chartered Accountants of India

reportable account. Thus, the section also provides for furnishing of statement by a prescribed reporting financial institution in respect of a specified financial transaction or reportable account to the prescribed income-tax authority.

(2) **Persons required to furnish statement:** As per section 508(1), the following persons, who are responsible for registering, or maintaining books of account or other document containing a record of any specified financial transaction or any reportable account as may be prescribed, under any law in force, shall furnish a statement regarding such specified financial transaction or such reportable account, which is registered or recorded or maintained by him and information relating to which is relevant and required for this Act to the income-tax authority or such other authority or agency as may be prescribed -

(a) an assessee;

(b) a prescribed person in the case of an office of Government;

(c) a local authority or other public body or association; or

(d) the Registrar or Sub-Registrar appointed under the Registration Act, 1908; or

(e) the registering authority empowered to register motor vehicles under the Motor Vehicles Act, 1988; or

(f) the Director General as referred to in section 2(a) of the Post Office Act, 2023; or

(g) the Collector referred to in the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013; or

(h) the recognised stock exchange referred to in the Securities Contracts (Regulation) Act, 1956; or

(i) an officer of the Reserve Bank of India; or

(j) a depository referred to in the Depositories Act, 1996; or

(k) a prescribed reporting financial institution; or

(l) any other person, as may be prescribed.

© The Institute of Chartered Accountants of India

(3) **Meaning of "Specified financial transactions":** It means any transaction -

(a) of purchase, sale or exchange of goods or property or right or interest in a property; or

(b) for rendering any service; or

(c) under a works contract; or

(d) by way of an investment made or an expenditure incurred; or

(e) for taking or accepting any loan or deposit,

Meaning of SFT

(4) Form, manner and due date for furnishing statement: The CBDT may prescribe different values for different transactions in respect of different persons having regard to the nature of such transaction.

On or before 31st May from the end of FY

Accordingly, as per Rule 237, the statement of financial transaction or reportable account shall be furnished in Form No. 165 and shall be verified in the manner indicated therein.

Accordingly, the statement of financial transactions has to be furnished on or before 31st May, immediately following the financial year in which the transaction is registered or recorded.

(5) Defective statement: Where the prescribed income-tax authority considers that the statement furnished under section 508(1) is defective, he may intimate the defect to the person who has furnished such statement and give him an opportunity of rectifying the defect within a period of **30 days** from the date of such intimation. The prescribed income-tax authority may allow, on an application made in this behalf, a further period of time, at his discretion.

Rectify the defect within 30 days

If the defect is not rectified within the said period of 30 days or, as the case may be, the further period so allowed, then, notwithstanding anything contained in any other provision of this Act, the provisions of this Act shall apply as if such person had furnished inaccurate information in the statement.

© The Institute of Chartered Accountants of India

(6) Failure to furnish statement: Where a person who is required to furnish a statement under section 508(1), has not furnished the same within the specified time, the prescribed income-tax authority may serve upon such person a notice requiring him to furnish such statement within a period not exceeding **thirty days** from the date of service of such notice and he shall furnish the statement within the time specified in the notice [Section 508(7)].



(7) Rectification of inaccurate information: If any person, having furnished a statement under section 508(1), or in pursuance of a notice issued under section 508(7), comes to know or discovers any inaccuracy in the information provided in the statement, he shall, within a period of **ten days** inform the income-tax authority or other authority or agency referred to in section 508(1), the inaccuracy in such statement and furnish the correct information in the prescribed manner [Section 508(8)]



(8) Power to prescribe registration, records and due diligence: Under section 508(9), the Central Government may, by way of rules, specify -

(i) the persons referred to in section 508(1) to be registered with the prescribed income-tax authority;

(ii) the nature of information and the manner in which such information shall be maintained by the persons referred to in point (i); and

(iii) the due diligence to be carried out by the persons for the purpose of identification of any reportable account referred to in section 508(1)

(9) **Furnishing of statement of financial transaction [Rule 237]**: The statement of financial transaction required to be furnished under section 508(1) of the Income-tax Act, 2025 shall be furnished by every person mentioned in column (3) of the Table below in respect of all the transactions of the nature and value specified in the corresponding entry in column (2) of the said Table, which are registered and recorded by him on or after 1st April, 2016.

© The Institute of Chartered Accountants of India

S. No.	Nature of transaction	Value of transaction	Class of person (reporting person)
(1)	(2)	(3)	(4)
1.	(a) Payment made in cash for purchase of bank drafts or pay orders or banker's cheque of	Amount, in a financial year in one or more account of a person, aggregating to, – (i) ₹ 10 lakh or more for a person having permanent account number; (ii) ₹ 5,00,000 or more for a person not having permanent account number	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)
	(b) Payments made in cash or otherwise for purchase of pre-paid instruments issued by Reserve Bank of India of the Payment and Settlement Systems Act, 2007	Amount aggregating to ₹ 10 lakh or more during the financial year.	
	(c) Cash deposits or cash withdrawals (including through bearer's cheque) in or from one or more current account of a person	Amount aggregating to ₹ 50 lakh or more in a financial year.	
2.	Cash deposits in one or more accounts (other than a current account and time deposit) of a person.	Cash deposits in a financial year in one or more account of a person, aggregating to,– (iii) ₹ 10 lakh or	(i) A banking company or a co-operative bank to which the Banking

© The Institute of Chartered Accountants of India

		more for a person having permanent account number; (iv) ₹ 5,00,000 or more for a person not having permanent account number	Regulation Act, 1949 applies (including any bank or banking institution referred to in section 51 of that Act); (ii) Post Master General as referred to in the Indian Post Office Act, 1898.
3.	One or more time deposits (other than a time deposit made through renewal of another time deposit) of a person.	Amount aggregating to ₹ 10 lakh or more in a financial year, for a person;	(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 Master General as referred to in the Indian Post Office Act, 1898; (iii) Nidhi referred to in section 406 of the Companies Act, 2013; (iv) NBFC which holds a certificate

© The Institute of Chartered Accountants of India

			of registration under section 45-IA of the Reserve Bank of India Act, 1934, to hold or accept deposit from public.
4.	Payments made by any person against bills raised in respect of one or more credit cards issued to that person, in a financial year.	Amount aggregating to (i) ₹ 1,00,000 or more in cash; or (ii) ₹ 10 lakh or more by any other mode.	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) or any other company or institution issuing credit card.
5.	Receipt from any person for acquiring bonds or debentures issued by the company or institution (other than the amount received on account of renewal of the bond or debenture issued by that company).	Amount aggregating to ₹ 10 lakh or more in a financial year, for a person;	A company or institution issuing bonds or debentures.
6.	Receipt from any person for acquiring shares (including share application money) issued by the company	Amount aggregating to ₹ 10 lakh or more in a financial year, for a person;	A company issuing shares
7.	Buy back of shares from any person (other than the shares bought in the open market)	Amount or value aggregating to ₹ 10 lakh or more in a financial year.	A company listed on a recognised stock exchange purchasing its own securities

© The Institute of Chartered Accountants of India

			under section 68 of the Companies Act, 2013.
8.	Receipt from any person for sale of foreign currency including any credit of such currency to foreign exchange card or expense in such currency through a debit or credit card or through issue of traveller's cheque or draft or any other instrument.	Amount, in a financial year in one or more account of a person, aggregating to, – (i) ₹ 10 lakh or more for a person having permanent account number; (ii) ₹ 5,00,000 or more for a person not having permanent account number	Authorised person as referred to in section 2(c) of the Foreign Exchange Management Act, 1999
9.	Purchase or sale or gift or joint development agreement of an immovable property by any person.	(i) Amount of ₹ 45 lakh or more; or (ii) Stamp Duty Value referred to in section 2(105) of the Act at ₹ 45 lakh or more.	Inspector-General appointed under the Registration Act, 1908 or Registrar or Sub-Registrar appointed under that Act
10.	Purchase of a stamp paper by any person.	(i) Amount of ₹ 2,00,000 or more in one transaction for a person having permanent account number; (ii) ₹ 1,00,000 or more in one transaction for a person not having permanent account number	Stock Holding Corporation of India Limited.
11.	Receipt from any person against insurance premium	Amount, in a financial year in one or more account of a person, aggregating	Insurer as defined in section 2(9) of the Insurance Act, 1938

© The Institute of Chartered Accountants of India

		to, – (i) ₹ 10 lakh or more for a person having permanent account number; (ii) ₹ 5,00,000 or more for a person not having permanent account number.	
12.	Receipt of cash payment for sale, by any person, of goods or services of any nature (other than those specified at Sl. Nos. 1 to 11 of this rule, if any.)	Amount exceeding ₹ 2,00,000	Any person who is liable for audit under section 63 of the Act.

(10) Manner of application of threshold limit: The reporting person mentioned in column (4) of the Table [other than the person at Sl.No.9, 10 and 12] shall, while aggregating the amounts for determining the threshold limit for reporting the amount in respect of any person as specified in column (3) of the said table,-

(a) take into account all the accounts of the same nature as specified in column (2) of the said Table maintained in respect of that person during the financial year;

(b) aggregate all the transactions of the same nature as specified in column (2) of the said Table recorded in respect of that person during the financial year;

(c) attribute the entire value of the transaction or the aggregated value of all the transactions to all the persons, in a case where the account is maintained, or transaction is recorded in the name of more than one person;

(d) apply the threshold limit separately to deposits and withdrawals in respect of transaction specified in item (c) under column (2), against Sl. No.1 of the said Table.

© The Institute of Chartered Accountants of India

(11) For the purposes of pre-filling the return of income, Rule 237(6) provides that the information relating to capital gains on transfer of listed securities or units of Mutual Funds, dividend income, and interest income mentioned in column (2) of Table below shall be furnished by the persons mentioned in column (4) of the said Table in such form, at such frequency, and in such manner, as may be specified by the Principal Director General of Income Tax (Systems) or the Director General of Income Tax (Systems), as the case may be, with the approval of the CBDT:

Sl. No.	Nature of transaction	Value of transaction	Class of person (reporting person)
(1)	(2)	(3)	(4)
1.	Capital gains on transfer of listed securities or units of Mutual Funds	All transactions	(i) Recognised Stock Exchange; (ii) Depository as defined in section 2(1)(e) of the Depositories Act, 1996 (iii) Recognised Clearing Corporation; (iv) Registrar to an issue and share transfer agent registered under section 12(1) of the SEBI Act, 1992
2.	Dividend income	All transactions	A company
3.	Interest income	All transactions	(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)

© The Institute of Chartered Accountants of India

			(ii) Post Master General as referred to in section 2(j) of the Indian Post Office Act, 1898 (iii) 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.

Note - *The information is to be reported for all account/deposit holders where any interest exceeds zero per account in the financial year excluding Jan Dhan Accounts [Notification No. 1/2023, dated 5.01.2023].*

Fee for Failure to Furnish Statement of Financial Transaction or Reportable Account on or before the specified due date [Section 427(3)]

Section 427(3) provides that where any person who is required to furnish a statement of financial transaction or reportable account, as required under section 508(1), fails to furnish such statement within the time prescribed under section 508(2) [i.e., on or before 31st May, immediately following the financial year in which the transaction is registered or recorded], he shall pay, by way of fee, a sum of ₹ **200** for every day during which the failure continues and such fee shall not exceed Rs. 1,00,000.



Penalty for Failure to Furnish Statement of Financial Transaction or Reportable Account within the period specified in the notice [Section 454]

Where any person, who is required to furnish a statement of financial transaction or reportable account under section 508(1), fails to furnish the statement of financial transaction or reportable account within the period specified in the notice under section 508(7), the income-tax authority prescribed under section 508(1) may impose a penalty of **₹ 1,000** for every day for which such failure continues,



© The Institute of Chartered Accountants of India

beginning from the day immediately after the period specified in such notice for furnishing such statement or reportable account expires and such penalty shall not exceed **₹ 1,00,000.**

As per section 470 no penalty is leviable under section 454 if the assessee proves that there was reasonable cause for the said failure.

ILLUSTRATION

A private bank has not filed its statement of financial transaction or reportable account in relation to the specified financial transactions for the financial year 2026-27. A notice was issued by the prescribed income-tax authority on 1st October, 2027 requiring the bank to furnish the statement by 31st October, 2027. The bank, however, furnished the statement only on 15th November, 2027. What would be the amount of fee or penalty or both leviable with respect to such defaults?

SOLUTION

(1)	(2)	(3)	(4)	
Non-compliance of section	**Fee/Penalty**	**Period**	**Quantum**	
			(2) × (3)	**(₹)**
508(1)	Fee of ₹ 200 per day of continuing default	1.6.2027 to 31.10.2027	153 days × ₹ 200	30,600
508(7)	Penalty of ₹ 1,000 per day of continuing default	1.11.2027 to 15.11.2027	15 days × ₹ 1,000	15,000
				45,600

Penalty for furnishing inaccurate statement of financial transaction or reportable account [Section 455

Section 455(1) provides for levy of penalty in case of **a person referred to in section 508(1)** who is required to furnish a statement of financial transaction or reportable account, where such person provides inaccurate information in the statement. In such a case, the income-tax authority prescribed under section 508 may direct levy of penalty of ₹ 50,000, if the persons:

© The Institute of Chartered Accountants of India

(i) provides inaccurate information in the statement or fails to furnish correct information within the period specified under section 508(8); or

(ii) fails to comply with the due diligence requirement prescribed under section 508(9).

Section 455(2) provides that the prescribed income-tax authority referred to in section 508, shall direct that reporting financial institution referred to in section 508(1)(k) of the Act, shall, in addition to the penalty under sub-section (1) of this section, if any, pay a sum of ₹ 5000 for every inaccurate reportable account, if -

(a) the said institution provides inaccurate information in the statement required to be furnished under section 508(1); and

(b) the inaccuracy in the said statement is due to false or inaccurate information furnished by the holder or holders of the relevant reportable account or accounts.

Section 455(3) provides that where such penalty is paid by the reporting financial institution, such institution would be entitled to –

(a) recover the sum so paid on behalf of such reportable account holder; or

(b) retain an amount equal to the sum so paid out of any moneys that may be in its possession, or may come to it from every such account holder.

18.11 OBLIGATION TO FURNISH INFORMATION ON TRANSACTION OF CRYPTO-ASSET [SECTION 509]

(1) **Obligation to furnish statement of crypto-asset transaction:** Section 509(1) imposes an obligation on prescribed reporting entities to furnish a statement in respect of a transaction of crypto-asset. The statement shall be furnished for such period, within such time, in such form and manner and to such income-tax authority as may be prescribed.

© The Institute of Chartered Accountants of India

Accordingly, Rule 243 prescribe that the statement shall be furnished by 31st May of the calendar year following the year to which the information relates. Further, the statement shall be furnished to the Director of Income-tax (Intelligence and Criminal Investigation) or the Joint Director of Income-tax (Intelligence and Criminal Investigation) through online transmission of electronic data to a server designated for this purpose under the digital signature in accordance with the data structure specified in this regard by the Director General of Income-tax (Systems).



(2) **Defective statement:** Where the prescribed income-tax authority considers that the statement furnished under sub-section (1) is **defective**, he may intimate the defect to the person who has furnished such statement and give him an opportunity of rectifying the defect within **30 days** from the date of such intimation or such further period as may be allowed, and if the defect is not rectified within such period, the provisions of the Income-tax Act, 2025 shall apply as if such person had furnished inaccurate information in the statement.

(3) **Failure to furnish statement:** Where a person who is required to furnish a statement under sub-section (1) has not furnished the same within the specified time, the prescribed income-tax authority may serve upon such person a notice requiring him to furnish such statement within a period not exceeding **30 days** from the date of service of such notice and he shall furnish the statement within the time specified in the notice.

(4) **Rectification of inaccurate information: I**f any person, having furnished a statement under sub-section (1), or in pursuance of a notice issued under sub-section (3), comes to know or discovers any inaccuracy in the information provided in the statement, he shall within 10 days inform the prescribed income-tax authority the inaccuracy in such statement and furnish the correct information in such manner as may be prescribed.

(5) **Power to prescribe registration, records and due diligence:** The Central Government may, prescribe

(a) the persons to be registered with the prescribed income-tax authority;

© The Institute of Chartered Accountants of India

(b) the nature of information and the manner in which such information shall be maintained by the persons; and

(c) the due diligence to be carried out by the persons for the purpose of identification of any crypto-asset user or owner.

(6) Meaning of crypto-asset: "Crypto-asset" being a digital representation of value that relies on a cryptographically secured distributed ledger or a similar technology to validate and secure transactions as defined in section 2(111)(d).

(7) Penalty for failure to furnish information or for furnishing inaccurate information on transaction of crypto-asset [Section 446]

If any person who is required to furnish a statement in respect of a transaction of a crypto-asset under section 509(1) fails to furnish such statement within the time prescribed under the said section, the prescribed income-tax authority under that section may impose on him a penalty of ₹ 200 for every day for which such failure continues.

The prescribed income-tax authority may impose a penalty of ₹ 50,000 on such person, if he -

(a) provides inaccurate information in the statement and fails to remove such inaccuracy as per section 509(4); or

(b) fails to comply with the due diligence requirement under section 509(5).

18.12 ANNUAL INFORMATION STATEMENT [SECTION 510]

(1) Uploading of Annual Information Statement: The prescribed income-tax authority or the person authorised by such authority has to upload in the registered account of the assessee, an annual information statement in the prescribed form and manner and within the prescribed time along with the prescribed information in possession of the said authority.



© The Institute of Chartered Accountants of India

(2) Prescribed authority and form to be uploaded: Accordingly, as per Rule 245, the Director General of Income-tax (Systems) or any person authorised by him shall, under section 510, upload in the registered account of the assessee an annual information system in Form No. 168 **within 90 days from the end of the month in which the information is received by him.**

(3) Information to be included in Annual Information Statement: The Annual Information Statement may contain the following information:

Sl. No.	Nature of information
(i)	Information relating to tax deducted or collected at source
(ii)	Information relating to specified financial transaction
(iii)	Information relating to payment of taxes
(iv)	Information relating to demand and refund
(v)	Information relating to pending proceedings
(vi)	Information relating to completed proceedings
(vii)	Any other information authorised in relation to sub-rule 2

(4) Additional information that may be included: The CBDT may also authorise the Director General of Income-tax (Systems) or any person authorised by him to upload any information received

- ❖ from any officer, authority or body performing any function under any law or
- ❖ under an agreement referred to in section 159 or
- ❖ from any other person

to the extent as it may deem fit in the interest of the revenue in the annual information statement.

(2) **Meaning of registered account:** "Registered account" means the electronic filing account registered by the assessee in designated web portal.

© The Institute of Chartered Accountants of India

18.13 PUBLICATION OF INFORMATION [SECTION 512]

(1) **Power to publish names and particulars:** If the Central Government is of the opinion that it is necessary or expedient in the public interest, it may publish the names of any assessees and any other particulars relating to any proceedings or prosecutions under this Act.



Such publication may be made in such manner as the Central Government thinks fit.

(2) **Restriction in case of penalty**: No publication shall be made in respect of any penalty imposed under this Act until -



- ❖ the time allowed for filing appeal to the Joint Commissioner (Appeals) or Commissioner (Appeals) has expired and no appeal has been filed, or
- ❖ where an appeal has been filed, the appeal has been disposed of.

(3) **Publication of names of persons connected with assessee:** Where the assessee is a firm, company, or association of persons, the Central Government may also publish the names of related persons, if the circumstances justify.

Such persons may include:

- ❖ Partners of a firm
- ❖ Directors, Managing agents, Secretaries and treasurers or Managers of a company
- ❖ Members of association

if the Central Government is of the opinion that the facts of the case require such publication.

© The Institute of Chartered Accountants of India

18.14 APPEARANCE BY REGISTERED VALUERS [SECTION 513]

(1) **Right to appear through registered valuer:** Any assessee, entitled or required to attend before any income-tax authority or the Appellate Tribunal in matters relating to the valuation of any asset, may attend through a registered valuer.

(2) **Exception – Personal appearance required:** However, he cannot through registered valuer, where the assessee is required to attend personally for examination on oath or affirmation under section 246.

(3) **Meaning of registered valuer:** For the purposes of this section, the expression "registered valuer" means a person registered as a valuer under section 514.

18.15 REGISTRATION OF VALUERS [SECTION 514]

(1) **Maintenance of register of valuers:** The Principal Chief Commissioner or Chief Commissioner, or the Principal Director General or Director General, shall maintain a register of valuers. The names and addresses of persons registered as valuers shall be entered in such register.



(2) **Application for registration as valuer:** Any person possessing the prescribed qualifications[3] for valuing a specified class of assets may apply to the Principal Chief Commissioner or Chief Commissioner, or the Principal Director General or Director General, for registration as a valuer.

The application shall be:

- ❖ in the prescribed form,
- ❖ verified in the prescribed manner, and
- ❖ accompanied by the prescribed fee[4].

---

[3] *Rule 247 of the Income-tax Rule, 2026 prescribe qualifications.*
[4] *Rule 246 prescribe form and fee*

© The Institute of Chartered Accountants of India

The applicant shall also give a declaration that he will:

- ❖ conduct an impartial and true valuation of the asset,
- ❖ furnish valuation report in the prescribed form,
- ❖ charge fees not exceeding the prescribed rates, and
- ❖ not undertake valuation of any asset in which he has direct or indirect interest.

(3) **Form of valuation report:** The valuation report prepared by a registered valuer for any asset shall be in such form and verified in such manner, as may be prescribed.

18.16 APPEARANCE BY AUTHORISED REPRESENTATIVE [SECTION 515]

(1) **Appear before income-tax authority or the Appellate Tribunal through authorised representative:** An assessee who is required or entitled to attend before any Income-tax Authority or the Appellate Tribunal in connection with any proceeding under the Act may appear through an authorised representative.



However, this is not allowed where the assessee is required to appear personally for examination on oath or affirmation under section 246 [it relates to powers regarding discovery, inspection, examining on oath etc. of Income-tax authorities]

(2) **Meaning of Authorised Representative:** An authorised representative means a person authorised in writing by the assessee to appear on his behalf.

Persons who can act as Authorised Representative:

- ❖ A person related to or regularly employed by the assessee
- ❖ Any officer of scheduled bank with which the assessee maintains current account or having regular dealings with assessee
- ❖ Any legal practitioner entitled to practice in civil court in India

© The Institute of Chartered Accountants of India

- ❖ An Accountant, being a Chartered Accountant with valid certificate of practice (COP)
- ❖ Any person passed accountancy examination recognized by the Board[5].
- ❖ Any person having prescribed educational qualifications[6]
- ❖ Any person who, before the coming into force of the Income-tax Act, 1961 in the Union territory of Dadra and Nagar Haveli, Goa, Daman and Diu, or Pondicherry, attended before an income-tax authority in the said territory on behalf of any assessee otherwise than as an employee or relative of that assessee; or
- ❖ Any person who was an authorised representative under the Income-tax Act, 1961
- ❖ Any other person as prescribed.

Accordingly, Rule 254 prescribes that any other person, in respect of a company or a limited liability partnership, as the case may be, shall be the person appointed by the Adjudicating Authority (i.e., National Company Law Tribunal constituted under section 408 of the Companies Act, 2013) for discharging the duties and functions of an interim resolution professional, a resolution professional, or a liquidator, as the case may be, under the Insolvency and Bankruptcy Code, 2016 and the rules and regulations made thereunder.

(3) Meaning of Accountant: Accountant means a Chartered Accountant with valid certificate of practice, but the following persons cannot act as an accountant in specific cases.

	Assessee	Person
(i)	Company	A person who is not eligible for appointment as an auditor of the said company under section 141(3) of the Companies Act, 2013, namely, (a) A body corporate other than a limited liability partnership registered under the Limited Liability Partnership Act, 2008;

[5] *Rule 251 prescribe the accountancy examination recognized by the Board*
[6] *Rule 252 prescribe education qualifications*

© The Institute of Chartered Accountants of India

		(b) an officer or employee of the company (c) a person who is a partner, or who is in the employment, of an officer or employee of the company (d) a person who, or his relative or partner – (i) is holding any security of or interest in the company or its subsidiary, or of its holding or associate company or a subsidiary of such holding company[7] (ii) is indebted to the company, or its subsidiary, or its holding or associate company or a subsidiary of such holding company, in excess of ₹ 5 lakh. (iii) has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, or its subsidiary, or its holding or associate company or a subsidiary of such holding company, in excess of ₹ 1 lakh. (e) a person or a firm who, whether directly or indirectly, has business relationship with the company, or its subsidiary, or its holding or associate company or subsidiary of such holding company or associate company of such nature as may be prescribed. (f) a person whose relative is a director or is in the employment of the company as a director or key managerial personnel. (g) a person who is in full time employment elsewhere or a person or a partner of a firm holding appointment as its auditor, if such persons or partner is at the date of such appointment or reappointment holding

[7] *However, the relative may hold security or interest in the company of face value not exceeding ₹ 1,000 or such sum as may be prescribed.*

© The Institute of Chartered Accountants of India

		appointment as auditor of more than 20 companies (h) a person who has been convicted by a court of an offence involving fraud and a period of 10 years has not elapsed from the date of such conviction (i) any person whose subsidiary or associate company or any other form of entity, is engaged as on the date of appointment in consulting and specialised services as provided in section 144 of the Companies Act, 2013.
(ii)	Individual	The assessee himself or his relative
(iii)	Firm	Partner of the firm or his relative
(iv)	AOP	Member of the AOP or his relative
(v)	HUF	Member of the HUF or his relative
(vi)	Trust or Institution	(1) The author or founder of the registered non-profit organization or his relative (2) Any person whose total contribution to such registered non-profit organisation, during the relevant tax year exceeds ₹ 1 lakh or, in aggregate up to the end of the relevant tax year exceeds ₹ 10 lakh or his relative (3) Where such author, founder or person is a HUF, a member of the HUF or relative of such member (4) Any trustee or manager of the registered non-profit organisation, or relative of the trustee or manager
(vii)	Any other person	The person who is competent to verify the return under section 263 in accordance with the provisions of section 265 or his relative.
(viii)	Any assessee referred to in (ii) to (vii)	(1) An officer or employee of the assessee (2) An individual who is a partner, or who is in the employment, of an officer or employee of the assessee. (3) An individual who, or his relative or partner -

© The Institute of Chartered Accountants of India

		(I) is holding any security of, or interest in, the assessee and the face value of such security or interest held by his relative does not exceed ₹ 1 lakh. (II) is indebted to the assessee and such debt in case of his relative does not exceed ₹ 1 lakh. (III) has given a guarantee or provided any security in connection with the indebtedness of a third person to the assessee and such relative gives a guarantee or provides security for an amount not exceeding ₹ 1 lakh. (4) a person who, whether directly or indirectly, has business relationship with the assessee of such nature as may be prescribed[8]. (5) a person convicted by a court of an offence involving fraud and a period of ten years has not elapsed from the date of such conviction.

(4) Persons disqualified from being Authorised Representative: The following persons shall **not** be qualified to represent an assessee:

(i) **A person who has been dismissed or removed from Government service** - Such person can never be an authorized representative.

(ii) **A person who has been convicted of an offence** connected with any income-tax proceeding or on whom a penalty has been imposed under this Act other than a penalty imposed on him under section 465(1)(d)[9] - In this case, the person will be disqualified for such time as the Principal Chief Commissioner or Chief



[8] *Rule 253 provide the meaning of business relationship.*

[9] *Section 465(1)(d) provide for the Penalty for failure to comply with the notice issued under section 268 for inquiry etc.*

© The Institute of Chartered Accountants of India

Commissioner or the Principal Commissioner or Commissioner may, by order, determine.

(iii) **A person has become insolvent -** In this case, he will be disqualified for a period during which the insolvency continues.

(iv) **A person convicted by a court of an offence involving fraud -** He shall not be eligible to act as authorised representative for a period of 10 years from the date of such conviction.

(5) Misconduct by representative:

(A) Legal practitioner / accountant guilty of misconduct: If any person is a legal practitioner or an accountant and is found guilty of misconduct in his professional capacity by any authority entitled to institute disciplinary proceedings against him, an order passed by that authority shall have effect in relation to his right to attend before an income-tax authority as it has in relation to his right to practice as a legal practitioner or accountant.

(B) Not a legal practitioner or an accountant: If a person is not a legal practitioner or an accountant and is found guilty of misconduct in connection with any income-tax proceedings by the prescribed authority, the prescribed authority, may direct that he shall henceforth be disqualified to represent an assessee.

(6) Conditions to be satisfied before disqualification: Before any order or direction of disqualification under point 4(ii) or 5(B) above is made, the following conditions must be satisfied:

(a) Opportunity of being heard must be given: No such order or direction shall be made in respect of any person unless he has been given a reasonable opportunity of being heard

(b) Appeal can be filed to Board within 1 month: Any person against whom any such order or direction is made, may within one month of the making of the order or direction, may appeal to the Board to have the order or direction cancelled.

(c) Order effective after 1 month or after appeal disposal: No such order or direction shall take effect until the expiration of one month

© The Institute of Chartered Accountants of India

from the making thereof or, where an appeal has been preferred, until the disposal of the appeal.

(7) Earlier disqualification continues: A person disqualified to represent an assessee under Indian Income-tax Act, 1922/1961 shall stand disqualified under this Act also.

(8) Meaning of the term "relative" for the purpose of section 515.

"Relative", in relation to an individual, means -

(a) spouse of the individual;

(b) brother or sister of the individual;

(c) brother or sister of the spouse of the individual;

(d) any lineal ascendant (maternal or paternal) or descendant of the individual;

(e) any lineal ascendant (maternal or paternal) or descendant of the spouse of the individual;

(f) spouse of a person referred to in clause (b), (c), (d) or (e);

(g) any lineal descendant of a brother or sister of either the individual or the spouse of the individual.

18.17 ROUNDING OFF OF AMOUNT OF TOTAL INCOME, OR AMOUNT PAYABLE OR REFUNDABLE AND RECEIPT TO BE GIVEN [SECTION 516 & 517]

As per section 516, the amount of total income computed or any amount payable or refundable under this Act, shall be rounded off to the nearest multiple of ₹ 10 ignoring any part of a rupee consisting of paise and thereafter if such amount is not a multiple of ten, then -

(a) such amount shall be increased to the next higher amount which is a multiple of ten, if the last figure in that amount is five or more; or

© The Institute of Chartered Accountants of India

(b) such amount shall be reduced to the next lower amount which is a multiple of ten, if the last figure is less than five,

and the amount so rounded off shall be deemed to be the total income of the assessee or the amount payable or refundable, as the case may be, under this Act.

As per section 517, A receipt shall be given for any money paid or recovered under this Act.

18.18 INDEMNITY [SECTION 518]

As per section 518, every person deducting, retaining, or paying any tax in pursuance of this Act in respect of an income belonging to another person shall be indemnified for the deduction, retention, or payment thereof.

18.19 RETURN OF INCOME ETC. NOT TO BECOME INVALID [SECTION 522]

(1) Validity of return, notice, assessment, summons, etc.: Section 522 provides that no return of income, order of assessment, notice, summons or other proceedings furnished or made or taken or purported to have been furnished or made in pursuance of any of the provisions of the Income-tax Act, 2025 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 Income-tax Act, 2025.



The provision, thus, enables tax authorities to accept returns and other documents and tax payers 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.

© The Institute of Chartered Accountants of India



While passing an assessment order, the Assessing Officer writes Tax Year 2026-27 instead of 2027-28 in one place, but the entire order relates to T.Y. 2027-28.

Such a clerical mistake will not make the assessment invalid, because the order is in substance in conformity with the Act.

(2) Mistake in quoting Document Identification Number (DIN): No assessment under any of the provisions of this Act shall be invalid on the ground of any mistake, defect or omission in quoting of a computer-generated DIN, if the assessment order is referenced by such number in any manner.

(3) Validity of Approval Granted by Income-tax Authority: Irrespective of anything contained in this Act, any approval given by an income-tax authority in relation to any assessment, reassessment or recomputation proceedings shall be deemed to be administrative and supervisory in nature and, shall not be invalid by reason of any insufficiency of the reasons recorded or by reason of any defect in the form or manner of its authentication or communication including whether digital signature have been appended to such approval or not, where such approval has been granted electronically.

18.20 NOTICE DEEMED TO BE VALID IN CERTAIN CIRCUMSTANCES [SECTION 523]

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 under this Act, which is required to be served upon him, has been duly served upon him in time as per the provisions of this Act and such assessee shall be precluded from taking any objection in any proceeding or inquiry under this Act that the notice was -

Appeared in proceedings or Co-operated in enquiry

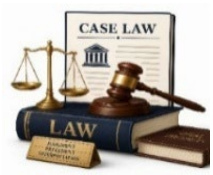
(a) not served upon him; or

(b) not served upon him in time; or

(c) served upon him in an improper manner.

© The Institute of Chartered Accountants of India

However, such deeming provision would not apply where the assessee has raised an objection (regarding non-service of notice or non-service of notice in time or improper service of notice) before the completion of such assessment or reassessment.



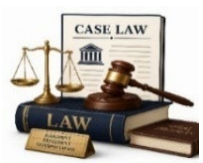
CIT v. Laxman Das Khandelwal (2019) 417 ITR 325

Issue: Is the omission to issue notice u/s 270(8) a defect not curable in spite of section 523, inspite of participation by the assessee in assessment proceedings?

Analysis and Decision: The Apex Court obseved that the Assessing Officer could not assume jurisdiction without the statutory notice u/s 270(8).

According to section 523, if the assessee had participated in the proceedings, by way of legal fiction, notice issued would be deemed to be valid even if there be infractions as detailed in the said section. The scope of the provision is to make service of notice having certain infirmities to be proper and valid if there was requisite participation on the part of the assessee. It is, however, to be noted that the section does not save complete absence of issue of notice. **For section 523 to apply, the notice must have emanated from the Department. It is only the infirmities in the manner of service of notice that the section seeks to cure.** The section is not intended to cure complete absence of notice itself.

Non-issuance of notice u/s 270(8) is not a curable defect u/s 523 inspite of participation by the assessee in assessment proceedings.



Principal CIT v. Maruti Suzuki India Ltd. (2019) 416 ITR 613

Issue: Is notice issued u/s 270(8) and 268(1) to the amalgamating company, after approval of the Scheme of amalgamation by the High Court and intimation of the same to the A.O., a defect not curable u/s 523?

Analysis and Decision: *The Supreme Court held that* the consequence of the scheme of amalgamation approved u/s 232 of the Companies Act, 2013 was that the amalgamating company ceased to exist. It could not thereafter be regarded as a person u/s 2(31) against which assessment proceedings could be initiated or an order of assessment made. Notice u/s 270(8) was issued to the amalgamating company. Prior to the date on which the jurisdictional notice u/s 270(8) was issued, the scheme of amalgamation had been approved by the High Court.

© The Institute of Chartered Accountants of India

Since the notice u/s 270(8) was issued in the name of the amalgamating company in spite of the fact that the amalgamated company had, prior to that date, addressed a communication to the Assessing Officer intimating the fact of amalgamation, **the initiation of assessment proceedings against an entity which had ceased to exist was *void ab initio*.** Further, participation in the proceedings by the amalgamated company would not cure this illegality.

18.21 BAR OF SUITS IN CIVIL COURTS [SECTION 526]

No suit shall be brought in any civil court to set aside or modify any proceeding taken or order made under this Act, and no prosecution, suit or other proceeding shall lie against the Government or any officer of the Government for anything in good faith done or intended to be done under this Act.

18.22 POWER OF CENTRAL GOVERNMENT OR BOARD TO CONDONE DELAYS IN OBTAINING APPROVAL [SECTION 528]

Where, the approval of the Central Government or the Board is required to be obtained before a specified date under this Act, it shall be open to the Central Government or the Board to condone, for sufficient cause, any delay in obtaining such approval.

18.23 POWER TO WITHDRAW THE APPROVAL GRANTED [SECTION 529]

Where the Central Government or the Board or an income-tax authority, has the power to grant any approval under any provision of this Act to any assessee, the Central Government or the Board or such income-tax authority may, withdraw such approval at any time after recording the reasons therefor, even if such provision does not specifically allow for its withdrawal, after giving such assessee a reasonable opportunity of being heard.

© The Institute of Chartered Accountants of India

18.24 ACT TO HAVE EFFECT PENDING LEGISLATIVE PROVISION FOR CHARGE OF TAX [SECTION 530]

If on the 1st April in any tax year, provision has not yet been made by a Central Act for the charging of income-tax for that tax year, this Act shall nevertheless have effect until such provision is so made, as if the provision in force in the preceding tax year or the provision proposed in the Bill then before The Parliament, whichever is more favourable to the assessee, were actually in force.

18.25 POWER TO FRAME SCHEMES [SECTION 532]

(1) **Power to frame schemes:** The Central Government may, by notification, make schemes for the purposes of the Act to ensure greater efficiency, transparency and accountability by

- ❖ eliminating direct interface between the assessee and the income-tax authorities to the extent technologically feasible
- ❖ optimising utilisation of resources through economies of scale and functional specialisation.

(2) **Power to modify provisions for implementing scheme:** For the purpose of giving effect to the scheme, the Central Government may direct, by notification, that any provision of the Act shall not apply or shall apply with such exceptions, modifications or adaptations as may be specified in the notification.

(3) **Modification of existing schemes:** Where any scheme has already been notified under the Income-tax Act, 1961 for eliminating interface with the assessee or for similar purposes, the Central Government may amend or modify such scheme in accordance with the provisions relating to framing of schemes, and the power to make exceptions or modifications shall apply accordingly.

(4) **Laying before Parliament:** Every notification issued for framing, modifying or implementing a scheme shall be laid before each House of Parliament as soon as possible after it is issued.

© The Institute of Chartered Accountants of India

18.26 POWER TO MAKE RULES [SECTIONS 533 AND 534]

(1) Power to make rules: Section 533 authorises the CBDT to make rules by notification for carrying out the purposes of the Act. The powers of the Board in this regard are subject to the supervision and control of the Central Government. These rules mainly relate to procedure, computation, forms, authorities, relief, appeals, returns, verification, and other administrative matters required for proper implementation of the Act. The rules may provide for matters such as:



- Ascertainment and Determination of any class of income.
- Procedure for computation of income in special cases, such as:
  - income partly agricultural and partly business,
  - persons residing outside India,
  - operations carried out in India by non-resident,
  - transactions of non-resident,
  - persons assessed in special situations.
- Method for valuation of perquisites.
- Rate/percentage of depreciation on assets.
- PAN application, form, manner, particulars and quoting of PAN.
- Electronic filing of return, form, manner and documents not required to be attached.
- Form of audit report / inventory valuation report.
- Procedure for giving effect to Double Taxation Relief Agreements.
- Procedure for foreign tax relief.
- Form and manner of applications for refunds.
- Verification of documents.
- Procedure for refund applications.
- Calculation of interest payable by assessee or Government.

© The Institute of Chartered Accountants of India

- ❖ Form, manner and fee for appeals / cross-objections.
- ❖ Conditions for admitting additional evidence before appellate authority.
- ❖ Any other matter required to be prescribed under the Act.

(2) **Estimation of income where exact determination is not possible:** Where income liable to tax cannot be definitely ascertained or can be determined only with unreasonable difficulty or expense, the rules may provide for estimation of such income or may specify the proportion of income which shall be treated as taxable, and an assessment made on such basis shall be deemed to be valid.

(3) **Retrospective effect of rules:** The power to make rules also includes the power to give retrospective effect to the rules from a date not earlier than the commencement of the Act, but such retrospective effect shall not be given so as to prejudicially affect the interests of the assessees unless the Act expressly permits it.

(4) **Laying of rules before Parliament:** Section 534 provides that the Central Government shall cause -

- ❖ every rule made under this Act,
- ❖ every rule of procedure framed by the Appellate Tribunal under scetion 364, and
- ❖ every notification issued under sections 263(3) and 264 and Chapter XIII-G

shall be laid before each House of Parliament as soon as possible after it is made or issued, for a total period of thirty days which may be comprised in one session or in two or more successive sessions. If both Houses of Parliament agree in making any modification in the rule or notification, or agree that the rule should not be made or the notification should not be issued, the rule or notification shall thereafter have effect only in such modified form or shall cease to have effect, as the case may be.

However, any such modification or annulment shall not affect the validity of anything previously done under that rule or notification.

In exercise of the powers conferred on it by this section, the Board, subject to the control of the Central Government and the laying requirement under section 534, has framed the Income-tax Rules, 2026.

© The Institute of Chartered Accountants of India

18.27 REMOVAL OF DIFFICULTIES [SECTION 535]

(1) **Power to remove difficulties:** If any difficulty arises in giving effect to the provisions of the Act, the Central Government may, by general or special order, do anything which is not inconsistent with the provisions of the Act and which appears to be necessary or expedient for the purpose of removing such difficulty.

(2) **Power to make adaptations or modifications:** Such orders may specify the manner in which the provisions of the Income-tax Act, 1961 shall apply in relation to assessments for the tax year ending on 31st March, 2026 or for any earlier tax year, so that the transition to the new Act can be carried out properly.

(3) **Time limit for issuing order:** No order for removal of difficulties shall be made after the expiry of three years from 1st April, 2026.

(4) **Laying before Parliament:** Every order made for removal of difficulties shall be laid before each House of Parliament as soon as possible after it is made.

18.28 REPEAL AND SAVINGS [SECTION 536]

(1) **The Income-tax Act, 1961 is hereby repealed.**

(2) **Saving of Earlier Actions and Rights:** Irrespective of the repeal of the Income-tax Act, 1961 (herein referred to as the repealed Income-tax Act), and subject to sub-section (4) -

(a) **Validity of Earlier Actions:** nothing shall affect the previous operation of the repealed Income-tax Act and orders or anything duly done or suffered thereunder; or

(b) **Saving of Existing Rights and Liabilities:** nothing shall affect any right, privilege, obligation or liability acquired, accrued or incurred under the repealed Income-tax Act or orders under such repealed Act;

(c) **Continuation of Proceedings for Earlier Tax Years under the repealed Act:** The provisions of the repealed Income-tax Act shall continue to apply to any proceeding pending on the date of

© The Institute of Chartered Accountants of India

commencement of this Act and to any proceedings initiated on or after the 1st April, 2026 (including notices, assessment, reassessment, recomputation, rectification, penalty, reference, revision and appeals) in respect of any tax year beginning before the 1st April, 2026 and such proceedings shall be carried out as per the procedure specified in the repealed Income-tax Act;

(d) **Penalty Proceedings for Earlier Tax Years:** Any proceeding for the imposition of a penalty in respect of any tax year beginning before the 1st April, 2026, may be initiated and any such penalty may be imposed under the repealed Income-tax Act, as if this Act had not been enacted;

(e) **Continuation of Pending Appeals and Other Proceedings:** Any proceeding pending on the commencement of this Act before any income-tax authority or any other authority constituted under the repealed Income-tax Act, Appellate Tribunal, or any court, by way of application, appeal, reference or revision or by any other means, shall be continued and disposed of as if this Act had not been enacted;

(f) **Continuation of Existing Elections, Declarations and Options:** Any election or declaration made, or option exercised, by an assessee under any provision of the repealed Income-tax Act and in force immediately before the commencement of this Act shall be deemed to have been an election or declaration made, or option exercised, under the corresponding provision of this Act.

(g) **Interest on Refunds and Delayed Payments:** Where in respect of any proceeding relating to any tax year beginning before the 1st April, 2026,-

(i) a refund falls due on or after such date; or

(ii) default is made on or after such date, in the payment of any sum due under such proceeding, the provisions of the repealed Income-tax Act, relating to the interest payable by the Central Government on refunds or the interest payable by the assessee for default, shall apply for the period on or after such date, subject to the effect that—

(A) the rate of interest on refund or on the default, as the case may be, as provided in the repealed Income-tax Act has

© The Institute of Chartered Accountants of India

been substituted with the rate as provided in the corresponding provisions of this Act; and

(B) such substitution shall apply from the date on which such rate has been modified under this Act;]

(h) Taxability of amounts required to be included in a later years on account of violation of specified conditions: Where any sum has been allowed as a deduction or has not been included in the total income of any person, either on account of fulfilment of certain conditions or for any other reason, for any tax year beginning before the 1st April, 2026, and such sum was required to be included in the total income of any subsequent tax year including beginning on or after the 1st April, 2026 under the repealed Income-tax Act, if it had not been so repealed, on account of violation of such conditions or for any other reason, then such sum shall be –

(i) deemed to be the income of such subsequent tax year; and

(ii) included in the total income of the said person under the same head of income as it would have been included under the repealed Income-tax Act;

(i) Recovery of Amounts Payable: Any sum payable under the repealed Income-tax Act may be recovered under this Act without prejudice to any action already taken for the recovery of such sum under repealed Income-tax Act;

(j) Continuation of existing agreements, orders, notifications, rules and schemes: any agreement entered into, appointment made, approval given, recognition granted, circular, direction, instruction, notification, order or rule or any scheme framed therein issued under any provision of the repealed Income-tax Act shall, so far as it is not inconsistent with the corresponding provisions of this Act, be deemed to have been entered into, made, granted, given or issued under the corresponding provision of this Act and shall continue in force accordingly;

(k) Expired time limits not revived: Where the period provided for any application, appeal, reference or revision under the repealed Income-

© The Institute of Chartered Accountants of India

tax Act had expired on or before the commencement of this Act, nothing in this Act shall be construed as enabling any such application, appeal, reference or revision to be made under this Act by reason only of the fact that a longer period therefor is prescribed or provision is made for extension of time in suitable cases by the appropriate authority;

(l) **Continuation of Tax Credit**: any amount of credit, in respect of tax paid, allowable to be carried forward in the case of an assessee, under the provisions of section 115JAA or 115JD of the repealed Income-tax Act for the tax year beginning before the 1st April, 2026, had the Income-tax Act, 1961 not been repealed, -

(i) shall be deemed to be the amount eligible for credit under corresponding provisions or section 206(3) or (4) of this Act, as the case may be in the case of said assessee; and

(ii) credit for the tax paid under the repealed Income-tax Act shall be allowed under this Act for the period for which it would have been allowed under the repealed Income-tax Act if the assessee otherwise continues to satisfy the conditions as specified in the corresponding provisions or section 206(3) or (4) of this Act, as the case may be in such tax years;

(m) **Carry Forward and Set-off of Certain Losses:** Any amount of loss under the source or head of income specified in column B of the Table given below and referred to in the section of the repealed Income-tax Act specified in column C of the said Table, brought forward for the tax year beginning before the 1st April, 2026 had the Income-tax Act, 1961 not been repealed, shall be set off and carried forward against the income computed under this Act, in the manner provided in the respective section of the repealed Income-tax Act specified in column C of the said table, for the tax years beginning on or after the 1st April, 2026:

© The Institute of Chartered Accountants of India

TABLE

Sl. No.	Source or head of income under the repealed Income-tax Act	Section of the repealed Income-tax Act
A	**B**	**C**
1.	Income from house property.	71B.
2.	Profits and gains of business or profession.	72.
3.	Speculation business.	73.
4.	Specified Business.	73A.
5.	Activity of owning and maintaining race horses.	74A.

(n) **Carry Forward of Capital Losses:** any amount of loss under the head capital gains, whether related to a long-term capital asset or a short term capital asset, referred to in section 74 of the repealed Income-tax Act, brought forward from the tax year beginning before the 1st April, 2026 had the Income-tax Act, 1961 not been repealed, shall be carried forward and set off, in accordance with the manner provided in the repealed Income-tax Act, against the income under the head "Capital gains" computed under this Act for any tax year beginning on or after the 1st April, 2026 **upto eight financial years immediately succeeding** the financial year in which such loss was **first computed under the repealed Income-tax Act;**

(o) **Set-off or Depreciation Allowed in Certain Business Reorganisations:** Any set off of loss or allowance for depreciation made in any tax year beginning before the 1st April, 2026 in the hands of the amalgamated company, successor company or the successor limited liability partnership, in accordance with the provisions of section 72A of the repealed Income-tax Act, shall be deemed to be the income of the amalgamated company, successor company or the successor limited liability partnership, as the case may be, chargeable to tax under this Act for the year in which any of the conditions specified in that section are not complied with;

© The Institute of Chartered Accountants of India

(p) **Set-off Allowed to a Successor Co-operative Bank:** any set off of accumulated loss or unabsorbed depreciation allowed in any tax year beginning before the 1st April, 2026 to the successor co-operative bank, in accordance with the provisions of section 72AB of the repealed Income-tax Act, shall be deemed to be the income of the successor co-operative bank chargeable to tax under this Act for the year in which any of the conditions specified in that section are not complied with;

(q) **Taxability of gains on certain earlier transfers:** Any amount of profits or gains arising out of transfer of capital asset not charged under the head "capital gains" by virtue of the provisions contained in section 47(iv), (v), (xiii), (xiiib) or (xiv) of the repealed Income-tax Act in any tax year beginning before the 1st April, 2026 shall be deemed to be the income chargeable under the head "Capital gains" under this Act, for the tax year –

(A) in which the transfer took place if any of the conditions laid down in section 47A(1)(i) or (ii) of the repealed Income-tax Act are satisfied; or

(B) in which any of the conditions laid down in section 47(xiii), (xiiib) or (xiv) of the repealed Income-tax Act are not complied with, as the case may be.

(r) **Continuation of Certain Unabsorbed Allowances:** where any allowance or part thereof, under section 32(2) or 35(4) of the repealed Income-tax Act, is to be carried forward to tax year beginning on the 1st April, 2026, had the Income-tax Act, 1961 not been repealed, then, the allowance or part thereof shall be added to the amount of capital allowances referred to corresponding provisions of this Act for the tax year beginning on the 1st April, 2026 and deemed to be part of that allowance, or if there is no such allowance for that tax year, be deemed to be allowance for that tax year;

(s) **Continuation of Certain Deductions:** the deduction referred to in sections 35ABA, 35ABB, 35D, 35DD, 35DDA, 35E or the first proviso to section 36(1)(ix) of the repealed Income-tax Act, shall, on fulfilment of the conditions mentioned in the said provisions, continue to be allowed under this Act for tax year beginning on or after the 1st April, 2026 had the Income-tax Act, 1961 not been repealed and such deduction shall be added to the amount of deferred revenue expenditure allowance

© The Institute of Chartered Accountants of India

referred to corresponding provisions of this Act for the tax year beginning on or after the 1st April, 2026 and deemed to be part of that allowance, or if there is no such allowance for a tax year, be deemed to be that allowance for that tax year;

(t) **Carry Forward of Credit Balance for Bad and Doubtful Debts:** credit balance in the provision for bad and doubtful debts account made under section 36(1)(viia) of the repealed Income-tax Act standing on the last day of the tax year beginning on 1st April, 2025 shall be added to the amount credited to the provision for bad and doubtful debts accounts referred to in the corresponding provisions of this Act for the tax year beginning on the 1st April, 2026 and deemed to be part of amount credited to the provision for bad and doubtful debts accounts, or if there is no such amount credited for that tax year, be deemed to be amount credited for that tax year;

(u) **Continuation of Existing No-Interface Schemes:** Any scheme which has been notified under the provisions of the repealed Income-tax Act with a view to eliminating the interface with the assessee or any other person, the said scheme shall be deemed to have been made -

(i) under the corresponding provisions of this Act; or

(ii) under section 532 where there is no such corresponding provision, and shall continue in force accordingly; and

(v) **Continuation of Proceedings Relating to Earlier Searches under the repealed Act:** Where a search has been initiated under section 132 or requisition is made under section 132A prior to the commencement of this Act, the provisions of repealed Income-tax Act, shall continue to apply to any proceedings connected in respect of such search or requisition, as the case may be, as if this Act has not been enacted.

(3) **Reference to Earlier Tax Years:** Where any reference is made in this Act to any tax year commencing on the 1st April, 2025 or to any earlier tax year, the same shall be construed as a reference to the corresponding previous year under the repealed Income-tax Act.

(4) **Application of the General Clauses Act:** Without prejudice to the provisions of sub-section (2), the provisions of section 6 of the General Clauses Act, 1897 shall apply with regard to the effect of repeal.

© The Institute of Chartered Accountants of India

TEST YOUR KNOWLEDGE

Questions

1. *Fearless General Finance & Investment Limited, a residuary non-banking company, accepts public deposits, issues deposit certificate and repays the same after some period of time alongwith interest, under different schemes run by it. Following transactions were noted from their books of account:*

   (i) Mr. A, an individual, has deposited ₹ 15,000 on 1st May, 2026 for 48 months by bearer cheque and another ₹ 15,000 on 30th June, 2026 in cash to purchase a new certificate of 48 months tenure.

   (ii) Mr. A has applied for premature withdrawal against both the certificates and the company has paid him ₹ 16,500, by a bearer cheque, against principal and interest on 23rd March, 2027, due against his first certificate (purchased in May 2026) and ₹ 15,500 in cash on 25th March, 2027, against the second certificate.

   Discuss the violation of income tax provision, if any, and consequential penalty for each transaction. Will it make any difference if the certificates were held by Mr. A with his wife Mrs. A, jointly, while repaying back in cash or bearer cheque?

2. *The proceedings before the Income-tax Authorities either can be attended by the assessee in person or through an authorized representative. Who can be treated as an authorized representative of the assessee? Mention any five persons who can be treated as an authorized representative of the assessee.*

3. *An order for T.Y. 2026-27 was passed by the Assessing Officer as per section 270, but the typist wrongly typed in the order, the tax year as T.Y. 2025-26. The assessee claimed in appeal that the same is an invalid order which was not accepted by the CIT (Appeals) on the ground of the error being of clerical nature. Discuss the correctness of the order of the CIT(Appeals).*

4. *"Proceedings cannot be initiated under the Act, unless a proper notice to this effect has been served upon." In this context answer:*

   (i) What are the prescribed modes of service of such notice?

© The Institute of Chartered Accountants of India

(ii) *On whom should* the notice be addressed and served upon in the cases where the assessee is a dissolved firm and a partitioned HUF.

5. *Explain the circumstances under which the Assessing Officer can resort to provisional attachment of the property of the assessee. Also, state the period of time for which such attachment can take place.*

When can the Assessing Officer revoke provisional assessment of property? Discuss.

6. *Mr. Biswas, a stock broker, has defaulted with regard to his income-tax payments and the Assessing Officer has attached his membership card of Stock Exchange under section 500 of the Income-tax Act, 2025. Mr. Biswas contends that the membership card is not transferable and is not his personal asset. Discuss the validity of attachment of the card by the Assessing Officer in the context of Section 500.*

7. *An assessee had credited a sum of ₹ 50,000 in cash in the account of Madan, said to represent a loan obtained from him. The Assessing Officer, having gone into the genuineness of the transaction, disbelieved the story of loan and treated the sum of ₹ 50,000 as the income of the assessee from undisclosed sources. He also started proceedings under section 450 and levied a penalty of ₹ 60,000 on the assessee for having accepted the loan in contravention of section 185. Examine the correctness of the levy.*

Answers

1. **(i)** There is no violation of section 185 at the time of acceptance of the first deposit of ₹ 15,000 by bearer cheque on 1.5.2026, since it is not in excess of the threshold limit of ₹ 20,000. However, violation under section 185 is attracted at the time of acceptance of the second deposit in cash on 30th June, 2026, since as on that date, there is already an outstanding deposit of ₹ 15,000 and another cash deposit of ₹ 15,000 would take the aggregate to ₹ 30,000, which exceeds the threshold limit of ₹ 20,000. Therefore, penalty under section 450 of a sum equal to the amount of deposit taken from Mr. A is attracted for failure to comply with the provisions of section 185.

© The Institute of Chartered Accountants of India

(ii) In this case, there is a violation of the provisions of section 188 at the time of first repayment by bearer cheque on 23rd March, 2027, since on that date, the aggregate amount of deposits held by Mr. A with the non-banking company (together with interest payable on such deposits) is more than ₹ 20,000. Therefore, penalty under section 453 equal to the amount of deposit so repaid will be attracted for failure to comply with the provisions of section 188.

However, the second repayment of ₹ 15,500 on 25th March, 2027 in cash cannot be considered as a violation of section 188, since neither the amount of deposit with interest thereon nor the aggregate amount of deposits held by Mr. A on that date together with interest exceeds the threshold limit of ₹ 20,000.

The provisions of section 188 will be attracted at the time of first repayment of bearer cheque even if the certificate is being held by Mr. A in joint name with his wife.

2. As per section 515, the proceedings before the income-tax authorities can be attended by an assessee in person or through an authorised representative, i.e., a person authorized by the assessee in writing to appear on his behalf, being -

(i) a person who is a relative or a regular employee of the assessee; or

(ii) any officer of a Scheduled Bank in which the assessee maintains a current account or has other regular dealings; or

(iii) a legal practitioner who is entitled to practise in any civil court in India; or

(iv) a chartered accountant within the meaning of the Chartered Accountants Act, 1949 who hold a valid certificate of practice

(v) any person who has passed any accountancy examination recognized in this behalf by the CBDT for this purpose; or

3. Section 522 provides that no return of income, assessment, notice or summons furnished or made or issued or taken in pursuance of any of the provisions of the Income-tax Act, 2025 shall be invalid or deemed to be invalid merely by reason of any mistake, defect or omission in such return of

© The Institute of Chartered Accountants of India

income, assessment or notice etc., if such return of income, assessment, notice, summons etc. is in substance and effect in conformity with or according to the intent and purpose of the Act. **Therefore, a clerical mistake cannot invalidate an otherwise valid assessment.** Thus, the typographical error in the assessment order as to tax year does not make the same invalid unless established otherwise. Accordingly, the action of the CIT(Appeals) in not accepting the claim of the assessee is valid.

4. **(i)** As per section 501, the service of notice or summon or requisition or order or any other communication under this Act may be made by delivering or transmitting a copy thereof to the person named therein -

(1) by post or such courier services as approved by the CBDT; or

(2) in such manner as provided in the Code of Civil Procedure, 1908 for the purposes of service of summons; or

(3) in the form of any electronic record as provided in Chapter IV of the Information Technology Act, 2000; or

(4) by any other means of transmission of documents as may be provided by rules made by the CBDT in this behalf.

The CBDT is empowered to make rules providing for the addresses (including the address for electronic mail or electronic mail message) to which such communication may be delivered or transmitted to the person named therein.

(ii) The service of notice in the given cases should be on the persons mentioned hereunder:-

Person	Notice to be addressed and served on
A dissolved firm	Any person who was a partner (not being a minor) immediately before dissolution.
A partitioned HUF	Last Manager of the HUF, or, if he is dead, then, all adult members of the erstwhile HUF.

5. As per the provisions of section 500, there can be provisional attachment to protect the interest of Revenue in certain cases i.e.-

(i) During the pendency of the any proceeding for

© The Institute of Chartered Accountants of India

- the assessment of any income or for the assessment or reassessment of any income which has escaped assessment or
- for imposition of penalty under section 444 (penalty leviable for false entry etc. in books of accounts) where the amount or aggregate of amounts of penalty likely to be imposed under the said section exceeds ₹ 2 crores.

(ii) Such attachment should be necessary for the purpose of protecting the interest of Revenue in the opinion of the Assessing Officer.

(iii) The previous approval of the Principal Chief Commissioner or Chief Commissioner, Principal Commissioner or Commissioner, Principal Director General or Director General or Principal Director or Director has been obtained by the Assessing Officer.

(iv) The Assessing Officer, may, by an order in writing attach provisionally any property belonging to the assessee in the manner provided in section 413.

(v) Such provisional attachment shall cease to have effect after the expiry of a period of six months from the date of order made under section 500. However, the period can be extended by the Principal Chief Commissioner or Chief Commissioner, Principal Commissioner or Commissioner, Principal Director General or Director General or Principal Director or Director**,** as the case may be, for the reasons to be recorded in writing for a further period or periods as he thinks fit. The total period of extension in any case cannot exceed 2 years or 60 days after the date of order of assessment or reassessment, whichever is later.

The Assessing Officer shall, by order in writing, revoke provisional attachment of a property made under section 500 in a case where the assessee furnishes a guarantee from a scheduled bank, for an amount not less than the fair market value of such provisionally attached property or for an amount which is sufficient to protect the interests of the revenue.

6. The right of membership is not a private asset and it is merely a personal privilege granted to the member. It is non-transferable and incapable of alienation by the member or his legal representative except to the limited

© The Institute of Chartered Accountants of India

extent provided in the rules and regulations of the stock exchange and subject to the fulfillment of conditions prescribed by the stock exchange. The nomination, even if permitted, is subject to the rules and is not automatic. The right of nomination is vested in the stock exchange absolutely in the case of death of or default of a member. Thus, the membership card is not the property of the assessee and therefore cannot be attached under section 500. It has been so held by the Apex Court in the case of *Stock Exchange Ahmedabad vs. ACIT (2001) 248 ITR 209*.

7. Penalty leviable under section 450 cannot exceed the sum equal to the loan taken. Hence, the maximum penalty leviable would be ₹ 50,000. Further, the Assessing Officer cannot, on the one hand, treat the loan as undisclosed income of the assessee and on the other, treat it as a loan for the purpose of section 185 read with section 450. Such a treatment will be self-contradictory. The moment the amount of ₹ 50,000 is treated as undisclosed income, it ceases to bear the character of loan and therefore, the foundation for the levy of penalty under section 450 disappears. *[Diwan Enterprises v. CIT and Others (2000) 246 ITR 571]*.

© The Institute of Chartered Accountants of India