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## VARIOUS ASSESSMENTS UNDER THE INCOME TAX LAW

Every taxpayer has to furnish the details of his income to the Income-tax Department. These details are to be furnished by filing up his return of income. Once the return of income is filed up by the taxpayer, the next step is the processing of the return of income by the Income Tax Department. The Income Tax Department examines the return of income for its correctness. The process of examining the return of income by the Income-Tax department is called as “Assessment”. Assessment also includes re-assessment and best judgment assessment under section 144.

Under the Income-tax Law, there are four major assessments given below:

- Assessment under section 143(1), i.e., Summary assessment without calling the assessee.
- Assessment under section 143(3), i.e., Scrutiny assessment.
- Assessment under section 144, i.e., Best judgment assessment.
- Assessment under section 147, i.e., Income escaping assessment.

### Assessment under section 143(1)

This is a preliminary assessment and is referred to as summary assessment without calling the assessee (i.e., taxpayer).

### Scope of assessment under section 143(1)

Assessment under section 143(1) is like preliminary checking of the return of income. At this stage no detailed scrutiny of the return of income is carried out. At this stage, the total income or loss is computed after making the following adjustments (if any), namely:-

- (i) any arithmetical error in the return; or
- (ii) an incorrect claim (\*), if such incorrect claim is apparent from any information in the return;
- (iii) Any such inconsistency in the return with respect to the information in the return of any preceding previous year, as may be prescribed.
- (iv) disallowance of loss claimed, if return of the previous year for which set-off of loss is claimed was furnished beyond the due date specified under section 139(1); or
- (v) disallowance of expenditure indicated in the audit report but not taken into account in computing the total income in the return; or
- (vi) disallowance of deduction claimed u/s 10AA, 80IA to 80-IE, if the return is furnished beyond the due date specified under section 139(1); or

However, no such adjustment shall be made unless an intimation is given to the assessee of such adjustment either in writing or in electronic mode. Further, the response received from the assessee, if any, shall be considered before making any adjustment, and in case where no response is received within 30 days of the issue of such intimation, such

adjustments shall be made.

For the above purpose “an incorrect claim apparent from any information in the return” means a claim on the basis of an entry in the return :-

- (i) of an item which is inconsistent with another entry of the same or some other item in such return;
- (ii) in respect of which the information is required to be furnished under the Act to substantiate such entry and has not been so furnished; or
- (iii) in respect of a deduction, where such deduction exceeds specified statutory limit which may have been expressed as monetary amount or percentage or ratio or fraction;

#### **Procedure of assessment under section 143(1)**

- After correcting arithmetical error or incorrect claim (if any) as discussed above, the tax and interest and fee\*, if any, shall be computed on the basis of the adjusted income.
- Any sum payable by or refund due to the taxpayer shall be intimated to him.
- An intimation shall be prepared or generated and sent to the taxpayer specifying the sum determined to be payable by, or the amount of refund due to the taxpayer.
- An intimation shall also be sent to the taxpayer in a case where the loss declared in the return of income by the taxpayer is adjusted but no tax or interest is payable by or no refund is due to him.
- The acknowledgement of the return of income shall be deemed to be the intimation in a case where no sum is payable by or refundable to the assessee or where no adjustment is made to the returned income.

\*As per section 234F, a fee shall be levied where the return of income is not filed within the due dates prescribed under section 139(1). Fee for default in furnishing return of income shall be Rs. 5,000 if return has been furnished after the due date prescribed under section 139(1). However, it shall be Rs. 1,000 if the total income of an assessee does not exceed Rs. 5 lakh.

#### **Time-limit**

Assessment under section 143(1) can be made within a period of 9 months from the end of the financial year in which the return of income is filed.

#### **Assessment under section 143(3)**

This is a detailed assessment and is referred to as scrutiny assessment. At this stage a detailed scrutiny of the return of income will be carried out to confirm the correctness and genuineness of various claims, deductions, etc., made by the taxpayer in the return of income.

#### **Scope of assessment under section 143(3)**

The objective of scrutiny assessment is to confirm that the taxpayer has not understated the income or has not computed excessive loss or has not underpaid the tax in any manner. To confirm the above, the Assessing Officer carries out a detailed scrutiny of the return of income and will satisfy himself regarding various claims, deductions, etc., made by the taxpayer in the return of income.

### Procedure of assessment under section 143(3)

- If the Assessing Officer considers it necessary or expedient to ensure that the taxpayer has not understated the income or has not computed excessive loss or has not underpaid the tax in any manner, then he will serve on the taxpayer a notice requiring him to attend his office or to produce or cause to be produced any evidence on which the taxpayer may rely, in support of the return.
- To carry out assessment under section 143(3), the Assessing Officer shall serve such notice in accordance with provisions of section 143(2).
- Notice under section 143(2) should be served within a period of three months from the end of the financial year in which the return is filed.
- The taxpayer or his representative (as the case may be) will appear before the Assessing Officer and will place his arguments, supporting evidences, etc., on various matters/issues as required by the Assessing Officer.
- After hearing/verifying such evidence and taking into account such particulars as the taxpayer may produce and such other evidence as the Assessing Officer may require on specified points and after taking into account all relevant materials which he has gathered, the Assessing Officer shall, by an order in writing, make an assessment of the total income or loss of the taxpayer and determine the sum payable by him or refund of any amount due to him on the basis of such assessment.

### Faceless Assessment [Section 144B]

Faceless assessment means the assessment proceedings conducted electronically in “e-proceeding” facility through assessee’s registered account in the designated portal. Designated portal means the web portal designated as such by the Principal Chief Commissioner or Principal Director General, in charge of the National Faceless Assessment Centre.

The CBDT had issued the instructions, guidelines and notice formats for conducting scrutiny assessments electronically.

### Scope of faceless assessment

The provision provides that the assessment, re-assessment or recomputation under Section 143(3), Section 144, or Section 147 shall be made in a faceless manner in respect of the specified territorial areas, persons, income or class of cases.

### Authorities to conduct the faceless assessment

For the purpose of faceless assessment, the CBDT is empowered to set up the following centres and units by specifying their respective jurisdiction:

- (a) National Faceless Assessment Centre (NFAC);
- (b) Assessment Units (AU);
- (c) Verification Units (VU);
- (d) Technical Units (TU); and
- (e) Review Units (RU).

#### *National Faceless Assessment Centre*

The purpose of this centre is to facilitate the conduct of faceless assessment proceedings in a centralized manner.

#### *Assessment Units*

It shall perform the function of making the assessment, which includes identification of points or issuing material for the determination of any liability (including refund) under the Act, seeking information or clarification on points or issues so identified, analysis of the material furnished by the assessee or any other person, and such other functions as may be required for making the faceless assessment.

The term “assessment unit”, wherever used in this provision, shall refer to an Assessing Officer having powers so assigned by the Board

#### *Verification Units*

It shall perform the function of verification, which includes enquiry, cross verification, examination of books of accounts, examination of witnesses and recording of statements, and such other functions as may be required for the purposes of verification.

The function of the verification unit under this section may also be performed by a verification unit located in any other faceless centre set up under the provisions of this Act or under any scheme notified under the provisions of this Act. The request for verification may also be assigned by the NFAC to such a verification unit.

#### *Technical Units*

It shall perform the function of providing technical assistance, which includes any assistance or advice on legal, accounting, forensic, information technology, valuation, transfer pricing, data analytics, management, any other technical matter or an agreement entered into under Section 90 or Section 90A which may be required in a particular case or a class of cases, under this section.

#### *Review units*

It shall perform the function of the review of the Income Determination Proposal, which includes checking the following:

- (a) Whether the relevant and material evidence has been brought on record;
- (b) Whether the relevant points of fact and law have been duly incorporated in the proposal;
- (c) Whether the issues requiring addition or disallowance have been incorporated in the proposal;
- (d) Arithmetical correctness of modifications proposed, if any; and
- (e) Any other functions required for the purposes of review.

The term ‘review unit’, wherever used in this provision, shall refer to an Assessing Officer having powers so assigned by the Board

#### **Time-limit**

As per Section 153, the time limit for making assessment under section 143(3) is:-

- 1) Within 21 months from the end of the assessment year in which the income was first assessable. [For assessment year 2017-18 or before]
- 2) Within 18 months from the end of the assessment year in which the income was first assessable. [for assessment year 2018-19]
- 3) Within 12 months from the end of the assessment year in which the income was first assessable [Applicable for assessment year 2019-20]
- 4) Within 18 months from the end of the assessment year in which the income was first assessable [Applicable for assessment year 2020-21]
- 5) Within 9 months from end of the assessment year in which income was first

- assessable. [Applicable for assessment year 2021-22]
- 6) Within 12 months from end of the assessment year in which income was first assessable. [Applicable for assessment year 2022-23 and onwards]

Note:

- If reference is made to TPO, the period available for assessment shall be extended by 12 months.
- If return has been furnished under section 139(8A), the order of assessment shall be passed within 9 months from the end of financial year in which such return was furnished.
- If return of income is furnished in consequence of an order under section 119(2)(b), the order shall be passed within 12 months from the end of the Financial Year in which return is furnished. [effective from 01-10-2024]

#### Assessment under section 144

This is an assessment carried out as per the best judgment of the Assessing Officer on the basis of all relevant material he has gathered. This assessment is carried out in cases where the taxpayer fails to comply with the requirements specified in section 144.

#### Scope of assessment under section 144

As per section 144, the Assessing Officer is under an obligation to make an assessment to the best of his judgment in the following cases:-

- If the taxpayer fails to file the return required within the due date prescribed under section 139(1) or a belated return under section 139(4) or a revised return under section 139(5), or an updated return under section 139(8A).
- If the taxpayer fails to comply with all the terms of a notice issued under section 142(1).

**Note:** The Assessing Officer can issue notice under section 142(1) asking the taxpayer to file the return of income if he has not filed the return of income or to produce or cause to be produced such accounts or documents as he may require and to furnish in writing and verified in the prescribed manner information in such form and on such points or matters (including a statement of all assets and liabilities of the taxpayer, whether included in the accounts or not) as he may require.

- If the taxpayer fails to comply with the directions issued under section 142(2A).

**Note :** Section 142(2A) deals with special audit. As per section 142(2A), if the conditions justifying special audit as given in section 142(2A) are satisfied, then the Assessing Officer will direct the taxpayer to get his:

- a) Accounts audited from a chartered accountant;
- b) Inventory valued by a cost accountant. [inserted by Finance Act 2023]  
nominated by the principal chief commissioner or Chief Commissioner or Principal Commissioner or Commissioner and to furnish a report of such audit in the prescribed form.
- If after filing the return of income the taxpayer fails to comply with all the terms of a notice issued under section 143(2), i.e., notice of scrutiny assessment.
- If the assessing officer is not satisfied about the correctness or the completeness of the accounts of the taxpayer or if no method of accounting has been regularly employed by the taxpayer.



From the above criteria, it can be observed that best judgment assessment is resorted to in cases where the return of income is not filed by the taxpayer or if there is no cooperation by the taxpayer in terms of furnishing information / explanation related to his tax assessment or if books of accounts of taxpayer are not reliable or are incomplete.

#### **Procedure of assessment under section 144**

- If the conditions given above calling for best judgment are satisfied, then the Assessing Officer will serve a notice on the taxpayer to show cause why the assessment should not be completed to the best of his judgment.
- No notice as given above is required in a case where a notice under section 142(1) has been issued prior to the making of an assessment under section 144.
- If the Assessing Officer is not satisfied by the arguments of the taxpayer and he has reason to believe that the case demands a best judgment, then he will proceed to carry out the assessment to the best of his knowledge.
- If the criteria of the best judgment assessment are satisfied, then after taking into account all relevant materials which the Assessing Officer has gathered, and after giving the taxpayer an opportunity of being heard, the Assessing Officer shall make the assessment of the total income or loss to the best of his knowledge/judgment and determine the sum payable by the taxpayer on the basis of such assessment.

#### **Time-Limit**

As per Section 153, the time limit for making assessment under section 144 is:-

- 1) Within 21 months from the end of the assessment year in which the income was first assessable. [For assessment year 2017-18 or before]
- 2) 18 months from the end of the assessment year in which the income was first assessable. [for assessment year 2018-19]
- 3) Within 12 months from end of the assessment year in which income was first assessable. [Applicable for assessment year 2019-20]
- 4) Within 18 months from end of the assessment year in which income was first assessable [Applicable for assessment year 2020-21]
- 5) Within 9 months from end of the assessment year in which income was first assessable. [Applicable for assessment year 2021-22]
- 6) Within 12 months from end of the assessment year in which income was first assessable. [Applicable for assessment year 2022-23 and onwards]

Notes:

- If reference is made to TPO, the period available for assessment shall be extended by 12 months.
- If return has been furnished under section 139(8A), the order of assessment shall be passed within 9 months from the end of financial year in which such return was furnished.
- If return of income is furnished in consequence of an order under section 119(2)(b), the order shall be passed within 12 months from the end of the Financial Year in which return is furnished. [effective from 01-10-2024]

#### **Assessment under section 147**

The Finance Act, 2021 has substituted the existing sections 147, 148, 149 and 151 and also inserted a new section 148A making a complete change in the assessment proceedings related to Income escaping assessment and search-related cases. The new provisions related

to re-assessment are as follow:

If any income of an assessee has escaped assessment for any assessment year, the Assessing Officer may, subject to the new provisions of sections 148 to 153, assess or reassess such income and also any other income which has escaped assessment and which comes to his notice subsequently in the course of the proceedings, or recompute the loss or the depreciation allowance or any other allowance, as the case may be, for such assessment year

It is imperative to note that once assessment or reassessment or re-computation has started, the Assessing Officer is empowered to assess or reassess the income which has escaped assessment and which comes to his notice subsequently in the course of the proceeding under this procedure notwithstanding that the procedure prescribed in new section 148A was not followed before issuing such notice for such income

The Assessing Officer is required to make an assessment or re-assessment as per the following procedures:

#### *Issue of Notice*

The Assessing Officer shall serve on the assessee a notice under Section 148 along with a copy of the order passed under clause (d) of section 148A, requiring him to furnish return of his income or the income of any other person in respect of which he is assessable under this Act during the previous year corresponding to the relevant assessment year. The return shall be furnished within the period specified in the notice (not exceeding 3 months) from the end of the month in which such notice is issued.

#### *Circumstances in which notice can be issued*

Notice is required to be issued only when information with the Assessing officer suggests that the income chargeable to tax has escaped assessment. Prior approval of specified authority is also required to be obtained before issuing such notice by the Assessing Officer.

#### *When it shall be deemed that Income has escaped Assessment?*

In cases other than Search, Survey or Requisition

- (a) The information suggesting that the income chargeable to tax has escaped assessment means any information flagged in the case of the assessee for the relevant assessment year as per the 'Risk Management Strategy' formulated by the CBDT from time to time;
- (b) Any audit objection to the effect that the assessment in the case of the assessee for the relevant assessment year has not been made in accordance with the provisions of the Income-tax Act;
- (c) Any information received under an agreement referred to in section 90 or section 90A;
- (d) Any information made available to the Assessing Officer under the Scheme notified under section 135A; or
- (e) Any information which requires action in consequence of the order of a Tribunal or a Court.
- (f) Any information in the case of the assessee emanating from survey conducted under section 133A, other than under sub-section (2A) of section 133A, on or after 01-09-2024.

#### *(g) Procedure before Issuance of Notice*

The Assessing Officer shall be required to follow the below procedure as laid down in Section 148A before issuing a notice under new Section 148 in cases other than search, survey or requisition.

Assessing Officer shall provide an opportunity of being heard to assessee by serving upon him a notice to show cause as to why a notice under section 148 should not be issued in his case. The notice to show cause shall be accompanied by the information that suggests that income chargeable to tax has escaped assessment in his case for the relevant assessment year.

On receipt of the notice, the assessee may furnish his reply within such period, as may be specified in the notice. Then AO, based on material available on record and taking into account the reply of the assessee, pass an order with the prior approval of the specified authority determining whether or not it is a fit case to issue notice under section 148.

However, this procedure shall not apply to income chargeable to tax escaping assessment for any assessment year in the case of an assessee where the Assessing Officer has received information under the scheme notified under section 135A.

*Approval of higher authorities to be obtained in Search, Survey and Requisition Cases*

The Finance Act, 2022 has inserted a new Section 148B, w.e.f., Assessment Year 2022-23, to provide that no order of assessment or reassessment or recomputation under the Act shall be passed by an Assessing Officer below the rank of Joint Commissioner, in respect of an assessment year to which clause (i) or clause (ii) or clause (iii) or clause (iv) of Explanation 2 to section 148 apply except with the prior approval of the Additional Commissioner or Additional Director or Joint Commissioner or Joint Director.

The above mentioned four clauses of *Explanation 2* to section 148 provide cases of deemed information. If situations, circumstances, or actions as described in these 4 clauses exist, then it will be a case of deemed information, and the AO can acquire jurisdiction to issue a notice under Section 148.

*Time limit for Issuance of Notice*

Time limit for issuance of notice under section 148 of the Income-tax Act:

<i>Particulars</i>	<i>Time Limit</i>
<b>Issuing notice under section 148:</b> <i>(applicable from 01-04-2024 till 31-08-2024)</i> If the escaped assessment amounts to or likely to amounts to — (i) less than Rs. 50,00,000 (ii) Rs. 50,00,000 or more	Within 3 years from end of relevant assessment year          Within 10 years from end of relevant assessment year



<b>Issuing notice under section 148:</b> <i>(applicable from 01-09-2024)</i>  If the escaped assessment amounts to or likely to amounts to — (i) less than Rs. 50,00,000	Within 3 years and 3 months from end of relevant assessment year
(ii) Rs. 50,00,000 or more	Within 5 years and 3 months from end of relevant assessment year
<b>Issuing notice under section 148A:</b> <i>(applicable from 01-09-2024)</i>  If the escaped assessment amounts to or likely to amounts to — (i) less than Rs. 50,00,000	Within 3 years from end of relevant assessment year
(ii) Rs. 50,00,000 or more	Within 5 years from end of relevant assessment year

### *Faceless assessment of income escaping assessment [Section 151A]*

With effect from 01-11-2020, the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 has inserted a Section 151A to empower the Central government to make a scheme to carry out the following functions in a faceless manner:

- (a) Assessment, reassessment or recomputation under Section 147 ('re-assessment');
- (b) Issuance of notice under section 148 for conducting re-assessment; or
- (c) Sanction under section 151 for the issue of notice under section 148 for conducting re-assessment.

Such a scheme is to be formed to impart greater efficiency, transparency and accountability by:

- (a) Eliminating the interface between the Income-tax authority and the assessee or any other person to the extent technologically feasible;
- (b) Optimising utilisation of the resources through economies of scale and functional specialisation; and
- (c) Introducing a team-based assessment, reassessment, re-computation or issuance or sanction of notice with dynamic jurisdiction.

W.e.f., Assessment Year 2021-22, the Finance Act 2021 amended the Section 151 to provide that conducting of enquiries or issuing show-cause notice or passing an order under new Section 148A (before issuance of notice under new Section 148) in a faceless manner shall be notified subsequently.

## MCQ ON VARIOUS ASSESSMENTS UNDER THE INCOME TAX LAW

**Q1.** The checking of the return of income by the taxpayer before filing the return of income is called assessment.

(a) True

(b) False

**Correct answer : (b)**

**Justification of correct answer :**

Once the return of income is filed up by the taxpayer, the next step is the processing of the return of income by the Income Tax Department. The Income Tax Department examines the return of income for its correctness. The process of examining the return of income by the Income-Tax department is called as "Assessment".

Thus, the statement given in the question is false and hence, option (b) is the correct option.

**Q2.** Assessment under section 143(1), is known as scrutiny assessment.

(a) True

(b) False

**Correct answer : (b)**

**Justification of correct answer :**

Assessment under section 143(1) is like preliminary checking of the return of income. At this stage no detailed scrutiny of the return of income is carried out. This assessment is known as Summary assessment without calling the assessee

Thus, the statement given in the question is false and hence, option (b) is the correct option.

**Q3.** Assessment under section 144 is known as best judgment assessment

(a) True

(b) False

**Correct answer : (a)**

**Justification of correct answer :**

Assessment under section 144 is known as best judgment assessment. This is an assessment carried out as per the best judgment of the Assessing Officer. This assessment is carried out in a case where the taxpayer fails to comply with the requirements specified in section 144.

Thus, the statement given in the question is true and hence, option (a) is the correct option.

**Q4.** Which of the following can be corrected while processing the return of income under section 143(1)?

(a) any arithmetical error in the return

(b) any mistake in the return of income

(c) any error in the return of income (d) any claim by the taxpayer which is against law

**Correct answer : (a)**

**Justification of correct answer :**

Assessment under section 143(1) is like preliminary checking of the return of income. At this stage no detailed scrutiny of the return of income is carried out. At this stage, the total income or loss is computed after making the following adjustments (if any), namely:-

(i) any arithmetical error in the return; or

(ii) an incorrect claim, if such incorrect claim is apparent from any information in the return.

Thus, option (a) is the correct option.



**Income Tax Department**  
Department of Revenue, Ministry of Finance, Government of India

**Q5.** Assessment under section 143(1) can be made within a period of \_\_\_\_\_ from the end of the financial year in which the return of income is filed.

- (a) one year (b) six months  
(c) nine months (d) 18 months

**Correct answer : (c)**

**Justification of correct answer :**

Assessment under section 143(1) can be made within a period of nine months from the end of the financial year in which the return of income is filed.

Thus, option (c) is the correct option.

**Q6.** Notice under section 143(2) (*i.e.* notice of scrutiny assessment) should be served within a period of \_\_\_\_\_ from the end of the financial year in which the return is filed.

- (a) three months (b) one year  
(c) two years (d) eighteen months

**Correct answer : (a)**

**Justification of correct answer :**

To carry out assessment under section 143(3), the Assessing Officer should serve a notice under section 143(2). Notice under section 143(2) should be served within a period of three months from the end of the financial year in which the return is filed.

Thus, option (a) is the correct option.

**Q7.** Assessment under section 143(3) for assessment year 2022-23 shall be made within a period of months from the end of the relevant assessment year.

- (a) 24 months (b) 36 months  
(c) 12 months (d) 18 months

**Correct answer : (c)**

**Justification of correct answer :**

As per section 153, assessment under section 143(3) for assessment year 2022-23 shall be made within a period of 12 months from the end of the relevant assessment year.

Thus, option (c) is the correct option.

**Q8.** Assessment under section 144 for assessment year 2022-23 shall be made within a period of \_\_\_\_\_ months from the end of the relevant assessment year.

- (a) 24 months (b) 36 months  
(c) 12 months (d) 18 months

**Correct answer : (c)**

**Justification of correct answer :**

As per section 153, assessment under section 144 for assessment year 2022-23 shall be made within a period of 12 months from the end of the relevant assessment year.

Thus, option (c) is the correct option.

**Q9.** The objective of carrying out assessment under section 147 is to bring under the tax net any money, bullion, jewellery, valuable article, etc. which are undisclosed.

- (a) True (b) False

**Correct answer : (b)**

**Justification of correct answer :**



**Income Tax Department**  
Department of Revenue, Ministry of Finance, Government of India

The objective of carrying out assessment under section 147 is to bring under the tax net any income which has escaped assessment in original assessment

Thus, the statement given in the question is false and hence, option (b) is the correct option.

**Q10.** Assessment under section 147 shall be made within a period of two year from the end of the financial year in which notice under section 148 is served on the taxpayer.

(a) True

(b) False

**Correct answer : (b)**

**Justification of correct answer :**

As per Section 153, the time limit for making assessment under section 147 is:-

- 1) Within 9 months from the end of the financial year in which the notice under section 148 was served (if notice is served before 01-04-2019).
- 2) 12 months from the end of the financial year in which notice under section 148 is served (if notice is served on or after 01-04-2019).

Note:- If reference is made to TPO, the period available for assessment shall be extended by 12 months.

Thus, the statement given in the question is false and hence, option (b) is the correct option.