

LESSON - 14

ASSESSMENT PROCEDURE

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STRUCTURE

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14.0 INTRODUCTION

Up to now you have studied the twelve lessons and have understood how total income and income tax is computed. Once an assessee knows his income and income tax. The assessee needs to file the details of income and tax information with the income tax office in whose jurisdiction his residence is covered. The income tax return is filed in a simple form; generally form no. 2D called “SARAL” is used. The form no. 2D is called “SARAL” because it is very simple to fill this form. The details of filing the income tax return and related issues are discussed here in this lesson.

14.1 OBJECTIVE

After going through this lesson you will be able to understand the procedure and types of assessment. When and how an assessee has to file his return of income and what are the last dates of filing of return of income. If assessee does not file the return of income then what are the consequences and can a return be filed after the due dates and so on.

14.2 PROCEDURE OF ASSESSMENT

After the end of financial year i.e., the previous year (the year in which an assessee earns income), an assessee is required to compute his exact amount of income and tax thereon. The income so computed and tax on it has to be filled in a form (generally form No. 2D “SARAL”), and tax is deposited in bank, a copy of the income tax form and the proof of the income tax deposited in the bank is

prepared in duplicate. A copy is submitted with income tax office and the assessee himself retains the other copy.

Who is required to submit the income tax return

At present for the Assessment Year 2006-07, Return of income is required to be filed by the following persons:

Person	If Gross total income Exceeds
1. Senior Citizen i.e., person age 65 years or more	Rs. 1, 85,000 p.a.
2. Woman	Rs. 1, 35,000 p.a.
3. Any other person not covered above i.e., Man below 65 years of age	Rs. 1, 00,000 p.a.

Last date of filing income tax return

The last date to submit the income tax return is 31st October of the Assessment Year for assessee whose accounts are required to be audited under any law and for the partner of a such a firm whose accounts are to be audited, thus it includes a company assessee, a society, a cooperative society, a businessmen having turnover more than 40 lakh and professional having gross receipt of more than Rs. 10 lakh.

The last date in all other cases is 31st July of the Assessment Year, that is in all those cases where no audit of accounts is required such as individuals, a businessmen having turnover not exceeding 40 lakh and professional having gross receipt not exceeding Rs. 10 lakh.

What if the Assessee does not file his return of income

If Assessee does not file his return of income even after the due date then the Assessing Officer (AO) can issue a notice to the assessee asking for filing his return of income. This notice is issued under section 142(1) of the income tax Act. If the Assessee does not comply with this notice also then the AO can complete the assessment i.e., compute his income and the tax liability under section 144 called “Best Judgment Assessment”.

CHECK YOUR PROGRESS

Activity A: Fill in the blanks:

1. Mr. X having income of Rs. _____ or more is required to file income tax return.
2. The last date for filing income tax return for an individual having income from house property is _____

3. A computer professional having gross receipt of fee of Rs. 12 lakh during the previous year must file his return of income by _____
4. If the return is not filed on time by the assessee then the AO can issue notice to file income tax return u/s _____
5. Income Tax from no. 2D is known as _____

14.3 TYPES OF INCOME TAX RETURN

In income tax Act there are various types of income tax returns such as Regular Return, Loss Return, Belated Return, Revised Return, and Defective Return:

Regular Return:

Regular return is the income tax return filed by assessee on or before the due date it is covered u/s 139(1) of the income tax Act. Thus, if an assessee submits his return of income before due date of filing of return of income, then the return of income is called Regular return.

Loss Return:

A return filed by an assessee indicating the amount of loss incurred is called Loss return. It is covered u/s 139(3) of the income Tax Act. Thus, if an assessee submits his return of income in which assessee declares the loss incurred by him during the previous year, and then the return of income is called Loss return. It important to note here, that if the loss return is submitted before the before due date of filing of return of income, then only the loss can be carried forward.

Remember you have studied in the lesson 10 that the losses can be carried forward up to 8 years if the return of income is filed before due date. The reference there was to the Loss Return u/s 139(3). If loss return is not filed on or before due date then the losses incurred cannot be carried forward for set-off in coming year.

Belated Return:

Belated return is the return filed by the assessee after the due date; it is covered u/s 139(4) of the income tax Act. Thus, if an assessee submits his return of income after the due date of filing of return of income, then the return of income is called Belated return.

Revised Return:

Revised return is a new return filed by income tax assesses which corrects the information filed earlier in the regular return is called Revised return. It is covered u/s 139(5). A return can be revised any number of times by an assessee. A belated return however, cannot be revised.

Time period for revising a return and for filing a belated return is the earlier of the following two dates:

- End of one year from the end of relevant Assessment year
- Date of Completion of Assessment.

Permanent Account Number (PAN) Sec 139A

Income tax department issues Permanent Account Number called PAN to all those persons who apply for it. The application is made in form no. 49A along with a prescribed fee and documents. Computer allots the PAN randomly. Therefore, it is unique for every person. PAN is a 10 digit alphanumeric code the first 5 digits are the alphabets, next 4 digits are the numbers and the last one digit is also an alphabet, e.g., ADMPPM7588C is an example of PAN. It is mandatory to mention the PAN on income tax return. Wrong quoting of PAN is an offence, which is punishable with a fine of Rs. 10,000.

PAN is actually used by income tax department as our account number on which all the details relating to persons income are stored. It helps income tax department in keeping track of incomes of a person.

CHECK YOUR PROGRESS

Activity B: State following are true or false:]

1. Every Assessee having tax liability must file return of income.
2. If loss return is not filed then the losses can be carried forward
3. Loss return must be filed before the due date.
4. PAN stands for Permanent Account number, this number is related to the bank account number of the assessee.
5. PAN is mandatory for all assessee.
6. PAN is mandatory for all persons.
7. A return can be revised any number of times.

Activity C: Fill in the blanks:

1. The return must be revised by the end of _____ year.
2. A Loss return is filed u/s _____
3. A belated return is filed u/s _____
4. A revised return is filed u/s _____
5. PAN is a ____ digit alphanumeric number.

14.4 TYPES OF ASSESSMENT

Assessment means checking, judging or in simple words computing the income and tax on it. In the Income Tax Act there are four types of Assessment: -

1. Self assessment u/s 140A.
2. Scrutiny assessment u/s 143(3).
3. Best judgment assessment u/s 144.
4. Income escaping assessment u/s 147.

SELF ASSESSMENT U/S 140A

As we know after the end of the financial year every person who is required to file income tax return, should file his return of income. Thus, an assessee himself files his return of income, and pay tax as per the return of income filed. This process of self-calculation of income and tax is called self-assessment. Since the tax and income under return of income is calculated by assessee himself therefore, it is called self-assessment. The Assessing Officer (AO) only checks the return of income on the face of it and corrects the mistake, if any on it. If there is any short of tax he call for it and if there is any excess of tax paid he shall refund the same.

SCRUTINY ASSESSMENT U/S 143(3)

On the basis of return of income filed, AO may undertake deep examination of some return of income roughly 2% to 3% of the total returns filed. In scrutiny assessment the AO calls the assessee to furnish the explanations and books of accounts. For undertaking the scrutiny assessment the AO has to issue a notice to the assessee under section 143(2). If Assessee produces the information and explanations required by the Assessing Officer (AO) the AO completes the assessment and determine the Taxable income and income tax liability on the basis of the information and explanations produced before him.

BEST JUDGEMENT ASSESSMENT U/S 144

Best Judgment Assessment, as the name indicates Best Judgment Assessment means the computation of income and tax is undertaken by the AO himself, on the basis of the best of his judgment. The Best judgment Assessment can be made by an AO under the following cases: -

1. Assessee does not file his regular return of income u/s 139.
2. Assessee does not comply with instructions u/s 142 (1), i.e., notice requiring to file his return of income or 142 (2A), i.e., notice requiring assessee to conduct audit of his accounts.
3. Assessee does not comply with instructions u/s 143(2), i.e., notice of scrutiny assessment.
4. AO is not satisfied regarding completeness of accounts.

Since in all of the above cases either assess does not cooperate with the Assessing Officer (AO) or does not file return of income or does not have complete accounts. Thus, the assessing officer cannot calculate the income and therefore, he has to judge the income on the basis of his best assumptions/judgments. The AO must give a hearing to the assessee before completing the assessment as per best of his judgment. No refund can be granted under best judgment assessment.

INCOME ESCAPING ASSESSMENT U/S 147

If AO believes that the income of assessee of any PY has escaped assessment, he can reopen the assessment and complete it as per new information about income or tax. Assessment up to last 6 years can be opened. In order to open an income escaping assessment AO has to issue notice u/s 148 to the assessee.

14.5 LET US SUM UP

Every person having income more than Rs. 1, 00,000/ Rs. 1, 35,000/ Rs. 1, 85,000 during the previous year must file his return of income and pay tax on the income earned. This voluntary disclosure of income and payment of tax is called self-assessment and it is covered u/s 140A. The last date of filing of income tax return is 31st July or 31st October. The return filed after these dates is called belated return and if the return is belated then the losses declared therein cannot be carried forward. A return of income can be revised in order to correct any information disclosed therein earlier. On filing of income tax return the AO may either briefly examine the return of income on the face of it or may undertake deep examination. If the return is not filed or assessee does not cooperate with the AO the best judgment assessment may also be invoked by the AO.

14.6 GLOSSARY

Assessing Officer: AO are those officers in the income tax office who are given the power to assess the income of the assessee.

Assessment: Assessment means appraisal, evaluation, estimation, measurement, judgment etc. In the context income tax law it means then evaluation, estimation, or measurement of income.

Procedure: Procedure means a way, modus operandi, process, a method or a course of action for completing a particular task.

Scrutiny: scrutiny means detailed examination, analysis or inquiry into the income of a person. In order to detect any income concealed by the assessee.

14.7 SELF ASSESSMENT EXERCISE

1. When a Best Judgment Assessment can be made by AO.
2. Can the return of income be revised? If yes then what is maximum time for revising the return of income.
3. Can the previous cases of the income tax be reopened? If yes, what is the maximum number of years for which income tax cases may be reopened?
4. Write Short notes on:
 - a. Scrutiny Assessment
 - b. PAN

- c. Regular Assessment
- d. Belated Return.

14. 8 FURTHER AND SUGGESTED READINGS

1. Dr. Vinod K. Singhania and Monica Singhania; *Students' Guide to Income Tax*; Taxmann Publications Pvt. Ltd.; latest edition.
2. Mahesh Chandra & D.C. Shukla; *Income-tax Law and Practice*; Pragati Publications; latest edition.
3. H.C. Mehrotra; *Income-tax Law and Accounts*; Sahitya Bhawan; latest edition.
4. Girish Ahuja and Ravi Gupta; *An Elementary Approach to Income Tax & Sales Tax*; Bharat Publications; latest edition.
5. Dinkar Pagare; *Law and Practice of Income Tax*; Sultan Chand & Sons; latest edition