

PROCEDURE FOR SELECTION OF CASES FOR 'SCRUTINY' FOR NON-CORPORATE ASSESSEES

In super session of earlier instructions on the above subject the Board hereby lays down the following procedure for selection of returns / cases of **Non-Corporate Assessee**s for scrutiny during the **current financial year i.e. 2007-08.**

2. The following categories of cases shall be compulsorily scrutinized:-

- i) All assessment pertaining to search and seizure cases.
- ii) All assessment pertaining to surveys conducted u/s 133A of the Income tax Act.
- iii) ¹All returns where deduction claimed under Chapter VIA of the Income tax Act is Rs. 25 lakhs or above in stations other than the cities on computer network.
- iv) ¹All returns, including those of non-residents, where refund claimed is Rs. 5 lakhs or above in stations other than the cities on computer network.
- v) (a) All cases in which the CIT (Appeals) or ITAT has confirmed an addition / disallowance of Rs.5 lakhs or above or if the assessee has conceded on addition in any proceeding Assessment year and Identical issue is arising in the current year. But if the issue involves a substantial question of law, the cases may be picked up for scrutiny irrespective of the quantum of tax involved. However, if the addition has been deleted by a superior appellate authority and the Department has accepted that decision, the case need not be taken up for scrutiny.

(b) All cases in which an appeal is pending before the CIT (Appeal) against an addition / disallowance of Rs.5 lakhs or above, or the department has filed an appeal before the ITAT against the order of the CIT (Appeal) deleting such an addition / disallowance and an identical issue is arising in the current year. However, as in (i) above, the quantum ceiling may not be taken into account if a substantial question of law is involved.
- (vi) All returns filed by statutory bodies, marketing committees and other authorities assessable to income tax.

¹ Selection of cases under these criteria shall not be done manually in the cities on computer network but through Computer Assisted Scrutiny System (CASS), for which necessary provisions have been made in the CASS software being issued by Directorate of Income tax (Systems)

- (vii) All cases of banks and Non-banking financial institutions with deposits of Rs. 5 crores and above
- (viii) Cases of universities , educational institutions, hospitals, nursing homes and other institutions for rehabilitation of patients (other than those, which are substantially financed by the Government), the aggregate annual receipts (including donations credited to the corpus / any other fund) of which exceed Rs 10 crores in Delhi, Mumbai, Chennai, Kolkata, Pune, Hyderabad, Bangalore and Ahmedabad and Rs. 5 crores in other places (Ref. S 10 (23c) & Rule 2 BC)
- (ix) All cases where exemption is claimed under section 11 of Income Tax Act and the gross receipts (including donations credited to the corpus / any other fund) exceed Rs. 5 crores in Delhi, Mumbai, Chennai, Kolkata, Pune, Hyderabad, Bangalore and Ahmedabad and Rs. 1 crores in other Places.
- (x) (a) All cases where total value of International Transactions (as defined u/s 92 B of the Income tax Act) exceed Rs.15 crores)

(b) In all other cases where the Transfer Pricing Audit carried out in the earlier year had led to an adjustment / addition to the total income.
- (xi) All cases of stockbrokers and commodity brokers as well as their sub brokers where brokerage received is disclosed at Rs. 1 crore or above.
- (xii) All cases of stockbrokers and commodity brokers as well as their sub brokers where there are claims of bad debts of Rs. 5 lakhs or more.
- (xiii) All cases of professionals with gross receipts of Rs.20 lakhs or more if total income declared is less than 20% of gross professional receipts.
- (xiv) All cases of deductions under sections 10 A / 10 AA / 10BA / 10 B of the I.T. Act exceeding Rs.25 lakhs.
- (xv) All cases of contractors (excluding transporters) whose gross contractual receipts exceed Rs. 1 crores if total income declared from contract work is less than 5% of gross contractual receipts.
- (xvi) All cases of builders following project completion method.

(xvii) All cases in which fresh capital introduced during the year exceed Rs.50 lakhs in Delhi, Mumbai, Chennai, Kolkata, Pune, Hyderabad, Bangalore and Ahmedabad and Rs.10 lakhs in other cities.

(xviii)*All cases in which new unsecured loan introduced during the year exceed Rs.25 lakhs.

(xix) All cases in which deduction u/s 80IA(4), 80 IB, 80IC, 80JJA, 80JJAA, 80LA, 10 (21), 10(22B), 10(23A), 10(23B), 10(23C), 10 (23D), 10 (23EA), 10 (23FB), 10 (23G), 10(37), 10 A, 10AA, 10B, or 10BA of the I.T. Act is claimed for the first time.

(xx) *All cases in which loss from house property is more than Rs.2,50,000/-

(xxi) *All cases in which investment in property is more than five times the gross receipts (i.e. purchase of property (008 from AIR) / (Gross Total Income (746) + Agricultural Income (762) + Income Claimed exempt (125)>5)

(xxii) *All cases in which sum of short term capital gains u/s 111A and long term capital gain is more than Rs 25 laksh.

(xxiii) *All cases in which sale of property has been shown as per AIR return but no capital gains have been declared in the return of Income.

(xxiv)*All cases in which commission paid is more than Rs. 10 lakhs

(xxv) *All cases having business of real estates with gross turnover exceeding Rs. 5 crores.

(xxvi)*All cases having business of hotels/tour operations with gross turnover exceeding Rs. 5 crores if net profit shown is less than 0.05%

(xxvii) *All cases in which total depreciation claimed at the rates of 80% and 100% is more than Rs.25 lakhs.

* Selection of cases under these criteria in the cities on the Computer network would be made through Computer Assisted Scrutiny Systems (CASS) in respect of cases where audit report U/s 44 AB has been filed. In all other cases in three cities and in all cases in cities not on the Computer Network, the selection would be made manually.

* Selection of cases under these criteria shall not be done manually in the cities on computer network but through Computer Assisted Scrutiny System (CASS), for which necessary provisions have been made in the CASS software being issued by Directorate of Income tax (Systems)

(xxviii) All cases in which net agricultural income is more than Rs 10 lakhs.

(xxix) All cases covered by retrospective amendment in section 80 IA of the I.T. Act, 1961 brought by the Finance Act, 2007 i.e. all persons who merely execute the civil construction work or any other works contract entered into with the undertaking or enterprise referred to in Sec 80 IA of I.T Act 1961.

NOTE: If a case has been assessed earlier under scrutiny for at least 2 A.Y.s but in each of the immediately preceding two years assessed u/s 143(3) of the I.T. Act, total additions or disallowances made / sustained in appeal are less than 5 lakhs in Delhi, Mumbai, Chennai, Kolkata, Pune, Hyderabad, Bangalore and Ahmedabad and less than Rs. 1 lakhs in other places then such a case should be excluded from compulsory scrutiny under clauses (ii), (vi), (vii), (viii), (ix), (x), (xii), (xiii)

Provided that the above exclusion clause shall not apply in cases involving substantial question of law.

3. In addition to above, where the CCIT / DGIT (International taxation) / DGIT (Exemptions), on the matter having been brought to his notice by an authority below, is satisfied that the case needs to be taken up for scrutiny, the CCIT / DGIT (International taxation) / DGIT (Exemptions), for reasons to be recorded in writing, may approve the selection of the case for scrutiny.

4. The CCIT / DGIT (International Taxation) / DGIT (Exemptions) may issue suitable guidelines for reducing / increasing the number of cases selected under specific clauses of para 2, for proper management of the workload as well as to avoid large scale transfer of cases from one jurisdiction to another.

5. All returns filed in response to notice issued U/s 148 of the I.T. Act shall be selected for scrutiny.
6. In addition to above, selection of cases out of returns processed on AST will be made through a Computer Assisted Scrutiny System (CASS). Separate instructions in this regard will be issued by the DIT (Systems).
7. List of cases up for scrutiny during each month shall be submitted by the Assessing Officer to the CIT and Addl. CIT, Range by 15th of the following month and shall also be displayed on the Notice Board of the office.