



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;

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)



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- After correcting arithmetical error or incorrect claim (if any) as discussed above, the tax and interest, 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.
- The processing of a return under section 143(1) shall not be necessary, where a notice has been issued to the assessee under section 143(2), i.e., a notice for scrutiny assessment has been issued to the taxpayer.

Time-limit

Assessment under section 143(1) can be made within a period of one year 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. At this stage a scrutiny is 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 six months from the end of the financial year in which the return is filed.





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- 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.

Time-limit

As per section 153, assessment under section 143(3) shall be made within a period of two years from the end of the relevant assessment year.

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).
- 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 accounts audited from a chartered accountant 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.



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- 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, assessment under section 144 shall be made within a period of two years from the end of the relevant assessment year.

Assessment under section 147

This assessment is carried out if the Assessing Officer has reason to believe that any income chargeable to tax has escaped assessment for any assessment year

Scope of assessment under section 147

- 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.
- Original assessment here means an assessment under sections 143(1), 143(3), 144 and 147 (as the case may be).
- In other words, if any income has escaped (*) from being taxed in the original assessment made under section 143(1) or section 143(3) or section 144 or section 147, then the same can be brought under tax net by resorting to assessment under section 147.



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- (*) In the following cases, it will be considered as income having escaped assessment: Where no return of income has been furnished by the taxpayer, although his total income or the total income of any other person in respect of which he is assessable during the previous year exceeded the maximum amount which is not chargeable to income-tax.
- Where a return of income has been furnished by the taxpayer but no assessment has been made and it is noticed by the Assessing Officer that the taxpayer has understated the income or has claimed excessive loss, deduction, allowance or relief in the return.
- Where the taxpayer has failed to furnish a report in respect of any international transaction which he was required to do under section 92E.
- Where an assessment has been made, but:
 - i. income chargeable to tax has been under assessed; or
 - ii. income has been assessed at low rate; or
 - iii. income has been made the subject of excessive relief; or
 - iv. excessive loss or depreciation allowance or any other allowance has been computed;
- Where a person is found to have any asset (including financial interest in any entity) located outside India.

Procedure of assessment under section 147

- For making an assessment under section 147, the Assessing Officer has to issue notice under section 148 to the taxpayer and has to give him an opportunity of being heard. The time-limit for issuance of notice under section 148 is discussed in later part.
- If the Assessing Officer has reason to believe that any income chargeable to tax has escaped assessment for any assessment year, then he may assess or reassess such income and also any other income chargeable to tax which has escaped assessment and which comes to his notice subsequently in the course of the proceedings under this section. He is also empowered to re-compute the loss or the depreciation allowance or any other allowance, as the case may be, for the assessment year concerned.
- Items which are the subject matters of any appeal, reference or revision cannot be covered by the Assessing Officer under section 147.

Time-limit for completion of assessment under section 147

As per section 153, assessment under section 147 shall be made within a period of one year from the end of the financial year in which notice under section 148 is served on the taxpayer.

Time-limit for issuance of notice under section 148



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- Notice under section 148 can be issued within a period of 4 (*) years from the end of the relevant assessment year. If the escaped income is Rs. 1,00,000 or more and certain other conditions are satisfied, then notice can be issued upto 6 years from the end of the relevant assessment year.
- In case the escaped income relates to any asset (including financial interest in any entity) located outside India, notice can be issued upto 16 years from the end of the relevant assessment year.

Notice under section 148 can be issued by AO only after getting prior approval from the prescribed authority.

INCOME TAX DEPARTMENT





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.

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

- (a) four
- (b) three
- (c) two
- (d) one

Correct answer : (d)

Justification of correct answer :

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

Thus, option (d) 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) six 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 six 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) shall be made within a period of ____ years from the end of the relevant assessment year.

- (a) four
- (b) three
- (c) two
- (d) one

Correct answer : (c)

Justification of correct answer :

As per section 153, assessment under section 143(3) shall be made within a period of two years from the end of the relevant assessment year.



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Thus, option (c) is the correct option.

Q8. Assessment under section 144 shall be made within a period of _____ years from the end of the relevant assessment year.

- (a) four (b) three
(c) two (d) one

Correct answer : (c)

Justification of correct answer :

As per section 153, assessment under section 144 shall be made within a period of two years 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 :

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, assessment under section 147 shall be made within a period of one year from the end of the financial year in which notice under section 148 is served on the taxpayer.

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

