Synopsis of CBDT Instructions on CASS Scrutiny Cases

[Personal & Private Circulation bearing no opinion or advice]

Date of Effect: 29.12.2015

Some important issues and scope in Scrutiny Assessments Selected through CASS:

The Central Board of Direct Taxes ('CBDT'), vide Instruction No. 7/2014 dated 26 09.2014 had clarified the extent of enquiry in certain category of cases specified therein, which are selected for scrutiny through CASS.

Further clarifications have been sought regarding the scope and applicability of the aforesaid Instruction to cases being scrutinized, as below:

1. Year of applicability: AY 2014-15 onwards.

2. Whether the said Instruction is applicable to all cases selected under CASS: The said Instruction is applicable where the case is selected for scrutiny under CASS only on the parameter(s) of *AIR/CIB/26AS* data.

3. Scope of Enquiry: Specific issue based enquiry is to be conducted only in those scrutiny cases which have been selected on the parameter(s) of *AIR/CIB/26AS* data. In such cases, the Assessing Officer, shall also confine the Questionnaire only to the specific issues pertaining to AIR/CIB/26AS data as per the guidelines and procedures stated in Instruction No. 7/2014.

4. Reason for selection: In cases under scrutiny for verification of AIR/CIB/26AS data, the Assessing Officer has to intimate the reason for selection of case for scrutiny to the assessee concerned.

As far as the returns selected for scrutiny through CASS-2015 are concerned, two type of cases have been selected for scrutiny in the current Financial Year - one is 'Limited Scrutiny' and other is 'Complete Scrutiny'. The assessees concerned have duly been intimated about their cases falling either in 'Limited Scrutiny' or 'Complete Scrutiny' through notices issued under section 143(2) of the Income-tax Act, 1961 ('Act').

The procedure for handling 'Limited Scrutiny' cases shall be as under:

1. The reasons/issues shall be forthwith communicated to the assessee concerned.

2. The Questionnaire under section 142 (1) of the Act shall remain confined only to the specific reasons/issues for which case has been picked up for scrutiny. Further, the scope of enquiry shall be restricted to the 'Limited Scrutiny' issues.

3. These cases shall be completed expeditiously in a limited number of hearings.

4. During the course of assessment proceedings, if it comes to the notice of the Assessing Officer that there is potential escapement of income exceeding Rs. 5 lakhs (For metro cities, the monetary limit shall be Rs. 10 lakhs) requiring substantial verification on any other issue(s), then, the case may be taken up for 'Complete Scrutiny' with the approval of the Pr. CIT/CIT concerned in writing. Such cases shall be monitored by the Range Head concerned and the procedure indicated in above 3 clauses shall no longer remain binding in such cases. (For the present purpose, '*Metro charges*' would mean Delhi, Mumbai, Chennai, Kolkata, Bengaluru, Hyderabad and Ahmedabad).

The Board further desires that in all cases under scrutiny, where the Assessing Officer proposes to make additions or disallowances, the assessee would be given a fair opportunity to explain his position on the proposed additions/disallowances in accordance with the *principle of natural justice*. In this regard, the Assessing Officer shall issue an appropriate show-cause notice duly indicating the reasons for the proposed additions/disallowances along with necessary evidences/ reasons forming the basis of the same. Before passing the final order against the proposed additions/disallowances due consideration shall be given to the submissions made by the assessee in response to the show cause notice.

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