

An assessee is required to file an income tax return under section 139 or in response to notice u/s 142, consisting all the details of income earned during the previous year along with details of tax payment. Once the return is filed the next step of Income Tax Department is to examine the return for its correctness. This examination is known as Assessment.

Assessment u/s 143(1)

This is the preliminary assessment without calling the assessee.

Scope of Assessment.

Under this assessment the general scrutiny is carried out to discover the basis errors. The followings are the adjustment if required.

- a) Any arithmetical error in the return.
- b) Incorrect claim, which is apparent from income tax return.
- c) The loss claimed or the loss carried forward of any previous year in the return shall be disallowed, if the return is filed after the date specified in section 139(1)
- d) The expenditure shown in the audit report but not claimed while preparing income tax return shall be disallowed.
- e) If any income found in Form 26AS or Form 16 or Form 16A but details not furnished while computing the total income shall be added.

Time Limit

Assessment u/s 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.

Notice for Scrutiny Assessment: v/s 143(2)

To ensure that the income furnished is not understated or any excessive loss is claimed or has not underpaid tax, the A.O. may call the assessee by serving a notice to remain present by himself or by representative and submit the evidence and documents to prove the genuinity of the income tax return.

Time Limit for Section 143(2)

Within **6 months** of completion of relevant assessment year in which the return is filed. i.e. **18 months** from end of relevant previous year.

Process of Assessment v/s 143(3)

- a) If A.O. deems fit, then a notice may be served to the assessee to remain present in the office and produce the evidence related to the income tax return.
- b) After gathering all the evidences obtained from the assessee or the representative of the assessee and considering its **correctness** on the related points, A.O. shall 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 or the basis of such assessment.

Time Limit for Section 143(3)

Assessment v/s 143(3) shall be made within a period of **21 months** from the end of the assessment year.

Best Judgement Assessment u/s 144

The A.O., after considering all the relevant material which he has gathered, is under an obligation to make an assessment of the total income or loss to the best of his judgement, in **some cases**.

Such cases are:-

- 1) if any person fails to submit his return.
- 2) if any person fails to comply with all the terms of notice u/s 142(1)
- 3) if any person fails to comply with the direction to get his accounts audited.
- 4) if a person fails to respond to a scrutiny notice u/s 143(2)
- 5) if the A.O. is not satisfied about the correctness or completeness of accounts.

The best judgement assessment can only be made after giving the assessee an **opportunity of being heard** by giving notice to the assessee to **show cause** why the assessment should not be completed u/s 144. However it will not be necessary to give notice where a notice u/s 142(1) has already been issued, prior to making best judgement assessment.

Time Limit

The time limit for the completion of Assessment u/s 144 is 12 months from the end of the assessment year in which income was first assessable [AY 2019-20 and onwards]

Income Escaping Assessment (Section 147)

If the A.O. has reason to believe that any income chargeable to tax has escaped assessment, he may assess/reassess such income. For this purpose, a notice v/s 148 shall require to be issued.

Conditions:

- i) The A.O. must have reason to believe that income or profits or gains chargeable to tax had escaped assessment.
- ii) Such an escapement had occurred by reason of either omission or failure on the part of the assessee to disclose fully or truly all material facts necessary for his assessment of that year.

Notice.

Before making the assessment, reassessment or recomputation under section 147, the A.O. should serve on the assessee a notice requiring him to furnish a return of income.

Time Limit.

- i) Notice can be issued within 4 years from the end of relevant assessment year.
- ii) Where the escaped income is Rs 100,000 or more notice can be issued within 6 years from the end of relevant assessment year.
- iii) Where income in relation of any asset located outside India, chargeable to tax, has escaped assessment, notice can be issued within 16 years from the end of the relevant assessment year.

Rectification under section 154

Sometimes there may be a mistake in any order passed by A.O. In such a situation, mistake which is apparent from the record can be rectified u/s 154.

The Income tax authorities may make the rectification either on its own motion or on application made by the assessee or the deductor or by the collector bringing the mistake to the notice of the authority concerned.

If such rectification order has effect of enhancing an assessment or reducing a refund or otherwise increasing the liability of the assessee, must give a notice to the assessee of its intention to do so. An opportunity of being heard must be given to the assessee.

Time Limit.

Rectification of an order in section can be made only within four years from the end of the financial year in which the order sought to be amended was passed.