



LIABILITIES OF PARTIES TO NEGOTIABLE INSTRUMENT:

Liability of Agent [Sec.28]: An Agent is personally liable on the instrument which he signs when -

- (a) He signs it without indicating that he is signing in the capacity of an Agent, or
- (b) He does not intend to incur personal responsibility.

However, he is not liable to those who induced him to sign upon the belief that the Principal would only be held liable.

Liability of Legal Representative [Sec.29]: A Legal Representative is personally liable on the instrument he signs. However, where he expressly limits his liability to the extent of the assets received by him as such, his liability is limited to that extent only.

Liability of Drawer [Sec.30]: The Drawer's liability arises only when the Holder gives a notice of dishonour in the proper manner. The Drawer may, by an express stipulation in the instrument, limit or exclude his liability. The Drawer's liability in various situations is as follows -

In case of -	Liability of Drawer is -
Bill of Exchange	To compensate the Holder when the Drawee or Acceptor thereof dishonours the instrument. This liability arises because, the Drawer undertakes that - (a) on due presentation, it shall be accepted and paid according to its tenor, and (b) in case of dishonour, he will compensate the Holder or any Endorser, provided notice of dishonour has been duly given.
P/N and Cheque	To pay the amount thereon. This liability is direct and primary.
Accommodation Bills	To compensate the Payee or Holder. If the Drawee suffers any damage on account of his acceptance, Drawer shall indemnify the Drawee.

Liability of Drawee of a Cheque [Sec.31]:

- (a) The Drawee of a Cheque, i.e. the Paying Banker, which has sufficient funds of the Drawer in its account, is bound to pay the cheque when it is presented for payment.
- (b) When the Bank defaults in payment, it is liable to compensate the Drawer for any loss or damage caused to him by such default. Such liability is only towards the Drawer, and not the Payee.

Normally the lesser the amount of cheque dishonoured, the greater the damage to the credit of the Drawer. The compensation also depends upon the reputation of the person.

Liability of Maker of Note or Acceptor of Bill [Sec.32]:

- (a) The Maker of a P/N or Acceptor of a B/E is bound to pay the amount at maturity according to the tenor of the instrument.
- (b) Acceptor of Bill payable at or after maturity is bound to pay the amount to the Holder on demand.
- (c) In case of default in payment, these Parties (Maker of P/N and Acceptor of B/E) are liable to compensate any party to the Note or Bill for any loss or damage caused to them.

Acceptance by several Drawees not being Partners [Sec.34]: Where there are several Drawees, who are not Partners, each of them can accept it for himself, but none of them can accept for another, without his authority.

Liability of Endorsers [Sec.35]:

- (a) Endorser gives guarantee to the subsequent parties that the instrument shall be paid on its maturity.
- (b) His liability arises only if the party who is primarily liable on the N/I, defaults to pay the amount.
- (c) If the N/I is dishonoured, the Endorser shall be liable to any subsequent party for the loss caused to such party provided the Endorser received the notice of dishonour.
- (d) **Estoppel [Sec.122]:** In a suit by a subsequent Holder, the Endorser of an instrument cannot deny the signature or capacity of any prior party to the instrument.

Discharge of Endorser's Liability [Sec.40]: Where the Holder of a NI, without the Endorser's consent, destroys or impairs the Endorser's remedy against a prior party; the Endorser is discharged from liability to the same extent as if the instrument had been paid at maturity.

Example: P is the holder of the Bill which was endorsed to him by C. A & B are the prior parties to C. If P cancels or impairs the identity of



endorsements made by A to B and then by B to C in the Bill without the consent of Cy P cannot recover anything from C, he is said to have been discharged from the liability.

Liability of Prior Parties [Sec.36]: Every prior party to an instrument is liable to a Holder in due course until the satisfaction of the instrument.

Maker, Drawer and Acceptor as Principal Debtors [Sec.37]:

- (a) The Maker of a Note or Cheque, the Drawer of a Bill, until acceptance, and the Acceptor are liable thereon as Principal Debtors.
- (b) Other parties thereto are liable as Sureties for the Maker, Drawer or Acceptor, as the case may be.

Prior Party vs. Subsequent Party [Sec.38]: As between the parties liable as Sureties, each Prior Party is also liable on the instrument as a Principal Debtor in respect of each subsequent party.

Suretyship [Sec.39]: When the holder of an accepted Bill enters into any contract with the Acceptor, which would, u/s 134 or 135 of the Contract Act, discharge the other parties, the Holder may expressly reserve his right to charge the other parties, and in such case, the Sureties are not discharged.

Acceptor bound even for forged Endorsements [Sec.41]:

- (a) An Acceptor to a Bill already Endorsed is not relieved from his liability merely by reason that the Endorsement was forged.
- (b) Even if the Acceptor knew or had reason to believe that the Endorsement was forged and then accepted the bill, he would be liable to the Holder.

Acceptance of bill drawn in fictitious name [Sec.42]:

- (a) An Acceptor to a Bill drawn in a fictitious name and payable to the Drawer's order is not relieved from his liability merely by reason that such name is fictitious.
- (b) Such Acceptor is liable to any Holder in due course claiming under an Endorsement by the same hand as the Drawer's signature and purporting to be made by the Drawer.

Liabilities of parties of an Accommodation Bill:

- (a) The accommodation party is liable on the bill to a Holder for value, even if such a Holder knows at the time of taking the bill that it is an Accommodation Bill.
- (b) An Accommodation Bill can be negotiated even after maturity and the Holder of such a bill can recover thereon, provided he takes it in good faith and for value. In such cases, the Transferee gets a better title than that of the Transferor. [Note: In case of Ordinary Bill, the bill must be negotiated before maturity, only then the Transferee gets a better title.]
- (c) The Drawer is not discharged on account of non-presentation of an accommodation bill to the Acceptor.
- (d) The failure to give notice of dishonour will not discharge the prior parties from liability.

Other rules:

- (i) Where instrument is negotiated to holder in due course, other parties to instrument cannot escape liability on the pretext that delivery of the instrument was conditional or for special purpose only. (Sec 46)
- (ii) A holder of a negotiable instrument who derives title from a holder in due course has the rights thereon of that holder in due course. (Sec 53)
- (iii) When a negotiable instrument has been lost, or has been obtained from any maker, acceptor or holder thereof by means of offence or fraud, or for an unlawful consideration, no possessor or Endorsee who claims through the person who found or so obtained the instrument is entitled to receive the amount due thereon from such maker, acceptor or holder, or from any party prior to such holder, unless such possessor or Endorsee is, or some person through whom he claims was, a holder thereof in due course. (Sec 58)
- (iv) No maker of a promissory note, and no drawer of a bill of exchange or cheque, and no acceptor of a bill of exchange for the honor of the drawer cannot deny against holder in due course, presume the fact of dishonor, validity of the instrument as originally made or drawn. (Sec 120)
- (v) No maker of a promissory note and no acceptor of a bill of exchange or cheque, and no acceptor of a bill of exchange payable to order shall in suit thereon by a holder in due course, be permitted to deny the payee's capacity, at the rate or the note or bill, to endorse the same. (Sec 121)

PRACTICAL EXAMPLES:

1. A is the holder of a Bill of Exchange made payable to the order of B. the Bill of Exchange contains the following endorsements in blank – First Endorsement B, Second Endorsement C, Third endorsement D, Fourth Endorsement E.

A strikes out without E's consent the endorsement by C and D. Whether A is entitled to recover anything from E.

If the endorsements of D and C are struck out without the consent of E, A will not be entitled to recover anything from E, the reason being is between D and E, D is the Principal Debtor and E is Surety. If D is released by the Holder u/s 39 of the Act, E, being the Surety, will also be discharged.

2. M, a Legal Successor of N (a deceased person) signs a Bill of Exchange in his own name admitted a liability of Rs. 50,000, i.e., the extent to which he inherits the assets from the deceased person, payable to P, after 3 months from 1st January.

- (a) On maturity, when P presents the bill to M, he (M) refuses to pay for the bill on the ground that since the original liability was that of N, the deceased therefore he is not liable to pay for the bill. Decide whether P can succeed in recovering Rs. 50,000 from M.
- (b) Would your answer be still the same in case M does not state the limit in the B/E and the liability is more than the assets he inherits from N (the deceased)?

Liability of Legal Representative

- (a) M cannot refuse to pay the amount since he has inherited the assets of the deceased. He will be liable to the extent of the full amount of the bill, even if he has inherited the property valued less than the amount of the bill. M will be liable for the entire amount of Rs. 50,000.
- (b) In the second case, if M had made a limit in the instrument itself before signing on it, his liability will be only to the extent of Rs. 50,000 and not to the extent of the full amount as given on the instrument though he might have inherited property value greater than that of the instrument.



DIRECT TAX

(A) MINIMUM ALTERNATE TAX

Problems on computation of Minimum Alternate Tax

- (1) Millennium Ltd. prepares the following Profit and Loss Account for the financial year ending 31.03.2014:

Profit and Loss Account for the year ended 31.03.2014

Dr.
Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening Stock	16,00,000	By Sales A/c	70,00,000
To Purchases	35,00,000	By Closing Stock A/c	7,50,000
To Salaries A/c	6,00,000	By Profit on sale of plot A/c	45,00,000
To Rent and rates A/c	2,50,000	By Dividends A/c	1,75,000
To Provision for warranties A/c	4,00,000	By Sale of Agricultural produce A/c	3,45,000
To Provision for diminution in the value of investment A/c	2,00,000	By Long term Capital Gain A/c [Exempt under Section 10(38)]	12,50,000
To Provision for losses of subsidiary company A/c	1,87,500	By General Reserve A/c	1,50,000
To Collection charges of dividends A/c	25,000	By Revaluation Reserve Account	1,00,000
To Cultivation expenses A/c	55,000		
To General Expenses A/c	1,80,000		
To Donation to Mafia Don A/c	50,000		
To Penalties A/c	30,000		
To Secret Commission A/c	17,500		
To Provision for doubtful debts A/c	35,000		
To Sales Tax (outstanding) A/c	12,500		
To Deferred Tax A/c	15,000		
To Customs Duty A/c	90,000		
To Depreciation A/c	2,97,500		
To Provision for Income Tax A/c	1,50,000		
To Interest under Income Tax Act A/c	22,000		
To Provision for Corporate Dividend Tax A/c	28,000		
To Provision for Wealth Tax A/c	60,000		
To Proposed Dividend A/c	1,65,000		
To Net Profits c/d	63,00,000		
	1,42,70,000		1,42,70,000

Additional Information:

- Depreciation as per Companies Act of ₹2,97,500 includes depreciation of ₹1,00,000 on account of revaluation of assets.
- Depreciation as per Income Tax Act is ₹7,50,000.
- Plot of land was purchased on 01.01.1991 for ₹35,00,000 and is sold for ₹1,80,00,000 on 21.01.2014. The entire capital gains have been invested in the units referred to in Section 54EC.
- The plot of land was revalued by the company in previous year 2013-14 by ₹1 crores and therefore appeared in the books at ₹1,35,00,000. ₹1 crores was debited to the plot account and credited to Revaluation Reserve. The company in previous year 2013-14, debited the Revaluation Reserve by ₹1 crores and credited the said sum to General Reserve.
- Customs duty is not paid till the due date of filing return.

Solution:

Computation of total income Millennium Ltd.

for the Assessment Year 2014-15

(as per the normal provisions of the Income Tax Act, 1961)

Particulars	Amount (₹)	Amount (₹)
INCOME UNDER THE HEAD "PROFITS AND GAINS OF BUSINESS OR PROFESSION"		
Net Profit as per Profit and Loss Account		63,00,000
Add: Expenses Disallowed		
(i) Provision for warranties	NIL	
(ii) Provision for diminution in the value of investment	2,00,000	
(iii) Provision for losses of subsidiary company	1,87,500	
(iv) Collection charges of dividends	25,000	
(v) Cultivation expenses	55,000	
(vi) Donation to Mafia Don	50,000	
(vii) Penalties	30,000	
(viii) Secret Commission	17,500	
(ix) Provision for doubtful debts	35,000	
(x) Sales Tax (outstanding)	12,500	
(xi) Deferred Tax	15,000	
(xii) Customs Duty	90,000	
(xiii) Depreciation as per books	2,97,500	
(xiv) Provision for Income Tax	1,50,000	
(xv) Interest under Income Tax Act	22,000	
(xvi) Provision for Corporate Dividend Tax	28,000	
(xvii) Provision for Wealth Tax	60,000	
(xviii) Proposed Dividend	1,65,000	14,40,000
		77,40,000
Less:		
(i) Profit on sale of plot	45,00,000	
(ii) Dividends exempt under section 10(34)	1,75,000	
(iii) Sale of Agricultural produce	3,45,000	
(iv) Withdrawal from General Reserve	1,50,000	
(v) Transfer from Revaluation Reserve Account	1,00,000	
(vi) Long term Capital Gain exempt under Section 10(38)	12,50,000	
(ix) Depreciation as per Income Tax Act, 1961	7,50,000	72,70,000
PROFITS AND GAINS OF BUSINESS OR PROFESSION		4,70,000
INCOME UNDER THE HEAD "CAPITAL GAINS"		
Long term Capital Gain	12,50,000	
Less: Exempt under Section 10(38)	12,50,000	NIL
Sale Price	1,80,00,000	
Less: Indexed Cost of Acquisition [35,00,000 x 939/199]	1,65,15,075	
	14,84,925	
Less: Exempt U/S 54EC	14,84,925	NIL
INCOME FROM OTHER SOURCES		
Dividend	1,75,000	
Less: Exempt u/S 10(34)	1,75,000	NIL
GROSS TOTAL INCOME		
Less: Deduction under Chapter VI-A		NIL
NET TAXABLE INCOME		4,70,000
(A) Tax Liability @ 30.90%		1,45,230

Computation of Book Profit under Section 115JB of the Income Tax Act, 1961

Particulars	Amount (₹)	Amount (₹)
Net Profit as per Profit and Loss A/c		63,00,000
Add: Expenses Disallowed		
(i) Provision for warranties	NIL	



CMA Students Newsletter(For Intermediate Students)

Vol.7B: July 15, 2014

(ii) Provision for diminution in the value of investment	2,00,000	
(iii) Provision for losses of subsidiary company	1,87,500	
(iv) Collection charges of dividends	25,000	
(v) Cultivation expenses	55,000	
(vi) Provision for doubtful debts	35,000	
(vii) Deferred Tax	15,000	
(viii) Depreciation as per books	2,97,500	
(ix) Provision for Income Tax	1,50,000	
(x) Interest under Income Tax Act	22,000	
(xi) Amount standing in the Revaluation Reserve Account, not credited to the P/L Account	1,00,00,000	
(xii) Provision for Corporate Dividend Tax	28,000	
(xiii) Proposed Dividend	1,65,000	1,11,80,000
		1,74,80,000
Less:		
(i) Dividends exempt under section 10(34)	1,75,000	
(ii) Sale of Agricultural produce	3,45,000	
(iii) Withdrawal from General Reserve	1,50,000	
(iv) Transfer from Revaluation Reserve Account	1,00,000	
(v) Depreciation excluding depreciation on revalued assets	1,97,500	9,67,500
BOOK PROFITS AS PER SECTION 115JB		1,65,12,500
(B) Tax as per Section 115JB (rounded off)	NIL	31,46,457
(C) MAT Credit available [(A) - (B)]		30,01,227

(B) ALTERNATE MINIMUM TAX

Problems on computation of Alternate Minimum Tax

- (2) Erudite LLP submits the following information for the Assessment Year 2014-15:

Sl.No.	Particulars	Amount (₹)
(i)	Profit as per Profit and Loss Account	4,30,000
(ii)	Depreciation as per books of account	10,000
(iii)	Depreciation as per Income Tax Act (Current Year)	20,000
(iv)	Brought forward depreciation	1,75,000
(v)	Brought forward Loss	6,500
(vi)	Expenditure not allowed under the provisions of the Income Tax Act, 1961 (debited in the Profit & Loss Account)	15,000
(vii)	Interest paid to the partners debited in the Profit and Loss Account a) Partner A (24%) b) Partner B (24%)	5,000 8,000
(viii)	Remuneration paid to the partners debited in the Profit and Loss Account a) Partner A b) Partner B	70,000 55,000
(ix)	Erudite LLP is eligible to claim deduction under Section 35AD @ 100%	2,50,000
(x)	Contribution to the Electoral Trust eligible for deduction under Section 80GGC of the Income Tax Act, 1961	5,000

The partners Medha and Pragya share profits and losses equally.
Compute the tax liability of the Limited Liability Partnership.

Solution:

Computation of Book Profit under Section 40(b) of the Income Tax Act, 1961

Particulars	Amount (₹)
Net Profit as per Profit and Loss Account	4,30,000
Add: Depreciation as per books of account	10,000
Add: Expenditure not allowed under the provisions of	15,000

the Income Tax Act, 1961	
Add: Interest to partners disallowed under Section 40(b)	6,500
Add: Remuneration to partners	1,25,000
	5,86,500
Less: Deduction under Section 35AD	2,50,000
Less: Current year Depreciation as per the Income Tax Act, 1961	20,000
	3,16,500
Less: Brought forward Depreciation	1,75,000
BOOK PROFITS	1,41,500

Therefore, allowable remuneration to the partners of the Limited Liability Partnership, as per section 40(b) of the Income Tax act, 1961 is ₹1,27,350. Since, remuneration paid to the partners is ₹1,25,000, the amount paid as remuneration is allowed as deduction under Section 40(b).

Computation of the Total Income of the LLP

Particulars	Amount (₹)
Net Profit as per Profit and Loss Account	4,30,000
Add: Depreciation as per books of account	10,000
Add: Expenditure not allowed under the provisions of the Income Tax Act, 1961	15,000
Add: Interest to partners disallowed under Section 40(b)	6,500
	4,61,500
Less: Deduction under Section 35AD	2,50,000
Less: Current year Depreciation as per the Income Tax Act, 1961	20,000
	1,91,500
Less: Brought forward Depreciation	1,75,000
Less: Brought Forward Losses	6,500
TOTAL INCOME	10,000
Less: Deduction under Section 80GGC	5,000
TOTAL TAXABLE INCOME	5,000

Computation of the Adjusted Total Income

Particulars	Amount (₹)
TOTAL TAXABLE INCOME	5,000
Add: Deduction under Section 80GGC	5,000
ADJUSTED TOTAL INCOME	10,000

- Tax Liability under the normal provisions of the Income Tax Act, 1961 @ 30.90% on ₹5,000 = ₹1,545
- Tax Liability under the Alternate Minimum Tax = 19.055% of ₹10,000 = ₹1,906
- Tax payable = ₹1,906

(1) SET-OFF AND CARRY FORWARD OF LOSSES

Problems of set-off and carry forward of losses

- (3) Mr. Jayant Singh, a resident individual, submits the following information for the relevant Assessment Year 2014-15 :

Particulars	Profit (₹)	Loss (₹)
Income under the head "Salaries"	2,84,000	
Income from House Property		
House A	2,30,000	
House B		2,34,000
House C		2,42,000
Profits and Gains of Business or Profession		
Business A	2,70,000	
Business B		2,36,000
Business C (Speculative)	2,22,000	
Business D (Speculative)		2,46,000
Capital Gains:		
Short-term capital gains	2,12,000	
Short-term capital loss		2,56,000
Long term capital gain on sale of building	25,000	
Income from other sources:		
Income from card games	2,16,000	
Loss from card games		2,14,020
Loss on maintenance of race horses		2,12,000
Interest on securities	2,08,000	
Unabsorbed business losses pertaining to		19,000



CMA Students Newsletter(For Intermediate Students)

Vol.7B: July 15, 2014

the previous year 2012-13 of Business A		
Unabsorbed Depreciation pertaining to the previous year 2011-12, of Business B.		15,000

Determine the gross total income of Mr. Jayant Singh for the Assessment Year 2014-15.

Solution:

Computation of Gross Total Income Assessee: Mr. Jayant Singh Assessment Year: 2014-15 Previous Year: 2013-14		
Particulars	Amount (₹)	Amount (₹)
Income under the head "Salaries"		2,84,000
Income from House Property [NOTE 2]		
House A	2,30,000	
House B	(2,34,000)	
House C	(2,42,000)	(2,46,000)
Profits and Gains of Business or Profession		
Business A	2,70,000	
Business B	(2,36,000)	
Profits from non-speculative business	34,000	
Less: Unabsorbed Business Losses of Business A	(19,000)	
Less: Unabsorbed depreciation	(15,000)	
Business C (Speculative)	2,22,000	
Business D (Speculative)	(2,46,000)	NIL
Loss from speculative business to be carried forward	(24,000)	
Capital Gains:		
Short-term capital gains	2,12,000	
Short-term capital loss	(2,56,000)	
Short-term capital loss Long term capital gain on sale of building	(44,000) 25,000	
Short-term Capital Loss to be carried Forward	(19,000)	NIL
Income from other sources:		
Income from card games	2,16,000	
Loss from card games [NOTE 1]	(2,14,020)	
Loss on maintenance of race horses	(2,12,000)	
Interest on securities	2,08,000	4,24,000
Loss on maintenance of race horses to be carried forward	(2,12,000)	
GROSS TOTAL INCOME		4,62,000

LOSSES TO BE CARRIED FORWARD:

1. Loss from speculative business to be carried forward - ₹24,000.
2. Short-term Capital Loss to be carried Forward - ₹19,000
3. Loss on maintenance of race horses to be carried forward- ₹2,12,000.

NOTE:

1. Loss from card games cannot be set off against income from card games, by virtue of Section 58 of the Income Tax Act, 1961.
2. Loss from house property has been set off against income under the head "Salaries".
3. Figures in brackets represent losses incurred.

(D) ASSESSMENT PROCEDURE

Problems relating to Assessment Procedure under the Income Tax Act, 1961

- (4) Tarak Sharma, an individual, filed his return of income for assessment year 2014-15 on 15.6.2013 declaring a total income of ₹ 1,20,000. He later discovered that he had not claimed a particular deduction amounting to ₹ 2,10,000 while computing his business income in the said return. He filed a revised return on 30.1.2014 declaring a total loss of ₹ 90,000. The Assessing officer proposes to disallow the claim of Tarak Sharma for carry forward of the business loss amounting to ₹ 90,000 for the reason that the

revised return declaring loss for the first time was filed beyond the time prescribed under section 139(3). Examine the validity of the proposed action of the Assessing Officer.

Answer:

This issue is covered by the case of Dhampur Sugar Mills Limited. In this case it was held that the revised return substitutes the original return from the date the original return was filed. Once a revised return is filed, the original return is deemed to have been withdrawn and the revised return is deemed to have been filed on the date the original return was filed. The revised return steps into the shoes of the original return.

As per the judgment in the case of Dhampur Sugar Mills Ltd., revised return under section 139(5) substitutes the original return from the date the original return was filed. Hence, the revised return filed on 30.1.2014 substitutes the original return filed on 15.06.2013 and is deemed to be filed on 15.06.2013. Thereby, as per the provisions of section 80 read with section 139(3), the loss of ₹ 90,000 shall be carried forward. Assessing Officer was not justified in declining the claim of Tara Sharma, for carry forward of the business loss.

ASSESSMENT PROCEDURE

SECTION 139: COMPULSORY FILING OF RETURN OF INCOME		
Entities statutorily required to file return of income:		
(i) Company		
(ii) Firm		
(iii) Any person other than company or firm		
(iv) A resident and ordinarily resident person, who has any asset(including any financial interest in any entity) located outside India or signing authority in any account located outside India		
(v) Charitable and Religious Trusts or Institutions		
(vi) Political Parties		
(vii) Hospitals, medical institutions, schools, colleges and other specified institutions		
(viii) Universities, college and Institution referred to in Section 35(1)(ii) and 35(1)(iii)		
Time Limit for filing return of income:		
(i) Any assessee who is required to furnish report of transfer pricing under Section 92E of the Income tax Act, 1961		30 th November of the Assessment Year
(ii) Company		30 th September of the Assessment Year
(iii) Audit requirement under any Statute		
(iv) Working partner of firm whose accounts are audited		
(v) Others		31 st July of the Assessment Year

SECTION 139(3): LOSS RETURN

Loss under the head Profits and Gains of Business or Profession or, Capital Gains cannot be carried forward, if loss return has not been filed within the time limit stipulated under Section 139(1).

SECTION 139(4): BELATED RETURN

- Belated Return can be filed, if assessee has not furnished the return of income within the time limit prescribed under Section 139(1), or the time allowed under a notice under Section 142(1).
- Time Limit:** Any time before the end of the relevant Assessment Year, or before the completion of assessment, whichever is earlier.

SECTION 139(5): REVISED RETURN

- Revised Return can be filed, in lieu of return filed under Section 139(1), or under a notice under Section 142(1).
- Time Limit:** Any time before the end of the relevant Assessment Year, or before the completion of assessment, whichever is earlier.



SECTION 140A: SELF ASSESSMENT

An assessee shall be liable to pay tax (on the basis of furnished return), along with interest payable under any provision of this Act, as reduced by taxes already paid by the assessee.

NOTICE UNDER SECTION 142(1): INQUIRY BEFORE ASSESSMENT

- (i) The Assessing Officer may issue a notice, requiring the assessee to furnish a return of income, within the time specified in the notice, if the assessee has not filed return within the time specified under Section 139(1).
- (ii) **Time Limit:** Notice under Section 142(1) can be filed, even after the end of the relevant Assessment Year

INTIMATION UNDER SECTION 143(1)

- (i) Intimation is sent to the assessee if, any tax or interest is found due to be paid by the assessee (after all stipulated adjustments), or, any refund is due to the assessee.
- (ii) **Time Limit:** Intimation shall not be sent after the expiry of one year from the end of the financial year in which the return is made.

REGULAR ASSESSMENT UNDER SECTION 143(3)

- (i) The Assessing Officer may issue a notice, requiring the assessee to attend his office, or furnish any evidence in support of the filed return, with a view to ensure that the assessee has not understated his income, or computed excessive losses or under-paid tax in any manner.
- (ii) **Time Limit:** No notice shall be served after the expiry of twelve months from the end of the month in which the return is filed

BEST JUDGEMENT ASSESSMENT UNDER SECTION 144

Best Judgement Assessment is done, if the assessee fails to file return under Section 139(1) or, under a notice under Section 142(1), or fails to comply direction under section 142(2A), or fails to comply with the terms of the notice under Section 143(2).

INCOME ESCAPING ASSESSMENT UNDER SECTION 147

Assessment under this Section is done, if the Assessing Officer has reason to believe that any income chargeable to tax has escaped assessment.