

MCQ on Section 144 and 144C in respect of Best judgment assessment along with Dispute Resolution Panel. Correct answer is under bold character.

1. State the situation when the L'd A.O. called for the best judgment assessment U/s 144.

Ans:

- a) when the assessee remain silent to comply against notice/s 142(1)
- b) when the assessee remain silent to comply to file through e-return
- c) When the assessee has not complied against the notice issued U/s 143(2) and/or the books of accounts are also rejected by the L'd A.O.
- d) Any one of the alternative**

2. Under Section 144 of the Income Tax Act, 1961, the assessing officer is required to make a best judgment assessment when the assessment is being made:

Ans:

- a) U/s 143(3).
- b) U/s 147.
- c) U/s 153A or U/s 153C
- d) Any one of the alternative**

3. According to the Income Tax Act, the best judgment assessment should be based on the basis of

Ans:

- a) the maximum possible income that the L'd A.O. can presume and assume the income of the assessee
- b) the circumstances of the case and material available.**
- c) assumptions that favor the taxpayer.
- d) the tax liabilities of other similar taxpayers.

4. While assessing under the best judgment assessment U/s144, if the L'd A.O. determines that the income declared by the taxpayer is understated, the L'd A.O. _____

Answer

- a) estimate the income on the basis of industry standards or past history.**
- b) assume the income to be double the declared amount without supporting evidence.
- c) adopt the income shown by the taxpayer in the previous year.
- d) ignore the taxpayer's income and impose a penalty directly.

5. When an assessing officer exercises best judgment to make an assessment under Section 144, what standard of reasoning must be followed?

Ans

- a) The officer must make an arbitrary decision based on the overall income potential of the taxpayer.
- b) The officer must follow a prescriptive set of rules without considering the taxpayer's specific facts.
- c) The officer must adopt a rational and reasonable approach based on available material and evidence, information and investigation to provide the natural justice**
- d) The officer must rely solely on his personal discretion without evidence to support the assessment.

6. Which of the following is true regarding the right of the taxpayer to file appeal against the best judgment assessment under Section 144?

Ans

- a) The taxpayer can file appeal only on the grounds of incorrect estimation of income.
- b) The taxpayer cannot challenge the decision of best judgment assessment in any case.
- c) The taxpayer can file appeal against the best judgment assessment to the Commissioner of Income Tax (Appeals) under Section 246A.**
- d) None of the Alternative.

7. A taxpayer can approach to the Dispute Resolution Panel (DRP) in case of a dispute arising from which of the following?

- a) A regular assessment order
- b) A draft assessment order**
- c) A penalty order
- d) A demand order

8. What is the time frame within which the Dispute Resolution Panel (DRP) is required to dispose of the objections raised by the taxpayer?

- a) Within 3 months from the date of receipt of the objections.
- b) Within 6 months from the date of receipt of the objections.

c) **Within 9 months from the date of receipt of the objections.**

d) Within 12 months from the date of receipt of the objections.

9. Which of the following is NOT a function of the Dispute Resolution Panel (DRP)?

a) To provide an alternative dispute resolution mechanism in certain cases.

b) To issue a draft assessment order and facilitate its modification or acceptance.

c) **To act as an appellate authority over orders passed by the assessing officer.**

d) To provide an opportunity for taxpayers to settle disputes without going to the tribunal.

10. If a taxpayer disagrees with the order passed by the Dispute Resolution Panel (DRP), what is the next step available to the taxpayer?

a) **File an appeal directly with the Income Tax Appellate Tribunal (ITAT)**

b) File a writ petition in the High Court

c) Approach the Central Government for review

d) File a review petition before the DRP itself

11. Any person U/s 144C may avail the opportunity to go to the DRP

a) Absolutely Correct

b) Partially correct

c) **Applicable only to the eligible assessee**

d) None of the alternative

12. Eligible assessee implies _____

a) Person having any transactions covered U/s 92CA

b) Foreign company

C) Any Non Resident

d) **All the Alternatives**