

ASSESSMENT UNDER SECTION 143(3) OF THE INCOME TAX ACT, 1961

BY CMA AJITH SIVADAS

- ✚ 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.

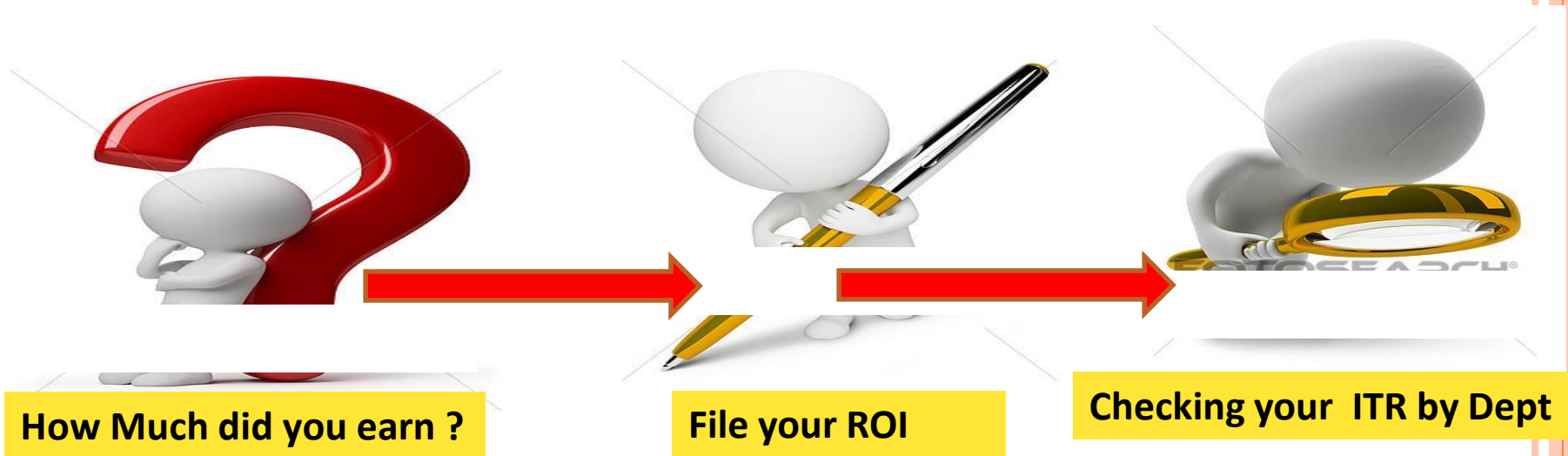
- ✚ **The process of examining the return of income by the Income- Tax department is called as “Assessment”.**

- ✚ Assessment also includes re-assessment and best judgment assessment under section 144.

WHAT IS ASSESSMENT UNDER INCOME TAX ACT?

What is Assessment Procedure ?

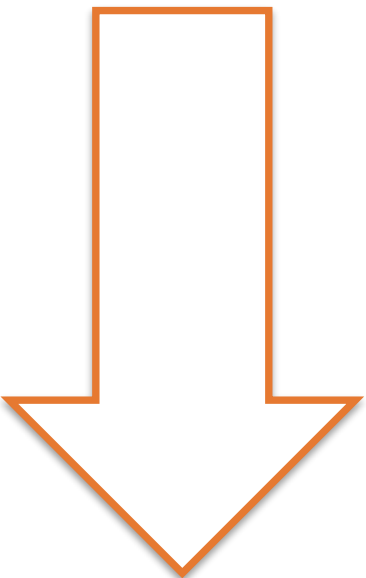
- Assessment simply means determination of Tax
- It is Procedure for determining of Tax Liability and **Recovery of Tax**
- This is determined as per Taxation law existing in that particular Assessment Year



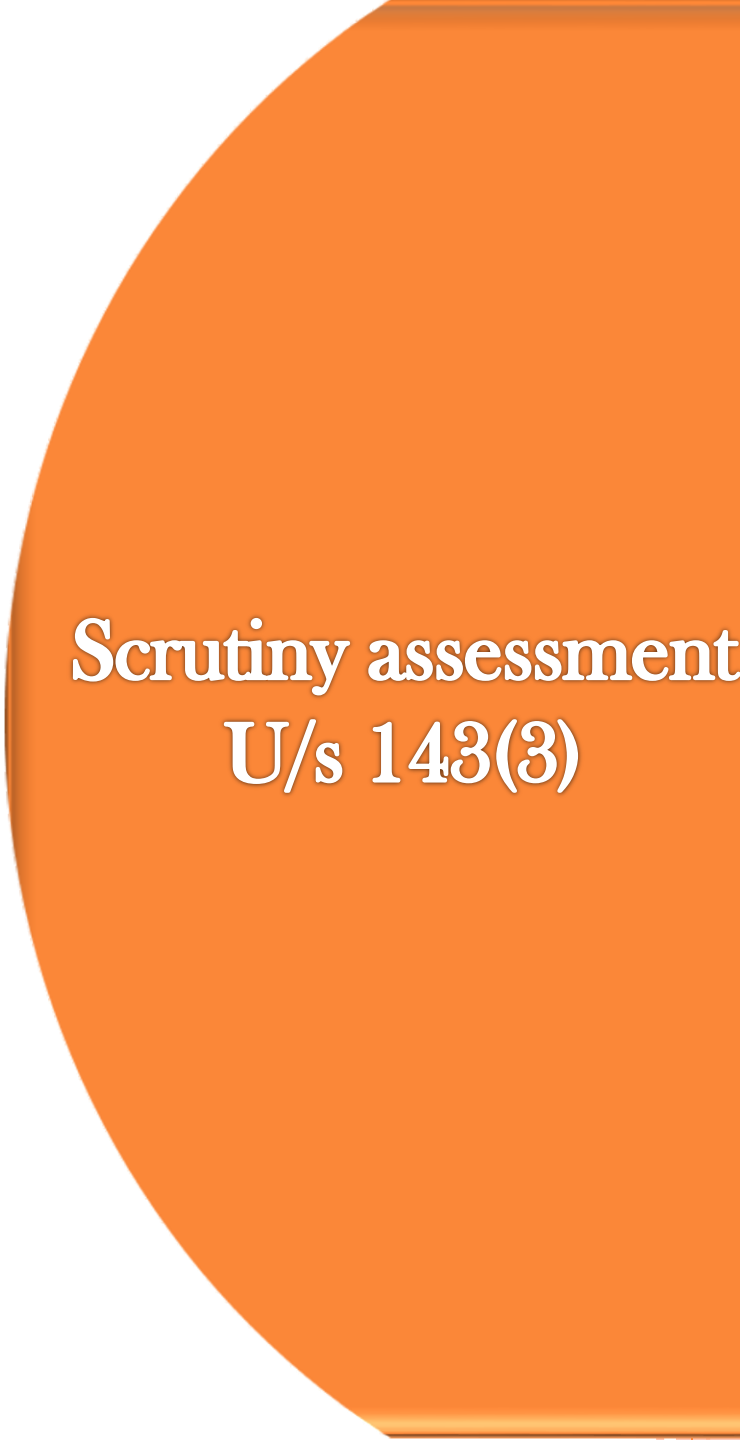
- Self Assessment
- Summary Assessment(sec 143(1))
- Scrutiny assessment.(Sec - 143(3))
- Best Judgement Assessment(Sec-144)
- Income Escaping Assessment(Sec 147)



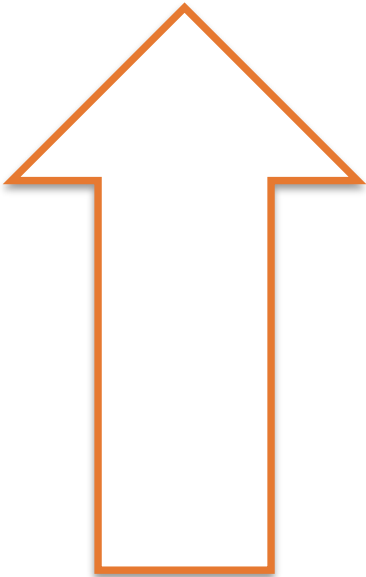
TYPES OF ASSESSMENTS



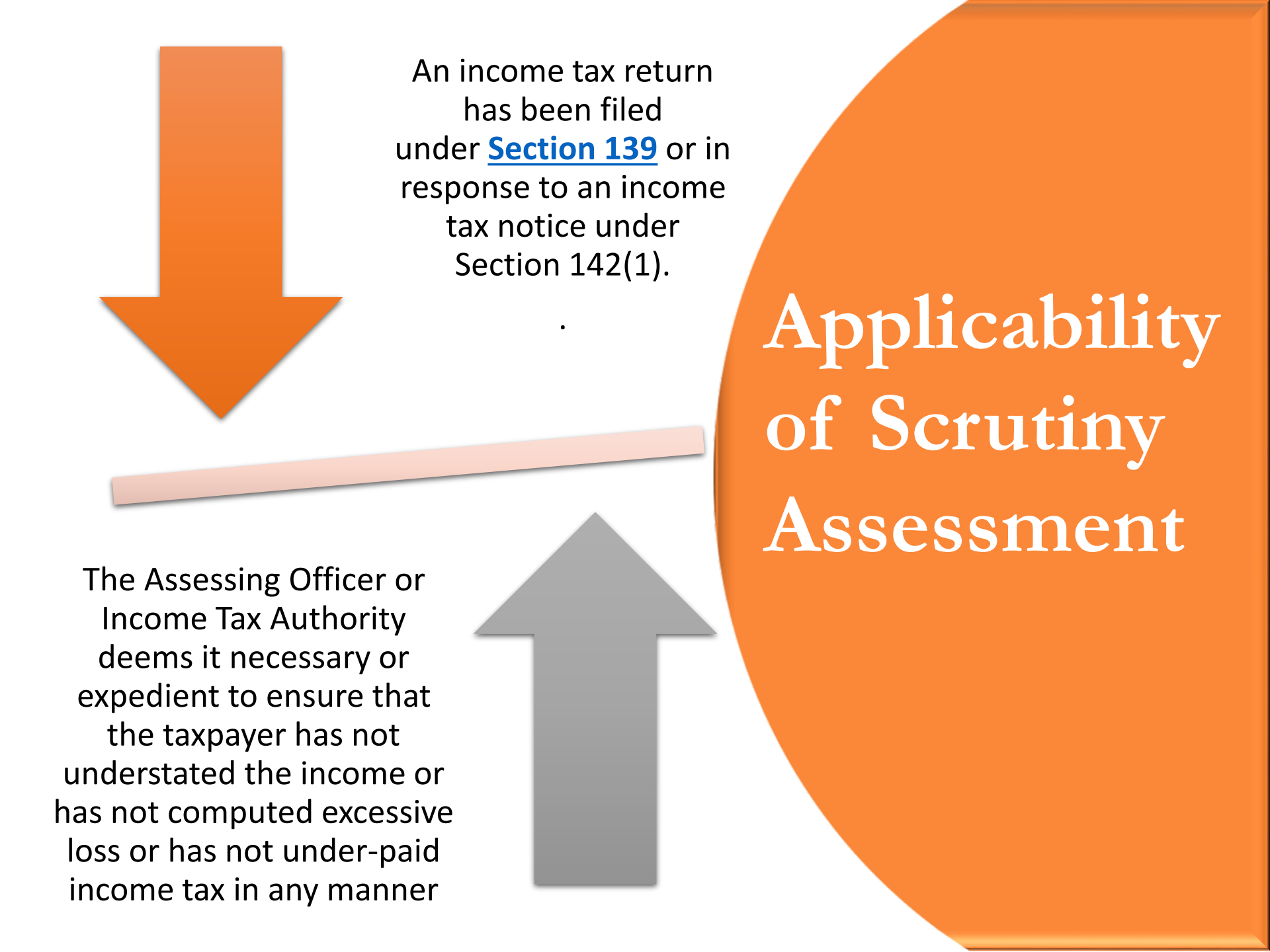
This is a
detailed
assessment
and is referred
to as scrutiny
assessment



Scrutiny assessment
U/s 143(3)



At this stage a detailed
scrutiny of the return of
income will be carried out
is to confirm the
correctness and
genuineness of various
claims, deductions, etc.,
made by the taxpayer in
the return of income.



An income tax return
has been filed
under [Section 139](#) or in
response to an income
tax notice under
Section 142(1).

Applicability of Scrutiny Assessment

The Assessing Officer or
Income Tax Authority
deems it necessary or
expedient to ensure that
the taxpayer has not
understated the income or
has not computed excessive
loss or has not under-paid
income tax in any manner

Purpose of Scrutiny Assessment



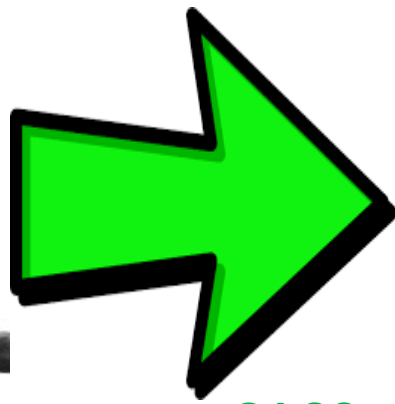
To ensure that there is no Understated income, or

To ensure that there is no Computation of excessive loss, or

To ensure that there is no Underpaid tax in any manner.

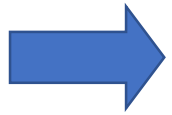
Computer Aided Scrutiny Selection (CASS):.

Cases are also being selected under CASS on the basis of broad based selection filters. List of such cases shall be separately intimated in due course by the DGIT(Systems) to the jurisdictional authorities concerned. The cases for this purpose are mostly selected through the process of computer assisted scrutiny selection (CASS) and there is no element of subjectivity in this process

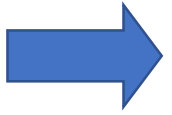


Limited Scrutiny U/s 143(3)

CASS- Computer Assisted Scrutiny Selection



The Central Board of Direct Taxes ('CBDT'), Vide Instruction No.7/2014 Dated 26-9-2014 had clarified the Extent of enquiry in certain category of cases Specified there in, Which are selected for Scrutiny through CASS.



Reasons for selection of case under CASS are – mismatch of ITR Data with AIR information/CIB/26AS



Recent Circulars and Notifications – Instruction No. 20/2015 Dated 29/12/2015

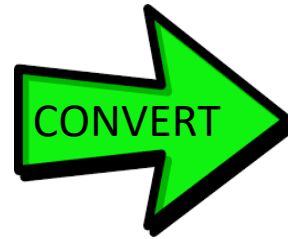


AO Should communicate the Reasons/issues for which the file has been selected in CASS



The Questionnaire under section 142(1)(ii) of the act in 'Limited Scrutiny' Cases 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.

Limited Scrutiny



Complete Scrutiny

During the course assessment proceedings in 'limited Scrutiny' cases, if:

- ☐ It comes to the notice of the Assessing officer that there is potential escapement of income exceeding Rs.5 Lac/10 Lac (for metro cities) 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.
- ☐ The AO has to take approval of Pr. CIT/CIT in writing after being satisfied about merits of the issue [S] necessitating 'complete Scrutiny ' in that particular case.

'Metro cities ' would mean Delhi, Mumbai, Chennai, Kolkata, Bengaluru, Hyderabad and Ahmedabad.



2022

Finance Bill 2022 proposed Amendments to the existing provisions of Section 144B

2021

Insertion of Section 144B in the Income-Tax vide the Taxation and other Laws (Relaxation and Amendment of Certain Provisions) Act

2020

Renamed as Faceless Assessment Scheme 2019 with more scope.

2019

05-07-2019 E-Assessment Scheme, 2019

2018

BUDGET insertion of three classes- 143(3A), 143(3B) & 143(3C) to Section 143(3) in IT Act, 1961

2017

E-Assessment in other option given to 102 cities

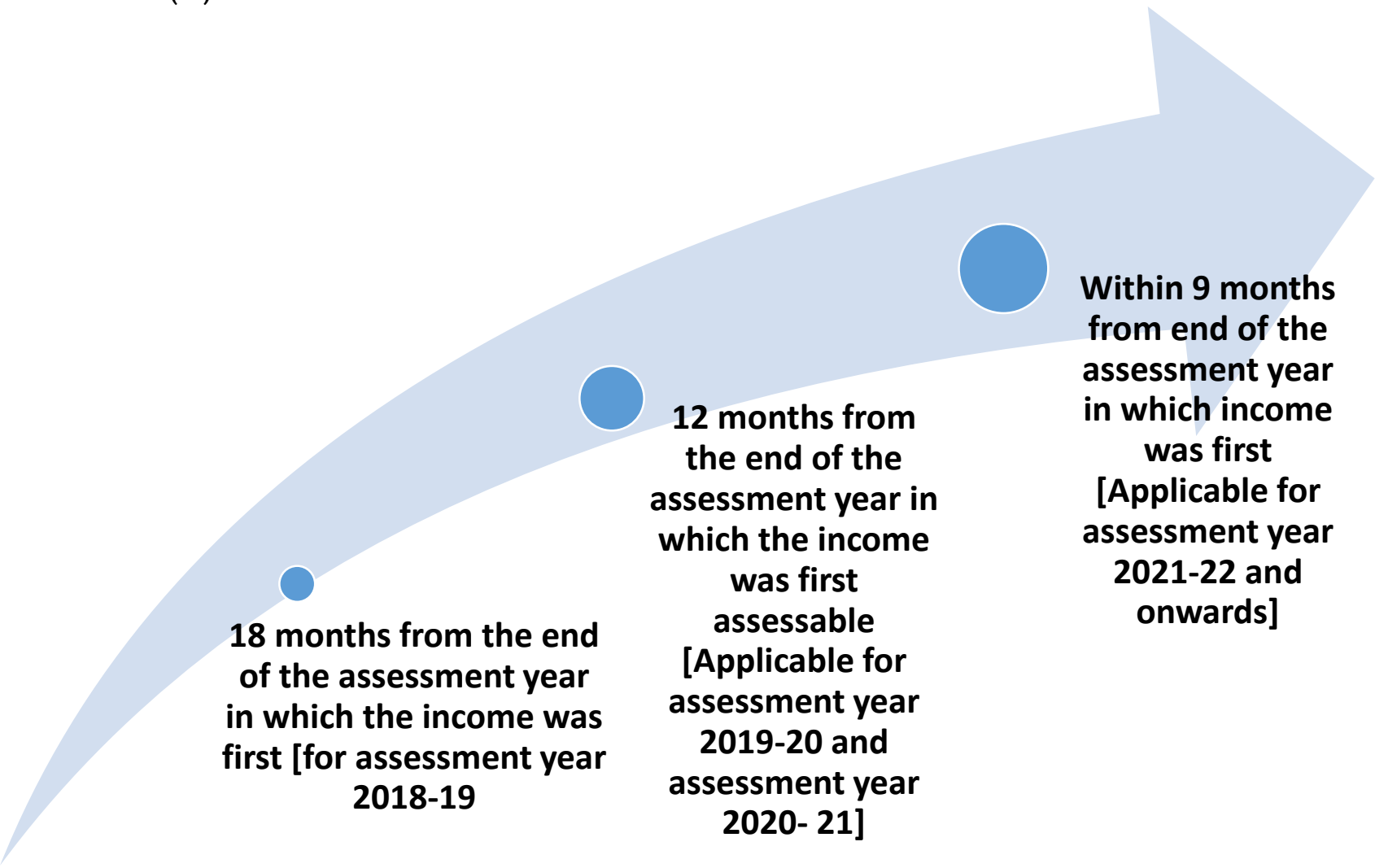
2016

Pilot basis in Delhi & Mumbai



Time-limit

As per Section 153, the time limit for making assessment under section 143(3) is:-



18 months from the end of the assessment year in which the income was first [for assessment year 2018-19]

12 months from the end of the assessment year in which the income was first assessable [Applicable for assessment year 2019-20 and assessment year 2020- 21]

Within 9 months from end of the assessment year in which income was first [Applicable for assessment year 2021-22 and onwards]

AMENMENDS in section 143

w.e.f 1st April 2021

Where a return has been furnished under section 139, or in response to a notice under sub-section (1) of section 142, the Assessing Officer or the prescribed income-tax authority, as the case may be, if, considers it necessary or expedient to ensure that the assessee has not understated the income or has not computed excessive loss or has not under-paid the tax in any manner, shall serve on the assessee a notice requiring him, on a date to be specified therein, either to attend the office of the Assessing Officer or to produce, or cause to be produced before the Assessing Officer any evidence on which the assessee may rely in support of the return

Provided that no notice under this sub-section shall be served on the assessee after the expiry of **[three]** months from the end of the financial year in which the return is furnished.*(Inserted w.e.f 01-04-2021 by the finance bill 2021)*

FACELESS ASSESSMENT

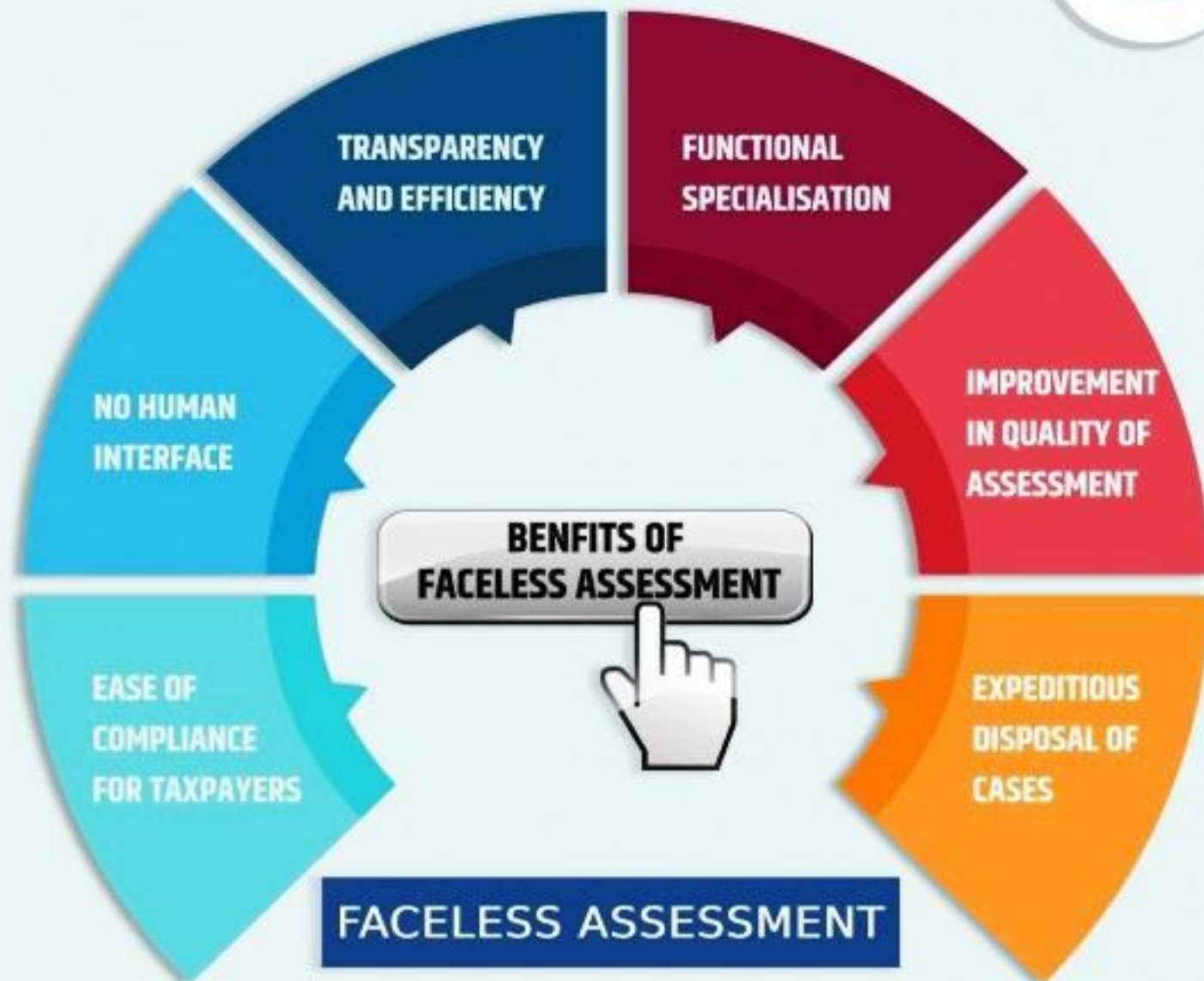
SECTION 144B

- Faceless Assessment is a part of e-governance initiative of the Government of India.
- To do scrutiny proceeding under section 143(3) / 147.
- To be conducted in a faceless and jurisdiction-less manner.
- Through the electronic means of communication via e-proceedings functionality.
- No physical/personal interface between the assessee and the assessing authority.

- The case selection will be through the system using data analytics & Artificial Intelligence
- Automated random allocation of cases
- Abolition of Territorial jurisdiction
- Central issuance of notices with Document Identification Number (DIN)
- Team-based assessment & reviews
- No physical interface, meaning no need to visit Income Tax office

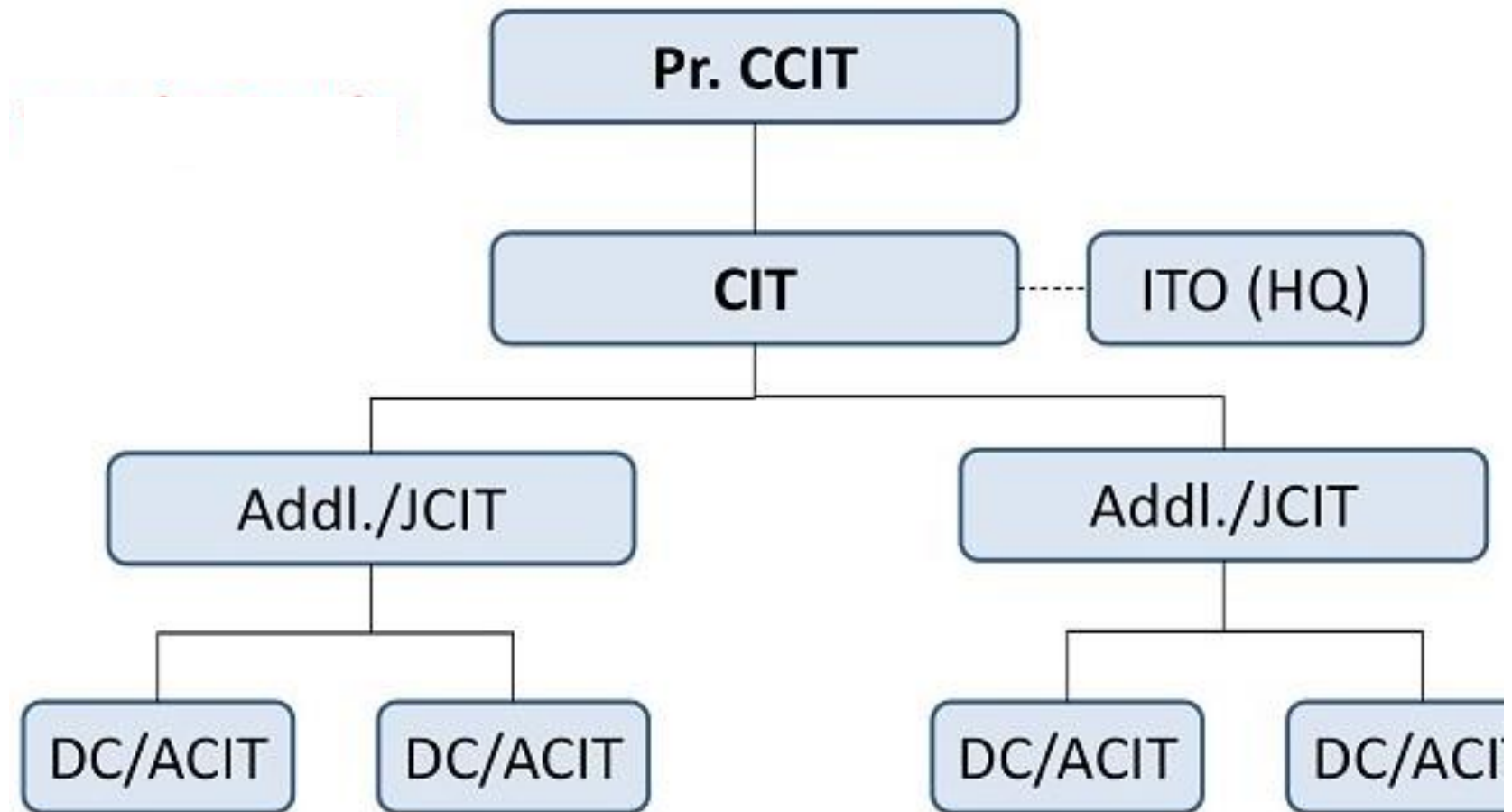
FEATURES

#HonoringTheHonest

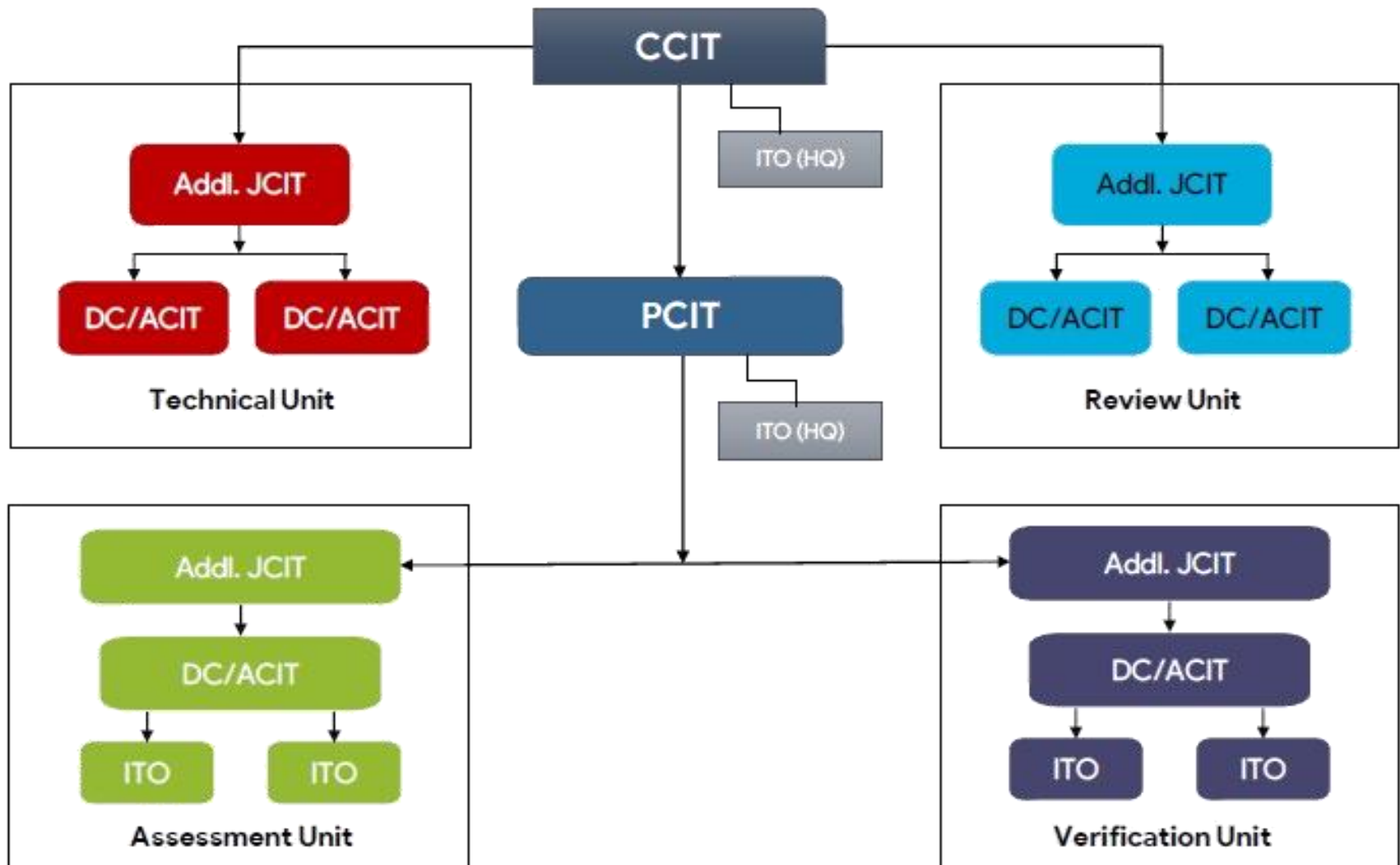


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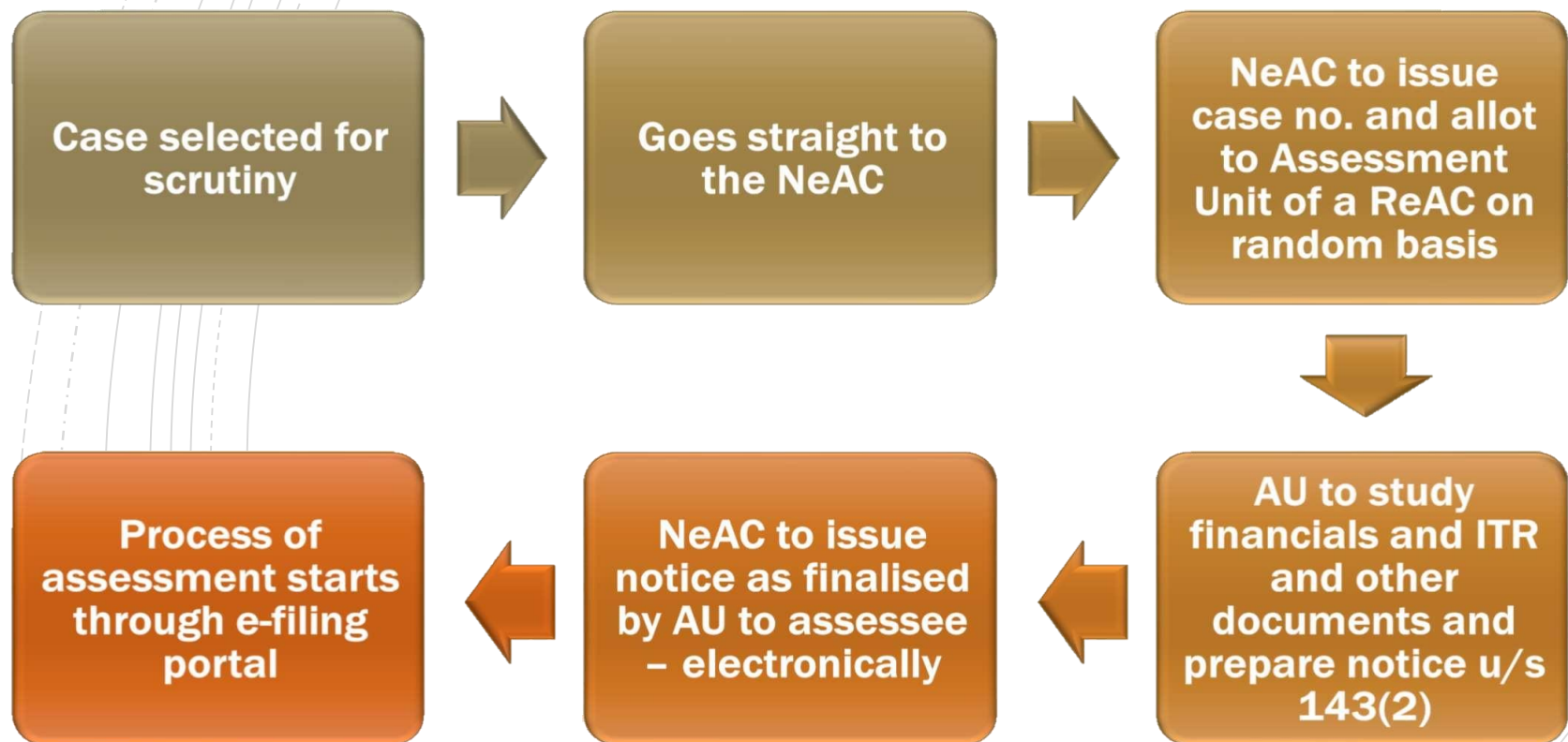
National E-Assessment Centre



Regional E-Assessment Centres



INITIAL PROCESS IN FACELESS ENVIRONMENT



Notice and Response

- National e Assessment Centre shall serve a notice on the assessee under section 143(2).
- Such Notice shall specify the issues selected for assessment.
- ACIT (e Verification), having headquarter at Delhi, to act as prescribed Income tax Authority for the purpose of section 143(2).
- Assessee may, within fifteen days from the date of receipt of notice, file his response to the NeAC.

Enquiry or Verification



- Request for conducting of certain enquiry or verification by the verification unit can be made by the assessment unit.
- Such requests shall be assigned by the NeAC to a verification unit through an automated allocation system.

Technical assistance to Assessment Units



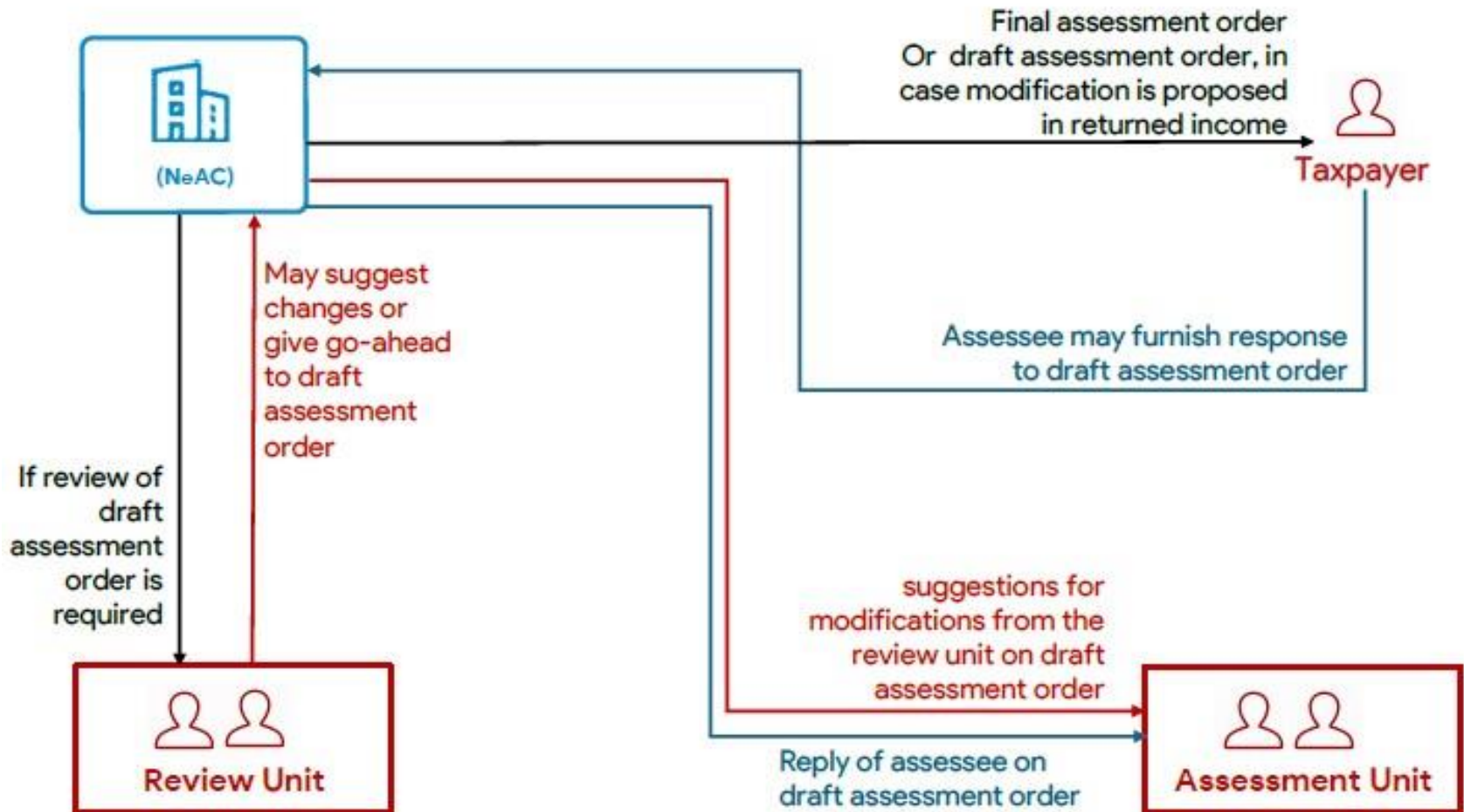
- Assessment units may place a request for technical assistance from the technical unit to NeAC.
- Such request shall be assigned by the NeAC to a technical unit in any one ReAC through an automated allocation system.

Assessment Orders

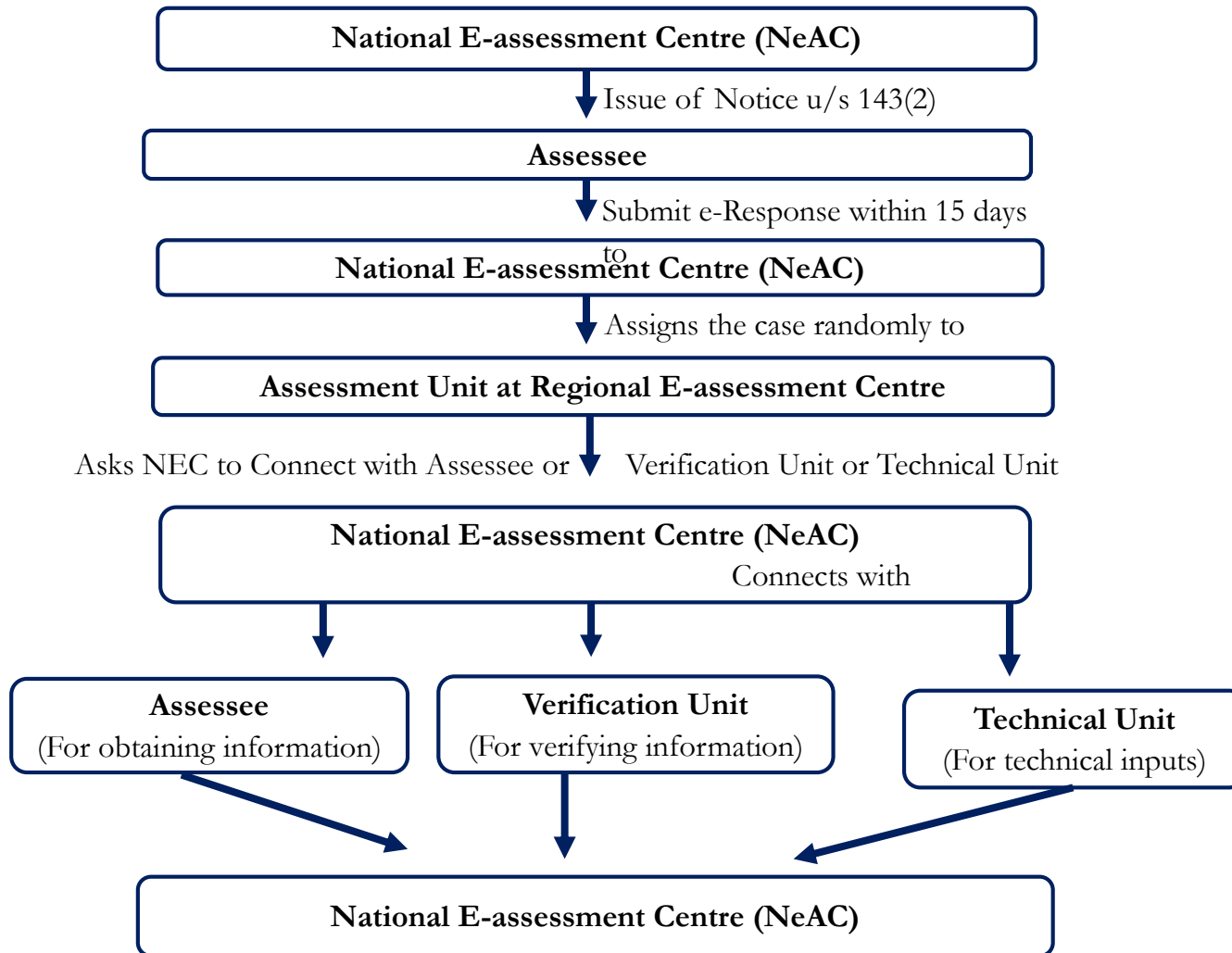


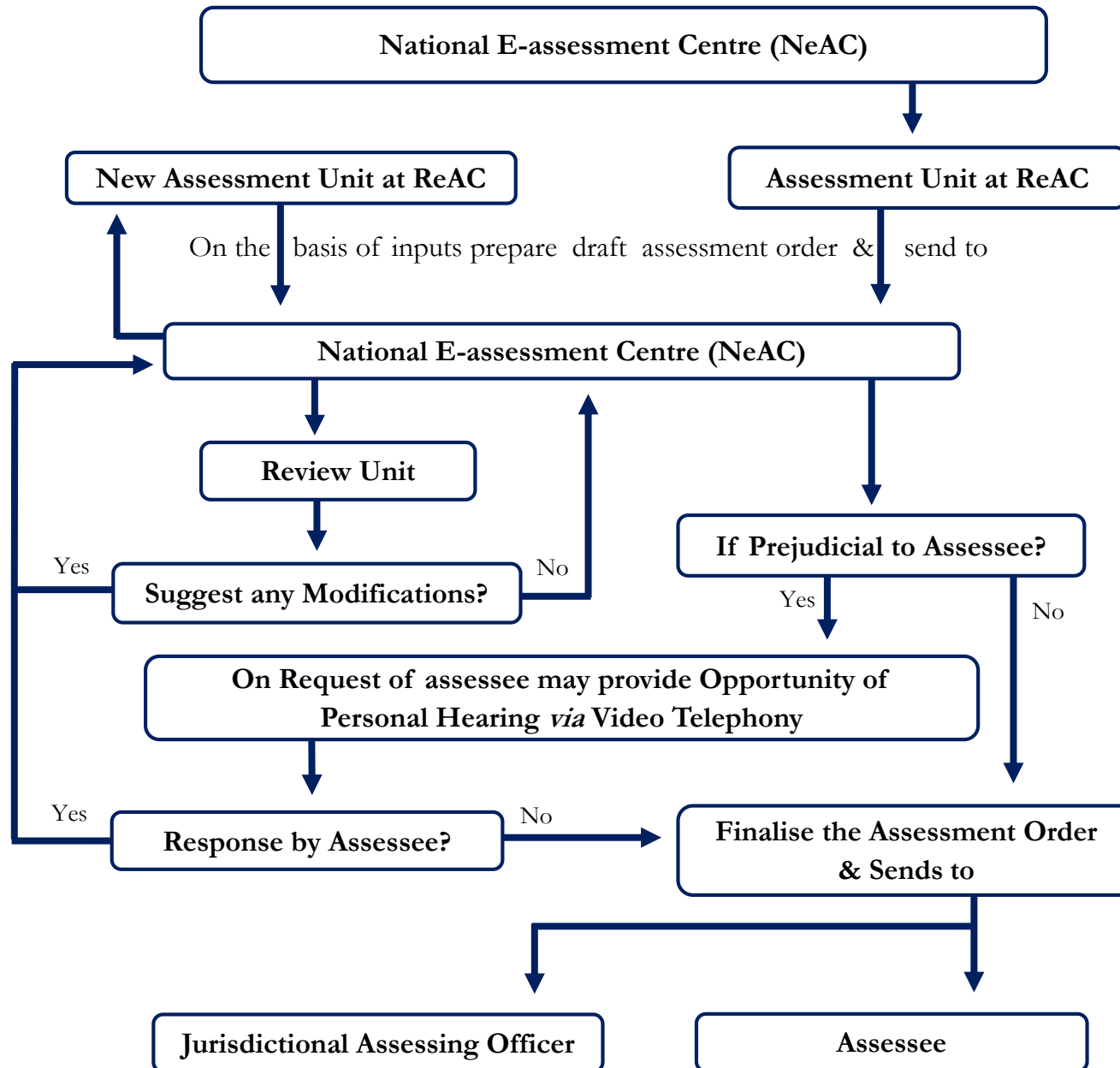
- Assessment unit shall, after taking into account all the relevant material available on the record, make in writing, a draft assessment order either accepting the returned income of the assessee or modifying the returned income of the assessee, as the case may be, and send a copy of such order to the NeAC.
- The assessment unit shall, while making draft assessment order, provide details of the penalty proceedings to be initiated therein, if any;

Assessment Orders



PROCEDURE IN FACELESS ENVIRONMENT





ISSUES - DEPARTMENT

Robust & secure data servers for storage of data gathered at level of NeAC & ReACs

Requisite Internet band width & secured communication channels for implementation

Availability/Development of facilities to support video conferencing and/or video telephony

Capability of handling bulk submission online and resolving real time technical glitches

Development of systems for Automated allocation of cases to ReACs.

Adequate training

ISSUES - ASSEESSEES

Necessity to keep address, email-id & mobile number updated in the Income tax database

Lot of time & cost may be consumed in digitizing physical data.

Hardships faced on account of Technical glitches due to lack of appropriate IT infrastructure.

Ability to differentiate between genuine communication received from department vis-a vis fake communication

Basic understanding of operation of this scheme

PROS/ CONS

- Saving of Time and Money of AR
- Not to face mood swings of AOs
- Assessment records available
- Change of Satisfaction Mode !!
- Whose Satisfaction now – NeAC or AU or Officer of AU !!!!
- AO did not remain AO in many cases – Instructions based assessments !!!!

*Thank
you*

