

Introduction –

Assessments under the income tax ACT, of 1961

Every taxpayer has to furnish the details of his income to the Income-tax Department. These details are to be furnished by filing the return of income. Once the return of income is filed by the taxpayer, the next step is the processing of the return of income by the Income Tax Department. The Income Tax Department examines the return of income for its correctness. The process of examining the return of income by the Income Tax department is called an “Assessment. The assessment also includes re-assessment and best judgment assessment.

Due date of filing returns

Income Tax Filing Due Dates for FY 2023-24 (AY 2024-25)

Category of Taxpayer	Due Date for Tax Filing - FY 2023-24*(unless extended)
Individual / HUF/ AOP/ BOI (books of accounts not required to be audited)	31st July 2024
Businesses (Requiring Audit)	31st October 2024
Businesses requiring transfer pricing reports (in case of international/specified domestic transactions)	30th November 2024

Revised return	31 December 2024
Belated/late return	31 December 2024
Updated return	31 March 2027 (2 years from the end of the relevant Assessment Year)

Consequences of Missing the ITR Filing Deadline

Interest

If you submit your return after the deadline, you will be liable to pay interest at a rate of 1% per month or part month on the unpaid tax amount as per Section 234A.

Late fee

In case of late filing, Section 234F imposes a late fee of Rs.5,000, which shall be reduced to Rs.1,000 if your total income is below Rs.5 lakh.

Loss Adjustment

In case you have incurred losses from sources like the stock market, mutual funds, properties, or any of your businesses, you have the option to carry them forward and offset them against your income in the subsequent year. This provision substantially reduces your tax liability in future years. However, you will not be allowed to carry forward these losses if you miss filing your ITR before the deadline.

What if ITR Filing is Missed?

Belated Return

If you miss the ITR filing due date, you can file a return after the due date, called a belated return. However, you will still have to pay the late fee and interest charges, and you will not be allowed to carry forward any losses for future adjustments. The last date for filing a belated return is 31st December of the assessment year (unless extended by the government). Therefore, for this year, you may submit the belated return by 31 December 2024 at the latest.

Updated Return

Still, if you miss the 31st December deadline due to unavoidable reasons still you can file the updated (ITR U) return subject to the conditions specified therein.

FILING OF RETURNS BY DIFFERENT ASSESSEES:

Filing of income tax returns varies depending on the type of taxpayer (assessee). Here's a brief overview of the process for different categories of assesses:

1. Individual Assessee:

- Who Needs to File: Salaried employees, self-employed individuals, professionals, and individuals with income from various sources like property, capital gains, or other investments?
- Form: ITR-1 (Sahaj), ITR-2, ITR-3, or ITR-4, depending on the sources and complexity of income.
- Due Date: 31st July of the assessment year (unless an audit is required).
- Process: Individuals can file their returns online through the Income Tax Department's e-filing portal. They must report all income, deductions, and taxes paid during the financial year.

2. Hindu Undivided Family (HUF):

- Who Needs to File: HUFs with income from various sources like property, business, or investments?
- Form: ITR-2 or ITR-3.
- Due Date: 31st July of the assessment year.
- Process: The Karta (head of the family) files the return on behalf of the HUF, reporting the HUF's income and taxes.

3. Partnership Firms (Including LLPs):

- Who Needs to File: Partnership firms, including Limited Liability Partnerships (LLPs), whether they have made a profit or incurred a loss.
- Form: ITR-5.

- Due Date: 31st October of the assessment year (if audit is required).
- Process: The return must include details of the firm's income, expenses, deductions, and taxes. If the firm's turnover exceeds certain limits, an audit report under Section 44AB is mandatory.

4. Companies:

- Who Needs to File: All companies, including private limited companies, public limited companies, and one-person companies?
- Form: ITR-6.
- Due Date: 31st October of the assessment year (if audit is required).
- Process: Companies must file returns electronically, providing detailed information about their income, profits, deductions, and taxes. They also need to submit audited financial statements.

5. Trusts and Non-Profit Organizations:

- Who Needs to File: Charitable trusts, religious trusts, and non-profit organizations registered under Section 12A or 12AA?
- Form: ITR-7.
- Due Date: 31st October of the assessment year.
- Process: These entities must report their income, donations, and expenditures, ensuring compliance with the provisions of the Income Tax Act regarding charitable activities.

6. Individuals and Firms Subject to Presumptive Taxation:

- Who Needs to File: Small businesses and professionals opting for presumptive taxation under Sections 44AD, 44ADA, or 44AE.
- Form: ITR-4 (Sugam).
- Due Date: 31st July of the assessment year.
- Process: Assesseees under presumptive taxation report a fixed percentage of their gross receipts or turnover as income, simplifying the filing process.

E- filing of returns:

E-filing refers to the process of electronically submitting income tax returns (ITR) through the internet, using the Income Tax Department's online portal or authorized intermediaries. This method is convenient, secure, and efficient, offering various benefits to taxpayers.

Key Steps in E-Filing:

1. Register on the E-Filing Portal:

- Taxpayers must first register on the Income Tax Department's official e-filing website (<https://www.incometax.gov.in/iec/foportal/>) using their Permanent Account Number (PAN) as the User ID.

2. Gather Required Documents:

- Before e-filing, gather all necessary documents, such as Form 16 (for salaried employees), bank statements, interest certificates, TDS certificates, investment proof, and other relevant financial documents.

3. Choose the Correct ITR Form:

- Select the appropriate ITR form based on your income sources and taxpayer category (individual, HUF, firm, company, etc.).

4. Fill in the Return:

- You can either download the applicable ITR form from the portal or use the online form directly on the portal. Fill in your personal details, income details, deductions, and tax payments.

5. Validate and Calculate Tax:

- Validate all entries, calculate your tax liability, and ensure that any tax due is paid before submitting the return.

6. Upload the Return:

- After filling in all details, upload the ITR form on the portal. If you have used the offline method, you need to generate an XML file and upload it.

7. E-Verification:

- After filing, you need to verify your return. This can be done through several methods, including Aadhaar OTP, net banking, or by sending a signed physical copy of the ITR-V (acknowledgment) to the Centralized Processing Center (CPC) in Bengaluru.

8. Acknowledgment Receipt:

- Once the return is successfully filed and verified, an acknowledgment (ITR-V) is generated, which can be downloaded and saved for your records.

Benefits of E-Filing:

- **Convenience:** E-filing can be done from anywhere at any time, without the need to visit the tax office.
- **Speed:** The process is quick, and refunds (if any) are processed faster.
- **Accuracy:** The e-filing system includes validation checks that minimize errors.
- **Security:** E-filing is secure, with data encryption and secure servers protecting taxpayer information.
- **Tracking:** Taxpayers can easily track the status of their returns and refunds online.

Types of Assessment

In the context of income tax, **assessment** refers to the process by which the Income Tax Department examines and verifies the information provided by taxpayers in their returns. There are several types of assessments, each with a specific purpose and scope:

1. Self-Assessment (Section 140A):

- **Definition:** This is the initial assessment done by the taxpayer when filing the income tax return. The taxpayer calculates their tax liability, including any interest or penalties, and pays the amount due before filing the return.

- **Purpose:** To encourage voluntary compliance by allowing taxpayers to assess and pay their own tax dues.

2. Summary Assessment (Section 143(1)):

- **Definition:** This is an automated assessment conducted by the Income Tax Department based on the return filed by the taxpayer. It involves checking for arithmetical errors, incorrect claims, or inconsistencies in the return.
- **Purpose:** To quickly process returns and issue refunds or demand notices based on preliminary checks.
- **Outcome:** The department may issue an intimation to the taxpayer, either confirming the return as filed, raising a demand for additional tax, or indicating a refund.

3. Scrutiny Assessment (Section 143(3)):

- **Definition:** This is a detailed assessment where the Assessing Officer (AO) scrutinizes the return more thoroughly to ensure that the taxpayer has correctly reported their income and claimed deductions.
- **Purpose:** To verify the accuracy and completeness of the return and to detect any discrepancies, tax evasion, or incorrect claims.
- **Outcome:** The AO may demand additional tax, accept the return as filed, or issue a notice requiring the taxpayer to provide further information or explanations.

4. Best Judgment Assessment (Section 144):

- **Definition:** This assessment is made by the AO when the taxpayer fails to file a return, does not respond to notices, or provides incomplete or inaccurate information. The AO assesses the income based on the best available information, often using estimates or external data.
- **Purpose:** To assess and determine the taxpayer's liability in cases of non-compliance or inadequate information.
- **Outcome:** The taxpayer may be required to pay tax based on the AO's judgment, and penalties may also be imposed.

5. Income Escaping Assessment (Reassessment) (Section 147):

- **Definition:** This assessment is initiated when the AO has reason to believe that income has escaped assessment, meaning it was not fully reported or was under-assessed in the original return or assessment.
- **Purpose:** To bring unassessed income into the tax net and rectify any errors or omissions in the original assessment.
- **Outcome:** The AO may reassess the taxpayer's income, leading to additional tax demands.

6. Reassessment or Revisions (Sections 154 and 263/264):

- **Section 154:** Correction of mistakes apparent from the record. The taxpayer or the AO can request rectification of errors in the assessment order.
- **Sections 263/264:** The Commissioner of Income Tax (CIT) may revise an order if it is considered erroneous and prejudicial to the interests of the revenue (Section 263), or if the taxpayer applies for a revision due to hardship (Section 264).

Permanent Account Number (PAN)

A Permanent Account Number (PAN) is a unique, ten-digit alphanumeric identifier issued by the Income Tax Department of India to individuals, companies, and other entities. The PAN is essential for tracking financial transactions and ensuring tax compliance.

Structure of PAN:

- **Format:** The PAN is structured as ABCDE1234F, where:
 - The first five characters are letters.
 - The next four characters are numbers.
 - The last character is a letter.
- **Components:**
 - **First three letters:** A random sequence of alphabets.
 - **Fourth character:** Indicates the type of PAN holder (e.g., 'P' for individual, 'C' for company, 'H' for HUF, etc.).



- **Fifth character:** The first letter of the PAN holder's last name/surname (for individuals) or the name of the entity (for non-individuals).
- **Sixth to ninth characters:** A sequential number from 0001 to 9999.
- **Tenth character:** A check digit, generated using a formula for validation.

Importance of PAN:

- **Tax Filing:** PAN is mandatory for filing income tax returns in India.
- **Financial Transactions:** It is required for various high-value transactions, such as opening a bank account, buying or selling property, investing in securities, and making deposits above a certain limit.
- **Identification:** PAN serves as a universal identification key to track all financial activities and prevent tax evasion.

Usage of PAN:

- **Individuals:** PAN is linked to all tax-related activities, such as paying taxes, receiving refunds, and claiming tax deductions.
- **Businesses and Entities:** Companies, partnerships, and other entities must use PAN for all financial transactions and tax-related activities.
- **Government Monitoring:** PAN helps the government monitor financial transactions and ensures transparency in the tax system.

Procedure for obtaining PAN and transactions were quoting of PAN is compulsory.

Procedure for Obtaining PAN

Obtaining a Permanent Account Number (PAN) is a straightforward process. Here's how to apply for one:

1. Application Form:

- **Offline:** Obtain Form 49A (for Indian citizens) or Form 49AA (for foreign citizens) from a TIN-Facilitation Centre or a PAN card agency.
- **Online:** Visit the official website of NSDL (now Protean eGov Technologies) or UTIITSL to apply online.

2. Fill in the Form:

- Provide accurate personal details such as name, date of birth, address, and other relevant information.
- Attach or upload a recent passport-sized photograph.

3. Supporting Documents:

- **Proof of Identity (POI):** Passport, Voter ID, Aadhaar card, etc.
- **Proof of Address (POA):** Utility bill, bank statement, Aadhaar card, etc.
- **Proof of Date of Birth:** Birth certificate, Matriculation certificate, etc.
- Upload or submit these documents along with the application form.

4. Payment of Fee:

- Pay the application fee (varies for Indian and foreign addresses).
- Payment can be made online (via debit/credit card, net banking) or through a demand draft.

5. Submission:

- **Offline:** Submit the filled form and documents to the nearest TIN-Facilitation centre.
- **Online:** Submit the form online and send a physical copy of the acknowledgment to the designated NSDL/UTIITSL office if physical documents are required.

6. Verification:

- The Income Tax Department verifies the application and documents.

7. Issuance of PAN:

- Once verified, the PAN is generated and sent to the applicant's address. An e-PAN (a digitally signed PAN card) may also be issued.

Transactions Where Quoting of PAN is Compulsory

Quoting PAN is mandatory for certain financial transactions to prevent tax evasion and ensure transparency. Key transactions include:

1. Banking Transactions:

- Deposits above ₹50,000 in a single day into a bank or post office account.
- Opening a bank account (except Basic Savings Bank Deposit Account).
- Fixed deposits exceeding ₹50,000 or aggregating to more than ₹5 lakh in a financial year.

2. Purchase/Sale of Assets:

- Purchase or sale of immovable property valued at ₹10 lakh or more.
- Purchase or sale of vehicles (excluding two-wheelers).

3. Investments:

- Purchase of mutual funds, shares, debentures exceeding ₹50,000.
- Payment for acquiring bonds or debentures above ₹50,000.

4. Credit Card Applications:

- Applying for a credit card or making payments of more than ₹1 lakh against credit card bills.

5. Foreign Exchange:

- Payment for foreign travel, purchase of foreign currency exceeding ₹50,000.

6. Insurance Premium:

- Payment of life insurance premium exceeding ₹50,000 in a financial year.

7. Purchase of Jewellery:

- Purchase of jewelry or bullion exceeding ₹2 lakh.

8. Hotel Bills and Payments:

- Payments exceeding ₹50,000 in a single bill to a hotel or restaurant.

9. Purchase of Goods and Services:

- Payments above ₹2 lakh for the purchase of goods or services.

Income Tax Authorities their Powers and duties.

Income Tax Authorities: Powers and Duties

Income Tax Authorities in India are responsible for the administration, enforcement, and collection of income taxes as per the Income Tax Act, 1961. These authorities have specific powers and duties to ensure compliance with tax laws and regulations. Here's a brief overview:

1. Central Board of Direct Taxes (CBDT):

- **Role:** The CBDT is the apex body that provides essential inputs for policy and planning of direct taxes in India. It also administers the direct tax laws through various Income Tax Authorities.
- **Powers and Duties:**
 - Formulate policies and laws related to direct taxes.
 - Issue guidelines, rules, and procedures for income tax administration.
 - Supervise and control the work of the Income Tax Department.

2. Principal Chief Commissioner of Income Tax (PCCIT) and Chief Commissioner of Income Tax (CCIT):

- **Role:** Senior-most officers in the Income Tax Department, responsible for overseeing the administration of income tax within their jurisdiction.
- **Powers and Duties:**
 - Oversee the implementation of tax policies and laws.
 - Supervise the work of subordinate officers.
 - Approve or revise decisions made by Assessing Officers in complex or significant cases.

3. Principal Commissioner of Income Tax (PCIT) and Commissioner of Income Tax (CIT):

- **Role:** Senior officers responsible for managing specific zones or functions within the Income Tax Department.
- **Powers and Duties:**
 - Administer the assessment, collection, and recovery of taxes.

- Conduct or authorize scrutiny assessments, reassessments, and surveys.
- Handle appeals against the orders of Assessing Officers.
- Revise orders of lower authorities under Sections 263 and 264.

4. Additional Commissioner of Income Tax (Addl. CIT) and Joint Commissioner of Income Tax (JCIT):

- **Role:** Assist the Commissioners in supervising the work of Assessing Officers and ensuring compliance with tax laws.
- **Powers and Duties:**
 - Supervise and monitor the work of Assessing Officers.
 - Conduct inspections, assessments, and audits as needed.
 - Provide guidance on complex tax issues and ensure uniformity in the application of tax laws.

5. Assessing Officer (AO):

- **Role:** The AO is responsible for the assessment of income and determination of tax liabilities for individual taxpayers, firms, companies, and other entities.
- **Powers and Duties:**
 - Issue notices to taxpayers for filing returns and conducting assessments.
 - Examine returns, conduct inquiries, and make assessments under various sections of the Income Tax Act.
 - Assess penalties for non-compliance or concealment of income.
 - Initiate proceedings for the recovery of unpaid taxes.

6. Tax Recovery Officer (TRO):

- **Role:** The TRO is responsible for recovering tax dues from defaulters.
- **Powers and Duties:**
 - Issue notices for recovery of tax dues.
 - Attach and sell defaulter's property to recover unpaid taxes.
 - Take measures to ensure compliance with tax recovery orders.

7. Income Tax Officer (ITO):

- **Role:** ITOs work under the supervision of higher authorities like the ACIT or JCIT, handling specific assessments and investigations.
- **Powers and Duties:**
 - Conduct assessments and reassessments.
 - Issue demand notices for tax arrears.
 - Conduct surveys and investigations to detect tax evasion.

8. Income Tax Inspector:

- **Role:** Assists the Assessing Officer in their duties, particularly in the collection of taxes and investigation of cases.
- **Powers and Duties:**
 - Conduct surveys, inquiries, and spot verifications.
 - Assist in the assessment and recovery process.
 - Provide field-level information to support tax assessments and investigations.