UNIVERSITY OF DELHI

BUSINESS TAX PROCEDURES AND MANAGEMENT

DSE 5.8 | DSE 5.7

B.Com (Hons.) | B.Com (Prog.) — Third Year, Semester V

UNIT 2

ADMINISTRATION AND RETURN OF INCOME

Who Administers the Act, and What the Assessee Must Tell Them

Authorities • Jurisdiction • Powers • PAN • Return • Forms • Verification • Processing

Sections 236 to 261 and 262 to 270

read with Rules 157 to 165 and Forms 93 to 96 and ITR-1 to ITR-7

Governed by the INCOME-TAX ACT, 2025

(Act No. 30 of 2025, as amended by the Finance Act, 2026)

read with the INCOME-TAX RULES, 2026

TAX YEAR 2026-27

1 April 2026 to 31 March 2027

Academic Year 2026-27

Compiled by

ADVOCATE DR. S. B. RATHORE

M.Com; M.Phil; LL.B.; Ph.D.

Associate Professor of Commerce (Oct. 1977 – Dec. 2019)

Shyam Lal College (University of Delhi), Delhi-110032

www.taxclasses.in | YouTube: Tax Doctor | Facebook: DrSb Rathore

Mobile / WhatsApp: 9811116835 | E-mail: rathore_incometax@yahoo.co.in

The Prescribed Syllabus for this Unit

UNIT 2: ADMINISTRATION AND RETURN OF INCOME

"Income Tax authorities; Return of income."

Five hours in DSE 5.8 for B.Com (Hons.) and **four hours** in DSE 5.7 for B.Com (Prog.); the wording of the two syllabi is identical. Department of Commerce, University of Delhi, under the Undergraduate Curriculum Framework 2022, as notified by CNC-II/093/1(28)/2023-24/282 dated 13.11.2023 and revised on 02.01.2025.

THE AUTHORITY FOR THIS SYLLABUS

Resolution No. 4-1-15 — "Resolved that the Amendment to Income tax related papers for B.Com (H), B.Com (Prog), and B.A. (Commerce) papers (In the light of the Income Tax Act 2025 duly approved by the Govt of India) be accepted." — **Appendix-103**

Placed before the **Executive Council of the University of Delhi, EC (1282) dated 29.04.2026**. The amended syllabus takes effect from the **Academic Year 2026-27**.

The amendment is what makes this paper a paper on the **Income-tax Act, 2025**. Every section reference in this material is in the numbering of the new Act. The corresponding provisions of the Income-tax Act, 1961 have no application to Tax Year 2026-27.

Unit 2 is the shortest unit in the paper and the one most often under-prepared. It carries only four or five lecture hours, but it supplies the vocabulary for the three units that follow: every assessment in Unit 3, every penalty in Unit 4 and every anti-avoidance provision in Unit 5 is exercised by an *authority* named in this Unit, and almost every one of them begins with a *return* filed under this Unit.

Half of the Unit	Content	Sections of the Income-tax Act, 2025
Income-tax authorities *Chapters 1 to 4*	The classes of authority, their appointment and control; the Board's power to issue instructions and the Taxpayer's Charter; jurisdiction, transfer of cases and faceless jurisdiction; and the powers of the authorities	236 to 246 and 252 to 261 *(Part A and Part B of Chapter XIV)*
Return of income *Chapters 5 to 10*	Permanent Account Number; who must file and by when; the five kinds of return; the tax on an updated return; the forms, the verification and the manner of furnishing; self- assessment; and the processing of the return	262 to 267, and 270(1) to (7) *(Part A and Part B of Chapter XV)*

WHAT BELONGS TO OTHER UNITS, AND WHERE TO FIND IT

- **Search, seizure and requisition** — sections 247 to 251 — are powers of the authorities, but the syllabus places them in **Unit 4**, and they are treated there. Only their place in the scheme is noted in Chapter 4 of this booklet.
- **Survey** — section 253 — is likewise a Unit 4 topic; Chapter 4 gives its outline and the contrast with section 254.
- **Assessment, re-assessment and rectification** — sections 270(8) onwards, 271, 279 and 287 — belong to **Unit 3**. Chapter 10 of this booklet stops at the processing of the return under section 270(1) to (7), which is the last step in the life of a return and the first step of an assessment.
- **The interest and fee** that a late return attracts — sections 423 and 428 — belong to **Unit 1 Part C**, and are cross-referred where they arise.

A Word on the Numbering

Two numbers have changed their meaning in this Unit, and both are worth fixing at the outset.

SECTION 263 IS THE RETURN; SECTION 139 IS NOT

Under the Income-tax Act, 1961, **section 139** was the return of income and **section 263** was the Commissioner's power of revision. The Act of 2025 has re-used both numbers. **Section 263 is now the return of income**, and revision by the Commissioner is now section 377. "Return under section 139" is a reference to a repealed statute, and "revision under section 263" states the opposite of what is meant.

Similarly, **section 139A** (Permanent Account Number) is now **section 262**; **section 140** (verification) is now **section 265**; **section 140A** (self-assessment) is now **section 266**; and **section 143(1)** (processing) is now **section 270(1).**

How to Use this Booklet

Each chapter opens with the sections it covers. Chapters 1 to 4 take the authorities in the order the Act takes them — who they are, who controls them, what they may do and where they may do it. Chapters 5 to 10 follow the life of a return, from the Permanent Account Number that must precede it to the intimation that closes it. Chapter 11 contains full-length practical problems with solutions and Chapter 12 the reckoner, the form tables and the question bank.

Every date and every figure is that in force for **Tax Year 2026-27** under the Act **as amended by the Finance Act, 2026**. Two changes made by that Act govern this Unit and are flagged where they arise: the **substituted table of due dates in section 263(1)(c)**, which introduces a new due date of **31 August**; and the **substituted section 263(5)**, which extends the time for a revised return to **twelve months**.

CONTENTS

Page numbers refer to this booklet. Chapter headings are shown in bold.

The sources from which this material has been written

Source	What it settles in this Part
Income-tax Act, 2025 (Act No. 30 of 2025) — assent 21 August 2025, in force 1 April 2026	Sections **236 to 261** (the authorities) and **262 to 270** (permanent account number, return of income, verification and processing)
Finance Act, 2026 — assent 30 March 2026 (Finance Bill No. 3 of 2026, introduced 1 February 2026)	The amendments to the due dates for furnishing the return, and to section 262
Income-tax Rules, 2026 — G.S.R. 198(E) dated 20 March 2026, in force 1 April 2026	**Rules 157 to 165**, and **Forms No. 93 to 96** and **ITR-1 to ITR-7**
Memorandum explaining the provisions of the Finance Bill, 2026	The reason for, and effect of, the amendments to the return provisions

ABOUT THIS BOOKLET

This booklet has been prepared by **Artificial Intelligence — Claude Opus 5.0 (Anthropic)** — under the guidance and supervision of **Advocate Dr. S. B. Rathore** from the bare text of the **Income-tax Act, 2025** and the **Income-tax Rules, 2026** as downloaded from **incometaxindia.gov.in**.

Date: **11-08-26** (Original)   Updated on:

CONTENTS

Page numbers refer to this booklet. Chapter headings are shown in bold.

CHAPTER ONE

The Classes of Income-tax Authority

Sections 236 to 238 · Chapter XIV, Part A of the Income-tax Act, 2025 Twelve classes, one hierarchy, and a rule that an act done by the wrong authority is void.

1.1 The twelve classes [section 236]

"For the purposes of this Act, there shall be the following classes of income-tax authorities" —

Clause	Class of authority	Note
(a)	The **Central Board of Direct Taxes**, constituted under the Central Boards of Revenue Act, 1963	The apex body. It is an authority under the Act, not merely an administrative department
(b)	Principal Directors General of Income-tax **or** Principal Chief Commissioners of Income-tax	The two limbs of the service run in parallel — the **Director** line for investigation, intelligence and systems, and the **Commissioner** line for assessment
(c)	Directors General of Income-tax **or** Chief Commissioners of Income-tax	and collection. Each rank in one limb is equal to the
(d)	Principal Directors of Income-tax **or** Principal Commissioners of Income-tax	corresponding rank in the other
(e)	Directors of Income-tax **or** Commissioners of Income-tax **or** Commissioners of Income-tax (Appeals)	
(f)	Additional Directors **or** Additional Commissioners **or** Additional Commissioners (Appeals)	The **(Appeals)** officers are appellate and not administrative. Their discretion in appellate functions is protected by section 239(2)(b)
(g)	Joint Directors **or** Joint Commissioners **or** Joint Commissioners (Appeals)	
(h)	Deputy Directors **or** Deputy Commissioners	These two ranks, and the Income-tax Officer, are the ranks that ordinarily function as the **Assessing**
(i)	Assistant Directors **or** Assistant Commissioners	**Officer**
(j)	**Income-tax Officers**	The lowest rank that may be an Assessing Officer
(k)	**Tax Recovery Officers**	The officer who draws up the certificate under section 413 — see Unit 1 Part C
(l)	**Inspectors of Income-tax**	The lowest class. An Inspector has **no independent power**; he acts only under authorisation, as under section 254(4)(b)

1.2 The structure, from the Board downwards

THE HIERARCHY AT A GLANCE

Central Board of Direct Taxes

↓

Principal Director General *or* Principal Chief Commissioner ↓ Director General *or* Chief Commissioner ↓ Principal Director *or* Principal Commissioner ↓ Director *or* Commissioner *or* Commissioner (Appeals) ↓

Additional Director *or* Additional Commissioner *or* Additional Commissioner (Appeals) ↓ Joint Director *or* Joint Commissioner *or* Joint Commissioner (Appeals) ↓ Deputy Director *or* Deputy Commissioner · Assistant Director *or* Assistant Commissioner ↓

Income-tax Officer · Tax Recovery Officer

!

Inspector of Income-tax

"**Assessing Officer**" is not itself a class in section 236. It is a *function*, defined elsewhere in the Act, ordinarily discharged by an Assistant Commissioner, Deputy Commissioner, Assistant Director, Deputy Director or Income-tax Officer who is vested with the relevant jurisdiction — and, where the Board so orders under section 241(5)(b), by an Additional or Joint Commissioner or Director.

1.3 Appointment [section 237]

Sub-section	Who appoints	Whom
237(1)	The **Central Government**	Such persons as it thinks fit to be income-tax authorities — the general power, covering every class
237(2)	The **Board**, or a Principal Director General or Director General, or a Principal Chief Commissioner or Chief Commissioner, or a Principal Director or Director, or a Principal Commissioner or Commissioner — **if authorised by the Central Government**	Income-tax authorities **below the rank of a Deputy Commissioner or Assistant Commissioner**, subject to the rules regulating conditions of service in the public services
237(3)	An income-tax authority **authorised in this behalf by the Board**	Such **executive or ministerial staff** as may be necessary to assist it in the execution of its functions

1.4 Control [section 238]

"The Board may, by notification, direct that any income-tax authority or authorities specified in the notification shall be **subordinate** to such other income-tax authority or authorities as specified in such notification."

The section is short but it is the hinge of the whole administration. Subordination is not assumed from rank; it is **declared by notification**. Every provision that speaks of an authority being "subordinate" — the transfer of cases under section 243, the delegation under section 241(3), the appeal under Rule 225(88) — takes its meaning from a notification issued under this section.

CHAPTER TWO

The Board — Instructions and the Taxpayer's Charter

Sections 239 and 240

The Board may bind every officer in the country by a circular — but there are two things it may never direct, and they are the two most examined lines in the section.

2.1 Instructions to subordinate authorities [section 239(1)]

"The Board may issue such **orders, instructions and directions** to other income-tax authorities as it considers fit for the proper administration of this Act, and such authorities **and all other persons employed in the execution of this Act shall observe and follow** such orders, instructions and directions."

Two consequences follow, and both are settled law carried over from the corresponding section 119 of the repealed Act. First, a circular of the Board is **binding on the Department** — an officer cannot take a stand contrary to it. Second, a circular is **not binding on the assessee or on the courts**: a beneficial circular may be relied on by the assessee, but a circular adverse to him cannot override the Act.

2.2 The two things the Board may never direct [section 239(2)]

> **NO ORDER, INSTRUCTION OR DIRECTION SHALL BE ISSUED SO AS TO —**
>
> - **(a)** require any income-tax authority **to make a particular assessment or to dispose of a particular case**
>
> **in a particular manner; or**
>
> - **(b) interfere with the discretion of the Joint Commissioner (Appeals) or the Commissioner (Appeals)**
>
> **in the exercise of his appellate functions.**
>
> Clause (a) protects the quasi-judicial character of the assessment; clause (b) protects the independence of the first appellate authority. The Board may lay down how a class of cases is to be approached; it may not decide a case.

2.3 The three special powers [section 239(3)]

Without prejudice to the generality of sub-section (1), the Board has three further powers, and the conditions attached to each are examinable.

Clause	Power	Condition
239(3)(a)	To issue **general or special orders** in respect of any class of incomes or class of cases, whether by way of **relaxation** of sections 263, 270, 271, 279, 280, 287, 288, 298, 398(3), 406, 407, 408, 423, 424, 425, 427, 428, 439, 448 or 449 or otherwise	Only if **necessary or expedient for the proper and efficient management** of assessment and collection; the directions must be **not prejudicial to assessees**; and such an order may be published and circulated if the Board thinks it in the public interest
239(3)(b)	To authorise any income-tax authority — **not being a Joint Commissioner (Appeals) or Commissioner (Appeals)** — to **admit an application or claim for any exemption, deduction, refund or other relief after the expiry of the period** specified in the Act, and to deal with it on merits	Only if **desirable or expedient for avoiding genuine hardship** in any case or class of cases. This is the condonation-of-delay power
239(3)(c)	To **relax any requirement of Chapter IV or Chapter VIII** where the assessee has failed to comply with a requirement for claiming a deduction, by general or special order **for reasons to be specified**	Both of these must be satisfied — (i) the default was **due to circumstances beyond the control** of the assessee; and (ii) the assessee has **complied before the completion of the assessment** for the tax year in which the deduction is claimed

Every order issued under clause (c) must be **laid before each House of Parliament** [section 239(4)].

Note the drafting of clause (b). A return furnished in pursuance of an order under section 239(3)(b) is expressly brought within section 263 by section 263(8)(a) — so a return filed after condonation of delay is a return under section 263 for every purpose of the Act.

2.4 The Taxpayer's Charter [section 240]

"The Board shall **adopt and declare a Taxpayer's Charter** and issue such orders, instructions, directions or guidelines to other income-tax authorities as it considers fit for the administration of such Charter."

The word is "**shall**", not "may". The Charter is therefore a statutory obligation on the Board and not a discretionary courtesy. It sets out what the Department commits to — to treat the taxpayer as honest, to provide a fair and just system, to maintain confidentiality, to hold its officers accountable, and to allow representation of choice — and what it expects in return.

The Charter is a statement of administrative commitment. It does not create a cause of action in itself, but a departure from it is a relevant consideration where an authority's exercise of discretion is challenged.

The Charter declared by the Board under this section has two halves. The first states what the Department binds itself to do; the second states what it expects of the taxpayer. Both are reproduced below, and both are examinable — a question asking for "any five commitments" is answered out of the first table, and one asking what the Charter expects of the taxpayer out of the second.

THE INCOME-TAX DEPARTMENT IS COMMITTED TO —

No.	The Department shall	What it means
1	**provide fair, courteous and reasonable treatment**	prompt, courteous and professional assistance in all dealings with the taxpayer
2	**treat the taxpayer as honest**	every taxpayer is treated as honest unless there is reason to believe otherwise
3	**provide a mechanism for appeal and review**	a fair and impartial appeal and review mechanism
4	**provide complete and accurate information**	accurate information for fulfilling the compliance obligations under the law
5	**provide timely decisions**	a decision in every income-tax proceeding within the time prescribed by law
6	**collect the correct amount of tax**	only the amount due as per law is collected
7	**respect the privacy of the taxpayer**	due process of law is followed, and no enquiry, examination or enforcement action is more intrusive than necessary
8	**maintain confidentiality**	no information provided by the taxpayer is disclosed unless authorised by law
9	**hold its authorities accountable**	the Department holds its authorities accountable for their actions
10	**enable a representative of choice**	every taxpayer may choose an authorised representative of his choice
11	**provide a mechanism to lodge a complaint**	a mechanism for lodging a complaint and its prompt disposal
12	**provide a fair and just system**	a fair and impartial system, resolving tax issues in a time-bound manner
13	**publish service standards and report periodically**	standards for service delivery are published periodically
14	**reduce the cost of compliance**	the cost of compliance is taken into account when administering tax legislation

AND EXPECTS THE TAXPAYER TO —

No.	The taxpayer is expected to	What it means
1	**be honest and compliant**	to disclose full information honestly and fulfil his compliance obligations
2	**be informed**	to be aware of his compliance obligations under the tax law, and to seek the help of the Department if needed
3	**keep accurate records**	to keep the records required by law
4	**know what the representative does on his behalf**	to know what information and submissions his authorised representative makes
5	**respond in time**	to make submissions as required by the tax law in a timely manner
6	**pay in time**	to pay the amount due as per law in a timely manner

A taxpayer who says the Charter has not been honoured may approach the **Taxpayers' Charter Cell** under the Principal Chief Commissioner of Income-tax of the Zone. The Charter is an administrative declaration made under a statutory command: its breach does not by itself make an assessment void, but it is a ground of grievance and of departmental accountability.

CHAPTER THREE

Jurisdiction of the Authorities

Sections 241 to 245

Where an officer may act, over whom, and what happens when the assessee says he may not.

3.1 Jurisdiction generally [section 241]

Income-tax authorities exercise their powers and perform their functions **as per such directions as the Board may issue** [section 241(1)]. A higher authority may, if so directed by the Board, exercise the powers of a lower one, and such a direction is deemed to be one under sub-section (1) [section 241(2)]. The Board's directions may authorise any other authority to issue orders in writing for the exercise of powers by its subordinates [section 241(3)].

THE FOUR CRITERIA OF JURISDICTION [SECTION 241(4)]

In issuing directions or orders, the Board or the authority it authorises may have regard to any one or more of —

- **(a) territorial area**;
- **(b) persons or classes of persons**;
- **(c) incomes or classes of income**; and
- **(d) cases or classes of cases**.

These four criteria are the standard four-mark question. They explain why one Assessing Officer has all salaried assessees in a district, another has all companies with a particular first letter, and a third has all charitable trusts.

Sub-section	What it provides
241(5)(a)	The Board may authorise a Principal Director General, Director General, Principal Director or Director to **perform the functions of any other income-tax authority** assigned to him
241(5)(b)	The Board may empower a specified authority to order that the powers of an **Assessing Officer** be exercised by an **Additional or Joint Commissioner or Director**
241(6)	Where such an order is made, every reference in the Act to the Assessing Officer is a reference to that officer — and **any requirement of the approval or sanction of the Joint Commissioner ceases to apply**, for he is himself the officer
241(7)	**Concurrent jurisdiction** may be conferred on two or more Assessing Officers. Where they are of different classes, the lower acts as the higher directs, and references to the Assessing Officer are to the higher authority
241(8) and (9)	Irrespective of any direction or order, the Board may by **notification** issue directions for the furnishing of the return of income or the doing of any other act by any person or class of persons, and specify the authority who is to exercise the powers in relation to them

3.2 Jurisdiction of Assessing Officers [section 242(1) to (3)]

Where an Assessing Officer has been vested with jurisdiction over an area, he has jurisdiction within that area —

- **(a)** in respect of a person **carrying on a business or profession**, if the place at which he carries it on is within the area; or, where it is carried on at more places than one, if the **principal place** is within the area; and
- **(b)** in respect of **any other person, if he resides** within the area.

A dispute as to whether an Assessing Officer has jurisdiction is determined by the **specified income-tax authority** — the Principal Director General, Director General, Principal Chief Commissioner, Chief Commissioner, Principal Commissioner or Commissioner [sections 242(2) and 243(7)]. Where the areas fall within the jurisdiction of different specified authorities, they decide it between themselves; and if they are **not in agreement**, by the Board or an authority the Board notifies [section 242(3)].

3.3 When jurisdiction may no longer be questioned [section 242(4) and (5)]

THE THREE CUT-OFF DATES

No person shall call in question the jurisdiction of an Assessing Officer —

Where the assessee	He must object before
(a) has made a return under section 263(1)	The expiry of **one month** from the date of service of a notice under section 268(1) or 270(8), **or** the completion of the assessment — **whichever is earlier**
(b) has made **no** such return	The expiry of the time allowed by the notice under section 268(1) or 280(2) for making the return, **or** by the notice under section 271(2) to show cause against a best judgment assessment — **whichever is earlier**
(c) is a person against whom action has been taken under **section 247 or 248** — search or requisition	The expiry of **one month** from the service of a notice under section 294(1)(a), **or** the completion of the assessment — **whichever is earlier**

Where the assessee does raise the objection in time and the Assessing Officer is not satisfied with the correctness of the claim, the Officer **shall refer the matter for determination under sub-section (2) or (3) before the assessment is made** [section 242(5)]. He may not decide his own jurisdiction against the assessee and proceed.

Finally, section 242(6) preserves a residual jurisdiction: irrespective of anything in the section or in any direction, **every Assessing Officer has all the powers of an Assessing Officer in respect of income accruing, arising or received within the area over which he has been vested with jurisdiction**.

3.4 Power to transfer cases [section 243]

Sub-section	What it provides
243(1)	The specified income-tax authority may transfer a case from one or more Assessing Officers **subordinate to him** to any other Assessing Officer or Officers **also subordinate to him**
243(2)	Where the transferring and receiving Officers are **not subordinate to the same** specified authority — **(a)** if the two specified authorities **agree**, the one from whose jurisdiction the case is being taken passes the order; **(b)** if they **do not agree**, the order is passed by the **Board** or an authority the Board notifies
243(3)	The order may be passed **after giving the assessee a reasonable opportunity of being heard, wherever it is possible to do so, and after recording the reasons**
243(4)	**No opportunity of being heard is required** where the transfer is between Assessing Officers **whose offices are situated in the same city, locality or place**
243(5)	The transfer may be made **at any stage of the proceedings**, and **no notice already issued need be re-issued** by the transferee Officer
243(6)	"**Case**" means **all proceedings** under the Act in respect of any year which may be **pending** on the date of the order, or which may have been **completed** on or before that date, **and includes all proceedings which may be commenced after** that date in respect of any year

The definition of "case" in sub-section (6) is deliberately wide: a transfer carries with it the past, the present and the future of the assessee's file, so that a single Officer holds the whole record.

3.5 Change of incumbent [section 244]

Where an income-tax authority ceases to exercise jurisdiction in a proceeding and is **succeeded** by another, the successor **may continue the proceeding from the stage at which his predecessor left it** [section 244(1)]. But before the proceeding is so continued, the assessee **may demand** that —

- **(a)** the previous proceeding or any part of it **be reopened**; or
- **(b)** he **be reheard** before any order of assessment is passed against him [section 244(2)].

The right is the assessee's and it must be exercised; it is not conferred automatically. It rests on the principle that the officer who hears must be the officer who decides.

3.6 Faceless jurisdiction [section 245]

The Central Government may, by notification, make a scheme for the exercise of powers under section 241, the vesting of jurisdiction under section 242, the transfer of cases under section 243 and the exercise of jurisdiction on a change of incumbency under section 244.

> **THE THREE OBJECTS OF EVERY FACELESS SCHEME [SECTION 245(2)]**
>
> The scheme is to be made so as to impart greater **efficiency, transparency and accountability** by —
>
> - **(a) eliminating the interface** between the income-tax authority and the assessee, to the extent technologically feasible;
> - **(b) optimising the utilisation of resources** through economies of scale and functional specialisation; and
> - **(c)** introducing a **team-based exercise of powers** by two or more authorities concurrently, in respect of any area, persons, incomes or cases, **with dynamic jurisdiction**.
>
> The same three objects, in the same words, appear in section 260 (faceless collection of information) and in the faceless assessment provisions of Unit 3. Learn them once.

The Central Government may direct that any provision of the Act shall not apply, or shall apply with exceptions, modifications and adaptations, for giving effect to the scheme [section 245(3)]; and every notification must be **laid before each House of Parliament** [section 245(4)].

A scheme framed under this section is worked through a Centre and four units. They are set up by the Board under **section 273(3)**, which governs faceless assessment; the same architecture is what section 245 contemplates when it speaks of eliminating the interface between the income-tax authority and the assessee. Each unit is an Assessing Officer with powers assigned by the Board [section 273(5)], staffed by an Additional or Joint Commissioner or Director, a Deputy or Assistant Commissioner or Director or an Income-tax Officer, and such other authority or staff as the Board considers necessary [section 273(6)].

Unit	Short form	Function [section 273(3)]
National Faceless Assessment Centre	**NFAC**	Conducts the faceless proceedings in a centralised manner — assigns the selected case to a specific assessment unit, intimates the assessee that the assessment will be completed under this section, serves the notice under section 268(1) or 270(8), and forwards the assessee's response to the assessment unit. Every communication passes through it.
Assessment Unit	**AU**	Makes the assessment — analyses the material furnished, identifies the points or issues material for determining any liability or refund, seeks information or clarification on those points, and determines any variation prejudicial to the assessee.
Verification Unit	**VU**	Verifies — enquiry, cross-verification, examination of books of account, examination of witnesses and recording of statements.
Technical Unit	**TU**	Gives technical assistance — advice on legal, accounting, forensic, information technology, valuation, transfer pricing, data analytics and management matters, and on an agreement entered into under section 159.
Review Unit	**RU**	Reviews the variation proposed by the assessment unit, where the Centre considers it necessary — whether the relevant and material evidence has been brought on record, whether the points of fact and law have been duly incorporated, and whether the issues requiring addition or disallowance have been incorporated.

THE THREE POINTS THAT ARE ASKED

One. The verification unit, the technical unit and the review unit only *facilitate*; it is the **assessment unit** that makes the assessment of total income or loss by an order in writing, may initiate penalty proceedings, and determines the sum payable or the refund due [section 273(4)].

Two. All communication among the units, and between the Centre and the assessee, is routed **through the National Faceless Assessment Centre** and is exchanged **exclusively by electronic mode** [section 273(7)]. The single exception is an enquiry or verification by the verification unit in the circumstances the Board specifies [section 273(8)].

Three. The units are not new classes of authority. Section 236 still lists twelve classes; a unit is an existing authority wearing a functional label.

3.7 Illustrations

ILLUSTRATION 3.1 — THE OBJECTION TAKEN TOO LATE

Shri Ashok, a salaried assessee residing in Rohini, filed his return for Tax Year 2026-27 on 20 July 2027. A notice under section 270(8) was served on him on **4 September 2027**. On **19 November 2027** he objected that the Assessing Officer at Rohini had no jurisdiction over him because he had by then moved to Gurugram. *Is the objection maintainable?*

No. He had made a return under section 263(1), so section 242(4)(a) applies: he had to object **within one month** of the service of the notice under section 270(8) — that is, by 4 October 2027 — or before the completion of the assessment, whichever was earlier. The objection on 19 November 2027 is out of time and the jurisdiction can no longer be called in question.

*Change one fact — had he objected on 25 September 2027 and had the Assessing Officer not been satisfied with the correctness of the claim, section 242(5) would have required the Officer to **refer the matter for determination before making the assessment**. He could not have decided it himself and proceeded.*

ILLUSTRATION 3.2 — TRANSFER WITHOUT A HEARING

The Principal Commissioner transfers the case of Bharat Textiles from the Assessing Officer in Ward 12(1), Karol Bagh, to the Assessing Officer in Circle 4(2), Connaught Place, both offices being in Delhi. No opportunity of being heard is given and no reasons are recorded. *Is the transfer valid?*

Yes, so far as the hearing is concerned. Section 243(4) provides that no opportunity of being heard need be given where the transfer is between Assessing Officers whose offices are situated in the **same city, locality or place**. Both offices are in Delhi.

*Change one fact — had the transfer been from Delhi to Mumbai, section 243(3) would have required a reasonable opportunity of being heard **wherever it is possible to do so**, and the recording of reasons. A transfer across cities without reasons is liable to be set aside.*

CHAPTER FOUR

Powers of the Income-tax Authorities

Sections 246 and 252 to 261 · Part B of Chapter XIV

What the authorities may do — and, in each case, which of them may do it, and whether a proceeding must be pending.

4.1 Discovery, production of evidence and impounding [section 246]

The Assessing Officer, Joint Commissioner, Joint Commissioner (Appeals), Commissioner (Appeals), Commissioner or Principal Commissioner, Chief Commissioner or Principal Chief Commissioner, **and the Dispute Resolution Panel** referred to in section 275(17)(a), have **the same powers as are vested in a court under the Code of Civil** Procedure, 1908 when trying a suit, in respect of —

- **(a) discovery and inspection**;
- **(b) enforcing the attendance** of any person, **including any officer of a banking company**, and examining him **on oath**;
- **(c) compelling the production** of books of account and other documents; and
- **(d) issuing commissions**.

> **WHERE THE POWER MAY BE USED THOUGH NO PROCEEDING IS PENDING [SECTION 246(2)]**
>
> - **(a)** any income-tax authority **not below the rank of Assistant Commissioner**, notified by the Board, for making an inquiry or investigation in respect of an **agreement under section 159** (a double taxation avoidance agreement);
> - **(b)** the Principal Director General, Director General, Principal Director, Director, **Joint Director or Assistant Director**, for an inquiry into **concealment of income**, where he has reason to suspect concealment; and
> - **(c)** the **authorised officer** under section 247(1), before or during a search.

Impounding [section 246(3) and (4)] — an authority exercising these powers may **impound and retain** books of account or other documents produced before it. But the **Assessing Officer or the Assistant Director must record his reasons**, and may retain them for **not more than fifteen days (exclusive of holidays)**, or for a further period only **with the prior sanction of the approving authority**.

4.2 Power to call for information [section 252]

The Assessing Officer, Joint Commissioner, Joint Commissioner (Appeals) or Commissioner (Appeals) may require —

Clause	From whom	What
252(1)(a)	Any person, **including a banking company or any officer of it**	Information, or statements of account and affairs verified as specified, on matters which in the authority's opinion will be **useful for, or relevant to**, any enquiry or proceeding
252(1)(b)	A **firm**	A return of the **names and addresses of the partners** and their respective shares
252(1)(c)	A **Hindu undivided family**	A return of the names and addresses of the **manager and the members**
252(1)(d)	A person believed to be a **trustee, guardian or agent**	A return of the names and addresses of the persons for whom he acts
252(1)(e)	An **assessee**	A statement of the names and addresses of all persons to whom he has paid, in any tax year, **rent, interest, commission, royalty, brokerage or any annuity** (not being an annuity taxable as salary) exceeding **₹10,000**, or such higher amount as may be prescribed

Clause	From whom	What
252(1)(f)	A **dealer, broker or agent**, or a person concerned in the management of a **stock or commodity exchange**	A statement of the names and addresses of persons to whom, or on whose behalf or from whom, sums have been paid or received in connection with the transfer of assets

The power in clause (a) may also be exercised by the **competent authority or the Assistant Director** [section 252(2)]. Where **no proceeding is pending**, the power may not be exercised by an authority below the rank of

Principal Director, Director, Principal Commissioner or Commissioner — other than a Joint Director or Assistant Director — **without the prior approval** of the Principal Director, Director, Principal Commissioner or Commissioner [section 252(3)(a)].

4.3 Survey, and the power to collect certain information [sections 253 and 254]

These two sections are easily confused and the difference is a standing examination question.

Point	Section 253 — powers of survey	Section 254 — power to collect certain information
Where the authority may enter	Any place at which a **business or profession, or an activity for charitable purpose**, is carried on — principal place or not	Any **building or place** at which a business or profession is carried on
What he may do	Require access to books, documents and information in electronic form; **verify assets and stock**; record statements; and, subject to the section, **impound books** and take inventories	**Only require such information as may be prescribed**
Timing	As provided in the section	**Only during the hours at which the place is open** for the conduct of business or profession
Removal of anything	Permitted within the limits of the section	**On no account** may he remove any books, documents, cash, stock or other valuable article or thing
Who may act	An income-tax authority as defined for that section	A **Joint Commissioner, Joint Director, Assistant Director or Assessing Officer**; and an **Inspector** only if authorised in writing by the Assessing Officer for the relevant area
Syllabus	**Unit 4** — "search, seizure and survey"	Unit 2 — a power of the authorities

4.4 Registers, enquiries and judicial proceedings [sections 255 to 257]

- **255 — Power to inspect registers of companies.** The Assessing Officer, **assessment unit, verification unit**, Joint Commissioner, Joint Commissioner (Appeals) or Commissioner (Appeals), or a subordinate authorised in writing, may **inspect and take copies** of any register of the members, debenture holders or mortgagees of a company, or of any entry in it. Note that the faceless units are expressly named.
- **256 — Power of certain income-tax authorities.** The Principal Director General, Director General, Principal Director, Director, Principal Chief Commissioner, Chief Commissioner, Principal Commissioner, Commissioner **and the Joint Commissioner** are competent to make **any enquiry** under the Act, and for that purpose have **all the powers of an Assessing Officer in relation to the making of enquiries**.
- **257 — Proceedings to be judicial proceedings.** Any proceeding before an income-tax authority is deemed to be a **judicial proceeding** within the meaning of sections 229 and 267 and for the purposes of section 233 of the **Bharatiya Nyaya Sanhita, 2023**; and every authority is deemed to be a **Civil Court** for the purposes of section 215 of the **Bharatiya Nagarik Suraksha Sanhita, 2023 — but not** for the purposes of Chapter XXVIII of that Sanhita. The practical effect is that a false statement made before an income-tax authority is punishable as one made in a judicial proceeding.

4.5 Disclosure of information relating to assessees [section 258]

Sub-section	What it permits
258(1)	The **Board**, or an authority specified by it, may furnish information obtained under the Act to **(a)** any officer, authority or body performing functions under any law relating to the imposition of **any tax, duty or cess, or dealings in foreign exchange**; or **(b)** any other officer, authority or body under any other law, where the Central Government thinks it **necessary in the public interest** and so notifies

258(2) The Principal Chief Commissioner, Chief Commissioner, Principal Commissioner or Commissioner may furnish information about an assessee **to a person**, on an application in the prescribed form, **on being satisfied that it is in the public interest**. The decision is **final and shall not be called in question in any court of law**

Sub-section

What it permits

258(3)	Irrespective of sub-sections (1) and (2) or any other law, the Central Government may, by notification, direct that **no information or document shall be furnished or produced by a public servant** in respect of specified matters relating to a specified class of assessees, except to the authorities named in the notification

4.6 The prescribed authority, and faceless collection [sections 259 and 260]

Section 259 — for the purpose of verification of information in its possession, the prescribed income-tax

authority may issue a notice requiring any person to furnish information useful for or relevant to any inquiry or proceeding, in such form and manner and within such time as the notice specifies; and it may process and utilise the information received under the scheme notified under section 260.

Section 260 — the Central Government may make a scheme for the **faceless** exercise of the powers in sections 252, 254, 255, 256 and 259, with the same three objects as section 245(2) — eliminating the interface, optimising resources, and team-based exercise of powers with dynamic jurisdiction.

4.7 Search and seizure — the place of sections 247 to 251

> **WHERE THESE SECTIONS SIT, AND WHY THEY ARE NOT DEVELOPED HERE**
>
> Sections 247 to 251 are Part B powers and they are, in strictness, powers of the income-tax authorities. But the syllabus of this paper places **"Search, seizure and survey"** in **Unit 4**, and they are treated in the Unit 4 booklet. For the purpose of Unit 2 it is enough to know their place in the scheme —

Section	Subject
247	**Search and seizure** — the authorisation, the powers of the authorised officer, and the presumptions
248	**Power to requisition** books of account, documents and assets taken into custody by another authority
249	**Reasons not to be disclosed** — the reason to believe or to suspect under section 247 or 248 shall not be disclosed to any person or authority or the Appellate Tribunal
250	**Application of seized or requisitioned assets** — the order in which liabilities are recovered out of them
251	**Copying, extraction, retention and release** of books of account and documents seized or requisitioned

4.8 Every power on one page

Section	Power	Who may exercise it	Proceeding pending?
246(1)	Discovery, inspection, attendance on oath, production of books, commissions	Assessing Officer, Joint Commissioner, the two (Appeals) authorities, Commissioner and above, and the Dispute Resolution Panel	Ordinarily yes
246(2)	The same powers	A notified authority not below Assistant Commissioner (treaty inquiries); the Director line and Assistant Director (concealment); the authorised officer under section 247	**Not necessary**
246(3) and (4)	**Impounding** books and documents	Any authority exercising the above powers; the Assessing Officer or Assistant Director must record reasons	—
252	**Calling for information** from any person, firm, HUF, trustee, assessee, broker or exchange	Assessing Officer, Joint Commissioner, the two (Appeals) authorities; also the competent authority and Assistant Director for clause (a)	If **not** pending, prior approval of the Principal Director or Commissioner is needed below that rank
253	**Survey** — entry, verification of stock and cash, statements	The income-tax authority defined in the section	Not necessary — **Unit 4**

254 Not necessary

Section

Power

Who may exercise it

Proceeding pending?

	Collecting prescribed information — entry during business hours only, nothing may be removed	Joint Commissioner, Joint Director, Assistant Director, Assessing Officer; an Inspector only if authorised in writing	
255	**Inspecting registers** of members, debenture holders and mortgagees of a company	Assessing Officer, assessment unit, verification unit, Joint Commissioner, the two (Appeals) authorities, or an authorised subordinate	Not necessary
256	**Making any enquiry**, with all the powers of an Assessing Officer in relation to enquiries	The Director line and Commissioner line from Joint Commissioner upwards	Not necessary
259	**Verification of information** in the authority's possession	The prescribed income-tax authority	Not necessary

CHAPTER FIVE

Permanent Account Number — Section 262

Section 262, as amended by the Finance Act, 2026 · Rules 157 to 159 · Forms No. 93 to 96

The number that must exist before a return can be filed, before tax can be deducted at the ordinary rate, and before many transactions may be entered into at all.

5.1 Who must apply [section 262(1)]

Every person who has **not** been allotted a Permanent Account Number shall, within the prescribed time, apply to the Assessing Officer for its allotment if he fulfils **any** of the following conditions —

Clause	Condition
(a)	His total income, or the total income of any other person for which he is assessable, **exceeded the maximum amount not chargeable to income-tax** during any tax year — ₹4,00,000 under the default regime for Tax Year 2026-27
(b)	He is carrying on a business or profession whose **total sales, turnover or gross receipts are or are likely to exceed ₹5,00,000** in any tax year
(c)	He is **required to furnish a return of income under section 263** for any tax year
(d)	He is a **resident, other than an individual**, which enters into a financial transaction aggregating to **₹2,50,000 or more** in a tax year
(e)	He is the **managing director, director, partner, trustee, author, founder, karta, chief executive officer, principal officer or office bearer** of a person referred to in clause (d), or any person competent to act on its behalf
(f)	He **intends to enter into such transaction as may be prescribed** by the Board in the interest of revenue

A person **not** covered by sub-section (1) **may** apply voluntarily, and the Assessing Officer shall then allot him a number [section 262(2)]. The Central Government may also, by notification, specify classes of persons who must apply — including persons by whom tax is payable under this or any other law, and **importers and exporters even where no tax is payable by them** [section 262(11)].

5.2 The forms and the time [Rule 158]

Form	Who uses it
Form No. 93	An **individual who is a citizen of India** *(the successor to Form 49A)*
Form No. 94	A **Hindu undivided family**; a company registered in India; a limited liability partnership; a firm; a trust; an association of persons; a local authority or artificial juridical person — that is, **Indian entities**
Form No. 95	An **individual not being a citizen of India** *(the successor to Form 49AA)*
Form No. 96	A limited liability partnership, company, firm or association of persons **formed or registered outside India**

An applicant may also apply through a **common application form** notified by the Central Government [Rule 158(2)];

and a person who has no PAN but possesses an Aadhaar number may apply simply by intimating that number,

which the Director General of Income-tax (Systems) then authenticates [Rule 158(3) and (4)].

Sl.	Person	Time to apply [Rule 158(7)]
1	Total income exceeds the maximum amount not chargeable to tax	On or before **31 May** of the tax year immediately succeeding that tax year
2	Business or profession with sales, turnover or gross receipts exceeding, or likely to exceed, ₹5,00,000	**Before the end of that tax year**
3	A person required to furnish a return under section 349	Before the end of the tax year
4	A person entitled to receive any sum on which tax is **deductible or collectible** under Chapter XIX-B	Before the end of that tax year

5 A resident, other than an individual, entering into a financial transaction of On or before **31 May** immediately following that ₹2,50,000 or more tax year

Sl.

Person

Time to apply [Rule 158(7)]

6	The director, partner, karta, principal officer and others of a person at Sl. No. 5	On or before **31 May** immediately following the tax year of the transaction
7	A person who intends to enter into a transaction prescribed under section 262(1)(f) or 262(9)(a)	**At least seven days before** the date of the intended transaction

5.3 Quoting, intimating and changing [section 262(3) and (4)]

- **262(3)** — every person shall **quote his PAN in all his returns to, and correspondence with, any income-tax authority, and in all challans** for the payment of any sum due under the Act.
- **262(4)** — every person shall **intimate the Assessing Officer of any change in his address, or in the name and nature of his business**, on the basis of which the number was allotted.

5.4 Aadhaar, and the inoperative PAN [section 262(5) to (7)]

Sub-section	What it provides
262(5)	Every person **eligible to obtain an Aadhaar number** shall quote it **in the application for allotment of PAN and in the return of income**
262(6)(a)	In other cases, every person who has been allotted a PAN and is eligible to obtain an Aadhaar number shall **intimate his Aadhaar number** to the prescribed authority in the prescribed form and manner
262(6)(b)	On failure to do so, the **PAN allotted shall be made inoperative** in the prescribed manner. The fee for a delayed intimation is prescribed under **section 430** and may not exceed ₹1,000
262(7)	A person required to furnish, intimate or quote his PAN who **(a)** has none but possesses an Aadhaar number may **quote the Aadhaar number in lieu of the PAN**, and shall then be allotted a PAN; and **(b)** who has a PAN and has intimated his Aadhaar number may likewise quote the Aadhaar number in lieu of the PAN
262(12)	Sub-sections (5) and (6) do **not** apply to such persons, or classes of persons, or any State or part of a State, as the Central Government may notify

5.5 One PAN only, and prescribed transactions [section 262(8) and (9)]

- **262(8)** — "A person who has already been allotted a Permanent Account Number **cannot apply, obtain or possess another** Permanent Account Number." Holding two numbers is itself a contravention.
- **262(9)(a)** — every person entering into a **prescribed transaction** shall quote his PAN or Aadhaar number in the documents relating to it, and **authenticate** it in the prescribed manner.

- **262(9)(b)** — every person **receiving** such a document shall **ensure** that the number has been duly quoted and authenticated. The obligation is therefore two-sided.

Section 262(10) empowers the Board to make rules on the form and time of the application, the classes of persons required to apply, the categories of documents in which the PAN is to be quoted, the declaration by a person with no PAN, the manner of authentication, and the classes of persons to whom the section does not apply. The Finance Act, 2026 has widened clause (c) from documents "pertaining to business or profession" to documents "**pertaining to, business or profession, or other transactions**" — so the rule-making power now reaches non-business documents.

5.6 Exemptions, and the consequences of default

Rule 157 exempts from section 262 a non-resident (not being a company or a foreign company) who has

invested in a specified fund, provided that he earns no other Indian income, the tax on that income is deducted and remitted by the fund at the prescribed rates, and he furnishes to the fund his name, e-mail and contact number, his foreign address, a declaration of residence and his foreign Tax Identification Number.

Default	Consequence	Provision

Failure to comply with Penalty of **₹10,000** Section 467(1) section 262 — not applying for, or not quoting, a PAN

Default

Consequence

Provision

Quoting a false number, knowing or believing it to be false	**₹10,000** for each default	Section 467(2)
Failure to quote or authenticate the number in a prescribed document	**₹10,000** for each default	Section 467(3)
Failure by the person receiving the document to ensure correct quoting or authentication	**₹10,000** for each default	Section 467(4)
Failure to furnish a valid PAN to a deductor or collector	**Higher rate** of deduction — generally 20%; and 5% for the purchase of goods and e-commerce	Section 397(2) — Unit 1 Part B
Failure to intimate the Aadhaar number	The **PAN becomes inoperative**; and a fee not exceeding **₹1,000**	Sections 262(6)(b) and 430

CHAPTER SIX

Return of Income — Who Must File and By When

Section 263(1), as amended by the Finance Act, 2026 · Rule 163

Ten classes of person, six of whom must file whatever their income, and four due dates — one of them new this year.

6.1 The ten classes of person [section 263(1)(a)]

Every person mentioned below shall, for a tax year, **on or before the due date**, furnish a return of his income or of the income of any other person in respect of which he is assessable during that tax year —

Item	Person
(i)	A **company**
(ii)	A **firm**
(iii)	A person **other than a company or a firm**, if his total income — or the total income of any other person for whom he is assessable — **before giving effect to** Chapter XVII-B, Schedule VIII (Table: Sl. No. 1), or the deductions under sections 82 to 88 of Chapter IV-E or under Chapter VIII — **exceeded the maximum amount not chargeable to income-tax**
(iv)	A **specified entity**, if its total income **without giving effect to section 11** exceeds the maximum amount not chargeable to tax
(v)	A **University, college or other institution** referred to in section 45(3)(a)
(vi)	A **business trust**
(vii)	An **investment fund** referred to in section 224
(viii)	A person who has **sustained a loss** in the tax year under the head "Profits and gains of business or profession" or "Capital gains" **and who intends to carry it forward**
(ix)	A person who is a **resident and ordinarily resident** and who at any time during the tax year — **(A)** holds, as beneficial owner or otherwise, any **asset located outside India** (including a financial interest in an entity), or has **signing authority in any account located outside India**; or **(B)** is a **beneficiary** of any such asset, except where the income from it is includible in the income of the person at (A)
(x)	A person, **other than a company or firm**, who during the tax year fulfils **such conditions as may be prescribed** — see Rule 163 below

ITEM (III) — THE WORDS "BEFORE GIVING EFFECT TO"

The threshold is tested on the total income **before** the exemptions in Schedule VIII (Table: Sl. No. 1) and **before** the deductions of Chapter IV-E and Chapter VIII. So an individual whose gross total income is ₹5,20,000 and who claims a deduction of ₹1,50,000, bringing his total income to ₹3,70,000, is **still required to file** — the test is applied to ₹5,20,000 against ₹4,00,000. This is the single most common error in the Unit.

"**Specified entity**" at item (iv) is defined in section 263(9)(c) and covers fourteen classes — research associations, notified associations and institutions, Universities, hospitals, Mutual Funds, securitisation trusts, Investor Protection Funds, the Core Settlement Guarantee Fund, venture capital companies and funds, trade unions, notified Boards and Authorities, and infrastructure debt funds. "**Beneficial owner**" and "**beneficiary**" for item (ix) are defined in section 263(9)(a) and (b).

6.2 The six who must file regardless of income or loss [section 263(1)(b)]

FILING IS COMPULSORY WHATEVER THE RESULT

The persons at items **(i), (ii), (v), (vi), (vii) and (ix)** shall furnish a return on or before the due date **regardless** of income or loss — that is —

- a **company**;
- a **firm**;
- a **University, college or institution** under section 45(3)(a);
- a **business trust**;
- an **investment fund** under section 224; and
- a **resident and ordinarily resident with foreign assets or signing authority abroad**.

A dormant company with nil income must still file. So must a resident who holds a single foreign bank account, however small its balance and however little income it yields.

6.3 The prescribed conditions [Rule 163]

A person other than a company or firm falls within item (x) — and must therefore file even though his income is below the threshold — if in the tax year he satisfies **any** of the following.

Clause	Condition	Figure
163(1)(a)	Deposits in one or more **current accounts** with a banking company or a co- operative bank	exceeding **₹1 crore**
163(1)(b)	Expenditure for himself or any other person on **travel to a foreign country**	exceeding **₹2,00,000**
163(1)(c)	Expenditure towards **consumption of electricity**	exceeding **₹1,00,000**
163(1)(d)	Total **sales, turnover or gross receipts in business**	exceeding **₹60 lakh**
163(1)(e)	Total **gross receipts in profession**	exceeding **₹10 lakh**
163(1)(f)	Aggregate of **tax deducted and collected at source**	**₹25,000** or more; **₹50,000** or more for a resident individual of **sixty years or more**
163(1)(g)	Deposits in one or more **savings bank accounts**, in aggregate	**₹50 lakh** or more

"Travel to a foreign country" in clause (b) does **not** include travel to the neighbouring countries, or to such places of pilgrimage as the Board may notify [Rule 163(2)].

6.4 The due dates [section 263(1)(c), as substituted]

The Finance Act, 2026 **substituted the whole of clause (c)** and its Table. The due date is a date of **the financial year succeeding the relevant tax year** — so for Tax Year 2026-27 the dates are dates in **2027**.

Sl. No.	Person	Condition	Due date
1	An assessee, **including a partner of a firm or the spouse of such partner** (where section 10 applies to the spouse)	Where the provisions of **section 172** apply — the transfer pricing report	**30 November 2027**
2	(i) A **company**; (ii) an assessee (other than a company) whose **accounts are required to be audited** under this Act or any other law; (iii) a **partner of a firm whose accounts are required to be audited**, or the spouse of such partner (where section 10 applies)	Where section 172 does **not** apply	**31 October 2027**

3

(i) An assessee **having income from profits and gains of business or profession whose accounts are NOT required to be audited**;

Sl. No.	Person	Condition	Due date
	(ii) a **partner of a firm whose accounts are not required to be audited**, or the spouse of such partner (where section 10 applies)	Where section 172 does **not** apply	**31 August 2027** *new*
4	**Any other assessee**	—	**31 July 2027**

WHAT CHANGED, AND WHY IT MATTERS

Before the Finance Act, 2026 there were only three due dates — 31 July, 31 October and 30 November — and a non-audit business assessee filed by 31 July along with the salaried assessee. The new **Sl. No. 3** carves out

business and professional income which is not subject to audit and gives it 31 August. The practical effect is

that a proprietor filing ITR-3 or ITR-4, and a partner of a non-audit firm, now have a month longer than a salaried assessee filing ITR-1 or ITR-2.

Every consequence that turns on the due date moves with it — the interest under section 423, the fee under section 428, the right to carry forward a loss under section 263(1)(a)(viii), the disallowance under section 270(1)(a)(iv) and (vi), and the period from which interest on a refund runs under section 437(1).

6.5 Exemptions from filing [section 263(3) and (8)]

- **263(3)** — the **Central Government may, by notification, exempt any class or classes of persons** from the obligation to file, subject to the conditions specified.
- **263(8)(a)** — the section **applies** to a return furnished in pursuance of an order under section 239(3)(b) — that is, a return filed after the Board has condoned the delay.
- **263(8)(b)** — the section **does not apply** to a **specified senior citizen** under section 402(39) for a tax year in which tax has been deducted at source under section 393(1) (Table: Sl. No. 8(iii)). A resident of seventy-five or more, with only pension and interest from the same specified bank, who has filed Form No. 125, is relieved of filing a return altogether. *See Unit 1 Part B, Chapter 6.*

6.6 Illustrations

ILLUSTRATION 6.1 — THE THRESHOLD TESTED BEFORE DEDUCTIONS

Shri Vinay, aged 40 and resident, has a gross total income of ₹5,60,000 for Tax Year 2026-27 and claims a deduction of ₹1,80,000 under Chapter VIII, bringing his total income to ₹3,80,000, on which no tax is payable. *Must he file a return?*

Yes. Section 263(1)(a)(iii) tests the total income **before giving effect to** the deductions under Chapter VIII. That figure is ₹5,60,000, which exceeds the maximum amount not chargeable to tax of ₹4,00,000. His due date is **31 July 2027** under Sl. No. 4 of the Table, he having no business or professional income.

ILLUSTRATION 6.2 — FOUR ASSESSEES, FOUR DUE DATES

State the due date for furnishing the return for Tax Year 2026-27 in each of the following cases.

Assessee	Due date
(a) Smt. Meera, a salaried employee with income from one house property	**31 July 2027** — Sl. No. 4
(b) Shri Naveen, a retail trader with a turnover of ₹70,00,000 who is not required to have his accounts audited	**31 August 2027** — Sl. No. 3(i)

Assessee	Due date
(c) Sunder & Co., a firm whose accounts are required to be audited under section 63	**31 October 2027** — Sl. No. 2(ii)
(d) A partner of the firm at (c)	**31 October 2027** — Sl. No. 2(iii)
(e) A partner of the trading concern at (b), that concern being a firm not liable to audit	**31 August 2027** — Sl. No. 3(ii)
(f) Zenith Ltd., which has entered into an international transaction and must furnish a report under section 172	**30 November 2027** — Sl. No. 1
(g) Ganga Ltd., a dormant company with nil income and no international transaction	**31 October 2027** — Sl. No. 2(i); and it must file **regardless of income or loss** [section 263(1) (b)]

ILLUSTRATION 6.3 — FILING THOUGH THE INCOME IS BELOW THE THRESHOLD

Shri Om, aged 52, has a total income of ₹3,10,000 for Tax Year 2026-27. During the year he spent ₹2,40,000 on a holiday in Europe for his family and his electricity bills came to ₹64,000. *Must he file a return?*

Yes. His income is below ₹4,00,000, so item (iii) does not catch him; but **Rule 163(1)(b)** does — his expenditure on travel to a foreign country exceeded ₹2,00,000, which brings him within section 263(1)(a)(x). The electricity expenditure of ₹64,000 is below the ₹1,00,000 in clause (c) and is irrelevant. Any **one** of the seven conditions is enough. His due date is **31 July 2027**.

Had the holiday been to Nepal or Bhutan, Rule 163(2) would have taken it out of "travel to a foreign country", and he would not have been required to file.

CHAPTER SEVEN

The Five Kinds of Return

Section 263(1), (4), (5), (6) and (7), as amended by the Finance Act, 2026

Original, belated, revised, updated and defective. Learn the time limit of each and the conditions of the fourth.

7.1 The original return [section 263(1)]

The return furnished **on or before the due date** by a person required to furnish it. Only an original return preserves the two rights that a late return forfeits — the right to **carry forward a loss** under the head “Profits and gains of business or profession” or “Capital gains” [section 263(1)(a)(viii)], and the right to the **deduction under Chapter VIII-C** [section 270(1)(a)(vi)] — the reference to section 144 in that sub-clause having been **omitted by the Finance**

Act, 2026.

7.2 The belated return [section 263(4)]

“Any person who has not furnished a return within the time allowed to him under sub-section (1) may furnish the return for any tax year **at any time within nine months from the end of the relevant tax year, or before the completion of the assessment, whichever is earlier**.”

For Tax Year 2026-27, nine months from 31 March 2027 is **31 December 2027**. A belated return attracts the fee under section 428(a) — ₹1,000 where the total income does not exceed ₹5,00,000 and ₹5,000 in any other case — and interest under section 423 from the due date to the date of furnishing.

7.3 The revised return [section 263(5), as substituted]

> **WHAT THE FINANCE ACT, 2026 CHANGED**
>
> The substituted sub-section (5) reads — “If any person, having furnished a return under sub-section (1) or (4), discovers any omission or any wrong statement therein, he may, **subject to the provisions of section 428(b)**,
>
> **furnish a revised return at any time within twelve months from the end of the relevant tax year, or before the**
>
> completion of the assessment, whichever is earlier.”
>
> Two changes. The time has been extended from **nine months to twelve months** — for Tax Year 2026-27, to **31 March 2028**. And a revised return furnished **beyond nine months** from the end of the tax year now attracts a **fee under section 428(b)** of ₹1,000 or ₹5,000, on the same footing as a belated return.

Note what has not changed. The right to revise arises only on the discovery of an **omission or a wrong statement** — not on a change of mind. A return may be revised more than once within the period. And a revised return, once furnished, **substitutes** the original for all purposes; but it does not revive a right, such as the carry forward of a loss, that was lost because the original was late.

7.4 The updated return [section 263(6)]

Any person, **whether or not he has furnished a return** under sub-section (1), (4) or (5), may furnish an **updated return** of his income at any time **within forty-eight months from the end of the financial year succeeding the**

relevant tax year. For Tax Year 2026-27, the financial year succeeding it ends on 31 March 2028, so the outer date is

31 March 2032.

(a) **When it is available even though there is a loss [clause (b), as substituted]**

- **(b)(i)** — the facility continues to apply where the person **sustained a loss** and furnished a return of loss within the due date, and the updated return is a return of income **or has the effect of reducing the loss**;

- **(b)(ii)** — it also applies where an updated return is furnished **in pursuance of a notice issued under section 280** within the period specified in that notice, and in that case the assessee **is precluded from filing a return in pursuance of that notice in any other manner**.

(b) When it is not available at all [clause (c)]

Item	The updated return may not be furnished where —
(i)	It is a **return of loss** for that tax year — *except in a case under clause (b)(i)*
(ii)	It has the effect of **decreasing the total tax liability** determined on the basis of the earlier return
(iii)	It **results in a refund** where none was due, or **increases the refund** due on the earlier return
(iv)	An updated return has **already been furnished** for that tax year
(v)	Any proceeding for **assessment, reassessment, recomputation or revision** is pending or has been completed — *except in a case under clause (b)(ii)*
(vi)	The Assessing Officer possesses information about a **violation of specified laws** and has communicated it to the person before the updated return is furnished
(vii)	Information has been **received under a tax treaty** and communicated to him before that date
(viii)	**Prosecution proceedings** under Chapter XXII have been initiated for that tax year before that date
(ix)	**Thirty-six months** have expired from the end of the financial year succeeding the tax year **and** a show-cause notice under **section 281** has been issued — unless an order under section 281(3) has held that it is not a fit case for a notice under section 280
(x)	He is a person, or belongs to a class of persons, **notified by the Board**

(c) The four situations that bar it altogether [clause (d)]

A person is **not eligible** to furnish an updated return where, in his case — **(i)** a **search** has been initiated under section 247 or a **requisition** made under section 248; **(ii)** a **survey** has been conducted under section 253, other than under sub-section (4) of that section; or **(iii)** a notice has been issued under section 294 in pursuance of section

295 — for the tax year in which the search, survey or requisition takes place and for any preceding tax year.

Clause (e) adds a consequential duty: where an updated return reduces a carried-forward loss, unabsorbed depreciation or tax credit for a subsequent year, **an updated return must be furnished for each such subsequent year**.

"Specified laws" for item (vi) are the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976; the Prohibition of Benami Property Transactions Act, 1988; the Prevention of Money-laundering Act, 2002; and the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 [section 263(9)(d)].

7.5 The defective return [section 263(7)]

A return is **defective** if it is not in conformity with all the conditions as may be prescribed, and it is then dealt with as follows —

- **(a)** the Assessing Officer **may intimate the defect** to the assessee and give him an opportunity to rectify it within **fifteen days** of the intimation, or such further period as he may allow on an application;
- **(b)** if the defect is **not rectified** within that period, the return is treated as an **invalid return**, and the Act applies as if the assessee had **failed to furnish the return** at all; and
- **(c)** where the assessee rectifies the defect **after** the period but **before the assessment is made**, the Assessing

Officer may condone the delay and treat the return as valid.

The consequences of clause (b) are severe and are the reason the defect must be attended to at once: if the return becomes invalid, the assessee loses the carry forward of his loss, becomes liable to the fee under section 428 and to interest under section 423 as though no return had been filed, and exposes himself to a best judgment assessment.

7.6 The five compared

Return	Section	Time limit	For Tax Year 2026-27	Cost
Original	263(1)	On or before the due date	31 July / 31 August / 31 October / 30 November **2027**	None

Belated

263(4)

31 December 2027

Return

Section

Time limit

For Tax Year 2026-27

Cost

		Nine months from the end of the tax year, or before completion of the assessment, whichever is earlier		Fee under section 428(a); interest under section 423; loss of carry forward
Revised	263(5)	**Twelve months** from the end of the tax year, or before completion of the assessment, whichever is earlier	**31 March 2028**	Fee under section 428(b) if furnished beyond nine months from the end of the tax year
Updated	263(6)	**Forty-eight months** from the end of the financial year succeeding the tax year	**31 March 2032**	**Additional income-tax of 25%, 50%, 60% or 70%** under section 267(5), plus tax, interest and fee
Defective	263(7)	Rectify within **fifteen days** of the intimation, or a further period allowed	—	If not rectified, the return is **invalid** and the Act applies as if no return had been filed

7.7 Illustrations

ILLUSTRATION 7.1 — WHICH RETURN, AND BY WHEN

Shri Prashant, a salaried assessee, did not file his return for Tax Year 2026-27 by 31 July 2027. On 4 October 2027 he discovered that he also had bank interest of ₹90,000 which he had overlooked. *Advise him.*

He has not furnished a return at all, so there is nothing to revise. His course is a **belated return under section 263(4)**, which he may furnish **up to 31 December 2027** or before the completion of the assessment, whichever is earlier. He will pay the fee under section 428(a) — ₹5,000 if his total income exceeds ₹5,00,000, otherwise ₹1,000 — and interest under section 423 at 1% a month from 1 August 2027 to the date of filing.

*Had he filed on 20 July 2027 and then discovered the omission, his course would have been a **revised return under section 263(5)**, available up to **31 March 2028** — but with a fee under section 428(b) if furnished after 31 December 2027.*

ILLUSTRATION 7.2 — WHEN AN UPDATED RETURN IS NOT AVAILABLE

State, with reasons, whether an updated return may be furnished for Tax Year 2026-27 in each of the following.

1. The assessee wishes to reduce his declared income and claim a refund. — No. Section 263(6)(c)(ii) and

(iii) bar an updated return which decreases the tax liability or creates or increases a refund.

2. **A scrutiny assessment for the year is pending. — No.** Section 263(6)(c)(v) bars it where any proceeding for assessment is pending or completed — unless the updated return is being filed in pursuance of a notice under section 280, in which case clause (b)(ii) permits it.

3. A survey under section 253 was conducted at the assessee's business premises in December 2026. —

No, for Tax Year 2026-27 and for every preceding tax year — section 263(6)(d)(ii).

4. The assessee filed a return of loss within the due date and now wishes to declare income instead. —

Yes. Section 263(6)(b)(i) preserves the facility where a return of loss was filed in time and the updated return is a return of income, or reduces the loss.

5. The assessee has already furnished one updated return for the year and wishes to furnish a second. —

No. Section 263(6)(c)(iv) permits only one.

CHAPTER EIGHT

Tax on an Updated Return — Section 267

Section 267, as amended by the Finance Act, 2026

The price of coming forward late — twenty-five per cent if soon, seventy per cent if very late, and ten points more if the Department asked first.

8.1 The charge [section 267(1) and (3)]

Situation	Section 267(1) — no earlier return	Section 267(3) — an earlier return exists
When it applies	Where **no** return under section 263(1) or (4) has been furnished	Where a return under section 263(1), (4) or (5) — the "earlier return" — has been furnished
What is payable	The **tax**, together with the **interest and fee** payable for any delay in furnishing the return or any default or delay in advance tax	The **tax**, together with the **interest** payable for any default or delay in advance tax
Credits allowed	Advance tax; tax deducted or collected at source; relief under sections 157, 159 and 160; and tax credits [section 267(2)]	The relief or tax under section 266(1) credited in the earlier return; tax at source **not included in the earlier return**; foreign tax reliefs on such income; and unclaimed tax credits — **as increased by any refund issued** on the earlier return [section 267(4)]
Additional income-tax	Payable under sub-section (5), **before** furnishing the return	Payable under sub-section (5) **as reduced by the interest already paid** in the earlier return
Proof	The return must be **accompanied by proof of payment** of the tax, additional income-tax, interest and fee	

Section 267(6) provides that for computing the additional income-tax, "**tax**" **includes surcharge and cess**, by whatever name called. The additional income-tax is therefore worked out on the tax-plus-surcharge-plus-cess figure, not on the basic tax.

8.2 The four slabs of additional income-tax [section 267(5), as substituted]

> **THE RATE DEPENDS ON HOW LATE THE UPDATED RETURN IS**
>
> The rate is applied to the **aggregate of tax and interest** payable as determined under sub-section (1) or (3) — not to the tax alone.

Rate	Where the updated return is furnished	For Tax Year 2026-27
25%	After the expiry of the time available under section 263(4) or (5), and **before completion of twelve months** from the end of the financial year succeeding the tax year	1 April 2028 to 31 March 2029
50%	After twelve months but **before twenty-four months** from that end	1 April 2029 to 31 March 2030
60%	After twenty-four months but **before thirty-six months** from that end	1 April 2030 to 31 March 2031
70%	After thirty-six months but **before forty-eight months** from that end	1 April 2031 to 31 March 2032

8.3 The extra 10% where a notice has been issued

Section 267(5)(ii), inserted by the Finance Act, 2026, provides that where an updated return is filed **in pursuance of a notice issued under section 280** within the period specified in that notice, the additional income-tax under sub-

section (5)(i) shall be increased by a further sum of 10% of the aggregate of tax and interest payable.

The provision is the counterpart of the new section 263(6)(b)(ii), which for the first time permits an updated return to be filed although a reassessment notice has been issued. The assessee gains the right to regularise his affairs; he pays ten percentage points for the privilege. So an updated return filed in the first year in response to a section 280 notice bears **25% + 10% = 35%**.

8.4 Illustrations

ILLUSTRATION 8.1 — ADDITIONAL INCOME-TAX AT THE FIRST SLAB

Shri Rakesh did not furnish any return for Tax Year 2026-27. On **10 September 2028** he furnishes an updated return under section 263(6) declaring a total income of ₹14,00,000. The tax on it, including cess, is ₹1,32,600, of which ₹40,000 had been deducted at source. Interest payable under sections 423, 424 and 425 comes to ₹31,200. *Compute what he must pay before furnishing the return.*

Tax on the total income, including surcharge and cess	1,32,600
Less: tax deducted at source [section 267(2)(b)]	(40,000)
Tax payable	**92,600**
Add: interest under sections 423, 424 and 425	31,200
Aggregate of tax and interest	**1,23,800**
Additional income-tax at **25%** — the return being furnished before 31 March 2029	30,950
Add: fee under section 428(a), the total income exceeding ₹5,00,000	5,000
Total payable before furnishing the updated return	**₹1,59,750**

ILLUSTRATION 8.2 — THE SAME FIGURES, THREE YEARS LATER

Take the facts of Illustration 8.1 and assume instead that the updated return is furnished on **12 August 2031**. *What is the additional income-tax?*

12 August 2031 falls after thirty-six months but before forty-eight months from 31 March 2028. The rate is therefore **70%**. Additional income-tax = 70% of ₹1,23,800 (as increased by the further interest that will have run in the meantime) = **₹86,660** on these figures. Delay of three years has multiplied the additional charge nearly threefold.

*Change one fact — suppose a notice under section 280 had been issued and the updated return was filed in pursuance of it within the period specified. Section 267(5)(ii) would add a further **10%**, making the rate **80%**.*

CHAPTER NINE

The Forms, the Verification and the Manner of Furnishing

Sections 263(2), 264 and 265 · Rules 164 and 165 · Forms ITR-1 to ITR-7, ITR-UN and ITR-V

Seven forms, thirteen classes of verifier, and four ways of getting the return to the Department.

9.1 The Board's power to prescribe [section 263(2)]

The Board may prescribe the form of the return, the manner of its verification and such other particulars, including

(i) the classes of persons required to furnish the return **in electronic form**; **(ii)** the form and manner of furnishing;

(iii) the documents which need **not** accompany an electronic return but **shall be produced before the Assessing Officer on demand**; and **(iv)** the computer resource to which the return may be transmitted.

The particulars prescribed may also include **income exempt from tax**; **assets held as beneficial owner or beneficiary**; **bank accounts and credit cards**; **expenditure exceeding the prescribed limit** under prescribed heads; the **audit report under section 63**; the location and style of the principal place of business and its branches;

the names and addresses of the partners; and the names and shares of the members of an association of persons or body of individuals [section 263(2)(b)].

9.2 The seven ITR forms [Rule 164]

Rule 164(1) applies to the return required under section 263(1), section 268(1)(a) or section 280 **relating to the tax year commencing on 1 April 2026**.

Form	Who furnishes it	Rule
ITR-1 (SAHAJ)	An individual, resident and ordinarily resident, whose total income includes income from — **(a)** "Salaries" or family pension under section 93(1)(d); **(b)** "Income from house property", where he **does not own more than two house properties** and has no brought-forward or carry-forward loss under that head; **(c)** "Income from other sources", except winnings from lotteries or income from race horses, and no loss under that head; and **(d)** "Capital gains", where he has **only a long-term capital gain under section 198 not exceeding ₹1,25,000** and no loss to be carried forward	164(2)
ITR-2	An **individual** (other than one to whom ITR-1 applies) **or a Hindu undivided family**, where the total income **does not include income under the head business or profession**	164(4)
ITR-3	An **individual or Hindu undivided family**, other than one covered by ITR-1, ITR-2 or ITR-4, **having income under the head "Profits and gains of business or profession"**	164(7)
ITR-4 (SUGAM)	An **individual or Hindu undivided family, resident and ordinarily resident, or a firm other than a limited liability partnership which is resident**, deriving business or professional income **computed on a presumptive basis under section 58**, and having, if any, only a long-term capital gain under section 198 **not exceeding ₹1,25,000**	164(5)
ITR-5	A person **not being an individual, a Hindu undivided family or a company**, and not a person to whom ITR-7 applies — that is, firms, limited liability partnerships, associations of persons, bodies of individuals, local authorities and artificial juridical persons	164(8)
ITR-6	A **company**, not being a company to which ITR-7 applies	164(9)

ITR-7	Any person, **including a company**, required to file a return under **section 349**, or under Schedule VIII (Table: Sl. No. 1.D(f)), or under **section 263(1)(a)(iv) or (v)** — that is, trusts, political parties, institutions and specified entities	164(10)
ITR-UN	The **updated return** under section 263(6)	165(1)

ITR-V

164(12)

Form

Who furnishes it

Rule

	The **verification form**, submitted where the data is transmitted electronically without a digital signature or electronic verification code	

> **TWO CHANGES IN ITR-1 THAT ARE EASY TO MISS**
>
> Under the Income-tax Rules, 2026, ITR-1 is available to a person who **does not own more than two house properties** — not one, as under the earlier rules — and it now accommodates a **long-term capital gain under section 198 up to ₹1,25,000**, which was formerly a ground of ineligibility. Both relaxations are subject to there being no loss to be carried forward under the relevant head.

9.3 Who may not file ITR-1 or ITR-4

A person is not eligible for ITR-1 [Rule 164(3)] if he —	A person is not eligible for ITR-4 [Rule 164(6)] if he —
has **assets, including a financial interest in any entity, located outside India**	has assets, including a financial interest, located outside India
has **signing authority in any account located outside India**	has signing authority in any account outside India
has **income from any source outside India**	has income from any source outside India
has income to be apportioned under **section 10** — the clubbing provisions	has income to be apportioned under section 10
has claimed a deduction under **section 93**, other than under section 93(1)(d)	has claimed a deduction under section 93, other than under section 93(1)(d)
is a **director in any company**	is a director in any company
has held any **unlisted equity share** at any time during the tax year	has held any unlisted equity share during the tax year
is assessable for income on which **tax has been deducted in the hands of another person**	has **total income exceeding ₹50,00,000**
has claimed relief under **section 159** or a deduction under section 160	owns **more than two house properties**
has **agricultural income exceeding ₹5,000**	has any **brought-forward loss or loss to be carried forward** under any head
has **total income exceeding ₹50,00,000**	is assessable for income on which tax has been deducted in another's hands
is a person from whom tax has been deducted under **section 393(3) (Table: Sl. No. 5)** — cash withdrawal	has claimed relief under section 159 or a deduction under section 160

A person is not eligible for ITR-1 [Rule 164(3)] if he —	A person is not eligible for ITR-4 [Rule 164(6)] if he —
is a person for whom payment or deduction of tax has been **deferred** under section 391(2) or 392(3) — the start-up perquisite	has **agricultural income exceeding ₹5,000**
has income on which tax is determinable under **Part A of Chapter XIII**	has income under section 17(1)(d) on which tax is deferred under section 391(2) or 392(3); or income taxable under Part A of Chapter XIII

9.4 Verification — who signs [section 265]

Sl.	Person furnishing the return	To be verified by
1	An **individual**	(i) The individual himself; (ii) where he is **mentally incapacitated**, his guardian or another person competent to act for him; (iii) where for any other reason he cannot verify, any person **duly authorised through a valid power of attorney**
2	A **Hindu undivided family**	(i) The **karta**; (ii) where the karta is **absent from India** or mentally incapacitated, **any other adult member** of the family
3	A **company**, other than one at Sl. Nos. 4 to 7	(i) The **managing director**; (ii) where there is none, or he cannot verify for an unavoidable reason, **any director** or such other person as may be prescribed
4	A company **not resident in India**	Any person holding a **valid power of attorney** from the company
5	A company **being wound up**, or where a receiver has been appointed of any of its assets	The **liquidator** referred to in section 322(1)
6	A company whose management has been **taken over by the Central or a State Government**	The **principal officer**
7	A company whose application for **corporate insolvency resolution** has been admitted under section 7, 9 or 10 of the Insolvency and Bankruptcy Code, 2016	The **insolvency professional** appointed by the Adjudicating Authority
8	A **firm**	(i) The **managing partner**; (ii) where he cannot verify for an unavoidable reason or there is no managing partner, **any partner, not being a minor**
9	A **limited liability partnership**	(i) The **designated partner**; (ii) where he cannot verify or there is none, **any partner** or such other person as may be prescribed
10	A **local authority**	The **principal officer**
11	A **political party** referred to in section 263(1)(a)(iii)	The **chief executive officer**, whether known as secretary or by any other designation
12	Any other **association**	Any **member** of the association, or its **principal officer**
13	**Any other person**	The person himself, or any person **competent to act on his behalf**

Sl.

Person furnishing the return

To be verified by

Note that a minor partner may never verify a firm's return; that the karta's mere absence from India is enough to let another adult member sign for a Hindu undivided family, whereas a company's managing director must be unable to sign for an *unavoidable reason*; and that a non-resident company must act through a holder of a valid power of attorney, not through a director.

9.5 The manner of furnishing [Rule 164(12)]

Person	Manner of furnishing
A **company**	**Electronically under digital signature** — the only permitted mode
Any person whose accounts are **required to be audited under section 63**	Electronically under digital signature; **or** by transmitting the data electronically under **electronic verification code**
Any other person, other than the individual at the next row	Under digital signature; **or** under electronic verification code; **or** by transmitting the data electronically and thereafter submitting the verification in **Form ITR-V**
An individual of **eighty years or more** at any time during the tax year who furnishes ITR-1 or ITR-4	Any of the three modes above — **or in paper form**

"**Electronic verification code**" means a code generated for the electronic verification of the person furnishing the return, as per the data structure and standards specified by the Principal Director General or Director General of Income-tax (Systems) [Rule 164(13)].

Rule 164(11) is worth remembering in an examination: the return **shall not be accompanied** by a computation of tax, or proof of tax deducted, collected, advance tax or self-assessment tax, or any document, account, form or audit report otherwise required to be attached. Rule 164(14) preserves the old forms for a return relating to Tax Year 2025-26 or earlier.

9.6 The updated return form [Rule 165]

An updated return under section 263(6) is furnished in **Form ITR-UN**, verified in the manner indicated in it, and delivered in the same manner as prescribed by Rule 164(12) — a company under digital signature, an audited person under digital signature or electronic verification code, and so on.

9.7 The tax return preparer scheme [section 264]

The Board may make a **Scheme**, to be notified, for the furnishing of returns of income **through a tax return preparer**. The Scheme may enable a specified class of persons to prepare and furnish their returns through a preparer authorised under it, and **may be made irrespective of the provisions of section 263**.

A "**tax return preparer**" means an individual who is not an accountant within section 515(3)(a)(ii) and not an employee of the specified class of persons, authorised to act as such under the Scheme. The object is to provide assisted filing, at a regulated fee, to small assessees who would otherwise not file at all.

CHAPTER TEN

Self-assessment and the Processing of the Return

Sections 266 and 270(1) to (7), as amended by the Finance Act, 2026

What the assessee must pay before he files, and what the Department does with the return once he has.

10.1 Self-assessment [section 266(1) and (2)]

Where, after taking into account the amounts in sub-section (2), **any tax is payable** on the basis of a return required under section 263, 268, 280 or 294, then —

- **(a)** the assessee is liable to pay that tax **together with the interest and fee** payable under any provision of the Act for any delay in furnishing the return, or any default or delay in the payment of advance tax, **before furnishing the return**; and
- **(b)** the return **shall be accompanied by proof of payment** of the tax, interest and fee.

The amounts to be taken into account are — **(a)** tax already paid under any provision; **(b)** tax deducted or collected at source; **(c)** relief under section 157; **(d)** relief or deduction under section 159(1) or 160 for foreign tax; **(e)** relief under section 159(2); **(f)** tax credit set off **as per sections 206(2)(e) to (h) and 206(3) and (4)**, as substituted by

the Finance Act, 2026; and **(g)** any tax or interest payable under section 391(2).

10.2 The order of adjustment [section 266(3)]

> **FEE FIRST, THEN INTEREST, THEN TAX**
>
> Where the amount paid **falls short** of the aggregate of tax, interest and fee, the amount paid shall be adjusted —
>
> **first towards the FEE → then towards the INTEREST → the balance towards the TAX**
>
> The order is fixed by statute and is not at the assessee's choice. Its practical effect is that a part payment leaves the **tax** outstanding, so that interest continues to run on it — which is why a short self-assessment payment is expensive.

10.3 Interest computed for self-assessment [section 266(4) to (6)]

Interest	How it is computed for the purposes of section 266(1)
Section 423 *late return*	On the tax on the **total income as declared in the return**, as reduced by advance tax paid; tax deducted or collected at source; relief under section 157; relief or deduction under section 159(1), 159(2) or 160; and tax credit set off under sections 206(2)(e) to (h) and 206(3) and (4) [section 266(4)]
Section 424 *advance tax default*	On an amount equal to the **assessed tax**, or on the amount by which the advance tax paid falls short of the assessed tax [section 266(5)]
"Assessed tax"	The tax on the total income **as declared in the return**, as reduced by tax deducted or collected at source on income taken into account in computing that total income; relief under section 157; relief or deduction under section 159(1) or 160; relief under section 159(2); and tax credit set off under sections 206(2)(e) to (h) and 206(3) and (4) [section 266(6)]

The definitions matter. For section 423 the advance tax **is** deducted in arriving at the base; for section 424 it is **not** — the whole point of that section being to measure the shortfall in advance tax.

10.4 Failure to pay [section 266(7) to (9)]

- **266(7)** — after a regular assessment under section 270 or 271, or an assessment under section 294, any amount paid under sub-section (1) is **deemed to have been paid towards that assessment**.

- **266(8)** — if the assessee fails to pay the whole or any part of the tax, interest or fee, he is **deemed to be an assessee in default** in respect of the amount remaining unpaid, and all the provisions of the Act apply accordingly — which brings in Chapters 7 to 10 of Unit 1 Part C.
- **266(9)** — that is without prejudice to any other consequence he may incur.

10.5 Processing of the return [section 270(1)]

Where a return has been made under section 263, or in response to a notice under section 268(1), it shall be processed as follows.

Step	What is done
270(1)(a)	The **total income or loss is computed after six adjustments** — **(i)** any **arithmetical error** in the return; **(ii)** an **incorrect claim apparent** from any information in the return; **(iii)** any prescribed **inconsistency** with the information in the return of a preceding tax year; **(iv) disallowance of a loss** claimed, where the return of the year for which set off is claimed was furnished **beyond the due date**; **(v) disallowance of expenditure or increase in income indicated in the audit report** but not taken into account in the return; and **(vi) disallowance of a deduction under Chapter VIII-C** where the return is furnished beyond the due date
270(1)(b)	The **tax, interest and fee** are computed on the total income so computed
270(1)(c)	The **sum payable or the refund due** is determined after adjusting tax deducted at source, tax collected at source, advance tax, any rebate or relief under Chapter IX, tax paid on self-assessment, and any other amount paid by way of tax, interest or fee
270(1)(d)	An **intimation** is sent specifying the sum payable or the refund due
270(1)(e)	The **refund is granted**

The Finance Act, 2026 **omitted the words "under section 144 or"** from sub-clause (vi), so the disallowance for a late return is now confined to deductions under Chapter VIII-C.

10.6 The safeguards and the time limit [section 270(2) to (5)]

NO ADJUSTMENT WITHOUT A HEARING ON PAPER

Before any adjustment under sub-section (1)(a) —

- **(a)** a **communication of the proposed adjustment** must be given to the assessee, in writing or in electronic mode;
- **(b)** the **response**, if any, must be considered; and where **no response is received within thirty days** of the communication, the adjustment is made and the intimation is then sent.

- **270(3)** — an intimation is also sent where the **loss declared is adjusted** but no tax, interest or fee is payable and no refund is due.
- **270(4) — no intimation shall be sent after the expiry of nine months from the end of the financial year in which the return is made**. For a return furnished in the year ended 31 March 2028, the outer date is **31**

December 2028.

- **270(5)(b)** — where **no sum is payable or refundable and no adjustment has been made**, the **acknowledgement of the return is deemed to be the intimation**. This is why most assessees never receive a

separate intimation.

- **270(6) and (7)** — the Board may make a **scheme for centralised processing** of returns, which must be laid before each House of Parliament.

"An incorrect claim apparent from any information in the return" is defined in section 270(5)(a) to mean a

claim, on the basis of an entry in the return, **(i)** of an item **inconsistent with another entry** in the return; **(ii)** in respect of which the **information required to substantiate it has not been furnished**; or **(iii)** of a deduction which

exceeds a statutory limit expressed as an amount, percentage, ratio or fraction.

What follows the intimation — the notice under section 270(8) and the scrutiny assessment under section 270(10), the best judgment assessment under section 271, and reassessment under section 279 — belongs to **Unit 3**.

10.7 Illustrations

ILLUSTRATION 10.1 — THE ORDER OF ADJUSTMENT UNDER SECTION 266(3)

Smt. Reena's self-assessment liability for Tax Year 2026-27, computed on 15 November 2027, is — tax ₹86,000, interest under section 423 ₹5,160, interest under section 424 ₹8,600, and fee under section 428 ₹5,000. She pays ₹60,000 and files her return. *How is the payment appropriated, and what remains?*

Amount paid	60,000
Less: first towards the **fee** under section 428	(5,000)
Less: then towards the **interest** — ₹5,160 + ₹8,600	(13,760)
Balance appropriated towards **tax**	41,240
Tax remaining unpaid — ₹86,000 – ₹41,240	**₹44,760**

*She is **deemed to be an assessee in default** for ₹44,760 under section 266(8), and interest under section 411(3) at 1% a month will run on it once a notice of demand is served and thirty days have expired. Had she been allowed to appropriate the payment towards tax first, no tax would have remained and the interest would have stopped.*

ILLUSTRATION 10.2 — AN ADJUSTMENT ON PROCESSING

Shri Tarun furnished his return for Tax Year 2026-27 on **18 September 2027**, claiming a set off of a business loss of ₹2,40,000 carried forward from Tax Year 2025-26, the return for which had been furnished on **2 January 2027** — that is, after the due date. He also claimed a deduction of ₹40,000 under Chapter VIII-C. His return for Tax Year 2026-27 was itself filed after his due date of 31 August 2027. *What will happen on processing?*

- The **carried-forward loss of ₹2,40,000 will be disallowed** under section 270(1)(a)(iv), the return of the year for which the set off is claimed having been furnished beyond the due date.
- The **deduction of ₹40,000 under Chapter VIII-C will be disallowed** under section 270(1)(a)(vi), his own return for Tax Year 2026-27 having been furnished after 31 August 2027.
- Before either adjustment is made, a **communication of the proposed adjustment** must be given to him, and his response considered; if he does not respond **within thirty days**, the adjustments are made [section 270(2)].
- The intimation must be sent by **31 December 2028** — nine months from the end of the financial year 2027-28 in which the return was made [section 270(4)].

CHAPTER ELEVEN

Practical Problems with Solutions

Nine problems in the form in which the University of Delhi has set them, worked at the provisions in force for Tax Year 2026-27.

PROBLEM 1 — WHO MUST FILE, AND BY WHEN

State, with reasons, whether a return of income is required for Tax Year 2026-27 in each of the following cases, and if so, by what date.

Sl.	Case	Answer
(a)	Shri Alok, aged 35, gross total income ₹4,60,000, deduction under Chapter VIII ₹90,000, total income ₹3,70,000	**Yes.** Section 263(1)(a)(iii) tests the income **before** the Chapter VIII deduction — ₹4,60,000 exceeds ₹4,00,000. Due date **31 July 2027**
(b)	Bimal Ltd., a company with a loss of ₹12,00,000 and no taxable income	**Yes.** Section 263(1)(b) requires a company to file **regardless of income or loss**. Due date **31 October 2027**
(c)	Smt. Chitra, a partner in a firm whose accounts are not required to be audited; her own income is salary of ₹9,00,000	**Yes.** Due date **31 August 2027** under Sl. No. 3(ii) — a partner of a non-audit firm
(d)	Shri Dev, aged 78, resident, with pension of ₹6,20,000 and interest of ₹1,90,000, both from the same specified bank, who has filed Form No. 125	**No.** Section 263(8)(b) exempts a **specified senior citizen** for a year in which tax has been deducted under section 393(1) (Table: Sl. No. 8(iii))
(e)	Shri Elango, total income ₹2,80,000, who holds a savings account in Dubai with a balance of ₹40,000 and no income from it; he is resident and ordinarily resident	**Yes.** Section 263(1)(a)(ix) with (1)(b) — a resident and ordinarily resident holding an asset outside India files **regardless of income**. Due date **31 July 2027**
(f)	Falcon Trust, a registered non-profit organisation whose income before section 11 is ₹9,00,000	**Yes.** Section 263(1)(a)(iv) — a specified entity whose income **without giving effect to section 11** exceeds the threshold. It files **ITR-7**
(g)	Shri Gagan, total income ₹3,20,000, whose electricity bills for the year came to ₹1,35,000	**Yes.** Rule 163(1)(c) with section 263(1)(a)(x) — electricity expenditure exceeding ₹1,00,000. Due date **31 July 2027**
(h)	Hari & Co., a firm carrying on a profession with gross receipts of ₹38,00,000, not liable to audit	**Yes.** Section 263(1)(b) — a firm files regardless of income or loss. Due date **31 August 2027** under Sl. No. 3(i)

PROBLEM 2 — THE FOUR DATES OF A SINGLE TAX YEAR

For Tax Year 2026-27, state the last date on which each of the following may be done by a salaried assessee whose due date is 31 July 2027.

Act	Provision	Last date
Furnish the **original** return	263(1)	**31 July 2027**
Furnish a **belated** return	263(4)	**31 December 2027**
Furnish a **revised** return	263(5)	**31 March 2028**
Furnish a **revised** return *without* attracting a fee	263(5) with 428(b)	**31 December 2027**
Furnish an **updated** return	263(6)	**31 March 2032**
Furnish an updated return at the **lowest** rate of additional income-tax (25%)	267(5)(a)	**31 March 2029**

Act	Provision	Last date
Receive an **intimation** on processing, where the return was filed in 2027-28	270(4)	**31 December 2028**
Rectify a **defect** intimated by the Assessing Officer	263(7)(a)	**Fifteen days** from the intimation, or such further period as is allowed

*All four periods in the first block are measured from the **end of the relevant tax year** — 31 March 2027 — except the updated return, which runs from the end of the **financial year succeeding** the tax year, that is 31 March 2028.*

PROBLEM 3 — WHICH ITR FORM

State which form each of the following must use for Tax Year 2026-27, with reasons.

1. Shri Jai, resident and ordinarily resident, salary ₹11,00,000, one let-out house, savings interest ₹18,000, no capital gains. — ITR-1 (SAHAJ). He is within Rule 164(2) and none of the disqualifications in Rule 164(3) applies.

2. The same Shri Jai, but he is also a director in a private limited company. — ITR-2. Rule 164(3)(f) excludes a director from ITR-1, and he has no business income.

3. Smt. Kiran, resident, salary ₹9,00,000 and a long-term capital gain under section 198 of ₹1,10,000, with no loss to carry forward. — ITR-1. Rule 164(2)(d) now permits a long-term capital gain under section **198 up to ₹1,25,000.**

4. Shri Lalit, resident, a retail trader declaring income on a presumptive basis under section 58, turnover ₹48,00,000, total income ₹4,10,000. — ITR-4 (SUGAM).

5. The same Shri Lalit, but his total income is ₹56,00,000. — ITR-3. Rule 164(6)(h) excludes ITR-4 where the total income exceeds ₹50,00,000, and he has business income, so ITR-2 is not open to him either.

6. Mahesh Associates, a partnership firm. — ITR-5.

7. Nirvana Ltd., a company carrying on manufacture. — ITR-6.

8. Om Charitable Trust, registered as a non-profit organisation. — ITR-7.

PROBLEM 4 — VERIFICATION OF THE RETURN

State who must verify the return in each case.

Assessee	Verified by
(a) An individual who has suffered a stroke and is mentally incapacitated	His **guardian** or another person competent to act on his behalf — section 265, Sl. No. 1(ii)
(b) A Hindu undivided family whose karta is in Canada for a year	**Any other adult member** of the family — Sl. No. 2(ii)
(c) A company in liquidation under an order of the court	The **liquidator** under section 322(1) — Sl. No. 5
(d) A company admitted to corporate insolvency resolution under section 7 of the Insolvency and Bankruptcy Code, 2016	The **insolvency professional** appointed by the Adjudicating Authority — Sl. No. 7
(e) A firm whose managing partner is abroad and whose only other partners are a working partner aged 30 and a minor admitted to the benefits of partnership	The **working partner aged 30**. A minor may never verify — Sl. No. 8(ii)
(f) A company incorporated in Singapore with no place of business in India	Any person holding a **valid power of attorney** from it — Sl. No. 4
(g) A recognised political party	Its **chief executive officer**, however designated — Sl. No. 11

PROBLEM 5 — THE UPDATED RETURN, WORKED IN FULL

Shri Pankaj furnished no return for Tax Year 2026-27. On **22 June 2029** he wishes to furnish an updated return declaring a total income of ₹18,00,000. The tax on it, including surcharge and cess, is ₹1,96,300; tax deducted at source was ₹52,000. The interest payable under sections 423, 424 and 425 aggregates ₹67,400. *Compute what he must pay before furnishing the return, and state whether he is eligible.*

Eligibility — the outer date is 31 March 2032, no proceeding is pending, no search or survey has taken place, and the return declares income and not a loss	**Eligible**
Tax on the total income, including surcharge and cess	1,96,300
Less: tax deducted at source [section 267(2)(b)]	(52,000)
Tax payable	**1,44,300**
Add: interest under sections 423, 424 and 425	67,400
Aggregate of tax and interest	**2,11,700**
Rate of additional income-tax — 22 June 2029 falls after twelve months but before twenty-four months from 31 March 2028	**50%**
Additional income-tax — 50% of ₹2,11,700	1,05,850
Add: fee under section 428(a), total income exceeding ₹5,00,000	5,000
Total payable before furnishing the updated return	**₹3,22,550**

Had he furnished the return by 31 March 2029 the rate would have been 25% and the additional income-tax ₹52,925 — a saving of ₹52,925 for filing fifteen months earlier.

PROBLEM 6 — JURISDICTION

Shri Qadir carries on business at three places — a factory at Faridabad, a sales office at Noida and his registered head office at Karol Bagh, Delhi, which is his principal place of business. He resides at Gurugram. *Which Assessing Officer has jurisdiction, and on what basis?*

Section 242(1)(a) governs. In respect of a person carrying on a business, jurisdiction lies with the Assessing Officer within whose area the business is carried on; and where it is carried on at **more places than one**, with the officer within whose area the **principal place** of business is situated. That is **Karol Bagh, Delhi**. His residence at Gurugram is irrelevant, clause (b) applying only to a person **not** carrying on a business or profession.

Change one fact — suppose he retired and had only salary and interest income. Clause (b) would then apply and jurisdiction would lie with the Assessing Officer at ***Gurugram****, where he resides.*

PROBLEM 7 — THE POWERS, AND WHO MAY EXERCISE THEM

Advise in each of the following.

1. An Assistant Director wishes to summon a bank manager and examine him on oath, no proceeding being pending against the assessee. — Permissible. Section 246(2)(b) allows the Assistant Director to exercise the section 246(1) powers for an inquiry into **concealment of income** even where no proceeding is pending, if he has reason to suspect concealment.

2. An Income-tax Officer wishes to call for information from a firm about its partners, no proceeding being pending. — He may, but only **with the prior approval** of the Principal Director, Director, Principal Commissioner or Commissioner — section 252(3)(a).

3. An Inspector of Income-tax proposes to enter a shop at 9 p.m., after closing, to collect prescribed information under section 254. — **Not permissible** on two counts. Section 254(2) allows entry **only during the hours at which the place is open** for business; and an Inspector may act under section 254 only if **authorised in writing** by the Assessing Officer for that area [section 254(4)(b)].

4. The same Inspector wishes to seize the cash box. — Not permissible. Section 254(3) forbids the removal of any books, documents, cash, stock or other valuable article **on any account**.

5. The Assessing Officer has impounded books produced before him and wishes to retain them for two

months. — He may retain them for fifteen days (exclusive of holidays) after recording his reasons, and beyond that only with the prior sanction of the approving authority — section 246(4).

PROBLEM 8 — SELF-ASSESSMENT AND SHORT PAYMENT

Shri Ravi's return for Tax Year 2026-27, filed on **28 November 2027**, shows tax of ₹1,20,000, interest under section 423 of ₹9,600, interest under section 424 of ₹14,400 and a fee under section 428 of ₹5,000. He pays ₹1,00,000 only. *State the appropriation and the consequences.*

Paid	1,00,000
Appropriated first to the **fee**	(5,000)
Then to the **interest** — ₹9,600 + ₹14,400	(24,000)
Balance to **tax**	71,000
Tax remaining unpaid	**₹49,000**

He is **deemed to be an assessee in default** for ₹49,000 under section 266(8). A notice of demand under section 289 will follow, and on its expiry interest under section 411(3) at 1% a month will run, with the possibility of a penalty under section 412 not exceeding the tax in arrears and, in the last resort, recovery under sections 413 to 422.

PROBLEM 9 — THE DEFECTIVE RETURN

Shri Sameer filed his return for Tax Year 2026-27 on 25 July 2027. On **14 October 2027** the Assessing Officer intimated that the return was defective. Shri Sameer rectified the defect on **9 December 2027**. The assessment had not been made. *What is the position?*

The fifteen days allowed by section 263(7)(a) expired on 29 October 2027, and no extension had been applied for. Prima facie section 263(7)(b) applies and the return is an **invalid return**, the Act operating as though he had failed to furnish it at all. **But** section 263(7)(c) provides that where the assessee rectifies the defect **after the period allowed but before the assessment is made**, the Assessing Officer **may condone the delay and treat the return as valid**. The rectification on 9 December 2027 was before any assessment, so the Officer has the power to condone.

The power is discretionary, and it is worth applying for it in writing. If it is not exercised, Shri Sameer loses the benefit of the return altogether — he would be treated as a non-filer, would forfeit any carry forward of loss, and would be exposed to interest under section 423 running to the completion of a best judgment assessment.

CHAPTER TWELVE

Revision, Ready Reckoner and Question Bank

Everything in this Unit reduced to tables that can be revised in an hour, followed by the questions the topic attracts.

12.1 Old section to new section

Subject	Income-tax Act, 1961	Income-tax Act, 2025
Classes of income-tax authorities	116	**236**
Appointment of income-tax authorities	117	237
Control of income-tax authorities	118	238
Instructions to subordinate authorities	**119**	**239**
Taxpayer's Charter	119A	240
Jurisdiction of income-tax authorities	120	241
Jurisdiction of Assessing Officers	124	242
Power to transfer cases	**127**	**243**
Change of incumbent of an office	129	244
Faceless jurisdiction of income-tax authorities	130	245
Power regarding discovery, production of evidence	**131**	**246**
Search and seizure	132	247 *(Unit 4)*
Powers to requisition books of account	132A	248 *(Unit 4)*
Application of seized or requisitioned assets	132B	250 *(Unit 4)*
Power to call for information	133	252
Power of survey	**133A**	**253** *(Unit 4)*
Power to collect certain information	133B	254
Power to inspect registers of companies	134	255
Power of certain income-tax authorities	135	256
Proceedings to be judicial proceedings	136	257
Disclosure of information relating to assessees	138	258
Power to call for information by prescribed authority	133C	259
Faceless collection of information	135A	260
Return of income	**139**	**263**
Belated return	139(4)	263(4)
Revised return	139(5)	263(5)
Updated return	139(8A)	263(6)
Defective return	139(9)	263(7)
Permanent Account Number	**139A**	**262**

Subject	Income-tax Act, 1961	Income-tax Act, 2025
Scheme for submission of returns through tax return preparers	139B	264
Verification of return	**140**	**265**
Self-assessment	**140A**	**266**
Tax on updated return	140B	267

Inquiry before assessment 142 268 *(Unit 3)*

Subject

Income-tax Act, 1961

Income-tax Act, 2025

Processing of return and intimation	**143(1)**	**270(1)**
Scrutiny assessment	143(3)	270(10) *(Unit 3)*
Best judgment assessment	144	271 *(Unit 3)*
Revision by the Commissioner — prejudicial to revenue	263	**377** *(Unit 3)*
Revision in favour of the assessee	264	378 *(Unit 3)*
Fee for default in furnishing the return	234F	428 *(Unit 1 Part C)*
Interest for default in furnishing the return	234A	423 *(Unit 1 Part C)*
Penalty for failure to comply with PAN provisions	272B	467

12.2 Every form of this Unit

Form	What it is	Provision
93	Application for PAN — an **individual who is a citizen of India** *(old Form 49A)*	Section 262(1); Rule 158
94	Application for PAN — **Indian entities**: HUF, company, LLP, firm, trust, association of persons, local authority, artificial juridical person	Section 262(1); Rule 158
95	Application for PAN — an **individual not a citizen of India** *(old Form 49AA)*	Section 262(1); Rule 158
96	Application for PAN — entities **formed or registered outside India**	Section 262(1); Rule 158
ITR-1 (SAHAJ)	Resident and ordinarily resident individual — salary or family pension, up to **two** house properties, other sources, and a long- term capital gain under section 198 up to ₹1,25,000	Rule 164(2)
ITR-2	Individual or HUF **without** business or professional income	Rule 164(4)
ITR-3	Individual or HUF **with** business or professional income	Rule 164(7)
ITR-4 (SUGAM)	Resident individual, HUF or resident firm (not an LLP) on the **presumptive** basis under section 58	Rule 164(5)
ITR-5	Firms, LLPs, associations of persons, bodies of individuals, local authorities and artificial juridical persons	Rule 164(8)
ITR-6	**Companies**, other than those filing ITR-7	Rule 164(9)

Form	What it is	Provision
ITR-7	Trusts, political parties, institutions and **specified entities** under section 263(1)(a)(iv) and (v)	Rule 164(10)
ITR-UN	The **updated return**	Section 263(6); Rule 165
ITR-V	Verification of a return transmitted electronically without a digital signature or electronic verification code	Rule 164(12)
125	Declaration by a **specified senior citizen** — which relieves him of filing a return	Section 263(8)(b); Rule 208
168	**Annual Information Statement** *(old Form 26AS / AIS)*	Rule 245

12.3 Objective questions

A. State whether True or False, with reasons

1. The Central Board of Direct Taxes is not an income-tax authority.

False. Section 236(a) names it as the first class of income-tax authority.

2. The Board may direct an Assessing Officer to make a particular assessment in a particular manner.

False. Section 239(2)(a) expressly forbids it, and clause (b) protects the appellate discretion of the Joint Commissioner (Appeals) and Commissioner (Appeals).

3. A case may never be transferred without giving the assessee an opportunity of being heard.

False. Section 243(4) dispenses with the hearing where the offices of the transferring and receiving Officers are in the same city, locality or place.

4. An Inspector of Income-tax may enter business premises and verify stock.

False. An Inspector has no independent power. Under section 254(4)(b) he may act only if authorised in writing by the Assessing Officer, and even then only to collect prescribed information — he may not remove anything.

5. A company with a loss and no taxable income need not file a return.

False. Section 263(1)(b) requires a company to file **regardless of income or loss**.

6. The due date for a proprietor whose accounts are not required to be audited is 31 July.

False. Sl. No. 3 of the substituted Table gives him **31 August**.

7. A belated return may be revised.

True. Section 263(5) permits the revision of a return furnished under sub-section (1) **or** sub-section (4).

8. An updated return may be filed to claim a refund.

False. Section 263(6)(c)(iii) bars an updated return which results in a refund where none was due or increases the refund due.

9. A defective return is automatically invalid.

False. It becomes invalid only if the defect is not rectified within fifteen days or the further period allowed; and even then section 263(7)(c) permits the Assessing Officer to condone the delay if the defect is cured before assessment.

10. A minor partner may verify the return of a firm.

False. Section 265, Sl. No. 8(ii) permits any partner **not being a minor**.

11. A person who has been allotted a PAN may obtain a second one for his business.

False. Section 262(8) forbids applying for, obtaining or possessing another Permanent Account Number.

12. An intimation on processing may be sent at any time.

False. Section 270(4) bars an intimation after nine months from the end of the financial year in which the return is made.

B. Multiple choice

1. The number of classes of income-tax authority under section 236 is —

(a) ten (b) eleven (c) **twelve** (d) thirteen *Answer: (c)*

2. The Taxpayer's Charter is adopted and declared by —

(a) The Central Government (b) **The Board** (c) The Principal Chief Commissioner (d) Parliament *Answer: (b), section 240*

3. Jurisdiction over a person carrying on business at more places than one lies with the Officer of the area in which —

(a) He resides (b) **His principal place of business is situated** (c) Any of his places of business is situated (d) His books are kept *Answer: (b), section 242(1)(a)*

4. Books impounded by an Assessing Officer may be retained without sanction for —

(a) seven days (b) **fifteen days, exclusive of holidays** (c) thirty days (d) sixty days *Answer: (b), section 246(4)*

5. A return of income is furnished under —

(a) section 139 (b) section 140 (c) **section 263** (d) section 270 *Answer: (c)*

6. The due date for a company which must furnish a report under section 172 is —

(a) 31 July (b) 31 August (c) 31 October (d) **30 November** *Answer: (d), section 263(1)(c), Sl. No. 1*

7. A belated return for Tax Year 2026-27 may be furnished up to —

(a) 31 October 2027 (b) **31 December 2027** (c) 31 March 2028 (d) 31 March 2032 *Answer: (b), section 263(4)*

8. The additional income-tax on an updated return furnished in the third year is —

(a) 25% (b) 50% (c) **60%** (d) 70% *Answer: (c), section 267(5)(i)(c)*

9. The return of a Hindu undivided family whose karta is abroad is verified by —

(a) The karta only (b) **Any other adult member** (c) A chartered accountant (d) Any member including a minor *Answer: (b), section 265, Sl. No. 2(ii)*

10. A short payment of self-assessment tax is appropriated —

(a) Tax, then interest, then fee (b) Interest, then tax, then fee (c) **Fee, then interest, then tax** (d) As the assessee directs *Answer: (c), section 266(3)*

11. A resident and ordinarily resident individual owning three house properties may file —

(a) ITR-1 (b) **ITR-2** (c) ITR-4 (d) ITR-5 *Answer: (b) — Rule 164(2)(b) limits ITR-1 to two house properties*

12. The response to a proposed adjustment before processing must be given within —

(a) fifteen days (b) **thirty days** (c) sixty days (d) ninety days *Answer: (b), section 270(2)(b)*

12.4 Fill in the blanks

1. There are __ classes of income-tax authorities under section 236. — *twelve*

2. The Board may not issue any instruction which interferes with the discretion of the __ in the exercise of his appellate functions. — *Joint Commissioner (Appeals) or Commissioner (Appeals)* [section 239(2)(b)]

3. The four criteria of jurisdiction are territorial area, __, __ and cases or classes of cases. — *persons or classes of persons; incomes or classes of income* [section 241(4)] 4. A return of income is furnished under section __ of the Income-tax Act, 2025. — *263* 5. The due date for an assessee having non-audited business income is __. — *31 August* [section 263(1)(c), Sl. No. 3] 6. A belated return may be furnished within __ months from the end of the relevant tax year. — *nine* [section 263(4)] 7. A revised return may be furnished within __ months from the end of the relevant tax year. — *twelve* [section 263(5)] 8. An updated return may be furnished within __ months from the end of the financial year succeeding the relevant tax year. — *forty-eight* [section 263(6)(a)] 9. A defective return must be rectified within __ days of the intimation. — *fifteen* [section 263(7)(a)] 10. The application for a Permanent Account Number by an individual who is a citizen of India is made in Form No. __. — *93* [Rule 158] 11.

Where the self-assessment payment falls short, it is adjusted first towards the __, then towards the __, and the balance towards the __. — *fee; interest; tax* [section 266(3)] 12. No intimation on processing shall be sent after __ months from the end of the financial year in which the return is made. — *nine* [section 270(4)]

12.5 Short answer questions

1. Enumerate the classes of income-tax authorities under section 236. 2. What are the limits on the Board's power to issue instructions under section 239? 3. Explain the four criteria by reference to which jurisdiction may be assigned under section 241(4). 4. When may an assessee no longer call in question the jurisdiction of an Assessing Officer? 5. State the circumstances in which a case may be transferred without giving the assessee a hearing. 6. Distinguish between the power of survey under section 253 and the power to collect information under section 254. 7. Who is required to apply for a Permanent Account Number, and within what time? 8. State the persons who must furnish a return of income regardless of income or loss. 9. Explain the conditions prescribed by Rule 163 which oblige a person to file a return although his income is below the threshold. 10. Distinguish between a belated return, a revised return and an updated return. 11. In what circumstances is an updated return not available? 12. Write short notes on — (a) the defective return; (b) the Taxpayer's Charter; (c) faceless jurisdiction.

12.6 Long answer questions

1. Describe the classes of income-tax authorities under the Income-tax Act, 2025, and explain the provisions relating to their appointment, control and jurisdiction. 2. Explain fully the powers of the income-tax authorities under sections 246 and 252 to 260, stating in each case which authority may exercise the power and whether a proceeding need be pending. 3. "The Board may issue instructions that bind every officer in the country, but it may not decide a case." Examine this statement with reference to section 239. 4. Explain the provisions relating to the Permanent Account Number under section 262, including the requirement to quote and authenticate it, the link with the Aadhaar number, and the consequences of default. 5. State who is required to furnish a return of income under section 263(1), and set out the due dates as substituted by the Finance Act, 2026. 6. Explain the five kinds of return under section 263, with the time limit and the cost of each. 7. Discuss the provisions relating to the updated return under section 263(6), and the additional income-tax payable under section 267. 8. Describe the ITR forms prescribed by Rule 164, stating who may use each and who is excluded from ITR-1 and ITR-4. 9. Explain the provisions relating to the verification of returns under section 265 and the manner of furnishing under Rule 164(12). 10. Explain self-assessment under section 266 and the processing of a return under section 270(1) to (7), and state the consequences of a short payment of self-assessment tax.

End of Unit 2. Unit 3 — Assessment, re-assessment and rectification of mistakes; appeals and revisions; and the preparation and filing of appeals with appellate authorities — follows.