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 3 · PART A

ASSESSMENT, RE-ASSESSMENT AND RECTIFICATION OF MISTAKES

How the Department Turns a Return into a Demand

Inquiry • Scrutiny • Best Judgment • Faceless • Escaped Income • Limitation • Rectification

Sections 268 to 300

read with Rules 179 and 180 and Forms No. 103 and ITR-BN

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

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The Prescribed Syllabus for this Part

UNIT 3: ASSESSMENT AND APPEALS (9 HOURS)

"Assessment, re-assessment and rectification of mistakes; Appeals and revisions; Preparation and filing of

appeals with appellate authorities."

Discipline Specific Elective Course 5.8 for B.Com (Hons.) and 5.7 for B.Com (Prog.), 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 syllabus of DSE 5.8 and DSE 5.7 is identical for this Unit.

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 3 carries nine lecture hours and contains two bodies of law which are examined separately and which no textbook treats together. This series therefore divides Unit 3 into two booklets:

Booklet	Content	Sections of the Income-tax Act, 2025
Unit 3 · Part A *this booklet*	**Assessment, re-assessment and rectification of mistakes** — inquiry before assessment, the five assessments, the Dispute Resolution Panel, income escaping assessment, limitation, rectification, and block assessment in search cases	**268 to 300**
Unit 3 · Part B	Appeals and revisions; and the preparation and filing of appeals with the appellate authorities	356 to 380

What is an "Assessment"?

The word is used in the Act in two senses, and the difference matters. In the **narrow** sense an assessment is the *order* by which the Assessing Officer computes the total income and determines the sum payable. In the **wide** sense it is the *whole procedure* for imposing liability — the return, the inquiry, the order, and every step that follows. Section 270(10) uses the word in the first sense; section 286, which limits the time for "completion of assessment", uses it in the second.

THE FIVE ASSESSMENTS, AND WHERE EACH IS FOUND

To these must be added three that are not "assessments" of a tax year at all — **re-assessment** of escaped income under section 279 (Chapter 7), **block assessment** in a search case under section 292 (Chapter 11), and **rectification** of a mistake under section 287 (Chapter 9), which corrects an assessment rather than making one.

Assessment	Section	In one line
Self-assessment	266	The assessee computes and pays before he files — *Unit 2, Chapter 10*
Summary assessment	270(1)	The return is processed, six adjustments are made, an intimation issues — *Unit 2, Chapter 10*
Scrutiny assessment	270(8) to (15)	A notice, a hearing, and an order in writing — **Chapter 3**

Assessment	Section	In one line
Best judgment assessment	271	Where the assessee does not file or does not comply — **Chapter 4**
Faceless assessment	273	The same assessments, made by units without an interface — **Chapter 5**

A Word on the Numbering

Particular care is needed in this Part, because the Act of 2025 has re-used two of the best-known numbers of the repealed Act with entirely different meanings.

FOUR NUMBERS THAT HAVE CHANGED HANDS

- **Section 143(3)** — scrutiny assessment — is now **section 270(10)**. Section 143 of the new Act is something else entirely.
- **Section 144** — best judgment assessment — is now **section 271**. Under the new Act, section 144 is a deduction provision.
- **Section 147** — income escaping assessment — is now **section 279**, and the notice, formerly section 148, is now **section 280**. The pre-notice procedure of section 148A is now **section 281**.
- **Section 154** — rectification — is now **section 287**; and section 153, the limitation section, is now **section**

286.

How to Use this Booklet

Each chapter opens with the sections it covers. Chapters 1 to 6 follow an assessment from the first notice to the final order. Chapters 7 to 9 deal with what may be done after the assessment is over — reopening, limitation and rectification. Chapters 10 and 11 take the notice of demand and the special code for search cases. Chapter 12 contains full-length practical problems and Chapter 13 the reckoner and the question bank.

Every period is that in force for Tax Year 2026-27 under the Act as amended by the Finance Act, 2026. Three

changes made by that Act govern this Part and are flagged where they arise — the substituted time limits in **section 275(4) and (14)** for a Dispute Resolution Panel case; the new **section 279(3)**, which takes the reopening power away from the faceless centre; and the substituted **section 296(1)**, which extends the block assessment period from twelve months to **eighteen months**.

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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 **268 to 300** — inquiry, scrutiny, best judgment, faceless assessment, escaped income, block assessment, limitation and rectification
Finance Act, 2026 — assent 30 March 2026 (Finance Bill No. 3 of 2026, introduced 1 February 2026)	The amendments to the limitation periods and to the block assessment provisions
Income-tax Rules, 2026 — G.S.R. 198(E) dated 20 March 2026, in force 1 April 2026	**Rules 179 and 180**, and **Forms No. 103 and ITR-BN**

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

Inquiry Before Assessment

Sections 268 and 269 · Rule 180 · Form ITR-BN

Before an Assessing Officer may assess, he must ask. This chapter is about the asking.

1.1 The notice [section 268(1)]

For the purpose of making an assessment, the Assessing Officer may serve on any person **who has made a return under section 263**, or **in whose case the time allowed under section 263(1) has expired**, a notice requiring him,

on a date to be specified —

- **(a)** where he has not made a return within the time allowed under section 263(1) **or before the end of the financial year succeeding the relevant tax year**, **to furnish a return** of his income, or of the income of any

other person for whom he is assessable, in the prescribed form and verified in the prescribed manner;

- **(b)** to **produce such accounts or documents** as the Assessing Officer may require; and
- **(c)** to **furnish in writing, verified in the prescribed manner, such information** on such points or matters as the Assessing Officer may require — **including a statement of all assets and liabilities** of the assessee, whether

included in the accounts or not.

A notice under clause (a) may also be served by the **prescribed income-tax authority** [section 268(3)].

1.2 The two limits on the notice [section 268(2)]

> **TWO SAFEGUARDS THAT ARE EXAMINED EVERY YEAR**
>
> - **(a)** The Assessing Officer must obtain the **previous approval of the Joint Commissioner** before requiring
>
> **the assessee to furnish a statement of all assets and liabilities not included in the accounts.**
>
> - **(b)** The Assessing Officer **shall not require the production of any accounts relating to a period more**
>
> **than three years prior to the relevant tax year.**

1.3 Inquiry by the Assessing Officer [section 268(4)]

"For the purposes of obtaining full information in respect of the income or loss of any person, the Assessing Officer **may make such inquiry as he considers necessary**." The power is general and it is not confined to the assessee — it extends to inquiries from third parties, subject to the powers in sections 246 and 252 dealt with in Unit 2.

Material gathered on such an inquiry may not be used behind the assessee's back. Section 268(12) provides that the assessee **shall** — except where the assessment is made under section 271 — **be given an opportunity of being heard in respect of any material gathered** on an inquiry under sub-section (4), or on an audit or inventory valuation under sub-section (5), which is proposed to be used against him. This is the statutory expression of the rule of natural justice.

1.4 The special audit and inventory valuation [section 268(5) to (13)]

At any stage of the proceedings, the Assessing Officer may direct the assessee to get his accounts audited, or his inventory valued, or both. The conditions are strict.

Requirement	What the section says
The five grounds	Having regard to **(a)** the **nature and complexity** of the accounts; **(b)** the **volume** of the accounts; **(c) doubts about the correctness** of the accounts; **(d)** the **multiplicity of transactions**; or **(e)** the **specialised nature of the business activity — and the interests of the revenue**
Opinion	He must be of the opinion that it is **necessary so to do**
Hearing	After giving the assessee a **reasonable opportunity of being heard**

Approval

With the previous approval of the Principal Chief Commissioner, Chief Commissioner, Principal Commissioner or Commissioner

Requirement

What the section says

Who audits	An **accountant**, or for inventory a **cost accountant**, **nominated by** the Principal Chief Commissioner, Chief Commissioner, Principal Commissioner or Commissioner — **not chosen by the assessee** [section 268(6)]
Existing audit no bar	The power applies **irrespective of whether or not** the accounts have already been audited under any other law [section 268(7)]
Time	The report is furnished within the period specified by the Assessing Officer [268(8)], extendable by him on his own motion or on the assessee's application for good and sufficient reason [268(9)] — but the **aggregate shall not exceed six months from the end of the month in which the direction is received** [268(10)]
Cost	The expenses, including the remuneration of the accountant, are **determined by the Principal Chief Commissioner or Commissioner** and **paid by the Central Government** [268(11)]

"**Cost accountant**" takes its meaning from section 2(1)(b) of the Cost and Works Accountants Act, 1959, and he must hold a **valid certificate of practice** [section 268(13)].

1.5 Reference to the Valuation Officer [section 269]

The Assessing Officer may, for the purposes of assessment or reassessment, make a reference to a **Valuation Officer** to estimate the value — **including the fair market value** — of any asset, property or investment, and to submit a copy of his report. He may do so **whether or not he is satisfied about the correctness or completeness of the**

accounts [section 269(2)]. The period from the date of the reference to the receipt of the report is **excluded** in computing the limitation for completing the assessment [section 286(3)(e)].

CHAPTER TWO

The Five Assessments — an Overview

Sections 266, 270, 271 and 273

One page that should be learnt before anything else in this Unit.

2.1 Self-assessment and summary assessment recalled

The first two assessments belong to Unit 2 and are summarised here only so that the five may be seen together.

- **Self-assessment [section 266]** — the assessee computes his own liability, pays the tax with interest and fee **before** furnishing the return, and accompanies the return with proof of payment. A short payment is appropriated **first to the fee, then to the interest, then to the tax** [section 266(3)], and the assessee is **deemed**

to be in default for what remains [section 266(8)].

- **Summary assessment [section 270(1) to (7)]** — the return is processed, **six adjustments** may be made, and an **intimation** issues. No adjustment may be made without a communication and thirty days to respond [section

270(2)]; and no intimation may be sent after nine months from the end of the financial year in which the

return is made [section 270(4)]. Where nothing is payable or refundable and no adjustment is made, the **acknowledgement is deemed to be the intimation** [section 270(5)(b)].

2.2 The five compared

Point	Self-assessment [266]	Summary [270(1)]	Scrutiny [270(10)]	Best judgment [271]	Faceless [273]
Who makes it	The **assessee**	The Department, by computer	The Assessing Officer	The Assessing Officer	The **assessment unit** through the National Faceless Assessment Centre
When	Before furnishing the return	On processing the return	On a notice under section 270(8)	On default by the assessee	In cases specified by the Board
Hearing	Not applicable	Communication and **thirty days** to respond	**Full hearing**; evidence may be produced	**Show cause notice** under section 271(2), unless section 271(3) applies	Through the Centre, in writing or by video conferencing
Nature of the order	Payment, not an order	An **intimation**, deemed a notice of demand	An **order in writing**	An order in writing, on the Officer's **best judgment**	An order in writing by the unit
Time limit	Before the return	**Nine months** from the end of the financial year in which the return is made	**One year** from the end of the financial year succeeding the tax year — section 286(1), Sl. No. 1		The same as the assessment it replaces
Appeal	None	Lies against the intimation	Lies	Lies	Lies

CHAPTER THREE

Scrutiny Assessment — Section 270(8) to (15)

Section 270(8) to (15)

The ordinary assessment of the Act — a notice, a hearing, and an order in writing.

3.1 The notice, and its time limit [section 270(8) and (9)]

Where a return has been furnished under section 263 or in response to a notice under section 268(1), the Assessing

Officer or the prescribed income-tax authority, if he considers it necessary or expedient to ensure that the assessee —

- **(a)** has **not understated the income**;
- **(b)** has **not computed excessive loss**; or
- **(c)** has **not under-paid the tax** in any manner,

shall serve on the assessee a notice requiring him, on a date to be specified, **either to attend the office of the**

Assessing Officer, or to produce any evidence on which he relies in support of the return.

> **THE THREE-MONTH BAR [SECTION 270(9)]**
>
> "No notice under sub-section (8) shall be served on the assessee **after the expiry of three months from the end**
>
> **of the financial year in which the return is furnished."**
>
> For a return furnished at any time during the financial year 2027-28, the last date for the scrutiny notice is therefore **30 June 2028**. If no notice is served by then, the return can no longer be taken up for scrutiny — though it may still be reopened under section 279 if the conditions of that section are met.

3.2 The order [section 270(10)]

On the day specified in the notice, or as soon afterwards as may be, the Assessing Officer — after hearing such evidence as the assessee may produce and such other evidence as he may require on specified points, and **after taking into account all relevant material which he has gathered** — shall, subject to sub-sections (11) and (13),

- **(a) by an order in writing**, make an assessment of the **total income or loss** of the assessee; and
- **(b) determine the sum payable** by him, or the refund of any amount due to him, on the basis of that assessment.

Three requirements are cumulative and each has been the subject of litigation: the order must be **in writing**; it must be based on **evidence and material**, not on suspicion; and the assessee must have been **heard**. An order which fails any of them is liable to be set aside in appeal.

3.3 The special rules for exempt entities [section 270(11) to (14)]

Sub-section	What it requires
270(11) and (12)	In the case of a **research association**, or an **association or institution**, or an **institution** referred to in Schedule III (Table: Sl. Nos. 23, 24 or 25), no order may be made **without giving effect to section 11** unless the Assessing Officer has **intimated the contravention** to the Central Government or the prescribed authority **and** the approval has been **withdrawn** or the notification **rescinded**
270(13)	In the case of a **registered non-profit organisation**, where the Assessing Officer is satisfied that a **specified violation** under section 351(1) has been committed, he shall **send a reference to the Principal Commissioner or Commissioner** to withdraw the approval or registration, and shall not pass the assessment order without giving effect to the order under section 351(2)(ii)(A) or (B)

Sub-section	What it requires
270(14)	In the case of a **University, college or institution** under section 45(3)(a) whose activities are not being carried on in accordance with the conditions of approval, the Assessing Officer may — **after a reasonable opportunity of showing cause** — **recommend to the Central Government** that the approval be withdrawn

The period from the date of the intimation or reference to the date of receipt of the withdrawal order is **excluded** in computing limitation [section 286(3)(c) and (j)].

3.4 Credit for tax already paid [section 270(15)]

- **(a)** Any tax or interest paid under section 270(1) — on the summary assessment — is **deemed to have been paid towards the regular assessment**.
- **(b)** Where **no refund is due** on regular assessment, or the amount refunded on processing **exceeds** what is refundable on regular assessment, the whole or the excess is **deemed to be tax payable** by the assessee. This is the provision that makes an excess refund recoverable, and it works together with the interest under section 426 dealt with in Unit 1 Part C.

3.5 Illustrations

ILLUSTRATION 3.1 — THE SCRUTINY NOTICE SERVED TOO LATE

Shri Aman furnished his return for Tax Year 2026-27 on **26 July 2027**. A notice under section 270(8) was served on him on **12 August 2028**. *Is the notice valid?*

No. The return was furnished in the financial year 2027-28. Section 270(9) bars a notice under sub-section (8)

after three months from the end of that financial year — that is, after 30 June 2028. The notice served on 12

August 2028 is without jurisdiction and the assessment made in pursuance of it would be liable to be annulled.

Change one fact — had the Department information suggesting that income had escaped assessment, it could still proceed under ***section 279****, following the procedure in section 281 and within the limits in section 282. The bar in section 270(9) is a bar on scrutiny, not on reopening.*

ILLUSTRATION 3.2 — MATERIAL GATHERED BEHIND THE ASSESSEE'S BACK

In the course of a scrutiny assessment the Assessing Officer obtained, from a third party under section 252, a statement showing that the assessee had received ₹18,00,000 in cash. He made an addition of that sum in his order without putting the statement to the assessee. *Is the addition sustainable?*

No. Section 268(12) requires that the assessee be given an **opportunity of being heard in respect of any material gathered on an inquiry under section 268(4)** which is proposed to be used for the assessment. The

only exception is an assessment under section 271. The addition, having been made on material never disclosed to the assessee, is in breach of the section and of natural justice, and would ordinarily be set aside in appeal.

CHAPTER FOUR

Best Judgment Assessment — Sections 271 and 272

Sections 271 and 272

The assessment made when the assessee will not co-operate — a judgment, not a guess.

4.1 The three defaults [section 271(1)]

If any person —

- **(a) fails to furnish the return** required under section 263(1), (4), (5) or (6); or
- **(b) fails to comply with all the terms of a notice under section 268(1)**, or with a **direction under section 268(5)** — the special audit; or
- **(c)** having made a return, **fails to comply with all the terms of a notice under section 270(8)**, the Assessing Officer, **after taking into account all relevant materials which he has gathered**, shall — **after giving**

the assessee an opportunity of being heard — make the assessment of the total income or loss **to the best of his judgment**, and determine the sum payable on the basis of that assessment.

Note the words "**all the terms**". A partial compliance is a failure. And note that the section is mandatory in form — "shall … make the assessment" — so the Officer has no discretion to leave the matter alone once a default has occurred.

4.2 The show cause notice, and when it is not required [section 271(2) and (3)]

> **THE ONE EXCEPTION TO THE SHOW CAUSE NOTICE**
>
> **271(2)** — before making a best judgment assessment the Assessing Officer **shall serve a notice to show cause**, on a date and time specified, as to why the assessment should not be completed to the best of his judgment.
>
> **271(3)** — but it is **not necessary** to give that opportunity in a case where **a notice under section 268(1) has already been issued** before the assessment is made. The reasoning is that the assessee has already been called upon to produce his accounts and has not done so; he has had his chance.

4.3 What "best judgment" means

The expression has a settled meaning which the Act does not define, and a good answer states it in three propositions.

- The assessment must be **an honest and fair estimate**, based on such material as is available — past records, comparable cases, the nature of the business, seized material and information gathered on inquiry. It is a **judgment**, and the Officer must apply his mind.
- It must **not be vindictive or capricious**. The Officer may not punish the assessee for his default by making an arbitrary addition; the default is separately visited with interest, fee and penalty.
- Some **guesswork is inevitable**, and an appellate authority will not interfere merely because it would have estimated differently — but the estimate must have **a rational nexus to the material** on record.

4.4 Directions of the Joint Commissioner [section 272]

A **Joint Commissioner** may — on his own motion, on a reference by the Assessing Officer, or **on the application of an assessee** — call for and examine the record of any proceeding in which an assessment is **pending**, and if he considers it necessary or expedient having regard to the nature of the case, the amount involved or any other reason, he may **issue such directions as he thinks fit for the guidance of the Assessing Officer**; and **those directions are binding** on him.

Sub-section	Safeguard
272(2)	**No direction prejudicial to the assessee** shall be issued **without giving him an opportunity of being heard**

272(3)

A direction as to the lines on which an investigation should be made is not deemed to be prejudicial to the

assessee — so no hearing is required for it

The section is a rare instance of a power that the **assessee himself may invoke**. Where an Assessing Officer is taking an untenable view, an application to the Joint Commissioner under section 272 may resolve the matter before the order is passed, and it is quicker than an appeal.

4.5 Illustrations

ILLUSTRATION 4.1 — WHEN THE SHOW CAUSE NOTICE MAY BE DISPENSED WITH

Shri Bharat did not furnish his return for Tax Year 2026-27. On 5 May 2028 the Assessing Officer issued a notice under section 268(1) requiring him to furnish a return and produce his accounts. He did neither. The Officer then proceeded to complete a best judgment assessment without issuing any further notice. *Is the assessment valid?*

Yes. Section 271(3) provides that the opportunity under sub-section (2) is **not necessary** where a notice under section 268(1) has been issued before the assessment is made. Shri Bharat has already been called upon and has failed to comply.

Change one fact — had no notice under section 268(1) been issued, the Officer would have been bound to serve a show cause notice under section 271(2) specifying a date and time, and an assessment made without it would be bad.

ILLUSTRATION 4.2 — THE ARBITRARY ESTIMATE

An Assessing Officer, faced with an assessee who failed to produce his books, estimated the turnover at ten times the figure returned, giving no reason and referring to no material. *Advise the assessee.*

The order is a **best judgment** assessment in name only. Section 271(1) requires the Officer to take into account **all relevant materials which he has gathered** and to exercise a judgment. An estimate with no rational nexus to any material is arbitrary and would be set aside, or substantially reduced, by the Joint Commissioner (Appeals) or Commissioner (Appeals) under section 360 — see Unit 3 Part B. The assessee may also, while the assessment is pending, apply to the **Joint Commissioner under section 272** for directions.

CHAPTER FIVE

Faceless Assessment — Section 273

Section 273

The same assessments, made by units that never meet the assessee.

5.1 The charge and the coverage [section 273(1) and (2)]

Irrespective of anything to the contrary in any other provision, the **assessment, reassessment or recomputation under section 270(10), 271 or 279** shall, in the cases referred to in sub-section (2), be made **in a faceless manner** as per such procedure as may be prescribed.

The faceless assessment is made in respect of such territorial area, or persons or class of persons, or incomes or class of incomes, or cases or class of cases, as the Board may specify — the same four criteria that govern jurisdiction under section 241(4).

5.2 The Centre and the four Units [section 273(3)]

Body	Function
National Faceless Assessment Centre	To conduct the faceless assessment **in a centralised manner** — assigning the selected case to a specific assessment unit; intimating the assessee that his assessment will be made under the section; **serving the notice under section 268(1) or 270(8)**; and forwarding the assessee's response to the assessment unit. **All communication passes through the Centre.**
Assessment units	To **make the assessment** — analysing the material furnished, identifying the points material to the determination of any liability or refund, seeking information or clarification, and **determining any variation prejudicial to the assessee**
Verification units	To **verify** — enquiry, cross-verification, examination of books of account, examination of witnesses and recording of statements
Technical units	To provide **technical assistance** — legal, accounting, forensic, information technology, valuation, transfer pricing, data analytics, management, or any other technical matter, including under a treaty referred to in section 159
Review units	To **review** the draft order — checking whether the material evidence, the relevant points of fact and law, the judicial decisions and the arithmetic have all been properly brought on record

5.3 How a faceless assessment proceeds

THE SEQUENCE

1. The Board selects the case; the **National Faceless Assessment Centre** intimates the assessee and assigns the case to an **assessment unit** through an automated allocation system.

2. The Centre **serves the notice** under section 268(1) or 270(8). The assessee responds **to the Centre**, which forwards the response to the assessment unit.

3. The unit may seek **verification** or **technical assistance** through the Centre, which routes the request to a verification or technical unit by automated allocation.

4. The unit prepares a **draft order**. Where a variation prejudicial to the assessee is proposed, a **show cause notice** issues through the Centre.

5. The draft may be sent to a **review unit**. The final order is passed by the assessment unit and served by the Centre, together with the notice of demand.

6. The assessee is entitled to a **personal hearing**, where the scheme so provides, exclusively through **video** conferencing or video telephony.

Two limits on the scheme are worth noting. First, the **Finance Act, 2026 inserted section 279(3)**, which provides that the "Assessing Officer" for the purposes of sections 280 and 281 means an officer **other than** the National Faceless Assessment Centre or any assessment unit — so the decision to reopen an assessment has been taken back from the faceless machinery and given to a jurisdictional officer. Second, section 275(16) excludes the Dispute Resolution Panel procedure where the order is passed with the prior approval of the Principal Commissioner or Commissioner under section 274(12).

THREE STRUCTURAL RULES OF SECTION 273

- **273(5) and (6)** — the four units are themselves **Assessing Officers** with powers assigned by the Board, staffed by Additional or Joint Commissioners and Directors, Deputy or Assistant Commissioners and Directors, Income-tax Officers, and such other staff as the Board considers necessary.
- **273(7)** — **all communications** among the units, and with the assessee, shall be **through the National Faceless Assessment Centre**, and those between the Centre and the assessee, and between the Centre and the units, shall be **exclusively by electronic mode**. The only exception is an enquiry or verification by the verification unit in circumstances specified by the Board [section 273(8)].
- **273(9) to (11)** — where a **special audit under section 268(5)** is thought necessary, the Principal Chief Commissioner in charge of the Centre either forwards the reference to the jurisdictional authority or

transfers the case out of the faceless stream to the jurisdictional Assessing Officer.

CHAPTER SIX

The Dispute Resolution Panel — Section 275

Section 275, as amended by the Finance Act, 2026 A pre-assessment remedy for a limited class of assessee — a draft order, thirty days, and a collegium of three Commissioners.

6.1 The draft order [section 275(1)]

> **The Assessing Officer shall, irrespective of anything to the contrary in the Act, in the first instance, forward a draft of the proposed order of assessment to an eligible assessee, if he proposes to make any variation which is prejudicial to the interest of such assessee.**

The draft order is not an assessment. It is a proposal, and no demand can be raised on it. Its purpose is to let the assessee take the dispute to a collegium **before** the order is made, instead of appealing afterwards.

6.2 The assessee's thirty days [section 275(2) and (3)]

On receipt of the draft order the eligible assessee shall, **within thirty days of its receipt** —

- **(a) file his acceptance** of the variations with the Assessing Officer; **or**
- **(b) file his objections** with **both** — **(i)** the **Dispute Resolution Panel**; and **(ii)** the **Assessing Officer**.

If the assessee **accepts**, or if **no objection is received** within the thirty days, the Assessing Officer completes the assessment on the basis of the draft order [section 275(3)].

6.3 The Panel and its directions [section 275(5) to (13)]

Sub-section	What it provides
275(5) and (6)	The Panel shall issue **such directions as it thinks fit** for the guidance of the Assessing Officer, **in writing**, stating the **points of determination, the decision and the reasons**
275(7)	It may first make **further enquiry**, or cause it to be made by any income-tax authority which reports to it
275(8)	It may **confirm, reduce or enhance** the variations proposed — but it **shall not set aside any proposed variation, nor direct further enquiry and the passing of the assessment order**. The power of remand has been deliberately withheld
275(9)	The power to **enhance** includes the power to consider **any matter arising out of the assessment proceedings, even though the assessee did not raise it**
275(10)	Where the members differ, the point is decided by the **opinion of the majority**
275(11)	Every direction is **binding on the Assessing Officer**
275(12)	No direction shall be issued **without an opportunity of being heard** — to the **assessee** on a direction prejudicial to him, and to the **Assessing Officer** on one prejudicial to the revenue
275(13)	No direction shall be issued **after nine months from the end of the month in which the draft order is forwarded** to the eligible assessee

6.4 The two substituted time limits [section 275(4) and (14)]

> **WHAT THE FINANCE ACT, 2026 CHANGED**
>
> Both sub-sections were substituted, and both now open with the words "**irrespective of anything contained in section 286**" — that is, they override the general limitation.
>
> - **275(4)(a)** — where the assessee **accepts** the draft, or the thirty days **expire** without objection, the Assessing
>
> **Officer shall pass the order within one month from the end of the month in which the acceptance is**

received or the period expires.

- **275(14)(a)** — on receipt of the Panel's **directions**, the Assessing Officer shall complete the assessment in

conformity with them, without giving any further opportunity of being heard, within one month from the end of the month in which the direction is received.

- **275(4)(b) and (14)(b)** — where the draft order was forwarded **within the time allowed by section 286**, the further time available to complete the assessment is governed **by these sub-sections and not by section**

286.

Section 286(2)(b), also substituted, completes the scheme: the draft order under section 275 **may be made at any time up to the time limit** for the assessment in section 286(1) (Table: Sl. Nos. 1 to 4) as extended by the transfer pricing period.

6.5 Who is an "eligible assessee" [section 275(17)]

- The **Dispute Resolution Panel** is a **collegium of three Principal Commissioners or Commissioners of Income-tax** constituted by the Board.
- An **eligible assessee** is a person in whose case the variation arises **as a consequence of an order of the Transfer Pricing Officer** under section 166, and such other persons as the section specifies — principally **non-**

residents and foreign companies.

The section does **not** apply to an assessment or reassessment order passed with the prior approval of the Principal Commissioner or Commissioner under section 274(12) — that is, in a case declared to be an impermissible avoidance arrangement under the general anti-avoidance rule, which is the subject of Unit 5 [section 275(16)].

CHAPTER SEVEN

Income Escaping Assessment — Sections 279 to 285

Sections 279 to 285, as amended by the Finance Act, 2026

Reopening a closed year. The Act of 2025 keeps the two-step procedure and shortens the outer limit to six years and three months.

7.1 The power [section 279]

If, in the case of an assessee, any income chargeable to tax has escaped assessment for any tax year (called the relevant tax year), the Assessing Officer may, subject to sections 280 to 286, assess or reassess such income, or **recompute** the loss, the depreciation allowance or any other allowance or deduction.

Once the proceeding has begun, he may also assess any other issue which has escaped assessment and comes to his notice subsequently in the course of the proceedings — irrespective of the fact that the procedure in section 281 has not been complied with for that issue [section 279(2)].

> **THE NEW SUB-SECTION (3) — A REAL CHANGE**
>
> The Finance Act, 2026 inserted section 279(3): the "**Assessing Officer**" for the purposes of sections 280 and 281 **means an Assessing Officer other than the National Faceless Assessment Centre or any assessment unit** referred to in section 273(3).
>
> The effect is that the decision to reopen a completed assessment has been taken out of the faceless machinery and returned to a **jurisdictional officer**, who must apply his own mind to the information and to the assessee's reply. A notice under section 280 issued by the Centre or by an assessment unit would now be without jurisdiction.

7.2 The notice [section 280]

- **280(1)(a)** — before making the assessment, reassessment or recomputation, the Assessing Officer shall, subject to section 281, **issue a notice to the assessee, along with a copy of the order passed under section 281(3)**.
- **280(1)(b) and (c)** — the notice requires the assessee to **furnish a return** within the period specified, which **shall not exceed three months from the end of the month in which the notice is issued**.
- **280(2)** — the return is furnished in the prescribed form and verified in the prescribed manner, and the Act applies **as if it were a return under section 263**.
- **280(3)** — a return furnished **after** the period specified in the notice **shall not be deemed to be a return under section 263**. The consequence is severe: the assessee loses the status of a filer for that proceeding.
- **280(4)** — no notice shall be issued **unless there is information with the Assessing Officer which suggests that income chargeable to tax has escaped assessment**.
- **280(5)** — no notice shall be issued **without the prior approval of the specified authority** where the Officer has received information under the section 260 scheme, directions from the Approving Panel under section 274(6), or a finding or direction in an appellate, revisional or judicial order.

7.3 "Information which suggests" [section 280(6)]

The expression is exhaustively defined, and reproducing the eight limbs is worth full marks.

Clause	Information which suggests that income chargeable to tax has escaped assessment means —
(a)	Any information in the case of the assessee for the relevant tax year **as per the risk management strategy formulated by the Board**
(b)	Any **audit objection** that the assessment has not been made in accordance with the Act
(c)	Any information received **under a treaty** referred to in section 159
(d)	Any information made available under the **faceless collection scheme** notified under section 260

Clause	Information which suggests that income chargeable to tax has escaped assessment means —
(e)	Any information requiring action in consequence of an **order of a Tribunal or a Court**

(f) Any information **emanating from a survey under section 253**, other than under sub-section (4) of that section

Clause

Information which suggests that income chargeable to tax has escaped assessment means —

(g)	Any **directions of the Approving Panel** under section 274(6) — the general anti-avoidance rule
(h)	Any **finding or direction** in an order passed in appeal, reference or revision under this Act, or by a Court in a proceeding under any other law

The definition matters because it is exhaustive. A reopening founded on something outside these eight limbs — a mere change of opinion, or a suspicion — is not founded on “information which suggests” and is bad.

7.4 The procedure before the notice [section 281]

THE THREE STEPS, AND THE FOUR CASES IN WHICH THEY DO NOT APPLY

- **281(1)** — the Assessing Officer shall, **before issuing any notice under section 280**, **provide an opportunity of being heard** by serving a **show cause notice** as to why a notice under section 280 should not be issued.
- **281(2)** — the show cause notice **shall be accompanied by the information** which suggests escapement, and the assessee may reply within the period specified.
- **281(3)** — the Officer shall, on the material on record and after taking the reply into account, pass an **order**

with the prior approval of the specified authority determining whether or not it is a fit case to issue a

notice under section 280. That order accompanies the notice [section 280(1)(a)].

281(4) — the section does **not apply** where the Assessing Officer has received **(a)** information under the section 260 scheme; **(b)** directions of the Approving Panel under section 274(6); or **(c)** a finding or direction in an appellate, revisional or judicial order.

7.5 The time limits [section 282]

Notice	Ordinary limit	Extended limit
Section 280 — the reassessment notice	**Four years and three months** from the end of the relevant tax year	Up to **six years and three months**, but only where the Assessing Officer has in his possession **books of account, other documents or evidence** relating to an asset, expenditure, transaction or entry showing that the escaped income **amounts to, or is likely to amount to, ₹50,00,000 or more**
Section 281 — the show cause notice	**Four years** from the end of the relevant tax year	Up to **six years**, but only where the escaped income, **as per the information with the Assessing Officer**, amounts to or is likely to amount to **₹50,00,000 or more**

Section 282(3) — no notice under section 280 or 281 shall be issued within one year from the end of any tax

year. The year must be allowed to close and the ordinary machinery to run before it may be reopened.

Note the deliberate three-month gap between the two limits. The show cause notice under section 281 must issue three months earlier than the notice under section 280, so that the assessee has time to reply and the Officer time to pass the order under section 281(3) before the outer date expires.

7.6 Appeal cases, sanction and other provisions [sections 283 to 285]

Section	What it provides
283	Irrespective of section 282, a notice under section 280 may be issued **at any time** to give effect to **(a)** a finding or direction in an appellate, revisional or judicial order, or **(b)** directions of the Approving Panel under section 274(6). But this does **not** apply where the assessment could not have been made, by reason of any other limiting provision, at the time the order under appeal was made or the reference to the Approving Panel was made [section 283(2)]
284	The **specified authority** for sanction under sections 280 and 281 is the **Additional Commissioner, Additional Director, Joint Commissioner or Joint Director**

Section

What it provides

285(1)	Tax on the reassessment is charged **at the rate or rates at which it would have been charged had the income not escaped assessment** — the rates of the relevant tax year, not of the year of reopening
285(2)	The proceedings **shall be dropped** on a claim by the assessee showing that **(a)** he had been assessed on an amount **not lower** than he would rightly be liable for even if the escaped income had been taken into account; **and (b)** he has **not impugned** any part of the original assessment under section 356, 357 or 378
285(3)	Having made such a claim, the assessee **shall not be entitled to reopen matters concluded** by an order under section 287, 288, 365(10), 368 or 377

7.7 Illustrations

ILLUSTRATION 7.1 — THE TWO TIME LIMITS WORKED

For Tax Year 2026-27, which ends on 31 March 2027, state the last date on which a notice may be issued — *(a) under section 281, and (b) under section 280 — in each of two cases.*

Case	Section 281 show cause notice	Section 280 notice
The escaped income is **₹18,00,000**	**31 March 2031** — four years from 31 March 2027	**30 June 2031** — four years and three months
The escaped income is **₹80,00,000**, and the Assessing Officer has books and documents relating to the transaction	**31 March 2033** — six years	**30 June 2033** — six years and three months

*And in neither case may any notice issue **before 31 March 2028** — section 282(3) bars a notice within one year from the end of any tax year.*

ILLUSTRATION 7.2 — REOPENING ON A CHANGE OF OPINION

A scrutiny assessment of Shri Chirag for Tax Year 2026-27 was completed on 20 December 2028, the Assessing Officer having examined and allowed a claim for bad debts of ₹22,00,000. A successor Officer, on reading the same record, formed the view that the claim ought not to have been allowed, and issued a notice under section 280. *Is the reopening valid?*

No. Section 280(4) permits a notice only where there is **information** which suggests escapement, and section 280(6) defines that expression **exhaustively** in eight limbs. A fresh view taken by a successor on material already on record and already considered is **not information** within any of them. It is a change of opinion, and the notice is without jurisdiction.

*Change one fact — had an **audit objection** been raised that the assessment was not made in accordance with the Act, clause (b) of section 280(6) would have been satisfied and the notice would have been competent, subject to the procedure in section 281 and the limits in section 282.*

ILLUSTRATION 7.3 — THE RETURN FILED LATE IN RESPONSE TO A NOTICE

A notice under section 280 was issued to Smt. Deepa on 8 May 2031, requiring a return within a period expiring **31 August 2031** — three months from the end of the month of issue. She furnished the return on 26 September 2031. *What is the consequence?*

Section 280(3) provides that a return furnished after the period specified in the notice **shall not be deemed to be a return under section 263**. Its consequences follow at once — she cannot revise it under section 263(5); the Assessing Officer may proceed to a best judgment assessment under section 271(1)(a), treating her as having failed to furnish the return; and interest under section 423 runs as though no return had been filed.

CHAPTER EIGHT

Time Limits for Completion — Section 286

Section 286, as amended by the Finance Act, 2026 One year is the ordinary rule. The examination lies in knowing from when it runs, and what is excluded.

8.1 The eleven entries [section 286(1)]

No order in respect of the proceedings in column B shall be made after the period in column D, calculated from the date in column C.

Sl.	Nature of proceeding or order	Date from which the period runs	Period
1	Assessment order under **section 270(10) or 271**	End of the **financial year succeeding the relevant tax year**	**One year**
2	Assessment under section 270(10) or 271 where an **updated return** is furnished under section 263(6)	End of the financial year in which the updated return was furnished	One year
3	Assessment where the return is furnished in consequence of an order under **section 239(3)(b)** — condonation of delay	End of the financial year in which the return was furnished	One year
4	**Assessment, reassessment or recomputation under section 279**	End of the financial year in which the **notice under section 280 was served**	**One year**
5	**Fresh assessment** in pursuance of an order under section 359, 363, 377 or 378 setting aside or cancelling an assessment	End of the financial year in which the order under section 359 or 363 is **received by**, or the order under section 377 or 378 is **passed by**, the jurisdictional Principal Commissioner or Commissioner	One year
6	Assessment or reassessment which **stands revived** under section 292	End of the month in which it stands revived	One year
7	Assessment in the hands of a **partner**, consequent on an assessment of the firm under section 279	End of the month in which the firm's assessment order is passed	One year
8	Assessment to give effect to a **finding or direction** in an order under section 359, 363, 365(10), 368, 377 or 378, or of any Court otherwise than in appeal or reference	End of the month in which the order is received or passed by the jurisdictional Principal Commissioner or Commissioner	One year
9	**Order giving effect** to an appellate or revisional order, otherwise than by a fresh assessment, **where verification or a hearing is required**	End of the month in which the order is received or passed	One year
10	**Order giving effect** to such an order, otherwise than by a fresh assessment, in any other case	End of the month in which the order is received or passed	**Six months**, extendable to **nine months** with approval
11	**Modification** to give effect to an order under section 166 read with section 377	End of the month in which the section 166 order is received by the Assessing Officer	**Two months**

8.2 The transfer pricing extension [section 286(2), as substituted]

The Finance Act, 2026 substituted sub-section (2). It now provides —

- **(a)** the time limit for Sl. Nos. **1 to 4**, where a reference is made to the **Transfer Pricing Officer** under section

166(1), is extended by a further twelve months; and

- **(b)** the **draft order under section 275** may be made **at any time up to** that time limit as so extended.

8.3 The ten exclusions [section 286(3)]

In computing the period, the following are **excluded** —

Clause

Period excluded

(a)	Time taken in **reopening the proceeding or re-hearing the assessee** on his own request under section 244
(b)	The period of a **stay or injunction of any court**, to the date the certified copy of the vacating order is received
(c)	From the intimation of a **contravention** by an exempt entity to the receipt of the order withdrawing approval
(d)	From the direction for a **special audit or inventory valuation** under section 268(5) to the last date for the report — or, if the direction is challenged, to the receipt of the order setting it aside
(e)	From the **reference to the Valuation Officer** under section 269(1) to the receipt of his report
(f)	Up to **sixty days** from the receipt of a declaration under section 375(1) to the order under section 375(3)
(g)	From an application to the **Board for Advance Rulings** under section 383(1) to the receipt of the ruling or of the order rejecting the application
(h)	From a **reference for exchange of information** under a treaty to the receipt of the information, **or one year, whichever is less**
(i)	From a reference for a declaration of an **impermissible avoidance arrangement** under section 274(1) to the receipt of the direction or order
(j)	From a reference under section 270(13) to the receipt of the order under section 351(2)(ii)(A) or (B)

8.4 The sixty-day floor [section 286(4) to (7)]

- **286(4)** — where, immediately after the exclusion, the remaining period is **less than sixty days**, it is **extended to sixty days**.
- **286(5)** — the same floor applies where the Transfer Pricing Officer's period is extended to sixty days under section 166(8).
- **286(6)** — where a proceeding before the Interim Board for Settlement abates and the remaining period is **less than one year**, it is deemed **extended to one year** — and that also governs the limitation under sections 282, 287, 288 and 296 and the interest under section 437.
- **286(7)** — where the remaining period after the exclusion in clause (j) ends mid-month, it is **extended to the end of that month**.

Section 286(8) deems an assessment of income excluded from one year and assessed in another, or excluded from one

person and held to be another's, to be one made to give effect to a finding or direction — but in the second case only if that other person was **given an opportunity of being heard** before the order was passed.

8.5 Illustrations

ILLUSTRATION 8.1 — THE ORDINARY LIMIT

Shri Eshan furnished his return for Tax Year 2026-27 in July 2027 and a notice under section 270(8) was duly served. *By when must the scrutiny assessment be completed?*

Sl. No. 1 of the Table applies. The period runs from the end of the **financial year succeeding the relevant tax year** — the tax year ends 31 March 2027, the succeeding financial year ends **31 March 2028** — and the period is **one year**. The assessment must therefore be completed by **31 March 2029**.

ILLUSTRATION 8.2 — AN EXCLUSION, AND THE SIXTY-DAY FLOOR

Take the facts of Illustration 8.1. On **20 January 2029** the Assessing Officer directed a special audit under section 268(5), the report being required by **20 April 2029**. *By when must the assessment now be completed?*

Ordinary last date	31 March 2029
Excluded under section 286(3)(d) — 20 January 2029 to 20 April 2029	90 days
Extended last date — 31 March 2029 plus 90 days	29 June 2029
Remaining period after the exclusion, from 20 April 2029 to 29 June 2029	70 days — **more than sixty**
Last date for completion	**29 June 2029**

Had the direction been given on 20 February 2029 with the report due on 20 May 2029, the remaining period would have been only 40 days, and section 286(4) would have ***extended it to sixty days*** *— that is, to 19 July 2029.*

CHAPTER NINE

Rectification of Mistake, and Other Amendments

Sections 287 and 288

The cheapest remedy in the Act — no fee, no appeal, and the authority that made the order corrects it itself.

9.1 What may be rectified [section 287(1) and (2)]

“An income-tax authority referred to in section 236, **for rectifying any mistake apparent from the record**, may amend any —

- **(a) order passed by it** under the provisions of this Act;
- **(b) intimation or deemed intimation under section 270(1)**; and
- **(c) intimation under section 399**” — the processing of a TDS or TCS statement.

> **THE DOCTRINE OF MERGER [SECTION 287(2)]**
>
> **The authority may amend an order or intimation in relation to any matter other than the matter considered**
>
> **and decided in any proceeding by way of appeal or revision.**
>
> Once a matter has been considered and decided in appeal or revision, that part of the order has **merged** in the appellate or revisional order, and the original authority can no longer touch it. But the rest of the order remains rectifiable — the merger is partial, not total.

9.2 “A mistake apparent from the record”

The Act does not define the expression, and a good answer states its settled meaning in four propositions.

- The mistake must be **apparent** — obvious and patent, evident from the record itself, **not one which has to be established by a long process of reasoning** on points on which there may conceivably be two opinions.
- It must be a mistake **from the record** — the record of the proceeding in which the order was passed, including the return, the accounts and the material before the authority. It is not a licence to bring in fresh evidence.
- It may be a mistake of **fact or of law**. An order made in ignorance of a binding decision of the jurisdictional High Court or the Supreme Court, or contrary to a plain provision of the Act, is a mistake apparent.
- Rectification is **not review**. The authority may not, under the guise of rectification, reconsider a debatable question and substitute a different conclusion.

Typical examples: an arithmetical error in the computation; the omission of a credit for tax deducted at source that appears on the record; the application of a rate of tax not in force for the year; a failure to allow a rebate to which the assessee was plainly entitled; and the levy of interest under a section which does not apply.

9.3 Who may move, and the safeguards [section 287(3) to (7)]

Sub-section	What it provides
287(3)(a)	The authority **may** make an amendment **of its own motion**
287(3)(b)	It **shall** make the amendment where the mistake is brought to its notice by **(i)** the **assessee, deductor or collector**; or **(ii)** the **Assessing Officer**, where the authority is the Joint Commissioner (Appeals) or the Commissioner (Appeals). Note the change of verb — “may” of its own motion, “**shall**” on an application
287(4)	No amendment which **enhances an assessment, reduces a refund or otherwise increases the liability** shall be made **without (a) a notice of the intention to amend, and (b) a reasonable opportunity of being heard**
287(5)	Where an amendment is made, the authority **shall pass an order in writing**

Sub-section	What it provides
287(6)	Where the amendment **reduces** the assessment or the liability, the Assessing Officer **shall make the refund** due
287(7)	Where it **enhances** the assessment, reduces a refund already made or increases the liability, the Assessing Officer shall serve a **notice of demand**, which is **deemed to be issued under section 289**

9.4 The two periods [section 287(8) and (9)]

> **FOUR YEARS TO RECTIFY; SIX MONTHS TO DECIDE**
>
> - **287(8)** — no amendment shall be made, **except as provided in section 288, after four years from the end** of the financial year in which the order or intimation sought to be amended was passed.
> - **287(9)** — subject to that outer limit, the authority **shall pass an order making the amendment or** refusing the claim within six months from the end of the month in which the application is received from the assessee, deductor or collector.
>
> The distinction is easily overlooked. The **four years** is the period within which the *power* may be exercised; the **six months** is the period within which the authority must *dispose of an application*. An application made within four years must be decided even though the four years expire while it is pending.

9.5 Other amendments [section 288]

Section 288 permits the Assessing Officer to carry out certain consequential amendments **within the four years referred to in section 287(8)**, but reckoned from a **different starting point** in each case, the provisions of section 287 otherwise applying. The principal entries are —

Sl.	Action	The four years run from the end of the financial year in which —
1	Amendment of the assessment of a **partner**, to adjust his income by the remuneration found not deductible to the firm under section 35(e)	the subsequent order was passed **in the case of the firm**
2	Amendment of the assessment of a **member of an association of persons or body of individuals**, to include or correct his share	the subsequent order was passed **in the case of the association or body**
3	Recomputation of the total income of **succeeding years** where a loss or depreciation carried forward is recomputed in a proceeding under section 279	the order under **section 279** was passed
4	Recomputation of the total income of a **transferor company** where an exempt transfer to a subsidiary is later withdrawn under section 71(1)	the asset was converted into stock-in-trade, or the holding ceased
5 onwards	Other consequential recomputations, chiefly of capital gains and of exemptions later found not to have been satisfied	as specified in column D of the Table

9.6 Illustrations

ILLUSTRATION 9.1 — MISTAKE APPARENT, OR NOT?

State, with reasons, whether each of the following may be rectified under section 287.

1. The Assessing Officer omitted to allow credit for tax deducted at source of ₹47,000 which appears in the Annual Information Statement and was claimed in the return. — Yes. The omission is evident from the record and requires no reasoning.

2. The Officer levied interest under section 425 although the assessee is a presumptive assessee whose

whole advance tax was payable by 15 March. — Yes. Application of a provision which on its face does not apply is a mistake apparent from the record.

3. The Officer disallowed a claim for bad debts after considering the evidence; the assessee says the evidence was misappreciated. — No. The correctness of an appreciation of evidence is a debatable question and requires a long process of reasoning. The remedy is an appeal, not a rectification.

4. The Officer applied a rate of tax which was in force for the preceding tax year. — Yes. A patent error of law.

5. The question at issue was decided against the assessee by the Commissioner (Appeals), and the assessee now applies to the Assessing Officer to rectify it. — No. Section 287(2) forbids rectification of a matter **considered and decided** in appeal. His remedy is a further appeal, or an application under section 287 to the Commissioner (Appeals) himself in respect of that order.

ILLUSTRATION 9.2 — THE FOUR YEARS AND THE SIX MONTHS

A scrutiny assessment order for Tax Year 2026-27 was passed on **18 September 2029**. On **2 February 2034** the assessee applied for rectification of an arithmetical error. *Is the application maintainable?*

Yes. Section 287(8) bars an amendment after four years from the end of the financial year in which the order was passed. The order was passed in the financial year 2029-30, which ended on **31 March 2030**; four years from that end expire on **31 March 2034**. The application made on 2 February 2034 is therefore **within time**.

The Assessing Officer must dispose of it — by making the amendment or by refusing the claim — **within six months from the end of the month in which it was received**, that is by **31 August 2034**, even though the four-year period expires in the meantime [section 287(9)].

Had the application been made on 2 May 2034, it would have been beyond the four years and not maintainable. Count carefully: the four years run from the end of the financial year, not from the date of the order.

CHAPTER TEN

Notice of Demand, Modification and Intimation of Loss

Sections 289 to 291 · Rule 179 · Forms No. 103 and 151

Three short sections that connect the assessment to everything that follows it.

10.1 Notice of demand [section 289]

When any **tax, interest, penalty, fine or any other sum** is payable in consequence of any order under the Act, the Assessing Officer shall serve on the assessee a **notice of demand** in the prescribed form specifying the sum payable. The form is **Form No. 103** [Rule 179(1)], except that a notice in pursuance of an advance-tax order under section 407 is in **Form No. 151** [Rule 179(2)].

Where a sum is determined to be payable under **section 270** or **section 399**, that **intimation is deemed to be a notice of demand** [section 289(2)]. And where the income includes a start-up perquisite under section 17(1)(d), the tax or interest on it is payable within **fourteen days** of the earliest of — the expiry of **sixty months** from the end of the relevant tax year, the sale of the security, or the cessation of employment [section 289(3)].

Everything in Unit 1 Part C flows from this section — the thirty days under section 411(1), the interest under section 411(3), the status of an assessee in default under section 411(10), and the recovery machinery of sections 412 to 422.

10.2 Modification and revision of the notice [section 290]

Where a sum for which a notice of demand has been issued is **reduced as a result of an order of the Adjudicating Authority** under section 5(1) of the **Insolvency and Bankruptcy Code, 2016**, the Assessing Officer shall serve a **modified notice of demand** specifying the sum payable, if any; and that notice is treated as a notice under section 289. The modified notice is itself **revised** where the order is modified by the **National Company Law Appellate**

Tribunal or the Supreme Court [section 290(2)].

10.3 Intimation of loss [section 291]

Where, in the course of the assessment of the total income of any assessee, it is **established that a loss has taken place** and the assessee is entitled to have it **carried forward and set off** under section 111(1), 112, 113(2) or

115(1), the Assessing Officer shall notify to the assessee by an order in writing the amount of the loss as computed by him.

The section matters because the figure so notified is the figure that governs the set off in later years. An assessee who disagrees with the computation must appeal against the order notifying the loss; he cannot reopen the figure when he comes to claim the set off.

CHAPTER ELEVEN

Block Assessment in Search Cases — Sections 292 to 300

Sections 292 to 300, as amended by the Finance Act, 2026 · Rule 180 · Form ITR-BN

A self-contained code for the six years and the broken period that a search opens up.

WHERE THIS SITS IN THE SYLLABUS

Search and seizure themselves — sections 247 to 251 — belong to **Unit 4**. But the **assessment** that follows a search is an assessment, and it is dealt with here so that the five assessments of Chapter 2 may be seen against it. A question on "types of assessment" should mention block assessment; a question on "search and seizure" should mention it too.

11.1 The scheme, and abatement [section 292]

Where a search is initiated under section 247 or a requisition is made under section 248, the Assessing Officer shall proceed to assess or reassess the total undisclosed income of the block period under this Part, irrespective

of any other provision of the Act.

Sub-section	What it provides
292(2)(a)	Any assessment, reassessment or recomputation proceeding under the ordinary provisions, for a tax year **falling in the block period** and **pending on the date of the search or requisition**, **shall abate** on that date
292(2)(b)	Any such proceeding for which a **notice is issued during the period** from the date of the search to the date of the block assessment order **shall abate** on the date of issue of that notice
292(3)	A pending **transfer pricing reference** under section 166(1) abates along with the proceeding
292(4)	Special provision where a **further search** is initiated in the same case while a block assessment is pending

Abatement is the key idea. The ordinary assessment machinery for the years in the block period is **suspended**, and one composite proceeding takes its place. Where the block assessment is later annulled, those proceedings **stand revived**, and section 286(1) (Sl. No. 6) then gives one year from the end of the month of revival.

11.2 Total undisclosed income of the block period [section 293]

The total undisclosed income of the block period is the aggregate of — **(a)** the undisclosed income **declared in the return** furnished under section 294; and **(b)** the undisclosed income **determined by the Assessing Officer**.

It **does not include — (a)** the total income already determined or assessed under the ordinary provisions of this Act or the repealed Act **before the date of the search**; and **(b)** the total income already **declared in a return furnished**

before that date. The Part reaches only what was **not** disclosed.

11.3 The procedure [section 294]

- The Assessing Officer **issues a notice** requiring a return of undisclosed income for the block period within a period **not exceeding sixty days**, in **Form ITR-BN** [Rule 180].
- That return is **treated as a return under section 263**, and a notice under section 270(8) then issues [section 294(1)(a)(i)].
- A return furnished **beyond** the period allowed **shall not be deemed to be a return under section 263** [clause (a)(ii)].
- **No notice under section 280 is required** for a proceeding under this Part [clause (a)(iii)].
- A person who has furnished such a return **shall not be entitled to furnish a revised return** [clause (a)(iv)].
- The time may be **extended by a further thirty days** in the circumstances specified [clause (a)(v)].

11.4 The other person [section 295, as amended]

Where the Assessing Officer is satisfied that undisclosed income **belongs to, pertains to or relates to a person other than the person searched**, the material is handed over to the Assessing Officer having jurisdiction over that other person, who then proceeds under this Part.

The **Finance Act, 2026 inserted clauses (c) and (d)** into section 295(2), which shorten the block period for the other person —

- **(c)** where his undisclosed income pertains **only** to the tax year immediately preceding the year of the search (the "specified year") and the broken period up to the date of the search, the block period comprises **only the specified year and that broken period**;
- **(d)** where it pertains to a **single tax year** out of the five tax years preceding the specified year, the block period comprises **only that single tax year**.

The amendment is a relief. Before it, a third party whose undisclosed income related to one year alone was drawn into a block assessment covering the whole six years and the broken period.

11.5 The time limit [section 296, as substituted]

> **TWELVE MONTHS HAS BECOME EIGHTEEN**
>
> The Finance Act, 2026 substituted section 296(1). It now reads — "Irrespective of the provisions of section 286,
>
> **the order under section 294 shall be passed within eighteen months from the end of the quarter in which the**
>
> **search was initiated or requisition was made."**
>
> Two changes are contained in that one sentence. The period is **eighteen months** instead of twelve; and it runs from the quarter of **initiation** of the search rather than from the quarter in which the **last of the authorisations**
>
> **was executed.**

- **296(2)** — where a **transfer pricing reference** under section 166(1) is made, the period is extended by a further **twelve months**.
- **296(3)** — the period, **not exceeding one hundred and eighty days**, from the initiation of the search to the handing over of the seized assets and material to the Assessing Officer having jurisdiction, is **excluded**.

11.6 Interest, penalty and the competent authority [sections 297 to 300]

Section	What it provides
297	**Interest under sections 423, 424 or 425, and penalty under section 439, shall not be levied** on the undisclosed income assessed for the block period. The block assessment carries its own interest and penalty instead
298(1)	Where the return of undisclosed income is **not furnished within the period specified, or not furnished at all**, simple interest at **1.5% for every month or part of a month** runs on the tax on the undisclosed income determined, from the day following the expiry of that period to the date of completion of the assessment
298(2)	The Assessing Officer or the Commissioner (Appeals) may direct a **penalty equal to 50% of the tax** leviable on the undisclosed income determined
299	The order shall be passed by an Assessing Officer **not below the rank of Deputy or Assistant Commissioner or Deputy or Assistant Director**, and **with the previous approval of the Additional or Joint Commissioner or Director**
300	Save as otherwise provided in this Part, **all other provisions of the Act apply** to a block assessment

Practical Problems with Solutions

Eight 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 — WHICH ASSESSMENT, AND UNDER WHICH SECTION

State, with reasons, the assessment that will be made in each of the following.

Sl.	Facts	Answer
(a)	The assessee files his return, pays the tax shown in it, and nothing further is done	**Self-assessment** under section 266, followed by **summary assessment** under section 270(1); the acknowledgement is deemed to be the intimation [section 270(5)(b)]
(b)	The return discloses a claim inconsistent with an entry elsewhere in it	**Summary assessment** under section 270(1)(a)(ii) — an incorrect claim apparent from information in the return — after a communication and thirty days to respond
(c)	A notice under section 270(8) is served and the assessee attends with his books	**Scrutiny assessment** by an order in writing under section 270(10)
(d)	The assessee neither files a return nor responds to a notice under section 268(1)	**Best judgment assessment** under section 271(1)(a) and (b); no show cause notice is needed, section 268(1) having been issued [section 271(3)]
(e)	The Board has specified the case for faceless assessment	The same assessment, made **in a faceless manner** under section 273 by an assessment unit through the National Faceless Assessment Centre
(f)	Two years after the assessment, an audit objection shows that a deduction was wrongly allowed	**Re-assessment** under section 279, after the procedure in section 281 and a notice under section 280, within the limits in section 282
(g)	A search is carried out at the assessee's premises	**Block assessment** of the undisclosed income of the block period under section 292, the pending proceedings abating
(h)	The completed assessment omits credit for tax deducted at source claimed in the return	**Rectification** under section 287 — a mistake apparent from the record

PROBLEM 2 — THE LIMITATION, WORKED THROUGH

Shri Farid furnished his return for Tax Year 2026-27 on **28 August 2027**. State the last date for each of the following.

Act	Provision	Last date
Service of a notice under section 270(8) for scrutiny	270(9)	**30 June 2028**
Completion of the scrutiny assessment	286(1), Sl. No. 1	**31 March 2029**
Sending an intimation under section 270(1)	270(4)	**31 December 2028**
Issue of a show cause notice under section 281, escaped income ₹15,00,000	282(2)(a)	**31 March 2031**
Issue of a notice under section 280 in that case	282(1)(a)	**30 June 2031**
Issue of a notice under section 280 where the escaped income is ₹75,00,000 and the Officer holds the documents	282(1)(b)	**30 June 2033**
The earliest date on which any notice under section 280 or 281 may issue	282(3)	**1 April 2028**

Act	Provision	Last date
Rectification of the scrutiny order, assuming it is passed on 12 February 2029	287(8)	**31 March 2033**

PROBLEM 3 — THE SPECIAL AUDIT

During a scrutiny assessment of Ganga Industries for Tax Year 2026-27, the Assessing Officer, finding the accounts voluminous and the transactions numerous, directed the assessee on **10 November 2028** to get its accounts audited by an accountant of the assessee's own choosing, and to furnish the report within three weeks. He did not obtain any approval. *Advise the assessee.*

The direction is bad on **three counts** —

- **No previous approval.** Section 268(5) requires the **previous approval of the Principal Chief Commissioner, Chief Commissioner, Principal Commissioner or Commissioner. A direction without it is** void.
- **No opportunity of being heard.** The section requires a **reasonable opportunity** before the direction is given.
- **The wrong accountant.** The accountant must be **nominated by** the Principal Chief Commissioner or Commissioner [section 268(6)], not chosen by the assessee.

*Note also what is not a ground of objection. The grounds relied on — volume and multiplicity of transactions — are within section 268(5)(b) and (d); and it is **no answer** that the accounts have already been audited under the Companies Act, because section 268(7) applies the power irrespective of any other audit. The three weeks may be extended, the aggregate not exceeding **six months** from the end of the month of receipt of the direction [section 268(10)]; and the cost is borne by the **Central Government** [section 268(11)].*

PROBLEM 4 — THE DISPUTE RESOLUTION PANEL TIMETABLE

An eligible assessee received a draft order under section 275(1) on **14 May 2029**. He filed objections with the Panel and the Assessing Officer on 8 June 2029. The Panel issued its directions on **21 December 2029**, received by the Assessing Officer on **3 January 2030**. *Test each step against the statute.*

Step	Requirement	Result
Objections filed on 8 June 2029	Within **thirty days** of receipt of the draft order — by 13 June 2029 [section 275(2)]	**In time**
Directions issued on 21 December 2029	Within **nine months from the end of the month** in which the draft order was forwarded — that is, by **28 February 2030** [section 275(13)]	**In time**
Assessment order to be passed	**One month from the end of the month** in which the direction is received — the direction was received on 3 January 2030, so by **28 February 2030** [section 275(14)(a)]	Must be passed by **28 February 2030**

*Two points carry the marks. The Assessing Officer must complete the assessment **in conformity with the directions and without any further opportunity of being heard** — the hearing has already taken place before the Panel. And section 275(14) operates **irrespective of section 286**, so the ordinary limitation does not shorten or extend it.*

PROBLEM 5 — REOPENING: IS THE NOTICE GOOD?

Test the validity of each of the following notices under section 280, all relating to Tax Year 2026-27.

1. **Issued on 12 September 2027 on the basis of a survey conducted in August 2027. — Bad.** Section 282(3) bars a notice within one year from the end of any tax year; the earliest date is 1 April 2028. The survey information would otherwise be good ground under section 280(6)(f).

2. **Issued on 20 August 2031, escaped income ₹32,00,000, no books or documents in the Officer's possession. — Bad.** Beyond four years and three months (30 June 2031), and the extended limit is unavailable, the escaped income being below ₹50,00,000.

3. **Issued on 20 August 2031, escaped income ₹68,00,000, the Officer holding bank records of the**

transaction. — Good. Within six years and three months (30 June 2033), the escaped income exceeds ₹50,00,000 and the Officer has documents relating to the transaction [section 282(1)(b)].

4. Issued by the National Faceless Assessment Centre. — Bad. Section 279(3), inserted by the Finance Act, 2026, requires the notice to be issued by an Assessing Officer **other than** the Centre or an assessment unit.

5. Issued without the order under section 281(3) being enclosed, no exception in section 281(4) applying. — Bad. Section 280(1)(a) requires the notice to be issued **along with a copy of the order under section 281(3)**.

6. Issued to give effect to a direction of the Appellate Tribunal, ten years after the end of the tax year. — Good. Section 283(1)(a) permits a notice **at any time** to give effect to a finding or direction in an appellate order, subject to section 283(2).

PROBLEM 6 — BEST JUDGMENT, AND THE REMEDY

Shri Harish failed to respond to a notice under section 270(8). The Assessing Officer, without issuing any further notice, completed an assessment under section 271 estimating his income at ₹40,00,000 against a returned figure of ₹6,00,000, giving no reasons. *Advise.*

- **The jurisdiction is good.** Failure to comply with all the terms of a notice under section 270(8) is a default under section 271(1)(c), and a best judgment assessment follows.
- **The show cause notice.** Section 271(2) requires one; section 271(3) dispenses with it only where a notice under **section 268(1)** has been issued. Here the notice was under section 270(8), which is **not** within the exception. The assessment is therefore bad for want of the show cause notice.
- **The quantum.** Even if the notice had issued, an estimate of ₹40,00,000 with no reasons and no reference to material is not a "judgment". It would be set aside or substantially reduced on appeal.
- **The remedies.** An appeal to the Joint Commissioner (Appeals) or Commissioner (Appeals) under section 356 or 357 — see Unit 3 Part B. While the assessment was pending, he could also have applied to the **Joint Commissioner under section 272** for directions binding on the Assessing Officer.

PROBLEM 7 — ABATEMENT ON A SEARCH

A scrutiny assessment of Indus Traders for Tax Year 2024-25 was pending when a search was initiated at its premises on **19 November 2026**. The block assessment order was passed on **27 April 2028** and was afterwards annulled by the Appellate Tribunal by an order received by the Principal Commissioner on **16 September 2029**. *State the position of the pending scrutiny assessment, and the time limits.*

- The pending scrutiny assessment for Tax Year 2024-25 **abated on 19 November 2026**, the date of initiation of the search [section 292(2)(a)].
- The block assessment order had to be passed within **eighteen months from the end of the quarter in which the search was initiated** — the quarter ended 31 December 2026, so by **30 June 2028** [section 296(1), as substituted]. The order of 27 April 2028 was in time.
- On annulment, the abated proceeding **stands revived**. Section 286(1) (Sl. No. 6) then allows **one year from the end of the month in which it stands revived** — the order having been received in September 2029, the scrutiny assessment for Tax Year 2024-25 must be completed by **30 September 2030**.

PROBLEM 8 — RECTIFICATION OR APPEAL?

Advise the assessee on the correct remedy in each case.

1. The intimation under section 270(1) omits credit for advance tax of ₹1,20,000 duly paid and reflected in the Annual Information Statement. — Rectification under section 287(1)(b), which expressly covers an intimation or deemed intimation under section 270(1). It is a mistake apparent from the record.

2. The Assessing Officer has disallowed 40% of the travelling expenses on the ground that they are excessive. — Appeal. The quantum of a disallowance on the ground of excessiveness is a debatable question, not a mistake apparent.

3. The order levies interest under section 424 although the whole tax was paid by way of tax deducted at source. — Rectification. A levy under a provision which on the record does not apply is a patent error.

4. The Commissioner (Appeals) has decided a question of valuation against the assessee, and the Assessing Officer's order on that question is said to be wrong. — Neither. Section 287(2) bars

rectification of a matter considered and decided in appeal. The remedy is a further appeal to the Appellate Tribunal under section 362.

5. Two years after a completed assessment, the assessee discovers a deduction he forgot to claim. —

Neither rectification nor appeal. An omission by the assessee is not a mistake apparent from the record of the authority, and the appeal period has expired. If the tax year is still open, an **updated return under section 263(6)** is not available either, because it would reduce the liability [section 263(6)(c)(ii)]. The only course is an application to the Board under **section 239(3)(b)** for admission of the claim after the expiry of the period, on the ground of genuine hardship.

Revision, Ready Reckoner and Question Bank

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

13.1 Old section to new section

Subject	Income-tax Act, 1961	Income-tax Act, 2025
Inquiry before assessment	142(1)	268(1)
Special audit	142(2A)	**268(5)**
Estimation of value by the Valuation Officer	142A	269
Processing of return and intimation	143(1)	270(1)
Notice for scrutiny	143(2)	**270(8)**
Scrutiny assessment	**143(3)**	**270(10)**
Best judgment assessment	**144**	**271**
Power of Joint Commissioner to issue directions	144A	272
Faceless assessment	144B	**273**
Reference to the Principal Commissioner — GAAR	144BA	274
Dispute Resolution Panel	144C	**275**
Method of accounting	145	276
Income escaping assessment	**147**	**279**
Notice where income has escaped assessment	**148**	**280**
Procedure before issue of notice	**148A**	**281**
Time limit for notice	149	282
Assessment in pursuance of an order on appeal	150	283
Sanction for issue of notice	151	284
Other provisions — rate, dropping of proceedings	152	285
Time limit for completion of assessment	**153**	**286**
Rectification of mistake	**154**	**287**
Other amendments	155	288
Notice of demand	**156**	**289**
Modification of notice — insolvency	156A	290
Intimation of loss	157	291
Assessment of undisclosed income on search	158BA / 153A	292
Computation of undisclosed income of the block period	158BB	293
Procedure for block assessment	158BC	294
Undisclosed income of any other person	158BD / 153C	295

Subject	Income-tax Act, 1961	Income-tax Act, 2025
Time limit for block assessment	158BE	**296**
Interest and penalty not to be levied	158BF	297
Levy of interest and penalty in block cases	158BFA	298
Authority competent to make block assessment	158BG	299
Return of income	139	263 *(Unit 2)*

Subject

Income-tax Act, 1961

Income-tax Act, 2025

Self-assessment	140A	266 *(Unit 2)*
Appeal to the Commissioner (Appeals)	246A / 250	357 / 359 *(Part B)*
Revision prejudicial to revenue	263	377 *(Part B)*

13.2 Objective questions

A. State whether True or False, with reasons

1. An Assessing Officer may require production of accounts for any past period.

False. Section 268(2)(b) bars accounts relating to a period more than **three years** prior to the relevant tax year.

2. A special audit may be directed only where the accounts have not already been audited.

False. Section 268(7) applies the power **irrespective of** any audit under any other law.

3. A notice for scrutiny may be served at any time before the assessment is completed.

False. Section 270(9) bars it after three months from the end of the financial year in which the return is furnished.

4. A best judgment assessment always requires a show cause notice.

False. Section 271(3) dispenses with it where a notice under **section 268(1)** has already been issued.

5. Directions of the Joint Commissioner under section 272 may be issued only on a reference by the Assessing Officer.

False. They may be issued on his own motion, on a reference, **or on the application of the assessee**.

6. The Dispute Resolution Panel may remand the matter for fresh enquiry.

False. Section 275(8) forbids it from setting aside any variation or directing further enquiry and the passing of the assessment order.

7. A reassessment may be founded on a change of opinion.

False. Section 280(4) requires **information**, exhaustively defined in section 280(6); a change of opinion is not information.

8. A notice under section 280 may be issued in the year immediately following the tax year.

False. Section 282(3) bars any notice under section 280 or 281 **within one year from the end of any tax year**.

9. A rectification application must be disposed of within four years.

False. The **four years** limits the power; the authority must dispose of an **application within six months** from the end of the month of receipt [section 287(9)].

10. Rectification is available even for a matter decided in appeal.

False. Section 287(2) excludes any matter **considered and decided** in appeal or revision.

11. Interest under section 424 is levied on the undisclosed income assessed in a block assessment.

False. Section 297 excludes interest under sections 423, 424 and 425 and penalty under section 439 for the block period; sections 298(1) and (2) provide their own interest and penalty.

12. A block assessment order may be passed by an Income-tax Officer.

False. Section 299 requires an officer not below the rank of Deputy or Assistant Commissioner or Director, with the

previous approval of the Additional or Joint Commissioner or Director.

B. Multiple choice

1. A scrutiny assessment is made under —

(a) section 143(3) (b) section 270(1) (c) **section 270(10)** (d) section 271 *Answer: (c)*

2. The notice for scrutiny must be served within —

(a) **three months from the end of the financial year in which the return is furnished** (b) six months (c) nine months

(d) one year *Answer: (a), section 270(9)*

3. A best judgment assessment is made under —

(a) section 144 (b) **section 271** (c) section 272 (d) section 273 *Answer: (b)*

4. The Dispute Resolution Panel comprises —

(a) one Commissioner (b) two Commissioners (c) **three Principal Commissioners or Commissioners** (d) three Chief Commissioners *Answer: (c), section 275(17)(a)*

5. The ordinary time limit for a notice under section 280 is —

(a) three years (b) **four years and three months** (c) six years (d) ten years *Answer: (b), section 282(1)(a)*

6. The extended limit applies where the escaped income is —

(a) ₹10 lakh or more (b) ₹25 lakh or more (c) **₹50 lakh or more** (d) ₹1 crore or more *Answer: (c)*

7. A scrutiny assessment for Tax Year 2026-27 must ordinarily be completed by —

(a) 31 March 2028 (b) **31 March 2029** (c) 31 December 2028 (d) 30 September 2029 *Answer: (b), section 286(1), Sl. No. 1*

8. A reference to the Transfer Pricing Officer extends the limitation by —

(a) six months (b) nine months (c) **twelve months** (d) eighteen months *Answer: (c), section 286(2)(a)*

9. A rectification may be made within —

(a) two years (b) **four years from the end of the financial year in which the order was passed** (c) six years (d) at any time *Answer: (b), section 287(8)*

10. An application for rectification must be disposed of within —

(a) three months (b) **six months from the end of the month of receipt** (c) one year (d) four years *Answer: (b), section 287(9)*

11. A block assessment order must be passed within —

(a) twelve months (b) fifteen months (c) **eighteen months from the end of the quarter in which the search was initiated** (d) twenty-four months *Answer: (c), section 296(1)*

12. The penalty on undisclosed income determined in a block assessment is —

(a) 10% (b) 30% (c) **50%** (d) 100% *Answer: (c), section 298(2)*

13.3 Fill in the blanks

1. An inquiry before assessment is made under section __. — *268* 2. A special audit under section 268(5) requires the previous approval of the __. — *Principal Chief Commissioner, Chief Commissioner, Principal Commissioner or Commissioner* 3. The expenses of a special audit are borne by the __. — *Central Government* [section 268(11)] 4. A scrutiny assessment is made by an order in __ under section __. — *writing; 270(10)* 5. The faceless assessment machinery consists of the National Faceless Assessment Centre and the __, __, __ and __ units. — *assessment; verification; technical; review* [section 273(3)] 6. An eligible assessee must accept or object to a draft order within __ days. — *thirty* [section 275(2)] 7. The Dispute Resolution Panel may confirm, reduce or enhance a variation, but

it may not __ it. — *set aside* [section 275(8)] 8. Income escaping assessment is dealt with by section __, and the notice is issued under section __. — *279; 280* 9. No notice under section 280 or 281 shall be issued within __ year from the end of any tax year. — *one* [section 282(3)]

10. The specified authority for sanction under sections 280 and 281 is the __. — *Additional Commissioner, Additional Director, Joint Commissioner or Joint Director* [section 284] 11. A mistake may be rectified only if it is a mistake __ from the record. — *apparent* [section 287(1)] 12. A block assessment order must be passed with the previous approval of the __. — *Additional or Joint Commissioner or Director* [section 299(2)]

13.4 Short answer questions

1. State the circumstances in which a special audit may be directed under section 268(5), and the safeguards. 2. Distinguish between a summary assessment and a scrutiny assessment. 3. When may a best judgment assessment be made, and when is a show cause notice not required? 4. What is meant by "best judgment"? State the limits on the Assessing Officer's discretion. 5. Explain the powers of the Joint Commissioner under section 272. 6. Describe the units set up for a faceless assessment and the function of each. 7. What is a draft order, and what may an eligible assessee do on receiving one? 8. State the powers and the limits of the Dispute Resolution Panel. 9. What is meant by "information which suggests that income chargeable to tax has escaped assessment"? 10. State the time limits for issuing notices under sections 280 and 281. 11. Explain the meaning of "a mistake apparent from the record", with examples. 12. State the periods excluded in computing the time limit for completion of an assessment.

13.5 Long answer questions

1. Describe the different types of assessment under the Income-tax Act, 2025, and distinguish them from one another. 2. Explain the provisions relating to inquiry before assessment under section 268, including the special audit and the reference to the Valuation Officer. 3. Explain fully the procedure for a scrutiny assessment under section 270(8) to (15), and the special provisions applicable to exempt entities. 4. When may a best judgment assessment be made? Explain the procedure, and the principles governing the exercise of the power. 5. Describe the scheme of faceless assessment under section 273, and state the changes made by the Finance Act, 2026 to the reopening of assessments. 6. Explain the procedure before the Dispute Resolution Panel under section 275, with the time limits at each stage. 7. Discuss the provisions relating to income escaping assessment under sections 279 to 285, and explain why a reassessment cannot be founded on a change of opinion. 8. Explain the time limits for completion of assessment, reassessment and recomputation under section 286, and the periods excluded in computing them. 9. Explain the provisions relating to rectification of mistakes under section 287, distinguishing rectification from appeal and from revision. 10. Describe the special procedure for the assessment of undisclosed income in search cases under sections 292 to 300, and state the changes made by the Finance Act, 2026.

End of Unit 3 · Part A. Part B — appeals and revisions, and the preparation and filing of appeals with the appellate authorities under sections 356 to 380 — follows.