

Rationalization of the reassessment scheme under Income Tax

Time limits for Notice under Section 148 and 148A

The Finance Bill 2024 has proposed the following key changes to rationalize the scheme of re-assessment under the IT Act:

Time limit for show cause notice under Section 148A

The below time limit is proposed for issuance of notice under Section 148A of the IT Act to show cause as to why re-assessment proceedings should not be initiated:

- 3 years from the end of assessment year where income chargeable to tax which has escaped assessment amounts to or is likely to amount to less than INR 50 lakhs.
- 5 years from the end of assessment year where income chargeable to tax which has escaped assessment amounts to or is likely to amount to INR 50 lakhs or more.

Changes in time limit for notice under Section 148

- With a view to provide ease of doing business, the time limit for issuance of reassessment notice under Section 148 of IT Act where the income escaping assessment amounts to or is likely to amount to INR 50 lakhs or more has been reduced from 10 years to 5 years 3 months.
- Time limit in case where income escaping assessment is less than INR 50 lakhs is proposed to be changed from 3 years to 3 years 3 months.

ELP's Insights

In the existing scheme, the time limit has been only prescribed for issuance of notice under Section 148. It is often seen that Section 148A show cause notices are issued just before the expiry of time limit of Section 148 notices, giving short time for adjudication. With the proposed amendment, the Authorities would get at least 3 months' time between issuance of show cause notice and reassessment notice.

Change in specified authority to approve re-assessment

The specified authority for the purpose of sanction of reassessment is proposed to be the Additional Commissioner or the Additional Director or the Joint Commissioner or the Joint Director, as the case may be.

ELP's Insights

Under the existing scheme, the specified authority for sanction of reassessment is the (a) Principal Commissioner or Principal Director or Director if three years or less have lapsed from the end of assessment and (b) Principal Chief Commissioner or Principal Director General or Chief Commissioner or Director General, if more than three years have lapsed from the end of assessment year.

The assessee have challenged re-assessment proceedings before the writ court where the time period of 3 years had lapsed but the sanction was not given by the Principal Chief Commissioner. In such cases, The writ courts in many cases have quashed the reassessment proceedings where the time period of 3 years had lapsed but the sanction was not given by the Principal Chief Commissioner. [JM Financial & Investment Consultancy Services Pvt. Ltd. vs. ACIT [2023] 451 ITR 205 (Bom)].

With the proposed amendment, common authorities have been appointed as the specified authority irrespective of the time limit to avoid such disputes.

Exclusion of search and seizure proceedings under Section 132 and 132A

The search and seizure proceedings under Section 132 and requisition under Section 132A is proposed to be carved out from the reassessment scheme under Section 147 to 151A of the IT Act and separate scheme of block assessment for such cases has been proposed.

The above amendments are proposed to come into effect from September 1, 2024.