

Unit V: Assessment of Tax (Expanded Exam-Oriented Notes)

1. Income Tax Authorities

Income Tax Authorities are responsible for administration, assessment, collection, and recovery of income tax in India under the Income Tax Act, 1961.

Major Authorities:

- Central Board of Direct Taxes (CBDT) – Apex body for policy formulation and administration.
- Principal Chief Commissioner / Chief Commissioner – Supervises work in a region.
- Commissioner of Income Tax (CIT) – Administrative and appellate authority.
- Assessing Officer (AO) – Issues notices, conducts assessments, and determines tax liability.
- Income Tax Officer (ITO) – Handles cases of smaller taxpayers.

Functions:

- Processing returns
- Conducting assessments
- Levying penalties
- Granting refunds

Example:

If a salaried employee files a return showing ₹7,00,000 income, the Assessing Officer verifies it and issues refund or demand notice.

2. Return of Income and Assessment Procedure

Return of Income (ITR) is a statutory declaration of income, deductions, and tax payable by a taxpayer.

Types of Returns:

- Original Return
- Belated Return
- Revised Return

Assessment Procedure:

- Filing of Return
- Processing under Section 143(1)
- Scrutiny Notice under Section 143(2)
- Final Assessment Order under Section 143(3)

Types of Assessment:

- Summary Assessment
- Scrutiny Assessment
- Best Judgment Assessment
- Re-assessment

Example:

If income shown appears low compared to bank deposits, AO issues scrutiny notice.

3. Appeals and Revisions

Appeals:

If taxpayer is aggrieved by an order, appeal can be filed within 30 days.

Hierarchy:

- Commissioner (Appeals)
- Income Tax Appellate Tribunal (ITAT)
- High Court
- Supreme Court

Revisions:

Commissioner may revise erroneous orders prejudicial to revenue.

Types:

- Revision in favor of assessee
- Revision against assessee

Example:

Wrong penalty imposed – appeal can be filed to CIT(A).

4. Advance Payment of Tax

Advance Tax is paid in installments during the year.

Applicability:

If tax payable exceeds ₹10,000.

Due Dates:

- 15 June – 15%
- 15 September – 45%
- 15 December – 75%
- 15 March – 100%

Interest under Sections 234B and 234C applies for default.

Example:

If expected tax is ₹50,000, taxpayer pays installments.

5. Tax Deduction at Source (TDS)

TDS is tax deducted by payer before making payment.

Applicability:

Salary, Interest, Rent, Commission, Contract payments.

Procedure:

- Deduction
- Deposit with Govt
- Filing TDS return
- Issuing Form 16 / 16A

Example:

Employer deducts TDS from salary monthly.

6. E-filing of ITR

E-filing is electronic submission of returns.

Steps:

- Login on portal
- Select ITR
- Fill details
- Verify return

Modes of Verification:

- Aadhaar OTP
- Net Banking
- Physical ITR-V

Benefits:

- Faster processing
- Easy refund

Example:

Taxpayer files ITR-1 online.

7. Tax Collected at Source (TCS)

TCS is tax collected by seller at sale time.

Applicability:

Alcohol, scrap, tendu leaves, luxury goods.

Procedure:

- Collection
- Deposit
- Return filing
- Certificate issuance

Example:

Scrap dealer collects TCS.

8. Avoidance of Double Taxation

Double taxation occurs when income taxed in two countries.

Relief:

- Unilateral Relief
- Bilateral Relief (DTAA)

Methods:

- Exemption Method
- Tax Credit Method

Example:

Indian resident earning in UK gets DTAA benefit.