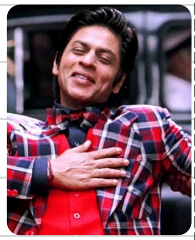
Bird's Eye View of Block Assessment Scheme



Search u/s 132 or Requisition u/s 132A

Is it on/after 1/9/2024

- **No** → Regular Assessment
- **Yes** → Block Assessment

Determine the Block Period

- 6 AYs before Search Year
- 1st Apr of Search Year till last of authorizations

Pending Assessment Abate
- Regular Assessments
- Reassessments
- Transfer Pricing Cases

AO issues Notice (Sec 158BC)

- 60 days to file return
- No revision allowed
- Prior Approval Needed

Assessee files Return which includes

- Regular Income
- Undisclosed Income

Sec 158BD

If it belongs to Other Person then trf to other AO

- Same Block Period Applies
- Fresh Notice u/s 158BC

Computation of Income

1. Return Income u/s 158BC
2. Previously assessed income
3. Income from other Returns
4. Current Year Income
5. Undisclosed Income Found

Assessment Process

1. Determine Total Income
2. Apply Section 142, 143 & 144
3. Consider evidence from Search
4. Tax Rate - 60% + Surcharge + Cess

Special Considerations

- No set off of losses allowed
- Apply sections 68 - 69C
- Special rules for Firms
- Transfer Pricing Provisions

For completion of Assessment

Time Limit

- 12 months from last of authorisations
- +12 months for transfer pricing cases

Exclusions apply

↓

Final Assm Order

By AC/DC or AD/DD

Prior Approval Required Add Comm/JC or Add Dir/ JD

Determine Final Tax

↓

Consequences

1. Interest for Delay @ 1.5% per month / part of the month of Tax on undisclosed income
2. Penalty @ 50% of the Tax
3. Immunity Provisions
4. Appeal Rights

↓

Assessment Complete

SECTION 158BA - Assessment of Total Income as a result of Search

Search Initiated After 01.09.2024?

- Yes → Assess under chapter XIV-B → Block Period Assessment → Pending Assessment ?
  - No → Proceed with block assessment
  - Yes → Abate pending assessments
- No → Assess under other provisions

Subsequent search?

- Yes → Complete initial assessment first → < 3 months
  - Yes → Extend to 3 months
  - No → Standard timeline
- No → Standard timeline

Assessment annulled?

- Yes → Revival of abated assessments
- No → Continue block assessment

Note:
Revival shall cease to have effect if the annulment order is set aside.

Block period tax assessment
- → Regular income separately
- → Block period income @60%

Total block period income

Components of total income

- Income from return u/s 158BC
- Income assessed u/s 143/ 144/ 147/153A/153C
- Income return filed u/s 139/142/148
- Income for incomplete PY
  - Based on BOA/ Docs maintained before search date
- Undisclosed income determined by AO
  - Evidence sources
    - Search or survey
    - BOA
    - Other material info

Special provisions & rules

- Tax Computation
  - Tax
  - (–) Tax on Prev Assessed Income
  - (–) Tax in Filed Returns
  - (–) Tax on Incomplete Yr Inc
- Loss Treatment
  - If disclosed Income shows Loss
  - Ignore
- Previous losses & Unabsorbed Depn
  - Cannot be set off against undisclosed Income
  - Can be carried forward to future years
- International/ Domestic Transactions & the search year
  - Not included in Block Period
  - Assessed Separately
- Rules for Firm
  - Income before Sal, Int, Commission & Bonus
  - To non-working partner
- Sections applicable
  - Sec 68, 69, 69A, 69B, 69C applies
  - 92CA applies with ref to Modified Year

Section 158BC

If sec 158BD applies
↓
Block period some as original search case

Important notes
- → No sec 148 notice required
- → Sec 144C DRP provision not applicable
- → No Computerised process under 143(1)
- → Prior approval needed from additional commissioner/ director

Search initiated u/s 132 or assets requisitioned u/s 132A on/after 1/9/2024
↓
File ROI
↓
Within 60 days
↓
Return filing

- Return treated as section 139 return
  ↓
  Assessment process
  ↓
  AO determines total income including undisclosed income
  ↓
  Applies section 142, 143(2), 143(3), 144, 145, 145A 145B
  ↓
  Assessment order
  ↓
  Seized assets handled as per section 132B
- No revised return allowed
- Returns beyond notice period NOT deemed as return u/s 139

#SabKaarLenge

SECTION 158BE

SMARTNOTES

VO = valuation office

TPO = transfer pricing officer

Start of assessment

Base timeline : 12 months from last authorisation

Additional time needed?

Yes

Exclusion periods

- Search/ requisition period → Max 180 days from search initiation to document handover
- Court stay period → Duration of stay order
- Info Exch → Period between request and receipt (Max 1 year)
- Audit period → Audit report, submission or court order
- Ref to VO → Receipt of valuation report
- Government intimation → Receipt of order/ notification
- Commissioner reference → Receipt of order
- Impermissible arrangement → Receipt of direction or order
- Advance ruling → Receipt of rejection of ruling
- Ref to TPO → +12 months additional time

Final timeline calculation

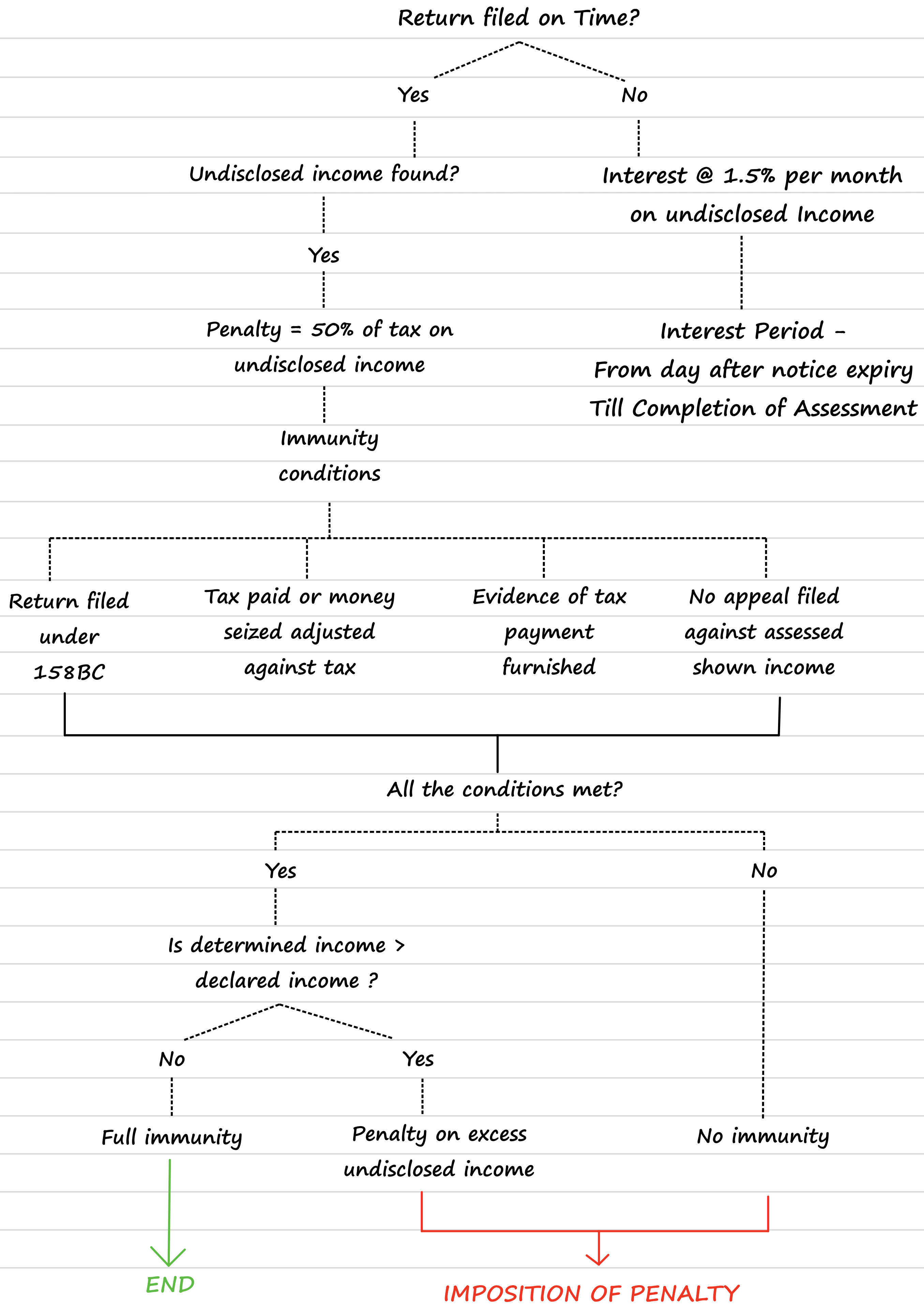
Remaining period < 60 days?
- Yes → Extend to 60 days
- No → Continue with remaining period

Expires mid-month → Yes → Extent to end of month

FINAL ASSESSMENT ORDER

CA Yash Khandelwal

Sec 158BFA



Return filed on Time?
Yes
No
Undisclosed income found?
Interest @ 1.5% per month on undisclosed Income
Yes
Penalty = 50% of tax on undisclosed income
Interest Period – From day after notice expiry Till Completion of Assessment
Immunity conditions
Return filed under 158BC
Tax paid or money seized adjusted against tax
Evidence of tax payment furnished
No appeal filed against assessed shown income
All the conditions met?
Yes
No
Is determined income > declared income ?
No
Yes
Full immunity
Penalty on excess undisclosed income
No immunity
END
IMPOSITION OF PENALTY

IMPOSITION OF PENALTY

Penalty imposition procedure

- Reasonable OOBH
- Approval needed if penalty > ₹ 2 lakhs
- Time limit based on appeal/ revision status
  - Appeal cases
    Later of
    - end of FY of proceedings
    - 6 months from appeal order
  - Revision cases
    6 months from end of FY of revision
  - Other cases
    Later of
    - end of FY of proceedings
    - 6 months from penalty notice

Time exclusions:
1. Rehearing Time
2. Court Stay Period

If remaining time < 60 days, extend to 60 days

If it expires before month end Then extend to Month End

Copy of Order of Penalty sent to AO

END