

**15th Edition**

The **Invictus**  
*CA Simplified*

# DT- Simplified

**AMENDEMENT for MAY NOV 2025**



Applicable for  
**CA – CMA Final**  
[May / Nov – 2025]



**CA DHAVAL PATANVADIA**

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INCOME TAX RATES FOR A.Y. 2025-26

[FINANCE ACT 2024]

Assessee	Total Income	Rate
❖ Individual / HUF / AOP / BOI / AJP		
– Income Tax (Old Regime)		
▪ All Individuals < 60 Years & HUF/AOP/BOI/AJP & NR	BEL = 2,50,000	NIL
▪ Resident Individual Age ≥ 60 Years but < 80 Years	BEL = 3,00,000	NIL
▪ Resident Individual Age ≥ 80 Years	BEL = 5,00,000	NIL
	Above BEL but upto 5,00,000	5%
	5,00,001 to 10,00,000	20%
	> 10,00,000	30%
– Rebate to Resident Individual (Sec 87A)	if Total Income ≤ 5,00,000 No Rebate on LTCG taxable @10% u/s 112A	Lower of 12,500 or Actual Tax

Default Tax Regime – Concessional Tax Rates [Section 115BAC]

▪ Individuals / HUF / AOP / BOI / AJP [Other than Income Chargeable at Special Rates]	Upto 3,00,000	NIL
	3,00,001 to 7,00,000	5%
	7,00,001 to 10,00,000	10%
	10,00,001 to 12,00,000	15%
	12,00,001 to 15,00,000	20%
	Above 15,00,000	30%
– Rebate to Resident Individual (Sec 87A) No Rebate on LTCG @10% u/s 112A	if Total Income ≤ 7,00,000	Lower of 25,000 or Actual Tax
	if Total Income > 7,00,000 A = Total Income – 7 Lakh      B = Tax on Total Income If B > A,      Rebate = B – A	
Assessee exercising option u/s 115BAC is not liable to AMT u/s 115JC		
▪ Deductions Exemptions not Available		
10(5) – Leave Travel Concession	10(13A) – House Rent Allowance	10(14) – Special Allowance or Benefit to meet exps. for duties or personal exps.
10(17) – Daily allowance / constituency allowance of MPs and MLAs	10(32) – Exemption in respect of Clubbing of Minor Income	16 – Deductions under Salary Prof Tax & Ent. All. Std. Ded (std. deduction ₹ 75,000 allowed)

<b>10AA</b> – Tax Holidays in SEZ	<b>24(b)</b> – Interest on Loan of <b>SOP</b>	<b>32(1)(iia)</b> – Additional Depre.
<b>35</b> – Contribution <b>Given</b> for Scientific Research	<b>35AD</b> – Investment Linked Deductions	
<b>80C to 80U – No Deductions allowed under Chapter VI-A except below.</b> <b>Allowed Deductions :</b> 80CCD(2) Employers Contribution towards NPS 80CCH(2) CG contribution to Agneepath Scheme 80JJAA Deduction in case of new employment		
<b>▪ Losses not allowed to be Set Off</b>		
✓ Carried forward losses attributable to any deductions above ✓ Loss under the head IFHP <b>with any other head</b> of Income ( <b>IFHP – Inter Head not allowed</b> )		
<b>▪ Time Limit for Exercise of Option</b>		
✓ <b>Individual / HUF having NO Business Income</b> – Along with ITR, Option to choose in one year and <b>change</b> in another year ✓ <b>Individual / HUF having Business Income</b> – Along with ITR, <b>NO</b> option to <b>change</b> in subsequent AY Option can be <b>withdrawn</b> only <b>once</b> . Where it was exercised by Assessee having business income for PY other than the year in which it was exercised. <b>Once withdrawn</b> Assessee shall <b>never be eligible</b> to exercise the option again <b>except</b> assessee ceases to have business income		
Where the person <b>born on 1<sup>st</sup> April</b> would be considered to have <b>attained</b> the particular <b>age on 31<sup>st</sup> March</b> i.e. day preceding the anniversary of his birthday [circular 28/2016] e.g. if person born on <b>1<sup>st</sup> April 1965</b> , he will be considered to have attained the age of <b>60 years</b> (i.e. become senior citizen in FY 2024-25) <b>on 31<sup>st</sup> March 2025</b>		

❖ Specific Rates as per IT Act 1961	(Refer respective Chapter for details)
– Unexplained Income u/s 68/69/A/B/C/D	Any Assessee : <b>60%</b> Income Tax + <b>25%</b> surcharge on <b>Income Tax</b>
– Long Term Capital Gain	20% (Section 112) <b>12.5% w.e.f. 23-07-2024</b>
– Long Term Capital Gain on transfer of <ul style="list-style-type: none"> <li>▪ Equity Share in a company (STT paid on <b>acquisition &amp; transfer</b> both)</li> <li>▪ Unit of Equity Oriented Fund (STT paid on <b>transfer</b> only)</li> <li>▪ Unit of Business Trust (STT paid on <b>transfer</b> only)</li> </ul>	10% (Section 112A) <b>12.5% w.e.f. 23-07-2024</b> Above tax is applicable only when <b>LTCC &gt; ₹ 1,25,000</b> LTCC upto <b>₹ 1,25,000</b> is <b>exempt</b> (It will be <b>included</b> in Total Income but <b>only tax will not be levied</b> )
– STCG on Share/Securities subject to STT	15% (Section 111A) <b>20% w.e.f. 23-07-2024</b>
– Casual Income i.e. Lottery income etc.	30% (Section 115BB)
– Net winnings from Online Games.	30% (Section 115BBJ)
– Health & Education Cess	@ <b>4%</b> on <b>Income Tax + Surcharge</b> as the case may be
– Rounding of <b>Total Income &amp; Tax</b>	Rounded off to the nearest <b>multiple of Ten Rupees</b>

❖ Surcharge in case of Individual / HUF / AOP / BOI / AJP				
– Under Default Regime 115BAC				
Nature of Income	>50 L to ≤1 Cr.	>1 Cr. to ≤2 Cr.	>2 Cr.	
STCG (111A)	10%	15%	15%	
LTCG (112 & 112A)	10%	15%	15%	
Dividend Income	10%	15%	15%	
Any Other Income	10%	15%	25%	
– Shifting out of Default Tax Regime				
Nature of Income	>50 L to ≤1 Cr.	>1 Cr. to ≤2 Cr.	>2 Cr. to ≤5 Cr.	>5 Cr.
STCG (111A)	10%	15%	15%	15%
LTCG (112 & 112A)	10%	15%	15%	15%
Dividend Income	10%	15%	15%	15%
Any Other Income	10%	15%	25%	37%

❖ Marginal Relief
<ul style="list-style-type: none"> <li>– In case any assessee having total income <b>exceeding</b> 50 Lakh/1 Crore/10 Crores as the case may be,</li> <li>– Total amount of <b>Income Tax Including Surcharge</b> should <b>not exceed</b></li> <li>– <b>Income Tax Including Surcharge</b>, if any, payable <b>on total income upto</b> 50 Lakh/1 Crore/10 Crores <b>by more than</b> the amount of <b>Income</b> that <b>exceeds</b> 50 Lakh/1 Crore/10 Crores</li> </ul>

#### Example of marginal relief

Sr.	Particulars (₹ in Lakh)	Individual/HUF/AOP/BOI/AJP			Companies			
A	Total Income	50.00	51.00	52.00	100.00	101.00	1,000.00	1,010.00
B	Income Tax	13.13	13.43	13.73	30.00	30.30	300.00	303.00
C	Surcharge	NA	1.34	1.37	NA	2.12	21.00	36.36
D	Income Tax + Surcharge (B+C)	13.13	14.77	15.10	30.00	32.42	321.00	339.36
E	Additional Tax over Tax on Income of 50/100/1000 Lakh	-	1.64	1.97	-	2.42	-	18.36
F	Additional Income over 50/100/1000 Lakh	-	1.00	2.00	-	1.00	-	10.00
G	Marginal Relief where Additional Tax > Additional Income (E-F)	NA	0.64	NA	NA	1.42	NA	8.36
H	Tax Payable = Income Tax + Surcharge – Marginal Relief (B + C – G)	13.13	14.13	15.10	30.00	31.00	321.00	331.00
I	Add : HEC @ 4% (H × 4%)	0.53	0.57	0.60	1.20	1.24	12.84	13.24
J	Total Tax Payable (H + I)	13.66	14.70	15.70	31.20	32.24	333.84	344.24

Example

Amount (₹ in Lakhs)

Sr.	LTCG, STCG & Dividend	Other Income	Total Income	Surcharge on STCG, LTCG, DIVI.	Surcharge on Other Income	
					Default	Optional
1	10	45	55	10%	10%	10%
2	30	90	120	15%	15%	15%
3	40	210	250	15%	25%	25%
4	30	190 (≤2 Cr)	220	15%	15%	15%
5	200	310 (>2 Cr)	510 (>5 Cr)	15%	25%	37%
6	350	160 (≤2 Cr)	510 (>5 Cr)	15%	15%	15%

❖ Firm / LLP / Local Authority		
– Income Tax	Flat Rate	30%
– Surcharge	Total Income > 1 Crore	12% of Income Tax
Special Rate income shall be taxable at special rate.		

❖ Co-Operative Society		
– Income Tax	≤ 10,000	10%
	10,001 to 20,000	20%
	> 20,000	30%
– Surcharge	Total Income > 1 Cr. but ≤ 10 Cr.	7% of Income Tax
–	Total Income > 10	12% of Income Tax

Special Rate income shall be taxable at special rate.

**Concessional Tax Rates for Resident Co-Op Societies** [Similar to 115BAA / BAB in case of Companies]

All Co-Operative society [Section 115BAD]	25.168 %	[22% + 10% SC + 4% HEC]
Manufacturing Co-Operative society [Section 115BAE] Setup & Regd. on or AFTER 01-04-23 & Commence Mfg. on or BEFORE 31-03-24	17.16 %	[15% + 10% SC + 4% HEC]

Deduction u/s 80P is not available under concessional Rate Regime

❖ Tax Rates in case of Companies		
– Income Tax		
▪ Domestic Companies	If Turnover ≤ 400 Crore in PY 2021-22	25%
▪ Domestic Companies	Any Other Case	30%
▪ Foreign Companies	All the Cases	40%
– Surcharge		
▪ Domestic Companies	Total Income > 1 Cr. but ≤ 10 Cr.	7% of Income Tax
	Total Income > 10	12% of Income Tax
▪ Foreign Companies	Total Income > 1 Cr. but ≤ 10 Cr.	2% of Income Tax
	Total Income > 10 Cr.	5% of Income Tax

Special Rates for Tax for certain Co.	Taxation Laws (Amendment) Act 2019	
Particulars	Section 115BAB (New Co.)	Section 115BAA (New & Old Co)
<b>Applicability</b>	Domestic <b>MANUFACTURING</b> Co. or <b>Electricity Generating Co.</b> Setup & Regd. on or <b>AFTER</b> 01-10-2019 & Commence Manufacturing on or <b>BEFORE</b> 31-03-2024	Any Domestic Co. Applicable to <b>Existing</b> or <b>New</b> both Need not to be a manufacturing Co.
<b>Rate of Tax</b>	15%	22%
<b>Surcharge</b>	10%	10%
<b>Effective Rate (including Surcharge &amp; Cess)</b>	17.16%	25.168%
<b>MAT Provisions</b>	Not Applicable	Not Applicable
<b>MAT Credit</b>	New Co. so there would be <b>no b/f MAT</b> Credit	B/f MAT credit <b>cannot</b> be set-off against income u/s 115BAA
<b>Rate of Tax on Income Covered under Chapter XII (Specific Rates)</b> e.g. Capital Gain u/s 112A, 111A, 112 etc.	Tax Rate as per <b>Chapter XII</b> will be apply + Surcharge @10% + HEC @ 4%	Tax Rate as per <b>Chapter XII</b> will be apply + Surcharge @10% + HEC @ 4%
<b>Rate of of and STCG derived on Capital Asset on which no Depreciation allowed under Act</b>	Tax Rate will be <b>25.168%</b> [22% Tax + 10% Surcharge + 4% HEC] <b>No restriction</b> on allowance of any expenditure or deductions.	Tax Rate will be <b>25.168%</b> [22% Tax + 10% Surcharge + 4% HEC] <b>No restriction</b> on allowance of any expenditure or deductions.
<b>Rate of Tax on Other Income in respect of which no specific rate is provided</b> e.g. IFHP, IFOS	Tax Rate will be <b>25.168%</b> [22% Tax + 10% Surcharge + 4% HEC] <b>No Deductions</b> in respect of any expenditure will be allowed.	Tax Rate will be <b>25.168%</b> [22% Tax + 10% Surcharge + 4% HEC] <b>No restriction</b> on allowance of any expenditure or deductions.
<b>Adjustments for transactions with persons having close connection</b>	Tax Rate will be <b>34.32%</b> [30% Tax + 10% Surcharge + 4% HEC]  If the AO opines that the course of business between the company and any other person having <b>close connection</b> is so arranged that the business transacted between them produces <b>more than the ordinary profits to the company, he is empowered</b> to take into account the amount of profits as may be reasonably deemed to have been derived therefrom, while computing profits and gains of such company.  In case the arrangement referred to above involves a specified domestic transaction referred to in section 92BA, then, the amount of profits from such transaction would be determined by considering the <b>arm's length price (ALP)</b> .	No such requirement to make any adjustment

	Note – The scope of “specified domestic transaction” referred to in section 92BA has been expanded to include within its ambit, any business transacted between such persons with close connection, where one such person is a company claiming benefit under section 115BAB	
<b>Exercise of option by the company within the prescribed time</b>	<p>On or before due date of furnishing <b>FIRST</b> of the returns of Income</p> <p>If company <b>fails</b> to opt in within time limit, It <b>cannot be exercised</b> in subsequent AYs</p> <p>However Company can opt for Section 115BAA</p> <p>Once Opted, Applicable for <b>subsequent AYs</b>.</p> <p>It's a <b>NEW</b> co. so need to exercise option in <b>FIRST</b> Year.</p> <p>In Case of Amalgamation, The option exercised u/s 115BAB shall remain valid in case of <b>Amalgamated Co.</b> if all the conditions are satisfied by Co.</p>	<p>On or before due date of furnishing of the return of Income for <b>any AY</b>.</p> <p>Once Opted, Applicable for subsequent AYs.</p> <p>It can exercise this option from ANY Year</p>
<b>Common Conditions</b>	Deductions under following <b>sections shall not be allowable</b>	
	10AA	Exemption to SEZ Unit
	32(1)(iia)	Additional Depreciation 20%
	33AB	Deduction – Tea Coffee Rubber
	33ABA	Deduction – Extraction of Petroleum or Natural Gas
	35	Deductions for Contribution to Scientific Research Institutes
	35AD	Specified Businesses
	35CCC	Notified Agricultural Extension Business
	35CCD	Notified Skill Development Project
	80IA to 80 RRB	Deductions under Chapter VI-A under Heading – C (Except 80JJAA / 80LA / 80M)
	<p><b>Adjustment of Carried forward Losses</b></p> <p>In case of company option for Section 115BAA income shall be calculated without set-off of any loss <b>carried forward</b> from any earlier assessment year, if such loss is <b>attributable to any of the deductions</b> listed above</p> <p><b>Adjustment of Balance ADDITIONAL DEPRECIATION</b></p> <p>In case of asset acquired and put to use for the period less than 180 days in PY 2018-19 and effect of Balance <b>ADDITIONAL DEPRECIATION</b> to be allowed in PY 2019-20 will be made in <b>WDV as on 01-04-2019</b> if option for 115BAA exercised for PY 2019-20 relevant to AY 2020-21</p>	

## SECTION 28 – PROFIT &amp; GAINS BUSINESS OR PROFESSION – CHARGING SECTION

*Renting of Residential House property shall be treated as IFHP and not PGBP [Explanation 3 – FA 2024]*

## SECTION 36 – OTHER DEDUCTIONS

<b>(iva)</b>	<p>Employer's contribution to the account of employees under pension scheme referred to in u/s 80CCD</p> <ul style="list-style-type: none"> <li>– <b>Maximum Deduction = 14% of salary of employee of the previous year</b></li> <li>– <b>Salary = Basic Salary plus DA (R)</b></li> <li>– Excess contribution made by employer shall be disallowed by virtue of <b>Section 40A(9)</b></li> </ul>
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**80CCD (2) – CG or Employer's Contribution**

- CG or Employer's Contribution shall be **included as Salary u/s 17(1)(viii)**
  - **Deduction Allowed** shall be restricted to
    - **14% of Salary** in case of Contribution made by **CG**
    - **14% of Salary** in case of Contribution made by **Other Employer**
- Salary = Basic Salary + Dearness Allowance (if terms of employment so provide)

## SECTION 40(b) – REMUNERATION TO PARTNERS

Any payment of salary, bonus, commission **or** remuneration, by whatever name called,

- paid to **non-working** partner shall be **disallowed**
- Where, such payment made to **working partner** in excess of below limit shall not be allowed

Book Profit	Maximum Remuneration
On the <b>first ₹ 6,00,000</b> of the Book-Profit <i>or</i> in case of a <b>Loss</b>	<b>₹ 3,00,000 or</b> <b>90% of the Book-Profit,</b> whichever is <b>Higher</b>
On the <b>Balance</b> of Book Profit	At the rate of <b>60%</b>
Book Profit to be arrived after deducting all expenses ( <b>allowed as per IT</b> ) but before deducting remuneration debited if any.	

- Any interest payment **authorised** by the deed **to the extent such interest exceeds 12%** simple interest p.a. shall be **disallowed**
  - Where any interest, salary, bonus, commission **or** remuneration, by whatever name called, disallowed u/s 40(b), such **disallowed part shall not be taxable** in the hands of partner

SECTION 2(42A) – PERIOD OF HOLDINGS

STCA – Holding Period	Assets
≤ 12 month	Listed Securities / Equity Oriented Units / ZCB
≤ 24 month	Unlisted Shares / Land or Building or Both
≤ 36 month	Unlisted securities other than shares / Debt Oriented Units / Other Assets / Units of Listed Business Trust
Market Linked Debentures and Units of Specified Mutual Fund are always Short Term (Referred to u/s 50AA) [w.e.f. 01-04-2023]	

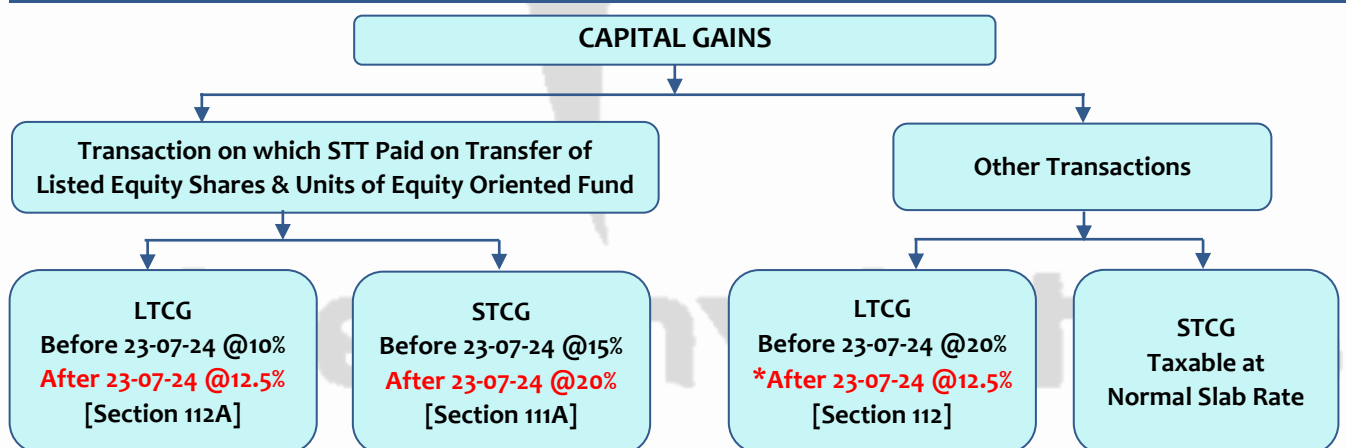
STCA – Holding Period	Assets [w.e.f. 23-07-2024]
≤ 12 month	Listed Securities / Equity Oriented Units / Units of Listed Business Trust / ZCB
≤ 24 month	Unlisted Securities / Land or Building or Both / Any Other Assets
Market Linked Debentures and Units of Specified Mutual Fund are always Short Term (Referred to u/s 50AA) [w.e.f. 01-04-2023]	

SECTION 48 – MODE OF COMPUTATION

No Indexation benefit available in case of asset transferred on or after 23-07-2024 [FA 2024]

CII for FY 2024-25 = 363

TAX RATES ON CAPITAL GAIN



\*Relief for INDIVIDUAL / HUF in case of LTCG 112

- If asset is Land / Building Acquired before 23<sup>rd</sup> July 2024 –
- Taxable @ 20% (with Indexation) or 12.5% (without Indexation) whichever is lower

- In case of LTCG taxable u/s 112A, Gain upto ₹ 1,25,000 is Not Taxable (It will be included in Total Income),
- No benefit of rebate u/s 87A shall be available in case of LTCG taxable u/s 112A

- No deduction under Chapter VI-A allowed against STCG u/s 111A, LTCG u/s 112A and LTCG u/s 112
- Basic Exemption Limit shall be first exhausted as per following order [For Residents only]
  - Any Other Income (Taxable at Normal Slab Rate)
  - STCG u/s 111A (Taxable @ 20%)
  - LTCG u/s 112 (Taxable @ 12.5%),
  - LTCG u/s and 112A (Taxable @ 12.5%) (exceeding ₹ ₹ 1,25,000)

#### SECTION 46A – CAPITAL GAIN ON BUY BACK OF SHARES OR SPECIFIED SECURITIES

##### **Amendment by FA 2024 [w.e.f. 01-10-2024]**

Sale Consideration in the hands of Share Holder shall be treated as NIL

Hence, it will result in Loss, to the extent of cost of acquisition, to the shareholder as the assets have been extinguished

Therefore, when the shareholder has any other capital gain from sale of shares or otherwise subsequently, he would be entitled to claim his original cost of acquisition of all the shares (i.e. the shares earlier bought back plus shares finally sold)

Amount received on Buyback is taxable under IFOS u/s 2(22)(f) as deemed dividend in the hands of shareholder

Buyback of shares by domestic company [Section 2(22)(f) [w.e.f. 01-10-2024]

- Taxable in the hands of share holder
- Deemed Dividend = No. of Shares Bought Back x Buy Back Price

#### SECTION 47 – EXEMPT TRANSFER

Transfer of a capital asset under a gift or will or an irrevocable trust by an Individual or HUF [w.e.f. 01-04-2025] [47(iii)]

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CHANGE IN RATES OF TDS

Section	Old Rates	New Rates
194DA – Receipts from Insurance	5%	2% [w.e.f. 01-01-2024]
194G – Lottery Commission	5%	2% [w.e.f. 01-01-2024]
194H – Commission	5%	2% [w.e.f. 01-01-2024]
194IA – TDS on Purchase of Property	Threshold of 50L shall be aggregate in case of Joint Owners – No Change in Rate of TDS	
194IB – Rent by Certain Individual	5%	2% [w.e.f. 01-01-2024]
194M – Payment for Any work	5%	2% [w.e.f. 01-01-2024]
194O – E-Commerce Operator	1%	0.1% [w.e.f. 01-01-2024]

Section 194T – Payment by Firm to Partners

[w.e.f. 01-04-2025]

<b>Deductor</b>	Partnership Firm
<b>Deductee</b>	Any Partner
<b>Rate</b>	10%
<b>Threshold Limit</b>	20,000 [Aggregate of salary, remuneration, commission, bonus or interest]
<b>Time</b>	Payment or Credit of such sum to the account of the partner (including the capital account) whichever is earlier

TCS

<b>206C (1F)</b>	Retail Sale of any Motor Vehicle OR Any goods specified by CG (Luxury Goods) [w.e.f. 01-01-2025] Value > 10 Lakh Collection of Tax on Receipt Excludes, Buyer being Government, Govt. Agencies and Public Sector Co. engaged in business of carrying passengers	1%
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## SECTION 147 TO 152 – INCOME ESCAPING ASSESSMENT

## Section 147 – Income Escaping Assessment

If any income chargeable to tax, in the case of an assessee,

- Has **escaped assessment** for any AY,
- the AO may, subject to the provisions of sections 148 to 153, **assess** or **reassess**
- such **income** or **recompute** the **loss** or the **depreciation** allowance or any **other allowance** or **deduction** for such AY (Relevant Assessment Year - **RAY**).

The AO may also, assess or reassess the income in respect of any issue, which has escaped assessment, and **such issue comes** to his **notice subsequently** in the course of the proceedings under this section, even if the **steps prescribed** in section 148A were not followed in relation thereto.

## Section 148A – Procedure before issue of notice u/s 148

[w.e.f. 01-09-2024]

- 1) If the AO has **information** suggesting that a taxpayer's income has **escaped assessment** for Relevant Assessment Year (**RAY**), the AO must first give the taxpayer an **opportunity** of being heard by serving upon him a **show cause** as to why notice u/s 148 shouldn't be issued. This show cause notice must **include** the **information** that **led** the AO to **believe** that the taxpayer's income was escaped.
- 2) Assessee may furnish **reply** within **time specified** in the notice
- 3) The AO, on the basis of **available records** and the **Assessee's response**, Pass an order with **prior approval** of ACIT / JCIT / ADIT / JDIT, **determine** whether or not it is **fit case** to issue a notice u/s 148.
- 4) The provisions of this section **shall not apply** to income chargeable to tax escaping assessment for any AY in the case of an assessee where the AO has received information under the scheme notified **u/s 135A**.

## Section 148 – Issue of Notice where income has Escaped Assessment

[w.e.f. 01-09-2024]

## Issue of Notice

- Before making an assessment u/s 147, AO shall issue a notice to file an ITR within **3 months** (plus extension requested by assessee) **from the end of the month** in which such notice u/s 148 is issued.
- This shall be deemed to be ITR filed u/s 139. (However, if ITR filed after time specified shall not be deemed to file u/s 139)
- No notice under this section shall be issued **unless** there is **information with the AO** which suggests that the **income** chargeable to tax **has escaped** assessment in the case of the assessee for the **RAY**
- Where the AO has received information **u/s 135A**, no notice under this section shall be issued without **prior approval** of the ACIT / JCIT / ADIT / JDIT.

## Information Suggesting income escaped Assessment

For the purposes of this section and section 148A, the **information** with the AO which **suggests** that the **income** chargeable to tax has **escaped assessment** means,—

- Any information in the case of the assessee for the RAY in accordance with the **Risk Management Strategy** formulated by the Board from time to time; or
- Any **audit objection** to the effect that the **assessment** in the case of the assessee for the RAY has **not been made** in **accordance** with the **provisions of this Act**; or

- Any information received under an agreement referred to in [section 90/90A](#) of the Act; or
- Any information made available to the AO under the scheme notified [u/s 135A](#); or
- Any information which [requires action](#) in consequence of the order of a [Tribunal](#) or a [Court](#); or
- Any information in the case of the assessee [emanating from survey](#) conducted [u/s 133A](#), other than under sub-section (2A) of the said section, on or after the 01-09-2024

### Section 149 – Time Limit of Issue of Notice u/s 148 & 148A

[w.e.f. 01-09-2024]

#### Issuing a Notice U/s 148:

**General Rule :** A notice can be issued [within 3 years and 3 months](#) from the [end of the RAY](#)

**Exception :** A notice can be issued [within 5 years and 3 months](#) from the [end of the RAY](#)

If AO has in his [possession](#) books of accounts or [other documents](#) or [evidence](#) related to any [asset](#) or [expenditure](#) or [transaction](#) or entries which show that the [income](#) chargeable to tax, which has [escaped](#) assessment, amounts to or is likely to amount to [₹ 50 lakh or more](#).

#### Issuing a Show Cause Notice U/s 148A:

**General Rule:** A notice can be issued [within 3 years](#) from the [end of the RAY](#)

**Exception:** A notice can be issued [within 5 years](#) from the [end of the RAY](#), A show cause notice can be issued only if the [escaped income](#) is [₹ 50 lakh or more](#) according to the [information](#) available with the AO.

## CHAPTER XIV-B – ASSESSMENT OF SEARCH

[w.e.f. 01-09-2024]

The order of assessment for the block period shall be passed by an AO not below the rank of a Dy. CIT/DIT or ACIT/ADIT with prior approval of Addl. CIT / DIT or JCIT / JDIT

### Section 158B – Definitions

#### Block Period

- Period comprising [PYs relevant to 6 AYs](#) preceding the PY in which the [search was initiated](#) [u/s 132](#) or any requisition was made [u/s 132A](#) (actual receipt of books of documents) and
- also includes the period [starting](#) from the [1st day of April](#) of the PY in which search was initiated or requisition was made and [ending](#) on the date of the [execution](#) of the [last](#) of the authorizations for such search or such requisition;

**Example :** If date of last authorisation of search conducted on Mr. B is 01-12-2024, the block period will be  
 01-04-2018 to 31-03-2024 (6 AYs preceding to PY of Search)  
 01-04-2024 to 01-12-2024 (1<sup>st</sup> April to Date of Last Authorisation)

#### Undisclosed Income

- includes any money, bullion, jewellery or other valuable article or thing or any expenditure or any income based on any entry in the books of account or other documents or transactions,
- which represents [wholly or partly income or property](#) which has [not](#) been or would not have been [disclosed](#) for the purposes of this Act, or
- Any [expense](#), [exemption](#), deduction or allowance claimed under this Act which is found to be [incorrect](#), in respect of the block period.

### Section 158BA – Assessment of Total Income as a result of Search

- Any [ongoing](#) assessments or reassessments, [other than this chapter](#), for years in the block period shall [abate](#) when a search or requisition is initiated.

- If proceedings u/s 92CA (related to **international transactions**) are in progress, they also **abate** upon initiation of a search or requisition.
- If **another search** occurs while a **prior block assessment** is **pending**, the AO will **complete** the **earlier** assessment first, and then start the new block assessment. If **less than 3 months remain** to complete the new assessment, it will be **extended** to **3 months**.
- If an assessment order is **annulled on appeal**, any previously **abated** assessments will **resume**, unless the **annulment** is later **overturned**.
- Income from the **year** in which the **last search authorization** is completed will be **assessed separately** under **regular provisions**, **excluding** undisclosed income.
- Tax Rate for Block Income: The total **undisclosed income** for the **block period** will be taxed at a **specific rate u/s 113**, regardless of which years the income applies to within the block period.

### Section 158BB – Computation of Total Income of Block Period

- The **total income** for the block period includes:
  - Income reported in **returns filed u/s 158BC**.
  - Income assessed in **prior assessments** u/s 143 / 144 / 147 before the search/requisition.
  - Income reported in **regular returns** not covered by earlier clauses.
  - Income determined for the **ongoing year**, based on **books maintained** up to the **search date**.
  - **Undisclosed income found during the search**, as determined by the AO.
- Income **linked** to **international** or **specific domestic transactions** during the search period is **assessed separately** under other Act provisions and excluded from the block period assessment.
- For **firms**, undisclosed income is calculated **without deducting** partner payments (salaries, interest, etc.) unless to a working partner. **Special provisions** (Sections 68-69C and 92CA) also apply within the block period context.
- Tax for the block period is calculated on the **total block** income, **excluding** certain income categories already assessed or disclosed.
- **Losses** from disclosed or assessed income within the block period are **ignored** in calculations.
- **Brought Forward Losses** or **unabsorbed depreciation** from prior years **can't be set off** against undisclosed block income **but can be carried** forward for set off in later years.

### Section 158BC – Procedure for Block Assessment

- AO shall issue a notice, with **prior approval** from Addi. CIT / DIT or JCIT / JDIT, to **file a return** within a **60 days**. This return must include all income, including undisclosed income, for the block period.
- The submitted return is treated as a **regular return** filed **u/s 139**, and a notice u/s 143(2) may thereafter be issued. **Revised** returns are **not allowed**.
- Returns filed **after** the **deadline** won't count as returns u/s 139.
- **No notice u/s 148** is **required** to be issued for block assessment.
- AO shall determine the total block period income, including undisclosed income, per Section 158BB. Standard assessment procedures (Sections 142, 143, etc.) apply as needed.
- After determining the total income, the AO issues an **order of assessment** or reassessment to calculate the tax due. Orders made u/s 158BD use the **same block period** as that of the person originally searched.
- Any seized or requisitioned assets are managed according to Section 132B.
- Section 143(1) procedures do not apply to returns filed under this section.

### Section 158BD – Undisclosed Income of any other person

- if AO finds undisclosed income during a search that belongs to **someone other than the person** originally searched,
- this information must be **transferred to the AO** responsible for that other individual. The new AO will then proceed with block assessment for the other person u/s 158BC

### Section 158BE – Time-Limit for completion of Block Assessment

- An assessment order u/s 158BC must be completed within **12 months** from the **end of the month** when the last search authorization was executed. This period **extends by 12 months** if a reference to TPO u/s 92CA is involved.
- The time taken from when a search is **initiated**, or requisition is made until the **assets** (like books or documents) are **handed over** to the relevant AO is **excluded** from the 12 Months timeframe. This **exclusion** can be **Maximum 180 days**. If, after this exclusion, the time left **expires before the end** of month, it is **extended** to the end of that month.
- If the undisclosed income relates to **any other person** (per Section 158BD), their assessment must be completed within **12 months** from the **end of the month** in which the **notice** u/s 158BC was **issued**. This period **extends by 12 months** if a reference to TPO u/s 92CA is involved

**Periods Excluded from Limitation:** Several specific timeframes are excluded from the computation of the limitation period:

- **Court Stay:** Time during which the assessment proceedings are stayed by a court order.
- **Exchange of Information:** Time taken to receive information for **international transactions** under agreements referred to in Sections 90 or 90A, (**Max 1 year**).
- **Reopening Proceedings:** Time for reopening any part of the proceedings or allowing the assessee to be re-heard u/s 129
- **Audit Requirements:** Time taken for audits or valuations requested by the AO u/s 142 / 142A.
- **Various Other References:** Timeframes related to references to Commissioners or BAR etc.

If, after excluding specified periods, the remaining time is less than **60 days**, this period is **extended to 60 days**. If the adjusted time limit **expires before** the end of a month, it is **extended to the end** of that month.

### Other Provisions

#### Levy of Interest

- If a return on total income (including undisclosed income) is not filed within deadline, **1.5% interest per month or part of the month** on tax due is charged from last date of filing of Return until assessment completion
- **No interest** u/s 234A, 234B or 234C or penalty under section 270A shall be levied or imposed upon the assessee in respect of the undisclosed income assessed or reassessed for the block period

#### Penalty on Undisclosed Income:

- The AO or Commissioner (Appeals) **may** levy a penalty **equal to 50% of the tax** on undisclosed income.
- **Relief:** Penalty will not apply if
  - The person **filed** the return as required
  - The **tax due** has been **paid** or the **seized money** was **offered** to pay the tax,
  - **Tax payment evidence** is submitted with the return,
  - **No appeal** is filed against assessed income shown in the return.
- This relief **does not apply** if the **undisclosed income** determined **exceeds** that **declared** in the **return**, in which case a penalty applies to the **excess income** only.
- Penalty can only be imposed if The assessee is given a **reasonable opportunity of being heard**,
- **Prior Approval** is required from Addi. CIT/DIT or JCIT/JDIT if the **penalty exceeds ₹2 lakhs**