

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE

LOK SABHA
STARRED QUESTION NO. 56
TO BE ANSWERED ON MONDAY, 06TH FEBRUARY, 2023/ MAGHA 17, 1944 (SAKA)

ALLEGED HARASSMENT BY INCOME TAX AUTHORITIES

56. SHRIMATI MAHUA MOITRA:

Will the Minister of FINANCE be pleased to state:

- (a) whether amendment to the Finance Act in April 2022 has resulted in changes wherein the Income Tax authorities while assessing the income tax of individuals and companies and conducting searches and raids after April 2021 have to presume the deemed acceptance of previous income that has escaped assessment and if so, the details thereof; and
- (b) whether the Income Tax authorities are reportedly using the aforesaid provision to reassess individuals and companies and conduct search and seizures by taking into account the previous income of past three years and earlier without giving prior information to the assesseees and if so, the details thereof and the reaction of the Government thereto?

ANSWER

THE MINISTER OF FINANCE

(SHRIMATI NIRMALA SITHARAMAN)

(a) to (b): A statement is laid on the Table of the House.

STATEMENT REFERRED IN REPLY TO LOK SABHA STARRED QUESTION NO. 56
FOR ANSWER ON 06th FEBRUARY, 2023

(a) and (b): No

1. The scheme for re-assessment of income escaping assessment, as laid down in Section 148 of the Income Tax Act, 1961 ('Act') was reformed by the Finance Act, 2021 & Finance Act, 2022. The new scheme was introduced with an intent to reduce litigation and provide ease of doing business to taxpayers by reducing the time limit and specifying a higher threshold by which a notice for assessment or reassessment or re-computation can be issued. Simultaneously, assessments/re-assessments/re-computation in search & seizure cases initiated after 31st March 2021 have been brought under the ambit of Section 148 in place of the erstwhile sections 153A/153C of the Act.

2. The salient features of the new scheme under Section 148 for search & seizure cases, inter-alia, include:

- In search cases, the time limit to issue notice for re-assessment was reduced to 3 years from the end of the relevant assessment year as against erstwhile 6 years period.
- Notices can now be issued beyond 3 years and upto 6 years from the end of the relevant assessment year only for cases wherein income chargeable to tax which has escaped assessment is likely to exceed rupees fifty lakh in the form of: (a) an asset; or (b) expenditure in respect of a transaction or in relation to an event or occasion; or (c) an entry or entries in the books of account as against no such threshold in the earlier regime.
- For the purpose of issuance of notice beyond 6 years and upto 10 years from the end of the relevant assessment year, the provisions for reopening of assessment are similar with respect to the threshold limit as applicable for search assessment prior to 01.04.2021.
- Before issuance of notice under Section 148 of the Act by the Assessing Officer, for reopening of assessments in search & seizure cases, prior approval of specified authority is now mandatory, which was not so for initiation of proceedings under Section 153A/153C of the Act.
- Further, if search & seizure action reveals any evidence/assets/documents, etc. belonging/relating to any person other than the searched person, prior approval of the specified authority is required to ensure that the evidence/ assets/ documents, etc. belongs/relates to that person, before the initiation of re-assessment proceedings under Section 148. As against this, no prior approval of higher authority was required for issuance of notice under Section 153C of the Act.

3. After issuance of notice u/s 148 with the approval of specified authority, the AO, following the principle of natural justice, provides adequate opportunity of being heard to the assessee before framing the assessment.
