Module 2 · Tax Management, Return and Assessment Procedure

P15 · topics 2.1–2.5

SM pp. 112–198 (exercise 199–200). 4–18 marks a paper (expected ~8): **three MCQs every paper** — (i) return filing, (ii) interest 234A/B/C, (vi)/(ix) search / survey — and now and then a **Q5(b) 234B / 234C sum** (D23, J25; PTP).

Paper	Long	MCQs
Jun'23	Q7(a) 241A, 148A, company 234C (9) · Q8(a) s.68 loan → 115BBE + 271AAC · Q3(a) survey after sunset	234A senior · stock-in-trade not seized
Dec'23	Q5(b) **234C** with late LTCG	updated return date · survey: books kept 15 days
Jun'24	–	234E fee · 194S TDS on VDA
Dec'24	Q5(b) parts: advance tax of a senior with only LTCG; 234A + 234B	234C section · 143(1) adjustments · 194-IB
Jun'25	Q5(b) **company: shortfall per instalment, 234B and 234C**	loss c/f after late return · trust late-return penalty · 143(2) time · block period
Dec'25	–	NR doctor > ₹10 lakh receipts must file · 234B after enhancement · survey cannot seize cash
Jun'26	–	foreign travel > ₹2 lakh · company 234C · stock-in-trade not seized

HOW IT IS EXAMINED · DEC'26 PREDICTION

- **MCQ (i)** return filing triggers / ITR forms — both supplementaries changed this area (ITR-1 / ITR-4 two houses; updated return 48 months; DIN).
- **MCQ (ii)** a 234A / 234B / 234C computation.
- **MCQ (vi) / (ix)** search vs survey powers; block period.
- **Q5(b) possible**: 234B + 234C instalment sum (J25 type) instead of ICDS.

MAP OF THIS MODULE

1. Return: who files, triggers, ITRs, due dates, 234F ★★★
2. Belated / revised / defective / updated return ★★
3. Assessment: 143(1), 143(2)/(3), 144, DRP, 147–149 ★★
4. Interest 234A / 234B / 234C, 244A, fees ★★★ (problems box)
5. Search, survey, block assessment ★★
6. Collection, recovery, refund, DIN ★
7. Revision sheet · SM exercise MCQs

A Return of income (2.1)

- **Must file** (s.139(1)): every company and firm; others if total income **before** ss. 54–54GB exemptions and VI-A exceeds the exemption limit. A **resident (ROR)** with any asset / signing authority / beneficial interest **outside India** must file even with no income. [SM 112]
- **Seventh proviso** — must file even below the limit if in the year: deposits over **₹1 crore** in current accounts; foreign travel over **₹2 lakh** (J26 MCQ); electricity over **₹1 lakh**; or **Rule 12AB**: business turnover over **₹60 lakhs**; professional receipts over **₹10 lakh** (D25 MCQ — even a non-resident doctor); TDS + TCS **₹25,000** or more (**₹50,000** senior); savings-bank deposits **₹50 lakh** or more. [SM 113]
- **ITR-1 Sahaj**: resident individual, salary, house property, other sources, 112A LTCG up to ₹1,25,000, total income up to **₹50 lakh** (not for directors, unlisted shares, foreign assets / income, agricultural income above **₹5,000**, 115BBE …). **ITR-4 Sugam**: individuals, HUFs, firms (not LLP) with 44AD / 44ADA / 44AE income, up to ₹50 lakh. ITR-2 / 3 / 5 / 6 / 7 for others; ITR-7 for 139(4A)–(4F). [SM 113–115]

DEC'26 SUPPLEMENTARY · ITR-1 / ITR-4

Rule 12 amended (2nd Amendment Rules 2026): ITR-1 and ITR-4 may now show **2 house properties** (the SM still says one). [Supp D26 p.3–4]

- **Due dates**: Form 3CEB cases (and their partners) **30th November**; companies, audited assessees and partners of audited firms **31st October**; others **31st July**. Verify an e-return within **30 days** (else the verification date is the filing date). [SM 116–117]
- **Fee s.234F**: ₹1,000 if total income ≤ ₹5 lakh; ₹5,000 above. [SM 117]
- **Loss return s.139(3)**: business, capital, race-horse and 35AD losses lapse if the return is late; **unabsorbed depreciation and house-property loss** still go forward (J25 MCQ; SM MCQ 2). [SM 117]
- **Belated** 139(4) and **revised** 139(5): by **31st December** of the AY or completion of assessment, earlier (belated: 234F, 234A, no profit-linked VI-A / 10AA); any return filed u/s 139(1), (4) or (5) can be revised (SM MCQ 3). **Defective** 139(9): cure in **15 days**. [SM 118–120]
- **Trusts / research bodies** late or no return u/s 139(4A) / (4C): penalty u/s 272A(2) per day of default (J25 MCQ). [SM 118–119]
- ⚠ SM conflict: SM 118–119 print ₹100 a day; the penalty table in M4 (SM 237) prints **₹500 a day** — the amended s.272A(2) figure. Answer the J25 MCQ with ₹500 per day (option C).
- Workbook: Ch 1 illustrations 14, 15 (tax audit), Ch 2 illustrations 1 (must a return be filed), 2 (belated / revised

return, fee and interest).

- **Aadhaar** s.139AA: PAN inoperative if not linked; fee up to ₹1,000 u/s 234H; PAN operative within **30 days** of intimation. [SM 122]

UPDATED RETURN · s.139(8A) / 140B

- Within **48 months** from the end of the AY (Jun'26 supp: was 24); not a loss return, not to reduce tax or raise a refund; not after search / survey / requisition, pending or completed assessment, information under PMLA / Black Money / DTAA, or prosecution. Not if a 148A notice is issued after **36 months** (unless 148A(3) says "not a fit case"). [SM 122–124] [Supp J26 p.21–22]

ADDITIONAL INCOME-TAX (ON TAX + INTEREST)

Filed within ... from end of AY	Extra
12 months	25%
12–24 months	50%
24–36 months	60%
36–48 months	70%

[SM 125] [Supp J26 p.21–22]

B Assessment (2.2)

- **s.142(1)** notice: return, accounts (not more than **3 years** before the year), information. **Special audit** s.142(2A): report within the AO's time, total not more than **180 days**. **Valuation Officer** s.142A: report in **6 months**. [SM 127–129]
- **s.143(1) processing** — only: arithmetical errors; incorrect claims apparent from the return; inconsistency with a preceding year's return (Jun'26 supp); loss set-off where that year's return was late; audit-report disallowances; 10AA / VI-A "C" deductions in a late return. No other additions (D24 MCQ). [SM 130] [Supp J26 p.22]
- ⚠ Time limit for the 143(1) intimation: the SM's text (SM 130) says 12 months from the end of the FY of the return, its own summary table (SM 149) says **9 months**. The Act (since the Finance Act 2021) says 9 months — use 9.
- **s.241A**: refund due u/s 143(1) may be **withheld** till assessment where a 143(2) notice is out (reasons, Commissioner's approval) (J23 Q7(a)). [SM 131]
- **s.143(2)** notice within **3 months** from the end of the FY in which the return is filed (J25 MCQ); **143(3)** / **144** completed within **12 months** from the end of the AY (updated return: 12 months from the end of the FY of filing). [SM 131–133]
- **s.144C DRP** (eligible assessee; draft order): objections within **30 days**; DRP directions within **9 months** from the end of the month of the draft; final order within **1 month** from the end of the month the directions are received. [SM 141–142]
- **s.144BA** GAAR reference; Approving Panel directions within **6 months**; panel term one year, up to **3 years**. [SM 143–144]
- **s.147 / 148 / 148A**: information-based; show-cause u/s 148A first. **Time** (s.149): 148A notice within **3 years** (escaped income ₹50 lakh or more with evidence: up to **5 years**); 148 notice within **3 years and 3 months** (or 5 years and 3 months). Reassessment within **12 months** from the end of the FY of the 148 notice. [SM 145–147]
- A TPO reference u/s 92CA adds **12 months** to the assessment time. Fresh assessment after 254 / 263 / 264: 12 months from the end of the FY of the order. [SM 148–149]
- **Demand** u/s 156: pay within **30 days** (shorter with JCIT approval) or interest **1%** a month u/s 220(2). [SM 150]

C Interest, fees, advance tax (2.3)

Section	When	On what	Rate · period
234A	return late / not filed	tax on assessed (or 143(1)) income − advance tax − TDS / TCS − reliefs − MAT credit (not self-assessment tax paid with the return)	1% p.m. from the day after the due date to filing (or to the 144 assessment) [SM 152–153]
234B	advance tax paid < **90%** of assessed tax	assessed tax − advance tax (after self-assessment payment: reduce by it)	1% p.m. from **1st April** of the AY to the 143(1) / regular assessment [SM 155–156]
234C	instalment short	15% / 45% / 75% / 100% of tax on **returned** income − TDS − advance tax paid by the due date	1% p.m. for **3 months** (last: **1 month**); none if **12%** paid by 15 June / **36%** by 15 September [SM 158–159]
234D	refund u/s 143(1) more than due on assessment	excess refund	**½%** p.m. from grant to assessment [SM 162]

201(1A) · 206C(7)	TDS / TCS not deducted · not paid	the tax	**1%** p.m. (not deducted / collected) · **1.50%** p.m. (deducted, not paid) [SM 152]
234E · 234G	late TDS / TCS statement · late 35 / 80G statement	–	**₹200** a day, up to the TDS / default amount (J24 MCQ) [SM 162–163]
244A	refund to the assessee	refund (none if < **10%** of tax determined)	**½%** p.m. from 1st April (return in time) (PTP MCQ; SM MCQ 5); +**3%** p.a. on appeal-effect delays [SM 165–166]

- **Rule 119A**: round the amount **down to a multiple of 100**; any part of a month is a full month. [SM 151]
- **Instalments**: 15 June 15% · 15 Sept 45% · 15 Dec 75% · 15 March 100%; 44AD / 44ADA: **100%** by 15 March. [SM 159]
- No 234C on a shortfall from **capital gains**, lottery-type income, first-year business income or **dividend** if the tax is paid in the remaining instalments / by 31 March. [SM 159]

- 234A / B / C are automatic (no hearing); demand only if the order levies them; adjusted after 154 / 250 / 254 / 263 / 264 orders. [SM 153, SM 156]
- **Waiver** of 234A / B / C by the Chief Commissioner / DG in listed cases (books seized, retrospective law, voluntary late return …). [SM 165]
- No 234A / B / C or 270A on block-period undisclosed income (s.158BF). [SM 185]

PROBLEMS BOX · Q5(b) / MCQ (ii) INTEREST u/s 234B AND 234C · 7 MARKS (D23, J25; PTP Q5(b))

STEPS

1. Tax on returned income (234C) / assessed income (234B) incl. cess, less TDS.
2. **234C** table: due % × tax − cumulative paid by each due date (late payments ignored) → round down to 100 → × 1% × 3 (last × 1). Check the 12% / 36% exemptions; capital gains enter only from the instalment after they arise.
3. **234B**: paid < 90%? shortfall × 1% × months from April to the payment / assessment.
4. 234A only if the return was late.

WORKED PATTERN · SM ILLUSTRATION 5 (A LTD, 234C) — RE-WORKED BY SCRIPT

Business income ₹80 lakh (tax + cess ₹24,96,000) + LTCG ₹10 lakh on 1-12-2025 (₹1,30,000). Paid (₹ lakh): 15 June 3.70 · 15 Sept 3.50 · 15 Dec 10.25 · 18 March 8.80 (late).

Due	Payable	Paid	Interest
15 June (15% of 24,96,000)	3,74,400	3,70,000	nil (≥ 12%)
15 Sept (45%)	11,23,200	7,20,000	12,096
15 Dec (75% of 26,26,000)	19,69,500	17,45,000	6,735
15 March (100%)	26,26,000	17,45,000	8,810
Interest u/s 234C			**27,641**

⚠ The SM prints 75% of 26,26,000 as 19,68,500 (it is 19,69,500), so its Dec interest 6,705 and total 27,611 are ₹30 short; the same slip is in Illustration 4 (39,493 → 39,523). Method unchanged.

234B · SM ILLUSTRATIONS 2–3

Firm, assessed income ₹1,05,000: tax + cess 32,760 − TDS 1,000 = assessed tax **31,760**; 90% = 28,584 > advance tax 20,000 → interest on 11,700 × 1% × 12 = **₹1,404**. With ₹10,200 self-assessment tax paid in June: April–June on 11,700 (351) + July–March on 1,800 (162) − 306 paid = **₹207**. [SM 157–158]

PRACTISE THESE

J25 Q5(b) (Surya Ltd, tax ₹15,60,000; our working: 234C 0 + 6,060 + 8,100 + 2,600 = **₹16,760**; 234B 2,60,000 × 7 months = **₹18,200** if the balance is paid with the return on 31.10.2025) · D23 Q5(b) · D24 Q5(b)(iii)/(iv) · PTP Q5(b) (234B after an enhanced assessment) · MQP MCQ (ii) · SM Illustrations 1–5 (SM 154–161) · SM problem 1 (Ms. Devi, SM 200) · MCQ bank Q10, Q51, Q107, Q154 · **ICMAI workbook Ch 2 illustrations 3, 4**.

⚠ SM problem 1 (Ms. Devi) prints ₹15,075; by the SM's own rules (part month = full month) it is 234A 1,500 + 234B 7,500 (April–10 August = 5 months) + 234C 7,575 = **₹16,575**.

TRAPS

- 234C uses **returned** income; 234B uses **assessed** income.
- A payment made after the due date (18 March) does not count for that instalment.
- Round down to 100 before multiplying.

D Survey, search and seizure (2.4)

Point	Search s.132	Survey s.133A
Timing	any day; starts after sunrise, continues till done	working hours on business days (deemed place: sunrise to sunset); may continue once started [SM 177–178]
Powers	enter, break open, search persons, **seize** books, money, bullion, jewellery, valuables; police help	inspect, verify cash / stock, **impound** books (reasons recorded), inventory, statements; **no removal of cash or stock** (D25 MCQ), no personal search, no police [SM 169, SM 177–178]
Limits	**stock-in-trade not seized** — only inventoried (J23, J26 MCQs); deemed seizure (prohibitory order) not for stock, otherwise 60 days	impounded books kept beyond **15 days** (excluding holidays) only with approval (D23 MCQ) [SM 168–171, SM 178]

- s.131 powers of a civil court; impounded books kept beyond **15 days** only with approval. Seized assets go to the jurisdictional AO within **60 days** of the last authorisation. [SM 167–170]
- **Retention** s.132(8): not beyond **1 month from the end of the quarter** in which the assessment order is made (Jun'26 supp: was 30 days), unless approved. [SM 172] [Supp J26 p.21]
- **Presumption** s.132(4A): what is found belongs to the person and is true. s.132A requisition from other authorities = deemed seizure. [SM 172–174]
- **s.132B**: seized assets adjusted against liabilities; release on application within **30 days** from the end of the month of seizure; release within **120 days**; then **½%** p.m. interest on excess. [SM 174–175]

- **Block assessment** (search on or after 1-9-2024): block period = **6** assessment years before the year of search + the current year up to the search (J25 MCQ); undisclosed income (incl. VDA) taxed at **60%** u/s 113; no set-off of b/f losses. [SM 180–182] [Supp J26 p.22–24]
- Notice u/s 158BC: return within up to **60 days**; order within **12 months from the end of the quarter** of the last authorisation (Jun'26 supp: was month); +12 months with a TPO reference. [SM 182–184]
- No 234A / B / C or 270A; penalty u/s 158BFA = **50%** of the tax on undisclosed income. TP income of the search year is outside the block (supp). [SM 185] [Supp J26 p.23–24]
- s.79A: no set-off of any loss against search / survey undisclosed income (see M1 Part 2). [SM 51]

E Collection, recovery, refund · DIN (2.5)

- **s.220**: pay a demand within 30 days; instalments / extension on application; waiver of 220(2) interest (genuine hardship, beyond control, co-operation) decided within **12 months**; s.220(6) not in default while an appeal is pending. **s.221** penalty up to the tax in arrear. [SM 188–189]
- Recovery: TRO certificate (s.222: attachment / sale, arrest, receiver); s.226 garnishee; s.228A abroad; s.281B provisional attachment. [SM 189–195]
- **Refund** s.237–245: by the return; s.239A refund to a 195 deductor who bore the tax — apply within **30 days**, order in **6 months**; s.245 set-off after intimation; refund may be withheld up to **60 days** after a pending assessment is made. [SM 197–198]

DEC'26 SUPPLEMENTARY · DIN (CIRCULAR 4/2026, 31-03-2026)

- Every notice, letter, order, summons by an income-tax authority must carry a computer-generated **Document Identification Number** (in the e-mail or an attachment; not needed on every page; not for public FAQs). [Supp D26 p.2]
- Exceptions: technical difficulty, officer away on field duty, no PAN, PAN with a non-jurisdictional AO, function not on ITBA — the document must say so; **post-facto approval within 15 days**; upload with a DIN within **15 working days**. Replaces Circular 19/2019. [Supp D26 p.2]

JUN'26 SUPPLEMENTARY · TDS / TCS (MCQ FACTS)

New thresholds e.g. 194A banks ₹50,000 (senior ₹1,00,000), 194-I ₹50,000 a month, 194J ₹50,000; 194D rate 2%; 206C(1H) TCS on sale of goods gone from 01-04-2025; s.206AB omitted. [Supp J26 p.24–26]

SM M2 EXERCISE MCQs (ANSWERS AS PRINTED)

1. Company with Form 3CEB: due date **November 30**. [SM 199]
2. Carried forward even after a late return: **unabsorbed depreciation**. [SM 199]
3. Revisable u/s 139(5): returns u/s 139(1), (4), (5) — **all**. [SM 199]
4. Scrutiny assessment = u/s **143(3)**. [SM 199]
5. Interest on refund of excess advance tax: **½% per month**. [SM 199]

Revision sheet · Module 2 (glance page)

Item	Rule / number	Item	Rule / number
Must file anyway	current a/c > ₹1 crore; foreign travel > ₹2 lakh; electricity > ₹1 lakh; turnover > ₹60 lakhs; receipts > ₹10 lakh; TDS ≥ ₹25,000 (₹50,000 senior); SB ≥ ₹50 lakh; foreign assets (ROR)	Due dates	30 Nov (3CEB) · 31 Oct (company / audit) · 31 July
ITR-1 / ITR-4	≤ ₹50 lakh; 112A ≤ ₹1.25 lakh; 2 house properties (Dec'26 supp)	234F	₹1,000 (≤ ₹5 lakh) / ₹5,000
Belated / revised	31 Dec of AY or assessment, earlier	Defective	cure in 15 days
Updated return	48 months; +25 / 50 / 60 / 70%; not after 148A notice after 36 months	Late loss return	only unabsorbed depreciation and HP loss survive
143(1) / 143(2)	9 months (⚠ SM also says 12) / 3 months from end of FY of return	143(3) / 144	12 months from end of AY
148A / 148	3 years (5 if ≥ ₹50 lakh) / 3 years 3 months (5 years 3 months)	DRP	objections 30 days; directions 9 months; order 1 month
234A / 234B	1% p.m. from due date / from 1 April (paid < 90%)	234C	15-45-75-100; 3 months each, last 1; safe if 12% / 36%
201(1A)	1% not deducted · 1.5% not paid	234E / 234G	₹200 a day
244A / 234D	½% p.m.	Rule 119A	round down to 100; part month = month
Search	no seizure of stock-in-trade; retain 1 month after quarter-end of order	Survey	no cash / stock seizure; impound 15 days; working hours
Block	6 AYs + current; 60%; order 12 months from quarter-end	132B	apply 30 days; release 120 days; ½% interest
DIN	post-facto approval 15 days; upload 15 working days	239A	apply 30 days; order 6 months

MEMORY HOOKS

- Filing triggers: **"1 crore current, 2 lakh travel, 1 lakh power; 60 trade, 10 practice, 25 TDS, 50 savings"**.
- Advance tax: **"15-45-75-100; 12 and 36 are safe"**.
- Search takes, survey looks: **"search seizes (not stock), survey impounds (15 days)"**.