

INCOME-TAX ACT, 2025

A: Procedure for assessment

Section 268 - Inquiry before assessment.

(1) For the purpose of making an assessment under this Act, the Assessing Officer may serve on any person who has made a return under section 263 or in whose case the time allowed under section 263(1) for furnishing the return has expired, a notice requiring him, on a date to be specified therein,—

(a) where such person has not made a return within the time allowed under section 263(1) or before the end of the financial year succeeding the relevant tax year, to furnish a return of his income or the income of any other person in respect of which he is assessable under this Act, in such form and verified in such manner and setting forth such other particulars as may be prescribed;

(b) to produce, or cause to be produced, such accounts or documents as the Assessing Officer may require;

(c) to furnish in writing and verified in the manner as may be prescribed information in such form and on such points or matters (including a statement of all assets and liabilities of the assessee, whether included in the accounts or not) as the Assessing Officer may require.

(2) For the purposes of sub-section (1),--

(a) the previous approval of the Joint Commissioner shall be obtained by the Assessing Officer before requiring the assessee to furnish a statement of all assets and liabilities not included in the accounts;

(b) the Assessing Officer shall not require the production of any accounts relating to a period more than three years prior to the relevant tax year.

(3) A notice under sub-section (1)(a) may also be served by the prescribed income-tax authority.

(4) For the purposes of obtaining full information in respect of the income or loss of any person, the Assessing Officer may make such inquiry as he considers necessary.

(5) If, at any stage of the proceedings before him, the Assessing Officer, having regard to--

(a) the nature and complexity of the accounts; or

(b) volume of the accounts; or

(c) doubts about the correctness of the accounts; or

(d) multiplicity of transactions in the accounts; or

(e) specialised nature of business activity of the assessee,

and interests of the revenue, is of the opinion that it is necessary so to do, he may, after giving the assessee a reasonable opportunity of being heard, and with the previous approval of the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner, direct the assessee to get either or both of the following:—

(i) to get the accounts audited by an accountant, and to furnish a report of such audit in the prescribed form duly signed and verified by such accountant and setting forth such particulars, as may be prescribed, and such other particulars as the Assessing Officer may require;

(ii) to get the inventory valued by a cost accountant, and to furnish a report of such inventory valuation

in the prescribed form as duly signed and verified by such cost accountant and setting forth such particulars, as may be prescribed, and such other particulars as the Assessing Officer may require.

(6) The accountant or the cost accountant as referred to in sub-section (5) shall be nominated by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner for the purposes of the said sub-section.

(7) The provisions of sub-section (5) shall have effect irrespective of whether or not accounts of the assessee have been audited under any other law for the time being in force or otherwise.

(8) Every report under sub-section (5) shall be furnished by the assessee to the Assessing Officer within such period as specified by the Assessing Officer.

(9) The Assessing Officer may, on his own motion, or on an application made in this behalf by the assessee and for any good and sufficient reason, subject to the provisions of sub-section (10), extend the period referred to in sub-section (8) by such further period or periods as he thinks fit.

(10) The aggregate of the period originally fixed under sub-section (8) and the period or periods so extended, as referred to in sub-section (9), shall not, in any case, exceed six months from the end of the month in which the direction under sub-section (5) is received by the assessee.

(11) The expenses of any audit or inventory valuation under sub-section (5) (including incidental expenses and remuneration of the accountant or the cost accountant) shall be—

(a) determined by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner as per such guidelines issued in this behalf; and

(b) paid by the Central Government.

(12) The assessee shall, except where the assessment is made under section 271, be given an opportunity of being heard in respect of any material gathered on the basis of any inquiry under sub-section (4), or any audit or inventory valuation under sub-section (5) and proposed to be utilised for the purposes of the assessment.

(13) For the purposes of this section, “cost accountant” means a cost accountant as defined in section 2(1)(b) of the Cost and Works Accountants Act, 1959 and who holds a valid certificate of practice under section 6(1) of the said Act.