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INCOME-TAX ACT, 2025

Chapter XXIII: MISCELLANEOUS

**Section 500 - Provisional attachment to protect revenue in certain cases.**

(1) Where, during the pendency of any proceeding for—

(a) the assessment of any income or for the assessment or reassessment of any income, which has escaped assessment; or

(b) imposition of penalty under section 444, where the amount or aggregate of amounts of penalty likely to be imposed under the said section exceeds two crore rupees,

the Assessing Officer is of the opinion that for protecting the interests of the revenue it is necessary so to do, he may, with the previous approval of the Competent Authority by order in writing, attach provisionally any property belonging to the assessee in the manner prescribed in section 413.

(2) Every provisional attachment under sub-section (1) shall cease to have effect after the expiry of six months from the date of the order made under the said sub-section.

(3) The Competent Authority may, for reasons to be recorded in writing, extend the period referred to in sub-section (2) and the total period of such extension shall not exceed two years or sixty days after the date of order of assessment or reassessment, whichever is later.

(4) Where the assessee furnishes a guarantee from a scheduled bank for an amount not less than the fair market value of the property provisionally attached under sub-section (1), the Assessing Officer shall, by an order in writing, revoke such attachment.

(5) For the purposes of sub-section (4), where the Assessing Officer is satisfied that a guarantee from a scheduled bank for an amount lower than the fair market value of the property is sufficient to protect the interests of the revenue, he may accept such guarantee and revoke the attachment.

(6) The Assessing Officer may, for determining the value of the property provisionally attached under sub-section (1), make a reference to the Valuation Officer, who shall estimate the fair market value of the property in the manner provided under section 269(3) to (7), and submit a report of such estimate to the Assessing Officer within thirty days from the date of receipt of the reference.

(7) An order revoking the provisional attachment under sub-section (4) or (5) shall be made—

(a) within forty-five days from the date of receipt of the guarantee, where a reference to the Valuation Officer has been made under sub-section (6); or

(b) within fifteen days from the date of receipt of guarantee, in any other case.

(8) Where a notice of demand specifying a sum payable is served upon the assessee and the assessee fails to pay that sum within the time specified, the Assessing Officer may invoke the guarantee furnished under sub-section (4) or (5), wholly or in part, to recover the amount.

(9) The Assessing Officer shall, in the interests of revenue, invoke the bank guarantee, if the assessee fails to renew the guarantee referred to in sub-section (4) or (5), or fails to furnish a new guarantee from a scheduled bank for an equal amount, before fifteen days of its expiry.

(10) The amount realised by invoking the guarantee referred to in sub-section (4) or (5) shall be adjusted against the existing demand which is payable by the assessee; and the balance amount, if any, shall be deposited in the Personal Deposit Account of the Principal Commissioner or Commissioner in the branch of, —

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(a) the Reserve Bank of India or the State Bank of India;or

(b) any bank as may be appointed by the Reserve Bank of India as its agent under section 45(1) of the Reserve Bank of India Act, 1934 at the place where the office of the Principal Commissioner or Commissioner is situated.

(11) Where the Assessing Officer is satisfied that the guarantee referred to in sub-section (4) or (5) is not required any more to protect the interests of the revenue, he shall release that guarantee forthwith.

(12) For the purposes of this section, “Competent Authority” means the Principal Chief Commissioner or Chief Commissioner, Principal Commissioner or Commissioner, Principal Director General or Director General or Principal Director or Director.

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