



**COLLECTION OF INSTRUCTIONS**

**RELATED TO LIMITED**

**SCRUTINY ASSESSMENT**

Instruction No. 7/2014

**Government of India  
Ministry of Finance  
Department of Revenue (CBDT)**

Room No. 143E, North-Block, New-Delhi  
Dated the 26<sup>th</sup> of September, 2014

To

All Pr. Chief-Commissioners of Income-tax/Chief-Commissioners of Income-tax  
All Pr. Directors-General of Income-tax/Directors-General of Income-tax

Sir/Madam

**Subject: - Scope of enquiry in cases selected for scrutiny during the Financial Year 2014-2015 on basis of AIR/CIB /26AS mis-match-regarding-**

It has come to the notice of the Board that during the scrutiny assessment proceedings some of the AOs are routinely calling for information which is not relevant, for enquiry into the issues to be considered. This has been causing undue harassment to the taxpayers and has also drawn adverse criticism from several quarters. Further, feedback and analysis of such orders indicates that many times the core issues, which formed the basis of selection of the case for scrutiny were not examined properly. Such instances primarily occurred in cases selected for scrutiny under Computer Aided Scrutiny Selection ('CASS') for verification of specific information obtained from third party sources which apparently did not match with the details submitted by the taxpayer in the return-of-income.

2. Therefore, for proper administration of the Income-tax Act, 1961 ('Act'), Central Board of Direct Taxes, by virtue of its powers under section 119 of the Act, in supersession of earlier instructions/guidelines on this subject, hereby directs that the cases selected for scrutiny during the Financial Year 2014-2015 under CASS, on the basis of either AIR data or CIB information or for non re-reconciliation with 26AS data, the scope of enquiry should be limited to verification of these particular aspects only. Therefore, in such cases, an Assessing Officer shall confine the questionnaire and subsequent enquiry or verification only to the specific point(s) on the basis of which the particular return has been selected for scrutiny.

3. The reason(s) for selection of cases under CASS are displayed to the Assessing Officer in AST application and notice u/s 143(2), after generation from AST, is issued to the taxpayer with the remark "Selected under Computer Aided Scrutiny Selection (CASS)". The functionality in AST is being modified suitably to flag the reasons for scrutiny selection in AIR/CIB/26AS cases. This functionality is expected to be operationalised by 15<sup>th</sup> October, 2014. Further, the Assessing Officer while issuing notice under section 142(1) of the Act which is enclosed with the first questionnaire would proceed to verify only the specific aspects requiring examination/verification. In such cases, all efforts would be made to ensure that assessment proceedings are completed expeditiously in minimum possible number of hearings without unnecessarily dragging the case till the time-barring date.

4. In case, during the course of assessment proceedings, it is found that there is potential escapement of income exceeding Rs. 10 lakhs (for non-metro charges, the monetary limit shall be Rs. 5 lakhs) on any other issue(s) apart from the AIR/CIB/26AS information based on which the case was selected under CASS requiring substantial verification, the case may be taken up for comprehensive scrutiny with the approval of the Pr. CIT/DIT concerned. However, such an approval shall be accorded by the Pr. CIT/DIT in writing after being satisfied about merits of the issue(s) necessitating wider and detailed scrutiny in the case. Cases so taken up for detailed scrutiny shall be monitored by the Jt. CIT/Addl. CIT concerned.

5. The contents of this Instruction should be immediately brought to the notice of all concerned for strict compliance.

6. Hindi version to follow.



(Rohit Garg)

Deputy Secretary to the Government of India

(F.No.225/229/2014-ITA.II)

**Copy to:**

1. Chairman and all Members of CBDT
2. All Officers and Technical Sections of CBDT
3. Director of Income tax (Inv.)/IT & Audit/Vigilance/Inv./RSP&PR/Recovery
4. Director of Income tax (O&MS), New Delhi
5. ITCC Division of CBDT (3 copies)
6. Database Cell for uploading on IRS Officers website
7. Guard File



(Rohit Garg)

Deputy Secretary to the Government of India

Government of India  
Ministry of Finance  
Department of Revenue  
Central Board of Direct Taxes

North Block, New Delhi, the 29<sup>th</sup> of December, 2015

**Subject: Scrutiny Assessments-some important issues and scope of scrutiny in cases selected through Computer Aided Scrutiny Selection ('CASS')-reg .-**

The Central Board of Direct Taxes ('CBDT'), vide Instruction No. 7/2014 dated 26.09.2014 had clarified the extent of enquiry in certain category of cases specified therein, which are selected for scrutiny through CASS. Further clarifications have been sought regarding the scope and applicability of the aforesaid Instruction to cases being scrutinized.

2. In order to facilitate the conduct of scrutiny assessments and to bring further clarity on some of the issues emerging from the aforesaid Instruction, following clarifications are being made.

- i Year of applicability: As stated in the Instruction No. 7/2014, the said Instruction is applicable only in respect of the cases selected for scrutiny through CASS-2014
- ii Whether the said Instruction is applicable to all cases selected under CASS: The said Instruction is applicable where the case is selected for scrutiny under CASS only on the parameter(s) of AIR/CIB/26AS data. If a case has been selected under CASS for any other reason(s)/parameter(s) besides the AIR /CIB/26AS data, then the said Instruction would not apply.
- iii Scope of Enquiry: Specific issue based enquiry is to be conducted only in those scrutiny cases which have been selected on the parameter(s) of AIR/CIB/26AS data. In such cases, the Assessing Officer, shall also confine the Questionnaire only to the specific issues pertaining to AIR/CIB/26AS data. Wider scrutiny in these cases can only be conducted as per the guidelines and procedures stated in Instruction No. 7/2014.
- iv Reason for selection: In cases under scrutiny for verification of AIR/CIB/26AS data, the Assessing Officer has to intimate the reason for selection of case for scrutiny to the assessee concerned.

3. As far as the returns selected for scrutiny through CASS-2015 are concerned, two type of cases have been selected for scrutiny in the current Financial Year - one is 'Limited Scrutiny' and other is 'Complete Scrutiny'. The assessees concerned have duly been intimated about their cases falling either in 'Limited Scrutiny' or 'Complete Scrutiny' through notices issued under section 143(2) of the Income-tax Act, 1961 ('Act'). The procedure for handling 'Limited Scrutiny' cases shall be as under:

- a. In 'Limited Scrutiny' cases, the reasons/issues shall be forthwith communicated to the assessee concerned.

- b. The Questionnaire under section 142( 1) of the Act in 'Limited Scrutiny ' cases shall remain confined only to the specific reasons/issues for which case has been picked up for scrutiny . Further, the scope of enquiry shall be restricted to the 'Limited Scrutiny ' issues.
- c. These cases shall be completed expeditiously in a limited number of hearings.
- d. During the course of assessment proceedings in ' Limited Scrutiny ' cases, if it comes to the notice of the Assessing Officer that there is potential escapement of income exceeding Rs. five lakhs (for metro charges, the monetary limit shall be Rs. ten lakhs) requiring substantial verification on any other issue(s) , then , the case may be taken up for 'Complete Scrutiny ' with the approval of the Pr. CIT/CIT concerned . However , such an approval shall be accorded by the by the Pr. CIT/CIT in writing after being satisfied about merits of the issue(s) necessitating 'Complete Scrutiny' in that particular case. Such cases shall be monitored by the Range Head concerned. The procedure indicated at points (a), (b) and (c) above shall no longer remain binding in such cases. (For the present purpose, 'Metro charges' would mean Delhi, Mumbai, Chennai, Kolkata, Bengaluru, Hyderabad and Ahmedabad).
4. The Board further desires that in all cases under scrutiny, where the Assessing Officer proposes to make additions or disallowances, the assessee would be given a fair opportunity to explain his position on the proposed additions/disallowances in accordance with the principle of natural justice. In this regard, the Assessing Officer shall issue an appropriate show-cause notice duly indicating the reasons for the proposed additions/disallowances along with necessary evidences/ reasons forming the basis of the same. Before passing the final order against the proposed additions/disallowances due consideration shall be given to the submissions made by the assessee in response to the show cause notice.
5. The contents of this Instruction should be immediately brought to the notice of all concerned for strict compliance.
6. Hindi version to follow.

(Ankita Pandey)  
Under Secretary to Government of India

(F. No. 225/269/2015-ITA.II)



Government of India  
Ministry of Finance  
Department of Revenue  
Central Board of Direct Taxes

North Block, New Delhi, the 14<sup>th</sup> of July, 2016

**Subject: Direction regarding scope of enquiry in cases under 'Limited Scrutiny' selected through CASS 2015 & 2016-regd.-**

Vide Instruction No.20/2015 dated 29.12.2015 in File of even number, Board has laid down Standard Operating Procedure for handling of cases under 'Limited Scrutiny' which were selected through Computer Aided Scrutiny Selection in 'CASS Cycle 2015'. In these cases, it was stated that the general scope of enquiry in scrutiny proceedings should be restricted to the relevant parameters which formed the basis for selecting the case for scrutiny. However, in revenue potential cases, it was further provided that 'Complete Scrutiny' could be conducted, if there was potential escapement of income above a prescribed monetary limit, subject to the approval of administrative Pr. CIT/CIT/Pr. DIT/DIT.

2. In order to ensure that maximum objectivity is maintained in converting a case falling under 'Limited Scrutiny' into a 'Complete Scrutiny' case, the matter has been further examined and in partial modification to Para 3(d) of the earlier order dated 29.12.2015, Board hereby lays down that while proposing to take up 'Complete Scrutiny' in a case which was originally earmarked for 'Limited Scrutiny', the Assessing Officer ('AO') shall be required to form a reasonable view that there is possibility of under assessment of income if the case is not examined under 'Complete Scrutiny'. In this regard, the monetary limits and requirement of administrative approval from Pr. CIT/CIT/Pr. DIT/DIT, as prescribed in Para 3(d) of earlier Instruction dated 29.12.2015, shall continue to remain applicable.
3. Further, while forming the reasonable view, the Assessing Officer would ensure that:
  - a. there exists credible material or information available on record for forming such view;
  - b. this reasonable view should not be based on mere suspicion, conjecture or unreliable source; and
  - c. there must be a direct nexus between the available material and formation of such view.
4. It is further clarified that in cases under 'Limited Scrutiny', the scrutiny assessment proceedings would initially be confined only to issues under 'Limited Scrutiny' and questionnaires, enquiry, investigation etc. would be restricted to such issues. Only upon conversion of case to 'Complete Scrutiny' after following the procedure outlined above, the AO may examine the additional issues besides the issue(s) involved in 'Limited Scrutiny'. The AO shall also expeditiously intimate the taxpayer concerned regarding conducting 'Complete Scrutiny' in such cases.

5. It is also clarified that once a case has been converted to 'Complete Scrutiny', the AO can deal with any issue emerging from ongoing scrutiny proceedings notwithstanding the fact that the reason for such issue have not been included in the Note.

6. To ensure proper monitoring in cases which have been converted from 'Limited Scrutiny' to 'Complete Scrutiny', it is suggested that provisions of section 144A of the Act may be invoked in suitable cases. To prevent possibility of fishing and roving enquiries in such cases, it is desirable that these cases should invariably be picked up while conducting Review or Inspection by the administrative authorities.

7. The above Instruction shall be applicable from the date of its issue and would cover the cases selected under CASS 2015 which are pending scrutiny cases as well as cases selected/being selected under the CASS 2016.

8. The contents of this Instruction may be brought to the notice of all for necessary compliance.

9. Hindi version to follow.



(Rohit Garg)

Deputy Secretary to the Government of India

(F.No. 225/269/2015-ITA.II)

Copy to:

1. Chairman and all Members of CBDT
2. PPS to Secretary (Revenue)
3. O/o Pr.Director General of Income Tax (Systems) with request for uploading on official website in public domain
4. All Pr.Chief-Commissioners/Directors-General of Income-tax
5. All Officers and Technical Sections of CBDT
6. ITCC Division of CBDT (3 copies)
7. Addl./Jt. CIT Database Cell for uploading on IRS Officers website
8. ADG(PR,PP&OL) with request to post a tweet on official handle of the Department
9. Guard File



(Rohit Garg)

Deputy Secretary to the Government of India

# Unauthorized expansion of scope of limited scrutiny- CBDT suspends officers

 [taxguru.in/income-tax/unauthorized-expansion-scope-limited-scrutiny-cbd-t-suspends-officers.html](http://taxguru.in/income-tax/unauthorized-expansion-scope-limited-scrutiny-cbd-t-suspends-officers.html)

TG Team

F.No. DGIT(Vig.)/HQ/SI/2017-18

Government of India

Ministry of Finance

Department of Revenue

Central Board of Direct Taxes

New Delhi-110001

Dated: 30th November, 2017

Subject: Unauthorized expansion of the scope of limited scrutiny – instructions – reg.,

CBDT has issued detailed guidelines/ directions for completion of cases of limited scrutiny selected through CASS module. These guidelines postulate that an Assessing Officer, in limited scrutiny cases cannot travel beyond the issues for which the case was selected. The idea behind such stipulations was to enforce checks and balances upon powers of an AO to do fishing and roving inquiries in cases selected for limited scrutiny.

2. Further, the guidelines for proper maintenance of order sheets have been given in the Manual of Office Procedure issued by the Directorate of Organisation and Management Services. The Manual clearly lays down: –

A. The minutes of the hearing must be entered with date, in the order-sheet.

B. Make proper order-sheet entries for each posting, hearing and seeking and granting of adjournments.

C. If nobody attends a hearing or the request for adjournment comes after the hearing date, enter the facts in the order-sheet.

Maintenance of a cursory and cryptic order sheet shows irresponsible, ad hoc and undisciplined working of any officer.

3. Instances have come to notice of CBDT where some Assessing Officers are travelling beyond their jurisdiction while making assessments in Limited Scrutiny cases by initiating inquiries on new issues without complying with mandatory requirements of the relevant CBDT Instructions dated 26.09.2014, 29.12.2015 and 14.07.2016. These instances have been viewed very seriously by the CBDT and in one case the Central Inspection Team of the CBDT was tasked with examination of assessment records on receipt of allegations of several irregularities. Amongst other irregularities, **it was found that no reasons had been recorded for expanding the scope of limited scrutiny, no approval was taken from the**



**PCIT for conversion of the limited scrutiny case to a complete scrutiny case and the order sheet was maintained very perfunctorily. This gave rise to a very strong suspicion of mala fide intentions. The Officer concerned has been placed under suspension.**

4. In view of discussion in the preceding paragraphs it is once again reiterated that the Assessing Officers should abide by the instructions of CBDT while completing limited scrutiny assessments and should be scrupulous about maintenance of note sheets in assessment folders.

(Rakesh Gupta)

ADO (V) HQ-I

New Delhi



GOVERNMENT OF INDIA

OFFICE OF THE PRINCIPAL CHIEF COMMISSIONER OF INCOME-TAX, TAMILNADU

Aayakar Bhawan, 121, Mahatma Gandhi Road, Nungambakkam, Chennai - 600 034

Telephone: 28338008

Telefax: 28338312

C.No. CHE/Coord/101(25)/2017-18

Date: 07.12.2017.

To

The Chief Commissioner of Income Tax

Chennai 1 / Chennai 2 / Chennai 3 / Chennai 4 / TDS / Madurai / Trichy / Coimbatore

The Director General of Income Tax (Investigation), Chennai

The Pr.CsIT, 1 to 10, Chennai

The Pr.CsIT, Central-1 / Central-2, Chennai

The Pr.CsIT, Puducherry / Trichy / Madurai / Coimbatore

The CIT- LTU, Chennai

Sir/ Madam,

Sub: Limited Scrutiny – Unauthorised expansion of scope – reg.

Ref: C.No. CHE/Coord/101(25)/2017-18 dated 01.12.2017 & 07.12.2017.

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Please refer to the subject and the letters under reference cited above.

In continuation of today's letter on the subject, I am directed to inform that the Rangehead(s)/Pr.CsIT shall not insist upon the issuance of letter(s) by the assessing officers to the assessee(s) and that the instruction on compliance is modified to that extent.

Yours faithfully,

**(V. PALANIVEL RAJAN)**

Commissioner of Income Tax (Admn. & TPS)

O/o Pr.CCIT, TN & Pdy

**F.No. 225/402/2018/ITA.II**  
**Government of India**  
**Ministry of Finance**  
**Department of Revenue (CBDT)**

**North Block, New Delhi, the 28<sup>th</sup> of November, 2018**

**To**

**All Principal Chief-Commissioners of Income-tax/All Principal Director-Generals of Income-tax**

Sir/Madam,

**Subject: Scope of enquiry in Limited Scrutiny cases selected under CASS cycles 2017 and 2018 in the context of information provided by any law-enforcement/intelligence/regulatory authority or agency-regd.-**

Under CASS cycles 2017 and 2018, some of the cases were selected for scrutiny as a 'Limited Scrutiny' case. In 'Limited Scrutiny' cases, Assessing Officer cannot travel beyond the issue(s) for which the case was selected. The idea behind such a stipulation is to enforce checks and balances upon powers of an Assessing Officer to do fishing and roving enquiries in cases under 'Limited Scrutiny'.

2. In this regard, several representations have been received in the Board from the field authorities that in several cases under 'Limited Scrutiny', information pointing out specific tax-evasion for the relevant year, given by any law-enforcement/intelligence/regulatory authority or agency is available with the concerned Assessing Officer, however, in view of the restrictive nature of enquiry/investigation which can be made in 'Limited Scrutiny' cases, the same presently cannot be acted upon.

3. The matter has been considered by the Board. In order to enable proper enquiry/investigation in pending 'Limited Scrutiny' cases which were selected through CASS cycles of 2017 and 2018, where credible material or information has been/is provided by any law-enforcement/intelligence/regulatory authority or agency regarding tax-evasion by an assessee, it has been decided by the Board that issues arising from such information can also be examined during the course of conduct of assessment proceedings in such 'Limited Scrutiny' cases with prior administrative approval of the concerned Pr. CIT/CIT.

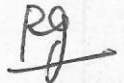
4. It is pertinent to mention that unlike CASS 2015 and 2016 cycles, where consideration of any additional issue lead to the conversion of case to 'Complete Scrutiny' as laid down in Instruction No. 5/2016 dated 14.07.16, the pending 'Limited Scrutiny' cases of CASS 2017 and 2018 cycles would not be taken up for 'Complete Scrutiny' as the present directive is only to facilitate consideration of those issues wherein specific information of tax-evasion has been furnished by any law-enforcement/intelligence/regulatory authority or agency. Therefore, in such 'Limited Scrutiny' cases, Assessing Officer shall not expand the scope of enquiry/investigation beyond the issue(s) on which the case was flagged for 'Limited Scrutiny' & issue arising from nature of information mentioned in para 2 and 3, above.

5. The following procedure shall be adopted while examining the additional issue:

- i. The Assessing Officer shall duly record the reasons for expanding the scope of 'Limited Scrutiny' to the extent mentioned in para 2 and 3, above;
- ii. The same shall be placed before the Pr. CIT/CIT concerned and upon his approval, further issue can be considered during the assessment proceeding;
- iii. The Assessing Officer shall issue an intimation to the assessee concerned that additional issue would also be considered during the course of pending assessment proceeding;
- iv. To ensure proper monitoring in these cases, provisions of section 144A of the Income-tax Act, 1961 may be invoked in suitable cases. Further, to prevent fishing and roving enquiries in these cases, it is desirable that these cases are invariably picked up for Review/Inspection by the administrative authorities.

6. The above directive shall be applicable from the date of its issue and shall apply to the pending 'Limited Scrutiny' cases which were selected under the CASS 2017 and 2018 cycles. It is reiterated that the grounds mentioned in para 3 above are the only grounds on which a 'Limited Scrutiny' case of CASS 2017 and 2018 cycles can be expanded in its scope and that too only to the extent of the issues referred to by the law-enforcement/intelligence/regulatory authority or agency .

7. It may be brought to the notice of all for necessary compliance.



(Rohit Garg)  
Director (ITA.II), CBDT

Copy to:-

- Chairman, CBDT & All Members, CBDT
- Addl. CIT (Database Cell) for uploading on the departmental website