

CBDT Releases New Guidelines; Clarifies Parameters for Compulsory Selection of Returns for Complete Scrutiny During FY 2023-24

On May 24, 2023, the Central Board of Direct Taxes (CBDT) issued an important clarification that highlights the guidelines for compulsory selection for returns for complete scrutiny during the financial year 2023-2024.

The parameters for compulsory selection of returns for Complete Scrutiny during Financial Year 2023-24 are prescribed as under:-

1. Cases pertaining to survey u/s 133A of the Income Tax Act, 1961 {hereinafter referred to as 'the Act'}

Returns filed for the assessment year relevant to the previous year in which survey was conducted under section 133A of the Act. However, the following cases are excluded from such compulsory scrutiny, where:

- Books of accounts, documents, etc. were not impounded
- Return of Income (excluding any disclosure of income made during the Survey) is not less than the returned income of preceding assessment year.
- Assessee has not retracted from the disclosure referred to in point ii above.



2. Cases pertaining to search and seizure

Search & Seizure/requisition prior to 1.04.2021:

Assessments in search & seizure cases to be made under sections 153A, 153C read with section 143(3) of the Act;

Return filed for assessment year relevant to the previous in which the search was conducted under section 132 or requisition was made under section 132A of the Act.

Search & Seizure/requisition post 1.04.2021:

Assessments in search & seizure cases under section 132/132A conducted on or after April 1, 2021.

3. Cases in which notices u/s 142(1) of the Act, calling for return, have been issued and no returns have been furnished:

Cases where no returns were furnished in response to a notice under section 142(1) of the Act

4. Cases in which notices u/s 148 of the Act have been issued

Cases where the return is either furnished or not furnished in response to notice under section 148 of the Act:

- i) Cases, where notices under section 148 of the Act have been issued pursuant to search & seizure/survey actions conducted on or after the 1st day of April 2021.
- ii) Cases other than search & seizure /survey.

5. Cases related to registration/approval under various sections of the Act, such as 12A, 12AB, 35(1)(ii)1 (iia)1 (iii), 10(23C), etc.

Cases where registration/approval under various sections of the Act, such as section 12A, 12AB, 35 (1)(ii)/(iia)/(iii), 10(23C), have not been granted or have been cancelled/withdrawn by the Competent Authority, yet the assessee has been found to be claiming tax-exemption/deduction in the return. However, where such orders of withdrawal of registration/approval have been reversed/set-aside in appellate proceedings, those cases will be selected under this clause.

6. Cases involving addition in an earlier assessment year(s) on a recurring issue of law or fact and/or law and fact

Where the addition is:

- Exceeding INR 25 lakh in eight metro charges at Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata, Mumbai and Pune;
- Exceeding INR 10 lakh in charges other than eight metro charges;

And where such an addition:

- Has become final, as no further appeal has been preferred against the assessment order; or
- Has been upheld by the Appellate Authorities in favor of Revenue; even if further appeal of assessee is pending, against such order.

7. Cases related to specific information regarding tax-evasion

Cases, in respect of which:

- Specific information pointing out tax evasion for the relevant assessment year is provided by any law enforcement agency, (Investigation Wing / Intelligence / Regulatory Authority / Agency, etc.) and;
- The return for the relevant assessment year is furnished by the assessee.

Furthermore, clause 5 of the circular clarifies that as per the amendments brought by Finance Act 2021, the time limit for service of notice under section 143(2) of the Act has been reduced to three months from end of the Financial Year in which the return is filed.

- As such, for actions related to cases under Parameters at S.No.4(ii), 5, 6 and 7, the following timelines shall be followed:

S. No.	Action	Last Date
1.	Selection and transfer of cases, wherein assessments have to be completed in faceless manner, to NaFAC	09.06.2023
2.	Service of Notice U/S 143(2) of the Act in cases selected for Compulsory Scrutiny	30.06.2023

- For all the cases selected for Compulsory Scrutiny, service of Notice under section 143(2) of the Act shall be completed within the statutory timeline i.e., by 30.06.2023.

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