SURVEY & SEARCH INCLUDING BLOCK ASSESSMENT

RANO JAIN LEGAL

411, B-09, ITL TWIN TOWER,

NETAJI SUBHASH PLACE,

PITAMPURA,

DELHI-110034

WWW.RANOJAINLEGAL.COM

HISTORY OF SEARCH ASSESSMENTS

- Before 01.07.1995- Regular reassessments
- 01.07.1995 to 31.05.2003- Block Assessment 158BC/158BD
- 01.06.2003 to 31.03.2021- 153A/153C Separate Assessment of each year
- 01.04.2021to 31.08.2024- Under the ambit of 148, considered deemed information
- 01.09.2024 onwards- Again block assessment 158BC/158BD
- From 01.04.2026- Block assessment 294/295 of Income Tax Act, 2025

SEARCH AND SEIZURE

- Authorisation
- Physical conduct of search
- Seizure and conclusion of search
- Proceedings before Investigation wing
- Preparation of Appraisal Report
- Assessment starts after receipt of appraisal report
- Notice under section 294 **[Section 158BC]**

SPECIAL PROCEDURE FOR ASSESSMENT OF SEARCH CASES

CHAPTER XVI **[XIVB]**

Legislative Framework

Income Tax Act 2025	Heading	Income Tax Act 1961	Heading
Section 301	Interpretation	**Section 158B**	Definition
Section 292	Assessment of total undisclosed income as a result of search	**Section 15BA**	Assessment of total undisclosed income as a result of search
Section 293	Computation of total undisclosed income of block period	**Section 158BB**	Computation of total undisclosed income of block period
Section 294	Procedure for block assessment	**Section 158BC**	Procedure for block assessment
Section 295	Undisclosed income of any other person	**Section 158BD**	Undisclosed income of any other person

Income Tax Act 2025	Heading	Income Tax Act 1961	Heading
Section 296	Time-limit for completion of block assessment	**Section 158BE**	Time limit for completion of block assessment
Section 297	Certain interests and penalties not to be levied or imposed.	**Section 158BF**	Certain interests and penalties not to be levied or imposed
Section 298	Levy of interest and penalty in certain cases	**Section 158BFA**	Levy of interest and penalty in certain cases
Section 299	Authority competent to make assessment of block period.	**Section 158BG**	Authority competent to make the block assessment
Section 300	Application of other provisions of Act.	**Section 158BH**	Application of other provisions of this Act

Concept and Scope of Block Assessment Section 292 to section 301

Section 301 – Definitions [Section 158B]

- "**block period**" means the aggregate of—
  - (*i*) the period comprising **six tax years preceding the tax year in which the search was initiated or any requisition was made**; and
  - (*ii*) the period starting from the 1st April of the tax year in which search was initiated or requisition was made and ending on the date of the execution of the last of the authorisations for such search or such requisition
- "**requisition**" means requisition of books of account, other documents or any assets under section 248 **[Section 132A]**;
- "**search**" means a search initiated under Section 247 **[Section 132]**;

- “**the last of the authorisations**” shall be deemed to have been executed,—
  - in the case of search, on the conclusion of search as recorded in the last *panchnama* drawn in relation to any person in whose case the warrant of authorisation has been issued, irrespective of whether or not any seizure is recorded in such *panchnama*
  - in the case of requisition, on the actual receipt of the books of account or other documents or assets by the Authorised Officer;
- “**undisclosed income**” includes any money, bullion, jewellery, virtual digital asset or other valuable article or thing or any expenditure or any income based on any entry in the books of account or other documents or transactions, where such money, bullion, jewellery, virtual digital asset, valuable article, thing, entry in the books of account or other document or transaction represents wholly or partly income or property which has not been or would not have been disclosed for the purposes of this Act, or any expense, exemption, deduction or allowance claimed under this Act which is found to be incorrect, in respect of the block period.

ISSUES- Section 301 [S.158B]

- Meaning of 'last of authorization'

  includes the phrase *'irrespective of whether or not any seizure is recorded in such panchnama'*
- This phrase added in Income Tax Act, 2025

UNDISCLOSED INCOME:

- Money

  Bullion

  Jewellery

  Virtual digital Asset

  Valuable article or thing

  Any income- based on- books of accounts, other documents, transaction:

  - represents- wholly/partly
  - income
  - has not been/ would not have been

Disclosed for the purpose of this Act

- Expense, exemption, deduction or allowance

  Which is found to be incorrect

Assessment of total undisclosed income as a result of search - Section 292 [Section 158BA]

- Irrespective of any other provision, where the search or requisition has been made on or after 01.04.2026 **[01.09.2024]** then the AO will assess or reassess total undisclosed income under the said chapter.
- The income other than the undisclosed income in respect of the search year shall be assessed as per the other provisions(normal provisions) of the Income Tax Act, 2025
- The total undisclosed income relating to the block period shall be charged at the rate of 60% + surcharge if applicable.

Abatement & Revival of Proceedings on Search/Requisition - Section 292 [Section 158BA]

Topic	Key Points
Abatement of pending proceedings	• Any pending assessment/reassessment for a tax year within the block period, pending as on the date of search/requisition, stands (deemed) abated on that date. • Any assessment/reassessment notice issued for a block-period tax year (other than the search year itself) between the date of search/requisition and the date of the final block assessment order also abates — deemed abated on the date that notice is issued. • Likewise, where a reference has been made to the TPO or a TPO order is passed, the related assessment/reassessment/recomputation proceedings also abate on the date of search/requisition.
Sequencing of assessments (subsequent search during pending assessment)	• If a new search/requisition occurs while assessment from an earlier search/requisition is still pending, the earlier one must be completed first. • The assessment for the subsequent search/requisition is taken up only after. • If less than 3 months remain to complete later search assessment, then the time limit is extended by 3 months from the end of the month in which the earlier assessment order is passed.

Topic	Key Points
Revival of proceedings on reversal of cancellation	• If a search assessment is cancelled by an appellate authority/court, the earlier abated proceedings revive. • If that cancellation order is itself later reversed/overturned, the revival stops and the proceedings cease to be active again.

ISSUES- Section 292 [158BA]

- Return for block period

  Six tax years preceding the tax year in which search has happened

  + period from 1st April of Search year to date of last authorization

^ Six years + part of the year in general

^ Six years+ maybe more than one year depending on the date of initiation and last of authorization

- Separate regular return for tax year in which search was conducted
- All pending assessment proceedings will abate
- If earlier search proceedings going on those will be completed first then the present proceedings will start- at least three months from the end of the month in which earlier proceedings completed

Computation of total undisclosed income of block period - Section 293 [Section 158BB]

- The total undisclosed income for the block period shall comprise the undisclosed income declared by the assessee in the return of income filed in response to the notice issued under section 294 **[Section158BC]** of the Act and the undisclosed income determined by the AO during the search assessment.
- The undisclosed income shall be computed by the AO on the basis of evidence found during search/survey/requisition and on the basis of any other material or information which are either available with the assessee or comes to his notice during the proceedings.

- For computing undisclosed income during the block period of a firm, undisclosed income is calculated before deducting payments to non-working partners.
- For computation of total undisclosed income of the block period, the provisions of section 102, 103, 104, 105 **[Section 68,69,69A,69B, 69C]** shall apply as the case may be.

ISSUES- Section 293 [158BB]

- Income of the tax year ending before tax year in which search happened
- Income from 1st April to the day before search initiated, of the search year
- Income from the date of initiation to the conclusion of search

- On the basis of books of accounts and documents maintained in the Normal course

- Shall not be included in total undisclosed income

* If in A.O.'s opinion any income as above is undisclosed, he may take that in consideration

Procedure of Block Assessment under section 294 [Section 158BC]

Step 1: Issuance of notice

- The AO will issue notice u/s 294 in respect of search or requisition, requiring him to furnish return of income within a period specified in the notice setting forth the undisclosed income for the block period.
- The AO before issuance of the said notice will take prior approval from Additional Commissioner or Additional Director or Joint Commissioner or Joint Director.
- The time period must not exceed 60 days.
- Such return shall be considered as it was furnished under section 263 **[Section 139]** and thereafter notice under section 270(8)**[Section 143(2)]** shall be issued.
- If return is not furnished within the time prescribed in the notice then it will not be considered as return under section 263 **[Section 139].**
- No revised return will be allowed in respect of return filed in response to the said notice.

The time for filing the return may be extended by up to 30 days if the following conditions are satisfied:

- The return relates to the tax year immediately preceding the year in which the search or requisition was conducted.
- The due date for filing that return had not expired on the date of the search or requisition.
- The assessee was required to get the accounts audited under section 63 **[Section 44AB]** for that tax year.
- The accounts maintained in the normal course had not been audited when the notice was issued.
- The assessee makes a written request for additional time to complete the audit and file the return.

Step 2: Determination of total income

- The AO shall determine the total undisclosed income of the block period in the manner laid down in Section 293 and the provisions of section 268, 270(8), 270(10), 271, 276, 277 and 278 **[Section 142, 143(2), 143(3), 144, 145, 145A, 145B]** shall, so far as may be, apply

Step 3: Passing of Order

- The AO after determining the total undisclosed income of the block period shall pass an order of assessment or reassessment and determine the tax payable by him.
- Provisions of section 275 [Section 144C] shall not apply in respect of such order.

Time-limit for completion of Assessment - Sec 296 [Section 158BE]

In Case of searched person

- the AO pass the order within 18 months from the end of the quarter in which the search started or the requisition was made.

Example: If a search initiated on 10 May 2026 (which is in Q2: Apr–Jun), the 18-month starts from 30 June, therefore the due date is 18 months after 30 June, i.e. 31.12.2027.

- If, during the assessment or reassessment, the case is referred to the Dispute Resolution/Reference authority the time is extended by another 12 months

Period excluded from the calculation of time limit:

- When assets or seized material are taken after a search and later handed over to the AO of the assessee, the time between initiation of search and handover (up to 180 days) does not count toward the 18 months. **That period is excluded from the limitation period**.

- After exclusion of this period if the remaining period of limitation expires before the end of the month, such period shall be extended to the end of that month.

IMPORTANT

- Time limit for computation of period during which the assessment has to be completed- Reference point is **'initiation of search'**
- Within about 18 months search has to be concluded, investigation has to be done, appraisal report to be prepared and handed over to A.O. and A.O. has to complete the assessment proceedings

Special Provision relating to interest and penalty in block assessment

Interest and penalties which are not levied in the search proceedings – Section 297 [Section 158BF]

- Interest under section 423,424,425 **[Section 234A, 234B, 234C]** are not levied.
- Penalty for under reporting and misreporting of income under section 439 **[Section 270A]** is not levied.

Interest and penalty which will be levied – section 298 [Section 158BFA]

Topic	Key Points
Return of undisclosed income in response to notice issued u/s 294 [Section 158BC] is filed after the prescribed time or is not filed at all	• Simple interest at the rate of 1.5% will be levied • The said interest shall be payable for every month or part of a month, commencing from the day immediately following the expiry of the time specified for filing the return and ending on the date on which the order under section 294 **[Section158BC]** of the Act is passed.
Penalty which can be levied by AO or CIT(A)	• AO or CIT(A) can levy the penalty of 50% of tax in respect of undisclosed income as calculated by the AO.
Penalty which can be levied as per the matter	• Section 444(1) **[271AAD(1)]** • Section 450 **[Section 271D]** • Section 451 **[Section 271DA]** • Section 453 **[Section 271E]** **Note :** If the AO finds undisclosed income greater than what the assessee declared, the penalty applies only to the additional amount determined by the AO.

The penalty under section 298 or sections 444(1), 450, 451, or 453 shall not be imposed for the block period if the assessee:

- Files the return under section 294(1)(a);
- Pays the tax payable on the income disclosed in the return (or requests adjustment of seized cash against such tax liability);
- Submits proof of tax payment along with the return; and
- Does not file an appeal against the assessment of the income disclosed in the return.

If all these conditions are satisfied, no penalty will be levied on the income disclosed in the return.

SUMMARY

- In block return, one may declare some undisclosed income
- A.O. may compute undisclosed incme over and above what
  the assessee has disclosed
- No interest on any undisclosed income u/s 423, 424 and 425 **[234A, 234B and 234C]**
- No concealment penalty section 439 **[270A]** on any undisclosed income
- Simple interest @1.5% per month or part of month for delay in filing return

- On undisclosed income declared by assessee

  - only tax @60% + surcharge, if applicable

  - No penalty for falsification of books and cash transactions section 450, 451 and 452 **[271D,271DA and 271E]** on undisclosed income declared by assessee

  - No other penalty

- On undisclosed income computed by A.O.

  - tax @60% + surcharge, if applicable

  - Penalty u/s 298(3) **[158BFA(2)]** @ 50% of tax

  - All penalties leviable Sec 450, 451 and 452 **[271D, 271 DA and 271E]**

Authority competent to make assessment of block period - Section 299 [Section 158BG]

- The order shall not be passed by the AO below the rank of DCIT/ACIT/DDIT/ADIT
- The order shall be passed with the prior approval of Additional Commissioner or Additional Director or the Joint Commissioner or the Joint Director.

POINTS TO REMEMBER IN CASE OF ASSESSMENT OF SEARCHED PERSON

- Definition of undisclosed income
- Last of Authorization- for computing block period
- Time limit for passing Assessment order- point of reference is 'initiation of search' not last of authorization
- Levy of interest and penalty- on undisclosed income declared by the assessee or computed by Assessing Officer

Undisclosed income of any other person – Section 295 [Section 158BD]

Where AO is satisfied that any undisclosed income belongs to or pertains to or relates to any other person other than the searched person then:

- Any seized or requisitioned money, bullion, jewellery, virtual digital assets, other valuable items, books of account, documents, or any material/information relating to the undisclosed income of another person shall be transferred to the AO having jurisdiction over that person.
- The AO of that other person shall then initiate proceedings under section 294 **[Section 158BC]** and apply the provisions of this Part accordingly.

Block Period:

- Where there is one searched person relevant to such other person then the block period will be same as of the searched person.
- Where there is more than one searched person relevant to such other person then block period for such other person shall be the same as that for the searched person in whose case the block period ends on a later date;

If the undisclosed income of the other person relates only to:

- The tax year immediately preceding the year in which the search or requisition was initiated (called the **specified year**); and
- The period from the beginning of the search year (1 April) up to the date of the search/requisition initiated

then, the **block period** for that other person will consist of:

- The specified year; and
- The period from **1 April of the year in which the search/requisition was initiated** up to the **date of execution of the last search/requisition authorisation**.

- Where the undisclosed income of the other person pertains to a single tax year out of the five tax years preceding the specified year, then irrespective of the provisions of Section 301(a), the block period in respect of such other person shall comprise of only that single tax year

Note: Amendment under Income Tax Act, 2026

For the purpose of abatement in the case of other person

- For the purpose of abatement in the case of other person under section 292(2) or (3) **[Section 158BA(2) & (3)]** the reference to the date of initiation of the search under Section 247 **[Section 132]** or making of requisition under section 248 **[Section132A]** shall be construed as reference to the date on which such money, bullion, jewellery, virtual digital asset or other valuable article or thing or any books of account or other documents seized or requisitioned or any other material or information relating to the aforesaid undisclosed income <u>were received by the Assessing Officer having jurisdiction over such other person.</u>

In Case of other person

- The limit is 12 months from the end of the quarter in which that notice under section 294 **[Section 158BC]** was issued.
- If, during the assessment or reassessment, the case is referred to the Dispute Resolution/Reference authority the time is extended by another 12 months

SURVEY- SECTION 253 [133A]

- Only at business places
- Jurisdiction of authority
- One should co operate in providing every information, access code etc.
- To provide any facility asked for
- May cover any other place where books etc. are stated to be kept
- Only during working hours
- Any other place- after sunrise and before sunset
- May relate to TDS/TCS compliances

- Almost all powers of authorised officer for search
- Mark to identify, make inventory and even impounding
- TDS/TCS survey officer cannot impound
- No impounding of asset/stock
- Record statements
- Can survey for expenditure incurred like marriage and other ceremony.
- If refuse to co operate- survey may be converted in search.

SPECIAL AUDIT- Section 268(5) [142(2A]

- If at any stage of assessment A.O. feels , because of following reasons

(a) Nature and complexity of accounts

(b) Volume of accounts

(c) Doubts about correctness of accounts

(d) Multiplicity of transactions

(e) Specialised nature of business,

he may direct the assessee to get accounts audited by a Chartered Accountant or inventory valued by a cost accountant or both, after providing assessee an opportunity of being heard.

THANK YOU

RANO JAIN LEGAL

Rano Jain: +91 9891586986

jainrano@gmail.com

Mansi Jain: +91 8826174449

camansijain.rjl@gmail.com

www.ranojainlegal.com