

Circular No. 40/2016

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

North Block, New Delhi, the 9th of December, 2016

Subject: - Directions under section 119 of the Income-tax Act, 1961-regd.-

Recent initiatives of the Government to curb the black economy in the country has encouraged people to shift towards digital mode of payment while making financial transactions. By adopting digital mode of payment, no financial transactions would remain undisclosed and consequently an enhanced turnover of business might get reflected in the books of accounts. Under the circumstances, an apprehension has been raised that increased turnover in the current year may lead to reopening of earlier years' cases involving lower turnover u/s 147 of the Income-tax Act, 1961 ('Act') by the Assessing Officer causing undue harassment to tax payers.

2. It is hereby clarified that reopening of cases u/s 147 of the Act is feasible only when the Assessing Officer *"has reason to believe that any income chargeable to tax has escaped assessment for any assessment year"* and not merely on the basis of any reason to suspect. Mere increase in turnover, because of use of digital means of payment or otherwise, in a particular year cannot be a sole reason to believe that income has escaped assessment in earlier years. Hence, Assessing Officers are advised not to reopen past assessments in cases merely on the ground that the current year's turnover has increased.

3. The above may be brought to the notice of all for necessary and strict compliance.

4. Hindi version to follow.



(Rohit Garg)

Director-ITA.II, CBDT

(F.No. 225/326/2016/ITA.II)

Copy to:

- i. Chairman, CBDT and all Members, CBDT
- ii. PS to Revenue Secretary
- iii. All Pr.Chief-Commissioners/Pr. Directors-General of Income-tax
- iv. All JS/CsIT, CBDT
- v. ADG(PR,PP & OL) with request for placing on official handle of the department
- vi. Addl. CIT, Data base Cell for uploading on Departmental Website
- vii. Web manager for uploading on incometaxindia.gov.in & placing in public domain
- viii. ITCC, Central Board of Direct Taxes (3 copies)
- ix. Pr. DGIT(Vigilance), N.Delhi
- x. C&AG, N.Delhi
- xi. Guard file



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Director-ITA.II, CBDT