CHAPTER 15

ASSESSMENT, RECORDS & AUDIT

The **kinds of assessment** (normal, best judgment, provisional, faceless), **amendment** and its time limits, **revision and agreed assessment**, **records** and the Commissioner's **audit powers**. Time limits and who-can-do-what are the heart of this chapter. Law: ITO 2001 · tax year 2027.

CHAPTER ROADMAP

1 Assessment — ss.120 – 123 · 122E
2 Special provisions — ss.125 · 126
3 Amendment of assessment — s.122
4 Action against orders — ss.122A – 124A
5 Records and audit — ss.174 – 177

DEFINITION **Assessment** [s.2(5)] includes provisional assessment, re-assessment, amended assessment and faceless assessment. Assessment is generally made on the **return filed** — the **Universal Self-Assessment Scheme**.

1 NORMAL ASSESSMENT AND INCOMPLETE RETURNS

section 120

COMPLETE RETURN

A **complete** return (prescribed form, annexures, signed, tax paid, wealth statement) is **treated as an assessment order**. Automated adjustments (s.120(2A): arithmetical error, **incorrect claim apparent from the return**, disallowed loss / credit) need a **system notice**, **30 days** for response, and are deemed made after **6 months** — but the Board **has not yet notified** the date, so **self-assessment still applies**.

INCOMPLETE RETURN

Notice of deficiencies, not after **180 days from the end of the financial year** of filing. **Fully cured by the due date** → complete **from the original filing date**; otherwise the return is **invalid**.

2 BEST JUDGMENT AND PROVISIONAL ASSESSMENT

sections 121 and 123

BEST JUDGMENT · s.121

Where the person **fails** to file on a s.114(3)/(4) notice, file a return under ss.143/144, furnish the **wealth statement**, file on a s.117(3) notice, or **produce records**. Any earlier return-based assessment becomes **of no legal effect**. May use **sectoral benchmark ratios**. Order states taxable income, tax due, tax paid and **how to appeal**. Time: **six years** from the end of the tax year; if a notice covers the **ten-year** proviso, **two years** from the end of the tax year of the notice.

PROVISIONAL · s.123

Where a **concealed asset is impounded**, or an **offshore asset** is discovered, a provisional (amended) assessment may issue **before** a best judgment or amended assessment — for the **last completed tax year** (for a concealed asset, the year in which it was accounted for). Finalised **as soon as possible**.

FACELESS · s.122E

Audits (ss.177, 214C), s.111 orders, Part II of Chapter X assessments and s.221 rectification may be **faceless**. Hearings by **E-hearing**; the officer's identity, face and voice are **confidential**.

3 SPECIAL PROVISIONS

sections 125 and 126

DISPUTED PROPERTY · s.125

Where ownership of income-yielding property is disputed in a civil court, assess or amend within **one year after the end of the financial year** of the court's decision.

EVIDENCE AND VALIDITY · s.126

The assessment order (or certified copy) is **conclusive evidence** of due assessment. It is not void for **want of form** or a **mistake, defect or omission** — but is void if, in substance, it does not conform to the Ordinance or the person is not properly designated.

4 AMENDMENT OF ASSESSMENT

section 122

WHAT AND WHEN

An order under s.120 or s.121 may be amended **within 5 years from the end of the financial year** in which it was issued or treated as issued. A **revised return** is itself an **amended assessment**. **Further amendment**: within the **later of** 5 years from the end of the original order's financial year and **1 year from the end of the amended order's financial year**.

GROUNDS

On **definite information** or audit: income **escaped assessment**; income **under-assessed**, assessed at too low a rate, or excessive relief / refund; an amount **misclassified** under a head. Or the order is **erroneous AND prejudicial to the interest of revenue**.

DEFINITE INFORMATION

Sales or purchases; receipts for services; receipts relating to money, assets or valuables; investments or expenditure. A **change of opinion** is **not** definite information.

PROCEDURE AND TIME

Hearing is compulsory (show cause notice, s.122(9)). Order within **one year of the notice** (+ up to **90 days** for recorded reasons). Excluded: stay orders, **ADR**, s.122D proceedings, and the taxpayer's adjournments up to **60 days**. Order states amended income, tax due, tax paid, and how to appeal.

EXAMPLE

Example: a complete return filed 30 Sep 2027 is a deemed order of that day; its financial year ends 30 June 2028 → first amendment until **30 June 2033**. If amended on 15 March 2033 (financial year ending 30 June 2033), a further amendment is possible until the later of 30 June 2033 and 30 June 2034 → **30 June 2034**.

5 ACTION AGAINST ASSESSMENT ORDERS

by the department and by the taxpayer

REVISION · s.122A

The Commissioner may call for any record **suo moto** and revise an order passed by an officer — **never to the prejudice** of the person. Not while the **appeal time has not expired** or an appeal is pending. A remanded order must be given effect in **120 days**.

CHIEF COMMISSIONER · s.122B

Revises proceedings on **exemption or lower-rate certificates** for withholding, on his own or on the taxpayer's application, after a **hearing**.

MODIFICATION · s.124A

Where a High Court or the Tribunal decides a question of law, the Commissioner may amend **ignoring any pending appeal / reference**; if the decision is reversed he may modify within **one year of receiving it**, **ignoring normal time limits**.

AGREED ASSESSMENT · s.122D

After a s.122(9) notice the taxpayer may offer a settlement to the **Committee** (**Chief Commissioner + Commissioner + Additional Commissioner**). If accepted: deposit tax, penalty and surcharge; **Commissioner amends after payment**; **appeal waived**. Not for **concealment** or a question of law affecting other cases. No consensus → back to the Commissioner.

Taxpayer's remedies: rectification of mistakes (s.221) · appeal (Chapter 16) · alternative dispute resolution (Chapter 16).

6 RECORDS

sections 174, 175B, 175C · Rule 33

MAINTAIN IN PAKISTAN

Accounts, documents and records **in Pakistan**. A deduction may be disallowed if no receipt or evidence can be produced without reasonable cause.

HOW LONG

Six years after the end of the tax year; until the **final decision** if proceedings (assessment, appeal, revision, reference, prosecution, **ADR**) are pending; **indefinitely** for foreign income, assets and expenses.

WHERE · RULE 33

Business: at the **place of business** (principal place, or each place with separate books). Other income: at the **residence** or a declared place. The place is stated on the return.

ELECTRONIC INTEGRATION

The Board may require an **electronic resource** or to act as an **integrated enterprise**.

NADRA · s.175B

NADRA identifies **under-assessed or escaped** income, computes **indicative income and tax** (AI / modelling). The Board notifies the person, who may pay on prescribed terms. **Payment = an amended assessment order**; non-payment → Board action.

OFFICER POSTING · s.175C

The Board or Chief Commissioner may **post an officer at business premises** to monitor production, supply and unsold stock.

7 AUDIT

section 177

CALLING RECORDS

The Commissioner may call records and books (even electronic, with access to machines and software) — **not after six years** from the end of the tax year. Audit may be by **video link**.

NO RECORDS · BENCHMARKS

If records are not furnished, incomplete, or defects unexplained: income is **deemed incorrectly declared** and determined on **sectoral benchmark ratios**. Failure to produce records → **best judgment** under s.121.

AFTER THE AUDIT

Audit report with observations; then, if necessary, **amendment after a hearing** (s.122(9)). Powers under s.177 are independent of the Board's s.214C.

SELECTION LOCK

No selection of a person audited in **any of the preceding three tax years** unless the **Board approves**. The Board may appoint a firm of **CAs or CMAs** to audit.

RE-AUDIT · s.177(6B)

Where accounts are complex, voluminous, doubtful, multiple or specialised: after a **hearing** and with the **Chief Commissioner's prior approval**, the Commissioner may direct **re-audit by an accountant**, **re-valuation of inventory by a cost accountant**, and **actuarial valuation by an actuary**.

8 EXAM FOCUS · MCQ TRAPS

what examiners test

1 Complete vs incomplete

Complete return = assessment. Cured notice: complete **from the filing date**; notice within **180 days** of the financial year end.

2 Best judgment time

Six years from the end of the tax year; **two years** from the notice year in ten-year cases.

3 Amendment time

Five years from the end of the financial year; further amendment: **later of** the two periods.

4 Grounds

Definite information or **erroneous AND prejudicial**; change of opinion is not enough.

5 Show cause notice

Order within **one year** (+ **90 days**); stay, ADR and up to **60 days** of adjournments excluded.

6 Agreed assessment

Not for **concealment** or a law question affecting other cases; appeal **waived**.

7 Records

Six years; pending proceedings extend; foreign items **indefinitely**.

8 Audit

Records within **six years**; **three-year lock** needs Board approval; re-audit needs **hearing + Chief Commissioner**.

CLASSIFY IT · WHICH ASSESSMENT?

1	Complete return filed on time	NORMAL s.120
2	Non-filer ignores a s.114(4) notice	BEST JUDGMENT
3	Impounded concealed asset	PROVISIONAL
4	Undeclared offshore asset discovered	PROVISIONAL
5	Records not produced in audit	BEST JUDGMENT
6	Revised return filed	AMENDED (DEEMED)
7	E-hearing; officer identity hidden	FACELESS
8	Taxpayer pays the NADRA indicative liability	AMENDED ORDER

CLASSIFY IT · TIME LIMIT?

1	Amend an assessment	5 YEARS
2	Best judgment order	6 YEARS
3	Best judgment after a ten-year notice	2 YEARS
4	Order after a show cause notice	1 YEAR + 90 DAYS
5	Notice on an incomplete return	180 DAYS
6	Keep records	6 YEARS
7	Call records for audit	6 YEARS
8	Give effect to a remanded order	120 DAYS

LIMITS TO KNOW

Amendment	Best judgment	Show cause	Records	Audit lock
5 years (FY end)	6 years · 2 years	1 year + 90 days	6 years	3 preceding years

REVISION MAP

1 · ASSESSMENT

Complete return = assessment (self-assessment) · incomplete: 180-day notice · best judgment (s.121) · provisional for concealed / offshore assets · faceless s.122E

2 · AMENDMENT

5 years from FY end · further amendment: later of two limits · definite information or erroneous and prejudicial · hearing · order in 1 year (+ 90 days)

CHAPTER 15
ASSESSMENT & AUDIT

3 · ACTION AGAINST ORDERS

Revision by Commissioner (never prejudicial) and Chief Commissioner · modification s.124A · agreed assessment s.122D · rectification, appeal, ADR for the taxpayer

4 · RECORDS AND AUDIT

Records 6 years (foreign indefinite) · Rule 33 places · NADRA indicative tax · audit: 6-year records, benchmarks, 3-year lock, re-audit with Chief Commissioner

Assessment
Return = assessment.

Amendment
Five years, definite grounds.

Revision
Never prejudicial.

Audit
Records and benchmarks.