

# INCOME TAX

(CPC TECHNICAL  
GLITCHES)

....BY CA TULIKA BANSAL

# NOTICES FROM INCOME TAX DEPARTMENT AND HOW TO DEAL WITH IT

With the change in the know-your-customer norms(KYC), online filing of returns and strict watch on the source of income of the assesses by the Income Tax Department, the notices from the Income Tax Department to the tax payers have increased tremendously.



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However, a notice from the Department does not necessarily mean that a crime has been committed. Even a minor error in tax return can invite a notice from the tax department. So, it is very necessary to first understand the cause of notice and to reply on the same within the stipulated time, so it does not create unnecessary problems.

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**Notice under**  
**Section 143(1) –**  
**Letter of Intimation**

## THREE TYPES OF NOTICES CAN BE SENT UNDER SECTION 143(1):

1. Intimation where the notice is to be simply considered as final assessment of your returns since the AO has found the return filed by you to be matching with his computation under section 143(1).
2. A refund notice, where the officer's computation shows amount excessively paid by the assessee.
3. Demand Notice where the officer's computation shows shortfall in your tax payment. The notice will ask you to pay up the tax due within 30days.

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**Time limit for the notice to be served is up to 1 year after completion of relevant assessment year.**



## **HOW TO REPLY TO NOTICE RECEIVED UNDER SECTION 143(1):**

- 1. If details provided by the taxpayer and as verified by the Income Tax department match. Then the notice will serve as final assessment of the return with nothing to be done on part of the taxpayer and the department. Just a printout of the same shall be taken and kept along with the income tax file. Take a printout of the same and file it with your income tax papers.**
- 2. If you are getting Refund, wait for the cheque or transfer into your account.**
- 3. If there is a tax demand then this intimation becomes Notice of Demand under section 156. The notice says “In case of Demand, this intimation may be treated as Notice of demand u/s 156 of the Income Tax Act, 1956. Accordingly, you are requested to pay the entire Demand within 30 days of receipt of this intimation”.**

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**For example, if Income as disclosed by taxpayer is Rs 6,00,000 and tax duly deposited on same but the department computes his income as Rs 6,50,000, then tax on Rs 50,000 needs to be paid. The taxpayer will have to pay such tax or if he thinks that the demand is wrong then he must prove his case and file rectification.**



# WHAT TO DO WHEN YOU RECEIVE AN INCOME TAX NOTICE?

- A. First and foremost – keep calm and read the communication you received end to end. Work around and understand what exactly are they trying to tell you.

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## B. Check the basics

Is it really your name on the notice?

Is your PAN number mentioned correctly?

Which assessment year is it meant for?



आयकर केन्द्र  
CENTRALIZED PROCESSING CENTER  
INCOME TAX DEPARTMENT

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आयकर अधिनियम 1961 के धारा 143(1) के अंतर्गत पत्र INTIMATION U/S 143(1) OF THE INCOME TAX ACT, 1961

Name & Address:				सं. अ. सं.
लिंग Gender:	आयकर वर्ष A. Y.	पत्रिका के प्रकार ITR Type:	पत्रिका के तिथि Date of Order:	पत्रिका सं. सं. Communication Reference No:
MALE	2013-14	ITR-2 ORIGINAL	24-11-2013	Demand Identification No: सं. सं. सं.
व्यक्ति INDIVIDUAL	Status:	धारा 139(1) के अंतर्गत Return filed under section 139(1):	पत्रिका सं. सं. E-Filing Acknowledgement No:	
व्यक्ति का स्थिति Residential Status:	पत्रिका के तिथि Date for Filing Original Return:	05-08-2013	पत्रिका के तिथि Date of Filing Return:	पत्रिका सं. सं. PAN:
RESIDENT			16-07-2013	



INCOME TAX COMP		Amounts declared by you	Amounts calculated by the IT dept
Sl.No.	Particulars	As Provided by Taxpayer in Return of Income	As Computed Under Section 143(1)
1	INCOME FROM SALARY	3,30,232	3,30,232
2	INCOME FROM HOUSE PROPERTY **	0	0
3	INCOME FROM BUSINESS OR PROFESSION **	0	0
4	INCOME FROM CAPITAL GAINS **	0	0
5	INCOME FROM OTHER SOURCES **	5,05,369	5,05,369
6	INTRA HEAD ADJUSTMENTS	NA	0

If a particular row shows different amounts in these two columns, that is the source of your discrepancy.

# WHEN CAN YOU EXPECT TO HEAR FROM THE IT DEPARTMENT?

## 1. TDS Amount Error

The most common issue with returns filed is often a mismatch in the TDS amounts. Sometimes your employer or deductor may have delayed or made a mistake filing their TDS returns.

If that is the problem with your return too, request your employer to revise the TDS amount credited to you.

## 2. Discrepancy in Return Filed by you

If the discrepancy is with the amounts declared by you in the returns you filed, try to understand the difference.

Differences may arise because:

You may have forgotten to declare some incomes, like Interest from FDs

You may have claimed a deduction under the wrong section

You may have provided incomplete information

Remember, these notices are generated automatically by the Income Tax Department's software.

Sometimes you may have filed everything correctly to the best of your knowledge, but still may have received a notice.

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### 3. Documentation

Sometimes the IT department would like to review certain documentation based on which your returns were filed. In case of such a request, furnish the said documents immediately.

### 4. Tax Returns Not Filed

In case the notice is to remind you that you have not filed your tax returns yet, do so without any delay. The IT department can remind you about unfiled returns for the previous 6 assessment years.

Delays in tax filing can sometimes lead to a penalty of up to Rs.5000 per year. If there are taxes unpaid in such cases of delayed filing, the assessee is charged 1% interest per month from the due date.

If you are not required by law to file a tax return, then reply to the IT department clarifying this fact.

## 5. High Value Transactions

High value transactions need to be updated to the Income Tax department by the entity with which you carry out such a transaction. This is in order to ensure taxes are levied as required on each of these transactions in a timely manner. Failure to do so is an invitation for a tax notice.

What qualifies as a high value transaction?

Cash deposits in a bank worth Rs 10 lakh or more in a year

Credit card purchases of Rs 2 lakh or more

Mutual fund investments for Rs 2 lakh or more

Purchase of bonds and debentures worth Rs 5 lakh or more in a year

Sale or purchase of property worth Rs 30 lakh or more



## Notice under Section 156- Notice of Demand

Where any tax, interest, penalty, fine or any other sum is payable in consequence of any order passed, the AO shall serve upon the assessee a notice of demand, specifying the sum do payable.

The notice of demand is received in the cases where assessment has been made in respect to assessee. Generally, notice of demand is not received to every assessee for regular payment of taxes. Assessee on his own pays the taxes with self assessment. The tax so demanded is payable, generally within 30 days of the service of notice of demand, which may be reduced by the AO with prior approval of JCIT.

In case of delay in payment of tax, the assessee shall be deemed to be in default and liable to pay simple interest u/s 220(2) @ 1% for every month or part thereof from the end of the period allowed u/s 156, further penalty u/s 221(1) may be imposed.

# **NOTICE UNDER SECTION 139(9) – DEFECTIVE RETURN**

**WHAT IS A DEFECTIVE RETURN? – A RETURN SHALL BE CONSIDERED AS A DEFECTIVE RETURN UNLESS IT IS ACCOMPANIED BY THE REQUIRED DOCUMENTS UNDER THE ACT. E.G. – ANNEXURES, STATEMENTS, PROOFS OF TAX, REPORTS ETC.**

**IF THE AO CONSIDERS THAT THE RETURN FILED BY THE ASSESSEE IS DEFECTIVE, HE MAY INTIMATE THE DEFECT TO THE ASSESSEE AND GAVE HIM AN OPPORTUNITY TO RECTIFY THE DEFECT WITHIN 15 DAYS FROM THE DATE OF SUCH INTIMATION OR WITHIN SUCH EXTENDED PERIOD AS MAY BE ALLOWED BY THE AO.**

**IF THE DEFECT IS NOT RECTIFIED WITHIN THE AFORESAID PERIOD, THE RETURN SHALL BE CONSIDERED AS AN INVALID RETURN AND ACCORDINGLY THE ASSESSEE WILL BE DEEMED TO HAVE FURNISHED NO RETURN.**

**PROVIDED IN THE CASE WHERE ASSESSEE RECTIFIES THE DEFECT AFTER THE AFORESAID PERIOD BUT BEFORE THE COMPLETION OF ASSESSMENT, THE AO MAY CONDONE THE DELAY AND TREAT THE RETURN AS A VALID RETURN.**



## **NOTICE UNDER SECTION 245- SET OFF OF REFUNDS AGAINST TAX REMAINING PAYABLE**

**WHERE ANY AMOUNT OF REFUND IS PENDING TO THE ASSESSEE AND ALSO ANY SUM IS PAYABLE UNDER THE ACT, THE AO MAY ADJUST THE AMOUNT TO BE REFUNDED WITH THE SUM PAYABLE BY THE ASSESSEE. BASICALLY IT CAN BE RELATED TO THE 'INTER ADJUSTMENT OF TRANSACTIONS'.**



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### Example:

X filed his return of income for A.Y.2013-14 and the tax payable is Rs.5000. Mr.X is unaware of this outstanding demand. Mr.X has filed his income tax return for A.Y. 2014-15 and the refund is due to him Rs.10,000.

Now while processing the income tax refund of Rs.10,000 to Mr.X the income tax department deducts the tax payable which is outstanding for A.Y.2013-14 and will pay the remaining Rs.5,000 to the assessee. But the department can do so, only after intimate the same to the assessee by giving intimation u/s 245.

## AMENDMENT – FINANCE BILL , 2018.

The finance bill 2018 has **proposed** to launch a new scheme for scrutiny assessments to eliminate the interface between the AO & assessee, Under the new system taxpayer will not be required to appear in person before the AO as assessment proceedings in all the cases selected would be through email based communications only .

**NEVER IGNORE A NOTICE  
IGNORING A NOTICE FROM THE IT DEPARTMENT CAN  
PROVE TO BE EXPENSIVE. FINES ARE USUALLY  
IMPOSED ON ASSESSEES WHO DO NOT RESPOND TO IT  
NOTICES**

***Thanks & Regards***

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