

Notice & Rectification

By

CMA S VENKANNA
COST ACCOUNTANT

- Notice of Demand
- Rectification of Mistake
- E Proceedings to reply Notice u/s.154
- Rectification Application and Discussion

Notice of Demand

- After submitting the Income Tax Returns,
 - The Income Tax Department checks the income declarations and tax paid to see if all these details match.
 - IT Department will accept the tax return filed as per Section 143(1).
- If the taxes paid are found to be less than what is payable, the department will issue DEMAND NOTICE.
- Then the question is how to submit the response to a demand notice from IT Department.

Response to Demand Notice

- The jurisdictional Income Tax Officer (ITO) will upload the [Demand Notice](#) online.
- It can be accessed the content of this notice by logging into e-filing account on the website www.incometax.gov.in,
- The tax payer can record the responses.

Steps to Response Demand Notice

- The Taxpayer can submit the response online to the outstanding demand by either choosing to 'Agree' or 'Disagree' with the demand.
- Perform the following steps for Responding to the Outstanding Demand.
 1. Logon to 'e-Filing' Portal <https://www.incometax.gov.in>
 2. Go to the 'e-File' menu and Click 'Response to Outstanding Demand'
 3. Click the hyperlink '**Submit**' located under 'Response' column (To respond for the Outstanding Demand)
 4. Choose any one of the listed responses.

Options Available

- Demand is correct
- Demand is partially correct
- Disagree with demand
- Demand is not correct but agree for adjustment

Response

- On choosing 'Demand is correct',
 - Click on 'Submit' button to 'Confirm' and complete the response submission process.
- **Note:**
 - If you confirm 'Demand is correct' then you cannot disagree with the demand again.
 - If any refund is due, the refund will be adjusted against the outstanding demand.
 - The taxpayer can pay the demand by clicking the link under 'Pay Tax' option.
- On choosing 'Demand is partially correct',
 - Enter the '**Amount which is correct**' and the '**Amount which is incorrect**' will be auto filled.
 - Select the appropriate reason(s) from the list and fill all the applicable fields, upload the necessary supporting documents and 'Submit' the response.
- On choosing 'Disagree with demand',
 - Select the appropriate reason(s) from the list and fill all the applicable fields, upload the necessary supporting documents and 'Submit' the response.
- On choosing 'Demand is not correct but agree for adjustment',
 - Select the appropriate reason(s) from the list and fill all the applicable fields, upload the necessary supporting documents and 'Submit' the response.
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Reasons and Details required on selecting each reasons

Reasons	Details Required
DEMAND PAID CHALLAN HAS CIN	BSR Code
	Date of payment
	Serial Number
	Amount
	Remarks

Next Step

Reasons	Details Required
DEMAND PAID BUT CIN IS NOT AVAILABLE	Date of payment
	Amount
	Remarks
	Upload copy of Challan

Adjustment

Reason	Details Required
Demand already reduced by rectification / Revision/ Appellate Order	Date of Order
	Demand after rectification/ revision/Appeal
	Details of AO
	Upload Rectification / revision/ Giving appeal effect order passed by AO

Appeal Details

Reasons	Details
Demand already reduced by Appellate Order but appeal effect to be given	Date of Order
	Order passed by
	Reference Number of Order

Stay Petition

Reasons	Details Required
Appeal has been filed - Stay petition filed	Date of filing of appeal
	Appeal Pending with
	Stay petition filed with

Stay Granted

Reasons	Details Required
Appeal has been filed - Stay granted	Date of filing of appeal
	Appeal Pending with
	Stay granted by
	Upload copy of Stay

Payment

Reasons	Details
Appeal has been filed - Instalment granted	Date of filing of appeal
	Appeal Pending with
	Instalment granted by
	Upload copy of instalment order

Rectification

Reasons	Details
Rectification / Revised Return filed at CPC	Filing Type
	e-Filed Acknowledgement Number.
	Remarks
	Upload Challan Copy
	Upload TDS Certificate
	Upload Letter requesting for rectification
	Upload Indemnity Bond

Others

Rasons	Details
Rectification filed with AO	Date of Applicable
	Remarls

Message – Transaction ID

- **Note :**

- To View the submitted response go to 'e-File' > 'Response to Outstanding Demand' and click on the 'View' link under the 'Response' column and in the new page click on the 'Transaction Id' hyperlink.
- For the demand which is shown to be uploaded by AO, then the rectification right is with Assessing Officer and for the demand against which there is no 'Submit' response available is already confirmed by the Assessing Officer. Kindly contact your jurisdictional Assessing Officer for clarification.

Rectification of Mistake

- Sometimes there may be a mistake in any order passed by the Assessing Officer.
- In such a situation, mistake which is apparent from the record can be rectified under section 154.
- The provisions relating to rectification of mistake under section 154 are discussed here

Sec.154

- Notice under Section 154 can be issued by the authorized officer himself or by an application made to him by the taxpayer.
- It is important to give a notice to the taxpayer in case such rectification results in enhancing the assessment increase of any tax liability or reduction of refund. Such notice can be issued either through sending an E-mail on the registered E-mail ID of the taxpayer or at the registered address through postal mode.
- Excess refund credited to the account of the taxpayer shall be demanded through Section 154.
- Application made by taxpayer for rectification under Section 154 shall be disposed within 6 months from the end of the month in which such application is received.

- Where rectification is done on suo moto basis, that is on its own, then such rectification is possible up to four years from the end of the financial year in which order to be rectified is passed.
- Any order which is a subject matter of appeal or revision cannot be rectified. In simpler words, only those orders can be rectified which are not decided by appeal. Any point/matter of an order which is under appeal or revision cannot be rectified. Rectification can be done against other matters/ points of an order.
- If any order is passed by Commissioner (Appeals), then he too has the authority to rectify the mistake, either on its own motion or on an application made to him by the taxpayer.

Rectification of Mistake-Sec.154

- With a view to rectifying any mistake apparent from the record, income-tax authority may, -
 - a) Amend any order passed under any provisions of the Income-tax Act.
 - b) Amend any intimation or deemed intimation sent under section 143(1).
 - c) Amend any intimation sent under section 200A(1) [section 200A deals with processing of statements of tax deducted at source i.e. TDS return].
 - d) amend any intimation under section 206CB.
- (*) *Under section 200A, a TDS statement is processed after making correction of any arithmetical error in the statement or after correcting an incorrect claim, apparent from any information in the statement*

- Similarly a new section 206CB is inserted by Finance Act, 2015 to provide for the processing of TCS statement.
- If due to rectification of mistake, the tax liability of the taxpayer is enhanced or refund is reduced, the taxpayer shall be given an opportunity of being heard

Appeal or Order

- If an order is the subject-matter of any appeal or revision, any matter which is decided in such an appeal or revision cannot be rectified by the Assessing Officer.
- In other words, if an order is subject matter of any appeal, then the Assessing Officer can rectify only those matters which are not decided in such appeal.

Intimation

- The income-tax authority can rectify the mistake on its own motion.
- The taxpayer can intimate the mistake to the income-tax authority by making an application to rectify the mistake.
- If the order is passed by the Commissioner (Appeals), then the Commissioner (Appeals) can rectify mistake which has been brought to notice by the Assessing Officer or by the taxpayer.

Time Limit

- No order of rectification can be passed after the expiry of 4 years from the end of the financial year in which order sought to be rectified was passed.
- The period of 4 years is from the date of order sought to be rectified and not 4 years from original order.
- Hence, if an order is revised, set aside, etc., then the period of 4 years will be counted from the date of such fresh order and not from the date of original order.

Procedure-1

- The taxpayer should carefully study the order against which he wants to file the application for rectification.
- Many times the taxpayer may feel that there is any mistake in the order passed by the Income-tax Department but actually the taxpayer's calculations could be incorrect and the CPC might have corrected these mistakes, e.g., the taxpayer may have computed incorrect interest in return of income and in the intimation the interest might have been computed correctly.

- Hence, to avoid application of rectification in above discussed cases the taxpayer should study the order and should confirm the existence of mistake in the intimation, if any.
- If he observes any mistake in the order then only he should proceed for making an application for rectification under section 154.

Procedure-2

- Further, he should confirm that the mistake is one which is apparent from the records and it is not a mistake which requires debate, elaboration, investigation, etc.
- The taxpayer can file an online application for rectification of mistake. Before making an online application for rectification the taxpayer should refer to the rectification procedure.
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Hearing before order

- For rectification of intimation under Section 200A(1)/206CB online correction statement is to be filed;
- An amendment or rectification which has the effect of enhancing the assessment or reducing a refund or otherwise increasing the liability of the taxpayer (or deductor) shall not be made unless the authority concerned has given notice to the taxpayer or the deductor of its intention to do so and allowed the taxpayer (or the deductor) a reasonable opportunity of being heard

Errors

- an error of fact
- an arithmetic mistake
- a small clerical error
- an error due to overlooking compulsory provisions of law
- Examples
 - a mismatch in tax credit
 - advance tax mismatch
 - gender mentioned incorrectly
 - additional details not submitted for capital gains at the time of filing return

Application Draft

- Dear Sir,
- Ref: - Your Intimation U/s 143 (1) dated: for the A.Y, Received on (PAN)
- Sub: - Rectification of Intimation U/s 154 of the Income Tax Act, 1961.
- I have received your above mentioned intimation U/s 143(1) of the Income Tax Act which is showing a demand of Income Tax of Rs./- In this connection i want to bring in to your kind notice that.....
.....
.....
..... I therefore request you to please rectify your above mentioned intimation U/s 154 and issue a rectification order to that effect at the earliest. Thanking you, Yours faithfully,

Points

- Before applying for rectification under section 154 of Income Tax, one needs to be aware of the following points to streamline the application process.
- The rectification process can only be filed against the latest issued notice.
- There are 7 request types for Income Tax rectification, including-
 - Reprocess the Return
 - Additional Information for 234C Interest
 - Tax Credit Mismatch Correction
 - Return Data Correction (online)
 - Return Data Collection (offline)
 - Status Correction (applicable to ITR-5 and ITR-7)
 - Exemption Section Correction (applicable to ITR-7 only)
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- Before CPC processes, taxpayers can submit a revised return if they identify any errors in the submitted income tax return.
- No one can submit a rectification issue on e-filing in the event of manual or paper filing of return. Taxpayers can only submit their rectification request along with AO in paper mode.
- DSC is mandatory for taxpayers audited u/s 44AB for file rectification requests.
- Nonetheless, the Assessing Officer does not issue rectification under section 154 of the income tax act for any minor discrepancies. Instead, the department resolves it by themselves.

- Thank you