

E-PROCEEDINGS  
IN  
INCOME TAX

By

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- **TAX" IS A "FINE" FOR DOING "RIGHT"**
- **A "FINE" IS A "TAX" FOR DOING "WRONG".**

# What is E-Proceedings

- Electronic Platform
- Conduct of All Tax Related Proceedings
- To bring
  - Transparency
  - Efficiency
  - Speed
  - Accessibility
    - All Notices
    - Intimations
    - Letters
- Viewed by both the tax payer and officers of department

# Intimation Vs. Notice

- No much difference
- Intimation is the outcome of the processing of return or conclusion of assessment.
- May not be required to act upon it.
  - Example: Intimation under Sec.143(1) completion of Assessment
  - After Processing the ITR – Intimate the Assessee
    - There is tax liability to be paid;
    - A refund has been determined;
    - There is no refund or demand, but there is an increase or reduction in the amount of loss

# Adjustments may be made

- Any arithmetical error in the return;
- An incorrect claim (provided the incorrect claim is apparent from the information filed);
- Disallowance of incorrectly claimed loss or expenditure;
- Any income which has not been included in the return

If you agree. There is no action by the assessee, except payment, if there is demand.

The action of the department is mandatory.

# Common causes of notice

- Mismatch in the amount of TDS reported
- An error in your income tax file
- Lack of submission of all the documents
- Non filing of your tax returns
- When you invest in the name of your spouse and do not mention the same in your income tax returns
- If high value transactions have been done during the financial year and they have not been properly reported in the income tax return
- If a random scrutiny of your income tax return is done by the assessing officer
- When long term capital gains earned from equity investments are not reported correctly
- If any income is not disclosed by the taxpayer
- If a wrong income tax return form is used for filing the income tax return
- If your refunds can be set off against the tax liability
- If you have evaded tax in previous financial years

# Steps to be taken

- Read the notice thoroughly to find out why it has been sent
- Check the basic details on the notice to ensure that the notice is meant for you. The notice should contain your correct name, PAN Card number, mobile number, email ID, etc. to authenticate that it is sent to you.
- Find out the discrepancy in your income tax return which caused a notice to be served, if any.
- Respond to the notice within the stipulated time period to avoid penalties and prosecutions.
- Take expert help.

# Notices

- Requires to be complied
- Examples of Notice
  - Income-tax returns not filed.
  - Mistakes / Discrepancies in the Income-tax return filed
  - Mismatch in TDS figures in the Income-tax return filed
  - Difference in Form 26AS and ITR
  - Any financial transaction is done by Assessee missing in the Income-tax return filed
  - Assessing Officer wants certain documents and details from the taxpayer.
  - For any other purpose which the Assessing Officer thinks fit.

# Notice for not filing ITR

- U/s.142(1)
  - **Notice in two cases.**
    - Requires additional information and documents pertaining to your income tax returns.
    - Return has not been filed
    - do not respond - would face a penalty of INR 10,000, prosecution for up to 1 year or both.

# Defective Return - Sec.139(9)

- error can be missing information,
- use of the wrong ITR form, incomplete return, etc.
- highlight the defect in the income tax return recommend the solution thereof.
- You get a period of 15 days to respond to the notice.
- If you do not respond, your ITR would be rejected.

# Scrutiny Assessment – Sec.143(2) and 143(3)

- to notify the assessee, that the return filed has been picked for a scrutiny.
- Reasons:
  - Understated your income;
  - Claimed excessive loss; or
  - Paid lesser taxes
- the taxpayer is required to respond to the questionnaire
- along with the documents required by the income tax department.
- Time Limit within 6 months after the completion of the assessment year to which it pertains.
- Upload the response or seek the help of a Tax Expert.

# Concealing the income – Sec.131

- If the assessing officer believes that the tax-payer is concealing his income or a part thereof, he can serve a notice under this section.
- Through the notice, the assessing officer can enquire the books of accounts of the taxpayer and investigate into the taxpayer's income.
- Section 131 of the Income Tax Act empowers the income tax authorities to conduct inquiries.
- It provides powers to summon persons / witnesses, examine them under oath, compel production of books of account and documents, and issue commissions.

# Notice u/s.148

- Income not disclosed correctly
- Paid lower taxes
  - (Income escaping assessment)
- Time Limit : 4 years if the income is less than Rs.1 lakh
- More than Rs.1 lakh – 6 years
- 16 years if any asset located outside India -

# How to respond

- check the notice for reasons to believe which are recorded by the assessing officer for issuing the notice under section 148. If the notice doesn't include the reasons, then you could request the assessing officer to send a copy of the recorded reasons.
- In case you're satisfied with reasons to believe which was recorded by the assessing officer, file the return at the earliest. In the case already filed, send the copy to the assessing officer.
- In case you're filing the income tax return in response to notice issued under section 148, ensure that you file it after performing proper due diligence that you declare all your income and expenses carefully. In case you miss reporting any of your income correctly then it could result in unnecessary penalties.
- If you believe that notice isn't served validly or reasons provided by the assessing officer for opening assessment under section 147 aren't proper then you could challenge the validity of such notice before the assessing officer or higher authorities.
- In case you win your case, the Court would halt your assessment proceedings. However, in case the decision doesn't go in your favour, then the assessing officer could proceed with the reassessment.

# Demand for tax – Sec.156

- **If there is any type of demand like penalty, fine, tax or any other amount which the taxpayer is supposed to pay to the income tax department,**
- **This notice is also called the notice of demand and the taxpayer should pay the due amount within 30 days of receiving the notice.**

# Adjustment of arrears of tax – Sec.245

- This notice u/s 245 of the Income Tax Act is served by the assessing officer(AO)
- not paid taxes in the previous FY where you had a tax liability and the tax refund of the current FY can be used to pay off the tax liability.
- required to respond within 30 days, failing which, the AO would consider it as consent to adjust the tax refund with previous tax liabilities and then issue your refunds after such adjustments.

# Respond to a Demand Notice

- Once you submit the Income Tax Returns, the next and the final step of the e-filing process is verification. The Income Tax Department (IT Department) checks the income declarations and tax paid to see if all these details match. Only then the IT Department will accept the tax return filed as per Section 143(1).
- If the taxes paid are found to be less than what you owe, they will issue you a demand notice. Let us understand how to respond to such a demand notice from IT Department.

# How to respond contd....

- Your jurisdictional Income Tax Officer (ITO) will upload the [Demand Notice](#) online. You can access the content of this notice by logging into your e-filing account on the website [www.incometaxindiaefiling.gov.in](http://www.incometaxindiaefiling.gov.in), where you can record your responses

# Steps for responding the notice

- **Step 1 : Login to your e-filing account on [www.incometaxindiaefiling.gov.in](http://www.incometaxindiaefiling.gov.in) with user ID and password.**
- **Step 2: Click on 'E-file' and go to 'Respond to Outstanding Tax Demand'.**
- You will see the following details displayed-
- Assessment year
- Section code
- Demand notification number
- Date on which demand is raised
- Outstanding demand amount
- Uploaded by
- Rectification rights
- Response – submit and view

- **Step 3: Click on 'Submit'** for the relevant assessment year. Choose one of the options mentioned below-
- **Demand is correct**
- **Demand is partially correct**
- **Disagree with demand**

# What are the options

- **Option 1 – Demand is correct**
- Step 1: When you select this option, a pop-up screen appears with a message ‘If you confirm, demand is correct then you can’t disagree with the demand’.
- Step 2: Click on the ‘Submit’ button.
- Step 3: A success message will be displayed.
- Step 4: If a refund is due, the outstanding amount and the interest will be adjusted against the refund due. Otherwise, you must pay the demand immediately. Read about [how to pay your tax demand](#)

# Option 2

- **Option 2 – Demand is partially correct**
- Step 1: You will see two fields to enter a correct and incorrect amount.
- Step 2: Once you enter the amount in the fields, you must choose a reason for stating the department's calculation to be partially correct.
- • **Demand has already been paid:** Provide the Challan Identification Number (CIN). Also mention BSR code, date of payment, the serial number of challan and amount. You can also add your comments under 'remarks.' If CIN is not available, mention that demand has been paid by challan and CIN is not available. Also, mention the date of payment, amount, and remarks (your comments), if any.
- • **Demand has already been reduced by [rectification/revision](#)** – Provide the date of order, demand amount, details of jurisdictional ITO who has rectified. Next, upload rectification/appeal effect order passed by the ITO.

- • **Demand has already been reduced by appellate order but appeal effect has to be given by the department** – Provide the date of order and the appellate order passed by (details of appellate authority, and the reference number of order).
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- • **Rectification has been filed with assessing officer** – Mention the date of application and remarks (comments, if any of the taxpayer).

- **• Appeal has been filed and stay petition has been filed, or stay has been granted by, or instalment has been granted by** – Provide the date of filing of the appeal, appeal pending with appellate authority e.g., CIT(A) or ITAT, stay petition filed with details of office. If the stay has been granted, you must also upload the copy of the stay order.
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- **Rectification/revised return has been filed at CPC** – In addition, please furnish the following details.
- [Filing](#) type
- E-filed acknowledgment number
- Remarks (comments, if any of the tax payer)
- Upload challan copy
- Upload TDS certificate
- Upload letter requesting rectification copy
- Upload indemnity bond

# Option 3

- **Option 3 – Disagree with the Demand**
- Step 1: Upon choosing this option, you must provide details of why you disagree with the department's call.
- Step 2: You must also provide reasons for your disagreement from the available options.
- Step 3: Submit your response to view a success screen with a transaction ID.
- Step 4: You can revisit the response when you click on 'View' under the 'Response' tab.
- Step 5: You can view the serial number, transaction ID, date of response, and response type will be displayed.