



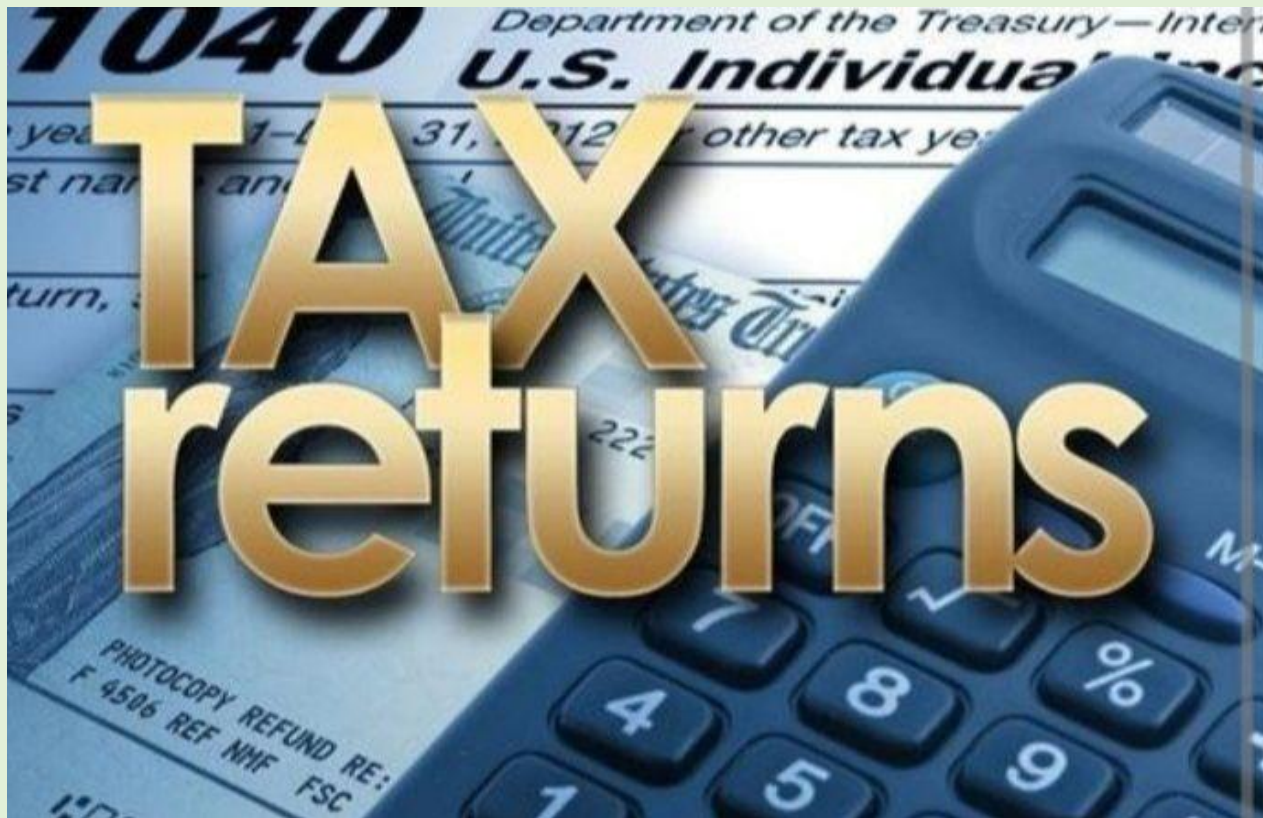
**THE INSTITUTE OF
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Certificate Course on Filing of Returns



Consequences of non filing of Income Tax Return

Consequences of Non or Late Filing of the Income Tax Return

- 1) Penalty under Section 234F of Income Tax Act, 1961:
- 2) Interest under Section 234A of Income Tax Act, 1961
- 3) Non-Carry Forward of Losses
- 4) Best judgment assessment (Assessment under section 144)
- 5) Claim of Refund of Taxes
- 6) Penalty for Concealment of Income
- 7) Prosecution for Failure to Furnish Return of Income

Penalty under Section 234F of Income Tax Act, 1961

- If a person who is required to furnish a return of his income, as required under sub-section (1) of [section-139](#) or by the provisos to that sub-section, fails to furnish such return before the end of the relevant assessment year, the Assessing Officer may direct that such person shall pay, by way of penalty, a sum of **five thousand rupees**:
- **Provided** that nothing contained in this section shall apply to and in relation to the return of income required to be furnished for any assessment year commencing on or after the 1st day of April, 2018.

Section 234A – Interest on Delayed Filing of Returns

- As per Section 234A, the penalty will be calculated as interest charges. This section is applicable if the taxpayer:
- has not paid tax on time
- has not submitted Form-16 after shifting from one company to another, or
- fails to comply with any other Direct Taxation laws and regulations provisions.

Interest for delay in filing the return of income [Section 234A]

- Under section 234A, interest is levied for delay in filing the return of income, filing of an updated return or filing of a return in response to notice issued under section 142(1).

If the taxpayer files the return of income after the due date specified in this regard or files an updated return, interest under section 234A will be levied.

Rate of interest

- Rate of interest under section 234A is levied for delay in filing the return of income. Interest is levied at 1% per month or part of a month.
- The nature of interest is simple interest. The taxpayer is liable to pay simple interest at 1% per month or part of a month for delay in filing the return of income.

Period of levy of interest under section 234A

- Interest under section 234A is levied from the period commencing on the date immediately following the due date of filing the return of income and ending on the date of furnishing the return of income or in case where no return has been furnished, on the date of completion of the assessment under section 144.
- It should be noted that while computing the period of levy of interest, part i.e. fraction of a month is considered as full month.

Amount liable to interest under section 234A

- Interest under section 234A is levied on the amount of tax as determined under section 143(1) and where regular assessment is made, the tax on total income as determined under such regular assessment as reduced by advance tax, tax deducted/collected at source, relief claimed under various sections like sections 89/90/90A/91 and tax credit claimed under section 115JAA/115JD.

Interest for default in payment of advance tax [Section 234B]

- Section 234B provides for levy of interest for default in payment of advance tax.
- Basic provisions Interest under section 234B is levied in following two cases:
 - a) When the taxpayer has failed to pay advance tax though he is liable to pay advance tax; or
 - b) Where the advance tax paid by the taxpayer is less than 90% of the assessed tax (meaning of assessed tax is discussed later).

As per Section 208 of the Act, advance tax shall be payable by the taxpayer during the financial year if estimated tax liability of assessee during that year is ten thousand rupees or more.

Interest for default in payment of instalment(s) of advance tax [Section 234C]

- If advance tax paid in any instalment(s) is less than the required amount or in case of deferment of different instalments of advance tax, interest is levied in following cases:
- (A) In case of taxpayers (other than those who opted for presumptive taxation scheme under section 44AD or section 44ADA), interest shall be levied-
 - If advance tax paid on or before 15th June is less than 12% of advance tax payable
 - If advance tax paid on or before 15th September is less than 36% of advance tax payable
 - If advance tax paid on or before 15th December is less than 75% of advance tax payable
 - If advance tax paid on or before 15th March is less than 100% of advance tax payable

Non-Carry Forward of Losses

- Losses incurred (other than house property loss) are not allowed to be carried forward to subsequent years.
- You cannot set off these losses against future gains if the return has not been filed within the due date.
- However, if there are losses under house property, carrying forward losses is permitted.

Applicability of Section 144

- According to Section 144 of the Income Tax Act, the assessing officer starts the best judgement assessment. AO will use an evaluation of best judgement for the following reasons:
- If a taxpayer does not comply with all the terms of a notice issued under Section 142(1), is unable to file an IT return by the prescribed due date under [Section 139\(1\)](#), files a belated return as per Section 139(4), files a revised return as per [Section 139\(5\)](#), or files an updated return under [Section 139\(8A\)](#)
- If a taxpayer disregards any of the instructions provided in Section 142(2A)
- If an AO finds that a taxpayer's accounts are incomplete or inaccurate, or if the taxpayer has not followed a consistent accounting system
- If, following the filing of an IT return, a taxpayer does not comply with all of the provisions of a notification—a notice of scrutiny assessment—issued in accordance with [Section 143\(2\)](#)

Prosecution for not Filing ITR

- Not filing your Income Tax Return (ITR) can lead to serious consequences, especially if you owe more than Rs. 25,000 in taxes. In such cases, you could face imprisonment for 6 months to 7 years and a fine. Even if you owe less than Rs. 25,000, failing to file can still result in imprisonment for 3 months to 2 years and a fine.

Penalty for Concealment of Income

- Section 271(1)(c) of the Income Tax Act states that if a person fails to furnish accurate details of income or conceals his/her income while filing the income tax return, he/she will be liable to pay a penalty of 100% to 300% of the tax payable on the concealed income.

Section 206AB & 206CCA – Tax Deduction or Collection at Source For Not Filing of Income Tax Return

- New sections were introduced in the Finance Bill, 2021 to deduct TDS (tax deducted at source)/ collect TCS (tax collected at source) at higher rates when the amount is paid to specified persons who have not filed their income tax returns.

Section 206AB is inserted after section 206AA of the Income Tax Act. The latter provides for the deduction of TDS at higher rates for those who do not provide/furnish their Permanent Account Number (PAN).

Rate of TDS Under Section 206AB or Rate of TCS Under Section 206CCA?

- If payment is made to a specified person, then tax shall be deducted at source (TDS) at higher of below rates:
- 2 times the rate given in the Income Tax Act or Finance Act or
- 5%
- If the person provides the PAN but has not filed the return for the last assessment year, the due date for filing has expired, and the aggregate of TDS or TCS in his case is Rs. 50,000 or more, then the above rate shall apply. Just to save from this, if he doesn't provide the PAN, then tax shall be deducted at 20% or a much higher rate as per section 206AA.





THANK YOU!