



J. B. NAGAR CPE STUDY CIRCLE

Issues in Rectification & E-filing of Returns

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Agenda

- Statutory Provisions
 - Stages of Mandatory E-filing & Digital Signature
 - No E>Returns in certain cases
- Procedure to File E>Returns
- Dos and Donts
- Difficulties faced for E>Returns
- Cares to be taken
- Rectification Procedures
- Common Errors
- Tax Credits and Refunds
- Refund Adjustments
- Rectifiable and Non-Rectifiable Mistakes

Statutory Provisions

- Rule – 12 of the Income-tax Rules
- Mandatory E>Returns for various entities as per amendments made to the Rules
- Upto A.Y. 2005-06 – Saral and Form – 1
- Asst. Year – 2006-07 – Mandatory for Companies to file E>Returns
- Asst Year 2007-08 – Extended to Partnership Firms under Tax Audit
- Asst Year 2010-11
 - Company to file E>Returns with Digital Signature
 - Ind / HUF/ Firm subject to Tax Audit to file E>Returns – Digital signature was optional
- Asst Year 2011-12
 - Notification No. 37/2011 dated 1st July 2011 – proviso to sub-rule 3 of Rule 12 amended
 - Company and Ind / HUF/ Firm subject to Tax Audit – E>Returns is compulsory with digital signature in all the cases

A.Y. 2012-13 – Notification No. 14/2012 dated 28-3-12

- E-filing made mandatory for the following assesses w.e.f. A.Y. 2012-13
 - Individual / HUF whose total income exceeds Rs. 10 Lakhs
 - Resident Individual / HUF having assets (including financial interest in any entity) located outside India or signing authority in any account located outside India
- Digital Signature is optional in the above cases
- Resident Individuals / HUFs having assets (including financial interest in any entity) located outside India or signing authority in any account located outside India will not be allowed to file SAHAJ (ITR-1) or SUGAM (ITR-4S)
- They will need to file ITR-2 / ITR-3 / ITR-4

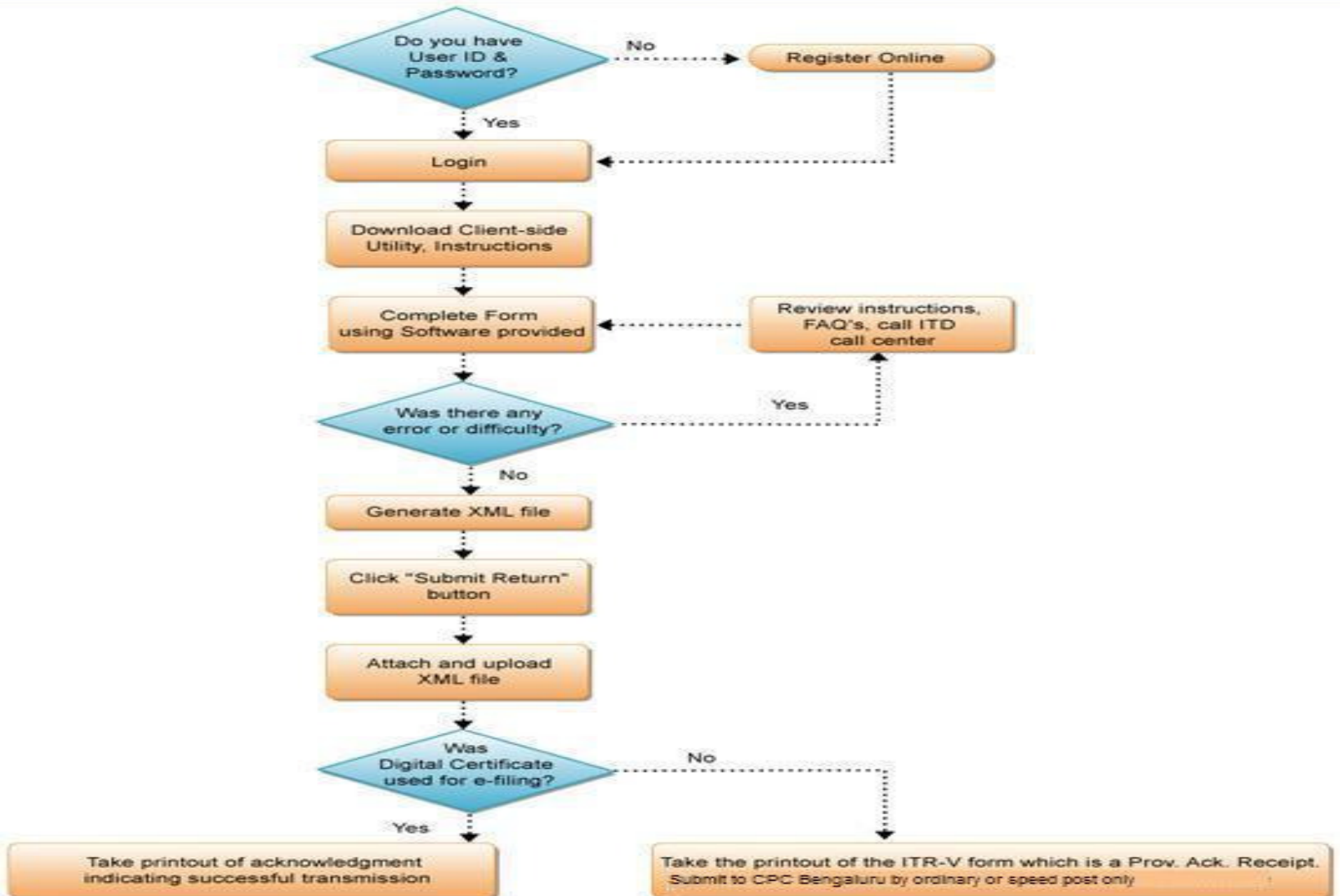
Statutory Provisions

- E-filing not permissible in Certain cases
 - Charitable or Religious Trusts – 139 (4A)
 - Political Parties – 139 (4B)
 - Associations whose incomes are exempt under various clauses of section 10– 139(4C)
 - Universities, colleges or institutions referred to in section 35(1)(ii) or 35(1)(iii) – 139(4D)

E-filing Procedures

- Select appropriate [Form of Income-tax Returns](#)
- Download Return Preparation Software — www.incometaxindia.gov.in – or select from the available softwares in the market
- Fill in the data offline in the appropriate return
- Generate XML version of the Return
- Create a User ID on the web-site of Dept
- Activate link sent by way of email
- Register your digital signature
- Upload XML file on the site
- Download and print ITR – V and send it to CPC- Bangalore if Return is not filed with Digital Signature
- Once the same is received at CPC and found in order, a confirmation will be sent by email

e-Filing Process



Assessee	Nature of Income	Return Form
Individual / HUF	Salaries or House Property (from only one house) or Income from Other Sources (except winning from lottery or race horses)	SAHAJ (ITR-1)
Individual / HUF	Incomes other than the above but does not include Income from Business	ITR-2
Individual / HUF who are partner in a Firm	Income from Business does not include any income other than from Firm	ITR-3
Individual / HUF	Income from referred to in Section 44AD / 44AE (presumptive tax schemes)	SUGAM (ITR-4S)
Individual / HUF	Income from Business and not covered by ITR-3 or ITR-4S	ITR-4
Firms and LLPs (other than covered by ITR-7)	No conditions about Income	ITR-5
Company (other than covered by ITR-7)	No conditions about Income	ITR-6
Assessee covered by section 139(4A) / 139(4B) / 139(4C) / 139(4D)	No conditions about Income	ITR-7



Filing of Return by Legal Heir

- E>Returns can be filed for the deceased and the ITR – V shall be signed by the Legal Heir of the deceased
- If the Legal Heir wishes to file the Return with digital signature – the DSC shall be in the name of Legal Heir
- Send a request by email to ask@incometaxindia.gov.in
- Mention the name, DOB of deceased and also that of Legal Heir
- Also attach a scanned copy of death certificate of deceased

ITR- V - Dos & Donts

- Please use Ink Jet /Laser printer to print the ITR-V Form. – Avoid Dot-Matrix Printer
- The ITR-V Form should be printed only in black ink.
- Ensure that print out is clear and not light print/faded copy.
- Do not print any water marks on ITR-V. – Only department's watermark is permissible and printed automatically
- ITR-V shall be signed in original – Photocopy or scanned copy of signed document not permissible
- Do not write anything or sign on the Bar code
- Bar code and numbers below barcode should be clearly visible

ITR- V - Dos & Donts

- Use Only A4 size white paper
- Do not type / print / write anything at the back of the paper.
- Do not use perforated paper or any other size paper
- Do not use stapler on ITR V acknowledgement.
- Do not print back to back – Use only one side of the paper
- Do not submit any annexures, covering letter, pre stamped envelopes etc. along with ITR-V.
- Send ITR-V by Ordinary Post only
- Address of the CPC is printed on ITR-V

Difficulties faced

- Difficulty in creating login ID – Data Mismatch in PAN records
- Email ID is compulsory
- Digital Signature compulsory in specified cases
 - Extra Cost
 - Difficulty in Registering of Digital Signature
 - Possible Misuse of Digital Signature
- Non availability of TAN of the Deductor and no credit in Form 26AS

Difficulties faced

- Mistakes by Banks – Credits for Advance Tax and Self-Assessment Tax
- Missing PAN of Donee Trust – Section 80G
- No Notes possible in the Returns
 - Effect on Penalty Proceedings
 - Remedy
- Difficulty in claiming exemptions / deductions based on judicial decisions

Difficulties faced

- Details of Profit and Loss A/c. and Balance Sheet
 - Many Expenses do not find mention in the formate
 - Most such items will be clubbed as Other Expenses
 - Classify as near to the relevant head as possible
 - Ensure that all items are put somewhere or other
- Cross tallying of data filed under various schedules
- Heavy Reliance on Software – Mistake in development of software can create problems
 - Example : Set off of unabsorbed losses
 - Effect of Refund Received - which is to be repaid due to increase in tax liability in 148 Return

Be Careful ...

- Fill in correct and accurate details – specially email address, mobile nos. etc.
 - Use of CA/ Tax Consultant's email ID
 - Section 282(2) of the Act
- Correct addresses to be filled in
- Correct bank account No. and MICR Code – Refund by ECS
- Verify Tax Credit in Form 26AS
- Follow-up with deductor / bank in case of missing entries in 26AS

Be Careful ...

- All schedules shall be filled in properly – check cross tallying
- Co-owners of property shall enter only their share of income in the schedule of Income from House Property
- While entering Profit & Loss A/c. it is advisable to avoid including Incomes chargeable under other heads of income
- Schedules of Deduction under chapter VIA shall be fully and properly filled in – Ex : 80G/ 80IA/ 80IB etc.

Be Careful ...

- Fill up proper and complete details about MAT credits / Unabsorbed Losses
- Date of payment of tax shall be entered in DD/MM/YYYY formate
- Exact amount paid in each challan shall be mentioned – Rounding off leads to mismatches
- Each challan shall be separately entered and not merged
- In case of no Digital Signature – ensure that ITR V reaches CPC within the prescribed time
- Send Fresh ITR V if confirmation is not received within a reasonable time

Rectification - Procedure

- Rectification for Returns processed by CPC can be made Electronically only
- Carefully examine the intimation and understand the basic reason for the variation
- Complete XML file of the Return is to be uploaded (similar to return filing) – and not only schedules that need rectification
- Start with the saved e-return data
- All errors in data entry shall be completely corrected
- If any schedules or fields are left blank while filing the return, then the same shall be filled in correctly and completely
- After making the required correction – Generate a fresh XML file (Rectification XML file)

Rectification Procedure

- Log in to the site of the department and go to My Account -> Rectification -> Rectification upload
- Fill in the details from the intimation sheet like intimation No. etc.
- Fill in the details of the schedules where changes have been made
- If the due date of return as per intimation is incorrect then please fill in the correct date – If it is correct then this has to be left blank
- If the address is changed in the Rectification xml file then one must tick the address change check box
- Upload the Rectification XML file

Rectification Procedure

- If upload is successful, Rectification Request No. and acknowledgement will be displayed
- Change in Bank Account No. – the Rectification XML will be provisionally uploaded – Response Sheet will be displayed
- Fill up the Response Sheet and send it alongwith a cancelled cheque of the new bank account
- Final acknowledgement will be sent only on receipt of the cancelled cheque and response sheet at CPC
- Rectification request can be withdrawn within 7 days
- Fresh Rectification Request for the same year can be made only after the first Rectification Request is processed at CPC.

Common Errors

- Entering Exempt Allowances in Salary Income
- Incomplete entries or lack of proper cross linking of various schedules
- Mistake in mentioning date of payment of tax – Do not mention date of payment of Tax deducted by deductor
- Mentioning PAN of Deductor instead of TAN
- Difference in Date of Birth in PAN records – Concessional Tax to senior citizens

Common Errors

- Non filing of Sch. MAT – Fill up the schedule even if the tax is payable under normal provisions
- Non filing of details of Block of Assets in Sch. DEP
- Entering negative value in Sch DEP
- Negative value indicates that the Block has ceased to exist and so depreciation will be computed at NIL
- Do not leave Sch CFL (carried forward loss) blank otherwise set off will not be permissible for the losses brought forward
- Do not forget to tick the check box of STT paid for capital gains on sale of shares – Impact on STCG and LTCG

Tax Credits and Refunds

- Refunds by way of ECS
- Significance of Form 26AS
 - Absence of entries in 26AS – legal effect -
Remedy for the same
- Non filing of TDS Returns or mistake in filing TDS Returns by Deductors
- Mistakes in OLTAS entries

Refund Adjustments

- Set off of Refund against the sum remaining payable is permissible – Section 245 of the Act
- Intimation is required to be given to the assessee before such set off
- Possible Reasons for Demands
 - Already Paid but credit not given
 - Pending Rectification
 - Pending Appeal Effect
 - Non-receipt of the relevant order levying the demand
 - Non existing Demands

Refund Adjustments - Remedies

- If the demand shown in the Intimation is incorrect / already paid – Contact your jurisdictional AO & get the records corrected
- If the demand pertains to a year for which intimation was passed by CPC – check the intimation and file rectification application for that year
- Refund Adjusted – latter on realised that adjustment is incorrect – approach AO for the refund of amount wrongly adjusted

Rectifiable Mistakes (Illustrative)

- Change in Head of Income
- Not giving credit for the Taxes Deducted / Paid
- Not granting concessional tax benefit for women / senior citizen
- Mistake while computing “Book Profit” for MAT
- Addition / Disallowance in other years for the same assessee
- Mistake arising out of a rectification order

Rectifiable Mistakes (Illustrative)

- Relief not claimed in the Return but allowable as per law
- Incorrect computation of allowable deduction under a particular section
- Non-consideration of an appropriate provision of law
- Change in the Interpretation of legislation due to subsequent decision of SC / Jurisdictional HC

Non-Rectifiable Mistakes (Illustrative)

- Mistake requiring long drawn process of reasoning and arguments
- Mistake of law if it is not glaring and obvious
- Matter considered in appeal / revision proceedings
- Mistakes in Intimation can not be rectified subsequent to issue of notice for assessment
- Mistakes that require fresh determination of facts