

To: - Members of the Committee
Associate and Corporate Members
All Members

Dear Sir,

Re: - Payment of Taxes and Processing of IT Returns

The Department of Revenue, Union Ministry of Finance has issued a Press Note dated 05.1.2012 clarifying its communication about arrear demand. Further, the Central Board of Direct Taxes has issued a Notification No. 2/2012/F.No. 142/27/2011 – S.O. (TPL) dated 04.1.2012 specifying the Scheme for processing of Return of Income.

I enclose a copy each of the said Press Note and CBDT Scheme for your kind perusal.

Yours faithfully,

Encl: - a/s.

(R. K. Sen)

Director General

Press Information Bureau ; Government of India - Ministry of Finance

05-January-2012 18:51 IST

Press Note

It has been reported in some sections of the press that the Central Processing Centre , Bangalore is sending notices for payment of taxes which are as small as Rs. 1/- , 4/- , 6/-, causing unnecessary hardship to assesses . It has been stated that when the refunds for amounts less than Rs. 100/- are not issued by the Income Tax Department, then the demand for less than Rs.100/- should also not be collected .

Clarification in this regard is as follows:

Arrear Demand Communication

The Income Tax Department has created a central repository of all demands for better demand management as required by Standing Committee of Parliament and C&AG. To achieve this, all officers were asked to collate demand lying at various places viz. IRLA, TMS and manual registers and upload onto CPC portal. This was also part of the annual action plan. Consequently AOs have uploaded the same. During a meeting with Bangalore Chartered Accountants association, it was suggested that taxpayers should also be informed about the same so as to enable them to take necessary action if the outstanding demands were incorrect. This measure was aimed at providing greater transparency. Therefore, a communication has been sent to taxpayers informing them about existing arrears. It may be clarified that this communication is not a demand notice. This measure is, in fact, an assessee -friendly exercise. The Department has also written to all chief commissioners to amend such entries, if found incorrect, when approached by taxpayers. This would correct the database if a taxpayer has proof of payment etc. As per extant procedure, demand of less than Rs. 100 is not enforced but is liable for adjustment against future refunds.

Department of Revenue, Ministry of Finance

New Delhi: Pusa 15, 1933; January 05, 2012

DSM/SS/Hb

Compiled and Forwarded to our members by :-

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In exercise of the powers conferred by sub-section (1A) of section 143 of Income Tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby specifies the following scheme for processing of returns of income, namely:-

1. Short title and commencement.—

(1). This Scheme may be called the Centralised Processing of Returns Scheme, 2011.

(2). It shall come into force on the date of its publication in the Official Gazette.

2. Definition. - In this scheme, unless the context otherwise requires -

(a) 'Act' means the Income Tax Act, 1961 (43 of 1961).

(b) 'Board' means Central Board of Direct Taxes constituted under the Central Board of Revenues Act, 1963 (54 of 1963).

(c) 'Centre' means the Centralised Processing Centre having jurisdiction over such return of income as may be specified by the Board.

(d) 'Commissioner' means the Commissioner of Income-tax, Centralised Processing Centre.

(e) 'Director General' means the Director General of Income-tax (Systems).

(f) words and expressions used herein but not defined and defined in the Act shall have the meaning respectively assigned to them in the Act.

3. Scope of the Scheme.—This scheme shall be applicable in cases where return of income has been furnished in,-

(i) electronic form; or

(ii) paper form, in case of a class or classes of persons, as notified by the Board in this behalf.

4. Receipt and Acknowledgment of Return of Income.—

(1) Where a return of income is filed electronically with digital signature, on successful transmission of the data, an acknowledgment as generated by the server of the Central Government shall be available to the person in printable format.

(2) The acknowledgment shall contain the acknowledgment number of the electronic transmission and the date of transmission as an evidence of filing of the return.

(3) A copy of the electronic transmission of filing the return of income shall be downloaded and kept by the person.

(4) Where a return of income is filed electronically without digital signature, on successful transmission of the data, an acknowledgment in Form ITR-V as provided

in rule 12 of the Income Tax Rules, 1962 shall be generated by the server of the Central Government and available to the person.

(5) The Form ITR-V shall also contain the acknowledgment number of the electronic transmission and the date of transmission as an evidence of filing of the return.

(6) A copy of ITR-V shall be downloaded and after taking a printout of such a form, it shall be physically verified under the signature of the person and forwarded to the Centre.

(7) The Form ITR-V duly verified shall be sent to the Centre, either through ordinary or speed post, within such period of uploading the electronically filed return as may be specified by the Director General in this behalf.

(8) The date of transmitting the data electronically shall be the date of furnishing the return if the Form ITR-V is furnished in the prescribed manner and within the period specified.

(9) In case Form ITR-V furnished after the prescribed time is rejected on account of it being unsigned, illegible, mutilated, bad quality or not as per specification, it shall be deemed that the return in respect of which the Form ITR-V has been filed was never furnished and it shall be incumbent on the person to electronically file the return of income again followed by submission of the new Form ITR-V.

(10) The Form ITR-V shall be submitted at the address, in the mode and within the period or extended period specified by the Commissioner in this behalf.

(11) The Commissioner may, in order to avoid hardship in a case or class of cases, condone the delay in receipt of Form ITR-V.

(12) The Commissioner may call for fresh Form ITR-V in special circumstances, where the Form ITR-V earlier submitted cannot be considered for technical reasons.

5. Revised return of income.—

(1) If the original return of income is an electronically filed return, the revised return shall be filed through electronic mode only.

(2) The Centre will process only the revised return and no further action will be taken on the original return if it has not already been processed.

6. Invalid or defective return.

(i) The Commissioner may declare-

(a) a return invalid for non-compliance of procedure for using any software not validated and approved by the Director General.

(b) a return defective under sub-section (9) of section 139 of the Act on account of incomplete or inconsistent information in the return or in the schedules or for any other reason.

(ii) In case of a defective return, the Centre shall intimate this to the person through e-mail or by placing a suitable communication on the e-filing website.

(iii) A person may comply with the notice regarding defective return by uploading the rectified return within the period of time mentioned in the notice.

(iv) The Commissioner may, in order to avoid hardship to the person, condone the delay in uploading of rectified return.

(v) In case no response is received from the person in reply to the notice of defective return, the Commissioner may declare a return as not having been uploaded at all or process the return on the basis of information available.

7. Centralised Processing Centres.—

(1) The Board may set up as many Centralised Processing Centres as it may deem necessary and specify their respective jurisdictions.

(2) The processing of the returns shall be undertaken at the Centralised Processing Centre.

8. Processing of Returns.—

(i) The Centre shall process a valid return of income in the following manner, namely:-

(a) the sum payable to, or the amount of refund due to, the person shall be determined after credit of such Tax collected at Source (TCS), Tax Deducted at Source (TDS) and tax payment claims which can be automatically validated with reference to data uploaded through TDS and TCS statements by the deductors or the collectors, as the case may be, and tax payment challans reported through authorised banks in accordance with the procedures adopted by the Centre in this regard.

(b) an intimation shall be generated electronically and sent to the person by e-mail specifying the sum determined to be payable by, or the amount of the refund due to, the person; and

(c) any intimation to the person to pay any sum determined to be payable shall be deemed to be a notice of demand as per the provisions of section 156 of the Act and all other provisions of the Act shall be applicable accordingly.

(ii) The Commissioner may, -

(a) adopt appropriate procedure for processing of returns; or

(b) decide the order of priority for processing of returns of income based on administrative requirements.

(iii) Wherever a return cannot be processed in the Centre for any reasons, the Commissioner shall arrange to transmit such return to the Assessing Officer having jurisdiction for processing.

9. Rectification of mistake.—

(i) With a view to rectifying any mistake apparent from the record under section 154 of the Act, the Centre, on its own or on receiving an application from the person,

may amend any order or intimation passed or sent by it under the provisions of the Act.

(ii) An application for rectification shall be filed electronically to the Centre in the format prescribed and will be processed in the same manner as a return of income-tax.

(iii) Where the rectification order results in a demand of tax, the order under section 154 of the Act passed by the Centre shall be deemed to be a notice of demand under section 156 of the Income-tax Act.

(iv) In case of error in processing due to an error in data entry or a software error or otherwise, resulting in excess refund being computed or reduction in demand of tax, the same will be corrected on its own by the Centre by passing a rectification order and the excess amount shall be recovered as per the provisions of the Act.

(v) Where a rectification has the effect of enhancing an assessment or reducing the refund or otherwise increasing the liability of the person, an intimation to this effect shall be sent to the person electronically by the Centre and the reply of the person has to be furnished through electronic mode only.

10. Adjustment against outstanding tax demand.—The set-off of refund, if any, arising from the processing of a return, against tax remaining payable will be done by using the details of outstanding tax demand lying against the person as uploaded onto the system of the Centre by the Assessing Officer.

11. Appellate Proceedings.—

(i) Where a return is processed at the Centre, the appeal proceedings relating to the processing of the return shall lie with Commissioner of Income-tax (Appeals) [CIT(A)] having jurisdiction over the jurisdictional Assessing Officer and any reference to Commissioner (Appeals) in any communication from the Centre shall mean such jurisdictional CIT (Appeals).

(ii) Remand reports, giving effect to appellate order and any other reports to be furnished before the CIT (Appeals) shall be submitted by the Assessing Officer having jurisdiction as regards the person.

12. No personal appearance in the Centre.—

(i) A person shall not be required to appear either personally or through authorised representative before the authorities at the Centre in connection with any proceedings.

(ii) Written or electronic communication from such person or authorized representative in the format specified by the Centre in this respect shall be sufficient compliance of the query or clarification received from the Centre.

(iii) The Centre may call for such clarification, evidence or document as may be required for the purpose of facilitating the processing of return and all such clarification, evidence or document shall be furnished electronically.

13. Service of notice or communication.—

(i) The service of a notice or order or any other communication by the Centre may be made by-

a. sending it by post;

b. delivering or transmitting its copy thereof, electronically to the person sent by the Centre's e-mail;

c. placing its copy in the registered electronic account of the person on the official website ; or

d. any of the modes mentioned in sub-section (1) of section 282 of the Act.

(ii) The date of posting of any such communication on official website, e-mail or other electronic medium shall be deemed to be the date of service.

(iii) The intimation, orders and notices shall be computer generated and need not carry physical signature of the person signing it.

14. Power to specify procedure and processes.—The Director General may specify procedures and processes from time to time for effective functioning of the Centre in an automated and mechanised environment, including specifying the procedure and processes in respect of the following :-

(i) receipt and processing of electronic rectification applications in the Centre.

(ii) the address or place, the mode and the period or the extended period within which the acknowledgment in Form ITR-V shall be accepted.

(iii) validating any software used for e-filing the return.

(iv) call centres to answer queries and provide taxpayer services which may include outbound calls to persons requesting for clarification to assist in the processing of their returns of income.

(v) managing tax administration functions such as receipt, scanning, data entry, processing, issue of refunds, storage and retrieval of income-tax returns and documents in a centralised manner or receipt of paper documents through authorized intermediaries.

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