

# Analytical Discussion on Issues with CPC

**Centralized  
Processing Centre  
Income Tax Department**

PRESENTATION BY

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# Processing of Return



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graph TD; A[Processing of Return] --> B[Defective]; A --> C[Proposed Adjustment U/s 143(1)(d)]; A --> D[Intimation U/s 143(1)];
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Defective

Proposed  
Adjustment  
U/s 143(1)(d)

Intimation U/s  
143(1)

# Defective Return- Section 139(9)

Where the Assessing Officer considers that the return of income furnished by the assessee is defective, he may intimate the defect to the assessee and give him an opportunity to rectify the defect; and if the defect is not rectified, then, notwithstanding anything contained in any other provision of this Act, the return shall be treated as an invalid return and the provisions of this Act shall apply as if the assessee had failed to furnish the return.

Explanation (a) to (f) provides for various conditions which should be satisfied in order to attract this provision.

**Provided** that the Board may, by notification in the Official Gazette, specify that any of the conditions specified in clauses (a) to (f) to the *Explanation* shall not apply to such class of assesseees or shall apply with such modifications, as may be specified in such notification.

# Defective Return-Resolution

- ▶ Explanation why the Return is not defective.
- ▶ File Rectified Return under section 139(9).
- ▶ If Return is declared invalid, then the option is to file Revised Return, if not time barred or to file application for condonation of delay with the Board
- ▶ No appeal mechanism is available if Return is treated as invalid.
- ▶ Assessee may file writ petition.

# Proposed adjustment – Notice U/s 143(1)(a)

The total income or loss shall be computed after making the following adjustments, namely:

- ▶ any arithmetical error in the return;
- ▶ **an incorrect claim** (refer Explanation 1), if such incorrect claim is apparent from any information in the return;
- ▶ disallowance of loss claimed, if return of the previous year for which set off of loss is claimed was furnished beyond the due date specified under sub-section (1) of section 139;
- ▶ disallowance of expenditure indicated in the audit report but not taken into account in computing the total income in the return;
- ▶ disallowance of deduction claimed under sections 10AA, 80-IA, 80-IAB, 80-IB, 80-IC, 80-ID or section 80-IE, if the return is furnished beyond the due date specified under sub-section (1) of section 139; or

(contd....)

# Contd....Proposed adjustment – Notice U/s 143(1)(a).

- ▶ ~~addition of income appearing in Form 26AS or Form 16A or Form 16 which has not been included in computing the total income in the return.~~  
(w.e.f.01.04.2018)

**Provided** that no such adjustments shall be made unless an intimation is given to the assessee of such adjustments either in writing or in electronic mode:

**Provided further** that the response received from the assessee, if any, shall be considered before making any adjustment, and in a case where no response is received within thirty days of the issue of such intimation, such adjustments shall be made



# Incorrect Claim explained - Explanation 1 – Section 143(1)

*Explanation.*—For the purposes of this sub-section,—

(a) "an incorrect claim apparent from any information in the return" shall mean a claim, on the basis of an entry, in the return,—

(i) of an item, which is inconsistent with another entry of the same or some other item in such return;

(ii) in respect of which the information required to be furnished under this Act to substantiate such entry has not been so furnished;  
or

(iii) in respect of a deduction, where such deduction exceeds specified statutory limit which may have been expressed as monetary amount or percentage or ratio or fraction;

# Resolution- Order passed U/s 143(1)

- If adjustment is acceptable, pay the demand, if any. It may be kindly noted that no penalty is leviable in respect of any additions made.
- Rectification application should be filed. This option is discussed in next slides.
- In case the rectification is rejected, it is advisable to file physical application with JAO.
- It is advisable to file an appeal before CIT(A) in case the rectification application is rejected.
- Recent decision of ITAT in case of Kalpesh Synthetic and Indoco Remedies have come as a great relief to Assessee against the arbitrary adjustments made by CPC U/s 143(1).



# RECTIFICATION UNDER SECTION 154

- ▶ Rectification of returns is available only for orders passed by CPC under Section 143(1) read with Section 154 of the Income Tax Act, 1961.
- ▶ **Types of Income tax Rectification**
  - (1) Reprocess the Return
  - (2) Tax Credit Mismatch Correction
  - (3) Return Data Correction
- ▶ **Important Note:**
  - ONLINE rectification request is not allowed if case has been selected for scrutiny.
  - ONLINE rectification request is not allowed in case of rights transferred to AO. In such a case, you need to approach the JAO with the physical rectification application.
  - If Assesse has received an intimation on their registered email id and if the same is not reflecting on the income tax portal under view filed return tab, then assesse can't file an rectification online unless or until the same is reflecting under view filed return tab.
  - You cannot file an rectification request again unless if previously filed rectification request for the same assessment year is not processed.

# RECTIFICATION UNDER SECTION 154

## Reprocess the Return

- It is advisable to select the option if you have furnished true and correct particulars in Return of Income and CPC has not considered the same during processing of return.
- In this the xml filed during filing of original/revised return will be processed again by resolving the error and assessee will receive a intimation under section 154.

# RECTIFICATION UNDER SECTION 154

## Tax Credit Mismatch Correction

- It is advisable to use this option if you want to correct details in TDS/TCS/IT Challans.
- In this the details are auto-populated on the basis of records available in the corresponding processed return and you have an option of editing and deleting the data as per the correction you want to do.

# RECTIFICATION UNDER SECTION 154

## Return Data Correction (Offline)

- ▶ It is advisable to use this option if any update/change in the xml is to be made to rectify the error.
- ▶ **Further, while doing correction assessee must make sure to not declare any new source of income or make any additional claim.**
- ▶ Assessee wont be allowed to file rectification if income is changed.
- ▶ This option allows assessee to explain the (Maximum 4000 characters) rectification application which is not possible in earlier two options.
- ▶ In this assessee have to upload the rectified Xml/Json File.



# KALPESH SYNTHETICS PVT LTD

(ITA No. 1785/Mum/2021 ) (Mum)

## Relevant observations

- ▶ Disposal of objections cannot be such an empty formality or meaningless ritual that AO can do so without application of mind and without setting out specific reasons for rejecting the same.
- ▶ The fact remains that the tax auditor is a third party, and his opinions cannot bind the auditee in any manner.
- ▶ whether the insertion of Explanation 2 to Section 36(1)(va), is retrospective can be relevant when a call is required to be taken on merits in respect of an assessment under section 143(3) or under section 143(3) r.w.s. 147 of the Act, or when no findings were to be given on the scope of permissible adjustments under section 143(1)(a)(iv).





# INDOCO REMEDIES LTD (ITA 192/Mum/22)

## Relevant observation

Proviso to section 143(1)(a) mandates that no adjustment shall be made unless an intimation is given to the assessee. In the instant case as is emanating from records no notice/intimation was given to the assessee for making adjustment/addition. The CPC/Assessing Officer made addition in an unilateral proceedings without affording opportunity of hearing to the assessee or to make submissions and explain as to how book profits have been computed by the assessee under MAT provisions. Non-granting of an opportunity of hearing/making submissions is against the principles of natural justice and mandate of section 143(1)(a) of the Act. Hence, the addition is liable to be set-aside on this ground alone.



# Annual Information Statement (AIS)

- ▶ **Annual Information Statement (AIS)** is comprehensive view of information for a taxpayer displayed in Form 26AS. Taxpayer can provide feedback on information displayed in AIS. AIS shows both reported value and modified value (i.e. value after considering taxpayer feedback) under each section (i.e. TDS, SFT, Other information).
- ▶ This data base will be scrutinized by I&C unit of tax department for proposing to reopen the case. This is therefore very critical database.
  - ▶ **The functionalities under AIS Tab are:**
    - View Annual Information Statement
    - Submit Feedback on AIS
    - Upload AIS feedback packet generated from AIS utility
    - Download Annual Information Statement (PDF/ JSON)
    - Download Specific Information Details (CSV)
    - Download AIS Consolidated Feedback (PDF)
    - Download AIS Feedback Acknowledgement (PDF)
    - Download AIS Feedback Tracker (PDF)

## Feedback option is provided for

- ▶ If the information belongs to taxpayer, but all the attributes of the Information are not correct.
- ▶ The Information mentioned pertains to other Pan/Year
- ▶ If the Information is duplicate/included in other information.
- ▶ If the Income arises from Sale of Rural Agriculture Land - The income from sale of rural agricultural land is not taxable as it is not a capital asset under section 2(14). Since it is reported by the Sub – Registrar it will be reflecting in the Annual Information Statement (AIS) which can cause into income mismatch

## Options Available in Feedback In Annual Information Statement (AIS)

- Information is correct
- Information is not taxable
- Information is not fully correct
- Information relates to Other Pan/Year
- Information is duplicate/included in other information
- Information is denied

# ISSUES IN INTIMATION UNDER SECTION 143(1)

## Error in the software programming

The adjustments are done due to programming error in the CPC processing software.

## Probable Solutions:

Rectification option of rectified XML should be opted as it allows Assessee to explain the case. The Assessee can also raise the issue with CPC by writing the email at: [efilingwebmanager@incometax.gov.in](mailto:efilingwebmanager@incometax.gov.in). The assessee should also raise a grievance on CPC portal. Out of abundant precaution an appeal should also be filed.

In most cases, the CPC rectifies the error once the software is upgraded.

# ISSUES IN INTIMATION UNDER SECTION 143(1)

## ▶ 26AS Credit Not Given

TDS credit is not granted even after it is as per 26AS.

### Probable Solution

CPC portal permits the correction in the TDS data.

Assessee should also file a rectification letter with Jurisdictional Assessing Officer (JAO).

# ISSUES IN INTIMATION UNDER SECTION 143(1)

## Short 244A Interest Credit

### Probable Solution

- ▶ Check if interest is due U/s 244A?
- ▶ If yes, check if all data points are correctly entered and file request for rectified xml processing giving the reasons for the same.
- ▶ Write to CPC at [efilingwebmanager@incometax.gov.in](mailto:efilingwebmanager@incometax.gov.in) and raise the grievance on the portal.
- ▶ Physical rectification application with JAO.
- ▶ An appeal before CIT(A) should also be filed, if rectification application is rejected.

# ISSUES IN INTIMATION UNDER SECTION 143(1)

## ▶ Share of Loss of Partnership Firm

share of losses from partnership firm is added back to the total income without giving any reason.

## Probable Solution

- ▶ If all data points are correctly entered then file request for rectified xml processing giving the reasons for the same.
- ▶ Write to CPC at [efilingwebmanager@incometax.gov.in](mailto:efilingwebmanager@incometax.gov.in) and raise the grievance on the portal.
- ▶ Physical rectification application with JAO.
- ▶ An appeal before CIT(A) should also be filed, if rectification application is rejected.



# ISSUES IN INTIMATION UNDER SECTION 143(1)

## Rental Income (Income from House Property)

Despite the claim of part ownership in the Return, entire rental income is charged in the hands of the assessee

### Probable Solution

- ▶ If all data points are correctly entered then file request for rectified xml processing giving the reasons for the same.
- ▶ Write to CPC at [efilingwebmanager@incometax.gov.in](mailto:efilingwebmanager@incometax.gov.in) and raise the grievance on the portal.
- ▶ Physical rectification application with JAO.
- ▶ An appeal before CIT(A) should also be filed, if rectification application is rejected.

# ISSUES IN INTIMATION UNDER SECTION 143(1)

## OLD/NEW REGIME

Tax computed under old regime

## Probable Solution

Check the earlier years Turn over reported in the Return. If the TO criteria is met, then proceed with rectification etc.

# ISSUES IN INTIMATION UNDER SECTION 143(1)

## ▶ Section 41(1)

Amount reported in Clause 25 of Tax Audit report is added back despite the same amount is included in the Return of Income

Resolution:

- Since there is a specific row (Sch BP-item no.20) in the ITR for reporting of income under section 41(1), assessee should ensure that the said income is reported therein. Since, the computation starts with profit as per P&L account, the said amount is already included in the net profit.
- The amount credited to the P&L shall be reduced from the computation and thereafter the same amount should be reported in Schedule BP-Item no.20.
- Upload rectified xml.

# ISSUES IN INTIMATION UNDER SECTION 143(1)

## Club Expenses

CPC while processing the return under section 143(1) disallows the amount reported in Clause 21 of TAR i.e. club expenditure.

## Probable Solution

Amend the manner of reporting the club expenses in TAR.



In case of any query please feel free to write:

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