

Representation to CPC

Sr.	Issue	Difficulties faced by the taxpayers	Our Suggestions
1.	Providing correct TDS credit		<ul style="list-style-type: none"> • There are clarificatory circulars from CBDT that when the tax has been deducted by an employer, the assessee cannot be asked to pay for it. Such clarificatory circulars must be considered and the system must be upgraded accordingly and demands if raised must suo motto be automatically stayed in such circumstances. • To ensure appropriate credit as per provisions of section 199 read with Rule 37BA wherein the whole or any part of the income on which tax has been deducted at source is assessable in the hands of a person other than the deductee, credit for the whole or any part of the tax deducted at source, as the case may be, shall be given to the other person and not to the deductee subject to appropriate declarations being filed. The certificates issued by the deductor and the appropriate details provided in the return of income by all parties concerned must be considered. Accordingly, appropriate TDS credit must be provided to other than the deductee in whose hands the income is assessed.
2.	Satisfactory solution to be provided for grievances raised in Income-tax Portal	<p>The responses provided in the e-grievances raised on the Income Tax portal are unsatisfactory and do not offer detailed solutions.</p> <p>Also, many times incorrect solution is being provided without considering facts of case even after complete details being provided by the assessee.</p>	<p>The solutions provided need to be detailed in nature. The solutions must ensure that the assessee can smoothly adhere to the compliance requirements receive assistance from the Authorities with correct facts and figures.</p>

3.	Demand rectified by AO not deleted by CPC	Post rectification of demand by AO, the outstanding demand is not deleted in CPC portal even after several communications.	The CPC system should consider the rectifications accepted by the AO and reflect the necessary changes in its system records. There must be an online solution where CPC's outstanding list is updated the moment the AO takes required action. This will help in immediate clearance of demands on AO taking necessary action.
4.	Various demand for a single Assessment Year	Various demands in a single Assessment Year under different sections appearing on CPC website like section 143(1), section 143(3), section 154.	The system must update the status of the demand in line with the relevant section so that the same demand is not being replicated under different sections.
5.	Order giving effect not being considered	The cases where assessment order has been passed, under section 143(3) the effect order is not being given by CPC. Due to this demand is still outstanding under section 143(1) or section 154.	The CPC system should consider the effect order and the reflect the necessary changes in its system records.
6.	Rectification of data entry errors on the basis of factual details and supporting documents	<ul style="list-style-type: none"> • We are all working in today's scenario under the computer environment, wherein the figures are punched in manually. There are possibilities where certain typographic / human errors occur in feeding the data such as deduction under section 54/54E/54F/54EC, etc. not punched in correctly by mistake, which results in increase in gross total income as compared to the actual income. Hence, due to system error some figures are linked and do not reflect the correct details of the assessee. • Where rectification applications for the above aforesaid cases are filed with CPC the response received from CPC is that the income cannot be reduced below the Gross Total Income and hence, the 	There should be mechanism where the CPC can rectify the demand after verifying the facts and documents Hence, in such cases a facility of uploading documents should be provided in respective assessment year. This will go on to reduce avoidable litigation.

		<p>demand remains outstanding, and assessee has no option but to go in appeal. And there too the authorities take a view that if the amount was incorrectly claimed under a particular section, the same should be disallowed.</p>	
7.	Processing of Income Tax Returns and proposed adjustment	<ul style="list-style-type: none"> The processing of income tax returns is being carried out mechanically. The response filed by the taxpayer to the proposed adjustment is neither considered nor any response is provided for not accepting the contention of the taxpayer. 	<ul style="list-style-type: none"> The processing of income tax returns electronically is definitely a good initiative, but in many cases, it is leading to unnecessary adjustments. If the objection filed by the taxpayer is not accepted by the CPC system, the reasons for objection should be clearly intimated to the taxpayer.
		<ul style="list-style-type: none"> In quite a few cases, adjustment is proposed u/s 143(1)(a) where employees PF is deducted and deposited late but before the due date u/s 139(1). Even after objecting to the proposed adjustment, the return is processed with adjustment. The said issue is a legal issue and covered by various court decisions and should not be subject to adjustment u/s 143(1) It is leading to unnecessary litigation. 	<ul style="list-style-type: none"> The CPC system should be updated so that such adjustments are not made u/s 143(1)(a).
		<ul style="list-style-type: none"> In many cases, assesseees are in receipt of notice u/s 143(1)(a) pertaining to reconciling TDS and corresponding income appearing in 26AS. Corresponding income is proposed to be added even if the assessee has offered the income as per the provisions of the Income Tax Act and method of 	<ul style="list-style-type: none"> The CPC system should be updated so that such adjustments are not made u/s 143(1)(a).

		<p>accounting followed. These scenarios are peculiar in cases where-</p> <p>a) Cash system of accounting is followed by the assessee.</p> <p>b) Assessee is a builder following project completion method.</p>	
8.	Demands raised on assessee	<p>Multiple points are not considered and even after repeated requests for details of demands are not being provided and incorrect demands are being raised.</p>	<p>It is suggested that a computation of demand based on which demand is raised by the CPC should be provided as an on demand download on the portal even for earlier years. This will facilitate the assessee to address the same in a pointed manner.</p>
9.	Processing of Return in case of a Housing Co-op Society	<p>In certain cases, Co-op Housing Societies have filed their return of income for AY 2018-19 based on the extended due date for assessee under audit till 31-10-2018 (as their accounts are audited under the cooperative societies law) claiming deduction u/s 80P(2)(d) for interest income earned from a Co-operative Bank. The deduction u/s 80P is not allowed while processing of return and due date of return is considered as 31-8-2018 (which applies to assessee who were not liable to audit). Despite several online rectification applications, the deduction is not being allowed as system is considering the due date as 31-8-2018 in case of a Cooperative Society.</p>	<p>Where extended due dates are provided in a particular assessment year the system must capture the same in order to avoid incorrect processing of return of income.</p> <p>Besides, disallowance of deduction u/s 80P should not be done u/s 143(1).</p>
10.	System errors and upgrades	<ul style="list-style-type: none"> Assessee are not able to view refund status of prior assessment years. Refund challans/ refunds adjustment against demand of other years not reflecting in the new ITBA system: Income Tax department's internal software has been 	<ul style="list-style-type: none"> The system needs to be upgraded regularly and system errors should be rectified on a real time basis. Improvisation is required in E-assessment process which should help in improving transparency, accountability and effectiveness of the tax administration.

		<p>upgraded, but in many cases, it does not show proper refunds issued to assessee / refunds adjusted with demands of other years, etc. Due to this operational issue, various orders like Rectification Orders, Order giving effects, are unable to process. This leads to unnecessary delay in clearing pending orders.</p> <ul style="list-style-type: none"> • DDT demand raised due to not granting credit for the same gets adjusted against refund as per assessment u/s 143(1). On rectification for credit of DDT, the DDT demand is cancelled, but refund of adjusted demand is not granted. • In certain cases, the demand paid against the orders (assessment orders etc.) does not get reflected on the webpage of 'Status of outstanding demand' on the IT website. • While submitting online response on Income Tax portal against any notices / intimations, there are space constraints / constraints relating to size of attachments. Due to this, the assessee is unable to file proper online replies to notices. • The Income tax website crashes very often at the time of compliance deadlines. • Interest u/s 234F charged inadvertently in ITR of partners due to non-linkage of filling partner's ITR with filling of ITR of firm. 	
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- As per Section 40 (a) (ia) the amount of disallowance for non-deduction of tax is restricted to 30% of the expenditure; hence the assessee must report 100% amount in audit report and 30% amount in Income tax return as disallowance. But as per the intimation u/s 143(1)(a) the 100% expenditure is disallowed.
- Carry forward of losses is not being considered.
- Employees Contribution to PF paid after the due date but before the end of the year. Such contribution is allowed as a deduction However, CPC is making disallowance in intimations issued u/s 143(1).
- 139(9) defective return notices are sent indiscriminately by CPC. Section 139(9) specifies situations when a return can be treated as defective. CPC is sending defective return notices if the income as shown in 26AS is more than then income shown in the return of income. The income shown in the return can be less then what is reflected in Form 26AS due to various legitimate reasons. Income tax Department may select the case for scrutiny to verify the correct income, but the return cannot be treated as defective on this ground.
- CPC Software does not give marginal relief on surcharge as provided in Part 1 of Chapter II of the Finance Act.

		<ul style="list-style-type: none"> • Where the profession tax deduction claimed under the head 'Income from Salaries' exceeds Rs. 2500/- on account of the assessee working under more than one employer, CPC Software restricts the deduction to Rs. 2500/- whereas in section 16(iii) of the Act there is no such monetary limit provided. Such a situation would arise when an assessee changes his jobs, and in the month of change, such tax is deducted by both old and new employers. • In the case of inter head set off of losses, where there are no specific restrictions in the Income Tax Act, 1961, the assessee is entitled to set off of losses against various source / heads of income in the manner which is most beneficial to him. However, the CPC software does not recognise this right of assessee and it sets off the losses in the manner which is least beneficial to the assessee. This results in avoidable tax demands / litigations. 	
11.	Registration of legal heir and receipt of refund in such cases	<p>In certain cases, the assessee is unable to register legal heir on portal for claiming refunds of deceased person for period pertaining to period before the date of death where the return for an earlier year has not yet been filed. But the portal states reason that the request for adding legal heir is presently not approved as on perusal of the documents submitted it is seen that the assessee was deceased on a particular date. As per law, a legal heir can file the return of</p>	<p>The system must be equipped to provide practical solutions to the assessee. The system must consider the various situations under which refund can be received by assessee and must incorporate the same in the system in order to avoid undue hardship to assessee.</p>

		income in respect of the income received/earned by the deceased till the date of death.	
12.	Incorrect calculation of tax rate in case of non-resident companies	It is observed that in some cases of non-resident assesses, income tax is calculated at the rate of 40% without considering facts provided by the assessee in the return of income viz no Permanent Establishment in India, claiming of tax treaty benefit. Also, no reasoning has been provided for considering a tax rate other than that stated in the return of income.	The facts and basis of a certain rate being adopted by the assessee must be considered and in case of a dispute, a show cause notice and reasonable time should be given to assessee to provide explanation rather than directly maximum marginal rate being considered by the CPC.
13.	Receipt of refund by non-resident due to validation of bank account	Details of bank account held by an assessee are required to be filled in the ITR form. A non-resident not having an account in India is required to provide details of his foreign bank account. A non-resident assessee does not get his refund since the foreign bank account is not pre-validated. Also, the non-resident taxpayers having bank account in India also face challenges in pre-validating the account. In order to pre-validating a bank account, an OTP is to be received on the mobile number registered with the foreign bank account. Registered mobile number in the case of foreign bank account would be an international mobile number in majority of the cases. However, CPC requires Indian bank account number only for sending OTP. Accordingly, in such a case, the pre-validation remains pending and huge amount of refund is not received because of pending pre-validation of bank account.	Relaxation for receipt of refund in foreign bank accounts must be made in case of non-residents.
14.	Returns filed manually but not updated in the system	It has been observed that the details of return filed manually has not been updated in the CPC records. This results in the	The details of manually filed return of income must be updated in a timely manner in order to avoid raising incorrect demands and litigation.

		denial of set off of brought forward loss claimed in the return filed by CPC on the basis that the return has not been filed within the due date. Further, an online submission of response in the matter (either through response to notice of adjustment under section 143(1)(a) of the Act or through online grievance or rectification) is also not considered appropriately. The AO also cannot assist in the said matter till the time the rights are with CPC.	Also, appropriate rights must be provided to the AO in order to provide due relief to the assessee.
15.	Adjustment of tax paid in cases of merger	For the period prior to a merger, pursuant to passing of assessment orders, AO is not able to adjust the tax paid on regular assessment (refund) by the merged entity on its own PAN (as it is the current existing entity), against the demand raised in the system on the non-existent entity.	A simple resolution mechanism should be provided to adjust the demand of erstwhile entity with the taxes paid/ refund of merged entity.
16.	Issue regarding ECS refund to Joint Bank accounts of husband and wife	In cases where both husband and wife are assessees, have separate refund claims but they have a Joint Bank account, refund of only one spouse is being received by ECS in the bank account. Regarding the other spouse refund it is rejected stating " <i>The PAN linked to the Bank Account is different or not matching</i> ". This leads to practical difficulty as separate bank accounts may have to be opened by husband and wife for the sole reason of receiving any refund if any. The system in Income Tax Department may be modified to allow 2 or more refunds in the same bank account where they are held in joint names, especially for senior citizens who for practical reasons have only one joint account for all non tax purposes.	The system must be updated for providing refund where joint bank account details are provided. As a safeguard, a consent from the second joint holder may be obtained online.

17.	Tax Refunds	<ul style="list-style-type: none"> • The taxpayer's refund of a particular assessment year is adjusted by issuing notice u/s 245 by CPC when the AO has submitted details of pending assessments/cases where demand is determined. • This causes the taxpayer to lose the refund, and also interest on the same. The taxpayer has to chase the income tax office to first cancel the demand specially in case it is wrongly determined to be pending by applying for rectification. After the demand is cancelled, only then the refund will be issued after following up with the Income Tax Department. 	<ul style="list-style-type: none"> • Separate machinery should be developed by the Income Tax Department where in adjustment under section 245 should not be proceeded with when the demand is being challenged. • Also, in case the taxpayer has applied for rectification no demand should be set to be adjusted against the pending refund. • The Income Tax department should not upload pending demands for CPC to get it uploaded under the tab of outstanding demands. Even if it has to, no adjustment u/s 245 should be carried out.
		<ul style="list-style-type: none"> • Taxpayers are allowed to use e-nirvana or public grievance portal to lodge a complaint for wrong demand issued to them and/or non-issuance or wrong adjustment of refunds. • The response from assessing officer is usually quite dissatisfactory leading the taxpayers to take harsh steps like filing application under Right to Information Act. 	<ul style="list-style-type: none"> • Assessing officer/ PCIT who is monitoring these issues must call the mobile number registered with CPC/PG Portal to understand the complaint and then take action. • An opportunity must be given to send details on email within 3 working days so the details can be understood from both the sides.
		<ul style="list-style-type: none"> • Interest on refund u/s 244A is not issued in cases where demand was adjusted against refunds and then due to rectification the demand was considered wrong. • While processing refund u/s 143(1a) CPC does not consider the interest calculation as per the law. 	<ul style="list-style-type: none"> • Since taxpayer is asked to follow the law and make 20% payment against a demand still not judged to be correct or not, CPC must at least issue interest from date of processing of intimation till the refund is issued when it was wrongly adjusted.

1e.		Time limits to issue refund is clearly violated since apart from section 143(1a) and section 244A no other section mentions about it.	Refunds should be issued within 30 days of grant inclusive of all the permissions required from any higher levels.
1f.		<ul style="list-style-type: none"> Bank accounts those are not enlisted in the CPC list cannot receive refund from the ITD. This is clear harassment as this causes further burden on the taxpayer to open bank accounts which are on the CPC List. This causes the refund to bounce in case the taxpayer filed his income tax return when he had no such enlisted bank account. 	<ul style="list-style-type: none"> Refund should be credited to any Indian bank accounts. NRIs not having any Indian bank account should also get timely credit in their foreign bank account.
18.	Filing of bulk TDS entries	Enabling the automatic filling of the bulk entries for TDS credit in Java Utility of the tax return forms (most specifically ITR-6).	This will lead to considerable time saving and ensure timely reporting by the assessee.
19.	Processing of returns within Time limit for revised return	If there are certain errors in the return of income, then by the time assessee identifies or receives the intimation wherein the demand is raised, the time limit for revising the return is already expired and demand remains outstanding.	The processing of returns should be completed within the time limit for revising the return, so that the assessee can rectify errors noticed while processing.
20.	Tax Administration for senior citizens	There is a need to set up a special cell for ITR Processing for Senior Citizens.	A dedicated helpline needs to be created which caters to them.
21.	Capital Gains for pass through income	<ul style="list-style-type: none"> Schedule PTI requires to report "pass through income" from investments in AIFs. In Intimation u/s 143(1) for AY 2017-18 the income reported as 'Exempt' in 	PAN of beneficiaries may be sought, and cross verified if correctly reported by the correct assessee.

		<p>Schedule PTI has been added u/s 143(1)(a)(vi) by CPC in 'Other Sources' just because TDS has been deducted u/s 194LBB. Repeated rectification requests and Grievances filed for these with detailed explanation are being routinely rejected/replied without application of mind. Assessee would now be forced to file appeal and to pay 20% tax for applying for 'stay'</p>	
22.	Set off of Losses	<ul style="list-style-type: none"> • Law allows intra head and inter head adjustments during the same year or about carried forward losses. But, CPC does not consider this especially when option to select the priority to set off is allowed to the assessee. • Especially in case of Capital Gains, CPC issues intimations according to its own priority, ignoring the legal chronology to set off chosen by the assessee. This creates unnecessary demands and harassments to the assessee. 	<ul style="list-style-type: none"> • There must a mechanism to monitor carry forward and set off of such losses in a manner desired by the tax payer and permitted by law.
23.	NOTICE by CPC in case of TURNOVER MISMATCH as per ITR and Form 26AS	<p>In several cases the CPC is issuing notices of adjustment in case of TURNOVER MISMATCH as per the ITR and the Form 26AS TDS u/s 194C, 194H, 194J. The mechanical data analysis by the software does not take care of the practical reasons for the mismatch. The reasons of genuine mismatch are as under:</p> <ul style="list-style-type: none"> • TAS is deducted on basis value without GST, whereas the TURNOVER may or may not include the GST. 	<ul style="list-style-type: none"> • The “Mismatch of TURNOVER” criteria for adjustment by the CPC may be removed. OR • A tolerance limit should be internally decided say 30% or higher for throwing out a case of Mismatch. • In case of persons maintaining accounts on CASH BASIS, the criteria should not be made applicable.

		<ul style="list-style-type: none"> TAS is deducted on the gross value, whereas later the value is at variation because of addition/deduction of discount, reduction of value because of Goods Return etc. In case of PROFESSIONALS, the books of account are kept and maintained as per CASH system of accounting, whereas the TDS is deducted on Accrual basis by the deductor. On this count there is bound to be mismatch in the turnover. 	
24.	Display / receipt of submissions and documents at the ITBA portal in case of E-proceedings	<p>This issue relates to the delayed DISPLAY or RECEIPT of the submissions made through the E_PROCEEDINGS PORTAL. It is generally noticed that the documents and submission filed by the assessee is shown in the ITBA system after 2-3 days. In a case where assessee was required to file a response on 19/08/2020 and the assessee filed it on 19/08/2020. The said filed response is displayed in the ITBA on 22/08 or later. In such situation, the Ld Assessing Officer, in many cases, decide and finalise the assessment order on the very next day i.e. on 20/08/2020 despite the fact the assessee had filed the response.</p>	<p>Considering the fact, the Officers should wait for 7 working days, before passing any order either ex-parte or otherwise.</p>
25.	APPLICATION u/s 154 before the CPC	<p>While filing the Application before CPC u/s 154, the online menu shows the following 2 options at the first instance, as under:</p> <ol style="list-style-type: none"> Rectification in Return Data (XML) Only Reprocess the Return <p>In the process, when one selects the first option i.e. "Rectification in RETURN DATA", several options on the basis of schedules of the ITR along with residuary option of</p>	<ul style="list-style-type: none"> A separate third option as "OTHER ISSUES" with a space capacity of 1000 words should be provided under the RECTIFICATION TAB

		<p>“OTHERS” is displayed. On selection of any of the option, a space is provided with 250 words limitation for writing about the issue.</p> <p>However, in case the assessee has some other issues, which do not affect the RECTIFICATION in RETURN DATA or REPROCESSING of the RETURN, then there is no option available to the assessee. Such issues may be</p> <ul style="list-style-type: none"> i) Allowing Short or NO interest u/s 244A on refunds. ii) Non-adjustment of LOSS for technical reasons like that of F&O. iii) Not allowing full credit of TDS, though claimed properly in ITR. iv) Change of “DUE DATE” by CPC and charge of Interest u/s 234A, 234B in case of AUDIT / NON-AUDIT case. 	
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26.	<p>Errors for which CPC issues defect notices</p>	<p>There are automated ERROR DESCRIPTIONS templates developed by the CPC. Such TEMPLATES need to be reviewed with every change in the law. Instances have come across, where old provisions still prevail and defect notices are issued. One such instance of notice received by one of the assessee from CPC for AY 2019-20 is:</p> <table border="1" data-bbox="577 544 1218 828"> <tr> <td data-bbox="577 544 646 828">Error Code 332</td> <td data-bbox="646 544 1218 828"> <p>ERROR DESCRIPTION: Tax Payer has claimed gross receipt or income under the head "Profits and Gains of Business or profession" more than Rs 1 crore, however, he has not filled Balance Sheet and Profit and Loss Account and has not got the books of account audited.</p> </td> </tr> </table> <p>In this case the assessee had filed ITR claiming business income u/s 44AD, where the limit of Turnover is Rs 2 crores. The CPC is still on the old limit of Rs 1 crore u/s 44AD, though the limit under 44AB is still Rs 1 crore. This requires updation</p>	Error Code 332	<p>ERROR DESCRIPTION: Tax Payer has claimed gross receipt or income under the head "Profits and Gains of Business or profession" more than Rs 1 crore, however, he has not filled Balance Sheet and Profit and Loss Account and has not got the books of account audited.</p>	<p>It is suggested the TEMPLATES of ERROR may be reviewed and UPDATED from time to time and specially after the UNION BUDGET every year.</p>
Error Code 332	<p>ERROR DESCRIPTION: Tax Payer has claimed gross receipt or income under the head "Profits and Gains of Business or profession" more than Rs 1 crore, however, he has not filled Balance Sheet and Profit and Loss Account and has not got the books of account audited.</p>				

27.	<p>“PROJECT INSIGHT” and “E-CAMPAIGN” information of significant transaction or mismatches (in foreign currency)</p>	<p>In this regard attention is drawn that in case of transaction undertaken in FOREIGN CURRENCY, the information shared is in INR (converted amount of Foreign Currency). The issue is that the conversion done is at what rate. For example, in case of CUSTOMS DUTY, the charge is on INR, converted at the conversion rate prevalent on the date of charging the Customs Duty. The reporting by the CUSTOMS dept is done for this amount in INR. On the other hand, the assessee had recorded the transaction on a different date either the invoice date or any other date as per the accounting method employed and for the reason, the rate of conversion will be different than the rate adopted by the Customs dept. Thus, though the transaction in Foreign currency is same, but the value in INR changes.</p>	<p>The reporting of a transaction in FOREIGN CURRENCY may be done in both currencies (INR as well the equivalent Foreign Currency). This will help in explaining the transaction.</p>
28.	<p>Income tax utility does not provide the option to opt out of setting off short term capital loss</p>	<p>If an assessee has short term capital Loss (STCL) from shares and long term capital gain (LTCG) from shares and if assessee want to opt for not setting off STCL against LTCG u/s 70 and want to c/fd. STCL, the Income tax utility do not allow the same.</p> <p>Section 70 gives an entitlement (i.e. rights) to the assessee which he may or may not exercise.</p>	<p>The assessee has a right to claim the benefit available to him under the Act. Income tax utility should be updated to include the option to carry forward the loss and not setting off in the same year.</p>