

Processing of income-tax returns under section 143(1) of the Income-tax Act which were filed

Circular No. 1 of 2018, Decided on January 10, 2018.

Sub-clause (vi) of clause (a) of sub-section (1) of section 143 of the Income-tax Act, 1961 ('Act') as introduced *vide* Finance Act, 2016, w.e.f. 01.04.2017, while processing the return of income, prescribes that the total income or loss shall be computed after making adjustment for addition of income appearing in Form 26AS or Form 16A or Form 16 (the three Forms) which has not been included in computing the total income in the return. In this regard, CBDT has issued Instruction No.(s) 9/2017 dated 11-10-2017 & 10/2017 dated 15.11.2017 for identification of instances in which section 143(1)(a)(vi) of the Act may be invoked by CPC-ITR, Bengaluru on the basis of information contained in the ITR Forms 1 to 6.

2. As intimations proposing adjustments in identified returns under section 143(1)(a)(vi) of the Act would be shortly issued by the CPC-ITR, Bengaluru, the process to be followed by the taxpayers for filing the response is as under :

2.1 Since section 143(1)(a)(vi) of the Act is being applied for the first time while processing the returns, it has been decided that before issuing an intimation of the proposed adjustment, initially an awareness campaign would be carried out to draw the attention of the taxpayer to such differences. This would be in form of an e-mail and SMS communication to the concerned taxpayer informing him about the variation in the tax-return *vis-a-vis* the information available in the three Forms and requesting him to submit response to the variation within one month of receiving the communication electronically. In case the taxpayer does not respond within the available time-frame or the response is not satisfactory, a formal intimation u/s 143(1)(a)(vi) proposing adjustment to the returned income would be issued to him. As per the second proviso to section 143(1)(a)(vi) of the Act, in a case where no response is received from the taxpayer within thirty days of issue of such an intimation, the proposed adjustment shall be made to the returned income. Therefore, it is of utmost necessity that the concerned taxpayer files a prompt, timely and satisfactory response to the awareness campaign or subsequent intimation proposing adjustment u/s 143(1)(a)(vi) of the Act.

2.2 The manner for furnishing response by the taxpayer is as under :

For furnishing the response electronically, taxpayer is required to login in his account in the e-filing site and choose the option (View>Returns/Forms). In a case where communication/intimation has been issued to the taxpayer u/s 143(1)(a)(vi) of the Act, the status will be displayed in the dashboard as 'Response to Communication/intimation u/s 143(1)(a) is pending'. The taxpayer can click on the same and submit

his response.

2.3 The scenario(s) for furnishing response are as under :

- I. Where upon receiving the awareness message or formal intimation u/s 143(1)(a)(vi) of the Act, if the taxpayer fully agrees with the proposed adjustment, he is required to file a revised return in response .
 - II. Where upon receiving the awareness message or formal intimation u/s 143(1)(a)(vi) of the Act, if the taxpayer partially agrees with the proposed adjustment, he is required to (i) file a revised return for the part of the proposed adjustment with which he is in agreement & (ii) file a reconciliation statement (in the format to be provided by CPC-ITR on the e-filing site) for the part of the proposed adjustment with which he is not in agreement.
 - III. Where upon receiving the awareness message or formal intimation u/s 143(1)(a)(vi) of the Act, the taxpayer disagrees with the proposed adjustment, he is required to file a reconciliation statement (in the format to be provided by CPC-ITR on the e-filing site) in support of his contention.
- 3.** Based upon response of the taxpayer as indicated in para 2.3 above and the information so available with the CPC-ITR, thereafter, such returns shall be taken up for processing by CPC-ITR as per provisions of section(s) 143(1), 143(1)(a)(vi) read with Instruction Nos. 9 & 10/2017 of CBDT.

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