

Precautions to be taken while filing Return of Income

Why is Precaution required ? An Overview...

- ▶ Following Consequences may follow if the Precautions are not taken while filing ROI_
 - ❑ Notice u/s 139(9) – Defective Return
 - ❑ Erroneous processing of ITR u/s 143(1)(a) resulting in unnecessary demands being raised leading to filing of Rectification u/s 154 and endless litigations.
 - ❑ Scrutiny Assessment u/s 143(2) or even Reassessment u/s 147 which may lead to unwarranted additions.
 - ❑ Levy of Penalty for mis-reporting (200%) or under-reporting (50%) of Income u/s 270A

Some Basic Points...

- ▶ First and Foremost, check the due date applicable!!! and accordingly file the ROI on time.

TEST YOUR KNOWLEDGE...!

Question – What is the due date for filing Return of Income of a Director of Private Limited Company?

Answer – Unlike Partner's of Partnership Firms (including LLP) where the due date is dependent on the due date of the Firm, in case of Directors of a Company it is 31st of July unless they are liable for Tax Audit u/s 44AB.

Some Basic Points...

- ▶ Consequences of filing Belated return_
 - Loss (other than house property loss) cannot be carried forward.
 - Levy of interest under section 234A.
 - Fee of Rs 5000 under section 234F will be levied if return is furnished on or before 31st December of Assessment Year fee will be Rs. 10,000 in any other case. [Fee shall be levied @ Rs 1000 if total income does not exceed Rs. 5,00,000]
 - **Exemptions/deductions under section 10AA, 80-IA, 80-IAB, 80-IB, 80-IC , 80-ID and 80-IE are not available**

Some Basic Points...

- ▶ Identification of Correct Income Tax Form is of utmost importance since unnecessary details of the clients shall not be disclosed...!!! Also, filing incorrect ITR Form may lead to the Return being treated invalid which is as good as Return not being filed by the Assessee and consequences as highlighted earlier may follow.
- ▶ Compilation and appropriately saving the documents (both in hard copy and soft copy) on the basis of which ROI is filed is essential since it helps in answering any query or inquiry being conducted in future by the Department whether Scrutiny or Otherwise in a precise and accurate manner.

Some Basic Points...

- ▶ Important Communication with clients (E-mails) shall be stored in the folder for future reference.
- ▶ Decisions taken at the time of filing ROI with regards to Tax Planning or otherwise shall be recorded and filed in the IT File after taking approval from the concerned Team Head or RC Sir as appropriate.
- ▶ While filing the ITR, ensure that details with regards to Assessee's PAN, Address, Email Id, Bank Accounts are up to date so that in case department wants to issue notices they are served timely and reply is also filed within stipulated time frame or in case there is a refund then it shall be credited easily and there are no hassles at this point.

Critical Points...

- ▶ **Reconciliation of Form 26AS and Matching of Tax Credit_**
 - Ensuring that Income reflecting in Form 26AS is also accounted for in the Books of Accounts for the same Assessment Year. If not, reasons shall be obtained from the Assessee for the same and action shall be taken accordingly.

Example – Amrish Jain Group – Where there is frequently observed that every year there is Tax Credit mismatch and for which valid explanations are obtained from client and Tax Credit is Carried Forward or dealt with accordingly in the Income Tax Form along with appropriate workings.

Critical Points...

► Disclosures as required in the ITR Form

- Do not miss out on disclosing the Exempt Income and under which section the same is being claimed exempt. Also maintaining proper documentation with regards to non-taxable transactions like Gifts from Relatives will ensure that it has been not offered to tax only after proper study and within the four corners of the Tax Law.
- Schedule of Assets and Liabilities shall be filled when the Total Income is above Rs. 50,00,000/-
- Disclosure and Reconciliation of Turnover as per Financial Statements and Turnover as declared under the GST Act. Also, taxes received/ collected i.e. CGST, SGST, UTGST and cess are also required to be disclosed in the Form (**Newly inserted**)
- Detailed Working of Income from Salary and House Property is required

Critical Points...

► Disclosures as required in the ITR Form

- **High Value Transaction** like Purchase/ Sale of Property, Land & building and the like shall be backed by sufficient proof and reported at the place required since they are reported in Annual Information Return.
- Purchases of such kind shall be explained with appropriate source i.e. from where the Funds have been obtained and nexus between them shall be established.
- In case of Sale of any Capital Asset, appropriate working shall be maintained and documentary evidence shall be available both in soft copy as well as hard copy.

Certain Lapses while filing ROI...

▶ CASE 1

- Assessee while filing his Return of Income for the year under consideration had added Book Profit on Capital Gain along with Taxable Capital Gain. Hence, the total income in the ITR V, increased by the amount of Book Profit i.e. Rs.45,10,290. The total taxable income as per Computation of Income submitted by the Assessee is Rs.22,48,820 while as per ITR-V the same is Rs.67,59,110 and the difference between the two is Book Profit on Sale of Investment ($67,59,110 - 22,48,820 = 45,10,290$) due to this mistake of there is demand raised.

Certain Lapses while filing ROI...

► CASE 1 (Continued...)

► Following are the screenshots for understanding the same_

The screenshot shows the ITR form for Maharashtra, 400080. The Designation of AO (Ward / Circle) is 23(2)(2) - ITO. The E-filing Acknowledgement Number is 945000010040216. The Date (DD-MM-YYYY) is 01-02-2016, which is circled in red. The form is titled 'COMPUTATION OF INCOME AND TAX THEREON'.

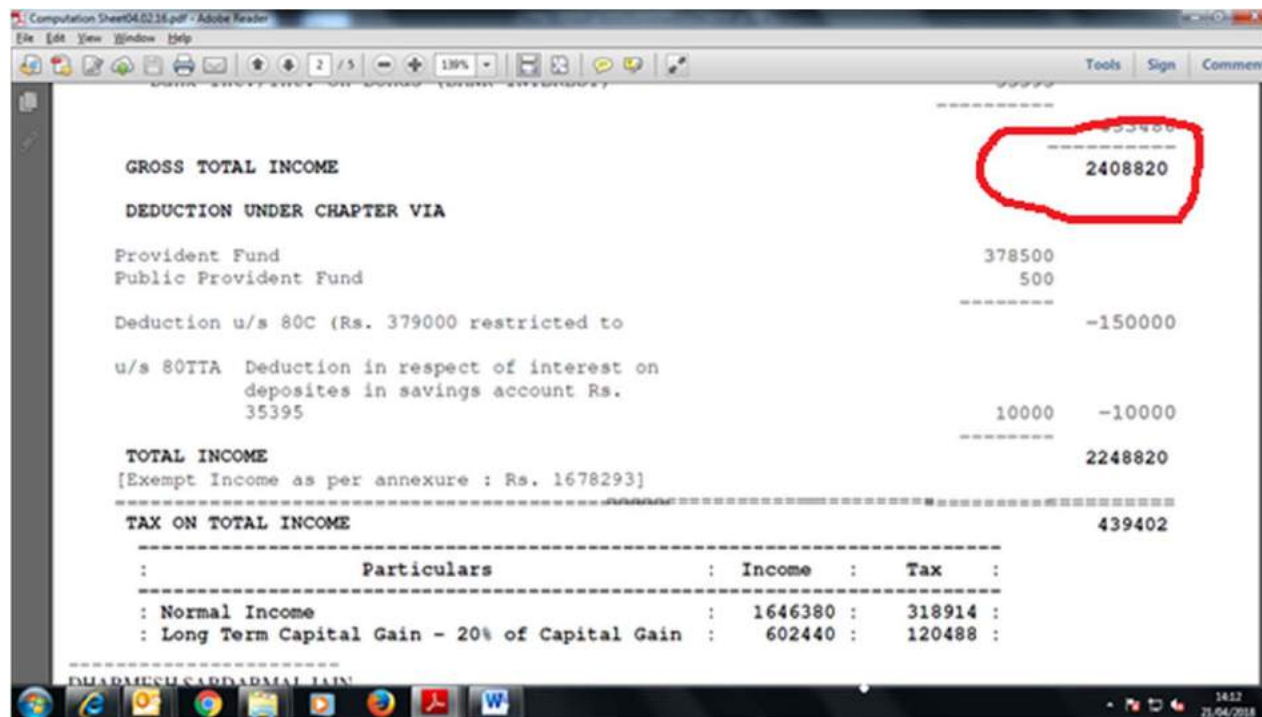
Sl. No.	Description	Amount
1	Gross Total Income	6919110
2	Deductions under Chapter-VI-A	1600000
3	Total Income	6759110
3a	Current Year loss, if any	0
4	Net Tax Payable	452584
5	Interest Payable	0
6	Total Tax and Interest Payable	452584
7	Taxes Paid	
a	Advance Tax	0
b	TDS	1186241
c	TCS	0
d	Self Assessment Tax	0
e	Total Taxes Paid (7a+7b+7c+7d)	1186241
8	Tax Payable (6-7e)	
9	Refund (7e-6)	733660
10	Exempt Income	
	Agriculture	
	Others	1679793

VERIFICATION

Certain Lapses while filing ROI...

► CASE 1 (Continued...)

► Following are the screenshots for understanding the same_



The screenshot displays a tax computation sheet with the following details:

GROSS TOTAL INCOME	2408820
DEDUCTION UNDER CHAPTER VIA	
Provident Fund	378500
Public Provident Fund	500
Deduction u/s 80C (Rs. 379000 restricted to)	-150000
u/s 80TTA Deduction in respect of interest on deposits in savings account Rs. 35395	10000 -10000
TOTAL INCOME	2248820
[Exempt Income as per annexure : Rs. 1678293]	
TAX ON TOTAL INCOME	439402

Particulars	Income	Tax
Normal Income	1646380	318914
Long Term Capital Gain - 20% of Capital Gain	602440	120488

Certain Lapses while filing ROI...

► CASE 1 (Continued...)

► Following are the screenshots for understanding the same_

The screenshot displays the ITR Form AY 15-16, specifically the section for Total Income. The form is organized into columns for line numbers, descriptions, and numerical values. A red circle highlights the value 4510290 in the 4bi field, which represents the Long-term chargeable @ 20% (7vi of item E of Schedule CG).

Line No.	Description	Field	Value
4	TOTAL SHORT-TERM (4ai + 4aii + 4aiii)	4aiiv	
5	Long term		
5i	Long-term chargeable @ 10% (7v of item E of schedule CG)	4bi	4510290
5ii	Long-term chargeable @ 20% (7vi of item E of Schedule CG)	4bii	3812238
5iii	Total Long-Term (bi + bii) (enter nil if loss)	4biii	8322526
5c	Total capital gains (4aiv + 4biii) (enter nil if loss)	4c	8322526
5	Income from other sources		
5a	from sources other than from owning race horses and income chargeable to tax at special rate (1i of Schedule OS) (enter nil if loss)	5a	633480
5b	Income chargeable to tax at special rate (1fiv of Schedule OS)	5b	0
5c	from the activity of owning and maintaining race horses (3c of Schedule OS) (enter nil if loss)	5c	0
5d	Total (5a + 5b + 5c) (enter nil if loss)	5d	633480
6	Total (1 + 2 + 3iv + 4c + 5d)	6	10128906
7	Losses of current year to be set off against 6 (total of 2xiv, 3xiv and 4xiv of Schedule CYLA)	7	1114037
8	Balance after set off current year losses (6 - 7) (also total of column 5 of Schedule CYLA + 5b)	8	9014869
9	Brought forward losses to be set off against 8 (total of 2xiii, 3xiii and 4xiii of Schedule BFLA)	9	2095759
10	Gross Total income (8-9) (5xiv of Schedule BFLA + 5b)	10	6919110
11	Income chargeable to tax at special rate under section 111A, 112 etc. Included in 10	11	602440
12	Deductions u/s 10A or 10AA [c of Schedule 10A + c of Schedule 10AA]	12	0
13	Deductions under Chapter VI-A		
13a	Part-B, CA and CD of Chapter VI-A [(1+3) of Schedule VI-A and limited upto (10-11)]	13a	160000
13b	Part-C of Chapter VI-A [2 of Schedule VI-A and limited upto	13b	0

Certain Lapses while filing ROI...

▶ CASE 2

- Assessee while filing his Return of Income for the year under consideration had not properly filled Depreciation Schedule. In Computation of Income Depreciation of Rs.10,29,859/- deducted, while in ITR form Depreciation schedule only Rs.4,32,740/- is claimed so due to this Income is increased by Rs.5,97,119/-.

Certain Lapses while filing ROI...

► CASE 2 (Continued...)

- Following are screenshots for your understanding

PERSONAL DATA	
Town/City/District	MUMBAI
State	MAHARASHTRA
Pin	400093
15(3)(2) - ITO	
E-filing Acknowledgement Number	46143731309908
Date(DD/MM/YYYY)	30/06/2018

COMPUTATION OF INCOME AND TAX THEREON			
1	Gross total income	1	1545688
2	Deductions under Chapter-VI-A	2	0
3	Total Income	3	1545690
3a	Current Year loss, if any	3a	0
4	Net tax payable	4	293108
5	Interest payable	5	0
6	Total tax and interest payable	6	293108
7	Taxes Paid		
a	Advance Tax	7a	90000
b	TDS	7b	491361
c	TCS	7c	0
d	Self Assessment Tax	7d	0
e	Total Taxes Paid (7a+7b+7c+7d)	7e	581361
8	Tax Payable (6-7d)	8	0
9	Refund (7e-6)	9	288250

Certain Lapses while filing ROI...

- ▶ **CASE 2 (Continued...)**
 - Following are screenshots for your understanding_

INCOME FROM PROFIT/GAINS OF BUSINESS/PROFESSION	
<u>Income from Business/Profession</u>	
1. BUSINESS INCOME	
Net Profit (Loss)	673785
Add :Disallowable and /Items Considered Separately	
Depreciation (considered separately)	1238862
Loss on Sale of Fixed Assets	65781
Less:Allowable and /Items Considered Separately	
Depreciation	1304643
	-1029859
	948569
	673785
GROSS TOTAL INCOME	948569
TOTAL INCOME	948570

Certain Lapses while filing ROI...

- ▶ CASE 2 (Continued...)
 - Following are screenshots for your understanding_

44AD/44AE/44AF/44B/44BB/44BBA/44BBB/ 44D/44DA
Chapter-XII-G/ First Schedule of Income-tax Act

5	Income credited to Profit and Loss account (included in 1) which is exempt			
a	share of income from firm(s)	5a	0	
b	Share of income from AOP/ BOI	5b	0	
c	Any other exempt income	5c	0	
d	Total exempt income	5d	0	
6	Balance (1- 2 - 3 - 4 - 5d)			6 622278
7	Expenses debited to profit and loss account considered under other heads of income			7 0
8	Expenses debited to profit and loss account which relate to exempt income			8 0
9	Total (7 + 8)			9 0
10	Adjusted profit or loss (6+9)			10 622278
11	Depreciation debited to profit and loss account included in 9			11 1238862
12	Depreciation allowable under Income-tax Act			
i	Depreciation allowable under section 32(1)(ii) (column 6 of Schedule-DEP)	12i	432740	
ii	Depreciation allowable under section 32(1)(i) (Make your own computation refer Appendix-IA of IT Rules)	12ii	0	
iii	Total (12i + 12ii)	12iii	432740	
13	Profit or loss after adjustment for depreciation (10 +11 - 12iii)			13 1428400
14	Amounts debited to the profit and loss account, to the extent disallowable under section 36 (6p of Part-OI)			14 0

Certain Lapses while filing ROI...

▶ CASE 3

- In the given case, the Bad Debts amounting to Rs. 27,169/- were directly punched in the outer column and no bifurcation of the same was provided in the inner column as required in the Income Tax Form which lead to difference in the Returned Income and Assessed Income u/s 143(1)(a) of the Act of the same amount and tax demand was raised on the same.

Certain Lapses while filing ROI...

► CASE 3 (Continued...)

- Following are the screenshots for your understanding_

ITRA.pdf - Adobe Reader

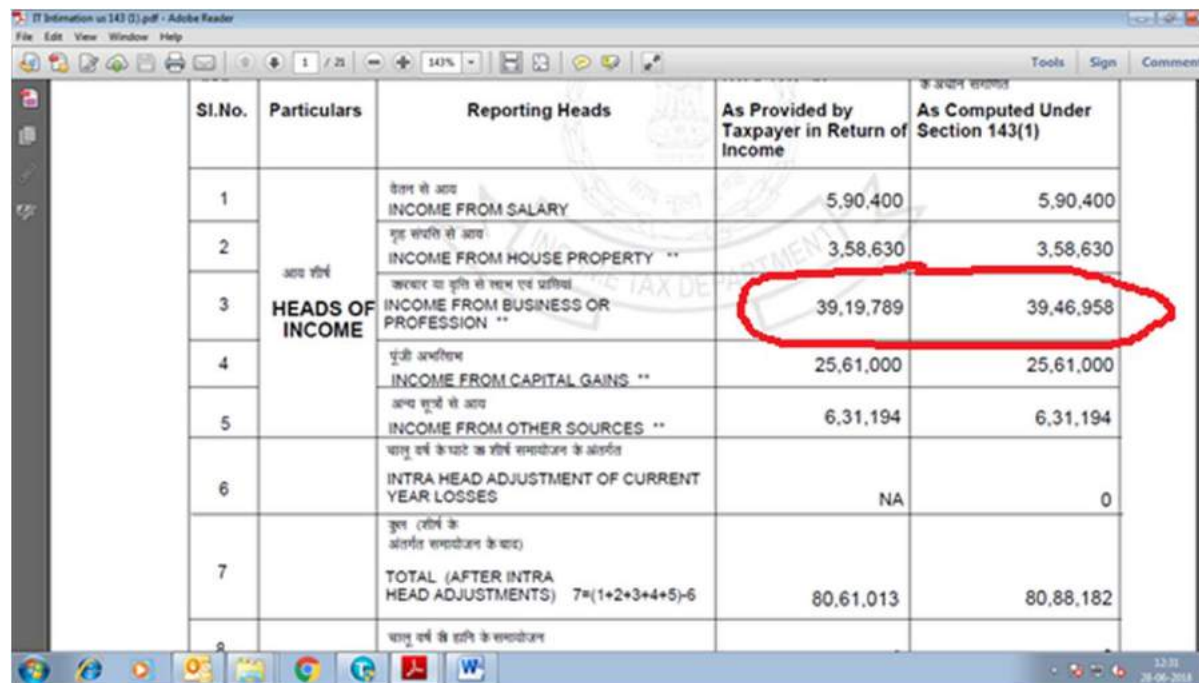
File Edit View Window Help

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Certain Lapses while filing ROI...

► CASE 3 (Continued...)

- Following are the screenshots for your understanding_



Sl.No.	Particulars	Reporting Heads	As Provided by Taxpayer in Return of Income	As Computed Under Section 143(1)
1	वेतन से आय INCOME FROM SALARY		5,90,400	5,90,400
2	गृह संपत्ति से आय INCOME FROM HOUSE PROPERTY **		3,58,630	3,58,630
3	आय सौंप HEADS OF INCOME कारबार या वृत्ति से प्राप्त एवं प्रशिक्ष INCOME FROM BUSINESS OR PROFESSION **		39,19,789	39,46,958
4	पूंजी अर्थात् लाभ INCOME FROM CAPITAL GAINS **		25,61,000	25,61,000
5	अन्य स्रोतों से आय INCOME FROM OTHER SOURCES **		6,31,194	6,31,194
6	वर्ष के घाटे का सौंप समायोजन के अंतर्गत INTRA HEAD ADJUSTMENT OF CURRENT YEAR LOSSES		NA	0
7	कुल (सौंप के अंतर्गत समायोजन के बाद) TOTAL (AFTER INTRA HEAD ADJUSTMENTS) 7=(1+2+3+4+5)-6		80,61,013	80,88,182

Certain Lapses while filing ROI...

► CASE 3 (Continued...)

- Following are the screenshots for your understanding_

The screenshot shows a portion of an Income Tax Return (ROI) form. The table contains the following data:

Line	Description	Column 1	Column 2	Column 3
(vi)	Total rates and taxes paid or payable (i+ii+iii+vi+v)	3,08,098	3,08,098	0
37	Audit fee	35,965	35,965	0
38	Other expenses (Specify nature and amount)			
	Total of other expenses (In case of variance, separate annexure - 'Other Expenses' is enclosed in below).	10,70,037	10,70,037	0
39	Bad debts (specify PAN of the person, if available, for whom Bad Debt for amount of Rs. 1 lakh or more is claimed and amount)			
	(i) Total Bad Debt (In case of variance, separate annexure - 'Bad Debts' is enclosed in below).	27,169	0	-27,169
40	Provision for bad and doubtful debts	0	0	0
41	Other provisions	0	0	0
42	Profit before interest, depreciation and taxes [4-(5iv+6+7viii+8 to 13+14xi+15v+16 to 21+22iii+23iii+24iii+25 to 35+36vi+37+38+39iv+40+41)]	51,14,507	51,41,626	27,169
43	Interest			

Points to be taken care just Before uploading the ROI...

- ▶ Delegate the task of filing ROI in the hands of one person as you are aware:

“Too many cooks spoil the broth”

- George Gascoigne

Points to be taken care just Before uploading the ROI...

▶ **Follow the classic Audit approach of Maker and Checker...!!**

- The Person who had been delegated the task of preparing the ROI should, after completion and before filing refer the ITR Form and Financials to a colleague or immediate senior and then finalize the same with approval of the Team Head. This will ensure that any mistake clerical or otherwise is not overlooked and is rectified beforehand...!!!
- Also, as we file Return through the Software i.e. Tax base certain mistakes due to technical faults in software are bound to happen which can be avoided by following the above mentioned approach and unnecessary scrutiny assessments can be avoided.

Points to be taken care just Before uploading the ROI...

▶ Short Checklist with regards to ITR Form and Computation of Income_

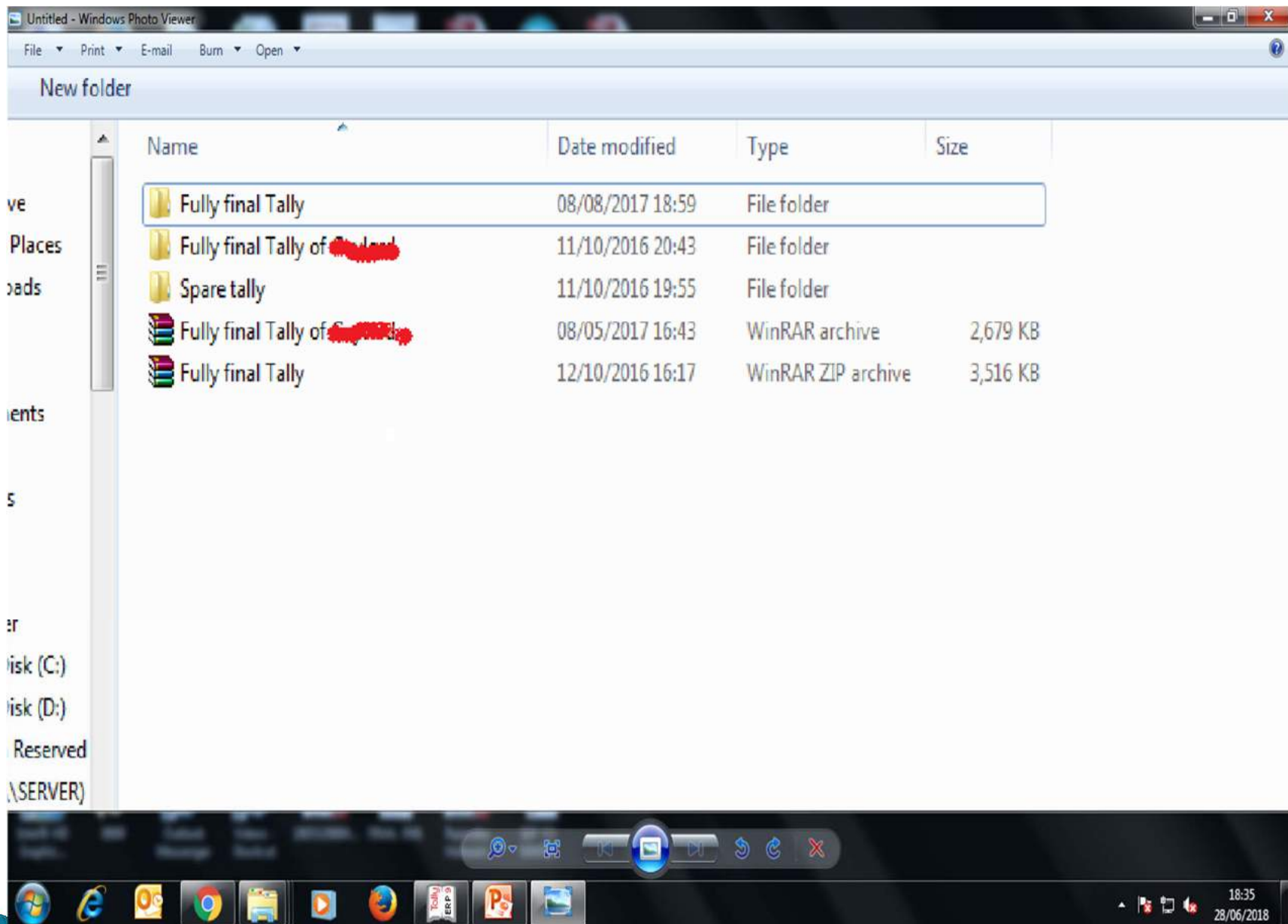
- In case there is any ambiguity with regards to any disclosure in the Form, one can always refer ITR Form of the immediately previous year and follow the same treatment unless one finds it grossly wrong.
- Before finalizing the Computation of Income, cross verify the figures with the Financial Statements and only then go ahead for Tax Payment since it has been observed that in this case Tax base may play a spoil sport even after doing everything accurately...!!

Points to be taken care just After uploading the ROI...

- ▶ Once you have uploaded the ITR, the ideal step would be to download the Acknowledgement and just verify the figures with the Computation of Income as sometimes there might be discrepancy and immediately ROI can be revised.
- ▶ Further, as we always prepare the draft Computation of Income and then changes follow. Hence it is crucial that the Final Computation of Income, Return of Income and Tally data are stored in the Final Folder and all other rough workings and draft are either deleted or stored in a dump folder as appropriate to the circumstance.

Points to be taken care just After uploading the ROI...

- ▶ Also, there shall be no need to create folders like Final Folder 1, Final Final Folder, Final Final Final Folder etc...
- ▶ Saving the discussion regarding treatment of certain items in soft copy can save the potential wastage of time and efforts of someone working on it in future...!!!



dd to a creation



Edit & Cr

audit done on 6th august 2013	14-01-2015 23:04	File folder
desktop files	14-01-2015 23:05	File folder
final	23-01-2015 17:04	File folder
final ekdum	24-11-2017 17:18	File folder
	15-06-2018 16:18	File folder
Notice	27-11-2017 15:53	File folder
Opinion	26-12-2017 15:08	File folder
Reco related	23-12-2017 18:40	File folder

Activat
Go to Set

Time for..

Query Session

Thank You