Revised tax returns may come under scrutiny

The Central Board of Direct Taxes has recently expressed concern regarding revised returns as some taxpayers tend to use this facility as a means to adjust for unaccounted money

The government is trying various ways to plug the loopholes so that the motive behind the demonetisation move is not defeated. One of its targets was bringing out unaccounted wealth. In this regard, different government departments are coming up with new circulars, notices and press releases regularly.

In a recent notice, the Central Board of Direct Taxes (CBDT) stated its concern regarding filing of revised income tax returns by tax payers. CBDT stated in the notice that, "any instance coming to the notice of income-tax department, which reflects manipulation in the amount of income, cash-in-hand, profits, and fudging of accounts may necessitate scrutiny of such cases."

It can further lead to penalty or prosecution as well. So, if you are filing a revised tax return, here's a look at which of the changes can attract scrutiny.

Revising a return

Once you file an income tax return, you are allowed to file a revised return under section 139(5) of the Income-tax Act, 1961. You can do this provided you have filed the original return on or before the due date, which is usually 31 July of the assessment year (AY). The window to file a revised return is open up to one year from end of the relevant AY or before the assessment of return by the tax department, whichever is earlier.

Typically, the department sends you an intimation regarding assessment of your return. So, if you have filed the return for AY 2016-17 on or before 5 August (which was the extended deadline), you can revise the tax return till 31 March 2018, or before the assessment happens, whichever is earlier.

Similarly, you can still revise your return for AY 2015-16 if it was filed before the due date (7 September) till 31 March 2017, provided assessment is still pending.

"If a person who has filed a tax return discovers any omission or wrong statement therein, he may revise his tax return," said Homi Mistry, partner, Deloitte Haskins & Sells LLP.

"The use of the word 'omission' or 'wrong statement' makes it clear that such revision is permitted only if the error is 'unintentional' or 'under bona fide belief earlier of such statement being correct'. Intentional concealment or false statement would not be covered the within scope of revision," said Shailesh Kumar, director-direct taxation, Nangia & Co.

In the revised tax return, changes can be made to any information or statement provided in the original return, such as income or expenditure details, details of assets or liabilities in balance sheet, personal information, bank account details, residential status, and others.

However, you will have to also file a proper explanation to support such revisions with the tax authorities, explained Kumar.

What can lead to scrutiny?

It may be that some taxpayers are misusing the option to revise previous tax returns after demonetisation by manipulating the figures of income, cash-in-hand, and profits to accommodate the current year's undisclosed income.

If you disclose additional cash- in-hand in the revised return, you may attract the income tax department's attention.

"Any changes to opening or closing balance of cash, increase in cash sales, reduction in cash expenditure, reporting of any loan or any other cash transaction (including gifts), not reported in the original return may lead to scrutiny by tax authorities," said Kumar.

Should you file it?

The department's notice is a warning to those who are planning to manipulate the revision option to adjust for unaccounted money. Those who have genuine reasons, need not worry. While any case related to revised return "is expected to be seen with suspicion by tax authorities, taxpayers need not worry if the changes are well explained," Kumar added.

If you have sufficient documents to support the revision, you can go ahead and file a revised return. "If a scrutiny notice is received, the assessee should duly comply with the notice and respond to all the questions asked by the assessing officer in a timely and accurate manner," said Mistry.

You should also explain the reasons for revising the return, along with supporting documents evidencing the necessity for the revision. For instance, if interest income was offered for tax on the basis of Form 26AS downloaded at the time of filing of the return but the Form 26AS downloaded at a later date reflects a higher amount of income and tax deducted at source (TDS), it would be a valid reason to revise the tax return and the tax payer could submit copies of both the forms to the tax officer in support of the revision, explained Mistry.

Similarly, if you have made a donation under section 80G but missed to claim it in the original return, you can claim it by filing a revised tax return and get the refund accordingly. Make sure you have relevant receipts of such donations.

Things to know

A tax return can be revised any number of times, as long as conditions mentioned earlier are fulfilled. But the mode of filing the revised return should not be different from the mode used to file the original return. That means, if the original return was filed electronically, the revised return too has to be filed electronically. Similarly, if the original return was filed physically, the revised return should also be filed physically.

The process, and the forms, for a revised return are similar to those for filing of the original return.

However, while filing a revised return, don’t forget to tick the space that specifies that this is a revised return.

Also mention the acknowledgement number of the original return . Once a revised return is filed, the original or the previous return is deemed to be withdrawn.

(Live Mint)