

Opinion | You may not get tax refund if you haven't validated your bank account

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To link your bank account, you need to log into your online tax account and pre-validate it

Topics

Income Tax Refund| e-refunds

Have you received your refund for the income tax return that you filed last year? If you have still not received it, that's probably on account of the fact that there is now a new requirement you need to fulfil to receive your tax refund. The tax department has recently made it mandatory for you to link your bank account with your tax account for you to be able to receive your tax refund. You may be under the impression that your bank account is already linked since you have mentioned your bank account details in your income tax return. However, that is not the linking envisaged by the tax department. To link your bank account, you need to log into your online tax account, and under "Profile Settings", go to "Pre-Validate your Bank Account". You then have to enter your bank account details, including the account number, the IFSC code, mobile number and email ID linked to that bank account.

In case all the details, including your name, date of birth and mobile number, as per the bank records match with the details as per the income tax database, the pre-validation gets confirmed. In case of banks whose database is linked to the tax department's database, this happens immediately. In other cases, the tax department has to verify the details with the concerned bank.

The problem arises when there is a mismatch due to an error or different spelling or number either in the bank or the income tax database. In such an event, the pre-validation does not get completed. You then have to get the records rectified either in the bank or income tax department's records, wherever there is a mistake. Alternatively, you have to visit your bank, and request it to pre-validate your account on the tax department's website.

What happens if the pre-validation does not get completed? The income tax department website states that the refund will go only to that particular pre-validated bank account once you pre-validate your bank account. However, in practice, with effect from 1 March 2019, the tax department has started issuing only e-refunds and that too only to pre-validated bank account numbers. In effect, you do not get your refund at all unless you have pre-validated your bank account. This pre-validation of bank account has, therefore, become compulsory.

Non-residents have been facing a significant problem. The income tax department does not accept foreign mobile numbers and, hence, many non-residents have given mobile numbers of their resident relatives for tax purposes. In their Indian bank accounts, they would obviously have given their overseas telephone numbers, either their residence landline number or their overseas mobile number. They would obviously not want to give the mobile number of their relatives in India for banking purposes as they may still like to retain control over their own Indian bank accounts from

overseas. In such cases, the non-residents are unable to pre-validate their bank accounts. Does this mean that the tax department will not issue their tax refunds?

Besides, some non-residents, such as foreign companies, may have Indian income, but no bank account in India. What happens in these cases? Can foreign bank accounts be pre-validated? Will they receive their tax refunds to their overseas bank accounts without pre-validation?

Similarly, there are still a few senior citizens who do not use mobile phones. What happens in their cases? Are they to be denied refund because of their refusal to use mobile phones? Or would they have to hand over control of their bank accounts to a relative who has a mobile phone in order to get a refund?

Unfortunately, there seems to be no ready answer to these questions. This is on account of the fact that such requirement of linkage of bank account for issue of refunds is not a part of the income tax law or rules—it is a mere procedure framed by the tax department for convenience and to ensure that no fraudulent refunds are issued.

The question that immediately springs to mind is—can legitimate refunds due to taxpayers under law be withheld, or not issued, by framing such procedures which they are unable to comply with? Can procedures override the law?

Similarly, should the procedure in such a vital area not take into account all types of cases, even exceptional ones, and not just the standard cases? Not permitting exceptional cases is a problem with many of the tax department's systems, not just in case of refunds, but also in other procedures, including filing of returns.

A little more thought process from a taxpayer's perspective needs to go into framing procedures. It is perhaps time that, while framing systems and procedures, the tax department takes into account exceptional cases as well so that no taxpayer is denied legitimate entitlements or is unable to comply with tax procedures due to the system not permitting him to do so, even though the law permits so. One hopes that the tax department keeps in mind that a tax refund is an important right of every taxpayer, particularly given the high level of tax deduction at source prevailing in India. Such refunds cannot be withheld merely because the procedure framed does not permit issue of the refunds in exceptional cases, that too on account of the procedure not contemplating certain legitimate situations.

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