

Business Standard

The deadline to file updated income tax returns is March 31, 2023

It may entail a higher tax at this stage, however, the taxpayer avoids the risk of paying a penalty

Bindisha Sarang January 04, 2023 Last Updated at 21:55 IST



The deadline to file updated income tax returns (ITR-U) is March 31, 2023, for

Photo: Shutterstock

Assessment Year (AY) 2020-2021 (FY20). The Finance Act, of 2022 introduced this new ITR filing facility known as an updated return. A new sub-section 8(A) was added to Section 139 of the Income-Tax (I-T) Act for this purpose. This scheme came into effect on April 1, 2022. This new section provides the chance to update your ITR within two years. Any person who has made an error or omitted certain income details in original return of income, or belated return, or revised return can file ITR-U. Pallav Pradyumn Narang, partner, CNK says, "Two years will be calculated from the end of the year in which the original return was filed. ITR-U was introduced to optimise tax compliance by taxpayers without provoking legal action." So, taxpayers have less than 90 days to file ITR-U for AY 2020-21 (FY 2019-20). Narang says, "A taxpayer can now file an updated return for the period from AY 2020-21." The I-T department has also enabled ITR-U returns for the AY 2022-23 (FY 2021-22).

The good & bad

While it's a good opportunity to make things right and avoid the taxman, there are some pluses and minuses to keep in mind.

Additional income

The updated return can be filed only if additional income is disclosed in the return and it results in additional tax outflow for the taxpayer. Aditya Chopra, managing partner, Victoriam Legalis - Advocates & Solicitors says, "This facility of making amends by filing updated income tax returns is only available to assessees willing to declare/disclose additional income that was not previously disclosed, and not to those who seek to make rectifications likely to reduce their income and consequently, their tax liability."

Additional tax

A taxpayer has to pay an additional 25 per cent (if return filed within 12 months from the end of relevant AY) to 50 per cent (within 24 months from relevant AY) of the tax payable on the additional income declared, along with interest. Chopra says, "It appears to be substantially high rates that are likely to cause concerns for assessees intending to avail themselves of this facility. Given such exorbitant tax and interest rates, a degree of reluctance might be induced in assessees in availing this opportunity to file an updated return."

On loss and refund

The updated return cannot be filed if it increases the refund. Ankit Jain, partner, Ved Jain & Associates says, "A taxpayer cannot make an additional claim for a refund. Even additional deductions cannot be claimed in an updated return." Maneet Pal Singh, partner, I. P. Pasricha & Co says, "An updated return cannot be filed in the case of a return of loss or in cases that have the effect of decreasing the tax liability or increasing it."

Only once

A taxpayer is not eligible to file an updated return if a proceeding of assessment, search, or survey is underway against him. Since the opportunity to update the return is available only once, Jain says, "So, one should ensure that there is no more additional income left to be declared after filing an updated return."

The taxpayer can use the Annual Information Statement (AIS) and Taxpayer Information Summary (TIS) to validate all such incomes."

Longer scrutiny time

The department stands to benefit when you file an updated ITR. Sumit Mangal, partner, Luthra and Luthra Law Offices India says, "The time limit to undertake detailed scrutiny gets extended when an updated return is filed."

Advantages

A person should not miss the opportunity to report any taxable income missed in his original, belated, or revised return if the deadline for filing these returns has passed. Jain says, "While this may entail a higher tax at this stage, the taxpayer avoids the risk of paying a penalty of 300 per cent of the tax amount if the income is assessed by the tax authorities at a later stage." Taxmen today have a lot more information to work with, so the additional tax paid on an updated return is fairly small compared to the risk of penalties. Another advantage according to Narang is that an updated return can be filed irrespective of whether the original return was filed by the taxpayer or not.

Narang has a piece of advice if your ITR has already been processed. He says, "It is advisable to submit a rectification request under section 154 of the Income tax return if the return is already processed by Centralised Processing Centre (CPC) to avoid the additional tax of 25 per cent or 50 per cent on the tax amount. However, If you notice a mistake in your submitted ITR, and it has not been processed by CPC, you can only submit an Updated Return under section 139(8A)." Taxpayers are allowed to file a rectification request upto the expiry of 4 years from the end of the FY in which the intimation u/s 143(1) was passed. A request for rectification can be submitted on the e-Filing portal if there is any mistake apparent from record, in an Intimation issued under Section 143(1) or order under Section 154 by the CPC or by the Assessing Officer (where rectification rights are transferred by CPC).