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# Correct errors and omissions in income-tax return with updated return

Remember that an updated ITR can't be used to declare lower income, claim losses, or request more refund


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While the deadline to file the original income-tax return (ITR) was July 31, individuals can still file a belated, revised, or updated return, based on their circumstances and timing.

If you have not yet filed an ITR for the 2022-23 financial year (FY23), you can file a belated return. If you have already filed your ITR, but now realise that there was a mistake or you misreported your income, you can file a revised return.

The Finance Act, 2022, introduced the concept of updated return (ITR-U) under Section 139 (8A). Says Sandeep Bajaj, advocate, Supreme Court of India, “It is a form that allows individuals to update their ITRs and correct errors or omissions. Taxpayers have a two-year window from the end of the year in which they initially filed their return to make amendments.”

An individual taxpayer who is eligible to file an updated return can do so even if she has not filed an original or a belated return.

**Who can file**

An updated return can be filed if the return was not filed, income was inaccurately reported, the incorrect tax rates were applied, to reduce carried-forward losses, or to correct the wrong income category. Says Bajaj, “An updated return can be filed for original, belated or revised return. However, only one updated return is allowed per assessment year.”

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In FY24, a person can file an updated return for assessment years 2021–22 and 2022–23.

**Pros and cons**

If a taxpayer is liable to file an ITR under Section 139, she can comply with this requirement by filing an ITR-U, thereby protecting herself from penalties for misreporting or underreporting income. Says Prateek Goyall, partner at law firm MV Kini, “Filing ITR-U helps evade scrutiny assessment under Section 143 (3), best judgement assessment under Section 144, and income escaping assessment under Section 147.” Taxpayers can also protect themselves from surveys, search and seizure proceedings by filing ITR-U.

As for the cons, Pallav Pradyumn Narang, partner, CNK points out, “This return can’t be filed to claim refunds, losses, or a refund in excess of what was claimed in the original or belated ITR.

**When to file updated, revised, or belated ITR**

If you missed the July 31, 2023, deadline for filing your ITR for FY23, you have the option to file a belated return. Says Ankit Rajgarhia, principal associate, Karanjawala & Company, Advocates, “A belated return allows you to file your ITR after the deadline, but there are a few consequences. You may be liable to pay a penalty and interest on any tax payable. Also, you can’t revise a belated return once it’s filed.”

Furthermore, losses under certain heads of income, such as capital gains and business income, can’t be carried forward to future years if you file a belated return.

If you’ve not filed the original ITR, instead of waiting to file an updated return, go for a belated return. Says Bajaj, “If someone missed the July 31, 2023 deadline to file their ITR for the year 2022–2023, it is better to file a belated ITR rather than an updated ITR. Filing a belated ITR by March 31, 2024, is a way to fulfil tax obligations and reduce the risk of having to face any consequences.”

Says Goyall, “If the taxpayer failed to disclose certain incomes and pay the appropriate tax, they should file an ITR-U.”

Note that the updated ITR can't be used to declare lower income, claim losses, or request income refunds. Says Narang, "When there is an error, additional income has to be disclosed, or if there is any mistake in the original or belated ITR, which may result in a refund also, a taxpayer can file a revised return until December 31 of the relevant assessment year."

However, no refund can be claimed with ITR-U.

**HOW TO CALCULATE TAX LIABILITY FOR UPDATED RETURN**

- Consider the income tax payable
- Next, consider the interest and fee payable for non-filing
- You will also have to pay an additional tax
- This will equal 25 per cent of the tax if the return is filed within 12 months of the end of the relevant assessment year
- It will be 50 per cent if the return is filed within 12-24 months of the end of the relevant assessment year

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