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Income Tax - Assessment and Filing

Course Code: UK6SECMGT301 • Module 4 Notes

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Chapter 1: Computational Architecture of Total Income and Gross Tax Liability

The determination of an assessee's final tax liability constitutes the culminating stage of the assessment cycle under the Income Tax Act, 1961. The process requires synthesizing income streams across all five statutory heads, applying loss set-off rules, aggregating gross totals, deducting permissible relief under Chapter VI-A, and calculating gross tax according to prevailing statutory rates.

The journey from gross receipts to final tax payable follows a defined statutory progression governed by specific procedural mandates:

1. Determination of Gross Total Income (GTI): Income is computed under Salaries (Sections 15–17), House Property (Sections 22–27), Profits and Gains of Business or Profession (Sections 28–44DB), Capital Gains (Sections 45–55), and Other Sources (Sections 56–59). Inter-source and inter-head adjustments are executed pursuant to Sections 70 and 71, and clubbed incomes under Sections 60 to 64 are absorbed to arrive at GTI.

2. Deductions under Chapter VI-A: From Gross Total Income, eligible deductions under Sections 80C to 80U are subtracted. These deductions are strictly impermissible against certain special-rate income streams: short-term capital gains under Section 111A, long-term capital gains under Sections 112 and 112A, and casual lottery winnings under Section 115BB. The resultant figure is Total Income (or Taxable Net Income).

3. Rounding Off Provisions: The Income Tax Act enforces statutory rounding off at two vital junctures:

• *Section 288A (Rounding Off of Total Income):* Total income is rounded off to the nearest multiple of ten rupees. If the last digit is five or more, it is rounded up; otherwise, it is truncated.

• *Section 288B (Rounding Off of Tax and Refund):* The final amount of tax, interest, penalty, or refund payable is rounded off to the nearest multiple of ten rupees.

Chapter 2: Comprehensive Tax Regime Comparison: Old vs Section 115BAC Concessional Regime

Finance Act enactments have institutionalized a dual-regime taxation architecture in India. Individual assessees must evaluate the financial trade-offs between the traditional progressive Old Tax Regime and the New Concessional Tax Regime codified under Section 115BAC (which operates as the default regime from Assessment Year 2024-25 onwards).

Section 1: Slab Rates under the Regular (Old) Tax Regime

The Old Tax Regime applies progressive tax brackets, categorized by the assessee's age:

Total Income Slab (Rs.)	Individual (< 60 Years)	Senior Citizen (60–79 Years)	Super Senior Citizen (≥ 80 Years)
Up to 2,50,000	Nil	Nil	Nil

Total Income Slab (Rs.)	Individual (< 60 Years)	Senior Citizen (60–79 Years)	Super Senior Citizen (≥ 80 Years)
2,50,001 to 3,00,000	5% of amount > 2,50,000	Nil	Nil
3,00,001 to 5,00,000	5% of amount > 2,50,000	5% of amount > 3,00,000	Nil
5,00,001 to 10,00,000	Rs. 12,500 + 20% > 5,00,000	Rs. 10,000 + 20% > 5,00,000	20% of amount > 5,00,000
Above 10,00,000	Rs. 1,12,500 + 30% > 10,00,000	Rs. 1,10,000 + 30% > 10,00,000	Rs. 1,00,000 + 30% > 10,00,000

Section 2: Concessional Slab Rates under Section 115BAC (New Default Regime)

The New Tax Regime provides uniform rates across all age brackets without differentiation for senior or super senior citizens:

Total Income Slab (Rs.)	Statutory Tax Rate	Cumulative Base Tax Payable (Rs.)
Up to 3,00,000	Nil	Nil
3,00,001 to 6,00,000	5% of amount exceeding Rs. 3,00,000	Rs. 15,000
6,00,001 to 9,00,000	10% of amount exceeding Rs. 6,00,000	Rs. 45,000
9,00,001 to 12,00,000	15% of amount exceeding Rs. 9,00,000	Rs. 90,000
12,00,001 to 15,00,000	20% of amount exceeding Rs. 12,00,000	Rs. 1,50,000
Above 15,00,000	30% of amount exceeding Rs. 15,00,000	Rs. 1,50,000 + 30% of excess

Chapter 3: Tax Relief, Rebates, Surcharges, and Cess Mechanics

Section 1: Rebate under Section 87A

Section 87A provides targeted tax relief to lower-income resident individuals:

• **Under the Old Tax Regime:** A resident individual whose Total Income does not exceed Rs. 5,00,000 is eligible for a rebate of 100% of income tax or Rs. 12,500, whichever is less. Consequently, individual assessees earning up to Rs. 5,00,000 pay zero tax.

• **Under the New Tax Regime (Section 115BAC):** The rebate is enhanced substantially. A resident individual whose Total Income does not exceed Rs. 7,00,000 receives a rebate equal to 100% of income tax payable or Rs. 25,000, whichever is less. Therefore, individuals with taxable income up to Rs. 7,00,000 pay zero tax under the New Regime.

• **Marginal Relief under Section 87A (New Regime):** If total income marginally exceeds Rs. 7,00,000, the tax payable cannot exceed the amount by which total income exceeds Rs. 7,00,000.

For example, on an income of Rs. 7,10,000, tax computed before rebate is Rs. 26,000. Under marginal relief, tax is restricted to the excess income of Rs. 10,000.

Section 2: Surcharge Structure and Surcharge Cap

Where total income exceeds designated thresholds, a progressive surcharge is levied on basic income tax (before cess):

• **10% Surcharge:** Total Income exceeding Rs. 50 Lakhs but not exceeding Rs. 1 Crore.

• **15% Surcharge:** Total Income exceeding Rs. 1 Crore but not exceeding Rs. 2 Crore.

• **25% Surcharge:** Total Income exceeding Rs. 2 Crore but not exceeding Rs. 5 Crore.

• **37% Surcharge:** Total Income exceeding Rs. 5 Crore (applicable exclusively under the Old Tax Regime).

• **Surcharge Cap under Section 115BAC:** Under the New Tax Regime, the maximum surcharge is statutorily capped at 25% for income exceeding Rs. 5 Crore, lowering the peak effective tax rate from 42.744% to 39%.

• **Dividend & Capital Gains Cap:** Surcharge on income from dividends, STCG under Section 111A, and LTCG under Section 112/112A is statutorily capped at 15% across all brackets.

Section 3: Health and Education Cess

A mandatory Health and Education Cess of 4% is levied on the aggregate of basic income tax and surcharge. The cess is earmarked for universal public healthcare and elementary education programs.

Chapter 4: Pre-Paid Taxes, Credit Verification, and Self-Assessment under Section 140A

The Indian income tax collection architecture relies on pay-as-you-earn mechanisms, collecting taxes across the financial year prior to formal assessment:

Section 1: Advance Tax Obligations (Sections 207 to 211)

Every assessee whose estimated total tax liability for the year (after reducing TDS, TCS, and MAT credit) is Rs. 10,000 or more is obligated to pay advance tax. However, resident senior citizens (age ≥ 60) who do not derive any income from PGBP are exempt from advance tax and can discharge tax upon filing.

Advance tax is payable in four statutory installments for non-presumptive assessees:

Installment Due Date	Minimum Cumulative Advance Tax Payable
On or before 15th June	Not less than 15% of estimated advance tax liability
On or before 15th September	Not less than 45% of estimated advance tax liability

Installment Due Date	Minimum Cumulative Advance Tax Payable
On or before 15th December	Not less than 75% of estimated advance tax liability
On or before 15th March	100% of estimated advance tax liability

For assessees operating under presumptive taxation (Sections 44AD and 44ADA), the entire 100% advance tax is due in a single tranche on or before 15th March.

Section 2: Mandatory Interest under Sections 234A, 234B, and 234C

Deficits or delays in meeting tax obligations attract mandatory simple interest at 1% per month or part of a month:

• **Section 234A:** Levied for delay in furnishing the return of income beyond the statutory due date under Section 139(1), calculated on unpaid assessed tax from the due date to the actual date of filing.

• **Section 234B:** Levied for default in payment of advance tax where the assessee pays less than 90% of assessed tax as advance tax, computed at 1% per month from 1st April of the assessment year to the date of assessment or payment.

• **Section 234C:** Levied for deferment or shortfall in individual quarterly advance tax installments, computed on the shortfall at 1% per month for a period of 3 months per installment (and 1 month for the March installment).

Section 3: Self-Assessment Tax under Section 140A

Where any tax remains payable after adjusting advance tax, TDS, TCS, relief under Section 89, and tax credits, the assessee must discharge such shortfall along with statutory interest under Sections 234A, 234B, and 234C prior to submitting the return of income. Proof of payment via Challan ITNS 280 (BSR code, challan serial number, tender date) must be cited in the return.

Chapter 5: Income Tax Return (ITR) Form Architecture & Applicability Matrix

Selecting the correct ITR form is essential. Filing an incorrect form renders the return defective under Section 139(9) or invalid:

Form Name	Eligible Assessee & Sources	Specific Ineligibility Conditions
ITR-1 (Sahaj)	Resident individuals having Total Income up to Rs. 50 Lakhs from Salaries, one house property, and other sources (interest, etc.), with agricultural income ≤ Rs. 5,000.	Non-residents, RNOR, directors in companies, holders of unlisted equity shares, assessees with capital gains, business income, or foreign assets.
ITR-2	Individuals and HUFs not having income under the head Profits and Gains of Business or Profession (PGBP). Accommodates capital gains, multiple house properties, and foreign assets.	Any individual or HUF deriving income from proprietary business, profession, or partnership firm.

Form Name	Eligible Assessee & Sources	Specific Ineligibility Conditions
ITR-3	Individuals and HUFs having income under the head Profits and Gains of Business or Profession. Covers audited proprietary concerns, professions, and firm partners.	Entities other than Individuals and HUFs (e.g., companies, LLPs, cooperative societies).
ITR-4 (Sugam)	Resident Individuals, HUFs, and Partnership Firms (excluding LLP) having total income up to Rs. 50 Lakhs and opting for presumptive business taxation under Sections 44AD, 44ADA, or 44AE.	Non-residents, company directors, holders of unlisted equity shares, assessees with capital gains or speculative turnover.

Chapter 6: Practical Step-by-Step E-Filing Procedure on the Income Tax Portal

The e-filing ecosystem on the official portal (incometax.gov.in) provides an automated platform for submitting income returns:

1. Portal Registration and Authentication: Assessees log in using their Permanent Account Number (PAN) as the primary User ID and a secure password. Profile details, active mobile number, primary email, and bank account validation must be confirmed.

2. Accessing E-File Menu: Navigate to *e-File > Income Tax Returns > File Income Tax Return*. Select the applicable Assessment Year (e.g., AY 2024-25), choose the filing status (Individual / HUF), and select the filing mode (Online or Offline Utility).

3. Ingestion of Prefilled Data & AIS Reconciliation: The portal populates prefilled data derived from Form 26AS, Annual Information Statement (AIS), and Taxpayer Information Summary (TIS). The filer must verify salary figures against Form 16, interest receipts against bank statements, and tax credit totals against 26AS.

4. Schedule Completion and Regime Selection: The assessee verifies schedules for Salary, House Property, Capital Gains, and Chapter VI-A deductions. The filer specifies whether they choose to opt out of the default New Tax Regime to be evaluated under the Old Regime.

5. Tax Computation & Self-Assessment Payment: The portal auto-calculates total income, rebate under Section 87A, surcharge, cess, and interest under Sections 234A/B/C. If tax is due, payment is executed via e-Pay Tax (Net Banking, UPI, Debit Card). The paid BSR code and challan details update in Schedule IT.

6. Validation & Submission: The utility executes algorithmic validation checks. Any missing fields or calculation discrepancies generate instant validation warnings. Upon resolving all errors, the return is formally submitted.

7. Mandatory E-Verification: A return is incomplete and legally invalid unless verified within 30 days of submission. E-verification methods include:

• Aadhaar OTP (OTP sent to Aadhaar-linked mobile number).

• Electronic Verification Code (EVC) generated through pre-validated bank account or demat account.

• Net banking login directing to the tax portal.

• Physical submission of signed ITR-V acknowledgement to CPC, Post Box No. 1, Electronic City Post Office, Bengaluru, Karnataka 560500 by ordinary or speed post.

Chapter 7: Worked Numerical Practical Applications

Worked Problem 1: Old vs New Regime Comparison for Salaried Assessee

Mr. Arun Prakash (age 38, resident) reports the following remuneration and investments for the financial year:

• Gross Salary: Rs. 14,50,000.

• House Rent Allowance received: Rs. 1,80,000. Rent paid for residential accommodation in Thiruvananthapuram: Rs. 2,16,000. HRA exempt under Section 10(13A) is computed at Rs. 1,32,000.

• Interest on housing loan for self-occupied property paid to SBI: Rs. 1,85,000.

• Savings Bank Account Interest: Rs. 12,000.

• Section 80C Investments (PPF + Life Insurance): Rs. 1,60,000.

• Section 80D Mediclaim premium paid by cheque for family: Rs. 22,000.

Determine Mr. Prakash's total tax liability under both the Old Tax Regime and the New Tax Regime (Section 115BAC), and advise on the optimal tax regime.

Detailed Comparative Resolution:

Particulars	Old Tax Regime (Rs.)	New Tax Regime [115BAC] (Rs.)
Gross Salary	14,50,000	14,50,000
Less: Exempt HRA [Sec 10(13A)]	(1,32,000)	Not Allowed
Less: Standard Deduction [Sec 16(ia)]	(50,000)	(50,000)
Taxable Income from Salaries	**12,68,000**	**14,00,000**
Loss from House Property (Self-occupied interest Sec 24(b))	(1,85,000)	Not Allowed
Income from Other Sources (Savings Bank Interest)	12,000	12,000
GROSS TOTAL INCOME (GTI)	**10,95,000**	**14,12,000**
Less: Chapter VI-A Deductions:		
Section 80C (Capped at statutory limit)	(1,50,000)	Not Allowed
Section 80D (Mediclaim premium)	(22,000)	Not Allowed

Particulars	Old Tax Regime (Rs.)	New Tax Regime [115BAC] (Rs.)
Section 80TTA (Savings interest up to Rs. 10,000)	(10,000)	Not Allowed
TOTAL TAXABLE INCOME	**9,13,000**	**14,12,000**
Tax on Total Income:		
Basic Slab Tax	95,100	1,32,400
Rebate under Section 87A	Nil (Income > 5L)	Nil (Income > 7L)
Health and Education Cess (4%)	3,804	5,296
TOTAL TAX PAYABLE	**98,904**	**1,37,696**

Analytical Tax Planning Conclusion: Because Mr. Prakash commands extensive deductions totaling Rs. 4,99,000 (HRA Rs. 1,32,000 + Housing loan interest Rs. 1,85,000 + 80C Rs. 1,50,000 + 80D Rs. 22,000 + 80TTA Rs. 10,000), his tax liability under the Old Tax Regime is Rs. 98,904, compared to Rs. 1,37,696 under the New Tax Regime. The Old Regime delivers a decisive net tax saving of Rs. 38,792. Consequently, opting out of Section 115BAC is financially beneficial.

Worked Problem 2: Advance Tax, Interest under 234B & 234C, and Section 140A Computation

Ms. Neha Nair estimated her total income tax liability for the financial year at Rs. 1,20,000. TDS credited to her account was Rs. 20,000, leaving an estimated advance tax liability of Rs. 1,00,000. She paid advance tax as follows:

• 15th June: Rs. 10,000 (Statutory minimum 15% = Rs. 15,000; Shortfall = Rs. 5,000).

• 15th September: Rs. 25,000 (Cumulative Rs. 35,000; Statutory minimum 45% = Rs. 45,000; Shortfall = Rs. 10,000).

• 15th December: Rs. 30,000 (Cumulative Rs. 65,000; Statutory minimum 75% = Rs. 75,000; Shortfall = Rs. 10,000).

• 15th March: Rs. 20,000 (Cumulative Rs. 85,000; Statutory minimum 100% = Rs. 1,00,000; Shortfall = Rs. 15,000).

Actual assessed tax liability determined upon filing return on 31st July of the assessment year was Rs. 1,20,000 (net advance tax required: Rs. 1,00,000). Compute interest payable under Section 234B and Section 234C, and the final Self-Assessment Tax under Section 140A.

Step-by-Step Resolution:

Step 1: Interest under Section 234C (Deferment of Advance Tax):

• 15th June installment: Shortfall below 15% = Rs. 15,000 − Rs. 10,000 = Rs. 5,000. Interest @ 1% × 3 months = Rs. 150.

• 15th September installment: Shortfall below 45% = Rs. 45,000 − Rs. 35,000 = Rs. 10,000. Interest @ 1% × 3 months = Rs. 300.

• 15th December installment: Shortfall below 75% = Rs. 75,000 − Rs. 65,000 = Rs. 10,000. Interest @ 1% × 3 months = Rs. 300.

• 15th March installment: Shortfall below 100% = Rs. 1,00,000 − Rs. 85,000 = Rs. 15,000. Interest @ 1% × 1 month = Rs. 150.

• **Total Interest under Section 234C = Rs. 150 + Rs. 300 + Rs. 300 + Rs. 150 = Rs. 900.**

Step 2: Interest under Section 234B (Shortfall in Aggregate Advance Tax):

• Total advance tax paid = Rs. 85,000.

• 90% of assessed tax liability (Rs. 1,00,000) = Rs. 90,000.

• Since advance tax paid (Rs. 85,000) is less than 90% of assessed liability (Rs. 90,000), Section 234B is triggered.

• Shortfall subject to interest = Assessed tax − Advance tax paid = Rs. 1,00,000 − Rs. 85,000 = Rs. 15,000.

• Period of interest: From 1st April to date of filing/payment (31st July) = 4 months.

• Interest under Section 234B = Rs. 15,000 × 1% × 4 months = **Rs. 600.**

Step 3: Self-Assessment Tax Payable under Section 140A:

• Total Assessed Tax (including 4% Cess): Rs. 1,24,800.

• Less: Tax Deducted at Source (TDS): Rs. 20,000.

• Less: Advance Tax paid: Rs. 85,000.

• Net Principal Tax Due: Rs. 19,800.

• Add: Interest under Section 234C: Rs. 900.

• Add: Interest under Section 234B: Rs. 600.

• **Total Self-Assessment Tax Payable under Section 140A = Rs. 19,800 + Rs. 900 + Rs. 600 = Rs. 21,300.**

Chapter 8: Annual Information Statement (AIS) and Taxpayer Information Summary (TIS) Reconciliation

The operational landscape of income tax assessment in India has migrated from fragmented document checks to comprehensive data analytics driven by the Annual Information Statement (AIS) and Taxpayer Information Summary (TIS).

Introduced pursuant to Section 285BB of the Income Tax Act, 1961, the AIS expands the traditional Form 26AS by integrating granular financial information reported by designated reporting entities (banks, asset management companies, stock exchanges, registrars of immovable properties, and state revenue departments) under Statement of Financial Transactions (SFT) rules.

1. Taxpayer Information Summary (TIS): An aggregated single-page summary categorizing the taxpayer's financial activities into standardized transaction heads (e.g., Salary, Dividend, Interest from Savings, Interest from Deposits, Purchase/Sale of Securities, Sale of Immovable Property). The TIS displays two financial values for each line item: the reported value received from reporting entities and the processed value derived after factoring in taxpayer feedback.

2. Feedback Mechanism in AIS: Where an assessee identifies discrepancies in AIS data (such as joint account interest reported entirely in one PAN, duplicate reporting of the same share sale, or misidentified transactions), the taxpayer can submit interactive online feedback directly within the portal. Feedback options include:

• Information is correct.

• Information is not fully correct.

• Information relates to other PAN/person.

• Information is duplicate / already reported.

• Information is denied.

Once feedback is recorded, the processed value in the TIS updates dynamically, providing an audit trail that mitigates automated mismatch intimations issued under Section 143(1)(a) of the Act.

Chapter 9: Statutory Assessment Regimes under the Income Tax Act

Following the electronic submission and verification of an Income Tax Return, the return is subjected to statutory review by the Income Tax Department. The Income Tax Act, 1961 delineates distinct assessment classifications governed by specific jurisdictional parameters:

Section 1: Summary Processing under Section 143(1)

Every electronically submitted return is processed automatically at the Centralized Processing Centre (CPC), Bengaluru, without human intervention. The processing under Section 143(1) involves:

• Rectification of arithmetical errors apparent from the return.

• Adjustment of incorrect claims that are apparent from any information in the return (such as claiming Chapter VI-A deductions against capital gains).

• Verification of tax payments and matching TDS/TCS credits against the departmental database.

Upon completion of processing, an automated Intimation is issued electronically to the taxpayer's registered email, specifying whether the return is accepted as filed, requires additional tax payment, or entitles the assessee to a tax refund. The statutory time limit for issuing an intimation under Section 143(1) is nine months from the end of the financial year in which the return was furnished.

Section 2: Scrutiny Assessment under Section 143(3) and the Faceless Assessment Scheme

Where the Central Board of Direct Taxes (CBDT) Computer Assisted Scrutiny Selection (CASS) algorithms flag high-risk transactions, severe AIS discrepancies, or substantial mismatch between reported turnover and bank deposits, the case is selected for detailed scrutiny assessment. The Assessing Officer serves a notice under Section 143(2) requiring the assessee to substantiate income claims, asset acquisitions, and expense deductions.

Under the statutory Faceless Assessment Scheme codified in Section 144B, dynamic jurisdiction is deployed across the National Faceless Assessment Centre (NeFAC). All communication between taxpayers and assessment units is conducted entirely through digital exchange of cryptographically signed electronic records, eliminating physical interface and personal discretion.

Section 3: Best Judgment Assessment under Section 144

Where an assessee fails to submit a return of income under Section 139(1), fails to comply with terms of a notice under Section 142(1) or Section 143(2), or fails to comply with a special audit direction under Section 142(2A), the Assessing Officer is empowered to make a Best Judgment Assessment. The officer determines total income and tax liability based on available materials, external intelligence, and rational evaluation after granting the assessee a mandatory show-cause opportunity.

Section 4: Income Escaping Assessment (Reassessment) under Section 147 and 148

Where the Assessing Officer possesses information suggesting that income chargeable to tax has escaped assessment, proceedings under Section 147 may be initiated. Pursuant to the reformed procedure under Section 148A, the officer must conduct an inquiry, grant a personal hearing, and obtain prior approval from specified higher authorities before serving a reassessment notice under Section 148. The standard limitation period for reopening assessments is three years, extendable up to ten years where escaped income represented in the form of assets exceeds Rs. 50 Lakhs.

Assessment Provision	Statutory Nature & Scope	Governing Limitation Period
Summary Intimation [Sec 143(1)]	Automated algorithmic processing at CPC; arithmetical checks and TDS matching.	9 months from the end of the financial year of filing.
Scrutiny Assessment [Sec 143(3)]	Comprehensive forensic examination of books, accounts, and bank statements via NeFAC.	12 months from the end of the relevant assessment year.
Best Judgment Assessment [Sec 144]	Ex-parte assessment upon non-compliance with notices or failure to file return.	12 months from the end of the relevant assessment year.
Reassessment [Sec 147 / 148]	Reopening of past assessments on proof of escaped income exceeding statutory limits.	3 years standard; up to 10 years for asset escapement ≥ Rs. 50 Lakhs.

Chapter 10: Belated, Revised, and Updated Returns under Section 139

The Income Tax Act affords structured mechanisms for taxpayers to regularize unfiled returns or correct bona fide omissions:

Section 1: Belated Return under Section 139(4)

If an assessee fails to furnish the return within the due date prescribed under Section 139(1) (e.g., 31st July for non-audit individuals), they may submit a belated return at any time before three months prior to the end of the relevant assessment year (i.e., on or before 31st December) or before the completion of assessment, whichever is earlier.

• **Late Fee under Section 234F:** A mandatory late fee is levied: Rs. 5,000 where total income exceeds Rs. 5,00,000, and Rs. 1,00,000? No, Rs. 1,000 where total income is up to Rs. 5,00,000.

• **Loss Forfeiture:** Belated filing forfeits the privilege to carry forward business losses, speculation losses, and capital losses under Section 80.

Section 2: Revised Return under Section 139(5)

If an assessee discovers any omission or wrong statement in a return furnished under Section 139(1) or Section 139(4), they may furnish a revised return at any time before three months prior to the end of the relevant assessment year (i.e., by 31st December) or before the completion of assessment, whichever is earlier. Once a valid revised return is submitted, the original return is entirely superseded.

Section 3: Updated Return (ITR-U) under Section 139(8A)

Introduced by the Finance Act 2022 to promote voluntary tax compliance and curtail litigation, Section 139(8A) allows any person to file an Updated Return (Form ITR-U) within 24 months from the end of the relevant assessment year, whether or not an original, belated, or revised return was filed.

• **Restrictions on ITR-U:** An updated return cannot be filed if it results in a loss, decreases total tax liability, or claims/increases an income tax refund.

• **Additional Tax Liability:** To file under Section 139(8A), the assessee must pay the aggregate of unpaid tax, statutory interest under Sections 234A/B/C, late fee under Section 234F, plus a statutory additional tax penalty:

- *Filed within 12 months from the end of assessment year:* 25% of aggregate tax and interest.

- *Filed after 12 months but within 24 months from the end of assessment year:* 50% of aggregate tax and interest.

Chapter 11: Worked Numerical Problem 3: ITR-U Updated Return Computation

Mr. Venu Gopal omitted to declare fixed deposit interest of Rs. 2,00,000 in his original return filed for Assessment Year 2023-24. His taxable slab is 30%. In June 2024 (14 months after the end of AY 2023-24, falling in the 12 to 24 month bracket), he opts to file an Updated Return (ITR-U) under Section 139(8A) to disclose this untaxed interest. The additional tax payable on this interest is Rs. 60,000, Health and Education Cess (4%) is Rs. 2,400, and mandatory interest

under Section 234B is computed at Rs. 9,600. Compute the total amount payable by Mr. Gopal to regularize his return under Section 139(8A).

Step-by-Step Resolution:

• Basic Additional Income Tax = Rs. 60,000.

• Add: 4% Health and Education Cess = Rs. 2,400.

• Total Additional Tax = Rs. 62,400.

• Add: Mandatory Statutory Interest under Section 234B = Rs. 9,600.

• Aggregate Base Tax and Interest = Rs. 62,400 + Rs. 9,600 = Rs. 72,000.

• Additional Tax Rate under Section 140B (between 12 and 24 months) = 50% of Aggregate Base Tax and Interest.

• Additional Penalty Tax = 50% × Rs. 72,000 = Rs. 36,000.

• **Total Remittance Required under Section 140B before filing ITR-U = Rs. 72,000 + Rs. 36,000 = Rs. 1,08,000.**

Chapter 12: Tax Audit Reporting under Section 44AB and E-Filing Annexures

Section 44AB mandates a compulsory audit of accounts of an assessee carrying on business or profession by an independent Chartered Accountant where total turnover or gross professional receipts exceed statutory thresholds (Rs. 1 Crore for business, elevated to Rs. 10 Crore if cash receipts/payments ≤ 5%, and Rs. 50 Lakhs for professions).

The auditor furnishes the audit report electronically on the income tax portal in prescribed statutory formats:

• **Form 3CA:** Applicable where the accounts of the business or profession of an assessee have already been audited under any other law (e.g., Companies Act, 2013).

• **Form 3CB:** Applicable where the accounts are audited exclusively under Section 44AB of the Income Tax Act.

• **Form 3CD:** A comprehensive 44-clause statement of particulars detailing accounting methods, depreciation schedules, Section 40A(3) cash payments, Section 43B statutory dues, transfer pricing, and quantitative commodity reconciliations.

The tax audit report must be uploaded by the Chartered Accountant and electronically approved by the assessee on or before 30th September of the assessment year. Failure to furnish the report attracts a penalty under Section 271B equal to 0.5% of total turnover, capped at Rs. 1,50,000.