

Dear ITR ians

This email is applicable (relevant) only for people who had filed their tax returns (ITR) for 2009 & 2010. Others can ignore this

Many of you have heard of this saying “**Ignorance of law is not an excuse**”.

Above saying is also applicable to Income Tax Act & filing of tax return. Many times a tax payer makes many mistakes while filing his tax return in the month of July. Namely

1. Claimed 80C deduction more/less than actual investment
2. Interest income from FD is not disclosed
3. Not accounting 2nd Form 16 when there is change in job
4. Not disclosed Short term capital gain from shares
5. Not corrected errors in Form 16 (you need to calculate tax correctly even though form 16 has wrong calculation - (Sec 240A - Self Assessment)
6. Not disclosed Rental income
7. PF/Gratuity withdrawal (These have some exemptions too)
8. Wrong claim of benefits of Section 54 when sale of house property.
9. Wrong or No Claim of HRA

Few of above mistakes will increase tax liability of the assessee & few of them will decrease the tax liability (it may result in tax refunds/benefits to the assessee). The tax payer usually misses above points may be because **1)** He is not so serious or in hurry to file his **return** **2)** He will not disclose above details with his CAs/ Tax experts while filing tax return **3)** Tax payer may not knowing these points while filing return & he would be under impression that he can avoid tax.

But following may be the consequences of not disclosing:

1. He may get notice from IT dept to make payment of extra tax with Interest (234A, B & C).

SI	Section	Details
1	Sec 234A	1 % per month of Tax payable amount from due date of filing
2	Sec 234C	3.7% on Tax Payable amount
3	Sec 234B	1 % per month of Tax payable amount if it exceeds Rs 10,000 from due date of filing

Every ITR has 5 basic Obstacles – No knowledge, No trust, No disclosure, No documents & No money

Eg: If your tax liability is Rs 20,000 arrived because of not disclosing all incomes or claiming wrong or more deductions as above discussed

		Last Year ITR	CY ITR
SI	Section	AY 2009-10	AY 2010-11
	Tax Payable Amount	20,000.00	20,000.00
	Period	1.5 Years	0.5 Years
1	Sec 234A	2,800.00	400.00
2	Sec 234C	740.00	740.00
3	Sec 234B	3,600.00	1,200.00
	Total Interest	7,140.00	2,340.00
	Effective Rate	35.70%	11.70%

2. Concealment of Income Section 271(c) - ITO has even power to levy penalty of 300% of Tax liability other than above interest. But this provision is being used rarely.
3. Failure to comply with any order from the IT department- This may result in penalty of Rs 10,000 if you ignore replying notices or orders of ITO
4. Your case may be selected for scrutiny. Read more about Income Tax Scrutiny (ITS) in my **earlier email dated 07/09/2010**

Since penal provisions are more tough and it is not wise decision to hide any income or claim unwarranted/undeserved deductions. It's always good to rectify your error before you get notice from ITO. You can revise your filed tax return & pay amounts now to avoid more interest payments & notices from ITO. You can save interest u/s 234A. Few points on this are

1. For the financial year 2009-10 (AY 2010-11) one can file the "Revised return" up to March 2012. Early filing is always better to reduce Interest.
- 2-You can't refile your return if income tax department already did the assessment of your return.
3. No need to pay interest u/s 234A if any tax due, but you have to pay 234B, 234C interest if due

Please note that everyone has every right to claim all deductions & benefits & can reduce his tax liability. Assessee can claim benefits even outside form 16 - Investments & HRA benefits. But claiming of HRA **benefits outside form 16 is not advisable when you have 2 forms 16 because Reducing Tax liability because of HRA claim may result in interest u/s 234A, B & C.** It's safer to claim benefits like

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HRA within Form 16s or when you have refund so that you will not be paying 234A, B & C. But it may result getting notice for ITS (Read last email dated 7/9/2010 written on ITS)

How to prevent/avoid these errors in future?

It's always better to consult your tax experts well in advance of due date of filing of tax return with following documents

1. All form 16s of CY & PY to compare PY claims & Investments
2. ITR of PY & CY
3. CY & PY Form 16A for Interest Income
4. Rent receipts
5. Any other Incomes documents - Sale deed, Shares documents, FD receipts, PF/ Gratuity withdrawals
6. Bank Statements.
7. Investment proofs – LIC & others
8. Certificate from bank on housing loan Interest.

Last but not least, it is always good to correct our mistake & revise our Tax returns which are already filed without applying NWPCD (read email on Scrutiny). Do not revise your Tax returns in a hurry. Take proper steps & advise, then go for **revising filed Tax returns**.

It is always better to prevent these errors by taking proper consultancy.

Regards

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