

# **ALL INDIA FEDERATION OF TAX PRACTITIONERS (NZ)**

## **PRACTICAL INSIGHTS IN FILING OF INCOME TAX RETURNS V/S ADJUSTMENTS U/S 143(I) AND DEFECTIVE RETURNS U/S 139(9)**

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# FILING OF RETURN OF INCOME

## Important issues involved in Filing of Returns

- Selection of Correct ITR Forms
- Correct Computation of Income
- Matching of Information with Form 26AS, Form AIS / TIS
- Selection of Correct / Desired Tax Regime
- Timely upload of Audit Forms
- Correct Reporting of information in Audit Forms
- Filling up of correct Schedules in ITR Forms
- Timely upload of the Returns

## ITR FORMS

ITR FORM	Assessee	Salary / Pension	House Property	Capital Gains	Business Income	Other Sources
1	Individual / HUF	Yes	One	Tax Free Only	N/A	Except winning from Lottery / Race Horses
2	Individual /HUF	Yes	Yes	Yes (With C/o and B/f losses)	N/A	Yes
3	Individual / HUF	Yes	Yes	Yes	Income from Firm as Partner	Yes
4	Individual / HUF	Yes	Yes	Yes	Yes	Yes
5	Firms / Unregistered AOP,Trust, Society	Income for Partnership Firms / LLP's				
6	Companies	Income for Private / Public Limited Companies				
7	AOP / Trust / Societies	For all Association of Persons,Trusts, Societies				

# FILING OF RETURN OF INCOME

## Important Sections involved in Filing of Returns, Processing and Remedies against Grievances

Section / Forms	Particulars
139	Return of Income
143	Assessment
154	Rectification of Mistake
264	Revision of Orders
205	Bar against direct demand on Assessee
119	Instructions to Subordinate authorities
26 AS	Annual Tax Statement u/s 203AA
AIS	Annual Information Statement
TIS	Taxpayers Information Summary

# FILING OF RETURN OF INCOME

## Key Provisions of Section 139 – Return of Income

Sub-Section	Particulars
139(1)	<b><u>Mandatory Return Filing</u></b> : Requires companies and firms to file a return of income/loss every year, regardless of income level. For individuals, HUFs, etc., it is mandatory if total income (without deductions under Section 10A, 10B, 10BA or Chapter VI-A) exceeds the exemption limit.
139(3)	<b><u>Return of Loss</u></b> : If a taxpayer has sustained a loss under "Profit and Gains of Business or Profession" or "Capital Gains" and wants to carry it forward, the return must be filed within the due date specified in Section 139(1).
139(4)	<b><u>Belated Return</u></b> : Allows taxpayers who missed the initial deadline to file a return, but it must be filed three months before the end of the assessment year or before the completion of assessment, whichever is earlier.
139(5)	<b><u>Revised Return</u></b> : Allows a taxpayer to file a revised return if any omission or wrong statement is discovered in the original return, three months before the end of the assessment year.
139(8A)	<b><u>Updated Return</u></b> : Allows a taxpayer to file an updated return with additional tax rates as applicable in case there is some additional income is to be reported or a loss is to be reduced. (48 Months)
139(9)	<b><u>Defective Return</u></b> : If a return is found defective by the Income Tax Department, the taxpayer is given 15 days to rectify it (extendable).

# FILING OF RETURN OF INCOME

## Section 143 – Assessment

- Section 143 deals with the Procedure of Assessment. Sub-Section (1) deals with the processing of return as filed by the assessee. Sub-Section (2) and (3) deal with the scrutiny assessment
- The provisions of Sub-Section (1) specifically deal with the Self Assessment scheme (Summary Assessment) of filing of the return and under the provisions, the return filed by the assessee is processed on the basis of details available with the department and as filed by the assessee.
- The details as filed by the assessee are subjected to various tests as laid out under the provisions of Section 143(1) and in case of any discrepancy, a notice u/s 143(1)(a) is required to be given to the assessee before any variations or demands are created.
- The sub-clauses of Sub-Section (1) are of vital importance are discussed in detail hereunder

# FILING OF RETURN OF INCOME

## Summary Assessment u/s 143(I)

Section / Clause		Particulars
143(I)(a)	(i)	Any arithmetic error in the return
	(ii)	Any incorrect claim, if such incorrect claim is apparent from any information in the return
	(iia)	Any such inconsistency in the return,.With respect to the information in the return of any preceding previous year, as may be prescribed
	(iii)	Disallowance of loss claimed, if return of the previous year for which set off of loss claimed was furnished beyond the due date specified under sub-section (I) of section 139
	(iv)	Disallowance of expenditure or increase in income indicated in the audit report but not taken into account in computing the total income in the return
	(v)	Disallowance of deduction claimed under section 10AA or under any of the provisions of Chapter VI-A under the heading “C.- Deductions in respect of certain incomes”, if the return is furnished beyond the due date specified under sub-section (I) of Section 139
	(vi)	Addition of income appearing in Form 26AS or Form 16A or Form 16 which has not been included in computing the total income in the return

# FILING OF RETURN OF INCOME

## Summary Assessment u/s 143(I)

Section / Clause		Particulars
143(I)(a)	Proviso 1	Provided that no such adjustment shall be made unless an intimation is given to the assessee of such adjustment either in writing or in electronic mode,
	Proviso 2	Provided that the response received from the assessee, if any, shall be considered before making any adjustment, and in a case where no such response is received within thirty days of the issue of such intimation, such adjustments shall be made
	Proviso 3	Provided that no adjustment shall be made under sub-clause (vi) in relation to a return furnished for the assessment year commencing on or after 1 <sup>st</sup> April 2018

# FILING OF RETURN OF INCOME

## Summary Assessment u/s 143(I)

Section / Clause		Particulars
143(I)	(b)	Tax, interest, fee, if any shall be computed on the basis of the total income computed under clause (a)
	(c)	Sum payable by, or the amount of refund due to the assessee shall be determined after adjustment of
	(d)	An intimation shall be prepared or generated and sent to the assessee specifying the sum determined to be payable by, or the amount of refund due, to the assessee under clause (c)
	(e)	The amount of refund due to the assessee in pursuance of the determination under clause (c) shall be granted to the assessee
	Proviso – An intimation shall also be sent to the assessee in a case where the loss declared in the return by the assessee is adjusted but no tax, interest or fee is payable by or no refund is due to him	
	Proviso – No intimation under this sub-section shall be sent after the expiry of nine months from the end of the financial year in which the return is made	

# FILING OF RETURN OF INCOME

## Summary Assessment u/s 143(I)

Section / Clause		Particulars
143(I)	Explanation – For the purpose of this sub-section	
	(a)	<p>An incorrect claim apparent from any information in the return shall mean a claim on the basis of an entry in the return</p> <ul style="list-style-type: none"><li>• of an item which is inconsistent with another entry of the same or some other item in such return</li><li>• In respect of which the information required to be furnished under this act to substantiate such enter has not been so furnished</li><li>• In respect of a deduction where such deduction exceeds specified field statutory limit which may have been expressed as monetary amount or percentage or ratio</li></ul>
	(b)	<ul style="list-style-type: none"><li>• The acknowledgement of the return shall be deemed to be the intimation in a case where no sum is payable by or refundable to the assessee under clause (c) and where no adjustment has been made under clause (a).</li></ul>

# FILING OF RETURN OF INCOME

## Summary Assessment u/s 143(1)

- **Section 143(1)(a)(i).** - The AO is empowered to carry out adjustment to total income which is in the nature of any arithmetical error in the return. The scope of this sub clause is limited to such error in the return in contrast to proviso to erstwhile 143(1) which addressed arithmetical errors not only in the return, but also in the accompanying accounts or documents.

# FILING OF RETURN OF INCOME

## Summary Assessment u/s 143(I)

- **Section 143(I)(a)(ii).** The said sub clause empowers AO to carry out adjustment to total income in respect of an incorrect claim, if such incorrect claim is apparent from any information in the return. For the purpose of this sub-clause, the phrase "an incorrect claim apparent from any information in the return" has been defined by way of an Explanation to section 143(I). The said phrase "shall mean" as under:
  - of an item, which is inconsistent with another entry of the same or some other item in such return;
  - in respect of which the information required to be furnished under this Act to substantiate such entry has not been so furnished; or
  - in respect of a deduction, where such deduction exceeds specified statutory limit which may have been expressed as monetary amount or percentage or ratio or fraction.

# FILING OF RETURN OF INCOME

## Summary Assessment u/s 143(1)

- The inconsistency should be evident on the face. For the purpose of this sub-clause only the information in the return should be seen and no other document. This sub-clause may have to be interpreted by comparing the language used in sub-clause (iii) of proviso to erstwhile section 143(1) wherein the language used was "Disallow any deduction, allowance or relief claimed in the return which, on the basis of the information available in such return, accounts and documents, is, prima facie, inadmissible".
- Thus, any comparison has to be performed within the return and not between return and accompanying documents or records.
- Rule 12 (2) provides that "the return of income required to be furnished in Form SAHAJ (ITR-1) or Form No. ITR-2 or Form No. ITR-3 or Form SUGAM (ITR-4) or Form No. ITR-5 or Form No. ITR-6 or Form No. ITR-7 shall not be accompanied by a statement showing the computation of the tax payable on the basis of the return, or proof of the tax, if any, claimed to have been deducted or collected at source or the advance tax or tax on self-assessment, if any, claimed to have been paid or any document or copy of any account or form or report of audit required to be attached with the return of income under any of the provisions of the Act".

# FILING OF RETURN OF INCOME

## Summary Assessment u/s 143(I)

- Clause (i) of Explanation (a) refers to a situation in which there is a claim of income or expenditure at two places in the return of income and there is inconsistency in them. For example, the rental income of ₹1,000/- is shown in "Part A-P and L" of the Profit and loss account accompanying the return, but in the Schedule BP, the amount has been taken as 750/-, leading to inconsistency, requiring an adjustment.
- Clause (ii) of Explanation (a) covers a situation in which claim is made, say, for a deduction u/s.80G for which information about donee is required to be furnished in the return but the same has not been furnished along with the return.
- Clause (iii) contemplates a situation in which deduction exceeds specified statutory limit. For example, section 24(a) provides for a standard deduction for a sum equal to 30% of the annual value, but the assessee has claimed deduction at 40%.
- The aforesaid Explanation employs the phrase 'shall mean'. This manifests the intention of the Parliament to make the definition exhaustive. If the legislature intended to make the definition inclusive, nothing prevented them from using the word 'includes'. The use of word 'shall mean' in contradistinction with the word 'includes' has to be respected. The adjustment that can be made under section 143(I)(a)(ii) has to be read along with the items listed in Explanation.

# FILING OF RETURN OF INCOME

## Summary Assessment u/s 143(1)

- However, in *Veerappampalayam Primary Agricultural Cooperative Credit Society Ltd* (2022) 138 Taxman.com 571 (Mad), the Madras High Court has held that the Explanation cannot curtail or restrict the main thrust or scope of the provision and due weightage as well as meaning has to be attributed to the purposes of section 143(1)(a) of the Act.

# FILING OF RETURN OF INCOME

## Summary Assessment u/s 143(I)

- An adjustment in respect of belated remittance to PF/ESI under section 36(I)(va) r.w.s. 2(24)(x) of the IT Act is not permissible under section 143(I)(a)(ii). **Cemetile Industries Vs. ITO ITA No. 693/Pun/2022**
- However, taking a contrary view, it is held that adjustment is permissible under section 143(I)(a)(ii). **ACIT Vs. Guntubolu Uma Sai Prasad, ITA No. 226 and 227/Viz/2022**
- **In Electrical India Vs. v ADIT 2023, 147 Taxman.com 470 (Chennai Tribunal)** it is held that adjustment in respect of belated remittance to PF/ESI under section 36(I) (va) r.w.s. 2(24)(x) of the IT Act is permissible under both the sections 143(I)(a)(i) & 143(I)(a)(iv),
- Correct position however appears to be that the said adjustment is not covered by section 143(I)(a)(i). Even if there is any inconsistency between the claim in the return and what is stated in the tax audit report under section 44AB, this sub clause read with Explanation is not applicable for the reason that it applies for inconsistencies within the return and not between the return and any other document like tax audit report.

# FILING OF RETURN OF INCOME

## Summary Assessment u/s 143(I)

- **The Supreme Court in Checkmate Services Pvt Ltd v CIT**, held that deduction under section 36(I)(va) shall be allowed only if the employee's contribution to PF/ESI is remitted on or before the due date specified in the respective statutes. However, when it comes to adjustment to be made under section 143(I)(a), there is no consensus amongst different benches of the Tribunal. In the certain cases, Tribunal has deleted the said addition made in Intimation issued under section 143(I).
- However, an adjustment in respect of belated remittance to PF/ESI under section 36(I)(va) r.w.s. 2(24)(x) of the IT Act is held permissible under section 143(I)(a)(iv). Certain benches have held that such adjustment is permissible under section 143(I)(a)(ii). It was also held that adjustment in respect of belated remittance to PF/ESI under section 36(I)(va) r.w.s. 2(24)(x) of the IT Act is permissible under both the sections 143(I)(a)(ii) & 143(I)(a)(iv).

# FILING OF RETURN OF INCOME

## Summary Assessment u/s 143(I)

- Supreme Court on 27th January, 2026 has issued notice on an SLP filed by Assessee on the issue of disallowance of deduction claimed by it in respect of employees contribution of PF & ESI under section 36(I)(va) on the ground of late deposit- after due date. The Supreme Court observed that there are two views . One of the view is that there is no difference between employees and employer contribution and both would be guided by the provisions of section 43B of the Act so as to allow deduction if the same has been paid before the due date of filing return. In view of conflicting judgements of various High Courts, the Supreme Court would like to look into this issue and hence issued notice to Revenue (Income Tax Deptt).
- **The SC having issued notice to consider this controversy , the issue is no more a mistake apparent from record.**

# FILING OF RETURN OF INCOME

## Summary Assessment u/s 143(I)

- In *Swati Mahesh Vinchurkar (Dr) v DCIT*<sup>3</sup>, it was held that the assessee is resident of Surat. The assessee is qualified Doctor being Pediatric (Child Specialist). While filing her return of income the assessee has shown income from profession and other sources. During the process by CPC, the additions were made in the hand of assessee on the basis of TDS shown in Form-26AS. The assessee specifically contended that she has not earned such income nor any work was performed by her. It was held that once the assessee denied that she has not earned such income as reflected in her Form-26AS, the onus shifted on the revenue authorities to prove such income of the assessee. The addition is based solely on the basis of TDS shown in Form-26AS, ignoring the submissions of the assessee, and therefore, the same is not sustainable.

# FILING OF RETURN OF INCOME

## Various Clauses of the Audit Report under Form 3CD

Clause	Particulars
1 – 12	<b>General &amp; Business Details</b> - Verification of name, address, PAN, nature of business, and changes in partnership/profit-sharing ratios.  <b>Clause 8(a)</b> deals with specific provisions of S. 115BA / 115BAA / 115BAB / 115BAC(1A) / 115BAD / 115BAE (Tax Regime / Special Tax Rates opted for by the assessee)
13 – 14	<b>Method of Accounting &amp; Stock</b> - Evaluation of the method of accounting (cash/mercantile) and method of valuing closing stock (cost or net realizable value), including compliance with ICDS.
15 – 18	<b>Capital Assets &amp; Transfers</b> - Reporting of capital asset conversions, <b>depreciation (Clause 18)</b> , and transactions below stamp duty value (Section 43CA/50C).
19	<b>Admissible Amount</b> – Reporting of admissible business deductions on fulfilment of certain conditions

# FILING OF RETURN OF INCOME

## Various Clauses of the Audit Report under Form 3CD

Section	Particulars
20 – 23	<b>Expenditure &amp; Payments</b> - Review of payments to partners, bonus/commission to employees <b>[Clause 20(a)]</b> , contribution from employees from various funds <b>[Clause 20(b)]</b> payments exceeding Rs. 10,000 in cash (Sec 40A(3)), Capital Expenditure / Personal Expenditure <b>[Clause 21(a)]</b> , inadmissible amount <b>[Clause 21(b)]</b> , gratuity disallowance <b>[Clause 21(e)]</b> etc. and MSME payments <b>[Clause 22]</b> . Payments to Related parties <b>[Clause 23]</b>
24	<b>Deemed Profits</b>
25 – 33	<b>Specific Deductions &amp; Income</b> - Reporting of deemed profits under Section 4I, prior period items, and deductions claimed under Chapter VIA (e.g., 80C, 80G, 80P).
34	<b>Tax Deducted at Source</b> - Verification of proper deduction, collection, and timely deposit of TDS/TCS, along with reporting of interest/liability for non-compliance.
35 – 44	<b>Other Requirements</b>

# POSSIBLE DISCREPANCIES IN RETURNS

## Examples of Proposed Variations and Adjustments u/s 143(1)(a)

### ■ Income Omission:

- Dividend Income is included in the business income and not reported under the head “income from other sources” whereas TDS was deducted thereon, on the basis of which adjustment is made by CPC.

Sl.No	Head of Income	Income as per Income Tax Return	Amount paid/credited as per Form 26AS	Variance	Error Description
	(i)	(ii)	(iii)	(iv)= (ii) - (iii)	(v)
1	Schedule BP	0	367000	367000	There is inconsistency in the amount shown in Sr.no E3 under 44ADA[Profits and gains of profession on presumptive basis] of schedule BP and receipts available in Form 26AS against sec 194J[Fees for professional or technical services]

# POSSIBLE DISCREPANCIES IN RETURNS

## Examples of Proposed Variations and Adjustments u/s 143(1)(a)

### ■ Income Omission:

- Salary Income, Bank interest or dividend income reported in AIS/TIS was missed / Less reported in the ITR.

Sl.No	Head of Income	Income as per Income Tax Return	Amount paid/credited as per Form 26AS	Variance	Error Description
	(i)	(ii)	(iii)	(iv)= (ii) - (iii)	(v)
1	Salary Income	983082	985583	2501	There is inconsistency between salary income in return and Form 26AS

# POSSIBLE DISCREPANCIES IN RETURNS

## Examples of Proposed Variations and Adjustments u/s 143(1)(a)

- **Income Omission:**

- Possibilities

- Income actually received but missed out of reporting / computation at the time of filing
    - Income credited by the company but not received
    - Income does not belong to you / partially does not belong to you

# POSSIBLE DISCREPANCIES IN RETURNS

## Examples of Proposed Variations and Adjustments u/s 143(1)(a)

### ■ TDS Mismatch

- Deduction claimed u/s 80M against dividend received from another domestic company whereas proper / correct details regarding declaration of dividend and payment thereof are not reported in the return.
- Issue – Reporting of deduction may not have been properly done at the time of filing of the return by the company claiming the deduction
- Either the dividend received is not reported properly or the payment of dividend is not reported

## POSSIBLE DISCREPANCIES IN RETURNS

### Examples of Proposed Variations and Adjustments u/s 143(1)(a)

- Gratuity provisions some time considered in TAR u/s 43B and also reported against the clause for reporting disallowance u/s 40A(7) of the Act. This results in adjustment of provision while processing the return.

# POSSIBLE DISCREPANCIES IN RETURNS

## Examples of Proposed Variations and Adjustments u/s 143(1)(a)

- Parallel reporting of specific issues and general issues – example – reporting of disallowances of non payments to MSME's under S.43B(h) and general disallowances u/s 43B

**Acknowledgement Number:**500107000250924

(h). Amount of deduction inadmissible in terms of section 14A in respect of the expenditure incurred in relation to income which does not form part of the total income;

Sl. No.	Particulars	Amount
	No records added	
(i). Amount inadmissible under the proviso to section 36(1)(iii).		₹0
22. (a) Amount of interest inadmissible under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.		₹0
(b) Any other amount not allowable under clause (h) of section 43B of the Income-tax Act, 1961.		₹1,66,989

# POSSIBLE DISCREPANCIES IN RETURNS

## Examples of Proposed Variations and Adjustments u/s 143(1)(a)

- **Any amount of profit chargeable to tax under Section 41**

Amounts of provisions / liabilities written back by crediting to P&L A/c are sometimes reported in TAR against relevant clause for reporting income chargeable u/s 41(1) without appreciating that amount is already included in the income as per P&L A/c considered for filing of return of income. Such reporting in TAR results in adjustment in the Intimation in respect of the amount reported in TAR.

- **Example – Recovery of Bad Debts or Interest written back**

# POSSIBLE DISCREPANCIES IN RETURNS

## Examples of Proposed Variations and Adjustments u/s 143(1)(a)

- Claim for brought forward losses / unabsorbed depreciation are disallowed by CPC for not providing proper details in the relevant column and / or details regarding dates for filing returns of income are not available with CPC.

### Particulars of the mistake proposed to be rectified

On perusal of the order passed on 24-Aug-2022 it is seen that while processing the return for the A.Y, the claim of brought loss was erroneously allowed as the return of the previous year for which set off of loss is claimed was furnished beyond the due date specified under section 139(1). As this is a mistake apparent on record a notice u/s 154 of the Act was issued is rectified accordingly:

# POSSIBLE DISCREPANCIES IN RETURNS

## Examples of Proposed Variations and Adjustments u/s 143(1)(a)

- TDS claims are not allowed because of not giving correct and proper details regarding TAN and the amount of income or amount of TDS.

This order is passed without allowing credits for tax payments including TDS/ TCS due to the following reason(s) mentioned in Table A and/or Table B

**Table B : Details of Unmatched TDS/ TCS**

Sl.No.	TAN of the Deductor / PAN of the Buyer	Year of Deduction of TDS/ TCS	TDS Credit relating to PAN	Amount of TDS/TCS Claimed	Amount of TDS/TCS Matched	Amount of TDS/TCS Mismatch	Reason for Mismatch
1	[REDACTED]	2019	[REDACTED]	20,000	0	20,000	Form 26AS does not contain amount of TDS/TCS with respect to the TAN mentioned in schedule TDS 1/ TDS 2/ TCS

# POSSIBLE DISCREPANCIES IN RETURNS

## Examples of Proposed Variations and Adjustments u/s 143(1)(a)

- Claim for TDS brought forward from earlier years are not allowed because proper and correct details are not filled in in the return along with the amount of income credited and considered in the return.

# POSSIBLE DISCREPANCIES IN RETURNS

## Examples of Proposed Variations and Adjustments u/s 143(1)(a)

- Sometimes in the return net amount of income i.e. after expenditure is reported whereas TDS is on gross income and therefore adjustment is made for the amount of gross income.

# POSSIBLE DISCREPANCIES IN RETURNS

## Examples of Proposed Variations and Adjustments u/s 143(I)(a)

- In case of charitable trusts mistakes are being committed in reporting correct registration number, on account of which while processing the return it is considered that trust is not registered and full amount of income is considered as taxable.

	Deemed total income u/s 115JC	3,84,310	3,84,310
TAX PAYABLE ON TOTAL INCOME	(a) Tax at normal rates on 17 above	1,15,293	1,15,293
	(b) Tax at special rates	0	0
	(c) Rebate on agricultural income	0	0
	(d) Tax Payable on Total Income (a+b-c)	1,15,293	1,15,293
	(e) Surcharge on 20d above		
	Surcharge computed before marginal relief		
	(i) 25% of 12(ii) of Schedule SI	0	0
	(ii) (ii) 10% or 15% as applicable (refer instruction)	0	42,658
	(iii) On [(20d)- (12(ii) of Schedule SI Income referred in 20e(ii)		
	Surcharge after marginal relief (if any)		
	(ia) 25% of 12(ii) of Schedule SI	0	0
	(iia) On the components mentioned that (ii) and (iii) above	0	42,658
	(iv) Total ( ia + iia)	0	42,658
	(f) Health and education cess @ 4% on (d+ e(iv)) above	4,612	6,318
	(g) Gross Tax Liability [g={d+e(iv)+f}]	1,19,905	1,64,269

# POSSIBLE DISCREPANCIES IN RETURNS

## Examples of Proposed Variations and Adjustments u/s 143(1)(a)

- In case of returns for charitable trusts sometime correct details are not given in regard to application and / or accumulation on account of which adjustments are made in the Intimation.

Sl.No.	Particulars	Reporting Heads	Amount in ₹	
			As provided by Taxpayer	As Computed u/s 143(1)
If registered under section 12A/12AA or approved under section 10(23C)(iv)/10(23C)(v)/ 10(23C)(vi)/ 10(23C)(via), as filled in sl.no 1 to 7				
01	Income details	Voluntary contributions other than corpus Fund [Sr.no. Aii+Bii of Schedule VC]	0	0
02		Voluntary contribution forming part of corpus (Sr.no. 2a-2b of Part B-TI)		
		(a) Voluntary contribution received [Sr.no (Ai + Bi) of Schedule VC]	0	0
		(b) Voluntary contribution exempt u/s 11(1)(d)	N/A	0
03		Aggregate of income referred to in sections 11, 12 and sections 10(23C)(iv),10(23C)(v),10(23C)(vi) and 10(23C)(via) derived during the previous year excluding Voluntary contribution included in 1 and 2 above (Sr.no. 10 of Schedule AI)	6,35,000	6,35,000
04	Exemption u/s 11/10(23C)(iv)/10(23C)(v)/10(23C)(vi)/ 10(23C)(via)	Application of income for charitable or religious purposes or for the stated objects of the trust/institution		
		(i) Amount applied during the previous year- Revenue Account [Excluding application from borrowed fund, deemed application, previous year accumulation upto 15% etc, i.e. not from the income of prev. year] [Sr.no. F from Schedule ER]	6,69,726	0

## POSSIBLE DISCREPANCIES IN RETURNS

### Examples of Proposed Variations and Adjustments u/s 143(1)(a)

- In certain cases of charitable trust employees who are not trustees / members of the trust are wrongly shown as persons having substantial interest in the trust on account of which salary paid to employees are considered as non-application. This mistake is generally committed in case of schools in which cases secretary of school administration committee is shown as secretary of the trust.

# POSSIBLE DISCREPANCIES IN RETURNS

## Examples of Proposed Variations and Adjustments u/s 143(1)(a)

- At the time of preparation of returns details of income and TDS reported in 26AS and / or AIS are not examined and as a result thereof there are mistakes in reporting correct income which results in adjustments vide Intimation.

# POSSIBLE DISCREPANCIES IN RETURNS

## Examples of Proposed Variations and Adjustments u/s 143(1)(a)

- In certain cases, income is not credited in P & L A/c whereas payer has passed necessary entries for payment of income and tax thereon has also been deducted and on that basis amount of income and TDS is reported in 26AS and AIS. In such cases in case details are not checked with reference to 26AS and AIS adjustment will be made by CPC in respect of the same. Assessee in such a case should carried forward amount of TDS to subsequent year by giving necessary particulars in the return, which will avoid adjustment.

# POSSIBLE DISCREPANCIES IN RETURNS

## Examples of Proposed Variations and Adjustments u/s 143(1)(a)

- Sometime in the return required tick mark is not done against the column in the return for the question whether assessee has opted for taxation u/s 115BA / 115BAA / 115BAB in spite of the fact that option has been duly exercised in the earlier year. In the absence of tick mark CPC determined the tax liability as per normal rate instead of concessional rate as provided in the relevant section.

Reporting Heads	Amount in ₹	
	As provided by Taxpayer	As Computed u/s 143(1)
Opted for 115BAA	Yes	No
Total Income	25,33,580	25,33,580
Tax Liability after relief	6,37,652	7,90,477

## POSSIBLE DISCREPANCIES IN RETURNS

### Examples of Proposed Variations and Adjustments u/s 143(1)(a)

- In case of individual returns by way of default tax liability is determined as per new tax regime. In case tax liability in case of an individual is lower under the old tax regime option is to be exercised by filing Form 10-IEA before filing the return of income. In case option is not exercised by filing form 10-IEA CPC will determine tax liability as per new tax regime.

# POSSIBLE DISCREPANCIES IN RETURNS

## Examples of Proposed Variations and Adjustments u/s 143(1)(a)

- Amount of Other Income (like interest) reported in P& L Account and not reported in Other sources

Sl. No.	Particulars	Amount in Income Tax Return	Amount mentioned in Form Annexure 3CD / Form 10B / Form 10BB	Proposed adjustment to total income
1	There is inconsistency in amount mentioned in return at Sl. No. 5(d) of Part A OI "Any other item of income" as compared to amount mentioned in clause 16 (d) of audit report	0	695028	695028

# FILING OF RETURN OF INCOME

## Defective Returns under 139(9)

- Where the Assessing Officer considers that the return of income furnished by the assessee is defective, he may intimate the defect to the assessee and give him an opportunity to rectify the defect within a period of fifteen days from the date of such intimation or within such further period which, on an application made in this behalf, the Assessing Officer may, in his discretion, allow; and if the defect is not rectified within the said period of fifteen days or, as the case may be, the further period so allowed, then, notwithstanding anything contained in any other provision of this Act, the return shall be treated as an invalid return and the provisions of this Act shall apply as if the assessee had failed to furnish the return
- **Provided** that where the assessee rectifies the defect after the expiry of the said period of fifteen days or the further period allowed, but before the assessment is made, the Assessing Officer may condone the delay and treat the return as a valid return.

# FILING OF RETURN OF INCOME

## Defective Returns under 139(9)

- **Explanation** – The explanation to section 139(9) provides that a return may be treated as a defective return **unless the following conditions are not fulfilled** :

Section	Particulars
	the annexures, statements and columns in the return of income relating to computation of income chargeable under each head of income, computation of gross total income and total income have been duly filled in;
	the return is accompanied by a statement showing the computation of the tax payable on the basis of the return;
	the return is accompanied by the report of the audit referred to in section 44AB, or, where the report has been furnished prior to the furnishing of the return, by a copy of such report together with proof of furnishing the report;
	the return is accompanied by proof of <ul style="list-style-type: none"><li>• the tax, if any, claimed to have been deducted or collected at source and the advance tax and tax on self-assessment, if any, claimed to have been paid :</li></ul>

# FILING OF RETURN OF INCOME

## Defective Returns under 139(9)

Section	Particulars
	<p>the return is accompanied by proof of:</p> <ul style="list-style-type: none"><li><input type="checkbox"/> the tax, if any, claimed to have been deducted or collected at source and the advance tax and tax on self-assessment, if any, claimed to have been paid :</li></ul> <p><b>Provided</b> that where the return is not accompanied by proof of the tax, if any, claimed to have been deducted or collected at source, the return of income shall not be regarded as defective if—</p> <ul style="list-style-type: none"><li>✓ a certificate for tax deducted or collected was not furnished under section 203 or section 206C to the person furnishing his return of income;</li><li>✓ such certificate is produced within a period of two years specified under sub-section (14) of section 155;</li><li><input type="checkbox"/> the amount of compulsory deposit, if any, claimed to have been made under the Compulsory Deposit Scheme (Income-tax Payers) Act, 1974 (38 of 1974);</li></ul>
	<p>the return is accompanied by the proof of payment of tax as required under section 140B, if the return of income is a return furnished under sub-section (8A);</p>

# FILING OF RETURN OF INCOME

## Defective Returns under 139(9)

Section	Particulars
	<p>where regular books of account are maintained by the assessee, the return is accompanied by copies of—</p> <ul style="list-style-type: none"><li>• manufacturing account, trading account, profit and loss account or, as the case may be, income and expenditure account or any other similar account and balance sheet</li><li>• in the case of a proprietary business or profession, the personal account of the proprietor; in the case of a firm, association of persons or body of individuals, personal accounts of the partners or members; and in the case of a partner or member of a firm, association of persons or body of individuals, also his personal account in the firm, association of persons or body of individuals;</li></ul>
	<p>where the accounts of the assessee have been audited, the return is accompanied by copies of the audited profit and loss account and balance sheet and the auditor's report and, where an audit of cost accounts of the assessee has been conducted, under section 233B of the Companies Act, 1956 (1 of 1956), also the report under that section;</p>
	<p>where regular books of account are not maintained by the assessee, the return is accompanied by a statement indicating the amounts of turnover or, as the case may be, gross receipts, gross profit, expenses and net profit of the business or profession and the basis on which such amounts have been computed, and also disclosing the amounts of total sundry debtors, sundry creditors, stock-in-trade and cash balance as at the end of the previous year:</p>

# FILING OF RETURN OF INCOME

## Examples of reasons for Invalidation of Return u/s 139(9)

Reason	Probable Resolution
The gross receipts/ <b>income</b> , on which tax has been deducted, are to be entered in the schedules under the respective heads of <b>income</b> , as they are assessable in the year in which the credit for the TDS is being claimed.	<p>If the receipts as per Form 26AS is not offered in the year in which the TDS credit is claimed, then the claim of TDS will be restricted on the basis of proportion of the receipts offered in the <b>return of income</b> to the receipts in Form 26AS, as per Rule 37BA of the IT Rules. The correction of this <b>defect</b> is to be made by filing the corrected <b>return</b> by offering all the receipts as per form 26AS or by claiming the TDS proportionately as above.</p> <p>Please note that if the <b>defect</b> is not addressed within the time allowed, <b>return</b> will be processed by restricting the credit for TDS proportionately.</p>

# FILING OF RETURN OF INCOME

## Examples of reasons for Invalidation of Return u/s 139(9)

Sl.No	Error Code	Error Description	Probable resolution
1	32	Tax Payer has claimed loss under the head "Profits and gains of Business or Profession"/No account Case section(Part B) of Profit & Loss A/c; however, he has not filled the Part A - Balance Sheet and Part A - Profit and Loss Account and has not got the books of account audited.	Assessee has claimed loss under the head profit and gains of business or profession, however he has to fill Balance sheet and Profit and Loss account. Incase assessee falls under section 44AD/44AE/44ADA, assessee also has to get his books of account audited if the income offered is less than the prescribed limits as per the provisions of the Income Tax Act.

# FILING OF RETURN OF INCOME

## Examples of reasons for Invalidation of Return u/s 139(9)

Sl.No	Error Code	Error Description	Probable resolution
1	180	a) The Gross receipts is not mentioned in the Profit & Loss A/c, OR b) The profit shown is less than 6% of the gross receipts as prescribed u/s 44AD but has not mentioned the maintenance of the books of accounts and audit report u/s 44AB in Part A-General and the total income exceeds the maximum amount not chargeable to income tax	a) Gross receipts to be entered in the Profit and loss A/c. b) Declaring profit of 6% or more of gross receipts as per Section 44AD c) Filling the Part A of Schedule Balance Sheet, Part A of Schedule Profit & Loss and details of audit report in Schedule Part A-General if your total income exceeds the maximum amount not chargeable to income tax.

# FILING OF RETURN OF INCOME

## Examples of reasons for Invalidation of Return u/s 139(9)

Reason	Probable Resolution
<p>The gross receipts shown for income as Virtual Digital Assets in Form 26AS, on which credit for TDS u/s 194S has been deducted, are higher than the total of the receipts shown under Income from Virtual Digital Assets in the return of income. Hence, the return of income filed is regarded as defective, as provided in Explanation (a) under section 139(9). The taxpayer is requested to file a return of Income disclosing Income under Virtual Digital Asset.</p>	<p>The correction of this defect has to be made by filing a corrected return and disclosing the complete receipts, as per Form 26AS. <b>Please note that if the defect is not addressed with-in the time allowed, your return of income will be treated as invalid.</b></p>

# FILING OF RETURN OF INCOME

## Examples of reasons for Invalidation of Return u/s 139(9)

Tax Payer has claimed loss under the head "Profits and gains of Business or Profession"/No account Case section(Part B) of Profit & Loss A/c; however, he has not filled the Part A - Balance Sheet and Part A - Profit and Loss Account and has not got the books of account audited.

Assessee has claimed loss under the head profit and gains of business or profession, however he has to fill Balance sheet and Profit and Loss account. Incase assessee falls under section 44AD/44AE/44ADA, assessee also has to get his books of account audited if the income offered is less than the prescribed limits as per the provisions of the Income Tax Act. **Please note that if the defect is not addressed with-in the time allowed, your return of income will be treated as invalid.**

# FILING OF RETURN OF INCOME

## Examples of reasons for Invalidation of Return u/s 139(9)

### Error Description

You have filed your income-tax return in form ITR-4. As per TDS details in your Form 26AS, taxes have been deducted under sections 194IA/194IC/194S/194B/194BB/194BA, etc. of the Income-tax Act, 1961. These sections are reflected as (4IA/4IC/94S/94B/4BB/4BA) in Form 26AS. ITR-4.

### Probable Resolution

You are being provided with an opportunity to make necessary corrections and file a return of income in the appropriate form so that income and taxes may be determined correctly in accordance with the Income-tax Act, 1961 duly disclosing the complete gross receipts/income reflecting in your form 26AS assessable.

## POSSIBLE SOLUTIONS / ALTERNATIVES

- **The possible alternatives to a proposed variation / addition u/s 143(a) or a defective return**
  - Reply to the notice as a disagreement / File a revised return of income with correct details
  - File a Rectification u/s 154 of the Act
  - File a Revision u/s 264 of the Act
  - File an appeal before the CIT(A)
  - File a Writ Petition Before the High Court

## POSSIBLE SOLUTIONS / ALTERNATIVES

- **The possible alternatives to a proposed variation / addition u/s 143(a) or a defective return**
  - E-Nivaran
  - Graveness through the portal
  - CP-Gram

## POSSIBLE SOLUTIONS / ALTERNATIVES

### Section 154 of the Act – Rectification of Mistake

- **Section 154 – Rectification of mistake**
- **(1)** With a view to rectifying any mistake apparent from the record an income-tax authority referred to in section 116 may—
  - (a) amend any order passed by it under the provisions of this Act;
  - (b) amend any intimation or deemed intimation under sub-section (1) of section 143.
- **(1A)** Where any matter has been considered and decided in any proceeding by way of appeal or revision relating to an order referred to in sub-section (1), the authority passing such order may, notwithstanding anything contained in any law for the time being in force, amend the order under that sub-section in relation to any matter other than the matter which has been so considered and decided.
- **(2)** Subject to the other provisions of this section, the authority concerned—
- (a) may make an amendment under sub-section (1) of its own motion; and
- (b) shall make such amendment for rectifying any such mistake which has been brought to its notice by the assessee or by the deductor or the collector, as the case may be.

## POSSIBLE SOLUTIONS / ALTERNATIVES

### Section 154 of the Act – Rectification of Mistake

- **(3)** An amendment, which has the effect of enhancing an assessment or reducing a refund or otherwise increasing the liability of the assessee, shall not be made under this section unless the authority concerned has given notice to the assessee of its intention to do so and has allowed the assessee a reasonable opportunity of being heard.
- **(4)** Where an amendment is made under this section, an order shall be passed in writing by the income-tax authority concerned.
- **(5)** Subject to the provisions of section 155 or sub-section (4) of section 186, no amendment under this section shall be made after the expiry of four years from the end of the financial year in which the order sought to be amended was passed.
- **(6)** Where any such amendment has the effect of reducing the assessment, the Assessing Officer shall make any refund which may be due to the assessee.

## POSSIBLE SOLUTIONS / ALTERNATIVES

### Section 154 of the Act – Rectification of Mistake

- **(3)** An amendment, which has the effect of enhancing an assessment or reducing a refund or otherwise increasing the liability of the assessee, shall not be made under this section unless the authority concerned has given notice to the assessee of its intention to do so and has allowed the assessee a reasonable opportunity of being heard.
- **(4)** Where an amendment is made under this section, an order shall be passed in writing by the income-tax authority concerned.
- **(5)** Subject to the provisions of section 155 or sub-section (4) of section 186, no amendment under this section shall be made after the expiry of four years from the end of the financial year in which the order sought to be amended was passed.
- **(6)** Where any such amendment has the effect of reducing the assessment, the Assessing Officer shall make any refund which may be due to the assessee.

## POSSIBLE SOLUTIONS / ALTERNATIVES

### Updated Return u/s 139(8A)

Provision	Current Legal Position	Remarks
<b>Statutory Provision</b>	Section 139(8A), Income-tax Act, 1961	Inserted by FA 2022; amended by FA 2025
<b>Nature of Return</b>	Updated Return (ITR-U)	Distinct from original/belated/revised return
<b>Eligible Person</b>	Any person	Individual, HUF, Firm, LLP, Company, AOP/BOI
<b>Time limit</b>	48 months from end of relevant AY	Extended from earlier 24 months
<b>Number of returns</b>	Only one updated return per AY	No second ITR-U permitted
<b>Purpose</b>	Declaration of additional income	Only upward revision allowed

## POSSIBLE SOLUTIONS / ALTERNATIVES

### Updated Return u/s 139(8A)

Provision	Current Legal Position	Remarks
<b>Reduction of tax liability</b>	Not permitted	Return cannot reduce assessed tax
<b>Refund claim</b>	Not permitted	Cannot result in refund or increase refund
<b>Loss return</b>	Not permitted	Cannot declare or enhance loss
<b>Interest applicable</b>	Sections 234A, 234B, 234C	As applicable
<b>Additional tax u/s 140B</b>	25% / 50% / 60% / 70%	Based on period of delay
<b>Search or survey cases</b>	Not permitted	Sections 132 / 133A
<b>Assessment proceedings</b>	Not permitted	If assessment/reassessment completed
<b>Verification</b>	EVC / DSC	Electronic filing mandatory

## POSSIBLE SOLUTIONS / ALTERNATIVES

### Section 205 of the Act – Bar on Direct Demand

- **Section 205 of the Act – Bar against direct demand on assessee**

**Where tax is deductible at the source under the foregoing provisions of this Chapter (Ch. XVII – Collection and Recovery – Deduction at Source), the assessee shall not be called upon to pay the tax himself to the extent to which tax has been deducted from that income.**



# THANK YOU

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