

CBDT's norms for manual ITR scrutiny


For the current financial year 2019-20, ITRs filed by charitable trusts entities will be manually selected and will be subject to complete scrutiny.

Mumbai: Taxmen have trained their lens on charitable trusts (including several schools and hospitals) that have been denied registration for tax exemption or where registrations have been withdrawn, but the entities are continuing to avail of income tax (I-T) benefits.

I-T returns (ITRs) filed by such entities will be manually selected and will be subject to a complete scrutiny, states an instruction note for the current financial year 2019-20, issued by the Central Board of Direct Taxes (CBDT) on Thursday.

Manual selection and complete scrutiny will also cover cases of taxpayers (both individual and corporate) where I-T officials have, in the course of an earlier assessment, made additions in excess of Rs 10 lakh to the income declared by a taxpayer for a 'recurring issue of law or fact'. For the four metros and Ahmedabad, Bengaluru, Hyderabad and Pune, this threshold is higher at Rs 25 lakh. For transfer pricing cases, the threshold is addition of Rs 10 crore in earlier assessment.

SELECTION PROCEDURE	
<ul style="list-style-type: none">> Manual selection and scrutiny is a regular feature, and carried out in those cases that meet the instruction parameters set up by the CBDT	<ul style="list-style-type: none">> Manual selection is different from the computer-aided scrutiny selection (CASS) where I-T returns are picked up at random for scrutiny
<ul style="list-style-type: none">> The scrutiny is in-depth, covering all details disclosed in the I-T return, to ascertain whether the taxpayer has declared the correct income	<ul style="list-style-type: none">> However, not all the CASS-selected cases are subject to a complete scrutiny. A majority of them are subject to limited scrutiny, where details only in respect of certain expenses or income are sought



These cases will be picked up for scrutiny where the addition to income in an earlier year's assessment has become final or where the addition was confirmed at any stage of the appellate process and the taxpayer has not gone in for further appeal. However, if the addition made was confirmed in favour of the tax authorities at the first appellate level then, even if an appeal filed by the taxpayer is pending, the ITR will be picked up for scrutiny.

While the I-T Act does not define what is 'recurring question of law or fact', illustrations include additions to income owing to denial of certain recurring expenses or exemption claims. Other cases that will fall within the ambit of manual selection and complete scrutiny are those where an I-T survey, search or seizure was carried out. If any government department or authority provides specific and verifiable information on tax evasion, such cases will also be picked up. To prevent any unintended harassment to the taxpayer, prior permission will be taken from the relevant senior tax official (level of principal chief commissioner and above).

(Economic Times)