

## **ITR filing: Penalty up to 200% of tax possible on fake rent receipts, claiming false deduction of donations**

*ITR filing: Under the income tax act, there are stringent consequences of misreporting of income and claiming wrongful deductions. Those include penalty of up to 200% of taxes and prosecution which may entail imprisonment.*

With the income tax return (ITR) filing deadline coming to an end on July 31, 2023, the tax department is reportedly stepping up to tackle taxpayers using fraudulent rent receipts to evade taxes. If discrepancies are detected, the department has the authority to impose a penalty of up to 200 percent of the tax applicable on the misreported income, experts say.

The income tax act offers certain tax exemptions and deductions in relation to the house rent allowance (HRA) and donations. To claim such an exemption from HRA, a taxpayer can resort to submitting a fake rent receipt to enjoy the said exemption. A fake rent receipt or taking a false deduction of donations can result in a tax notice asking for valid documents, proof of rental payments, proof of donations made, etc.

"Misrepresentation or suppression of facts, claim of expenditure not supported by documentary evidence, or recording any false entries in the books of accounts is considered as misreporting of income, and hence a penalty of an amount equal to 200 percent of tax payable on such underreported income can be levied under section 270A," said Divakar Vijayasathy, Founder and CEO at DVS Advisors.

In addition to this, Yeeshu Sehgal, Head of Tax Market at AKM Global, a tax and consulting firm said, there could be interest implications as well at the time of re-computing the income by the tax officer by disallowing the fake rent receipts and donations.

"It is pertinent to note that there is a provision of imprisonment as well for dealing with such cases," Sehgal told CNBC-TV18.com.

Further, an entry in the books of accounts based on forged or falsified documents or any false piece of documentary evidence, is regarded as a false entry, and if identified during the course of proceedings, is liable to a penalty of Rs 10,000 or tax evaded, whichever is higher, under section 271AAD.

"Moreover, any professional, ie., accountant or merchant banker or registered valuer, furnishes a report or certificate based on incorrect information, the AO or CIT(A) can direct such professional to pay a sum of Rs. 10,000 for every such report or certificate as penalty under section 271J," Vijayasathy added.

*(Source: cnbctv18.com)*