

Tax notice: Don't fret, take corrective steps

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Have you received a notice from the tax authorities lately? If yes, don't be surprised — they have recently been on an aggressive drive to ensure greater compliance. You may have received the notice for old dues, ambiguous income or non-filing of return. Tax authorities have powers to issue notices to individuals for various reasons. Here are some cases where an individual may be on their radar.

Not filing return

All individuals with gross taxable income of more than R2 lakh are required to file a return. Even if there is no tax liability, you are required to file a return if the gross income, before various deductions, is more than the basic exemption limit. The return needs to be filed within the permissible time. If any tax is due, the department charges 1% interest per month from the due date.

Tax credit mismatch

There may be circumstances wherein the TDS mentioned in Form 16 may vary from the one mentioned in Form 26AS (as maintained by the department through an individual's PAN). In case of mismatch, the department shall go by form 26AS. The mismatch may have arisen if the employer has not deposited tax with the authorities, or credited a wrong account. An application has to be filed to rectify the error.

Mismatch in income and investments

If there is a mismatch between the income declared and the actual income/investments/expenditure, you are likely to get a scrutiny notice. In such cases, one is required to provide details, such as TDS certificate, to tax authorities and prove one's claim.

Non-disclosure of income

Due to improved tracking by the authorities, it has become difficult to not show your income. PAN has become mandatory for all major transactions and hiding it may lead to serious repercussions in form of penalty or prosecution. For example, in case of concealment of income, penalty can be up to a maximum of 300% of tax payable, and that excludes the interest payable on the concealed income.

Assets not disclosed for wealth tax

A lot of individuals are ignorant of wealth tax provisions. If an individual's assets exceeds R30 lakh, wealth tax return is required to be filed.

Steps to take

There is no need to panic. at the same time, the notice should never be ignored as that can cost you a lot of time, money and peace of mind. In some cases, it could also lead to a fine.

A notice does not necessarily mean you have committed a crime. Even a minor error in return can invite a notice from the tax authorities. You must meet the tax officer with all the relevant documents as directed. File a rectified return and pay the tax due, if any, within the stipulated period. However, if complexities are involved, it is better to consult an expert, as a professional will fully understand each and every explanation sought and respond appropriately.

Note that the purpose of a notice is to collate information and details to form an opinion. It is of utmost importance that a notice from tax authorities is duly replied under all circumstances.

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(Financial Express)