

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE
CENTRAL BOARD OF DIRECT TAXES
NEW DELHI**

INSTRUCTION NO 4/2014, Dated: April 7, 2014

To,

All Chief-Commissioners of Income-tax
All Directors-General of Income-tax

Standard Operating Procedure for Verification and Correction of Demand available or uploaded by AOs in CPC Demand Portal - regarding.

Please refer to the above.

2. CBDT has issued the Central Action Plan for the First Quarter of Financial Year 2014-15 wherein all assessing officers ('AOs') are required to verify and clean outstanding demand by **30th April, 2014** (*reference: para 1.A - Correction of demand*). The Instructions below provide the steps to be followed by AOs in this regard.

3. Categories of Demand in CPC FAS:

CPC Financial Accounting System ('CPC FAS') contains following two categories of demand:

3.1. Category 1 demand: These include the following demands

- i) Demands generated in CPC
- ii) Demand created in AST and posted in IRLA on or after 1-04-2010.

Demand at 3.1 i) above can be rectified by the AO through AST where rectification rights have been transferred by CPC to AO. As regards demand at 3.1 ii) above, AOs were not required to upload these demands in CPC FAS as the demands and their collection/reduction automatically flows from CPC to AST and vice-versa. These demands can be increased/reduced by passing suitable orders in the AST or by way of owning up of challan.

3.2 Category 2 demand: These include the following demands

- i) Demands created in AST and posted in IRLA prior to 1-04-2010.
- ii) Manual demands which have PAN i.e. demand created by way of passing manual orders as per ADCR or DCR.

AOs were required to upload these demands on the CPC Arrear demand Portal after due process of verification and after reducing the taxes paid by Assessee. These demands can be reduced or deleted by AOs only after approval of Range head as per earlier instructions.

4. Steps for Verification and Confirmation of Demand:

The broad steps for verification and confirmation of demand are as under:

4.1 The Assessing Officer should view the list of demand cases in the interface provided in AST.

4.2 The AO should provide an opportunity of being heard to the assessee in case where notice u/s 245 of the Income-tax Act, 1961 ('Act') has been issued.

4.3 The AO after verification should reduce/remove the demand in appropriate cases as per procedure outlined in para 5 below. However, following cases are to be verified on priority:

- a) Taxpayer has furnished information in response to notice u/s 245 of the Act; or
- b) Taxpayer has requested for reduction/removal of demand; or
- c) Information regarding demand reduction/removal is available in Departmental Records; or
- d) Details are already available in the system (reference: AST Instruction No.118)

4.4 In all cases of Category 1 demand, the AO should pass relevant orders on AST only for reduction/ removal of demand as per established procedure.

The steps outlined at sub-paras 4.1 to 4.4 above have to be undertaken by the AOs immediately.

4.5 CPC has developed a new functionality called "CPC Demand Verification Portal" to facilitate verification and confirmation of demand entries of both the categories. The list of demand cases can be viewed on the "CPC Demand Verification Portal" (This functionality will be available to AOs from 15th April, 2014). The "CPC Demand Verification Portal" enables the AO to:

- a. View Demand entries of both Category 1 and 2 demand
- b. Modify Category 2 demand (refer Para 4.6 below)
- c. Capture information with respect to demand verification and confirmation of both Category 1 and 2 demand (refer Para 4.7 and 4.8 below)

The steps at 4.6 to 4.8 below have to be undertaken by the assessing officer after 15th April, 2014 using the "CPC Demand Verification Portal".

4.6 In case of Category 2 demand, the AO should update the modified demand in the "CPC Demand Verification Portal" in the manner provided in Para 5 below.

4.7 If the demand is confirmed by the taxpayer or the existing demand is not getting reduced/ removed by way of earlier steps, the AO should classify the demand in accordance with the attributes of CAP I Report (enclosed as Annexure A). If the demand is disputed, the AO should also note the level at which the demand is disputed (CIT (A), ITAT, High Court, Supreme Court etc.).

4.8 The AO should capture details given in Annexure B with respect to demand verification and confirmation exercise which should be entered in the "CPC Demand Verification Portal".

5. Handling Different Scenarios during Verification and Confirmation of Demand:

The Assessing Officer should handle different scenarios during verification and confirmation of demand in following manner:

5.1 Demand or tax has been paid:

If the taxpayer's reply or Departmental records show that demand or tax has already been paid, the AO should reduce the demand as under:

a. Category 1 demand: AO should follow the steps as under:

i. In case regular tax (minor head 400) has been paid, the challan will have to be owned up in OLTAS (Refer Annexure C for details)

ii. In case the demand is on account of mismatch of advance tax or self assessment tax, rectification order u/s 154 is required to be passed in AST.

The revised demand will automatically get updated in AST and CPC FAS.

b. Category 2 Demand:

i. If CIN is available, AO should follow the steps as under:

a. In case regular tax (minor head 400) has been paid, the reduction can be made in "CPC Demand Verification Portal" after confirmation of the CIN number in OLTAS. This challan is not to be owned up in OLTAS.

b. In case the demand is on account of mismatch of advance tax or self assessment tax, rectification order u/s 154 is required to be passed manually after confirmation of the CIN number in OLTAS. Demand reduction can be made in "CPC Demand Verification Portal". This challan is not to be owned up in OLTAS.

ii. If CIN is not available or payment is made prior to the period of introduction of CIN, the reduction can be made only in case of Individuals and HUFs provided outstanding demand does not exceed Rs.1,00,000. The AO should follow the steps as under:

a. The reduction can be made after obtaining of the document showing evidence of payment in form of taxpayer counterfoil or bank certificate or any communication from Department in respect of payment or adjustment of refund. In case where taxpayer is a senior citizen and taxpayer is not able to obtain bank certificate as the place of payment of tax is different from the current place of taxpayer, the AO should obtain the certificate from the bank directly.

b. In case the outstanding demand is more than Rs.25000, irrespective of the quantum of demand being reduced under paragraph 5.1.b.ii.a above, the AO should obtain an indemnity bond (in the format given in Annexure D) from the taxpayer.

c. Additionally, in case the demand being reduced under paragraph 5.1.b.ii.a above exceeds Rs 50,000 in a year for the assessee, besides obtaining the indemnity bond, approval of Range Head should be taken on file before removing/reducing the demand.

d. If the payment relates to mismatch of advance tax or self assessment tax, order u/s 154 of the Act needs to be passed.

In all cases, procedure at para 4.7 to 4.8 above has to be followed.

5.2. Demand due to TDS Mismatch:

If the taxpayer's reply or CPC FAS or IRLA shows that the demand is on account of TDS mismatch, the AO should follow steps as under:

a. Category 1 demand: AO should verify whether TDS credits claimed by the taxpayer are available in the 26AS. If the credits are available in 26AS, a suitable rectification order on a suo moto basis as per AST Instruction No. 118 should be passed. Alternatively, based on the taxpayers reply, order u/s 154 in AST should be passed for Tax credit available in 26AS. In case, credits in 26AS are not, the procedure as per Category 2 demand may be followed but the order under section 154 should be passed in AST.

b. Category 2 demand:

i. If the credits are available in 26AS: The AO should pass rectification order u/s 154 manually. Demand reduction can be made in "CPC Demand Verification Portal".

ii. If the credits are not available in 26AS: The reduction can be done only in the cases of **Individuals and HUFs**. Further, the amount of reduction **should not exceed Rs. 1,00,000** and AO should take following steps:

a. AO should pass order u/s 154 manually after obtaining the TDS certificate from the assessee on the basis of which claim has been made.

b. In case, the outstanding demand is more than Rs.25,000, irrespective of the quantum of demand being reduced, the AO should obtain an indemnity bond (in the format given in Annexure D).

c. Additionally, in case the demand being reduced under paragraph 5.2.b.ii.a above, exceeds Rs.50,000 in a year for the assessee, besides obtaining the indemnity bond, approval of Range Head should be taken on file before removing/reducing the demand.

iii. In all cases procedure at para 4.7 to 4.8 above should be followed.

iv. Details of defaulting deductor where TDS credits are not available in 26AS will be shared by Directorate of Systems with CPC(TDS) for further follow-up action.

5.3. Demand already reduced:

If the taxpayer's reply or Departmental records show that demand has already been reduced by way of an order (rectification order, appeal effect order etc.), the demand should be modified after verification of the order reducing the demand as under:

a) Category 1 demand: This gap between the case record and system will be present in cases where original order raising the demand was passed in AST/CPC and the subsequent order giving relief/ rectification is not passed in AST/CPC. For cases of orders u/s 143(3) passed outside the system, AO can enter the details of such cases in AST. For other orders e.g. rectification & appeal effect, no such functionality is available in AST and thus they cannot be reduced at present. Such demands may be marked so that these demands are not taken up for adjustment from refunds.

b) Category 2 demand: AO should follow the steps as under:

i. In case where order reducing demand has already been passed, the revised demand may be updated on the "CPC Demand Verification Portal" and procedure at para 4.7 to 4.8 above should be followed.

ii. In case where order reducing demand is pending, the same should be passed manually and revised demand may be updated on the "CPC Demand Verification Portal" and procedure at para 4.7 to 4.8 above should be followed.

5.4. Duplicate Demand:

If the taxpayer's reply or Departmental records show that demand is in duplicate, the duplicate demand should be marked in CPC demand verification portal as per procedure at para 4.6 to 4.8 above. Such duplicate demands will be subsequently deleted.

6. This instruction should be adhered to by all assessing officers in your region.

7. As required in para VI of the Central Action Plan for first Quarter of the year 2014-15, all Chief Commissioners and Commissioners should monitor the action taken by assessing officers as per this instruction and report the progress in their Monthly DOs.

8. Hindi version to follow.

F.No.225/151/2014-ITA.II

(Rohit Garg)
Deputy Secretary to the Government of India

Annexure A

Demand Categorisation:

1. Pending write off
2. Assessee not traceable
3. No assets/inadequate assets for recovery
4. Protective Demand
5. Department has lost in appeal in earlier years
6. Notified persons under Securities Act, 1992.
7. Cases admitted before BIFR
8. Companies in Liquidation
9. Cases before Settlement Commission
10. Demand stayed by Courts/ITAT
11. Demand stayed by I.T. Authorities
12. Demand covered by instalments
13. Stay petition pending consideration by I.T. Authorities
14. TDS/Prepaid taxes mismatch

15. Bank Guarantees obtained under MAP process
16. Rectification pending on account of duplication of entries
17. Assets jointly attached with other agencies expect BIFR
18. Appeal pending against attachment of properties
19. Any other reason for which the demand is considered difficult to recover
20. None of the above

Annexure B

Information to be captured during demand verification and confirmation:

S. No.	Fact emerging from taxpayer reply/records	Information to be captured
1.	Demand or tax has been paid	<ul style="list-style-type: none"> · Date of payment · CIN (Not required if indemnity bond is taken) · Amount
2.	TDS mismatch demand being reduced/removed	<ul style="list-style-type: none"> · TAN of deductor · Date of TDS Certificate · Amount
3.	Demand has been reduced/removed by way of an order	<ul style="list-style-type: none"> · Date of order reducing the demand · Section under which order was passed
4.	Duplicate demand being reduced/removed	<ul style="list-style-type: none"> · Details of retained demand
5.	Demand is correct	<ul style="list-style-type: none"> · Demand Categorization as per CAP I Report · Level at which disputed (if disputed) · Whether demand can be adjusted against refund

Annexure C

Posting and owning up of challan of Minor Head-400:

There are two modes available in system:

(i) Auto posting

Chaffin is auto posted under the following conditions of Matching

- a. PAN
- b. AY
- c. Demand is (+/-) Rs 10 of the challan amount

i.e. challan of minor head 400 gets posted in 1RLA automatically if corresponding demand exists in system for that given AY and the payment and demand are (+/-) Rs. 10.

(ii) Manual posting

AOs can post challan manually in IRLA where demand exists in IRLA.

Format for Indemnity Bond (to be typed on non judicial Stamp Paper of Rs. 100):

INDEMNITY BOND

This Bond of indemnity is made this _____ (Date of Indemnity Bond) in favour of Government of India (Department of Finance) i.e. Income Tax Department by Mr./Mrs./Ms.

(Name of the Indemnifier) Son of/Daughter of/Wife of _____ on behalf of self or M/s _____

PAN _____

Status _____

WHEREAS This is to undertake:

1. That I had filed my Income Tax Return for the Assessment Year _____
2. That TDS claimed in the return of Rs. _____ belongs to me as per TDS certificates mentioned below

Name of Deductor, TAN of deductor, Date of TDS certificate, Amount

- a. _____
- b. _____

OR

That Challan(s) paid for Rs. _____ belongs to me as given below:

Date of Payment, Bank through which payment made, Amount

- a. _____
- b. _____

3. That in case it is found that the TDS certificates/Challan does not belong to me then the executor of this bond indemnify the Government of India (Ministry of Finance) for the loss, claim and excess amount of refund, if any, in all respect.

The executor of this bond indemnifies the government of India (Ministry of Finance) and keep it indemnified against all costs, damages, charges and expenses, excess amount of refund, interest, reduction in demand and also against all sum/money, whether for damages, costs, charges, expenses or otherwise.

In witness where of this bond is executed today this _____ (Date).

(.....)