INSTRUCTION

DIRECTORATE OF INCOME TAX (SYSTEMS)

ARA Centre, Ground Floor, E-2, Jhandewalan Extension,
New Delhi-110055

DATED: 19.10.2011

To

All Chief Commissioners of Income-tax

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All Director Generals of Income-tax

Sir/Madam,

Sub: Instruction to Assessing Officers – Rectification in case of demand adjusted against refund at CPC and assessee disputing such adjustments – Regarding.

Instances of incorrect uploading of Arrear Demand by Assessing Officers (AO) on the CPC Portal/AST have been noticed. Consequently, refund due to the assesses have been wrongly adjusted causing avoidable inconvenience to tax payers and also generating infructuous rectification proceedings.

2. There are existing Instructions regarding uploading of Arrear Demand by the Assessing Officers using the Central Processing Centre (CPC) Portal both manually as well as on AST. These demands once uploaded and successfully posted in the Final Accounting System (FAS) of CPC are available for adjustment against refunds, if any, due to processing u/s 143(1) at CPC.

3. The adjustment of demand against refund is mentioned in the intimation sheet sent to the assessee from CPC u/s 143(1). In some case, the assesses dispute such adjustment of demand claiming either that demand never existed or same is already paid or such demand has already been rectified by the jurisdictional AO u/s 154 of the IT Act. In case of such type, necessary remedial action will have to be taken by jurisdictional AOs after verification of Assessee’s claim as explained below.

Example: Let’s assume that the jurisdictional AO uploaded demand of Rs.1,00,000/- for A.Y. 2001-02 through the CPC Portal. The demand is then adjusted by the CPC against a refund of Rs.1,00,000/- for A.Y. 2010-11. Now the assessee disputes such adjustments of demand stating that the alleged payment of Rs.1,00,000/- of A.Y. 2001-02 had already been paid by him on 31.12.2004. Assuming that the claim of the assessee is correct, the assessee needs to be refunded the amount of Rs.1,00,000/- for A.Y. 2001-02 because the amount of demand created against him for A.Y.2001-02 has been collected twice. First time paid by assessee as regular payment and later adjusted against refund. Both these collections are available in OLTAS for that AO. This would require a rectification order u/s 154 in assesses’s case for A.Y. 2001-02 which only jurisdictional AO may carry out because the record for relevant A.Y. is available only with him and refund has to be out of collection of A.Y. 2001-02 available with jurisdictional AO.
4. In this background, Chief Commissioner(s) must sensitize the field formations about the criticality of uploading correct arrears on the CPC Portal. Assessing Officers should be instructed to take appropriate action on claims filed by the assessee of the nature discussed above at their end. The Assessing Officers may be also advised to contact the CPC, Bangalore for any further clarifications. This instruction may be followed scrupulously by all Assessing Officers.

Yours faithfully,

(M. K. Mirani)
Director General of Income-tax(Systems)