F. No. 17/03/2016/MIS/DOMS/3382.
Government of India
Ministry of Finance, Department of Revenue
Directorate of Income Tax
(Organisation & Management Services)
Level-5, East Block-2,
R.K. Puram, New Delhi - 110066.
Tel. No.: 011 – 26170970
Fax No.: 011 – 26103175, 26171072
Email: dit.doms@incometax.gov.in
Dated: - 17th October, 2016

To

The Pr. Chief Commissioner of Income Tax,
Andhra Pradesh & Telangana, Bihar & Jharkhand, Delhi, Gujarat, International Taxation, Karnataka, Kerala, Madhya Pradesh & Chattisgarh, Mumbai, Nagpur, North Eastern Region, North Western Region, Odisha, Pune, Rajasthan, Tamilnadu, Uttar Pradesh (East), Uttar Pradesh (West) & Uttarakhand and West Bengal & Sikkim.

Madam/Sir,

> **Subject:** **Exercise to ensure integrity and accuracy of statistics of Demand reported in CAP-I and the CPC – Regarding.**

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Kindly refer to the aforementioned subject.

It has been observed that there are noticeable differences in the amount of demand as reported in CAP-1 statement and the data appearing on CPC portal. In view of the recent strides in use of technology in all aspects of Departmental functioning, it is necessary that statistics of Demand (the tax due to Department) as appearing in CAP-1 of each Pr. CCIT Region should be reconciled with the database on e-portals so that this information becomes a reliable tool for policy formulation and performance appraisal.

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C. M. D. Ratnakar

To demonstrate this disparity, a study with respect to the ***demand figures as on 31.3.2016*** in respect of all the Pr. CCIT regions was conducted by this Directorate. The comparative study is based on the demand figures reported by in CAP-I report vis-à-vis data obtained from CPC-ITR, Bengaluru. The statement of comparison is annexed to this letter as **Annexure-I**. It may kindly be seen that there are marked variations in figures as reported in CAP-I report and that taken from the CPC-ITR, Bengaluru.

The difference in the demand figures as reported in CAP-I report and that reflected in CPC may be due to any of the following fact:

(i)   The correct figures of demand have not been uploaded;

(ii)   The entire demand standing on the records of the AO has not been uploaded;

(iii)   Any other reason which may require corrective action at the end of AO.

This gap needs to be diminished by the Assessing Officers by following guidelines issued for uploading and rectification of demand on CPC. Kind reference is also made to the following instructions of CBDT on the subject of uploading arrear demands and verification and correction of demand (**Annexure – II**).

(a)   As per the AST Instruction No.82 on the subject 'Functionality for uploading arrear demands to CPC accounting System', dated 13/08/2010, all the demand should be uploaded on CPC portal.

(b)   As per the Instruction No.4/2014 on the subject "Standard Operating Procedure for Verification and correction of Demand available or upload by AOs in CPC Demand portal".

(c)   As per the Circular No.8/2015 on the subject "Procedure for Response to Arrear Demand by Tax Payer and Verification and Correction of Demand by AOs", all the demands should be uploaded.

(d)   Copies of all these Instructions/Circulars as mentioned above are being attached for guidance of Assessing Officers.
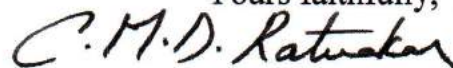
DOMS

?.M.D. Ratnakar

Accordingly, it is requested that necessary directions may kindly be issued to all concerned Assessing officers to kindly ensure that the figures of demand as available with them are duly reconciled with the figures of CPC-ITR, Bengaluru. The exercise of reconciliation may kindly be completed by 31.10.2016 positively. The amount of modified demand may be reflected in columns no.2 to 6 of CAP-1 which will be submitted on i-taxnet as per scheduled date i.e. 7th November, 2016. In case the reconciliation cannot be made in full or in part, explicit reason for the same may kindly be communicated. A proforma for reporting the reconciliation is annexed to this letter as **Annexure-III**. The duly reconciled report of demand data as on 31.10.2016 may be sent to this office latest by 09.11.2016.

This issues with the approval of the Pr. Director General of Income-Tax (Logistics), New Delhi.

Yours faithfully,

Encl: As above.

(C.M.D.RATNAKAR)
Dy. Director of Income Tax (O & MS),
New Delhi.
(011-26160206)

ANNEXURE - I

(Rs. in Crores)

REGION	DEMAND AS ON 31/03/2016 AS PER THE CAP-I REPORT FOR THE MONTH OF MARCH 2016.	DEMAND AS ON 01/04/2016 AS PER THE CAP-I REPORT FOR THE MONTH OF APRIL 2016.	CPC DEMAND AS ON 31/03/2016				DIFF. (iii - vii)
			AST	CPC	DCR	TOTAL	
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)
KARNATAKA & GOA	3215.35	49504.3	84394	21356	241225	346975	-297470.7
INTL. TAXATION	71787.48	105864	81181	20184	242941	344306	-238442
NAGPUR	952.61	1406.01	8321	413	227	8961	-7554.99
ODISHA	5375.71	4054.4	5321	287	863	6471	-2416.6
UP (WEST) & UTTARAKHAND	1130.49	8219.03	6136	1384	2174	9694	-1474.97
NER	1473.99	1369.53	928	289	252	1469	-99.47
KERALA	4236.93	5408.26	4108	445	691	5244	164.26
UP (EAST)	11465.68	15438.2	13918	800	490	15208	230.2
MP & CHATTISGARH	12318.43	11270.3	5697	1332	3445	10474	796.3
RAJASTHAN	2659.61	4276.8	2561	364	553	3478	798.8
AP & TELANGANA	36739.67	32184.6	18485	1681	9825	29991	2193.6
WEST BENGAL & SIKKIM	57856.71	75035.8	64704	1447	5391	71542	3493.8
BIHAR & JHARKHAND	6276.46	6652.17	1904	634	482	3020	3632.17
PUNE	20943.78	25044.6	15902	2913	2541	21356	3688.6
GUJARAT	20492.09	25564.3	16065	1328	4176	21569	3995.3
TAMILNADU	32726.34	38390.3	26458	2236	3886	32580	5810.3
NWR	11025.36	16632	6160	1289	2094	9543	7089
DELHI	131329.7	144635	54298	3649	20346	78293	66342
MUMBAI	338121.67	358901	97818	4953	35646	138417	220484

AST: Demand raised by Aos in AST and uploaded.

CPC: Demand raised by CPC-ITR, Bengaluru.

DCR: Arrear demand pertaining to 2010 and earlier years and uploaded.

DIRECTORATE OF INCOME TAX (SYSTEMS)
ARA Centre, Ground Floor, E-2, Jhandewalan Extension,
New Delhi-110055

F. No. CPC/1/1/2007/02-DIT(S)-III - Part File   Dated: 13/08/2010

AST Instruction No. 82

To

The Chief Commissioner of Income-tax(By Name)

Ahmedabad / Allahabad / Amritsar / Bangalore / Baroda/ Bhopal/ Bhubaneshwar /Bareilly/ Chandigarh / Chennai/ Cochin / Coimbatore / Dehradun / Delhi /Durgapur/Guwahati / Hubli / Hyderabad/ Indore / Jaipur/ Jalpaiguri /Jodhpur/ Kanpur/ Kolkatta/ Lucknow/ Ludhiana/ Madurai/ Meerut / Mumbai / Nagpur/ Nashik / Panaji / Panchkula / Patna / Pune/ Raipur/ Rajkot / Ranchi / Shimla/ Shillong / Surat/ Thane/ Trichy / Trivandrum / Udaipur / Vishakhapatnam.
and

The Commissioner of Income-tax(By Name)

Agra / Bikaner / Calicut / Dhanbad/ Gandhinagar / Gwalior/ Jabalpur / Jalandhar / Kolhapur / Muzzaffarpur / Mysore / Patiala / Rohtak/ Sambalpur / Varanasi / Vijayvada/ Delhi(CO)/ Mumbai(CO) / Chennai(CO) / Ahmedabad(CO) / Bangalore(CO) / Bhopal(CO) / Bhubaneshwar (CO) / Calcutta(CO) / Cochin(CO) / Chandigarh(CO) / Hyderabad(CO) / Jaipur(CO) / Kanpur(CO) / Patna(CO) / Pune(CO), Guhawati (CO).

Subject : Functionality for Uploading arrear demand to CPC accounting system - reg.

Sir/Madam,

Instruction was issued by CBDT vide letter in F No 405/05/2010–ITCC dated 28/04/2010 and reminder letter was issued on 24/05/2010 to CCIT (CCA) to personally monitor the progress regarding Physical Verification of Actual Demand and Collection and to submit report by 30/06/2010. The requirement was that the *Field formation shall make verification of actual demand and create a manual Arrear D&CR for FY 2010-11.* CCIT Conference

2.   **Suggested methodology for completing the task**

   a) Extract the entries from Current Demand and Collection Register from the AST system by going to the Menu item: AST->Reports-> Current Demand and Collection Register using the date criteria from 01/04/2000 till 31/03/2010 (any such comprehensive period) for Demand cases only.

   b) Detailed procedure for extraction, capture and collation of arrear data from AST system and other sources is given in Annexure A of User manual.

   c) The report is in the form of a text file which can be imported into excel format using the Excel software provided.

   d) Detailed procedure for using Excel Software is given in Annexure B of User manual.

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e) The demands that have been determined in TMS software can also be extracted by mapping the fields in the TMS database with the fields in the Excel software

f) Details of other arrears from any manual ADCR register can be entered into the Excel software to make the arrear position complete.

g) All the entries in these three Excel worksheets can now be merged into a single sheet

h) The excel sheet can be sorted on the basis of name where PAN is not available and PAN entered from other records, if available.

i) All arrear records without PAN can be maintained in a separate register and they can be separately followed up by the AO till the same is paid or rectified or till the correct PAN is ascertained.

j) The records can be grouped on the basis of PAN and AY and verification of demand process can be commenced.

k) The AO should verify if the demands have been paid by taxpayer from details that are available in OLTAS.

l) The AO should also verify if the demands have been rectified under Section 154. These details are available in a 154 register format (if done in the AST system) in the AST menu.

m) Similarly, the AO should also verify the demands in the TMS or other manual registers.

n) The AO should then issue, if required, a letter to the taxpayer in the format given (Annexure C of User manual) asking the taxpayer to make payments, if not paid or provide details of payments or rectification requests. Based on the reply from the taxpayer the demands are again verified or reduced or rectified as the case may be.

o) The arrears should be inspected and certified as required by CBDT instructions.

3. **Uploading arrears into Centralized Processing Center Accounting System**

The complete arrear demand entries, as per the final A&DCR register created as per steps outlined above for FY 2010-11, should be updated regularly by the Assessing Officer. Any refund arising in the AST system as a result of processing or rectification should be adjusted by the Assessing Officer as per existing procedure in AST by way of cash collection through adjustment challan through RBI or SBI.

The final arrear entries should be converted into xml format by using the appropriate button on Excel software and uploaded by the AO to the CPC accounting solution. This would enable adjustment of such demand against refunds generated at CPC. The detailed procedure for uploading arrear demand entries at CPC Accounting System is given in Annexure D of User manual.

4. Detailed procedure as mentioned above is given in the user manual annexed. The Assessing Officers may be directed to download the latest Excel software, User manual and upload arrears at the special AO Portal made available on TAXNET itself (similar to iTaxnet). The portal URL is **http://cpcsso.incometax.net** and is available on all the networked PCs of the Department.

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5.	(a) In case of any queries or clarifications required in notification of Arrear Demand information to CPC and its subsequent adjustment if any, the following can be contacted:

Name / Designation	Telephone Number	Email Address
Shri Mohan Rao, Asst Director Systems - CPC	080-25186922	mohangrandhi@sify.com

(b) In case, the query or clarification is not satisfactorily addressed, the following are the Escalation Contact Points:

Name / Designation	Telephone Number	Email Address
Shri Satish Goyal, Addl Commissioner of Income Tax (CPC)	080-25186921	Satishgoyal7@yahoo.co.in
Shri Bijoykumar Panda, Addl Commissioner of Income Tax (CPC)	080-25186906	bkpandairs@gmail.com

Yours Sincerely,

(Harish Kumar)
Director of Income tax (Systems) -III

Encl : As above.

Copy to:	the Senior most Technical Person (By Name)

Agra/Ahmedabad / Allahabad / Amritsar / Bangalore/Baroda/ Bhopal/ Bhubaneshwar / Chennai/ Cochin/ Coimbatore /Delhi/ Hyderabad/ Jaipur/Jabalpur/Jalandhar/Jodhpur/ Kanpur/Kolhapur/ Kolkatta/Lucknow/Madurai/ Meerut /Mumbai / Nagpur/ Nashik / Patiala/ Patna / Pune/ Rajkot/ Ranchi /Rohtak/ Shillong / Surat/ Trivandrum / Vishakhapatnam.

(Harish Kumar)
Director of Income tax (Systems) -III

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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 CPCDemand 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.

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. 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

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b. Modify Category 2 demand (refer Para 4.6 below)

c. Capture information with respedt 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 "CPCDemand 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:

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

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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 me format given in Annexure D) from the taxpayer.

c. Additionally, in case the demand being reduced under paragraph 5.1.b.ii.a above exceedsRs. 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 154manually. 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 ofIndividuals and HUFs. Further, the amount of reduction **should not exceed Rs. 1,00,000**and AO should take following steps:

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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, exceedsRs. 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.

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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. Assessees 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

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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	· Date of payment · CIN (Not required if indemnity bond is taken) · Amount
2.	**TDS** mismatch demand being reduced/removed	· **TAN** of deductor · Date of **TDS** Certificate · Amount
3.	Demand has been reduced/removed by way of an order	· Date of order reducing the demand · Section under which order was passed
4.	Duplicate demand being reduced/removed	· Details of retained demand
5.	Demand is correct	· 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.

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(ii) Manual posting

AOs can post challan manually in 1RLA 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).

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Government of India
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

North-Block, ITA-II, Division
New Delhi the 14.05.2015

Subject: - Procedure for Response to Arrear Demand By Taxpayer And Verification and Correction of Demand by AOs - regarding.

The CBDT vide Instruction No.4 of 2014 dated 7th April, 2014, inter-alia, prescribed Standard Operating Procedure for Verification and Correction of Demand available or uploaded by AOs in CPC Demand Portal. Further a facility has been made available to taxpayers on the E-filing website (www.incometaxindiaefiling.gov.in) to provide online responses to such demands. The actions required to be performed by the taxpayer and the AO are being consolidated in this circular as under:

2. **Action To be performed by Taxpayers**
i. Login to e-Filing website with User ID, Password, Date of Birth /Date of Incorporation and Captcha.
ii. Go to E-file menu and click on "Response to Outstanding Tax Demand".
iii. Following details would be displayed.
  o Assessment Year
  o Section Code
  o Demand Identification Number (DIN)
  o Date on which demand is raised
  o Outstanding demand amount
  o Uploaded By
  o Rectification Rights
  o Response- Submit and View
iv. Taxpayer must click on "Submit" link under Response column for the respective AY in order to submit the response. Taxpayer has to select one of the options from the radio button.
  o Demand is correct
  o Demand is partially correct
  o Disagree with demand
v. If taxpayer selects "Demand is correct", then a pop up is displayed as "If you confirm 'Demand is correct' then you cannot 'Disagree with the demand'. Click on "Submit". A success message is displayed.
  o If any refund is due, the outstanding demand along with interest will be adjusted against the refund due.
  o In any other case taxpayer has to immediately pay the demand.
vi. If taxpayer selects "Demand is partially correct", then "Amount which is correct" and "Amount which is incorrect" has to entered.
vii. If taxpayer selects 'amount which is incorrect' then he should mandatorily fill one or more reasons for stating so as listed below:

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- Demand has been already Paid –
  - Demand paid and Challan has CIN (Challan Identification Number)
  - Demand paid and Challan has no CIN
- Demand has already been reduced by rectification/revision
- Demand has already been reduced by Appellate Order but appeal effect has to be given by Department
- Appeal has been filed and
  - Stay petition has been filed with
  - Stay has been granted by
  - Instalment has been granted by
- Rectification / Revised Return has been filed at CPC
- Rectification has been filed with Assessing Officer
- Others

viii. Based on the reasons selected, the taxpayer needs to provide additional information as per the table given below.

Demand paid and Challan has CIN	BSR Code		
	Date of payment		
	Serial Number of challan		
	Amount		
	Remarks (any comments of taxpayer can be included)		
Demand paid and Challan has no CIN	Date of payment		
	Amount		
	Remarks (any comments of taxpayer can be included)		
	Upload copy of Challan		
Demand already reduced by rectification / Revision	Date of Order		
	Demand after rectification/ revision		
	Details of AO who has rectified or revised		
	Upload Rectification / GMng appeal effect order passed by AO		
Demand already reduced by Appellate Order but appeal effect to be given	Date of Order		
	Appellate Order passed by (details of CIT (A) etc)		
	Reference Number of Order		
Appeal has been filed: Stay petition has been filed	Date of filing of appeal		
	Appeal Pending with (details of CIT (A) etc)		
	Stay petition filed with (details of office etc)		
Appeal has been filed: Stay has been granted	Date of filing of appeal		
	Appeal Pending with		
	Stay granted by		
	Upload copy of Stay Order		

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	Date of filing of appeal	
Appeal has been filed: Instalment has been granted	Appeal Pending with (details of CIT (A) etc)	
	Instalment granted by (details of office etc)	
	Upload copy of stay/instalment order	
Rectification / Revised Return filed at CPC	Filing Type	
	e-Filed Acknowledgement No.	
	Remarks (any comments of taxpayer can be included)	
	Upload Challan Copy	
	Upload TDS Certificate	
	Upload Letter requesting rectification copy	
	Upload Indemnity Bond	
Rectification filed with AO	Date of application	
Other Reasons	Remarks (any comments of taxpayer can be included)	
	Others (any comments of taxpayer can be included)	

ix. If taxpayer selects "Disagree with the Demand", then taxpayer must furnish the details of disagreement along with reasons. Details / Reasons are same as provided under "Demand is partially correct".

x. After the taxpayer submits the response the success screen would be displayed along with the Transaction ID.

xi. The taxpayers can click on 'View' link under Response column to view the response submitted. The following details are displayed:
   o Serial Number
   o Transaction ID
   o Date of Response
   o Response Type

(Note 1: Where the taxpayer has not registered on the Income Tax Department's e-filing website – www.incometaxindiaefiling.gov.in, he may do so to get details of outstanding demand and also to submit any response.

Note 2: Wherever the taxpayer finds it difficult to access Income Tax Department Website, he or she may make necessary application to the Assessing Officer along with above referred details as applicable in this case.

Note 3: In case of individual taxpayers If CIN is not available or payment is made prior to the period of introduction of CIN, the taxpayer may submit the documents as referred in para 4.1 or 4.2)

3.   **Action on the Part of the Department**
The Assessing Officer or CPC Bangalore after verification should reduce/remove/confirm the demand in appropriate cases as per procedure outlined in para 4 below and in accordance with earlier instructions issued by CBDT. However, following cases are to be verified on priority:

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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 Department Records; or
d) Details are already available in the system, such as additional TDS credits reported by Deductor in case of earlier TDS mismatch.

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

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

4.1 Demand or tax has been paid:

(a) If the taxpayer's reply or Departmental records show that demand or tax has already been paid and challan (challan identification number (CIN)) is available on the system:

i. The AO should reduce the demand by posting the challan or passing rectification order u/s 154 on the system.

ii. If the demand is prior to 01/04/2010, the demand has to be reduced directly on the CPC-FAS system.

(b) 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 for that AY. The AO should follow the steps as under:

i. 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.

ii. In case the outstanding demand is more than Rs.25000/- for that AY irrespective of the quantum of demand being reduced under paragraph 4.1.(b).i. above, the AO should obtain an indemnity bond (in the format given in *Annexure A*) from the taxpayer.

iii. Additionally, in case the demand being reduced under paragraph 4.1.(b).i. above exceeds Rs.50,000/- for that AY for the assessee, besides obtaining the indemnity bond, approval of Range Head should be taken on file before removing/reducing the demand.

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

4.2 Demand due to TDS Mismatch:

(a) If the taxpayer's reply or Departmental records show that the demand is on account of TDS mismatch and TDS credits are available in the system, the AO should follow steps as under:

i. The AO should reduce the demand by passing rectification order u/s 154 on the system after taking into account the TDS credits available on the system.

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ii.   If the demand is prior to 01/04/2010, the demand has to be reduced directly on the CPC-FAS system after rectification u/s 154.

(b)   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 for that AY and AO should take following steps:

i.   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.

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

iii.   Additionally, in case the demand being reduced under paragraph 4.2.(b).i above, exceeds Rs.50,000/- for that AY for the assessee, besides obtaining the indemnity bond, approval of Range Head should be taken on file before removing/reducing the demand.

4.3   Demand already reduced or action is pending:

(a)   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 has to be reduced directly on the CPC-FAS system.

(b)   In case where rectification or giving effect order to reduce demand is pending, the same should be completed and revised demand should be reflected.

(c)   It is also clarified that after taking action as per para 4.1 or 4.2, if any refund becomes due to the taxpayer, the same may also be issued.

Enclosure: as above

(Rohit Garg)
Deputy Secretary to the Government of India

(F.No.225/151/2014/ITA.II)

Copy to:

1. Chairperson and all Members of CBDT
2. Pr.Director General of Income Tax (Systems)
3. All Officers and Technical Sections of CBDT
4. Director of Income tax (Inv.)/IT & Audit/Vigilance/Inv./RSP&PR/Recovery
5. Director of Income tax (O&MS), New Delhi
6. ITCC Division of CBDT(3 copies)
7. All Pr.CCIT/Pr.DGIT/CCIT/DGIT/CIT/DIT
8. Data Base Cell-for placing it on www.irsofficersonline.gov.in
9. DIT(S)-4 for placing it on www.incometaxindia.gov.in
10. Guard File

(Rohit Garg)
Deputy Secretary to the Government of India

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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

M/s_____ on behalf of self or

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).

(................)

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ANNEXURE - III

REGION	DEMAND AS PER CAP-I AS ON 31/10/2016.	DEMAND AS PER CPC-ITR, BENGALURU AS ON 31/10/2016.	DIFFRENCE (ii - iii)	REASONS FOR THE DIFFERENCE
(i)	(ii)	(iii)	(iv)	(v)