

# I-T dept flags discrepancies in returns, extends deadline

Mismatches in income, household spending; allows revised returns until Dec 31

**MONIKA YADAV**

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Income-tax notices have been sent to people whose reported earnings do not tie in with their expenditure patterns, household expenses, and bank withdrawals, according to people familiar with the matter.

This comes even as thousands of taxpayers received text messages from the income tax (I-T) department asking them to file revised returns by December 31, claiming discrepancies were identified in their refund claims.

The Central Board of Direct Taxes (CBDT) had clarified that the outreach was part of its “Non-Intrusive Usage of Data to Guide and Enable (NUDGE)” campaign, which aims to prompt voluntary compliance by flagging potential errors identified through risk analytics.

As part of ongoing verification, tax officials are seeking a detailed breakup of household expenses after data analytics flagged inconsistencies between declared income, on the one hand, and savings and personal consumption, on the other. In some cases, taxpayers have been asked to give details of family members and their incomes, permanent account numbers, and monthly spending on items such as food, utilities, education, insurance, rent, travel, and social expenses.

An email sent to the Union finance ministry did not get a response until press time.

The notices have been issued under Section



## Red flags raised

- Scrutiny triggered by data analytics under CBDT's NUDGE campaign
- Taxpayers asked for breakup of household expenses, family incomes, PAN details
- Notices issued under Section 142(1) during assessment proceedings
- Missed disclosures later require ITR-U with 25% additional tax

142(1) of the Income-Tax Act, which empowers the department to seek information or documents during assessment proceedings.

Tax officials have said failure to provide an adequate explanation could result in the department estimating household withdrawals at a higher level for tax calculations, according to the annexure reviewed by *Business Standard*.

The department has also cited several cases

where taxpayers sold immovable properties and parked the sale proceeds in fixed deposits (FDs) for reinvestment. Tax officials are seeking details of the source of the FDs and their disclosures in their income-tax returns.

“One common mismatch notice received is when an assessee sells a property and makes an FD from the money earned for investment in a new house within two years. The department does not check the income-tax return when the sale consideration is disclosed and likewise investment is also shown along with the capital gain and bank account number. But the assessee receives a notice when the FD value does not match its income disclosed in return, which is nil,” said Prakash Jotwani, a Mumbai-based lawyer.

According to tax experts, taxpayers have the time to correct errors in their filings. Vivek Jalan, partner at Tax Connect Advisory Services, said December 31 was a crucial deadline.

“A revised return gives taxpayers a second chance to correct errors whether due to misreported income, incorrect deduction claims or other mistakes,” Jalan said.

“If this opportunity is missed, the only option left will be to file an updated return (ITR-U), which means paying an additional tax of 25 per cent on the extra income disclosed. It is thus important that a personal cash flow statement/balance sheet also be made and analysed by taxpayers so that such apparent mistakes are not made,” Jalan said.