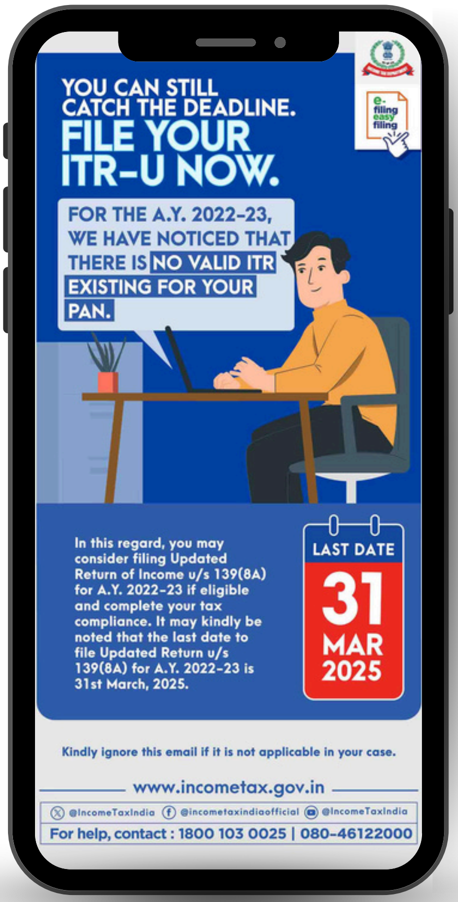
Aman Satish and Company,
Chartered Accountants

Stay Ahead with the Latest in Finance, Tax, and Legal Compliance.

FIN-O-SCOPE

20th Feb, 2025



Have You Received a Notice About Filing ITR-U? Don't Ignore It! File Before 31st March 2025

Many taxpayers are now receiving notices from the Income Tax Department stating:
"For A.Y. 2022-23, we have noticed that there is no valid ITR existing for your PAN."
If you have received such a notification, it means you may have missed filing your return for AY 2022-23 (FY 2021-22). But don't worry—you still have a chance to correct it before March 31, 2025, by filing an Updated Return (ITR-U) under Section 139(8A).

Key Insights

- Extended Time-Limit: The period for filing an updated return (ITR-U) has been increased from 24 months to 48 months from the end of the relevant assessment year.
- Encouraging Voluntary Compliance: The change aims to provide taxpayers more time to disclose previously unreported income while imposing higher additional tax rates for late compliance.
- Restriction on Filing After 36 Months: If a show-cause notice under Section 148A (relating to reassessment proceedings) has been issued after 36 months, ITR-U cannot be filed.
- Exception for Reassessment Cases: If an order under Section 148A(3) determines that reassessment is not required, then the taxpayer can still file ITR-U within 48 months.
- Effective Date: These amendments will come into effect from April 1, 2025.

Key Insights

- Updated Returns Cannot Be Revised: Unlike original or revised ITRs, once an ITR-U is filed, it cannot be corrected again, so accuracy is key.
- Cash Deposits & High-Value Transactions: Taxpayers with unreported cash deposits or large transactions in past years may face Section 148 notices if they don't use ITR-U.
- No Benefit for Taxpayers in Refund Cases: If you missed filing ITR but were eligible for a refund, ITR-U won't help—you lose the refund claim.
- GST & Income Tax Cross-Verification: Authorities are matching GST turnover with reported income—mismatches can trigger ITR-U notices for businesses.
- Foreign Income Disclosure: Individuals with unreported foreign income in previous years can use ITR-U to disclose and avoid penalties under FEMA rules.

Which Assessment Years (AYs) Can File an Updated Return by 31st March 2025?

The updated return (ITR-U) can be filed for:
AY 2022-23 (FY 2021-22) – Additional tax = 50% of unpaid tax
AY 2023-24 (FY 2022-23) – Additional tax = 25% of unpaid tax

This is the last chance to file an updated return for these years, so don't delay!

What is an Updated Return (ITR-U) & Who Can File It?

Under Section 139(8A), taxpayers can file an Updated Return (ITR-U) if they:

- Missed filing their original return.
- Made errors or omissions in income reporting.
- Want to voluntarily disclose additional income.

However, you CANNOT file ITR-U if:

- You have NIL tax liability or a refund situation.
- It involves undisclosed income found during a search/survey.
- The updated return reduces your tax liability.

The Cost of Delay – Additional Tax, Penalty & Interest

Filing an Updated Return comes with additional costs, which increase the later you file it. Here's what you need to pay:

Additional Tax under Section 140B

- AY 2023-24: 25% extra tax on unpaid tax.
- AY 2022-23: 50% extra tax on unpaid tax.

Late Fee under Section 234F

- ₹1,000 if total income is less than ₹5 lakh.
- ₹5,000 if total income is above ₹5 lakh.

Interest under Section 234A & 234B

- 234A (Interest for late filing): 1% per month on unpaid tax from the original due date till payment.
- 234B (Interest for advance tax shortfall): 1% per month if advance tax paid was less than 90% of the total tax liability.

Example of Cost Calculation:

Let's say you have unpaid tax of ₹1,00,000 for AY 2022-23, and you file the updated return in March 2025. Your cost will be:

- Additional tax (50%) = ₹50,000
- Interest (234A & 234B, approx.) = ₹24,000
- Late fee (234F) = ₹5,000
- Total payable = ₹1,79,000

So, delaying the ITR-U significantly increases your tax outflow!

Why File Now? Avoid Notices Under Section 148!

If the Income Tax Department detects undisclosed income, they can issue a Notice under Section 148, leading to:

- Scrutiny and detailed assessment.
- Heavy penalties up to 200% of the tax amount.
- Prosecution in serious cases.

Filing an updated return before March 31, 2025, helps you avoid these risks and stay compliant.

Take Action Now!

- Check if you have missed reporting any income.
- Calculate the additional tax, penalty & interest.
- Pay the tax and file the ITR-U before March 31, 2025 to avoid notices and penalties.

Conclusion

The Updated Return (ITR-U) is a golden opportunity to correct past mistakes and avoid legal troubles. If you have received a notice or missed filing your ITR, act now instead of waiting for a tax notice.

File before March 31, 2025, and stay ahead in tax compliance!

Disclaimer

Key Insights

- ITR-U and TDS Mismatches: If your Form 26AS shows TDS deductions but no corresponding ITR, you might receive a notice—filing ITR-U can resolve this.
- Penalty Notices Post-March 2025: The IT Department may start issuing penalty demands for non-compliance after the deadline passes.
- Use of AI in Tax Scrutiny: The IT Department is using AI tools to detect anomalies, making it harder to escape tax scrutiny.
- Professional Help Recommended: Given the complexities of ITR-U and additional taxes, consulting a CA can help minimize penalties and ensure compliance.

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