



CA MEHUL THAKKER
Ahmedabad

DIRECT TAX AMENDMENT FOR CA FINAL MAY 2019 EXAMS: SECTION 143(1) OF THE ACT

Namaskaram – Hare Krishna,

Today we are going to understand the **most important amendment** made by Finance Act, 2018 **under section 143(1)** of the Income Tax Act with the help of **Brainstorming Practical**.

Brainstorming Practical

The assessee submitted the income tax return for A.Y. 2018-19 declaring total income at Rs. 8,02,000. This return was submitted under section 139(4) of the Act. The CPC, Bangalore, while processing the said return found following issues:

Sr. No.	Particulars
(a)	While computing income under head “PGBP”, interest income of Rs. 33,000 was reduced declaring that it shall be offered under the head “IFOS”, however, assessee failed to include such income under the head “IFOS”.
(b)	Depreciation on computers were claimed at 60% instead of 40%. Depreciation claimed on computers was Rs. 30,000.
(c)	Claimed set off of business loss brought forward Rs. 1,02,000 pertaining to A.Y. 2017-18. The income tax return for the said A.Y. was submitted under section 139(4) of the Act.
(d)	His case was subject to audit under section 44AB(a). The auditor, in tax audit report, has made a remark that cash payment of Rs. 34,000 has been made for repairing of machine on a single day to Brahmani Engineering. However, assessee failed to add back while computing income under the head “PGBP”
(e)	Claimed deduction of Rs. 13,05,000 under section 80-IAC of the Act
(f)	Bank interest income of Rs. 88,000 appearing in Form no. 26AS on which tax has been deducted but assessee failed to include the same in the income tax return.

You are required to compute total income to be processed by CPC, Bangalore.

First of all, let's comprehend the relevant provisions of Section 143(1) for better understanding of the solution.

Section 143(1)

"Where a return has been made under section 139, or in response to a notice under section 142(1), such return shall be processed in the following manner, namely:-

- (a) the total income or loss shall be computed after making the following adjustments, namely;
- i. any arithmetical error in the return or
 - ii. any incorrect claim, if such incorrect claim is apparent from any information in the return;
 - iii. disallowance of loss claimed, if return of the previous year for which set off of loss is claimed was furnished beyond the due date specified under sub-section (1) of section 139;
 - iv. disallowance of expenditure indicated in the audit report but not taken into account in computing the total income in the return;
 - v. disallowance of deduction claimed under sections 10AA, 80-IA, 80-IAB, 80-IB, 80-IC, 80-ID or section 80-IE, if the return is furnished beyond the due date specified under sub-section (1) of section 139; or
 - vi. addition of income appearing in Form 26AS or Form 16A or Form 16 which has not been included in computing the total income in the return:

Provided that no such adjustments shall be made unless an intimation is given to the assessee of such adjustments either in writing or in electronic mode:

Provided further that the response received from the assessee, if any, shall be considered before making any adjustment, and in a case where no response is received within thirty days of the issue of such intimation, such adjustments shall be made.

Provided also that no adjustment shall be made under sub-clause (vi) in relation to a return furnished for the assessment year commencing on or after the 1st day of April, 2018; [Inserted by Finance Act, 2018, w.r.e.f. A.Y.2018-19]

- (b) the tax, interest and fee shall be computed on the basis of the total income computed under clause (a) above;.....

Meaning of incorrect claim for the purpose of section 143(1)(a)(ii) :It means such claim on the basis of an entry, in the return-

- (a) of an item, which is inconsistent with another entry of the same or some other item in such return;
- (b) in respect of which, information required to be furnished to substantiate such entry, has not been furnished;
- (c) in respect of a deduction, where such deduction exceeds specified statutory limits which may have been expressed as monetary amount or percentage or ratio or fraction.

Solution

Sr. No.	Particulars	Rs.	Rs.
	Returned Income		8,02,000
(a)	Interest Income	33,000	
(b)	Excess depreciation	10,000	
(c)	Set off of brought forward business loss pertaining to A.Y.2017-18	1,02,000	
(d)	Disallowance under section 40(A)(3) - Cash Payment	34,000	
(e)	Claimed deduction of Rs. 13,05,000 under section 80-IAC of the Act	Nil	
(f)	Bank interest income of Rs. 88,000 appearing in Form no. 26AS on which tax has been deducted but assessee failed to include the same in the income tax return.	Nil	1,79,000
	Total Income processed by CPC		9,81,000

Possibility of error committed by the student while solving the above sum

Students shall pay attention to adjustment no. (e) where deduction is under section 80-IAC, which is not in the list of adjustment mentioned under section 143(1) of the Act.

Section 143(1) of the Act covers the adjustment with regard to disallowance of deduction claimed under sections 10AA, 80-IA, 80-IAB, 80-IB, 80-IC, 80-ID or section 80-IE, if the return is furnished beyond the due date specified under sub-section (1) of section 139 only and not 80-IAC.

Error and Omission by Finance Minister Team

Find out the error / omission committed by the team of Finance Minister while amending section 143(1) and avail Amendment Course Pack for Rs. 500 Only. (Offer Valid upto 5th February, 2019) To avail this offer, SMS the Error/omission on WhatsApp No.9033318185.



AMENDMENT FOR MAY 2019 – SECTION 143(1) LINK:

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