

President	CA Vinit Dinesh Gada
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Jt. Secretary	CA Umang Lalit Soni



Established 1973  
**CVO Chartered & Cost Accountants'  
Association**

July 22, 2024

To,

**1. Smt. Nirmala Sitharaman,**

Hon'ble Finance Minister,  
Government of India,  
North Block,  
Delhi – 110 001

**2. Shri Sanjay Malhotra**

Hon'ble Revenue Secretary,  
Central Board of Direct Taxes (CBDT),  
North Block,  
Delhi – 110 001

**3. Shri Ravi Agrawal**

Hon'ble Chairman,  
Central Board of Direct Taxes,  
North Block,  
Delhi – 110 001

**Sub: Urgent action to correct and resolve errors in Income Tax Return utility and technical glitches in Income Tax Portal Functionalities**

Respected Madam,

**About C.V.O. Chartered & Cost Accountants' Association**

C.V.O. Chartered and Cost Accountants' Association (CVO CA) is a non-profit professional organization established in 1973. With over 2000+ members, it focuses on disseminating knowledge in Taxation, Accounting, Finance, and Allied laws, while also organizing public awareness programs, including a flagship Union Budget program in Gujarati. The association publishes a monthly newsletter, 'CVO CA News & Views', and supports needy students pursuing CA, CS, and CWA through financial assistance. CVO CA acts as a bridge between its members and regulatory bodies, addressing genuine grievances. This representation pertains to the challenges faced by taxpayers in Income Tax Returns (ITR) utility and technical issues while using the Income tax Portal functionalities.

**Background**

With the July 31, 2024 being the return filing due date for few Assessee being just around the corner, your immediate attention is required on a serious issue that has arisen with the updated ITR utility on the e-filing Income Tax Portal. The taxpayers are committed to ensuring timely compliance with tax regulations and fulfilling their tax obligations accurately. However, the taxpayers are encountering a significant problem, particularly affecting those who are earning modest incomes.

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## 1. Issue in claiming rebate u/s 87A

The issue pertains to the incorrect calculation of the rebate under Section 87A of the Income Tax Act ('the Act') in the ITR utility against incomes taxable at special rates. According to the Finance Act of 2023, individuals with a total income of up to Rs 5 lakhs under the old tax regime and up to Rs 7 lakhs under the new regime are eligible for a rebate of Rs 12,500 and Rs 25,000, respectively. The relevant provisions of the act are reproduced here for your ready reference:

*"87A. An assessee, being an individual resident in India, whose total income does not exceed five hundred thousand rupees, shall be entitled to a deduction, from the amount of income-tax (as computed before allowing the deductions under this Chapter) on his total income with which he is chargeable for any assessment year, of an amount equal to hundred per cent of such income-tax or an amount of twelve thousand and five hundred rupees, whichever is less.*

***Provided*** that where the total income of the assessee is chargeable to tax under sub-section (1A) of section 115BAC, and the total income—

*(a) does not exceed seven hundred thousand rupees, the assessee shall be entitled to a deduction from the amount of income-tax (as computed before allowing for the deductions under this Chapter) on his total income with which he is chargeable for any assessment year, of an amount equal to one hundred per cent of such income-tax or an amount of twenty-five thousand rupees, whichever is less;*

*(b) exceeds seven hundred thousand rupees and the income-tax payable on such total income exceeds the amount by which the total income is in excess of seven hundred thousand rupees, the assessee shall be entitled to a deduction from the amount of income-tax (as computed before allowing the deductions under this Chapter) on his total income, of an amount equal to the amount by which the income-tax payable on such total income is in excess of the amount by which the total income exceeds seven hundred thousand rupees"*

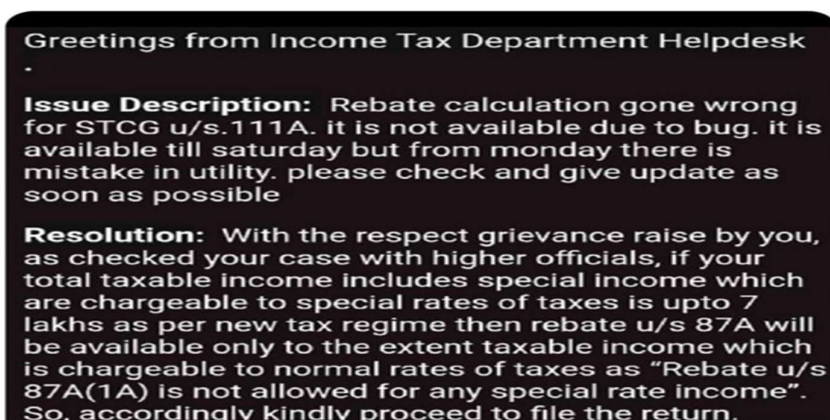
The above provision of rebate u/s. 87A does not impose any restriction or denial of benefit of rebate to income taxable at special rate. However only sub section (6) of section 112A, specifies that the rebate under section 87A shall not be available for long-term capital gains on equity shares or equity-oriented mutual funds taxable at 10% under this section. Consequently, this rebate should be available without any restrictions to any income taxed at special rates, with the exception of long-term capital gains under Section 112A.

We would like to draw your attention that the Income Tax Department Helpdesk appears to have misinterpreted the law by considering all the income chargeable at special rates as not eligible for the rebate claim under Section 87A. The relevant screenshot of a Grievance redressal from the Income Tax Department's helpdesk circulated on social media platforms is attached below:

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This misinterpretation has led to the current ITR utility disallowing the rebate for incomes taxed at special rates, which is not in line with the legislative intent of the Income Tax Act. The accurate application of tax laws is essential for maintaining taxpayer confidence and ensuring equitable treatment across the board.

The utility was functioning correctly before July 5, 2024. However, the current ITR utility, updated after the said date, is not allowing this rebate for incomes taxed at special rates. This error is causing incorrect tax liabilities or reduced refunds for taxpayers, leading to undue hardship and inconvenience. This discrepancy is unfair to taxpayers who are now unable to claim the correct rebate amount, unlike those who filed their returns earlier. An illustrative table is hereby reproduced for your reference:

Computation	Prior to July 5, 2024	After July 5, 2024
Salary Income	5,00,000	5,00,000
STCG on Sale of Equity shares	2,00,000	2,00,000
Tax on Normal income @ 5% u/s 115BAC	10,000	10,000
Tax on STCG @ 15%	30,000	30,000
Rebate Allowed as per ITR	25,000	10,000
Tax Payable	15,000	30,000

## 2. Technical glitches in Income Tax Portal Functionalities

In addition to the above concern on claim of the rebate under Section 87A, taxpayers are facing a multitude of technical difficulties with the Income Tax portal that are impeding the tax filing process. These issues range from obstacles in accessing portal to incorrect information filed in AIS/TIS and difficulty in downloading ITR acknowledgement. We hereby bring to your attention some of these issues faced by the Taxpayers:

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- Access to Form 26AS/AIS/TIS is problematic. Further there are discrepancies in reported figures, illustratively joint income gets reported in the statement of both account holders, income from sale of property is listed twice under SFT and TDS, causing the system to double count this income, etc. This is potentially triggering unwarranted scrutiny in many cases.
- The response options provided in AIS/TIS are sometimes insufficient for taxpayers to accurately explain their financial situations. As a suggestion, a general "Others" category may be made to enable taxpayer to provide additional clarification and document upload.
- Technical glitches, including continuous buffering and error messages, are disrupting the completion of forms on the e-filing portal.
- Mismatches between pre-filled data in the tax return and details such as salary, interest income, and TDS as per Form 26AS are causing confusion.
- The e-filing utility complicates the reporting of dividend income in Schedule OS for business owners by requiring it to be initially added to and then deducted from business income. An update is needed to directly reflect dividend income in Schedule OS, simplifying the process.
- OTPs necessary for authentication are not being received in a timely manner, if at all, preventing verification and submission of returns.
- There is technical difficulty in downloading acknowledgments of filed ITRs.

As the July 31, 2024 deadline for filing ITRs looms closer, addressing these critical issues promptly is crucial. Swift resolution is essential to streamline the tax filing process, protect small taxpayers from undue financial burdens and eliminate the need for extending the filing deadline. It's concerning that the utility currently allows rebates only until a specific date for the same assessment year and not for taxpayers if return of income is filed after particular date.

We urgently urge the government to take decisive action to rectify the utility without delay, ensuring strict compliance with statutory provisions and swiftly resolving the technical glitches affecting the Income tax portal. These steps are pivotal to facilitating the timely and accurate filing of returns, thereby upholding the fundamental principles of fairness in our tax system.

We trust that you will address this matter with the urgency it deserves and look forward to a swift resolution.

**For C.V.O. Chartered & Cost Accountants' Association**

**CA Vinit Gada**  
President

**CA Champak Dedhia**  
Chairman

**CA Chintan Saiya**  
Convenor

**(Representations Committee )**