



Income Tax Department

Ministry of Finance, Government of India

STEP-WISE PROCEDURE FOR ADJUSTMENTS OF REFUNDS

INSTRUCTION [F.NO. DIT(S)-III/CPC/2012-13], DATED 27-11-2012

Kindly refer to the above.

2. With regard to the adjustment of refunds against the outstanding demands, various communications have been issued in the past. A brief reference of the same is as under:

- i. **AST Instruction No. 82** on the subject '*Functionality for uploading arrear demands to CPC accounting system*', dated 13.8.2010, issued from F.No. CPC/II/2007/02-DIT(S) III- Part File.
- ii. **Departmental Instruction** addressed to all CCsIT/DGsIT on the subject '*Instructions to Assessing Officers-Rectification in case of Demand adjusted against refund at CPC and assessee disputing such adjustments -reg*', dated 19.11.2011, issued from F.No. DGIT(S)/Misc./2011-12.
- iii. **DO letter from Member CBDT** to all CCsIT/DGsIT on the subject '*Reconciliation of demand on CPC Portal, IRLA, CAP-I and Dossier - reg*', dated 14.3.2012, issued from F.No. DIT(S)-III/CPC Portal/2011-12.
- iv. **Letter from CBDT** to all CCsIT/DGsIT on the subject '*Uploading of demand and/or correction of demand already uploaded on CPC Portal - Instruction to Assessing Officers - reg*', dated 20.3.2012, issued from F.No.401/01/2012/ITCC.
- v. **Letter from DIT(S)III** to all CCsIT/DGsIT on the subject '*Reconciliation of Demand on CPC Portal, IRLA, CAP-I and Dossiers*', dated 23.3.2012, issued from F.No. DIT(S)III/CPC Portal/2011-12.
- vi. **AST Instruction No. 105** on the subject '*Current and Contemporary Figures of demand in IRLA for a PAN-AY or for a defined period - Identification of demands yet to be uploaded on to CPC Portal*', dated 4.5.2012, issued from F.No. SW/3/9/2010-II/DIT(S) III.
- vii. **Letter from DIT(S)III** to all CCsIT/DGsIT on the subject '*Reconciliation of Demand on CPC Portal, IRLA, CAP-I and Dossiers*', dated 5.6.2012, issued from F.No. DIT(S) III/CPC Portal/2011-12.
- viii. **Letter from DIT(S)-III** to all CCsIT (CCA) on the subject '*Clean-up of demand uploaded to CPC FAS before issue of refund in cases- processing of e-returns of A. Y 2012-13*', dated 05.11.2012, issued from F.No. DIT(S) III/CPC /2011-12.

3. In furtherance of the subject and in continuation of the above mentioned communications and to mitigate the problem of demand raised due to mismatch of tax and TDS credits, the step by step procedure for adjustment of refunds to be followed by Assessing Officers and Centralized Processing Centre (CPC) is as under:

- i. Physical verification of Demands from all sources- Arrear Demands from IRLA, TMS and Manual Demands prior to 01-04-2010 ; and Demands from AST, TMS, Manual and CPC.
- ii. The Assessing Officers have to communicate the legitimate actionable demands to the assessee and provide an opportunity of being heard to the assessee for verification and confirmation of the genuineness of the demands. Modifications of the demands to be made by the AO following verification of documents submitted by the assessee.
- iii. The Assessing Officer and the Range head to certify the correctness and genuineness of the actionable demands.
- iv. The Assessing Officer to upload the above genuine demands on the CPC-FAS.
- v. The Demands are also uploaded by system in the "My Account" of the Assessee on the www.incometaxindiaefiling.gov.in website.
- vi. In case of refunds due, on the basis of the demand so uploaded on CPC-FAS, CPC shall issue a prior intimation u/s. 245 of the IT Act, 1961 to the assessee to adjust the refund against the correct and legitimate actionable demands due. Simultaneously, CPC will inform the Chief Commissioners of Income-tax (CCsIT) concerned regarding the intimation sent for his charge fortnightly. The assessee can approach Assessing Officer regarding grievance relating to demand, if any, within 15 days of receipt of intimation.
- vii. The AO within 30 days of receipt of grievance in response to the notice u/s 245 shall either rectify or confirm the demand. The demand so crystallized shall be communicated back to the CPC in reference to the same communication *vide* which the AO was initially communicated regarding the demand. Functionality will be developed within the next six months to intimate CPC online by AO. In the interim period AO will intimate the CPC within 30 days from the date, the assessee approaches the AO.
- viii. CPC to hold the refunds (refunds may be determined but kept on hold) in the interim period and following confirmation from the AO carry out adjustment of refund against the demands.

4. This instruction may be brought to the knowledge of all the officers working in your charge for necessary action.

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