

# Why will I get an Income Tax Notice

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**Executive Summary** - You might get a tax notice if you do not follow the process of filing returns properly or make mistakes in the form. If you pay an incorrect tax amount or conceal high value transactions or have sudden changes in your income or investments, the Income Tax department might send a notice. You should respond to the notice appropriately and make sure that you make the necessary corrections and submit relevant documentation.

You have filed your returns. You have paid your taxes. That is a good job done. But even if you have finished your tax work within the deadline, you might still get a tax notice from the Income Tax Department. Here are some questions that can help you find the reason why you may get one -

## **Did you file your returns?**

It is not enough to just pay the tax. You should fill the relevant tax returns form and submit it within the deadline. Once you get the acknowledgement, you have to submit the ITRV within 120 days of uploading the returns. Even if your tax liability is nil, you should file your returns. If you delay doing these things or forget or ignore to do them, you can get an income tax notice.

## **Did you input accurate details in the Income Tax Return?**

You should input all details accurately and all information should be true. If there are discrepancies regarding name, address, income, tax paid, TDS deposited, property details or other information, you can get a tax notice. You should check all personal details, TDS deducted by employer, tax credit statement and ensure all documents are in sync with each other.

## **Did you make any high value transaction or big investment?**

The tax department can get alerted if your income changes significantly or you make a couple of big transactions like buying a high value house or invest a significant sum. Examples of High value transactions -

- 1) Credit card purchases worth greater than Rs. 20,00,000
- 2) Cash deposits greater than Rs. 10,00,000 in a year or

### **Is the TDS correct?**

Tax is deducted at the source of income by employer, bank etc. Sometimes there might have been an error in calculation. If TDS amount or PAN is wrong, you can get a notice. You should check your tax credit statement (Form 26AS) before filing the return. If you find that tax is not computed properly, you should compute it correctly and pay accordingly while filing your returns.

### **Did you pay tax on all the interest received?**

Sometimes you may have missed paying tax on interest earned. You have to pay tax on interest greater than Rs. 10,000 on savings bank account. Tax is payable on FD and Recurring deposit accounts. If you do not include this in your income, you can get a tax notice.

### **Did you conceal any information related to financial transactions?**

Knowingly or unknowingly, you might have hidden information. If some financial transaction is not reflected in the returns or information such as PAN number is not disclosed in financial transactions, the IT department can send a notice and ask for clarifications. It is easy for the IT department to trace transactions, link it to bank accounts and the tax returns. They do so in case of high value transactions for investigation and expose black money and tax defaulters.

Getting an income tax notice is scary and makes one uncomfortable. If you avoid the above mentioned mistakes, you will not get one.

If you get an income tax notice, it is important to remain calm and follow these steps -

- 1) Do not ignore it as your penalty will keep increasing the more you ignore it and might lead to unpleasant consequences.
- 2) Check the notice and decide the course of action to take
- 3) Be ready with necessary documentation- Gather the relevant documentation. Submit a reply on the e-filing portal. For example, in July 2016, many people got a notice for transactions without PAN number. The e-filing portal had a function wherein these people could give a structured response for the transaction.
- 4) Be prepared with your response and documents and meet with the official if asked to and clarify the matter. You can authorise a tax expert to handle your case on your behalf too.

The government sends income tax notices for wrongly filed income tax returns to ensure all transactions are legal, restrict black money and curb tax evasion. It is our duty to file taxes properly on time and respond to tax notices appropriately.

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