

## Tax Alert | Delivering Clarity

3 December 2020

### Deduction denied for delay in filing the audit report

The Delhi Bench of Income-tax Appellate Tribunal denied deduction under section 80-IB of the Income tax Act, 1961 (ITA) for delay in approving / accepting (viz. filing) online the audit report in Form 10CCB.

#### Background:

- The taxpayer<sup>1</sup> is an individual and filed his income-tax return for the Financial Year (FY) 2016-17, corresponding to Assessment Year (AY) 2017-18 within the extended due date of 7 November 2017 and claimed deduction under section 80-IB of the Income-tax Act, 1961 (ITA).  
Section 80-IB of the ITA provides for investment linked deduction in respect of profits and gains from certain industrial undertakings.
- The taxpayer's accountant uploaded the Form 10CCB online on 6 November 2017, however, the taxpayer approved the said Form 10CCB online on 12 December 2017 i.e. after the extended due date.
- The taxpayer's income-tax return was processed by the Central Processing Centre (Bengaluru) (CPC) and the CPC passed an intimation under section 143(1) of the ITA, wherein amongst others, the deduction under section 80-IB of ITA was denied to the taxpayer for non-submission of audit report along with the return or filing it beyond the due date of filing of the income-tax return.
- On appeal, the Commissioner of Income-tax (Appeals) [CIT(A)] upheld the intimation passed by the CPC.
- Aggrieved by the CIT(A)'s order, the taxpayer filed an appeal before the Delhi Bench of the Income-tax Appellate Tribunal (ITAT).

#### Decision of the ITAT (HC):

- The taxpayer filed his return of income on 6 November 2017, however, the Form Number 10CCB was accepted by the taxpayer only on 12 December 2017 which was much beyond the due date of the filing of the return of income i.e. 7 November 2017.

Therefore, as on the due date of filing of the return, the taxpayer had not filed the audit report in Form 10CCB for claiming deduction under section 80-IB of the ITA.

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<sup>1</sup> Pradeep Kumar Batra v. DCIT (ITA no 6384/Del/2019) (Delhi ITAT)

- After introduction of the electronic filing of the return of income as well as all other documents, there was no debate available that even if the audit report was filed before the assessment was made, same was acceptable and the deduction could not be denied to the taxpayer.
- When the provisions of the ITA and the relevant rules strictly provide that all necessary documents must be filed and approved along with the return of income or prior to that, subsequent filing of any document could not be considered for processing of the return and intimation under section 143(1) of the ITA.
- The judgements relied upon by the taxpayer did not pertain to the era of the electronic filing of return / documents and therefore, they did not apply to the facts of the case under consideration.

In view of the above, the ITAT upheld the CIT(A)'s order denying the deduction under section 80-IB of the ITA for non-submission of audit report along with the return of income and accordingly, dismissed the taxpayer's appeal.

**Comment:**

- This ruling lays down an important principle that in the era of electronic filing of return / documents the necessary documents for making any claim of deduction should be filed by the respective due date if so required under the ITA and subsequent filing of any document cannot be considered for processing of the return.
- As per the amended provisions of ITA, taxpayers are required to file the audit report one month prior to the due date for furnishing the return of income.



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