



Global Business Tax Alert Sharp Insights

CBDT issues directions to restrict and monitor the issuance of manual refund by Assessing officers

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Background

- The Central Board of Direct Taxes (CBDT) has issued instructions in the past directing the Assessing officers (AO) to issue orders under section 143(3), 154, appeal effects, penalty order, etc. on the system as against manual orders. This was also stressed in the Central Action Plan of the tax department.
- In order to ensure uniformity of application software, contingency and integrity of data as well as of the software, a customized application software i.e. Asset Information System (AST), has been designed which assist the AO in carrying out all assessment and related functions at various stages, i.e. assessments, re-assessments, rectification, etc.
- *Vide* instructions dated 20 March 2015, CBDT allowed processing of return of income on online TMS where the returns were getting time-barred and in special cases where the processing was not feasible on AST.
- There were instances wherein the AO issued manual refunds instead of system generated refund under Refund Banker Scheme; and to curtail such cases, the CBDT has issued instruction to restrict and monitor the issuance of manual refunds the claim, which was not a permissible ground for reopening the assessment.

Instructions by CBDT

- The CBDT has directed the Principal Chief Commissioners / Chief Commissioner of Income-tax/All Commissioner of Income-tax, to direct the AO that no manual refund should be issued in cases where order has been processed on AST.
- The CBDT has directed that manual refund can be issued only in below cases:
 - in Online TMS Category 1 cases (where PAN is available) and covered by instruction no.135 dated 20 March 2015
 - Cases where initial underlying order is passed manually, the subsequent orders cannot be issued through the online system.
 - Exceptional cases
- CBDT has directed that manual refunds can be issued in above cases, following the below

measures:

- Mandatory approval to be taken from Range heads / CIT for refunds upto Rs.1 lakhs / refund above Rs.1 lakhs respectively.
- Mandatory quoting of PAN, assessment year, Bank account number on the cheque.
- No manual refund will be permitted if the said refund for same PAN, Assessment year and amount has been granted to the taxpayer.
- A separate ITD functionality (screen) shall be rolled out to capture information / details of manual refunds issued by the AO. The AO should fill the details before issuance of manual refund.
- As a measure of monitoring by supervisory officers, the details of manual refunds entered by the AO shall be matched with the data of refunds encashed by the taxpayer, reflecting in the OLTAS database.
- The CIT's shall ensure that the system of all the AO is enabled under the Refund banker scheme as per new jurisdiction order with effect from 15.11.2014.

Comments

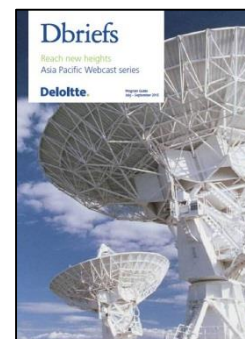
The CBDT has issued stringent guidelines on issuance and monitoring of manual refunds, which is expected to expedite the CBDT's approach of streamlining the issuance of refund through the system.

Source: CBDT Instruction (F.No. DGIT(S)/DIT(S)-3/AST/Manual Refunds/85/2015-16) dated 10 July 2015
– Restriction on Issuance of Manual Refunds by Assessing officers.

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