

Outreach Program for Co-operative Societies

(Awareness Drive on E-verification & Importance of Income Tax Return filing)

Directorate Of Intelligence & Criminal Investigation, Kochi

Date:11/02/2025

Venue: Kottayam

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Scheme of Presentation

- E-Verification Scheme, 2021
- Deduction under Section 80P
- Compliance to Sec 269SS/269T/269ST/194N/194A
- Expectations from the assessee

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e-Verification Scheme
3 Transformative Years
 since its launch on 13th December, 2021

Key Milestones Achieved

2,19,327 cases verified	58,635 taxpayers updated their ITRs, taking note of the mismatched flagged to them	₹1,221 Cr. additional tax contributed by such taxpayers
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E-Verification Scheme 2021

- Reconciliation between Third party information & acceptance / non-acceptance of that information by the taxpayer AND Income offered in the ROI.
- Calling for information for verification from the taxpayer electronically
- Aims to share and verify information of financial transactions with taxpayer. The information may appear to be either unreported or under-reported

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- Opportunity to assessee to reconcile AIS information with its financial statements and return of income and resolve any mismatches in the information reported.
- Opportunity for the taxpayer to explain / pay taxes before initiation of action of assessment or re- assessment.
- Progressive step to encourage voluntary tax compliance and to deter non-compliance .

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Sources for Information under e-verification scheme

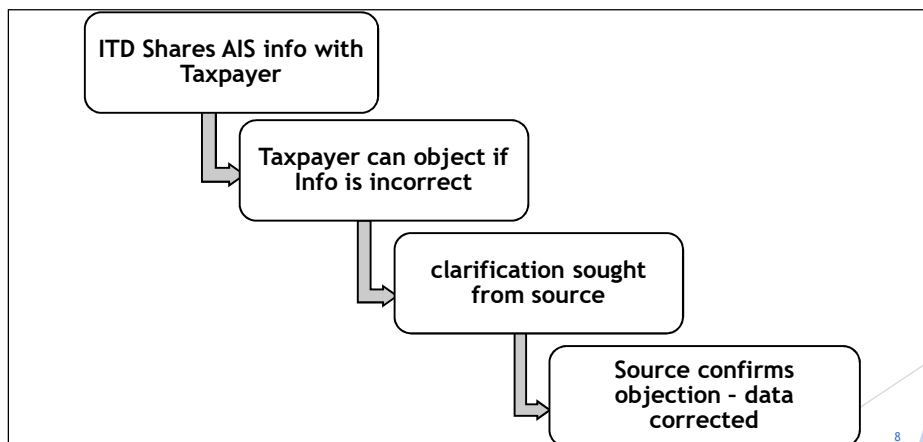
- TDS
 - Interest, Salary, Contract receipts, Professional Fees, Purchase of property etc
- TCS
 - Vehicle purchase
- SFT (Statement of Financial Transactions) filed by Reporting entities as per Sec 285BA and Rule 114E
 - Property Transactions (above 30 lakhs), Current Account Cash Deposits / Withdrawal (50 lakhs or more), Cash Deposits other than accounts and Time Deposits (10 lakhs or more), Mutual Funds, Credit card payments (more than 1 lakh in core OR more than 10 lakhs in other modes)

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- Foreign Remittances, GST , export data
- AIS (Annual Information Statement) is comprehensive statement of all the financial transactions of the taxpayer reported by various entities based on his/her PAN.

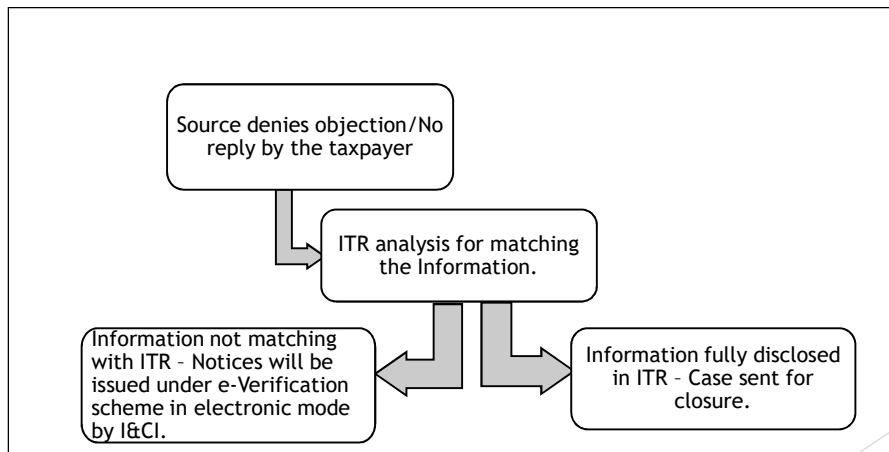
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Steps in Process of e-verification



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Steps in Process of e-verification



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Prescribed Authority (PA) & its working

- PA is Income Tax Authority working in the Directorate of Intelligence & Criminal Investigation
- Prescribed Authority will issue notices u/s 133(6) in the cases and call for additional information and clarification.
- The notices will be issued to the registered e mail address
- The response is to be submitted electronically

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- No personal appearance allowed under the scheme
- In exceptional circumstances, personal appearance through video conferencing or video telephony allowed only with approval of Addl DIT.
- Cases will be closed if satisfactory reply is received.
- Otherwise, cases may be selected for assessment/reassessment as per risk strategy formulated by CBDT

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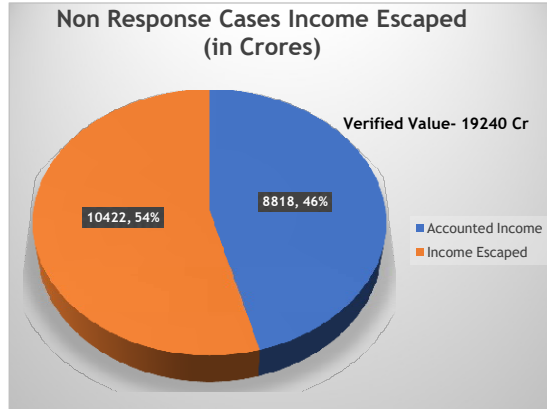
Usefulness of e-Verification Scheme

- Inaccuracy of data provided by the source can be corrected
- Opportunity for the taxpayer to correct any omission or mismatch of data with the ITR.
- Opportunity for the taxpayer to explain the transaction.

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Non Response - Consequences

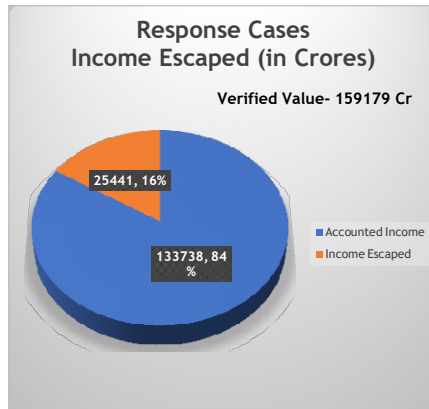
- Assessment
- Reassessment
- Penalties
- Litigation
- Tax Demand & recovery
- Prosecution



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Response - Benefits

- Reduced compliance burden
- Improve credibility for financial profiling.
- Peace of mind



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Responsibility of Taxpayer in e-Verification scheme

- Check the e-mail and e-filing portal regularly
- Update the e-mail on e-filing portal
- Provide feedback to the information reflected in AIS
- Responses should be provided within prescribed time limit

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- If the information mentioned in the notice u/s 133(6) is not reflected in the ITR , file Updated return u/s 139(8A).
- Mention present address in the ITRs.
- Use of helpdesk, in case of any technical difficulty.

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Steps To Be Taken By Assessee For Compliance

- Login to e-filing portal <https://eportal.incometax.gov.in>.
- Go to “Services” tab, click on “Annual Information Statement (AIS)”.
- On AIS/ Compliance portal, navigate to “e-verification” tab.
- Click on relevant “ Assessment Year” on summary screen.

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- Click on DIN to download notice.
- Click on expand icon against the relevant DIN to submit response against the Questions/ communication.
- Click on “ Pending” to provide response for a given question.
- Enter the remarks, attach the supporting document, and click on “Submit” to submit the response for each question.

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Updated Return u/s 139(8A)

- A taxpayer can file a revised return upto 31st December of the assessment year.
- However, at present if the taxpayer wants to disclose additional income, then he can file an updated return (subject to certain restrictions) upto 24 months from the end of the relevant assessment year on payment of additional income-tax.
- As per recent Finance Bill 2025 amendment, Updated return can now be filed upto 48 months from the end of relevant assessment year
- Updated Return can only be filed to disclose additional income and pay additional tax.
- The updated return cannot be filed to reduce any income resulting in reduction of tax liability.

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- The option of updated return can be opted only once for one assessment year.
- If filed within 12 months from end of A.Y- Additional tax of 25% will be payable,
- If filed after 12 months but before 24 months from end of A.Y - Additional tax of 50% will be payable.
- If filed after 24 months but before 36 months from end of A.Y - Additional tax of 60% will be payable (Finance Bill 2025 amendment).
- If filed after 36 months but before 48 months from end of A.Y - Additional tax of 70% will be payable (Finance Bill 2025 amendment).
- Cannot file updated return in cases of search and seizure and wherein penalty proceedings have been initiated.

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How E-verification helps the assessee

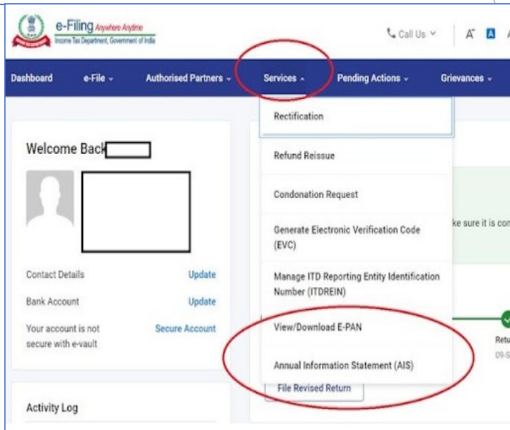
- Facility of filing updated return provides the opportunity to disclose the earlier unreported income and save oneself from any legal proceedings and prosecutions.
- In the absence of this scheme the Assessing Officer can impose penalty ranging from 50% to 200% of the tax payable.
- Additional penalty for non filing of return along with the above penalties can cause a heavy burden on taxpayer.
- Thus the provision of filing of updated return acts like a window to save oneself from paying extra amount in the form of penalty.

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FAQS

Where can I see my financial transaction reported to Income Tax Department by Sources/Reporting Entities?

- All these transactions can be viewed by you in the AIS portal of your income tax account.
- The steps involved are:
 - (A) login to e-filing portal by using the URL <https://eportal.Incometax.Gov.In/>
 - (b) On the home page click the tab “services”
 - (C) Select “annual information statement (AIS)” in the menu under the tab “services”, you will be taken to the AIS portal.
 - (D) On the AIS portal, select the relevant financial year and click on “Annual information statement” to view the financial transactions.



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What should I do if I find a transaction which is incorrectly recorded or which does not pertain to me?

Once you are viewing information under AIS, click on a specific information. Once the information details are seen, on the right side is a feedback button by using which taxpayer can provide feedback from the menu options available.

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What Happens After I Raise My Objection To Any Transaction Reported In AIS?

- Income tax department initiates a process of contacting the source/reporting entity which reported the information/transaction and will seek confirmation about the correctness of the data.
- After this step:
 - i. If the source/reporting entity agrees that there has been a mistake, the data will be corrected in due course of time after the source/reporting entity files its corrected statement. This process is done through an automated information technology driven procedure.
 - ii. If the source/reporting entity stands by the data and does not support your objection, further explanation/evidence will be called from you under the e-verification scheme.

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While responding to the notice issued u/s.133(6) of the income-tax act in the compliance portal, the system/portal is not accepting the attachments of size above 10 MB. How to submit such large documents?

With each response, 10 documents of size 10MB each can be uploaded as attachments. Large documents which are to be attached can be split into documents of less than 10 MB parts and can be attached and uploaded.

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How do I know that notice under e-verification has been issued to me?

- The Income tax department will send a notice u/s 133(6) of the income tax act, 1961.
- This will be visible on your e-filing portal account on incometax.gov.in. The notice is also emailed to the latest email address submitted to the income tax department while filing the return of income. You will also receive SMS on the latest mobile number registered with your PAN.

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What happens if my explanation is found to be satisfactory?

The case/e-verification proceedings for the specific AY would be closed. However, this could change if any additional evidence/information comes to the knowledge of Income tax department subsequently.

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What happens if the explanation is not found satisfactory?

- If the explanation is not found satisfactory, it may be concluded that the income chargeable to tax is likely to have escaped assessment in the case of assessee.
- Subsequently if the taxpayer does not update the return of income within the due time, Income tax department will undertake risk-assessment based initiation of proceedings like assessment or re-assessment which could lead to tax demand and penalty etc.

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What can I do if I realize that I have missed a transaction while calculating my income in the return of income already filed by me?

You may consider updating your return of income under section 139(8A) of the I.T. Act, 1961, if eligible, by paying tax on the missed income along with additional tax to avoid further proceedings in the form of assessment/re-assessment which could lead to tax demand and penalty.

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Can I respond to the notice u/s133(6) of the I.T. Act, 1961 that I have updated my return of income by paying additional tax on the transaction being e-verified by income tax department?

Yes. This should be explicitly stated in the response. The updated return of income will be verified with the information and an appropriate decision will be taken by the income tax department.

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Do I need to pay any penalty while updating my return?

No, there is no penalty as such. However, you have to pay an additional tax of 25% in the first year and 50% in the second year while updating your return.

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How is the e-verification scheme different from scrutiny assessments/reassessments? How is the e-verification scheme different from scrutiny assessments/reassessments?

- This is primarily a preliminary verification based on the information received by the IT dept from various reporting entities.
- No order is required to be passed in this case because this is not a notice for assessment or reassessment. This is only for verification.
- Once information is verified as correctly reflected in ITR, further steps may not be taken by the income tax department with reference to the specific information verified.
- If information is not included in the return of income, then the taxpayer can update the tax return as mentioned earlier.

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Sample Notice u/s 133(6)



To: THRISSUR MEGHALA PRAVASI WELFARE CO-OPERATIVE SOCIETY LIMITED R. 1407 Third Floor, Sreealakshmi Building, Shornur Road, Thrissur, Thrissur, 680022, KERALA			
PAN: AAEAT7590R	Assessment Year: 2021-22	Date: 30/05/2023	DN: INSIGHT/VER/02/133(6)/2023-24 /8121000143690001

Notice under section 133(6) of the Income-tax Act, 1961

Mr/Mrs/M/s,

Income Tax Department is in possession of following information about your financial transactions for Financial Year 2020-21 (Assessment Year 2021-22) which have an implication on your taxable income.

S. No.	Information Category	Information Value
1	Cash deposits	22,585,714

- With regard to the above, you are hereby required to furnish the information called for as per Annexure 1 on or before 04-06-2023 electronically through Compliance Portal only. Instructions on how to submit response are mentioned in Annexure 2.
- Failure to furnish the above information by due date may lead to penalty u/s 272A(2) of the Income tax Act, 1961 @Rs. 500/- for every day during which the failure continues.
- Your attention is drawn to the provision for Updating the return of income u/s 139(8A) of the IT Act, 1961. Taxpayer whose eligible may file an updated return of income under this provision.

Cours Faithfully,
TO(L&C), Thrissur

Validity unknown
Digitally signed by
SUBRATA GANESH
Date: 2023.05.30 11:47:54
IST

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F.Y. 2020-21
INSIGHT/VER/02/133(6)/2023-24/8121000143690001

Annexure-1

S. No.	Information called for
1	What is your source of income
2	What is the source of Cash Deposit in your Bank Account? Please furnish Capital account & Statement of affair. Please furnish Cash Flow Statement.
3	Please give details of Nature of Business and provide copy of Cash Book where these cash transaction has been recorded? If any income offered against this cash deposit than please furnish copy of Computation of Income?
4	Please furnish reasons for not filing the income tax return for the Financial Year 2020-21
5	Please furnish copy of the bank account statement in respect of all bank accounts maintained during the Financial Year 2020-21

Supporting Documents: No files attached

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Deduction u/s 80P

- Allows deduction in respect of income of certain class of cooperative societies which are attributable to specified activities/investment etc.
- Sec 2(19) of IT Act defines
“Co-operative society registered under Co-operative Societies Act, 1912 or under any other law for the time being in force for the registration of co-operative societies.”
- Section 80AC of the Income Tax Act amended with effect from 01/04/2018
No deduction shall be allowed to unless assessee furnish returns of their income for such assessment year on or before the due date specified under sub-section (1) of section 139 of the IT Act.

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- Same is again included in Sec 143(1)(a)(v) for processing of return of income
- Deduction given on account of Principle of Mutuality. There may be activities of a non-mutual character, but the tax exemption will apply to the surplus arising out of the mutual enterprise. Eg: Income from renting out for hoardings/car parking space to outsiders/cable operator's tower

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Deduction in respect of income of co-operative societies.u/s 80P

80P. (1) Where, in the case of an assessee being a co-operative society, the gross total income includes any income referred to in sub-section (2), there shall be deducted, in accordance with and subject to the provisions of this section, the sums specified in sub-section (2), in computing the total income of the assessee.

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Section 80P(2)(a) - Deduction of 100% of the profits and gains attributable to the activity

(a) in the case of a co-operative society engaged in—

- (i) carrying on the business of banking or providing credit facilities to its members, or
- (ii) a cottage industry, or
- (iii) the marketing of the agricultural produce of its members, or
- (iv) the purchase of agricultural implements, seeds, livestock or other articles intended for agriculture for the purpose of supplying them to its members, or

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(v) the processing, without the aid of power, of the agricultural produce of its members,

(vi) the collective disposal of the labour of its members, with restricted voting rights

(vii) fishing or allied activities, with restricted voting rights {The rules and bye-laws of the society restrict the voting right to the classes :

a) Individuals who contribute their labour or, as the case may be, carry on the fishing or allied activities; b) the co-operative credit societies which provide financial assistance to the society;c) the State Government;

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Deduction U/s 80P(2)(b) & (c)

(b) in the case of co-operative society, being a primary society engaged in supplying milk raised by its members to a federal milk co-operative society, the whole of the amount of profits and gains of such business;

(c) in the case of a co-operative society engaged in activities other than those specified in clause (a) or clause(b) [either independently of, or in addition to, all or any of the activities so specified], so much of its profits and gains attributable to such activities as does not exceed fifty thousand rupees [one hundred thousand rupees for consumers' co-operative society].

(e) Any income derived by the cooperative society from the letting of godowns or warehouses for storage, processing or facilitating the marketing of commodities

(f) A co-operative society other than a housing society or an urban consumer society or a society carrying on transport business or a society engaged in the performance of any manufacturing operations with the aid of power, where the gross total income does not exceed Rs.20,000/- (twenty thousand rupees), the amount of any income by way of interest on securities and the income from house property chargeable under Section 22

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Deduction u/s 80P(2)(d)

(d) in respect of any income by way of interest or dividends derived by the co-operative society from its investments with any other co-operative society, the whole of such income;

- PCIT, TVM Vs Peroorkada Service Co-operative Bank Ltd (Hon'ble Kerala High Court) (ITA 323/2019) Order dated 01/11/2021
- Issue : Whether deduction is available for Interest income earned by the bank from investments of surplus funds in cooperative banks and treasury. Assessee treated the interest income as business income falling within the admissible ambit of deduction under Section 80P(2) (a)(i) of the Act.

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- Decision : it is held that the interest income earned by the assessee does not come within the ambit of Section 80P(2)(a)(i) and permissible deduction of interest income is limited to Co-operative Societies/Banks registered under Kerala Co-operative Societies Act under clause (d) of the Act.

Hence, interest income earned from other than Cooperative bank/society is chargeable u/s 56 of the IT Act and not eligible for deduction u/s 80P of the IT Act. If the interest income is not earned from the activities in which the society is engaged, or is not from its investment with any other co-operative society, the deduction is not to be allowed.

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Deduction u/s 80P

- Sec 80P(4) specifically excludes co-operative banks

The provisions of this section shall not apply in relation to any co-operative bank other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank.

"primary co-operative agricultural and rural development bank" means a society having its area of operation confined to a taluk and the principal object of which is to provide for long-term credit for agricultural and rural development activities.

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FILING OF RETURN OF INCOME BY THE CO-OP. SOCIETY :

1. Income of a co-operative society cannot be exempt u/s 80P, unless the claim is made in the return of income which is filed within the due date for filing return u/s 139(1) of the Act. Thus, the following three situations, disable the assessee-society from claiming the deduction u/s 80P of the Act:
 - ▶ Non-filing of the return of income
 - ▶ Failure to file the return of income within due date for filing the return u/s 139(1)
 - ▶ Failure to make a claim in the return of income

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Condonation of Delay for AY 2018-19 to AY 2022-23

- CBDT Circular No 13/2023 on the issue of Condonation of delay in filing returns of income u/s 119(2)(b) of IT Act for claiming deduction u/s 80P of the Act for AYs 2018-19 to AY 2022-23.
 - It is opportunity to the defaulter co-operative societies to file application before the Chief commissioner of Income tax/Directors General of Income tax seeking condonation of delay for furnishing their return of income.

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Compliance to Section 269SS , Sec 269T and Sec 269ST

• Sec 269SS

Prohibits acceptance of any Loan, Deposit or specified sum of ₹20,000 or more from any person other than through an account payee cheque, bank draft, or electronic clearing system.

The penalty u/s 271D for violation 100% of the sum taken or accepted .

Applies universally across various entities like individuals, firms, companies, trusts, and societies. Limit is 2 Lakhs in the case of PACS if received from its members.

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- Sec 269T

Prohibits the repayment of any loan or deposit of ₹20,000 or more in cash. The penalty u/s 271E is equivalent to 100% of the amount repaid. Limit is 2 Lakhs in the case of PACS.

- Sec 269ST

Prohibits the receipt of ₹2,00,000 or more in cash in a day or in respect of a single transaction/event. The penalty for contravention u/s 271DA is 100% of the cash received.

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TDS on Cash Withdrawal under Sec 194N

- Every banking company , co-operative bank or a post-office, which is responsible for payment of cash to a person, from one or more accounts maintained by him, shall be required to deduct tax if the aggregate of the amount withdrawn exceeds Rs. 1 crore (Rs 20 Lakhs for non-filers). The tax shall be deducted at the time of payment .
- Threshold limit for co-operative societies to withdraw cash without TDS increased to Rs. 3 crore from existing one crore with effect from 1st April, 2023
- TDS @ 2% for filers and @5% for non-filers

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Liability to deduct tax at Source u/s 194A

- TDS u/s 194A is exempted in below cases (Sec 194A(3)(iii) & 194A(3)(v))

(iii) to such income credited or paid to—

(a) any banking company to which the Banking Regulation Act, 1949 (10 of 1949), applies, or any co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank), or....

(v) to such income credited or [paid by a co-operative society (**other than a co-operative bank**) to a member thereof or to such income credited or paid by a co-operative society to any other co-operative society;

provided turnover / gross receipts of the co-operative society is below Rs 50 Cr (As amended per Finance Act 2020)

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- A co-operative society shall be liable to deduct tax on interest paid to depositors if,

(a) The turnover/gross receipts of the co-operative society exceeds Rs. 50 crores during the financial year immediately preceding the financial year in which such interest is credited or paid &

(b) The aggregate amount of interest paid exceeds Rs. 50,000 in respect of interest paid to senior citizens and Rs. 40,000 in any other case.

And file TDS Quarterly returns in Form 26QA as per Sec 206A

- Chirayinkeezhu Service Co-operative Bank Ltd. Vs. CBDT (Hon'ble Kerala High Court) (WP 7795/2019 dated 03/12/2019)

Held that Interest income paid by State Treasury to Co-operative Societies not exempted from deduction of TDS u/s 194A(3)(v) and Sec 194A(3)(iii)(a) is not applicable as deposit is accepted only from members and not from Public.

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Expectations from the Co-operative Societies

- The Advance Tax Provisions if tax liability after adjusting prepaid taxes and TDS is exceeding 10,000/- is applicable to all types of societies.
- Societies should also apply for PAN & TAN and also file quarterly E-TDS returns for the TDS deducted on various payments.
- It is compulsory under proviso to section 139(1) of the Income Tax Act, 1961 to file Return for all types of societies and banks (ITR-5 as AOP). Due Date is 30th September

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THANK YOU

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