



## **CBDT issues instructions to tax officers to adhere to the prescribed time limit of six months while passing a rectification order and the same must be passed by an order in writing**

### **Background**

Recently, the Central Board of Direct Taxes (CBDT) issued an instruction<sup>1</sup> to direct Assessing Officers (AOs) to follow strictly the prescribed time limit of six months, while passing the order under Section 154(8) of the Income-tax Act, 1961 (the Act). The CBDT also issued an instruction<sup>2</sup> to direct that all rectification applications must be disposed of after passing an order in writing. The CBDT stated that rectification application is to be duly served upon the taxpayer concerned and not by merely making necessary rectification on the Assessment Information System (AST).

### **CBDT instruction on time limit for passing a rectification order**

- As per Section 154(8) of the Act where an application for amendment is made by the taxpayer with a view to rectify any mistake apparent from record, the AO shall pass an order, within a period of six months from the end of the month in which such an application is received, by either making an amendment or refusing to allow the claim.

- The CBDT observed that the said time limit of six months had not been followed by AOs in deciding some applications. In such cases, the AOs often take a view that since no action was taken within the prescribed time frame, the application of the taxpayer is deemed to have lapsed, thereby not requiring any action.
- Accordingly, the CBDT has directed the AOs to follow strictly the time limit of six months while disposing of the applications filed by the taxpayer. The supervisory officer should monitor the adherence of the prescribed time limit, and suitable administrative action may be initiated in cases where failure to adhere to the prescribed time frame is noticed.

### **CBDT instruction on passing an order in writing**

- Section 154(4) of the Act provides that rectification order shall be passed in writing by the AOs.
- The CBDT noticed that in some cases rectification order under Section 154 of the Act is being passed by the AOs on AST without giving a copy of the order to the taxpayer. This

<sup>1</sup> Instruction No. 1/2016, dated 15 February 2016

<sup>2</sup> Instruction No. 2/2016, dated 15 February 2016

is causing grievance to the taxpayers as they remain unaware of such orders and consequentially, are unable to pursue the matter either in appeal or further rectification if required.

- The CBDT has directed that all rectification applications must be disposed of after passing an order in writing to be duly served upon the taxpayer and not by merely making necessary rectification on the AST system.

### **Our comments**

CBDT instructions to tax officers to adhere to the prescribed time limit of six months while passing a rectification order and the same must be passed by an order in writing is a welcome move. This will help to dispose of the rectification application in a time bound manner. Further, it may reduce unwarranted litigation between the taxpayer and the tax department.



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