



1. Extended Timeline for Filing Updated Income Tax Returns (ITR-U): Key Amendments Effective April 1, 2025

Introduction

In a significant move to promote voluntary tax compliance, the Central Board of Direct Taxes (CBDT) has extended the timeline for filing **Updated Income Tax Returns (ITR-U)**. Effective from **April 1, 2025**, taxpayers now have a **48-month window** to rectify or update their income tax returns, doubling the previous 24-month period. This amendment, introduced under the **Finance Act, 2025**, aims to provide taxpayers with a broader opportunity to correct omissions or errors in their filings, thereby enhancing transparency and reducing litigation.

Understanding ITR-U

The ITR-U form allows taxpayers to:

- File a return if they missed the original deadline.
- Correct errors or omissions in previously filed returns.
- Declare additional income not reported earlier.

However, it's important to note that ITR-U cannot be used to:

- Claim a refund or increase the refund amount.
 - Declare losses.
 - Reduce the tax liability reported in the original return.
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Key Amendments Effective from April 1, 2025

1. Extended Filing Window

Previously, taxpayers had a **24-month** window from the end of the relevant assessment year to file an updated return. With the amendment to **Section 139(8A)** of the Income Tax Act, 1961, this period has been extended to **48 months**. This change provides taxpayers with an additional two years to rectify their tax returns

Example: For the **Assessment Year (AY) 2021–22**, the updated return can now be filed until **March 31, 2026**, instead of the earlier deadline of **March 31, 2024**.

2. Revised Additional Tax Structure

Alongside the extended timeline, the **additional tax payable** on filing an updated return has been restructured under **Section 140B(3)**. The additional tax is calculated as a percentage of the aggregate of tax and interest payable, based on the timing of the updated return filing:

- **Within 12 months** from the end of the relevant AY: **25%** additional tax.
- **12 to 24 months:** **50%** additional tax.
- **24 to 36 months:** **60%** additional tax.
- **36 to 48 months:** **70%** additional tax.

This graded structure incentivizes early compliance and ensures timely rectification of tax returns.

Eligibility and Restrictions

Who Can File ITR-U?

Taxpayers are eligible to file ITR-U if they:

- Missed filing the original return.
- Need to report additional income or correct errors in the original return.
- Selected incorrect income heads or tax rates.

Who Cannot File ITR-U?

Filing of ITR-U is not permitted if:

- It results in a refund or increases the refund amount.
- It leads to a reduction in the tax liability reported in the original return.

- A search or survey has been initiated against the taxpayer.
 - Assessment or reassessment proceedings are pending or completed for the relevant year.
 - A notice under **Section 148A** has been issued after 36 months from the end of the relevant AY.
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Practical Implications

The extended window for filing ITR-U offers several benefits:

- **Enhanced Compliance:** Taxpayers have more time to voluntarily disclose omitted income, reducing the risk of penalties and legal proceedings.
 - **Reduced Litigation:** By allowing corrections, the amendment minimizes disputes and assessments, easing the burden on both taxpayers and the tax administration.
 - **Flexibility:** The extended timeline provides a structured mechanism to rectify past errors without severe repercussions.
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Conclusion

The extension of the ITR-U filing window to 48 months marks a significant step towards a more transparent and taxpayer-friendly regime. By offering an avenue to correct past mistakes, the CBDT aims to enhance compliance and reduce litigation. Taxpayers are encouraged to assess their records and utilize this provision to ensure accuracy in their tax filings.

For personalized guidance on filing ITR-U and understanding its implications, feel free to contact our team of tax experts.