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INCOME-TAX ACT, 2025

Chapter XX: REFUNDS

Section 438 - Set off and withholding of refunds in certain cases.

(1) Where a refund becomes due or is found to be due to any person under this Act, the Assessing Officer or Commissioner or Principal Commissioner or Chief Commissioner or Principal Chief Commissioner, as the case may be, may *in lieu* of payment of the refund, set off the amount to be refunded or any part of that amount, against the sum, if any, remaining payable under the Income-tax Act, 1961, or this Act by such person. [1]

(2) Any action under sub-section (1) shall be taken after giving an intimation in writing to such person of the action proposed to be taken.

(3) Where,––

(a) a part of the refund is set off under sub-section (1); or

(b) no such amount as referred to in clause (a) is set off,

and refund becomes due to a person, and the Assessing Officer, having regard to the fact that proceedings for assessment or reassessment are pending in the case of such person, may, for reasons to be recorded in writing and with the previous approval of the Principal Commissioner or the Commissioner, withhold the refund up to sixty days from the date on which such assessment or reassessment is made.

1. Inserted by The Finance Act, 2026

the Income-tax Act, 1961, or

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