

## E-FILING OF INCOME TAX RETURNS IN INDIA

### Author Details

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### ABSTRACT

In the present world, new technologies are introduced in all fields. The new technology gifted to a tax payer for filing their Income Tax Returns is e-filing. The e-governance has developed the concept of e-filing of Income Tax Returns through the internet. Thus the IT department has expedited the tax payers with defining the provisions to be followed, which can be filed and the procedure to file Income Tax returns for the benefit of income tax payers as well as the government. The present study is to know the scenario of income tax due to implementation of e-filing. The study clearly shows that India is in the phase of revolutionary changes in information technology which also gives great advancement in e-filing field of income tax department. It has highlighted the benefits and challenges of such a system.

**Keywords:** Technology, tax return, income tax, e-filing etc

## Introduction

A direct tax is a tax you pay on our income directly to the government. Indirect tax is a tax that restaurants, theatres and e-commerce websites charge you on for goods or a service. This tax is, in turn, passed down to the government. Indirect taxes take many forms: service tax on restaurant bills and movie tickets, value added tax or VAT on goods such as clothes and electronics. Goods and services tax, which has recently been introduced is a unified tax that has replaced all the indirect taxes that business owners have to deal with.

| 31 January                               | 31 March                                       | 31 July                          | Oct – Nov                     |
|------------------------------------------|------------------------------------------------|----------------------------------|-------------------------------|
| Deadline to submit our investment proofs | Deadline to make investments under Section 80C | Last date to file our tax return | Time to verify our tax return |

## Income Tax Basics

Everyone who earns or gets an income in India is subject to income tax. (Yes, be it a resident or a non-resident of India). Also read our article on Income Tax for NRIs. Our income could be salary, pension or could be from a savings account that's quietly accumulating a 4% interest. Even, winners of 'Kaun Banega Crorepati' have to pay tax on their prize money. For simpler classification, the Income Tax Department breaks down income into five heads:

| Head of Income                      | Nature of Income covered                                                                                                                                                                                       |
|-------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Income from Salary                  | Income from salary and pension are covered under here                                                                                                                                                          |
| Income from Other Sources           | Income from savings bank account interest, fixed deposits, winning KBC                                                                                                                                         |
| Income from House Property          | This is rental income mostly                                                                                                                                                                                   |
| Income from Capital Gains           | Income from sale of a capital asset such as mutual funds, shares, house property                                                                                                                               |
| Income from Business and Profession | This is when you are self-employed, work as a freelancer or contractor, or you run a business. Life insurance agents, chartered accountants, doctors and lawyers who have their own practice, tuition teachers |

## Tax Slabs

People's incomes are grouped into blocks called tax brackets or tax slabs. And each tax slab has a different tax rate. In India, we have four tax brackets each with an increasing tax rate.

Income earners of up to 5 lakhs

Income earners of between 5 lakhs and 10 lakhs

And those who make more than 10 lakhs per year

| Income Range                        | Tax rate | Tax to be paid                               |
|-------------------------------------|----------|----------------------------------------------|
| Up to Rs.2,50,000                   | 0        | No tax                                       |
| Between Rs 2.5 lakhs and Rs 5 lakhs | 5%       | 5% of our taxable income                     |
| Between Rs 5 lakhs and Rs 10 lakhs  | 20%      | Rs 12,500+ 20% of income above Rs 5 lakhs    |
| Above 10 lakhs                      | 30%      | Rs 1,12,500+ 30% of income above Rs 10 lakhs |

This is the income tax slab for FY 2017-18 for taxpayers under 60 years. There are two other tax slabs for two other age groups: those who are 60 and older and those who are above 80.

**A word of note:** People often misunderstand that if they earn let's say Rs.12 lakhs, they will be paying a 30% tax on Rs.12 lakhs i.e Rs.3,60,000. That's incorrect. A person earning 12 lakhs in the progressive tax system, will pay Rs.1,12,500+ Rs.60,000 = Rs. 1,72,500.

### Exceptions to the Tax Slab

Capital gains are taxed depending on the asset you own and how long you've had it.

| Type of capital asset                    | Holding period                                                                                                           | Tax rate                                  |
|------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|
| House Property                           | Holding more than 24 months<br>Holding less than 24 months                                                               | 20%<br>Depends on slab rate               |
| Debt mutual funds                        | Holding more than 36 months<br>Holding less than 36 months                                                               | 20%<br>Depends on slab rate               |
| Equity mutual funds                      | Holding more than 12 months<br>Holding less than 12 months                                                               | Exempt<br>15%                             |
| Shares (STT paid)<br>Shares (STT unpaid) | Holding more than 12 months<br>Holding less than 12 months<br>Holding more than 12 months<br>Holding less than 12 months | Exempt<br>15%<br>20%<br>As per Slab Rates |
| FMPs                                     | Holding more than 36 months<br>Holding less than 36 months                                                               | 20%<br>Depends on slab rate               |

Indians living abroad or Indians earning foreign income are also taxed differently based on their residential status and their income in India.

If you are a NRI, only our income earned or accrued in India is taxable.

If you are resident Indian for that financial year, then our global income is taxable.

### Calculating Income Tax

We'll just need our payslip. The government provides plenty of tax benefits and credits that taxpayer you can take advantage of. Read our article on Section 80C to know more. The government keeps introducing and altering tax slabs, schemes and tax benefits, so it's a good idea to keep up with the Budget.

## Filing our Income Tax Return

| ITR-1                                                                                                                                                                            | ITR-2                                                                                                                                                                                                                                | ITR-3                                                                                                                                                                             |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Income from < 50 lacs <ul style="list-style-type: none"> <li>• Salary/Pension</li> <li>• One House</li> <li>• Other Sources</li> </ul>                                           | Income from- <ul style="list-style-type: none"> <li>• Everything from ITR-1 &gt; 50lacs</li> <li>• Capital Gains</li> <li>• As a partner in the firm</li> <li>• Foreign Income</li> <li>• Agricultural Income &gt; Rs5000</li> </ul> | Income from- <ul style="list-style-type: none"> <li>• Everything from ITR-2</li> <li>• Business/Profession</li> <li>• Presumptive Business Income (Turnover&gt;2crore)</li> </ul> |
| ITR-4                                                                                                                                                                            | ITR-5                                                                                                                                                                                                                                | ITR-6                                                                                                                                                                             |
| Presumptive Business Income under- <ul style="list-style-type: none"> <li>• Section 44AD</li> <li>• Section 44ADA</li> <li>• Section 44AE</li> </ul>                             | <ul style="list-style-type: none"> <li>• Firms</li> <li>• LLPs</li> <li>• AOPs</li> <li>• BOIs</li> </ul>                                                                                                                            | <ul style="list-style-type: none"> <li>• Companies not claiming exemption under section 11</li> </ul>                                                                             |
| ITR-7                                                                                                                                                                            |                                                                                                                                                                                                                                      |                                                                                                                                                                                   |
| Persons/Companies under- <ul style="list-style-type: none"> <li>• section 139(4A)</li> <li>• section 139 (4B)</li> <li>• section 139 (4C)</li> <li>• section 139 4(D)</li> </ul> |                                                                                                                                                                                                                                      |                                                                                                                                                                                   |

## Tax deductions

There are broad themes to what the government incentivizes. These are covered under Section 80 of the Income Tax Act. Here they are:

### Home ownership

- Stamp duty and Registration under Section 80C
- Home loan principal and interest
- First time homeowner benefit of Rs.50,000 under Section 80EE
- Tax deduction on home purchase with a home loan in FY 2017-18

| Deduction on | Maximum allowed<br>(for self-occupied house property) | Maximum allowed<br>(for property on rent) |
|--------------|-------------------------------------------------------|-------------------------------------------|
|--------------|-------------------------------------------------------|-------------------------------------------|

|                                                                                     |                                                     |                                                                   |
|-------------------------------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------------------|
| Stamp duty and registration + principal                                             | Rs.1,50,000 within the overall limit of Section 80C | Rs.1,50,000 within the overall limit of Section 80C               |
| Deduction on home loan interest under Section 24                                    | Rs.2,00,000                                         | No cap (but rental income must be shown in the income tax return) |
| Deduction for first-time homeowners under Section 80EE<br>*certain conditions apply | Rs.50,000                                           | —                                                                 |

### Home renting

House Rent Allowance or HRA (for salaried only) given how many Indians move cities for work, this is a common allowance most salaried individuals can find in their payslips. If you are renting an apartment, be sure to claim this in our tax return.

Section 80GG (if you are renting and don't get HRA). If you are not salaried, or you are still salaried, but don't get HRA, then you can claim deduction for rent under Section 80GG. Learn more.

### Health

- Life insurance under Section 80C
- Medical insurance under Section 80D
- Preventative health checkups
- Medical bills (for salaried only)
- Tax Deductions for health insurance under Section 80D in FY 2017-18

| Person insured                                           | Maximum deduction<br>Below 60 years | Maximum deduction<br>60 years or older |
|----------------------------------------------------------|-------------------------------------|----------------------------------------|
| You, your spouse, your children                          | Rs.25,000                           | Rs.50,000                              |
| Your parents                                             | Rs.25,000                           | Rs.50,000                              |
| Preventative health checkup                              | Rs.5,000                            | Rs.5,000                               |
| Maximum deduction (includes preventative health checkup) | Rs.50,000                           | Rs.1,00,000                            |

### Long-term savings

Employee provident fund (for salaried only), companies cut 12% of our basic salary and put it in a fund managed by EPFO. Public provident fund Individuals can open a PPF account from a post office or a public sector bank like State Bank of India and ICICI Bank. Pension under Section 80CCD (1B)

### Other investment avenues

| Investment | Risk                | Interest        | Guaranteed Returns | Lock-in Period |
|------------|---------------------|-----------------|--------------------|----------------|
| ELSS funds | Equity-related risk | 12-15% expected | No                 | 3 years        |
| NSC        | Risk-free           | 8.1%            | Yes                | 5 years        |
| 5-Year FDs | Risk-free           | 7-9% expected   | Yes                | 5 years        |

### Taxes in depth – Forms of taxes

- ✓ The Government collects income tax from three channels:
- ✓ TDS
- ✓ Advance tax
- ✓ Self Assessment tax

### TDS

TDS exists to help government get tax throughout the year. There's a prescribed table on how much tax deducted under what circumstances.

Our employer cuts TDS based on the information available to him about you. So if you've made investments, but have not declared or if you live in a rented house, but have not shared rent receipts, our finance department will have no choice but to deduct tax based on only thing they know – our CTC.

This is why the investment proofs deadline in our office is super important. Save themselves some headache and submit your investment proofs on time.

Banks don't know if you're working in a company or if income from fixed deposits is what you solely rely on. So they deduct a standard 10% tax before they give away the interest. Now if you fall in the 20% or 30% bracket, it's on you to pay the remainder of the income tax. That's why sometimes you may find yourself paying some tax at the time of filing a tax return.

Make sure banks have your PAN number. They deduct 20% tax if they don't have your PAN in their records.

Anyone who's receiving an income will have some percentage of tax withheld as prescribed by the government.

### **Advance Tax**

Self-employed people must do the calculation themselves and pay the tax to the Government periodically every quarter.

The deadlines are:

| <b>Due Date</b>             | <b>Advance Tax Payable</b> |
|-----------------------------|----------------------------|
| On or before 15th June      | 15% of advance tax         |
| On or before 15th September | 45% of advance tax         |
| On or before 15th December  | 75% of advance tax         |
| On or before 15th March     | 100% of advance tax        |

To calculate your advance tax:

- ✓ Add up all the invoices received and include future payments you will be receiving till March 31 to estimate your taxable income.
- ✓ Deduct expenses directly related to your business, and any investments you have made under Section 80C in order to arrive at your taxable income.
- ✓ Use the Tax calculator to find out your tax liability.

### **Self Assessment Tax**

When you are filing a tax return and you find out that you need to pay additional tax, you'd be paying self assessment tax. Another way to think about this would be if you are paying tax for a financial year after the deadline has ended, you will pay self assessment tax. If you are paying tax for a financial year during the financial year, you will pay advance tax.

### **Tax Glossary**

#### **Form 26AS**

Form 26AS is a tax summary statement that contains all the tax payments you've made yourself (self-assessment tax/ advance tax) or tax someone deducted (TDS) on your

behalf. You're going to need this document when you are doing your income tax e-filing. Form 26AS can be downloaded from [www.incometaxindiaefiling.com](http://www.incometaxindiaefiling.com).

### **Form 16**

If you need to know whether or not your company has given you some tax allowance like your offer letter says, or want to see how much tax has been deducted throughout the year, or need to see EPF contributions, wouldn't it be easier if you could see them all in one place? That's your Form 16.

Form 16 has:

- ✓ A summary of all the tax deducted by each quarter
- ✓ All the tax benefits and allowances you've availed as a salaried individual
- ✓ Section 80C deductions you've claimed through your employer
- ✓ Taxable income after allowances and Section 80C deductions

This is a super important document for all salaried individuals. And having a Form 16 makes e-filing your income tax return very simple. You can upload your Form 16 and e-file your income tax return. No income tax login required.

### **Form 16A**

Form 16A is very similar to a Form 16 in that it contains how much tax was deducted over what income. So how's Form 16A different?

Form 16A will never be issued by an employer. They're usually given to you by a bank that's deducting TDS, or a company that's deducted tax on your freelancing service.

### **Investment submission proof deadline**

Depending on how large your company is, you might have two deadlines related to investment proofs. There's one in the beginning of the year (April) that needs you to just declare how much money you're planning to invest in Section 80C. This will give an indication on how much they need to deduct in TDS.

Again in the last quarter (roughly between December and February), you will be asked to submit investment proofs. This is when you need to submit all your rent receipts, medical bills (if you're getting medical reimbursement) and investments under Section 80C, 80D.

### **Assessment Year/ Financial Year**

Financial Year runs between April 1 and March 31 of each year. Income tax is calculated for this period. Income tax returns are assessed the year after the financial year has finished. So that's your Assessment Year. During the assessment year, taxpayers file their

income tax return. Income tax return and refunds are processed by the I-T Department that year.

### **ITR-V**

ITRV stands for Income Tax Return – Verification. After filing your tax return online, you must print and sign a 1-page document and send it to the Income Tax Department.

### **Challan 280**

Challan 280 is the slip that you will use for online income tax payment.

Follow this guide to learn how to pay tax due.

- ✓ Getting your tax credit statement Form 26AS
- ✓ Getting your tax records for home loan or visa application
- ✓ Verifying your income tax return after ITR submission

## **Steps in Filing Tax Returns**

### **Step 1: Create your e-filing account**

In order to create an e-filing account, you should visit the Income Tax website <https://incometaxindiaefiling.gov.in> and click on 'Register Yourself' which will prompt you to fill your personal details. Once your e-filing account is created, login to your account with your user ID (ie PAN) and password.

### **Step 2: Download Form 26AS**

Click on the 'View Form 26AS (Tax Credit)' link displayed under the Quick Link menu on the left hand side of the screen to generate Form 26AS. Form 26AS is a consolidated tax statement issued to a tax payer which summarizes the amount paid against each PAN number. It summarizes the TDS, Advance tax, Self assessment tax paid in your name. The password to open your Form 26AS is your date of birth in ddmmYYYY format.

### **Step 3: Download the income tax return form**

Click on the 'Download ITR' link which is also displayed under the Quick Link menu on the left hand side of the screen. Thereafter download the income tax return form. ITR 1 should be downloaded by individuals earning salary income / pension; or individuals having one house property income; or individuals having income from other sources (excluding lottery income and income from race horses). However, in case of an individual having income from more than one house property, capital gains or is an ordinary resident having assets abroad or claiming tax treaty benefit, then ITR-2 should be downloaded. After downloading the income tax return form, a zip file will be saved on your computer.

### **Step 4: Fill the details in the Tax return form**

Extract the excel form utility from the downloaded zip file and enable the macros in the Excel form. Carefully follow the instructions and fill the following details:

- Mention the basic details which include your name, PAN, complete address, date of birth, e-mail ID, mobile number, whether the return is original or revised, and residential status.
- You can refer to your Form 16 and Form 26AS. However, you will also be required to report any other income or investment eligible for deduction which was not reported to your employer.
- Enter the details of tax deducted by the employer and other deductors and self-assessment / advance tax paid, if any.
- Enter your bank details, which include your bank account number, preferred mode of receiving any refund amount (ie by cheque or direct deposit), type of bank account and IFSC code.

#### **Step 5: Validate the details**

Click on the 'Validate' button provided on all the sheets. This ensures that all the details have been captured in the return. In the case you omit anything; the sheet will automatically prompt you to fill in the missing details.

#### **Step 6: Calculate your tax liability**

Click on 'Calculate Tax' after you have filled all the details. In case the return form shows any tax payable, then you should deposit the amount and enter the challan details in the return form.

#### **Step 7: Generate the XML file**

Once all taxes have been paid, click on the 'Generate XML' tab and save the xml generated file on your computer.

#### **Step 8: Submit the income tax return**

You should go to your e-filing account on the income tax website and click on 'Upload Return'. Fill the ITR Form, Name and Assessment Year. Thereafter upload the XML file and click on 'Submit'. After this an ITR-V will be generated and sent to your e-mail ID mentioned in the tax return. ITR-V is an acknowledgement-cum-verification form.

#### **Step 9: Send the signed ITR-V to the Income Tax Department**

You should take a print of ITR-V and sign it in blue ink. Thereafter you should send it by ordinary post or speed post to 'Income Tax Department - CPC, Post Bag No - 1, Electronic City Post Office, Bengaluru - 560100. The signed ITR-V should be sent within 120 days of uploading the return.

### **Step 10: Check the ITR-V receipt status**

On receipt of the signed ITR-V, the Income Tax Department will send an e-mail acknowledging the receipt of ITR-V to the e-mail ID mentioned in the tax return. You will also receive an SMS on your mobile number acknowledging the receipt of tax return.

### **Conclusion**

E-Return filing is getting popularity in the country. Many researchers have highlighted the importance of perceived risk associated with E-Return. But there are many benefits of filling return electronically. It enables citizens to file anytime from anywhere, reduce requirement of physical space, accuracy of data ensured, and Enable faster processing of returns. However there are many challenges regarding adoption of e-filing by mass population. The main challenge is risk of security. Security includes confidentiality of data received through E-Return and Integrity of data maintained in proper manner so that no one can alter data received through E-return. Income tax department done a lot to aware peoples but still there is need to promote e-filing campaigning and enhance some job opportunities as TRPs in the society so that people become more aware about this new opportunity. So importance should be given to security of private data of customers, so that more and more people electronically file their returns also some awareness drives should be arranged by tax department and also social media can be used motivate peoples to file their return electronically.

### **Reference**

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