

MAR GREGORIOS COLLEGE OF ARTS & SCIENCE

Block No.8, College Road, Mogappair West, Chennai – 37

Affiliated to the University of Madras
Approved by the Government of Tamil Nadu
An ISO 9001:2015 Certified Institution



DEPARTMENT OF COMMERCE

SUBJECT NAME: INCOME TAX LAW AND PRACTICE - I

SUBJECT CODE: CVZ5A

SEMESTER: V

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Elective Paper I – (1) INCOME TAX LAW AND PRACTICE - I

Objectives

No of Credits : 5

To Provide a detailed understanding of the various provisions of I.T. Act.

To enable the students to about the Assessment Procedures and Tax Planning.

Unit I : Introduction

Meaning of Income - Features of Income Tax - Types - Important Definitions Under the Income Tax Act - Assessee - Types - Rates of Tax - Residential Status - Scope of Total Income - Incomes Exempt from tax.

Unit II : Income from Salary

Definition - Allowances - Valuation of perquisites - Deductions from Salary - Gratuity - Pension - Commutation of Pension - Leave Salary - Profits in lieu of Salary - Provident Funds - Deductions under Sec. 80.

Unit III : Income from House Property

Annual Value - Meaning and Computation - Deductions from Annual Value - Legal Provisions.

Unit IV : Profits and Gains from Business or Profession

Income from Business or Profession - Allowable expenses - Not allowable expenses - General deductions - Provisions relating to Depreciation - Deemed Business Profits - Undisclosed incomes - Investments - Compulsory maintenance of Books of accounts - Audit of Accounts of certain persons - Special provisions for Computing Incomes on estimated basis - Computation of Income from Business or Profession.

Unit V : e-filing & Submission of Returns

e-filing - Concept - Procedure - 26 AS - TDS - Traces - Filing of Return - Various Returns - Permanent Account Number (PAN) - Usage of PAN - Concept of Transfer Pricing - Fundamentals.

Note : Questions in Sec. A, B & C shall be in the proportion of 20:80 between Theory and Problems.

INCOME TAX LAW AND PRACTICE - I

UNIT-I

INTRODUCTION:

The income tax concept was introduced in the year 1860 after the I World War i.e. War of Mutiny. After several amendments made, in order to simplify the taxation procedures, the Indian Government organized committee to present a report about taxation. According to the report submitted in 1958, rules were framed in 1961. But, it came into force only in the year 1962(1.4.62).

Sources of Income Tax Law:

1. The present act-Income Tax Act, 1961 comprises of 298 sections and schedules. The act runs into several thousands of sub sections, rules and sub-rules.
2. Finance Minister of Indian Government used to present the budget to Parliament containing the proposed policies of the Government.
3. Income Tax Rules are framed by the Central Board of Direct Taxes from time to time. These rules are collectively called I.T rules 1962.
4. Circulars and Notices are issued by the Central Board of Direct Taxes.
5. Some of the verdicts given by Courts in several cases are collectively called case Laws.

Meaning of Income Tax:

Income tax means compulsory contribution directly levied on the total income earned by the assessee in the previous year.

Previous year (Sec. 3):

The year, in which, the income is earned and which is subject to tax in the succeeding year, is called Previous Year

Assessment Year (Sec 2 (9)):

The year, in which, income of the specified assessee is assessed and tax is determined, is called Assessment year. It consists of 12 months commencing from 1st day of April to 31st March of the next year.

Assessment:

Assessment is the procedure by which the income and tax on such income are determined by the Assessing Officer.

Person (Sec 2 (31)):

Person includes:

1. Individual
2. HUF
3. Firm
4. Company
5. Association of person (AOP) or Body of Individuals (BOD)
6. Local Authority
7. Artificial juridical person

Assessee (Sec 2 (7)):

- a. **Assessee:** The assessee is the person who is bound to pay tax and who can claim tax refund.
- b. **Deemed assessee:** The person is bound to pay tax for the income of other person.
- c. **Assessee-in-default:** If the assessee fails to pay tax, he is called Assessee-in-default.

Income (Sec 2 (24)):

Income includes,

1. Profit or Gain from the business
2. Capital Gain
3. Insurance profit
4. Casual income
5. Auditors fee
6. Directors fee
7. Sub-letting of House
8. Agricultural income in foreign country
9. Sitting fee
10. Interest on government securities, etc.

Total Income (Sec 2 (45)):

Salary	XXX
Income from House property	XXX
Business Income	XXX
Capital gains	XXX
Income from other sources	XXX
Gross Total Income (GTI)	XXX

Salary Income:

Income earned, by the way of rendering services for employer, is called Salary income. There should be relationship of employer and employee.

**Income Tax Slabs for Individuals below 60 years of age in FY 2020-21
(AY 2021-22)**

Income Tax Slab	Tax Applicable as per New Regime
Rs.0 – Rs.2,50,000	Nil
Rs.2,50,001 – Rs. 5,00,000	5.00%
Rs.5,00,001 – Rs. 7,50,000	Rs.12500 + 10% of total income exceeding Rs.5,00,000
Rs.7,50,001 – Rs. 10,00,000	Rs.37500 + 15% of total income exceeding Rs.7,50,000
Rs.10,00,001 – Rs.12,50,000	Rs.75000 + 20% of total income exceeding Rs.10,00,000
Rs.12,50,001 – Rs.15,00,000	Rs.125000 + 25% of total income exceeding Rs.12,50,000
Above Rs. 15,00,000	Rs.187500 + 30% of total income exceeding Rs.15,00,000

Income Tax Slabs for Individuals within 60 years of Age (FY – 2019-2020)

Slabs for Taxable Income	Applicable Tax Rates & Cess
Within Rs. 2.5 Lakh	Nil
From Rs. 2.5 Lakh to 5 lakh	Taxable income's 5% plus 4% cess on tax
From Rs. 5 Lakh to 10 Lakh	5% for taxable income between Rs. 2.5 Lakh and 5 Lakh + 20% on taxable income between Rs. 5 Lakh and 10 Lakh plus 4% cess on tax
Above Rs. 10 Lakh	5% for taxable income between Rs. 2.5 Lakh and 5 Lakh + 20% on taxable income between Rs. 5 Lakh and 10 Lakh +30% on taxable income above Rs. 10 Lakh plus 4% cess on tax

income Tax Slabs for Individuals between 60 and 80 Years (Senior Citizens fy– 2019-20)

Slabs for Taxable Income	Applicable Tax Rates & Cess
Within Rs. 3 Lakh	Nil
From Rs. 3 Lakh to 5 lakh	5% on taxable income plus 4% cess on tax
From Rs. 5 Lakh to 10 Lakh	5% on taxable income between Rs. 3 Lakh and Rs. 5 Lakh + 20% on taxable income between Rs. 5 Lakh and 10 Lakh plus 4% cess on tax
Above Rs. 10 Lakh	5% for taxable income between Rs. 3 Lakh and Rs. 5 Lakh + 20% on taxable income between Rs. 5 Lakh and 10 Lakh +30% on taxable income above Rs. 10 Lakh plus 4% cess on tax

Income tax slabs for individuals above 80 years (Super senior citizens – FY – 2019-20)

Slabs for Taxable Income	Applicable Tax Rates & Cess
Within Rs. 5 Lakh	Nil
From Rs. 5 Lakh to 10 Lakh	20% on taxable income between Rs. 5 Lakh and 10 Lakh plus 4% cess on tax
Above Rs. 10 Lakh	20% on taxable income between Rs. 5 Lakh and 10 lakh +30% on taxable income above Rs. 10 Lakh plus 4% cess on tax

Also, resident individuals with annual income below Rs. 5 Lakh are eligible for a rebate of Rs. 12,500 under section 87(A) of the Income Tax Act, 1961. Additionally, a standard deduction of up to Rs. 50,000 is allowed for the FY 2019-20.

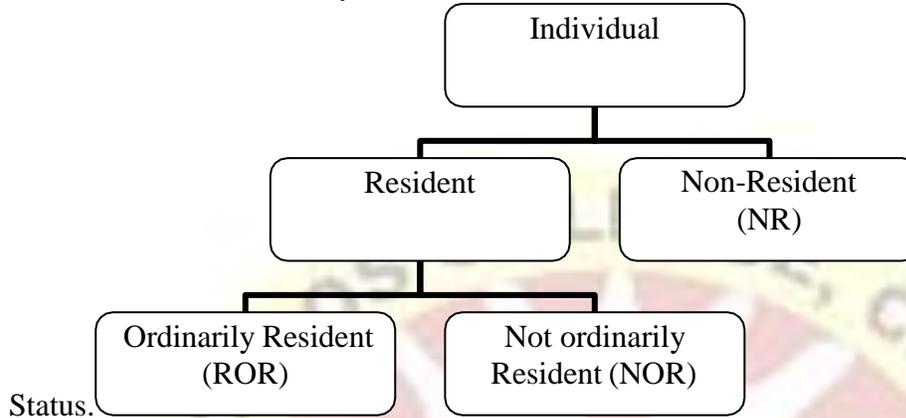
Surcharges Applicable for Resident Individuals

For the FY 2019-20, new surcharge rates have also been introduced on the income of the rich. Check the table below to know how it applies.

Annual Income (Taxable)	Applicable Surcharge Rates
Between Rs. 50 Lakh and Rs. 1 Crore	10%
From Rs. 1 Crore to 2 Crore	15%
From Rs. 2 Crore to 5 Crore	25%
Rs. 5 Crore and above	37%

RESIDENTIAL STATUS

For deciding the status of any person, who has to pay tax in India or not, is determined on the basis of his /her stay in India. Such status is called Residential



No.	Residential Status	Any one of the Basic Conditions	Both the Additional conditions
1.	Resident	✓	----
2.	Resident & Ordinarily Resident(ROR)	✓	✓
3.	Not Ordinarily Resident(NOR)	✓	✗
4.	Non-Resident	✗	✗

✓ = Condition **correctly** satisfied

✗ = Condition **not** satisfied

---- = Not necessary

Basic Conditions

1. A stay of atleast 182 days or more during the previous year i.e.

182+ PY

OR

2. A stay of atleast 60 days or more in the previous year and 365 days in the Four Preceding Previous Years. i.e.

60+ PY	and	365+ 4PPY
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Additional conditions

1. He should be Resident in atleast 2 out of 10 Preceding previous years
- AND**
2. A stay of atleast 730 days or more in the 7 preceding previous years

$\frac{2R}{10PPY}$

$\frac{730+}{7PPY}$

❖ Only **First Basic condition** should be satisfied (second option is not allowed) in the following cases

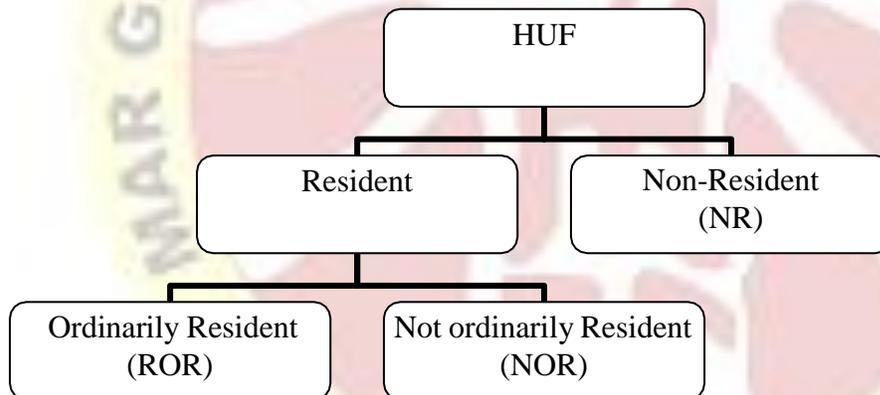
- A. In case of **Indian citizen** who **goes to India in the PY for employment** or **working** as a **member of crew** of ship
- B. In case of **Indian citizen** who stays abroad **comes on** visit to India during the previous year

1

Points to remember

1. No. of days stayed = Stay before Departure + Stay after arrival
2. Both Departure Date and Arrival Date are counted for no. of days' calculation
3. Yearwise calculation is to be done

RESIDENTIAL STATUS OF HINDU UNDIVIDED FAMILY (HUF)



No.	Residential Status	Any one of the Basic Conditions	Both the Additional conditions
1.	Resident	✓	----
2.	Resident & Ordinarily Resident(ROR)	✓	✓
3.	Not Ordinarily Resident(NOR)	✓	×
4.	Non-Resident	×	---

✓ = Condition **correctly** satisfied × = Condition **not** satisfied

---- = Not necessary

Basic Condition:

1. Control and Management of HUF should be situated in India.

Additional conditions:

1. Karta of HUF should be Resident in 2 out of 10 Preceding previous years i.e.
AND

$\frac{2R}{10PPY}$

2. Karta's stay of atleast 730 days or more in the 7 preceding previous years

$\frac{730+}{7PPY}$

If such assessee's control and Management is situated wholly or partly in India, it is called **Resident**, otherwise **Non-resident**

INCIDENCE OF TAX

S.NO.	PLACE OF INCOME	ROR	NOR	NR
1	IN DIAN INCOME Income received or accrued or arises or deemed to be received or accrued in India	Taxable	Taxable	Taxable
2	FOREIGN INCOME Income received or accrued or arises in foreign country (not received in India) But, business is controlled from India	Taxable	Taxable	----
3	FOREIGN INCOME Income received or accrued or arises in foreign country (not received in India) But, business is not controlled from India	Taxable	----	----
4.	Past untaxed income	----	----	----
	Total	XXX	XXX	XXX

CAPITAL VS REVENUE

Capital Receipt Vs Revenue Receipt

S.No.	Basis	Capital Receipt	Revenue Receipt
1.	Relation with Asset	Fixed Asset	Circulating Asset
2.	Substitution	Substitution for source of Income	Substitution for Income
3.	Compensation	Compensation will be provided if right is surrendered	If future profit is surrendered, compensation will be provided

Capital Expenditure Vs Revenue Expenditure

S.No.	Basis	Capital Expenditure	Revenue Expenditure
1.	Type of Asset	Fixed Asset	Circulating Asset
2.	Type of Liability	Long Term Liability	Current Liability
3.	Type of Transaction	Exp. met for acquiring source of Income	Exp. met for earning an income
4.	Nature of Expenditure	Purchase and Installation of Fixed Assets	Day-to-Day Expenses to run the business
5.	Recurrence	Non-Recurring	Recurring

Capital Loss Vs Revenue Loss

S.No.	Basis	Capital Loss	Revenue Loss
1.	Loss on sale	Loss on sale of Assets is Capital Loss	Loss on sale of Stock-in-trade is Revenue Loss
2.	Cash/Stock loss	Any Cash loss due Misappropriation by an employee is capital loss	Any Cash/Stock loss due embezzlement by an employee is loss

Exempted Income

1. Agricultural Income (Sec 10 (1)):

Agricultural Income is exempted from tax if it comes within the definition of agricultural Income as per sec 2(1A). According to Sec 2(1A). If the following three conditions are satisfied, income derived from land can be termed as agricultural Income..

- a. Rent or Revenue should be derived from land (may be in cash or in kind)
- b. The Land is one which is situated in India
- c. The land is used for agricultural purpose

2. Receipts by a member from HUF(Sec 10 (2)):

Any sum received by an Individual as member of H.U.F. either out of income of the family or out of income from estate belonging to the family is exempted from tax.

3. Share from profits from partnership firm (Sec 10 (2A)):

Share of profit received by partner from a firm is not taxable in the hands of partners

4. Interest to Non-Resident (Sec 10 (4)):

The following interest incomes are exempt from tax.

- a. Any income of a non-resident by way of interest on notified Govt. securities
- b. Income in the form of interest on amount standing to Non-Resident (External) Account

5. Leave Travel concession (Sec 10 (5)):

The amount exempted under section 10(5) is the value of any travel concession or assistance received or due to the assessee

- a. From his employer for himself and his family in connection with his proceeding on leave to any place in India.
- b. From his employer or former employer for himself or his family in connection with his proceeding to any place in India after Retirement from service or after termination of his service.

6. Foreign Allowance (Sec 10 (7)):

Any allowance paid or allowed outside India by the Government to an Indian citizen for rendering service outside India is wholly exempted from tax.

7. Income of foreign Government employee under cooperative technical Programme (Sec 10 (8)):

In come of an Individual servicing in India in connection with any cooperative technical assistance programme, in accordance with an agreement entered into by the central government and a foreign government is exempt from tax.

8. Gratuity (Sec 10 (10)):

a) Death-cum-retirement- Gratuity received by **Government employees** is fully exempt

b) Gratuity received by those who **covered** under payment of Gratuity Act.

Least of the following is exempted

1. Actual gratuity received
2. Notified limit: Rs.10,00,000
3. **15 days (15/26) salary (last drawn)** for each completed year of services, or part thereof in excess of 6 months.

c. Gratuity received by those **not covered** under payment of Gratuity Act.

1. Actual gratuity received
2. . Notified limit: Rs.10,00,000

3.1/2 monthly average salary* for each completed year of services, (months are not considered).

$$\text{Avg. salary} = \frac{\text{last 10 months salary}}{10}$$

9. Pension (Sec 10 (10A)):

a. Uncommuted pension is always taxable for all(government and Private employee)

b. Commuted pension:

Government employees- **Exempted**

c. Other than Government employees

Those who received gratuity: 1/3rd of **full pension**.

Those who does not receive gratuity: 1/2 of the **full pension**

10. Leave encashment (Sec 10 (10AA)):

A. Central and State government employees:

It is fully exempted

B. Other employees:

The **least** of the following is exempted:

1. Actual leave encashment received
2. Notified limit Rs.3, 00,000
3. Average salary x 10 months
4. Cash Equivalent of leave salary due at the time of retirement

4. One month salary for no. of year service rendered

11. Payment from Statutory Provident Fund (Sec 10 (11)):

It is fully exempted

12. Payment from Recognised Provident Fund (Sec 10 (12)):

It is fully exempted

13. House Rent Allowance (Sec 10 (13A)):

Least of the following is exempted

- a. Actual H.R.A
- b. Rent- 10% of salary
- c. 0% of salary in case of other than Metropolitan cities or
50% of salary in case of Metropolitan cities

14. Educational Scholarships (Sec 10 (16)):

Scholarship granted to meet the cost of education is exempted from tax.

15. Income of Minor (Sec 10 (32)):

In case , the income of an individual includes the income of his minor child in terms of Sec.64(1A), Such Individual shall be entitled to exemption of Rs.1,500 in respect of each minor child.

UNIT-II
COMPUTATION OF SALARY INCOME

I	Basic items: <ol style="list-style-type: none"> 1. Basic salary/wages/pay 2. Special pay 3. Bonus 4. Fees 5. Commission 6. Advance salary 7. Arrears of salary 	XXXX XXXX XXXX XXXX XXXX XXXX XXXX
II	Allowances: <ol style="list-style-type: none"> 1. Fully Taxable Allowances 2. Partly taxable allowances (Allowances-exemption) 3. Fully Exempted allowances 	XXXX XXXX XXXX
III	Perquisites: <ol style="list-style-type: none"> 1. Taxable for all (Specified and unspecified) 2. Taxable for specified employees 3. Exempted for all (Specified and unspecified) 	XXXX XXXX XXXX
IV	Profit in lieu of salary (Lump sum receipt): <ol style="list-style-type: none"> 1. Gratuity 2. Pension 3. Leave encashment 4. Lump-sum from Provident Fund 	XXXX XXXX XXXX XXXX
V	Others: <ol style="list-style-type: none"> 1. Employer's contribution towards R.P.F.(12% of sal. is exempt) 2. Interest credited to R.P.F.(upto 9.5% of int. is exempt) 	XXXX XXXX
	Gross Salary	XXXX
	Less: 1. Entertainment Allowance (Only for Government employees) 2. Professional Tax/Employment tax	XXXX XXXX
	Taxable Salary	XXXX

SALARY FOR VARIOUS CALCULATIONS

<u>HRA/RPF/ GRATUITY NOT COVERED</u>	RENT FREE ACCOM- MODATION	<u>GRATUITY COVERED</u>	SPEFICIED EMPLOYEE	EA
Basic Salary	Basic Salary	Basic Salary	Basic Salary	Basic salary
DP/DA forming part of salary	DP/DA forming part of salary	DP/DA not forming and forming part of salary	DP/DA forming part of salary	
Fixed Commision	Fixed Commision	Fixed Commision	Fixed Commision	
	Taxable Allowance		Taxable Allowance	
	Statutory Bonus		Cash Bonus	
	Fees		Fees	
	Uncommuted pension		Uncommuted pension	
	Annuity from employer		Annuity from employer	
	Annual leave encashment		Annual leave encashment	
			All cash benefits	

Allowances

Fully Exempted	Fully Taxable	Partially Taxable
1.Foreign allowance 2.House Rent Allowance for Judges of High Court and Supreme Court 3. Sumptuary Allowance	1.Dearness Allowance 2.C.C.A 3.Lunch Allowance 4.Tiffin Allowance 5.Marriage Allowance 6.Family Allowance 7.Deputation Allowance 8.Wardenship Allowance 9. Non-Practising Allowance 10.Project Allowance 11.Overtime Allowance 12. Medical Allowance 13. Entertainment Allowance 14. Water Allowance 15. Electricity Allowance	1. House Rent Allowance- 2. Heleper Allowance 3. Uniform Allowance 4.Academic Allowance 5.Travelling Allowance 6. Hill Compensatory Allowance 7.Border Area Allowance 8.Transport Allowance 9.Tribal area Allowance 10.Running Allowance 11. Children Education Allowance 12. Compensatory Field Area Allow 13. Hostel Allowance 14. Compensatory Modified Field Area allowance

Partially Taxable allowance

No.	Allowance	Exempted limit
1.	House Rent Allowance	a. Actual H.R.A b. Rent- 10% of salary c.0% in case of other than Metropolitan cities or 50% in case of Metropolitan cities Among the a,b&c, Whichever is less to be chosen
2.	Heleper Allowance	Upto actual expenditure for engaging helper
3.	Uniform Allowance	Upto actual expenditure for maintaining uniform
4.	Academic Allowance	Upto actual expenditure for research
5.	Traveling Allowance	Upto actual expenditure for official purpose
6.	Hill Compensatory Allowance	Ranging from 300 p.m.to 7,000 p.m.
7.	Border Area Allowance	Ranging from 200 p.m.to 1,300 p.m.
8.	Transport Allowance	Rs.1,600 p.m. , (handicapped assessee:3,200 p.m.)
9.	Tribal area Allowance	Rs.200 p.m.
10.	Running Allowance	70% of such amount or Rs.6,000p.m. w.e.l.
11	Children Education Allowance	Rs.100 p.m. per child for maximum two children
12.	Hostel Allowance	Rs. 300 p.m. per child for maximum two children
13.	Compensatory Field Area Allow	Rs.2,600 p.m.
14.	Modified field area allowance	Rs.1,000 p.m.

***HRA is fully taxable if the assessee lives in own house**

MOTOR CAR PERQUISITE

		When car is owned by employer		When car is owned by employee	
		Exp. Met By Employer	Exp. Met By Employee	Exp. Met By Employer	Exp. Met By Employee
For Official purpose		Exempted	----- If any Reimburement, th at is exempted	Exempted	----- ----- If any Reimbur esement, that is exempte d
For personal purpose		Dep.10% xxx Act. Exp xxx Chauffeur Salary xxx xxx	-----	Act. Exp xxx Chauffeur Salary xxx xxx	-----
For both Official and Personal purpose	Small Car	Fixed amt. 1,800p.m Chauffeur Salary 900p.m.	Fixed amt. 600p.m Chauffeur Salary 900p.m.	Act. Exp. xxx -Fixed amt. <u>1,800p.m</u>	-----
	Large Car	Fixed amt. 2,400p.m Chauffeur Salary 900p.m.	Fixed amt. 900p.m Chauffeur Salary 900p.m.	Act. Exp. xxx -Fixed amt. <u>2,400p.m</u>	-----

Perquisites

Fully Exempted	Taxable for all employees	Taxable for *specified employee (others=exempted)
<p>1.Free medical facilities 2.Free refreshments during working hours 3.Free recreational facilities 4.prov. for telephone for office purpose 5.Free meals upto Rs. 50 per day 6. Free education for Employees 7.Leave travel concession 8.Conveyance for office 9.Computer laptops given for official & personal purpose 10.Transfer of movable asset more 10 years old 11.Employer contribution group insurance scheme 12. Accident insurance premium paid by employer 13. Interest free loan upto Rs.20,000 14.Value of shares and debentures given at concessional rate 15.Tax on perquisite paid by employer 16. Rent free accommodation at remote area.</p>	<p>1.Rent Free Accommodation 2. R.F.A. at concessional rate 3.Obligation of employer, but met by employer a. Gas & Electricity Bill b. Education Bill c. / Professional Tax/ Income Tax of employee d. Salary of servants e. Car owned by employer used for private purpose maintenance exp. Met by employer 4. Other fringe benefits: a. Free meals above Rs.50 per day b. Interest free loan exceeding Rs.20,000 c. Use of movable asset except computer d. Transfer of movable asset e. Any amount of life insurance premium paid</p>	<p>1.Free Gas, water & Electricity 2. Free education facility 3.Free transport for employees of transport company 4.Free servants provided by employer</p>

***SPECIFIED EMPLOYEE-**

1. Who is **director** of the company
2. Who holds **20%** of the voting right (or) **substantial interest**
3. Who has monetary salary of **more than Rs.50, 000**

1. Rent free accommodation:**Unfurnished accommodation**

For Government employee: Standard Rate or License fee

For other than Govt. Employees, it is as follows:

City	House owned by employer	House hired by employer
Population 10,00,000 or less than 10,00,000	7.5% of salary	Rent paid or 15% of Salary w.e.l.
Population more than 10,00,000 less than 25,00,000	10% of salary	Rent paid or 15% of Salary w.e.l
Population more than 25,00,000	15% of salary	Rent paid or 15% of Salary w.e.l

Furnished accommodation:

Unfurnished accommodation as per above calculation: XXX

Add: 10% of cost of furniture and actual hire charges

XXX

XXX

XXX

2. Concessional rent:

Unfurnished or Furnished Accommodation

XXX

(-) Actual rent paid by employee

XXX

XXX

3. Medical facility:

Treatment in hospital maintained by employer- Exempted

Treatment in Government Hospital - Exempted

Treatment in Private hospital - Upto Rs.15,000 is exempted.

4. Gas & Electricity Facility: i) if the supply from own resources of employees manufacture cost of Gas & Electricity is taxable benefit in cost of specified employee.

ii) If the supply is made offer purchasing from outside agency, the amount paid by employer is taxable benefit for specified employer.

5. Education facility:

i) Expenditure met for employee trainee & free education is fully exempted

ii) School fees of employees

6. Free Transport: Free transport allowed by employer to employees engaged in transport business is taxable

7. Provision of servants: Where the employer provides to his employee free services of sweeper, gardener, watchman or personal attendant, actual salary paid to these persons is taxable perquisite

***But Salary of Gardener is exempted if the house is owned by the employer.**

8. Club facility:

Cost incurred for this facility is exempted

9. Transfer of movable asset: In case of transfer of movable asset, the value of benefit (Perquisite) is found **after deducting** the **depreciation** charged.

10. Use of Movable asset:

Taxable benefit = $\frac{10\% \text{ of cost of asset} \times \text{No of days asset used}}{\text{No. of days in the financial year}}$

GRATUITY**A. Death-cum-retirement-**

Gratuity received by Government employees is fully exempted

B. Gratuity received by those who covered under payment of Gratuity Act.

Least of the following is exempted

1. Actual gratuity received
2. Notified limit: Rs.10,00,000
3. 15 days salary (**last drawn**) for each completed year of services, or part thereof in **excess of 6 months**.

C. Gratuity received by those not covered under payment of Gratuity Act.

1. Actual gratuity received
2. Notified limit: Rs.10, 00,000
3. 1/2 monthly **average salary*** for each completed year of services, (months are not considered).

Avg. salary = $\frac{\text{last 10 months salary}}{10}$

PENSION:**a. Uncommuted pension is always taxable****b. Commuted pension:**

Government employees- Exempted

Other than Government employees

Those who received gratuity: 1/3rd of **full pension**.

Those who does not receive gratuity: 1/2 of the **full pension**

LEAVE ENCASHMENT

Central and State government employees: It is fully exempted

Other employees:

The least of the following is exempted:

1. Actual leave encashment received
2. Notified limit Rs.3, 00,000
3. Average salary x 10 months
4. Cash Equivalent of leave salary due at the time of retirement One month salary for no. of year service rendered*

Total no. of year of service rendered x 1month XX months

Less: Leave **already** availed (taken or encashed) XX months

* Leave earned **for the above 4th point.** XX months

DEDUCTION FROM GROSS SALARY

1. Entertainment Allowance (only for government employees):

The **least** of the following is **deductible**

1. Notified limit -Rs.5, 000
2. 1/5th of Basic Salary
3. Actual E.A. received

2. Professional/Employment Tax**DEDUCTION FROM GROSS TOTAL INCOME (All incomes)****Qualifying Amount U/S 80C**

This is deducted from the gross total income. But it is mostly related to savings of employee. So, it is given in respect of salary. **Maximum deduction should not exceed Rs.1, 50,000.** List of the **important items** come under 80C is as follows:

1. Employees own contribution to S.P.F., R.P.F. &P.P.F.
2. Contribution towards superannuation fund.
3. LIC premium paid by employee for his family members (spouse, children of employee, children may be major or minor, married or unmarried).**LIC premium taken for employee's father or mother is not considered.** Claim of deduction is Actual premium or 20% of sum assured.
4. Deduction from salary of employee by Govt. under group insurance scheme.
5. Amount invested in NSC VIII issue
6. Interest accrued on NSC VIII issue
7. Any amount deposited under NSS 1992
8. Amount invested with UTI or LIC under ULIP plan
9. Repayment under Housing loan taken from Govt, LIC, Bank, and other housing financing institutions.
10. Tuition fees paid to University, College & School for maximum 2 children.



LET YOUR LIGHT SHINE

UNIT-III

INCOME FROM HOUSE PROPERTY

COMPUTATION OF LOSS FROM SELF OCCUPIED HOUSE PROPERTY

G.A.V.	-----
Less: Municipal Tax	-----
Annual value	-----
Less: Interest on Loan	XXXX
Loss from self- occupied	--XXXX

Some points to remember

1. There should be **only one self-occupied house**. More than that should be considered as deemed to be let out house property

2. Interest on loan:

House constructed before 1-4-99: **Total interest** of pre-construction (1/5th) and post construction (current previous year: 2008-09) should **not exceed Rs.30, 000**

House constructed after 1-4-99: **Total Interest** of pre-construction (1/5th) and post construction (current previous year: 2008-09) should **not exceed Rs.2, 00,000**

***Interest on Loan for renovation/Repairs, irrespective of purchase date, Rs.30,000 allowable.**

*Pre-construction Interest:

Unadjusted interest (Interest on loan was not adjusted before construction) is called **pre-construction interest**. Because, adjustment is possible from the year in which the house is fully constructed. **Total interest** of pre-construction period or years is divided into five equal parts and which is adjusted in the five succeeding years.

Post-construction (current previous year-2008-09) **interest:**

COMPUTATION OF **INCOME OR LOSS** FROM **LET OUT** HOUSE

G.A.V.		XXXX
Less: Municipal Tax		XXX
Net Annual value		XXXX
Less: 1. Standard deduction(30% of annual value)		
2.Interest on Loan	XXXX	
	XXXX	
Income or loss from let out house property		XXXX +XXXX

1. Procedure for finding G.A.V.:Step 1: **F.R.V.** or **M.V.** w.e.hStep2: **Step 1** or **Standard Rent** w.e.l.
(**ERV**)**Annual Rental Value:** Step3: **Step 2** or **Actual rent received** w.e.hProcedure for finding GAV when there is Unrealised rent:Step 1: **F.R.V.** or **M.V.** w.e.hStep2: **Step 1** or **Standard Rent** w.e.l= (**ERV**)Step3: **ARV: Step 2(ERV)** or (**Actual rent received- Unrealised Rent**) w.e.hProcedure for finding ARV when there is Vacancy period:

I. If HP is vacant for full year, ARV is taken as nil

II. If HP is vacant for part of the year,

ARV after 3 steps and deduction of unrealized rent (if any) XXX

Vacancy Rent based on

Actual Rent XXTaxable ARV XXX***M.V.:** Municipal Value ***F.R.V.:** Fair Rental Value ***E.R.V.:** Expected Rental Value**Real Rental Value:**

Actual rent received / to be received XXX

Less: Lift and Pump Maintenance charges xxx

Swimming pool maintenance charges xxx

Salary of Common Gardener and Watchman xxx

Lighting of Common stairs and corridors xxx

Water and Electricity charges xxx XXX**Real Rental Value** XXX**2. Municipal Tax:**Municipal Tax **paid by the owner** is to be **deducted from G.A.V.****DEDUCTION FROM LET OUT HOUSE PROPERTY****1. Standard Deduction: 30% of Annual value****2. Interest on loan:**There is **no limit** for maximum interest allowed. Both preconstruction(1/5th)and post construction (current previous year 2008-09) interest can be deducted.

***Pre-construction Interest:**

Unadjusted interest (Interest on loan was not adjusted before construction) is called **pre-construction interest**. Because, adjustment is possible from the year in which the house is fully constructed. **Total interest** of pre-construction period or years is divided into **five equal parts** (1/5th) and which is adjusted in the five succeeding years.

Post-construction (current previous year-2008-09) **interest:**

Interest on loan for the **current previous year 2008-09** only is considered

I WHEN THE HOUSE PROPERTY IS OCCUPIED PART OF THE YEAR FOR SELF OCCUPIED AND REMAINING PART OF THE YEAR FOR LET OUT :

Annual value shall be determined as per provision u/s 23(1). In this case, house occupied for own residence (self-occupied) shall be irrelevant and the **annual value** (for the whole Year) is determined **as if it is let out**.

For example, MR.X owns one house in Chennai. Which is self occupied for two months and remaining months which is let out for Rs.2, 000 p.m. Municipal value of the House is Rs.30,000. Municipal Tax is Rs.6, 000 Interest on loan is Rs. 6,000.

G.A.V.for let out:

Step1: F.R.V. or M.V. i.e **30,000** w.e.h.

Step 2: **30,000** or Standard Rent w.e.l

Step 3: **30,000** or Act. Rent 24,000 w.e.h

Particulars	Let out	
G.A.V.		30,000
Less: Municipal Tax		<u>6,000</u>
Annual value		24,000
Less: 1. Standard deduction(30% of annual value)	7,200	
2.Interest on Loan	<u>6,000</u>	<u>13,200</u>
Income or loss from house property		<u>+10,800</u>

II WHEN THE HOUSE IS PARTLY LET OUT AND PARTLY SELF OCCUPIED:

Computation of House property Income is separately done for self occupied portion and let out portion.

For example, MR.X owns one house in Chennai. 50% of which is self occupied and remaining 50% of which is let out for Rs.1, 000 p.m. Municipal value of the House is Rs.30,000. Municipal Tax is Rs.6, 000 Interest on loan is Rs. 6,000.

G.A.V.for let out:

Step1: F.R.V. or M.V. i.e **15,000 (50% of 30,000)** w.e.h.
 Step 2: **15,000** or Standard Rent w.e.l
 Step 3: **15,000** or Act. Rent 12,000 w.e.h

Particulars	Self occupied	Let out (50%)	
G.A.V.	----		15,000
Less: Municipal Tax	----		<u>3,000</u>
Annual value	----		12,000
Less: 1. Standard deduction(30% of annual value)	----	3,600	
2. Interest on Loan (50:50)	<u>3,000</u>	<u>3,000</u>	<u>6,600</u>
Income or loss from house property	-3,000		<u>+5,400</u>

*When **the house or part of the House** is used for **own Business**, such house or part of the House **should be ignored**. No need to calculate any income or loss.
 For example, MR.X owns one house in Calcutta. 1/3rd of which is self occupied, 1/3rd of which is let out for Rs.1,000 p.m. and remaining 1/3rd is occupied for own business.
 Municipal value of the House is Rs.30,000. Municipal Tax is Rs.9,000 Interest on loan is Rs. 6000.

Step1: F.R.V. or M.V. i.e **10,000 (1/3rd of 30,000)** w.e.h.

Step 2: **10,000** or Standard Rent w.e.l

Step 3: 10,000 or Act. Rent **12,000** w.e.h

Particulars	Self Occupied (1/3 rd)	Let out (1/3 rd)	own Bus. (1/3 rd)
G.A.V.	----		12,000
Less: Municipal Tax	----		<u>3,000</u>
Annual value	----		9,000
Less: 1. Std. deduction(30% of annual value)	----	2,700	
2. Interest on Loan (1/3 rd) :(1/3 rd)	<u>2,000</u>	<u>2,000</u>	<u>4,700</u>
Income or loss from house property	-2,000		<u>+4,300</u>



UNIT-IV

PROFITS AND GAINS OF BUSINESS OR PROFESSIONAL INCOME

I PROFITS AND GAINS OF BUSINESS

Definition U/S 2 (10):

The word 'Business means any trade, commerce or manufacture or any adventure or concern in the nature of trade, commerce or manufacture.

Meaning:

The expression 'business' is used in the sense of occupation or profession which occupies the time, attention and labour of a person, normally with object of making profit. For the better understanding of the term "business", it can be said that the following are the elements of a business:

1. The purpose of the business is to earn profit.
2. It may include the activities of rendering services to others.
3. Business arises out of commercial transactions between two or more persons

FORMAT OF BUSINESS INCOME

Particulars	Rs.	Rs.
Net Profit as per p&L a/c		XXXX
Add : 1. Inadmissible expenses (Expenses expected not to be shown in P&L a/c, but wrongly shown in the P&L a/c)	XXXX	
2. Admissible Income (Actually Income expected to be shown in P&L a/c but missed in the P&L a/c)	<u>XXXX</u>	XXXX XXXX
Less : 1. Admissible expenses (Actually expected to be shown in P&L a/c, but missed in the P&L a/c)	XXXX	
2. Inadmissible Income (it is expected not to be shown in P&L a/c but wrongly shown in the P&L a/c)	<u>XXXX</u>	XXXX XXXX

Note: No Adjustment for admissible expenses and admissible incomes already shown in P&L a/c

ADMISSIBLE EXPENSES

Section	Nature of Expenditure	Conditions	Deductible
Sec.30	Rent, Rates, Taxes, Repairs and Insurance for Building	1. Assessee is a tenant 2. Incurred in the PY 3. Not a Capital Expense	Act. amount
Sec.31	Repairs & Insurance of Plant, Machinery & Furniture	1. Incurred in the PY 2. Not a Capital Expense 3. Insurance paid against risk of damage	Act. amount
Sec. 32	Depreciation on Fixed Asset	1. Asset owned by Assessee 2. Asset used in the PY 3. Asset used for Business	*As per Rate of Depreciation
Sec. 35	Exp.on Scientific Research a).Revenue Expenditure	1. Material used in Research 2. Salary to staff engaged	Act. amount
	b).Capital Expenditure	1. Acquisition of Fixed Asset 2. Except acquisition of Land 3. No depreciation claimed in respect of such asset	Act. amount
	Contribution to others	Contribution to companies	125%
	c).Own research by company	1. Research is approved 2. Company engaged in biotechnology, manufacture of drugs, chemicals, electronic and telecommunication, etc. 3. Except acquisition of Land	200% of Act. amount (Cost of Building except Land is eligible for 100%)
Sec. 35	d).Contribution to specific Institution	Sum Given to approved colleges, university, other research institution for Scientific Research	175%. (but 125% is for Social Science Research)
	e).Contribution to National Laboratory	1. Sum given to National laboratory or Institute of Technology	200% of Act. amount

Sec.35A	Expenditure on acquisition of patent rights, copy rights	a) This type of capital expenditure incurred before 1-4-98	a). 1/14th is allowed for succeeding 14 years from the date of exp. (balance is disallowed)
Sec.35AC	Expenditure on acquisition of patent rights, copy rights and technical know how	b) Incurred after 1-4-98	25% of Act. amount
	Exp. on eligible projects	Incurred on eligible project or scheme for promoting social welfare	Act. amount
Sec.35ABB	Expenditure incurred for obtaining license for telecommunication service	1. Incurred for the purpose of acquiring any right.	Amount paid for license period
Sec.35D	Amortization of Preliminary EXPENSES	1. It includes expenses on public issue, registration exp. underwriting commission, project related expenses, etc.	1/5 th of total exp. but not exceeding 5% of capital employed* or cost of the project (w.e.1)
Sec.35 DD	Amortisation of expenditure of amalgamation	1. Exp. incurred for amalgamation or demerger	1/5 th of Actual expenses
Sec.35E	Expenditure on prospecting minerals	1. Exp. incurred in the PY and 4 years preceding the previous year are considered	1/10th of Act. Expenses (balance is disallowed)

Sec.36	<p>Specific Deductions</p> <ol style="list-style-type: none"> 1. Insurance for employees & on stock and cattle 2. Bonus or commission 3. Int. on borrowed capital 4. Dis. on zero coupon bonds 5. Employer contri. to RPF, Gratuity fund & welfare fund 6. Bad debts 7. Banking cash transaction tax 8. Exp. on promoting family planning programme of staff (In respect of capital nature 1/5th is admissible expense) 	<ol style="list-style-type: none"> 1. Incurred in the PY 2. Not a capital expense : It should be Revenue exp. 3. Not a personal expenses 4. It is connected to business 5. It should be reasonable 	Act. Exp.
Sec.37	<ol style="list-style-type: none"> 1. Remuneration to employees 2. Penalty & Damages 3. Excise duty & Sales tax 4. Legal expenses 5. Expenditure on raising loan 6. Interest 7. Exp. on Advertisement 8. Exp. on Diwali & Dussehra 9. Deposit under OYT scheme 10. Professional tax <ol style="list-style-type: none"> 1. Exp. for staff training 2. Commission, etc paid for securing orders for business 3. Royalties connected to mine 4. Loss caused by robbery 5. Loss due to Non-recovery Advances 6. Loss due to embezzlement by employee or theft 	<ol style="list-style-type: none"> 1. Incurred in the PY 2. Not a Capital Expense; It should be a Revenue exp. 3. Not a personal expenses 4. It is connected to business 5. It should be reasonable 	Act. Exp.
Sec.43B	<ol style="list-style-type: none"> 1. Any sum payable by way of tax, duty, cess 2. Employer contri. to PF, Gratuity fund & welfare fund 	On the basis of Actual payment	Act amount

Disallowed expenses (Inadmissible)

Section	Nature of Expenditure
Sec. 37(1)	1. Penalty in connection with infringement of law 2. Litigation expenses for registration of shares 3. Fees paid for increase of authorized capital 4. Expenditure on issuing equity and preference shares (except Bonus share) 5. Payments made for acquisition of goodwill 6. Expenditure incurred advt. in any souvenir published by political party 7. Payment in the form of int., royalty, fee to non-resident or made outside India
Sec.40	1. Interest, royalty, fees for technical services. Which are payable outside India but no tax is paid 2. Tax actually paid by employer on perquisite 3. Any payment to PF or other fund without deducting the tax at source 4. Any sum paid on account of securities transaction act 5. Any exp. incurred for raising of share capital or loan or any other source 6. Any exp. incurred for purchasing of fixed assets 7. <u>Personal expenses of proprietor or partner (including drawings)</u> 8. <u>Gifts made on marriage occasion, Donation and Charity</u> 9. <u>Income tax, Wealth tax and other taxes</u> 10. <u>Any other Capital Expenditure</u> 11. Expenses on Shifting of registrar office. 12. Penalty paid by the assessee for infringement of law 13. Past losses charged to P&L A/c. 14. Transfer to other reserves. In case of firms: 1. Interest on capital (exceeding 12%) 2. Salary to non-working partner 3. personal expenses
Sec. 40A (2)	Payment to relatives
Sec. 40A (3)	If cash payment exceeds Rs.20,000, full payment is disallowed
Sec. 43 (b)	Unpaid expenditure(outstanding exp.) is disallowed.

Treatment for under valuation and over valuation of stock:

ADD to Net Profit:	Under valuation closing stock and over valuation of Opening Stock Full Value: Current Value x 100/100- Rate of Under Valuation
Deduct from Net profit :	Under valuation opening stock and over valuation of Closing stock Full Value: Current Value x 100/100+ Rate of Under Valuation

INCOMES : ADMISSIBLE INCOMES:

Section	Nature of Income
Sec.41	Deemed profit: 1.Recovery against any allowance or deduction allowed earlier 2.Sale of assets used for scientific research 3.Recovery of bad debts (allowed earlier) 4.Recovery in case of discontinued business
Sec.68 & 69	Deemed Incomes: 1.Cash credit found but no explanation given to I.T. Authorities 2.Unexplained Investment found by I.T. Authorities 3.Unexplained money found by I.T. Authorities 4.Unexplained expenditure found by I.T. Authorities
General admissible income	Other incomes in the normal course of business: 1.Discount 2.Commission 3.Sundry receipts

INADMISSIBLE INCOMES:

SOURCE	Nature of Income
I Other heads Income:	Salary Income House property Income Capital gains (short term or long term) Income from other sources : a. Director fees b. Winning from lotteries or horse race c. Interest on securities d. Dividend c. Bank interest f. Interest on saving certificate
II Capital nature of Income	1. Profit sale of Fixed asset 2. Profit on sale of import license
III Bad debts	1. Bad debts recovered (Not allowed earlier) 2. Income Tax Refund

COMPUTATION OF PROFESSIONAL INCOME

PARTICULARS	AMOUNT RS.	AMOUNT RS.
Professional Receipts (admissible income)		
1. Consultation fees/Legal fees	xxx	
2. Operation fees/Practical fees/Audit fees	xxx	
3. Visiting fees	xxx	
4. Sale of Medicines	xxx	
5. Gift from patients/Clients	xxx	
6. Examiners fees	xxx	
		XXXXX
Professional Expenditure (Admissible Expenses)		XXXXX
1. Dispensary Expenses/Office Expenses	xxx	
2. *Cost of Medicines/cost of Books	xxx	
3. Depreciation on surgical/office equipments	xxx	
4. Depreciation of Motor Car and others	xxx	
5. Salary to staff,	xxx	
6. Rent to clinic or office	xxx	
7. Travelling Expenses	xxx	
8. Purchase of Stamp paper and court fee	xxx	
9. Other official Expenses	xxx	
		XXXXX
		XXXXX

*Cost of Medicines calculation

Profession Accounts **Under Mercantile** system

Cost of Medicine = Opening stock + Purchase of Medicines - Closing stock

Profession Accounts **Under Cash** system

Cost of Medicines = medicines purchased

UNIT-V

Filing of Income Tax Returns

According to Section 139 (1) of the Income Tax Act, 1961 of India, individuals whose total income during the previous year is more than the maximum amount not chargeable to tax, should file their ITR or income tax returns. When such individuals file their income tax returns online, the process is known as e-filing. As a taxpayer, you can seek professional help or file your returns yourself by simply registering on the income tax department website or other relevant websites. While every year the due date for filing tax returns is July 31st, the government may offer a grace period of 15-30 days to file the returns online or physically.

Types of e-filing

Here are the different ways in which you can e-file your income tax returns:

You can use a Digital Signature Certificate or DSC to e-file your tax returns. It has been made mandatory to file IT forms using Digital Signature Certificate (DSC) by a chartered accountant.

In case you want to e-file your tax returns without DSC, an ITR V form is generated which should then be printed, duly signed and submitted to CPC, Bangalore. This document must be sent by ordinary post or speed post within 120 days from the date of e-filing.

As a taxpayer, you can also e-file IT returns through an E-return Intermediary (ERI), with or without DSC.

Filing tax returns online is a simple and process and can be done by most assessees.

1. Assessee with a cumulative income of Rs. 5 Lakhs and above.
2. Individual/HUF resident with assets located outside India.
3. An assessee as to provide returns under section 139 (4B) (ITR 7).
4. Assessee needs to provide a notice under Section 11(2) (a) to the assessing officer
5. An assessee required to furnish a report of audit specified under sections 10(23C) (IV), 10(23C) (v), 10(23C) (VI), 10(23C) (via), 10A, 12A (1) (b), 44AB, 80IA, 80IB, 80IC, 80ID, 80JJAA, 80LA, 92E or 115JB of the Act.
6. A firm that does not fall under the provisions of section 44AB), AOP, BOI, Local Authority (ITR 5), Artificial Juridical Person or Cooperative Society.
7. A person who claims relief under sections 90 or 90A or deductions under section 91.
8. A person who is a resident and has the signing authority in any account, which is located outside India.
9. All companies.

CHECKLIST FOR E-FILING INCOME TAX RETURNS

- When filing income tax returns online, you might get confused while deciding which form to submit. Hence, the various categories of Income Tax Return forms and their relevance for parties have been tabulated below.

ITR 1 (Sahaj)	Individuals with income from salary and interest
ITR 2	Individuals with Hindu Undivided Families not having income from business or profession
ITR 3	Individuals/HUFs being partners in firms and not carrying out business or profession under any proprietorship
ITR 4	Individuals and HUFs having income from a proprietary business or profession
ITR 4S (Sugam)	Individuals/HUF having income from presumptive business
ITR 5	Firms, AOPs, BOIs and LLP
ITR 6	Companies other than companies claiming exemption under section 11
ITR 7	Individuals including companies required to furnish return under section 139(4A) or section 139(4B) or section 139(4C) or section 139(4D)

Source: www.incometaxindiaefiling.gov.in

- Check your tax credit - Form 26AS vs. Form 16 : It is imperative that you check Form 26AS before you file your returns. This form provides an insight into the amount of tax deducted from your salary and deposited by your employer to the IT department. It is always wise to make sure that the tax deducted from your income as per your Form 16 matches with the amount mentioned in Form 26AS. If you file your returns without rectifying your errors, you are liable to get a notice from the IT department.
- Claim 80G, savings certificates and other deductions : You can claim your deductions under section 80G on donations made to charitable institutions, relief funds. It is important to note that all donations are not eligible, donations into prescribed funds only become eligible. Another point to note is that contributions made upto Rs. 10,000 in cash are eligible for claiming deductions. If one wants to make a higher donation, it has to be made through cheque or demand draft.
- Interest statement - Interest on savings accounts and fixed deposits : On interest earned on savings accounts, a deduction for up to Rs. 10,000 is allowed.

Nonetheless, the interest earned on bank deposits becomes a part of your taxable income and is taxable at applicable slab rates.

In addition to the aforementioned statement, you must have the following documents in hand:

- Last year's tax returns
- TDS (Tax Deducted at Source) certificates
- Bank statements
- Profit and Loss (P&L) Account Statement, Balance Sheet and Audit Reports, if applicable

Documents required to file income tax

When filing your income tax online or physically, it is always a good idea to be prepared. The below mentioned details serve as a checklist to help you get started with the e-filing of tax returns.

General details that would be required

- Bank account details
- PAN Number

Reporting salary income required

- Rent receipts for claiming HRA
- Form 16
- Pay slips

Reporting House Property income required

- Address of the house property
- Details of the co-owners along with their share in the mentioned property and PAN details
- Certificate for home loan interest

- The date when construction was completed, in case an under-construction property was purchased
- Name and the rental income of the tenant, if the property is rented

Reporting capital gains required

- There is a requirement of a stock trading statement with purchase details, in case there are capital gains from selling the shares
- If a house or property is sold, you must sought sale price, purchase price, details of registration and capital gain details
- Mutual fund statement details, purchase and sale of equity funds, debt funds, SIPs and ELSS

Reporting other income required

- The income from interest is reported. In case of interest accumulated in savings account, bank account statements are required
- Interest income from tax saving bonds and corporate bonds must be reported
- The income details earned from post office deposit must be reported

Steps to follow to file IT returns online

Now, filing your income tax has become an extremely easy process. Simply follow the below steps:

- To begin with, log on to IncomeTaxIndiaeFiling.gov.in and register yourself on the website. Your Permanent Account Number (PAN) becomes your user ID.
- Now, you can view your tax credit statement or Form 26AS. The TDS in your Form 16 must tally with the figures in Form 26AS. If not, you must correct the discrepancy.
- Click on the income tax return forms and choose the financial year you want to file your returns for.
- Then, you need to download the ITR form which is applies to you. If your exempt income exceeds Rs. 5,000, then the appropriate form will be ITR-2. However, you

can complete the process on the portal itself, by using the 'Quick e-file ITR' link, if the applicable form is ITR-1 or ITR 4S.

- Next step is to open excel utility, which is the downloaded return preparation software and enter all the details in the form using your Form 16.
- Calculate and get an estimate of the tax payable amount by clicking the 'calculate tax' tab.
- Now, if applicable, pay tax and fill in the challan details.
- Confirm all the information provided in the worksheet by clicking on the 'validate' tab.
- Download this in an XML file and save it on your desktop.
- Then, go to 'upload return' on the portal's panel and upload the saved XML file.
- A pop-up will be appear, requesting to digitally sign the file. In case you have your digital signature, then, select 'Yes'. In case you have not got digital signature, select 'No'.
- ITR Verification (ITR-V), which is the acknowledgment form will be generated in a downloadable format.
- Generate a printout of the form ITR-V and sign it only in blue ink.
- Send this form to the Income-Tax Department-CPC , Post Bag No. 1 , Electronic City Post Office, Bangalore, 560 100, Karnataka, by ordinary or speed post, within 120 days of filing your returns online.

Steps to file ITR1 and ITR4S online

You can submit your ITR 1 or ITR 4S forms by uploading XML on the official website or by online submission. The below mentioned steps should be able to guide you:

- Login to e- Filing application
- Go to 'e-File' and click on 'Prepare and Submit ITR Online'
- Choose the Income Tax Return Form ITR 1 or ITR 4S and enter the assessment year.
- Complete the details and then click on 'Submit' and select DSC (Digital Signature Certificate)', in case it's available. Now, click on the 'Submit' button.

- Once the submission is done, your acknowledgement detail is displayed.
- Click on the link to view or take a printout of the acknowledgement or ITR V form.
- In case you wish to use DSC, you will have to register it in the e-filing application. Simply log into the e-filing website of the IT Department and update the 'Profile Settings' section. Under this section, you need to select 'Register Digital Signature' Certificate and download the ITD e-Filing DSC Management Utility.

