

## Lesson no. 1 – What is Taxation & E-filing?

Filing income taxes doesn't need to be a challenging task. If you are worried that filing taxes is about carrying hundreds of papers and organising everything like students do before an exam, let us tell you right away that income tax filing today is nothing like that. With India embracing the digital world and the many conveniences it offers, electronic filing (e-filing) makes it possible to file income tax returns (ITRs) in a matter of few clicks. The best part is you can e-file your taxes right from the comfort of your home or workstation in your office. There are no long queues where time is wasted or human interactions that complicate matters. Just register on the Income Tax e-filing [website](#).

### **What is E-filing?**

E-filing is the short form of electronic filing of income taxes. E-filing is when you electronically [file your income tax returns online](#) for a particular year. This means you no longer need to visit the nearest Income Tax Department's office to file your returns physically. Instead, you log onto the internet and do the job.

### **3 ways to do E-filing**

There are three basic ways to file income tax returns electronically.

First option - You can use a Digital Signature Certificate (DSC) to e-file. A DSC is a useful way of electronically signing documents, because it is the digital equivalent of physical or paper certificates.

The second option - You can e-file without a DSC. In this case, 'Income Tax Return–Verification' or ITR-V form is generated which is a one-page document. In case Aadhar details are not updated on Income Tax site, the form should be printed, signed and submitted to Central Processing Centre (CPC), Bangalore via post within 120 days from the date of e-filing.

The third option - You can e-file income tax return without DSC and verify it with Aadhar number or through a bank. In this case, ITR-V is not required to be submitted to CPC.

## Why should you file an income tax return?

Apart from the benefits of filing income tax returns on time, filing ITR is also pocket-friendly. You can avoid the penalties imposed due to delayed tax return filing. Filing your ITR post the year's deadline makes you liable to pay a maximum penalty of ₹10,000.

## Benefits of filing income tax returns

Filing income tax returns is very helpful for certain activities. Be it applying for a loan, travelling overseas or dealing with financial losses, those who file income tax returns find it easy in every step of the way. Let us explain how.

**Refund** - A portion of a taxpayer's income, whether salaried or business person, is deducted as Tax Deducted at Source ([TDS](#)). But, if you have made investments that are deductible from taxable income, then your actual tax dues as per your [income tax slab](#) may be much lesser than what is already paid. The excess tax paid can be claimed and refunded, but only if you file your taxes.

**Visa** – Overseas trips to most countries require a visa. Visa processing requires that you as an Indian submitted your tax returns in the past few years. These returns have to be produced before the officials of the destination country's embassy or consulate.

**Loans** – Be it any loan, as part of the documentation, banks will ask you to show tax returns for the past few years. The returns will be used to understand your financial situation. If you do not have returns, your application may be rejected.

**Credit card** - Credit card issuers want to know whether the credit card applicant is in a position to pay back the credit. The income tax return is a document that shows the income of the person. Without income tax returns, you may not get a higher credit limit.

**Loss adjustment** - As per current income tax laws, an individual can carry forward losses to offset against future taxable income. This can be done for up to eight years consecutively. If you have income tax returns, you can use them to build a case and carry forward/adjust your losses against your future taxable income.

## Steps to do E-filing in India

### — Efiling Income Tax Process —

