Lesson no. 7 – Return Filing

India's Income Tax Laws are framed by the Government The Government imposes a tax on taxable income of all persons who are individuals, Hindu Undivided Families (HUF's), companies, firms, LLP, association of persons, body of individuals, local authority and any other artificial juridical person. According to these laws, levy of tax on a person depends upon his residential status. Every individual who qualifies as a resident of India is required to pay tax on his or her global income. Every financial year, taxpayers have to follow certain rules while filing their Income Tax Returns (ITRs).

Income Tax Return - What is it?

An **Income tax return (ITR)** is a form used to file information about your income and tax to the Income Tax Department. The tax liability of a taxpayer is calculated based on his or her income. In case the return shows that excess tax has been paid during a year, then the individual will be eligible to receive a income tax refund from the Income Tax Department.

As per the income tax laws, the return must be filed every year by an individual or business that earns any income during a financial year. The income could be in the form of a salary, business profits, income from house property or earned through dividends, capital gains, interests or other sources.

Tax returns have to be filed by an individual or a business before a specified date. If a taxpayer fails to abide by the deadline, he or she has to pay a penalty.

Is it mandatory to file Income Tax Return?

As per the tax laws laid down in India, it is compulsory to file your income tax returns if your income is more than the basic exemption limit. The income tax rate is pre-decided for taxpayers. A delay in filing returns will not only attract late filing fees but also hamper your chances of getting a loan or a visa for travel purposes.

Who should file Income Tax Returns?

According to the Income Tax Act, income tax has to be paid only by individuals or businesses who fall within certain income brackets. Mentioned below are entities or businesses that are required to compulsorily file their ITRs in India:

1. **All individuals, up to the age of 59**, whose total income for a financial year exceeds Rs 2.5 lakh. For senior citizens (aged 60-79), the limit increases to Rs. 3 lakh and for super senior citizens (aged 80 and above) the limit is Rs. 5 lakhs. It is important to note that the income amount should be calculated before factoring in the deductions allowed under Sections 80C to 80U and other exemptions under section 10.
2. **All registered companies that generate income**, regardless of whether they've made any profit or not through the year.
3. Those who wish to **claim a refund** on the excess tax deducted/income tax they've paid.
4. Individuals who have assets or financial interest entities that are **located outside India.**
5. **Foreign companies** that enjoy treaty benefits on transactions made in India.
6. **NRIs**who earn or accrue more than Rs. **2.5 lakh** in India in a single financial year.