

Lesson no. 9 – 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 be to 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.

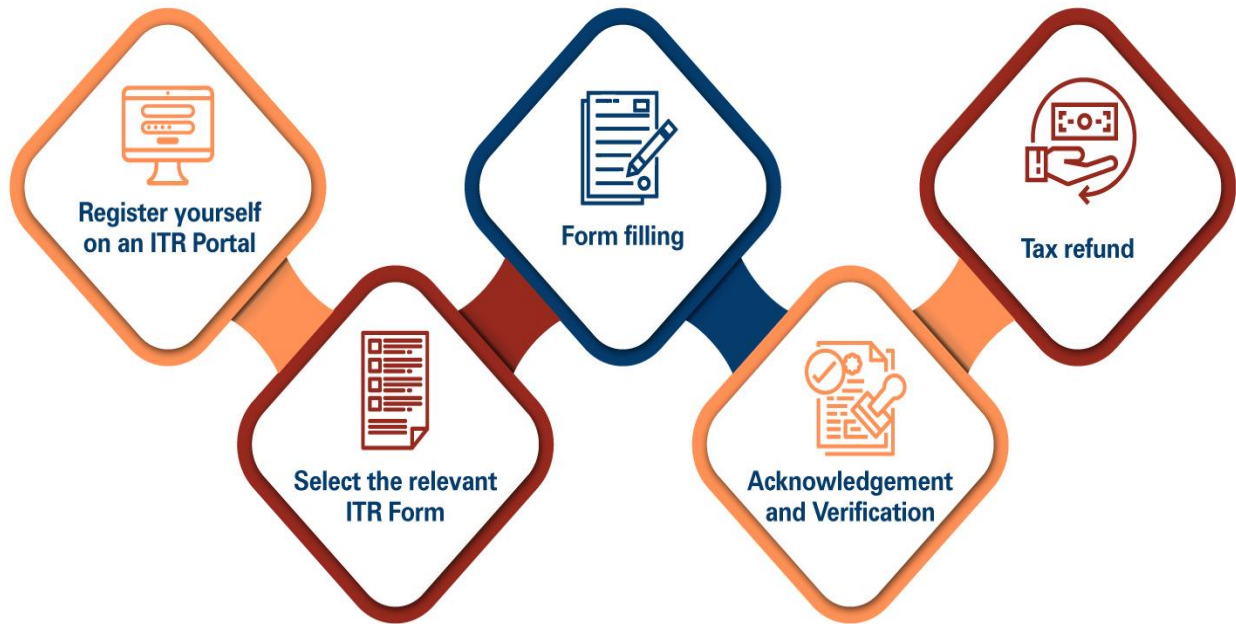
Loans – Be it any loan, as part of the documentation, banks will ask you to show tax returns for the past few years. The returns will be used to understand your financial situation. If you do not have returns, your application may be rejected.

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



1. Register yourself on an ITR Portal

To register on an ITR portal, you'll have to provide Permanent Account Number (PAN), name and date of birth. Then you'll then be asked to choose a password. Remember, your PAN is your user ID.

2. Select the relevant ITR Form

Download the ITR form applicable to you. Use the following information for reference:

- ITR 1 is for individuals having income from salaries, one house property, other sources (Interest etc) and having total income upto `50 lakhs
- ITR 2 is for individuals and HUF not carrying out business or profession under any proprietorship.
- ITR 3 is for individuals and HUFs having income from a proprietary business or profession
- ITR 4 (Sugam) is for presumptive income from business & profession

3. Form filling

You can fill the ITR form online as well as offline. To fill the form offline go to the “Downloads section-ITR Forms AY 2017-18”, download Income tax return utility and save it on your system to fill all the details offline. After filling the information in the utility you have to upload the same on the website.

4. Acknowledgement and verification

After uploading return on site you'll receive an acknowledgement in the form of ITR-V .In case Aadhar details are not updated on Income Tax site you will have to submit a physical signed copy of ITR-V to the Income Tax Department on the address mentioned on ITR-V to complete the e-filing process within next 120 days

via ordinary post or speed post.

5. Tax refund

A tax refund is a refund on taxes when the tax liability is less than the taxes paid. Taxpayers can often get a tax refund on their income tax if the tax they owe is less than the sum of the total amount of the withholding taxes and estimated taxes that they paid.

Documents required for E-filing

While filling out the ITR form online, it is advisable to keep these documents handy for below-listed purposes:

General details

PAN

Aadhaar (Linked to PAN)

Bank account details

DOT-NET [AN ISO CERTIFIED INSTITUTE]

Computing income from salary

Salary slips

Rent receipts for claiming House Rent Allowance (HRA)

Form 16

Claiming deductions

Interest certificates from savings and deposits account

Insurance and home loan details

Details about investments liable for deductions

Any other proof of income (For e.g. Income from house property, income from capital gains)

Note: To be sure of all the liable deductions and exemptions in your tax liability, consult a Chartered Accountant.

What's the next step after you've e-filed your income tax returns?

After you submit the return (or upload it through return utility), you'll receive an acknowledgement in the form of ITR-V. There are two ways to verify the return.

One, if your Aadhaar card/number is linked to your PAN, you can self-verify your returns. This is done by submitting an Electronic Verification Code (EVC) generated through the e-filing portal of Income Tax Department. The EVC is sent to the registered mobile number of the tax filer. Such taxpayers no longer have to send a one-page verification document, i.e. the ITR-V to the Income Tax Department in Bangalore. Two, taxpayers can send the ITR-V to the Income Tax Department in Bangalore via post within 120 days from date of e-filing to complete the verification process. If you are eligible for a tax refund, you will soon get the tax refund credited directly to your bank account. The Income Tax department will inform you about the refunds.

Life insurance policies are extremely efficient tax planning tools. Do remember a life insurance policyholder is eligible for dual tax benefits under the Income Tax Act (1961). Under Section 80C, you can claim a deduction from your taxable income on account of premium paid towards life insurance for self, spouse or children. The deduction amount is up to `1.5 lakhs and helps you pay less tax since your taxable income drops after deduction. Under Section 10(10D), the returns earned from your Life Insurance policies, subject to conditions mentioned therein, are tax-free. So, the final corpus i.e maturity amount, including bonus earned, will be 100% tax-free in your hands.