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'How To'

File Income Tax (Organizations)

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Since 1960s the Government of India (GOI) collects income tax from eligible individuals, organizations, companies. GoI spends this amount on infrastructural development and implementation of welfare schemes. Presently, only 3% of the people are paying income tax, if the remaining starts paying income tax that shall help the government in providing better quality services to its citizens. The government is working on easing the process of filing income tax.

The Income Tax Act, 1961 came into existence with effect from 1st April 1962. The income tax act was introduced by James Wilson, he was India's first finance member. It is a tax levied by the GoI on the income of every person. The CBDT which is part of department of revenue in the ministry of finance is entrusted with the task of collecting income tax. Income tax is levied on the annual income of a person. The year under the Income –Tax Law is the period starting from 1st April and ending on 31st March of next calendar year.

Income –tax is to be paid every person. The term person the term 'person' includes Individual, Hindu Undivided Families [HUFs], Association of Persons [AOPs], Body of individuals [BOIs], Firms, LLPs, Companies, Local authority and any artificial juridical person not covered under any of the above. Income Tax Return (ITR) is a proof that you have paid your income tax. Every year, Indians who earn taxable income have to file income tax and also file income tax return. Filing Income Tax Return (ITR) will help in getting refund in case of pay more tax than what required to pay. If fail to file ITR, might have to pay penalty or face legal consequences.

Present Situation:

As per the data of financial year 2015-16, Income Tax Department (ITD) has collected Rs.2.86 lakh crore tax. In India, presently only 3% of the people which above 120 crore population of the country are paying Income Tax in 2015-16, over the last decade there has been only 2% increase in the population of people paying income tax. As per the financial year 2015-16, 9.9 million people' income below the exemption limit of Rs.2.5 lakh and 19.5 million people showed their income between Rs.2.5 lakh and Rs.5 lakh, while 5.2 million people showed their income between Rs.5 lakh and Rs.10 lakh, and only 2.4 million people showed their income above Rs.10 lakh yearly. Only 1,72,000 members showed their income more than Rs.50 lakh. In 2015-16. The report states that 28.7 million individuals filed income tax returns and 16.2 million did not pay any tax to the government. 12.5 million individuals are paying income tax which is just about one percent of the population of India in 2013.

Despite India having a population above 120 crore only 3% of them pay income tax. The main reason being 2/3 of the population are either directly or indirectly dependent on agriculture and agriculture income is exempted from income tax. The other reason is large part of economy is informal, unorganized labour, and their less than Rs.2.5 lakh.

- 60% of population is not part workforce
- 25% of the workforces are farmers who do not have to pay tax
- 76% of rest of the workforce earns less than 2.5 lakh per annum who do not have to pay
- 50% of the tax payers evade tax
- Only three out of every Indian pays income tax in India.

Who are Taxpayers:

The Government of India (GoI) imposes tax on taxable income of people of India. Indians who are below 60 years are liable to pay income tax if their income exceeds Rs.2.5 lakh in one financial year. Those who are above 60 years are liable to pay income tax to the government if their income exceeds Rs.3 lakh. Both men and women have to pay income tax to the government of India, according to the income tax slabs. Not only individuals, other entities which are generating income are liable to pay income tax to the government.

Income taxpayers are fallowing:

Individuals - It refers to the citizens of India whether male or female, minor or major. For eg: Mr K Kiran Kumar.

Hindu Undivided Families (HUFs) – It is a relationship created due to operation of Hindu joint family system. For eg: A Brahmin Parivar Consisting of Mr A, His Brother B. Mrs A and B.

Association of Persons (AOPs) – When persons combine together to carry on a joint enterprise and they do not constitute partnership; they are assessable as an association of persons. For eg: Co-operatives Societies, Trust, MARKFED, NAFED etc.

Body of Individuals (BOIs) – A body of individuals cannot have non-individuals as its members. Only natural human beings can be members of a body of individuals. Whether a particular group is AOP or BOI. Fact to be decided in each case separately.

Local Authorities – Municipality, Gram Panchayat, Cantonment Board, etc.

Corporate Firms– It is an entity which comes into existence as a result of partnership agreement between persons to share profits of the business carried on by all or any of them.

For eg: A partnership firm with A, B and C as partners.

Companies– It is an entity registered under Indian companies Act, 1956. For eg: TATA Steel

All Artificial Juridical Persons– A public corporation established under special act of legislature and a body having juristic personality of its own are known to be Artificial Juridical Persons. For eg: Reserve Bank of India (RBI) and Universities.

Who are non- taxpayers?

◊ Agricultural income is exempt from tax by virtue of section 10(1). Section 2(1A) defines agricultural income as.

◊ Any rent or revenue derived from land, which is situated in India and is used for agricultural purposes.

◊ Any income derived from such land by agricultural operations including processing of agricultural produce, raised or received as rent-in-kind so as to render it fit for the market or sale of such produce.

◊ Income attributable to a farm house (subject to some conditions).

◊ Income derived from saplings or seedlings grown in a nursery.

Note: income from animal husbandry is not considered as agriculture income.

Permissible **deductions from Gross total income:**

Deductions **can be claimed for:**

Provident **Fund (PF) & Voluntary Provident Fund (VPF) :** PF is automatically deducted from your salary. Both you and your employer contribute to it. While employer's contribution is exempt from tax, your contribution (i.e., employee's contribution) is counted towards section 80C investments. You also have the option to contribute additional amounts through voluntary contributions (VPF). Current rate of interest is 8.5% per annum (p.a.) and is tax-free.

Public **Provident Fund (PPF):** Among all the assured returns small saving schemes, Public Provident Fund (PPF) is one of the best. Current rate of interest is 8.70% tax-free (Compounded Yearly) and the normal maturity period is 15 years. Minimum amount of contribution is Rs 500 and maximum is Rs 1, 50,000. A point worth noting is that interest rate is assured but not fixed.

Life **Insurance Premiums:** Any amount that you pay towards life insurance premium for yourself, your spouse or your children can also be included in.

Equity Linked Savings Scheme (ELSS): There are some mutual fund (MF) schemes specially created for offering you tax savings, and these are called Equity Linked Savings Scheme, or ELSS. The investments that you make in ELSS are eligible for deduction under Sec 80C.

Home Loan Principal Repayment: The Equated Monthly Instalment (EMI) that you pay every month to repay your home loan consists of two components – Principal and Interest. The principal component of the EMI qualifies for deduction under Sec 80C. Even the interest component can save you significant income tax – but that would be under Section 24 of the Income Tax Act.

Stamp Duty and Registration Charges for a home: The amount you pay as stamp duty when you buy a house and the amount you pay for the registration of the documents of the house can be claimed as deduction under section 80C in the year of purchase of the house.

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Sukanya Samriddhi Yojana: Sukanya Samriddhi Yojana meaning Girl Child Prosperity Scheme is a special deposit scheme launched by Prime Minister Sri Narendra Modi on 22 January 2015 for girl child.

Details are as follows:

◊ Per girl child only single account is allowed. Parents can open this account for maximum two girl child. In case of twins this facility will be extended to third child

◊ Minimum deposit amount for this account is Rs.1,000/- and maximum is Rs.1,50,000/- per year

◊ Money to be deposited for 14 years in this account.

◊ Interest rate for this account is 9.1% per annum, calculated on yearly basis, yearly compounded.

◊ Passbook facility is available with Sukanya Samriddhi account.

National Savings Certificate (NSC) (VIII Issue):

NSC is a time-tested tax saving instrument with a maturity period of Five and Ten Years. Presently, the interest is paid @ 8.50% p.a. on 5 year NSC and 8.80% Per Annum on 10 year NSC. Interest is Compounded Half Yearly. While the minimum investment amount is Rs 100, there is no maximum amount. Premature withdrawals are permitted only in specific circumstances such as death of the holder. Investments in NSC are eligible for a deduction of up to Rs 150,000 p.a. under Section 80C. Furthermore, the accrued interest which is deemed to be reinvested qualifies for deduction under Section 80C. However, the interest income is chargeable to tax in the year in which it accrues.

Infrastructure Bonds: These are also popularly called Infra Bonds. These are issued by infrastructure companies, and not the government. The amount that you invest in these bonds can also be included in Sec 80C deductions.

Pension Funds – Section 80CCC: This section – Sec 80CCC – stipulates that an investment in pension funds is eligible for deduction from your income. Section 80CCC investment limit is clubbed with the limit of Section 80C – it means that the total deduction available for 80CCC and 80C is Rs. 1.50 lakh. This also means that your investment in pension funds up to Rs. 1.50 lakh can be claimed as deduction u/s 80CCC. However, as mentioned earlier, the total deduction u/s 80C and 80CCC cannot exceed Rs. 1.50 lakh.

5-Yr bank fixed deposits (FDs): Tax-saving fixed deposits (FDs) of scheduled banks with tenure of 5 years are also entitled for section 80C deduction.

Senior Citizen Savings Scheme 2004 (SCSS): A recent addition to section 80C list, Senior Citizen Savings Scheme (SCSS) is the most lucrative scheme among all the small savings schemes but is meant only for senior citizens. Current rate of interest is 9.20% per annum payable quarterly. Please note that the interest is payable quarterly instead of compounded quarterly. Thus, unclaimed interest on these deposits won't earn any further interest. Interest income is chargeable to tax.

Difference between Financial Year and Assessment Year:

Financial Year	Assessment Year
The financial year starts from 1st April and ends on 31st March every year. If you have earned income between 1st April 2016 to 31st March 2017, 2016-17 is the Financial year, the financial year is usually denoted as FY.	Assessment Year (AY) is the year which you file your tax return. It is the year in which the income that you have earned in the financial year will be assessed by the income tax department. Assessment year is the year immediately following the financial year wherein the income of the FY is assessed. If you have earned income between 1st April 2016-17 to 31st March 2017, then your financial year will be 2016-17 and your assessment year will be 2017-18. The Assessment year is usually denoted as AY.

Income tax is calculated on the annual income of a person or entity. Income Tax Department calculates income tax from the 1st April and ends of the 31st March of the next calendar year. The law recognizes and classifies the year as previous year and assessment year.

Government collects taxes in three ways which are as follows:

Voluntary payment by taxpayers into designated banks, like advance tax and self assessment tax.

Taxes Deducted at Source (TDS), deducted from salaries before giving salary to employee.

Tax Collected at Source.

Income Tax Slab Rates:

Income Tax Slab Rates are defined on the basis of the earning of the taxpayers for betterment of the public at large. Income tax slabs are different for different taxpayers. The income tax rates are usually revised every year during the budget.

Income tax Slab	**Income Tax Rate FY(2016-17)**	**Income Tax Rate FY (2017-18)**
Where the total income does not exceed Rs. 2,50,000/-	No tax	No tax
Where the total income exceedsRs.2,50,000/- but does not exceed Rs. 5,00,000/-	10%	5%
Where the total income exceeds Rs.5,00,000/- but does not exceed Rs.10,00,000/-	20%	20%
Where the total Income exceed Rs.10,00,000/-	30%	30%

The following income tax slab rates are applicable for the FY 2016-17 and 2017-18.

Income tax Slab	**Income Tax Rate FY 2016-17**	**Income Tax Rate FY 2017-18**
Where the total income does not exceed Rs.5,00,000/-	No tax	No Tax
Where the total income exceeds Rs.5,00,000/- but does not exceed Rs.10,00,000/-	20%	20%
Where the total Income exceed Rs.10,00,000/-	30%	30%

Income tax slab Individuals and HUFs (Hindu Undivided Families) (Male or Female) below the age of 60 years:

Income tax slab for Senior Citizens (60 years old or more but less than 80 years for men and women)

Level of Income	Surcharges for FY 2016-17 and FY2017-18
Less than Rs.50 lakh	Nil
More than Rs.50 lakh but less than Rs.1 crore	10%
More than Rs.1 crore	15%

Surcharges: if the income of the individual/AOP/BOI is more than 50 lakh, surcharges would also be applicable. Surcharges levied if income is more than Rs.50 lakh.

Income Tax Slab for Co-Operative Societies:

Co-operative Society is a taxable entity under the Income Tax Act, 1961. A cooperative society, under the act, is to be treated as an Association of Persons (AOP). Co-operative societies have to maintain books of accounts and other

Income tax Slab	Income Tax Rates FY 2016-17	Income Tax Rates FY 2017-18
Where the total income does not exceed Rs.10,000/-	10%	10%
Where the total income exceeds Rs.10,000/- but does not exceed Rs.20,000/-	20%	20%
Where the total income exceeds Rs.20,000	30%	30%

documents. Societies’ accounts are required to be audited by a Charted Accountant. Co-operative societies require filing income tax returns in Income Tax Return-5 (ITR-5) form within 30th September

Plus:

Surcharges: 12% of the income tax if taxable income exceeds Rs. 1 crore.

Cess: 3% of the total of income tax and surcharges.

For Firms and Local Authorities:

Income tax slab rates will not apply in this case and Tax at 30% flat shall be computed on the total income. There is no surcharge for less than Rs.1 crore but 12% surcharge for more than Rs. 1 crore for financial year 2017-18. Education cess is 2% and Secondary and higher education cess is 1%.

For Domestic Companies:

Income tax is levied at 30% of total income on domestic companies. Union budget-17 reduced the income tax from 30% to 25% for domestic companies with a turnover of less than Rs.50 crore. These reduced income tax rates are applicable from financial year 2017-18. For domestic companies with turnover of more than Rs.50 crore, income tax would continue to be levied at 30%.

For Domestic companies, there are no surcharges for less than Rs.1 crore but 7% surcharge for more than Rs.1 crore but does not exceed Rs.10 crore and 12% surcharge for exceed Rs.10 crore for financial year.

Education Cess: 2% and Secondary and Higher Education Cess is 1%.

Before filing income tax, taxpayers have to do work on their income, profits

Documents: Audit Report in Form 10B. (b) Balance Sheet(c) Income and Expenditure Account (d) Receipt and Payment Account (e) Copy of the Registration Certificate (f) In case, the organisation has accumulated income, resolution for accumulation (g) Form 10 in which application for accumulation is made.

Electronic Filing (e-filing):

The process of electronically filing income tax is known as e-filing. Individuals can seek professional help or file themselves from the comfort of their home by registering on the income tax department website. The due date is 31st July for filing income tax returns. You have to register yourself by providing details such as user type (individuals, HUF, BOI, AOP, companies).

Income tax department has digitalized the entire process of income tax collection and income tax return filing. e-filing is very easy for individuals and companies to pay their taxes online, filing returns and finally track the history of their payments through the portal of the Income Tax department.

Electronic Filing (e-filing) of income tax returns was launched in 2006-07, before this they were doing manual filing. Presently, returns could be filed online using digital signature. Due date is different according to audit or non-audit case of such categories as defined in section 139 (1).

People can visit the Income Tax Department Website https://incometaxindiaefiling.gov.in/ to register to file the income returns.

Process of e-filing:

Income Tax e-filing can be done by online through the income tax website (https://incometaxindiaefiling.gov.in/) without any cost in two different ways.

◊ Income tax e-filing by download the ITR Java utility or the ITR Excel utility and furnishing details in excel utility offline and then uploading it on income tax website.

◊ Income tax e-filing without downloading the java utility and furnishing all details online itself.

Procedure:

Income tax department releases updated software for free every for income tax e-filing online. The income tax software is released both in the form of excel as well as java utility.

Earlier, only the excel tax utility was released but now the government released a new java utility which is much easier to file than the excel utility.

The following steps involved for income tax e-filing by downloading Java/Excel Utility......

1. Logon to https://www.incometaxindiaefiling.gov.in and select the appropriate income tax form. There are various different types of income tax return forms for different class of assesses. Recommended to read: which income tax form should you use http://www.charteredclub.com/income-tax-form-itr/
2. Download the ITR Java/excel utility which pertains to your income tax form and furnish all details in the selected utility and also cross check the same with the figures as mentioned in your Form16/Form 16A/ Form 16B/ and Form 26AS
3. After furnishing all details in the UTR utility and validating the same, you can directly upload your income tax return by logging in your account on the income tax website. Alternatively, you may create a XML file of the income tax return and then upload this file on the income tax website.
4. On successful upload of your income tax return, an acknowledgement with details would be displayed. An ITR-V would also be automatically generated and sent to your registered email id.
5. If while e-filing the income tax return, you used your Digitally Signature to digitally sign the income tax return form, the whole process gets completed on generation of Acknowledgement.
6. However, in case while e-filing you did not use digital signature, on successful uploading of e-return, the ITR-V form would be generated and sent to your registered mail id. This ITR-V acknowledgement for should be signed by the tax payer and sent to the income tax office.
7. From the financial year 2014-15 onwards, the government has also extended the option of linking the Aadhar Card with the ITR form. Once the Aadhar card and the ITR form have been linked, the taxpayer will not be required to physically send the ITR form to the income tax office even if he did not use the digital signature to sign the form.

Procedure for income tax return without downloading Java/Excel Utility:

Income tax e-filing can also be done without downloading the income tax software and simply by furnishing all the details online.

A person would be required to login to his account on https://www.incometaxindiaefiling.gov.in and go to e-File –Income Tax Return – Prepare and Submit online. If the income tax return has not been digitally signed, the taxpayer would be required to take print out of the ITR-V acknowledgment form, sign it and send it to the income tax department.

Recommended to read: http://www.charteredclub.com/itr-v-1/

The address for sending duly signed ITR-V form is " Income Tax Department – CPC, Post Bag No-1, Electronic City Post Office, Bengalore-560100, Karnataka" by ordinary or speed post only but within 120 days of transmitting the data electronically.

In case, ITR-V form is furnished after the end of 120 days from the date of filing of income tax return, it will be deemed that the return is respect of which the ITR-V form has been filed was never furnished and it shall be incumbent on the taxpayer to electronically re-transmit the data and follow it up by submitting the new ITR-V form

Important Notes:

◊ In case the taxpayers paid excess tax, they can claim a refund of income tax by disclosing all facts in the income tax return.

◊ The due date is 31st July of the assessment year for income tax filing for taxpayers not required to get their tax audit done. For all taxpayers who are required to get their audit done, the due date is 30th September.

◊ If taxpayers are unable to file income tax return before the income tax filing due date, they may file a belated income tax return along with interest or penalty.

◊ If any error is recognised in the income tax return by the taxpayers, they may file revised return of income u/s 139(5) before the expiry of one year from the end of the relevant assessment year or before the completion of assessment.

◊ There are several private software vendors which are authorised by the income tax department for income tax e-filing by online.

within 120 days. This completes the income tax e-filing process non-digitally signed returns.

Income Tax Returns (ITR) Forms:

Income Tax Department released ITR Forms for ITR. There are different ITR Forms for different categories of taxpayers.

The Central Board of Direct Taxes has notified ITR Forms. Each type of ITR Form is in three formats i.e. Excel utility, New Java ITR utility and PDF file. All taxpayers are now mandatorily required to submit their income tax form online.

Taxpayers who are filing their income tax returns are required to determine which type of income tax return form to file before actually filing their returns. The form required is entirely dependent on the income that the taxpayer earns, or in some cases where the taxpayer holds assets in a country other than India or earns income from a country other than India.

Income Tax Return: if an individual needs to claim income tax refund. They have to fill up the required Income Tax Return (ITR) form.

Different types of ITR Forms:

There are nine types of income tax return forms to file income tax returns. Taxpayer could use appropriate form to file returns in these nine ITR forms as per the Central Board of Direct Taxes (CBDT). ITR forms are ITR-1, ITR-2, ITR-2A, ITR-3, ITR-4, ITR-4S, ITR-5, ITR-6, and ITR-7.

◊ **ITR-1:** This income tax return form is known as Sahaj form. For income from salaries, one house property, other sources (interests etc) and having income upto Rs.50 lakh.

◊ **ITR-2A:** For individuals and HUFs not having income from business or profession and capital gains and who do not hold foreign assets. This income tax form was introduced for the assessment year 2015-16.

◊ **ITR-2:** The ITR-2 form is generally used by individuals and HUFs not having income from business or profession under any proprietorship.

◊ **ITR-3:** For individuals and HUFs being partners in firms and not carrying out business or profession under any proprietorship.

- **ITR-4:** For individuals and HUFs having income from proprietary business or profession.
- **ITR-4S:** For presumptive business income tax return. The ITR-4S form also known as the Sugam form.
- **ITR-4S:** For presumptive business income tax return. The ITR-4S form also known as the Sugam form.
- **ITR – 6:** For companies other than companies or organizations claiming exemption under section 11.
- **ITR – 7:** For persons including companies required to furnish return under 139(4A) or 139(4B),or 139(4D), 139 (4E) or 139(F).

In a country like India only 3% of the population that is 3 crore of the total above 120 crore pay income tax. But when we look at the growth of income and wealth over the years there are lot many people who are yet pay taxes. The government should focus on increasing the tax base and taxpayers base. This can be achieved by a) bringing large farmers under tax net b) structured mechanism for matching PAN with non-PAN data c) capturing details of cash withdrawal from bank accounts , other than saving accounts d) bringing the retail sector, small and medium enterprises to enter the organized sector e) reducing, tracking large cash transactions f) importantly, reducing tax rates for groups on the wedge of income tax slabs .

These activities will help government in increasing revenues from income tax. Leading to more spending on the development in infrastructure projects, at the same time increasing government accountability to its citizens. ❖