

New Rules of filing Tax returns

The tax authorities have introduced several new guidelines for filing returns this year. Find out how these changes are likely to impact you.

First they made it compulsory for businesses to e-file their tax returns. Then they made it mandatory for taxpayers with incomes of over 10 lakh to take the online route. This year, the income tax authorities have cast a wider net and made e-filing compulsory if your taxable income is above 5 lakh a year.

The lowered threshold represents one of the key changes in the tax filing rules this year. Some of these are mere tweaks, such as mentioning your bank's IFSC number, instead of the MICR code, in the return. However, some of these variations are tectonic, such as the mandatory e-filing for incomes above 5 lakh a year. In the following pages, ET Wealth explains the new rules and how they will affect the way you file your tax return this year.

E-filing tax returns

The change has spawned a massive opportunity for tax e-filing portals. These websites charge individual taxpayers between 200 and 4,000 for uploading their tax returns. You can also do it for free on the official website of the Income Tax Department. However, private tax filing portals hand-hold the taxpayer through the process. They guide you while filling the form and even correct you if you make a mistake.

Filing tax returns online is easy.

The average taxpayer won't take more than 30-40 minutes to enter all the details and upload the return. However, the average taxpayer also harbours several misconceptions about e-filing. Tax returns are picked up for scrutiny through a computer assisted selection procedure that has no human intervention. If the computer detects certain discrepancies in the return, it raises the red flag and the individual gets a notice. In fact, there is a greater probability that a return filed offline will get picked up for scrutiny. The information in your physical return is ultimately fed to the computer by operators. A typing error at this stage can introduce a discrepancy in the return, leading to a notice being sent to you.

This problem can be avoided when you file online because the chances of going wrong are lesser. The e-filing portals further reduce the risk of errors by calculating the tax as you fill in the form. Some e-filing companies, such as Taxspanner, even verify your return for a small fee. If you are ready to shell out 200, the portal will check if you have entered correct information and alert you when you are going wrong. Tax professionals go through your return form, tallying the numbers and cross-checking the information before it is uploaded.

Choose the right form

The online filing data reveals that more than 32% of the 2 crore individual taxpayers used the basic ITR 1, also known as Sahaj, to file their returns last year. Only 11% used the more complicated ITR 2. These statistics indicate that a lot of taxpayers who should have used ITR 2 filed their returns using the simpler Sahaj form. The income level does not matter; what is important is the source of income. For instance, if one had made capital gains or earned rent from more than one house, he should have used ITR 2.

If you have not filed your return for last year as well, you can do so now. A return filed after the due date is a delayed return. If you file your delayed return before you get a notice, you have a better chance of getting away lightly. The taxman will not take you to task for not filing your returns, just give you a mild rap for waking up late.

Automatic choice for e-filers

For some online tax filers, choosing the right form is not an issue. "A taxpayer has to just enter what he has earned under different heads of income and the portal automatically chooses the applicable form," says Sudhir Kaushik, co-founder and CFO of Taxspanner.com. For instance, if the person has only income from salary and no exempt income, his return will be filed using ITR 1, but if he made some capital gains, has rental income from more than one house or his exempt income exceeds 5,000, ITR 2 will have to be used.

However, taxpayers who upload their returns through the official Income Tax Department website will have to be more careful about the form they use. Delhi-based Kuldip Kaushik used the ITR 1 last year, but since he had dividend income of over 5,000 for the year 2012-13, he will have to use ITR 2 this year.

If a taxpayer uses the wrong form and the mistake is discovered by the tax authorities, the return may be rejected. Every year, thousands of defective returns are sent back to taxpayers. A defective return is not an earth shattering matter. If you get a notice, you will have to file a revised return within 15 days. If you meet the deadline, the return is treated as valid. Get delayed and your return will become invalid and you will have to file afresh.

"If you discover on your own that you have made a mistake in the return or used the incorrect form, you can file a revised return to rectify the mistake," says Vineet Agrawal, director KPMG. Your new return will overrule the previous one if the assessment has not been completed.

Check your TDS details

Before you sit down to file your returns this year, spend a few minutes to check whether the tax you paid for last year has been correctly credited to your name. The Form 26AS has details of the tax deducted on behalf of the taxpayer and can be easily checked online. Noida-based

Brijendra Singh wishes he had done so last year. The former army officer got a tax notice because of a clerical error by his bank. The TDS paid on his income from fixed deposits was credited to another PAN by mistake. Though he was eventually given credit for his TDS, Singh is not taking any chances this year. He has diligently matched all his TDS details with his Form 26AS online.

Checking your tax credit details online is child's play if you have a Net banking account with any of the 35 banks that offer this facility. Otherwise you can go to the official website of the Income Tax Department and click on 'View Your Tax Credit' . First-time users will have to register but it takes less than five minutes before you can log on and view your details. "It is necessary that taxpayers check their TDS when they file their returns," says Kuldip Kumar of PwC.

Forms seek more information

If salaried people are feeling jittery about using the more detailed ITR 2, imagine what partners in firms and businessmen are going through. In an attempt to dig deeper for undisclosed income, the government has made it mandatory for partners, professionals and businessmen with an income of over 25 lakh to furnish details of their assets and liabilities. There is a new 'Schedule AL' in the ITR 3 and ITR 4. If the taxpayer's income exceeds 25 lakh during the year, he will have to declare his assets and liabilities.

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