YEAR 2 : SEMESTER IV

TAX RETURNS AND FILLING OF TAX RETURNS

SUBJECT CODE - FACSSE02M

INCOME TAX RETURNS .

1) What do you mean by Tax Return ?

Ans : The definition of an income tax return is a document which a taxpayer file with the Internal Revenue Service or the state tax board reporting his income, profits and losses of business and other deductions as well as details about your tax refund or tax liability. It is a form on which a taxpayer makes an annual statement of income and personal circumstances (by self or with the help of a professional) , used by the tax authorities to assess liability for tax for a particular accounting year.

2) What is a PAN ?

Ans : PAN, or permanent account number, is a unique 10-digit alphanumeric identity allotted to each taxpayer by the Income Tax Department under the supervision of the Central Board of Direct Taxes. It also serves as an identity proof. It is also issued to foreign nationals (such as investors) subject to a valid visa, and hence a PAN card is not acceptable as proof of Indian citizenship. A PAN is necessary for filing income tax returns.The PAN number remains unaffected by change of address throughout India. It is an electronic system through which, all tax related information for a person/company is recorded against a single PAN number. This acts as the primary key for storage of information and is shared across the country. Hence no two tax paying entities can have the same PAN. The card is issued in order to prevent tax evasion by individuals and entities as it links all financial transactions made by a particular individual or entity.

3) What are the different types and the documents nedded for the application of PAN ?

Ans : PAN generally requires two types of documents.

1)Proof of address (POA)

2) Proof of Identity (POI).

Individual Applicant	POI/ POA- Aadhaar card, Passport, Voter ID,

	Driving Licence.
Hindu Undivided Family	An affidavit of the HUF issued by the head of HUF along with POI/POA details required to be furnished .
Company registered in India	Certificate of Registration issued by Registrar of Companies
Firms/ Partnership (LLP)	Certificate of Registration issued by the Registrar of Firms/ Limited Liability Partnerships and Partnership Deed.
Trust	Copy of Trust Deed or a copy of the Certificate of Registration Number issued by a Charity Commissioner.
Society	Certificate of Registration Number from Registrar of Co-operative Society or Charity Commissioner
Foreigners	Passport PIO/ OCI card issued by the Indian Government Bank statement of the residential country Copy of NRE bank statement in India

4) Explain the structure of a PAN .

Ans : A PAN number contains a ten digit alphanumeric number , categorized as below :-

BBBPD6161F (imaginary number).

first five characters are letters (in uppercase by default), followed by four numerals, and the last (tenth) character is a letter.

first three characters of the code are three letters forming a sequence of alphabets letters from AAA to ZZZ.

fourth character identifies the type of holder of the card. Each holder type is uniquely defined by a letter from the list below:

A — Association of persons (AOP)

B — Body of individuals (BOI)

C — Company

F — Firm

G — Government

H — HUF (Hindu undivided family)

L — Local authority

J — Artificial juridical person

P — Individual (proprietor)

T — Trust (AOP)

E – LLP (limited liability partnership)

fifth character of the PAN is the first character of either:

of the surname or last name of the person, in the case of a "personal" PAN card, where the fourth character is "P" or

of the name of the entity, trust, society, or organisation in the case of a company/HUF/firm/AOP/trust/BOI/local authority/artificial judicial person/government, where the fourth character is "C", "H", "F", "A", "T", "B", "L", "J", "G".

The last (tenth) character is an alphabetic digit used as a check-sum to verify the validity of that current code.

5) What are the Uses of Pan ?

Ans : The primary purpose of the PAN is to provide an universal identification to all financial transactions and to prevent tax evasion by keeping track of monetary transactions .

Quoting the PAN is mandatory when filing income tax returns, tax deduction at source, or any other communication with the Income Tax Department.

PAN is also steadily becoming a mandatory document for opening a new bank account, a new landline telephone connection / a mobile phone connection, purchase of foreign currency, bank deposits and withdraw above ₹50,000, purchase and sale of immovable properties, vehicles etc.

6) What are the procedures for obtaining a PAN ?

Ans : Generally obtaining a PAN is done by both Online as well as Offline method.

ONLINE METHOD

- Only through visiting NSDL or UTIITSL website.
- Duly fill up the form with specific and acuurate details,along with processing fee.
- After a specified time PAN will be dispatched to specified address.

OFFLINE METHOD

Get application form ,from authorized PAN centre.

Duly fill up the form with specific and acuurate details ,attach the necessary documents along with the

PAN will be dispatched to specified address.

7) What is TAN ?

Ans : TAN or Tax Deduction and Collection Account Number is a 10 digit alpha numeric number required to be obtained by all persons who are responsible for deducting or collecting tax. Under Section 203A of the Income Tax Act, 1961, it is mandatory to quote Tax Deduction Account Number (TAN) allotted by the Income Tax Department (ITD) on all TDS returns. TAN is applied through "*Form No. 49B*" (prescribed under Indian Income Tax Law). A completed form can be submitted online at the NSDL website or at the "Tax Information Network Facilitation Center" (TIN-FC). These centers are established by NSDL, an appointed intermediary by the Central Government, across India.

TAN is required to be quoted in all TDS/TCS returns, all TDS/TCS payment challans and all TDS/TCS certificates to be issued. TDS/TCS returns will not be accepted if TAN is not quoted and challans for TDS/TCS payments will not be accepted by banks. Failure to apply for TAN or not quoting the same in the specified documents attracts a penalty of ₹10,000.

8) What are the procedures for applying TAN ?

Ans : The application of TAN is only made through Online mode.

Application form viz. “ Form No .49B “ (a PDF file) which is generated after filling up the form must be forwarded to NSDL.

Detailed guidelines for the procedure are available at NSDL website.

A TAN application should accompany a 'proof of identity' and a 'proof of address' same as that of PAN (photocopies) of the deductor.

In the case of online applications, these documents need to be sent over mail (post/courier) to NSDL - TAN Application division.

NSDL after receiving the TAN application along with said documents (either through TIN FC / Online), the details are verified and then sent to the Income Tax Department.

Once approved, the Department allocates a unique number, and notifies the applicant through NSDL.

9) Explain the structure of TAN .

Ans : As mentioned TAN is a 10-digit alphanumeric code. The first 4 digits are alphabets. The next 5 are random numbers / numeric and the last digit is again an alphabet. The sample TAN is as follows

DEL N 12345 P

First 3 Digits: It represents the TAN jurisdiction code. For example, MUM for Mumbai, DEL for Delhi and BLR for Bangalore.

4th Digit: Initial of the name of the TAN holder. On the other hand, 4th digit of a TAN of a company ABC Limited will be A. The TAN holder can be individual, company, firm etc. Unlike PAN or Permanent Account Number, from the TAN number we cannot find out whether the TAN holder is an individual, Company, Trust, Local Authority etc.

The Next 5 digits are Numeric

And Last character is a letter.

10) Where it is mandatory to quote TAN ?

Ans : Under section 203A of the Income Tax Act, 1961 it is mandatory to quote Tax

Deduction Account Number in following documents

TDS Statements. Also known as TDS returns

TCS Statements. Also known as TCS returns

Annual Information Return

Payment challans of TDS / TCS

TDS / TCS Certificates

Documents as prescribed by the Income Tax Department or Govt of India from time to time.

If anybody fails to quote Tax Deduction Account Number where it is mandatory then he / she can be fined Rs 10,000 under section 272BB. It includes failure to obtain TAN or quoting incorrect Tax Deduction Account Number.

11) What is a defective return ?

Ans: When Income-tax return is filed, the details provided in the return are cross-verified and processed by the Income-tax department. The department compares the details provided with the information that is available with them. If there are any discrepancies or mistakes or if any information is missing in the return then, the return is treated as Defective Return and notice will be issued under section 139(9).

12) Narrate the various reasons for the defective return .

Ans : An intimation from the Income Tax Department is sent to a taxpayer when the Assessing officer has found error with the income tax return you have filed.

(a) When return is not submitted in the prescribed form with all annexure and statement duly filled.

(b) Return should be accompanied by proof of tax, if any claimed to have been deducted or collected at source and the advance tax and self assessment tax, if any claimed.

(c) In case the entity is maintaining regular books of accounts, it should be ensured that copies of Trading , Profit & Loss account , Income and expenditure account , Perosnal account of the partners(Partnership firms), Personal Accounts (Proprietary concern) along with Balance sheet are should be submitted.

(d) All the entities who are required to get there books of accounts audited the it should be ensured that Audited Profit & Loss account along with Balance sheet are submitted

(e) Cost audit report as per section 233B.

(f) Where there is no regular books of accounts are maintained due to the non requirement in the Income tax act or any other act than in that case statement showing amount of Gross turnover, Gross receipts , Gross profits, Expenses and net profit of the business or profession and the basis on which such amount have been computed and also disclosing the amount of:-

Total Sundry Debtors

Sundry Creditors

Stock in Trade

Cash and bank Balance

(g) Details of taxes paid have been furnished but assessee have not provided income details.

(h) A notice for defective return is sent when TDS has been claimed as a refund, but no income details are provided in the return.

(I) Mismatch in the details provided in the return with the PAN card i.e Name and Date of birth.

13) What is the response time for the notice of Defective return U/s. 139(9) ?

Ans : Return should be revised within the stipulated time period addressing the defects the Assessing officer has pointed out within 15 days from the receipt of intimation order under section 139(9). Assessee can seek extension in the time period from the assessing officer. However the return should be rectified and defect given in the notice should be rectified. In case assessee does not rectify the defect within the said period of <u>15 days</u> or the extended period but before the completion of assessment then the Assessing officer “MAY” condone the delay and treat the return as Valid return.

14) What are the procedures to revise the income tax return in response to the notice of Defective return U/s. 139(9) ?

Ans : Here is a step by step guide for dealing with notice under section 139(9):

Step 1

Login to www.incometaxindiaefiling.gov.in using login credentials.

Step 2:

Go to e-File >> e-File in response to notice u/s 139(9)

Step 3:

Click on “Submit” link under Response column for the respective Defective Return Notice number for which response is required to be submitted.

Step 4:

Complete the Income-tax return like normal Income-tax return (using myITreturn) or Income-tax department’s utility.

Step 5:

For Defective Return Notice raised by AO, the below screen will be displayed. Browse the xml file of revised return after correcting the defect and click on “Submit”. Below screen will be displayed.

Step 6:

In case, Defective Return Notice is raised by CPC, the below screen will be displayed

Now , on this screen, there will be column “Do you Agree with Defect?” . If you agree with the defect then select "Yes". Select ITR Form Name and upload the respective revised return xml (corrected one).

Note- This option of uploading the revised return XML, will only be given in case you accept the defect, i.e Select “Yes” under column “Do you agree with defect?”

If you do not agree with the defect then select “ No”. You need to provide the remarks under column ”Assessee Remarks” as shown in the below screen, stating the reason as to why you do not agree with the defect.

Step 7:

If the company is FII/FPI i.e. if the Assessee selects YES in the dropdown displayed under Details for Error Code 3 table, further details needs to be provided by Assessee as displayed in the below screen and Assessee needs to click on Submit.

Step 8:

On successful submission of the response by the Assessee, the below success screen is displayed.

15) What is a Revised return ?

Ans : As per section 139(5) Revised return allows you to rectify the error or omission of facts made at the time of filing your original ITR. Filing a revised return simply means filing your return again but this time with the correct information. When filing a revised return you need to mention details of the original return. Every assessee who has filed his/her ITR is entitled to revise it under section 139(5) to provide correct information to the tax department. Earlier, only those taxpayers who had filed ITR before the expiry of the deadline were allowed to revise their returns. Taxpayers who had filed belated returns, i.e., after the expiry of original deadline to file ITR were not allowed to revise it. Section 139(5) of the income tax act provides an assessee with a chance to revise his/her return. For e.g. if you have made some errors in ITR filing like (but not limited to):

Given incorrect personal or bank details,

Filed ITR using wrong form,

Income mismatch with Form 26AS,

Mentioned wrong residential status,

Forgot to disclose, any foreign income or foreign asset etc.

Then in such cases, you will have the option to file revised return with correct information or disclosures.

16)What is the last date to file revised return ?

Ans : As per Sec 139(5), an assessee can file revised return before the end of relevant assessment year or before completion of assessment, whichever is earlier.
In simple words, revised return for AY 2018-19 (FY 2017-18), the last date will be earlier of 31st March 2019 or completion of assessment.
One important thing to note is about an amendment in section 139(5) of income tax act. Prior to FY 2017-18 (AY 2018-19), revised return could be filed till; before the expiry of 1 year from the end of relevant AY.

17) What is a A belated return is one which is filed after the deadline for filing the ITR is crossed. When an assessee misses the deadline or due date to file his returns, the return filed after the deadline but within the same assessment year is called a belated return. For every assessment year, the due date for filing the belated return is the on or before the end of that assessment year.

18) What are the consequences of not filing ITR on time?

Ans : There are various consequences related to delayed filing of ITR apart from the penalty levied by the Income Tax Department. Following are the repercussions of not filing ITR by the due date:

Unable to set off losses
If the returns are not filed on time, the carry forward of losses is not permitted to the subsequent years (loss other than house or property loss). You will not be allowed to carry forward these losses and set them off against future gains if you do not file your returns within the due date.
However, if you have incurred losses under property or house, the losses can be carried forward.

Interest is charged on the delay
Under section 234A, you will be charged an interest rate of 1% per month or part thereof until you pay your taxes. This interest charged is over and above the penalty for late filing of ITR. You cannot file ITR until you have paid your taxes. The interest is calculated immediately after the due date for filing the return is crossed i.e. 31st July 2019 for the current assessment year, 2019-20.
Hence, the more delay you do in the filing, the more interest you pay.

Delayed refunds
If you are entitled to receive any funds from the Income tax department, it is highly advisable that you file your returns on time. Any delay in process on your side will automatically affect the speed of processes due on the department.

19) What is TDS ?

Ans : TDS stands for tax deducted at source. As per the Income Tax Act, any company or person making a payment is required to deduct tax at source if the payment exceeds certain threshold limits. TDS has to be deducted at the rates prescribed by the tax department.

The company or person that makes the payment after deducting TDS is called a deductor and the company or person receiving the payment is called the deductee. It is the deductor’s responsibility to deduct TDS before making the payment and deposit the same with the government. TDS is deducted irrespective of the mode of payment–cash, cheque or credit–and is linked to the PAN of the deductor and deducted.

TDS is deducted on the following types of payments:

Salaries

Interest payments by banks

Commission payments

Rent payments

Consultation fees

Professional fees

20) What is TDS return?

Ans : A deductor has to deposit the deducted TDS to the government and the details of the same have to be filed in the form of a TDS return. A TDS return has to be filed quarterly. Different types of TDS deductions have to be filed using different TDS return forms.

21) What are the Advantages of payment of TDS ?

Ans : TDS is payable on the earnings so it is important to note that the liability to pay TDS is applicable only in the event of earnings actually taking place. TDS is deducted before making payments. Deductions are to be made on payments that are made in cash, cheque or credit. The amount deducted under TDS is further deposited with various government agencies. Payment of TDS has various advantages which are as follows :

Deducting TDS at source prevents tax evasion.

Tax collection is done duly and in a timely manner.

A large number of people come under the tax net.

Collection of TDS is a steady source of revenue for the government.

22) Who can Deduct TDS under section 192 ?

Ans : According to section 192 of the income tax act, there must be an employer-employee relationship for the deduction of tax at source.

The employers include :-

Companies (Private or Public)

Individuals

HUF

Trusts

Partnership firms

Co-operative societies

23) When is TDS Deducted under section 192

Ans : Under Section 192, TDS is deducted at the time of actual payment of salary and not during the accrual of salary. Tax will also be deducted if your employer pays salary in advance to you or you receive arrears from him.

In case your estimated salary is not more than the basic exemption limit, TDS will not be deducted. This rule is applicable even to those who do not have a PAN.

The table below shows the basic exemption limit as per the age that does not require TDS to be deducted:

Age	Minimum income
Resident in India below 60 years	Rs 2.5 lakh
Senior Citizens between 60 years and below 80 years	Rs 3 lakh
Super Senior Citizens above 80 years	Rs 5 lakh

24)How is Salary from More Than One Employer is treated ?

Ans : If you are engaged with two or more employers simultaneously, you can provide details about your salary and TDS in Form 12B to any one of the employers. Once the employer receives all kinds of information from you, he/she will be responsible in computing your gross salary to deduct TDS.

Subsequently, if you resign and join a different employer, you can provide details of your previous employment in Form 12B to your new employer. This employer will consider your previous salary and TDS will be deducted for the remaining months of the financial year.

If you choose not to provide details of income of other employment, each employer will deduct TDS only from the salary paid by him respectively.

25) What is a TDS Statements ?

Ans : The employer is required to provide Form 16 to you containing the details of salary such as the amount paid and tax deducted. This can also be accompanied by Form 12BA, to show particulars of perquisites,and profits in lieu of salary.

26) What is the Time limit to deposit the tax under section 192 ?

Ans : -If the TDS is deducted by any government employer – It has to be deposited on the same day.

If the TDS is deducted by any employer other than the government –

a. If the salary is credited and TDS is deducted in the month of march – On or before 30 April

b. If the salary is credited and TDS is deducted in any month other than March- Within seven days from the end of the month in which the deduction is made.

27) What are the different TDS forms ?

Ans :

Type of TDS Return Forms	Particulars of the TDS Return Forms
Form 24Q	Statement for tax deducted at source from salaries
Form 26Q	Statement for tax deducted at source on all payments other than salaries.
Form 27Q	Statement for tax deduction on income received from interest, dividends, or any other sum payable to non residents.
Form 27EQ	Statement of collection of tax at source.

Form 24Q

It is used for preparing eTDS returns for the TDS deducted on salary under Section 192 of the Income Tax Act, 1961.

It has to be submitted on a quarterly basis by the deductor.

It contains details like salaries paid and the TDS deducted of the employees by the employer.

It contains 2 annexures namely Annexure-I and Annexure II. Annexure-I contains details of the deductor, deductees and challans, while Annexure II contains the salary details of the deductees.

Annexure-I is to be submitted by the deductor for all the four quarters of the financial year.

Annexure II need not be submitted in the first three quarters of the financial year, but has to be furnished and submitted in the fourth quarter of the financial year with details of the employees' salaries of the entire financial year.

Form 26Q

It is to be submitted for tax deduction at source for all the payments received other than the salary.

It is submitted on a quarterly basis by the deductor and is applicable for tax deducted at source under section 200(3), 193 and 194 of the Income Tax Act of 1961.

The income on which the tax is deducted at source includes interest on securities, dividend securities, professional fees, directors' remuneration, etc.

It is compulsory to furnish PAN by the deductors who are non-government deductors. For government deductors "PANNOTREQD" has to be mentioned on the form.

Form 27Q

It is applicable for payments made to non-resident Indians and foreigners other than salary.

It has to be filled in for the declaration of Tax Deducted at source for the NRIs and Foreigners.

It is submitted on a quarterly basis by the deductor and is applicable for tax deducted at source under section 200(3) of the Income Tax Act of 1961.

The income on which the tax is deducted at source includes interest, bonus, any additional income or any other sum owed to non-resident Indian or foreigner.

It is compulsory for non-government deductors to furnish PAN. For government deductors the code “PANNOTREQD”has to be mentioned on the form.

Form 27EQ

It is a quarterly statement that furnishes the details and information of the tax collected at source as per section 206C of the Income Tax Act of 1961.

The form 27EQ is submitted on a quarterly basis. In this form it is mandatory to furnish TAN.

It is the statement to show the Tax Collected at Source (TCS), which is the tax collected by the seller. When a buyer purchases certain goods or commodities, the seller collects the tax from the buyer through the TCS route. This tax is collected on the payment received from the buyer either in cash, credit, cheque, demand draft or from any other mode of payment.

It is to be furnished by corporate deductors and collectors but not by government deductors and collectors. It is compulsory to furnish PAN by the deductors who are non-government deductors. For government deductors, the code “PANNOTREQD” has to be mentioned on the form.

28) Narrate the different provision regarding the interest on securities ?

Ans : Section 193 deals with the provisions relating to TDS on interest on securities. Tax is to be deducted under section 193 if any person pays any income by way of interest on securities to a resident. Thus, the provisions of section 193 are not applicable in case of payment of interest on securities to a non-resident. Payments made to non-residents are also covered under TDS mechanism, however, tax in such a case is to be deducted as per section 195.

1. Who shall deduct TDS U/s 193?

Every person who is responsible to pay interest on securities to a resident, is liable to deduct tax at source under section 193.

2. When Tax shall be Deducted U/s 193 ?

As per section 193, tax is to be deducted at the time of payment or credit of interest (to any account by whatever name called), whichever is earlier.

3. When No Tax shall be deducted U/s 193 ?

In the following cases tax is not to be deducted under section 193 :

Interest payable to insurance companies, etc.:

Any interest payable to:—

Life Insurance Corporation of India;

General Insurance Corporation of India or any of four companies formed under it;

Any other insurer, in respect of any securities owned by them, or in which they have full beneficial interest.

Interest paid or credited by widely held company not exceeding Rs. 5,000 :

No tax is to be deducted at source if the following conditions are satisfied:

if debentures are issued by a widely held company;

such debentures may or may not be listed on a stock exchange in India;

interest is paid/payable to an individual or HUF who is resident in India; and

interest is paid by account payee cheque; and

the amount or the aggregate of the amounts of such interest paid or payable during the financial year does not exceed Rs. 5,000.

Any interest payable on any security issued by a company, where such security is in dematerialised form and is listed on a recognised stock exchange in India in accordance with the Securities Contracts (Regulation) Act, 1956 and the rules made thereunder.

Interest paid or credited on 8% Saving (Taxable) Bonds 2003 issued by the Central Government provided the interest on such bonds does not exceed Rs. 10,000.

Where a self declaration under Form No. 15G/15H is furnished by a particular person [Section 197A(1A), (1B) and (1C)]:

A person, other than a company or firm may furnish a declaration in writing in duplicate in new Form No. 15G to the payer to the effect that there is no tax payable on his Total

Income. In this case, the payer shall not deduct any tax at source.

Any payment made to New Pension System Trust [Section 197A(1E)]:

No deduction of tax shall be made from any payment to any person for, or on behalf of, the New Pension System Trust referred to in section 10(44).

No deduction of tax from specified payment to notified institutions, association or body, etc. [Section 197A(1F)]:

No deduction of tax shall be made from such specified payment to such institution, association or body or class of institutions, associations or bodies as may be notified by the Central Government in the Official Gazette, in this behalf.

No tax shall be deducted at source from the payments of the nature specified under section 10(23DA) received by any securitisation trust.

Certain entities required to file return under section 139(4A) or 139(4C) [Rule 28AB]:

As per rule 28AB certain entities who are required to file there return of income under section 139(4A) or 139(4C) may apply under Form No. 13 for no deduction of tax at source provided certain conditions are satisfied.

Certain entities whose income is unconditionally exempt under section 10:

In case of certain entities whose income is unconditionally exempt under section 10 and who are statutorily not required to file return under section 139 there will be no requirement for TDS since their income is in any way exempt.

29) Narrate the provision covered under the Income tax act ,regarding

Horse racing.

Income from Lottery.

Ans : Horse racing .

The Provisions of Section-194 B towards Winning From Horse Race [Section 194BB] are given below---

Who is the taxpayer	Any person paying winning from Horse Races
Who is the recipient	Any person

Payment covered	Winning from Horse Races
At what time tax has to be deducted at source	At the time of payment
Maximum amount which can be paid without Tax Deduction	If the amount of payment is Rs.10,000 or less
Rate of tax deducted at source	30% (No Surcharge or Education Cess)

Who is liable to deduct TDS under Section 194BB :

Any person, who is responsible for paying to any person any income by way of winnings from any horse race an amount exceeding Rs.10,000 (Rs.5,000 upto 31.5.2016) shall deduct income-tax at the rates in force.

Any person here means a book maker or a person to whom a licence has been granted by the Government under any law for the time being in force for horse racing in any race course or for arranging for wagering or betting in any race course.

When TDS under Section 194BB is to be Deducted:

At the time of payment of such income.

No tax is to be deducted at source if winnings from horse race does not exceed Rs.10,000.

There is no provisions under section 194BB for deduction of tax at a rate lower than the rate prescribed above.

Income from Lottery.

If you receive money from winning the lottery, Online/TV game shows etc., it will be taxable under the head Income from other Sources. The income will be taxable at the flat rate of 30% which after adding cess will amount to 31.2%.Incomes from following sources come under this category:

Lottery

Game Show or any entertainment programon television or electronic mode

Crossword Puzzle

Gambling or betting

Races including Horse races.

TDS Applicability

If the Prize money exceeds Rs 10,000, then the winner will receive the prize money after the deduction of TDS @31.2% u/s 194B.It does not matter whether the income of the winner is taxable or not. The prize distributor is liable to deduct tax at the time of payment. In the case of winnings from horse races, TDS will be applicable if the amount exceeds Rs 10,000.

No Deduction/Expenditure is allowed from such Income

No deduction under section 80C or 80D or any other deduction/allowance is allowed from such income. The Benefit of basic exemption limit and income tax slab rate is also not applicable to this income. The entire amount received will be taxable at the flat rate of 31.20%.

For instance, Rahul has won the prize money of Rs 3 lakhs from a game show and he has an interest income of Rs 5 lakhs p.a.Then the tax liability would be calculated as per following:

Tax on Rs 3 lakhs @ 31.2%

Tax on Rs 5 lakhs as per income tax slab rates after claiming the relevant deductions.

Prize Money received in Kind

If the prizes are given in Kind say a car, then prize distributor shall ensure before releasing the prize that tax has been paid. Tax is paid as per the market value of the prize given. The prize distributor can either recover from the winner or he himself can bear the burden of tax.

For instance, Suman has won an Alto car in a contest whose market value is Rs 4 lakhs, then tax @ 31.2% which is Rs 1,24,800 must be paid before giving the car to the winner.

In cases where prize is given both in cash and kind, then the total tax should be calculated on the cash portion of the prize and on market value of the prize given in kind. And the tax amount should be deducted while giving the cash portion of the prize to the winner. But if the cash prize is not sufficient to cover the total tax liability, then either the winner or prize distributor should pay the deficit.

Start S**TDS Rate Chart For Assessment year 2020-21 and Assessment year 2021-22:**
IP Now

Particulars	TDS Rates (in %) (AY 2020-21)	TDS Rates (in %) (AY 2021-22)
1. In the case of a person other than a company		
1.1 where the person is resident in India-		
Section 192: Payment of salary	Normal Slab Rate	Normal Slab Rate
Section 192A: Payment of accumulated balance of provident fund which is taxable in the hands of an employee. (Monetary Limit – Rs 50,000)	10	10
Section 193: Interest on securities		
a) any debentures or securities for money issued by or on behalf of any local authority or a corporation established by a Central, State or Provincial Act;	10	10
b) any debentures issued by a company where such debentures are listed on a recognised stock exchange in accordance with the Securities Contracts (Regulation) Act, 1956 (42 of 1956) and any rules made thereunder;	10	10
c) any security of the Central or State	10	10

Government; [i.e. 8% Savings (Taxable) Bonds, 2003 and 7.75% Saving (Taxable) Bonds, 2018] (Monetary Limit – Rs 10,000)		
d) interest on any other security	10	10
Section 194A: Income by way of interest other than “Interest on securities” (Monetary Limit – Rs 40,000)	10	10
Section 194B: Income by way of winnings from lotteries, crossword puzzles, card games and other games of any sort (Monetary Limit – Rs 10,000)	30	30
Section 194BB: Income by way of winnings from horse races (Monetary Limit – Rs 10,000)	30	30
Section 194C: Payment to contractor/sub-contractor (Monetary Limit – Rs 30,000 per contract or Rs 1,00,000 for aggregate amount during the year)		
a) HUF/Individuals	1	1
b) Others	2	2
Section 194D: Insurance commission (Monetary Limit – Rs 15,000)	5	5
Section 194DA: Payment in respect of life insurance policy w.e.f. 1/9/2019, the tax shall	5	5

be deducted on the amount of income comprised in insurance pay-out (Monetary Limit – Rs 1,00,000)		
Section 194EE: Payment in respect of deposit under National Savings scheme (Monetary Limit – Rs 2,500)	10	10
Section 194F: Payment on account of repurchase of unit by Mutual Fund or Unit Trust of India	20	20
Section 194G: Commission, etc., on sale of lottery tickets (Monetary Limit – Rs 15,000)	5	5
Section 194H: Commission or brokerage (Monetary Limit – Rs 15,000)	5	5
Section 194-I: Rent (Monetary Limit – Rs 2,40,000)		
a) Plant & Machinery	2	2
b) Land or building or furniture or fitting	10	10
Section 194-IA: Payment on transfer of certain immovable property other than agricultural land (Monetary Limit – Consideration exceeding Rs 50,00,000)	1	1

Section 194-IB: Payment of rent by individual or HUF not liable to tax audit (Monetary Limit – Rent for the month or part of the month exceeds Rs 50,000) Note: This provision is applicable from June 1, 2017	5	5
Section 194-IC: Payment of monetary consideration under Joint Development Agreements	10	10
Section 194J: Payment for fees for Technical services, Professional services or royalty etc. (Monetary Limit –Rs 30,000 p.a)		
a) Fee for technical services	10	2 (w.e.f. 01/04/2020)
b) Fee in other all cases as per Section 194J Note: With effect from June 1, 2017 the rate of TDS would be 2% in case of payee engaged in business of operation of call center.	10	10
Section 194K: Payment of any income in respect of a) Units of a Mutual Fund as per Section 10(23D) b) Units from the administrator c) Units from specified company (This Section is inserted by Finance Act, 2020 which is applicable from 01/04/2020)	N.A.	10

Section 194LA: Payment of compensation on acquisition of certain immovable property (Monetary Limit –Rs 2,50,000 p.a.) Note: With effect from April 1, 2017, no deduction of tax shall be made on any payment which is exempt from levy of income-tax under Right to Fair Compensation Act, 2013.	10	10
Section 194LBA(1): Business trust shall deduct tax while distributing, any interest received or receivable by it from a SPV or any income received from renting or leasing or letting out any real estate asset owned directly by it, to its unit holders.	10	10
Section 194LBB: Investment fund paying an income to a unit holder [other than income which is exempt under Section 10(23FBB)]	10	10
Section 194LBC: Income in respect of investment made in a securitisation trust (specified in *Explanation* of section115TCA)	25% in case of Individual or HUF 30% in case of other resident person	25% in case of Individual or HUF 30% in case of other resident person
Section 194M: Payment of commission (not being insurance commission), brokerage, contractual fee, professional fee to a resident person by an Individual or a HUF who are not liable to deduct TDS under section 194C, 194H, or 194J. Tax shall be deducted under section 194M with effect from 1/09/2019 when aggregate of	5	5

sum credited or paid during a financial year exceeds Rs. 50 lakh.		
Section 194N: Cash withdrawal in excess of Rs. 1 crore during the previous year from one or more account maintained by a person with a banking company, co-operative society engaged in business of banking or a post office (with effect from 01/09/2019)	2	2
Section 194-O: Applicable for E-Commerce operator for sale of goods or provision of service facilitated by it through its digital or electronic facility or platform. (This Section is inserted by Finance Act, 2020 which is applicable from 01/04/2020)	N.A.	1
1.2 where the person is not resident in India*-		
Section 192: Payment of Salary	Normal Slab Rate	Normal Slab Rate
Section 192A: Payment of accumulated balance of provident fund which is taxable in the hands of an employee. (Monetary Limit – Rs 50,000)	10.4	10.40
Section 194B: Income by way of winnings from lotteries, crossword puzzles, card games and other games of any sort (Monetary Limit – Rs 10,000)	31.20	31.20
Section 194BB: Income by way of winnings	31.20	31.20

from horse races (Monetary Limit – Rs 10,000)		
Section 194E: Payment to non-resident sportsmen/sports association	20.80	20.80
Section 194EE: Payment in respect of deposits under National Savings Scheme. (Monetary Limit – Rs 2,500)	10.4	10.4
Section 194F: Payment on account of repurchase of unit by Mutual Fund or Unit Trust of India	20.80	20.80
Section 194G: Commission, etc., on sale of lottery tickets (Monetary Limit – Rs 15,000)	5.20	5.20
Section 194LB: Payment of interest on infrastructure debt fund	5.20	5.20
Section 194LBA(2): Business trust shall deduct tax while distributing any interest income received or receivable by it from a SPV to its unit holders.	5.20	5.20
Section 194LBA(3): Business trust shall deduct tax while distributing any income received from renting or leasing or letting out any real estate asset owned directly by it to its unit holders.	31.20	31.20
Section 194LBB: Investment fund paying an income to a unit holder [other than income	31.20	31.20

which is exempt under Section 10(23FBB)].		
Section 194LBC: Income in respect of investment made in a securitisation trust (specified in *Explanation* of section 115TCA)	31.20	31.20
Section 194LC: Payment of interest by an Indian Company or a business trust in respect of money borrowed in foreign currency under a loan agreement or by way of issue of long-term bonds (including long-term infrastructure bond) Note: Now TDS at concessional rate of 5% will be applicable for borrowings made after April 1, 2020 but before July 1, 2023.	5.20	5.20
Section 194LD: Payment of interest on rupee denominated bond of an Indian Company or Government securities to a Foreign Institutional Investor or a Qualified Foreign Investor Note: Now TDS at concessional rate of 5% will be applicable for borrowings made after April 1, 2020 but before July 1, 2023.	5.20	5.20
Section 195: Payment of any other sum to a Non-resident		
a) Income in respect of investment made by a Non-resident Indian Citizen	20.80	20.80
b) Income by way of long-term capital gains referred to in Section 115E in case of a Non-resident Indian Citizen	10.40	10.40

c) Income by way of long-term capital gains referred to in sub-clause (iii) of clause (c) of sub-Section (1) of Section 112	10.40	10.40
d) Income by way of long-term capital gains as referred to in Section 112A	10.40	10.40
e) Income by way of short-term capital gains referred to in Section 111A	15.60	15.60
f) Any other income by way of long-term capital gains [not being long-term capital gains referred to in clauses 10(33), 10(36) and 112A	20.80	20.80
g) Income by way of interest payable by Government or an Indian concern on moneys borrowed or debt incurred by Government or the Indian concern in foreign currency (not being income by way of interest referred to in Section 194LB or Section 194LC)	20.80	20.80
h) Income by way of royalty payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern where such royalty is in consideration for the transfer of all or any rights (including the granting of a licence) in respect of copyright in any book on a subject referred to in the first proviso to sub-section (1A) of Section 115A of the Income-tax Act, to the Indian concern, or in respect of any computer software referred to in the second proviso to sub-section (1A) of Section 115A of the Income-tax Act, to a person resident in India	10.40	10.40
i) Income by way of royalty [not being royalty	10.40	10.40

of the nature referred to point g) above E] payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern and where such agreement is with an Indian concern, the agreement is approved by the Central Government or where it relates to a matter included in the industrial policy, for the time being in force, of the Government of India, the agreement is in accordance with that policy		
j) Income by way of fees for technical services payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern and where such agreement is with an Indian concern, the agreement is approved by the Central Government or where it relates to a matter included in the industrial policy, for the time being in force, of the Government of India, the agreement is in accordance with that policy	10.40	10.40
k) Any other income	31.20	31.20
Section 196B: Income from units (including long-term capital gain on transfer of such units) to an offshore fund	10.40	10.40
Section 196C: Income from foreign currency bonds or GDR of an Indian company (including long-term capital gain on transfer of such bonds or GDR)	10.40	10.40
Section 196D: Income of foreign Institutional Investors from securities (not being dividend	20.80	20.80

or capital gain arising from such securities)		
2. In the case of a company-		
2.1 where the company is a domestic company-		
Section 193: Interest on securities		
a) any debentures or securities for money issued by or on behalf of any local authority or a corporation established by a Central, State or Provincial Act;	10	10
b) any debentures issued by a company where such debentures are listed on a recognised stock exchange in accordance with the Securities Contracts (Regulation) Act, 1956 (42 of 1956) and any rules made thereunder;	10	10
c) any security of the Central or State Government; [i.e. 8% Saving (Taxable) Bonds, 2003 and 7.75% Saving (Taxable) Bonds, 2018] (Monetary Limit – Rs 10,000)	10	10
d) interest on any other security	10	10
Section 194: Dividend	10 (Monetary Limit – Rs 2,500)	10 (Monetary Limit – Rs 5,000) (w.e.f. 01/04/2020)

Section 194A: Income by way of interest other than “Interest on securities” (Monetary Limit – Rs 40,000)	10	10
Section 194B: Income by way of winnings from lotteries, crossword puzzles, card games and other games of any sort (Monetary Limit – Rs 10,000)	30	30
Section 194BB: Income by way of winnings from horse races (Monetary Limit – Rs 10,000)	30	30
Section 194C: Payment to contractor/sub-contractor (Monetary Limit – Rs 30,000 per contract or Rs 1,00,000 for aggregate amount during the year)		
a) HUF/Individuals	1	1
b) Others	2	2
Section 194D: Insurance commission (Monetary Limit – Rs 15,000)	10	10
Section 194DA: Payment in respect of life insurance policy w.e.f. 1/9/2019, the tax shall be deducted on the amount of income comprised in insurance pay-out (Monetary Limit – Rs 1,00,000)	5	5

Section 194EE: Payment in respect of deposit under National Savings scheme (Monetary Limit – Rs 2,500)	10	10
Section 194F: Payment on account of repurchase of unit by Mutual Fund or Unit Trust of India	20	20
Section 194G: Commission, etc., on sale of lottery tickets (Monetary Limit – Rs 15,000)	5	5
Section 194H: Commission or brokerage (Monetary Limit – Rs 15,000)	5	5
Section 194-I: Rent (Monetary Limit – Rs 2,40,000)		
a) Plant & Machinery	2	2
b) Land or building or furniture or fitting	10	10
Section 194-IA: Payment on transfer of certain immovable property other than agricultural land (Monetary Limit – Consideration exceeding Rs 50,00,000)	1	1
Section 194-IC: Payment of monetary consideration under Joint Development Agreements	10	10
Section 194J: Payment for fees for Technical services, Professional services or royalty etc.	10	

(Monetary Limit –Rs 30,000 p.a)		
a) Fee for technical services	10	2 (w.e.f. 01/04/2020)
b) Fee in other all cases as per Section 194J Note: With effect from June 1, 2017 the rate of TDS would be 2% in case of payee engaged in business of operation of call center.	10	10
Section 194K: Payment of any income in respect of d) Units of a Mutual Fund as per Section 10(23D) e) Units from the administrator f) Units from specified company (This Section is inserted by Finance Act, 2020 which is applicable from 01/04/2020)	N.A.	10
Section 194LA: Payment of compensation on acquisition of certain immovable property (Monetary Limit –Rs 2,50,000 p.a.) Note: With effect from April 1, 2017, no deduction of tax shall be made on any payment which is exempt from levy of income-tax under Right to Fair Compensation Act, 2013.	10	10
Section 194LBA(1): Business trust shall deduct tax while distributing, any interest received or receivable by it from a SPV or any	10	10

income received from renting or leasing or letting out any real estate asset owned directly by it, to its unit holders.		
Section 194LBB: Investment fund paying an income to a unit holder [other than income which is exempt under Section 10(23FBB)] .	10	10
Section 194LBC: Income in respect of investment made in a securitisation trust (specified in *Explanation* of section 115TCA)	10	10
Section 194M: Payment of commission (not being insurance commission), brokerage, contractual fee, professional fee to a resident person by an Individual or a HUF who are not liable to deduct TDS under section 194C, 194H, or 194J. Tax shall be deducted under Section 194M with effect from 1/09/2019 when aggregate of sum credited or paid during a financial year exceeds Rs. 50 lakh.	5	5
Section 194N: Cash withdrawal in excess of Rs. 1 crore during the previous year from one or more account maintained by a person with a banking company, co-operative society engaged in business of banking or a post office (with effect from 01/09/2019)	2	2
Section 194-O: Applicable for E-Commerce operator for sale of goods or provision of service facilitated by it through its digital or electronic facility or platform. (This Section is inserted by Finance Act, 2020	N.A.	1

which is applicable from 01/04/2020)		
2.2 where the company is not a domestic company*-		
Section 194B: Income by way of winnings from lotteries, crossword puzzles, card games and other games of any sort	31.2	31.2
Section 194BB: Income by way of winnings from horse races	31.2	31.2
Section 194E: Payment to non-resident sports association	20.80	20.80
Section 194G: Commission, etc., on sale of lottery tickets	5.20	5.20
Section 194LB: Payment of interest on infrastructure debt fund	5.20	5.20
Section 194LBA(2): Business trust shall deduct tax while distributing any interest income received or receivable by it from a SPV to its unit holders.	5.20	5.20
Section 194LBA(3): Business trust shall deduct tax while distributing any income received from renting or leasing or letting out any real estate asset owned directly by it to its unit holders.	41.6	41.6
Section 194LBB: Investment fund paying an income to a unit holder [other than income which is exempt under Section 10(23FBB)].	41.6	41.6

Section 194LBC: Income in respect of investment made in a securitisation trust (specified in *Explanation* of section115TCA)	41.6	41.6
Section 194LC: Payment of interest by an Indian Company or a business trust in respect of money borrowed in foreign currency under a loan agreement or by way of issue of long-term bonds (including long-term infrastructure bond) Note: Now TDS at concessional rate of 5% will be applicable for borrowings made after April 1, 2020 but before July 1, 2023..	5.20	5.20
Section 194LD: Payment of interest on rupee denominated bond of an Indian Company or Government securities to a Foreign Institutional Investor or a Qualified Foreign Investor Note: Now TDS at concessional rate of 5% will be applicable for borrowings made after April 1, 2020 but before July 1, 2023.	5.20	5.20
Section 195: Payment of any other sum		
a) Income by way of long-term capital gains referred to in sub-clause (iii) of clause (c) of sub-section (1) of Section 112	10.40	10.40
b) Income by way of long-term capital gains as referred to in Section 112A	10.40	10.4
c) Income by way of short-term capital gains referred to in Section 111A	15.60	15.60

d) Any other income by way of long-term capital gains [not being long-term capital gains referred to in clauses 10(33), 10(36) and 112A	20.80	20.80
e) Income by way of interest payable by Government or an Indian concern on moneys borrowed or debt incurred by Government or the Indian concern in foreign currency (not being income by way of interest referred to in Section 194LB or Section 194LC)	20.80	20.80
f) Income by way of royalty payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 31st day of March, 1976 where such royalty is in consideration for the transfer of all or any rights (including the granting of a licence) in respect of copyright in any book on a subject referred to in the first proviso to sub-section (1A) of Section 115A of the Income-tax Act, to the Indian concern, or in respect of any computer software referred to in the second proviso to sub-section (1A) of Section 115A of the Income-tax Act, to a person resident in India	10.40	10.40
g) Income by way of royalty [not being royalty of the nature referred to in point e) above C] payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern and where such agreement is with an Indian concern, the agreement is approved by the Central Government or where it relates to a matter included in the industrial policy, for the time being in force, of the Government of India, the agreement is in accordance with that		

policy—		
A. where the agreement is made after the 31st day of March, 1961 but before the 1st day of April, 1976	52	52
B. where the agreement is made after the 31st day of March, 1976	10.4	10.4
h) Income by way of fees for technical services payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern and where such agreement is with an Indian concern, the agreement is approved by the Central Government or where it relates to a matter included in the industrial policy, for the time being in force, of the Government of India, the agreement is in accordance with that policy—		
A. where the agreement is made after the 29th day of February, 1964 but before the 1st day of April, 1976	52	52
B. where the agreement is made after the 31st day of March, 1976	10.4	10.4
i) Any other income	41.6	41.6
Section 196B: Income from units (including long-term capital gain on transfer of such units) to an offshore fund	10.4	10.4
Section 196C: Income from foreign currency bonds or GDR of an Indian company (including	10.4	10.4

long-term capital gain on transfer of such bonds or GDR)		
Section 196D: Income of foreign Institutional Investors from securities (not being dividend or capital gain arising from such securities)	20.80	20.80

* The rate of TDS are after considering cess @4% and shall be increased by applicable surcharge.

30) What is Advance tax ?

Ans : Advance tax means income tax should be paid in advance instead of lump sum payment at year end. It is also known as pay as you earn tax. These payments have to be made in instalments as per due dates provided by the income tax department.

31) Who should pay Advance Tax?

Ans : Salaried, freelancers and businesses– If your total tax liability is Rs 10,000 or more in a financial year you have to pay advance tax. Advance tax applies to all taxpayers, salaried, freelancers, and businesses. Senior citizens, who are 60 years or older, and do not run a business, are exempt from paying advance tax.

Presumptive income for Businesses–The taxpayers who have opted for presumptive taxation scheme under section 44AD have to pay the whole amount of their advance tax in one instalment on or before 15 March. They also have an option to pay all of their tax dues by 31 March.

Presumptive income for Professionals– Independent professionals such as doctors, lawyers, architects etc. come under the presumptive scheme under section 44ADA. They have to pay the whole of their advance tax liability in one instalment on or before 15 March. They can also pay the entire amount by 31 March.

32) What are the due dates of payment of Advance tax ?

Ans : Advance tax has to paid by the assessee on the following dates specified by the Income Tax act. The delay in the payment of advance tax attracts penalty. The following dates are applicable to all assessees.

Advance Tax	Installment	Due Dates
15% of Advance Tax	1st Installment	15th June
30% of Advance Tax	2nd Installment	15th September
30% of Advance Tax	3rd Installment	15th December
25% of Advance Tax	4th Installment	15th March
Tax on capital gains or casual incomes arising after 15th March, if any		

33) How to Calculate Advance Tax?

Ans : Advance tax is payable in installment as above on total income estimated for the financial year including capital gains and casual incomes such as winning from lotteries, races etc.

The income for the current year should be estimated as precisely and correctly as possible. The mistake attracts penal interest.

If any capital gains or casual income arises subsequent to payment of an installment, the remaining installment of advance tax should be revised. If any income arises after 15th March then advance tax can be deposited on such income up to 31st March.

34) Highlight Interest Penalty under Sections 234A, 234B, and 234C –

Ans : It is essential to pay income tax, on time. A delay or not paying tax can attract fine, according to the amount pending. Here is how interest penalty is calculated under Sections 234A, 234B and 234C.

Section 234A: Delay in filing Income Tax Return:

All taxes should be paid before the end of a financial year. In case there is any outstanding tax, the balance should be paid and income tax returns filed on or before July 31 of every following assessment year (AY). If the tax returns are filed after this date, then the taxpayer is charged 1% simple interest every month of the outstanding tax amount. The interest is calculated from the due date of filing returns till the date the return is actually filed.

Calculating Interest Penalty:

Mr Roy has a total tax outstanding amounting to Rs 2,00,000 (including net of the advance tax paid and TDS, if any). He files his tax return on December 15 instead of July 31 of the assessment year. Since he missed the actual date to file a return, he is late by 5 months in paying tax.

The penalty is calculated as:

Interest = 200,000 x 1% x 5 = Rs. 10,000

Mr Roy will be paying Rs 10,000 extra, above the tax amount In case he fails to file his tax return, he will be required to pay 1% simple interest till March 31, which is the end of the assessment year. As seen in the illustration above, Mr Roy's liability would be 8% of Rs. 2,00,000 which is Rs 16,000.

Section 234B: Incomplete Payment of Tax:

In case an individual has to pay Rs 10,000 or more as tax in a fiscal year, then advance tax is applicable. The tax dues that are paid at a specific time period, as regulated by the Income Tax Department are termed as advance taxes. Businessmen, self-employed professionals, and salaried employees are liable to pay advance tax, where tax payable amounts to Rs 10,000. Under Section 44AD, when a taxpayer opts for computing business income, which has a turnover of 8% on presumptive basis, he is exempted from paying advance tax. Senior citizens above 60 years and with no income also enjoy tax exemptions under this section.

The taxpayer should have paid the maximum amount (least 90%) of the total tax payable by the end of the financial year. Failure to pay the tax, if the amount is more than 10% of the liability, then a penalty of simple interest 1% will be charged under Section 234B.

Advance Tax means paying your tax dues based on the dates (usually quarterly) provided by the income tax department. If you don't pay advance tax, you may be liable to pay interest under section 234B.

Calculating Interest Penalty - With Example:

Rahul has to pay total tax of Rs 2,00,000 for the current fiscal year. TDS (Tax Deducted at Source) amounting to Rs 1, 82, 650 was deducted from the income. On March 25, Rahul paid Rs 7,000, while the balance amount of Rs 10,350 was paid on July 20. The penalty is calculated as under:

Before calculating interest penalty, it is necessary to check if the taxpayer is liable to pay interest under Section 234B.

Assessed tax = Total Tax - TDS

= Rs 2,00,000 - Rs 1,82,650

= Rs 17,350

90% of Rs 17,350 i.e. Rs 15,615 should have been paid as tax, as on March 31. Rohit, however, paid only Rs 7,000. Hence Rohit will have to pay interest penalty on the assessed tax.

Rs 15,600 (rounded figure considered) x 1% x 4 months (calculated till July) = Rs 624.

Hence Rohit will be liable to pay Rs 624, as penalty on the interest of the assessed tax, under Section 234B.

Section 243C: Delay in Periodic Payment of Tax:

Income tax should be paid on time every financial year to avoid interest and penalty on late payment. Advance tax can be paid on the dates mentioned below:

15% of advance tax on or before June 15 in case of corporate taxpayer.

45% and 30% tax advance to be paid by corporate and noncorporate taxpayer respectively, on or before September 15.

60% and 75% of tax advance by non-corporate and corporate taxpayers should be paid on or before December 15.

100% tax advance by both corporate and noncorporate taxpayers should be paid on or before March 15.

Calculating Interest Penalty:

The interest penalty is 1% of the tax amount due from the above mentioned dates till the actual payment date. The amount to be paid, is calculated after tax deductions under Sections 90, 91, and 115JD. Here's is how interest penalty is calculated, under Section 234C:

<u>Non-Corporate Taxpayer:</u>

1% interest rate per month for a period of 3 months is computed for advance tax less than 30% of the amount on or before September 15.

In case advance tax is paid on or before December 15 is less than 60% of the taxable amount, interest of 1% for a period of 3 months is levied.

For amount less than 100% of the advance tax paid on or before March 15, a simple interest of 1% per month is computed.

Corporate Taxpayer:

If 15% of the amount is already deposited on or before June 12, and advance tax is less than 12%, then an interest of 1% per month for three months is levied.

In case 45% of the tax is deposited on or before September 15, and advance tax is less than 36%, a penalty for 3 months is charged at 1% of the interest per month.

When 75% tax is paid before December 15, and payable amount is less than 75%, 1% simple interest per month is computed for a period of 3 months.

When advance tax to be paid is less than 100% of the amount already paid as tax, then a simple interest of 1% is charged.

There is no interest penalty charged, under the following circumstances:

The taxpayer has paid the tax in full and advance tax on the income, in instalments before the end of the fiscal year.

In case of failure to estimate amount of speculative income such as lottery, or capital gains.

35) What are the different forms of ITR forms ?

Ans : In total, there are almost 9 types of ITR forms available for a tax payer to file his taxes. However, only the following forms are to be taken into consideration by individuals when filing returns as per the Central Board of Direct Taxes in India:

ITR-1

ITR-2

ITR-2A

ITR-3

ITR-4

ITR-4S

The following income tax return forms are applicable only for companies and firms:

ITR-5

ITR-6

ITR-7

ITR-1

Also known as the Sahaj form, this income tax return form is to be filed solely by an individual taxpayer. Any other assesse liable to pay tax, is not eligible to avail of this form for filing their returns. This form is applicable for the following people:

A person who earns his income via salary or through other means such as pension

A person who earns his livelihood from a single housing property

An individual who has no income from no other business or who have no income from the sale of any assets i.e. capital gains

Individuals who do not own any assets or property in countries apart from India

An individual who has no source of income from any country outside India

A person whose income from agriculture is below Rs. 5,000

A person whose source of income is from various investments or sources like investments, schemes or fixed deposits etc.

Individuals who have not earned income from any windfall such as lotteries, horse racing etc.

People who want to accumulate their spouse’s or underage child’s income with their own, as long as the income to be clubbed is in accordance with the criteria mentioned above.

ITR-2A

Introduced in the assessment year 2015-16, The ITR-2A form is a new income tax return form. This form can be used by a Hindu Undivided Family (HUF) or an individual taxpayer. The ITR-2A form is applicable for the following people:

People whose source of income i through salary or through means such as pension

People who are also earning income from more than one housing property

A person who has no income from any other business or who have no income from the sale of any assets i.e. capital gains

People who tend to earn income from different investments or sources such as Fixed Deposits, Investments, Shares etc.

A person who does not own any property or assets in countries other than India

A person who does not have a source ofincome from any country outside India

A person whose income from agriculture is below Rs 5,000

Individuals who have not earned income from any windfall such as lotteries or horse racing

ITR-2

The ITR-2 Form is a type of ITR form which is generally used by individuals who have accrued income through the sale of assets or property. Also, this form is useful for individuals who earn income from countries outside India. In most cases, individuals or Hindu Undivided Families (HUF) can avail of this form to file their IT returns. This form is applicable for the following persons:

People who earn income through salary or through means such as pension

A person whose source of income is through the sale of assets or property in India i.e. capital gains

A person who tends to earn income from more than one housing property

People who don’t earn money from any business venture

A person who own assets in countries outside of India

People who earn income from countries outside of India

A person whose income from agriculture is above Rs 5,000

A person who gets his income from any windfall like lotteries or horse racing

ITR-3

The ITR-3 Form is useful for an individual taxpayer or a Hindu Undivided Family, who solely operate as a partner in a firm but who do not conduct any business under the firm. This is also applicable for individuals who do not earn any income from the business conducted by the firm. This form is usually filed by those taxpayers whose taxable income earned from business is only in the form of the following:

Salary

Commission

Bonus

Interest

Remuneration

ITR-4

This type of ITR form is useful for those individuals who conduct a business or who earn income through a profession. This form is applicable for all types of businesses, undertaking or profession, without any limit on the income earned. Taxpayers can also club any income they receive from windfalls, speculation, salaries, lotteries, housing properties etc., along with the income earned from their business. An individual with any profession, right from shopkeepers, doctors or designers to agents, retailers and contractors, is eligible to file their ITR using this form.

ITR-4S

Also known as Sugam form, the ITR-4S form can be used by any individual or Hindu Undivided Family (HUF) for filing their income tax returns. This form is applicable for the following persons:

Individuals who earn income from any business

Individuals who earn income from a single housing property

Individuals who do not earn income through the sale of assets or property in India i.e.: capital gains

Individuals whose income from agriculture is below Rs 5,000

Individuals who do not own any assets or property in countries other than India

Individuals who do not earn income from any country outside India

This form is useful in special circumstances and is applicable to businesses where any income earned is based on a presumptive method of calculation.

ITR-5

The ITR-5 form is used only by the following bodies to file income tax returns:

Firms

Limited Liability Partnerships (LLPs)

Body of Individuals (BOIs)

Association of Persons (AOPs)

Co-operative Societies

Artificial Judicial Persons

Local Authorities

ITR-6

Except those companies or organisations that claim tax exemption as per Section 11, the ITR-6 form is used only by all companies. Organisations that can claim tax exemptions as per Section 11 are organisations in which the income received is accumulated from the property used for the purpose of religion or charity. This particular income tax return form is only available to be filed online.

ITR-7

Those individuals or companies that are required to submit their returns under the following sections are required to file their income tax returns through ITR-7:

Section 139(4A) - Under this section, returns can be filed by individuals who receive income from any property that is held for the purpose of charity or religion in the form of a trust or legal obligation

Section 139(4B) - Under this section, returns are to be filed by political parties provided their total income earned is above the non-taxable limit

Section 139(4C) - Under this section, returns are to be filed by the following entities:

Any institution or association mentioned under Section 10(23A)

Any association involved with scientific research

Any institution mentioned in Section 10(23B)

Any news agency

Any fund, medical institution or educational institution

Section 139(4D) - Under this section, returns are to be filed by entities such as colleges, universities or any other such institution wherein income returns or loss are not required to be provided in accordance with other provisions outlined in this section.

Unit – 2 E filling of tax returns .

1) How to submit ITR in both online and offline mode ?

Ans : 1. **Offline:** Download the applicable ITR, fill the form offline, save the generated XML file and then upload it.

To e-File the ITR using the upload XML method, the user must download either of the following ITR utility:

Excel Utility

Java Utility

Perform the following steps to download the Java Utility or Excel Utility, then to generate and Upload the XML:

Go to the Income Tax e-Filing portal www.incometaxindiaefiling.gov.in

Download the Appropriate ITR utility under 'Downloads > IT Return Preparation Software'.

Extract the downloaded utility ZIP file and Open the Utility from the extracted folder. (For more information and prerequisites, refer the 'Read me' document).

Note : System Requirements
Excel Utilities: Macro enabled MS-Office Excel version 2007/2010/2013 on Microsoft Windows 7 / 8 /10 with .Net Framework (3.5 & above)
Java Utilities: Microsoft Windows 7/8/10, Linux and Mac OS 10.x with JRE (Java Runtime Environment) Version 8 with latest updates.
To Enable Macros in Excel Go to > File > Options > Trust Centre > Trust Centre Settings > Macro Settings > Enable All Macro > Click 'OK' button twice to save these settings.

Fill the applicable and mandatory fields of the ITR form.

Note :
Pre-filled XML can be downloaded post login to the e-Filing portal from 'My Account > Download Pre-Filled XML' and can be imported to the utility for prefilling the personal and other available details.

Validate all the tabs of the ITR form and Calculate the Tax.

Generate and Save the XML.

Login to e-Filing portal by entering user ID (PAN), Password, Captcha code and click 'Login'.

Click on the 'e-File' menu and click 'Income Tax Return' link.

On Income Tax Return Page:

PAN will be auto-populated

Select 'Assessment Year'

Select 'ITR form Number'

Select 'Filing Type' as 'Original/Revised Return'

Select 'Submission Mode' as 'Upload XML'

Choose any one of the following option to verify the Income Tax Return:

Digital Signature Certificate (DSC).

Aadhaar OTP.

EVC using Prevalidated Bank Account Details.

EVC using Prevalidated Demat Account Details.

Generate EVC Option or Bank ATM. Validity of such EVC is 72 hours from the time of generation.◊Already generated EVC through My Account

I would like to e-Verify later. Please remind me.

I don’t want to e-verify this Income Tax Return and would like to send signed ITR-V through normal or speed post to "Centralized Processing Center, Income Tax Department, Bengaluru – 560500"

Click 'Continue'

Attach the ITR XML file.
On choosing,

DSC as verification option, Attach the signature file generated from DSC management utility.

Aadhaar OTP as verification option, Enter the Aadhaar OTP received in the mobile number registered with UIDAI.

EVC through Bank account, Demat account or Bank ATM as verification option, Enter the EVC received in the mobile number registered with Bank or Demat Account respectively.

Other two verification options, the ITR will be submitted but the process of filing the ITRs is not complete until it is verified. The submitted ITR should be e-Verified later by using 'My Account > e-Verify Return' option or the signed ITR-V should be sent to CPC, Bengaluru.

Submit the ITR.

To view the uploaded ITRs

ONLINE mode :-

Enter the relevant data directly online at e-filing portal and submit it. Taxpayer can file ITR 1 and ITR 4 online.
Go to the Income Tax e-Filing portal, www.incometaxindiaefiling.gov.in

Login to e-Filing portal by entering user ID (PAN), Password, Captcha code and click 'Login'.

Click on the 'e-File' menu and click 'Income Tax Return' link.

On Income Tax Return Page:

PAN will be auto-populated

Select 'Assessment Year'

Select 'ITR Form Number'

Select 'Filing Type' as 'Original/Revised Return'

Select 'Submission Mode' as 'Prepare and Submit Online'

Click on 'Continue'

Read the Instructions carefully and Fill all the applicable and mandatory fields of the Online ITR Form.

Note :
To avoid loss of data/rework due session time out, Click on 'Save Draft' button periodically to save the entered ITR details as a draft. The saved draft will be available for 30 days from the date of saving or till the date of filing the return or till there is no change in the XML schema of the notified ITR (Whichever is earlier).

Choose the appropriate Verification option in the 'Taxes Paid and Verification' tab. Choose any one of the following option to verify the Income Tax Return:

I would like to e-Verify

I would like to e-Verify later within 120 days from date of filing.

I don't want to e-Verify and would like to send signed ITR-V through normal or speed post to "Centralized Processing Center, Income Tax Department, Bengaluru - 560 500" within 120 days from date of filing.

Click on 'Preview and Submit' button, Verify all the data entered in the ITR.

'Submit' the ITR.

On Choosing 'I would like to e-Verify' option, e-Verification can be done through any of the following methods by entering the EVC/OTP when asked for.

EVC generated through bank ATM or Generate EVC option under My Account

Aadhaar OTP

Prevalidated Bank Account

Prevalidated Demat Account

Note
On Choosing the other two verification options, the ITR will be submitted but the process of filing the ITRs is not complete until it is verified. The submitted ITR should be e-Verified later by using 'My Account > e-Verify Return' option or the signed ITR-V should be sent to CPC, Bengaluru.

The EVC/OTP should be entered within 60 seconds else, the Income Tax Return (ITR) will be auto-submitted. The submitted ITR should be verified later by using 'My Account > e-Verify Return' option or by sending signed ITR-V to CPC.

To view the uploaded ITRs

2) What is form 26AS?

Ans : Form 26AS is an important document for tax filing. Gone are the days when one has to manually download Form 26AS for filing your IT Returns. Now, you can directly import the Form 26AS information, while filing Income Tax Returns.

Includes info on tax deducted on your income by deductors

Details of tax collected by collectors

Advance tax paid by the taxpayer

Self-assessment tax payments

Regular assessment tax deposited by the taxpayers (PAN holders)

Details of refund received by you during the financial year

Details of the High-value Transactions in respect of shares, mutual fund etc.

3)What are the parts of form 26AS ?

Ans : Part A: Details of Tax Deducted at Source

Part A1: Details of Tax Deducted at Source for Form 15G/Form 15H

Part A2: Details of Tax Deducted at Source on sale of Immovable Property u/s194(IA) (For seller of Property)

Part B: Details of Tax Collected at Source

Part C: Details of Tax Paid (Other than TDS or TCS)

Part D: Details of Paid Refund

Part E: Details of AIR Transaction

Part F: Details of Tax Deducted on sale of immovable property u/s194IA (For Buyer of property)

Part G: TDS Defaults* (processing of defaults)

4) How to view Form26AS ?

Ans: You can view Form 26AS on TRACES portal and download it (see below for the step-by-step guide on how to download Form 26AS). This income tax Form 26AS is linked with your PAN You can view Form 26AS from FY 2008-09 onwards – Via netbanking of your bank account. The facility is available to a PAN holder having a net banking account with any authorized bank. You can View Tax Credit Statement (Form 26AS), only if your PAN number is linked to that particular account. This facility is available for free. List of banks registered with NSDL for providing a view of Tax Credit Statement (Form 26AS) are as below: List of banks registered with NSDL for providing view of Tax Credit Statement (Form 26AS) are as below:

Axis Bank Limited

Bank of India

Bank of Maharashtra

Bank of Baroda

Etc .

5) How to Download Form 26AS?

Ans :

Step 1 of 8 Registration is needed at E-filing website

Step 2

a. Enter your PAN number, password And enter the captcha code in DD/MM/YYYY format. Now click on LOGIN.

b. Enter PAN e filing website.

Step 3

a. The following screen will appear. Go to 'My Account'. Click on 'View Form 26AS' in the drop down

b. View Form 26AS

Step 4

a. Click on ‘Confirm’ so that you are redirected to the TRACES website. (Don’t worry, this is a necessary step and is completely safe since it is a government website).

b. TRACES Website

Step 5

a. You are now on the TRACES (TDS-CPC) website. Select the box on the screen and click on ‘Proceed’.

b. TRACES TDS-CPC Website

Step 6

a. Click on the link at the bottom of the page – ‘Click View Tax Credit (Form 26AS) to view your Form 26AS’.

b. View Tax Credit Traces

Step 7

a. Choose the Assessment Year and the format in which you want to see the Form 26AS. If you want to see it online, leave the format as HTML. You can also choose to download as a PDF. After you have made your choice, enter the ‘Verification Code’ and click on ‘View/Download’.

b. TRACES Verification code

Step 8 (Final) To open the document you have to enter a password. Form 26AS password is your DOB in DD/MM/YYYY format. Voila! Your Income Tax Form 26AS will open.

6)How to use e-tax calculator ?

Ans :

1. Log-in to the official site of Income tax department ,GOI ,

(https://www.incometaxindia.gov.in/Pages/tools/income-tax-calculator-234ABC.aspx)

2. Choose the Assesment year.
3. Select from Male , female , and Senior citizen.
4. Select the Residential Status viz . Resident , Non Resident , Not ordinary resident.
5. State your Income from Salary ,Income from House property ,Capital gain , Income from other sources ,PGBP (only profit is to be entered),Agricultural Income .
6. Select the availing deductions from the ‘ show Details ‘ List.
7. Net taxable income is calculated.
8. Furnish other details like Short Term Capital Gains (Covered u/s 111A) 15%

9 .Long Term Capital Gains (Charged to tax @ 20%) 20%

10 Long Term Capital Gains (Charged to tax @ 10%) 10%

11 . Winnings from Lottery, Crossword Puzzles, etc) 30%

12.Furnish Due date of submission of return.

13.State TDS/TCS/MAT (AMT) Credit Utilized if any.

14.Press ‘ CALCULATE ‘ ,to get your net taxable amount.

7) What do you mean by E-pay tax ?

Ans : E-pay tax menas pay tax online.List of steps should be followed while furnishing tax online are :-

Step-1

To pay taxes online, login to http://www.tin-nsdl.com > Services > e-payment : Pay Taxes Online or click here on the tab "e-pay taxes" provided on the said website. Provide proper link of e-payment

Step-2

Select the relevant challan i.e. ITNS 280, ITNS 281, ITNS 282, ITNS 283, ITNS 284 or Form 26 QB demand payment (only for TDS on sale of property) as applicable.

Step-3

Enter PAN / TAN (as applicable) and other mandatory challan details like accounting head under which payment is made, address of the tax payer and the bank through which payment is to be made etc.

Step-4

On submission of data entered, a confirmation screen will be displayed. If PAN / TAN is valid as per the ITD PAN / TAN master, then the full name of the taxpayer as per the master will be displayed on the confirmation screen.

Step-5

On confirmation of the data so entered, the taxpayer will be directed to the net-banking site of the bank.

Step-6

The taxpayer has to login to the net-banking site with the user id / password provided by the bank for net-banking purpose and enter payment details at the bank site.

Step-7

On successful payment a challan counterfoil will be displayed containing CIN, payment details and bank name through which e-payment has been made. This counterfoil is proof of payment being made.

8) What is Challan NO /ITNS 280 ?

Ans : Challan NO /ITNS 280 is required to be used for payment of income tax .This payment of tax maybe in the form of Advance tax , Self assessment tax ,Tax on regular assessment ,Surcharge e.t.c.

If an assessee wishes to pay Income Tax by visiting the bank , then the person can download Challan No/ITNS 280 and furnish the details and deposit it with the bank along with the payment of Income tax.

9) What is Challan NO/ITNS 281 ?

Ans : ITNS 281 – This Challan is used for depositing Tax Deducted at Source (TDS) or Tax Collected at Source (TCS). Challan No. ITNS 282 – This is to be used in case of payment of Gift Tax, Wealth Tax, Expenditure Tax, Estate Duty, Securities Transaction Tax and Other Direct Taxes. Challan 280 is used for the payment of Income Tax, this payment can be in the form of Self-Assessment Tax, Advance tax, tax on regular assessment, tax on distributed profits or income. A taxpayer can pay Tax with cheque, DD etc. The Challan 280 should be used, irrespective of the mode of payment.