

Get to know...

Indian Income Tax Return Forms and Identifying Fraud

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What is an Income Tax Return?

- An Income Tax Return (ITR) is a prescribed form through which a person can communicate their earned income in a financial year and taxes paid on such income to the Income-tax (I.T.) Department.

Who Should File an ITR?

Personal Returns

- Individual OR Hindu Undivided Family (HUF) whose taxable income exceeds **Rs. 2.5 lakhs** are required to file an ITR in India. It is **not mandatory** to file an ITR if income is less than the basic exemption limit (< Rs. 2.5 lakhs).
- Individuals with **agricultural income** as their sole source of income are not required to file an ITR.

Business Returns

- All entities with business income (e.g. Firms, Limited Liability Partnerships, Associations of Persons, Bodies of Individuals, Companies, Trusts) are required to file an ITR in India regardless of income amount.

When Should an ITR be Filed?

- Indian Financial Year (FY): April 1 to March 31
- Returns are filed in the Assessment Year (AY) which runs from April 1 to March 31 succeeding the FY:

Current FY = Apr 1, 2018 to Mar 31, 2019

Hence, AY = Apr 1, 2019 to Mar 31, 2020

- Deadline to file:

Individuals and HUFs	July 31 of the AY
Businesses (e.g. partnership firms, limited companies, trusts)	September 30 of the AY

- These deadlines may be extended by the I.T. Department at their discretion.
- Previously, individuals were permitted to file various ITRs for earlier FYs. Effective FY 2018-2019, individuals must file their ITRs within the corresponding AY.

Different Types of ITR Forms

- Under India's income-tax Law, there are different forms of returns prescribed for different classes of taxpayers.
- ITR 1, ITR 2, and ITR 4 are most commonly seen:
 - **ITR 1:** Individuals/HUF with salaried income and/or interest income.
 - **ITR 2:** Individuals/HUF with income > Rs 50 lakhs.
 - **ITR 4:** Individuals with a business income or professional income.

<i>Individual and HUF</i>				
<i>Nature of income</i>	<i>ITR 1* (Sahaj)</i>	<i>ITR 2</i>	<i>ITR 3</i>	<i>ITR 4</i>
Income from salary/pension (for ordinarily resident person)	✓	✓	✓	✓
Income from salary/pension (for not ordinarily resident and non-resident person)		✓	✓	✓
Income or loss from one house property (excluding brought forward and carried forward losses)	✓	✓	✓	✓
Income or loss from more than one house property		✓	✓	
Agricultural income exceeding Rs. 5,000		✓	✓	
Total income exceeding Rs. 50 lakhs		✓	✓	✓
Dividend income exceeding Rs. 10 lakhs taxable under Section 115BBDA		✓	✓	
Unexplained credit or unexplained investment taxable at 60% under Sections 68, 69, 69A, etc.		✓	✓	
Income from other sources (other than winnings from lottery and race horses or losses under this head)	✓	✓	✓	✓
Income from other sources (including winnings from lottery and race horses or losses under this head)		✓	✓	✓
Capital gains/loss on sale of investments/property		✓	✓	
Interest, salary, bonus, commission or share of profit received by a partner from a partnership firm.			✓	
Income from business or profession			✓	
Income from presumptive business				✓
Income from foreign sources or Foreign assets or having Signing authority in any account outside India		✓	✓	
Income to be apportioned in accordance with Section 5A		✓	✓	✓
Claiming relief of tax under sections 90, 90A or 91		✓	✓	
* Only an Individual, who is an ordinarily resident in India, can file income-tax return in Form ITR-1.				
<i>Other Assesseees</i>				
<i>Status of Assessee</i>	<i>ITR 4</i>	<i>ITR 5</i>	<i>ITR 6</i>	<i>ITR 7</i>
Firm (excluding LLPs) opting for presumptive taxation scheme	✓			
Firm (including LLPs)		✓		
Association of Persons (AOP)		✓		
Body of Individuals (BOI)		✓		
Local Authority		✓		
Artificial Juridical Person		✓		
Companies other than companies claiming exemption under Sec. 11			✓	
Persons including companies required to furnish return under:				
A. Section 139(4A);				
B. Section 139(4B);				
C. Section 139(4C);				
D. Section 139(4D);				
E. Section 139(4E); and				
F. Section 139(4F)				✓

What is needed to file an ITR?

- The following is needed to file an ITR:
 - Personal Account Number (PAN) card
 - Aadhaar Card
 - Form-16 (issued by employer)

Form-16

- **Form-16** is the most notable document available to demonstrate proof of income for salaried employees.
- This Form-16 is a certificate, where the employer certifies details regarding the salary an employee has earned and how much tax has been deducted (*similar to a T4 in Canada*).
- This document is divided into two parts: Parts A and B.

s.19(1)

Form 16 – Part A: TDS Certification

- Form-16 Part A, also known as the Tax Deducted at Source (TDS) Certificate, becomes proof of the taxes deducted by the employer from the salary of the employee and paid to the government account.
- Financial information in Part A is directly updated from the Income-tax Department's database and is therefore most reliable to determine annual income (salary and other sources of income).
- Part A contains the following details:
 1. **Personal details of employee:** Name, address, designation on individual in the organization.
 2. **PAN and TAN:** Contains employees PAN and their employer's Tax Deduction and Collection Account Number
 3. **Period of employment:** Duration for which employee worked with the employer during the FY.

Form 16 – Part A: TDS Certification (Cont'd)

4. **The Assessment Year:** the year in which the return is to be filed for the taxes deducted by the employer is mentioned.
5. **Summary of the taxes deducted and paid:** Details of the TDS deducted by employers from the salary of the employee.
6. **Bank challan details: BSR** stands for **Basic Statistical Returns**. It is a 7-digit code allotted to banks by Reserve Bank of India, Status of remittance and challan numbers for reference.

Fundamentally, Part A provides a summary of tax deducted from an individual's income and deposited to the government as per the monthly and quarterly TDS return filed by the employer.

Form 16 – Part B: Annexure

- Form-16 Part B is an Annexure containing details of salary paid, other income, tax due and tax paid.
- Financial information in Part B is provided directly by the employer.
- Part B contains the following details:
 1. Gross salary
 2. Exemptions claimed under section 10 of the I-T Act
 3. Net taxable salary
 4. Details of any other income
 5. Deductions from salary resulting from qualifying investments
 6. Taxes to be paid
 7. Income tax paid and hence either taxes due or refund due

How are ITRs filed?

- Prior to FY 2018-2019, individuals could submit their returns either manually (i.e. paper copy) or electronically.
- Effective this current FY (2018-2019), it has become mandatory to submit returns electronically via an independent portal managed by the I.T. Department (www.incometaxindiaefiling.gov.in) .
- The only groups of individuals who can continue to submit manually are:
 - Individuals who are 80 years old or older
 - HUF having income < Rs. 5 lakhs and no refund claim
- Once an individual submits an ITR electronically, the system sends them an automated acknowledgement document titled **“INDIAN INCOME TAX RETURN – VERIFICATION FORM (Form ITR-V).”**
- This document contains a summary of the information provided by the tax payer. It is **not yet reviewed or verified** by the Income Tax Authorities at this particular stage.

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How is the ITR assessed by the I.T. Department?

- After a tax return is filed, the Central Processing Centre (CPC) of the Income Tax Department conducts a preliminary assessment of your return.
- At CPC, the data provided in a tax return is verified with the I.T. Department's own records.
- Once the assessment is complete, an “**Intimation U.S 143(1) of the Income Tax Act**” is sent to the tax payer. This document is popularly known as an Assessment Order (*similar to an NOA in Canada*).

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