1. **Income Tax Rules from :**

What is Income Tax?
Income tax is a type of direct tax paid to the central government of India. It is the primary source of revenue for the government. It plays an important role in financing various developmental and welfare activities. It is governed by the Income Tax Act of 1961, and is administered by the Central Board of Direct Taxes (CBDT) under the Ministry of Finance, Government of India. there are various types of income tax like

Personal Tax: It applies to the income earned by the individual and HUFs. It is calculated by the individual's total taxable income sourced from salary, house property, capital gain, etc.

Corporate Income Tax: It applies to the companies registered under the Companies Act, 2013.

Capital Gains Tax

Securities Transaction Tax (STT)

Dividend Distribution Tax (DDT)

Minimum Alternate Tax (MAT)

Tax Deducted at Source

Interim Budget 2024 Updates:
1. Maintenance of Existing Tax Rates: The interim budget for 2024 keeps the current tax rates unchanged for both direct and indirect taxes.

2. Tax Exemption for Lower Income Groups: Individuals earning up to Rs 7 lakh annually have no tax liability, providing relief for lower income groups.

3. Withdrawal of Tax Dispute Provisions: Finance Minister Nirmala Sitharaman withdraws tax dispute claims up to Rs 25,000 for disputes pertaining to the financial year 2009-10 and Rs 10,000 for disputes from financial years 2010-11 to 2014-15.

4. Enhanced Leave Encashment Limit: The limit for leave encashment for non-government employees has been raised significantly from Rs 3 lakh to Rs 25 lakh.

5. Reduction in TDS Rate on EPF Withdrawal: The Tax Deducted at Source (TDS) rate on Employee Provident Fund (EPF) withdrawals has been decreased from 30% to 20%, providing relief to EPF subscribers.

6. Standard Deduction for Salaried Employees: Salaried employees and pensioners can claim a standard deduction of Rs 50,000 under the new tax regime.

7. Reduction in Highest Surcharge: The highest surcharge for individuals earning more than Rs 5 crore has been reduced to 25% from the previous 37%, resulting in a decreased tax rate for this bracket.

8. Opt-Out Provision for New Tax Regime: While the new tax regime will be the default option, taxpayers have the option to opt out before the due date for filing income tax returns for the respective assessment year.

Budget 2023 Major Updates:
1. Tax Rebate for Lower Income Groups: Individuals earning up to Rs 7 lakh annually receive a tax rebate in the New Tax Regime, exempting them from paying taxes if their taxable income is below Rs 7 lakh.

The new tax slabs under the new tax regime will be:
Income Slabs

Tax Rates

up to Rs 3 lakh

Nil

Rs 3 lakh- Rs 6 lakh

5%

Rs 6 lakh-Rs 9 lakh

10%

Rs 9 lakh-Rs 12 lakh

15%

Rs 12 lakh- Rs 15 lakh

20%

Above Rs 15 lakh

30%

2. Standard Deduction for Salaried Employees and Pensioners: Salaried employees and pensioners can claim a standard deduction of Rs 50,000 under the new tax regime, reducing their taxable income.

3. Reduction in Highest Surcharge: The highest surcharge for individuals earning over Rs 5 crore has been lowered to 25% from 37%, resulting in a reduced tax rate of 39% for this group.

4. Default New Tax Regime: The new Income Tax (IT) regime becomes the default tax regime, providing a simplified tax structure for taxpayers. However, individuals have the option to opt out before the due date for filing IT returns for the respective assessment year.

5. Enhanced Leave Encashment Limit: Non-government employees benefit from an increased limit for leave encashment, raised from Rs 3 lakh to Rs 25 lakh, offering greater flexibility in utilizing accrued leave benefits.

6. Decrease in TDS Rate on EPF Withdrawal: The Tax Deducted at Source (TDS) rate on Employee Provident Fund (EPF) withdrawals has been reduced from 30% to 20%, easing the tax burden on EPF subscribers during withdrawal.

Who should pay Income Tax?
Income Tax applies to individuals, businesses and other entities as per their income or profit earned in a particular year.

Different tax rules apply to different types of taxpayers.

Below are the categories of taxpayers:

Individuals
Hindu Undivided Family (HUF)
Firms
Companies

Association of Persons(AOP)
Body of Individuals (BOI)
Local Authority
Artificial Judicial Person
Here are some point about who should pay tax-

Individual
Individuals who are residents of India need to pay income tax on their total taxable income.

Non-resident individuals also need to pay taxes earned or received in India.

Income tax is applicable on sources like salaries, house property, capital gains, business or profession, and other incomes like interest, dividends, etc.

The tax rates vary as per age, tax slabs, etc.

Hindu Undivided Families (HUFs)
HUFs are also eligible to pay income tax on their total taxable income.

HUFs are taxed separately from the income of individual members of a family.

Companies, Partnership & LLPs
Companies, Partnerships and Limited Liability Partnerships (LLPs) registered under the Companies Act, 2013 need to pay income tax on the profit gained in the particular financial year.

The tax rate is based on the turnover, business structure, etc.

Other Entities
Trusts, associations, institutions, and other legal entities are also liable to pay income tax as per their income and source.

Types of Income – What are the 5 heads of income?
All individuals earning income in India, whether residents or non-residents, are liable to pay income tax. To simplify categorization, the Income Tax Department divides income into five primary heads:

Head of Income and Nature of Income Covered:
Head of Income Nature of Income Covered
Income from Other Sources Taxable income from sources such as interest earned on savings bank accounts, fixed deposits, and winnings from lotteries.

Income from House Property Taxable income derived from renting out a property, including residential and commercial spaces.
Income from Capital Gains Taxable surplus generated from the sale of capital assets like mutual funds, shares, and real estate properties.
Income from Business and Profession Taxable profits earned by self-employed individuals, freelancers, contractors, and professionals like doctors, lawyers, and insurance agents.
Income from Salary Taxable income earned from employment, including salaries and pensions.
Simplified Explanation:
Income from Other Sources: Tax on money earned from savings account interest, fixed deposits, or lottery winnings.
Income from House Property: Tax on money earned from renting out properties, whether residential or commercial.
Income from Capital Gains: Tax on profits made by selling investments like mutual funds, stocks, or real estate.
Income from Business and Profession: Tax on profits earned by self-employed individuals, freelancers, and professionals like doctors or lawyers.
Income from Salary: Tax on money earned through employment, including salaries and pensions.
Components of Income Tax
Here is the key component of income tax, that you should know

Gross Total Income (GTI): Gross Total Income is the total income earned by the individual business or other entities during a financial year before any deduction or exemption. It includes salaries, wages, profit, capital gains, house property, etc.

Deductions: It is expenses or investments that taxpayers can claim to reduce their income amount. There are various sections in the Income Tax Act like Section 80C, Section 80D, Section 80 G, etc. It lowers the tax liability and encourages saving and investments.

Taxable Income: It is the income remaining after deducting a deduction from the GTI. It is the amount on which income tax is calculated and paid to the government.

Tax Slabs and Rates: Income tax in India is levied at progressive tax rates, which means higher incomes attract high-income tax rates. It is revised every year by the government through the union budget.

Tax Credit: Tax Credits are incentives provided by the government. Common tax credits include deductions for taxes paid in advance (TDS), taxes paid on self-assessment, foreign tax credits for taxes paid in another country, etc.

Tax Liability: It is the total amount of tax needed to be paid by the taxpayer to the government. It is calculated by applying the applicable tax rates to the taxable income after considering deductions and tax credits.

What is the Income Tax Regime?
Income Tax Regime is the system and framework established by the government to levy taxes on the income earned by individuals, businesses, and other entities within the country. It is a tax slab by the government.

Latest New tax regime FY 2023-24
Income up to Rs 3 lakh: Nil

Income Rs 3 lakh to Rs 6 lakh: 5%

Income Rs 6 lakh to Rs 9 lakh: 10%

Income Rs 9 lakh to Rs 12 lakh: 15%

Income Rs 12 lakh to Rs 15 lakh: 20%

Income above Rs 15 lakh: 30%

Last Tax Regime FY 2022-23
Income up to Rs 2.5 lakh: Nil

Income Rs 2.5 lakh to Rs 5 lakh: 5%

Income Rs 5 lakh to Rs 7.5 lakh: 10%

Income Rs 7.5 lakh to Rs 10 lakh: 15%

Income Rs 10 lakh to Rs 12.5 lakh: 20%

Income Rs 12.5 lakh to Rs 15 lakh: 25%

Income above Rs 15 lakh: 30%

Taxpayers and Tax Slabs
– Taxpayers in India are divided into different categories like individuals, Hindu Undivided Families (HUFs), associations of persons (AOPs), and bodies of individuals (BOIs).
– Tax rates for firms and Indian companies are fixed, whereas individual taxpayers are taxed based on income slabs.
– Income is categorized into blocks called tax slabs, each with a different tax rate.
– As income increases, the tax rate also increases, following a progressive tax system.
– This means that higher income earners pay a higher percentage of their income in taxes.

What is the Existing/Old Income Tax Regime?
– The old income tax regime had three slab rates: 5%, 20%, and 30%.
– Taxpayers could opt for this regime and claim various deductions.
– Allowances like Leave Travel Concession (LTC), House Rent Allowance (HRA), and specific other allowances were deductible.
– Deductions for tax-saving investments under sections 80C to 80U were allowed.
– A standard deduction of Rs 50,000 was applicable.
– Taxpayers could also claim a deduction for interest paid on home loans.

Tax slab rates applicable for Individual taxpayers below 60 years for the Old tax regime are as below:

Income Range

Tax rate

Tax to be paid

Up to Rs 2,50,000

0

No tax

Rs 2.5 lakhs – Rs 5 lakhs

5%

5% of your taxable income

Rs 5 lakhs – Rs 10 lakhs

20%

Rs 12,500+20% on income above Rs 5 lakh

Above 10 lakhs

30%

Rs 1,12,500+30% on income above Rs 10 lakh

There are additional tax slabs for individuals aged 60 and above, as well as those above 80. It's worth noting that some people mistakenly assume that if they earn Rs. 12 lakh, they'll pay 30% tax on the entire amount (Rs. 3,60,000). However, under the progressive tax system, someone earning Rs. 12 lakh would pay Rs. 1,12,500 + Rs. 60,000, totaling Rs. 1,72,500.

Income Tax Slabs Under New Tax Regime
In the 2020 budget, a new tax system was introduced with reduced tax rates and fewer deductions for Individuals and HUFs. As a result, many taxpayers didn't choose the new system. However, to promote it in Budget 2023, the income tax slabs for FY 2023-24 (AY 2024-25) have been updated as mentioned below:-

New tax regime FY 2023-24
(After budget)

New tax regime FY 2022-23
(Before budget)

Income up to Rs 3 lakh

Nil

Up to Rs 2.5 lakh

Nil

Rs 3 lakh to Rs 6 lakh

5%

Rs 2.5 lakh to Rs 5 lakh

5%

Rs 6 lakh to Rs 9 lakh

10%

Rs 5 lakh to Rs 7.5 lakh

10%

Rs 9 lakh to Rs 12 lakh

15%

Rs 7.5 lakh to Rs 10 lakh

15%

Rs 12 lakh to Rs 15 lakh

20%

Rs 10 lakh to Rs 12.5 lakh

20%

Income above Rs 15 lakh

30%

Rs 12.5 lakh to Rs 15 lakh

25%

Income above Rs 15 lakh

30%

Under the New Tax Regime, many deductions and exemptions are not applicable. However, there are some exemptions and deductions available, such as:

1. Transport allowances for specially-abled individuals.
2. Conveyance allowance received for work-related travel expenses.
3. Compensation for travel costs during tours or transfers.
4. Daily allowance for regular expenses during absence from the regular place of work.

Exceptions to the Income Tax Slab:
Capital gains income is taxed differently based on the type of asset and how long it's been owned.
Assets are categorized as long-term or short-term based on the holding period, which varies for different assets.

Here’s a summary of the holding period, asset type, and corresponding tax rates:

Financial Year (FY):
The financial year is the period from April 1st to March 31st during which income is earned and reported for taxation purposes. For example, FY 2022-23 starts from April 1st, 2022, to March 31st, 2023.

Assessment Year (AY):
The assessment year follows the financial year, spanning from April 1st to March 31st of the following year. Taxpayers assess their income earned during the financial year and pay taxes during this period. For instance, AY 2023-24 is for incomes earned in FY 2022-23.

Assessee:
An assessee is an individual or entity that assesses their income and pays taxes according to the Income Tax Act. This includes individuals, partnership firms, companies, Associations of Persons (AOPs), Trusts, etc.

What is PAN?
A PAN, or Permanent Account Number, is a special 10-digit alphanumeric code given by the Indian Income Tax Department to taxpayers. This number serves as a unique identifier for individuals and helps in tracking their tax-related activities. Whenever a person pays taxes or files returns, they must mention their PAN. Additionally, PAN is shared with banks, mutual funds, and other financial entities. This allows the Income Tax Department to monitor all financial transactions associated with that PAN. Essentially, PAN links an individual’s financial activities with the tax department, making it easier for tax authorities to manage taxation processes and track incomes.

What is TAN?
TAN, or Tax Deduction and Collection Account Number, is a unique 10-digit alphanumeric code issued by the Income Tax Department. It is primarily meant for entities responsible for deducting or collecting taxes at the source. Any entity involved in tax deduction (TDS) or tax collection (TCS) must obtain a TAN. This number is crucial for filing TDS/TCS returns, making tax payments, and issuing TDS/TCS certificates. By quoting TAN in all relevant documents and transactions, organizations ensure compliance with tax regulations and facilitate smooth processing of tax-related activities.

Residents and Non-residents
The levy of income tax in India hinges on the residential status of taxpayers. Residents are individuals who qualify under Indian tax laws and are liable to pay taxes on their worldwide

income, including earnings from both within and outside India. Conversely, non-residents are only required to pay taxes on income earned within India. Determining residential status is crucial and must be done for each financial year separately. This classification ensures that tax liabilities are appropriately assessed based on the taxpayer's presence and economic activities within the country's jurisdiction.

Income Tax Payment

Tax Deducted at Source (TDS)

Tax deducted at source (TDS) is a mechanism where tax is deducted by the payer while making certain payments to the recipient. The recipient can later claim credit for this TDS amount by adjusting it against their final tax liability.

Advance Tax

Advance tax is tax paid in advance by taxpayers if their estimated tax liability for the year exceeds Rs 10,000. The government specifies due dates for paying advance tax installments throughout the financial year.

Self-Assessment Tax

Self-assessment tax is the balance tax that taxpayers have to pay on their assessed income after adjusting for advance tax and TDS. It is calculated based on the total income tax liability determined by the taxpayer.

E-Payment of Taxes

Taxpayers can conveniently pay advance tax and self-assessment tax online through the NSDL website. However, they need to have net banking facilities with authorized banks for e-payment.

Filing your ITR: A Simple Guide

E-filing your income tax return has become mandatory for most taxpayers, except for a few exceptions:

1. Taxpayers aged 80 and above are exempt from e-filing.
2. Taxpayers earning less than Rs 5 lakhs and not seeking a refund also do not need to e-file.

For everyone else, e-filing is compulsory. The deadline for filing returns is typically July 31 after the financial year ends.

If you miss the deadline, here are the consequences:

– You won't be able to carry forward losses (except for house property loss) to future years.
– Your refund claims may be delayed.
– Obtaining home loans might become more challenging.
– Late filing fees of up to Rs 5,000 (for incomes above Rs 5 lakhs) or Rs 1,000 (for incomes below Rs 5 lakhs) may be levied under Section 234F.
– Interest may be charged under Section 234A if taxes are due as of July 31.

E-filing offers several benefits beyond just submitting your return. Platforms like Tax Craft help you maximize deductions and invest wisely. After filing online, you can either e-verify the return or print the ITR V and send it to CPC, Bengaluru, for processing.

Income Tax Return

Taxpayers must file their income tax return annually using the prescribed ITR forms provided by the income tax department. There are seven ITR forms available, and taxpayers need to select the appropriate form based on their income sources and other relevant factors.

Income Tax Forms: A Quick Overview

When filing your income tax return (ITR), you'll need to choose the appropriate form based on your income sources and other factors. Here's a simple breakdown of the seven ITR forms:

1. ITR-1: For individuals (residents) with income from salary, one house property, other sources, agricultural income less than Rs 5,000, and total income up to Rs 50 lakh.

2. ITR-2: For individuals/HUFs without any business or profession under proprietorship, but with more than one house property.

3. ITR-3: For individuals/HUFs with income from proprietary business or profession, and income as a partner in a firm.

4. ITR-4: For individuals/HUFs with presumptive income from business or profession, along with one house property.

5. ITR-5: For partnership firms or Limited Liability Partnerships (LLPs).

6. ITR-6: For companies.

7. ITR-7: For trusts.

Choose the form that best matches your income sources and follow the instructions carefully to complete your tax filing process.

Essential Documents for ITR Filing Simplified

Before filing your income tax return (ITR), make sure you have these key documents ready:

1. Form 16: This is provided by your employer and summarizes your salary income and tax deductions.

2. Form 26AS: It's a consolidated statement showing all tax-related information like TDS, TCS, and advance tax paid against your PAN.

3. AIS (Agricultural Income Statement): If you have income from agriculture, ensure you have this statement ready.

4. TIS (Taxable Income Statement): Prepare a statement summarizing all your taxable income sources.

5. Form 16A: If you have income from sources other than salary, like interest income, you might need this form.

6. Proof of Tax Saving Investments: Keep documents supporting your investments in tax-saving instruments like LIC, PPF, NSC, etc.

7. Bank Account Details: You'll need details of the bank accounts where you wish to receive any tax refunds.

Ensure you gather these documents based on your income sources to make the filing process smoother and accurate.

Simple Steps to Calculate Income Tax

1. Compile All Income Sources: Gather details of all your income sources such as salary, rental income, interest income, etc.

2. Identify Exempt Incomes: Exclude incomes exempted under the law like agricultural income or LTCG on listed equity shares up to Rs 1 lakh.

3. Apply Applicable Deductions: Claim deductions available under each income source. For instance, deduct municipal taxes from rental income or business-related expenses from business turnover.

4. Utilize Exemptions: Make use of exemptions allowed for specific incomes. For example, reinvested amount in another house property can be exempted from capital gains income.

5. Claim Deductions from Total Income: Utilize deductions under Section 80C, 80D, 80TTA, etc., to reduce your taxable income.

6. Calculate Taxable Income: Subtract all deductions from your total income to arrive at your taxable income.

7. Determine Tax Liability: Check the tax slab you fall under and calculate your income tax payable accordingly.

8. Consider Government Updates: Stay informed about changes in tax slabs, schemes, and benefits introduced by the government through the Budget.

By following these simple steps and staying updated with tax regulations, you can accurately calculate your income tax liability.

Understanding Income Computation and Tax Rebates

1. Computation of Income:
It involves calculating taxable income by considering earnings from all sources and applying deductions, exemptions, and rebates as per the Income Tax Act.

2. Rebate u/s 87A:
Taxpayers can reduce their tax liability with a rebate under Section 87A. Residents with total income not exceeding Rs 5 lakh after deductions can claim a rebate of up to Rs 12,500.

3. e-File Returns:
Taxpayers must electronically file their income tax returns via the IT department's e-filing platform. Register at www.incometax.gov.in, log in, and submit your ITR. E-verification completes the process without sending physical documents.

4. Understanding ITR–V:
ITR-V is an acknowledgment generated after filing your income tax return. It must be e-verified or sent to CPC Bangalore for verification to initiate processing.

5. E-filing Assistance:
Many Companies offers step-by-step guidance for e-filing your Income Tax Return. Even with minimal tax knowledge, you can file your taxes hassle-free.

Income Tax Saving Instruments
Taxpayers can lower their tax burden through tax planning, achieved by investing in tax-saving tools. These investments reduce the taxable income, as permitted by Sections 80C to 80U of the Income Tax Act. Notable options under Section 80C include:

Popular Section 80C Investments

Particulars

ELSS

PPF

NSC

5-Year Tax Saving FD

SCSS

Section 80C Benefit

Yes

Yes

Yes

Yes

Yes

Type of Investment

Equity

Fixed Income

Fixed Income

Fixed Income

Fixed Income

Lock-in Period

3 Years

15 Years

5 Years

5 Years

5 Years

Maximum Investment

No Max Limit

Rs 1.5 lakh

No Max Limit

Rs 1.5 lakh

Rs 15 lakh

*ELSS and NSC have no upper investment limit. However, you get tax benefits under Section 80C only up to Rs 1.5 lakh per financial year.

Health Insurance and Medical Expense Deduction
Apart from the Section 80C deduction, a taxpayer can also take a tax benefit under Section 80D for health insurance premium and medical expenditure incurred for self, family and parents.

Person insured

Maximum deduction Below 60 years

Maximum deduction 60 years or older

You, Your Spouse, Your Children

Rs. 25,000

Rs. 50,000

Your parents

Rs. 25,000

Rs. 50,000

Preventative health checkup

Rs. 5,000

Rs. 5,000

Maximum deduction (includes preventive health checkup)

Rs. 50,000

Rs. 1,00,000

Education Loan Deduction:
According to Section 80E, taxpayers can get a deduction for the interest paid on a loan taken for higher education. There's no limit to this deduction when filing income tax returns.

Home Loan Deduction:
As per Section 24, taxpayers can claim a deduction for the interest paid on a home loan in the relevant financial year. The deduction amount depends on whether the house is self-occupied or rented out. Additionally, taxpayers can claim a deduction on the principal amount of the loan under Section 80C, up to Rs 1.5 lakh.

Deduction on

Maximum allowed (for self-occupied house property)

Maximum allowed (for property on rent)

Stamp duty and registration + principal

Rs 1,50,000 within the overall limit of Section 80C

Rs 1,50,000 within the overall limit of Section 80C

Deduction on home loan interest under Section 24

Rs 2,00,000

No cap (but rental income must be shown in the income tax return). Further, the maximum loss from house property is capped at Rs 2 lakhs

Deduction for first-time homeowners under Section 80EE *certain conditions apply

Rs 50,000

–

Deduction for Interest Income

The taxpayer can also claim a deduction for interest on deposits from banks under Section 80TTA of the Income Tax Act. Individuals can claim up to Rs 10,000 deduction under the said section.

Important Income Tax Dates for 2024:
– March 15, 2024: Deadline for the fourth installment of advance tax for the financial year 2023-24.
– June 15, 2024: Due date for the first installment of advance tax for the financial year 2024-25.
– July 31, 2024: Last date for filing income tax returns for the financial year 2023-24 for individuals and entities not subject to tax audit or involved in international/domestic transactions.
– September 15, 2024: Deadline for the second installment of advance tax for the financial year 2024-25.
– September 30, 2024: Submission of audit report (Section 44AB) for the assessment year 2024-25 for taxpayers liable for audit.
– October 31, 2024: Deadline for ITR filing for taxpayers requiring audit (without international/domestic transactions) and submission of audit report.
– December 15, 2024: Due date for the third installment of advance tax for the financial year 2024-25.
– December 31, 2024: Last date for filing belated or revised returns for the financial year 2023-24.

How to Pay Income Tax In India?
Paying income tax is an important responsibility for all eligible taxpayers. If you are eligible to pay tax, then here is the step-by-step guide to pay it-

You should begin by calculating your tax liability for the financial year. Calculate it with total income, applicable tax rate, deduction and exemption.

Decide your payment method. You can pay online or offline. However, online methods are more convenient and efficient.

Now, visit the official website of the Income Tax Department. Click on https://www.incometaxindia.gov.in/ and go to the “e-Payment” section.

Select the appropriate tax payment as you calculated.

Provide necessary documents like PAN card, tax type, etc. and proceed to the payment option. For online, you have payment options like internet banking, debit card, credit card, UPI, etc.

For offline payment, get a physical copy of the tax payment challan generated from the nearby bank branches. Fill out the required document, visit the nearest authorized bank branch and submit the filled challan along with documents, cash, etc.

After completing the payment process, it is important to verify the payment status to ensure successful processing.

Save the copy of the payment receipt, acknowledgement and transaction reference number for future use

Lastly, ensure timely filing of your income tax returns (ITR) after making the tax payment. If you do not file a return before the specified date, then you have to bear penalties and late fees.

Income Tax Law:
The Income Tax Act is the main law governing taxation in India. It undergoes amendments every year during the presentation of the Union Budget by the Finance Minister. This budget introduces changes to the Income Tax Act, including the recent introduction of a new tax regime.

Apart from the Income Tax Act, other components of income tax law include income tax rules, circulars, notifications, and case laws. These elements aid in the implementation and collection of taxes.

About Income Tax Department India:
The Income Tax Department is a government agency responsible for collecting direct taxes on behalf of the Government of India. It operates under the Ministry of Finance, which oversees the country’s revenue functions. The Central Board of Direct Taxes (CBDT), a part of the Ministry of Finance, supervises the administration of direct taxes like Income Tax. The CBDT manages direct tax laws through the Income Tax Department, ensuring compliance and enforcement. Therefore, the Income Tax Department administers income tax laws under the guidance of the CBDT, collecting direct taxes for the government.

Budget 2023 – Income Tax Updates:
1. Deduction from Capital Gain: Capital gains from reinvesting in a residential house property under sections 54 and 54F of the Income Tax Act are now capped at Rs. 10 crores.

2. Surcharge Reduction: The highest surcharge rate has been reduced from 37% to 25%.

3. Insurance Policies: Income from insurance policies with a premium exceeding Rs 5,00,000 annually is now taxable under ‘Income from other sources’. This rule applies to policies issued on or after April 1, 2023. Deductions will be allowed for premiums not previously claimed under any other provisions of the act. Exemptions are granted for income received on the insured person’s death.

4. E-gold Receipt: Converting gold into E-gold receipts or vice versa is no longer considered a capital gain.

5. Presumptive Taxation: The limit for MSMEs and certain professionals to avail presumptive taxation benefits has been increased to Rs 3 crore and Rs 75 lakh, respectively. This increase applies if total cash receipts do not exceed five percent of the total gross receipts or turnover.

Conclusion:
Income Tax in India is an important responsibility for eligible people. It has to be paid every financial year in March or April. Before filing income tax, ensure compliance with tax laws and optimize their tax liabilities through legitimate means such as tax planning and availing tax deductions and exemptions. By following the easy steps, taxpayers can easily fulfill their income tax. While paying your income tax, it is essential to collect the required document with the payment receipt. Well, both options are available, online and offline. If it seems difficult to you, then it is advised to consult a professional advisor or consult the Income Tax Department's website for detailed information and updates on income tax regulations.

FAQs:-
1. What is income tax?
– Income tax is a tax levied on the income of individuals, businesses, and other entities by the government. It is a direct tax that is based on the income earned by taxpayers.

2. Who should pay income tax?
– Any individual or entity earning income in India, whether a resident or non-resident, is required to pay income tax based on the applicable tax slabs and rules.

3. What are the types of taxpayers?
– Taxpayers can be classified into different categories such as individuals, Hindu Undivided Families (HUFs), companies, firms, and other entities recognized under the Income Tax Act.

4. What are the five heads of income?
– The five heads of income include salary, house property, capital gains, business or profession, and other sources.

5. How are taxpayers and tax slabs related?
– Taxpayers are taxed based on their income slabs, which determine the applicable tax rates. Different tax slabs have different tax rates, with higher incomes generally taxed at higher rates.

6. What is the existing (old) income tax regime?
– The old tax regime has different slab rates of 5%, 20%, and 30% for various income brackets, along with various deductions and exemptions allowed under Sections 80C to 80U.

7. What are the income tax slabs under the new tax regime?

– The new tax regime introduced lower tax rates but fewer deductions/exemptions. Taxpayers can choose between the old and new regimes based on their preference and financial situation.

8. What are exceptions to the income tax slab?
– Capital gains income is an exception to the income tax slab and is taxed based on the nature of the asset and the duration of ownership.

9. What is PAN (Permanent Account Number)?
– PAN is a unique 10-digit alphanumeric number issued by the Income Tax Department to individuals and entities for tax purposes.

10. What is TAN (Tax Deduction and Collection Account Number)?
– TAN is a 10-digit alphanumeric number allotted by the Income Tax Department to entities responsible for deducting or collecting tax at source.

11. What is the difference between residents and non-residents for tax purposes?
– Residents are taxed on their global income, while non-residents are taxed only on income earned in India.

12. What are the different types of taxes paid by taxpayers?
– Taxpayers pay various taxes, including income tax, advance tax, self-assessment tax, and tax deducted at source (TDS).

13. How can I file my income tax return (ITR)?
– Income tax return can be filed electronically through the income tax department's e-filing portal using the appropriate ITR form based on the taxpayer's income sources.

14. What documents are required for filing ITR?
– Documents like Form 16, Form 26AS, bank statements, investment proofs, and other relevant financial documents are needed for filing ITR.

15. What are the important income tax dates for 2024?
– Key dates include due dates for advance tax installments, ITR filing, audit report submission, and belated return filing.

16. What is the Income Tax Act?
– The Income Tax Act comprises provisions governing taxation in India, with amendments introduced through the Union Budget every year.

17. What is the Income Tax Department of India?
– The Income Tax Department is a government agency responsible for collecting direct taxes on behalf of the Government of India.

18. What are some deductions available for taxpayers?

– Deductions like those for health insurance, education loans, home loans, and interest income can help taxpayers reduce their taxable income.

19. How can taxpayers save tax in India?
– Taxpayers can save tax through tax planning strategies like investing in tax-saving instruments, claiming deductions, and utilizing exemptions available under the Income Tax Act.

2. Data from ITR Website:

Form 3CB-3CD

Q; While submitting Form 3CB-3CD, "Unique Document Identification Number" page is displayed. Though we have duly taken UDIN before uploading the tax audit report, I am not able to add the UDIN details. Should I select "I donot have UDIN / I will update later" inspead?

Ans; Bulk upload facility for UDIN is enabled for Form 15CB only. The feature will be enabled shortly. You may still go ahead and file the form by selecting **"I donot have UDIN / I will update later". O**nce the UDIN feature made available for all the forms, you can update the same in the portal.

Form 10 B

QI am trying to file and submit Form 10B.However upon submission, the page displays the following error "INVALID FORMAT FOR ARN". What should I do?

Ans; Before, filing Form 10B please update your profile from the "My Profile" section and ensure that all mandatory fields are filled. After updating your profile details, you can re-login and try again.

Form 67

Q; Why do I need to submit Form 67?

Ans: You will be required to submit Form 67 if you want to claim credit of foreign tax paid in a country or specified territory outside India. You will also be required to submit Form 67 in case of carry backward of loss of the current year resulting in refund of foreign tax for which credit has been claimed in any earlier previous years

Q; What are the modes in which Form 67 can be submitted?

Ans; Form 67 can only be submitted online on the e-Filing portal. After logging into the e-Filing portal, select Form 67, prepare and submit the form.

Q. How can Form 67 be e-verified?

Ans; You can e-Verify the form using EVC or DSC. You can refer to the How to e-Verify user manual to learn more.

Q; Can I add an Authorized Representative to file Form 67 on my behalf?

Ans; Yes, you can add an Authorized Representative to file Form 67 on your behalf.

Q; What is the time limit to file Form 67?

Ans; Form 67 should be filed before the due date of filing of return as specified u/s 139(1)

Q; When I am trying to upload attachments while filing statutory forms, certain errors are being displayed on the page. What should I keep in mind while uploading attachments on the e-Filing portal?

Ans; – The error might be due to naming convention used in the file. Please avoid using any special characters in the file name and keep the file name small. In addition the size of the attachment should be less than 5 MB and the format of the attachment should be in PDF or Zip format only.

Form 29B & 29C

Q; I am not able to upload the Form 29B. How can I file and submit Form 29B?

Ans; Form 29B is available on the e-Filing portal. Form 29B is required to be assigned by Taxpayer to their CA.

Once the taxpayer assigns the Form, the CA can access this Form in his / her worklist.

Q; While submitting the form, the page displays the error "INVALID METADATA". What should I do?

Ans; In case such an error is persisting, there is a possibility that there is a mismatch between the taxpayer selected or the Filing Type (Original / Revised) or AY is not in sync with your login credentials. You are advised to ensure no mismatch related to the mentioned parameters.

Q; I am unable to file form 29B for the assessment year 2021-22. The page is displaying the following error "Submission Failed: Invalid Input". What should I do?

Ans; This issue arises when Part 3 of "Report of an accountant" field is left blank. In case the field is not applicable, you can enter "NA" in the text box provided below para 3 of "Report for an Accountant" and try resubmitting the form.

Q; I am unable to file form 29B for the assessment year 2021-22. The page is displaying the following error "INVALID FORMAT FOR ARN". What should I do?

Ans; This is observed when "**Profile**" of the User is not updated correctly. Please ensure that there is no mismatch in the information filled in the Form and your profile. After updating your profile, re-login to the e-Filing portal and try again.

Q; While filing form 29B, Part C (Details of the amount required to be increased or decreased in accordance with sub-section (2C) of section 115JB), I am trying to enter the amounts by which the book profit needs to be increased or decreased by. However, the form is not accepting negative value. What should I do?

Ans; In is likely that you are working on old drafts of the Form 29B. Please delete the draft and file a fresh form.

Form 56F

Q; While filing Form 56F for claiming sez u/s 10AA, the page is displaying certain errors. Based on a notification on 29th December, 56F is removed and replaced by 56FF (only for reinvestment details). However, there is no change in section 10AA read with 10A. DI need to file 56F?

Ans; Both the forms are available to users in the portal. You may file the form based on the notification / guidance issued by the Income Tax Department and as per the applicable provision of the Act / Rules.

Form 10E

Q; When should I file Form 10E?

Ans: Form 10E has to be filed before filing your Income Tax Return.

Q; Is Form 10E mandatory to file?

Ans; Yes, it is mandatory to file Form 10E if you want to claim a tax relief on your arrear / advance income.

Q; What will happen if I fail to file Form 10E but claim relief u/s 89 in my ITR?

Ans; If you fail to Form 10E but claim relief u/s 89 in your ITR, your ITR will be processed, however the relief claimed u/s 89 will not be allowed.

Q; How do I know that ITD has disallowed the relief claimed by me in my ITR?

Ans; In case the relief claimed by you u/s 89 is disallowed, the same shall be communicated by the Income Tax Department through an intimation u/s 143(1) after the processing your ITR is complete.

Q; I am unable to add income details for while filing Form 10E for the FY 2019-20. What should I do?

Ans: Ensure that you are filing Form 10E for Assessment year 2021-22. In order to file Form 10E for Assessment year 2021-22, click **e-File**>**Income Tax Forms**>**File Income tax Forms**. Scroll down to find the tab "**Persons without Business/Professional Income**" Click on **File now**. Select Assessment Year as **2021-22** and click on **Continue.**

Q; I am filing ITR for the AY 2021-22. What should I choose as the AY while filing Form 10E?

Ans; If you are filing Income Tax Return for Assessment Year 2021-22, you need to select Assessment Year 2021-22 while submitting Form 10E.

Q: While filing Form 10E, I am unable to view the taxes applicable in the Assessment year. How should I proceed?

Ensure that you have filled in all income details (including previous year income details in Table A). The taxes will be automatically displayed based on the slab rate. Verify if the income as per the details available on the portal matches with your calculation and insert the amount of tax in the respective table.

Form 10IE

Q; When should I file Form 10IE?

Ans: Form 10IE has to be filed before filing your Income Tax Return.

Q; Is Form 10IE mandatory to file?

Ans; Yes, it is mandatory to file Form 10IE if you want to opt for new tax regime and have Income under the Head "Profits and Gains of Business and Profession."

Q; What will happen if Form 10IE is applicable to me and I fail to file before filing ITR?

Ans; In case you do not file form 10IE before filing your ITR, you can not opt for new tax regime.

Q; While submitting the form 10IE, displays "*Invalid Input" or "Submission Failed!"*. What should I do?

Ans; Before, filing Form 10-IE please update "**Contact Details**" (or **"Key Person Details**" in case you are an HUF) under "**My Profile**" and ensure that all mandatory fields are filled.

After updating your Contact details from your profile, you can re-login and try again.

Q; While filing Form 10IE, the AO details or Date of Birth/ Incorporation getting pre-filled. What should I do?

Ans: Please delete the old draft of the form by clicking on "**Delete Draft**" and try re-submitting Form 10-IE.

Q; While submitting the form 10IE, designation of Karta of HUF is not getting pre-filled under Verification tab. What should I do?

Ans; You are requested to update the "**Key Person Details**" under "**My Profile**" section. Re-login to the e-Filing portal and try again.

Q; I do not have any business income. While filing Form 10IE, I am unable to select "No" under "Basic Information" tab. What should I do?

Ans; In case you don't have any business income and are required to file ITR 1/ ITR 2, there is no need to file Form 10-IE in order to opt for the new tax regime under Section 115BAC of the Income Tax Act, 1961. The option to exercise the benefit under Section 115BAC, in case you have business income, can be claimed while filing the respective ITR form (ITR 1/ ITR 2).

Form 10BA

Q; While submitting Form 10BA, the page displays the error: "*Error: Please enter valid values*". What should I do?

Ans: In case you are facing such issue while submitting the form, ensure that steps mentioned for updating profile are completed. Additionally, delete the old draft of the form by clicking on "**Delete Draft**". Re-log in to the e-Filing portal and try again.

Form 35

Q; While submitting Form 35, the page displays the error "*Appeal fees paid should be either of Rupees 250, 500 or 1000 as the case may be*" while entering the appeal fees challan details. What should I do?

Ans: Open the 4th panel, i.e., "Appeal details"

- Please ensure that the mandatory fields like "Amount of income assessed" etc. are updated.

- In case of TDS appeal, it may be selected as "Not Applicable".

Once these fields are updated, go to 7th panel i.e. "Appeal filing details" and try deleting and re-entering the challan details.

Form 10-IC

Q; While filing Form 10IC, I had selected "Yes" for "Whether option under sub-section (4) of section 115BA has been exercised in Form 10-IB?" Even then, the pre-filled "Previous Year" and "Date of filing of Form 10-IB" fields were missing. What should I do?

Answer: You should delete the 'Draft' Form 10-IC which is already saved in "File Income tax Forms" and start the fresh filing of the Form.

Q; While filing Form 10IC, one I have selected "Yes" ***for "Whether option under sub-section (4) of section 115BA has been exercised in Form 10-IB?",*** **the check box** ***for "I do hereby withdraw the option under sub-section (4) of section 115BA exercised on….."*** **is not getting saved. What should I do?**

Ans; You should delete the 'Draft' Form 10-IC which is already saved in "File Income tax Forms" and start the fresh filing of the Form.

Form 10-IB & 10-ID

Q; While filing Form 10-IB, the Basic details of the Company were not auto-populated correctly form "My Profile". What should I do?

Ans; You should delete the 'Draft' Form 10-IB which is already saved in "File Income tax Forms" and start the fresh filing of the Form.

Q; While filing Form 10-ID, The "Assessing Officer" details were not getting auto-populated from "My Profile" . What should I do?

Ans; You should delete the 'Draft' Form 10-ID which is already saved in "File Income tax Forms" and start the fresh filing of the Form.

Form 10DA

Q; I am unable to submit form 10DA as the following error message appears 'Submission failed'. How should I proceed?

Ans: You should withdraw/delete old form which is already saved in "File Income tax Forms" and start the fresh filing of the Form. Ensure that all fields including address fields are fully updated in the verification panel and retry submitting the form.

Form 10 IF

Q; My PAN is registered as a credit co-operative bank registered under the Karnataka Credit Co-operative societies Act, 1959. As per section 115BAD, I wish to opt for the lower rate of tax. Even though all the conditions are satisfied as stated in section 115BAD, I am still unable to file the said Form 10-IF. What should I do?

Ans: As per Section 115BAD benefit of the section to allowed only to cooperative societies. It is likely that you are registered as an Artificial Juridical Person base and not as an AOP. Therefore, the form 10IF is not available for filing. In such a case, you are requested to get the details updated through NSDL.

General Queries

Q: Why validation of bank account is required? Why is my Bank Account not getting pre-validated?

Ans:

- Only a pre-validated bank account can be nominated to receive Income Tax refund. Further, a pre-validated bank account may also be used by the individual taxpayer for enabling EVC (electronic verification code) for e-Verification purpose. e-Verification can be used for Income Tax Returns and other Forms, e-Proceedings, Refund Reissue, Reset Password and secured login to e-Filing account
- For successful pre-validation, you must have a valid PAN registered with e-Filing, and an active bank account linked with the PAN.
- If the validation fails, the details are displayed under Failed Bank Accounts. You can click Re-Validate for the bank in the Failed Bank Accounts section.

- However, before proceeding for validation please ensure that your KYC is also completed from your Bankers end, otherwise, it may throw error again.

Q: What is the format of the name while registering on the e-Filing portal?

Ans: If you are an individual user, you are required to enter the name as per the format of the Name appearing in the PAN:

- First Name
- Middle Name
- Last Name

Q: I am unable to reset my password using DSC. What should I do?

Ans: The option is enabled only in the scenario where the DSC is already registered by the Taxpayer in the Profile earlier. If you wish to reset password using DSC, you need to register the DSC before using it for resetting the password. You can use other options available for the same.

Q: I am unable to reset my password using Aadhaar OTP or e-filing OTP in registered mobile number. What should I do?

Ans: In case you are unable to reset my password using the options, share the following documents at efilingwebmanager@incometax.gov.in.

- In case you are an individual user:
    - Scanned copy of your PAN
    - Scanned PDF copy of the identity proof (such as passport /Voter Identity card/Driving License /Aadhaar card / Bank passbook with Photo)
    - Scanned PDF copy of Address proof (such as passport /Voter Identity card/Driving License /Aadhaar card / Bank passbook with Photo)
    - Letter requesting to reset the password by giving the reasons (You should provide your email ID and a Indian Contact number for generating OTP)
- In case you are a corporate user:
    - Scanned copy of the PAN card of the Company or PAN allotment letter issued by AO/PAN Service Provider/Local Computer Centre.
    - Scanned copy of the proof of date of Incorporation of the Company.
    - Scanned copy of the PAN of the principal contact (person responsible to sign the return of income as per section 140 of the Income Tax Act-1961)
    - Copy of one more identity proof of the principal contact issued by the Government agencies (Passport /Voter Identity card / Driving License / Aadhaar card etc. if any)

- Address proof for the office of the Company i.e. any one of the documents like Electricity bill/Telephone Bill/Bank Passbook/ Rent Agreement etc. issued in the name of Company.
- Proof of appointment of the Principal Contact, if request made by other than Managing Director / Directors.
- A request letter for resetting the password of the COMPANY in the company letter head duly signed by the principal contact. All listed documents must be self-attested by the Principal Contact. Once the documents are validated, the reset password will be shared through mail id from which request has been received.

Q: What are some of the important points to consider while registering in the income tax portal through DSC?

Ans: You should check the below pre-requirements before reporting the issues to the helpdesk:

- Latest Embridge application should be Installed
- Updated e-Mudhra Token drivers is updated
- You have logged in to the Token Manager
- Local Host e-Mudhra is whitelisted by the System Admin
- Profile and Contact details (Mandatory fields) are updated (log out and re-login after you have updated it)
- Ensure one DSC should be in one dongle (e-token)

Q: I am trying to re-register DSC but getting PAN mismatch error? What should I do?

Ans: Since DSC is already registered in the portal, you need not re-register the same. You can proceed to e-verify the Form / ITR, once he is able to see registered DSC under 'View Certificate'.

Q: I had registered my DSC in the previous e-Filing portal. Do I need to re-register it in the new portal also?

Ans: Yes.

Q: I am a Non- Individual user. What should I do if DSC is not showing as Registered and Validity field is appearing as Blank under the "Key Person Details"?

Ans: You can can try the below steps**:**

- In Principal Contact, Profile (i.e. individual user) details should match with DSC obtained – email ID, token name and validity of DSC
- You can try adding the same Key Person again
- When prompted that the same Key person cannot be added – please remove the 'Key Person' by selecting the Option- "**Left**" and add back the same Key Person.
- In case more than one key person is added in the non- individual profile, You need to select the right "**Key person"** as Principal Contact before e-verifying a Form / ITR.

Q: Can I file rectification when communication is issued u/s 143(1)(a) for prima facie adjustment?

Ans: You should ensure the following:

- Response for agreeing/disagree should be filed when communication is issued u/s 143(1)(a) for PFA;
- Once return is processed and intimation is generated u/s 143(1), you can opt for filing rectification

Q: Can I withdraw rectification after filing?

Ans: No. Rectification application filed online cannot be withdrawn.

Q: In case rectification has been filed, can I file rectification again?

Ans: You can file rectification again once previous rectification request has been processed and order u/s 154 has been issued.

3. Income Tax

What's New In Income Tax
Interim Budget 2024 -

The budget maintained the existing tax rates for both direct and indirect taxes.
Taxpayers with income up to Rs 7 lakh have no tax liability.
Finance Minister Nirmala Sitharaman also withdraws 'tax dispute' up to Rs 25,000 for the period up to the financial year 2009-10, Rs 10,000 for financial years 2010-11 to 2014-15.
Budget 2023 Updates

For individuals with income up to Rs 7 lakh, a tax rebate has been introduced in the New Tax Regime. This implies that you do not have to pay tax if your taxable income is below Rs 7 lakh under the new tax regime.
The new tax slabs under the new tax regime will be:

Income Slabs	Tax Rates
up to Rs 3 lakh	Nil
Rs 3 lakh- Rs 6 lakh	5%
Rs 6 lakh-Rs 9 lakh	10%
Rs 9 lakh-Rs 12 lakh	15%
Rs 12 lakh- Rs 15 lakh	20%
Above Rs 15 lakh	30%

Under the new tax regime, salaried employees and pensioners can claim a standard deduction of Rs 50,000.
Under the new tax regime, the highest surcharge has been reduced to 25% from 37% for people earning more than Rs 5 crore. This move brings down their tax rate from 42.74% to 39%.
The new IT regime will be the default tax regime. However, taxpayers can opt out of the new regime before the due date for filing the IT returns for the respective assessment year.
Leave encashment for non-government employees has been increased to Rs 25 lakh from Rs 3 lakh.
TDS rate reduced to 20% from 30% on withdrawal of EPF.
Click here to read all highlights on Budget 2024

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Business, Professional & Freelance

Efiling Income Tax Return

Income Tax Refunds

Paying Tax Due

Salary Income

Capital Gains Income

Other income sources

Advance Tax

NRI

HUF

Income Tax Notices

What Is Income Tax?
Income tax is a type of tax that the central government charges on the income earned during a financial year by individuals and businesses. Taxes are sources of revenue for the government. The government utilises this revenue for developing infrastructure, providing healthcare, education, subsidies to the farmer/agriculture sector and other government welfare schemes.

Taxes are mainly of two types: direct taxes and indirect taxes. Tax levied directly on the income earned is called a direct tax; for example, Income tax is a direct tax. The tax calculation is based on the income slab rates applicable during that financial year.

Direct Taxes are broadly classified as :

Income Tax – This is taxes an individual, a Hindu Undivided Family (HUF), or any taxpayer other than companies pay on the income received. The law prescribes the rate at which such income is taxable.
Corporate Tax - This is the tax paid on the company's taxable income. Here again, a specific tax rate for corporations has been prescribed by the income tax laws of India.
Who Should Pay Income Tax? – Types Of Taxpayers

According to the Income Tax Act, everyone in India, whether resident or nonresident, has to file income tax returns. Currently, tax is payable if the income exceeds Rs 3 lakh in a financial year. The Income Tax Act has classified taxpayers into various categories. Different tax rules apply to different types of taxpayers.

Below are the categories of taxpayers:

Individuals
Hindu Undivided Family (HUF)
Firms
Companies
Association of Persons(AOP)
Body of Individuals (BOI)
Local Authority
Artificial Judicial Person
Further, Individuals and HUFs are classified as residents and nonresidents. Resident individuals are liable to pay tax on their global income in India, i.e. income earned in India and abroad. Meanwhile, those who qualify as nonresidents must only pay taxes on income earned or accrued in India. The residential status has to be determined separately for tax purposes for every financial year based on the individual tenure of stay in India. Resident Individuals are further classified into the mentioned categories for tax purposes:

Individuals less than 60 years of age
Individuals aged more than 60 but less than 80 years
Types Of Income – What Are The 5 Heads Of Income?
Everyone who earns or gets an income in India is subject to income tax (Yes, be it a resident or a non-resident of India). For simpler classification, the Income tax department breaks down income into five main heads:

Head of Income

Nature of Income covered

Income from Other Sources

Income from savings bank account interest, fixed deposits, and winning in lotteries is taxable under this head of income.

Income from House Property

Income earned from renting a house property is taxable under this head of income.

Income from Capital Gains

Surplus Income from the sale of a capital asset such as mutual funds, shares, house property, etc, is taxable under this head of Income.

Income from Business and Profession

Profits earned by self-employed individuals, businesses, freelancers or contractors and income earned by professionals like life insurance agents, chartered accountants, doctors and lawyers who have their own practice, and tuition teachers are taxable under this head.

Income from Salary

Income earned from salary and pension is taxable under this head of income.

Taxpayers and Tax Slabs
Each of these taxpayers is taxed differently under the Indian income tax laws. While firms and Indian companies have a fixed rate of tax calculated on taxable income, the individual, HUF, AOP and BOI taxpayers are taxed based on the income slab they fall under. People's income grouped into blocks are called tax brackets or tax slabs. And each tax slab has a different tax rate. The rate at which the tax is charged increases as the taxable income increases.

What is the Existing/Old Income Tax Regime?
The old tax regime provides three slab rates for income tax levy, which are 5%, 20%, and 30% for different income brackets. Individuals can continue with the old taxation regime, and they can claim the following deductions:

Deductions of allowances like Leave Travel Concession (LTC), House Rent Allowance (HRA), and specific other allowances.
Deductions for tax-saving investments as per Section 80C (LIC, PPF, NPS, etc) to 80U can be claimed.
Standard deduction of Rs 50,000.
Deduction for interest paid on home loan.
Tax slab rates applicable for Individual taxpayers below 60 years for the Old tax regime are as below:

Income Range

Tax rate

Tax to be paid

Up to Rs 2,50,000

0

No tax

Rs 2.5 lakhs - Rs 5 lakhs

5%

5% of your taxable income

Rs 5 lakhs - Rs 10 lakhs

20%

Rs 12,500+20% on income above Rs 5 lakh

Above 10 lakhs

30%

Rs 1,12,500+30% on income above Rs 10 lakh

There are two other tax slabs for two other age groups: those 60 and older and those above 80.

A word of note: People often misunderstand that if they earn, let's say, Rs12 lakh, they will be paying a 30% tax on Rs.12 lakh, i.e. Rs 3,60,000. This is incorrect. A person earning Rs 12 lakh in the progressive tax system will pay Rs 1,12,500 + Rs 60,000 = Rs 1,72,500.

Income Tax Slabs Under New Tax Regime
In the 2020 budget, a new tax regime was introduced with lower tax rates and limited deductions/exemptions for Individuals and HUFs. Hence, many taxpayers did not opt for the new tax regime. However, to encourage taxpayers to adopt the new tax regime in Budget 2023, the income tax slabs under the new tax regime for FY 2023-24 (AY 2024-25) are revised as follows:

New tax regime FY 2023-24
(After budget)

New tax regime FY 2022-23
(Before budget)

Income up to Rs 3 lakh

Nil

Up to Rs 2.5 lakh

Nil

Rs 3 lakh to Rs 6 lakh

5%

Rs 2.5 lakh to Rs 5 lakh

5%

Rs 6 lakh to Rs 9 lakh

10%

Rs 5 lakh to Rs 7.5 lakh

10%

Rs 9 lakh to Rs 12 lakh

15%

Rs 7.5 lakh to Rs 10 lakh

15%

Rs 12 lakh to Rs 15 lakh

20%

Rs 10 lakh to Rs 12.5 lakh

20%

Income above Rs 15 lakh

30%

Rs 12.5 lakh to Rs 15 lakh

25%

Income above Rs 15 lakh

30%

Most of the deductions and exemptions are not allowed if the taxpayers opt for the New Tax regime. However, the exemptions and deductions available under the new regime are:

Transport allowances in case of a specially-abled person.
Conveyance allowance received to meet the conveyance expenditure incurred as part of the employment.
Any compensation received to meet the cost of travel on tour or transfer.
Daily allowance received to meet the ordinary regular charges or expenditures you incur on account of absence from his regular place of duty.
Exceptions To The Income Tax Slab
One must remember that not all income can be taxed on a slab basis. Capital gains income is an exception to this rule. Capital gains are taxed depending on your asset and how long you've owned it. The holding period would determine if assets are long-term or short-term. The holding period to determine the nature of assets differs for different assets. A glance at the holding period, the nature of the assets and the tax rate for each are given below.

Financial Year
The financial year is a one-year period that the taxpayers use for accounting and financial reporting purposes. It is the year in which the income is earned. According to the Income Tax Act, such a period begins from 1st April of the calendar year to 31st March of the next calendar year. It is abbreviated as "FY". For example, the financial year starting from 1st April 2023 and ending on 31st March 2024 can be written as FY 2023-24.

In simple words, a financial year is a year in which the income of a person is earned.

Assessment Year
The one year from 1st April to 31st March starting immediately after the financial year is termed an assessment year. This period is the assessment year because all the taxpayers have to evaluate their income earned in the financial year and pay taxes this year. For example, for incomes earned during the FY 2023-24, the assessment year will be AY 2024-25.

In simple words, the income earned in the financial year will be assessed to tax in the assessment year.

Assessee

The assessee is a person or a group who assesses his/her income and pays tax as per the Income Tax Act. The assessee can be an individual, a partnership firm, a company, an Association of Persons (AOP), a Trust, etc.

What is PAN?
PAN is an abbreviation for the Permanent Account Number. It is a unique 10-digit alphanumeric digit issued by the Income Tax Department to Indian taxpayers. All the tax-related transactions and information of a person are recorded against their unique permanent account number. When the person has to pay advance tax or self-assessment tax, they must mention the PAN number.

Also, an individual submits his PAN to certain entities like banks, mutual fund companies, etc. The financial information from such entities goes to the income tax department via PAN. This allows the taxman to link all tax-related activities with the department. Hence, just by putting in a permanent account number, the taxman can identify all your financial transactions.

What is TAN?
TAN is an abbreviation for Tax Deduction and Collection Account Number. It is a unique 10-digit alphanumeric digit allotted by the Income Tax Department of India. All persons responsible for deduction (TDS) or collection of tax (TCS) are required to obtain TAN. It is compulsory to quote the TAN in TDS/TCS return, any TDS/TCS payment challan, and TDS/TCS certificates.

Residents and Non-Residents
Levy of income tax in India is dependent on the residential status of a taxpayer. Individuals who qualify as a resident in India must pay tax on their global income in India, i.e. income earned in India and abroad. Whereas, those who qualify as Non-residents need to pay taxes only on their Indian income. The residential status has to be determined separately for every financial year for which income and taxes are computed.

Income Tax Payment
Tax Deducted at Source (TDS)
For specified payments, tax is deducted at source when paying the recipient of income. The income recipient can claim credit of the TDS amount by adjusting it with the final tax liability.

Advance Tax
The taxpayer must pay tax in advance when his estimated income tax liability for the year exceeds Rs 10,000. The government has specified due dates for payment of advance tax installments.

Self-Assessment Tax
It is the balance tax that the taxpayer has to pay on the assessed income. The self-assessment tax is calculated after reducing the advance tax and TDS from the total income tax calculated on the assessed income.

E-Payment of Taxes
Taxpayers can pay advance tax and self-assessment tax online from the e-filing website. Click here to learn how to pay taxes online through e-filing portal.

Filing Your ITR
E-filing of income tax return has been made mandatory for all classes of taxpayers, barring a few exceptions:

Taxpayers aged 80 and above need not e-file the return.
Taxpayers having an income less than Rs 5 lakhs and not claiming a refund need not e-file the return.
For the rest, E-filing is mandatory. Do note that deadlines for filing returns have also been prescribed. For most individual taxpayers, the due date for filing the return of income is 31 July, immediately following the concerned financial year. If you do not file on time, here are some disadvantages:

You will be denied carry forward of losses (except house property loss) to future years.
Delay processing of refund claims if any.
Difficulty on getting home loans.
Levy of late filing fee upto Rs 5,000 (if the total income is above Rs 5 lakh) and Rs 1,000 (if the total income is below Rs 5 lakh) under Section 234F.
Levy of interest under 234A if there are taxes due as on 31 July.
E-filing is a better alternative to filing on the income tax website. Also, it is for more than just e-filing your income tax return.

Tax Craft helps you claim all the deductions you're eligible for and enables you to invest. Once you file your return online, you either e-verify the same or take a print of the ITR V and send it to CPC, Bengaluru, for processing your return.

Read our detailed article on e-verification of return of income.

Here's a guide to e-filing your first tax return on Tax Craft.

Income Tax Return
The taxpayer shall file an income tax return every year via ITR forms prescribed by the income tax department. The government has prescribed seven ITR forms through which the taxpayer can file his income tax return. The taxpayer has to choose the appropriate ITR forms and file his income tax return.

Income Tax Forms List
The seven ITR forms are:

ITR-1: Individuals (residents) having income from salary, one house property, other sources, agricultural income less than Rs 5,000 and with a total income of up to Rs 50 lakh.

ITR-2: Individuals/HUFs not having any business or profession under any proprietorship, more than one house property.
ITR-3: Individuals/HUFs having income from a proprietary business or profession, income of a person as a partner in a firm.
ITR-4: Individuals/HUFs having presumptive income from business or profession, one house property.
ITR-5: Partnership firms or LLPs.
ITR-6: Companies.
ITR-7: Trusts.
Documents Required for ITR Filing
Form 16, Form 26AS, AIS, TIS, Form 16A, proof of tax saving investments made, bank account details, etc, are some of the crucial information/documents you need to be ready with before filing your return. Further, the documents you will need to file your tax return will largely depend on your source of income. Here is our detailed article on documents you need for filing of your return of income.

How can I calculate my income tax?

Individuals should calculate income tax depending on the nature of their income. The salaried individual can take the eligible exemptions available for various allowances received. Individuals/HUF can take a deduction under Sections 80C to 80U, deduct it from the gross total income, and calculate the income tax liability. Also, the total income tax liability should be adjusted by the taxes paid, such as advance tax, TDS, etc.

Also, the taxpayer should apply the effect of rebate under Section 87A and relief under Section 89, Section 90, and Section 91 to arrive at the net amount of income tax payable.

Any income that you receive should form part of your income tax return. Of course, the law provides exemptions for certain incomes, e.g. LTCG on listed equity shares up to Rs 1 lakh in any financial year, agricultural income, etc. Therefore, here is a quick guideline you can probably follow to compute taxes due on your income:

List down all your income – be it salary, rental income, capital gains, interest income or profits from your business or profession.
Remove incomes that are exempt under the law.
Claim all applicable deductions available under every source of income. E.g., claim a standard deduction of Rs 50,000 from salary income, claim municipal taxes from rental income, claim business-related expenses from your business turnover, etc.
Claim all applicable exemptions under every head of income, e.g., amount reinvested in another house property can be claimed as exemption from capital gains income, etc.
Claim applicable deductions from your total income, e.g. the Section 80 deductions like 80C, 80D, 80TTA, 80TTB, etc.
You will now arrive at your taxable income. Check the tax slab you fall under and accordingly arrive at your income tax payable.

The government keeps introducing and altering tax slabs, schemes and tax benefits, so it's a good idea to keep up with the Budget.

What Is Computation Of Income?

The process of calculating taxable income after taking into account the income from all the five heads (salary, house property, capital gains, business or profession, and other sources), exemptions, deductions, rebates, set off of losses, etc., is called computation of income. After the computation of income, the taxpayer can compute the income tax liability as per the Income Tax Act.

Rebate u/s 87A

Rebates under Section 87A allow taxpayers to reduce their income tax liability. If you are a resident individual and the amount of your total income after reducing Chapter VI-A deductions (Section 80C, 80D, 80U, etc) does not exceed Rs 5 lakh in a financial year, you can claim a tax rebate up to Rs 12,500. This means if your total tax payable is less than Rs 12,500, then you will not have to pay any tax.

In Budget 2023, a tax rebate on income of Rs 7 lakhs has been introduced under the new tax regime, and no changes have been made in the 2024 interim budget. Therefore, you do not have to pay tax if your taxable income is up to Rs 7 lakhs under the new tax regime.

E-File Returns

The taxpayer shall electronically file the income tax return through the e-filing platform of the IT department. To file the income tax return, the taxpayer should register at www.incometax.gov.in. After that, the taxpayer can log in to the website and file his ITR. Also, there is no need to manually send the acknowledgement of the return to the income tax department. The income tax department now allows e-verification of the ITR in different ways, which completes the income tax return process.

What is ITR–V?

Form ITR-V is an income tax return verification form generated after the taxpayer files income tax return and submits it to the income tax department. The ITR-V should be e-verified or must be sent to CPC Bangalore at “Income Tax Department – CPC, Post Box No – 1, Electronic City Post Office, Bangalore – 560100, Karnataka” for verification. The ITR processing takes place only if its verification is completed.

Did You E-file Your Tax Return For This Year?

You can file your Income Tax Return on Tax Craft. Even if you don't know anything about taxes, we will take you step-by-step and help you e-file. Check Tax Craft Income Tax E Filing.

Income Tax Saving Instruments

A taxpayer can save tax by tax planning. A taxpayer can do tax planning by investing in tax-saving instruments. It helps in reducing the income tax liability. Section 80C to 80U of the Income Tax Act allows a deduction for certain expenditures and investments from the total computed income if taxes paid under the old tax regime. Some of the popular Section 80C investments are:

Popular Section 80C Investments

Particulars

ELSS

PPF

NSC

5-Year Tax Saving FD

SCSS

Section 80C Benefit

Yes

Yes

Yes

Yes

Yes

Type of Investment

Equity

Fixed Income

Fixed Income

Fixed Income

Fixed Income

Lock-in Period

3 Years

15 Years

5 Years

5 Years

5 Years

Maximum Investment

No Max Limit

Rs 1.5 lakh

No Max Limit

Rs 1.5 lakh

Rs 15 lakh

*ELSS and NSC have no upper investment limit. However, you get tax benefits under Section 80C only up to Rs 1.5 lakh per financial year.

Health Insurance and Medical Expense Deduction
Apart from the Section 80C deduction, a taxpayer can also take a tax benefit under Section 80D for health insurance premium and medical expenditure incurred for self, family and parents.

Person insured

Maximum deduction Below 60 years

Maximum deduction 60 years or older

You, your spouse, your children

Rs. 25,000

Rs. 50,000

Your parents

Rs. 25,000

Rs. 50,000

Preventative health checkup

Rs. 5,000

Rs. 5,000

Maximum deduction (includes preventive health checkup)

Rs. 50,000

Rs. 1,00,000

Education Loan Deduction
Under Section 80E, the taxpayer can claim a deduction for the interest paid on a loan taken for higher education. There is no limit to claiming such a deduction in the income tax return.

Home Loan Deduction
Under Section 24, the taxpayer can claim a deduction for interest paid on a housing loan during the relevant financial year. The deduction amount will depend upon whether the house is self-occupied or let out. The taxpayer can also claim a deduction of the principal amount of the loan under Section 80C up to Rs 1.5 lakh.

Deduction on

Maximum allowed (for self-occupied house property)

Maximum allowed (for property on rent)

Stamp duty and registration + principal

Rs 1,50,000 within the overall limit of Section 80C

Rs 1,50,000 within the overall limit of Section 80C

Deduction on home loan interest under Section 24

Rs 2,00,000

No cap (but rental income must be shown in the income tax return). Further, the maximum loss from house property is capped at Rs 2 lakhs

Deduction for first-time homeowners under Section 80EE *certain conditions apply

Rs 50,000

–

Deduction for Interest Income
The taxpayer can also claim a deduction for interest on deposits from banks under Section 80TTA of the Income Tax Act. Individuals can claim up to Rs 10,000 deduction under the said section.

Important Income Tax Dates 2024
15th March 2024 - Due date for the fourth installment of advance tax for the FY 2023-24.
15th June 2024 – Due date for the first installment of advance tax for the FY 2024-25.
31st July 2024 – Income tax return filing for FY 2023-24 for individuals and entities not liable for tax audit and who have not entered into any international or specified domestic transaction.
15th September 2024 – Due date for the second installment of advance tax for the FY 2024-25.
30th September 2024 – Submission of audit report (Section 44AB) for AY 2024-25 for taxpayers liable for audit under the Income Tax Act.
31st October 2024 – ITR filing for taxpayers requiring audit (not having international or specified domestic transactions).
31st October 2024 – Submission of the audit report for AY 2024-25 for taxpayers having transfer pricing and specified domestic transactions.
15th December 2024 – Due date for the third installment of advance tax for the FY 2024-25.
31st December 2024 – Last date for filing a belated return or revised return for FY 2023-24.
Income Tax Law
Income Tax Act
The Income Tax Act includes all the provisions that govern the country's taxation. Every year, the Finance Minister presents a budget in February. The Union Budget brings in various amendments to the Income Tax Act. The most recent Union Budget presented by the current Finance Minister included the introduction of a new tax regime.

Apart from the IT Act, the other components of the income tax law are income tax rules, circulars, notifications, and case laws. All of these help in the implementation of income tax law and the collection of taxes.

About Income Tax Department India
The Income Tax Department is a government agency. The Act empowers the Income Tax Department to collect direct tax on behalf of the Government of India. The Ministry of Finance manages the revenue functions of the Government of India. The finance ministry has given the task of administration of direct taxes, like Income Tax, etc., to the Central Board of Direct Taxes (CBDT). The CBDT is one of the parts of the Department of Revenue in the Ministry of Finance. The CBDT administers direct tax laws through the IT Department.

Thus, the Income Tax Department is a government agency that administers the Income-tax law under the control and supervision of the CBDT. The Income Tax Department has been given the power to collect direct tax on behalf of the Government of India.

Budget 2023 – All Income Tax Related Announcements
Deduction from Capital Gain - Capital gains on reinvestment in a residential house property under sections 54 and 54F of the Income Tax Act are ceiled to Rs.10 crores.
Surcharge - The highest surcharge rate was reduced from 37% to 25%.
Insurance policies - Income from insurance policies having a premium or aggregate premium above Rs 5,00,000 a year is taxable under the head 'Income from other sources'. This new rule will apply to policies issued on or after 1st April 2023. A deduction shall be allowed for a premium paid if it is not claimed earlier under any other provisions of the act. Suppose the Income received on the insured person's death is considered exempt.
E-gold Receipt - Conversion of gold into E-gold receipts or vice versa is not treated as capital gain.
Presumptive taxation - For MSMEs and certain professionals, the limit is raised to Rs 3 crore and Rs 75 lakh to avail presumptive taxation benefits. An increased limit applies provided the total cash receipts are not more than five per cent of the total gross receipts/ turnover.
Related Income Tax Articles

Income Tax Department Portal – Login & Registration Guide
incometaxindiaefiling.gov.in – Income Tax e-Filing Guide
Income Tax E Filing
Income Tax Slabs & Rates
Check your Income Tax Refund Status Online
What is Form 26AS?
What is Form 16?
Frequently Asked Questions
When it is mandatory to file return of income?

The companies and firms are mandatorily required to file an income tax return (ITR). However, individuals, HUF, AOP, BOI should file ITR if the income exceeds the basic exemption limit of Rs 2.5 lakh. This limit is different for senior citizens (Rs 3 lakhs) and super senior citizens (Rs 5 lakh).

Can i file return of income even if my income is below taxable limits?

Yes, you can file return of income voluntarily even if your income is less than basic exemption limit

What documents are to be enclosed along the return of income?

There is no need to enclose any documents with the return of income. However, one should retain the documents to produce before any competent authority as and when required in future.

Should I disclose all my income in the return even if it is exempt?

Yes. Income from every source including exempt income must be disclosed. The same can be shown under the Schedule EI.
Should I e-verify to get the IT refund?

e-Verification of the income tax return filed electronically is mandatory to complete the process of ITR filing. One should e-verify income tax returns within the stipulated time. Non-verified ITR will be treated as invalid. You can e-verify ITR by Aadhaar OTP, bank ATM, Electronic Verification Code (EVC), and net-banking.

Can I take Section 87A rebate from tax on long-term and short-term capital gains if there is no other income?

You can take rebate under Section 87A from tax on long-term and short-term capital gains. However, if there is long-term capital gain from sale of equity shares or equity oriented funds (Section 112A), you cannot adjust rebate under Section 87A from tax on such LTCG.

Can I file a return after completion of the assessment year?

The Budget 2022 proposed to introduce an 'Updated' return that can be filed within 24 months of the end of the relevant AY, on the payment of additional tax. Even if you have not filed original return before the due date specified in the Income Tax Act, you can file the 'updated' return.

What are the maximum exemption limit and slab rates applicable for Assessment Year 2024-25?

New Income Tax Slab

Slab Rates (For Resident and non-resident individuals, senior citizens and super senior citizens)

Up to Rs 3,00,000	Nil
Rs 3,00,001 - Rs 6,00,000	5% (tax rebate u/s 87A)
Rs 6,00,001 - Rs 9,00,000	10% (tax rebate u/s 87A up to 7 lakh)
Rs 9,00,001 - Rs 12,00,000	15%
Rs 12,00,001 - Rs 15,00,000	20%
More Than Rs 15,00,000	30%

Is standard deduction of Rs 50,000 allowed under the new tax regime?

Yes, standard deduction is allowed under the new tax regime.

What are the income tax changes in interim budget 2024?

For the AY 2024-25, there has been no changes in the income tax.

What is the basic exemption limit for FY 2023 24?

The basic exemption limit under the old tax regime for individuals below the age of 60 years is 2.5 lakhs, and 3 lakhs for people aged between 60 to 80 years and 5 lakhs for the people over the age of 80 years. Under the new tax regime the basic exemption limit is 3 lakh for all the individuals.

What are the deductions allowed under the new tax regime?

As per the new tax regime, majority of the deductions are not allowed. However, standard deduction of up to 50,000 is allowed, family pension, and deduction for employers contribution to NPS account is allowed.

Which are the ITR Forms?

ITR 1, 2, 3,4, 5, 6, 7 are all the ITR Forms available.

Is NPS scheme taxable under the new tax regime?

Tax benefit is available for the employer's share to the NPS Contribution. However, employees share to the NPS Contribution.

4. <u>Income Tax Basics:</u>

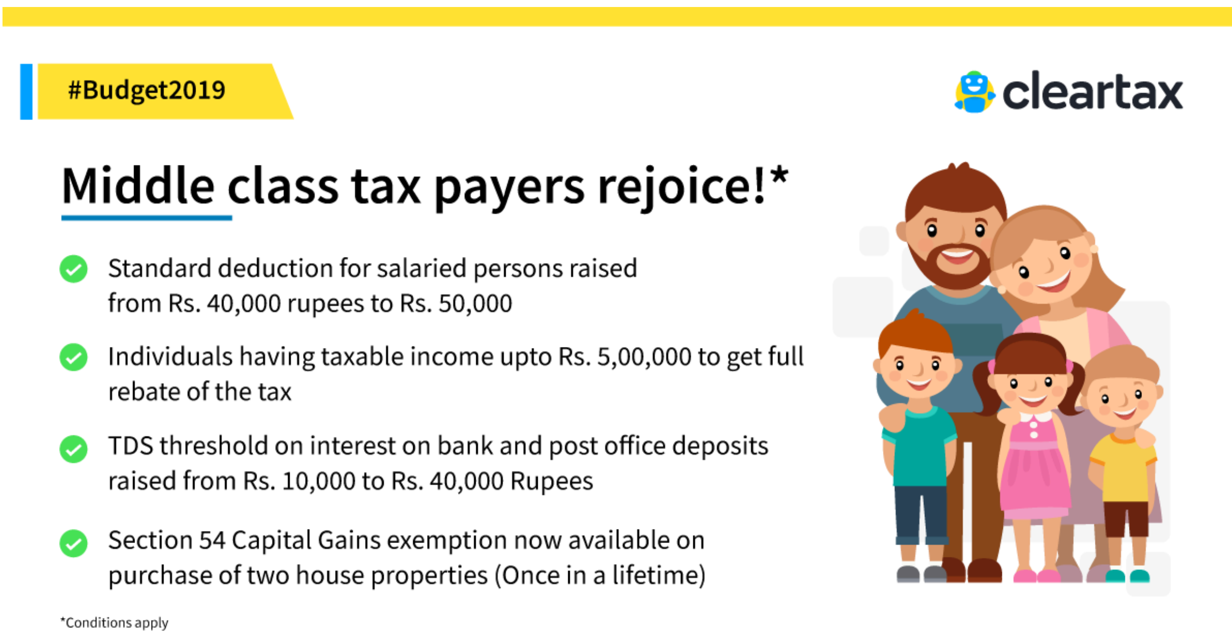
Basics of Income Tax for Beginners

Updated on: May 29th, 2023

|

25 min read

Paying your income tax for the first time is a milestone in any citizen's life. However, the process can seem too daunting and tedious for a first-timer, and some of the terms tend to go right over your head. This needn't be so. To help you understand the tax implications of your income (based on your income source), here is a compilation of basics of income tax for beginners.



Basics of Income Tax for Beginners

Are you just out of college and looking for a job? Or have you already landed the job and are going to file your income tax returns for the first time? If nitty-gritty of income tax and investments confuse you, Tax Craft is here to help. Our aim at Tax Craft is to simplify Income Taxes for you and make your financial lives easier. Basically, anybody with an income is liable to file income tax returns. Today we bring to you the basics of Income Tax you'll need to equip yourself with and this should help you take a confident first step into your job.

Defining the 'Previous year'

Previous year or the financial year or your tax year is the 12 month period that begins on 1st April and ends on the 31st March of the next year. No matter when you start your job, your tax year closes on 31st March and a new tax year starts on 1st April. So, it is important to plan your taxes for each financial year.

Assessment Year

It is a term you'll often hear in relation to tax filing. It is the financial year after the previous year in which you will 'assess' and file your return for the previous year. So, assessment year is 2019-20 for the previous year 2018-19. Assessment year is the year in which you will file your return for the previous year. For instance, if you start your job on 1 January 2023, your tax year closes on 31 March 2023. 2022-23 is your previous year and your AY is 2023-24.

Understanding your Salary

When you start your job – reach out to your payroll or HR department and get your Salary details/ Pay Slip / Tax Statement. Here, you will get an idea of the major components of your salary and how much tax will be deducted from your salary based on them.

Example: Most companies give House Rent Allowance or HRA, and you can save tax on that if you are living on rent.

Income on which you pay Tax

Besides the salary income you receive, you may be earning an income from several other sources. Your Total Income is the sum total of all heads of income below.

Sources of Income

Sources of Income	Particulars
Income from Salary	Salary, Allowances, Leave encashment basically all the money you receive while rendering your job as a result of your employment agreement
Income from House Property	Income from house or building, this may be owned and self-occupied or may be rented
Income from Capital Gain	Income from gain or loss when you sell a capital asset

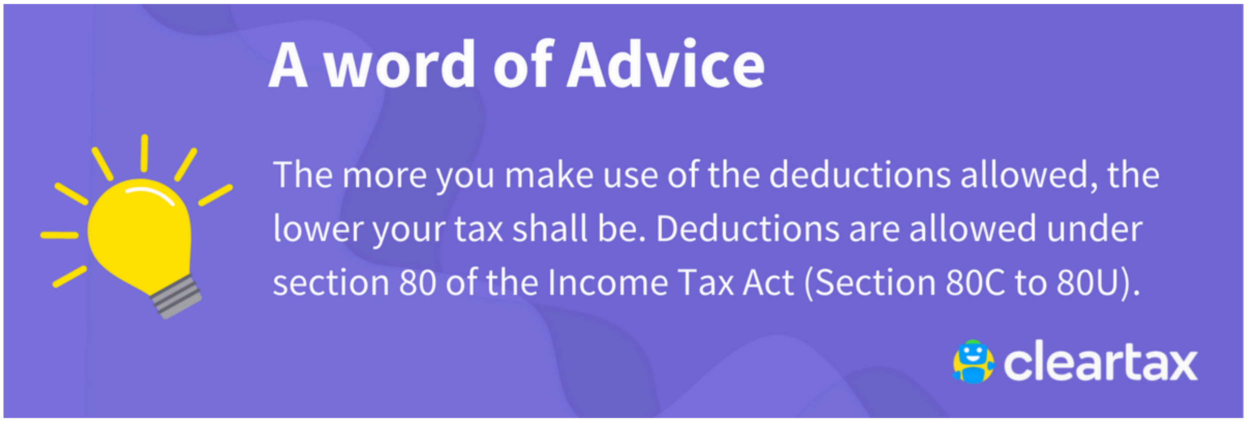
Income from Business or Profession	Income/loss that arises as a result of carrying on a business or profession
Income from Other Sources	This is the residual head – includes your income from savings bank accounts,fixed deposits,family pension or gifts received

Deductions

Deductions reduce your Gross Income. These are the amounts Income Tax Department allows you to reduce your Income, bringing down your tax liability.

Sum of All heads of Income = Gross Income

Gross Income – Deductions = Taxable Income



The more you make use of the deductions allowed, the lower your tax shall be. Deductions are allowed under Section 80 of the Income Tax Act (Section 80C to 80U).

However, in 2020, the government introduced two tax regimes in India: The old tax regime and the new tax regime. The percentage of income tax that you pay on your total income differs under the old and the new tax regime. Click here to know more about the old and the new tax regimes.

Under the old tax regime, all deductions are allowed under Sections 80C to 80U, subject to conditions. However, under the new tax regime, only the deduction on let-out property under Section 24B and the deduction on the employer's contribution to NPS are allowed.

Deductions Under Section 80C

Section 80C can take off INR 1,50,000 from your Gross Income. Given below are some of the widely-used investment vehicles under this section.

PPF

One of the most popular deductions under 80C is deposits to Public Provident Fund or PPF. When you open a PPF account, you need to deposit a minimum of INR 500 and a maximum of INR 1,50,000 in a year. Money deposited in a PPF account compounds, as you deposit more money in the subsequent financial years to claim deductions. PPF is a traditional and safe saving avenue to park your hard earned money. A PPF account can be easily opened with a bank.

Tax-saving FD

Fixed deposits assure capital protection as well as a sizable interest income for investors. To get tax benefits under 80C, you need to stay invested for at least 5 years. It is safe, but the Interest Income from it is taxable.

Tax-saving mutual funds or ELSS

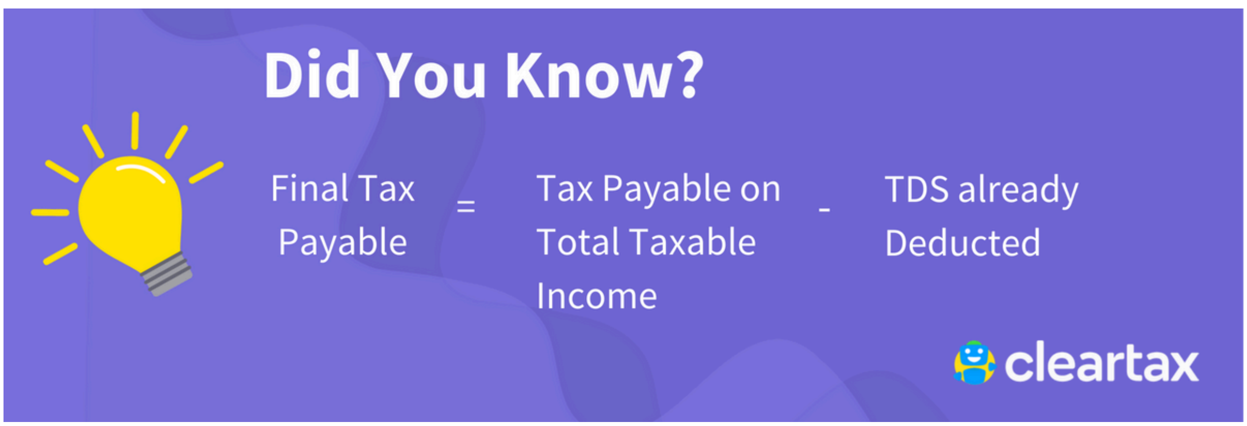
One of the only mutual fund scheme allowed under 80C, ELSS (Equity Linked Savings Scheme) is gaining popularity among people for its historically higher performance in the recent years. Another perk of ELSS is that it has the lowest lock-in period of 3 years.

TDS or Tax deducted at source

TDS is Tax Deducted at Source – it means that the tax is deducted by the person making payment. The payer has to deduct an amount of tax based on the rules prescribed by the income tax department. For instance, An employer will estimate the total annual income of an employee and deduct tax on his Income if his Taxable Income exceeds INR 2,50,000. Tax is deducted based on which [tax slab you belong to each year](). Similarly, if you earn interest from a Fixed Deposit, the bank also deducts TDS. Since the bank does not know your tax slabs, they usually deduct TDS @ 10%, unless you haven't mentioned your PAN (in that case a 20% TDS may be deducted).

Calculating Tax Payable

On your Taxable Income, tax slabs or rates are applied and final tax payable is calculated. From this tax payable, you can reduce all the TDS that has already been deducted.



You can always use our Tax Calculator!

Standard Deduction

As per the Budget 2018, salaried employees are entitled to a standard deduction of Rs 40,000 from the gross salary. This standard deduction will replace the medical reimbursement amounting to INR 15,000 and transport allowance amounting to Rs. 19,200 in a financial year. Effectively, the taxpayer will get an additional income exemption of Rs 5,800. The limit of Rs. 40,000 has been increased to Rs. 50,000 from FY 2019-20 onwards in the Interim Budget 2019. From FY 2023-2024, this deduction of Rs.50,000 is available and can be claimed under both the old and new tax regimes.

Illustration on salary TDS

Aditya is a 25-year-old software engineer living in Mumbai. He spends his free time enjoying his new found financial freedom. This is his first job and he’s clueless about tax or savings. But it’s almost the end of January and Aditya heard his friends talking about Section 80C and how they pay zero tax thanks to Section 80C. Aditya earns Rs 6,60,000 annually. Here are his salary details.

Salary components	Monthly	Annually
Basic salary	30,000	3,60,000

House Rent Allowance	15,000	1,80,000
Special Allowance	10,000	1,20,000
Total		6,60,000

Aditya looked up his pay slip and found out that his employer has been deducting a TDS on his salary of Rs 2,988 each month. This shall work out to Rs 35,860 for the whole year. While Aditya has been busy enjoying his new life he has no clue how much tax he needs to pay and whether he can save any tax! Let’s help him!

Aditya should first find out his total income from all sources. Besides salary income, Aditya has earned savings bank account interest of Rs 2,500. He found this amount in his bank statement. His father had forced him to put aside Rs 50,000 in fixed deposit and from his online FD statement, he found out he will earn an interest of Rs 3,500 on this FD until 31st March 2020. Aditya is not sure whether any TDS has been deducted on his interest income – so he looks up his Form 26AS. Form 26AS has the details of all the tax deducted and deposited against Aditya's PAN. He found TDS of Rs 2,988 deducted by his employer each month until January.

Here is Aditya's total Income under old tax regime:

Income from salary		Rs 6,60,000
Income from other sources		Rs 6,000
Savings Bank account interest	Rs 2,500	

Fixed Deposit interest	Rs 3,500	
Gross Total Income		Rs 6,66,000
Tax deducted or TDS till the end of January 2020 (Rs 2,988*10)		Rs 29,880

Aditya also revealed he lives in a rented accommodation in Mumbai along with 4 other roommates and his share of rent is Rs 10,000. If Aditya can organize rent receipts from the landlord and get his PAN number, he can claim an exemption on HRA. If Aditya can submit the rent receipts well in time, to his employer – his employer will be able to adjust his tax calculations.

Aditya’s HRA exemption

HRA exemption shall be least of the following:	
HRA received (A)	Rs 15,000
50% of the basic salary	Rs 15,000
Rent paid less 10% of the basic salary	Rs 7,000
HRA exempt (lower of the above) (B)	Rs 7,000

HRA taxable (A)-(B)	Rs 8,000

Now let us see Aditya's revised tax calculation.

Aditya's revised tax calculation		
Income from salary		Rs 5,76,000
Basic salary	Rs 3,60,000	

Taxable portion of HRA	Rs 96,000	
Special allowance	Rs 1,20,000	
Income from other sources		Rs 6,000
Gross total income		Rs 5,82,000
Deduction under section 80C		Rs 1,50,000

Deduction under section 80TTA	Rs 2,500
Total income	Rs 4,29,500
Tax payable	Rs 8,975
Less: Rebate under section 87A (for total income up to Rs 5 lakh)	Rs 8,975
Tax payable	Nil

Did you notice? If Aditya can manage to claim Rs 1,50,000 under section 80C – no tax shall be payable by him on account of rebate claimed under section 87A. With this deduction, his taxable income does not exceed Rs 5 lakh which is eligible for rebate under section 87A for the AY 2020-21.

However, Aditya has to file an income tax return because his gross total income is above the basic exemption limit of Rs 2.5 lakh. Also, Aditya can claim a refund of the TDS of Rs 29,880 which has been deducted on his income. Aditya claims Rs 1,50,000 under section 80C. Deduction on Section 80C is available for PF @12% of Basic Salary, its Rs 43,200 for him. Since this is already deducted from salary, he simply needs to consider this amount – no additional payout is required.

Aditya wants to try his hands in equities and finds the market returns promising so he invests Rs 50,000 in ELSS. He opens a PPF account and deposits Rs 57,580 – all of these add up to Rs 1,50,780. The amount of deduction eligible under section 80C is limited to Rs 1,50,000. Accordingly, Aditya claims a deduction of Rs 1,50,000 under section 80C.

Deduction under section 80C available to Aditya

EPF contribution @ 12% of basic salary	Rs 43,200

Subscription to ELSS	Rs 50,000
Contribution to PPF	Rs 57,580
Total	Rs 1,50,780
Eligible deduction	Rs 1,50,000

Documents Required to File Income Tax Returns

Many documents are required to be kept ready before filing the Income Tax Return (ITR). These documents vary according to the source of income, as stated below:

- Salaried individual – Form 16/16A, 26AS, rent receipt paid for HRA, payslips, investments made under Section 80C, 80E, 80D and 80G.
- Capital gains – ELSS statement, mutual fund statement, sale and purchase of equity/debt funds, purchase/selling price of a house, registration details if any house property is sold, and capital gains statement showing the sale of shares and stock trading.
- House property – PAN card details, co-owner details, property address and home loan interest certificate.
- Other sources - Bank FD details and details of interest received from tax-saving or corporate bonds.

Income Tax Slabs

Individuals must pay the rate of tax as per the income tax income slab they fall under. People whose income is below Rs.2,50,000 in a financial year do not have to pay taxes. The tax rates vary under the new and the old tax regime, starting from 5% to 30%. Below are the income tax slabs and the applicable tax rates:

Income Slab	Old Tax Regime	New tax Regime (until 31st March 2023)	New Tax Regime (From 1st April 2023)
₹0 - ₹2,50,000	-	-	-
₹2,50,000 - ₹3,00,000	5%	5%	-
₹3,00,000 - ₹5,00,000	5%	5%	5%

₹5,00,000 - ₹6,00,000	20%	10%	5%
₹6,00,000 - ₹7,50,000	20%	10%	10%
₹7,50,000 - ₹9,00,000	20%	15%	10%
₹9,00,000 - ₹10,00,000	20%	15%	15%

₹10,00,000 - ₹12,00,000	30%	20%	15%
₹12,00,000 - ₹12,50,000	30%	20%	20%
₹12,50,000 - ₹15,00,000	30%	25%	20%
>₹15,00,000	30%	30%	30%

Income Tax Returns

The Income Tax Department has notified 7 various Income Tax Return forms, i.e. ITR-1, ITR-2, ITR-3, ITR-4, ITR-5, ITR-6 & ITR-7. Every taxpayer should file ITR on or before the specified due date, i.e. 31 July of the assessment year. The applicability of ITR forms varies depending on the sources of income, the amount of the income earned and the category of the taxpayer like individuals, HUF, company, etc. Click here to know more about the different ITR forms.

5. **Income Tax Refund**

Income Tax Refund - How To Check Income Tax Refund Status For FY 2023-24 (AY 2024-25)?

By Ektha Surana
|
Updated on: Mar 23rd, 2024
|
19 min read

If you have paid more taxes than your actual liability, you can request a refund for the excess amount. The Income Tax Department offers an online facility for tracking your Income Tax Refund status. You can easily check the progress of your refund by entering your PAN (Permanent Account Number) and the applicable Assessment Year.

- Tax refunds are initiated by the tax department once you have e-verified your return
- Typically, it takes 4-5 weeks for the refund to be deposited in your bank account
- If the refund is not received within this timeframe, you should consider these steps:
  - Check intimation for any discrepancies or errors in your ITR (Log in to e-filing portal > e-File > Income Tax Returns > View filed returns)
  - Check your email for notifications from the Income Tax (IT) department regarding the status of the refund.
  - Check the refund status using the methods provided below

How to Check your ITR Refund Status for FY 2023-24?

You can check your refund status using either of these methods:

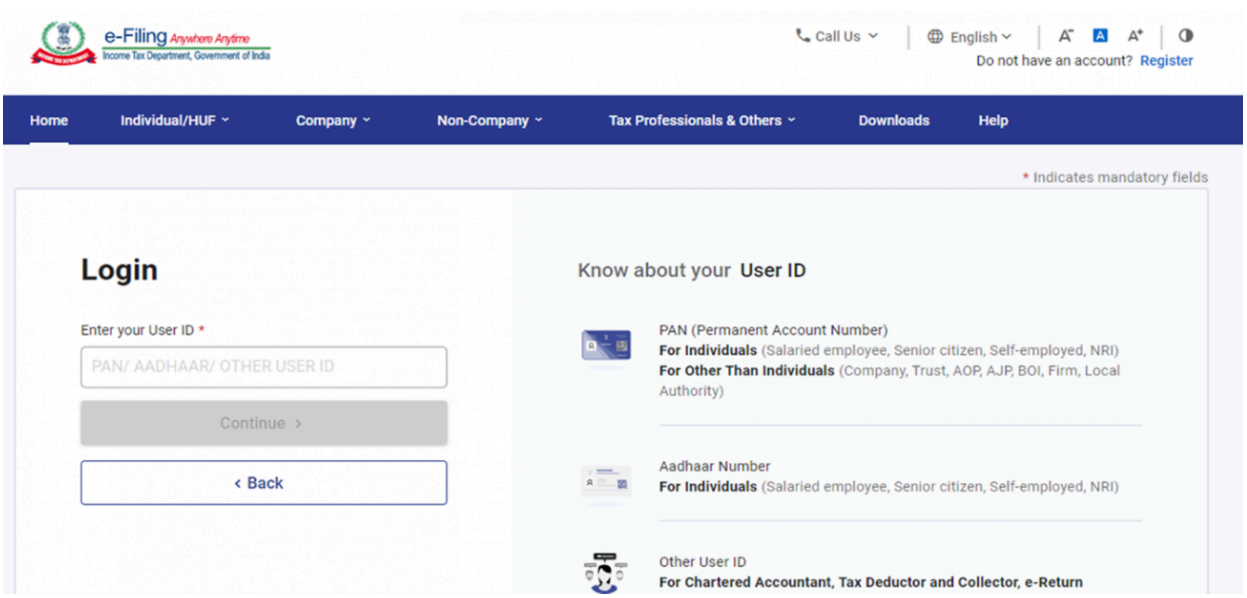
- TIN NSDL website
- Income tax e-filing portal

Refund Status check on TIN NSDL Portal

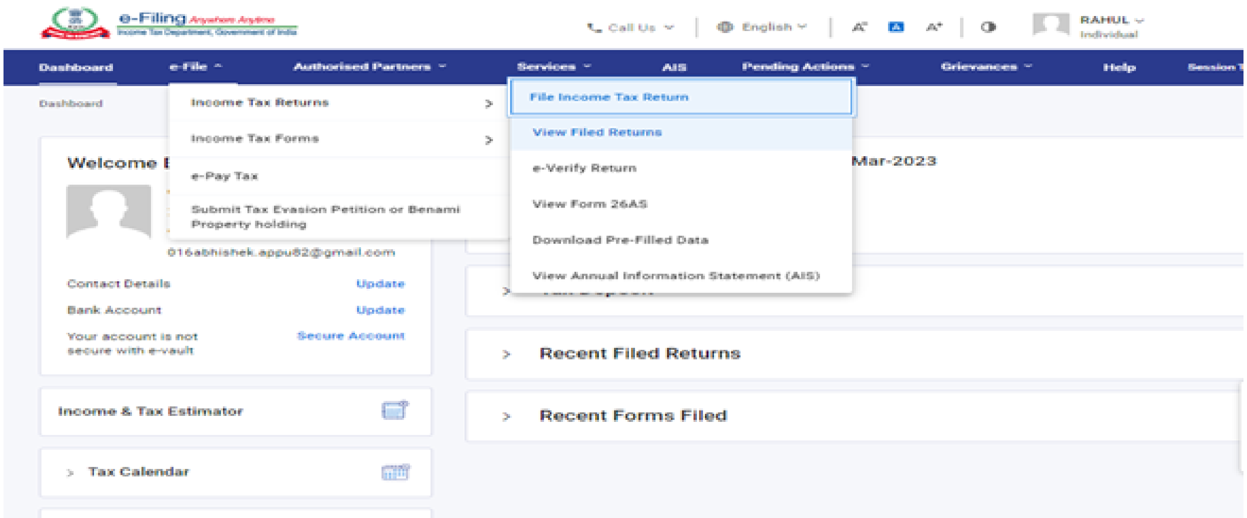
- Go to [this online refund checking facility]
- Scroll down and enter your PAN, AY, captcha, and then click on 'Submit'.

Refund Status check on Income Tax e-filing Portal

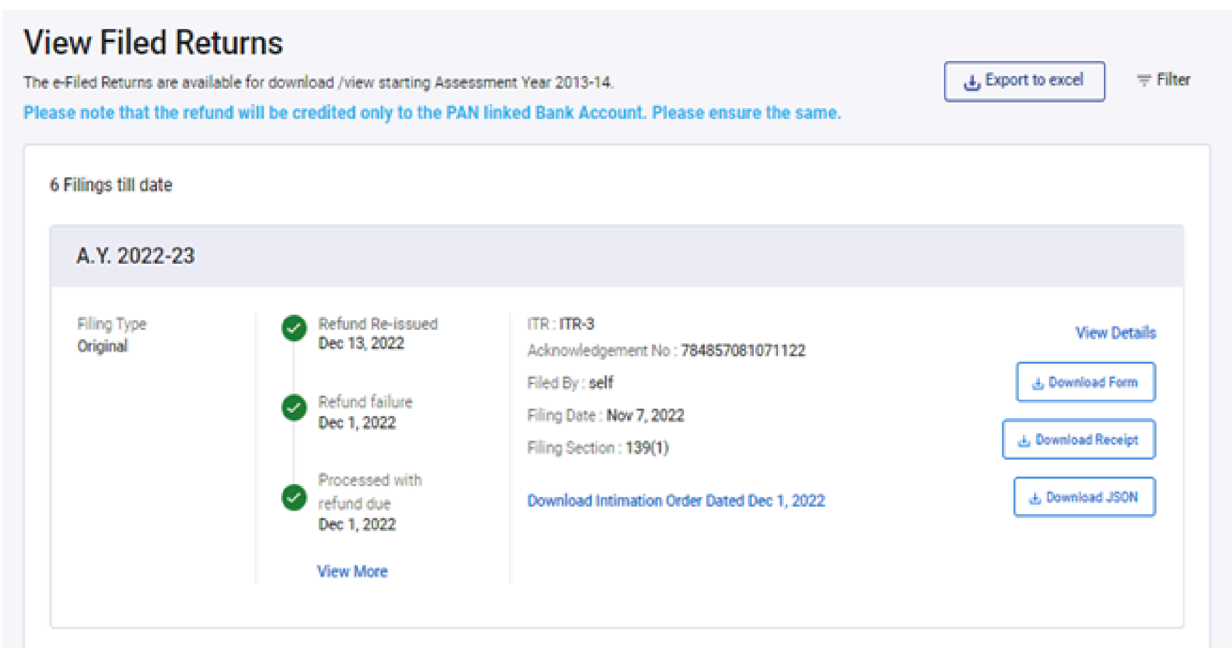
Step 1: Visit the income tax portal and log in to your account



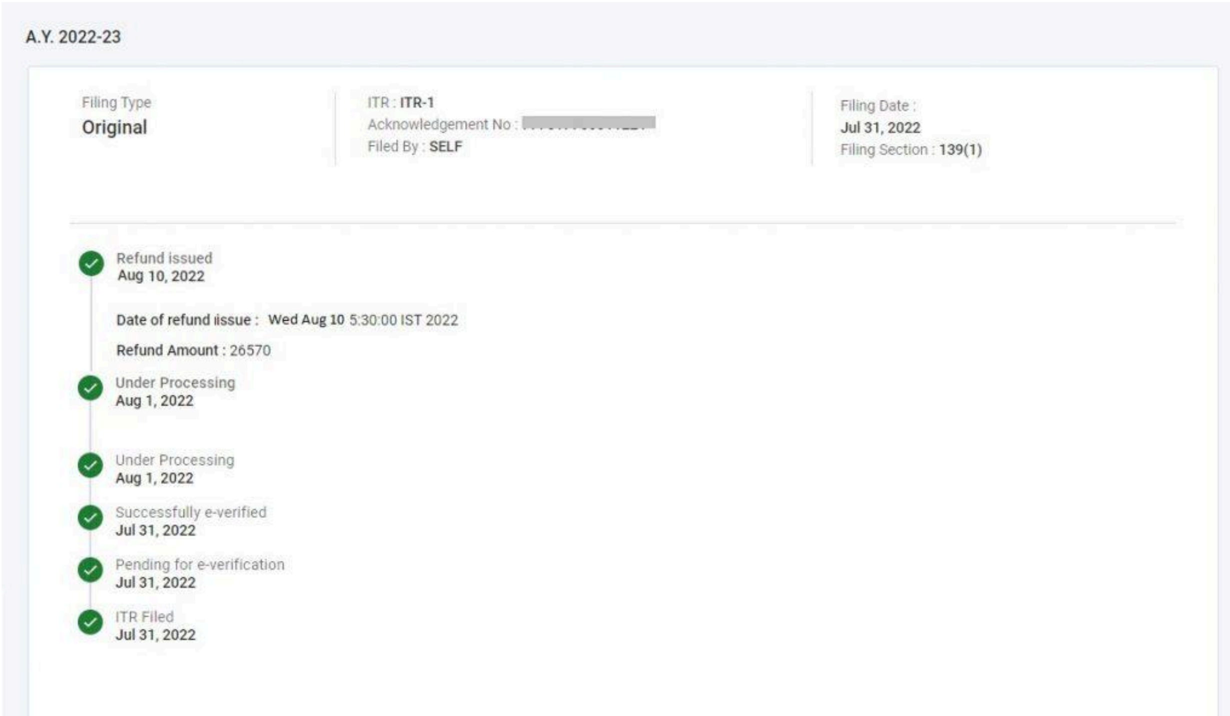
Step 2: Click on 'e-File', choose 'Income Tax Returns' and then select 'View Filed Returns'



Step 3: You can see the status of your current and past income tax returns.



Step 4: Click on 'View details' and you'll see the status of your income tax refund, like in the picture below.



If you paid more taxes than you were required to pay, you can claim the additional amount as income tax refund.

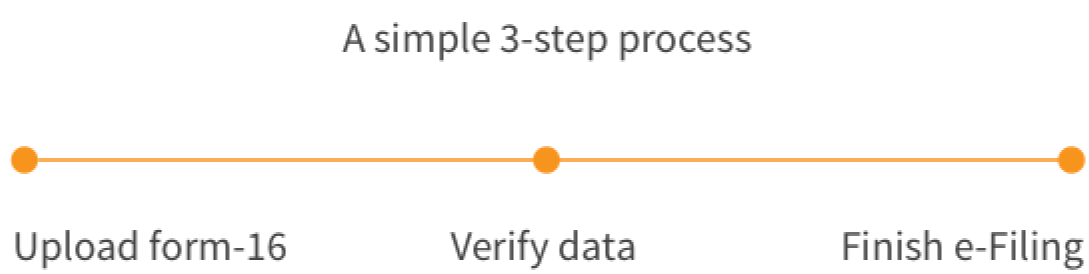
Income Tax Refund = Taxes paid (either by way of Advance Tax or TDS or TCS or Self-Assessment Tax) – Total tax liability on the current year income.

If the taxes paid (either by way of Advance Tax or TDS or TCS or Self-Assessment Tax) is more than the actual tax amount due, then the excess tax paid can be claimed as refund. The income tax department will recompute the taxes and validate the refund claim before initiating the refund.

For example: Assume Mr. Gupta paid 3 lakh as an advance tax during the financial year. At the end of the financial year, he learns his tax liability is only 2 lakh. He can request a refund by filing an income tax return (ITR). If the *assessing officer approves his request, the excess tax amount of 1 lakh will be credited to Mr. Gupta's pre-validated bank account.*

How to claim income tax refund?

To get your income tax refund or TDS refund, all you need to do is file your Income Tax Return and declare your income, deduction and tax paid details to the Income Tax Department. The amount of refund receivable is computed and shown in the tax return.



You have to finish e-filing to get your Income Tax Refund. Make sure to e-file this year to get your tax refund faster.

Did you e-file your tax return for this year?

You can file your income tax return on Tax Craft. Even if you don’t know anything about taxes, we will take you step-by-step and help you e-file.

I missed my ITR filing due date, can I still claim my refund now?

The deadline to file your ITR for non-audit cases was 31st July 2024. However, if you could not manage filing your taxes before the deadline, you can still file a late return, known as Belated Return. The last date to file a belated return is 31st December 2024. You can claim your tax refund through a belated return.

How long will it take to get the refund?

The time taken to receive the income tax refund entirely depends on the Income Tax Department's internal process. Generally, it takes around 7 to 120 days, with an average time of 90 days after you have e-verified your return. The Income Tax Department implemented a new refund processing system to enable faster refund processing with an expected turnaround of a few days instead of a few months.
Consistent with this objective, the average ITR processing duration has been reduced to 10 days for returns submitted in the AY 2023-24, as opposed to 82

days for returns submitted in the AY 2019-20 and 16 days for returns submitted in AY 2022-23.

How will I receive the refund?

The Income Tax Department will send the refund amount through electronic mode (direct credit to the account) or through a 'Refund Cheque'. You must enter the correct bank account number and IFSC code with complete address details, including the PIN code, at the time of filing your return to receive refunds. Refunds sent through cheques are dispatched to the address mentioned in the ITR through speed post.

How is the interest on income tax refund calculated?

When the refund amount is more than 10% of the total tax payable for that particular year, you will receive a simple interest on the tax refund. Interest is computed at 0.5% per month on the refund amount. The interest is computed from the beginning of the next financial year till the refund date.

Is the income tax refund taxable?

No, the refund amount is not taxable. But, the interest received on the tax refund is taxable. The rate of tax on the interest would be as per your applicable tax slab rate.

Is there an income tax refund helpline?

You can contact the ‘Aaykar Sampark Kendra’ for any queries regarding income tax refunds. The toll-free helpline of the Aaykar Sampark Kendra Kendra is - 1800-180-1961. You can even send a mail with your refund query to refunds@incometax.gov.in.

For refund-related queries or modifications in the refund record processed at CPC Bangalore, you can contact - 1800-425-2229 or 080-43456700. For any payment-related query, contact the SBI Contact Centre toll-free number at -1800-425-9760.

What does my refund status mean?

Types Refund Statuses are as follows:

No e-filing has been done for this assessment year

Step 1. What does this mean?

This could mean your IT return was not filed at all.

Step 2. What do I do now?

Double check the Assessment Year that you checked your refund status for. Remember, Financial Year (FY) 2022-23 corresponds to Assessment Year (AY) 2023-24

Under processing

What does this mean?

This means that the income tax department has still not processed your income tax return. Please check your refund status after a month to see if it has been updated.

Refund issued

What does this mean?

This means the income tax department has sent the refund to you (by cheque or by direct debit to the bank account number you provided while e-filing).

Processed with no demand no refund

Step 1. What does this mean?

This could mean either:

- The most common case is you filed with no refund and no tax due. In that case, you’re all set for this year.
- It could also be that you did file for a refund, but the income tax department denied the refund because their calculations did not tally with yours.

This generally can happen because of a mismatch of TDS data, incompletely or improperly filled sections in the original filing.

Step 2. What do I do now?

If you forgot to include some deductions while filing, you can revise your return

- When the income tax department differs on the information you’ve provided, they would have also sent you an intimation u/s 143(1) explaining why. You can now fix the errors and file a rectification to support your refund claim.
- You can get help from an expert who can go through your tax notices and tax returns to best guide you. The expert can also help you file a rectification.

Refund Failure

Step 1. What does this mean?

This could mean the bank account details (account number or IFSC Code) that you submitted to the I-T department are wrong and not pre-validated, and hence the refund wasn't processed.

Step 2. What do I do now?

- You need to log in to incometax.gov.in, enter the correct bank details with the I-T department, and prevalidate the bank details.

After you pre-validate the bank account, apply for the 'Refund Reissue' from your e-filing account.

Get Expert Assistance

Case transferred to Assessing Officer

Step 1. What does this mean?

This could mean:

This typically indicates that the IT department needs further clarification/information regarding the income tax return that you filed. The Assessing Officer would like to discuss things further with you.

In some cases, this could also mean that you have some past taxes outstanding with the IT department which will be adjusted against the tax refund requested by you.

Step 2. What do I do now?
On receiving such a message, contact the AO (Jurisdictional Assessing Officer) for your region.

Click here to find out details about your AO

Demand determined

Step 1. What does this mean?
This means:
Your refund request has been rejected, and in fact, the IT department finds that you owe them unpaid taxes instead.

You may also have received a notice from the income tax department with the exact amount of tax outstanding and the reason for the same.

This can happen because of incomplete or improper filling of tax details in the original return, withholding income information, or mismatch in TDS.

Step 2. What do I do now?

Read the intimation the IT department has sent you carefully and figure out where the problem occurred. Cross-check with your own e-filing records to verify the information you provided was accurate.

If you find that your own refund request was indeed erroneous, pay the tax demanded by the IT department within the time limit mentioned in the intimation.

If you think the I-T department made a mistake, you can update your information if necessary and file a rectification supporting your refund claim.

Rectification processed refund determined

What does this mean?

This message again goes out only to taxpayers who had been served an intimation to rectify their original returns.

The rectified returns may be completely or partially accepted by the IT department.

Based on the rectification, the IT department has calculated the refund amount and credited the refund

Such a message is shortly followed by a revised intimation and the refund amount from the IT department.

Rectification processed demand determined

What does this mean?
This message again goes out only to taxpayers who have been served an intimation to rectify their original returns. The rectified returns may be completely or partially accepted by the IT department.

However, the IT Department maintains that you have outstanding unpaid taxes. You will also receive an intimation with the exact amount that is outstanding and will have to pay this off within 30 days of receipt.

Rectification processed no demand no refund

What does this mean?
This message again goes out only to taxpayers who have been served an intimation to rectify their original returns. The rectified returns may be completely or partially accepted by the IT department.

Based on the rectification, the department arrives at the conclusion that you neither owe any extra taxes nor do you qualify for any sort of refund of taxes already paid.

You will receive a revised intimation clarifying this fact.

Frequently Asked Questions

I have e-filed my Income Tax Return but have not received my refund till now. What should I do?

If you have not received your refund to date, it could be due to the following reasons:

- Your Income Tax Return has not been processed yet. Once the return is processed you may receive a Refund (if determined). To check the status of your e-filed IT return, log in to the income tax e-filing website and go to ‘e-File’ → ‘Income Tax Returns’→ ‘View Filed Returns’.
- Your income tax return has been processed but the Income Tax Department has determined *no refund*.
- Your income tax return has been processed with a refund but not credited to your account. You may have not pre-validated your account. Follow this guide to pre-validate your account.

I checked the status of my IT Return and it is displayed as ‘Refund Failure’. How can I apply for it again?

Log in to the income tax e-filing website and go to ‘Services’ → ‘Refund Reissue’. Create a refund reissue request, and select the bank account number (if changed) where the refund needs to be credited. The refund will be credited only if the bank account is pre-validated.

My bank account number has changed. I want to change the bank account number which I mentioned in my income tax return.

You can only change your bank account number if you had a refund failure i.e. your IT Return is processed and a refund was generated for you but you did not receive it. If you wish to change the bank account number for a refund failure case, then log in to the income tax e-filing website and go to ‘Services’ → ‘Refund Reissue’. Create a refund reissue request, and select the bank account number (if changed) where the refund needs to be credited. The refund will be credited only if the bank account is pre-validated. Submit the request.

Once the request is submitted, your new bank account will be updated with the income tax department for refund issues.

What is Restricted Refund On Income Tax Portal?

This error typically arises from a discrepancy in the names between your PAN and bank account. Please read all the details here.

My Address has changed. I want to change the Address/ e-mail ID/ Mobile Number which I mentioned in my Income Tax Return.

Log in to the income tax e-filing website and go to ‘My Profile’ → Edit ‘Contact’. Provide the new address/e-mail ID/mobile number and submit. Once submitted, your address/e-mail ID/mobile number is updated in your profile and also sent to the CPC (Central Processing Center) to update the income tax return.

How to use the income tax department’s e-filing website?

- The first step is to either login or register on the income tax e-filing website.
- Once you enter your PAN number, the website will tell you if you’re already registered.
- If you’ve e-filed before, chances are that you might already be registered. Please search your email inbox for ‘*incometax.gov.in’* to look for information that might be useful.
- If you remember your password, log in. If you don’t remember your password, you need to Reset your password.

  Note: Your User ID is your PAN number.
- After successful login to your account, you can make most of the income tax-related compliances from there.

Is the income tax refund & TDS refund status the same?

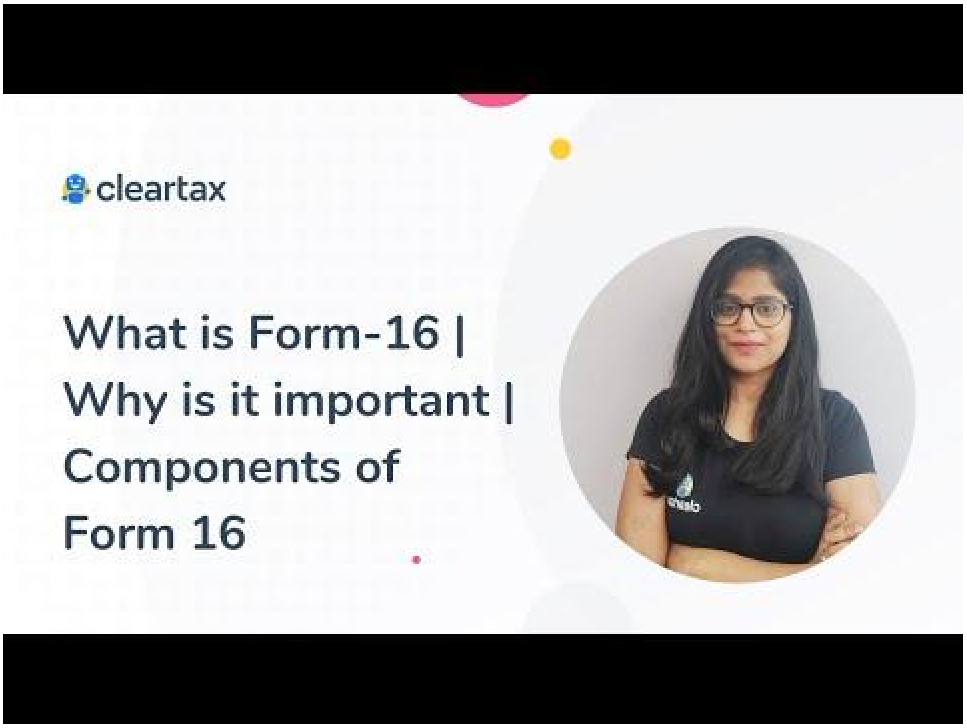
Yes, broadly Income Tax refunds and TDS refunds are one and the same thing. The excess of TDS/TCS deducted over and above the actual payable amount is known as an income tax refund. But, an income tax refund can also result from excess.

- Self Assessment Tax
- Advance Tax

6. **<u>Form 16</u>**

What is Form 16? How To Download Form 16?

TDS is deducted on your salary income and deposited with the Income Tax Department (IT Department) every month. Form 16 is a certificate issued by employers to their employees which gives a detailed summary of the salary paid to the employee and the TDS deducted on the same.



What Is Form 16?

Using Form 16 you can prepare and file your income tax return. It shows the breakup of salary income and the TDS amount deducted by the employer. It has two components – Part A and Part B (discussed in detail below).

When Will Form 16 Be Available For FY 2023-24?

The due date to issue Form 16 is 15th June 2024. If your employer deducted TDS from April ‘23 - March ’24, then Form 16 must be issued latest by 15th June '24. If you lose your Form 16, you can request a duplicate from your employer.

Why is Form 16 required?

Form 16 is a very important document as:

- It serves as proof that the government has received the tax deducted by your employer.
- Assists in the process of filing your income tax return with the Income Tax Department.
- Proof of Salary Income
- Many banks and financial institutions demand Form 16 to verify the person’s credentials while applying for loans.

Each salaried employee can obtain Form 16 from the employer on or before the 15th of June of the following year, immediately after the financial year in which the tax is deducted. If any employer delays or fails to issue Form 16 by the specified date, the employer is liable to pay a penalty of Rs.100 per day until the default continues.

Form 16 Download?

Download Form 16 PDF Now

Part A of Form 16

Part A of Form 16 provides details of TDS deducted and deposited quarterly details of PAN and TAN of the employer and other information.

An employer can generate and download this part of Form 16 through the TRACES (https://www.tdscpc.gov.in/app/login.xhtml) portal. Before issuing the certificate, the employer should authenticate its contents.

It is important to note that if you change your job in one financial year, each employer will issue a separate Part A of Form 16 for the period of employment. Some of the components of Part A are:

- Name and address of the employer
- TAN and PAN of employer
- PAN of the employee
- Quarterly summary of total salary payments for the concerned financial year
- Summary of tax deducted and deposited quarterly, which is certified by the employer

Part B of Form 16

Part B of Form 16 is an Annexure to Part A. Part B is to be prepared by the employer for its employees and contains details of the breakup of salary and deductions approved under Chapter VI-A.

If you change your job in one financial year, you should take Form 16 from both employers. Some of the components of Part B notified newly are:

- Detailed breakup of salary
- Detailed breakup of exempted allowances under Section 10

- Deductions allowed under the Income Tax Act (under chapter VIA): The list of deductions mentioned are as below:
    - Deduction for life insurance premium paid, contribution to PPF etc., under Section 80C
    - Deduction for contribution to pension funds under Section 80CCC
    - Deduction for employee’s contribution to a pension scheme under Section 80CCD(1)
    - Deduction for taxpayer’s self contribution to a notified pension scheme under Section 80CCD(1B)

- Deduction for employer’s contribution to a pension scheme under Section 80CCD(2)
- Deduction for health insurance premium paid under Section 80D
- Deduction for interest paid on loan taken for higher education under Section 80E
- Deduction for donations made under Section 80G
- Deduction for interest income on savings account under Section 80TTA

Details required from Form 16 while filing your return

With reference to the image below, here is where you can locate certain information for filing your income tax return for FY 2023-24 (AY 2024-25).

- Allowances exempt under Section 10
- Break up of deductions under Section 16
- Taxable salary
- Income (or admissible loss) from house property reported by an employee and offered for TDS
- Income under the head ‘Other Sources’ offered for TDS
- Break up of Section 80C deductions

- The aggregate of Section 80C deductions (gross and deductible amount)
- Tax payable or refund due

Form 16 – Part B

It shows your name (taxpayer's), address and PAN. You can also find additional information of your employer in your Form 16 while filing your annual return, such as:

- TDS deducted by the employer
- TAN of employer
- PAN of employer
- Name and address of employer
- Current assessment year
- Your PAN

What is the eligibility criteria for Form 16?

According to the regulations issued by the Finance Ministry of the Indian Government, every salaried individual whose income falls under the taxable bracket is eligible for Form 16.

If an employee’s income does not fall within the tax brackets set, they will not need to have Tax Deducted at Source (TDS). Hence, in these cases, the company is not obligated to provide Form 16 to the employee.

However, these days, as a good work practice, many organisations issue this certificate to the employee as it contains a consolidated picture of the individual’s earnings and has other additional uses.

Points to be noted while checking Form 16

- Once an individual receives Form 16 from the employer, it is their responsibility to ensure that all the details are correct.
- One should verify the details mentioned in Form 16, for example, details of the amount of income, TDS deducted, etc.
- If any of the detail is mentioned incorrectly, one should immediately reach out to the organisation’s HR/Payroll/Finance department and get the same corrected.

- The employer would then correct their end by filing a revised TDS return to credit the TDS amount against the correct PAN. Once the revised TDS return is processed, the employer will issue an updated Form 16 to their employee.

Frequently Asked Questions

How to get Form 16?

You can get your Form 16 from your employer. Even if you have left your job, your employer will provide you with Form 16. Unfortunately, this income tax Form 16 cannot be downloaded from anywhere.

I don’t have Form 16. How do I file my return?

Though this is one of the most important income tax forms, don’t worry if you do not have it. You can still file your income tax return. Click here to learn more.

If there is no TDS deducted, is the employer required to issue a Form 16?

TDS certificate in Form 16 is issued when TDS has been deducted. If the employer has deducted no TDS, he may not give you Form 16. Please take a look at our Guide on how to e-file without form 16

When does the employer deduct TDS and does not issue a certificate?

Any person responsible for paying a salary must deduct TDS before making payment. The Income Tax Act lays down that every person who deducts TDS from a payment must furnish a certificate with TDS deducted & deposited details. An employer in specific is compulsorily required to furnish a certificate in the format of Form 16.

If no Form 16 has been issued to me, does it mean I don't have to pay tax or file a return?

While the onus of deducting tax on salaries and providing Form 16 is on the employer, the onus of paying income tax and filing an income tax return is on you. If your aggregate income from all sources goes above the minimum tax slab, you must pay tax, whether or not your employer has deducted TDS. Even when he fails to issue you a Form 16, you must file an income tax return and pay off the due taxes.

Can you use TRACES to get Form 16 from your employers?

Employees cannot use TRACES to get Form 16. They do not have information of the TDS receipt number and the total tax deducted. They have to get it from their employers directly.

How employer can download Form 16 from TRACES?

TRACES (TDS Reconciliation Analysis and Correction Enabling System) is an online website by the Income Tax Department of India. It is used to manage TDS-related activities and provides services to employers, taxpayers, and other stakeholders. This platform allows employers to download Form 16 Part A & B. To download Form 16 from TRACES, follow these steps:

Step 1: Visit the official TRACES website.

Step 2: Enter PAN card number (User ID) and Password to login, if already registered. For new users, complete the registration process and create a new account.

Step 3: Navigate to the ‘Downloads’ tab and select ‘Form 16.’

Step 4: Choose the Form type and select the financial year for which Form 16 is required.

Step 5: Verify PAN and other details.

Step 6: Enter the TDS receipt number and select the date of TDS.

Step 7: Add the total tax deducted and collected.

Step 8: Click on submit to request for download.

Step 9: Download the files under the ‘Downloads’ tab once the Form is available for download.

7. **Form 26 AS**

Form 26AS - What is Form 26AS? View And Download Form 26AS Online

Updated on: May 24th, 2024

|

28 min read

Form 26AS is a statement that provides details of any amount deducted as TDS or TCS from various sources of income of a taxpayer. It also reflects details of advance tax/self-assessment tax paid, and high-value transactions entered into by the taxpayer.

Tax Credit Statement or Form 26AS is an important document for tax filing. Gone are the days when one has to download Form 26AS to file IT returns manually. The scope of the statement has now been expanded to include details of foreign remittances, mutual funds purchases, dividends, refund details, etc.

Form 26AS gives a consolidated record of every tax-related information associated with your PAN (Permanent Account Number). It can be viewed and downloaded easily from the TRACES website. It is useful to verify the contents of the TDS certificate and ensure that the TDS deducted from your income is actually deposited with the income tax department.

Information Available on Form 26AS

Form 26AS is a statement that shows the below information:

-
- Details of tax collected source by all the tax collectors
- *Advance tax paid by the taxpayer
- *Self-assessment tax payments
- *Regular assessment tax deposited by the taxpayers (PAN holders)
- *Details of income tax refund received by you during the financial year
- *Details of the high-value transactions regarding shares, mutual funds, etc.
- Details of tax deducted on sale of immovable property
- Details of TDS defaults (after processing TDS return) made during the year
- Turnover details reported in GSTR-3B

The new AIS, effective 1 June 2020, will also include information on specified financial transactions, pending and completed assessment proceedings, tax demands, refunds and the existing data presented in the form.

Structure and Parts of Form 26AS (From FY 2022-23 and onwards)

- PART-I Details of Tax Deducted at Source
    - TDS on salary, business, profession, interest income etc., shall be reported here

PART-I-Details of Tax Deducted at Source

	Sr. No.	Name of Deductor	TAN of Deductor	Total Amount Paid / Credited (Rs.)	Total Tax Deducted# (Rs.)	Total TDS Deposited (Rs.)

Page 0 of 0 No Transactions Present

- PART-II Details of Tax Deducted at Source for 15G/15H
    - TDS on which no TDS is made because of Form 15G/15H due to income being less than the basic exemption limit. Mainly applicable for senior citizen taxpayers

PART-II-Details of Tax Deducted at Source for 15G/15H					
Sr. No.	Name of Deductor	TAN of Deductor	Total Amount Paid / Credited (Rs.)	Total Tax Deducted# (Rs.)	Total TDS Deposited (Rs.)

Page 0 of 0 No Transactions Present

- PART-III Details of Transactions under Proviso to section 194B/First Proviso to sub-section (1) of section 194R/ Proviso to sub-section(1) of section 194S
    - TDS made on payment made in kind (car in a lottery, foreign trips for meeting sales targets etc.)

PART-III-Details of Transactions under Proviso to section 194B/First Proviso to sub-section (1) of section 194R/ Proviso to sub-section(1) of section 194S			
Sr. No.	Name of Deductor	TAN of Deductor	Total Amount Paid / Credited (Rs.)

Page 0 of 0 No Transactions Present

- PART-IV Details of Tax Deducted at Source u/s 194IA/ 194IB / 194M/ 194S (For Seller/Landlord of Property/Contractors or Professionals/ Seller of Virtual Digital Asset)
    - TDS made on sale of house property/rent payment in excess of Rs. 50,000 per month, payment to a contractor/professional services in excess of Rs.50 lakhs/sale of virtual digital asset (cryptocurrency)

PART-IV-Details of Tax Deducted at Source u/s 194IA/ 194IB / 194M/ 194S (For Seller/Landlord of Property/Contractors or Professionals/ Seller of Virtual Digital Asset)						
Sr. No.	Acknowledgement Number	Name of Deductor	PAN Of Deductor	Transaction Date	Total Transaction Amount (Rs.)	Total TDS Deposited** (Rs.)
		Gross Total Across Deductor(s)			0.00	0.00

Page 0 of 0 No Transactions Present

- PART-V Details of Transactions under Proviso to sub-section(1) of section 194S as per Form-26QE (For Seller of Virtual Digital Asset)

PART-V-Details of Transactions under Proviso to sub-section(1) of section 194S as per Form-26QE (For Seller of Virtual Digital Asset)						
	Sr. No.	Acknowledgement Number	Name of Buyer	PAN of Buyer	Transaction Date	Total Transaction Amount (Rs.)
		Gross Total Across Buyer(s)				0.00

Page 0 of 0 No Transactions Present

- PART-VI Details of Tax Collected at Source
  - TCS made under various sections of 206C

PART-VI-Details of Tax Collected at Source						
	Sr. No.	Name of Collector	TAN of Collector	Total Amount Paid / Debited (Rs.)	Total Tax Collected+ (Rs.)	Total TCS Deposited (Rs.)

Page 0 of 0 No Transactions Present

- PART-VII Details of Paid Refund (For which source is CPC TDS. For other details refer AIS at E-filing portal)

PART-VII-Details of Paid Refund (For which source is CPC-TDS. For other details refer AIS at E-Filing Portal)								
Sr. No.	Assessment Year	Mode	Refund Issued	Nature of Refund	Amount of Refund (Rs.)	Interest (Rs.)	Date of Payment	Remarks

Page 0 of 0 No Transactions Present

- PART-VIII Details of Tax Deducted at Source u/s 194IA/ 194IB /194M/194S (For Buyer/Tenant of Property /Person making payment to contractors or Professionals / Buyer of Virtual Digital Asset)
  - These details consist of the TDS made by you in relation to the purchase of house property/rent payment in excess of Rs. 50,000 per month, payment to a contractor/professional services in excess of Rs.50 lakhs/purchase of virtual digital asset (cryptocurrency). This is just for information purposes.

PART-VIII-Details of Tax Deducted at Source u/s 194IA/ 194IB /194M/194S (For Buyer/Tenant of Property /Person making payment to contractors or Professionals / Buyer of Virtual Digital Asset)							
Sr. No.	Acknowledgement Number	Name of Deductee	PAN of Deductee	Transaction Date	Total Transaction Amount (Rs.)	Total TDS deposited (Rs.)	Total Amount Deposited other than TDS** (Rs.)
		Gross Total Across Deductee(s)			0.00	0.00	0.00
		Page 0 of 0					No Transactions Present

- PART-IX Details of Transactions/Demand Payments under Proviso to sub-section(1) of section 194S as per Form 26QE (For Buyer of Virtual Digital Asset)

PART-IX-Details of Transactions/Demand Payments under Proviso to sub-section(1) of section 194S as per Form 26QE (For Buyer of Virtual Digital Asset)						
Sr. No.	Acknowledgement Number	Name of Seller	PAN of seller	Transaction Date	Total Transaction Amount (Rs.)	Total Amount Deposited other than TDS** (Rs.)
		Gross Total Across Seller(s)			0.00	0.00
		Page 0 of 0				No Transactions Present

** "Total Amount Deposited other than TDS" includes Fees, Interest and Other etc. It also includes any default amount paid by deductor in case of Transactions covered under Proviso to sub-section (1) of section 194S.

- PART-X TDS/TCS Defaults* (Processing of Statements)
    - TDS defaults value (after processing of TDS returns) but do not include demands raised by the assessing officer.

PART-X-TDS/TCS Defaults* (Processing of Statements)								
Sr. No.	Financial Year	Short Payment	Short Deduction/ Collection	Interest on TDS/TCS Payments default	Interest on TDS/TCS Deduction/ Collection Default	Late Filing Fee u/s 234E	Interest u/s 220(2)	Total Default
			Page 0 of 0					No Transactions Present

Defaults related to processing of statements, do not include demand raised by the respective Assessing Officers.

For any clarification regarding Form 26AS, contact the authorities as mentioned below:

Part of Form 26AS	Contact in case of any clarification
I	Deductor
II	Deductor
III	Deductor
IV	Deductor

V	Buyer
VI	Collector
VII	Assessing Officer / Bank
VIII	NSDL / E-Filing/ Concerned Bank Branch
IX	E-Filing/ Concerned Bank Branch/Seller

X	Deductor

Structure and Parts of Form 26AS (Till FY 2021-22)

- Part A: Details of Tax Deducted at Source
    - Part A1: Details of Tax Deducted at Source for 15G/15H
    - Part A2: Details of Tax Deducted at Source on the Sale of Immovable Property u/s194(IA)/TDS on Rent of Property u/s 194IB/TDS on Payment to Resident contractors and professionals u/s 194M (For Seller/Landlord of Property/ Payee of resident contractors and professionals)
- 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 SFT Transaction

- Part F: Details of Tax Deducted at Source on the sale of Immovable Property u/s194(IA)/TDS on Rent of Property u/s 194IB/TDS on payment to resident contractors and professionals u/s 194M (For Buyer/Tenant of Property/Payer of resident contractors and professionals)
- Part G: TDS Defaults* (processing of Statements)
- Part H: Details of Turnover as per GSTR-3B

Part A:

Details of Tax Deducted at Source

Part A of Form 26AS contains TDS details deducted from your salary, interest income, pension income, prize winnings, etc. It also includes the TAN of the deductor and the amount of TDS deducted and deposited to the government. This information is provided every quarter.

Part A1:

Details of Tax Deducted at Source for 15G/15H

Details of income where no TDS has been deducted are given here since the taxpayer has submitted Form 15G or Form 15H. You can verify the status of the TDS deduction if you have submitted Form 15G or Form 15H. If you have not submitted Form 15G or Form 15H, this section will display ‘No transactions present’.

Part A2:

Details of the following entries are mentioned here:

- TDS on sale of immovable property u/s194(IA) (for the seller of property)
- TDS on rent of property u/s 194IB (for the landlord of property)
- TDS on payment to resident contractors and professionals u/s 194M (for a payee of resident contractors and professionals)

That is, it will show entries if you have sold the property/rented the property, received payments for contractual or professional service during the year, and TDS was deducted on the same.

PART A2 – Details of Tax Deducted at Source on Sale of Immovable Property u/s 194IA/ TDS on Rent of Property u/s 194IB / TDS on payment to resident contractors and professionals u/s 194M (For Seller/Landlord of Property/Payee of resident contractors and professionals)

	Sr. No.	Acknowledgement Number	Name of Deductor	PAN Of Deductor	Transaction Date	Total Transaction Amount (Rs.)	Total TDS Deposited** (Rs.)
			Gross Total Across Deductors			0.00	0.00

Page 0 of 0 No Transactions Present

** Total TDS Deposited will not include the amount deposited as Fees and Interest

Part B:

Details of Tax Collected at Source

Part B shows the Tax Collected at Source (TCS) by the seller of goods. Entries in Form 26AS will show the seller's details who have collected tax from you.

Part C:

Details of Tax Paid (Other than TDS or TCS)

If you have deposited any tax yourself, that information will appear here. Details of advance tax. as well as self-assessment tax, are present here. It also contains challan details (BSR code, date of deposit, CIN) through which the tax was deposited.

Part D:

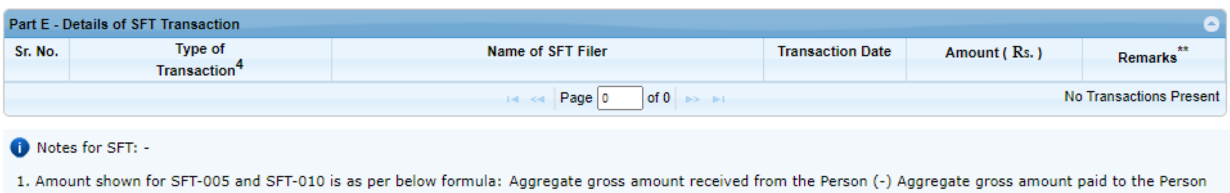
Details of Paid Refund

Information regarding your refund will be presented in this section if any. The assessment year to which the refund pertains, along with the mode of payment, the amount paid and interest paid, and the date of payment, are mentioned.

Part E:

Details of SFT Transaction

Banks and other financial institutions must report high-value transactions to the tax authorities. High-value purchases of mutual funds, property purchases, and corporate bonds are all reported here.



Part E - Details of SFT Transaction

Sr. No.	Type of Transaction[4]	Name of SFT Filer	Transaction Date	Amount (Rs.)	Remarks**

Page 0 of 0 No Transactions Present

Notes for SFT: -

1. Amount shown for SFT-005 and SFT-010 is as per below formula: Aggregate gross amount received from the Person (-) Aggregate gross amount paid to the Person

Part F:

Details of Tax Deducted at Source on the sale of Immovable Property u/s194(IA)/TDS on Rent of Property u/s 194IB/TDS on payment to resident contractors and professionals u/s 194M

When you have bought a property/paid rent to the tenant/paid for contractual work or professional fees, and deducted TDS on such payments, this section will show details of the TDS deducted & deposited by you.

Part G:

TDS Defaults*(Processing of Statements)

This part shows TDS defaults (after processing of TDS returns). However, they do not include demands raised by the assessing officer.

Part H:

Details of Turnover as per GSTR-3B

This part shows the taxpayer's turnover as reported in the GSTR-3B return.

PART H – Details of Turnover as per GSTR-3B

Sr. No.	GSTIN	Application Reference Number (ARN)	Date of filing	Return Period	Taxable Turnover	Total Turnover

Page 0 of 0 No Transactions Present

Notes:-

1. The GSTN data displayed above includes internal stock transfers as well

For any clarification regarding Form 26AS, contact the authorities as mentioned below:

Part of the Form 26AS	Contact for Clarification and Remedy

A, A1 & A2	Deductor
B	Collector
C	Assessing officer/Bank
D	Assessing officer/ITR-CPC
E	E Concerned AIR filer

F	NSDL/Concerned Bank Branch
G	Respective TAN Holder

How to view Form 26AS?

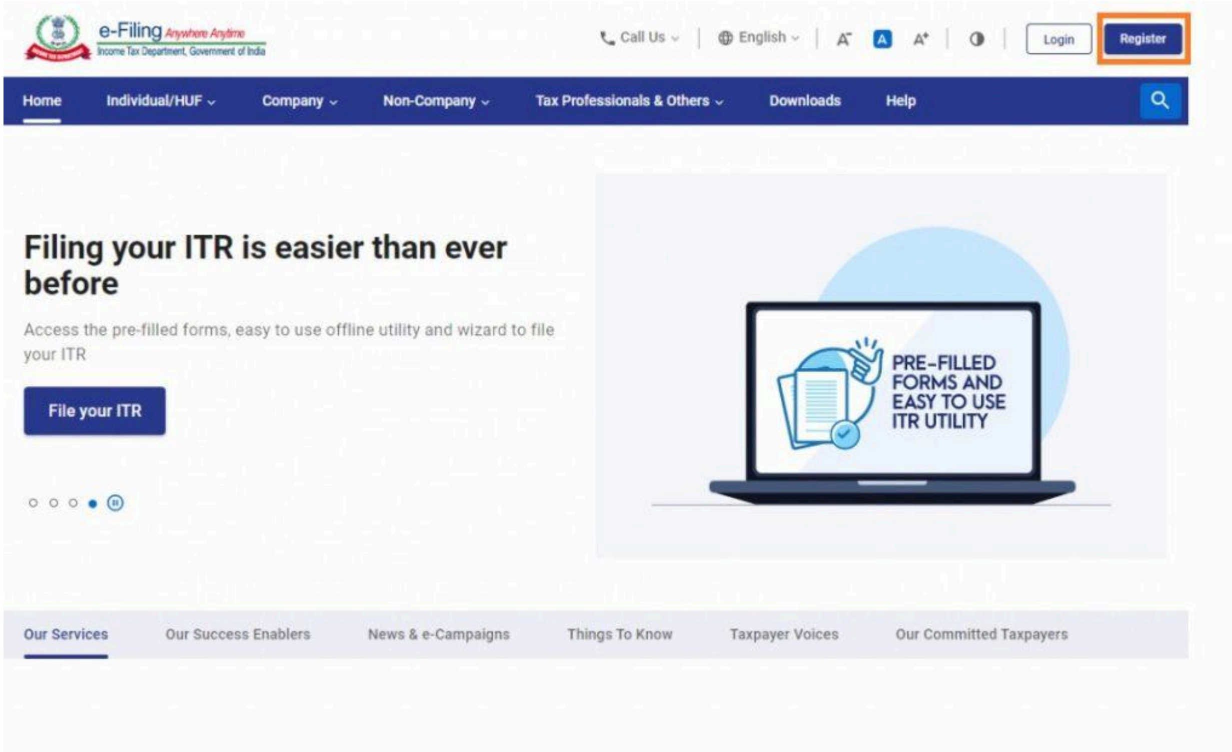
You can view Form 26AS through the following two modes:

- The TRACES portal
- The net banking facility of your bank account

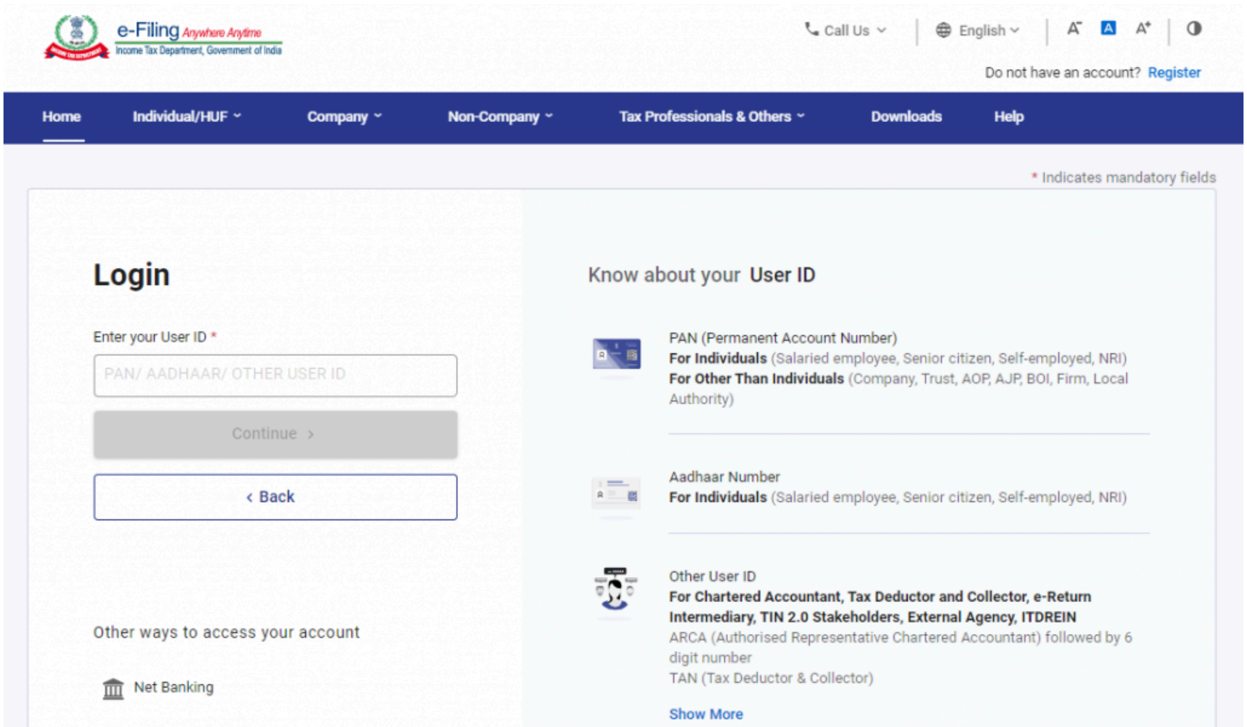
How To Download Form 26AS From TRACES?

Form 26AS can be downloaded on the TRACES website. Below are the steps to view and download Form 26AS from the TRACES website.

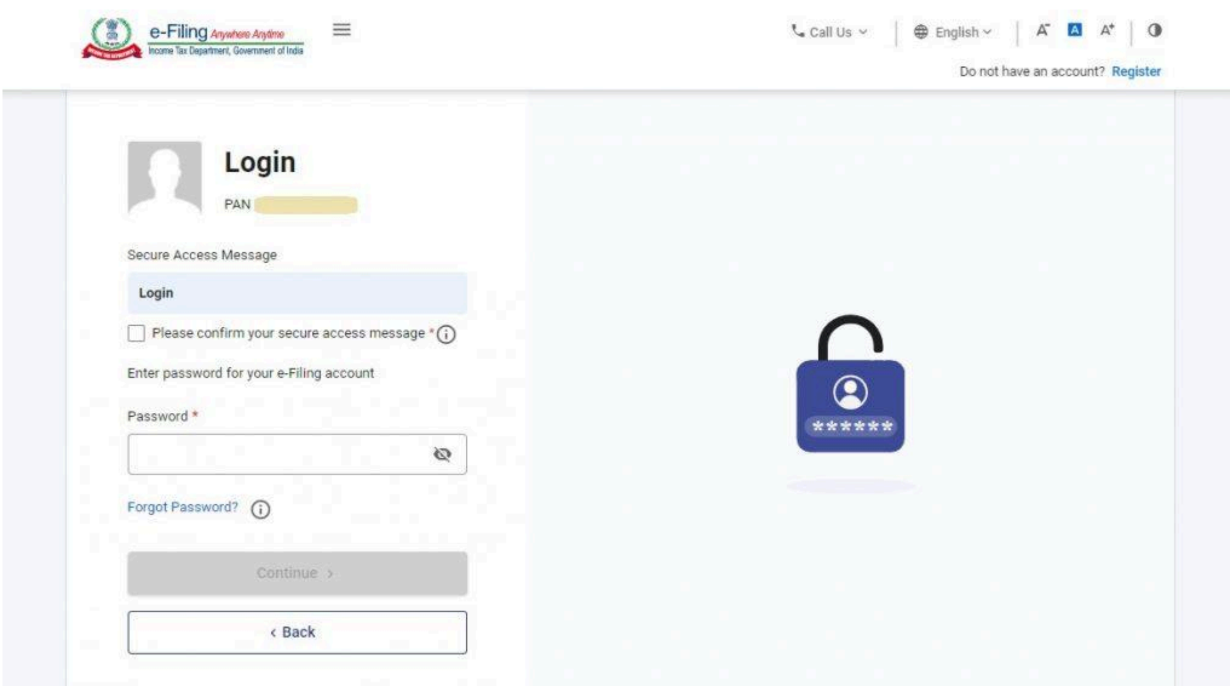
Step 1: Visit the e-filing website



Step 2: Enter your user ID- It can be either PAN or Aadhaar number. If the user ID is invalid, error message will be displayed. Continue with valid user ID details.

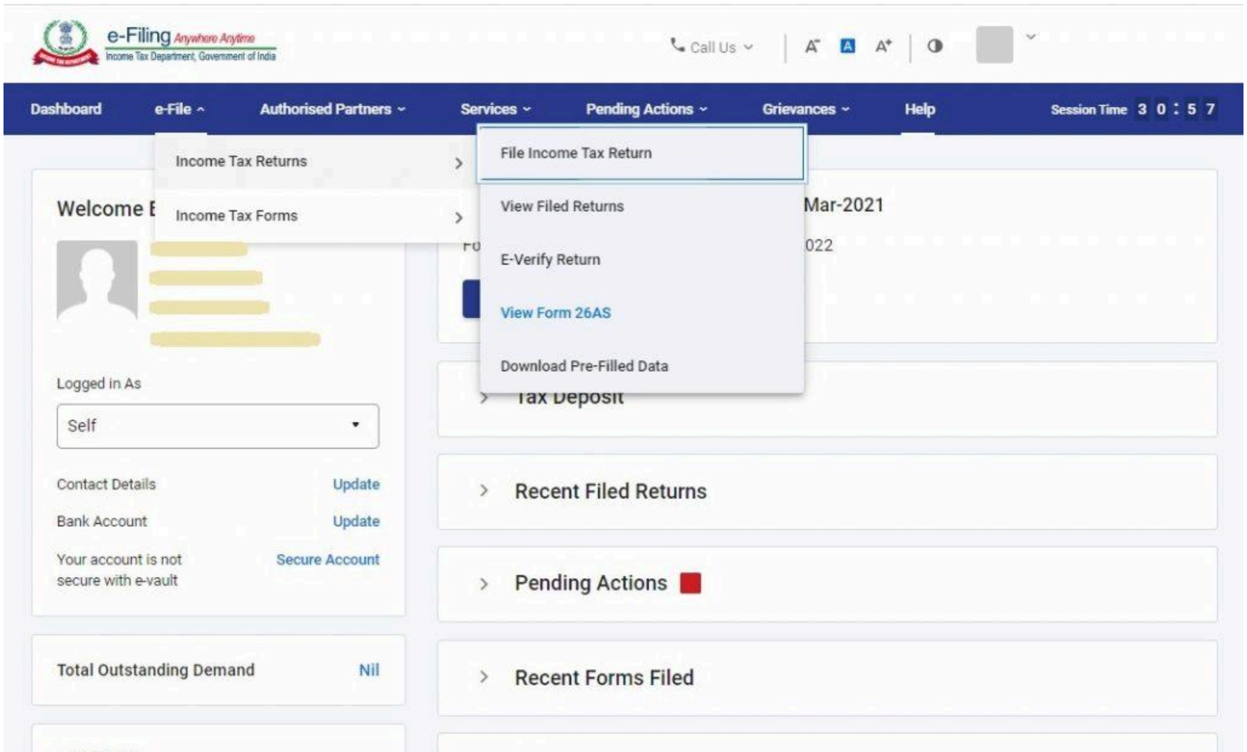


Step 3: Enter the password and continue.



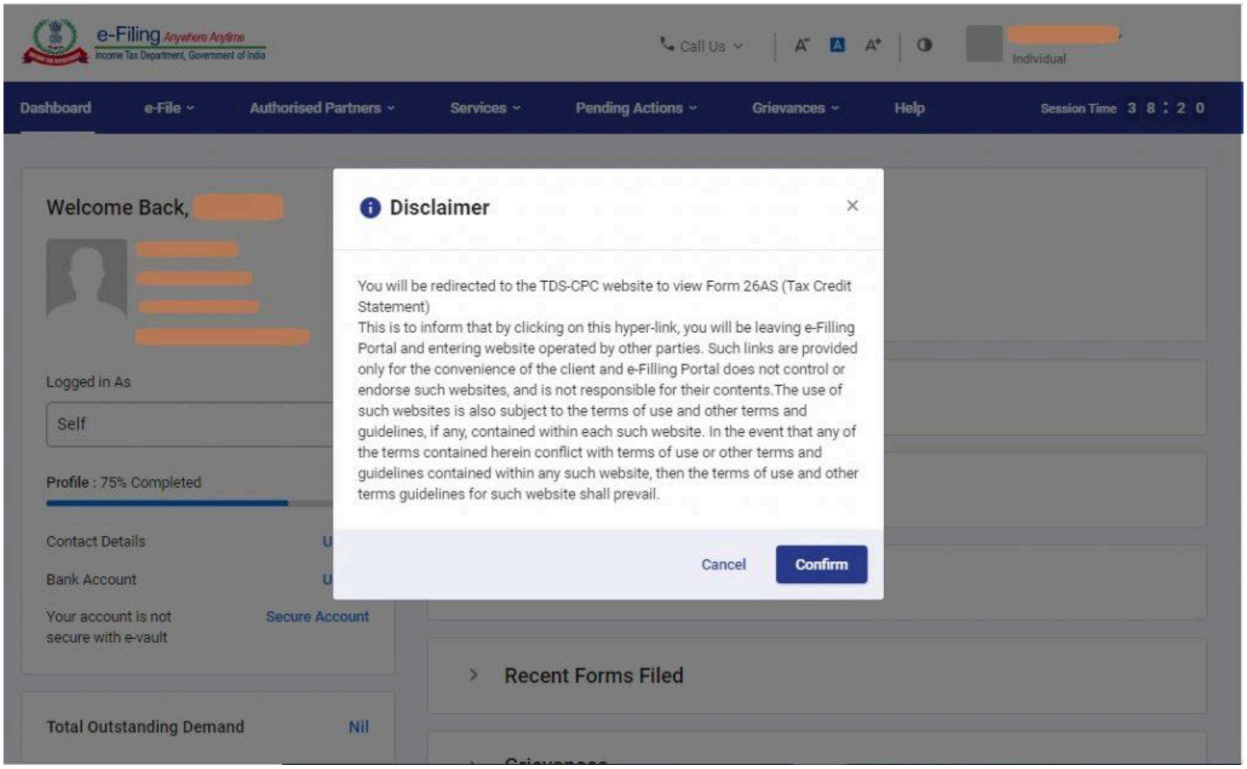
Step 4:

- The following screen will appear. Go to ‘e-file’. Click on ‘Income Tax Returns’ and select ‘View Form 26AS’ in the drop-down.
- View Form 26AS

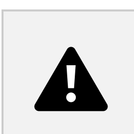


Step 5:

- Click on ‘Confirm’ to the disclaimer 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).
- TRACES Website



Step 6: You are now on the TRACES (TDS-CPC) website. Select the box on the screen and click on ‘Proceed’.



Step 7: Click on the link at the bottom of the page – Click ‘View Tax Credit (Form 26AS)’ to view your Form 26AS.

Step 8: Choose the Assessment Year and the format you want to see Form 26AS. If you want to see it online, leave the format as HTML. You can also

choose to download it as a PDF. After you have made your choice, enter the ‘Verification Code’ and click on the ‘View/Download’ button.

Step 9: After the download, you can view Form 26AS by opening it.

How to view Form 26AS from net banking facility?

The facility to view Form 26AS is available to a PAN holder having a net banking account with any authorised bank. You can view your Form 26AS only if your PAN number is linked to that particular account. This facility is available for free. The list of banks registered with NSDL through which you can view your Tax Credit Statement (Form 26AS) are as below:

- Axis Bank Limited
- Bank of India
- Bank of Maharashtra
- Bank of Baroda
- Citibank N.A.
- Corporation Bank
- City Union Bank Limited

- ICICI Bank Limited
- IDBI Bank Limited
- Indian Overseas Bank
- Kotak Mahindra Bank Limited
- Indian Bank
- Karnataka Bank
- Oriental Bank of Commerce
- State Bank of India
- State Bank of Mysore
- State Bank of Travancore
- State Bank of Patiala
- The Federal Bank Limited
- The Saraswat Co-operative Bank Limited
- UCO Bank
- Union Bank of India

How to use the income tax department’s e-filing website?

The first step is to either login or register on the e-filing website. After entering your PAN number under the 'Taxpayer' tab, the website will tell you if you're already registered.

If you've e-filed before, the chances are that you might already be registered. Please search your email inbox for 'incometax.gov.in' to look for information that might be useful.

Log in through your user ID and password, and you can use the portal for income tax-related compliances.

Note: Your user ID is your PAN number. If you don’t remember your password, you need to reset your password.

Benefits of Form 26AS

- Form 26AS provides important information about tax deducted/collected and deposited with the government tax authorities by the authorised deductors/collectors.
- A taxpayer can view all financial transactions involving TDS/TCS for the relevant financial year in Form 26AS.
- Form 26AS helps in the computation of income and to claim the tax credits when filing an Income Tax Return (ITR) on income.
- Form 26AS helps in the computation of income and to claim the tax credits at the time of filing Income Tax Return (ITR) on income.
- A taxpayer can confirm the verification of refunds during the applicable financial or assessment year using Form 26AS.

New Form 26AS effective from 1 June 2020

With effect from 1 June 2020, the taxpayers' data will be available in a new Form 26AS, which is as follows:

- Tax deducted at source and tax collected at source
- Details of specified financial transactions
- Income-tax payments such as advance tax and self-assessment tax paid by the taxpayer
- Tax demands and tax refunds
- Pending and completed income-tax proceedings

The government is yet to notify or clarify the specified financial transactions reportable in the new Form 26AS. The new form is in line with the Budget 2020 announcement to facilitate compliance and correct payment of taxes.

Introduction of Annual Information Statement (AIS)

Now again, the tax department has introduced an Annual Information Statement (AIS) to incorporate new details like foreign remittances, off-market transactions, interest on income tax refunds, mutual fund purchases and dividend details, and break-up details of salary and ITR information of another person.

The income tax department used to already avail these records from the authorised entities. For instance, an authorised dealer (e.g. banks) submits Form 15CC for every payment made to non-residents, transfer agents, and depositories report off-market transactions (gift transfers, legacy transfers, transfers between two Demat accounts, etc.). Further, salary break-up details are available in Form 16 from details uploaded by employers on the TRACES portal.

Moreover, information related to certain transactions undertaken by the taxpayers is available with the tax department through ITR filed by others. For example, the property seller reports buyers' details in their ITR.

Benefits of Annual Information Statement (AIS)

-
- The department is also working to remove errors or duplication of the information in the new report. The AIS statement has a feature to submit online feedback if the details reflected are inaccurate. In case of inaccuracy or errors, the taxpayer can provide feedback

requesting a modification. The taxpayer can also submit feedback for bulk information. Further, an AIS offline utility is also available to upload feedback offline. Taxpayers can download the AIS in PDF, CSV, and JSON formats.

- The AIS report has two parts: (i) Taxpayers Information Summary (TIS) and (ii) Annual Information Statement (AIS). TIS is a simplified statement showing aggregate value, whereas AIS is a comprehensive statement. TIS shows the processed value (i.e. the value according to income tax records) and derived value (i.e. the value modified after considering the taxpayer's feedback). On feedback submission, the derived information in TIS will automatically update in real-time.
- The new AIS statement will simplify the ITR filing for taxpayers as more details are available in just one statement. Taxpayers can identify incorrect information reported in AIS and provide feedback for corrective action.
- Also, tax authorities would easily compare the information reported by the taxpayer with the source and identify any mismatch. This will reduce the issue of notice by the income tax department and tax leakages.

TDS Certificate (Form 16/16A) and Form 26AS

A TDS certificate or Form 16/16A and Form 26AS have different purposes though they may seem to contain the same information. You can gather all relevant information related to TDS in Form 26AS, sufficient to file ITR. However, there is a need to obtain a TDS Certificate. The rationale behind introducing Form 26AS was to enable the taxpayers to cross-check and verify their details in the TDS certificates with the details recorded in Form 26AS and maintain transparency of information.

When you do not have a TDS certificate or Form 26AS, you cannot verify your details and find mismatches that may have occurred. When you have both, you can cross-check, compare the details and find discrepancies, if any. In the case there are discrepancies, you can get it corrected.

Further, in the case of salaried persons, Form 26AS is not sufficient to file ITR since it does not show the break-up of the income and deductions claimed under Section 80C to Section 80U which are available in TDS certificate. Thus, you need a TDS certificate along with Form 26AS.

Things to verify in TDS certificate with Form 26AS

Form 26AS must be verified with the details of TDS certificate, i.e. Form 16 (for salaried individuals) and Form 16A (for non-salaried individuals), to ensure that the TDS deducted from the payee's income was deposited with the income tax department.

Other things that taxpayers must verify in the TDS certificate and Form 26AS are as follows:

- Check the name, PAN number, deductor's TAN, refund amount and TDS amount to ensure that they are correctly reflected. A mismatch in details may create problems while filing ITR.
- Verify if the Tax Deducted at Source (TDS) amount, as shown in the TDS certificate, has been received by the government. Taxpayers can verify this by comparing the TDS data on the payslips with the Form 26AS data. If the deductor has not filed or submitted the TDS on your behalf, contact the deductor and ask him/her to file the TDS return and submit the tax amount at the earliest.
- Check if the TDS mentioned in Form 16/16A is reflecting in Form 26AS correctly. When the TDS shown in the TDS certificate is not reflecting in Form 26AS, it means that the deductor has deducted the tax on your behalf but has not deposited it with the income tax department. In such a case, you need to take action and contact the deductor to recify it.

In the case of any discrepancy between the TDS certificate and Form 26AS, inform your deductor and get it corrected immediately. Ensure that the deductor has filed TDS using your PAN number and other details. In many cases, if the TDS is filed under an incorrect PAN, it can result in problems for you and the deductor.

Frequently Asked Questions

How do I download the Tax Credit Statement or Form 26AS?

To view or download Form 26AS, log in with your income tax portal account credentials.

- Go to the ‘e-File’ tab on the home page, click ‘Income Tax Returns’ from the drop-down, and select ‘View Form 26AS’.
- Read the disclaimer and click on ‘Confirm’, and you will be redirected to the TRACES portal.
- Agree to the acceptance and usage of Form 16/16A generated from TRACES, and click on the ‘Proceed’ button.
- Now, click ‘view tax credit (Form 26AS)’ to view Form 26AS.
- Select the ‘Assessment Year’ and ‘View type’ (HTML, Text or PDF).
- Click on the ‘View/Download’ button.

- Form 26AS will open up on the screen. If you want to download it as PDF, click on the ‘Export PDF’ button. A PDF file of the Form 26AS will be downloaded.

How to view Form 26AS through net banking?

Taxpayers can view/download Form 26AS through net banking of any of the authorised banks. Form 26AS can be viewed only if the PAN is mapped to that particular account.

How to check Form 26AS online without login?

To view or download Form 26AS from the income tax e-filing portal, you must register yourself. However, if you wish to download without login, you can do the same through your net banking facility of the authorised bank where your account is maintained.

Login to your net banking account using your internet banking login credentials and click on the ‘Tax Credit Statement’ to view details.

When does Form 26AS get updated?

Form 26AS gets updated when the income tax department processes the TDS returns filed by the TDS deductors. Thus, the last date for filing TDS returns for the fourth quarter is 31 May. Further, seven days are taken to process the TDS return filed. Once the processing is completed, Form 26AS is updated with the latest amount of TDS reported against your PAN.

What is the password of Form 26AS in pdf format?

The password to open the pdf format of Form 26AS is the taxpayer's date of birth/incorporation in DDMMYYYY format.

What do you mean by transaction date and date of booking in Form 26AS?

Transaction date means the date of credit or payment of income, whichever is earlier.

Date of booking means the date on which TDS return is processed and the amount booked in Form 26AS. This date will be the date after the TDS return is filed.

What is Form 26AS used for?

Form 26AS gives you all the details of tax credit for taxes paid during the financial year. Form 26AS is a statement that provides details of any amount deducted as TDS or TCS from various sources of income of a taxpayer. It also reflects advance tax/self-assessment tax details and high-value transactions entered into by the taxpayer. Form 26AS has been updated to include details of specified financial transactions, pending and completed assessment proceedings, tax demands and refunds.

Why is Form 26AS required?

Form 26AS is required because it provides proof of tax deducted and collected at source on our behalf. Further, it confirms that the entities (employers, banks, etc.) have deducted accurate taxes on our behalf and deposited them into the government's account so that credit for the same can be claimed.

How to rectify errors in Form 26AS? How to make corrections in Form 26AS?

The only way to rectify the error in Form 26AS is to inform the deductor and ask him to file a rectified TDS return. The deductee cannot make any corrections in the Form 26AS.

What is the meaning of the date of booking in Form 26AS?

Date of booking means the date on which the TDS return is processed and the amount booked in Form 26AS. This date will be the date after the TDS return is filed.

When will TDS reflect in Form 26AS?

Tax deducted at sources gets reflected in Form 26AS after the deductee files TDS return and the same is processed by the CPC. Usually it takes around seven days for CPC to process the TDS return filed.

How to download Form 26AS in Excel format?

Follow the below steps to download Form 26AS in Excel format:

- Login income tax e-filing account > Go to the 'e-File' menu, click 'Income Tax Returns' from the drop-down and select 'View Form 26AS.
- Read the disclaimer and click on 'Confirm'.

- And the user will be redirected to TDS portal, agree to the acceptance and usage of Form 16/16A generated from the TRACES portal and click on the ‘Proceed’ button.
- Click ‘View tax credit (Form 26AS)’.
- Now select the ‘Assessment Year’ and ‘View type’ as ‘Excel’. Click on the ‘View/Download’ button.

What comes under Form 26AS?

This form contains all information on the tax deducted from your income. It includes the details of the tax collected by collectors, self-assessment tax payments, advance tax paid by you, assessment tax deposited by you, and refund details.

What are the reasons for not finding tax credits in 26AS?

The following could be the reasons for not finding tax credits in 26AS;

1. Tax collected by deductor not deposited in govt account.

2. TDS Return not filed by deductor.

3. Statement of tax deduction not filed with TDS Return.

4. Statement of tax deduction filed with wrong PAN which is not yours.

8. **Income Tax on Salary**

Income From Salary – How To Calculate Income Tax On Salary With Example (FY 2023-24)

Updated on: Mar 19th, 2024

|

35 min read

New Income Tax Regime Budget 2023 onwards

Slab Rate	Income tax rate
Up to Rs.3,00,000	Nil

Rs.3,00,000 to Rs.6,00,000	5% on income which exceeds Rs.3,00,000
Rs.6,00,000 to Rs.9,00,000	Rs.15,000 + 10% on income more than Rs.6,00,000
Rs.9,00,000 to Rs.12,00,000	Rs.45,000 + 15% on income more than Rs.9,00,000

Rs.12,00,000 to Rs.15,00,000	Rs.90,000 + 20% on income more than Rs.12,00,000
Above Rs.15,00,000	Rs.1,50,000 + 30% on income more than Rs.15,00,000

As soon as the filing season begins, salaried classes are in a frenzy about taxes they must shell out for the said financial year. It is important to understand your tax slab and what each of your salary breakup components means. This can help you figure out how to save on taxes. If you want to understand your salary components or want to learn how you can save tax on your salary income, this guide is for you.

SECTION I – Understanding Your Payslip

Basic Salary

This is a fixed component in your paycheck and forms the basis of other portions of your salary, hence the name. For instance, HRA is defined as a percentage (as per the company's discretion) of this basic salary. Your PF is deducted at 12% of your basic salary. It is usually a large portion of your total salary.

House Rent Allowance (HRA)

Salaried individuals, who live in a rented house/apartment, can claim house rent allowance or HRA to lower tax outgo. This can be partially or completely exempt from taxes. The income tax laws have prescribed a method for computing the HRA that can be claimed as an exemption.

Read more about how to claim HRA exemption.

Also, do note that if you receive HRA and don't live on rent your HRA shall be fully taxable.

Case Study: Malavika works at an MNC in Bangalore. Her company provides her with a house rent allowance (HRA). But she doesn't live in rented accommodation as she lives with her parents.

How can Malavika make use of this allowance?

Malavika can pay rent to her parents and claim the allowance provided they own the place they currently live in. All she has to do is enter into a rental agreement with her parents and transfer money to them every month. This way Malavika can make a nice gesture and give back to her parents, and two, save some taxes. But remember, Malavika's parents will have to show the rent she paid in their income tax returns.

Leave Travel Allowance

Salaried employees can avail exemption for a trip within India under LTA. The exemption is only for the shortest distance on a trip. This allowance can only be claimed for a trip taken with your spouse, children, and parents, but not with other relatives. This particular exemption is up to the actual expenses, therefore unless you actually take the trip and incur these expenses, you cannot claim it. Submit the bills to your employer to claim this exemption.

Bonus

The bonus is usually paid once or twice a year. Bonus, performance incentive, whatever may be its name, is 100% taxable. Performance bonus is usually linked to your appraisal ratings or your performance during a period and is based on the company policy.

Employee Contribution to Provident Fund (PF)

Provident Fund or PF is a social security initiative by the Government of India. Both employer and employee contribute a 12% equivalent of the employee’s basic salary every month toward the employee’s pension and provident fund. As per the Union Budget 2023, the current EPF interest rate remains unchanged at 8.10%. However, the TDS rate for taxable EPF withdrawals has been reduced to 20% from 30% for non-PAN holders. This is a retirement benefit that companies with over 20 employees must provide as per the EPF Act, 1952.

Standard Deduction

Standard Deduction was reintroduced in the 2018 budget. This deduction has replaced the conveyance allowance and medical allowance. The employee can now claim a flat Rs.50,000 (Prior to Budget 2019, it was Rs.40,000) deduction from the total income, thereby reducing the tax outgo.

In the recent Union Budget 2023-24, a standard deduction of Rs.50,000 was introduced under the new tax regime, which was previously available only under the old tax regime.

Professional Tax

Professional tax or tax on employment is a tax levied by a state, just like income tax which is levied by the central government. The maximum amount of professional tax that can be levied by a state is Rs 2,500. It is usually deducted by the employer and deposited with the state government. In your income tax return, professional tax is allowed as a deduction from your salary income.

SECTION II- Difference Between Take Home Salary and CTC

Your job may entitle you to some benefits in the form of food coupons or a cab service apart from your salary. The total cost to the company is the sum of all the benefits offered plus your salary.

Below is an example of components of your CTC that is on your offer letter.

CTC	
Components	Amount
Basic salary	Rs 3,00,000
Special allowance	Rs 1,00,000

HRA	Rs 80,000
Medical insurance	Rs 5,000
PF (12% of basic)	Rs 36,000
Performance bonus	Rs 75,000

Total CTC	Rs 5,96,000

This is how your payslip will look for the CTC mentioned above.

Taxable Salary	
Components	Amount
Basic salary	Rs 3,00,000

Special allowance	Rs 1,00,000
HRA	Rs 80,000
Bonus received	Rs 75,000
Total salary	Rs 5,55,000

Less: 12% PF	Rs 36,000
Less: Tax payable*	Rs 14,976
Take home salary	Rs 5,04,024

Broadly your CTC will include:

a. Salary received each month.

b. Retirement benefits such as PF and gratuity.

c. Non-monetary benefits such as an office cab service, medical insurance paid for by the company, free meals at the office, a phone provided to you and bills reimbursed by your company.

Your take-home salary will include:

a. Gross salary received each month.

b. Minus: Provident fund deduction, Medical insurance deduction

c. Minus: Income taxes payable (calculated after considering Section 80 deductions).

SECTION III – Retirement Benefits

Exemption of Leave Encashment

Check with your employer about their leave encashment policy. Some employers allow you to carry forward some amount of leave days and allow you to encash them, while others prefer that you finish using them in the same year itself. The amount received as compensation for leave days accumulated is referred to as leave encashment, and it is taxable as salary.

Exemption of leave encashment from tax:

It is fully exempt for Central and State government employees. For non-government employees, the least of the following three is exempt.

a. 10 months average salary preceding retirement or resignation (where average salary includes basic and DA and excludes perquisites and allowances).

b. Leave encashment received (this is further subject to a limit of Rs 3,00,000 for retirements after 02.04.1998).

c. Amount equal to salary for the leave earned (where leave earned should not exceed 30 days for every year of service)

The amount chargeable to tax shall be the total leave encashment received minus the exemption calculated above. This is added to your income from your salary.

Relief Under Section 89(1)

You are allowed tax relief under Section 89(1) when you have received a portion of your salary in arrears or in advance or have received a family pension in arrears.

Calculate the Tax Relief Yourself

a. Calculate the tax payable on the total income, including additional salary in the year it is received.

b. Calculate the tax payable on the total income, excluding additional salary in the year it is received

c. Calculate the difference between Step 1 and Step 2

d. Calculate the tax payable on the total income of the year to which the arrears relate, excluding arrears.

e. Calculate the tax payable on the total income of the year to which the arrears relate, including arrears

f. Calculate the difference between Step 4 and Step 5

g. The excess amount at Step 3 over Step 6 is the tax relief that shall be allowed.

Note: The amount at Step 6 is more than the amount at Step 3, no relief shall be allowed.

Exemption on Receipts at the Time of Voluntary Retirement

Any compensation received on voluntary retirement or separation is exempt from tax as per Section 10(10C). However, the following conditions must be fulfilled

a. Compensation received is towards voluntary retirement or separation.

b. Maximum compensation received does not exceed Rs 5,00,000.

c. The recipient is an employee of an authority established under the Central or State Act, local authority, university, IIT, state government, or central government, notified institute of management, or notified institute of importance throughout India or any state, PSU, company, or cooperative society.

d. The receipts comply with Rule 2BA.

No exemption can be claimed under this section for the same AY or any other if relief under Section 89 has been taken by an employee for compensation of voluntary retirement or separation or termination of services.

Note: Exemption can only be claimed in the assessment year the compensation is received.

Pension

Pension is taxable under the head salaries in the income tax return. Pension is paid out periodically monthly usually. You may also choose to take a pension as a lump sum (also called a commuted pension) instead of a periodical payment. At the time of retirement, you may choose to receive a certain percentage of your pension in advance.

Such pension received in advance is called commuted pension. E.g., At the age of 60, you decide to receive in advance 10% of your monthly pension for the next 10 years of Rs 10,000. This will be paid to you as a lump sum. Therefore, 10% of 10000x12x10 = 1,20,000 is your commuted pension. You will continue to receive Rs 9,000 (your uncommuted pension) for the next 10 years until you are 70, and post 70 years of age, you will be paid your full pension of Rs 10,000.

Uncommuted pension or any periodical payment of pension is fully taxable as salary. In the above case, Rs 9,000 received by you is fully taxable. Rs 10,000 starting at the age of 70 years is fully taxable as well.

Exemption on Commuted Pension

Commuted pension or lump sum received may be exempt in certain cases. For a government employee, a commuted pension is fully exempt. Uncommuted pension or any periodical payment of pension is fully taxable as salary.

In the above case, Rs 9,000 received by you is fully taxable Rs 10,000 starting at the age of 70 years is fully taxable as well. For a non-government employee, it is partially exempt.

If gratuity is also received with a pension – 1/3rd of the amount of pension that would have been received if 100% of the pension was commuted is exempt from the commuted pension, and the remaining is taxed as salary.

If only the pension is received, gratuity is not received, then ½ of the amount of pension that would have been received if 100% of the pension was commuted is exempt.

Pension received by a family member, though is taxed under 'Income from other sources' in the income tax return. If this pension is commuted or is a lump sum payment, it is not taxable. An uncommuted pension received by a family member is exempt to a certain extent. Rs 15,000 or 1/3rd of the uncommuted pension received – whichever is less is exempt from tax. Pension that is received from UNO by its employees or their families is exempt from tax. Pension received by family members of the Armed Forces is also exempt.

Gratuity

Gratuity is a retirement benefit that employers provide for their employees. The employee is entitled to receive gratuity when he completes five years of service at that company. It is, however, only paid on retirement or resignation. Gratuity received on retirement or death by a central, state or local government employee is fully exempt from tax for the employee or his family. The tax treatment of your gratuity is different, depending on whether your employer is covered by the Payment of Gratuity Act. Check with your company about its status, and then proceed to calculate.

If your employer is covered by the Payment of Gratuity Act, then the least of the following three is tax-exempt.

- 15 days' salary based on the salary last drawn for every completed year of service or part thereof in excess of 6 months.
- Rs 20,00,000
- Gratuity actually received

If your employer is not covered under the Payment of Gratuity Act, the least of the following three is tax-exempt.

- Half a month's salary for each completed year of service. While calculating completed years, any fraction of a year shall be ignored.

For example – if you have worked in an organisation for 14 years and 9 months, the number of years of employment shall be considered to be 14 years. Here salary is taken as the average salary of the 10 months immediately before the month in which the person retires.

- Rs 20,00,000
- Gratuity actually received

SECTION IV – Basics of Income Tax

Income Chargeable to Tax

Your income is not equal to your salary. You could earn income from several other sources other than your salary income. Your total income, according to the income tax department, could be from house property, profit or loss from selling stocks or from interest on a savings account or on fixed deposits.

All these numbers get added up to become your gross income.

Income from Salary	All the money you receive while rendering your job as a result of an employment contract.
Income from house property	Income from house property you own; property can be self-occupied or rented out.

Income from business and profession	Income/loss arising as a result of carrying on a business or profession. Freelancers income come under this head.
Income from capital gains	Income earned from the sale of a capital asset (mutual funds or house property).
Income from other sources	Income accrued from fixed deposits and savings accounts come under this head.

Tax Rates

Add up all your income from the heads listed above. This is your gross total income. From your gross total income, deductions under Section 80 are allowed to be claimed. The resulting number is the income on which you have to pay tax.

Your tax is calculated as per the slabs mentioned below.

Income Tax Rates for taxpayers under 60 years of age for FY 2022-23 under old and new tax regimes:

Tax Slab	FY 2023-24 Tax Rate (Old tax regime)	Tax Slab	FY 2023-24 Tax Rate (New tax regime)
Up to Rs 2,50,000	No tax	Up to Rs 3,00,000	No tax

Rs 2,50,000 – Rs 5,00,000	5%	Rs 3,00,000 – Rs 6,00,000	5%
Rs 5,00,000 – Rs 10,00,000	20%	Rs 6,00,000 – Rs 9,00,000	10%
Rs 10,00,000 and beyond	30%	Rs 9,00,000 – Rs 12,00,000	15%

NA	NA	Rs 12,00,000 – Rs 15,00,000	20%
NA	NA	Rs 15,00,000 and beyond	30%

Cess:

- For FY 2023-24 – Health and education cess is 4% of the sum of total income tax and surcharge

Basic Exemption limit for senior citizens (age of 60 years or more but up to 80 years) in the old regime

- For FY 2023-24 is Rs.3 lakh

Basic Exemption limit for super senior citizens (age of 80 years or more)

- For FY 2023-24 is Rs.5 lakh

Rohit’s total taxable income for FY 2023-24 is Rs 8,00,000 under the old tax regime. How will the tax slabs be applied to him?

Income up to Rs 2,50,000	Nil
Income between Rs 2,50,000 – Rs 5,00,000	5% of (Rs 5,00,000 – Rs 2,50,000) = Rs 12,500
Income between Rs 5,00,000 – Rs 8,00,000	20% of (Rs 8,00,000 – Rs 5,00,000) = Rs 60,000

Total	Rs 72,500
Education Cess (4% on the sum of total income tax)	Rs 2,900
Tax payable	Rs 75,400

TDS on Salary

TDS is tax deducted at source. Your employer deducts a portion of your salary every month and pays it to the income tax department on your behalf. Based on your total salary for the whole year and your investments in tax-saving products, your employer determines how much TDS has to be deducted from your salary each month.

For a salaried employee, TDS forms a major portion of an employee’s income tax payment. Your employer will provide you with a TDS certificate called Form 16 typically around June or July showing you how much tax was deducted each month.

Your bank may also deduct tax at source when you earn interest from a fixed deposit. The bank deducts TDS at 10% on FDs usually. A 20% TDS is deducted when the bank does not have your PAN information.

Form 16

Form 16 is a TDS certificate. The income tax department mandates all employers to deduct TDS from their salary and deposit it with the government. The Form 16 certificate contains details about the salary you have earned during the year and the TDS amount deducted.

It has two parts – Part A with details about the employer and employee name, address, PAN and TAN details, and TDS deductions.

Part B- includes details of salary paid, other incomes, deductions allowed, and tax payable.

Form 26AS

Form 26AS is a summary of taxes deducted on your behalf and taxes paid by you. This is provided by the Income Tax Department. It shows details of tax deducted on your behalf by deductors, details on tax deposited by taxpayers, and tax refunds received in the financial year. This form can be accessed from the IT Department's website.

Annual Information Statement (AIS)

AIS is a summary of all the financial transactions reported with the income tax department it includes information like

- Income from Salary, Interest on SB/FD/RD
- Capital gains on the sale of mutual funds or stocks
- Sale of immovable property as reported by sub-registrar
- Purchase of FD, Mutual fund, stocks, Immovable property
- Foreign remittance
- Cash deposits exceeding the limit of Rs. 10 lakhs in a year
- Credit Card payments exceeding the limit of Rs. 10 lakhs in a year
- Tax Payment details - Self-assessment tax, Advance tax
- Tax Refund details

It is very important to verify the details in Form 26AS and AIS before you file your Income tax return. Any mismatch in AIS or Form 26AS against your ITR will lead to a notice.

Deductions

The lower your taxable income, the lower the taxes you ought to pay. So be sure to claim all the tax deductions and benefits that apply to you. Section 80C of the Income Tax Act can reduce your gross income by Rs 1.5 lakh. There are a bunch of other deductions under Section 80, such as 80D, 80E, 80GG, 80U etc., that reduce your tax liability.

Frequently Asked Questions

Does salary include all kinds of pension?

The definition of salary includes pension. However, a pension is what is payable by an employer or previous employer to an employee. Where a pension policy is covered under a contract of employment, i.e. say an employer bought it, then it is also taxed under salary. However, a pension paid out of any policy with a life insurance company cannot be taxed as salary and will be taxable under the head “Other source”.

What are allowances? Are all allowances taxable?

Allowances are a part of your salary component. Allowance are provided to employee for specific purpose eg. HRA is provided for the purpose of accommodation of the employees etc. Most of the allowance are taxable unless specifically exempted u/s 10. For example HRA is exempted 10(13A) , LTA also comes under exemption.

What are perquisites? How are they taxed?

Employees, as a result of their official position, are given benefits which are called perquisites in income tax parlance. These are received over and above the salary or wages of the employee. E.g. Provision of Rent Free Accommodation, vehicles to employees etc. These perquisites can be taxable or non-taxable depending upon their nature. The valuation of perquisites is provided under Rule 3 of the Income Tax Rules, 1962. No taxes have been deducted from my salary by my employer.

Are arrears of salary taxable?

Yes. Arrears of salary are taxable. However, one can claim relief under Section 89 in this regard.

I have losses from house property. I have incurred losses from my business too. Can I set off such losses against my salary income?

Losses from house property can be set off against salary income. However, business losses are not allowed to be set off against business income.

I have been employed by 2 employers during the same year. Can I claim a basic exemption of Rs 2.5 lakh against each of the salary incomes?

Such a basic exemption of Rs 2.5 lakh is for your overall income for the year. You cannot claim this against various incomes separately. Therefore, you must sum up all your income during the year including the salary income from both your employers and then claim, a basic exemption of Rs 2.5 lakh from such income.

I have been employed by 2 employers during the same year, and because my income did not cross the basic exemption limit under each of the employers, no TDS was done. Should I pay any income taxes on my own?

Even if TDS has not been made by any of your employers, in case you have a taxable income after claiming all deductions applicable to you, you will have to pay taxes yourself which is called Self Assessment Tax.

Can I claim an HRA benefit if I enter into a rental agreement with my wife?

This is not an advisable tax planning measure. The intention of Section 10(13A) for claiming HRA as an exemption is to help employees who are forced to live closer to their workplace or sometimes in another city for employment. Where you get into an arrangement of paying rent to your wife and then claim HRA exemption, it cannot be said to be within the framework of law because a husband and a wife, typically, do not share a commercial relationship. If such an arrangement catches the eye of the income tax department, it is bound to be viewed as tax evasion.

9. New Income Tax Portal :

New Income Tax Portal – Intro & Key Features Of New Income Tax E-Filing Portal | E-filing 2.0 Guide

Updated on: May 22nd, 2024

|

7 min read

The Central Board of Direct Taxes (CBDT) launched the new income tax e-filing portal on 7th June 2021. The new portal 'www.incometax.gov.in' has replaced the previous e-filing portal 'www.incometaxindiaefiling.gov.in'. The taxpayers will now have to file their income tax returns (ITRs) and do all other tax-related tasks through the new portal. The portal is being redesigned for the convenience of the taxpayers which will provide the facility of income tax return filing and other tax-related services in a modern and seamless manner.

Features Of New Income Tax E-Filing Portal

- ITR Processing: The new user-friendly portal will immediately process a taxpayer's income tax return. This will enable faster refunds to the taxpayers.
- Free ITR Preparation Software: The taxpayers will benefit from the free ITR preparation software - Excel-based as well as Java based utility. Every year after considering the changes in ITR forms, the department releases the ITR forms specific to each financial year. Taxpayers can prepare returns by downloading the ITR preparation software or also prepare and submit online within the website itself. The interactive questions available in the software will make the e-filing process simpler.

- Call Centre Services: The new web portal is integrated with a ‘new call centre’ for immediate response to queries. Additionally, detailed FAQs, tutorials, videos, and chatbot/live agents address taxpayers’ issues.
- Single Dashboard Interaction: A taxpayer can see all the interactions, uploads, and pending actions in a single dashboard along with the follow-up action.
- Multiple Payment Options: The new portal offers multiple payment options for taxpayers. These options include RTGS/ NEFT, credit card, UPI, and net banking via any taxpayer's account in any bank.

It has enabled easy tax payment. Click here to learn how to make tax payments via the Income tax portal.

- Mobile Application: The income tax department has launched the Aaykar Setu app that helps taxpayers understand taxation and provides solutions to many of their queries. The app was launched in July 2017. The app provides utilities such as Ask IT (answers to your queries), Tax calculation Tools, Apply for PAN online, Pay your taxes online, Tax Gyaan etc.,
- Pre-filled ITRs: The new portal allows the pre-filling of some details related to certain incomes. These can relate to Salary, house property, business/profession, etc. In addition, it enables the detailed pre-filling of details of Salary income, interest, dividend, and capital gains. The pre-filling will happen when the concerned entities upload the TDS and SFT statements.
- Annual Information Statement (AIS): It consists of a comprehensive view of information for a taxpayer displayed in Form 26AS. Taxpayers can provide feedback on information displayed in AIS. AIS shows both reported value and modified value (i.e. the value after considering taxpayer feedback) under each section (i.e. TDS, SFT, and Other information).
- The National Faceless Appeals Centre (NFAC): It has been set up to implement the Scheme and facilitate the centralized conduct of e-appeal proceedings. This includes assigning appeals for

disposal to Commissioners of Income Tax (Appeal) units through an automated allocation system.

- Electronic verification: Taxpayers can electronically verify their returns using methods such as Aadhaar OTP, net banking, or digital signature.
- Communication with the Income Tax Department: Taxpayers can receive notices, updates, and communicate with the Income Tax Department through the portal. The notices, responses/submissions and orders etc., will be available within the income tax portal itself, without the requirement to chase behind the income tax officials.
- Pre-validate bank account to get income tax refund: Upon the filing of ITRs, the income tax department will review them and process the refund, if any. Such refunds are now transferred electronically to your bank account linked with your PAN.

Features Of Old Income Tax E-Filing Portal

The income tax e-filing portal, www.incometaxidiaefiling.gov.in, was created by the department to provide e-filing related services to taxpayers. The users use the existing income tax e-filing portal to file their income tax returns and other forms. In addition to income tax return filing, they can do the following tasks on the portal:

- E-verify income tax returns.
- View and respond to an outstanding income tax demand.
- File audit reports and certificates.
- View tax credit statement (Form 26AS).
- View tax credit mismatch.
- Request for refund re-issue.
- Request for intimations.
- Request for change of ITR particulars.
- Link Aadhaar with PAN.
- Lodge grievance online.
- Respond to e-proceedings.

The income tax department uses the portal to access the uploaded income tax returns and other forms for further processing, issue notices, receive taxpayer responses, and communicate final orders such as assessments, appeals, exemptions, and penalties.

Taxpayers Update

- Re-register their Digital Signature Certificate (DSC) as the old registered DSCs are not migrated due to security issues.
- They are advised to update the user ID and mobile number under primary contacts in their profile,
- Link Aadhaar and pre-validate bank account if not done previously and
- Reset e-Filing Vault Higher Security Options

Frequently Asked Questions

Can we file ITRs online?

Filling ITR is available to registered individuals on the Income Tax Portal.

Can I link my Aadhaar and PAN in the e-filing portal?

Yes, you can link Aadhaar and PAN in e-filling portal in the quick links section.

10. **Last Date to File ITR:**

ITR Filing Last Date FY 2023-24 (AY 2024-25)

ITR Filing Last Date 2024

The last date to file Income Tax Return (ITR) for FY 2023-24 (AY 2024-25) without a late fee is 31st July 2024.

Taxpayers filing their return after the due date will have to pay interest under Section 234A and a penalty under Section 234F.

When is the last date to file ITR?

ITR filing last date for Financial Year 2023-24 (AY 2024-25) is July 31, 2024. However, if you miss filing within the due date, you can still file a belated return before December 31, 2024.

What are Financial Year (FY) and Assessment Year (AY)?

The return you will file in the upcoming year is for the income you earned in FY 2023-24, i.e. for the income earned between 1 April 2023 and 31 March 2024. The assessment year is the review year for FY 2023-2024, where you file your returns and declare your returns by declaring all the incomes, exemptions, deductions, losses etc., already made or incurred during the year for tax assessment. . For the income earned during the FY (here FY 2023-24), the assessment year would be the immediately next year, i.e. 1st April 2024 to 31st March 2025. Hence, the assessment year would be AY 2024-25.

Income Tax Returns (ITR) Filing Start Date for FY 2023-24 (AY 2024-25)

The Income Tax Return (ITR) e-filing for FY 2023-24 (AY 2024 -25) has started from 1st April 2024 and the last date to file ITR for FY 2023-24 is discussed below.

Income tax filing due dates for FY 2023-24 (AY 2024-25)

Category of Taxpayer	Due Date for Tax Filing - FY 2023-24 *(unless extended)

Individual / HUF/ AOP/ BOI (books of accounts not required to be audited)	31st July 2024
Businesses (Requiring Audit)	31st October 2024
Businesses requiring transfer pricing reports (in case of international/specified domestic transactions)	30th November 2024

Revised return	31 December 2024
Belated/late return	31 December 2024
Updated return	31 March 2027 (2 years from the end of the relevant Assessment Year)

What happens if you miss the ITR filing deadline?

- Interest: If you submit your return after the deadline, you will be liable to pay interest at a rate of 1% per month or part month on the unpaid tax amount as per Section 234A.
- Late fee: In case of late filing, Section 234F imposes a late fee of Rs.5,000, which shall be reduced to Rs.1,000 if your total income is below Rs.5 lakh.
- Loss Adjustment: In case you have incurred losses from sources like the stock market, mutual funds, properties, or any of your businesses, you have the option to carry them forward and offset them against your income in the subsequent year. This provision substantially reduces your tax liability in future years. However, you will not be allowed to carry forward these losses if you miss filing your ITR before the deadline.
- Belated Return: If you miss the ITR filing due date, you can file a return after the due date, called a belated return. However, you will still have to pay the late fee and interest charges, and you will not be allowed to carry forward any losses for future adjustments. The last date for filing a belated return is 31st December of the assessment year (unless extended by the government). Therefore, for this year, you may submit the belated return by 31 December 2024 at the latest.

- Updated return: Still, if you miss the 31st December deadline due to unavoidable reasons still you can file the updated (ITR U) return subject to the conditions specified therein.

Not sure whether you should file an income tax return? Read our article.

- If you get a salary, you can simply upload your Form 16 and Tax Craft will prepare your return automatically and help you finish e-filing within a matter of few minutes.
- If you are a freelancer or run a small business or a home-based business like a Kirana store or an e-commerce seller (Section 44AD or 44ADA),

Important due dates for paying advance tax installments for FY 2023-24

Whenever we talk about income tax, there are certain tax formalities that need to be followed within the specified due dates, such as filing income tax returns, paying advance tax on time, etc.

The due dates for the payment of advance tax are:

Due date	Nature of compliance	Tax to be paid
15th June 2024	First instalment	15% of tax liability
15th September 2024	Second instalment	45% of tax liability
15th December 2024	Third Instalment	75% of tax liability
15th March 2025	Fourth instalment	100% of tax liability

15th March 2025	Presumptive scheme	100% of tax liability

Frequently Asked Questions

How to claim an income tax refund after the due date?

An income tax refund can be claimed only when you file ITR. However, if you miss the due date for filing ITR, you can file a belated return on or before 31st December of the assessment year. A penalty of Rs.5,000 is charged for the delay. However, if the total income of the person is less than Rs.5 lakh, then the fee payable is Rs.1,000.

How to pay income tax after the due date?

If you have missed paying taxes and filing your return within the due date, you will still be allowed to do so post the due date. However, a late filing penalty and interest will be levied while filing ITR. A penalty of Rs.5,000 is charged for the delay in filing of return. If the total income of the person is less than Rs.5 lakh, then the fee payable is Rs 1,000.

What section under the Income Tax Act allows an individual to file ITR after the due date?

Section 139(4) allows for the filing of a belated return, i.e., a return after the due date. A penalty of up to Rs.5,000 is charged for the delay in filing of return.

What is the due date for filing an income tax return?

Usually, the due date to file an income tax return is 31st July for individuals and non-audit cases, and 31st October for audit cases of the relevant assessment year.

How to revise income tax returns before the due date?

If the taxpayer wants to revise the original return filed, the same can be done using the revised return under Section 139(5). The revised return can be filed as per the standard procedure followed for original return filing. However, the taxpayer has to submit the ITR under Section 139(5). The entire process of e-verification needs to be completed while revising the return.

How to revise income tax returns after the due date?

If the taxpayer wants to revise the original return after the due date, the same can be done using the revised return u/s 139(5). You can file a belated return on or before 31st December of the assessment year. Taxpayers cannot file any return once this date is passed. However, if the return was missed due to an extreme situation, you can lodge a request to your A.O. seeking permission to file past returns under Section 119.

What happens if the income tax return is not filed before the due date?

If you fail to file an income tax return within the due date, a belated return can be filed. However, a penalty of up to Rs.5,000 for late filing will be charged for filing belated returns. If the total income of the person is less than Rs.5 lakh, then the fee payable is Rs.1,000.

What is the due date of return filing for Trusts?

The due date of return filing for trusts for FY 2023-24, whose accounts are not required to be audited is 31st July 2024. If the accounts of the trust are required to be audited, the due date to file ITR will be 31st October 2024. Suppose the trust is required to furnish a report in Form No. 3CEB u/s section 92E, the due date to file ITR will be 30th November 2024.

What is the due date of return filing for Companies?

The due date for the return filing of domestic companies for FY 2023-24 is 31st October 2024. However, if the company is having any international transaction or specified domestic transaction and is required to furnish a report in Form No. 3CEB u/s section 92E, the due date to file ITR will be 30th November 2024.

What is the last date to file ITR?

The last date to file ITR for individuals is 31st July of the relevant assessment year and 31st October for taxpayers whose accounts are subject to audit.

What is an income tax audit?

It is the examination and inspection of an entity's books of accounts to ensure compliance with the Income Tax Act, 1961. Only certain types of assesses need to get their tax audit done by a CA or a firm of CAs.

Who needs to get an income tax audit report?

Any business with an annual turnover exceeding 1 crore and any professional with receipts above Rs 50 lakh has to get their tax audit done.

What can be done if the 31st December due date return is also missed?

The revised return can be filed on or before 31st of December of the relevant Assessment year, if any omission or wrong statement is recognised after it is filed. Further, an updated return can also be filed within 2 years from the end of the relevant Assessment year.

Will the refund be delayed for filing the return after the due date?

Yes, if the return is filed after the deadline, then the refund credited to the assessee's bank account might also be delayed.

Will there be any penalty for filing the return if the income falls below the taxable limit?

No penalty or interest is levied for filing income tax return after the due date if the income is below the taxable limit.

Whether the penalty and interest both are imposed for late filing of Income Tax Return?

Penalty upto a maximum of Rs. 5,000 for taxable incomes exceeding Rs.5,00,000. For Taxable Income below Rs. 5,00,000, penalty may be applied upto Rs.1,000. Further interest is charged at the rate of 1% per month on the unpaid amount of tax, if any.

11. <u>**Taxation on Selling of Shares**</u>

Taxation of Income Earned From Selling Shares

Updated on: May 16th, 2024

|

12 min read

We all know that income from salary, rental income and business income is taxable. But what about income from the sale or purchase of shares? Many homemakers and retired people spend their time gainfully buying and selling shares but are unsure how this income is taxed. Income/loss from the sale of equity shares is covered under the head 'Capital Gains'.

Under the head 'Capital Gains', income is further classified into:

(i) Long-term capital gains
(ii) Short-term capital gains

This classification is made according to the holding period of the shares. The holding period means the duration for which the investment is held, starting from the date of acquisition till the date of sale or transfer.

It should be noted that the holding periods of shares and securities are different for different classes of capital assets. For income tax purposes, holding periods of listed equity shares and equity mutual funds is different from the holding period of debt mutual funds. Their taxability is also different.

In this article, we will cover the tax implications on the listed securities like listed equity shares, bonds, bonds and debentures listed on a recognized Indian stock exchange, units of UTI and Zero-coupon bonds.

Taxation of Gains from Equity Shares

Short-Term Capital Gains (STCG)

If equity shares listed on a stock exchange are sold within 12 months of purchase, the seller may make a short-term capital gain (STCG) or incur a short-term capital loss (STCL). The seller makes short-term capital gains when shares are sold at a price higher than the purchase price. Short-term capital gains are taxable at 15%.

Calculation of short-term capital gain = Sale price *minus* Expenses on Sale *minus* the Purchase price

Let's take a look at an example of STCG tax:

In October 2015, Kuldeep Singh paid Rs.38,750 for 250 shares of a publicly traded firm at a price of Rs.155 a share. He sold them for Rs.192 a share after 5 months for Rs.48,000. Let's see how much money he makes in the short run.

- Full sales value - Rs.48,000
- Brokerage at 0.5% - Rs.240
- Purchase price - Rs.38,750

Therefore short-term capital gain made by Kuldeep will be: Rs.48,000 - (Rs.38,750+ Rs.240) = Rs.9,010

What if your tax slab rate is 10% or 20% or 30%?
A special rate of tax of 15% is applicable to short-term capital gains, irrespective of your tax slab.

Long-Term Capital Gains (LTCG)

If equity shares listed on a stock exchange are sold after 12 months of purchase, the seller may make a long-term capital gain (LTCG) or incur a long-term capital loss (LTCL).

Before the introduction of Budget 2018, the long-term capital gain made on the sale of equity shares or equity-oriented units of mutual funds was exempt from tax, i.e. no tax was payable on gains from the sale of long-term equity investments.

The Financial Budget of 2018 took away this exemption. Henceforth, if a seller makes a long-term capital gain of more than Rs.1 lakh on the sale of equity shares or equity-oriented units of a mutual fund, the gain made will attract a long-term capital gains tax of 10% (plus applicable cess). Also, the benefit of indexation will not be available to the seller. These provisions will apply to transfers made on or after 1 April 2018.

Also, this new provision was introduced prospectively, i.e. gains starting from the 1st of Feb 2018 will only be considered for taxation. This is known as the 'grandfathering rule'. Any long-term gains from the equity instruments purchased before the 31st of January 2018 will be calculated according to this 'grandfathering rule'.

Example: Atul purchased shares for Rs.100 on 30th September 2017 and sold them for Rs.120 on 31st December 2018. The stock value was Rs.110 as of 31st January 2018. Out of the capital gains of Rs.20 (i.e. 120-100), Rs.10 (i.e. 110-100) is not taxable. Rest Rs.10 is taxable as capital gains at 10% without indexation.

The following table demonstrates the nature of a long-term capital gain tax on shares and other securities.

Particulars	Tax rate
STT-paid sales of listed shares on recognized stock exchanges and MFs	10% on amounts over Rs 1 lakh
STT is paid on the sale of shares, bonds, debentures, and other listed securities.	10%
Sale of debt-oriented MFs	With indexation - 20% Without indexation - 10%

Loss From Equity Shares

Short-Term Capital Loss (STCL)

Any short-term capital loss from the sale of equity shares can be offset against short-term or long-term capital gain from any capital asset. If the loss is not set off entirely, it can be carried forward for eight years and adjusted against any short term or long-term capital gains made during these eight years.

It is worth noting that a taxpayer will only be allowed to carry forward losses if he has filed his income tax return within the due date. Therefore, even if the total income earned in a year is less than the minimum taxable income, filing an income tax return is a must for carrying forward these losses.

Long-Term Capital Loss (LTCL)

Long-term capital loss from equity shares until Budget 2018 was considered a dead loss – It could neither be adjusted nor carried forward. This is because long-term capital gains from listed equity shares were exempt. Similarly, their losses were neither allowed to be set off nor carried forward.

After the Budget 2018 has amended the law to tax such gains made more than Rs 1 lakh at 10%, the government has also notified that any losses arising from such listed equity shares, mutual funds, etc., would be carried forward.

Long-term capital loss from a transfer made on or after 1 April 2018 will be allowed to be set off and carried forward in accordance with existing provisions of the Act. Therefore, the long-term capital loss can be set off against any other long-term capital gain. Please note that you cannot set off long-term capital loss against short-term capital gains.

Also, any unabsorbed long-term capital loss can be carried forward to the subsequent eight years for set-off against long-term gains. To set off and carry forward these losses, a person has to file the return within the due date.

Example: An equity share is acquired @ Rs.100 on 1st January 2017, its FMV is Rs.200 on 31st January 2018 and it is sold on 1st of April 2023 @ Rs.50.

In this case, the actual cost is less than the FMV as on 31st January 2018. The sale value is also less than the FMV as on 31st January 2018. Therefore, the actual cost of Rs.100 will be taken as the cost of acquisition in this case. Hence, the long term capital loss will be Rs. 50(Rs.50-Rs.100) in this case.

Securities Transaction Tax (STT)

STT is applicable on all equity shares sold or bought on a stock exchange. The above tax implications are only applicable to shares listed on a stock exchange. Any sale/purchase on a stock exchange is subject to STT. Therefore, these tax implications discussed above are only for shares on which STT is paid.

Expenses incurred during the sale of shares:

Registration charges, brokerage charges & various other charges are deducted from the sale of shares to arrive at the net gain or loss arising from transfer of such shares.

Grandfathering clause

A grandfathering clause is a provision that states that an old rule will continue to apply to some existing instances while a new rule will apply to all future cases. Individuals who are not subject to the new rule are said to have grandfather rights, acquired rights, or have been grandfathered in.

Long-term capital gains (LTCG) on the transfer of listed equity shares and equity-oriented mutual fund schemes were tax-free until the 2017-18 fiscal year.

The Finance Act, 2018 reinstated the LTCG tax on the sale of listed shares and equity-oriented mutual fund schemes with effect from April 1, 2018, i.e. the fiscal year 2018-19, with a grandfathering clause.

While the LTCG was reintroduced on 1st February 2018, the CBDT (Central Board of Direct Taxes) grandfathered gains up to 31st January 2018, i.e. no tax would be paid on gains accrued until 31st January 2018.

Grandfathering Clause Formula

The acquisition cost is calculated as follows:

- Value I is the fair market value (FMV) as of January 31, 2018, or the actual selling price, whichever is lower.
- Value II equals Value I or the actual purchase price, whichever is greater.

Long-Term Capital Gain = Sales Value - Acquisition Cost (as calculated above)

Tax responsibility = In a year, LTCG of Rs 1 lakh is tax-free. Thus, after subtracting Rs 1 lakh from the total tax gain, the tax burden will be 10% (plus applicable surcharge and cess).

Share Sale as Business Income

Certain taxpayers treat gains or losses from the sale of shares as ‘income from a business, while others treat it as ‘Capital gains’. Whether your gains/losses from the sale of shares should be treated as business income or be taxed under capital gains has been a matter of much debate.

In case of significant share trading activity (e.g. if you are a day trader with lots of activity or regularly trade in Futures and Options), your income is usually classified as income from the business. In such a case, you are required to file an ITR-3, and your income from share trading is shown under ‘income from business & profession’.

Calculation of Income From Business

When you treat the sale of shares as business income, you can reduce expenses incurred in earning such business income. In such cases, the profits would be added to your total income for the financial year and, consequently, charged at tax slab rates.

Calculation of Income From Capital Gains

If you treat your income as capital gains, expenses incurred on such transfer are allowed for deduction. Also, long-term gains from equity above Rs 1 lakh annually are taxable at 10%, while short-term gains are taxed at 15%.

What should be classified as significant share trading activity though it has led to uncertainty and a lot of litigation? Taxpayers receive notices from the tax department and spend a lot of time and energy explaining why they chose a particular tax treatment for the sale of shares.

New Clarification from CBDT

Taxpayers have now been offered a choice of how they want to treat such income. Once they choose, they must, however, continue the same method in subsequent years, too, unless there is a major change in the circumstances of the case. Note that the choice has been made applicable only to listed shares or securities.

To reduce litigation in such matters, CBDT has issued the following instructions (CBDT circular no 6/2016 dated 29th February 2016)– If the taxpayer himself opts to treat his listed shares as stock-in-trade, the income shall be treated as business income. Irrespective of the period of holding of listed shares. The AO shall accept this stand chosen by the taxpayer.

If the taxpayer opts to treat the income as capital gains, the AO shall not put it to dispute. This is applicable for listed shares held for more than 12 months. However, this stand, once taken by a taxpayer in a particular assessment year, shall also be applicable in subsequent assessment years. And the taxpayer will not be allowed to take a different stand in subsequent years.

In all other cases, the nature of the transaction (whether capital gains or business income) shall continue to be decided basis the concept of ‘significant trading activity’ and the intention of the taxpayer to hold shares as ‘stock’ or as ‘investment’. The above guidance would prevent unnecessary questioning from Assessing Officers regarding income classification.

How to Treat the Sale of Unlisted Shares in This Context

However, in the case of the sale of unlisted shares for which no formal market exists for trading, the department has given its view. Income arising from the transfer of unlisted shares would be taxed under the head ‘Capital Gain’, irrespective of the holding period, to avoid disputes/litigation and maintain a uniform approach (as per CBDT circular Folio No.225/12/2016/ITA.1I dated the 2nd of May, 2016).

Frequently Asked Questions

What is the exemption limit on LTCG on equity shares?

Rs.1,00,000 is the exemption limit for LTCG on equity shares provided STT(securities transaction tax) is paid at the time of both purchase or transfer.

What is indexation in the context of capital gain?

Indexation is the technique used to determine the inflated prices using the price index. Indexed price helps in adjusting the purchase price of the asset against the inflationary rise in the value of the asset. It considerably reduces the profits thereby reducing the tax liability.

Read more here

How are income from futures & options taxed?

Income from futures & options are taxed as business income under the head Profits & gains from Business & Profession as they are classified as non-speculative business income.

What is the tax treatment for gains accrued upto 31.03.2018?

No tax will be levied on the long-term gains on shares accrued upto 31.03.2018. However, the long-term gains on transfer of shares exceeding Rs.1,00,000 on or after 31.03.2018 will be taxed at 10%.

What will be the rate of tax on short term capital gains on transfer of equity shares?

The rate of tax on short-term capital gains on transfer of equity shares is 15%.

Is the Long-term capital loss allowed to be set-off against the short-term capital gain?

No. Long-term capital losses cannot be set-off against short-term capital gains. However, the losses can be carried forward to the subsequent eight years to set-off against long-term capital gains.

12. Capital Gains Tax

What is Capital Gains Tax In India: Types, Tax Rates, Calculation, Exemptions & Tax Saving

What is Capital Gains Tax In India?

Any profit or gain that arises from the sale of a 'capital asset' is known as 'income from capital gains'. Such capital gains are taxable in the year in which the transfer of the capital asset takes place. This is called capital gains tax. There are two types of Capital Gains: short-term capital gains (STCG) and long-term capital gains(LTCG).

Investment in a house property is one of the most sought out investments primarily because you get to own a house. While others may invest with the intention of earning a profit upon selling the property in the future. It is important to note that a house property is regarded as a capital asset for income tax purposes. Consequently, any gain or loss incurred from the sale of a house property may be subject to tax under the 'Capital Gains' head. Similarly, capital gains or losses may arise from sale of different types of capital assets. We will delve into the chapter on ‘Capital gains’ in detail here.

Defining Capital Assets

Land, building, house property, vehicles, patents, trademarks, leasehold rights, machinery, and jewellery are a few examples of capital assets. This includes having rights in or in relation to an Indian company. It also includes the rights of management or control or any other legal right.
The following do not come under the category of capital asset:

a. Any stock, consumables or raw material, held for the purpose of business or profession

b. Personal goods such as clothes and furniture held for personal use

c. Agricultural land in rural(*) India

d. 6½% gold bonds (1977) or 7% gold bonds (1980) or National Defence gold bonds (1980) issued by the central government

e. Special bearer bonds (1991)

f. Gold deposit bond issued under the gold deposit scheme (1999) or deposit certificates issued under the Gold Monetisation Scheme, 2015 and Gold Monetisation Scheme, 2019 notified by the Central Government.

*Definition of rural area (effective from AY 2014-15) – Any area which is outside the jurisdiction of a municipality or cantonment board, having a population of 10,000 or more is considered a rural area. Also, it should not fall within a distance given below

Distance (to be measured aerially)	Population (as per the last census).
2 kms from local limit of municipality or cantonment board	If the population of the municipality/cantonment board is more than 10,000 but not more than 1 lakh

6 kms from local limit of municipality or cantonment board	If the population of the municipality/cantonment board is more than 1 lakh but not more than 10 lakh
8 kms from local limit of municipality or cantonment board	If the population of the municipality/cantonment board is more than 10 lakh

Types of Capital Assets?

1. STCA (Short-term capital asset) An asset held for a period of 36 months or less is a short-term capital asset.

The criteria is 24 months for unlisted shares (those shares which are not listed in a recognized stock exchange in India) and immovable properties such as land, building and house property from FY 2017-18. For instance, if you sell house property after holding it for a period of 24 months, any income arising will be treated as a long-term capital gain, provided that property is sold after

31st March 2017.

The reduced period of the aforementioned 24 months is not applicable to movable property such as jewellery, debt-oriented mutual funds etc.

Some assets are considered short-term capital assets when these are held for 12 months or less. This rule is applicable if the date of transfer is after 10th July 2014 (irrespective of what the date of purchase is). These assets are:

- Equity or preference shares in a company listed on a recognized stock exchange in India
- Securities (like debentures, bonds, govt securities etc.) listed on a recognized stock exchange in India
- Units of UTI, whether quoted or not
- Units of equity oriented mutual fund, whether quoted or not
- Zero coupon bonds, whether quoted or not

2. LTCA (Long-term capital asset): An asset held for more than 36 months is a long-term capital asset. They will be classified as a long-term capital asset if held for more than 36 months as earlier.

Capital assets such as land, building and house property shall be considered as long-term capital asset if the owner holds it for a period of 24 months or more (from FY 2017-18).

Whereas, below-listed assets if held for a period of more than 12 months, shall be considered as long-term capital asset.

- Equity or preference shares in a company listed on a recognized stock exchange in India
- Securities (like debentures, bonds, govt securities etc.) listed on a recognized stock exchange in India
- Units of UTI, whether quoted or not
- Units of equity oriented mutual fund, whether quoted or not
- Zero coupon bonds, whether quoted or not

Classification of Inherited Capital Asset

In case an asset is acquired by gift, will, succession or inheritance, the period for which the asset was held by the previous owner is also included when determining whether it's a short term or a long-term capital asset. In the case of bonus shares or rights shares, the period of holding is counted from the date of allotment of bonus shares or rights shares respectively.

Tax Rates – Long-Term Capital Gains and Short-Term Capital Gains

Tax Type	Condition	Applicable Tax
Long-term capital gains tax (LTCG)	Sale of: - Listed Equity shares (If STT has been paid on purchase and sale of such shares) - units of equity oriented mutual fund (If STT has been paid on sale of such units)	10% over and above Rs 1 lakh
	Others	20%

Short-term capital gains tax (STCG)	When Securities Transaction Tax (STT) is not applicable	Normal slab rates
	When STT is applicable	15%.

Tax on Equity and Debt Mutual Funds

Gains made on the sale of debt funds and equity funds are treated differently. Any fund that invests heavily in equities (more than 65% of their total portfolio) is called an equity fund.

Funds	On or before 1 April 2023	Effective 1 April 2023

	Short-Term Gains	Long-Term Gains	Short-Term Gains	Long-Term Gains
Debt Funds	At tax slab rates of the individual	10% without indexation or 20% with indexation whichever is lower	At tax slab rates of the individual	At tax slab rates of the individual

Equity Funds	15%	10% over and above Rs 1 lakh without indexation	15%	10% over and above Rs 1 lakh without indexation

Tax Rules for Debt Mutual Funds

Recently in amendment to Finance Bill 2023, gains from debt mutual funds will now be taxed at slab rates and they will be considered as short-term irrespective of the holding period. Which means you will lose out the indexation benefit. Prior to 1st April 2023, debt mutual funds had to be held for more than 36 months to qualify as a long-term capital asset. It means you need to remain invested in these funds for at least three years to get the benefit of long-term capital gains tax. If redeemed within three years, the capital gains will be added to your income and will be taxed as per your income tax slab rate.

How Will Change in Income Tax Rules Affect Taxation on Debt Mutual Funds?

Here is calculation of the tax on debt funds before and after the investments:

Suppose Mr. Vinay invested Rs. 10,00,000 in FY 2017-18 in a debt mutual fund. He sold the investment after three years in FY 2022-23 for Rs. 18,00,000, resulting in a capital gain of Rs.8,00,000.

Particulars	Financial Year	CII	Amount
Sale	2022-23	331	18,00,000
Cost	2017-18	272	10,00,000

Indexed Cost of acquisition	(10,00,000*331/272)	12,16,912
LTCG	(18,00,000-12,16,912)	5,83,088
Tax payable	(5,83,088 * 20%)	1,16,617

Tax Liability after the changes in Income Tax Rules

Particulars	Financial Year	Amount

Sale	2023-24	18,00,000
Cost	2017-18	10,00,000
LTCG		8,00,000
Tax payable	If are in 15% bracket If are in 20% bracket	90,000 1,60,000

	If are in 30% bracket	2,40,000

LTCG taxation before and after the amendment.

Tax Bracket	Before amendment	After amendment
30% tax slab	1,16,617	2,40,000
20% tax slab	1,16,617	1,60,000

15% tax slab	1,16,617	90,000

From the above example, it is clear that the changes in income tax rules will have a negative impact on the people falling under the 20%-30% tax bracket.

Calculating Capital Gains

Capital gains are calculated differently for assets held for a longer period and for those held over a shorter period.

Terms You Need to Know:

Full value consideration: The consideration received or to be received by the seller as a result of transfer of his capital assets. Capital gains are chargeable to tax in the year of transfer, even if no consideration has been received.

Cost of acquisition: The value for which the capital asset was acquired by the seller.

Cost of improvement: Expenses of a capital nature incurred in making any additions or alterations to the capital asset by the seller.

Note:

- In certain cases where the capital asset becomes the property of the taxpayer otherwise than by an outright purchase by the taxpayer, the cost of acquisition and cost of improvement incurred by the previous owner would also be included.
- Improvements made before April 1, 2001, is never taken into consideration.

How to Calculate Short-Term Capital Gains?

Step 1: Start with the full value of consideration

Step 2: Deduct the following:

- Expenditure incurred wholly and exclusively in connection with such transfer
- Cost of acquisition
- Cost of improvement

Step 3: From this resulting number, deduct exemptions provided under sections 54B/54D

Step 4: This amount is a short-term capital gain to be taxed

Short-term capital gain =	Full value consideration *Less:* Expenses incurred exclusively for such transfer(for e.g. brokerage on sale) *Less:* Cost of acquisition *Less:* Cost of improvement

How to Calculate Long-Term Capital Gains?

Step 1: Start with the full value of consideration

Step 2: Deduct the following:

- Expenditure incurred wholly and exclusively in connection with such transfer
- Indexed cost of acquisition
- Indexed cost of improvement

Step 3: From this resulting number, deduct exemptions provided under sections 54, 54D, 54EC, 54F, and 54B

Long-term capital gain=	Full value consideration *Less* : Expenses incurred exclusively for such transfer *Less:* Indexed cost of acquisition *Less:* Indexed cost of improvement *Less:* Expenses that can be deducted from full value for consideration*

*(*Expenses from sale proceeds from a capital asset, that wholly and directly relate to the sale or transfer of the capital asset are allowed to be deducted. These are the expenses which are necessary for the transfer to take place.)*

Exception: As per Budget 2018, long-term capital gains on the sale of equity shares/ units of equity oriented fund, realised after 31st March 2018, will remain exempt up to Rs. 1 lakh per annum. Moreover, tax at @ 10% will be levied only on LTCG on shares/units of equity oriented fund exceeding Rs 1 lakh in one financial year without the benefit of indexation.

Deductible Expenses

A. Sale of house property: These expenses are deductible from the total sale price:

- Brokerage or commission paid for securing a purchaser
- Cost of stamp papers
- Travelling expenses in connection with the transfer – these may be incurred after the transfer has been affected
- Where property has been inherited, expenditure incurred with respect to procedures associated with the will and inheritance, obtaining succession certificate, costs of the executor, may also be allowed in some cases

B. Sale of shares: You may be allowed to deduct these expenses:

- a. Broker’s commission related to the shares sold
- STT or securities transaction tax is not allowed as a deductible expense

C. Where jewellery is sold: In case of sale of broker’s jewellery and where a broker’s services were involved in securing a buyer, the cost of these services can be deducted.

Note: The expenses deducted from the sale price of assets for calculating capital gains are not allowed as a deduction under any other head of income, and you can claim them only once.

Indexed Cost of Acquisition/Improvement

The cost of acquisition and improvement is indexed by applying CII (cost inflation index). It is done to adjust for inflation over the years of holding the asset. This increases one’s cost base and lowers the capital gains.
Refer to this page for the complete list of CII.

The indexed cost of acquisition is calculated as:

Indexed cost of acquisition =	(Cost of acquisition X CII of the year in which the asset is transferred) / CII of the year in which the asset was first held by the seller or FY 2001-02, whichever is later

The cost of acquisition of the assets acquired before 1st April 2001 should be actual cost or FMV as on 1st April 2001, as per taxpayer's option.

The indexed cost of improvement is calculated as:

Indexed cost of improvement =	Cost of improvement x CII (year of asset transfer) / CII (year of asset improvement)

Note: Improvements made before 1st April 2001, should not be considered.

Guide to Obtain Capital Gains Statement from CAMS and Import the Data

Instead of manually entering the details you can simply upload a Realised Gain statement that is a consolidation of your investment performance, capital gains and income for the current and last financial years across CAMS serviced funds.

Guide to Obtain Capital Gains Statement from KARVY and Import the Data

Instead of manually entering the details you can simply upload a Realised Gain statement that is a consolidation of your investment performance, capital gains and income for the current and last financial years across KARVY serviced funds.

Guide to Obtain Capital Gains Statement from ZERODHA and Import the Data

Instead of manually entering the details you can simply upload a Realised Gain statement that is a consolidation of your investment performance, capital gains and income for the current and last financial years across ZERODHA serviced funds

Guide to Obtain Capital Gains Statement from Groww and Import the Data

Instead of manually entering the details you can simply upload a Realised Gain statement that is a consolidation of your investment performance, capital gains and income for the current and last financial years across Groww serviced funds.

Guide to Obtain Capital Gains Statement from Upstox and Import the Data

Instead of manually entering the details you can simply upload a Realised Gain statement that is a consolidation of your investment performance, capital gains and income for the current and last financial years across Upstox serviced funds.

Guide to Obtain Capital Gains Statement from ICICI and Import the

Guide to Obtain Capital Gains Statement from Paytm Money and Import the Data

Instead of manually entering the details you can simply upload a Realised Gain statement that is a consolidation of your investment performance, capital gains and income for the current and last financial years across Paytm Money serviced funds

Exemption on Capital Gains

Example: Manya bought a house in July 2004 for Rs.50 lakh, and the full value of consideration received in FY 2016-17 is Rs.1.8 crore.
Capital asset type: Since this property has been held for over 3 years, this would be a long-term capital asset.

Cost of acquisition: The cost price is adjusted for inflation and indexed cost of acquisition is taken. Using the indexed cost of acquisition formula, the adjusted cost of the house is Rs 1.17 crore. (Refer CII here for the calculations)

Capital gain: Hence, the net capital gain is Rs 63, 00,000.

Tax: Long-term capital gains on sale of house property are taxed at 20%. For a net capital gain of Rs 63, 00,000, the total tax outgo will be Rs.12,97,800.

This is a significant amount of money to be paid out in taxes. This can be lowered by taking benefit of exemptions provided by the Income Tax Act on capital gains when profit from the sale is reinvested into buying another asset.

Section 54: Exemption on Sale of House Property on Purchase of Another House Property

Budget 2019 announcement!

Capital gains exemption under Section 54: Taxpayers can get an exemption from long-term capital gain from the sale of house property by investing in up to two house properties against the earlier provision of one house property with same conditions. However, the capital gain on the sale of house property must not exceed Rs 2 crores.

The exemption under Section 54 is available when the capital gains from the sale of house property are reinvested into buying or constructing two another house properties (prior to Budget 2019, the exemption of the capital gains was limited to only 1 house property).

The exemption on two house properties will be allowed once in the lifetime of a taxpayer, provided the capital gains do not exceed Rs. 2 crores. The taxpayer has to invest the amount of capital gains and not the entire sale proceeds. If the purchase price of the new property is higher than the amount of capital gains, the exemption shall be limited to the total capital gain on sale.

Conditions for availing this benefit:

- The new property can be purchased either 1 year before the sale or 2 years after the sale of the property.
- The gains can also be invested in the construction of a property, but construction must be completed within three years from the date of sale.
- In the Budget for 2014-15, it has been clarified that only 1 house property can be purchased or constructed from the capital gains to claim this exemption.
- Please note that this exemption can be taken back if this new property is sold within 3 years of its purchase/completion of construction.
- The capital gains tax exemption limit under Section 54 to 54F is restricted to Rs.10 crore. Earlier, there was no threshold.

If the amount of capital gain exceeds Rs. 2 Crore

If the amount of capital gain exceeds Rs. 2 Crore then One residential house property should be purchased within 1 year before the date of sale of house property or 2 years after the date of sale of house property; (OR) Construct a house property within 3 years after the date of sale of house property.

Section 54F: Exemption on capital gains on sale of any asset other than a house property

Exemption under Section 54F is available when there are capital gains from the sale of a long-term asset other than a house property. You must invest the entire sale consideration and not only capital gain to buy a new residential house property to claim this exemption. Purchase the new property either one year before the sale or 2 years after the sale of the property. You can also use the gains to invest in the construction of a property. However, the construction must be completed within 3 years from the date of sale.

In Budget 2014-15, it has been clarified that only 1 house property can be purchased or constructed from the sale consideration to claim this exemption. This exemption can be taken back, if this new property is sold within 3 years of its purchase. If the entire sale proceeds are invested towards the new house, the entire capital gain will be exempt from taxes if you meet the above-said conditions.

However, if you invest a portion of the sale proceeds, the capital gains exemption will be in the proportion of the invested amount to the sale price LTCG exemption = Capital gains x Cost of new house / Net consideration.

Section 54EC: Exemption on Sale of House Property on Reinvesting in specific bonds

Exemption is available under Section 54EC when capital gains from sale of the first property are reinvested into specific bonds.

- If you are not keen to reinvest your profit from the sale of your first property into another one, then you can invest them in bonds for up to Rs. 50 lakhs issued by National Highway Authority of India (NHAI) or Rural Electrification Corporation (REC).
- The money invested can be redeemed after 5 years, but they cannot be sold before the lapse of 5 years from the date of sale.
- The homeowner has six month's time to invest the profit in these bonds. But to be able to claim this exemption, you will have to invest before the tax filing deadline.

Section 54B: Exemption on Capital Gains From Transfer of Land Used for Agricultural Purpose

When you make short-term or long-term capital gains from transfer of land situated in Urban area used for agricultural purposes – by an individual or the individual’s parents or Hindu Undivided Family (HUF) – for 2 years before the sale, exemption is available under Section 54B. The exempted amount is the investment in a new asset or capital gain, whichever is lower. You must reinvest into a new agricultural land (in urban or rural area) within 2 years from the date of transfer.

The new agricultural land, which is purchased to claim capital gains exemption, should not be sold within a period of 3 years from the date of its purchase. In case you are not able to purchase agricultural land before the date of furnishing of your income tax return, the amount of capital gains must be deposited before the date of filing of return in the deposit account in any branch (except rural branch) of a public sector bank or IDBI Bank according to the Capital Gains Account Scheme, 1988.

Exemption can be claimed for the amount which is deposited. If the amount which was deposited as per Capital Gains Account Scheme was not used for the purchase of agricultural land, it shall be treated as capital gains of the year in which the period of 2 years from the date of sale of land expires. If you wish to know more about investment choices with good capital gains potential. Our handpicked plans can help you build a portfolio that is best suited to your financial goals and risk profile.

Section 54D: Capital Gains on transfer of land and building which is used for industrial undertaking

Conditions to be fulfilled :

- There must be compulsory purchase of land and building which is used for an industrial undertaking.
- The land and building should have been used by the assessee for purposes of the business of the industrial undertaking in the 2 years before the date of transfer.
- The assessee must purchase any other land or building or construct any building (for shifting or re-establishing the existing undertaking or setting up a new industrial undertaking) within 3 years from the date of transfer.
- If such investment is not made before the date of filing of return of income, then the capital gain has to be deposited under the CGAS.

Amount of exemption :

- If the cost of a new asset is more than or equal to the sale consideration, then the entire capital gain will be exempted.

- If the cost of a new asset is lesser than Capital gains, capital gains to the extent of the cost of a new asset is exempt. i.e. the cost of a new asset will be exempted.

When can you invest in Capital Gains Account Scheme?

Finding a suitable seller, arranging the requisite funds and getting the paperwork in place for a new property is one time-consuming process. Fortunately, the Income Tax Department agrees with these limitations. If capital gains have not been invested until the due date of filing of return (usually 31 July) of the financial year in which the property is sold, the gains can be deposited in a PSU bank or other banks as per the Capital Gains Account Scheme, 1988.

This deposit can then be claimed as an exemption from capital gains, and no tax has to be paid on it. However, if the money is not invested, the deposit shall be treated as a short-term capital gain in the year in which the specified period lapses.

Saving Tax on Sale of Agricultural Land

In some cases, capital gains made from the sale of agricultural land may be entirely exempt from income tax or it may not be taxed under the head capital gains. See below:

a. Agricultural land in a rural area in India is not considered a capital asset and therefore any gains from its sale are not chargeable to tax. For details on what defines an agricultural land in a rural area, see above.

b. Do you hold agricultural land as stock-in-trade? If you are into buying and selling land regularly or in the course of your business, in such a case, any gains from its sale are taxable under the head Business and Profession.

c. Capital gains on compensation received for compulsory acquisition of urban agricultural land are tax exempt under Section 10(37) of the Income Tax Act.

If your agricultural land wasn't sold in any of the above cases, you can seek exemption under Section 54B.

Frequently Asked Questions

Is the benefit of indexation available for computing capital gains arising on sale of a short-term capital asset?

Capital gains is determined by reducing the purchase price from the sale price. However, for an asset that has been held for a long time, it would not be appropriate to determine gains by merely reducing purchase price from sale price without giving any effect to the inflation. Hence, the concept of indexing the purchase price has been brought in. This way, the indexed purchase price can be reduced from sale price to determine gains. So, indexation applies only to assets held for long-term.

Should an NRI pay taxes on gains made on the sale of property in India?

Property sold in India is generally subject to tax deduction. The person buying the property must deduct taxes at the rate applicable to the NRI's income slab, if the property is a short-term asset. If the property is a long-term asset, 20% LTCG tax is charged. Further, it is important for the NRI to ensure that taxes are deducted on the gains made and not on the sale proceeds. A jurisdictional Assessing Officer can help to determine the gains on which taxes should be deducted by the purchaser.

Can I set off my short-term capital loss against any other head of income?

First and foremost, capital losses can be set off only against capital gains. Accordingly, short-term capital losses can be set off against any income under capital gains be it short-term or long-term. However, long-term capital losses can be set off only against long-term capital gains.

What is the rate of tax on long-term capital gains on sale of house property?

Long-term capital gains on sale of house property is taxable at the rate of 20% flat on the quantum of gains made.

Speculative Income - Meaning, Taxability, Exceptions

Updated on: May 15th, 2023

|

7 min read

For income tax purposes, the income earned by the taxpayers is categorised under five major heads such as income from salary, income from house property, profits or gains of business/profession (PGBP), income from capital gains, and income from other sources.

Right classification of income plays an important role as the method of computation, deductions, incentives, and tax rates prescribed vary for different heads of income. Let's quickly test you on this. Would you classify your income from share trading and investment as PGBP income or income from capital gains? The answer seems simple right - Capital Gains!

Well, not entirely correct. There has always been confusion/litigation regarding the classification of income between PGBP income or income from capital gains in the case of commodities including stocks and shares.

There are various decisions which have held that the classification between these two categories of income must depend on the intention of investment and frequency of transactions. Further, if a transaction is classified to be business, it calls for further classification of the income being speculative or non-speculative. This article revolves around understanding what speculative income is.

What is Speculative Income?

Speculative income is income that is not realised until it is earned. Speculative income is earnings predicated on a future event. Earned income from a business activity in which the taxpayer has a significant risk of losing money is referred to as speculative income. Speculative income is distinct from conventional income in that it does not compensate for capital investments or grow net value. In other words, for income to be considered speculative, a taxpayer must be putting capital at risk. The term itself is complicated, and this article will provide you with a detailed guide to speculative income.

What is Speculative Transaction?

A speculative transaction is a transaction of purchase or sale of a commodity including stocks and shares settled otherwise than by actual delivery or transfer of the commodity or scrip (Section 43(5) of the Income Tax Act)

Example: In the case of intra-day trading in shares, there is no actual delivery as the shares enter and exit from the trading account on the same date and it does not enter the DEMAT account at all. Therefore, actual delivery does not take place. Hence, they are called speculative transactions. Therefore, based on the definition it can be inferred that intra-day trading income is speculative income.

What are the Exceptions to a Certain Transaction to be Considered as "Speculative"?

Following are certain transactions which have been specifically excluded from being treated as Speculative transactions.

- Hedging contract in respect of raw materials or merchandise

A person may incur loss in case of future price fluctuations in respect of contracts entered into by him for the delivery of goods manufactured or merchandise sold. To guard himself against such a loss and reduce the risk exposure, he may enter into a hedge contract. Such contracts are not speculative in nature.

- Hedging contract in respect of stocks and shares

To guard against loss due to price fluctuations in stocks and shares a hedge contract entered into by a dealer or investor is not considered as speculative.

- Forward contract

This is a contract entered into by a member of a forward market or stock exchange in the course of any transaction in the nature of jobbing (all transactions are squared off during the same day) or arbitrage (purchase of commodity or security in one market for immediate sale in another market) to guard against loss which may arise in the ordinary course of his business as such member. A forward market is an over-the-counter marketplace that sets the price of a financial instrument or asset for future delivery.

- Trading in derivatives

An eligible transaction (carried out electronically on screen-based systems through a recognized broker as per relevant statutes and which is supported by a time stamped contract note indicating unique client identity number and PAN) in respect of trading in derivatives referred to in Securities Contracts (Regulation) Act, 1956 and carried out in a recognised stock exchange is known as trading in derivatives.

- Trading in commodity derivatives

It is an eligible transaction (carried out electronically on screen-based systems through registered member or intermediary as per relevant statutes and which is supported by a time stamped contract note indicating unique client identity number, unique trade number and PAN) in respect of trading in commodity derivatives carried out in a recognised association, which is chargeable to commodities transaction tax under Chapter VII of the Finance Act, 2013.

How is Income or Loss from Speculative Business Treated?

- Speculative business to be treated as distinct business

If a taxpayer is carrying out many businesses along with a speculative business, such speculative business of a taxpayer must be deemed as distinct and separate from any other business carried out by him.

- Treatment of loss from speculative business

Losses from speculative business can be set off only against profits from speculative business. If the loss could not be set-off during in that year, it can be carried forward to the next 4 assessment years and set-off only against the speculative income. Further, if depreciation and capital expenditure incurred on scientific research, if any, relates to speculative business then such depreciation/capital expenditure shall be set-off first.

Frequently Asked Questions (FAQs)

How do you calculate turnover for speculative business?

In case of speculation business, the aggregate of both positive and negative differences is to be considered as the turnover.

How is speculative income taxed?

Intra-day trading is deemed speculative business transactions under Section 43(5) of the money Tax Act of 1961, and the money derived from it is either speculation gains or speculation losses. Profits from speculating are taxed at regular rates.

What is speculative trading?

Speculation is the act of trading an asset or undertaking a financial transaction in which there is a large danger of losing most or all of the initial investment with the intention of making a significant profit. It entails trading in high-risk financial products with the prospect of large rewards. The goal is to profit as much as possible from market swings.

Which ITR is Used for Speculative Income?

Generally ITR-3 is filed for reporting speculative business income or loss similar to that of normal business income.

13. Speculative Income

Speculative Income - Meaning, Taxability, Exceptions

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7 min read

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What is LTCG?

The assets owned by an individual that may or may not be connected with business or profession are called capital assets. The common examples of capital assets include bonds, mutual funds, jewellery, patents, or trademarks. However, furniture and clothes for personal use, rural agricultural land are not capital assets.

The LTCG or long-term capital gains tax is charged on the profit generated from an asset such as shares, bonds, commodities, or real estate that is held for the long-term. The period of holding, which is ‘short term’ or ‘long term’ differs across various assets. It is defined as per the Income Tax Act, 1961.

The table below shows you how the capital assets are classified as short-term or long-term based on the holding period.

Capital Asset	**Holding period of the capital asset**

	Short Term	Long Term
Immovable Property such as House Property	Less than two years	Two years or more
Movable Property such as Gold Jewelry	Less than three years	Three years or more
Listed Shares	Less than one year	One year or more

Equity-oriented mutual funds	Less than one year	One year or more
Debt-oriented mutual funds	Less than three years	Three years or more

- Long-term capital gains tax is levied on the capital gains from shares and equity-oriented mutual funds, that are held for one year or more.
- The long-term capital gains tax is charged at the rate of 10%, on the gains above Rs 1 lakh in a financial year. Short-term capital gains tax is charged at the rate of 15%.

What is an LTCG Calculator (Long Term Capital Gains Tax Calculator)?

The long-term capital gains or LTCG Calculator is a utility tool, which shows you the long-term capital gains and the LTCG tax liability, for equity-oriented mutual funds and listed equity shares.

The LTCG Calculator consists of a formula box, where you enter the holding period, the purchase value, and the sale value of the equity-oriented fund. The calculator will display the taxable short-term capital gain or long-term capital gain, depending on the holding period.

How Does LTCG Calculators Work?

You can understand the working of an LTCG calculator with this example. You purchased 200 shares of XYZ Company Ltd at Rs 1,000 per share in May 2018. You sold all the 200 shares at Rs 1,800 per share in January 2020.

You have held the shares for more than one year. The profit of Rs 1,60,000 (200*1800 – 200*1000) is called long-term capital gains.

You have to pay the long-term capital gains tax on the gains that are above Rs 1 lakh in a financial year. You have the LTCG tax on Rs 60,000. (Rs 1,60,000 – Rs 1,00,000) at 10%. You pay a long-term capital gains tax of Rs 6,000. (Rs 60,000@10%).

Suppose you sold the 200 shares in January 2019 when the share price was Rs 1,500 per share. The total purchase value of your 200 shares in May 2018 was Rs 2,00,000. You have held the shares for less than one year. The profit of Rs 1,00,000 (200*1500 – 200*1000) is called short-term capital gains.

You must pay short-term capital gains tax at 15% on the short-term capital gains which is Rs 1,00,000 *15% = Rs 15,000.

The announcement for the introduction of the long-term capital gains tax on equity-oriented instruments and shares was made during the Union Budget 2018. The new rule was applicable for all the transactions that are made on or after 01 April 2018.

How to Use the LTCG Calculator?

- You must choose the period when you sold the shares or equity-oriented mutual fund units. If you select before 31 March 2018, there is no long-term capital gains tax on the investment. If you choose after 01 April 2018, you will incur a long-term capital gains tax.
- You then select the holding period as less than one year if you have held the investment for the requisite period.
- You must enter the sale value and the purchase value of the investment.
- The LTCG Calculator will show you the short-term capital gain and STCG taxes.

- You must select the holding period as more than one year if you have invested for this duration.
- You then select the sale value of the investment.
- You must select the date of purchase of the units as after 31 January 2018 or before 31 January 2018 as applicable.
- If you select the latter option, the calculator will ask you for the fair market value.
- The LTCG Calculator will show you the long-term capital gain and LTCG taxes.

Benefits of Using the LTCG Calculator?

- The LTCG Calculator will show you the long-term capital gains tax on the purchase and sale of equity-oriented funds and shares in a matter of seconds.
- You get a birds-eye view of the actual return from the investment after accounting for the taxes. It helps you to plan the duration of the investment in equity funds and shares for maximum tax-efficiency.
- You can plan the investments in equity instruments as you already know the short-term or long-term capital gains tax you would incur depending on the holding period.

Frequently Asked Questions

Why does the LTCG Calculator ask you for the date of sale of equity shares or units?

The long-term capital gains on the sale of equity-oriented funds and shares were made taxable during the Union Budget 2018. The rule would apply for all transactions made on or after 01 April 2018. If you had invested in equity-oriented securities or shares before 31 January 2018, all gains till that date are considered to be grandfathered and exempt from tax.

However, STCG would continue to be taxed at 15% (excluding surcharge and cess). Any long-term capital gains above Rs 1 lakh that arise from the transfer of equity-oriented mutual funds and shares after 01 April 2018 are taxed at 10%. The LTCG Calculator considers this rule and calculates the long-term capital gains tax.

Why does the LTCG Calculator ask for the holding period between the date of purchase and sale of equity units?

The LTCG Calculator asks you to select the holding period as less than one year or one year or more. If you choose the option as less than one year, the calculator will show you the short-term capital gains tax on the investment. If you select the latter option, the calculator displays the long-term capital gains tax on the asset.

Why does LTCG Calculator ask you to fill the FMV (Fair Market Value)?

To make sure that only the gains after 01 February 2018 are considered for taxation, the government introduced a grandfathering clause. You must calculate the cost of acquisition as per the formula shown below:

The cost of acquisition of the asset is the higher of:

a) The actual cost at which the asset is acquired.

b) The lower of the fair market value as of 31 January 2018 and the total amount you receive when selling the equity-oriented fund or share.

Let us understand the calculation of long-term capital gains for different scenarios:

Example 1: You have purchased an equity share on 01 February 2017 at Rs 150. The fair market value as of 31 January 2018 was Rs 250. You sold the share on 01 May 2018 at Rs 300.

The actual cost of acquisition at Rs 150 is lower as compared to the fair market value (FMV) on 31 January 2018. The FMV of Rs 250 is taken as the cost of acquisition. The long-term capital gains tax will be the difference between the selling price of the asset and the fair market value, which is Rs 50 (Rs 300 – Rs 250).

Example 2: You have purchased an equity share on 01 February 2017 at Rs 200. The fair market value as of 31 January 2018 was Rs 150. You sold the share on 01 May 2018 at Rs 300.

The fair market value on 31 January 2018 at Rs 150 is lower as compared to the actual cost of the acquisition at Rs 200. The actual cost of Rs 200 will be taken as the actual cost of the purchase. The long-term capital gain will be the difference between the selling price of the asset and the actual cost of the acquisition, which is Rs 100 (Rs 300 – Rs 200).

Example 3: You have purchased an equity share on 01 February 2017 at Rs 200. The fair market value as of 31 January 2018 was Rs 250. You sold the share on 01 May 2018 at Rs 100.

In this example, the actual cost of acquisition at Rs 200 is lower as compared to the fair market value as of 31 January 2018 at Rs 250. The sale value of the asset at Rs 100 is also lower as compared to the fair market value of Rs 250 and the cost of the acquisition at Rs 200. The actual cost of acquisition of Rs 200 is taken as the cost of the acquisition. The long-term capital loss is Rs 100 (Rs 100 – Rs 200) for this scenario.

What is the concept of Grandfathering in Income Tax?

When a new clause or policy is added to a law, certain persons may be relieved from complying with the new clause. This is called “grandfathering”. “Grandfathered” persons enjoy the right to avail the concession because they have made their decisions under the old law.

Securities Transaction Tax (STT)- Features, Tax Rate & Applicability

It is quite common for taxpayers to resort to tax-evading measures to save their tax outflow to the Government. It is necessary for the Government to keep a tab on such measures by having provisions in the law or introducing new provisions / modifying the existing ones in order to curb this practice.

When people started evading capital gains tax by not declaring their profits on the sale of stocks, the Finance Act, way back in 2004, introduced a tax called the Securities Transaction Tax (STT) as a clean and efficient way of collecting taxes from financial market transactions.

What is Securities Transaction Tax (STT)?

STT is a kind of financial transaction tax which is similar to tax collected at source (TCS). STT is a direct tax levied on every purchase and sale of securities that are listed on the recognised stock exchanges in India. STT is governed by the Securities Transaction Tax Act (STT Act), and the STT Act has specifically listed down various taxable securities transactions i.e., transactions on which STT is leviable.

Taxable securities include equity, derivatives, and unit of equity-oriented mutual fund. It also includes unlisted shares sold under an offer for sale to the public included in IPO and where such shares are subsequently listed in stock exchanges. STT is an amount to be paid over and above transaction value and hence, increases transaction value.

As already mentioned, STT is leviable on taxable securities transactions. STT Act has also provided the value of the transactions on which STT is required to be paid and person who is responsible for paying STT i.e., either buyer or seller. However, rate of STT will be decided by Government and modified from time to time if necessary.

Provisions of collection of STT works similar to TCS or TDS. STT is required to be collected by a recognised stock exchange or by the prescribed person in the case of every mutual fund or the lead merchant banker in the case of an initial public offer, as the case may be, and subsequently payable to the Government on or before the 7th of the following month. In case the above persons fail to collect the taxes, they are still obliged the discharge an equivalent amount of tax to the credit of the Central Government within the 7th of the following month. Further, failure to collect or remit whatever has been collected will result in a levy of interest and penal consequences too.

Features of Securities Transaction Tax

STT is a straightforward direct tax that is simple to compute and impose. Some of STT's most distinguishing characteristics are given below.

1. An STT charge is applied on all sell transactions for options and futures.
2. For the purposes of STT computation, each ‘futures’ trade is valued at the actual traded price, whereas each option trade is valued at the premium.
3. The amount of STT that a clearing member must pay is the aggregate of all STT taxes owed by trading members under him.

Securities on which STT is Applicable

While the term ‘securities’ is not defined under the STT Act, the STT Act specifically allows borrowing of the definition of such terms not defined in the STT Act but defined in the Securities Contracts (Regulation) Act, 1956 or Income-tax Act, 1961. The term ‘Securities’ is defined in the Securities Contracts (Regulation) Act and includes the following:

- Shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated company or other body corporates.
- Derivatives.
- Units or any other instrument issued by any collective investment scheme to the investors in such schemes.
- Government securities of equity nature.
- Equity-oriented units of mutual funds.
- Rights or interest in securities.
- Securitised debt instruments.

Hence, securities include all of the above and are traded on the recognized stock exchange for the purpose of STT levy. Off-market transactions are out of the purview of STT.

Levy of Securities Transaction Tax in India

Taxable securities transaction	Rate of STT	Person responsible for paying STT	Value on which STT is required to be paid
Delivery-based purchase of equity share	0.1%	Purchaser	Price at which equity share is purchased*

Delivery-based sale of an equity share	0.1%	Seller	Price at which equity share is sold*
Delivery-based sale of a unit of oriented mutual fund	0.001%	Seller	Price at which unit is sold*
Sale of equity share or unit of equity-oriented mutual fund in a recognised stock exchange otherwise than by actual delivery or transfer and intra day traded shares	0.025%	Seller	Price at which equity share or unit is sold*

Derivative – Sale of an option in securities.	0.0625%	Seller	Option premium
Derivative – Sale of an option in securities where the option is exercised.	0.125%	Purchaser	Settlement price
Derivative – Sale of futures in securities.	0.0125%	Seller	The price at which such futures are traded.

Sale of unit of an equity-oriented fund to the Mutual Fund – Exchange-traded funds (ETFs)	0.001%	Seller	Price at which unit is sold*
Sale of unlisted shares under an offer for sale to the public included in IPO and where such shares are subsequently listed in stock exchanges	0.2%	Seller	Price at which such shares are sold*

PURCHASE OF UNITS OF EQUITY ORIENTED MUTUAL FUNDS	NIL	PURCHASER	NA

STT on Physical Delivery of Derivatives

Derivative contracts are generally settled in cash, which means, stocks are not physically delivered, and only the profits are paid and received by the contracting parties. These transactions, as given in the table above, are subject to an STT levy of 0.001 per cent. However, SEBI had in its Circular dated 11.4.2018 listed around 46 stocks, in respect of which derivative contracts would be settled by way of physical delivery of shares as against cash. However, no clarity emerged on the rate of STT that would apply to these kinds of transactions.

Further, for such transactions, the stock exchanges began to levy an STT of 0.1 per cent (this is the rate of STT for delivery-based equity share transactions), which is almost 10 times what is levied for derivative contracts settled in cash. Hence, a petition was lodged by the Association of National Exchange Members of India (ANMI) against the stock exchanges before the Bombay High Court to address the aforementioned concern of a levy of 0.1 per cent of STT on physical delivery of derivatives.

The High Court has sought the comments of the Central Board of Direct Taxes (CBDT) in this regard. The CBDT, in response, has issued a clarification dated 27 August 2018, where it has observed that where a derivative contract is being settled by physical delivery of shares, such transaction would be similar to a transaction in equity shares where the contract is settled by actual delivery of shares. Therefore, the STT rate as applicable to delivery-based equity transactions would apply to such derivative transactions too.

Securities Transaction Tax and Income Tax

Tax on Capital Gains

When the STT levy was introduced in 2004, a new Section 10(38) was introduced to benefit taxpayers who would incur STT. As per income tax law, for transactions undertaken until 31 March 2018, any capital gain on the sale of shares or equity-oriented mutual fund units (EOMF) which are subject to STT is taxed at beneficial/Nil rate.

While long-term capital gains (if shares or EOMF are held for > 12 months) are exempt from tax, short-term capital gains on such securities are taxed at a concessional rate of 15%. However, in order to prevent abuse of exemption provisions by certain persons for declaring their unaccounted income as exempt long-term capital gains by entering into sham transactions, the Finance Budget 2018 proposed to withdraw the exemption on long-term capital gain and tax long-term capital gains on equity shares and EOMF at concessional rate of 10% with respect to transfer effected on or after 1 April 2018.

However, gains accrued till 31 January 2018 are grandfathered, i.e., in case of transfers up to 31 January 2018, the cost of acquisition of shares or EOMF acquired before 1 February 2018 will be replaced by fair market value as of 31st January 2018.

Tax on Business Income

If a person is trading in securities and offering income/loss from such trading as business income, STT paid is allowed to be deducted as business expense.

When Is Securities Transaction Tax Levied?

Each purchase and sale of shares listed on a domestic and recognised stock market is subject to a securities transaction tax. The government determines the taxation rate. Under the STT act, all stock market transactions involving equities or equity derivatives such as futures and options are subject to taxation. When a share transaction is completed, STT is levied. As a result, STT is quick, transparent, and effective. Because the tax is imposed as soon as the transaction occurs, incidents of non-payment, incorrect payment, and so on are minimised to a bare minimum. However, the net effect is that it raises the cost of the transactions.

STT Example

Assume a dealer purchases 500 shares worth Rs.10,000 at Rs.20 per share and sells them at Rs.30 per share. If the trader sells the shares on the same day, the intraday STT rate of 0.025% will apply.

As a result, STT = 0.025*30*500 = Rs.375.

Similarly, the appropriate STT for futures and options is 0.01%. If a trader buys 5 lots of Nifty futures at Rs.5,000 and sells them at Rs.5,010, the STT is calculated as follows:

STT = 0.01*5010*50*5 = Rs.125.25

Frequently Asked Questions

Is STT a direct or indirect tax?

The Securities Transaction Tax (STT) is a direct tax levied on all purchases & sells of equity securities on India's regulated stock exchanges.

What is the tax rate on shares on which STT is levied ?

Where the holding period is less than 1 year such transaction is considered as short term and tax @ 15% will be levied.

Where the holding period is more than 1 year such transaction is considered as long term and tax @ 10% will be levied.

Above special rates are applicable only if STT was paid at the time of purchase and sale of such security.

How can I avoid STT charges?

No matter what, if you purchase and sell shares or mutual fund units STT is charged.

Which fund is exempt from STT?

There will be no STT charged on the sale of debt fund units.

Can we claim STT in capital gain?

Individuals who earn profit from LTCG or STCG, cannot claim STT as an expense.

Long Term Capital Gains (LTCG) on the Sale of Stocks, Shares etc.

Updated on: Mar 13th, 2024

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18 min read

Budget 2018 proposed to remove Section 10 (38) of the Income Tax Act 1961. As per this section, the long-term capital gains (LTCG) arising on the sale of equity shares or units of an equity-oriented mutual fund on which Securities Transaction Tax (STT) is paid were exempt from taxation.

What is Section 112A?

Section 112A allows long-term capital gains on the sale of listed equity shares, equity-oriented mutual funds, and business trust units to be taxed. Following the abolition of the exemption under section 10(38), the said section was established in Budget 2018. It is effective beginning with the fiscal year

2018-19. It provides for a 10% tax on long-term capital gains on listed stocks that surpass a Rs.1 lakh threshold. The schedule for Section 112A of the Income Tax Act, which requires the taxpayer to fill out the scrip-wise data of securities sold during the year, is included in the income tax form.

Scope of Section 112A

The following conditions apply for availing the benefit of the concessional rate under section 112A of the Income-tax Act,1961:

1. The securities transaction tax (STT) has been paid on the acquisition and transfer of an equity share of a corporation.
2. The STT was paid when the asset was sold in the case of units of an equity-oriented fund or units of a business trust.
3. The securities should be long-term investments.
4. No deduction under Chapter VI A is available for such long-term capital gain.
5. A rebate under section 87A cannot be claimed in respect of long-term capital gain tax due under section 112A.

Applicability of Section 112A

The provisions of this section will apply from the financial year (FY) 2018-19, i.e. AY 2019-20. This otherwise means any transfer carried out after 1 April 2018, resulting in LTCG above Rs 1 lakh, will attract tax at the rate of 10%.

Grandfathering Provisions Under Section 112A of Income-tax Act

In the Budget 2018, there has been a proposal to Grandfather investments made on or before 31 January 2018.

What is the concept of Grandfathering?

When a new clause or policy is added to a law, certain persons may be relieved from complying with the new clause. This is called “grandfathering”. “Grandfathered” persons enjoy the right to avail the concession because they have made their decisions under the old law.

The concept of grandfathering in the case of LTCG on the sale of equity investments works as follows:

A method of determining the Cost of Acquisition (COA) of such investments has been specifically laid down as per the COA of such investments shall be deemed to be the higher of:

- The actual COA of such investments; and
- The lower of-
    - Fair Market Value ('FMV') of such investments; and
    - the Full Value of Consideration received or accruing as a result of the transfer of the capital asset i.e. the Sale Price

Further, the FMV would be the highest price quoted on the recognized stock exchange on 31 January 2018.

In case there is no trading of the said asset in such stock exchange, the highest price on a day immediately preceding 31 January 2018 shall be considered to be the FMV. In effect, the taxpayer can claim the highest price quoted on the recognised stock exchange on 31 January 2018 as the COA and claim the deduction for the same.

The computation mechanism has been further explained by way of the following examples

Capital Gain/ Loss = Sale Price – Revised Cost of Acquisition on 31.1.2018

Example 1

Mr X bought equity shares on 15th Dec 2016 for Rs. 10,000. FMV of the shares was Rs. 12,000 as of 31st Jan, 18. He sold the shares on 10th May 2020 for Rs. 15,000. What will be the long-term capital gain/ loss?

Cost of Acquisition (COA)

Higher of –

- Original COA i.e. Rs. 10,000, and
- Lower of –
    - FMV on 31.1.18 i.e. Rs. 12,000, and
    - Sale Price i.e. Rs. 15,000

Hence, COA = Higher of (Rs. 10,000 or Rs. 12,000) Rs. 12,000

Capital Gain/ (Loss)

- Sale Price – Cost of Acquisition
- Rs. 15,000 – Rs. 12,000
- Rs. 3,000

Example 2

Mr A purchased equity shares on 20th Jan 2018 for Rs. 16,000. FMV of the shares was Rs. 11,000 as of 31st Jan, 2018. He sold the shares on 26th Apr 2022 for Rs. 26,000. What will be the long-term capital gain/ loss?

Cost of Acquisition (COA)

Higher of –

- Original COA, i.e. Rs. 16,000, and
- Lower of –
    - FMV on 31.1.18, i.e. Rs. 11,000, and
    - Sale Price, i.e. Rs. 26,000

Hence, COA = Higher of (Rs. 16,000 or Rs. 11,000) Rs. 16,000

Capital Gain/ (Loss)

- Sale Price – Cost of Acquisition
- Rs. 26,000 – Rs. 16,000
- Rs. 10,000

Example 3

Mr. D bought equity shares on 11th Nov 2016 for Rs. 19,500. FMV of the shares was Rs. 12,000 as of 31st Jan, 2018. He sold the shares on 21st May 2018 for Rs. 9,000. What will be the long-term capital gain/ loss?

Cost of Acquisition (COA)

Higher of –

- Original COA i.e. Rs. 19,500, and
- Lower of –
    - FMV on 31.1.18 i.e. Rs. 12,000, and
    - Sale Price i.e. Rs. 9,000

Hence, COA = Higher of (Rs. 19,500 or Rs. 9,000) Rs. 19,500

Capital Gain/ (Loss)

- Sale Price – Cost of Acquisition
- Rs. 9,000 – Rs. 19,500
- Rs. (10,500)

Example 4

Mr. D bought equity shares on 23rd Oct, 2016 for Rs. 14,500. FMV of the shares was Rs. 18,000 as on 31st Jan 2018. He sold the shares on 18th May, 2018 for Rs. 7,000. What will be the long-term capital gain/ loss?

Cost of Acquisition (COA)

Higher of –

- Original COA i.e. Rs. 14,500, and
- Lower of –
    - FMV on 31.1.18 i.e. Rs. 18,000, and

        - Sale Price i.e. Rs. 7,000

Hence, COA = Higher of (Rs. 14,500 or Rs. 7,000) Rs. 14,500

Capital Gain/ (Loss)

- Sale Price – Cost of Acquisition
- Rs. 7,000 – Rs. 14,500
- Rs. (7,500)

Example 5

Mr J bought equity shares on 13th Nov 2010 for Rs. 12,000. FMV of the shares was Rs. 30,000 as of 31st Jan, 2018. He sold the shares on 11th May 2019 for Rs.25,000 What will be the long-term capital gain/ loss?

Cost of Acquisition (COA)

Higher of –

- Original COA i.e. Rs. 12,000, and
- Lower of below i.e Rs. 25,000-
    - FMV on 31.1.18 i.e. Rs. 30,000, and
    - Sale Price i.e. Rs. 25,000

Hence, COA = Higher of (Rs. 12,000 or Rs. 25,000) Rs. 25,000

Capital Gain/ (Loss)

- Sale Price – Cost of Acquisition
- Rs. 25,000 – Rs. 25,000
- Nil

Given below is further analysis of the LTCG implications of certain other scenarios, which will help understand the proposed amendment better:

Sl No	Scenario	Tax Implications
1	Purchase and sale before 31/1/2018	Exempt under Section 10(38)

2	Purchase before 31/1/2018 Sale after 31/1/2018 but before 1/4/2018	Exempt under Section 10(38)
3	Purchase before 31/1/2018 Sale on or after 1/4/2018	LTCG taxable. However, Gains accrued before 31/1/2018 are exempt. Capital Gains computed in the manner as discussed above

4	Purchase after 31/1/2018 Sale on or after 1/4/2018	LTCG taxable. Capital Gains computed in the manner as discussed above

Note: The above table has been prepared with a presumption that all gains are long-term.

LTCG on transfer of bonus and rights shares acquired on or before 31 January 2018

The LTCG for these shares shall be calculated by considering the FMV on 31st January 2018 as the COA of such shares, thereby exempting gains until 31st January 2018 from tax.

Eg: You have Reliance shares purchased on 1st April 2016 and issued bonus shares as on 1st April 2017. Now if such bonus shares are sold after 31st Jan

2018, then FMV as of 31st Jan 2018 will be considered as the Cost of acquisition of such shares.

Carry Forward of Long-Term Capital Losses (LTCL) on Sale of such Shares

If the net result for any assessment year is a loss, other than a capital gain, the assessee is entitled to have the amount written off against his income from any other source under the same head.

A short-term capital loss might be set off against any capital gain in the case of capital losses. As a result, a short-term capital loss can be set off against both a short-term capital loss and a long-term capital loss. Long-term capital loss, on the other hand, may only be offset against long-term capital gain.

Long-term capital gains resulting from the transfer of equity shares listed on a recognised stock exchange are currently taxed at 10%. If any long-term capital losses result from the selling of such equity shares, such losses may now be set off against the other long-term capital gain.

Fair Market Value

a. The Fair Market Value (FMV) of a listed security is the highest price quoted on a recognised stock market.

b. If the security was not traded on 31 January 2018, the FMV is the highest price quoted on a date immediately before 31 January 2018 when the security was traded on a recognised stock exchange.

c. In the case of unlisted units on January 31, 2018, the net asset value of the units on that date.

d. The FMV of an equity share listed after January 31 2018, or acquired through a merger or other transfer under Section 47 will be: Purchase price *Cost inflation index for fiscal year 2017-18 / Cost inflation index for the year of purchase or fiscal year 2001-02.

Reconciliation of Capital Gain statement vs AIS

As part of its digital initiative, the Income tax department have started receiving the details on the sale of your shares directly from Depositories like CDSL and NSDL. Such data is reflected in your AIS - Annual Information Statement.

Thus it is very important that you reconcile the capital gain statement that you have with the data available in AIS before you file your ITR. Any Mismatch in ITR and AIS will result in a notice from the Income tax department

Rebate under 87A

Rebate under Section 87A of the Income Tax Act is allowed on income tax computed on all income, excluding the income tax payable on such LTCG.

Our Take

To compensate for the shortfall in the GST collection, the government has probably taken the step of imposing a levy of taxes on shares held for the long term. This is, of course, over and above the already existing Securities Transaction Tax (STT) which was introduced in the year 2004 to check instances of capital gains tax evasion.

Overall, the levy of both LTCG tax and STT seems quite unfair. The main question remains unanswered: “How far this move will contribute to yielding a higher revenue to the government, which is the underlying objective of this move?”

Frequently Asked Questions

I have some equity shares listed on a recognised stock exchange in India purchased on 31/1/2020 and sold on 12/1/2023. Will my sale be taxed?

Yes, tax will be applicable at 10% of your gains if the gains exceed 1 lakh rupees. And gains will be calculated as shown above.

I sold some shares in FY 2023-24 which was purchased in FY 2001-02 and have incurred some losses. Can I set off losses?

Yes you can set off your losses against other Long Term Capital Gains or carry forward them.

Are there any provisions to claim exemption on Long-term capital gain tax on the sale of shares?

Yes, You can claim exemption under section 54F, where if you reinvest the proceed in residential house property, you will be able to claim exemption.

How do I get a capital gain statement for ITR filing?

All brokerage firms provide capital gain statements or Tax P&Ls which can be used for filing ITR purpose.

Is there any free limit / exemption on LTCG ?

Upto Rs 1 lakhs there is no tax liability , LTCG exceeding Rs. 1 lakhs will be subject to 10% tax.

Is there any Tax deducted on sale of stock / Mutual Fund?

No, TDS is not applicable on sale of stocks or mutual fund for Tax Resident. Resident having capital gain will be to make the tax payment via the mode of advance tax on voluntary basis

However for Non Resident TDS will be computed on capital gains (Short term or long term) and deducted.

What are the expenses deducted from capital gain ?

All expenses incurred like acquisition cost , brokerage charges paid , Stamp duty , SEBI turnover fees , Clearing charges , GST is allowed as deduction. However STT - Securities Transaction tax is not eligible for deduction where you show such income under the head capital gain.

In which year capital gain is taxable ?

Capital gain taxable in the year in which such stocks or MF are sold, Irrespective of whether you have withdrawn such profits to bank account or not you are liable to pay capital gain tax at the time which you sell the stocks and book profits.

Short Term Capital Gain on Shares (Section 111A of Income Tax Act) - STCG Tax Rate & Calculation

Updated on: Mar 28th, 2024

|

8 min read

Any profit or gain that arises from the sale of shares is treated as Capital gains under the Income Tax Act. Capital gains are further classified as short-term or long-term based on their holding period. Gains from equity shares listed on a recognised stock exchange having a holding period of less than 12 months are considered short-term capital gains. Short-term capital gains (STCG) from shares are classified into two parts:

- Short-term capital gains as per section 111A
- Short-term capital gains other than section 111A

STCG Tax Rate on shares (Section 111A)

Short-term capital gain under Section 111A is taxed at a concessional rate of 15% with applicable cess.

Short Term Capital Gains (STCG) under Section 111A

1. Applicable on certain assets:

Section 111A is applicable in the case of STCG on the purchase or sale of:

- **equity shares or**
- **units of equity-oriented mutual funds or**
- **units of business trust**

2. Conditions for availing concessional rate under Section 111A

- **Transferred through a recognized stock exchange**
- **Such transaction is liable to securities transaction tax (STT)**

Exception: Transactions undertaken on an International Financial Service Center (IFSC) would be taxable at the concessional rate of 15% even though STT is not leviable.

3. Adjustment of STCG u/s 111A against basic exemption limit

If you are an Indian resident as per income tax and your total income after all the deductions is lower than the basic exemption limit (i.e. basic exemption limit not exhausted) then you are entitled to set off your short-term capital gains and long-term capital gains, against the shortfall in your basic exemption limit and only the balance amount will be taxed at 15%.

Note: Non-residents, would not be allowed to claim the exemption limit and shall be required to pay a tax of 15% on such STCG under section 111A.

Let us understand this by some illustrations –

Illustration 1: Ajay has a taxable salary income of only Rs 1 lakh and a short-term capital gain on the sale of equity shares of Rs 4 lakh. He also has Rs 50,000 as Income from Other Sources. Calculate the STCG Tax applicable.

Salary Income	Rs 1 lakhs
STCG	**Rs 4 lakhs**
Income from Other Sources	**Rs 0.5 lakhs**
Total income	**Rs 5.5 lakhs**

You have to add income from other sources of Rs 50,000 to the total taxable salary thereby making it Rs 1.5 Lakh. As there is a shortfall in the absorption of the basic income tax exemption limit of Ajay by Rs 1 lakh, short-term capital gain on the sale of equity can be adjusted to the extent of Rs 1 lakh.
Tax will be applicable on a short-term capital gain of Rs 3 lakh (Rs 4 lakh – Rs 1 Lakh) at a flat rate of 15%.

Suppose he was a non-resident, then he would not be allowed to claim the exemption limit for such STCG and shall be required to pay a tax of 15% on full value of the STCG.

Illustration 2: Mr. A (resident and 59 years old) earns a monthly pension of INR 5,000. He purchased shares of ABC Ltd. in January 2024 and sold the same in March 2024 (sold on NSE and STT levied). Such a sale gave rise to an STCG of INR 1.5 lacs. Apart from pension income and gain on the sale of shares, he has also made an STCG on property sale amounting to INR 1.3 lac. What is his tax liability for the year 2023-24?
Mr. A has these three incomes:
STCG referred to in 111A- INR 1.5 lacs
Other STCG (sale of the property)- INR 1.3 lac
pension income- INR 60,000

The income calculation and taxes thereon shall be calculated as follows,

- He shall first adjust Rs 60,000 against the basic exemption limit of INR 2.5 lacs.
- Then Rs.1.3 lac from the sale of property against the remaining INR 1.9 lacs (2.5 lacs-60,000).
- STCG on the sale of equity shares shall be adjusted at the end against the balance of Rs 60,000 (2.5 lacs- 1.9 lacs).
- Therefore, he is required to discharge tax @ 15% on the balance STCG of INR 90,000 (1.5 lacs- 60,000) along with a cess of 4%.

Points to be noted-

- If your total income including STCG after applicable tax deductions is below Rs 2.5 Lakh, then your total tax liability is nil and also no liability will arise us/ 111A as deduction up to the basic tax exemption limit is allowed
- However, if your total income including STCG is more than Rs 2.5 Lakhs, then a flat 15% on STCG will be levied. (However, rebate u/s 87A will be available if total income is less than 5 lakhs i.e. up to Rs 12,500 of tax liability as per current income tax regime)

4. No Deductions from STCG under section 80C-80U

Income tax law does not allow any deduction under sections 80C to 80U from the short-term capital gains referred to in section 111A. However, the investor can claim such deduction on short-term capital gains other than those covered under section 111A.

Example: Mr A(resident and 59 years old) purchased shares of ABC Ltd. in January 2020 and sold the same in March 2020 (sold on NSE and STT is levied). Such a sale gave rise to an STCG of INR 1.5 lacs. Apart from STCG, he does not have any other income. He has invested INR 1.5 lacs in the Public Provident Fund and wants to claim a deduction of such amount under section 80C. Can he do so?
In the given case, Mr A cannot claim such a deduction under 80C against the STCG as it is a gain referred to in section 111A. Therefore, his taxable income will be INR 1.5 lacs which can be adjusted against the basic exemption limit.

5. Set off & carry forward of losses

When an individual sells listed equity shares or mutual funds that they have held for up to 12 months at a loss, it is considered a Short-Term Capital Loss (STCL). The Indian Income Tax rules allow taxpayers to set off STCL from one capital asset against Short Term Capital Gains (STCG) and Long Term Capital Gains (LTCG) from another capital asset. This means that if an individual has incurred an STCL from the sale of one capital asset, they can use it to offset gains from the sale of another capital asset within the same financial year.

In addition, a taxpayer can carry forward any remaining STCL for up to 8 future years and use it to set off against future STCG and LTCG only.

Instances of STCG covered under Section 111A

- STCG on sale of equity shares of a listed company through the recognised stock exchange and liable to STT
- STCG on sale of units of equity-oriented mutual funds through a recognised stock exchange and liable to STT
- STCG on sale of units of business trust

- STCG on sale of equity shares, units of business trust or units of equity-oriented mutual funds through a recognised stock exchange located in IFSC (International Financial Service Centre) where consideration is paid in foreign currency, even if STT is not liable.

Example of STCG under Section 111A

- Ajay sold equity shares of XYZ Ltd (Indian company) on BSE at a profit after holding them for a period of 8 months. What will be the rate applicable on the STCG?
  Ans-As the holding period is less than 12 months gains are classified as short term capital gains. The equity shares are transferred through a recognised stock exchange (STT being paid), this case is covered under Section 111A. STCG will be charged at 15% (plus surcharge and cess as applicable).

- **Puneet sold units of a mutual fund (with more than 65% corpus vested in equity) through NSE at a profit after holding them for a period of 11 months. What will be capital gains tax applicable?**
  Ans-The sale of mutual funds is covered under Section 111A as the fund is an 'equity-oriented mutual fund'. As units were held for less than 12 months, gains are considered as short-term capital gains. STCG will be charged at 15% (plus surcharge and cess as applicable).
- **Iyer sold units of a debt fund after holding them for a period of 10 months. What will be the capital gain tax applicable on profits?**
  Ans- The capital gains in this case are not covered under Section 111A as Iyer sold units of a debt fund. STCG other than those applicable to Section 111A is chargeable to tax at the normal rate applicable. The normal rate applicable will be determined on the basis of his total income.

Frequently Asked Questions

Is the benefit of indexation available while computing capital gain arising on the transfer of short-term capital assets?

Indexation is a process by which the cost of acquisition/improvement of a capital asset is adjusted against an inflationary rise in the value of the asset. The benefit of indexation is available only in the case of long-term capital assets and is not available in the case of short-term capital assets.

What is 'transfer' as per Income-tax law?

Generally, transfer means a sale, however, for the purpose of Income-tax Law "Transfer", in relation to a capital asset includes:

i. Sale, exchange or relinquishment of the asset;

ii. Extinguishment of any rights in relation to a capital asset;

iii. Compulsory acquisition of an asset;

iv. Conversion of capital asset into stock-in-trade;

v. Maturity or redemption of a zero coupon bond;

vi. Allowing possession of immovable properties to the buyer in part performance of the contract;

vii. Any transaction which has the effect of transferring an (or enabling the enjoyment of) immovable property; or

viii. Disposing of or parting with an asset or any interest therein or creating any interest in any asset in any manner whatsoever.

Is the benefit of a basic exemption limit available for NRI in the case of STCG u/s 111A?

No, the non-resident Indian (NRI) will not be eligible to get the benefit of the basic exemption limit for STCG under section 111A.

Income Tax - Latest Updates, Basics, Tax Slabs, Rules, Income Tax Guide 2024-25

Updated on: May 17th, 2024
|
62 min read
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What’s New In Income Tax

Interim Budget 2024 -

- The budget maintained the existing tax rates for both direct and indirect taxes.
- Taxpayers with income up to Rs 7 lakh have no tax liability.

- Finance Minister Nirmala Sitharaman also withdraws 'tax dispute' up to Rs 25,000 for the period up to the financial year 2009-10, Rs 10,000 for financial years 2010-11 to 2014-15.

Budget 2023 Updates

- For individuals with income up to Rs 7 lakh, a tax rebate has been introduced in the New Tax Regime. This implies that you do not have to pay tax if your taxable income is below Rs 7 lakh under the new tax regime.
- The new tax slabs under the new tax regime will be:

Income Slabs	Tax Rates
up to Rs 3 lakh	Nil

Rs 3 lakh- Rs 6 lakh	5%
Rs 6 lakh-Rs 9 lakh	10%
Rs 9 lakh-Rs 12 lakh	15%
Rs 12 lakh- Rs 15 lakh	20%

Above Rs 15 lakh	30%

- Under the new tax regime, salaried employees and pensioners can claim a standard deduction of Rs 50,000.
- Under the new tax regime, the highest surcharge has been reduced to 25% from 37% for people earning more than Rs 5 crore. This move brings down their tax rate from 42.74% to 39%.
- The new IT regime will be the default tax regime. However, taxpayers can opt out of the new regime before the due date for filing the IT returns for the respective assessment year.
- Leave encashment for non-government employees has been increased to Rs 25 lakh from Rs 3 lakh.
- TDS rate reduced to 20% from 30% on withdrawal of EPF.

What Is Income Tax?

Income tax is a type of tax that the central government charges on the income earned during a financial year by individuals and businesses. Taxes are sources of revenue for the government. The government utilises this revenue for developing infrastructure, providing healthcare, education, subsidies to the farmer/agriculture sector and other government welfare schemes.

Taxes are mainly of two types: direct taxes and indirect taxes. Tax levied directly on the income earned is called a direct tax; for example, Income tax is a direct tax. The tax calculation is based on the income slab rates applicable during that financial year.

Direct Taxes are broadly classified as :

- Income Tax – This is taxes an individual, a Hindu Undivided Family (HUF), or any taxpayer other than companies pay on the income received. The law prescribes the rate at which such income is taxable.
- Corporate Tax - This is the tax paid on the company's taxable income. Here again, a specific tax rate for corporations has been prescribed by the income tax laws of India.

Who Should Pay Income Tax? – Types Of Taxpayers

According to the Income Tax Act, everyone in India, whether resident or nonresident, has to file income tax returns. Currently, tax is payable if the income exceeds Rs 3 lakh in a financial year. The Income Tax Act has classified taxpayers into various categories. Different tax rules apply to different types of taxpayers.

Below are the categories of taxpayers:

- Individuals
- Hindu Undivided Family (HUF)
- Firms
- Companies
- Association of Persons(AOP)
- Body of Individuals (BOI)
- Local Authority
- Artificial Judicial Person

Further, Individuals and HUFs are classified as residents and nonresidents. Resident individuals are liable to pay tax on their global income in India, i.e. income earned in India and abroad. Meanwhile, those who qualify as nonresidents must only pay taxes on income earned or accrued in India. The residential status has to be determined separately for tax purposes for every financial year based on the individual tenure of stay in India. Resident Individuals are further classified into the mentioned categories for tax purposes:

- Individuals less than 60 years of age
- Individuals aged more than 60 but less than 80 years

Types Of Income – What Are The 5 Heads Of Income?

Everyone who earns or gets an income in India is subject to income tax (Yes, be it a resident or a non-resident of India). For simpler classification, the Income tax department breaks down income into five main heads:

Head of Income	Nature of Income covered
Income from Other Sources	Income from savings bank account interest, fixed deposits, and winning in lotteries is taxable under this head of income.

Income from House Property	Income earned from renting a house property is taxable under this head of income.
Income from Capital Gains	Surplus Income from the sale of a capital asset such as mutual funds, shares, house property, etc, is taxable under this head of Income.
Income from Business and Profession	Profits earned by self-employed individuals, businesses, freelancers or contractors and income earned by professionals like life insurance agents, chartered accountants, doctors and lawyers who have their own practice, and tuition teachers are taxable under this head.

Income from Salary	Income earned from salary and pension is taxable under this head of income.

Taxpayers and Tax Slabs

Each of these taxpayers is taxed differently under the Indian income tax laws. While firms and Indian companies have a fixed rate of tax calculated on taxable income, the individual, HUF, AOP and BOI taxpayers are taxed based on the income slab they fall under. People's income grouped into blocks are called tax brackets or tax slabs. And each tax slab has a different tax rate. The rate at which the tax is charged increases as the taxable income increases.

What is the Existing/Old Income Tax Regime?

The old tax regime provides three slab rates for income tax levy, which are 5%, 20%, and 30% for different income brackets. Individuals can continue with the old taxation regime, and they can claim the following deductions:

- Deductions of allowances like Leave Travel Concession (LTC), House Rent Allowance (HRA), and specific other allowances.
- Deductions for tax-saving investments as per Section 80C (LIC, PPF, NPS, etc) to 80U can be claimed.
- Standard deduction of Rs 50,000.
- Deduction for interest paid on home loan.

Tax slab rates applicable for Individual taxpayers below 60 years for the Old tax regime are as below:

Income Range	Tax rate	Tax to be paid
Up to Rs 2,50,000	0	No tax

Rs 2.5 lakhs - Rs 5 lakhs	5%	5% of your taxable income
Rs 5 lakhs - Rs 10 lakhs	20%	Rs 12,500+20% on income above Rs 5 lakh
Above 10 lakhs	30%	Rs 1,12,500+30% on income above Rs 10 lakh

There are two other tax slabs for two other age groups: those 60 and older and those above 80.

A word of note: People often misunderstand that if they earn, let's say, Rs12 lakh, they will be paying a 30% tax on Rs.12 lakh, i.e. Rs 3,60,000. This is incorrect. A person earning Rs 12 lakh in the progressive tax system will pay Rs 1,12,500 + Rs 60,000 = Rs 1,72,500.

Income Tax Slabs Under New Tax Regime

In the 2020 budget, a new tax regime was introduced with lower tax rates and limited deductions/exemptions for Individuals and HUFs. Hence, many taxpayers did not opt for the new tax regime. However, to encourage taxpayers to adopt the new tax regime in Budget 2023, the income tax slabs under the new tax regime for FY 2023-24 (AY 2024-25) are revised as follows:

New tax regime FY 2023-24 (After budget)		New tax regime FY 2022-23 (Before budget)	
Income up to Rs 3 lakh	Nil	Up to Rs 2.5 lakh	Nil

Rs 3 lakh to Rs 6 lakh	5%	Rs 2.5 lakh to Rs 5 lakh	5%
Rs 6 lakh to Rs 9 lakh	10%	Rs 5 lakh to Rs 7.5 lakh	10%
Rs 9 lakh to Rs 12 lakh	15%	Rs 7.5 lakh to Rs 10 lakh	15%
Rs 12 lakh to Rs 15 lakh	20%	Rs 10 lakh to Rs 12.5 lakh	20%
Income above Rs 15 lakh	30%	Rs 12.5 lakh to Rs 15 lakh	25%

		Income above Rs 15 lakh	30%

Most of the deductions and exemptions are not allowed if the taxpayers opt for the New Tax regime. However, the exemptions and deductions available under the new regime are:

- Transport allowances in case of a specially-abled person.
- Conveyance allowance received to meet the conveyance expenditure incurred as part of the employment.
- Any compensation received to meet the cost of travel on tour or transfer.
- Daily allowance received to meet the ordinary regular charges or expenditures you incur on account of absence from his regular place of duty.

Exceptions To The Income Tax Slab

One must remember that not all income can be taxed on a slab basis. Capital gains income is an exception to this rule. Capital gains are taxed depending on your asset and how long you’ve owned it. The holding period would determine if assets are long-term or short-term. The holding period to determine the nature of assets differs for different assets. A glance at the holding period, the nature of the assets and the tax rate for each are given below.

Financial Year

The financial year is a one-year period that the taxpayers use for accounting and financial reporting purposes. It is the year in which the income is earned. According to the Income Tax Act, such a period begins from 1st April of the calendar year to 31st March of the next calendar year. It is abbreviated as "FY". For example, the financial year starting from 1st April 2023 and ending on 31st March 2024 can be written as FY 2023-24.

In simple words, a financial year is a year in which the income of a person is earned.

Assessment Year

The one year from 1st April to 31st March starting immediately after the financial year is termed an assessment year. This period is the assessment year because all the taxpayers have to evaluate their income earned in the financial year and pay taxes this year. For example, for incomes earned during the FY 2023-24, the assessment year will be AY 2024-25.

In simple words, the income earned in the financial year will be assessed to tax in the assessment year.

Assessee

The assessee is a person or a group who assesses his/her income and pays tax as per the Income Tax Act. The assessee can be an individual, a partnership firm, a company, an Association of Persons (AOP), a Trust, etc.

What is PAN?

PAN is an abbreviation for the Permanent Account Number. It is a unique 10-digit alphanumeric digit issued by the Income Tax Department to Indian taxpayers. All the tax-related transactions and information of a person are recorded against their unique permanent account number. When the person has to pay advance tax or self-assessment tax, they must mention the PAN number.

Also, an individual submits his PAN to certain entities like banks, mutual fund companies, etc. The financial information from such entities goes to the income tax department via PAN. This allows the taxman to link all tax-related activities with the department. Hence, just by putting in a permanent account number, the taxman can identify all your financial transactions.

What is TAN?

TAN is an abbreviation for Tax Deduction and Collection Account Number. It is a unique 10-digit alphanumeric digit allotted by the Income Tax Department of India. All persons responsible for deduction (TDS) or collection of tax (TCS) are required to obtain TAN. It is compulsory to quote the TAN in TDS/TCS return, any TDS/TCS payment challan, and TDS/TCS certificates.

Residents and Non-Residents

Levy of income tax in India is dependent on the residential status of a taxpayer. Individuals who qualify as a resident in India must pay tax on their global income in India, i.e. income earned in India and abroad. Whereas, those who qualify as Non-residents need to pay taxes only on their Indian income. The residential status has to be determined separately for every financial year for which income and taxes are computed.

Income Tax Payment

Tax Deducted at Source (TDS)

For specified payments, tax is deducted at source when paying the recipient of income. The income recipient can claim credit of the TDS amount by adjusting it with the final tax liability.

Advance Tax

The taxpayer must pay tax in advance when his estimated income tax liability for the year exceeds Rs 10,000. The government has specified due dates for payment of advance tax installments.

Self-Assessment Tax

It is the balance tax that the taxpayer has to pay on the assessed income. The self-assessment tax is calculated after reducing the advance tax and TDS from the total income tax calculated on the assessed income.

Filing Your ITR

E-filing of income tax return has been made mandatory for all classes of taxpayers, barring a few exceptions:

- Taxpayers aged 80 and above need not e-file the return.
- Taxpayers having an income less than Rs 5 lakhs and not claiming a refund need not e-file the return.

For the rest, E-filing is mandatory. Do note that deadlines for filing returns have also been prescribed. For most individual taxpayers, the due date for filing the return of income is 31 July, immediately following the concerned financial year. If you do not file on time, here are some disadvantages:

- You will be denied carry forward of losses (except house property loss) to future years.
- Delay processing of refund claims if any.
- Difficulty on getting home loans.
- Levy of late filing fee upto Rs 5,000 (if the total income is above Rs 5 lakh) and Rs 1,000 (if the total income is below Rs 5 lakh) under Section 234F.
- Levy of interest under 234A if there are taxes due as on 31 July.

E-filing is a better alternative to filing on the income tax website. Also, it is for more than just e-filing your income tax return.

Income Tax Return

The taxpayer shall file an income tax return every year via ITR forms prescribed by the income tax department. The government has prescribed seven ITR forms through which the taxpayer can file his income tax return. The taxpayer has to choose the appropriate ITR forms and file his income tax return.

Income Tax Forms List

The seven ITR forms are:

- ITR-1: Individuals (residents) having income from salary, one house property, other sources, agricultural income less than Rs 5,000 and with a total income of up to Rs 50 lakh.
- ITR-2: Individuals/HUFs not having any business or profession under any proprietorship, more than one house property.
- ITR-3: Individuals/HUFs having income from a proprietary business or profession, income of a person as a partner in a firm.
- ITR-4: Individuals/HUFs having presumptive income from business or profession, one house property.
- ITR-5: Partnership firms or LLPs.
- ITR-6: Companies.
- ITR-7: Trusts.

Documents Required for ITR Filing

Form 16, Form 26AS, AIS, TIS, Form 16A, proof of tax saving investments made, bank account details, etc, are some of the crucial information/documents you need to be ready with before filing your return. Further, the documents you will need to file your tax return will largely depend on your source of income. Here is our detailed article on documents you need for filing of your return of income.

How can I calculate my income tax?

Individuals should calculate income tax depending on the nature of their income. The salaried individual can take the eligible exemptions available for various allowances received. Individuals/HUF can take a deduction under Sections 80C to 80U, deduct it from the gross total income, and calculate the income tax liability. Also, the total income tax liability should be adjusted by the taxes paid, such as advance tax, TDS, etc.

Also, the taxpayer should apply the effect of rebate under Section 87A and relief under Section 89, Section 90, and Section 91 to arrive at the net amount of income tax payable.

Any income that you receive should form part of your income tax return. Of course, the law provides exemptions for certain incomes, e.g. LTCG on listed equity shares up to Rs 1 lakh in any financial year, agricultural income, etc.

Therefore, here is a quick guideline you can probably follow to compute taxes due on your income:

- List down all your income – be it salary, rental income, capital gains, interest income or profits from your business or profession.
- Remove incomes that are exempt under the law.
- Claim all applicable deductions available under every source of income. E.g., claim a standard deduction of Rs 50,000 from salary income, claim municipal taxes from rental income, claim business-related expenses from your business turnover, etc.
- Claim all applicable exemptions under every head of income, e.g., amount reinvested in another house property can be claimed as exemption from capital gains income, etc.
- Claim applicable deductions from your total income, e.g. the Section 80 deductions like 80C, 80D, 80TTA, 80TTB, etc.
- You will now arrive at your taxable income. Check the tax slab you fall under and accordingly arrive at your income tax payable.

The government keeps introducing and altering tax slabs, schemes and tax benefits, so it's a good idea to keep up with the Budget.

What Is Computation Of Income?

The process of calculating taxable income after taking into account the income from all the five heads (salary, house property, capital gains, business or profession, and other sources), exemptions, deductions, rebates, set off of losses, etc., is called computation of income. After the computation of income, the taxpayer can compute the income tax liability as per the Income Tax Act.

Rebate u/s 87A

Rebates under Section 87A allow taxpayers to reduce their income tax liability. If you are a resident individual and the amount of your total income after reducing Chapter VI-A deductions (Section 80C, 80D, 80U, etc) does not exceed Rs 5 lakh in a financial year, you can claim a tax rebate up to Rs 12,500. This means if your total tax payable is less than Rs 12,500, then you will not have to pay any tax.

In Budget 2023, a tax rebate on income of Rs 7 lakhs has been introduced under the new tax regime, and no changes have been made in the 2024 interim budget. Therefore, you do not have to pay tax if your taxable income is up to Rs 7 lakhs under the new tax regime.

E-File Returns

The taxpayer shall electronically file the income tax return through the e-filing platform of the IT department. To file the income tax return, the taxpayer should register at www.incometax.gov.in. After that, the taxpayer can log in to the website and file his ITR. Also, there is no need to manually send the acknowledgement of the return to the income tax department. The income tax department now allows e-verification of the ITR in different ways, which completes the income tax return process.

What is ITR–V?

Form ITR-V is an income tax return verification form generated after the taxpayer files income tax return and submits it to the income tax department. The ITR-V should be e-verified or must be sent to CPC Bangalore at “Income Tax Department – CPC, Post Box No – 1, Electronic City Post Office, Bangalore – 560100, Karnataka” for verification. The ITR processing takes place only if its verification is completed.

Income Tax Saving Instruments

A taxpayer can save tax by tax planning. A taxpayer can do tax planning by investing in tax-saving instruments. It helps in reducing the income tax liability.

Section 80C to 80U of the Income Tax Act allows a deduction for certain expenditures and investments from the total computed income if taxes paid under the old tax regime. Some of the popular Section 80C investments are:

Popular Section 80C Investments					
Particulars	ELSS	PPF	NSC	5-Year Tax Saving FD	SCSS
Section 80C Benefit	Yes	Yes	Yes	Yes	Yes

Type of Investment	Equity	Fixed Income	Fixed Income	Fixed Income	Fixed Income
Lock-in Period	3 Years	15 Years	5 Years	5 Years	5 Years
Maximum Investment	No Max Limit	Rs 1.5 lakh	No Max Limit	Rs 1.5 lakh	Rs 15 lakh

**ELSS and NSC have no upper investment limit. However, you get tax benefits under Section 80C only up to Rs 1.5 lakh per financial year.*

Health Insurance and Medical Expense Deduction

Apart from the Section 80C deduction, a taxpayer can also take a tax benefit under Section 80D for health insurance premium and medical expenditure incurred for self, family and parents.

Person insured	Maximum deduction Below 60 years	Maximum deduction 60 years or older
You, your spouse, your children	Rs. 25,000	Rs. 50,000
Your parents	Rs. 25,000	Rs. 50,000

Preventative health checkup	Rs. 5,000	Rs. 5,000
Maximum deduction (includes preventive health checkup)	Rs. 50,000	Rs. 1,00,000

Education Loan Deduction

Under Section 80E, the taxpayer can claim a deduction for the interest paid on a loan taken for higher education. There is no limit to claiming such a deduction in the income tax return.

Home Loan Deduction

Under Section 24, the taxpayer can claim a deduction for interest paid on a housing loan during the relevant financial year. The deduction amount will depend upon whether the house is self-occupied or let out. The taxpayer can also claim a deduction of the principal amount of the loan under Section 80C up to Rs 1.5 lakh.

Deduction on	Maximum allowed (for self-occupied house property)	Maximum allowed (for property on rent)
Stamp duty and registration + principal	Rs 1,50,000 within the overall limit of Section 80C	Rs 1,50,000 within the overall limit of Section 80C

Deduction on home loan interest under Section 24	Rs 2,00,000	No cap (but rental income must be shown in the income tax return). Further, the maximum loss from house property is capped at Rs 2 lakhs
Deduction for first-time homeowners under Section 80EE *certain conditions apply	Rs 50,000	–

Deduction for Interest Income

The taxpayer can also claim a deduction for interest on deposits from banks under Section 80TTA of the Income Tax Act. Individuals can claim up to Rs 10,000 deduction under the said section.

Important Income Tax Dates 2024

- 15th March 2024 - Due date for the fourth installment of advance tax for the FY 2023-24.
- 15th June 2024 – Due date for the first installment of advance tax for the FY 2024-25.
- 31st July 2024 – Income tax return filing for FY 2023-24 for individuals and entities not liable for tax audit and who have not entered into any international or specified domestic transaction.
- 15th September 2024 – Due date for the second installment of advance tax for the FY 2024-25.
- 30th September 2024 – Submission of audit report (Section 44AB) for AY 2024-25 for taxpayers liable for audit under the Income Tax Act.
- 31st October 2024 – ITR filing for taxpayers requiring audit (not having international or specified domestic transactions).
- 31st October 2024 – Submission of the audit report for AY 2024-25 for taxpayers having transfer pricing and specified domestic transactions.

- 15th December 2024 – Due date for the third installment of advance tax for the FY 2024-25.
- 31st December 2024 – Last date for filing a belated return or revised return for FY 2023-24.

Income Tax Law

Income Tax Act

The Income Tax Act includes all the provisions that govern the country's taxation. Every year, the Finance Minister presents a budget in February. The Union Budget brings in various amendments to the Income Tax Act. The most recent Union Budget presented by the current Finance Minister included the introduction of a new tax regime.

Apart from the IT Act, the other components of the income tax law are income tax rules, circulars, notifications, and case laws. All of these help in the implementation of income tax law and the collection of taxes.

About Income Tax Department India

The Income Tax Department is a government agency. The Act empowers the Income Tax Department to collect direct tax on behalf of the Government of

India. The Ministry of Finance manages the revenue functions of the Government of India. The finance ministry has given the task of administration of direct taxes, like Income Tax, etc., to the Central Board of Direct Taxes (CBDT). The CBDT is one of the parts of the Department of Revenue in the Ministry of Finance. The CBDT administers direct tax laws through the IT Department.

Thus, the Income Tax Department is a government agency that administers the Income-tax law under the control and supervision of the CBDT. The Income Tax Department has been given the power to collect direct tax on behalf of the Government of India.

Budget 2023 – All Income Tax Related Announcements

- Deduction from Capital Gain - Capital gains on reinvestment in a residential house property under sections 54 and 54F of the Income Tax Act are ceiled to Rs.10 crores.
- Surcharge - The highest surcharge rate was reduced from 37% to 25%.
- Insurance policies - Income from insurance policies having a premium or aggregate premium above Rs 5,00,000 a year is taxable under the head 'Income from other sources'. This new rule

will apply to policies issued on or after 1st April 2023. A deduction shall be allowed for a premium paid if it is not claimed earlier under any other provisions of the act. Suppose the Income received on the insured person's death is considered exempt.

- E-gold Receipt - Conversion of gold into E-gold receipts or vice versa is not treated as capital gain.
- Presumptive taxation - For MSMEs and certain professionals, the limit is raised to Rs 3 crore and Rs 75 lakh to avail presumptive taxation benefits. An increased limit applies provided the total cash receipts are not more than five per cent of the total gross receipts/ turnover.
-

Frequently Asked Questions

When it is mandatory to file return of income?

The companies and firms are mandatorily required to file an income tax return (ITR). However, individuals, HUF, AOP, BOI should file ITR if the income exceeds the basic exemption limit of Rs 2.5 lakh. This limit is different for senior citizens (Rs 3 lakhs) and super senior citizens (Rs 5 lakh).

Can i file return of income even if my income is below taxable limits?

Yes, you can file return of income voluntarily even if your income is less than basic exemption limit

What documents are to be enclosed along the return of income?

There is no need to enclose any documents with the return of income. However, one should retain the documents to produce before any competent authority as and when required in future.

Should I disclose all my income in the return even if it is exempt?

Yes. Income from every source including exempt income must be disclosed. The same can be shown under the Schedule EI.

Should I e-verify to get the IT refund?

e-Verification of the income tax return filed electronically is mandatory to complete the process of ITR filing. One should e-verify income tax returns within the stipulated time. Non-verified ITR will be treated as invalid. You can e-verify ITR by Aadhaar OTP, bank ATM, Electronic Verification Code (EVC), and net-banking.

Can I take Section 87A rebate from tax on long-term and short-term capital gains if there is no other income?

You can take rebate under Section 87A from tax on long-term and short-term capital gains. However, if there is long-term capital gain from sale of equity shares or equity oriented funds (Section 112A), you cannot adjust rebate under Section 87A from tax on such LTCG.

Can I file a return after completion of the assessment year?

The Budget 2022 proposed to introduce an 'Updated' return that can be filed within 24 months of the end of the relevant AY, on the payment of additional tax. Even if you have not filed original return before the due date specified in the Income Tax Act, you can file the 'updated' return.

What are the maximum exemption limit and slab rates applicable for Assessment Year 2024-25?

New Income Tax Slab	Slab Rates (For Resident and non-resident individuals, senior citizens and super senior citizens)

Up to Rs 3,00,000	Nil
Rs 3,00,001 - Rs 6,00,000	5% (tax rebate u/s 87A)
Rs 6,00,001 - Rs 9,00,000	10% (tax rebate u/s 87A up to 7 lakh)
Rs 9,00,001 - Rs 12,00,000	15%
Rs 12,00,001 - Rs 15,00,000	20%

More Than Rs 15,00,000	30%

Is standard deduction of Rs 50,000 allowed under the new tax regime?

Yes, standard deduction is allowed under the new tax regime.

What are the income tax changes in interim budget 2024?

For the AY 2024-25, there has been no changes in the income tax.

What is the basic exemption limit for FY 2023 24?

The basic exemption limit under the old tax regime for individuals below the age of 60 years is 2.5 lakhs, and 3 lakhs for people aged between 60 to 80 years and 5 lakhs for the people over the age of 80 years. Under the new tax regime the basic exemption limit is 3 lakh for all the individuals.

What are the deductions allowed under the new tax regime?

As per the new tax regime, majority of the deductions are not allowed. However, standard deduction of up to 50,000 is allowed, family pension, and deduction for employers contribution to NPS account is allowed.

Which are the ITR Forms?

ITR 1, 2, 3,4, 5, 6, 7 are all the ITR Forms available.

Is NPS scheme taxable under the new tax regime?

Tax benefit is available for the employer's share to the NPS Contribution. However, employees share to the NPS Contribution.

Frequently asked questions

What is the stock market?

The stock market is an online platform where people invest in financial instruments such as stocks, futures, bonds and derivatives. It facilitates the seamless buying and selling of shares of publicly listed companies. The two primary stock exchanges are the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE).Stocks represent fractional or part ownership of a company, and the stock market helps investors buy and sell these stocks. Anyone who buys and sells shares on the stock exchange, including individuals and corporations, is a market participant.SEBI regulates the capital markets in India. Several market participants such as stock market brokers, depositories, depository participants and clearing corporations ensure the smooth functioning of the stock market in India.

How to invest in the stock market?

You must register yourself with a stockbroker or a Depository Participant such as a bank to invest in the stock market. It is vital to pick the suitable Depository Participant or stockbroker before you commence your investment in the stock market. For instance, many investors opt for Demat and Trading Accounts from banks for convenience.The shares you purchase are stored in electronic form in your Demat account. Moreover, Demat Accounts are maintained by the two depositories, CDSL (Central Depository Services Ltd) and NSDL (National Securities Depository Limited).Your trading account helps you buy and sell shares. You must complete your KYC requirements through identity and address verification before opening the Demat and Trading Account.

Steps to invest in the stock market:

1. You must open a Demat and Trading Account linked with your bank account through a stockbroker or Depository Participant.
2. Complete KYC by submitting identity proof such as PAN and address proof such as copies of Passport, Driving License or Voter’s ID before opening the Demat and Trading Account.
3. You will have to transfer funds from your bank account to your Trading Account to purchase the desired stocks. You cannot buy shares unless you have an online bank account.
4. You will require a Unique Identification Number (UIN) if you want to trade-in amounts of Rs one lakh or more at a single time.
5. To buy and sell shares, you will have to inform your stockbroker of the name of the firm whose shares you seek to purchase, the quantity and the share price. After the buy trades are executed in your Trading Account and the Stock Exchange confirms the transaction, the shares will come into your Demat Account in T+2 days.

What time is the share market open?

Your trade transactions with a stock exchange will only be processed during business hours. The Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) follow the same timings.Markets are open between 9:15 a.m and 3:30 p.m from Monday through Friday. Stock exchanges are closed on predefined days, and you can find out the dates on the official calendars of the stock exchange.However, there are sessions that open even before 9:15 a.m.

1. 9 a.m - 9:08 a.m: this pre-opening session allows transactions to be placed by investors. The transactions placed in this duration are given preference over others and are cleared once the actual trading starts. The trade orders can be canceled or modified by investors ,and one cannot place any trade order once this window expires.
2. in these four minutes, the prices of the securities are determined by matching the demand and supply prices to ensure there is accuracy in the transactions made by investors. The final prices are determined, through multilateral order matching system, at which the actual trading starts once the markets open for regular trading. The price matching is critical in arriving at the price at which the securities are transacted when the regular trading starts 9:15 a.m onwards.
3. 9:12 a.m - 9:15 a.m: This window exists to facilitate a smooth transition between pre opening and normal trading sessions. No orders can be placed in this duration, and those placed between 9:08 a.m and 9:12 a.m cannot be modified or canceled in this duration.

Post 9:15 a.m, investors can place trade orders through 3:30 p.m. The trades placed in this window follow a bilateral order matching system.

How to learn stock markets?

You must first read books and go through websites on stock market basics to understand what shares are and how to invest in them. The first step of investing in the stock market is doing your research or homework.It also helps to understand stock markets better by attending seminars and workshops on stocks, taking classes on stocks, and reading books on successful investors.If you seek hands-on practice before investing in stocks, you could try a stock market simulator. You could create an account on a stock market simulator, choose a set of stocks and see how they perform over time. It helps you gauge the performance of stocks and the stock market without investing any money so that you don't suffer a loss.

What are blue-chip stocks?

Blue-chip stocks are the stocks of financially stable, well-established, and high-quality companies that are market leaders in their respective sectors. These companies have gone through various market phases and have weathered the storm of market volatility over the years, and hence, have gained the trust of shareholders and investors.Blue-chip companies are generally expected to provide investors with regular dividend payouts and growth over time as these companies have a solid business plan, management, and market positioning. Most conservative investors start their equity investment journey with blue-chip companies as they are expected to be relatively stabler.

What is volume in the stock market?

Stock market volumes indicate the number of shares bought and sold over time or during a trading day. For example, the more active the shares, the higher are the volumes. You can analyse the trends and patterns in the stock market through volumes. Shares that are actively traded have high volumes, and those which are not actively traded have low volumes.Stock exchanges publish trading volumes for every trading session as the total volume of all stocks that are traded on the stock exchange. Interest in this share is high if there are enormous volumes for a particular share.

What is LTP in share market? (last traded price)?

The last traded price or LTP is the price at which the stock was most recently sold. The LTP may or may not be the same as the closing price of the day, as the closing price in some exchanges is calculated as the weighted average of the last few minutes of the trade. It must be noted that the last traded price is simply the price at which the previous trade of the security was executed at any given point in time.One must remember that LTP is always a historical number, and the recorded LTP could only be of a few seconds ago. Furthermore, when you buy a share, it may be the case that you may have bought it at its LTP. Since trades take place every second, it may not be possible that you have traded shares at their LTP.

What is index in stock market?

A stock market index, such as the S&P BSE Sensex or NSE Nifty 50, can be considered as the benchmark to measure and track the movement of a bundle of shares. One may consider the performance of an index as the base point to compare the performance of a sector or group of stocks.Indices are of two types; broad and sector-specific. Broad indices are constituted by stocks of every sector, for example- BSE Sensex, while sector-specific indices comprise stocks of a given sector, for example - NSE Nifty Bank.Indices measure the performance (price-based) of baskets of shares with the help of standardized methodology and metric systems. Furthermore, indices exist to aid the measurement of important financial and economic data such as inflation, interest rates in the economy, and manufacturing output.

How to analyse stocks?

To analyse the performance of a stock, you would need to conduct fundamental and technical analysis. Fundamental analysis is a tool to measure a stock's intrinsic value by scrutinizing its fundamental factors (financial and economic). Under this, you will examine everything that may have a direct impact on the share price, ranging from macroeconomic factors like the condition of the economy, industry trends, compliance and legal matters, and the management of the company.The main intention is to deduce a number that investors may have as a reference with the share price to determine if the share is overvalued or undervalued. On the other hand, technical analysis involves determining the future movement of the share price with the help of past data.

What is NSE and BSE in the stock market?

A stock exchange is a market where the shares of a public company can be bought and sold by investors. The National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) are the two largest stock exchanges in India. Bombay Stock Exchange, established in 1875, is among the oldest stock exchanges in the world. It is also the oldest stock exchange in Asia and is located on Dalal Street in Mumbai, Maharashtra, and its market cap stood at a massive Rs 255.003 trillion (US$3.4 trillion) as of Sep 2021, making it the ninth-largest stock exchange in the world.The National Stock Exchange was established in 1992 by leading banks and financial institutions such as insurance companies. It is also the first-ever electronic dematerialized stock exchange in India. NSE is based out of Mumbai, and its market cap as of August 2021 was $3.4 billion.

What is the upper circuit in the share market?

Stock Exchanges such as BSE and NSE have set up a price band every day to protect investors from a single day's reactive drop or hike in share prices.The price band is set up depending on the last traded share price. For example, the upper circuit is the maximum possible price the stock can trade on a designated day. Moreover, the lower circuit is the minimum or lowest possible price the stock can trade on that day.Based on their criteria, stock exchanges set up limits for stock at 5%, 10%, or 20% on either side. Moreover, a stock that hits the upper circuit has only buyers and no sellers. For example, positive news could lead to high demand for the shares of a particular company, and it hits the upper circuit. A stock hits the upper circuit if there is a higher demand for its shares as compared to the supply.

What is PE in the share market?

Stock Exchanges such as BSE and NSE have set up a price band every day to protect investors from a single day's reactive drop or hike in share prices.The PE Ratio or the Price to Earnings Ratio is used mainly for stock selection. It helps you compare the stock price to the earnings generated by a company. For instance, the PE Ratio measures the price the market is willing to pay for every rupee of a company's earnings.P/E Ratio = Current Market Price per share / Earnings per shareYou must divide the market price per share by the earnings per share or EPS to determine the PE Ratio. The P/E Ratio helps you compare the valuations of individual stocks or even stock market indices such as the Nifty 50.

SIP - Invest in Best Systematic Investment Plans

Updated on: Mar 17th, 2023

|

18 min read

What is A SIP?

A systematic Investment Plan, commonly referred to as an SIP, allows you to invest a small sum regularly in your preferred mutual fund scheme. By activating an SIP, a fixed amount is deducted from your bank account every month, which gets invested in the mutual fund of your choice.

Pro Tip: Invest in direct funds pay at 0% commission and earn upto 1.5% extra returns Invest Now

Unlike a lump sum investment, you spread your investment over time with an SIP. Therefore, you don't need to have a large amount of money to get started with your mutual fund investment through SIPs. By investing via an SIP, you are forced to set aside a sum at regular intervals, which help you instil a sense of financial discipline in the long run.

How Do SIPs Work?

Every time you invest in a mutual fund scheme through an SIP, you purchase a certain number of fund units corresponding to the amount you invested. You don’t need to time the markets when investing through an SIP as you benefit from both bullish and bearish market trends.

When the markets are down, you purchase more fund units while you purchase fewer units when the markets are surging. Since NAV of all mutual funds are updated on a daily basis, the cost of purchase may vary from one SIP instalment to another. Over time, the cost of purchase averages out and turns out to be on the lower side. This is known as rupee cost averaging. This benefit is not available when you invest a lump sum.

Benefits of investing in mutual funds via SIP

With an SIP, you can get started with your investment with a small amount and reap significant returns in the long run. It’s simple and the most convenient way of investing in mutual funds. It also brings financial discipline.

Convenience

You can invest in a disciplined and phased manner through an SIP. It gives you the convenience of starting your investment with as low as Rs 100 a month.

Rupee Cost Averaging

SIP helps you invest in equity funds without having to time the stock market. You invest a fixed amount regularly across stock market levels when you invest in equity funds through the SIP. It helps you buy more equity fund units when the stock markets are crashing and lesser units when markets rise. You will be averaging out the purchase price of equity fund units over time thereby lessening the impact of short term market fluctuations on your investment.

Lets understand Rupee Cost Averaging with an Example: Suppose you invest Rs 1000 every month in an equity fund through an SIP. Stock markets are highly volatile and the Net Asset Value (NAV) of the equity fund keeps changing. It means you will not be able to invest at the same NAV every month. If you invest Rs 10,000 every month from January to June in a particular year your SIP investment could look like this.

Month	NAV	Number of Units (Rs 10000/ NAV)
January	100	100
February	95	105
March	96	104

April	93	108
May	94	106
June	98	102
Total	576	625

From the above example, the average purchase price for units of equity funds was Rs 96 (576/6) over 6 months and you purchased a total of 625 units. If you had invested a lump sum amount in January, your purchase price would have been higher at an NAV of Rs 100 and you would have bought 600 units. (Rs 60,000/100). Therefore, Rupee cost averaging has helped you average out the purchase price of units over time.

Power of Compounding

Power of Compounding helps you magnify your returns over time. It is basically a return on your returns from equity mutual funds. For example, suppose you invest Rs 100 in an equity fund which fetches you returns of 10% per annum. You do not take out your profit from equity funds which is effectively reinvested in the mutual fund and your total corpus is Rs 110. The returns you now earn from the equity fund are on Rs 110 and not Rs 100 which is return on your returns.

You can invest in equity funds through the SIP to enjoy the power of compounding. It helps if you start your SIP as early as possible and stay with your investment for the long run to enjoy the power of compounding benefit.

Lets understand the power of compounding with an example. Suppose four people, Ramesh, Suresh, Mahesh and Uday who are 30, 35, 40 and 45 years old have invested Rs 5,000 per month in equity funds through the SIP. Let's assume equity funds offer an annual return of 12%.

The table below shows their accumulated corpus at retirement at the age of 60 years.

	Monthly SIP (Rs)	Age (Years)	Time till Retirement (Years)	Investment Amount (Rs)	Final Corpus (Rs)
Ramesh	5,000	30	30	18,00,000	1,58,49,569
Suresh	5,000	35	25	15,00,000	94,88,175

Mahesh	5,000	40	20	12,00,000	49,95,740
Uday	5,000	45	15	9,00,000	25,22,880

You can use SIP Calculator to calculate the investment amount and the final corpus.

Inference: As you see from the table, Ramesh has accumulated a corpus of over Rs 1.5 crore. It is way above the accumulated corpus of Suresh, Mahesh and Uday. The primary reason for this is Ramesh has invested for a longer period of time. Moreover, the power of compounding benefit has propelled Ramesh's investment to a massive portfolio.

Low Initial Investment: You can invest as low as Rs 500 per SIP instalment in equity funds. It helps you start investing for your financial goals without having to wait until you accumulate a lump sum amount. However, it helps if you invest a higher amount through SIP if you want to attain your long term financial goals faster.

2x Higher returns than RD

ELSS mutual funds have the potential to provide much higher returns than bank FDs, PPF and other traditional investment options.

Ease of Investing

Investing in equity funds through SIP is a convenient way of building wealth over time. It is pocket friendly as you can invest a minimum of Rs 500 per SIP installment.SIP gives standing instructions to your bank to deduct the requisite amount every month and this amount gets invested in the equity fund.

Why should you invest in SIP Mutual funds?

Poeple should invest in SIP mutual funds because The concept of SIPs is focused on the philosophy of “Save First, Spend Next”.

With an SIP, you can invest small amounts at fixed intervals (weekly, monthly or quarterly) instead of making a one-time investment.

Power of Compounding

The rupee cost averaging results when you stagger your investments over a long period. This ensures that you get much more returns as compared to a lump-sum investment.

Start with as low as Rs 100 a month

You can start investing in mutual funds through an SIP with an amount as low as Rs 500. Over time, you can increase your monthly SIPs when you get the feel of what mutual funds are capable of.

Rupee Cost Averaging

The equity market is volatile, and when you invest via an SIP, you will buy more number of units during a slump and less number of units in a booming market, and as a result, you would decrease the cost per unit in the long run.

Become a disciplined investor

Investing via an SIP would make you disciplined in terms of managing your finances. With the option of automated payments, you don’t have to go through the hassle of investing manually every month.

Acts as an Emergency Fund

You can stop your SIPs at any time, and the fund house has no say in this. Also, you can redeem your investment at any time (if there is no lock-in period).

Who Should Invest Through SIP?

The first-time mutual fund investors may consider starting their mutual fund journey by initiating an SIP. This is ideal for those having a regular source of income, such as a salary. You can divert a portion of your regular income towards mutual fund investments by initiating an SIP. This helps you instil a sense of financial discipline in the long run as you will be forced to set aside a sum at regular intervals.

SIP or one-time: How should you invest?

Often, first-time investors get confused about choosing between an SIP investment or one-time investment.

One-time investment

In this mode of investment, you make a one time payment of a considerable sum of money.

Monthly SIP

On the other hand, in an SIP, a fixed amount of sum is deposited at regular intervals of time in a mutual fund scheme. In short, one-time investment mode can be chosen if you have money in hand right now that can be invested, and an SIP can be chosen if you are expecting a regular inflow of money in future. First-time investors are advised to take the SIP route.

SIP Investment	One-time Investment
Periodic investments in a tenure	One-time investment in a tenure (lump sum)

Earns better during market lows	Earns better during market highs
SIPs can protect investments from potential market crash	One-time investments can lead to major loss during market crash, which happens often enough

How to Choose Best SIP Mutual funds?

The internet will provide you with the A-Z of the mutual funds you shortlisted including their past returns.

However, you have to make sure that the fund you pick meets the below criteria.

Goals

It is important to ensure that you choose to invest in those funds that help you achieve your goals.

You have to assess your requirements and match them with the objectives of the fund under consideration before initiating an SIP into it.

Risk tolerance

It is essential that you invest only in those funds whose risk level falls under your risk appetite.

If you are a risk-averse investor, then it is important that you invest in those funds that carry minimal to no risk.

₹500 Crore Asset Under Management

A Rs 500 crore asset size can be a reasonable benchmark when selecting a fund. This doesn’t mean that funds below this corpus are bad, but it is not advisable unless you are willing to take some risk.

Duration of SIP

The longer the duration of your SIP, the better. It is advisable to continue your SIP for as long as possible. Even if you don’t invest, you can continue letting your investment stay invested. This way, you give your investment the time to grow to a significant sum

Fund House

The reputation of the fund house is an important factor while choosing a plan as it tells how well they were able to handle market highs and lows without letting their investors feel the impact of fluctuations.

How To Invest in SIP

Set Investment Goals

Every mutual fund is built around an objective to achieve. You have to analyse your requirements and choose that fund which is in sync with your goals and risk profile. If you are finding it difficult to choose the right mutual fund, then let us know your requirements, we will shortlist funds accordingly.

Decide between SIP or lump sum

There are two ways of investing in mutual funds; a lump-sum investment or stagger your investment over time via an SIP. You have to assess your profile and choose to invest either a lump sum or an SIP.

KYC

All our mutual fund investments mandate KYC documentation and a net banking account. Undergoing KYC verification is mandatory as per the norms of the Securities and Exchange Board of India (SEBI), without which you cannot invest in mutual funds, and it is a one-time process. There is usually no need to sign cheques and fill out forms if you are investing in mutual funds with us.

Invest in Handpicked Mutual Funds

Start an SIP & invest in best performing mutual funds to get better return on investment than Bank RDs/ PPF

How to customise your SIPs?

Many people, especially salaried employees, prefer monthly SIPs. It is because you can quickly transfer the SIP amount from your bank account to the selected mutual fund when you receive your monthly salary.

Frequency of your SIP

Mutual Fund houses offer you the facility to invest in SIPs through daily, weekly, monthly, or quarterly facilities. Moreover, there are several types of SIPs, and you can choose the ones you prefer depending on your financial goals.

Let's take a look at the different types of SIPs:

1. Top-Up SIP

Top-Up SIPs allow you to increase your SIP amounts at regular intervals. It is called the Step-Up SIP, as you can increase your SIP contributions when your income grows. You can accumulate a considerable corpus over time and reach financial goals faster through the Top-Up SIP as you enjoy the power of compounding.

Let's understand how Top-Up SIP works with an example. Suppose you invest Rs 20,000 per month for 20 years at an expected rate of return of 12%. You can create a corpus of nearly Rs 2 crore with an investment of Rs 48 lakh.

Suppose you decide to Step-Up your SIP by Rs 2,000 every year. You can accumulate a corpus of Rs 3.17 crore against investments of Rs 93.6 lakh. It means an additional corpus of around Rs 1.17 crore by increasing your SIP by Rs 2,000 per annum.

2. Flexible SIP

The flexible SIP allows you to change the amount you want your mutual fund house to deduct every month towards your SIP contributions. It offers the facility to intimate the mutual fund house to stop your SIP instalments until further notice if you face a cash crunch. Moreover, you can increase your SIP contributions for a particular duration if you have surplus cash in your bank account.

3. Perpetual SIP

You must select the SIP tenure when you fill-up the SIP application form. If you do not specify the SIP tenure, your SIP becomes a perpetual SIP. In simple terms, the SIP continues for a duration until you provide instructions to the mutual fund house to stop your investment. Moreover, if you do not want to limit your SIP contributions with a maturity tenure, you can opt for the perpetual SIP variant in the SIP application form.

4. Trigger SIP

You can opt for the trigger SIP if you are familiar with stock market movements. It helps you set the SIP start date or switch or redeem your SIP after the selected event occurs. You can set a trigger for a favourable stock market event, an NAV (Net Asset Value) or an index level. However, you must opt for the trigger SIP only if you understand the ups and downs of the stock market.

FAQs (Frequently asked Questions)

As a tax-paying citizen, the Section-80c of the Indian Tax Act allows you some breather –

a deduction of up to 150,000 from your total annual income.

What is SIP (Systematic Investment Plan) in mutual funds?

A systematic investment plan or SIP is the most convenient way of investing in a mutual fund scheme. Through an SIP, you can stagger your investments over time by investing a fixed sum at regular intervals. The frequency of your SIP can be weekly, monthly, quarterly, or bi-annual, as per your comfort. SIPs are open-ended, meaning you can initiate or terminate an SIP at any time. There is an option of pausing your SIP for a while if you don't have enough money to invest. There are no penalties levied on the investors for terminating or pausing their SIP.

How to invest in SIP?

Before you initiate an SIP into any mutual fund scheme, you need to ensure that the objectives and risk levels of the mutual fund scheme under consideration are matching your profile and risk tolerance. Once you have established that a particular mutual fund is suitable for you to invest in, you can initiate an SIP. You need to have a bank account and link the same with your investment account. To make the SIP investment process a seamless one, you can activate ECS or give your bank standing instructions to deposit a certain amount from your account into the mutual fund scheme of your choice on the predetermined dates.

How to stop an SIP?

It is never advisable to stop your SIP unless you have achieved your investment goal. The market movements shouldn't influence your decisions. Remember, the longer you stay invested, and the more you invest, the higher your return on investment will be. Once you have decided to stop an SIP, you need to inform the same to the fund house. You can do this by logging in to your mutual fund investment account held with the fund house and fill and submit the 'stop SIP' form. Alternatively, you can also visit the branch of a fund house and submit a duly filled SIP cancellation form. If you had activated ECS, then ensure to inform your banker to cancel it at the earliest.

How to stop SIP online?

You can stop your SIP online by logging in to your mutual fund investment account with the fund house and submit 'Stop SIP' form. This facility is also available R&T agents and third party sites you have invested with. You can terminate an SIP within a few clicks at the comfort of your home.

How SIP works?

A systematic investment plan or SIP is the most popular way of investing in a mutual fund scheme. Through an SIP, you stagger your investment over time as you invest a small sum at regular intervals. Your SIP frequency can be weekly, monthly, quarterly, or bi-annually, as per your comfort—every SIP instalment results in purchasing of the new fund units at the prevailing NAV. Over time, the cost of purchase of fund units averages out and turns out to be on the lower side. When you continue your SIP when the markets are down, you purchase more fund units while you purchase a fewer number of units when the markets are down. Therefore, you get the benefit of both falling and surging markets. This is referred to as rupee cost averaging. You can benefit from realising higher capital gains when the markets have peaked as your purchase cost gets averaged out and turns out to be on the lower side.

What is an SIP account?

An SIP account is an arrangement made by the fund houses that allows you to invest a small amount of money into your choice's mutual fund plan at regular intervals. Having an active SIP account helps you instil a sense of financial discipline over time as you are forced to set aside a fixed sum at regular intervals.

How to invest in SIP online?

You can invest in SIP online by signing up for an investment account with the fund house of your choice. Before you can initiate an SIP into a mutual fund of your choice, you need to undergo KYC verification. You can do this on the fund houses' website or through RTAs'. You will only need to provide your PAN card, proof of address, and your photo in the prescribed format. Once you have completed your KYC verification, you can start investing in SIP online by linking your bank account with the investment account.

Which SIP is best?

Before deciding on the SIP suitable for your profile, you need to understand your cash flow. If you are a salaried employee, then investing through a monthly SIP is suitable as you get your salary on predetermined dates, which helps you invest regularly. If you want to purchase fund units more frequently and optimise the cost of purchase of fund units to the fullest, then you may consider investing through a weekly SIP. If you get performance-based bonus payouts on a quarterly or bi-annual basis, then you may consider investing via a quarterly or bi-annual SIP.

What is NAV in SIP?

Net asset value (NAV) is the price at which investors can purchase or sell mutual fund units. The NAV of most mutual funds is updated on a daily basis after the business hours. All mutual fund transactions happen only at the prevailing NAV. Every time you invest via an SIP instalment, your cost of purchase will be the prevailing NAV.

How to open an SIP account?

To open an SIP account, you first need to hold an investment account with the fund house of your choice. You have to complete KYC verification before you can get started with your SIP account. The verification required your PAN, proof of address and a photo in the prescribed format. Once you have undergone KYC verification, you can set up an SIP account within your investment account by filling up the 'Start/Initiate an SIP' form.

How to select mutual funds for SIP?

Every mutual fund scheme comes with a set of objectives to achieve. Therefore, the risk levels of mutual funds vary across fund plans. You have to assess your requirements and risk tolerance. You may choose to invest in only those funds whose objectives and risk levels are matching your profile. You have to analyse the fund from various angles such as past performance, expense ratio and financial ratios. Invest in those funds that stand out among others.

How to redeem SIP mutual fund online?

You can redeem your SIP investments online by logging in to your investment account held with the fund house and terminate your SIP by submitting a 'Terminate SIP form'. If you don't terminate your SIP, then you will purchase the fund units on the next SIP instalment date. If you don't want to terminate your SIP, then you can directly redeem the fund units purchased through SIP by placing a redemption request. Your transaction will be processed at the prevailing NAV.

How to calculate SIP returns?

If you are to estimate the returns your SIP investment is going to provide your in future, then you have to follow the simple steps mentioned below:

- Go to our SIP Calcularor
- Enter the SIP amount of your choice
- Enter the duration of your SIP
- Enter the expected rate of return using the sliding scale

Once you have entered the details above, our SIP calculator will show the estimated returns your SIP investment would generate.

How to select a mutual fund for SIP India?

Before you decide to invest in mutual funds, you need to analyse your requirements and risk tolerance level. Once this is done, you need to look for those fund plans whose objectives and risk levels are in sync with your profile. Apart from that, you have to check for the expense ratio, financial ratios, and past performance of the fund plan under consideration to understand if it is the best in its category. Once you have selected a mutual fund scheme, you can initiate an SIP into it by creating an investment account with the respective fund house.

How to increase SIP amount?

Some fund houses don't allow modifications in the SIP. In this case, you can initiate a new SIP with the amount you'd like to invest. In case your fund house has provisions to top-up your SIP, then you can do so by logging in to your investment account held with the fund house. If you want to automate increasing your SIP amount, then you may consider investing via step-up SIPs. These SIPs automatically increase your SIP amount at regular intervals, and you only have to maintain sufficient balance on the predetermined dates to facilitate smooth investment.

How much should I invest in SIP?

To determine the amount that should be invested through an SIP, you need to assess your requirements and investment tenure. It entirely depends on these two things. However, your need to note that the more you invest, the faster you will inch towards your goals. Once you are clear with your requirements, you can use our SIP calculator to estimate the amount you should invest through an SIP:

- Go to our SIP calculator
- Enter the SIP amount of your choice
- Enter the duration of your SIP investment
- Enter the expected annual rate of return using the sliding bar

Here, you can modify the SIP amount and see how soon your goals can be achieved.

What is SIP account in banking?

An SIP account is held with an asset management company. Through an SIP account, you can invest a fixed sum at regular intervals in the mutual fund schemes of your choice. Every time you invest via an SIP instalment, you purchase new fund units at the prevailing NAV.

How to calculate tax on SIP?

The tax implications on the redemption of units purchased through an SIP is slightly complicated. Consider the following example. You invest in an equity fund through a monthly SIP which lasted for 12 months. Now, if you decide to redeem your units after 15 months, then those units that were bought through the first three SIPs provide long-term capital gains as their holding period exceeds 12 months. Long-term capital gains of up to Rs 1 lakh a year are tax-exempt. Any long-term gains above this limit attract a long-term capital gains tax at the rate of 10%, and indexation is not allowed. The units purchased after the third months would not have completed a holding period of 12 months, and hence the capital gains realised through these units are considered short-term. These gains are taxed at 15% plus applicable surcharge and cess.

How to become crorepati by SIP?

You can accumulate Rs 1 crore in your investment account by following the simple rule of 15*15*15. It says that on investing Rs 15,000 through a monthly

SIP for fifteen years in a mutual fund scheme that offers annualised returns of 15%, your investment account would accumulate Rs 1 crore at the end of 15 years. In case you are ready to invest more or have a longer investment horizon, then you may estimate the time or the ticket size of your SIP using our SIP calculator.

How to invest in ELSS through SIP?

An equity-linked savings scheme (ELSS) is a popular Section 80C investment which offers tax deductions of up to Rs 1,50,000 a year. You can save up to Rs 46,800 in taxes a year with ELSS. You can initiate an SIP into an ELSS fund of your choice by creating an investment account with the respective fund houses. Once you have your investment account and have undergone KYC verification, you can initiate an SIP by linking your bank account with your investment account. Note that the fund units bought by every SIP instalment are locked-in for a period of three years from the date of purchase.

What is SIP in share market?

Similar to the way you can invest in mutual funds through a systematic investment plan (SIP), you can also purchase stocks through an SIP. You can either initiate an SIP into a single stock or basket of stocks. It depends on the stockbroker with whom you hold an account.

How to switch SIP from one fund to another?

If you are to change the mutual fund scheme into which you are investing via an SIP, then, you should essentially terminate the SIP into the existing fund at first. Then, you need to switch funds. For this, you will have to redeem your units held with the current fund at the current NAV. After that, you will purchase the units of a new fund at the prevailing NAV. You have to pay applicable tax on the capital gains realised and exit load if any. Once you have completed the switching process, you have to initiate a fresh SIP.

What is ELSS SIP?

You can initiate an SIP into an ELSS, the most popular tax-saving investment under Section 80C of the Income Tax Act, 1961. Every SIP instalment into an SIP counts towards tax deductions under Section 80C. You can claim a tax rebate of up to Rs 1,50,000 and save up to Rs 46,800 a year in taxes.

Also, do your ITR filing usingTax Craft to claim maximum deductions easily!

What is XIRR in SIP?

Extended Internal Rate of Return or XIRR is a technique to calculate the returns when there are several transactions being made at different time periods. XIRR can be considered your own return rate, which is the actual returns earned by your investments. It is a single rate of return which covers all your investments (and redemptions) made through every instalment of your SIP and amounts to the total value of your investment. XIRR can be calculated on an excel sheet. You can easily calculate XIRR on an excel sheet using the following command; XIRR(value, dates, guess)

How to calculate SIP returns in excel?

The following are the simple steps to calculate XIRR on an excel sheet:

- Enter all the transactions you have made in a column. Here, you need to add a minus symbol for redemption transactions.
- In the following column, enter the date of transactions.
- Use the following command to calculate your XIRR; XIRR(values, date, guess).
- On executing this command, your XIRR will be displayed.

What is SIP top-up?

An SIP top-up is an option which allows you to increase the ticket size of your SIP at predetermined dates. This option helps you stay ahead of inflation as you are automatically increasing your investments.

Which is better SIP or mutual fund?

You cannot compare an SIP with a mutual fund. This is not an apple to apple comparison. A mutual fund is an investment vehicle while an SIP is a way of investing in a mutual fund scheme. Investing in mutual funds via an SIP is an excellent option. Through an SIP, you can invest a small sum on a regular basis. The frequency of SIP can be weekly, monthly, quarterly or bi-annually, as per your comfort. The other way of investing in mutual funds is via a lump sum.

What is OTM in SIP?

A one-time mandate (OTM) is a banking process which automates your SIP investment. By submitting an OTM form, your banker will credit a fixed sum at regular intervals and invest in the mutual fund scheme of your choice at the predefined dates. Opting for a one-time mandate makes your entire investment process seamless as you don't have to invest manually.

How to check SIP balance?

In order to check the amount accumulated in your mutual fund portfolio, you will have to access your mutual fund statement. This can be done by logging in to your investment account held with the fund house and selecting the

‘View/Download Statement’ option. Alternatively, you can also access the statement on the websites of RTAs.

What is the average return on SIP?

Unlike traditional investments, mutual funds don’t provide returns at a fixed rate. It completely depends on the performance of the underlying securities in the portfolio. However, long-term investments made in equities have more often than not delivered returns in the range of 12% to 15%. The longer you invest via an SIP, the more the returns you get on your investment.

What is perpetual SIP?

A regular systematic investment plan (SIP) gets terminated at a predetermined date. You will notify your banker to terminate your ECS or standing instructions after a particular number of instalments. There is no predefined date on which the SIP would get terminated in the case of a perpetual SIP. The SIP continues until you stop it. Investing in mutual funds through a perpetual SIP is suitable for long-term investors having an investment horizon of longer than seven years.

How safe is SIP investment?

A systematic investment plan (SIP) is a way of investing in mutual funds The safety of your SIP investment depends entirely on the underlying securities in the portfolio. However, investing in mutual funds via an SIP is considered to expose you to lower levels of risk as you stagger your investment over time and thereby minimising the exposure towards the market. In simple words, you don’t invest a large sum at once and bet on the markets by investing through an SIP.

How to change SIP date?

Most fund houses allow modifications in the date of SIP for which investors are required to submit a common transaction slip. Until your date of SIP has changed, you may consider pausing your SIP. Alternatively, you can terminate your ongoing SIP and initiate a new one and the transaction date you are comfortable with.

Which is better FD or SIP?

Fixed deposits and initiating an SIP into a mutual fund plan are among the most popular investment options lately. Investing in an FD is advisable if you are a risk-averse investor and are ready to compromise on the returns you are going to get on your investment. On the other hand, investing in a mutual fund via an SIP may not offer an assured return over time, but you get the potential to earn much higher returns than a fixed deposit.

How to track SIP investment?

You can track your mutual fund investments by logging into your investment account held with the fund house. You may require you to have your folio number to make the tracking process seamless. You can also track your investment on the websites of the authorised RTAs. if you have invested in mutual funds via a third party, then you can track your investment on their website as well.

Why SIP is best?

Investing in mutual funds via an SIP is the best option you have as it allows you to stagger your investment over time. Through an SIP, you can invest a small sum at regular intervals. The frequency of your SIP can be weekly, monthly, quarterly or bi-annually, as per your comfort. You can initiate or terminate your SIP at any time, and the fund house has no say in this. You can also pause your SIP when you are running short on cash. There are no penalties levied on pausing or stopping your SIP. Investing via an SIP is the best as it offers a great level of flexibility.

How to withdraw SIP amount online?

If you are to withdraw/redeem your investment made in a mutual fund via an SIP, then you have to place a redemption request. This can be done by logging in to your investment account held with the fund house. Alternatively, you can also redeem your units via an authorised RTA. In case you have invested via a third party, you can place a redemption request on their website as well.

How to get SIP statement online?

You can access your mutual fund statement online by logging into your investment account held with the fund house using your folio number. Alternatively, you can view your statement on the website of an authorised RTA. If you invested through a third party, you could view your statement on their website.

SIP or RD which is better?

Recurring deposits and investing in a mutual fund scheme via an SIP have become popular among individuals earning a regular income. These options allow you to stagger your investment over time as you can invest a small at regular intervals. Recurring deposits offer a fixed rate of return and require you to invest a certain amount every month for a fixed duration. On the other hand, SIPs are open-ended, meaning you can initiate or terminate your SIPs at any time. Investing in a mutual fund via an SIP is a better option as you get the potential to earn much higher returns than a recurring deposit.

UAN Login, Portal Registration, Universal Account Number Activation And Status Check

Universal Account Number (UAN) is important for EPF account holders as it is required to operate the Employee Provident Fund (EPF) related services online. Accessing your PF account services like PF withdrawal, checking EPF balance, and PF loan application is easy by logging into the EPFO portal using the UAN. This article covers everything about your Universal Account Number.

Universal Account Number (UAN)

The Universal Account Number (UAN) is a 12-digit unique number assigned to every employee contributing to the EPF. It is generated and allotted by the Employees’ Provident Fund Organisation (EPFO) and authenticated by the Ministry of Labour and Employment, Government of India. An employee’s UAN remains the same throughout his/her work life, irrespective of the number of job changes.

Every time an employee switches his/her job, EPFO allots a new member identification number or EPF Account (ID) linked to the UAN. As an employee, one can request a new member ID by submitting the UAN to the new employer. Once the member ID is created, it gets linked to the employee's UAN. Hence, the UAN will act as an umbrella for the multiple member IDs allotted to the employee by different employers.

The UAN remains the same and portable throughout the life of an employee. The employee shall have a different member ID when switching between jobs. All such member IDs are linked to the employee's UAN to ease the process of EPF transfers and withdrawals.

Features of UAN

- UAN helps to centralise employee data in the country.
- It reduces the burden of employee verification by the EPF organisation from companies and employers.
- It is useful for EPFO to track multiple job switches of the employee.
- Untimely and early EPF withdrawals have reduced considerably with the introduction of UAN.
- Many PF e-services can be accessed through UAN, such as:
    - Viewing and downloading the PF passbook.

- Get details of the organisations, such as organisation name, date of joining and Employee’s Pension Scheme (EPS) details.
- Download the UAN card.
- Update KYC details.
- Update basic details.
- Apply for PF or EPS withdrawal.
- Merge two member IDs.
- Track EPF claim status.

Advantages of UAN to Employees

- Every new PF account created when joining a new job or company will come under the umbrella of a single unified account.
- It is easy to withdraw (fully or partially) PF online with the UAN.
- You can check the PF balance of all your EPF accounts in a single place.
- You can view and download the EPF passbook online, containing the details of EPF contributions, EPS contributions and PF interest credit.
- You can transfer or merge old EPF accounts to the current EPF account online.

- You can download your PF statement online from anywhere at your convenience.
- You can also check your EPFO claim status online by logging into the EPF member portal using your UAN.

How to Obtain UAN for EPF?

An employer must register on EPFO if there are 20 or more employees. If the old employer has already assigned the UAN, the employee should provide such details to the new employer. However, for employees joining the service for the first time, the employer needs to generate the UAN for the employee. To generate a new UAN for the employee, the employer has to follow the below steps:

- Sign in to Employer's EPF Portal using the Username and password.
- In the 'Member' section, click on the 'Register Individual' tab.
- Enter the employee's details such as Aadhaar, PAN, bank details, Aadhaar, etc.
- Approve all details in the 'Approval' section.
- EPFO generates a new UAN of the employee, and the employer can link the PF account with the UAN of the employee.

How to Know Your UAN?

Through your employer

When you start a job for the first time, your employer will enroll you in the EPF. The EPFO will allot the Universal Account Number and send it to your employer. Thus, you can get to know your UAN and member ID from your employer or HR department. However, only PF-registered employers can enroll you under EPF and issue UAN.

Through Salary Slip

Employers usually include the UAN Number in the employees' salary slips. You can check your salary slip issued by the employer or company to find out your UAN.

What is SIP Calculator?

SIP Calculator is a valuable tool that helps investors estimate the future value of their mutual fund investments made through a Systematic Investment Plan (SIP). By inputting the monthly SIP amount, investment duration, and expected rate of return, the calculator can determine the projected corpus amount at maturity. This tool empowers investors to make informed financial decisions by providing a clear understanding of the potential growth of their SIP investments.

How does the SIP Calculator Work?

A SIP Calculator follows the below formula:

FV = P [(1+i)^n-1] * (1+i)/i

- FV = Future value or the amount you get at maturity.
- P = Amount you invest through SIP
- i = Compounded rate of return
- n = Investment duration in months

Example of a SIP Calculator

Jane is 30 years old and works as an investor. She is thinking about how she can invest money for retirement purposes. So, Jane decides to put money into a mutual fund product via a Systematic Investment Plan.

- Investment amount: ₹35,000 per month
- Investment period: 30 years

- Expected interest rate: 8% per annum
- Frequency of investments: Monthly

Result:

With the above Formula the SIP Calculator would give following results:

- Future Value of the investment: ₹5,25, 10,331
- Total Investment: ₹1,26,00,000 (35,000 * 12 * 30)
- Potential Returns: ₹3,99,10,331 (Future Value - Total Investment)

How to use SIP Calculator?

You can easily use SIP Caculator by following below steps:

- Enter the Monthly SIP amount
- Now Fill out other details, Investment duration and expected rate of return
- Calculator will show you the estimated corpus with a beak-up of earned interest and invested amount.

Advantages of Using a SIP Calculator

SIP calculator India has its advantages that it offers to the investors:

- Accurate Planning: SIP calculators forecast the future growth of an investment well based on specific input criteria. It includes the amount to be funded, the duration, and the expected return. SIP calculators apply mathematical algorithms. It develops definite approximations so traders can manage their finances.
- Comparison of Several Scenarios: Changing the components of your inputs in SIP calculators, like amount, duration, and anticipated rate, means that they help users evaluate various investment conditions. They assist them in making informed choices. It is based on their economic objectives. Thus coming up with alternative investment strategies that may result in desirable outcomes.
- Visualisation of Potential Returns: Through systematic investing, SIP calculators help buyers see how their money can grow. Regarding their investing plans, graphs and charts are also available to help them understand the power of compounding. It enables them to make informed choices.
- Goal Setting and Progress Monitoring: SIP calculators aid traders in setting attainable financial targets and monitoring their progression towards them. By entering their specific financial goals, such as retirement savings or funding their child's education, investors can estimate the required investment amount. From there they can see how they progress over time.

Bank SIP Calculators	
SBI SIP Calculator	PNB SIP Calculator
HDFC SIP Calculator	BOI SIP Calculator
Canara Bank SIP Calculator	DHFL SIP Calculator
Axis Bank SIP Calculator	HSBC SIP Calculator

Kotak Bank SIP Calculator	Union Bank SIP Calculator

Other Calculators		
PPF Calculator	RD Calculator	FD Calculator
NPS Calculator	SWP Calculators	SCSS Calculator
CAGR Calculator	ROI Calculator	EMI Calculator

Lumpsum Calculator	Future Value Calculator	Mutual Fund Calculator
Kisan Vikas Patr Calculator	Retirement Planning Calculator	Compound Interest Calculator

Frequently Asked Questions

How does SIP Calculator help you choose SIPs?

SIP Calculator helps in determining the final corpus at maturity on the basis of SIP Amount, investment tenure and expected rate of return. You can change the inputs to check your desired final amount. After Calculation, you can choose the Mutual Fund scheme that has track record of good return and has a potential to deliver your desired amount at maturity.

Are SIP is equal to mutual funds?

No, SIP is just a medium for investing your money in a particular fund or scheme. It is just an investment vehicle that helps you park your money.

Does the SIP calculator include taxes and fees?

No, it just shows the matured amount investor can get on the basis SIP amount, Expected Return and Tenure. It doesn't give any information related taxes and Fees.

What is SIP?

A systematic investment plan (SIP) is a mutual fund investment tool that allows investors to invest at regular intervals. Investors can select their preferred investment frequency - weekly, monthly, quarterly, half-yearly, or yearly. SIP offers a disciplined way of investment and benefits investors in the long run with the power of compounding growth. It gives the benefit of Rupee Cost Averaging by providing the chance to buy more NAV (Net Asset Value) with the same investment amount in a bear market. Additionally, investors can choose to stop SIP whenever at anytime.

How to calculate SIP returns in Excel?

To calculate SIP returns in Excel:

- Enter SIP Dates: In column A, list the dates of SIP investments.
- Enter SIP Amounts: In column B, list the SIP amounts.
- Enter NAVs: In column C, list the Net Asset Values (NAV) on each SIP date.
- Calculate Units: In column D, divide SIP amount by NAV (=B2/C2).
- Calculate Total Value: Multiply total units by the latest NAV.

- Calculate Returns: Use = ((Total Value - Total Investment) / Total Investment) * 100 for percentage return.

How to calculate SIP returns in Mutual Funds?

To calculate SIP returns in mutual funds, divide each SIP amount by the respective NAV to get the units, sum all units purchased, and add all SIP amounts for total investment. Multiply total units by the current NAV for current value. Calculate returns using ((Current Value - Total Investment) / Total Investment) * 100

How to calculate CAGR for SIP?

To calculate CAGR for SIP, find the final value of the investment, initial value, and the number of years. Use the formula: [(Final investment value / Initial investment value)^(1/n)] – 1

In the above formula, ‘n’ refers to the investment tenure in terms of years. This gives the annual growth rate of your SIP investments.

How to calculate xirr for SIP?

XIRR is determined by finding the rate of return that sets the net present value (NPV) of cash flows to zero. The formula to calculate XIRR is as follows:

NPV Formula: $NPV = \Sigma[Ct / (1 + r)^{(t)}] = 0$

Variables:

- Ct: Cash flow at time t
- r: XIRR rate (the rate we're trying to find)
- t: Time period

How to calculate profit percentage in SIP?

To calculate profit percentage in SIP, subtract the total amount invested from the current value of the investment. Then, divide the profit by the total amount invested and multiply by 100. Use the formula:

Profit Percentage=(Current Value−Total InvestmentTotal Investment)×100

What if i invest Rs.2000 in SIP for 40 years.

If you invest Rs 5000 for 20 years, with an expected annual rate of return of 12 %, then your matured amount would be approx Rs. 2,37,64000 (Earned Interest = Rs. 2,28,04,840 and Invested Amount = Rs. 9,60,000)

What is the minimum and maximum amount that can be invested through SIP?

Investment through SIP can be started with a minimum amount Rs. 500 per month. There is no limit on maximum amount.

Whayt is the minimum Tenure for SIP?

SIP tenure depends on Mutual Fund scheme. However, most of mutual fund schemes have minimum tenure of 6 months.

Can i pause my SIP Investment?

Yes, you can pause SIP investment whenever you want.

FAQs

What is a capital gain?

-

Any profit or gain that arises from the sale of a 'capital asset' is a capital gain. This gain or profit is charged to tax in the year in which the transfer of the capital asset takes place.

No capital gains is applicable when an asset is inherited because there is no 'sale', only a transfer. However, if this asset is sold by the person who inherits it, capital gains tax will be applicable. The Income Tax Act has specifically exempted assets received as gifts by way of an inheritance or will.

What is a capital asset?

-

- Here are some examples of capital assets: land, building, house property, vehicles, patents, trademarks, leasehold rights, machinery, jewellery.
- This includes rights in or in relation to an Indian company, including rights of management or control or any other right.The following are not considered capital assets:
- Any stocks or consumables or raw material held for the purpose of Business or Profession
- Personal goods such as clothes, furniture held for personal use.
- Agricultural land in India in a rural area

What are long-term and short-term capital assets?

-

- A capital asset held for not more than 36 months or less is a short-term capital asset. An asset that is held for more than 36 months is a long-term capital asset.
- For example, a house property held for more than 3 years is termed as a long-term capital asset, whereas equity funds are considered short-term when held for 12 months or less. Debt Funds are long-term assets when held for more than 36 months.
- It is important to find out the specific holding period applicable to your asset because it impacts how the capital gains will be calculated.
- Some assets are considered short-term capital assets when these are held for 12 months or less. This rule is applicable if the date of transfer is after 10th July 2014, irrespective of what the date of purchase is.The assets are:
- Equity or preference shares in a company listed on a recognized stock exchange in India
- Securities (like debentures, bonds, Govt securities etc) listed on a recognized stock exchange in India
- Units of UTI, whether quoted or not
- Units of equity oriented mutual fund, whether quoted or not
- Zero coupon bonds, whether quoted or not.
- When the above listed assets are held for a period of more than 12 months, they are considered long-term capital asset

How are short-term and long-term capital gains taxed?

-

- Tax on long-term capital gain: Long-term capital gain is taxable at 20% + surcharge and education cess.
-

Tax on short-term capital gain when securities transaction tax is not applicable: If securities transaction tax is not applicable, short-term capital gain is added to your income tax return and the taxpayer is taxed according to his income tax slab.

- Note: Tax on short-term capital gain if securities transaction tax is applicable: If securities transaction tax is applicable, short-term capital gain is taxable at the rate of 15% +surcharge and education cess.

What is relief under section 89(1)?

-

Tax is calculated on your total income earned or received during the year. If your total income includes any past dues paid in the current year, you may be worried about paying a higher tax on such arrears (usually tax rates have gone up over the years).

To save you from any additional burden of tax due to delay in receiving income, the tax laws allow a relief under section 89(1). If you have received any portion of your salary in arrears or in advance, or your have received family pension in arrears, you are allowed some tax relief under section 89(1) read alongwith Rule 21A. Find the details here

What is form 10e and when is it filed?

-

- Starting income tax returns for financial year 2014-15 (assessment year 2015-16), the income tax department has made it mandatory to file Form 10E if you want to claim relief under section 89(1). .
- Taxpayers who have claimed relief under section 89(1) but have not filed Form 10E have received an income tax notice from the tax department with the following lines ?
- The relief u/s 89 has not been allowed in your Expert'se, as the online form 10E has not been filed by you. The furnishing of Online form 10E is required as per sec.89 of the Income Tax Act. Find the details Here

What is the due date for return filing for individuals?

-

Individuals need to file their return by 30th September of next year, i.e for income earned in Financial Year 2015-16, the return has to be filed by 30th September, 2016.

What is income from house property and how is it taxed?

-

Income from House Property is possible in these Expert'ses ?

- Rental Income on a let out property
- Annual Value of a property which is ?deemed? to be let out for income tax purposes (when you own more than one house property)
- Annual Value of the property which is self occupied, which is Nil
- Under section 24 of the Income Tax Act you are allowed to make certain deduction from the Net Annual Value of your House Property. Net Annual Value is Gross Annual Value less Municipal Taxes Paid. In case the property is let out, its rent received is your Gross Annual Value, whereas in case of a deemed to be let out property, a reasonable rent of a similar place is your Gross Annual Value. For a self occupied house property the Gross Annual Value is Nil. Read more about House property income and its taxation Here

What is Capital Gain and how is it taxed?

-

When an asset is sold, the profit arising from such transaction is taxed as Capital Gain. Such gain can be long term or short term and the taxability differs accordingly. In General gain on sale of assets held for more than 36months are called Long Term Capital Gain(LTCG taxed at 20%)and when assets is held for lesser period then Short Term Capital Gain(taxed according to normal tax slab rates) arises. In case of shares and securities the period is 12 months in place of 36months.

Can I file a revised return to correct a mistake in original return filed?

-

Yes, return can be revised within a period of one year from the end of the relevant assessment year or before completion of the assessment whichever is earlier. Filing of revised return is not part of the plan. Plan buyer is required to provide full and accurate details to avoid the need for any rectification in the originally filed return.

Can a return be filed after the due date?

-

Yes, a belated return can be filed before the end of the assessment year or before completion of the assessment year, whichever is earlier. For example, in case of income earned during FY 2019-20, the belated return can be filed up to 31st March 2021. ?

ITR 3 – What is ITR 3 Form & How to File ITR-3?

Updated on: Apr 16th, 2024

|

169 min read

This page contains information on filing ITR-3 for FY 2023-24, FY 2022-23 and FY 2021-22.

What is the ITR-3 Form?

The ITR-3 is applicable for individual and HUF who have income from profits and gains from business or profession. One can call it a master Form, as this is the one form where an individual or HUF can report all the possible incomes.

Who can file ITR-3 Form?

- Carrying on a business or profession (both tax audit and non-audit cases)
- The return may include income from house property, salary/pension, capital gains and income from other sources.

- Remuneration received from a partnership firm

Who is not eligible to file ITR-3 Form?

- No persons other than individuals & HUF are eligible to file ITR -3 Form.
- Individuals & HUFs not having income by way of business or profession or partnership firm are not eligible to file the ITR-3 Form.

Due date for filing the ITR-3 form

For non-audit cases, the due date to file ITR-3 is 31st July and for accounts requiring audit, the due date is 31st October.

Major Changes in ITR-3 form for AY 2023-24 and AY 2024-25

Below changes are incorporated in the ITR-3 form of the FY 2022-23 and applicable for FY 2023-24 as well:

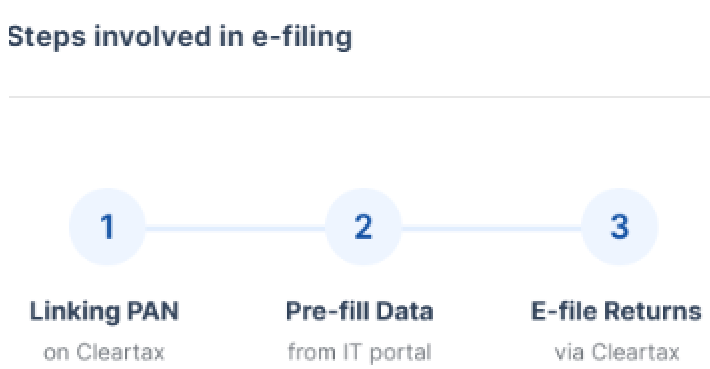
- A new schedule VDA has been added to separately report your income from crypto/ other VDAs. If you treat income from VDAs as capital gains, a quarterly breakup will need to be given under the Capital Gains Schedule. In the new ITR-3 every VDA transaction will have to be reported along with the dates of sale and purchase.
- A few questions have been added in the new ITR 3 form to determine if you had opted out of the New Tax Regime in previous years.
- Foreign institutional investors (FII/FPI) must provide their SEBI registration number as an additional disclosure measure.
- There has been a small change in balance sheet reporting. According to the new ITR-3 form, advances received from individuals specified in Sec 40A(2)(b) of the Income Tax Act and others must be reported under the 'Advances' heading in Source of Funds.
- Turnover and income from intraday trading must be reported under the newly introduced section 'Trading Account'.

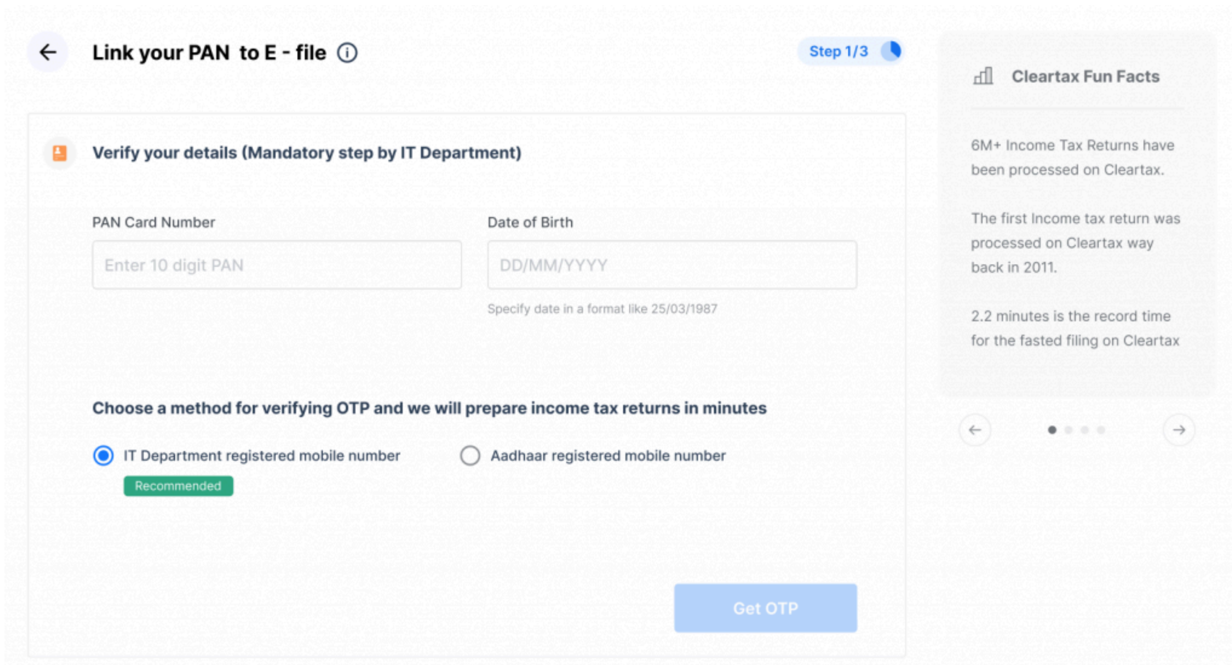
How to File ITR-3? – Steps to e-File Your ITR-3

ITR e-Filing – Login & Required Documents

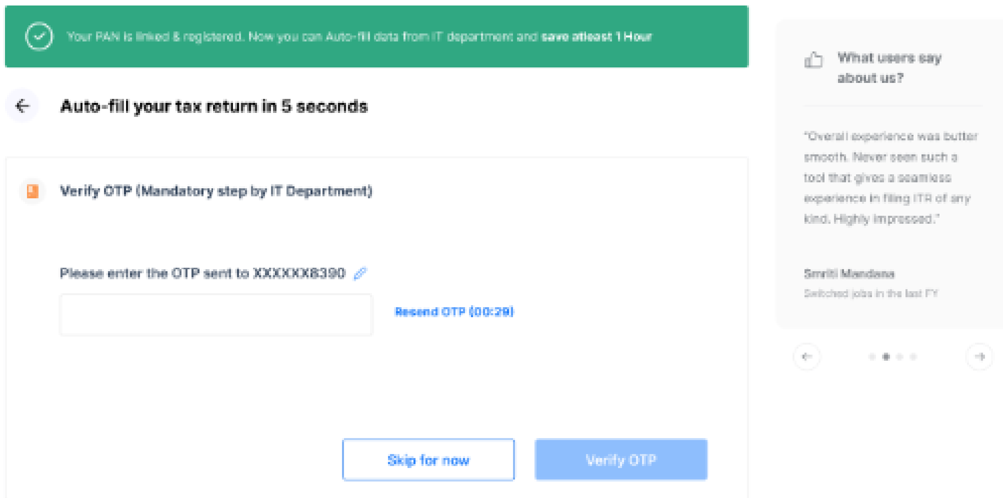
Here is a guide on filing ITR-3 if you have income from business or profession, intra-day trading or Futures and Options (F&O) trading. Before we get started, you should have the following documents at hand to pace up the process:

- PAN
- Aadhaar
- Bank account details
- Form 16 if applicable
- Investments details
- Books of accounts



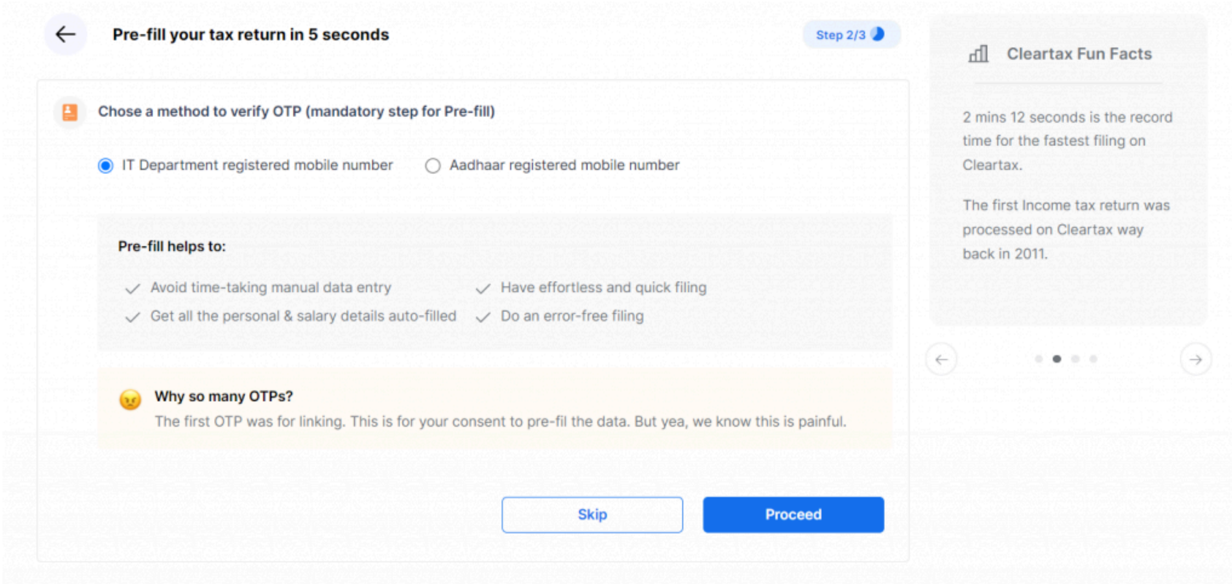


The linking shall complete when you do an OTP verification. You can verify OTP by selecting ‘Aadhaar registered mobile number’ or ‘IT Department registered mobile number’.

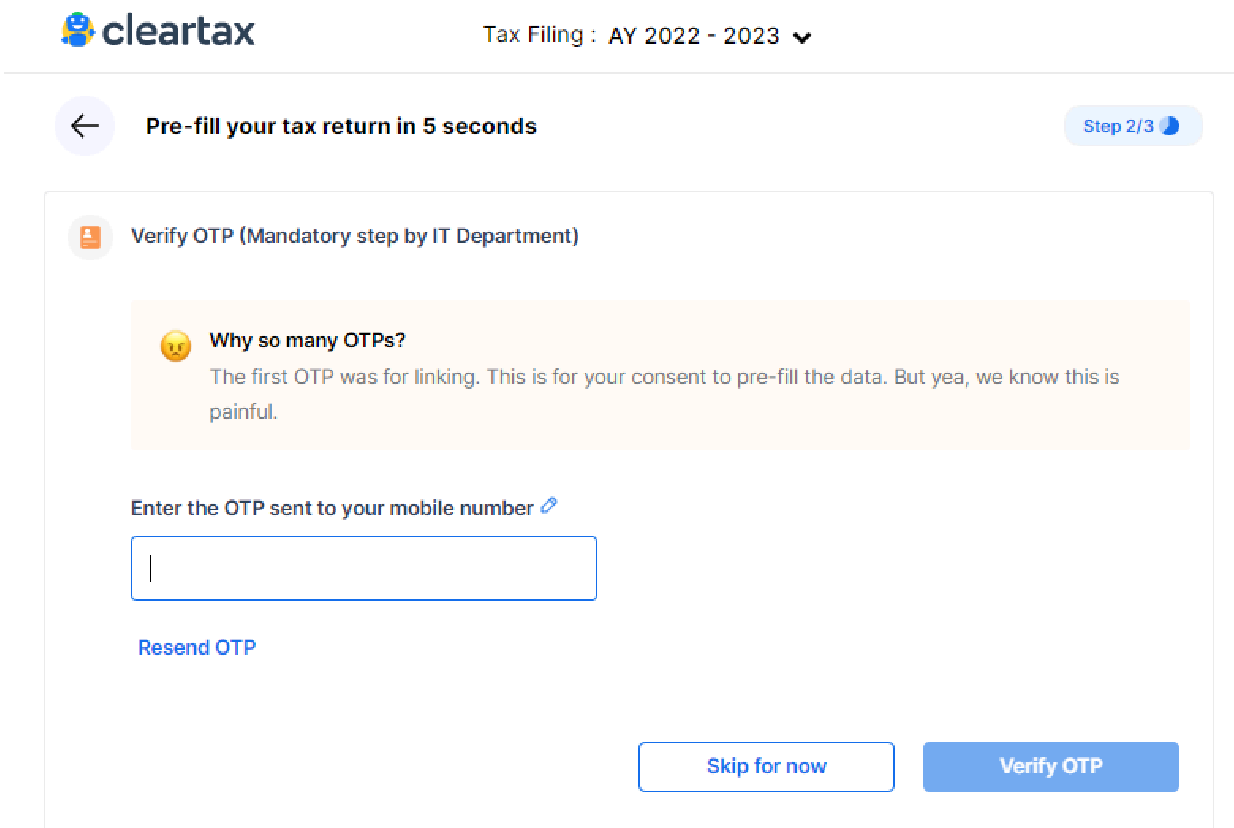


Pre-fill Your Personal Information

To allow us to pre-fill your information from the income tax department, complete another OTP verification. This OTP verification is to capture all your personal information and income details in your income tax return with maximum security of your data.

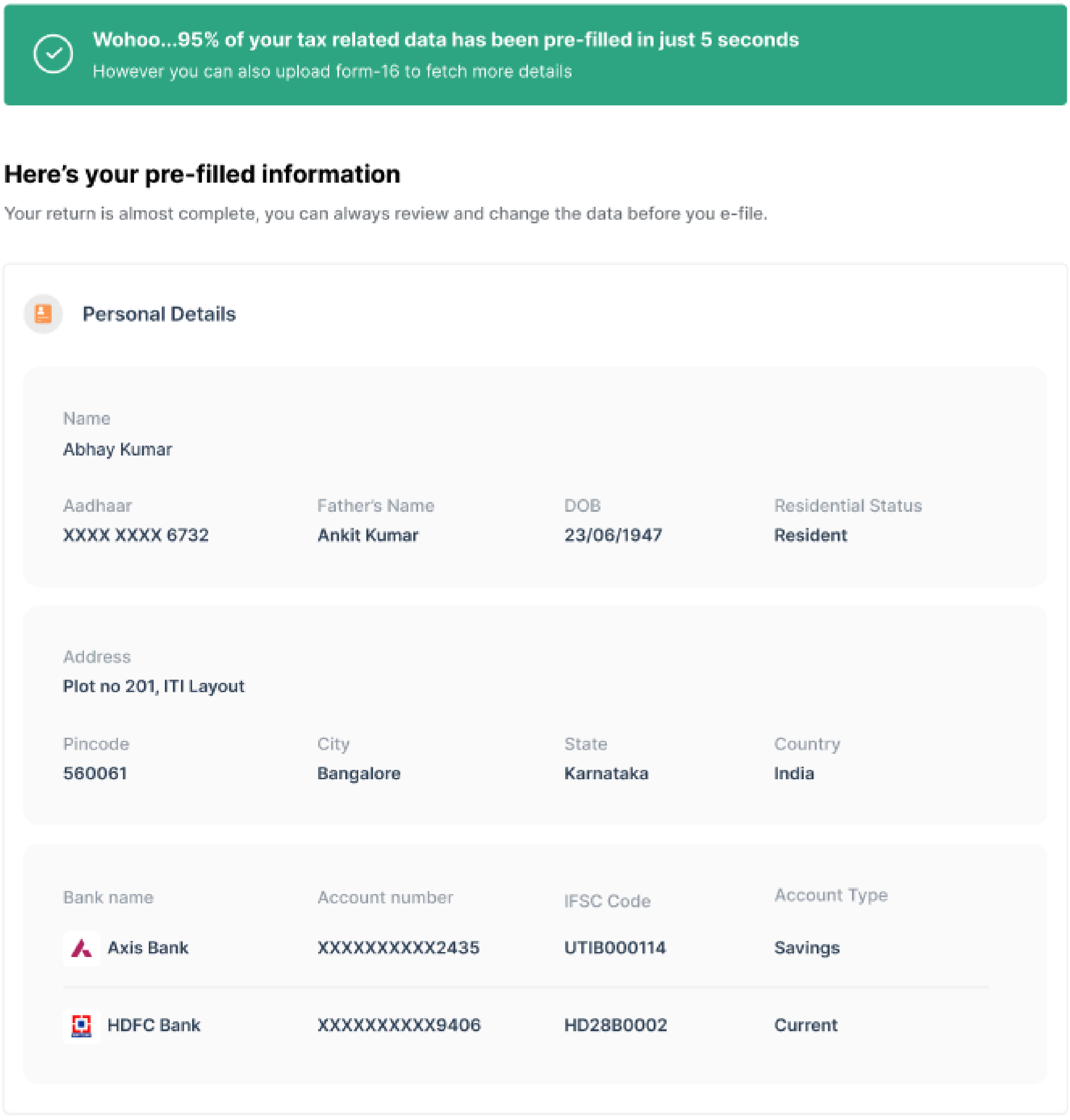


Opting for this saves you a lot of time and hassle with manual entries. We've made painstaking efforts to help you file the return in under 3 minutes. So proceed to do an OTP verification.



After OTP verification, the personal information and income details will be imported from the income tax department.

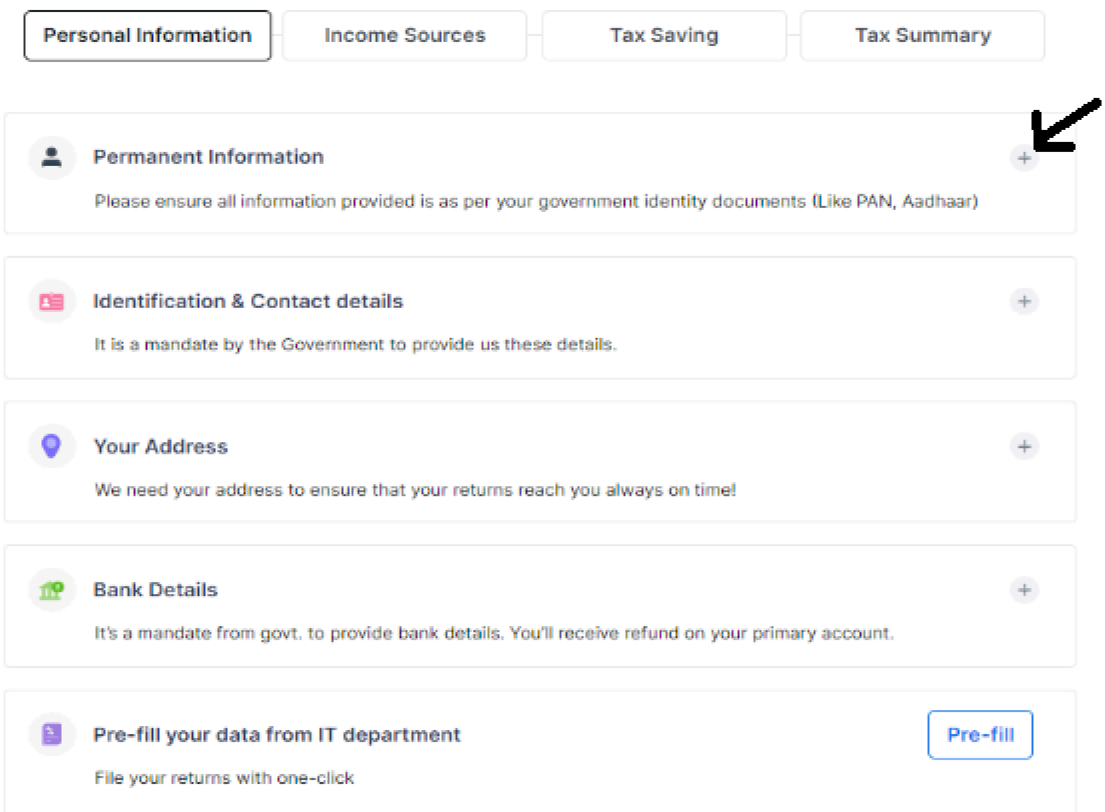
On the next page, you can preview all your details pre-filled. All you have to do is ensure that they are correct.



Edit and Review Details

Personal Information

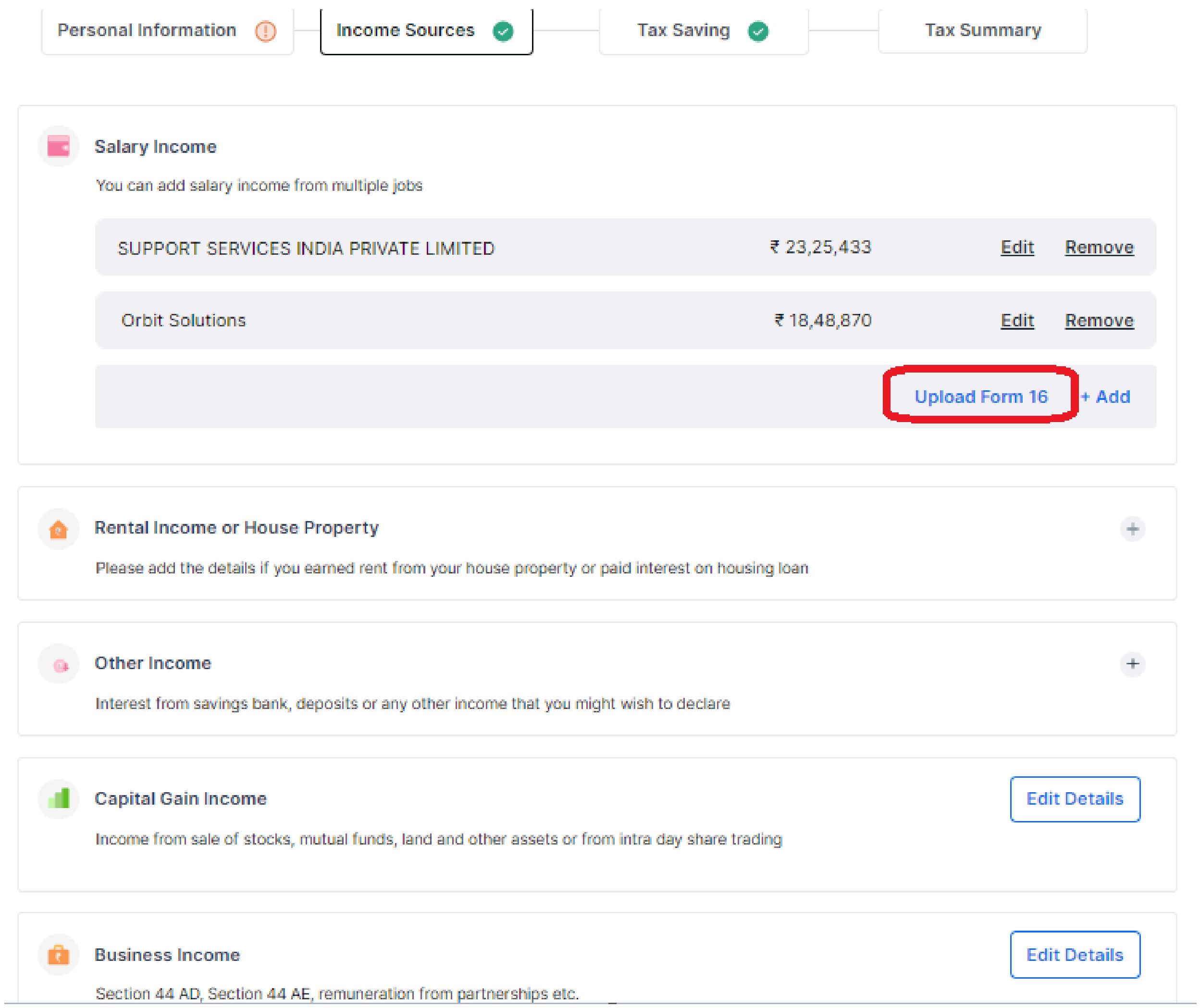
Go to the 'Personal Info' tab and check the pre-filled details. If you want to add or edit any information, you can make the changes and proceed.

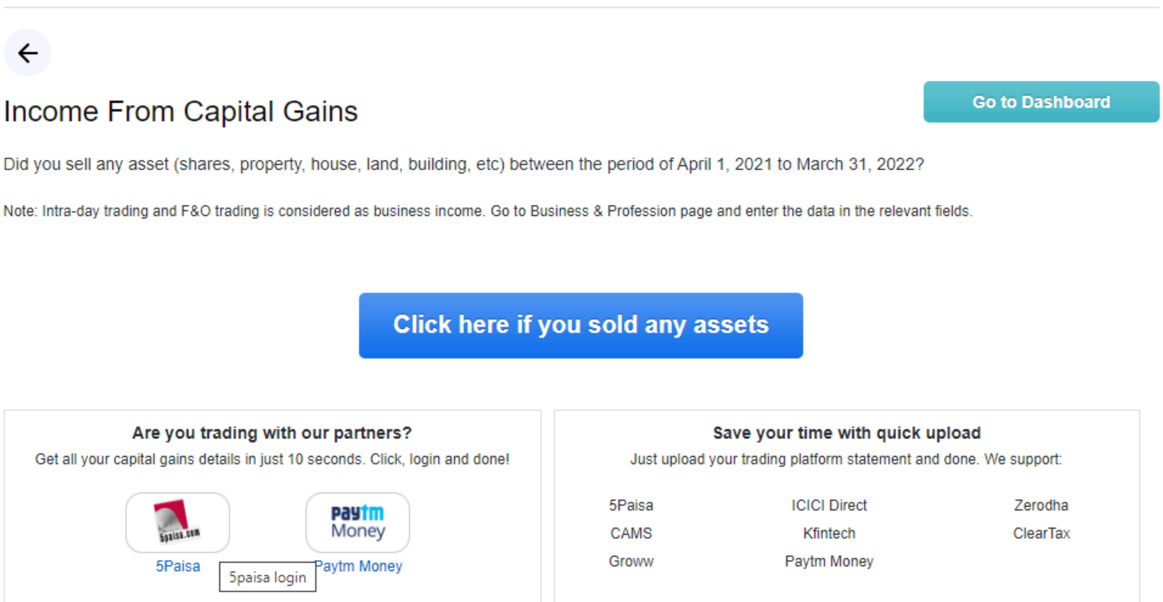


Income Sources

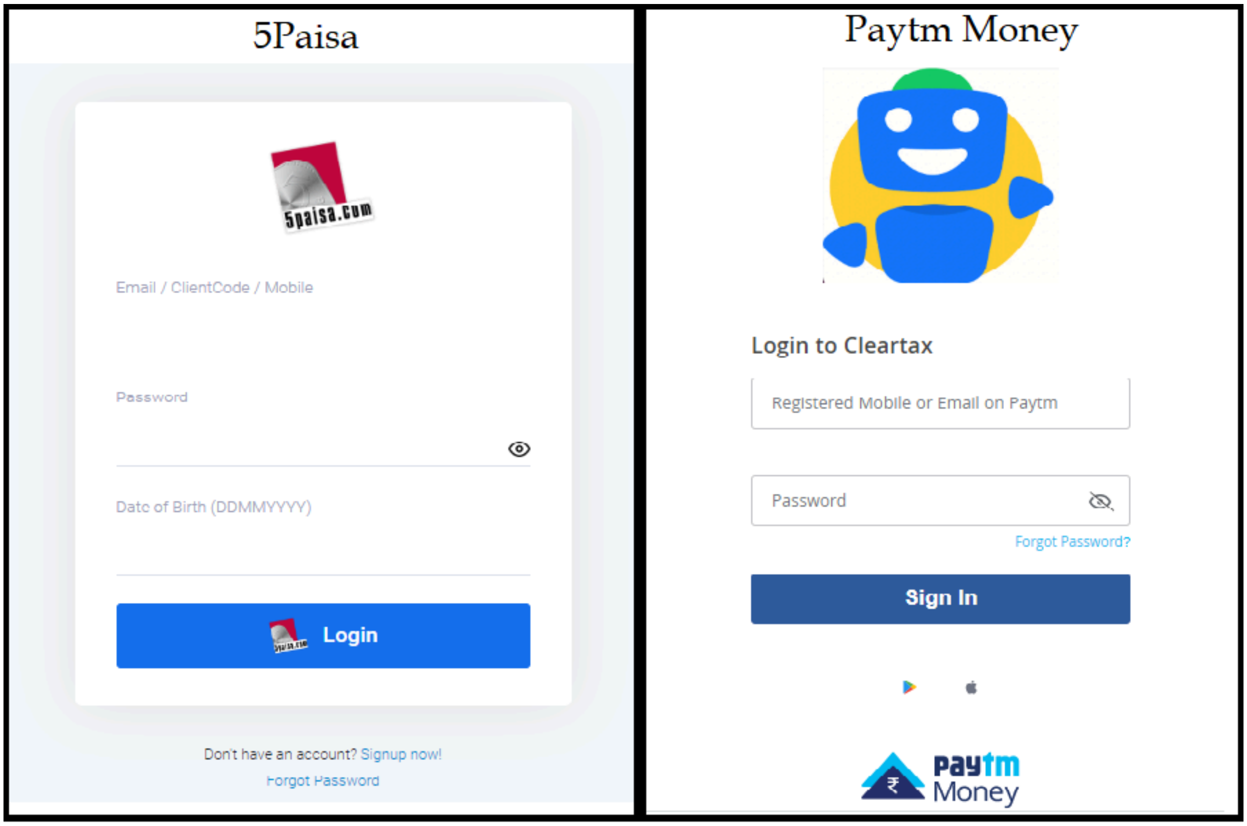
Go to the 'Income Sources' tab. Here, your salary details are also pre-filled. Just review the details whether they are correct and edit if required. If you did not select the pre-fill option earlier, you could upload your Form 16 or 26AS

PDF to fetch the salary details. Next, you can enter details of rental income or income from house property, other income, and capital gain

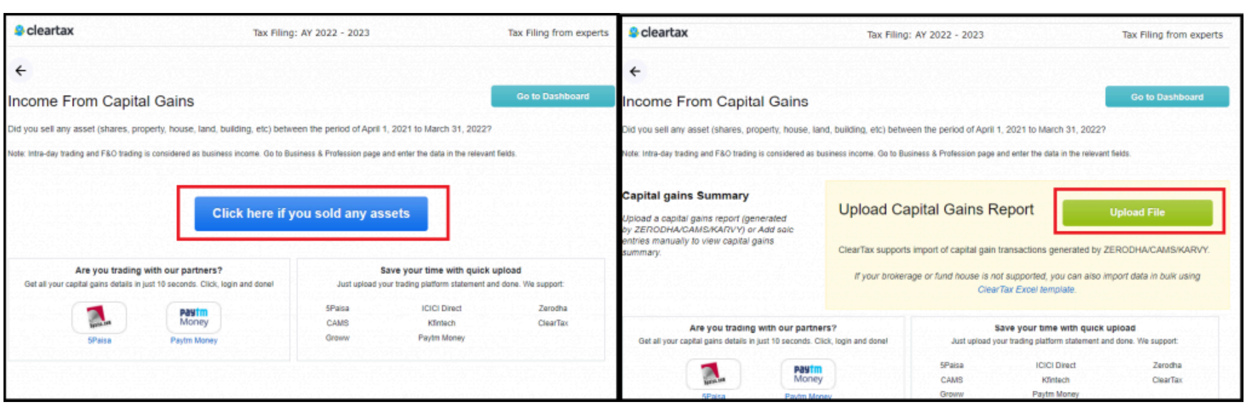




You will be redirected to a new tab where you can log in to your broker's account, and after successful login, all your capital gains details will be fetched automatically.

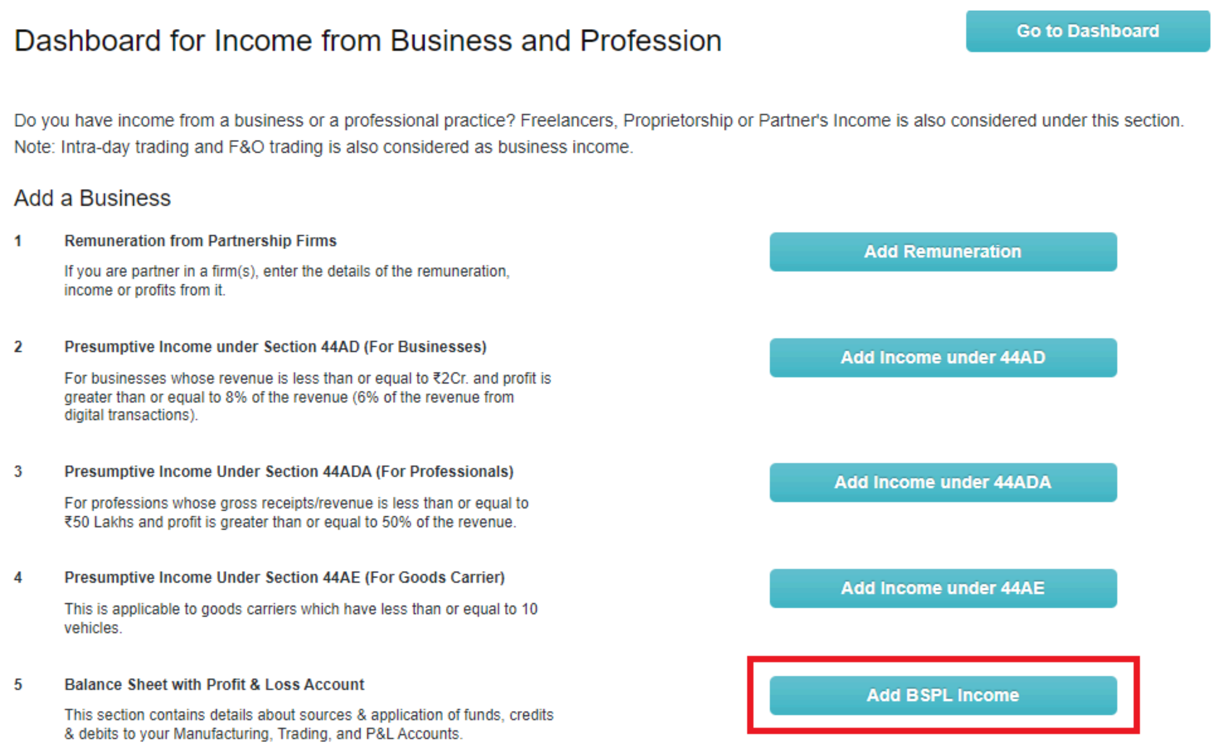


If you are registered with other brokers then click on the button 'Click here if you sold any assets'. Now, upload the capital gains report. To know how to extract them, click on 'upload file' and on the right, you can see the guides on how to download the report on all these platforms. Upload it and all your capital gains from shares and mutual funds are captured automatically.

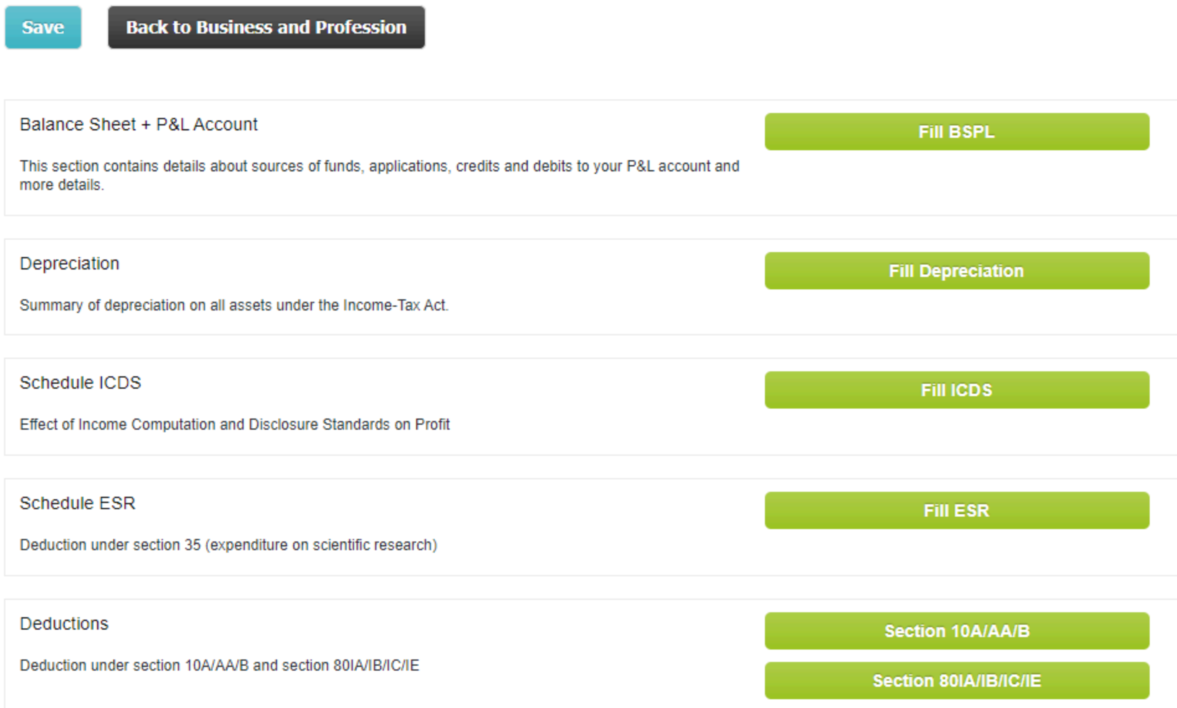


Profit from Business or Profession

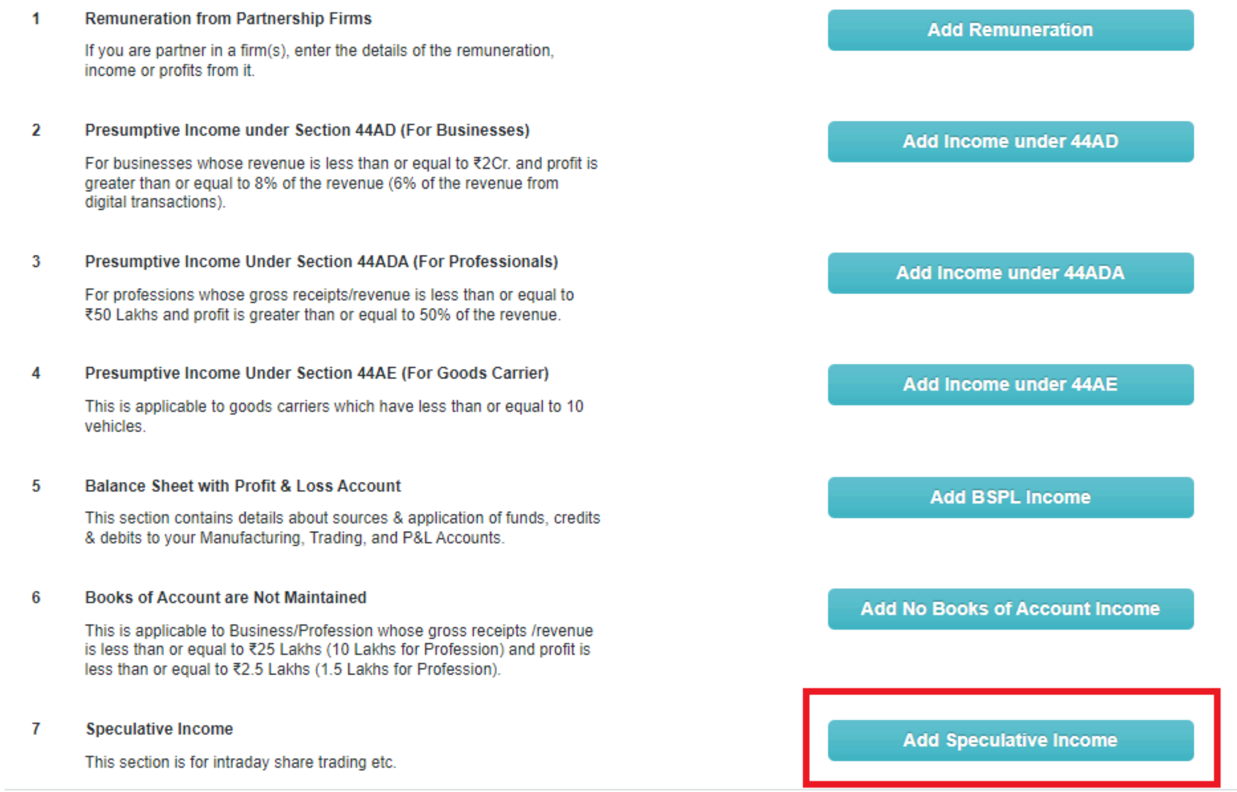
Now, enter the business income tab. Here, you will need to click ‘Add BSPL Income



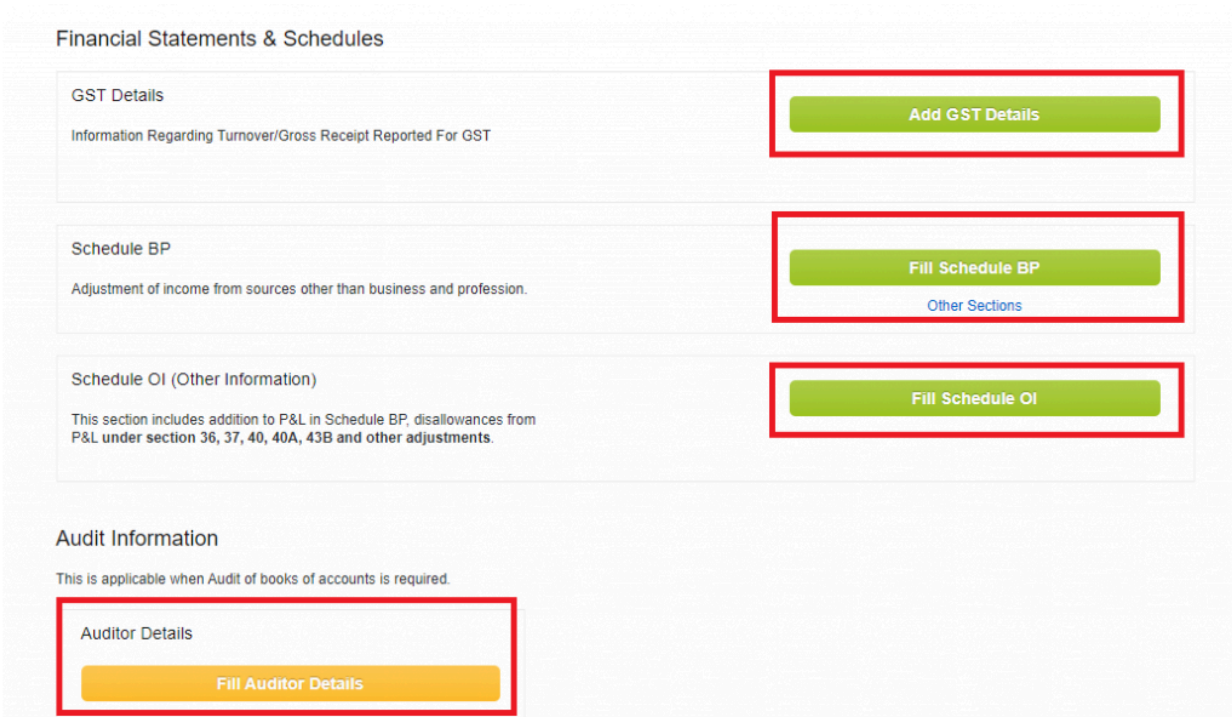
Here, fill in the Balance sheet, P&L, depreciation, ICDS and other details if they are applicable.



Go back to the dashboard. In the ‘speculative income’ section, enter details of your income from speculative transactions like intra-day trading, etc. .

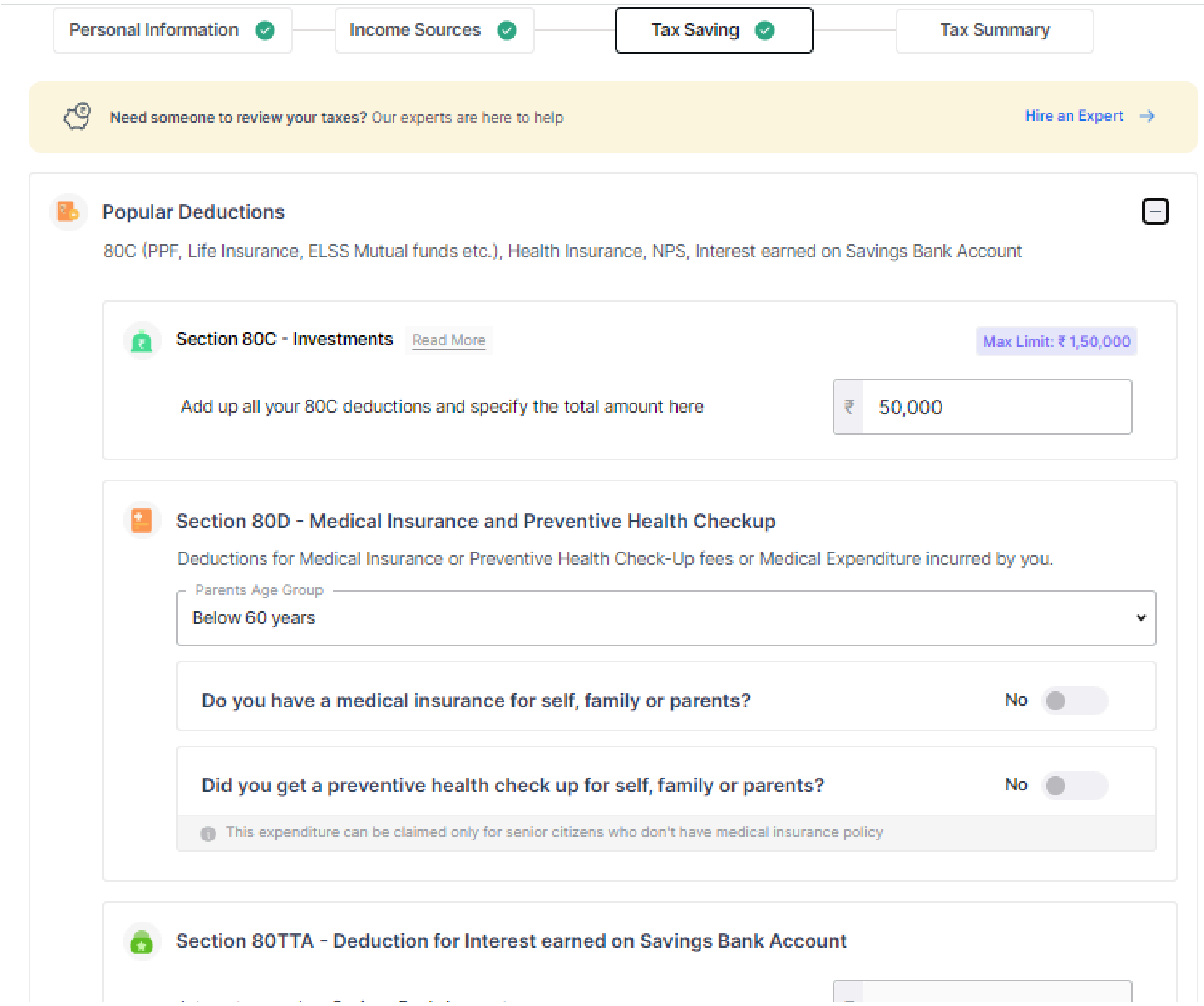


Once done, scroll down to fill in the income computation in Schedule BP and fill up the Schedule OI. Next, add your auditor details if tax audit is applicable to you. Then click on ‘Go to next’ to proceed to enter tax-saving details.



Under the ‘Deductions’ tab, review the investment details (say LIC, PPF, etc.) captured. If you want to add more tax-saving details, you can edit the fields and claim tax benefits here.

Watch out for the tax-saving tips that are prompted to you on the screen.



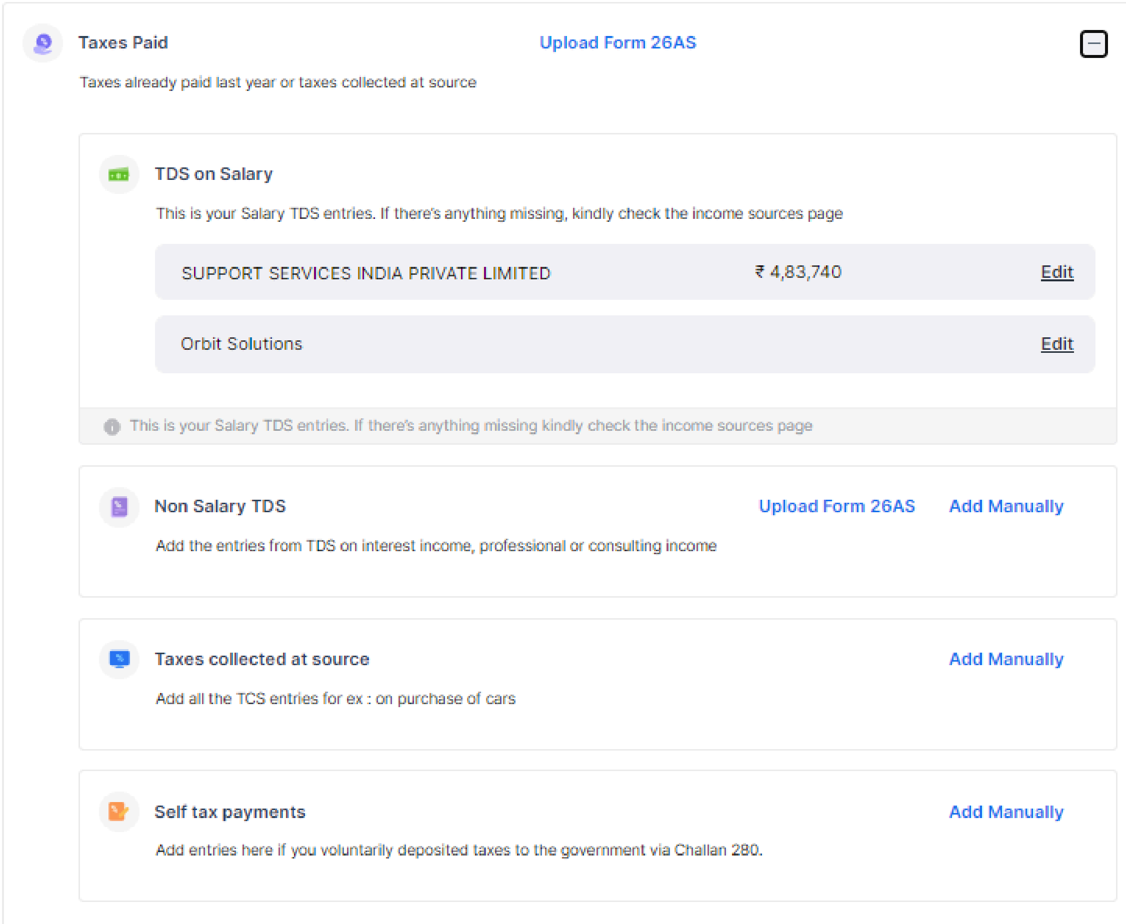
Tip: Do you have kids? Claim benefits on their tuition fees under Section 80C. Also, interests up to Rs 10,000 earned on your savings account maintained with a bank, post office, or co-operative society can be claimed as a deduction under 80TTA.

Enter the Tax Paid Details

If you scroll down below, you can enter taxes-paid details. Add tax payments already made if you have any non-salary income, say, interest or freelance income.

You can also add these details by uploading Form 26AS. In the case of uploading Form 26AS, only the TDS details get auto-populated and not the income, hence required to enter the income details in the respective place.

You can claim relief under Section 89 of the Income Tax Act. Also, enter the self-assessment tax paid for the relevant financial year under the tab ‘Self tax payments’.

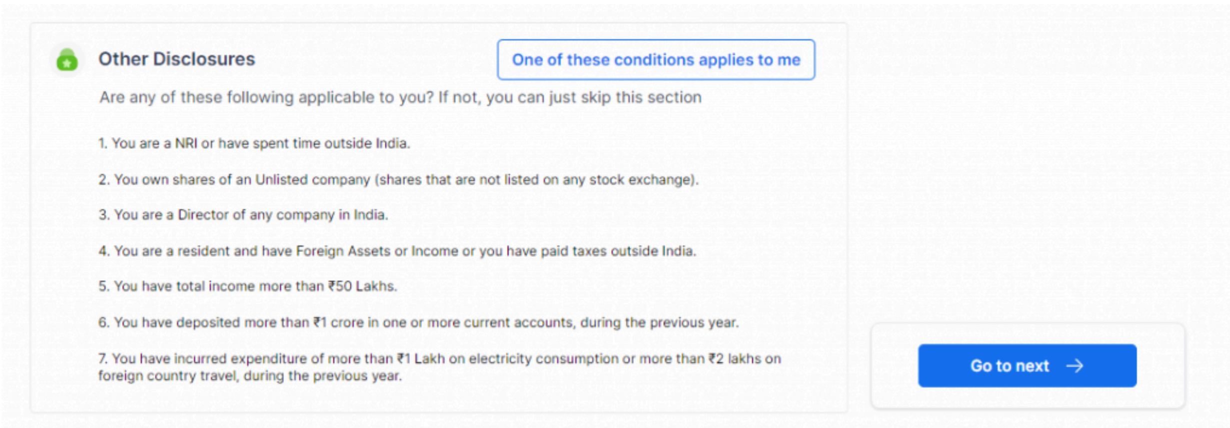


Schedule AL and Other Disclosures

Now, if any of the conditions mentioned in the 'Other Disclosures' section apply to you, fill in those relevant sections.

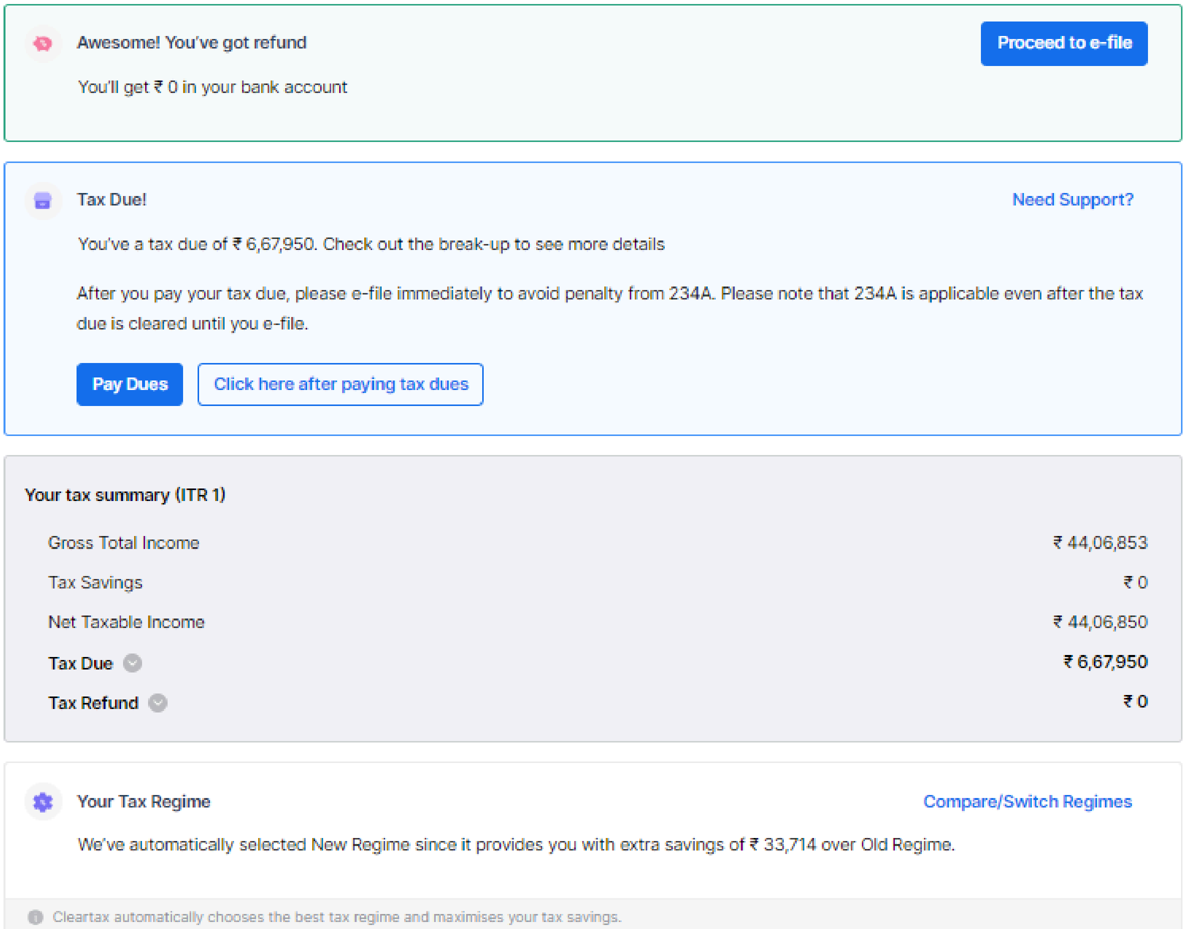
Say your total income after deductions exceed Rs 50 lakh, you must fill in the schedule AL. Here, fill in details of all your assets and liabilities if they were not included in the balance sheet earlier. If you are a non-resident or 'resident but not ordinarily resident', only the details of assets located in India are to be mentioned.

Likewise, in the current account deposits section, you will have to add the total amount deposited if you have deposited more than ₹1 crore in FY 22-23



View Summary, Compare, and Switch Tax Regimes

On the next page, you can also view the computation of your income tax. It will compare your tax under both old and new tax regimes.



Scroll down below, and you can go through all the details filled by you in each section and edit any of these items. To proceed, click on ‘File tax’.

YOUR TAX BREAK-UP

Go through each of the sections and cross check your data. You can edit any of these items.

View Report

Download Report

Personal Information

Name	[redacted]
Date of birth	[redacted]
PAN	[redacted]
Assessment Year	2022 - 2023
Residential Status	Resident

Income Sources

SALARY INCOME	₹ 44,06,853
HOUSE PROPERTY	₹ 0
CAPITAL GAIN	₹ 0
BUSINESS & PROFESSION	₹ 0
Gross Total Income	**₹ 44,06,853**

Tax Savings (Deductions)

Total Deduction	**₹ 0**

Tax Payable

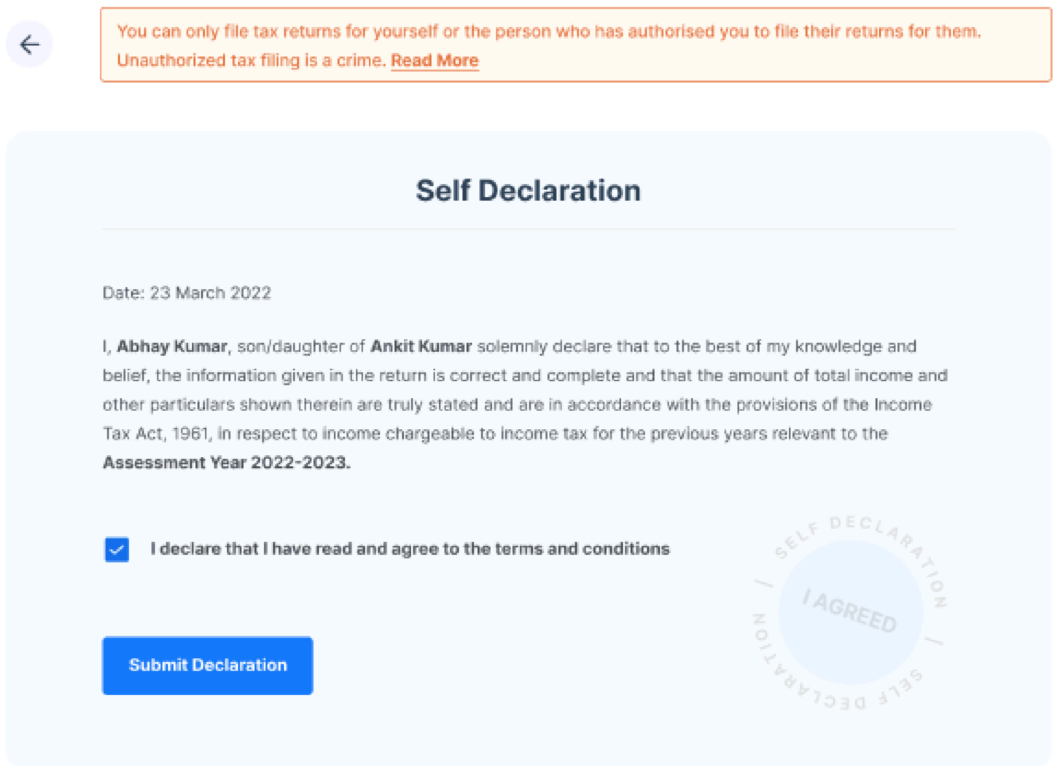
	Total Income (Gross Total Income - Total Deductions)	₹ 44,06,850
	Basic Exemption	₹ 2,50,000
	Income Tax at normal rates	₹ 10,59,555
A	**Total Tax**	**₹ 11,01,937**
	INTEREST DUE	
	234A	₹ 0
	234B	₹ 18,543
	234C	₹ 31,213
	234F	₹ 0
B	**Total Interest Due**	**₹ 49,756**
	Total Tax Payable	**₹ 11,51,693**

Tax Paid

TDS	₹ 4,83,740

Self-Declaration

You will need to declare that all the information in return, including the amounts, is correct.

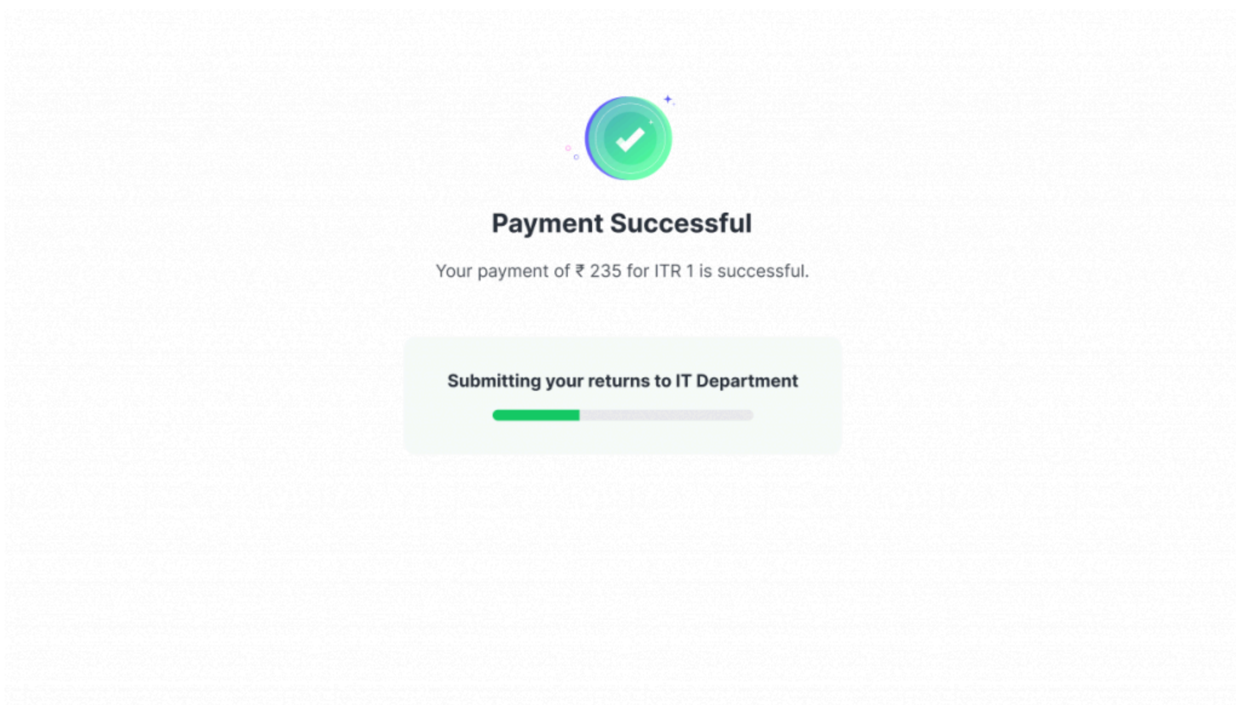


Pay Taxes

You can view your tax due status in the computation. If any tax is due to be paid, you must pay the same and enter the challan details to proceed to e-file. Read this guide to know how to pay your tax dues.

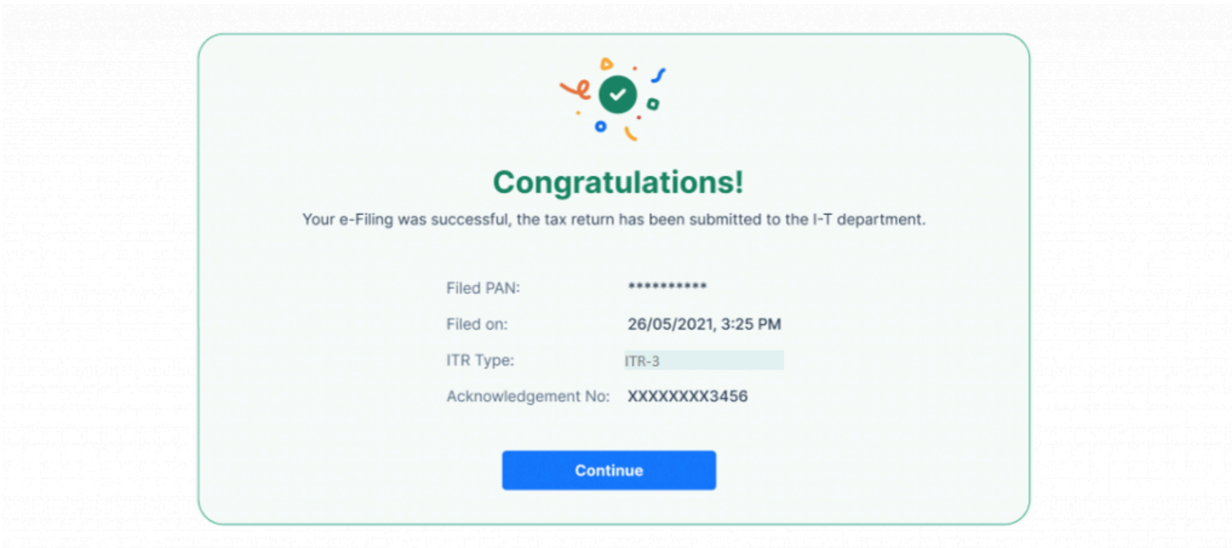
If you see ‘Refund’ or ‘No Tax Due’ here, you can proceed to e-file. You will get an acknowledgement number on the next screen.

On completion, you will see a success message as shown below.



ITR Submitted Successfully

If the ITR is successfully submitted to the income tax department, you can see the success message below.



e-Verify

Once your return is filed, e-verify your income tax return.

Important: Uploading ITR alone does not complete the return filing process.

Verification of return is important to complete the return filing process.

What is the structure of the ITR 3 Form for AY 2023-24 and AY 2024-25?

ITR-3 is divided into:

- Part A

- Part A-GEN: General information and Nature of Business
- Part A-BS: Balance Sheet as of March 31, 2021, of the Proprietary Business or Profession
- Part A- Manufacturing Account: Manufacturing Account for the financial year 2020-21
- Part A- Trading Account: Trading Account for the financial year 2020-21
- Part A-P&L: Profit and Loss for the financial Year 2020-21
- Part A-OI: Other Information (optional in a case not liable for audit under Section 44AB)
- Part A-QD: Quantitative Details (optional in a case not liable for audit under Section 44AB)

After this, there are the following schedules.

- Schedule-S: Computation of income under the head Salaries.
- Schedule-HP: Computation of income under the head Income from House Property
- Schedule BP: Computation of income from business or profession
- Schedule-DPM: Computation of depreciation on plant and machinery under the Income-tax Act

- Schedule DOA: Computation of depreciation on other assets under the Income-tax Act
- Schedule DEP: Summary of depreciation on all the assets under the Income-tax Act
- Schedule DCG: Computation of deemed capital gains on the sale of depreciable assets
- Schedule ESR: Deduction under section 35 (expenditure on scientific research)
- Schedule-CG: Computation of income under the head Capital gains.
- Schedule 112A: Details of Capital Gains where section 112A is applicable
- Schedule 115AD(1)(b)(iii)Proviso: For Non-Residents Details of Capital Gains where section 112A is applicable
- Schedule-OS: Computation of income under the head Income from other sources.
- Schedule-CYLA-BFLA: Statement of income after set off of current year's losses and Statement of income after set off of unabsorbed loss brought forward from earlier years.
- Schedule-CYLA: Statement of income after set off of current year's losses
- Schedule BFLA: Statement of income after set off of unabsorbed loss brought forward from earlier years.

- Schedule CFL: Statement of losses to be carried forward to future years.
- Schedule- UD: Statement of unabsorbed depreciation.
- Schedule ICDS – Effect of Income Computation Disclosure Standards on Profit
- Schedule- 10AA: Computation of deduction under section 10AA.
- Schedule 80G: Statement of donations entitled for deduction under section 80G.
- Schedule RA: Statement of donations to research associations etc. entitled for deduction under section 35(1)(ii) or 35(1)(iia) or 35(1)(iii) or 35(2AA)
- Schedule- 80IA: Computation of deduction under section 80IA.
- Schedule- 80IB: Computation of deduction under section 80IB.
- Schedule- 80IC/ 80-IE: Computation of deduction under section 80IC/ 80-IE.
- Schedule VI-A: Statement of deductions (from total income) under Chapter VIA.
- Schedule AMT: Computation of Alternate Minimum Tax Payable under Section 115JC
- Schedule AMTC: Computation of tax credit under section 115JD
- Schedule SPI: Statement of income arising to spouse/ minor child/ son's wife or any other person or association of persons to be

included in the income of the assessee in Schedules-HP, BP, CG and OS.

- Schedule SI: Statement of income which is chargeable to tax at special rates
- Schedule-IF: Information regarding partnership firms in which assessee is a partner.
- Schedule EI: Statement of Income not included in total income (exempt incomes)
- Schedule PTI: Pass through income details from a business trust or investment fund as per section 115UA, 115UB
- Schedule TPSA: Secondary adjustment to transfer price as per section 92CE(2A)
- Schedule FSI: Details of income from outside India and tax relief
- Schedule TR: Statement of tax relief claimed under section 90 or section 90A or section 91.
- Schedule FA: Statement of Foreign Assets and income from any source outside India.
- Schedule 5A: Information regarding apportionment of income between spouses governed by Portuguese Civil Code
- Schedule AL: Asset and Liability at the end of the year(applicable where the total income exceeds Rs 50 lakhs)
- Schedule GST: Information regarding turnover/ Gross receipt reported for GST

- Part B-TI: Computation of Total Income.
- Part B-TTI: Computation of tax liability on total income.
- Verification

How do I file my ITR-3 Form?

A taxpayer has to compulsorily file ITR-3 online. The ITR-3 can be filed online/electronically:

- By furnishing the return electronically under a digital signature
- By transmitting the data electronically and then submitting the verification of the return in Form ITR-V

If you submit your ITR-3 Form electronically under digital signature, the acknowledgement will be sent to your registered email id. You can also choose to download it manually from the income tax website. You are then required to sign it and send it to the Income Tax Department's CPC office in Bangalore within 120 days of e-filing. Remember that ITR-3 is an annexure-less form i.e. you do not have to attach any documents when you send it.

How do you send your ITR-V to the CPC Office?

We have a guide to help you print and send your ITR-V to the CPC office.

How to fill out the verification document?

While filling up the data in the income tax return, a taxpayer should also fill up the verification. Please note that any person making a false statement in the return or any of the accompanying schedules shall be liable to be prosecuted under section 277 of the Income-tax Act, 1961 and on conviction be punishable under that section with rigorous imprisonment and with fine.

Business Codes for ITR Forms

Sector	Sub-Sector	Code

AGRICULTURE, ANIMAL HUSBANDRY & FORESTRY	Growing and manufacturing of tea	1001
	Growing and manufacturing of coffee	1002
	Growing and manufacturing of rubber	1003

	Market gardening and horticulture specialties	1004
	Raising of silk worms and production of silk	1005
	Raising of bees and production of honey	1006

	Raising of poultry and production of eggs	1007
	Rearing of sheep and production of wool	1008
	Rearing of animals and production of animal products	1009

	Agricultural and animal husbandry services	1010
	Soil conservation, soil testing and soil desalination services	1011
	Hunting, trapping and game propagation services	1012

	Growing of timber, plantation, operation of tree nurseries and conserving of forest	1013
	Gathering of tendu leaves	1014
	Gathering of other wild growing materials	1015

	Forestry service activities, timber cruising, afforestation and reforestation	1016
	Logging service activities, transport of logs within the forest	1017
	Other agriculture, animal husbandry or forestry activity n.e.c	1018

FISH FARMING	Fishing on commercial basis in inland waters	2001
	Fishing on commercial basis in ocean and coastal areas	2002
	Fish farming	2003

	Gathering of marine materials such as natural pearls, sponges, coral etc.	2004
	Services related to marine and fresh water fisheries, fish hatcheries and fish farms	2005
	Other Fish farming activity n.e.c	2006

MINING AND QUARRYING	Mining and agglomeration of hard coal	3001
	Mining and agglomeration of lignite	3002
	Extraction and agglomeration of peat	3003

	Extraction of crude petroleum and natural gas	3004
	Service activities incidental to oil and gas extraction excluding surveying	3005
	Mining of uranium and thorium ores	3006

	Mining of iron ores	3007
	Mining of non-ferrous metal ores, except uranium and thorium ores	3008
	Mining of gemstones	3009
	Mining of chemical and fertilizer minerals	3010

	Mining of quarrying of abrasive materials	3011
	Mining of mica, graphite and asbestos	3012
	Quarrying of stones (marble/granite/dolomite), sand and clay	3013

	Other mining and quarrying	3014
	Mining and production of salt	3015
	Other mining and quarrying n.e.c	3016

MANUFACTURING	Production, processing and preservation of meat and meat products	4001
	Production, processing and preservation of fish and fish products	4002
	Manufacture of vegetable oil, animal oil and fats	4003

	Processing of fruits, vegetables and edible nuts	4004
	Manufacture of dairy products	4005
	Manufacture of sugar	4006

	Manufacture of cocoa, chocolates and sugar confectionery	4007
	Flour milling	4008
	Rice milling	4009
	Dal milling	4010

	Manufacture of other grain mill products	4011
	Manufacture of bakery products	4012
	Manufacture of starch products	4013
	Manufacture of animal feeds	4014

	Manufacture of other food products	4015
	Manufacturing of wines	4016
	Manufacture of beer	4017
	Manufacture of malt liquors	4018

	Distilling and blending of spirits, production of ethyl alcohol	4019
	Manufacture of mineral water	4020
	Manufacture of soft drinks	4021
	Manufacture of other non-alcoholic beverages	4022

	Manufacture of tobacco products	4023
	Manufacture of textiles (other than by handloom)	4024
	Manufacture of textiles using handlooms (khadi)	4025

	Manufacture of carpet, rugs, blankets, shawls etc. (other than by hand)	4026
	Manufacture of carpet, rugs, blankets, shawls etc. by hand	4027
	Manufacture of wearing apparel	4028

	Tanning and dressing of leather	4029
	Manufacture of luggage, handbags and the like saddler and harness	4030
	Manufacture of footwear	4031

	Manufacture of wood and wood products, cork, straw and plaiting material	4032
	Manufacture of paper and paper products	4033
	Publishing, printing and reproduction of recorded media	4034

	Manufacture of coke oven products	4035
	Manufacture of refined petroleum products	4036
	Processing of nuclear fuel	4037

	Manufacture of fertilizers and nitrogen compounds	4038
	Manufacture of plastics in primary forms and of synthetic rubber	4039
	Manufacture of paints, varnishes and similar coatings	4040

	Manufacture of pharmaceuticals, medicinal chemicals and botanical products	4041
	Manufacture of soap and detergents	4042
	Manufacture of other chemical products	4043

	Manufacture of man-made fibers	4044
	Manufacture of rubber products	4045
	Manufacture of plastic products	4046
	Manufacture of glass and glass products	4047

	Manufacture of cement, lime and plaster	4048
	Manufacture of articles of concrete, cement and plaster	4049
	Manufacture of Bricks	4050

	Manufacture of other clay and ceramic products	4051
	Manufacture of other non-metallic mineral products	4052
	Manufacture of pig iron, sponge iron, Direct Reduced Iron etc.	4053

	Manufacture of Ferro alloys	4054
	Manufacture of Ingots, billets, blooms and slabs etc.	4055
	Manufacture of steel products	4056

	Manufacture of basic precious and non- ferrous metals	4057
	Manufacture of non-metallic mineral products	4058
	Casting of metals	4059

	Manufacture of fabricated metal products	4060
	Manufacture of engines and turbines	4061
	Manufacture of pumps and compressors	4062

	Manufacture of bearings and gears	4063
	Manufacture of ovens and furnaces	4064
	Manufacture of lifting and handling equipment	4065

	Manufacture of other general-purpose machinery	4066
	Manufacture of agricultural and forestry machinery	4067
	Manufacture of Machine Tools	4068

	Manufacture of machinery for metallurgy	4069
	Manufacture of machinery for mining, quarrying and constructions	4070
	Manufacture of machinery for processing of food and beverages	4071

	Manufacture of machinery for leather and textile	4072
	Manufacture of weapons and ammunition	4073
	Manufacture of other special purpose machinery	4074

	Manufacture of domestic appliances	4075
	Manufacture of office, accounting and computing machinery	4076
	Manufacture of electrical machinery and apparatus	4077

	Manufacture of Radio, Television, communication equipment and apparatus	4078
	Manufacture of medical and surgical equipment	4079
	Manufacture of industrial process control equipment	4080

	Manufacture of instruments and appliances for measurements and navigation	4081
	Manufacture of optical instruments	4082
	Manufacture of watches and clocks	4083

	Manufacture of motor vehicles	4084
	Manufacture of body of motor vehicles	4085
	Manufacture of parts & accessories of motor vehicles & engines	4086

	Building & repair of ships and boats	4087
	Manufacture of railway locomotive and rolling stocks	4088
	Manufacture of aircraft and spacecraft	4089

	Manufacture of bicycles	4090
	Manufacture of other transport equipment	4091
	Manufacture of furniture	4092
	Manufacture of Jewellery	4093

	Manufacture of sports goods	4094
	Manufacture of musical instruments	4095
	Manufacture of games and toys	4096
	Other manufacturing n.e.c	4097

	Recycling of metal waste and scrap	4098
	Recycling of non- metal waste and scrap	4099

ELECTRITY, GAS AND WATER	Production, collection and distribution of electricity	5001
	Manufacture and distribution of gas	5002
	Collection, purification and distribution of water	5003

	Other essential commodity service n.e.c	5004
CONSTRUCTION	Site preparation works	6001
	Building of complete constructions or parts- civil contractors	6002

	Building installation	6003
	Building completion	6004
	Construction and maintenance of roads, rails, bridges, tunnels, ports, harbor, runways etc.	6005

	Construction and maintenance of power plants	6006
	Construction and maintenance of industrial plants	6007
	Construction and maintenance of power transmission and telecommunication lines	6008

	Construction of water ways and water reservoirs	6009
	Other construction activity n.e.c	6010

REAL ESTATE AND RENTING SERVICES	Purchase, sale and letting of leased buildings (residential and non-residential)	7001
	Operating of real estate of self-owned buildings (residential and non-residential)	7002
	Developing and sub-dividing real estate into lots	7003

	Real estate activities on a fee or contract basis	7004
	Other real estate/renting services n.e.c	7005
RENTING OF MACHINERY	Renting of land transport equipment	8001

	Renting of water transport equipment	8002
	Renting of air transport equipment	8003
	Renting of agricultural machinery and equipment	8004

	Renting of construction and civil engineering machinery	8005
	Renting of office machinery and equipment	8006
	Renting of other machinery and equipment n.e.c	8007

	Renting of personal and household goods n.e.c	8008
	Renting of other machinery n.e.c	8009
WHOLESALE AND RETAIL TRADE	Wholesale and retail sale of motor vehicles	9001

	Repair and maintenance of motor vehicles	9002
	Sale of motor parts and accessories- wholesale and retail	9003
	Retail sale of automotive fuel	9004

	General commission agents, commodity brokers and auctioneers	9005
	Wholesale of agricultural raw material	9006
	Wholesale of food & beverages and tobacco	9007

	Wholesale of household goods	9008
	Wholesale of metals and metal ores	9009
	Wholesale of household goods	9010
	Wholesale of construction material	9011

	Wholesale of hardware and sanitary fittings	9012
	Wholesale of cotton and jute	9013
	Wholesale of raw wool and raw silk	9014
	Wholesale of other textile fibres	9015

	Wholesale of industrial chemicals	9016
	Wholesale of fertilizers and pesticides	9017
	Wholesale of electronic parts & equipment	9018

	Wholesale of other machinery, equipment and supplies	9019
	Wholesale of waste, scrap & materials for re-cycling	9020
	Retail sale of food, beverages and tobacco in specialized stores	9021

	Retail sale of other goods in specialized stores	9022
	Retail sale in non-specialized stores	9023
	Retail sale of textiles, apparel, footwear, leather goods	9024

	Retail sale of other household appliances	9025
	Retail sale of hardware, paint and glass	9026
	Wholesale of other products n.e.c	9027

	Retail sale of other products n.e.c	9028
HOTELS, RESTAURANTS AND HOSPITALITY SERVICES	Hotels – Star rated	10001
	Hotels – Non-star rated	10002

	Motels, Inns and Dharmshalas	10003
	Guest houses and circuit houses	10004
	Dormitories and hostels at educational institutions	10005
	Short stay accommodations n.e.c.	10006

	Restaurants – with bars	10007
	Restaurants – without bars	10008
	Canteens	10009
	Independent caterers	10010

	Casinos and other games of chance	10011
	Other hospitality services n.e.c.	10012
TRANSPORT & LOGISTICS SERVICES	Travel agencies and tour operators	11001

	Packers and movers	11002
	Passenger land transport	11003
	Air transport	11004
	Transport by urban/sub-urban railways	11005

	Inland water transport	11006
	Sea and coastal water transport	11007
	Freight transport by road	11008
	Freight transport by railways	11009

	Forwarding of freight	11010
	Receiving and acceptance of freight	11011
	Cargo handling	11012
	Storage and warehousing	11013

	Transport via pipelines (transport of gases, liquids, slurry and other commodities)	11014
	Other Transport & Logistics services n.e.c	11015

POST AND TELECOMMUNICATION SERVICES	Post and courier activities	12001
	Basic telecom services	12002
	Value added telecom services	12003
	Maintenance of telecom network	12004

	Activities of the cable operators	12005
	Other Post & Telecommunication services n.e.c	12006

FINANCIAL INTERMEDIATION SERVICES	Commercial banks, saving banks and discount houses	13001
	Specialised institutions granting credit	13002
	Financial leasing	13003
	Hire-purchase financing	13004

	Housing finance activities	13005
	Commercial loan activities	13006
	Credit cards	13007
	Mutual funds	13008

	Chit fund	13009
	Investment activities	13010
	Life insurance	13011
	Pension funding	13012

	Non-life insurance	13013
	Administration of financial markets	13014
	Stock brokers, sub-brokers and related activities	13015

	Financial advisers, mortgage advisers and brokers	13016
	Foreign exchange services	13017
	Other financial intermediation services n.e.c.	13018

COMPUTER AND RELATED SERVICES	Software development	14001
	Other software consultancy	14002
	Data processing	14003
	Database activities and distribution of electronic content	14004

	Other IT enabled services	14005
	BPO services	14006
	Cyber café	14007
	Maintenance and repair of office, accounting and computing machinery	14008

	Computer training and educational institutes	14009
	Other computation related services n.e.c.	14010
RESEARCH AND DEVELOPMENT	Natural sciences and engineering	15001

	Social sciences and humanities	15002
	Other Research & Development activities n.e.c.	15003
PROFESSIONS	Legal profession	16001

	Accounting, book-keeping and auditing profession	16002
	Tax consultancy	16003
	Architectural profession	16004
	Engineering and technical consultancy	16005

	Advertising	16006
	Fashion designing	16007
	Interior decoration	16008
	Photography	16009

	Auctioneers	16010
	Business brokerage	16011
	Market research and public opinion polling	16012
	Business and management consultancy activities	16013

	Labour recruitment and provision of personnel	16014
	Investigation and security services	16015
	Building-cleaning and industrial cleaning activities	16016

	Packaging activities	16017
	Secretarial activities	16018
	Medical Profession	16019_1
	Film Artist	16020

	Other professional services n.e.c.	16019
EDUCATION SERVICES	Primary education	17001
	Secondary/ senior secondary education	17002

	Technical and vocational secondary/ senior secondary education	17003
	Higher education	17004
	Education by correspondence	17005
	Coaching centres and tuitions	17006

	Other education services n.e.c.	17007
HEALTH CARE SERVICES	General hospitals	18001
	Speciality and super speciality hospitals	18002

	Nursing homes	18003
	Diagnostic centres	18004
	Pathological laboratories	18005
	Independent blood banks	18006

	Medical transcription	18007
	Independent ambulance services	18008
	Medical suppliers, agencies and stores	18009
	Medical clinics	18010

	Dental practice	18011
	Ayurveda practice	18012
	Unani practice	18013
	Homeopathy practice	18014

	Nurses, physiotherapists or other para- medical practitioners	18015
	Veterinary hospitals and practice	18016
	Medical education	18017
	Medical research	18018

	Practice of other alternative medicine	18019
	Other healthcare services	18020
SOCIAL AND COMMUNITY WORK	Social work activities with accommodation (orphanages and old age homes)	19001

	Social work activities without accommodation (Creches)	19002
	Industry associations, chambers of commerce	19003
	Professional organisations	19004
	Trade unions	19005

	Religious organizations	19006
	Political organisations	19007
	Other membership organisations n.e.c. (rotary clubs, book clubs and philatelic clubs)	19008

	Other Social or community service n.e.c	19009
CULTURE AND SPORT	Motion picture production	20001
	Film distribution	20002

	Film laboratories	20003
	Television channel productions	20004
	Television channels broadcast	20005
	Video production and distribution	20006

	Sound recording studios	20007
	Radio - recording and distribution	20008
	Stage production and related activities	20009
	Individual artists excluding authors	20010

	Literary activities	20011
	Other cultural activities n.e.c.	20012
	Circuses and race tracks	20013
	Video Parlours	20014

	News agency activities	20015
	Library and archives activities	20016
	Museum activities	20017
	Preservation of historical sites and buildings	20018

	Botanical and zoological gardens	20019
	Operation and maintenance of sports facilities	20020
	Activities of sports and game schools	20021
	Organisation and operation of indoor/outdoor sports and	20022

	promotion and production of sporting events	
	Sports Management	20023_01
	Other sporting activities n.e.c.	20023
	Other recreational activities n.e.c.	20024

OTHER SERVICES	Hair dressing and other beauty treatment	21001
	Funeral and related activities	21002
	Marriage bureaus	21003

	Pet care services	21004
	Sauna and steam baths, massage salons etc.	21005
	Astrological and spiritualists' activities	21006

	Private households as employers of domestic staff	21007
	Event Management	21008_01
	Other services n.e.c.	21008

EXTRA TERRITORIAL ORGANISATIONS AND BODIES	Extra territorial organisations and bodies (IMF, World Bank, European Commission etc.)	22001

*n.e.c. – not elsewhere classified

What is the structure of the ITR 3 Form for AY 2021-22 and AY 2022-23?

ITR-3 is divided into:

- Part A
    - Part A-GEN: General information and Nature of Business
    - Part A-BS: Balance Sheet as of March 31, 2021, of the Proprietary Business or Profession
    - Part A- Manufacturing Account: Manufacturing Account for the financial year 2020-21

- Part A- Trading Account: Trading Account for the financial year 2020-21
- Part A-P&L: Profit and Loss for the financial Year 2020-21
- Part A-OI: Other Information (optional in a case not liable for audit under Section 44AB)
- Part A-QD: Quantitative Details (optional in a case not liable for audit under Section 44AB)

After this, there are the following schedules.

- Schedule-S: Computation of income under the head Salaries.
- Schedule-HP: Computation of income under the head Income from House Property
- Schedule BP: Computation of income from business or profession
- Schedule-DPM: Computation of depreciation on plant and machinery under the Income-tax Act
- Schedule DOA: Computation of depreciation on other assets under the Income-tax Act
- Schedule DEP: Summary of depreciation on all the assets under the Income-tax Act
- Schedule DCG: Computation of deemed capital gains on the sale of depreciable assets

- Schedule ESR: Deduction under section 35 (expenditure on scientific research)
- Schedule-CG: Computation of income under the head Capital gains.
- Schedule 112A: Details of Capital Gains where section 112A is applicable
- Schedule 115AD(1)(b)(iii)Proviso: For Non-Residents Details of Capital Gains where section 112A is applicable
- Schedule-OS: Computation of income under the head Income from other sources.
- Schedule-CYLA-BFLA: Statement of income after set off of current year’s losses and Statement of income after set off of unabsorbed loss brought forward from earlier years.
- Schedule-CYLA: Statement of income after set off of current year’s losses
- Schedule BFLA: Statement of income after set off of unabsorbed loss brought forward from earlier years.
- Schedule CFL: Statement of losses to be carried forward to future years.
- Schedule- UD: Statement of unabsorbed depreciation.
- Schedule ICDS – Effect of Income Computation Disclosure Standards on Profit
- Schedule- 10AA: Computation of deduction under section 10AA.

- Schedule 80G: Statement of donations entitled for deduction under section 80G.
- Schedule RA: Statement of donations to research associations etc. entitled for deduction under section 35(1)(ii) or 35(1)(iia) or 35(1)(iii) or 35(2AA)
- Schedule- 80IA: Computation of deduction under section 80IA.
- Schedule- 80IB: Computation of deduction under section 80IB.
- Schedule- 80IC/ 80-IE: Computation of deduction under section 80IC/ 80-IE.
- Schedule VI-A: Statement of deductions (from total income) under Chapter VIA.
- Schedule AMT: Computation of Alternate Minimum Tax Payable under Section 115JC
- Schedule AMTC: Computation of tax credit under section 115JD
- Schedule SPI: Statement of income arising to spouse/ minor child/ son's wife or any other person or association of persons to be included in the income of the assessee in Schedules-HP, BP, CG and OS.
- Schedule SI: Statement of income which is chargeable to tax at special rates
- Schedule-IF: Information regarding partnership firms in which assessee is a partner.

- Schedule EI: Statement of Income not included in total income (exempt incomes)
- Schedule PTI: Pass through income details from a business trust or investment fund as per section 115UA, 115UB
- Schedule TPSA: Secondary adjustment to transfer price as per section 92CE(2A)
- Schedule FSI: Details of income from outside India and tax relief
- Schedule TR: Statement of tax relief claimed under section 90 or section 90A or section 91.
- Schedule FA: Statement of Foreign Assets and income from any source outside India.
- Schedule 5A: Information regarding apportionment of income between spouses governed by Portuguese Civil Code
- Schedule AL: Asset and Liability at the end of the year(applicable where the total income exceeds Rs 50 lakhs)
- Schedule tax deferred on ESOP: Information of tax-deferred on ESOPS received from eligible start-ups referred to in Section 80-IAC
- Schedule GST: Information regarding turnover/ Gross receipt reported for GST
- Part B-TI: Computation of Total Income.
- Part B-TTI: Computation of tax liability on total income.
- Verification

Major Changes in ITR 3 form for AY 2021-22

Below changes are incorporated in the ITR-3 form of the FY 2020-21:

- Since 1st April 2020, the recipient of the dividend will be liable to pay tax. Relevant sections such as section 10(34), 10(35), 115-O, etc., have been amended in the Act. Accordingly, suitable changes are incorporated in the ITR form.
- The taxpayers are given relief from payment of advance tax liability if the dividend is not received. Hence, the ITR form allows the taxpayers to enter quarterly details of dividend income so that interest under section 234C can be computed for default in payment of advance tax.
- As per amendment by the Finance Bill 2021 in section 44AB, the threshold limit of tax audit is increased to Rs 10 crore from Rs 5 crore if the cash payments are less than 5% of the total amount of sales or turnover. The corresponding amendment is incorporated in the ITR form.
- The Schedule DI inserted for the AY 2020-21 to claim deductions for investments or expenditures made in the extended period (1st April 2020 to 30th June 2020) is removed in the ITR form of AY 2021-22.

- Schedule 112A and Schedule 115AD(1)(b)(iii) proviso are modified with an additional column to mention the details of nature of securities transferred for the resultant capital gains tax under section 112A or section 115AD(1)(b)(iii) of the Income Tax Act. The schedules are also modified to enable the taxpayer to give information for the sale price, fair market value and the cost of acquisition of the security.
- Part-A General Information is modified where the taxpayer is given to choose the alternative option of new tax regime under section 115BAC.
- The taxpayer having income from business or profession and opting for an alternative tax regime is required to mention the date of filing Form no.10-IE and its acknowledgement number.

What is the structure of the ITR-3 Form for AY 2020-21 and AY 2019-20 ?

ITR-3 is divided into:

- Part A
    - Part A-GEN: General information and Nature of Business

- Part A-BS: Balance Sheet as of March 31, 2020, of the Proprietary Business or Profession
- Part A- Manufacturing Account: Manufacturing Account for the financial year 2020-21
- Part A- Trading Account: Trading Account for the financial year 2020-21
- Part A-P&L: Profit and Loss for the financial Year 2020-21
- Part A-OI: Other Information (optional in a case not liable for audit under Section 44AB)
- Part A-QD: Quantitative Details (optional in a case not liable for audit under Section 44AB)

After this, there are the following schedules.

- Schedule-S: Computation of income under the head Salaries.
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- Schedule DCG: Computation of deemed capital gains on the sale of depreciable assets
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- Schedule-CYLA: Statement of income after set off of current year's losses
- Schedule BFLA: Statement of income after set off of unabsorbed loss brought forward from earlier years.
- Schedule CFL: Statement of losses to be carried forward to future years.

- Schedule- UD: Statement of unabsorbed depreciation.
- Schedule ICDS – Effect of Income Computation Disclosure Standards on Profit
- Schedule- 10AA: Computation of deduction under section 10AA.
- Schedule 80G: Statement of donations entitled for deduction under section 80G.
- Schedule RA: Statement of donations to research associations etc. entitled for deduction under section 35(1)(ii) or 35(1)(iia) or 35(1)(iii) or 35(2AA)
- Schedule- 80IA: Computation of deduction under section 80IA.
- Schedule- 80IB: Computation of deduction under section 80IB.
- Schedule- 80IC/ 80-IE: Computation of deduction under section 80IC/ 80-IE.
- Schedule VI-A: Statement of deductions (from total income) under Chapter VIA.
- Schedule AMT: Computation of Alternate Minimum Tax Payable under Section 115JC
- Schedule AMTC: Computation of tax credit under section 115JD
- Schedule SPI: Statement of income arising to spouse/ minor child/ son’s wife or any other person or association of persons to be included in the income of the assessee in Schedules-HP, BP, CG and OS.

- Schedule SI: Statement of income which is chargeable to tax at special rates
- Schedule-IF: Information regarding partnership firms in which assessee is a partner.
- Schedule EI: Statement of Income not included in total income (exempt incomes)
- Schedule PTI: Pass through income details from a business trust or investment fund as per section 115UA, 115UB
- Schedule TPSA: Secondary adjustment to transfer price as per section 92CE(2A)
- Schedule FSI: Details of income from outside India and tax relief
- Schedule TR: Statement of tax relief claimed under section 90 or section 90A or section 91.
- Schedule FA: Statement of Foreign Assets and income from any source outside India.
- Schedule 5A: Information regarding apportionment of income between spouses governed by Portuguese Civil Code
- Schedule AL: Asset and Liability at the end of the year(applicable where the total income exceeds Rs 50 lakh)
- Schedule GST: Information regarding turnover/ Gross receipt reported for GST
- Part B-TI: Computation of total income.
- Part B-TTI: Computation of tax liability on total income.

- Verification

Note:

- The due date for filing ITR-3 in case of a taxpayer subject to tax audit has been extended to 15th February 2022 from 31st October 2021 for the AY 2021-22 (FY 2020-21). The due date for furnishing tax audit report is extended to 15th January 2022.
- The threshold limit of Rs 1 crore for a tax audit is proposed to be increased to Rs 5 crore with effect from AY 2020-21 (FY 2019-20) if the taxpayer's cash receipts are limited to 5% of the gross receipts or turnover, and if the taxpayer's cash payments are limited to 5% of the aggregate payments.

Major Changes in ITR-3 form for AY 2020-21

- The taxpayer should disclose
    - the amount of cash deposits above Rs 1 crore in the current accounts with a bank,
    - expenditure incurred above Rs 2 lakh on foreign travel
    - expenditure incurred above Rs 1 lakh on electricity.

- In case an individual is a director in a company or holds unlisted equity investments, the ‘type of company’ should also be disclosed.
- In case of short-term or long term capital gains from sale of land or building or both, the details of the buyer(s) i.e. name, PAN or Aadhaar, percentage share of ownership and address have to be given.
- A separate schedule 112A for the calculation of the long-term capital gains on the sale of equity shares or units of a business trust which are liable to STT.
- Under ‘income from other sources’, a taxpayer should provide the details of ‘any other income’.
- The details of the deductions against ‘income from other sources’ should be provided.
- The ‘Schedule VI-A’ for tax deductions is amended to include deduction under section 80EEA and section 80EEB.
- In the case of a business trust or investment fund, the details of ‘capital gains’ income and ‘dividend’ income should be provided.
- The details of tax on secondary adjustments to transfer price under section 92CE(2A).
- The details of tax deduction claims for investments or payments or expenditure made between 1 April 2020 until 30 June 2020.

- While providing the details of bank accounts, if a taxpayer selects multiple bank accounts for credit of refund, the income tax department may choose any account for processing the refund.

Major Changes in ITR-3 form for AY 2019-20

- The field for residential status has been categorised into “Residential status in India (for Individuals)” and “Residential status in India (for HUF)”.In case of “Residential status in India (for Individuals)”, the 3 sub-categories – “Resident”, “Resident but not Ordinarily Resident’ and “Non-resident”, have been mentioned requiring the individual to tick the specific category to which they belong. Taxpayers have to mention the number of days of residency in India.Further, in the case of non-resident, an individual is also required to specify the jurisdiction(s) of residence during the previous year providing the Taxpayer Identification Number(s) of the relevant jurisdictions. Also, in case the individual is a Citizen of India or a Person of Indian Origin (PIO), the duration of stay in India during the previous year (in days) and the duration of stay in India during the 4 preceding years (in days).
- In a case where the ITR is filed by a representative assessee, additional information about the capacity of the representative

assessee (by way of choice in a drop down provided) has to be given.

- An individual taxpayer has to give information about the Directorship held in any company during the previous year, also mentioning whether the shares are listed or unlisted.
- An individual taxpayer has to give information about the investment in unlisted equity shares and the movement in such investment throughout the year.
- An individual taxpayer who is a partner in a Firm has to disclose details of name and PAN of the Partnership firm.
- Partners of partnership firms as against ITR 2 will have to file their returns in ITR 3.
- Details of computation of presumptive income under section 44AD, 44ADA and 44AE.
- Under Part A-OI, disclose amount of expenditure disallowed u/s 14A.
- The break-up of all exempt allowances and deductions under Schedule S – Details of income from salary.
- In Schedule HP, under details of income from house property, the PAN of the tenant in case TDS credit is claimed.
- In Schedule OS, under any other income chargeable at special rate, taxpayer has to provide the details for each income mentioned therein e.g., interest income, income from units

etc.Also, Information has to be provided about accrual/ receipt of income from other sources e.g., winnings from lotteries, crossword puzzles, betting etc for the purpose of calculation of interest under section 234C.

- In Schedule 80G, bifurcation of donation qualifying for deduction under section 80G into cash and other mode. Similar disclosure to be made under Schedule RA for donations made to research associations under section 35.
- In Schedule VI-A, introduction of section 80TTB deduction for senior citizen.
- In Schedule FA, below details, if held during the year:Foreign Depository Accounts (including beneficial interest) Foreign Custodial Accounts (including beneficial interest) Foreign Equity and Debt Interest (including beneficial interest) Foreign cash value insurance contract or Annuity Contract held (including beneficial interest)
- In Schedule GST, Information regarding turnover / Gross receipt reported for GST

ITR 3 for AY 2018-19

ITR-3 is divided into:

- Part A

    - Part A-GEN: General information and Nature of Business
    - Part A-BS: Balance Sheet as of March 31, 2017, of the Proprietary Business or Profession
    - Part A-P&L: Profit and Loss for the Financial Year 2016-17
    - Part A-OI: Other Information (optional in a case not liable for audit under Section 44AB)
    - Part A-QD: Quantitative Details (optional in a case not liable for audit under Section 44AB)
- Part B: Outline of the total income and tax computation in respect of income chargeable total tax.
- Verification
- Tax Payments: Details of advance tax, TDS, self-assessment tax.

After this, there are the following schedules.

- Schedule-S: Computation of income under the head Salaries.
- Schedule-HP: Computation of income under the head Income from House Property
- Schedule BP: Computation of income from business or profession.
- Schedule-DPM: Computation of depreciation on plant and machinery under the Income-tax Act

- Schedule DOA: Computation of depreciation on other assets under the Income-tax Act
- Schedule DEP: Summary of depreciation on all the assets under the Income-tax Act
- Schedule DCG: Computation of deemed capital gains on the sale of depreciable assets
- Schedule ESR: Deduction under section 35 (expenditure on scientific research)
- Schedule-CG: Computation of income under the head Capital gains.
- Schedule-OS: Computation of income under the head Income from other sources.
- Schedule-CYLA: Statement of income after set off of current year's losses
- Schedule BFLA: Statement of income after set off of unabsorbed loss brought forward from earlier years.
- Schedule CFL: Statement of losses to be carried forward to future years.
- Schedule- UD: Statement of unabsorbed depreciation.
- Schedule ICDS – Effect of Income Computation Disclosure Standards on Profit.
- Schedule- 10AA: Computation of deduction under section 10AA.

- Schedule 80G: Statement of donations entitled for deduction under section 80G.
- Schedule- 80IA: Computation of deduction under section 80IA.
- Schedule- 80IB: Computation of deduction under section 80IB.
- Schedule- 80IC/ 80-IE: Computation of deduction under section 80IC/ 80-IE.
- Schedule VIA: Statement of deductions (from total income) under Chapter VIA.
- Schedule AMT: Computation of Alternate Minimum Tax Payable under Section 115JC.
- Schedule AMTC: Computation of tax credit under section 115JD.
- Schedule SPI: Statement of income arising to spouse/ minor child/ son's wife or any other person or association of persons to be included in the income of assessee in Schedules-HP, BP, CG and OS.
- Schedule SI: Statement of income which is chargeable to tax at special rates
- Schedule-IF: Information regarding partnership firms in which assessee is a partner.
- Schedule EI: Statement of Income not included in total income (exempt incomes)
- Schedule PTI: Pass through income details from a business trust or investment fund as per section 115UA, 115UB

- Schedule FSI: Details of income from outside India and tax relief
- Schedule TR: Statement of tax relief claimed under Section 90 or Section 90A or Section 91.
- Schedule FA: Statement of Foreign Assets.
- Schedule 5A: Information regarding apportionment of income between spouses governed by Portuguese Civil Code
- Schedule AL: Asset and Liability at the end of the year(applicable where the total income exceeds Rs 50 lakh)

What is the structure of the ITR-3 Form for AY 2018-19?

Quoting of Aadhaar Number

It is mandatory to mention the Aadhaar number in the return of income or Aadhaar Enrolment ID if applied for it.

Declaration of the value of assets and liabilities by Individuals/HUF earning above Rs 50 lakh in Schedule ‘AL’

Taxpayers are required to disclose the value of assets and liabilities if their total income exceeds Rs 50 lakh and mention the cost of immovable property with details of address, jewellery, bullion, vehicles with details of movable assets, shares, bank and cash balance, etc.

Disclosure of unexplained income and Dividend Income

New fields have been inserted in schedule ‘OS’ to declare unexplained credit or investment and dividends received from domestic companies above Rs 10 lakh. Such persons cannot opt for ITR 1 Sahaj.

Disclosure of GST related details

In the Profit and Loss schedule, the GST related details have to be disclosed.

Limitation on claim for depreciation

A maximum limitation of 40% is placed on depreciation in all depreciation-related Schedules.

Partners filing of income tax return

Partners of partnership firms have to file returns in ITR-3 as against ITR-2

Option to select section 115H

In the general information tab, an option to select section 115H (who is a non-resident Indian in any previous year, becomes assessable as a resident in India in respect of the total income of any subsequent year) has been added.

Major Changes in ITR 3 form for AY 2018-19

- In the general information tab, an option to select section 115H (who is a non-resident Indian in any previous year, becomes assessable as a resident in India in respect of the total income of any subsequent year) has been added.
- In the Profit and Loss schedule, the GST-related details have been added Limitation of maximum 40% depreciation in all depreciation-related Schedules
- Partners of partnership firms as against ITR-2 will have to file their returns in ITR-3.

Also read about:

1. Which ITR Should I File
2. How to file ITR Online
3. How to file ITR-1 (SAHAJ) Online
3. What is ITR 2 Form & How to File ITR-2
4. Who and How to File ITR 4
5. What is ITR-5 Form, Structure & How to File ITR 5
6. ITR 6
7. How to File and Download ITR-7 Form
8. ITR 3 vs ITR 4

9. ITR 1 vs ITR 4

10. How to File ITR-2 for Income from Capital Gains FY 2022-23

Frequently Asked Questions

I am an individual who has income from business and have opted for presumptive taxation. ITR-3 is applicable for me?

No, if you are opting for presumptive taxation of business or profession ITR-3 is not applicable for you. ITR-4 will be applicable for you.

ITR-3 is applicable for all assessees having a business income?

No, ITR-3 will be applicable for individuals or HUF with a business and profession income not chargeable under presumptive taxation.

What is the difference between ITR-3 & ITR-4 ?

ITR-4 is filed by individuals & HUFs declaring business income under presumptive basis (under section 44AD, 44ADA, 44AE) and total income does not exceed Rs 50 lakhs. While ITR-3 is filed by individuals and HUF individuals & HUFs who are required to maintain books of accounts, where audit may or may not be applicable. Director of a company deriving director remuneration needs to file ITR 3.

What is the late filing fees for ITR-3?

Not filing of ITR-3 within the due date for Assessment Year 2024-25, may attract penalty upto Rs. 1,000 for individuals with income upto Rs. 5,00,000 and penalty of Rs. 5,000 for individuals with income more than Rs.5,00,000. A belated return can be filed within 31st December for not filing the return within the due date. This will attract interest at the rate of 1% per month on the due amount of tax.

Securities Transaction Tax (STT)- Features, Tax Rate & Applicability

Updated on: Apr 15th, 2024

|

16 min read

It is quite common for taxpayers to resort to tax-evading measures to save their tax outflow to the Government. It is necessary for the Government to keep a tab on such measures by having provisions in the law or introducing new provisions / modifying the existing ones in order to curb this practice.

When people started evading capital gains tax by not declaring their profits on the sale of stocks, the Finance Act, way back in 2004, introduced a tax called the Securities Transaction Tax (STT) as a clean and efficient way of collecting taxes from financial market transactions.

ITR Filing Last Date 2024

The last date to file Income Tax Return (ITR) for FY 2023-24 (AY 2024-25) without a late fee is 31st July 2024.

What is Securities Transaction Tax (STT)?

STT is a kind of financial transaction tax which is similar to tax collected at source (TCS). STT is a direct tax levied on every purchase and sale of securities that are listed on the recognised stock exchanges in India. STT is governed by the Securities Transaction Tax Act (STT Act), and the STT Act has specifically listed down various taxable securities transactions i.e., transactions on which STT is leviable.

Taxable securities include equity, derivatives, and unit of equity-oriented mutual fund. It also includes unlisted shares sold under an offer for sale to the public included in IPO and where such shares are subsequently listed in stock exchanges. STT is an amount to be paid over and above transaction value and hence, increases transaction value.

As already mentioned, STT is leviable on taxable securities transactions. STT Act has also provided the value of the transactions on which STT is required to be paid and person who is responsible for paying STT i.e., either buyer or seller. However, rate of STT will be decided by Government and modified from time to time if necessary.

Provisions of collection of STT works similar to TCS or TDS. STT is required to be collected by a recognised stock exchange or by the prescribed person in the case of every mutual fund or the lead merchant banker in the case of an initial public offer, as the case may be, and subsequently payable to the Government on or before the 7th of the following month. In case the above persons fail to collect the taxes, they are still obliged the discharge an equivalent amount of tax to the credit of the Central Government within the 7th of the following month. Further, failure to collect or remit whatever has been collected will result in a levy of interest and penal consequences too.

Features of Securities Transaction Tax

STT is a straightforward direct tax that is simple to compute and impose. Some of STT's most distinguishing characteristics are given below.

1. An STT charge is applied on all sell transactions for options and futures.
2. For the purposes of STT computation, each ‘futures’ trade is valued at the actual traded price, whereas each option trade is valued at the premium.
3. The amount of STT that a clearing member must pay is the aggregate of all STT taxes owed by trading members under him.

Securities on which STT is Applicable

While the term ‘securities’ is not defined under the STT Act, the STT Act specifically allows borrowing of the definition of such terms not defined in the STT Act but defined in the Securities Contracts (Regulation) Act, 1956 or Income-tax Act, 1961. The term ‘Securities’ is defined in the Securities Contracts (Regulation) Act and includes the following:

- Shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated company or other body corporates.
- Derivatives.
- Units or any other instrument issued by any collective investment scheme to the investors in such schemes.
- Government securities of equity nature.
- Equity-oriented units of mutual funds.
- Rights or interest in securities.
- Securitised debt instruments.

Hence, securities include all of the above and are traded on the recognized stock exchange for the purpose of STT levy. Off-market transactions are out of the purview of STT.

Levy of Securities Transaction Tax in India

Taxable securities transaction	Rate of STT	Person responsible for paying STT	Value on which STT is required to be paid
Delivery-based purchase of equity share	0.1%	Purchaser	Price at which equity share is purchased*
Delivery-based sale of an equity share	0.1%	Seller	Price at which equity share is sold*

Delivery-based sale of a unit of oriented mutual fund	0.001%	Seller	Price at which unit is sold*
Sale of equity share or unit of equity-oriented mutual fund in a recognised stock exchange otherwise than by actual delivery or transfer and intra day traded shares	0.025%	Seller	Price at which equity share or unit is sold*
Derivative – Sale of an option in securities.	0.0625%	Seller	Option premium

Derivative – Sale of an option in securities where the option is exercised.	0.125%	Purchaser	Settlement price
Derivative – Sale of futures in securities.	0.0125%	Seller	The price at which such futures are traded.
Sale of unit of an equity-oriented fund to the Mutual Fund –	0.001%	Seller	Price at which unit is sold*

Exchange-traded funds (ETFs)			
Sale of unlisted shares under an offer for sale to the public included in IPO and where such shares are subsequently listed in stock exchanges	0.2%	Seller	Price at which such shares are sold*
PURCHASE OF UNITS OF EQUITY ORIENTED MUTUAL FUNDS	NIL	PURCHASER	NA

** Please refer [Rule 3 of Securities Transaction Tax Rules, 2004] for the manner of determining value of taxable equity or Equity oriented mutual fund transactions.*

Finance Act 2023 has made changes in STT rates as follows

SR. NO.	TAXABLE SECURITIES TRANSACTION	RATES W.E.F. APRIL 1, 2023	PAYABLE BY
A	B	C	D
a	Sale of an option in securities	0.0625 per cent	Seller
b	Sale of an option in securities, where option is exercised	0.125 per cent	Purchaser
c	Sale of a futures in securities	0.0125 per cent	Seller

STT on Physical Delivery of Derivatives

Derivative contracts are generally settled in cash, which means, stocks are not physically delivered, and only the profits are paid and received by the contracting parties. These transactions, as given in the table above, are subject to an STT levy of 0.001 per cent. However, SEBI had in its Circular dated 11.4.2018 listed around 46 stocks, in respect of which derivative contracts would be settled by way of physical delivery of shares as against cash. However, no clarity emerged on the rate of STT that would apply to these kinds of transactions.

Further, for such transactions, the stock exchanges began to levy an STT of 0.1 per cent (this is the rate of STT for delivery-based equity share transactions), which is almost 10 times what is levied for derivative contracts settled in cash. Hence, a petition was lodged by the Association of National Exchange Members of India (ANMI) against the stock exchanges before the Bombay High Court to address the aforementioned concern of a levy of 0.1 per cent of STT on physical delivery of derivatives.

The High Court has sought the comments of the Central Board of Direct Taxes (CBDT) in this regard. The CBDT, in response, has issued a clarification dated 27 August 2018, where it has observed that where a derivative contract is being settled by physical delivery of shares, such transaction would be similar to a transaction in equity shares where the contract is settled by actual delivery of shares. Therefore, the STT rate as applicable to delivery-based equity transactions would apply to such derivative transactions too.

Securities Transaction Tax and Income Tax

Tax on Capital Gains

When the STT levy was introduced in 2004, a new Section 10(38) was introduced to benefit taxpayers who would incur STT. As per income tax law, for transactions undertaken until 31 March 2018, any capital gain on the sale of shares or equity-oriented mutual fund units (EOMF) which are subject to STT is taxed at beneficial/Nil rate.

While long-term capital gains (if shares or EOMF are held for > 12 months) are exempt from tax, short-term capital gains on such securities are taxed at a concessional rate of 15%. However, in order to prevent abuse of exemption provisions by certain persons for declaring their unaccounted income as exempt long-term capital gains by entering into sham transactions, the Finance Budget 2018 proposed to withdraw the exemption on long-term capital gain and tax long-term capital gains on equity shares and EOMF at concessional rate of 10% with respect to transfer effected on or after 1 April 2018.

However, gains accrued till 31 January 2018 are grandfathered, i.e., in case of transfers up to 31 January 2018, the cost of acquisition of shares or EOMF acquired before 1 February 2018 will be replaced by fair market value as of 31st January 2018.

Tax on Business Income

If a person is trading in securities and offering income/loss from such trading as business income, STT paid is allowed to be deducted as business expense.

When Is Securities Transaction Tax Levied?

Each purchase and sale of shares listed on a domestic and recognised stock market is subject to a securities transaction tax. The government determines the taxation rate. Under the STT act, all stock market transactions involving equities or equity derivatives such as futures and options are subject to taxation. When a share transaction is completed, STT is levied. As a result, STT is quick, transparent, and effective. Because the tax is imposed as soon as the transaction occurs, incidents of non-payment, incorrect payment, and so on are minimised to a bare minimum. However, the net effect is that it raises the cost of the transactions.

STT Example

Assume a dealer purchases 500 shares worth Rs.10,000 at Rs.20 per share and sells them at Rs.30 per share. If the trader sells the shares on the same day, the intraday STT rate of 0.025% will apply.

As a result, STT = 0.025*30*500 = Rs.375.

Similarly, the appropriate STT for futures and options is 0.01%. If a trader buys 5 lots of Nifty futures at Rs.5,000 and sells them at Rs.5,010, the STT is calculated as follows:

STT = 0.01*5010*50*5 = Rs.125.25

Related Articles

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Frequently Asked Questions

Is STT a direct or indirect tax?

The Securities Transaction Tax (STT) is a direct tax levied on all purchases & sells of equity securities on India's regulated stock exchanges.

What is the tax rate on shares on which STT is levied ?

Where the holding period is less than 1 year such transaction is considered as short term and tax @ 15% will be levied.

Where the holding period is more than 1 year such transaction is considered as long term and tax @ 10% will be levied.

Above special rates are applicable only if STT was paid at the time of purchase and sale of such security.

How can I avoid STT charges?

No matter what, if you purchase and sell shares or mutual fund units STT is charged.

Which fund is exempt from STT?

There will be no STT charged on the sale of debt fund units.

Can we claim STT in capital gain?

Individuals who earn profit from LTCG or STCG, cannot claim STT as an expense.

Which ITR Should I File? Types of ITR Forms for FY 2023-24 (AY 2024-25)

By Ektha Surana

|

Updated on: Apr 22nd, 2024

|

17 min read

ITR stands for Income Tax Return. The Income-tax Act,1961 releases all the ITR forms and specifies the procedures to be followed. This article provides an in-depth understanding of the definition of ITR and the types of ITR forms..

What is ITR?

Income Tax Return (ITR) is a form in which the taxpayers file information about their income earned and tax applicable, to the income tax department.

The department has notified 7 forms i.e. ITR-1, ITR-2, ITR-3, ITR-4, ITR-5, ITR-6 & ITR-7 to date. Every taxpayer should file his ITR on or before the specified due date. The applicability of ITR forms varies depending on the sources of income of the taxpayer, the amount of the income earned and the category of the taxpayer like individuals, HUF, company, etc.

Why should you file ITR?

- If you want to claim an income tax refund from the department.
- If you have earned from or have invested in foreign assets during the FY.
- If you wish to apply for a visa or a loan
- If the taxpayer is a company or a firm, irrespective of profit or loss.
- If you have a loss from business/profession or under capital gains head, you will not be allowed to carry them forward to the next years unless you file the return before the due date.

When is it mandatory to file income tax returns (ITR) in India?

- If your gross total income is more than the basic exemption limit-

Age Group	Basic Exemption Limit
For individuals below 60 years	Rs 2.5 lakh
For individuals above 60 years but below 80 years	Rs 3.0 lakh
For individuals above 80 years	Rs 5.0 lakh

- If your income is below the basic exemption limit, you will still be required to file your tax return if you meet any of these conditions:
- Deposited more than Rs 1 crore in 'current' bank account: You have to mandatorily file a tax return if you have deposited a total of Rs. 1 crore or more in one or more current accounts with a bank.

However, no such requirement has been specified for deposits made in the post office current account; or

- Deposited more than Rs 50 lakh in 'savings' bank account: You have to mandatorily file a tax return if you have deposited a total amount of Rs 50 lakh or more in one or more of your savings bank accounts.
- Spent more than Rs 2 lakh on foreign travel: You have to mandatorily file a tax return if you have incurred a total expenditure of more than Rs 2 lakh on foreign travel whether for yourself or any other person; or
- Electricity expenditure is more than Rs 1 lakh: You have to mandatorily file a tax return if you have incurred more than Rs.1 lakh towards electricity consumption during the previous year; or
- TDS or TCS is more than Rs 25,000: If the tax deducted at source (TDS)/ tax collected at source (TCS) exceeds Rs 25,000 in the previous year. In the case of a senior citizen (above 60 years), this limit is Rs 50,000.
- Business turnover is more than Rs 60 lakh: In case you are a businessman and your total sales, turnover, or gross receipt is more than Rs 60 lakh during the previous year, then you have to mandatorily file a tax return
- Professional income is more than Rs 10 lakh: You have to mandatorily file a tax return if you are engaged in a profession and

your gross receipts are more than Rs 10 lakh during the previous year.

Who are exempted from filing Income Tax Returns?

Central government have the power to exempt specified class or classes of persons from filing income tax returns in addition to the existing exempt persons like individuals having total income less than the basic tax expedition limit, non-residents not having income accruing or arising from India etc.

However, currently, there are no such exemptions that the central government has notified in this regard.

Which ITR to file?

The following infographic will help you find out which type of income tax return is applicable to you for FY 2023-24.

Once you figure out which ITR you need, click on the links below to learn more about them.

cleartax

Which ITR to file for FY 2023-24 (AY 2024-25)

ITR-1

- **Resident individuals having income ≤ ₹50 lakhs from:**
  - Salary/Pension
  - One House Property
  - Other Sources

ITR-2

- **Income from:**
  - Every income from ITR > ₹50 lakhs
  - Capital gains
  - More than one house property
  - Foreign income/Foreign Asset
  - Crypto income(if reported as capital gains)
- **Holding directorship in a company**
- **Holding unlisted equity shares**

ITR-3

- **Income from:**
  - Every income from ITR-2
  - Business/Profession
  - Crypto income (if reported as Business Income)
  - As a partner in a firm

ITR-4

- **Resident Individuals and HUFs having total income ≤ ₹50 lakhs**
- **Every income from ITR-1**
  - Salary/Pension
  - One House Property
  - Other Sources
- **Presumptive income**

ITR-5

- **Applicable to:**
  - Firms
  - LLPs
  - AOPs
  - BOIs

ITR-6

Companies not claiming exemption under section 11

ITR-7

- **Person/companies under:**
  - Section 139(4A)
  - Section 139(4B)
  - Section 139(4C)
  - Section 139(4D)

ITR-1 OR SAHAJ

This Return Form is for a resident individual whose total income for the AY 2024-25 includes:

- Income from Salary/ Pension; or
- Income from One House Property (excluding cases where loss is brought forward from previous years); or
- Income from Other Sources (excluding Winning from Lottery and Income from Race Horses)
- Agricultural income up to Rs 5000.

Who cannot use ITR-1 Form?

- Total income exceeding Rs 50 lakh
- Agricultural income exceeding Rs 5000
- If you have taxable capital gains
- If you have income from business or profession
- Having income from more than one house property
- If you are a Director in a company
- If you have had investments in unlisted equity shares at any time during the financial year

- Owning assets (including financial interest in any entity) outside India, including signing authority in any account located outside India
- If you are a resident not ordinarily resident (RNOR) and non-resident
- Having any foreign income
- If tax has been deducted under Section 194N
- If in case payment or deduction of tax has been deferred on ESOP
- If you have any brought forward loss or loss needs to be carried forward under any income head

Still, do you have any doubts about ITR-1 in your mind?

Read our comprehensive guide on ITR-1 to get answers to all your questions.

ITR-2

ITR-2 is for the use of an individual or a Hindu Undivided Family (HUF) whose total income for the AY 2024-25 includes:

- Income from Salary/Pension
- Income from House Property
- Income from Other Sources (including Winnings from Lottery and Income from Race Horses)
- If you are an Individual Director in a company

- If you have had investments in unlisted equity shares at any time during the financial year
- Being a resident not ordinarily resident (RNOR) and non-resident
- Income from Capital Gains
- Having any foreign income
- Agricultural income more than Rs 5,000
- Owning assets (including financial interest in any entity) outside India, including signing authority in any account located outside India
- If tax has been deducted under Section 194N
- If in case payment or deduction of tax has been deferred on ESOP
- If you have any brought forward loss or loss needs to be carried forward under any income head

Further, in a case where the income of another person like one's spouse, child etc. is to be clubbed with the income of the assessee, this Return Form can be used where such income falls in any of the above categories.

The total income can be more than Rs 50 Lakhs.

Who cannot use ITR-2?

This Return Form should not be used by an individual whose total income for the AY 2024-25 includes Income from Business or Profession. For declaring these types of Income, you may have to use ITR-3 or ITR-4. Go through our comprehensive guide on ITR-2 to know how to fill out the ITR-2 form.

ITR-3

The current ITR-3 Form is to be used by an individual or a Hindu Undivided Family who have income from a proprietary business or is carrying on a profession. The persons having income from the following sources are eligible to file ITR-3:

- Carrying on a business or profession who is required to maintain the books of accounts and/or required to get them audited.
- If you are an Individual Director in a company
- If you have had investments in unlisted equity shares at any time during the financial year
- The return may include income from House property, Salary/Pension and Income from other sources
- Income of a person as a partner in the firm

In short, individuals or HUFs who are not eligible to file ITR-1, ITR-2, and ITR-4, should file ITR-3

Click here to read our comprehensive guide to the ITR-3

ITR 4 or Sugam

The current ITR-4 applies to individuals and HUFs, Partnership firms (other than LLPs), which are residents and whose total income includes:

- Business income according to the presumptive income scheme under section 44AD or 44AE
- Professional income according to presumptive income scheme under section 44ADA
- Income from salary or pension up to Rs 50 lakh
- Income from one house property, not more than Rs 50 lakh (excluding the amount of brought forward loss or loss to be carried forward)
- Income from other sources having income not more than Rs 50 Lakh (excluding income from lottery and race-horses)

Please note that any individual earning income from the above-mentioned sources as a freelancer can also opt for a presumptive scheme if their gross receipts are not more than Rs 50 lakhs.

A presumptive income scheme under sections 44AD, 44AE and 44ADA is when an individual or an entity opts to derive its income on a presumptive basis, i.e. when the income is presumed at a minimum rate based on a percentage of gross receipts / gross turnover or based on ownership of commercial vehicles. However, if the business turnover exceeds Rs 2 crore, the taxpayer will have to file ITR-3.

Who cannot use ITR-4 Form?

- If your total income exceeds Rs 50 lakh
- Having income from more than one house property
- Owning any foreign asset
- If you have signing authority in any account located outside India
- Having income from any source outside India
- If you are a Director in a company
- If you have had investments in unlisted equity shares at any time during the financial year
- Being a resident not ordinarily resident (RNOR) and non-resident
- Having foreign income
- If you are assessable in respect of the income of another person in respect of which tax is deducted in the hands of the other person.
- If in case payment or deduction of tax has been deferred on ESOP
- If you have any brought forward loss or loss needs to be carried forward under any income head

Click here to read our comprehensive guide to the ITR-4

ITR-5

ITR-5 is for firms, LLPs (Limited Liability Partnership), AOPs (Association of Persons), BOIs (Body of Individuals), Artificial Juridical Person (AJP), Estate of deceased, Estate of insolvent, Business trust and investment fund.

Click here to read our comprehensive guide to the ITR-5

ITR-6

For Companies other than companies claiming exemption under section 11 (Income from property held for charitable or religious purposes), this return has to be filed electronically only.

Click here to read our comprehensive guide to the ITR-6

ITR-7

For persons including companies required to furnish returns under section 139(4A) or section 139(4B) or section 139(4C) or section 139(4D) or section 139(4E) or section 139(4F).

- Return under section 139(4A) is required to be filed by every person in receipt of income derived from property held under trust or other legal obligation wholly for charitable or religious purposes or in part only for such purposes.

- Return under section 139(4B) is required to be filed by a political party if the total income without giving effect to the provisions of section 139A exceeds the maximum amount, not chargeable to income-tax.
- Return under section 139(4C) is required to be filed by every –
    - Scientific research association;
    - News agency;
    - Association or institution referred to in section 10(23A);
    - Institution referred to in section 10(23B);
    - Fund or institution or university or other educational institution or any hospital or other medical institution.
- Return under section 139(4D) is required to be filed by every university, college or other institution, which is not required to furnish a return of income or loss under any other provision of this section.
- Return under section 139(4E) must be filed by every business trust which is not required to furnish a return of income or loss under any other provisions of this section.
- Return under section 139(4F) must be filed by any investment fund referred to in section 115UB. It is not required to furnish a return of income or loss under any other provisions of this section.

Want to know more about the ITR-7 Form? Why not read our comprehensive guide to the ITR-7 Form?

Get answers to all your questions about how to fill the ITR-7 Form.

ITR Form	Applicable to	Salary	House Property	Business Income	Capital Gains	Other Sources	Exempt Income	Lottery Income	Foreign Assets/Foreign Income	Carry Forward Loss
ITR-1 / Sahaj	Individual, HUF (Residents)	Yes	Yes(One House Property)	No	No	Yes	Yes (Agricultural Income less than Rs 5,000)	No	No	No

ITR-2	Individual, HUF	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
ITR-3	Individual or HUF, partner in a Firm	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
ITR-4	Individual, HUF, Firm	Yes	Yes(One House Property)	Presumptive Business Income	No	Yes	Yes (Agricultural Income less than Rs 5,000)	No	No	No

ITR-5	Partnership Firm/ LLP	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
ITR-6	Company	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
ITR-7	Trust	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Income Tax Form FY 2023-24 PDF Download: How To Download ITR 1, ITR 2, ITR 3, ITR 4, ITR 5, ITR 6 and ITR 7 Forms

ITR-1	Click here to download ITR-1 Form
ITR-2	Click here to download ITR-2 Form
ITR-3	Click here to download ITR-3 Form
ITR-4	Click here to download ITR-4 Form
ITR-5	Click here to download ITR-5 Form

ITR-6	Click here to download ITR-6 Form
ITR-7	Click here to download ITR 7 Form

ITR 1 vs ITR 4: Know the Key Differences And Who Can File?

By Mayashree Acharya
|
Updated on: May 13th, 2024
|
13 min read

According to the Income Tax Act of 1961, every individual, including salaried and self-employed, must file an Income Tax Return (ITR). Depending on your type of income or category, it is imperative to submit the appropriate ITR form on or before the specified due date. If you choose the wrong form, you must go through the hassle of filing your ITR again.

So, if you are confused between the ITR forms, especially ITR 1 and ITR 4, you can rely on this article. This article will briefly discuss the forms, helping you understand the key differences between the two.

Significance of Filing Income Tax Return

The income tax department mandates every earning individual to file ITR. Take a look at some of the reasons why you should not skip filing the applicable ITR:

- Your tax contributes towards nation-building. For instance, in the financial year 2022-23, the Central Government collected Rs 16.61 lakh crore from direct tax payments. Henceforth, the government can utilise this amount for different developmental activities.
- It makes the processing of loans relatively easier. If you wish to apply for a loan, the concerned lender will ask for your income tax return before sanctioning the loan amount.
- In case you have suffered heavy losses from your business or profession, you can carry forward such losses to the next financial year. All you need to do is file your income tax return.
- It permits you to claim your TDS seamlessly. The net tax liability can be adjusted using TDS while filing your income tax return for

the specified year. If yor TDS or advance tax is more than the net tax liability you can file ITR to claim a refund.

So, if your gross income is taxable, it is crucial to file the ITR applicable to you. Depending on your income, there are different ITR forms for different individuals; however, the returns filed by most individuals are ITR-1 (SAHAJ) and ITR-4 (SUGAM). Read on to know the key differences between them.

All About ITR 1

ITR-1 or SAHAJ is a type of return filing form. If you are an individual earning an income from pension or salaries, single house property or other sources (excluding betting, gambling, and lotteries), you are eligible to file ITR-1 form. Also, for residential individuals having an agricultural income of up to Rs 5,000, ITR-1 form is applicable. Additionally, if the income of your spouse or minor is clubbed together, you can also file this particular form. However, it only applies if the income is up to Rs. 50 lakhs.

To file ITR-1, you need to keep some documents ready such as Form 16, investment payment premium receipts (if applicable), and house rent receipts (if applicable).

Who cannot use ITR-1 Form

- Total income exceeding Rs 50 lakh
- Agricultural income exceeding Rs 5000
- If you have taxable capital gains
- If you have income from business or profession
- Having income from more than one house property
- If you are a Director in a company
- If you have had investments in unlisted equity shares at any time during the financial year
- Owning assets (including financial interest in any entity) outside India, including signing authority in any account located outside India
- If you are a resident not ordinarily resident (RNOR) and non-resident
- Having any foreign income
- If tax has been deducted under Section 194N
- If in case payment or deduction of tax has been deferred on ESOP
- If you have any brought forward loss or loss needs to be carried forward under any income head

All About ITR 4

ITR 4 or Sugam is another type of ITR form applicable to individuals, HUFs, and Partnership Firms generating an income from a business or profession.

Additionally, if you have chosen presumptive taxation on your business income under Section 44 AE, 44ADA and 44ADA of the Income Tax Act, 1961, you have to file ITR-4 form.

In order to file ITR-4, it is essential to keep the following documents ready: Form 16, Form 16A, Form 26AS and AIS, housing loan interest certificates, rental agreements, bank statements, rent receipts and receipt of investment premium payments.

Who cannot use ITR-4 Form

- If your total income exceeds Rs 50 lakh
- Having income from more than one house property
- Owning any foreign asset
- If you have signing authority in any account located outside India
- Having income from any source outside India
- If you are a Director in a company
- If you have had investments in unlisted equity shares at any time during the financial year
- Being a resident not ordinarily resident (RNOR) and non-resident
- Having foreign income
- If you are assessable in respect of the income of another person in respect of which tax is deducted in the hands of the other person.
- If in case payment or deduction of tax has been deferred on ESOP

- If you have any brought forward loss or loss needs to be carried forward under any income head

Click here to read our comprehensive guide to the ITR-4

Key Differences Between ITR 1 and ITR 4

Both ITR 1 and ITR 4 are the most commonly used forms when it comes to ITR filing. However, from the above piece of information, it is evident that there are some slight differences. For a more comprehensive understanding, take a look at the table given below:

Basis of comparison	ITR-1	ITR-4

Applicability	• Individuals with an income not above Rs 50 lakh during a financial year • If you earn interest from a savings account, deposits, etc. • If you earn a pension • Interest from income tax refund	• Individuals or HUFs with an income not above Rs 50 lakh during a financial year • If you earn income from professions or businesses under schemes like 44AD, 44AE, 44ADA • If you earn interest from a savings account, deposits, etc. • If you earn a pension • Interest from income tax refund

Heads of income	• Salary • Single house property • Any other sources	• Salary • Presumptive taxation scheme • Single house property • Other sources

When are you not eligible to file this form?	• Income exceeds Rs 50 lakh • Agricultural income is above Rs 5000 • Possess taxable capital gains • Generate income from more than one house property • In case you are a director of a company • Own foreign assets • Have any foreign income	• Income exceeds Rs 50 lakh • Generate income from more than one house property • If you have carry forwarded any losses from previous years under any income head • Have signing authority in any account outside India • Generate foreign income • If you are either an RNOR or non-resident

	• If your investments are present in unlisted equity shares for a financial year • If you are an NRI or RNOR (Resident Not Ordinary Resident)	• Invested in unlisted equity shares

Due Date to File Income Tax Return for AY 2024-2025

After knowing about the two types of forms (ITR 1 and ITR 4), it is essential to know about their due dates. The due date to file ITR in the assessment year 2024-25 is 31st July 2024 for the majority of taxpayers. However, for companies, LLPs and some individuals who need to get their accounts audited before filing the return, it is 31st October 2024.

Conclusion

For error-free tax filing, every taxpayer must assess these provisions mentioned above. One of the basic differences between ITR-1 and ITR-4 lies in the presumptive business scheme. This specific provision is applicable to ITR-4 but not ITR-1. At the same time, also ensure to file your ITR within a specified date. If you fail to do so, you will have to pay interest under Section 234A at 1% per month.

Plan Your Taxes In Advance

Frequently Asked Questions

What types of income are excluded from the ITR-1 form?

The income types excluded from the ITR 1 form are as follows:

(a) Profits and gains from business and professions;

(b) Capital gains;

(c) Income from more than one house property;

(d) Income under the head of other sources, including:

- Winnings from lottery;
- Income from owning and maintaining racehorses;
- Income taxable at special rates under section 115BBDA or section 115BBE;

(e) Income to be apportioned in accordance with provisions of section 5A.

Is it required to specify the nature of employment when filing a return?

Yes, it is necessary to specify the nature of employment when filing a return, selecting from the following options:

- Central Government Employee
- State Government Employee
- Employee of Public Sector Enterprise (Central or State Government)
- Pensioners (Central Government/State Government/Public Sector Undertaking/Other)
- Employee of a Private Sector organization
- Not applicable (for family pension income)

If I am opting presumptive scheme so can I claim a deduction of other expenditures and depreciation?

No, if a person is paying tax @ 8% as per section 44AD then he cannot claim depreciation or any other expenditure.

I opted for the presumptive income scheme of Section 44AD or 44ADA. Can I claim a further deduction of expenses after declaring profit at applicable rate under respective sections of gross receipts?

No, a person who opted for the presumptive taxation scheme is deemed to have claimed all deduction of expenses. Any further claim of deduction is not allowed after declaring profit at a specified rate. However, you can claim deductions under Chapter VI-A.