For a citizen, paying income tax is like achieving a milestone. Sometimes, however, people run into questions during the process. There is no need to worry. Here are the answers to the 21 most frequently asked tax-related questions in India.

1. **What is income tax?**

During a financial year, the central government taxes the individuals, businesses, and other persons based on the income they earn. There are two types of taxes: direct taxes and indirect taxes, Income Tax is a Direct Tax.In the assessment year, tax is calculated according to the applicable tax rates

2. **What are the applicable tax rates?**

Under Indian income tax laws, different taxpayers are taxed differently. Companies, Firms and LLP pay a fixed rate of tax on their taxable income, whereas Individuals, HUFs, AOPs, and BOIs pay tax based on rate.

Income is categorized into groups called tax brackets or tax slabs. Tax rates vary according to the tax slab. As income increases, the tax rate increases.

3. **How to calculate income tax on salary with an example?**

Calculating your income tax liability is easy. Just follow the simple formula:

Sum of all Your Earnings = Total Gross Income – Deductions = Taxable Income

(First, add up your earnings to arrive at your total gross income and then subtract applicable deductions the answer is your taxable income).

Formula: Basic Salary + HRA + Special Allowance + Any other Allowance = Gross income from salary.

Gross Income – Deductions = Net Income

1. **What documents are required to file Income Tax?**

The documents required for ITR filing (for salaried employees) are as follows:

- Aadhaar Number
- Bank Account Details
- PAN (Permanent Account Number)
- TDS (Tax Deducted at Source) Certificate and Form 26AS
- Form - 16A, 16B, 16C, etc.

- Tax Payment Challan
- Original Return/Notice

To know the extensive list of documents required, click here.

2. **How to file income tax return online?**

It may be necessary for a taxpayer to file an income tax return to report his income, to carry forward losses, or to claim a tax refund. Note it is important to keep all the documents required for calculation and reporting data handy.

Click on the highlighted text for a step-by-step guide on how to file income tax return online for salaried employee

3. **How to check income tax refund status?**

The government will refund income tax to a taxpayer who paid more than they owed. In the event you are due a refund from the IT department, there are three ways to check it, click here to know.

4. **How to save income tax in India?**

Tax-saving expenses and investments are described in Chapter VI A of the Income Tax Act and can be found in different variations of Section 80.

So, if you're looking for ways to save on taxes, check out the hyperlinked blog - Use Income Tax Section 80 to Save Tax Legally.

5. **How to download income tax return acknowledgement?**

The income tax department generates the Income Tax Return Acknowledgment known as ITR-V. This is sent to the email address provided by the individual tax-payer. The department usually mails ITR-V in two or three days. If you do not receive the document, you can download it from the e-filing website by following the steps below:

1. Go to the income tax India website at www.incometax.gov.in and log in.

2. Tap on the 'e-File' followed by 'Income Tax Returns' followed by 'View Filed Returns' option to see e-filed tax returns.

3. To download ITR-V click on the 'Download Form' button of the relevant assessment year.

The ITR-V will be downloaded.

6. **What is TDS in income tax?**

TDS (Tax Deducted at Source) was introduced to collect taxes at the point of income generation. As per this concept, a person (the deductor) who is liable to make certain payments to another person (the deductee) must deduct tax at the source and remit it to the government. The deductee from whose income tax has been deducted at source is entitled to receive a credit for the amount so deducted if the deductor issues Form 26AS or TDS certificate.

TDS is calculated and levied based on a specified limit. This limit is the maximum level of income at which TDS will be taken from your future earnings. TDS is deducted according to the Indian Income Tax Act, 1961.

TDS is deducted in many ways, including from salary income and Bank FD earnings, interest income from the Post Office, insurance commissions, rent payments, early EPF withdrawals, the sale of immovable property, and rent payments on real estate, etc.

For example:

You invested Rs. 10,00,000 in a life insurance policy for a year at 8% interest. After a year, you earn an interest of Rs. 80,000.

It is now the responsibility of the life insurance company to deduct TDS on this Rs. 80,000 interest and deposit it with the Income Tax Department and issue you a TDS certificate reflecting this transaction.

If your income (including the interest on this life insurer policy of Rs. 80,000) is less than Rs. 2,50,000, you can claim the TDS deducted by the insurer and get a refund.

In the case, where your tax slab is 30%, then you will have to pay the remaining 20% tax (30%-10% TDS already deducted) on such interest income of Rs.80,000. Therefore, you must pay the tax of Rs.16,000 (Rs.24,000 total tax + Rs.8,000 TDS).

Suggested Read: TDS Rate Chart for FY 2021-22 and AY 2022-23

7. **What should one do in case of discrepancies in actual TDS and TDS credit as per Form 26AS?**

Every person deducting tax at source has to furnish the details of tax deducted by him to the Income Tax department. Many times, the actual amount of TDS and TDS credit as appearing in Form 26 AS may differ. The TDS credit appearing in Form 26 AS may be less than the actual TDS. This may be because of non-furnishing of TDS details to the Income Tax Department by the deductor deducting the tax or incorrect Permanent Account Number, etc. In such a case, the deductee should approach the deductor and request him to take the necessary steps to rectify the discrepancy.

8. **How much income is tax free?**

According to the income tax slabs, income of up to Rs 2.5 lakhs is tax-free. Individuals with net taxable income less than or equal to Rs 5 lakh will also qualify for a tax rebate under Section 87A of up to Rs 12,500 under both regimes. Therefore, no income tax is due on taxable income up to Rs 5 lakh in both tax regimes.

9. **What is 80C in income tax?**

Investments made in the specified instruments of Section 80C of the Income Tax Act allow taxpayers to claim a tax deduction of up to Rs 1,50,000 on their taxable income.

Suggested Read: Investment options eligible for tax deduction under Section 80C

10. **Is the deduction under Section 80C inclusive of 80CCC and 80CCD?**

Yes. The total amount of deduction under Section 80C, 80CCC and sub section (1) of Section 80CCD should not be more than Rs.1,50,000

11. **What is 80GG in income tax?**

Section 80GG allows you to claim exemptions on your total taxable income if your company does not include the HRA component in your salary breakdown. The following are the conditions where deduction for house rent paid are eligible for tax deduction under this section:

- Rent paid without HRA may be deducted under Section 80GG. The taxpayer, their spouse or their child should not have a residence at the place of work
- There should be no other self-occupied residential property owned by the taxpayer
- Taxpayers must live on rent and pay rent
- Individuals can take advantage of the deduction

In the case of tax-saving investments other than 80C, tax waivers are granted to the least of the following:

- Monthly ₹5,000
- The total annual income of 25%
- 10% of the basic annual income.

Suggested Read: Don’t Receive HRA? Section 80GG Can Help You Save Tax

12. **What is 80D in income tax?**

Premiums paid towards health insurance policies are subject to tax deductions under Section 80D - subject to specific conditions such as follows:

Requirements and Exemption Limit

Health insurance coverage for:

Oneself and one's family (spouse and dependent children) = ₹25,000

Oneself and one’s family + Parents = ₹25,000 + ₹25,000 = ₹50,000

Oneself and one’s family (below 60 years) + Parents above 60 years of age =

₹25,000 + ₹50,000 = ₹75,000

Oneself and one’s family (with members above 60 years) + Senior Citizen Parents =

₹50,000 + ₹50,000 = ₹1,00,000

1.
2. Health check-up expenses are also eligible for a tax rebate of ₹5,000 under Section 80D.

The health check-up exemption is inclusive of the ₹25,000 rebate on health insurance. In other words, people who have claimed ₹5,000 for medical check-up costs may be eligible for a rebate of ₹20,000 on their premium charges.

Suggested Read: What all can be claimed under Section 80D?

3. **What is surcharge in income tax?**

Surcharges are additional charges levied to persons earning income above a certain limit; they are based on the amount of income tax calculated using applicable rates as follows:

For Individuals/HUF/AOP/BOI/Artificial Judicial Person:

- 10% Surcharge is levied for Taxable Income above ₹ 50 lakh – up to ₹ 1 crore

- 15% Surcharge is levied for Taxable Income above ₹ 1 crore - up to ₹ 2 crore
- 25% Surcharge is levied for Taxable Income above ₹ 2 crore - up to ₹ 5 crore
- 37% Surcharge is levied for Taxable Income above ₹ 5 crore

In the case of Income from Dividends or Income under Sections 111A, 112A, and 115AD, the maximum surcharge rate is 15 percent.

For Firm/LLP/Local Authority:

- 12% Surcharge is levied if Taxable Income is above Rs. 1crores

For Domestic Company:

- 7% Surcharge is levied if Taxable Income is above Rs. 1crores – upto 10crores
- 12% Surcharge is levied if taxable income is above Rs. 10crore

4. **Is it possible for both the earning members of a family to claim deduction for home loan taken in joint name?**

Yes. Under Section 24B of Income Tax Act, interest on housing loans is eligible for tax deduction. Joint home loan borrowers can claim the maximum tax benefits individually. It means each holder can get a tax rebate of Rs.1,50,000 for principal repayment under Section 80C and Rs.2,00,000 for interest payment.

Suggested Read:

- Section 80EE: Income Tax Deduction for Interest on Home Loan
- Section 80EEA - Claim deduction for the interest paid on housing loan

5. **What is the interest penalty under Section 234A?**

If the taxpayer does not file his/her income tax return on time, then s/he is fined. Hence, under Section 234A, the taxpayer must pay simple interest @ 1% per month or part of a month for failing to file a return of income.

6. **What is Section 80TTA?**

Section 80TTA of Income Tax Act allows for a tax deduction on interest income from savings bank accounts. Interest earned above Rs.10,000 will be taxable.

7. **What is capital gain in income tax?**

Profit or gains arising on sale of any “capital asset” is termed as capital gain. ‘Capital Assets’ includes property such as land, vehicles and jewellery, shares and stocks, and securities held by a person.

This gain or profit comes under the category ‘income from capital gain’, and hence tax payers need to pay tax for that amount in the year in which the transfer of the capital asset takes place.

There are two types of Capital Gains - Short Term Capital Gains and Long Term Capital Gains.

Suggested Read: How to Save Tax On Long-Term Capital Gains?

8. **What is Form 16?**

Form 16 is one of the most important documents you need in order to file your tax returns.

- Under Section 203 of the Income Tax Act, your employer is required to issue Form 16 to you, which is a certificate for tax deducted at source (TDS) from income under “salary”.
- Form 16 is the employer’s acknowledgment of tax deduction from your income and a deposit of the corresponding sum to the government (the I-T department).
- It is issued annually after the end of the financial year that is to be reviewed, and contains the details of the amount paid to you every quarter and the TDS on the same.
- It is compulsory for your employer to issue Form 16 on or before June 15 of the following financial year, after the end of the financial year for which tax was deducted.
- For example, the last date for issue of Form 16 for FY 2018-19 was June 15, 2019. After that, employers must pay a fine of Rs 100 per day till they issue the form.
- Form 16 has two components -- Part A and Part B.