

Benefits of Filing ITR (Income Tax Returns)

A form in which taxpayers declare their income details, tax payable on their income, exemptions, and deductions for a particular financial year is known as an income tax return. There are several reasons why taxpayers must file ITR, the primary reason being claiming tax deductions. However, every individual doesn't need to file ITR.

To explain the benefits of filing ITR and clarify other doubts of a taxpayer, we present a comprehensive guide on income tax returns and their importance. We will cover every detail related to ITR benefits, for whom it is mandatory to file ITR, and the consequences of not filing the same.

Thus, without any delay, let's begin!

Is it necessary to file ITR?

Not everyone needs to file ITR mandatorily. Based on certain factors, taxpayers can decide whether it is necessary for them to file ITR. Those factors are mentioned below:

- **Income exceeding the exemption limit-** The exemption limit for a normal taxpayer is ₹2.5 lakhs, ₹3 lakhs for senior citizens, and ₹5 lakhs for super senior citizens. Incomes above this limit are considered as taxable income.
- **Owner of foreign assets-** An individual owning assets outside India and accruing income from the same must file ITR.
- **Electricity bill payment amount-** A person paying more than ₹1 lakh for electricity within the fiscal year has to file IT returns.
- **Bank deposits-** Assessee's depositing more than ₹1 crore in one or more current bank accounts in a financial year should file ITR.
- **Overseas travel costs-** One should file for income tax returns if he/she spends more than ₹2 lakhs in overseas travel during the financial year.
- **Registered Companies Generating Income-** All the registered companies that generate income, regardless of the fact that they have made any profit or not throughout the financial year.
- **Claim Refund-** Those who are willing to claim a refund on the excess tax that has been deducted or the income tax they have paid must file IT returns.
- **Foreign Companies and NRIs-** Foreign companies enjoying treaty benefits on their Indian transactions need to file an ITR return. Additionally, NRIs who earn more than ₹ 2.5 lakhs in a single financial year also require filing ITR returns.

This is why income tax return filing is important.

When is the due date for filing ITR?

It is advisable to file tax returns before the due date to claim the benefits of ITR. Generally, the due date for filing income tax returns is 31st July for non-audit cases and individuals and 31st October for audit cases in a particular financial year.

ITR filing benefits

The benefits of filing income tax returns vary across taxpayers. Depending on the category of taxpayer, we have enlisted the advantages of filing ITR in the following section.

- **Seamless processing of loans-** Financial institutions ask for ITR receipts of the previous year or years during a loan application. They consider this receipt to be a supporting document to a borrower's income statement. Therefore, it is essential to file for ITR if an individual plans on securing a home or a car loan. Salaried and self-employed individuals can benefit greatly from this since they do not have to provide any other document as income proof and easily get loan approvals.
- **Claiming refund-** Any individual can claim a tax refund from the IT Department by filing ITR. This is highly beneficial to salaried and self-employed persons falling in a high-income bracket.
- **Easy visa processing-** ITR receipt is vital to process visa applications. The US embassy and others ask for this receipt to know more about an individual's tax compliance. As this document acts as proof of an applicant's income, the embassy will check the income details and ensure he/she is capable of taking care of travel expenses. Salaried personnel and self-employed people can benefit from this by filing ITR.
- **Medical insurance-** The IT Department offers deductions up to ₹50,000 on health insurance premiums paid in a specific fiscal year. This is under Section 80D of the Income Tax Act. Upon providing medical insurance, the senior citizens can avail of this deduction and undergo treatments without any hassle.
- **Loss compensation-** Any company and business can incur a loss at any time during a specific fiscal year. To compensate for the loss, companies need to file IT returns. By following this procedure, one can carry forward the tax losses in the coming year. However, assesseees need to file ITR before the due date to claim the losses in the future.
- **Avoid penalties-** As mentioned earlier, it is mandatory for some individuals to file income tax returns. Timely filing ITR will help individuals and companies avoid hefty fines. If the annual income is not more than ₹5 lakhs, the IT Department levies a fine of ₹1000. The penalty can go up to ₹10,000 otherwise.
- **Presumptive taxation scheme-** Self-employed persons can avail of this taxation scheme by filing ITR with form number 4. Professionals like architects, doctors, lawyers can consider only 50% of their income as profit and be taxed accordingly if such income is below ₹50 lakhs. Businesses with annual turnover below ₹2 crores can also adopt this scheme and declare 6% (for digital transactions) and 8% (for non-digital transactions) of their income as profit.