

## **1. What is Tax**

### **What is Tax?**

Tax is imposition financial charge or other levy upon a taxpayer by a state or other the functional equivalent of the state.

### **How many Types of Taxes are there and what are they?**

There are two types of Taxes in India – 1.Direct Taxes, 2.Indirect Taxes

The Taxes whose burden falls directly on the Tax payers are the Direct Taxes like Income Tax, Wealth Tax etc.,

The taxes in which the burden is passed on to a third party are called Indirect Taxes like Service Tax, VAT etc.,

### **What is Income Tax?**

An income tax is a tax levied on the financial income of persons, corporations, or other legal entities.

### **Who has to pay Income Tax?**

A Person, corporations or other legal entities, whose earned Income in India, exceeds a prescribed limit has to pay tax

### **What is the meaning of Previous Year and Assessment Year?**

Previous Year is the Financial Year ending on 31st March every year. Assessment Year is the period of 12 Months commencing on the 1st day of April immediately after the Previous Year. For eg. For Previous Year/Financial year ending 31.03.2009, the Assessment Year is 2009-10 (01.04.2009-31.03.2010).

### **What happens if I don't pay the Income Tax?**

A Person, corporations or other legal entities, whose earned Income in India, exceeds a prescribed limit has to pay tax. Any person who willfully attempts to evade the payment of any tax, penalty or interest levied under Income Tax is liable to be prosecuted u/s 276C(2) of Income Tax Act, 1961.

### **Whether I can get refund in case I pay any extra tax by mistake?**

If a person has paid more tax than he is required to pay by the tax rules, he may seek refund of the excess amount deposited. The refund will be made after processing of the income tax return.

### What are tax penalties?

"If the Assessing Officer or the Commissioner (Appeals) or the Commissioner in the course of any proceedings under this Act, is satisfied that any person-

(b) has failed to comply with a notice under sub-section (1) of section 142 or sub-section (2) of section 143 or fails to comply with a direction issued under sub-section (2A) of section 142, or

(c) has concealed the particulars of his income or furnished inaccurate particulars of such income, he may direct that such person shall pay by way of penalty,-

(ii) in the cases referred to in clause (b), in addition to any tax payable by him, a sum of ten thousand rupees for each such failure;

(iii) in the cases referred to in clause (c), in addition to any tax payable by him, a sum which shall not be less than, but which shall not exceed three times, the amount of tax sought to be evaded by reason of the concealment of particulars of his income or the furnishing of inaccurate particulars of such income"

### How I can know as to how much Tax had been paid by me so far?

You can know the details of tax paid by you for any financial year online for which you have to register with the NSDL's website [www.tin-nsdl.com](http://www.tin-nsdl.com).

## 2. Filing of Returns

### What is Filing of Return?

Filing of Income Tax Return is compulsory if the taxable income exceeds the basic exemption limit even if the tax payable is nil or refundable.

As per the Sec 139 of Income Tax Act

Every person,-

(a) Being a company; or

(b) being a person other than a company, if his total income or the total income of any other person in respect of which he is assessable under this Act during the previous year exceeded the maximum amount which is not chargeable to income-tax, shall, on or before the due date, furnish a return of his income or the income of such other person during the previous year, in the prescribed form and verified in the prescribed manner and setting forth such other particulars as may be prescribed

### Who has to file the Income Tax Return?

For the Financial Year 2009-10, following persons are required to file their return of Income Tax :

- a. Individuals having taxable income exceeding Rs.1,60,000 per annum.
- b. Women having taxable income exceeding Rs.1,90,000 per annum.
- c. Senior Citizens having taxable income exceeding Rs.2,40,000 per annum.

### I have paid more Income Tax than what I have to pay. Can I get the refund of the excess amount

### paid by me?

Yes. The refund can be claimed while filing the Return of Income Tax showing the amount of income tax excess deposited/deducted as refundable in the appropriate column. The assessing officer shall grant the refund.

### What happens if I have paid the Income Tax but did not file the Return?

Any person who willfully fails to furnish in due time return of Income or return of fringe benefits is liable to be prosecuted u/s 276CC of Income Tax Act, 1961.

I am a salaried person. I do not know how much Income Tax I have to pay for the Financial Year 2009-10.

For the Financial Year 2009-10, the tax rates are as below:-

- If your earnings are less than Rs.160000 yearly, you need not to pay any tax.
- If your earnings are between 160001 - 300000 yearly ..... 10 %
- If your earnings are between 300001 - 500000 yearly .....20 %
- If your earnings are above 500000 yearly .....30 %
- If you are woman taxpayer – income upto Rs.190000 is taxfree.
- If you are senior citizen (Age > 65 years) income upto Rs.240000 is tax free.

### How can I pay the Income Tax?

For Salaried Persons: Income Tax can be paid on the basis of Form 16 Certificate, which is issued by the employer which contains the details of salary received from the employer. The employer would have deducted the income tax (TDS – tax deducted at source) while making the payment of your salary on monthly basis. The details of tax deducted by the employer shall be available in form 16 and pay-slips given. The persons receiving any other income (other than salary) shall get the details of TDS deducted by the paying person / entity in form 16A.

### Who is an Assessee?

'Assessee' as a person by whom any tax or any other sum of money is payable under Income Tax Act, 1961

### What are different forms for filing returns?

S No	Assessee	Form No
1	For Individuals having Income from Salary / Pension / Family Pension & Interest	ITR - 1
2	For Individuals and HUFs not having Income from Business or Profession	ITR - 2
3	For Individuals / HUFs being partners in firms and carrying out business or	IPR - 3

	profession under any proprietorship	
4	For Individuals & HUFs having Income from proprietary business or profession	ITR - 4
5	For Firms, AOPs and BOIs	ITR - 5
6	For Companies other than Companies claiming exemption under Section 11	ITR - 6
7	For Persons including Companies required to furnish return under Section 11	ITR - 7

### 3. Various sources of Taxations

#### What are the various heads of Taxable Income?

- Income from Salary
- Income from House Property
- Income from profits and gains of Business or Profession
- Income from Capital gains
- Income from Other sources.

#### What are the items which are included under the Head “Salary”?

Salary includes the pay, allowances, bonus or commission payable monthly or otherwise or any monetary payment, in whatever name called from one or more employers, as the case may be, but does not include the following, namely:

- dearness allowance or dearness pay unless it enters into the computation of superannuation or retirement benefits of the employee concerned;
- employer's contribution to the provident fund account of the employee;
- allowances which are exempted from payment of tax;
- the value of perquisites specified in sub-section (2) of section 17 of the Income-tax Act;

It also includes the following:

- Wages;
- Any annuity or pension;
- Any gratuity;
- Any fees, commissions, perquisites or profits in lieu of or in addition to any salary or wages;
- Any advance of salary;
- Any payment received by an employee in respect of any period of leave not availed of by him;
- The annual accretion to the balance at the credit of an employee participating in a recognized provident fund, to the extent to which it is chargeable to tax under Rule 6 of Part A of the Fourth Schedule; and
- The aggregate of all sums that are comprised in the transferred balance as referred to in sub-rule (2) of rule 11 of part A of the Fourth Schedule of an employee participating in a recognized provident fund, to the extent to which it is chargeable to tax under sub-rule (4) thereof.

#### How is Income under House Property computed?

Income from House property is computed by taking what is called Annual Value. The annual value (in the case of a let out property) is the maximum of the following:

- Actual Rent received
- Municipal Valuation

- Fair Rent (as determined by the I-T department)

If a house is not let out and not self-occupied, annual value is assumed to have accrued to the owner. Annual value in case of a self occupied house is to be taken as NIL. (However if there is more than one self occupied house then the annual value of the other house/s is taxable.) From this, deduct Municipal Tax paid and you get the Net Annual Value. From this Net Annual Value, deduct :

- 30% of Net value as repair cost •
- Interest paid or payable on a housing loan against this house

In the case of a self occupied house interest paid or payable is subject to a maximum limit of Rs.1,50,000 (if loan is taken on or after 1 April 1999) and Rs.30,000 (if the loan is taken before 1 April 1999). For all non self-occupied homes, all interest is deductible, with no upper limits.

The balance is added to taxable income.

#### 4. Income Exemptions

##### What are the various Income Exemptions?

- Agricultural Income
- Value of Leave Travel concession, only where journey is actually performed.
- Gratuity amount paid to the employee on the retirement on superannuation, retirement on VRS, termination, resignation or any gratuity paid to the spouse, children or dependents on his/her death subject to the limits prescribed.
- Any Payment on Voluntary Retirement subject to maximum of Rs. 5 lakhs.
- Payment of Provident Fund under the Provident Fund Act, 1925 or Public Provident Fund Scheme, 1968.
- Payment of commutation of Pension (1/3rd) is fully exempt.
- Encashment of Leave on Retirement subject to a maximum limit of Rs.300000.
- House Rent Allowance : HRA paid to the assessee to meet the expenditure incurred on payment of rent for accommodation.
- Special Allowance or Benefits : Any special allowance or benefit as may be prescribed which is not in nature of perquisites, specially granted to meet expenses wholly in performance of duties to the extent of such expenses are actually incurred for the purpose.

##### What are the other Permissible Deductions?

- 1) Professional Tax
- 2) Interest paid on Housing Loan to the extent of Rs.30,000/- Rs.150000/- as the case may be) in respect of self occupied House.
- 3) Deduction in respect of Medical Treatment for specific ailments for self or dependents up to Rs.1.00 lakh.
- 4) Interest paid on Educational loans for self or dependents availed from any Bank / Financial Institutions/ charitable trusts is eligible for deduction.
- 5) A deduction of Rs .50,000 p.a. can be deducted from Income of the if the assessee is suffering from any disability and a deduction up to Rs.1.00 lakh can be made if suffering from severe disability
- 6) Donations made to Prime Minister / Chief Minister's Relief fund etc., are eligible for deductions @ 100%. In other cases 50% of donations paid are eligible for deduction.
- 7) Medical Insurance premium up to Rs.30,000 u/s 80D i.e. Rs. 15,000 for self, spouse, children and Rs.15,000 for

parents (Rs.20,000 pa if parents are 65 years above)

Whether it is necessary to disclose tax-free income while preparing my income tax return?

You are required to disclose all the incomes whether taxable or tax-free while filing your income tax return.

## 5. Rebates & Relief Permission

### what is various Rebates & Relief's permissible IT Act?

Section 80C of the Income Tax Act [1] allows certain investments and expenditure to be tax-exempt. The total limit under this section is Rs. 100,000 (Rupees One lakh) which can be any combination of the below:

- Contribution to Provident Fund or Public Provident Fund
- Premium paid on Insurance paid on the life of self, spouse or children.
- Investment in pension Plans
- Investment in Equity Linked Savings schemes (ELSS) of mutual funds
- Investment in specified government infrastructure bonds
- Investment in National Savings Certificates (interest of past NSCs is reinvested every year and can be added to the Section 80 limit)
- Payments towards principal repayment of housing loans and any registration fee or stamp duty paid upto overall ceiling of Rs.1.00 lakh.
- Tuition fees paid to any University/college/school or Educational Institutions in India for purpose of full time education for any two children upto an overall ceiling of Rs.1.00 lakh.
- Post office investments The investment can be from any source and not necessarily from income chargeable to tax.
- Specified Term Deposit made in any Scheduled Bank with maturity of 5 years or more. (eg. Synd Tax Shield)

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- 4) Interest paid on Educational loans for self or dependents availed from any Bank / Financial Institutions/ charitable trusts is eligible for deduction.
- 5) A deduction of Rs.50,000 p.a. can be deducted from Income of the if the assessee is suffering from any disability and a deduction up to Rs.1.00 lakh can be made if suffering from severe disability
- 6) Donations made to Prime Minister / Chief Minister's Relief fund etc., are eligible for deductions @ 100%. In other cases 50% of donations paid are eligible for deduction.
- 7) Medical Insurance Premium up to Rs.15000 u/s 80D.

### What is the overall limit under Sec 80 C?

The aggregate limit of deduction u/s 80 CC.and 80 CCC are subject to overall limit of Rs.1.00 lakh only.

**Section 80 CCC:**

An amount paid or deposited upto maximum of Rs.1.00 lakh by the assessee during the previous year to the annuity plan of LIC or other Insurance Companies for receiving pension from the fund referred to in section 10(23AAB). The amount within the overall limit of Rs.1.00 lakh including Sec 80C.:

**Section 80CCE :** The aggregate limit of deduction u/s 80 CC.and 80 CCC are subject to overall limit of Rs.1.00 lakh only.

**Section 80D: Medical Insurance Premiums**

Medical insurance, popularly known as Mediclaim Policies, provide deduction up to Rs 30,000 . This deduction is additional to Rs.1,00,000 savings. For senior citizens, the deduction up to Rs. 20,000 is allowable and for non senior citizens, the limit is Rs. 15000. This deduction is available for premium paid on medical insurance for oneself, spouse, parents and children. It is also applicable to the cheques paid by proprietor firms.

**Section 80 DDB: Maintenance & Medical Treatment:**

Amount actually incurred for medical treatment for self or for spouse/children/dependant parents for specified diseases or ailments are eligible for deduction up to Rs.1.00 lakh u/s 80 DDB.

**Section 80E: Interest on Educational Loans:**

Any amount paid out of Income chargeable to tax towards interest on Education loan availed from any Bank/Financial Institution/charitable Institution for purpose of pursuing Higher Education for self, spouse or children is eligible for deduction

**Section 80 U: Person with Disability for Self:**

U/s 80 U, a deduction of Rs.50,000 p.a. can be deducted from Income of the if the assessee is suffering from any disability and a deduction up to Rs.1.00 lakh can be made if suffering from severe disability .

**Section 80G: Donations made to Charitable Institutions;**

Donations made to Prime Minister / Chief Minister's Relief fund etc., are eligible for deductions @ 100%. In other cases 50% of donations paid are eligible for deduction.

**How about the amount of Salary arrears which I have received?****Relief U/S 89**

Where an assessee is in receipt of a sum in the nature of salary, being paid in arrears or in advance or is in receipt, in any one financial year, of salary for more than twelve months or a payment which under the provisions of clause (3) of section 17 is a profit in lieu of salary, or is in receipt of a sum in the nature of family pension as defined in the Explanation to clause (iia) of section 57, being paid in arrears, due to which his total income is assessed at a rate higher than that at which it would otherwise have been assessed, the Assessing Officer shall, on an application made to him in this behalf, grant such relief as may be prescribed.

**6. PAN & TDS****What is PAN?**

PAN (Permanent Account Number) is unique alphanumeric combination issued to all juristic entities identifiable under the Indian Income Tax Act 1961. It is issued by the Indian Income Tax Department

under the auspices of the Central Board for Direct Taxes (CBDT).

### **Who has to obtain PAN?**

Every person, whose taxable income exceeds the basic exemption limit during an accounting year, is required to obtain Permanent Account Number by making an application in form No 49A.

### **Why Is It Necessary To Have PAN?**

It is mandatory to quote PAN on return of income, all correspondence with any income tax authority. It is also necessary to quote PAN in all transactions such as sale and purchase of properties or payments in cash, travel to foreign country. Similarly, the PAN is necessary for making term deposit for Rs. 50000/- and above with the bank.

### **Is it compulsory to quote PAN on return of income?**

Yes, it is mandatory to quote PAN on return of income

### **Who must have a PAN?**

i. All existing assesses or taxpayers or persons who are required to furnish a return of income, even on behalf of others, intends to enter into financial transaction where PAN is mandatory, must obtain PAN.

6. Can a person obtain or use more than one PAN?

Obtaining or possessing more than one PAN is not permitted.

### **What is TDS?**

TDS (Tax Deduction at Source) means the tax required to be paid by the Assessee, which is deducted by the person paying the income to him.

Whether I need to club the income shown in two or more form 16 given to me by my employer for tax purposes?

Yes, you must arrive at the tax payable after clubbing the income received by you in a financial year. The employers would not have deducted the tax hence you must calculate the tax payable and pay the tax at the prescribed rate.



### **What is TDS Certificate?**

A certificate issued by the person deducting tax as per the provisions of Sec 203 of Income Tax Act issued to the person whose income tax has been deducted specifying the amount so deducted, the rate at which the tax has been deducted and such other particulars as have been prescribed.

This certificate enables the payee to get the credit of TDS in the Return of Income.

TDS Certificates are issued within the prescribed time in the prescribed forms as under:

Form 16 : For Salaries : This certificate will be having the details of the employee's Income from salary, other sources declared by the employee, deductions claimed and tax deducted from the employee and paid to the income tax department.

Form 16A: For Other payments.