

E-FILING PROCEDURES OF INCOME TAX RETURNS

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Abstract

In this technology driven age, every sector in the Indian economy is partly or completely affected by the world's most important invention of the modern times 'Internet'. Income tax department is not an exception to it. Income Tax Department under the Ministry of Finance, Government of India is committed to provide world - class services to taxpayers in the country, making tax compliance easy and convenient for them. One of the initiatives of the Income Tax Department was the beginning of electronic filing (e - filing) of income tax returns (ITRs) to make the filing process easier for taxpayers as well as to reduce the time required for data entry on receipt of returns. E- Filing is a scheme for submitting tax documents to the Income tax department through the internet or direct connection, usually without the need to submit any paper documents. This paper deals with the benefits, process, trends & highlights (ITRs) of e-filing among the residents of the country.

Key Words: Electronic Filing (E-Filing), Income Tax Returns (ITR)

Introduction

Income tax is an annual tax on the income of an assessee. Section 4 of the Indian Income Tax Act, 1961 provides that in respect of the total income of the previous year of every person, income tax shall be charged for the corresponding assessment year at the rates laid by the finance Act for that assessment year. Section 14 of the Income Tax Act further provides that for the purpose of charge of income tax and calculation of total income all income shall be classified under the following heads of income:

- ☐ Income from Salaries,
- ☐ Income from House Property,
- ☐ Profits and Gains from Business or Profession,
- ☐ Income from Capital Gains,
- ☐ Income from Other Sources.

The total income from all the five heads of income is calculated in accordance with the provisions of the Income Tax Act, 1961 in respect of each head as they stand on the 1st April of any financial year. The competence and justice in collecting fiscal revenues are government priorities for any administration. The Income Tax Department is responsible for all activities related to the taxation process. The Income Tax Department is governed by the Central Board for Direct Taxes (CBDT) and is division of the Department of Revenue under the Ministry of Finance, Government of India.

Income Tax Department of India launched the Electronic tax filing system of Income Tax Returns because the lion's share of revenue of the country is generated by direct taxes. E-taxation scheme was one of the "action lines" introduced in Indian tax machinery in the A.Y. 2006-07 for all assesses for improving the Return filing system. The general aim of e-taxation is to replace cumbersome manual, bureaucratic service systems with collaborative, efficient, process-driven and secure online delivery.

The department preferred the system of e-filing because that would make the process of filing of Income Tax Returns easier for tax payers as well as reduce the time required for data entry at their end on receipt of the income tax returns. Enabling the filing of income tax returns over the internet was the most feasible answer to the department's needs & tax payers, the department had to create an environment in which the user would feel secure about filing his income tax returns online. E-filing helped furnishing income tax returns through authorized intermediaries who were called e-return intermediaries. Response time for processing the income tax returns as well as claiming refund dropped considerably. Duplication of efforts were eliminated by these intermediaries and most of all in the online procedure the tax payers do not have to be actually present for filing their returns.

Meaning and concept of e-filing

It is obligatory for Firms, Individuals, Hindu Undivided Family (HUF) requiring statutory audit u/s 44AB and Companies to submit the Income tax returns electronically from AY 2007 – 08 onwards. The return submitted by any Firm, Individual and HUF requiring legal

audit u/s 44AB or company without e-Filing will not be accepted. The Indian government agency that runs the Income-Tax portal "incometaxindiaefiling.gov.in" has very considerably provided an electronic filing facility for its citizens.

E-Taxation means trans-organizational processes with data transmit (upload and download) between the IT systems of the professionals and those of the tax authorities. This process implies organizational, semantic and technical interoperability, service-oriented structural design etc. Modified return forms have been devised by the Income Tax Authority which is available on the site of the Department. Tax Inspectors need prop up not only for checking the accounting data of taxpayers, but also for combating against illegal employment, tax evasion and social security fraud at construction sites.

The forms on the website of the department have been devised with such details that tax payers need not file any supporting document along with. Return is submitted electronically at the site. E-Filing also has to support tax authority processes by workflow systems and electronic record management on the one hand and knowledge management and automated risk analysis to assess the reliability of tax returns on the other hand.

Benefits of e-filing of Income Tax Returns

- **Fast Processing:** The acceptance of ITR submission is fast and the refunds are processed faster by the Income Tax Department for the electronically filed ITRs.
- **More Accurate:** E-Filing software with built-in validations and electronic connectivity to Income Tax Department is faultless and help minimize errors. Paper based filing with self calculations can be prone to mistake. Also, when any paper based form is transferred to electronic system, there is always a likelihood of human error in data entry.
- **No Time place constraint:** Assessee can file the return at any time and at any place. E-Filing is available 24 hours a day and 7 days a week, so taxpayers may file their return at their own convenience.
- **More Secure than Paper based filing:** E-filing is safer than paper based filing. With paper based filing your private identity information is lying in files and can be passed from one person to another person in the CA's office or in department's office.
- **You can easily access and use your data for future returns:** Most of the paid E-filing software applications store your data in a secure way and allow you to access it whenever you are ready to file subsequent returns.
- **It is good for the environment:** E-Filing is environment responsive. You just need to print no or at most one page instead of manifold copies of multiple pages that is required in case of paper based filing.

Steps to file income tax return online

STEP 1. Register yourself

To e-file your income tax return, you will have to register on the Income Tax Department's online tax filing site (incometaxindiaefiling.gov.in). You have to provide your permanent account number (PAN), name and date of birth and choose a password. Your PAN will be your user ID.

STEP 2. Choose how you want to e-file

There are two ways of e-filing your income tax return. One is to go to the download section and select the requisite form, save it on your desktop and fill all the details offline and then upload it back on the site. Or you can choose to fill the form online by selecting the quick e-file option.

STEP 3. Select the requisite form

ITR-1: For individuals earning a salary, pension, or income from property or sources other than lottery.

ITR-2: For those earning capital gains.

ITR 2A for those owning more than one house but no capital gains.

ITR 3, 4 and 4S: Professionals and business owners.

STEP 4. Keep the documents ready

Keep your PAN, Form 16, interest statements, TDS certificates, details of investments, insurance and home loans handy. Download Form 26AS, which summarises tax paid against your PAN. You can then validate your tax return with Form 26AS to check your tax liability.

If you earn more than Rs 50 lakh, from this year you will have to fill an additional column — "AL" or assets and liabilities. You will have to disclose the value of your assets and liabilities. Assets have to be declared at cost.

STEP 5. Fill form and upload

If you choose to fill the form offline, after you have downloaded the form and filled all the details, click on 'generate XML'. Then go to the website again and click on the 'upload XML' button. You will have to first log in to upload the XML file saved on desktop and click on submit.

STEP 6. Verify ITR V

On submitting your ITR form, an acknowledgement number is generated. In case the return is submitted using digital signature, you just have to preserve this number. If the return is submitted without a digital signature, an ITR-V is generated and is sent to your registered email ID.

The tax filing process is incomplete and ITR is invalid unless your ITR V is verified. You can electronically verify or mail the signed ITR V to the processing centre in Bengaluru within 120 days of filing the return.

Conclusion

In the current world new information technology is being introduced very fast in all fields. Filing of income tax return using internet is a gift to the tax payers. E-filing is the new and useful method of filing income tax returns online. E-Return filing is getting magnetism in India amongst all the assessee. It saves time, energy and cost. It also reduces the boundary limitations between Income Tax Department and assesses. It has reduced the burden record keeping & requirement of physical space. It has ensured accuracy of data and faster processing of returns. It enables the assessee to file return anytime & from anywhere. So, the tax payers are benefitted by use e-filing and e-payment services. Therefore, it is evident that e-taxation obviously shown some dynamic result and it's surely going to make its full time place in the Indian Tax system.

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