Income Tax Return in India

For Assessment Year 2020 - 21

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What is Income tax return (ITR)?

- Under Section 139(1): - Every Person is obliged to File Return Of Income where every **Person**:
  - Being a company or a firm; or
  - Being a person other than a company or a firm, if his total income or the total income of any other person in respect to which he is assessable under the income tax act during the previous year exceeded the maximum limit not chargeable to tax. shall on or before the due date, furnish a return of his income in the prescribed form and verified in prescribed manner.
- Tax returns are a declaration of your income for the previous year and taxes you have already paid via TDS.
- Types of ITR Forms:

Form	Description
ITR 1	For Individuals being a Resident (other than Not Ordinarily Resident) having Total Income upto Rs.50 lakhs, having Income from Salaries, One House Property, Other Sources (Interest etc.), and Agricultural Income upto Rs.5 thousand(Not for an Individual who is either Director in a company or has invested in Unlisted Equity Shares)
ITR 2	For Individuals and HUFs not having income from profits and gains of business or profession
ITR 3	For individuals and HUFs having income from profits and gains of business or profession
ITR 4	For Individuals, HUFs and Firms (other than LLP) being a Resident having Total Income upto Rs.50 lakhs and having income from Business and Profession which is computed under sections 44AD, 44ADA or 44AE (Not for an Individual who is either Director in a company or has invested in Unlisted Equity Shares)
ITR 5	For persons other than:- (i) Individual, (ii) HUF, (iii) Company and (iv) Person filing Form ITR-7
ITR 6	For Companies other than companies claiming exemption under section 11
ITR 7	For persons including companies required to furnish return under sections 139(4A) or 139(4B) or 139(4C) or 139(4D)

Applicability

As per Section 2(31) of Income Tax Act, 1961, unless the context otherwise requires, the term “person” includes:

1. An individual
2. A Hindu undivided family
3. A Company
4. A Firm
5. An association of persons or a body of individuals, whether incorporated or not
6. A local authority, and
7. Every artificial juridical person, not falling within any of the preceding sub-clauses.

Residential Status

To be a Resident for a financial year, person needs to satisfy either of the following condition:

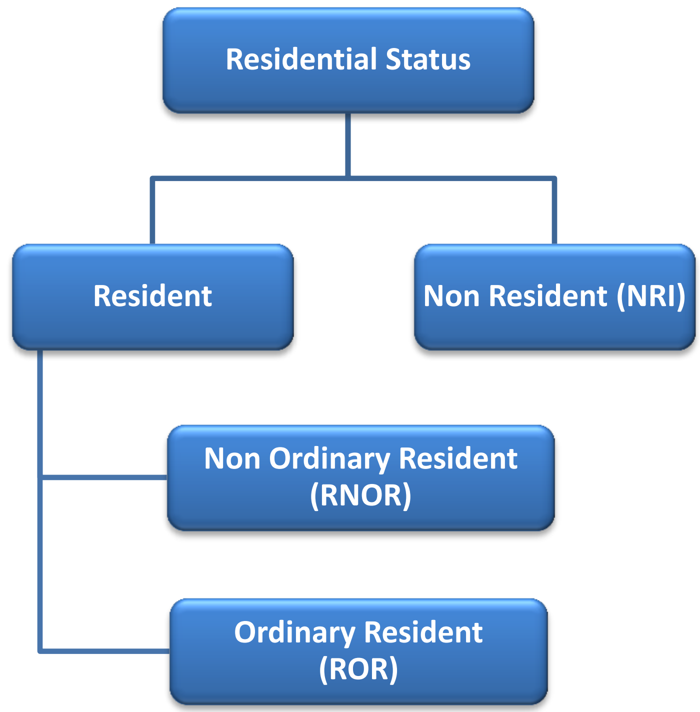
- Person shall be in India for 182 days or more during the year

  OR

- The person, for at least, be in India for 365 days during the 4 years preceding that year **and** at least 60 days in that year

Note: In case person is an Indian Citizen and leave India for employment outside of India or as a member of the crew on an Indian ship, in other words if the person takes up a job outside India, the 60 days minimum period will be increased and shall be considered to 182 days. However, from the financial year 2020-21, the period is reduced to 120 days or more for such an individual whose total income (other than foreign sources) exceeds Rs 15 lakh.

In another significant amendment from FY 2020-21, an individual who is a citizen of India who is not liable to tax in any other country will be deemed to be a resident in India. The condition for deemed residential status applies only if the total income (other than foreign sources) exceeds Rs 15 lakh and nil tax liability in other countries or territories by reason of his domicile or residence or any other criteria of similar nature.



Residential Status (Contd.)

If an individual qualifies as a resident, the next step is to determine if he/she is a Resident ordinarily resident (ROR) or an RNOR. He will be a ROR if he meets both of the following conditions:

- **1.** Has been a resident of India in at least 2 out of 10 years immediately previous years and
- **2.** Has stayed in India for at least 730 days in 7 immediately preceding years
- Therefore, if any individual fails to satisfy even one of the above conditions, he would be an RNOR.
  From FY 2020-21, a citizen of India or a person of Indian origin who leaves India for employment outside India during the year will be a resident and ordinarily resident if he stays in India for an aggregate period of 182 days or more. However, this condition will apply only if his total income (other than foreign sources) exceeds Rs 15 lakh.
  Also, a citizen of India who is deemed to be a resident in India (w.e.f FY 2020-21) will be a resident and ordinarily resident in India.
  NOTE: Income from foreign sources means income which accrues or arises outside India (except income derived from a business controlled in India or profession set up in India).

Particulars	Resident and Ordinary Resident	Not ordinary Resident	Non-Resident
Income received or deemed to be received in India whether earned in India or elsewhere	Yes	Yes	Yes
Income which accrue or arise or is deemed to accrue or arise in India during the previous year, whether received in India or elsewhere	Yes	Yes	Yes
Income which accrue or arise outside India and received outside India from a business controlled from India	Yes	Yes	No
Income which accrue or arise outside India and received outside India in the previous year from any other source	Yes	No	No
Income which accrues or arises outside India and received outside India during the year preceding the year and remitted to India during the previous year	Yes	No	No

From the above table, it is clearly visible that the maximum income tax is levied in case of an Ordinary

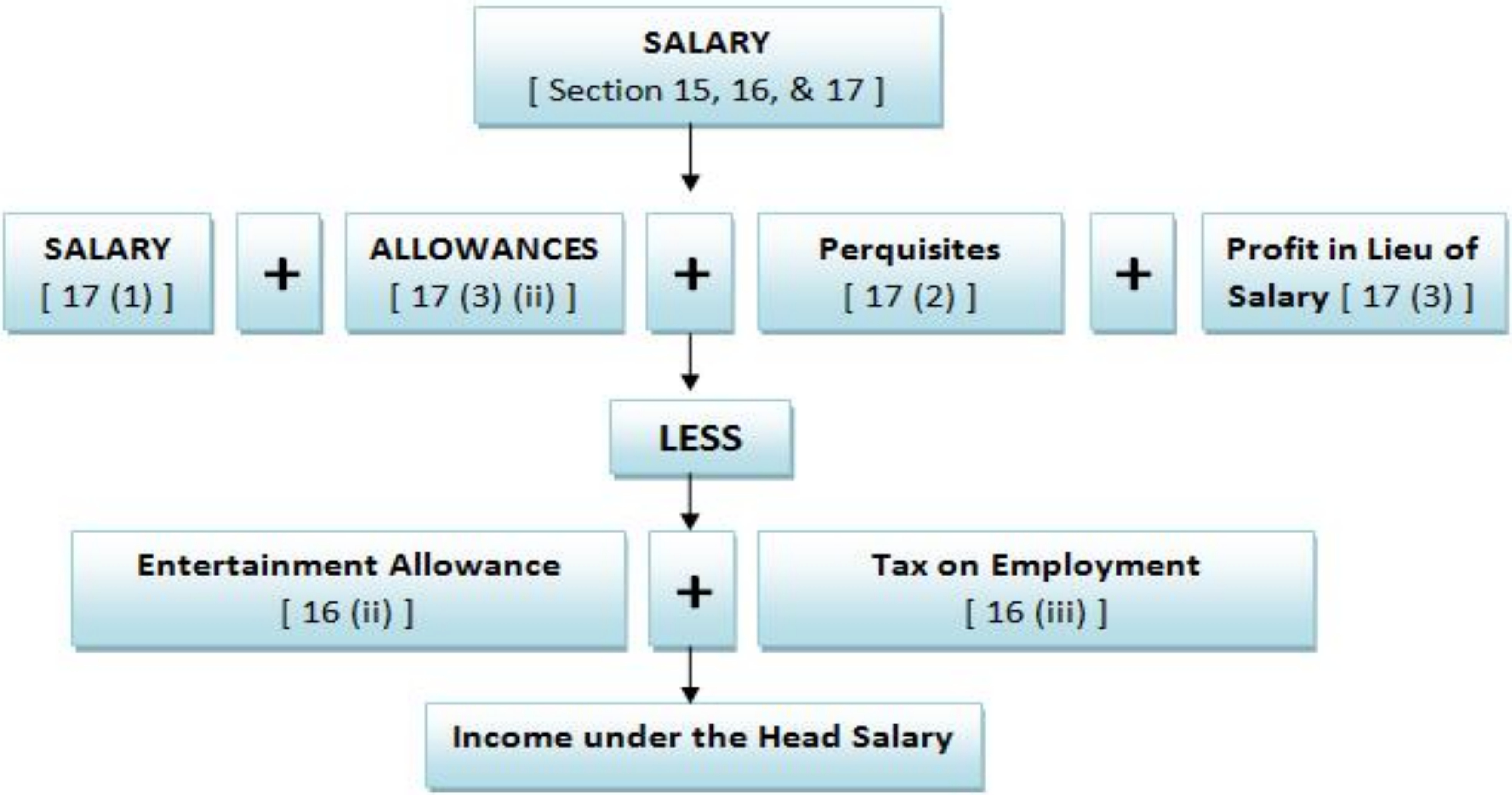
Different Heads of Income

Income under the head Salaries

- The provisions pertaining to Income under the head "**Salaries**" are contained in section **15-17**
- Salary in common parlance means any amount paid by an employer to his employees in lieu of services rendered by them.
- Standard Deduction to a salaried person is INR 50,000

Different Receipts	Tax Treatment
Basic Salary	Taxable
Dearness Allowance/Pay	Taxable
Fees and Commission	Taxable
Bonus	Taxable on receipt basis if not taxed earlier on due basis
Leave Encashment	Taxable while in service
Gratuity	Exempt in hands of government employees and in case of non government employees, it is exempt in some cases
Annuity from employer	Taxable as Salary
Uncommuted Pension	Taxable
Commuted Pension	Exempt in hands of government employees and in case of non govt employees, it is exempt in some cases

Income under the head Salaries



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Income under the head House Property

- The provisions pertaining to Income under the head "**House Property**" are contained in section **22-27**.
- The annual value of any property comprising of building or land appurtenant thereto, of which the assessee is the owner, is chargeable to tax under the head "Income from house property".

<u>Computation of income under House Property :-</u>

Step 1
- Compute expected rent
  (Expected rent is higher of the municipal value and fair rent but restricted to standard rent)

Step 2
- Compute actual rent received / receivable

Step 3
- Compute gross annual value (GAV)
  (GAV is higher of the expected rent and the actual rent received)

Step 4
- Deduct the municipal taxes paid by the owner from the GAV to ascertain NET ANNUAL VALUE

Step 5
- From the NAV the following deductions must be done in order to compute income from house property:
  - Deduction u/s 24:
  - 30%of NAV
  - Interest on borrowed capital

Income under Profit and Gains of Business or Profession

- The provisions pertaining to Income under the head "**Profits and Gains of Business or Profession**" are contained in section **28-44AE**.

- Under the Income Tax Act, Profits and Gains of Business or Profession are also subjected to taxation. The term "business" includes any (a) trade, (b)commerce, (c)manufacture, or (d) any adventure or concern in the nature of trade, commerce or manufacture. The term "profession" implies professed attainments in special knowledge as distinguished from mere skill; "special knowledge" which is "to be acquired only after patient study and application.

Incomes that are chargeable to tax under the heads profits and gains of business or profession:-

- Profits and gains of any business or profession
- Any compensation or other payments due to or received by any person specified in **section 28** of the Act
- Income derived by a trade, profession or similar association from specific services performed for its members
- Profit on sale of import entitlement licences, incentives by way of cash compensatory support and drawback of duty
- The value of any benefit or perquisite, whether converted into money or not, arising from business
- Income from speculative transactions.
- Any interest, salary, bonus, commission, or remuneration received by a partner of a firm, from such a firm

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Presumptive Taxation (44AD, 44ADA and 44AE)

- Section 44AD
- Presumptive taxation for businesses is covered under section 44AD of the income tax act. Any business which has a turnover of less than Rs 2 crore can opt to be taxed presumptively. They must declare profits of 8% for non-digital transactions or 6% for digital transactions, whichever one is applicable.

The following businesses are excluded from presumptive taxation:

a) life insurance agents.

b) Commission of any kind.

c) Running the business of plying, hiring or leasing goods carriages.

Section - 44 ADA

- Engineering
- Legal
- Architectural profession
- Accountant
- Medical
- Technical consultant
- Interior decoration
- A professional having a gross revenue upto Rs.50 lakhs can opt for the presumptive scheme of tax wherein he can straightaway offer 50% of the gross revenue as his taxable income and pay taxes as per his slab rates on such income. Once he opts for this scheme, he cannot claim any of the profession related expenses as a deduction again.

Income under the head Capital Gain / Loss

- The provisions pertaining to Income under the head "**Capital Gains**" are contained in section **45-55A**
- Per SEC 45(1), any profit or gains arising from the transfer of capital assets is taxable under the head capital gains in the previous year in which the transfer has taken place.
- Conditions for Gains to be charged under Capital Gains:
  - There should be a capital asset.
  - The capital asset should be transferred by the assessee.
  - Such transfer should take place during the previous year.

  The profits or gains should arise as a result of this transfer. Such profit or gain should not be exempted from tax under sections 54, 54B, 54D, 54EC, 54F and 54G & 54GA.

Tax Type	Condition	Tax applicable
LTCG tax	Except on sale of equity / units of equity oriented fund	20%
LTCG tax	On sale of Equity / units of equity oriented fund	10% over and above INR. 1 lakh
STCG tax	When securities transaction tax is **not** paid	The gain is added to ITR and the person is taxed as per his income tax slab.
STCG tax	When securities transaction tax is paid	15%

Income under the head Capital Gain / Loss

- **Capital assets** means – section 2(14)
- (*a*) property of any kind held by an assessee, whether or not connected with his business or profession;
- (*b*) any securities held by a Foreign Institutional Investor which has invested in such securities in accordance with the regulations made under the Securities and Exchange Board of India Act, 1992 (15 of 1992),
- but does not include—
- (*i*) any stock-in-trade [other than the securities referred to in sub-clause (*b*)], consumable stores or raw materials held for the purposes of his business or profession ;
- (*ii*) personal effects, that is to say, movable property (including wearing apparel and furniture) held for personal use by the assessee or any member of his family dependent on him, but excludes—
- (*a*) jewellery;
- (*b*) archaeological collections;
- (*c*) drawings;
- (*d*) paintings;
- (*e*) sculptures; or
- (*f*) any work of art.

Note: Equity, Securities and Units 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.

- **Types of Capital Assets:**
  - **Short-term capital asset:** An asset held for a period of 36 months or less is a short-term capital asset. The criteria of 36 months have been reduced to 24 months for immovable properties such as land, building and house property from FY 2017-18.
  - **Long-term capital asset:** An asset that is held for more than 36 months is a long-term capital asset.

Income under the head Other Sources

- The provisions pertaining to Income under the head "**Income From Other Sources**" are contained in **Section 56-58**.

- Income from other sources is a category under the Income Tax in which we can consider all the different sources of income which doesn't fall under other heads.

- This type of income falls under two categories:-
  - **Recurring income**: Any income received at regularly at equal intervals. This generally includes interest income from savings bank, post office savings, fixed deposits, recurring deposits etc.
  - **Non-recurring income:** Any income received only once. This generally includes Income from lottery, gambling, horse racing etc.

Deductions under Section 80

Deductions

Deduction u/s 80C

1. Section 80C provides for a deduction from the Gross Total Income, of savings in specified modes of investments.
2. Eligible Assessee :- Individual or HUF
3. Eligible Payments :- Contribution to PPF, Payment of LIC premium, etc.

Maximum Permissible Deduction :- INR 1,50,000 which is a sums paid or deposited in the previous year:

- ***Life insurance premium paid***
- ***Contribution to PPF, SPF, RPF and superannuation fund***
- ***Repayment of housing loan***
- ***Subscription to National Saving Certificate***
- ***Subscription towards notified units of mutual fund or UTI***

Deduction u/s 80CCC and 80 CCD (1B)

1. Section 80CCC provides for a deduction from the Gross Total Income, of savings in pension fund.
2. Eligible Assessee :- Individual
3. Eligible Payments:- Any amount paid or deposited to keep in force a contract for any annuity plan of LIC of India or any other insurer for receiving pension from the fund.
4. The additional deduction of Rs. 50,000/- under Section 80CCD(1B) is available to assess over and above the benefit of Rs. 1.50 Lakhs available as a deduction under Sec 80CCD(1). Thereby, raising the maximum limit of exemption to Rs. 2.00 Lakhs with Section 80CCD(1) + Section 80CCD(1B)

Maximum Permissible Deduction :- INR 1,50,000 (as per Section 80CCE Maximum permissible deduction u/s 80C, 80CCC & 80CCD(1) is INR 1,50,000) and 50,000 Additionally in 80CCD(1B)

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Deductions

Deduction u/s 80D

1. Section 80D provides for a deduction from the Gross Total Income, of Medical Insurance Premium
2. Eligible Assessee :- Individual or HUF
3. Eligible Payments :
   - Any premium paid, otherwise than by way of cash, to keep in force an insurance on the health of

In case of an individual	**Self , spouse and dependent children**	**Maximum Rs.25,000 (Rs.50,000, in case the individual or his or her spouse is a senior citizen)**
In case of HUF	family member	

   - Contribution to CGHS of such other scheme as notified by Central Government.
   - Any premium paid, otherwise than by way of cash, to keep in force an insurance on the health of parents, whether or not dependent on the individual.

Maximum INR. 25,000 (INR. 50,000, in case either or both of the parents are senior citizen)

   - Payment, including cash payment, for preventive health check up of himself, spouse, dependent children and parents.

Maximum INR. 5,000, in aggregate (subject to the overall individual limits of INR. 25,000/ - INR. 50,000, as the case may be)

Deduction u/s 80D (contd)

Scenario	Premium paid		Deduction under 80D
	Self, family, children	Parents	
Individual and parents below 60 years	25,000	25,000	50,000
Individual and family below 60 years but parents above 60 years	25,000	50,000	75,000
Both individual, family and parents above 60 years	50,000	50,000	1,00,000
Members of HUF	25,000	25,000	25,000
Non-resident individual	25,000	25,000	25,000

Deductions

Deduction u/s 80TTA

1. Section 80TTA provides a deduction of Rs 10,000 on interest income.
2. Eligible Assessee :- Individual or HUF
3. This deduction is allowed on interest earned from a savings account with a bank or a post office or with a co-operative society carrying on the business of banking.

Maximum permissible deduction is INR, 10,000. If interest income is less than INR. 10,000, the entire interest income will be the deduction.

Deduction u/s 80TTB

1. Section 80TTB is a provision whereby a taxpayer who is a resident senior citizen, aged 60 years and above at any time during a Financial Year (FY), can claim a specified amount as a deduction from his gross total income for that FY. This section is applicable w.e.f 1 April 2018.
2. Eligible Assessee:- Resident Individual Senior Citizen
3. Eligible Payments:- Specified income is any of the following income in aggregate:
   - Interest on **bank deposits** (savings or fixed);
   - Interest on **deposits** held in a co-operative society engaged in the business of banking, including a co-operative land mortgage bank or a co-operative land development bank; or
   - Interest on **post office deposits**

Maximum Permissible Deduction :- INR 50,000

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Deductions

Deduction u/s 80E

1. Section 80E provides for a deduction from the Gross Total Income, of Interest on loan taken for higher education.
2. Eligible Assessee:- Individual
3. Eligible Payments:- Interest on loan should be taken from any financial institution or approved charitable institution. Such loan is taken for pursuing his higher education or higher education of his or her relative i.e., spouse or children of the individual.

Maximum Permissible Deduction :- The deduction is available for interest payment in the initial assessment year (year of commencement of interest payment) and seven assessment years immediately succeeding the initial assessment year or until the interest is paid in full by the assessee, whichever is earlier.

Deduction u/s 80U

1. Section 80U provides a deduction in case of a person with disability.
2. Eligible Assessee :- Resident Individual
3. This deduction is allowed to any person, who is certified by the medical authority to be a person with disability.

Maximum Permissible Deduction INR. 75,000, in case of a person with disability, and INR. 1,25,000, in case of a person with severe disability (80% or more disability).

Income Tax Slabs

- For Income Tax Purpose, citizens above age of 60 are considered as Senior Citizens and above age of 80 are considered Very Senior citizens.
- Below are the updated slabs to be charged for the AY 2020-21 (i.e. FY 2019-20):

Income Tax Slabs for FY 2019-20

General Public (Below 60 Years of Age)		Senior Citizens (60 to 80 Years of Age)		Very Senior Citizens (More than 80 Years of Age)	
Income Tax Slab	Tax	Income Tax Slab	Tax	Income Tax Slab	Tax
Up to Rs. 2.5 Lakhs	Nil	Up to Rs. 3 Lakhs	Nil	Up to Rs. 5 Lakhs	Nil
Rs. 2.5 – 5 Lakhs	5%	Rs. 3 – 5 Lakhs	5%	Rs. 5 – 10 Lakhs	20%
Rs. 5 – 10 Lakhs	20%	Rs. 5 – 10 Lakhs	20%	Above Rs. 10 Lakhs	30%
Above Rs. 10 Lakhs	30%	Above Rs. 10 Lakhs	30%		

- Education cess + Health cess to be charged **@4%**
- Surcharge of **10%** on Net income of INR. 50 lakhs to INR. 1 crore
- Surcharge of **15%** on Net income of INR. (1 crore to 2 crore), 25% (2 to 5 crore) and 37% (above 5 crore)
- The rebate is limited to **INR.12,500** u/s 87A, if assesse is a Resident Individual and have taxable income up to INR. 5Lakhs.

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Due dates and Penalties

Deadlines for various categories of taxpayers are as follows:

Status of taxpayer	Due date
All individuals / assessee whose accounts are not required to be audited (individuals, HUFs, Association of Persons, Body of Individuals etc.)	July 31 of the relevant assessment year
Following persons whose accounts are required to be audited: • A company • An individual or other entities whose accounts are required to be audited (like proprietorship, firm etc.) • A working partner of a firm	September 30 of the relevant assessment year
An assessee who is required to furnish report under section 92E	November 30 of the relevant assessment year

Penalty of late filing of ITR are as follows:

Income / Due Dates	Income is up to INR.5,00,000	Income exceeds INR.5,00,000
Till July 31, 2020	0/-	0/-
Till December 31, 2020	1,000/-	5,000/-
Till March 31, 2021	1,000/-	10,000/-

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Process of e-filing ITR

Step 1: Visit the e-filing website: https://incometaxindiaefiling.gov.in/

Step 2: Click on "Login" tab and enter the required details: your user ID i.e. your PAN, password and captcha. Click on log-in button at the bottom to sign in.

Step 3: Your account dashboard will open up. Click on the 'e-file' tab and select 'Income Tax Return' option.

Step 4: Select the assessment year, i.e., 2019-20, relevant form and submission mode- prepare and submit online. Click on Submit.

Step 5: After that you will be asked to fill in required information in different tabs i.e. 'General information', 'Income details', 'Tax details' 'Taxes paid and verification' and '80G' in the ITR form. One should ensure that the Tax payable shown in the online form matches your calculation .

Step 6: Once you hit 'Submit', your ITR will be uploaded and you will be asked to verify your return using any of the options available.

- You can verify your return either electronically using the Aadhaar OTP or Electronic Verification Code method or
- by offline method of sending a signed printout of the ITR V to CPC, Bengaluru within 120 days from the date of e-filing.

An Acknowledgement/ ITR V will be simultaneously sent to you on your registered email once your return is successfully uploaded. This acknowledgement will also show up in your account on the e-filing website from where you can download it if required.

The department will process your ITR once you verify it. After your ITR is processed, you will be intimated about the same via email and SMS on your registered mobile number.

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Thank You!!