FILING OF INCOME TAX RETURN
- INCOME ONE MUST NOT FORGET/ MISS

Tax Filing season has started and all of us have compiled the information needed to file Income Tax Return. Though the last date of filing tax return for the current year has been extended by 1 month, we must utilized this extension by rechecking the information and disclosures we are about to make in ITRs.

For salaried employees, filing tax return is not that cumbersome task because they get Form 16 from their employer which contains all the required details to fill in returns and mostly their taxation is taken care of by their employer.

Tax Filing is a challenging task for people who are self-employed and are engaged in various activities. You can take an example of me. I earn from my business, blogging, interest incomes, capital gains (sometimes), rental incomes and dividend incomes. Disclosing all these incomes sometimes makes me wonder why on earth I do all such things. Many times I worry about missing any of my income to disclose in Income Tax Returns because being a Chartered Accountant I know how bad it is to get entangled with Tax Department.

Keeping in mind the penalties and problems one could face for not reporting all incomes irrespective of being taxable or not, I have compiled the list of incomes most of us tend to forget/miss.

Agricultural Income
The usual perception is that income from Agriculture is exempt from tax but this is not true. Only Agricultural Incomes covered under section 2(1A) of Income-Tax Act or is below Rs.5,000 are tax-free. In any other case you have to include agricultural income in total income to derive tax payable amount.
Read: How Tax is calculated on Agricultural Income?

Dividend Income
Dividend from Indian Companies is tax-free u/s 10(34) and does not fall under the purview of Income-Tax Act. Even dividend paid by the equity mutual funds is also tax-free. But it does not mean that you don’t need to show it. These types of tax-free incomes ought to be disclosed while filing tax return.

Minor Income
Many times our elders give gifts to children in the form of bank fixed deposits on the occasion of birthday. Although the gift is tax-free but the income derived from the gift (interest from fixed deposits in our example) is taxable. Since the child cannot be held liable to pay taxes, it’s his/her parents who are liable to include minor’s income in their income and pay tax accordingly.

Interest Incomes
Mostly, people tend to forget about disclosing interest incomes in income tax return because interest incomes come without any labor. Interest incomes generate from various sources such as through savings account, fixed deposits, recurring deposits, post-office time deposits, peer-to-peer lending etc. The figure might be small and tax may have already been deducted by the payer but you need to disclose it. There is

tax deduction of Rs.10,000 on the earning of interest income from savings account which you can claim u/s 80TTA.

Capital Gains

Do you trade in shares or mutual funds or gold along with your business or job? Than you must have earned gains by selling stocks, mutual fund units etc. This capital gains/losses is should be declared in tax return though they may be tax-free as in case of long-term capital gains from equities. Likewise, any losses should also be declared which may help you to set-off your future capital gains.

Cash Gifts

Receiving cash gifts are common practice in India. We usually give money in enclosed envelope on various occasions such as wedding, baby-shower, house warming etc. Though the amount may be meagre but under income-tax act, gift is seen in cumulative way. For example if you receive Rs.5000 from 11 people (other than blood relative or except on the occasion of marriage) than the amount becomes Rs.55,000 which exceeds the threshold limit of tax-free gift of Rs.50,000 thus whole money becomes taxable and have to be shown under Income from Other Sources while filing tax return.

Read: What is Black Money?

Maturity Proceeds of Financial Instruments

Every one of us invests in various financial instruments to relish tax break under Section 80C of Income-Tax Act. Few of the popular investment avenues u/s 80C are National Savings Certificates, Kisan Vikas Patra, Life Insurance Policy, Tax savings Bank Fixed Deposits, Equity Linked Savings Scheme, Sukanya Samriddhi Account Scheme, Employees Provident Fund, Public Provident Fund etc. We never forget to take deduction at the time of making investments but we do forget to disclose it at the time of receiving maturity amounts. Many of the above schemes are ETT or EET which means they give tax break only on the invested amount. Any return or maturity amount will be taxable and has to be shown in tax return. For example National Savings Certificate is tax-free but yearly interest earned from NSCs is taxable. To avoid taxability, the interest amount gets reinvested and can be claimed as deduction u/s 80C. This cycle of reinvestment and tax break continues till second last year of NSC because the interest income of last year becomes taxable as the interest is paid along with the maturity amount.

Spouse Income

How can we forget giving gifts to our spouse? Money, gold, jewellery etc. are the common forms of gifts we give to our wife. But what happen when the money you gave as gift is invested by your wife into shares and she made a good profit or she put money in fixed deposit and gets yearly interest. Under these circumstances you will be the taxpayer for the incomes accrued by the investment made by your wife from the money you gave as gift. But remember only first level of income is taxable and should be clubbed with your income while filing tax return. If your wife invested money in share trading and again invested the profit from trading into fixed deposit to earn interest than the profit from share trading is to be taxed in your hands but interest from Fixed Deposit is solely the income of your wife and she has to pay tax on it.

What happens if you miss any income to disclose or taxman finds undisclosed income ?

In case you miss to disclose any income or the taxman finds that you have escaped income than the consequences would be severe.

There would be a penalty us/ 271(1)(c) of minimum of 100% to maximum of 300% of the tax you ought to have paid on the undisclosed income. The penalty is to be decided by the assessing officer which depends upon the nature of income, your intentions as well as your past records.

Then there is interest us/ 234(b) at 1% per month on the tax not paid. The interest is charged from the day you should have paid the tax up to the day the income is detected.
Further, there would be interest u/s 234(c) at 1% per month if inclusion of income exceeds your advance tax criteria.

The worst case would come when inclusion of undisclosed income makes you falls in the different tax bracket i.e. from 10% to 20% or from 20% to 30% etc.