Basic Knowledge about Income Tax and Returns for salaried person

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What is Form 16?

Form 16 is a Certificate of TDS (Tax deducted at Source) i.e. tax deducted on your Salary by your Employer and deposited with the Government on your behalf.

It reflects the details of your Gross Salary, the exempt allowances, your Other Income if any, details of Investments made and deductions availed.

Thereafter, your tax liability, TDS made, and tax payable/refundable (If any).

Form 16 needs to be compulsorily issued if tax is deducted on your Salary. It is the responsibility of the Employer to issue Form 16.

How do I confirm the TDS shown in my Form 16 is actually correct?

It is the prime responsibility of the Employer to furnish accurate details in Form 16, failure of which attracts penalty to the employer.

Nevertheless, tax authorities recently have empowered the deductees (Employee on whose Salary TDS is made) to cross-verify the TDS details against the records available with the Government.

Tax Information Network (TIN; a division of the Income-tax department) has introduced in recent years, the Form 26AS wherein any tax deducted at source on any of your income is reflected. Thus, you can cross-verify whether the tax that has been deducted is actually paid to the government or not?

It is compulsory to file my Return of Income?

Yes. As per the Income-tax Act, every person whose Gross Total Salary exceeds the basic exemption limit has to file a Return of Income (ROI). Failure to file the Return of Income can expose to a penalty of Rupees Five Thousand and also, the laws do not permit payments of your Refunds (If any) when the Income Tax Return is not filed.

It is a good policy and a willful conduct to keep your financial and tax records updated so that you do not have to face hurdles while applying for Business loans, Home loans, Insurance policies, etc. Filing of Income tax Return should be seen as a good habit and not as compliance burden.

By when I have to file my Return of Income?

For salaried individuals the due date of filing of Tax Return is 31st July of Assessment Year (eg. For F.Y. 2014-15, due date will be 31st July 2015 **(extended this year only up to 31st August 2015)**

I have not filed my earlier years Income-tax Return. Can I file them now?

Yes. You can file Income-tax Returns of earlier years as well. That means if you had not claimed your Refund of last year due to non-filing of Income-tax Return, you can still do it now!

I had not submitted few Investment proofs to my Employer. What do I do now?

The Employer is under obligation to consider all Investment proofs provided by you. However, if you miss on providing any details/proofs you can always claim the investments in your Income-tax Return and claim your Refund, since your Employer has already deducted the extra tax on the investment-portion for which you had not provided the proofs.

How do I reduce my tax liability?

There are many many Investment options which reduce your tax liability.

Section 80C provides you relief till Rs. 1.5 lac. Various Investments/expenses enumerated under Sec. 80C. They are listed below:

a. Life Insurance premiums (of self and family)

b. Provident Fund contributions (of self and family)

c. Mutual Fund contributions

d. Public Provident Fund (PPF)

e. Tuition Fees (of self and family)

f. Principal portion of EMI of the Housing loan

g. Fixed Deposit with Banks for 5 years

h. NABARD and other Bonds / Certificates as specified from time to time.

Following are additional deductions which are over and above the Rs.1.5 lac limit as mentioned above:

a. Health Insurance premium up to Rs.15,000/- (under section 80D) for senior citizen upto Rs. 20,000/-.

b. Full Interest on Education loan u/s 80E

c. Donations u/s 80G

d. Interest portion of EMI of Housing loan up to Rs. 2 lacs (section 24). (Consequently, benefit can be availed on the principal and the interest expenses.)

How do I get maximum benefit of HRA?

House Rent Allowance is exempt the least of the following:

a. HRA actually received

b. Rent paid in excess of 10% of Salary

c. 50% of Salary (Rent paid in Metro City **D M C K) or 40% of Salary (Non-metro city)

****D- Delhi, M- Mumbai, C-Chennai, K - Kolkata**

How does my House Property Loan help me in tax savings?

Repayment of house loan can be bifurcated in 2 parts:

a. Principal amount allowed till Rs. 1.5 lac u/s 80C

b. Interest amount allowed till Rs. 2 lacs u/s 24

If you have House loan on more than one property, the interest repaid on second home is exempt without any limit.

I had switched my employment during the year. What about my TDS made by earlier Employer?

It is the responsibility of the employee to furnish to the new employer the details of Salary and TDS made thereon by the previous employer. Only if such details are furnished, the new employer shall take into account the salary and TDS details and calculate TDS to be made in future accordingly.

How do I file my Return of Income?

People having only Salary and/or House Property and/or Other Income need to file their Income-tax Return in Form ITR-1. This may be submitted either physically (if taxable income not exceeds Rs. 5 lacs) or online.

*************Thanks for reading, happy day ***********