TAX RETURNS DEADLINE: SOME DON'T NEED TO PANIC

If you have deposited all your tax, or your due taxes have been deducted by your employer or you are not claiming a major amount as refund, you need not rush to the income tax office. In fact, if you have no losses to be carried forward too, you need not worry about meeting the July 31 deadline. You have the option to file your returns by March 31, 2009, without any penalty. Many aren't aware of this. Software engineer Sidharth Masaldaan's company had already deducted his taxes, but he didn't know he could file his returns by March 31, 2009. "It was only a day before I filed my returns that I saw a blog posting that talks about this. I feel our companies should create more awareness about filing returns," says Masaldaan. "They just distribute our Form 16 and sometimes, hold a session with a financial consultant. But one can't always make the time." However, if the return is filed by July 31, 2008, then the assessee can revise the return by March 31, 2010. "Such revision is not possible if you file after July 31," says Sanjay Dhariwal, director of tax firm DNS Consulting. Divya Chatterjee (26), a media professional, had to cough up nearly Rs 40,000 besides the normal tax deduction from her salary. "I joined a new company mid year and the new company did not take into account my income for the first six months. Companies should realise that when employees join them in the middle of the year, they have to show income from other sources in the Form 16," says Chatterjee

CBDT RELAXES NORMS FOR SCRUTINY OF COMPANY TAX RETURNS

In what could be a major relief to the corporate sector, the revenue department has decided not to scrutinize the tax returns of over 1000 top companies, provided no major disputes are pending against them they had been complying with laws.

"The annual returns of tax complying companies would be not be scrutinised this year. The decision has been taken by the Central Board of Direct Taxes (CBDT) to encourage better tax compliance among the corporate," a senior finance ministry official said.

Last year, the CBDT took a decision to scrutinise tax returns of about 200 'A' group companies listed on the Bombay Stock Exchange BSE, 500 National Stock Exchange companies and all non-banking finance companies. The tax returns of all the banks and public sector units were also checked by the income tax officials.

The decision to relax scrutiny norms follows Finance Minister P Chidambaram's announcement after the annual meeting of Chief Commissioners of Income Tax Department that government would ensure that tax complying taxpayers are not harassed by the Income Tax Department.

Under the scrutiny, the assessing official would issue notices to the taxpayer within a year of filing the return and probe any tax evasion by verifying claims about tax exemptions, amount in bank accounts, cash reserves, details of loans, gifts and credit cards.

If the department has not raised tax demand of Rs 10 lakh or more in addition to deposited tax and if the department has not won any tax suit against the firm, the officials would not open returns for scrutiny.

However, the department may consider opening the tax returns of companies, if they infused fresh capital of Rs 50 lakh or more during last fiscal or filed for tax exemptions for the first time under any scheme.

According to the income tax department, in 2007-08 the scrutiny of about 3.2 lakh tax returns, including about 51,000 filed by the corporate, resulted in additional tax demand of Rs 73,200 crore, out of which Rs 28,700 crore has already been realised.

However, considering the improvement in tax compliance and electronic filing and payment of returns by the corporate, the department has relaxed norms of scrutiny, the Finance Ministry official added.

SIKKIM BUSINESSMEN SEEK TAX EXEMPTION

Senior businessmen of Sikkim have sought a resolution for income-tax exemption to be placed before the ensuing Assembly session on July 28.According to a memorandum submitted to the Chief Minister, Mr Pawan Chamling, the Association of Old Businessmen of Sikkim has urged him to recommend their case — to include senior businessmen of Sikkim for exemption from Central Income Tax — to the Union Government. Earlier on April 10, a delegation of senior businessmen had called on the Chief Minister at his official residence at Mintokgang and drawn his attention to their plight.

FILING IT RETURN WHILE SWITCHING JOBS

When an employee leaves his employment and joins a new employment then he is required to furnish the information in respect of his salary income and taxes deducted at source (TDS) by the previous employer to his new employer. Subsequently, the new employer is required to take into account this information and consolidate the same with the salary income paid by it and accordingly withhold the taxes.

This information is required to be supported by the Form 16 issued by the previous employer (generally issued after the end of the financial year). Thereafter, the new employer issues the certificate for tax deducted at source (Form 16) which includes the salary income of the previous employer and the salary paid by it and also takes into account the tax withheld by the previous employer and the tax withheld by it. Based on the Form 16 issued by the new employer, the employee is required to file his Indian tax return. In a situation, where the employee has not furnished such information in the specified form to his new employer then he would have two form 16s i.e. one from previous employer and second issued by current employer (which would generally be in respect of salary paid and the tax deducted by the new employer only). Both the

Form 16s should be taken into account for preparing and filing the personal tax return. In case, if Form 16 is not issued by the previous employer as there was no tax deduction or any other reason, employee should himself consider the salary received and tax deducted by his previous employer based on the monthly salary slips along with the Form 16 issued by the new employer and file his tax return.

In case any tax was deducted by the previous employer, he should ensure that he obtains the Form 16 from his previous employer. It is pertinent to note that employer is also liable to penal consequences in case salary certificate (Form 16) is not issued within the specified time period. In the return of income where the details of tax deducted are required to be provided, the details of both the employers and tax deducted by them should be provided.

Normally if the details of income from the previous employer are not disclosed to the current employer, there could be a shortfall in deduction of tax on total income. The may happen in case both the employers have allowed the benefit of minimum exemption limit and tax slabs. In this situation the shortfall would have to be paid by way of self assessment tax along with applicable interest. One should note that the responsibility of preparing and filing the tax returns and thereby disclosing the correct information is caste on the employee.

Therefore, the employee should take due care while preparing his tax returns, especially where he has changed his employment.

IT INDUSTRY SEEKS CLARITY ON TAXATION

Hit by imposition of service tax, the IT industry has asked the government to come out with a clear classification of packaged software — explaining if this item should be listed under goods or services. Lack of clarity and imposition of service tax on packaged software could lead to increased litigation in the sector, industry experts said. “There is a question on sustainability of the levy on information technology services,” said Atul Gupta, senior director, Deloite India. Microsoft India tax director Ashwini Sachdeva said for the last 8-10 weeks, the software business has been “paralysed” because of the ambiguity created by the notification. Confusion arises as the notification does not make a clear demarcation if software will be sold as a good and hence liable for sales tax (VAT) or considered as “services’ bringing it under service tax. The ambiguity is likely to affect the business of companies like Microsoft and Adobe in the way they sell their packaged software. Levy of tax on this item will become effective from May 16, 2008. The government has made it clear that it intends to subject all software to either service tax or excise duty. Certain aspects of the new service tax provisions are not very clear with respect to their application to software products.