Mistakes to avoid when filing I-T returns

Don't forget to include interest earned on investments and also declare those exempt from tax

You open a recurring deposit in your child's name and invest Rs 5,000 every month. If the interest earned on it is not declared while filing tax returns, the authorities can send you a notice, as it would amount to tax evasion. That's because the interest earned by a child below 18 years is clubbed with the income of the parent.

There are several such instances when individuals don't declare their income or assets because they do not realise these items are taxable. Another example: interest earned on the cash in your savings bank SB account. In a financial year, if a person receives over Rs 10,000 in interest in the SB account, he needs to pay tax on it.

"Many people don't include the interest earned on company deposits, fixed deposits, and postal saving schemes, as tax is deducted at source on these investments. However, they are supposed to declare and pay the applicable on it," says Kuldip Kumar, partner at PwC.

Many don't report income that is exempted from tax. Say, someone sells his or her mutual fund investment after one year of holding it or receives dividends on the stocks. In the income tax form, there's a separate schedule for such income that is exempted from tax and individuals have to declare it.

According to the law, if a person receives a gift valued above Rs 50,000 from a non-relative, he or she needs to pay tax on it. The value of such items is clubbed with one's income and taxed according to the slab. However, there are certain exceptions. For example, presents received in a wedding. While these need to be declared, you don't need to pay tax.

Amit Ajmera, director – direct tax, DBO India, points out another common mistake. "These days, many taxpayers own two houses. If the second house is not let out, the owner still needs to pay tax on the rent he would have received through the property." For this, the person needs to find the ongoing rent in the area, say from a real estate broker, and compute his tax liability accordingly.

Experts say before filing returns, the person should go through the Form 26AS, which is accessible once he logs into the income tax department's e-filing website. Other than the tax deducted by the employer, taxpayers need to go through the other instances of TDS. In case the TDS from a bank or any other institution is not reflecting in Form 26AS, the person needs to approach them and ask for an update. "When people change jobs in the middle of the financial year, they forget to report the income earned from the former employer. Form 26AS comes handy to compute the tax," says Ajmera.

Many salaried don't file income tax returns if they don't have investments or other income. Tax experts say filing of return is compulsory if your income is taxable. Once the filing is done, make sure ITR-V is duly signed and sent to the central processing centre, Bengaluru, and that the authorities have received it. If this is not done, the I-T filing is considered as invalid.

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