

Salaried taxpayer? No need to file tax returns

Over the years, the Finance Ministry has introduced several measures to make taxpayers' life easy. This year's budget was another step in this direction. The finance minister announced that if tax is deducted at source (TDS) for a salaried individual, he will no longer have to file tax returns. It's welcome move that will spare about 25 lakh individuals the hassle of filing returns.

The amendment will help do away with the duplication of information filed with the Income Tax Department. The income details, along with the TDS statements, of the salaried taxpayers are submitted by their employers. When the taxpayers file their returns, they effectively give the same information all over again. The government has said that the repetition can be avoided if the taxpayers declare their income from other sources to their employers. This other income needs to be mentioned in the Form 16, along with your salary income, TDS details and the tax payable on it. This tax should have been deducted.

As the new rule will come into effect from June 1 this year, it will apply to the returns for the current financial year also.

The income tax return of an individual is a declaration of his income. While lenders see it before they extend a loan to an individual, many embassies assess the financial position of a visa applicant before allowing him to travel to their country. If the taxpayers don't file their returns, Form 16 issued by the employer can be used as a proxy for the same.

However, details of the new rule are not known yet. Some media reports have quoted senior Central Board of Direct Taxes (CBDT) officials as saying that the new rule is only applicable to salaried individuals with an annual income of up to Rs 5 lakh. The CBDT will issue a notification soon.

It is best to wait for clarity. For instance, it is not known whether the taxpayers who have a rental income and capital gains will also be exempt from filing returns. It is also unclear whether the Rs 5 lakh limit is before or after deductions, such as house rent allowance, home loan interest and investments under Section 80C and Section 80CCF of the Income Tax Act.

Besides, the Form 16 only mentions income and deductions. There is no provision for the declarations under the annual information return (AIR). If investments and expenses of a taxpayer exceed a certain threshold, he has to mention these in the AIR schedule. For instance, if your credit card bills exceed Rs 2 lakh in a year, you need to mention it in the tax return. Investments of over Rs 2 lakh in mutual funds and Rs 1 lakh in shares of a company also need to be mentioned. The Form 16 will need to be modified to include these details. More importantly, employers may not be willing to bear the additional responsibility.

The budget has also introduced the Sugam tax return form to simplify the tax filing process for small retailers and contractors, whose annual receipts don't exceed Rs 60 lakh. Presently, they file returns using the lengthy ITR 4. Most of them shell out Rs 3,000-4,000 every year to hire a chartered accountant or a tax consultant to fill up the 22-page form. The move will help lakhs of small businessmen and traders. However, life insurance agents, UTI agents, post office agents and notified mutual fund agents are not covered under the presumptive scheme. They need to prepare complete books of account if commission earned during the year is more than Rs 60,000.

There are more goodies in store. A web-based facility has been launched to track refunds and taxes. The finance minister has also promised an efficient tax administration through a robust IT infrastructure for enhanced services. All this should combine to give people a handle on their taxes.

Source: The Economic Times.