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**Income Tax Return Filing for Non-Audit & Non-Corporate Assessee's**

The purpose of this write-up is to give an insight and direction, on how to go about with the preparation of details for filing of income tax returns. Since we are looking at non-audit and non-corporate assessee's, this article has been restricted to the details applicable to such assessee's only.

Before we begin to look at the process and the way-about, let us first understand a few basic concepts.

1. **Non-Audit & Non Corporate Assessee's:**
   Non-Audit: Under the Income Tax Act, the assessee's who have to get their books audited under section 44AB of the Act, have a different due date for filing of returns as compared to assessee's who are exempted from such audit. The limit for audit currently is;
   a. in case of assesse's carrying on business, turnover / total sales / gross receipts exceed Rupees One Crore during the financial year, and
   b. in case of assessee's carrying on profession, gross receipts exceed Rupees Twenty Five Lakhs in a financial year.

   Therefore, if any of the above limits are reached by the assessee's they have to get their books audited under section 44AB of the Act. Other than the above two criteria's, assessee's also have to get their books audited if they declare profits less than the minimum deemed profits as per the Act, from a certain categories of business as defined in section 44AD & 44AE of the Act.

   Non-Corporate: Further, the Act specifically provides for a different due date for filing of returns for all companies.

2. **Due-date:** The due-date for filing of returns for non-audit & non-corporate assessee's is 31st July of the assessment year and for assessee's under audit u/s. 44AB and corporate assessee's, the same is 30th September of the assessment year. In case of an assessee, being a partner of a firm liable to audit u/s. 44AB, the applicable due-date shall be 30th September of the assessment year. The said limits are as per the provisions of section 139(1) of the Act. In the case of an assessee liable to submit a report u/s. 92E (Transfer Pricing Report) of the Act, the applicable due-date is 30th November of the assessment year.

3. **Type of Assessee & Nature of Income:** One of the most important things while preparing a return of income is to identify the type of assessee and nature of income being earned by the assessee.

   There are different types of assessee's as defined under the Act, like Individuals, HUF's, Partnership Firms, LLP's, Companies, Trusts and so on. The type gains relevance as different provisions apply to different types of assessee's. For instance, deduction u/s. 80C is not applicable to a company. Further, even the income tax return forms are different for various types of assessee's.

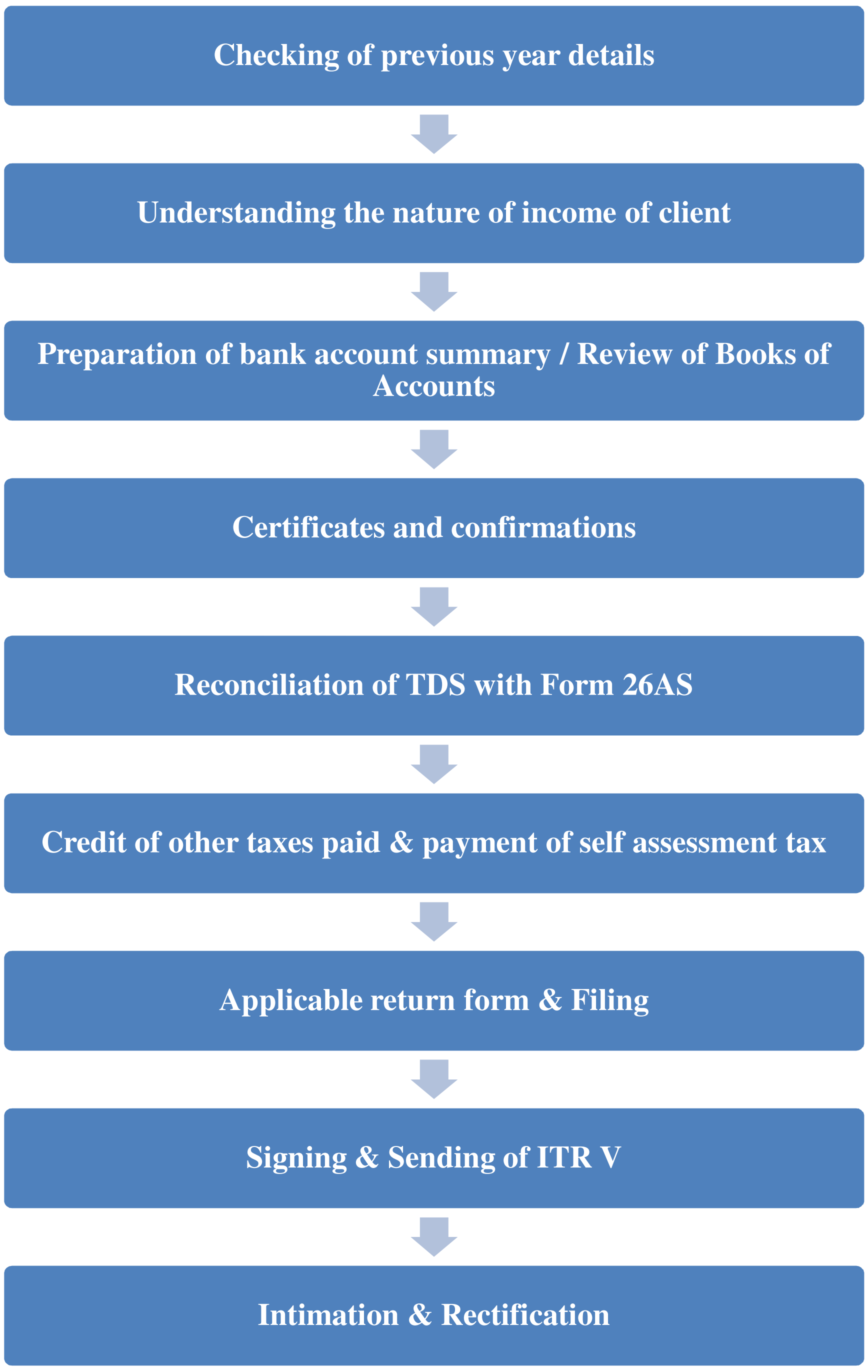
   The nature of income earned by the concerned assessee is also one of the prime factors in deciding the return form applicable. For instance, ITR – 1 is not applicable in case of an assessee earning business income.

4. **Prescribed Forms:** The department notifies the forms in which the return of income has to be filed by the assessee's. Further, it has been made mandatory for a certain category of assessee's to file their return in the electronic format. Let us understand which forms are for which category of assessee's;

| **Sr. No.** | **Form** | **Applicable to** |
|---|---|---|
| 1 | ITR – 1 (Sahaj) | This Return Form is to be used by an **individual** whose total income for the assessment year includes:-<br><br>(a) Income from Salary/ Pension; or<br>(b) Income from One House Property (excluding cases where loss is brought forward from previous years); or<br>(c) Income from Other Sources (excluding Winning from Lottery and Income from Race Horses)<br><br>However, in case of an **individual** resident having any asset (including financial interest in any entity) located outside India or signing authority in any account located outside India, this form is not applicable.<br><br>Further, if the income from other sources exceeds Rs. 5,000/- ITR – 2 should be used. |
| 2 | ITR – 2 | This Return Form is to be used by an **individual or a Hindu Undivided Family** whose total income for the assessment year includes:-<br><br>(a) Income from Salary / Pension; or<br>(b) Income from House Property; or<br>(c) Income from Capital Gains; or<br>(c) Income from Other Sources (including Winning from Lottery and Income from Race Horses). |

| | | |
|---|---|---|
| | | Further, in a case where the income of another person like spouse, minor child, etc. is to be clubbed with the income of the assessee, this Return Form can be used where such income falls in any of the above categories. |
| 3 | ITR – 3 | For **Individuals / HUFs** being partners in firms **and** not carrying out business or profession under any proprietorship and / or having any of the incomes covered in previous forms. |
| 4 | ITR – 4 | For **Individuals and HUFs** having income from a proprietory business or profession and / or having any of the incomes covered in previous forms. |
| 5 | ITR – 4S (Sugam) | This Return Form is to be used by an **individual or a Hindu Undivided Family** having Presumptive Business Income. |
| 6 | ITR – 5 | For firms, AOPs and BOIs |

Now let us gather an understanding on how to proceed towards preparation of details and then eventually the return of income. There are no water-tight processes or steps that can be taken to prepare the return of income. The following points are indicative of the probable steps that can be taken to prepare the details.



1. **Checking of previous year details:**
   One of the first steps would be to check the previous year details of the client. The previous year returns, computations and details provided by client, give an idea of the incomes earned by the client and also nature of details that the clients provide. Also the same can be compared with the current year details to check if any important factors have been missed in the return of the current year.

2. **Understanding the nature of income of client:**
   Similar to the first step, understanding the business of the client is also a very important initial step. This provides a sense of direction on how to approach a particular return. For instance, the approach for preparation of details of a client earning only investment income will be completely different from that in case of a client earning business income. Once we have an idea of the income earned by the client, the preparation of bank account summary and the ancillary details become a lot easier. Continuing the previous example, in case of a client earning only investment income, the deposit side of the bank becomes more important than the withdrawal side, as (practically) no expenses are allowed from investment income. Hence, understanding the business of the client will provide a direction for further steps.

3. **Preparation of bank account summary / review of books of accounts:**
   The preparation of bank summary is the first real step in the process of preparation of details for the return of income. In many cases, the clients may even prepare the bank account summary or mention the details of the transactions in the bank statements for our understanding. However, where no bank account summary is provided by the client, the approach towards preparation of bank account summary is very important.

   The bank accounts give the details of the transactions undertaken by the client during the year. The deposit side provides the details of the incomes earned by the client and the withdrawal side provides the details of expenses incurred by the client and the investments made by the client in tax saving schemes. Once again to reiterate what has been said before, the approach of preparation of bank account summary is very different for clients earning say business income and clients earning only salary income. For instance, if a client earns only income from salary, major attention is diverted to the deposit side of the bank account. The details of income from salary (net of TDS and other deductions) can be reconciled with that appearing in Form 16 (salary certificate). Since no expenses are allowed in case of an assessee earning only salary income, the withdrawal side is given less importance. The details of tax saving deductions are mainly checked in the withdrawal side. However, care should be taken towards certain important points here. If the client has received certain exemptions from the employer like HRA, LTA, etc, then there should be a corresponding expenditure towards rent, travel, etc. respectively appearing on the withdrawal side of the bank.

   Similarly, the bank account summary of a client who is senior citizen earning only investment income like interest, dividend, etc. will be approached in a different manner. Here again the deposit side gives the details of income earned during the year and the withdrawal side would be important from the view of obtaining the details of tax saving investments and expenses.

In certain cases the clients would prepare books of accounts. Here the review of books of accounts replaces the preparation of bank account summary. The Profit & Loss A/c and the capital account provide the details of business income and personal income respectively. Accordingly, the details have to be gathered from the available information.

It is pertinent to note here that the bank account summary / review of books of accounts may not directly give the exact details of income earned. For instance, for sale of shares / investments during the year, the details of sale proceeds will appear in the books of accounts. However, the details of purchases such investments may or may not appear in the books. In such cases additional details will have to be called from the client and accordingly the provisions of the Act will have to be applied for preparation of return.

4. **Certificates and confirmations:**

Once the initial details are prepared then the focus shifts towards obtaining certificates and confirmations. Certificates like interest certificate from the bank are important as in many cases the clients may have cumulative fixed deposits and in the interest income from such deposits may not be credited in the bank account. In such cases the interest certificates provide the exact details of interest income earned during the year and in certain cases even the TDS deducted thereon.

Many clients maintain PMS (Portfolio Management Service) accounts with different service providers. In such cases the income earned during the year may not get reflected in the bank account at all. Here the report from the service provider will provide the details of dividend income, interest income, profit / loss on sale of shares / mutual funds and so on. The confirmations from such service provider are required to prepare the return of income.

Where deductions U/c. VI A are claimed, the proof of investments and expenses are required to be verified. Investments in fixed deposits with a period of 5 years or more, investments in tax saving mutual funds, etc. are allowed as a deduction u/s. 80C of the Act. However, the same may not be clearly visible or identifiable in the bank account summary prepared. Here the fixed deposit receipt, proofs of investments are required from the client to take the benefit of the same.

5. **Reconciliation of TDS with Form 26AS;**

One of the major difficulties faced by assessee's is in respect of claiming TDS credit. With the electronic filing of TDS returns the TDS credit available can be verified with the help of Form 26AS. However, due to errors made in the TDS returns by the deductor, the TDS may not appear in Form 26AS, and subsequently the credit for the same may not be allowed in the intimation. Hence, the reconciliation of TDS appearing in Form 26AS and the actual TDS deducted is very important. The details of unmatched tax credit should be informed to client and the necessary TDS returns should be revised by the deductor.

Further, in case of clients following receipt basis of accounting, the TDS appearing in Form 26AS for a concerned year may not correspond to the income of the same year. Certain TDS credit of previous year (unclaimed) will be claimed in the return of the current year and certain current year TDS will be carried forward to the next year. Due to this the reconciliation of TDS with Form 26AS has become a separate step requiring mention in this article. The income tax return forms for A. Y. 2014-15 specifically has columns to show the TDS of previous year being claimed in the current year and also to show that the TDS of current year not being claimed is being carried forward.

6. **Credit of other taxes paid & Payment of Self Assessment tax:**
Once all the details have been collated then the computation of income can be prepared. This is the step where the final tax liability of the client can be crystallized. The credit of advance tax and interim self assessment tax paid is to be considered and accordingly the final self assessment tax, including interest amount is calculated. The payment of self assessment tax is important before filing of the return of income due to the introduction of explanation (aa) of section 139(9). The said explanation deems a return to be defective if the tax along with interest is not paid before filing of return of income.

   Further, the delay in payment of self assessment tax may also result in increasing the interest liability of the client.

7. **Applicable return form & filing:**
Once the computation has been prepared, the details are entered in the appropriate return form. The applicable returns forms have already been dealt with in detail in the preceding paragraphs. Care is to be taken that all the necessary details have been mentioned in the return form at the appropriate places. The returns are to be filed electronically by all assessee's having income in excess of Rs. 5,00,000/- during a financial year. The returns are uploaded on the income tax website in ".xml" format. Once the return form has been duly filled, the form is validated and xml is generated, which is then uploaded on the income tax website.

   In the cases of assessee's who are not required to file the return electronically, the manual forms are filled and the same are filed physically with the income tax department duly signed by the assessee. The return forms that are to be submitted for A. Y. 2014-15 are annexure less. The attachments of proofs are not required with the return forms.

8. **Signing & Sending of ITR V:**
The acknowledgement of income tax return filed electronically is generated in the form of "ITR V". Where the assessee has a digital signature, the return can be digitally signed while uploading the return on the website. However, where no digital signature is available, the ITR V is to be signed and sent to the centralized processing centre of the income tax department, which at present is situated at Bangalore. Upon receipt of the ITR V by the department an electronic confirmation is generated which is sent on the registered email address of the assessee.

9. **Intimation & Rectification:**
Upon successful filing of return, the same is processed by the income tax department. An intimation u/s. 143(1) is generated which shows the comparison of details filed by the assessee in the return form and as processed by the department. If the details mentioned in the intimation u/s. 143(1) conform to the return filed then no further action is required. However, if there is any deviation, the an application for rectification can be made to rectify the defect.

**Conclusion:**

As mentioned earlier, the above steps cannot be applied in all cases and for all returns. The steps will have to be modified depending on the facts of the case. Every return will have certain peculiarities which will not be applicable for all other clients and other circumstances. Further, knowledge and understanding of the provisions of Act are of utmost importance. For instance, where capital gain transactions are involved there may not be any water-tight method to decide on the taxability of the transaction. The knowledge and understanding of the act and recent pronouncements go hand in hand with deciding the taxability of such transactions.

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