Didn't file tax returns? Don't miss the second deadline

Feeling worried because you haven't filed your tax returns for the previous financial year? The deadline was 31 July 2014. This year's Budget has announced strict penalties for non-filing of returns. But there is no need to panic. The Income Tax Department allows you to file returns till the end of the assessment year, by 31 March 2015.

If you have paid all your taxes for 2013-14, there is no fear of any penalty or notice from the tax authorities as long as you file your returns by 31 March. But if you miss this deadline, you can be slapped with a fine of Rs 5,000, a penalty that depends on the discretion of the income tax officer.

There is also penalty to be paid in case you owe tax. Says Sudhir Kaushik, Founder and CFO, Taxspanner. com: "You will have to pay a penal interest of 1% per month on the amount of income tax due, even if you file your return within the March deadline." The penalty is charged for every month of delay since April 2014.

In case you had to pay advance tax and did not meet the deadlines of 30% by September, 60% by December and 100% by 15 March, there is again a price to pay. For example, suppose you failed to pay or the amount you paid is less than the compulsory 30% of the total liability by the first deadline, 15 September, you will be charged an interest. Nagpur-based certified financial planner Parag Paranjpe explains, "This is calculated at 1% simple interest per month on the defaulted amount for three months. The same penalty would apply if you miss the second deadline, 15 December.

Missing the last deadline of 15 March would mean paying 1% interest on the entire defaulted amount for every month until the tax is fully paid. This is applicable to those with an outstanding tax liability exceeding Rs 10,000."

Missed benefits

With only two weeks left for 31 March, it makes sense to file your returns as soon as possible. After all, you have already paid an opportunity cost by missing the 31 July deadline. Kaushik says, "Since you missed the 31 July deadline, you won't be allowed to revise your returns in case there was a mistake in your form. Had you met the July deadline, you would have been allowed to revise your returns."

You are also not allowed to carry forward your losses when filing returns in March. Says Paranjpe, "If you met the July deadline, and you had incurred some losses, you could have carried forward the losses for the next eight years." For example, if you had incurred a capital loss in 2013-14, you could have been able to adjust them against gains till 2021-22.

The Income Tax Department is also getting stricter in its drive against non-compliance. In 2013, the department identified around 35 lakh people who had not filed their returns. Notices have been issued to roughly 22 lakh non-filers. In the cross-hairs are those who make high value transactions but don't report their income to the government. Banks, mutual funds, credit card companies and other establishments are supposed to report certain highvalue transactions to the Income Tax Department in their annual information return (AIR).These establishments have your PAN and other details, so there is no way one can sneak past them.

Take action now

The other problem with late filing is that you get tax refunds late. The earlier you file the return, the faster it is assessed and you receive the refund. Even if it gets delayed due to clerical errors and bureaucratic sloth that government departments are notorious for, you will earn an interest. This is because the interest on refund is calculated from the time that you file your tax return. Late returns earn less interest.

(Economic Times)