File tax returns on time

It helps revise returns, carry forward losses and get refunds on time

Despite the process of filing income tax returns going online, a lot of taxpayers continue to miss the July 31 deadline. And, this could hurt them. “All taxes one pays, even those by way of TDS (tax deducted at source), is credited to one’s PAN (Permanent Account Number) account. If an individual does not file returns on time, despite having cleared all dues, there are chances his case will be picked up for scrutiny,” says Mayur Shah, associate director, EY.

Individual cases are picked up for scrutiny under various parameters. The lottery basis has been prevalent for long. Now, other parameters such as the amount (Rs 30 lakh or so) of hard cash being deposited in a bank account at a time, a mismatch in investment or purchase and salary, and refund claims (at least Rs 5 lakh) are also being used.

If one files returns late, she/he might not be able to revise these returns. Returns for 2013-14 (assessment year 2014-15) are considered to be late if filed after July 31, 2014. “If you file returns on, say, October 1, 2014, and realise there is a mistake in it, there is no way you can revise the returns,” cautions Vaibhav Sankla, director of tax consultancy firm H&R Block. This is also applicable to those who do not have any other income. “However, if one has outstanding tax, she/he is liable is pay interest on the dues under Section 234A,” says Sankla. For instance, if one files returns on October 1, 2014, instead of July 31, she/he will have to pay interest at one per cent a month for the months of August and September. This rule is not applicable to those who are expecting a refund.

Late returns lead to late refunds, too. Usually, if the refund payment is delayed from the income tax(I-T) department, taxpayers are liable for interest for the period for which the refund is delayed. That is, if the refundable amount is more than 10 per cent of the total tax payable, one is entitled to simple interest of 0.5 per cent on that amount. Those who file returns late have to forfeit the interest on the pending refund for the period of the delay.

You could carry forward losses in investment (equity or mutual funds) in the relevant financial year for exemption in subsequent years only if you have filed your returns before the deadline. Also, there is a provision to offset investment gains against losses through the next eight years. “Late return filers cannot carry forward losses, says Sankla. Loss from house property and unabsorbed depreciation are exceptions. These can be carried forward even if one does not file returns by the deadline.

Tax returns are required for visa applications, too.

One can file belated returns for the next two years. For instance, for 2013-14, belated returns can be filed till March 31, 2016. But this is no reason to sit back and relax because if belated returns are not filed till March 2015 and there is no tax due, one can be charged a penalty of Rs 5,000.

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