ITR filing deadline extended for professionals: 4 things not to miss

There is good news for professionals who were suppose to file their income tax returns (ITRs) by the end of September this year. Considering that the deadline clashed with the last date for making declarations under the Income Declaration Scheme 2016, the Central Board of Direct Taxes (CBDT) has decided to give an extension to taxpayers whose accounts are required to be audited under the Income Tax Act before they can file ITRs. "The Central Board of Direct Taxes (CBDT) has decided to extend the last date for filing returns which were due on September, 30, 2016 to October 17, 2016 in order to remove inconvenience and to facilitate ease of compliance," said the official statement from the Finance Ministry.

So, taxpayers whose business receipts exceed Rs 1 crore or professional receipts exceed Rs 25 lakh for the previous year (Financial year 2015-16) will now get 17 more days to prepare their ITRs. Make sure you file both tax return and tax audit report by this date as the penalties for non-compliance can be quite high.

"If you do not file your return and have a tax due, penal interest is charged under Section 234A," says Archit Gupta, founder and CEO, ClearTax.com. An interest of 1% for every month from the due date of filing of the return to the date when the return is actually filed is levied for late filing. Similarly penalty is levied if you do not pay advance tax. "Self assessment tax due, if any, paid after September 30th but before the extended due date shall also attract additional interest of 1% under Section 234B," says Vaibhav Sankla, director, H&R Block India. For missing the audit, taxpayers are penalised under Section 271B. "The minimum penalty that is charged is 0.5% of the gross receipts, up to a maximum of Rs 1.50 lakh. However, if the taxpayer has a reasonable cause for failure to get an audit done, such penalty may not be levied," says Gupta.

Apart from penalties, there are other disadvantages of missing the deadline. For instance, you are not allowed to carry forward your business losses , which could be set off against future profits (yielding you tax benefits), if you do not file on time. Here are four filing rules that most professionals often ignore or aren't aware of , but , should keep in mind while preparing their audited ITRs to meet the October deadline.

1. Abide the book-keeping rules, maintain records: With the ITR you are also expected to submit an audit report for which you should have maintained your books as per Rule 6F. Professionals such as doctors, engineers, lawyers, accountants, architects and even consultants with gross receipts of more than Rs 1.5 lakh in any one of the three previous years immediately preceding the current financial year are required to maintain accounting records. This rule also applies to a professionals who have just started practice and whose gross receipts are expected to be more than Rs. 1.5 lakh in the first year. As per Rule 6F you are to maintain a cash book, a record of day to day cash receipts and payments which shows cash balance at the end of the day or at least at the end of the each month, a journal/log of all day-to-day transactions, a ledger with details of all accounts, photocopies of bills or receipts issued by you which are more than Rs 25 and original bills of expenditure incurred that exceed Rs 50. Failure to maintain these records in a methodical way would attract a penalty of Rs 25,000. Further, if there were international transactions involved you will also be charged an additional 2% of the value of each international transaction.

2. File even if you have losses: According to chartered accountants, a common mistake taxpayers make is not filing the tax return in case there is a loss. Infact, , it becomes even more important to file the ITR if you have a loss. "Losses can be set off from income from other heads and unadjusted losses can be carried forward. This is only possible if return is filed within due date," says Gupta. However, there are some specific rules you need to be aware of such as a speculative loss can be set off only against a speculative income. Any loss is allowed to be set off from a speculative income except losses under the head capital gains and losses incurred in owning and maintaining race horses . That is, you cannot set-off a speculative loss against any income other than speculative income. Speculative loss means a loss from a transaction where although purchase/sale takes place but actual delivery of a commodity does not take place. This also covers sale of shares and stocks where delivery is not taken. An intra-day stock trader must report his gains(losses) as speculative transactions. Any unadjusted loss can be carried forward for eight years. If it is an unadjusted speculative loss, you can carry it forward only for four years.

3. Report income from F&O correctly: Several taxpayers, including some who are even salaried, trade in F&O deals but do not report their gains/losses from futures and options in their tax return correctly. "If you trade in F&O, any gains or loss from it is treated as a business gain or loss and therefore must be reported in ITR 4," says Gupta. Therefore, it does not matter if you are a professional or a salaried person, if you have an F&O transaction, it needs to be reported in ITR 4. Here again, reporting losses come with tax benefits."F&O trading is considered as a non-speculative gain/loss and therefore loss from it is allowed to be set-off from income from other heads, except salary," says Gupta. Also, expenses which have been incurred to earn F&O income such as broker's commission, trade journal subscriptions, consultant, etc., can be claimed under deductions in your tax return.

4. Beware, ITR 4S will not apply to you this year: In this year's budget, FM Jaitley announced a major relief for professionals earnings less than Rs 50 lakh per year by including them in the presumptive tax calculation scheme. These professionals and freelancers can now choose to declare profit and pay taxes at a predetermined rate of 50% of gross receipts, doing away with the need to maintain books, track income or get their accounts audited. Such professionals can file their returns in ITR 4S. However, this rule applies from FY2016-17 onwards and only if you are declaring a profit. Meaning, if you have a loss, you cannot file an ITR 4S and will have to submit an ITR 4. Requirement of audit and maintaining books, as mentioned earlier, depends on your income. Also, taxpayers who claim that their income is lower than the presumed income calculated under section 44AD and 44AE (8% of your earnings) must maintain books of accounts which may enable the assessing officer to calculate their taxable income as per the Income Tax Act.

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