

7 important tax documents you should be aware of

The task of filing Income Tax returns could be quite daunting for many, owing to the plethora of forms the process involves. But in reality it isn't as complex as it seems. Here is a quick guide to help you understand the typical documents and forms required for filing returns. A clear understanding helps you to file your returns correctly and accurately.

Documents for Evidence of Income

1) Form 16

Form 16 is the certificate of Tax Deduction at Source (TDS), given by employers. At the end of each financial year, your employer must mandatorily issue a Form 16 detailing the salary income earned in the year along with the tax deducted on behalf of you. It is however not compulsory to issue a Form 16, if there has been no TDS deduction in that year. In cases where you have worked in two different companies in a financial year, Form 16 would have to be obtained from both the places.

2) Form 12B

This form is issued by the employer if your income is over and above Rs. 1,50,000. It details all particulars of perks and fringe benefits given by the employer in the financial year.

3) Form 16A

Form 16A details incomes and TDS from sources other than salary. This would include interest on securities, rental income, winnings from lottery and horse race, insurance commissions, payments in respect of deposits under National Savings Scheme, fees for professional or technical services. You would have to obtain this statement from each of the source of income.

Forms for Filing Returns

The new system of filing income tax returns introduced by the government, prescribes various forms based on the nature of income earned during the year.

4) ITR-1

The ITR-1 is the most basic form used to file returns. This form is for all individuals with income from salary, pension, income from agricultural and deposit interest. The ITR-1 form is not applicable for those with income from house property (rental income or proceeds from sale of property), business, brought forward loss of earlier years, or those with capital gains.

5) ITR-2

For individuals and Hindu Undivided Families (HUF), with income from activities other than business, or on account of being a partner in a partnership firm, ITR -2 is the form applicable. This form is for those, with capital gains arising out of sale of property, stocks, mutual funds, house property, interest from National Savings Certificates (NSCs), other interest bearing instruments and rental income from house.

6) ITR-3

Form ITR-3 is meant for those individuals and HUFs who are partners in firms. It also applicable if you are filing returns on behalf of an HUF that is a partner in a firm. The ITR-3 is not applicable for those carrying out any business under proprietorship.

7) ITR-4

The ITR-4 form is meant for individuals and HUFs who are carrying out business transactions and activities under proprietorship. The form is not applicable for any other business activity that is not a proprietary business.

Points to Keep In Mind When Filing Returns

Before you start the process of filing you returns, keep your documents handy. It makes the whole process simpler and easier.

Keep your Permanent Account Number (PAN) ready with you when filing your returns. It is the most important document as stating the wrong PAN in your ITR form could attract a penalty.

Documents relating to all the investments made in the financial year such as life insurance premium receipts, Public Provident Fund (PPF), equity-linked savings scheme (ELSS), post office savings, infrastructure bonds, donations to charitable trusts, and such must be kept safely to ensure you incorporate the information accurately when filling in the forms.

Though the Income Tax department doesn't really ask you to furnish documents along with the returns, all receipts whether municipal tax receipts, rent receipts, bills, and contract notes for assets must be safely kept.

In case of any Advance Tax paid during the year, details of such tax payments to be kept safely too.

(Business Standard)