Top 5 myths around filing e-returns that might cost you heavily

E-filing of **income tax** returns, introduced by the IT Department in assessment year 2007-08 for individuals earning over Rs 5 lakhs per annum from the assessment year 2013-14 onwards, is a simple and easy way of filing returns but has not been popular because of the mindset of the people and misconceptions about filing tax returns online.

These misconceptions can cost you dearly and that's why they need to be clarified. We are sharing the five most common myths surrounding the process of **filing of tax** return online, which otherwise is extremely simple in nature:

Myth 1: I don't need to pay tax for the interest income generated on fixed deposits as the bank already deducts the tax at source.

This is a common misconception with people earning interest income on fixed deposits. It is an utter misconception as the taxpayer may be liable to pay tax on the same at a much higher tax rate. Let's take an example of an employee earning Rs 6,00,000 per annum as salary. He also earns an interest of Rs 20,000 on his fixed deposit. The bank has deducted tax at source of Rs 2,000 but he is actually liable to pay a tax amount of Rs 4,000 on the same as he comes under the 20 per cent tax bracket, whereas the bank has deducted only 10 per cent.

Myth 2: My e-filing process is complete once I've submitted my tax return online.

The e-filing process of a taxpayer isn't complete unless a signed copy of the ITR-V acknowledgement has been sent to the CPC in Bangalore within 120 days from the date on which the taxpayer filed his/her income tax return. Remember that the ITR-V copy should be sent via Speed Post or Ordinary Post only. The IT department has initiated the process of scrapping this process for all the taxpayers holding an Aadhar card. Taxpayers without an Aadhar card would be liable to send a signed copy of their ITR-V acknowledgement to the CPC in Bangalore and if one fails to do so; his/her income tax return may be considered as unfiled making the taxpayer file his/her returns once again.

Myth 3: I don't need to disclose my previous salary amount to my current employer.

This is a common problem wherein most employees avoid mentioning any details about their previous employer to their present employer. Because of this, the new employers have no details about previous salary, making them deduct tax at source as if the employee has no other source of income. That is incorrect. The employee must realise that the tax must be paid on the total amount of salary received in the previous year. When the two salaries are added together, it usually results in the employee entering into a higher tax bracket.

Myth 4: The process of e-filing one's income tax return is not mandatory.

Filing returns has been made mandatory for any taxpayer having a total income of Rs 5,00,000 or more. Total income is arrived at after deducting all the relevant deductions under chapter via one's gross total income. A taxpayer earning less than Rs 5,00,000 can also e-file their income tax returns or use the option of filing returns manually, however the same is not recommend.

Myth 5: If I e-file my income tax return, I'll come under the scrutiny of the IT Dept.

Once the process of e-filing the return is over, you receive an intimation u/s 143(1). This intimation is just a standard practice on the part of the CPC in Bangalore. A refund cannot be processed without the same. Unfortunately, sometimes even though the taxpayer has correctly disclosed all the income information in his tax return, he gets a tax demand via the intimation u/s 143(1). This is only because the department hasn't processed his case correctly and the taxpayer can correct the same by filing a rectification u/s 154.

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