

Why you must file I- T returns on time

The last date for filing incomes tax returns for salaried individuals and those whose earnings don't need to be audited is July 31. Should you file returns if your earnings are below the taxable amount? Yes, as there are several benefits of filing returns within the due date.

In cases where the salary income is more than the basic exemption limit, but after deductions is not taxable, returns have to be filed, says Amarpal Chadha, mobility leader, people advisory services, EY. For example, if you have salary income of Rs.3.5 lakh (which is above the basic exemption limit) and have investments under Section 80C amounting to Rs. 1.25 lakh, the taxable income would be Rs. 2.25 lakh, which is below the exemption limit. In such case, you are required to file tax return as the total salary income before deductions is more than Rs. 2.5 lakh.

If the tax deducted at source (TDS) is wrong, filing tax return is the only way to get refund, says Vishvajit Sonagara, founder, Quicko, an online tax- filing platform. For instance, if your salary is 5 lakh and you joined the employer half- way through the year, you will receive only Rs. 2.5 lakh, which technically means you don't need to file tax return. But, your employer might deduct tax by assuming your salary for the whole year. The only way to get the deducted money back is to file tax return.

Another reason for filing is to claim exemption on losses. For instance, if your income from stock trading is lower than the basic exemption and you have incurred losses, only filing return can help you carry forward the losses. “ There are cases where people have income from stock trading and it is lower than the basic exemption. But, they may also have losses. In such cases, losses can be carried forward only if returns are filed,” says Sonagara.

Even if your income is lower than the basic exemption limit, but you own a house or foreign asset, then you must file returns. If you had taxable salary last year, but no income this year, you should still file something called a ‘ Nil Return’. “ NRIs who own property in India, but don't earn any income in India should file returns as they will be deemed to earn rental income from the property,” says Sonagara.

Also, with bank accounts getting linked to Aadhaar, it is increasingly possible for the government to trace discrepancies between income and expenditure. That's why more people are getting tax notices these days. “People get flagged in the income tax department's Non- filers Monitoring System (NMS). Sometimes, some fixed deposits or recurring deposits get disclosed as part of the Annual Information Report (AIR). If you do get flagged, you will get notices and the IT department will not care if you are below the basic exemption or not. So, it is better to file returns,” Sonagara adds.

Tax returns help in maintaining clear records and in obtaining tax clearance certificate for individuals travelling abroad on work. The tax return acknowledgement helps in opening bank accounts, getting bank credits and making investments.

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