



HANDBOOK ON THE PROCESS OF E-FILING OF INCOME TAX RETURNS

(For distribution in the Seminars and Conferences)



DIRECT TAXES COMMITTEE
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA, NEW DELHI

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FOREWORD

Innovation in technology has touched our lives in one form or the other. This advancement in technology has made our life much easier as almost everything is available on a click of the button. By getting things done electronically, we are moving towards a paperless environment, which is the need of the hour in light of global warming.

The Government is wise enough to understand the importance of computerization and thus it prefers e-filing of all income tax returns rather than the traditional mode of filing paper returns and this initiative of the Government is welcomed by the assesseees as they also wish for a hassle free interface with the Department. Also, it is felt that with the introduction of electronic furnishing of returns, the policies and plans of the Government would be more fruitful as they would be based on more accurate data.

With the introduction of e-filing of returns, the responsibility of a chartered accountant has increased manifold, which requires him to be tech savvy. In light of the same, an attempt has been made by the Direct taxes Committee to update its members and provide them handy information on the process of e-filing of income tax returns. I compliment CA. Sanjay K. Agarwal, Chairman, Direct Taxes Committee and other members who were instrumental in bringing out this Handbook which would be of enormous use to the members.

I am hopeful that the Direct Taxes Committee would keep up the good work of providing assistance to its members in the field of taxation.

Place : New Delhi
Date : 19th July, 2011

CA. G. Ramaswamy
President

PREFACE

It is indeed a pleasure to witness the change that is taking place in the work environment of the Government through promotion of the “go green initiative”. The initiative of the Government to move towards a paperless environment is visible in its decisions to mandate e-filing of returns under various statutes like Companies Act, Income-tax Act, 1961, Service tax etc.

Being a partner in nation building, we as Chartered accountants are in a better position to give effect to these decisions of the Government. Thus, we need to update and equip ourselves with the latest technologies so that we are able to provide efficient services to our clients. As you are all aware, apart from the Companies, the Central Board of Direct taxes has now made e-filing of returns along with digital signatures mandatory also for Firms/HUFs and individuals who are required to get their accounts audited under section 44AB of the Income-tax Act, 1961 from the AY 2011-12. This has increased our responsibility towards our clients who rely upon us for providing these services.

In view of the same, an initiative has been taken by the Direct Taxes Committee of ICAI by providing a handbook on the **PROCESS OF E-FILING OF INCOME TAX RETURNS**. This handbook would act as a ready referencer for our members and would also serve as a guide for the article trainees for e-filing the income tax returns.

I wish to extend my sincere thanks to CA. Rajiv Jain and CA. Sachin Jain, Delhi for preparing the basic draft of this handbook. I am thankful to CA. G. Ramaswamy, President, ICAI and CA. Jaydeep N. Shah, Vice-President, ICAI for being a guiding force behind this handbook. I also wish to place on record my sincere thanks to CA. Mukta K. Verma, Secretary, Direct Taxes Committee and CA. Sheetal Ahuja, Executive Officer, Direct Taxes Committee for rendering technical and administrative support in giving final shape to this handbook.

I hope and wish that this document would be of great assistance to our members in industry and also in practice.

Place : New Delhi
Date : 19th July, 2011

CA. Sanjay K. Agarwal
Chairman
Direct taxes committee

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1. CREATION OF USER ID & PASSWORD

For E-filing of Income Tax Return an assessee has to get himself registered on the official website of the Income Tax Department.

www.incometaxindiaefiling.gov.in

PROCEDURE OF REGISTRATION

- Go to the webpage www.incometaxindiaefiling.gov.in
- Click on Register as new user
- Mention your PAN, as PAN would be the User-Id.
- If the PAN is not registered a new page will open otherwise a message will appear "PAN is already registered"
- The assessee has to submit his Name, Father's Name, Date Of Birth, E-Mail Id , Phone No & Password of his own choice
- Opt one secret question out of four questions given and also provide any answer of choice.
- Fill the verification code given and click on Register.
- After successful registration the user will receive an e-mail on the e-mail id given at the time of registration wherein a link would be given which is to be activated.
- Once the link is activated, the user would be authorized to use all the services offered by Income Tax Department & can e-file his return.

PRECAUTIONS

- Name, Father's Name & Date of Birth should match with the details available with the Income Tax Department i.e. given in the PAN Card.
- Surname is Mandatory.
- In case of assessee other than individuals, name has to be mentioned in surname field.
- Furnishing of live E-mail ID is important as all the correspondence in future will be sent on the registered e-mail id.

2. INCOME TAX RETURN PREPARATION UTILITY

- Go to the portal: www.incometaxindiaefiling.gov.in
- A screen as below would appear

Income Tax
e-filing

Welcome Guest Fri Jul 08 12:57:02 IST 2011

DOWNLOAD	Individuals, HUF
NEW: Schema Download	
e-Filing A.Y. 2011-12	Individual, HUF
Previous Years	Firms/AoPs/BoI/LLP
SUBMIT RETURN	Companies
Select Assessment Year	Trusts

Income tax returns is a legal obligation of every individual whose total income for the previous year has exceeded the specified limit that is not chargeable for income tax under the Income Tax Act, 1961. Income Tax Department has introduced the facility to file these returns online using the Internet.

- Select '**e-filing A.Y. 2011-12**' as shown above.
- Then, select the **assessee** (i.e. Individual/HUF, Firms/AOPs/BOI/LLP, Companies, Trusts) who is going to file the income tax return and click on the assessee icon so selected.

- For Example: by clicking on Individual/HUF, a screen would appear as below. Thereafter, one may SELECT and DOWNLOAD the appropriate utility as per the ITR Form applicable to the assessee.

Sl. No.	Form Name	Return	Remarks	System
		Preparation Software		Requirements
1	ITR-1	Excel Utility (Version 1.0)	New Release	MS Excel
		PDF Utility (Version 1.0)	New Release	Adobe Reader
2	ITR-2	Excel Utility (Version 1.0)	New Release	MS Excel
3	ITR-3	Excel Utility (Version 1.0)	New Release	MS Excel
4	ITR-4	Excel Utility (Version 1.0)	New Release	MS Excel
4	ITR-4S	Excel Utility (Version 1.0)	New Release	MS Excel

3. SELECTION OF APPROPRIATE ITR FORM

Selection of appropriate ITR Form is necessary for filing the Income Tax Return

SAHAJ/ITR-1 *	<p>SAHAJ is to be used by an <u>individual having</u> :</p> <ol style="list-style-type: none"> a. Salary /Pension Income or b. Income from One House Property (excluding cases where loss is brought forward from previous years); or c. Income from Other Sources (excluding Winning from Lottery & Income from Horse Races); or d. Income from Capital Gains which is exempt u/s 10; or e. Agriculture Income upto Rs 5,000/-. <p>SAHAJ cannot be used by an individual having:</p> <ul style="list-style-type: none"> • Income from more than one House Property; or • Winning from Lottery or Income from Horse Races ; or • Income from Business or Profession; or • Income from Capital Gains which are not exempt; or • Agriculture Income more than Rs 5,000/-.
ITR-2	ITR -2 is to be used by <u>individuals & HUF</u> not having any income under the head "PROFIT & GAINS FROM BUSINESS OR PROFESSION"
ITR-3	ITR-3 is to be used by an <u>individual & HUF</u> who is a partner in a partnership firm and do not have any other income under the head "PROFIT & GAINS FROM BUSINESS OR PROFESSION" except interest, salary, bonus, commission or remuneration, by whatever name called, from such partnership firm.
ITR-4	ITR-4 is to be used by an individual & HUF who is carrying out a proprietary business or profession.
ITR-4S SUGAM	<p>This Form is simplified income tax return form for business concerns. This form is to be used by an <u>individual or HUF</u> having:</p> <ol style="list-style-type: none"> a. Income under the head of "PROFIT AND GAINS FROM BUSINESS OR PROFESSION" computed in accordance with section 44AD & 44AE; or b. Income from salary/pension or ,

	<p>c. Income from One House Property (excluding cases where loss is brought forward from previous years); or</p> <p>d. Income from Other Sources (Except Income from Lottery & Winning of Race Horses) or</p> <p>e. Income from Capital Gains which is exempt u/s 10 or</p> <p>f. Agriculture Income upto Rs 5,000/-</p> <p>SUGAM cannot be used by an individual or HUF:</p> <ul style="list-style-type: none"> • Having Income from more than one House Property; or • Having Income from Lottery or Winning from Race Horses; or • Having Income from Speculative Business or Special Incomes; or • Who is required to maintain books of accounts u/s 44AA; or • Who is required to get their accounts audited u/s 44AB; or • Having Income from Capital Gains which are not exempt; or • Having Agriculture Income more than Rs 5,000/-.
ITR-5	ITR-5 is to be used by Partnership firms/Limited Liability Partnership firms/Association of Persons/Body of Individuals/artificial juridical person, cooperative society and local authority. This form cannot be used by a person required to file return of income under sections-139(4A), 139(4B), 139 (4C) or 139 (4D).
ITR-6	ITR-6 is to be used by Companies other than the Companies claiming exemption u/s 11 of the Income-tax Act, 1961.
ITR-7	ITR-7 is to be used by persons including Companies required to furnish return of income under sections 139 (4A), 139 (4B), 139 (4C) or 139 (4D). This ITR form CANNOT be filed electronically and is required to be filed in PAPER form.

* CBDT has vide Notification No. 36/ 2011, dated- June 23, 2011 notified the scheme for exempting salaried taxpayers with total income up to Rs. 5 lakh from filing income tax return for the assessment year 2011-12, which will be due on July 31, 2011.

(For details refer the link: <http://law.incometaxindia.gov.in/DIT/Notifications.aspx>)

4. PRE-REQUISITE FOR FILLING OF FORMS

- A.) Enable Macros in excel worksheet before filling the ITR.
- B.) Filling of excel utility.

A: ENABLING MACROS

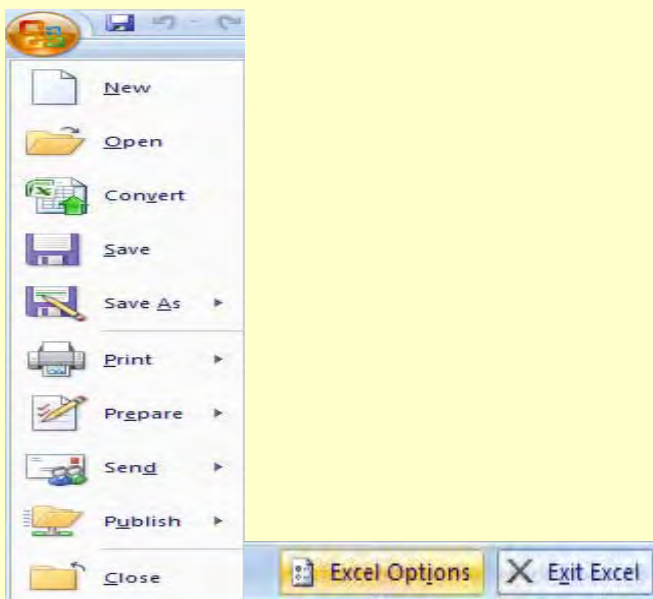
Purpose of enabling the macros:

To activate the buttons on the Right hand side of the excel utility.

How to enable the macros in the excel utility?

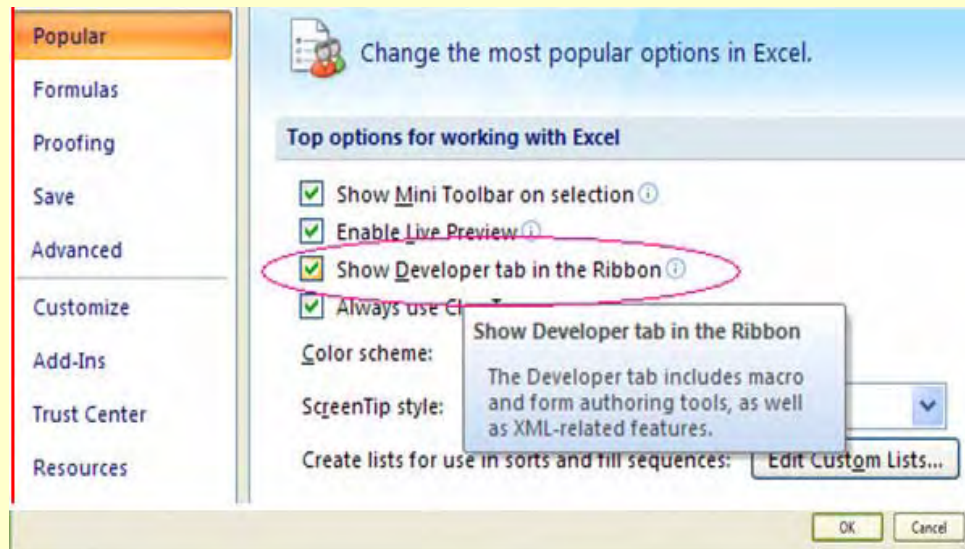
STEP NO 1

- Go to office button- Click on 'Excel Options' window as shown below:



STEP NO.2

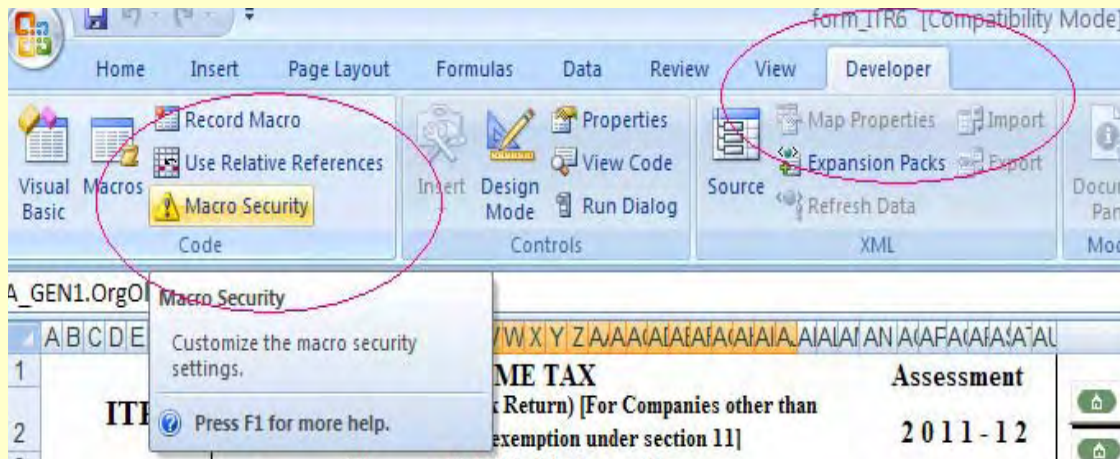
- Click on '**Popular**' Option and then click on '**Show Developer tab in the ribbon**'. The window appears as follows:



Click 'OK'

Step No.3

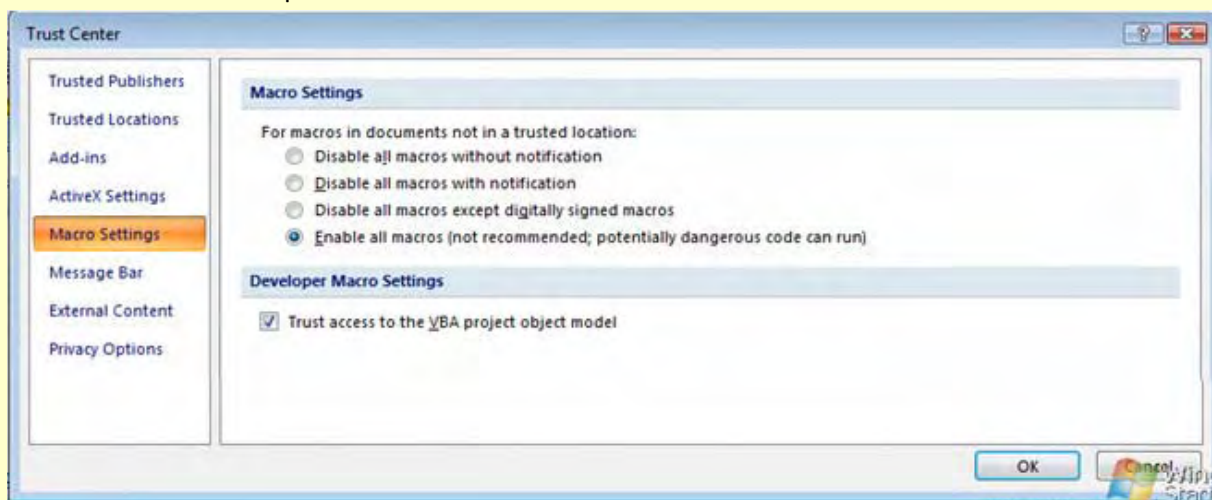
- After Step No2 '**Developer**' option will appear in the Toolbar option as follows:



Now click "**Macro Security**" option.

Step No.4

- After clicking on the '**Macro Security**' option Click on "**Macro Settings**" to enable all macros as shown in the encircled portion below:



Also, tick "**Trust access to the VBA project object model**" as shown above.

After enabling the macros, the options in the excel utility will start working.

B: FILLING THE EXCEL UTILITY

- Go through the instructions before filling forms. (For downloading instructions, refer to the link : http://incometaxindia.gov.in/download_all.asp)
- Do NOT use 'Ctrl X' or Cut Paste while data entry.
- Fill all green colored fields.
- Fill all mandatory fields which are marked as RED.
- Before filling details of TDS/ Advance Tax/Self Assessment Tax, verify/import the details from Form 26AS. (Import procedure given in page no: 10)

5. IMPORT OF DATA- FORM 26AS**Step No.1**

- First log in at www.incometaxindiaefiling.gov.in by providing the user-id and password of the assessee.
- Go to 'My Account'. Then click 'View Tax Credit Statement (Form 26AS)' and provide the necessary details as required.

View Tax Credit Statement (Form 26AS)

This facility is available to all registered e-filers to view Form 26AS (Tax Credit Statement) with Income Tax Department through the Tax Information Network maintained by National Securities Depository Limited (NSDL).

PAN

Assessment Year

Date of Birth/Incorporation* (For verification purpose only)

Please enter the code

UGiORP

Click on 'Submit', then a new window appears as follows:

View Tax Credit Statement (Form 26AS)

You will be redirected to the NSDL website to view Form 26AS (Tax Credit Statement).

Click on 'Confirm' then Form 26AS appears.

Step No.2

- Copy the data of Form-26AS from the site and paste on the normal excel worksheet.
- Retain the columns containing the data mentioned below and delete other rows and columns.

TAN OF THE DEDUCTOR (1)	NAME OF THE DEDUCTOR (2)	TOTAL TAX DEDUCTED (3)	AMT OUT OF (3) CLAIMED THIS YEAR (4)
-----------------------------------	------------------------------------	----------------------------------	--

Step No.3

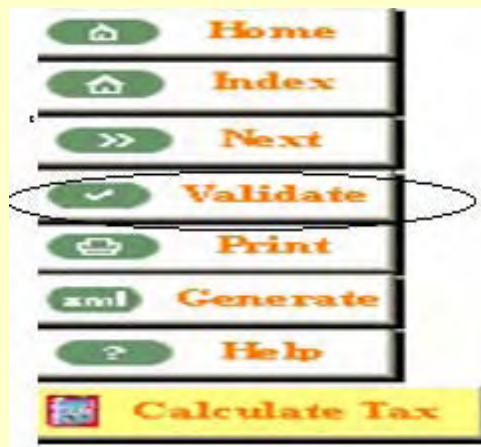
- Copy the format cells (Green Color) from the TDS schedule of excel utility and paste on the normal excel worksheet.
- Using the 'Format Painter' **copy the format of TDS schedule of excel utility on all the columns of that normal excel** worksheet.

Step No.4

- Insert requisite number of rows in the TDS schedule in the excel utility.
- Paste the TDS details from that normal excel worksheet to the TDS Schedule of the excel utility.

6. VALIDATION OF FILES

1. After filling the appropriate income tax return, click on the '**VALIDATE**' button, shown on each and every sheet of income tax return.
2. This helps in identifying the error in the sheet, if any. If there is no error in the sheet then the window appears as '**sheet is ok**'.
3. The same procedure is to be followed in respect of each and every sheet.
4. Do not use special characters like %, &, etc, as they will not be accepted by the income tax return software.

SHOWING VALIDATE OPTION IN EACH SHEET

SHOWING ERROR IN FILE

FORM	INDIAN INCOME TAX RETURN [For indls and HUFs having income from a proprietary business or profession] (Please see Rule 12 of the Income Tax-Rules,1962) (Also see attached Instructions)		Assessment Year 2011-12		Home		
	ITR-4			Index	Next		
<input type="button" value="Import from previous version"/>							
PERSONAL INFORMATION	First Name	Middle Name	Last Name			Microsoft Excel SurNameOrOrgName in Sheet : PART A - GENERAL is Compulsory PAN in Sheet : PART A - GENERAL is Compulsory ResidenceNo in Sheet : PART A - GENERAL is Compulsory LocalityOrArea in Sheet : PART A - GENERAL is Compulsory CityOrTownOrDistrict in Sheet : PART A - GENERAL is Compulsory StateCode in Sheet : PART A - GENERAL is Compulsory PinCode in Sheet : PART A - GENERAL is Compulsory Email Address in Sheet PART A - GENERAL is Compulsory Date of birth in Sheet : PART A - GENERAL must be a valid dd/mm/yyyy format <input type="button" value="OK"/>	
	Flat / Door / Block No		Name of Premises / Building				
	Road / Street / Post Office		Area / Locality				
	Town/City/District		State	Pin			
	Email Address		Mobile No	(Std code)	Phone No		Employer Category (if in employment) OTH

SHOWING SHEET IS OK

NATURE OF BUSINESS	Nature of business or profession, if more than one business or profession indicate the three main activities/ products				Home	
	S.No	Code [Please see instruction No.9(ii)]	Tradename	Tradename	Tradename	Index
	(i)	0102-Automobile and Auto parts				Next
	(ii)					Prev
	(iii)					Validate
					Print	
					Generate	
					Help	

Microsoft Excel
 Sheet is ok

7. GENERATION OF XML FILE


- After all required schedules have been filled and validated, click on **“Generate XML”** which will recheck all sheets and show a final validation sheet.
- After the generation of xml, the next option which appears is for the saving the xml.

The window appears as under-

Validate data before generating XML	No of entries	Save XML	
TDS on Salary	0		If the no of entries are 0 In a schedule, there are mandatory fields For a row to be valid, these must be filled in. Also, do not skip blank rows
TDS on Interest	4		
Tax Payments	0		

<p>1. Validate against each schedule the count of no of entries.</p>	<p>3. In case this count does not match to the entered number of entries, you may recheck the schedules, refer instructions for filling up tables, ensure that all entries are valid and completely entered.</p>
<p>2. This is required to confirm that the total no of entries entered per schedule is valid and being generated in the final XML</p>	<p>4. Once this sheet is validated, you may click on Save XML to generate the XML file</p>

Microsoft Excel

 To Save the XML which, you have to click on the SAVE XML button on this sheet.

- For saving the xml click on the button ‘Save XML’ and save xml in the folder in which excel return is saved. The saved file will carry a name ending with the PAN number followed by the file extension. The same may be changed by the assessee.

8. UPLOADING THE INCOME TAX RETURN

The validated XML file generated is ready for uploading with Income Tax Department by adopting the following procedure:

- a. Login at the website of Income Tax Department with the User Id & Password already created.
- b. Click on “**Submit Return**” on the left panel and select the assessment year for which return is to be filed. (as shown below)

The screenshot shows the Income Tax Department's e-filing portal. The left sidebar has a navigation menu with the following items: DOWNLOAD, NEW: Schema Download, e-Filing A.Y. 2011-12, Previous Years, SUBMIT RETURN, Select Assessment Year, VIEW TAX CREDIT STATEMENT, Form 26AS, SERVICES, Find your PAN, Find your TAN, Know Jurisdiction, ITR-V Receipt Status, CPC Refund Failure Status, CPC Processing Status, USEFUL LINKS, UTI, NSDL, IRS officers online, and e-Payment of Taxes. The main content area features a banner with the text 'ANYTIME. FILE ANYWHERE.' and 'WELCOME TO INCOMETAX INDIA'. Below the banner, there is a 'Login' button and a 'New User' button. The main content area also contains a section for 'Certificate made mandatory' and a 'NEW' announcement about e-filing for AY 2011-12. The right sidebar contains 'e-Filing News' and a 'Digital Signature Certificate' section.

- c. Select the ITR Form to be filed. (as shown below)

The screenshot shows the 'Upload your Return' form. The form includes fields for PAN, Assessment Year (2011 - 2012), and a dropdown menu for 'Select Form Name'. The dropdown menu is open, showing options: ITR-1, ITR-2, ITR-3, ITR-4, and ITR-4S. There is also a checkbox for 'Do you want to Digitally Sign the File'.

- d. Select the option of filing the ITR form with or without digital signature.(as shown below)

The screenshot shows a web form titled "Upload your Return". It contains the following elements:

- PAN: [input field]
- Assessment Year: 2011 - 2012
- Select Form Name: [dropdown menu]
- Do you want to Digitally Sign the File: [dropdown menu with "No" selected]
- Next: [button]

Click on the "NEXT" button.

- e. A screen will appear as follows:

The screenshot shows a web form titled "Submit Your Returns". It contains the following elements:

- Select the XML File *: [Choose File] No file chosen
- [Upload] [Reset]
- Notes:
 - Signing with Digital Signature is Optional . If you have Digital Signature please sign the file by clicking "Sign with .pfx File" button.
 - File names with special characters such as @, #, !, \$, %, ^, &, space etc. will not upload properly.
 - Hard tokens are best supported with Windows XP Operating System.
 - If the "Sign with .pfx File" and "Sign with Token" buttons are not visible then it implies that you have not installed Java Runtime Environment 6 (JRE 6 Beta) or above ([click here](#) to download).
 - [Click here](#) to download help on USB token
- [Back]

- f. Provide the path of validated XML File by clicking on "Choose File".
- g. If the return is to be filed without digital signature press "Upload" button and take print of ITR-V. Send duly signed ITR-V to CPC Bengaluru. ([For further details refer page no: 20](#))
- h. If return is to be filed with digital signature, follow the procedure as mentioned below:
- Update the digital signature with the Department ([For details refer page no: 17](#))
 - Signing the Income Tax Return form and uploading. ([For details refer page no: 18](#))

9. USE OF DIGITAL SIGNATURES

A.) Mandatory use of digital signature

- Companies
- Individuals/ Firms/ HUF liable to tax audit u/s 44AB of the Income-tax Act, 1961.

B.) How to get digital signature

Digital signature can be purchased through:-

- ICAI - For details click on the link below:

http://www.icai.org/post.html?post_id=1847&c_id=227

- Private vendors.

C.) Format of digital signature

- .pfx file
- USB token

D.) Update the digital signature with the department

- Install Java by clicking on the link below:

<http://www.oracle.com/technetwork/java/javase/downloads/index.html>

- For updating the digital signature with the Department click on 'My Account' and window would appear as follows:



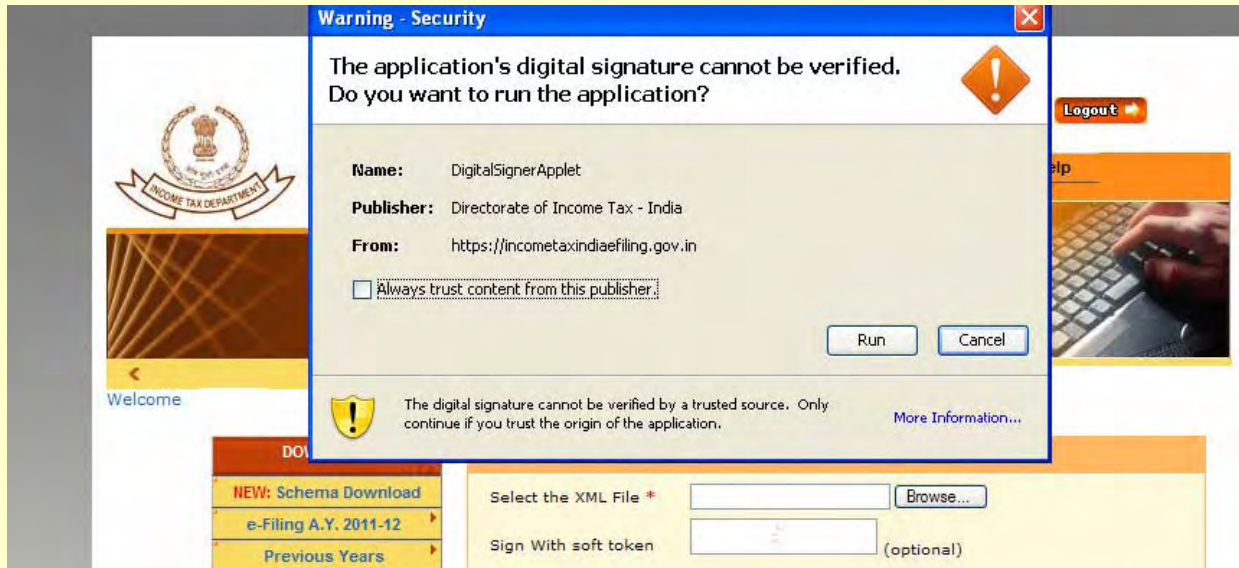
- After Clicking on “Updating Digital Signature” a window would appear as follows:

- After clicking on the “Register” button and a box shown as ‘You have successfully registered your digital signature’ would appear.
- After this Digital Signature would get updated with the Department.

E.) Signing with digital signature and uploading the return.

- After steps taken upto point (d) on page 16, if a person selects filing of ITR form with digital signature, a window as follows would appear.

- Select the type of digital signature with which you want to sign the return and click on next button and after which a window appears as follows:



- Click on “**Run**” button
- Automatically Java runs.
- Browse the xml file.
- Sign the file with digital signature and upload.
- With this, the procedure for signing and uploading the return with digital signature gets over.

10.**ACKNOWLEDGEMENT RECEIPT**

After successful uploading of Income Tax Returns, an acknowledgement receipt is generated. This acknowledgement receipt is known as "ITR-V"

A. If return is filed with digital signature

If the return is electronically furnished with digital signature then ITR-V is NOT REQUIRED to be furnished to the Income Tax Department. The ITR-V generated after uploading the return is to be treated as receipt of filing of return. The date of filing of return will be the same as mentioned in the ITR-V.

B. If return is filed without digital signature

If the return is electronically furnished without digital signature then ITR-V is REQUIRED to be furnished to the Income Tax Department as verification of filing the Income Tax Return. This ITR-V has to be filed within 120 days of transmitting the data electronically. The date of filing of return will be the same as mentioned in ITR-V if the same is received by the CPC within specified time limit. In case the ITR-V is not received by the CPC within specified time limit then the return filed will be treated as null & void.

ITR-V form is required to be sent to **Post Bag No-1, Electronic City Post Office, Bengaluru, Karnataka- 560100.**

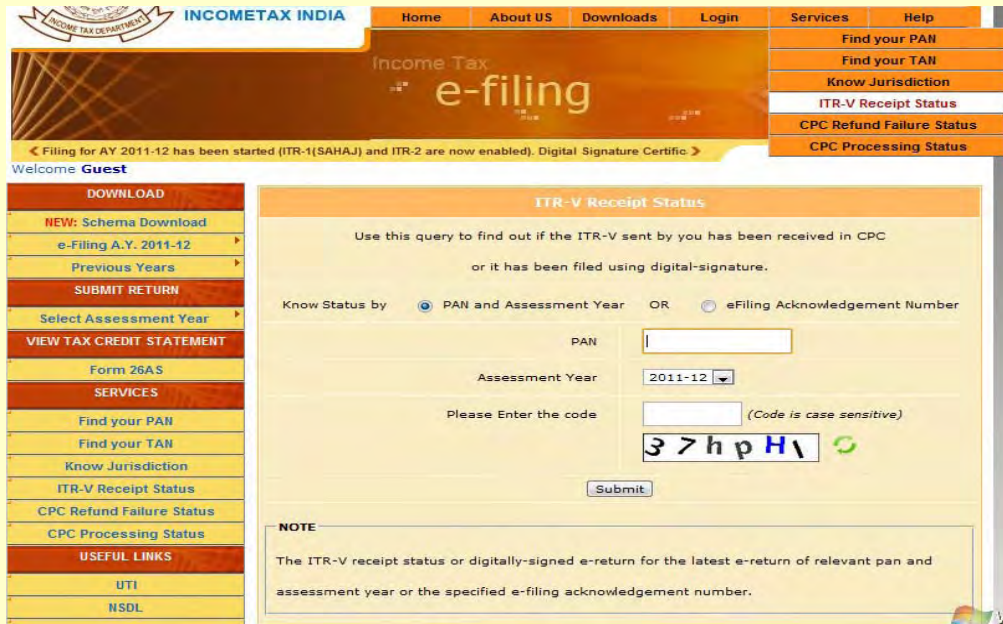
C. Do's and Don'ts for printing and submitting of ITR-V.

- ITR-V should be legible & signed in original.
- ITR-V must be sent to the CPC within specified time limit.
- The ITR-V to be sent at Income Tax Department, CPC Bengaluru by ORDINARY POST/SPEED POST.
- Courier & other means should not be adopted.
- For other do's and don'ts click the link below:

<https://incometaxindiaefiling.gov.in/portal/index.do>.

D. Track ITR-V status

ITR-V receipt status at CPC Bangalore can be checked under 'Services' menu on the menu bar on top. (with login or without login as shown below).



11. CHECK CPC PROCESSING STATUS

Processing status of ITR-V at CPC Bangalore can be checked under 'Services' menu on the menu bar on top. (with login or without login as shown below).

