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Changes to ITR rules you must know about as deadline nears

From a choice between 2 tax regimes to dividend taxation, here are some tweaks

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With the extended deadline for filing income tax (I-T) returns for the assessment year 2021-22 (AY22) less than three weeks away on December 31, there are some changes in rules and forms issued for filing I-T returns (ITR) that taxpayers must acquaint themselves with.

Suresh Surana, founder of RSM India, says: "The ITR comprises details of various incomes earned, expenses claimed against incomes and various disclosures required under the I-T Act. Therefore, it becomes important to file the ITR with utmost care."

New tax regime or old tax regime: This year taxpayers have the option of filing ITR under new or old tax regimes. In the old regime, the taxpayer can claim deductions and exemptions, while the tax rate is lower under the new regime but without deductions and exemptions.

Kapil Rana, founder and chairman of HostBooks, says, "If an assessee is claiming benefits like HRA (house rent allowance), LTC (leave travel allowance), etc., or standard deduction under Section 16 or deduction under Section 80C, 80CCD, 80D, 80G, etc., or interest deduction for self-occupied property under Section 24(b) and many more then it is beneficial for assessee to opt for the old tax regime because in the new one most of the benefits are not available."

YOUR MONEY

In the new regime tax is payable at lower slab rates on income of up to ₹15 lakh. Surana says, "Taxpayers opting for the new regime need to furnish Form 10-IE exercising their option and mention the acknowledgement number and date of filing this form in the ITR."

Taxability of dividends: Before financial year 2020-21 (FY21), dividends were exempt in the hands of shareholders, and companies were subject to Dividend Distribution Tax (DDT). Consequently, only disclosures relating to dividend income were required, which didn't affect the total taxable income. Anushkaa Arora, principal and founder of ABA Law Office, says, "Dividends paid by companies to their shareholders will now be taxed as per the tax slab of the individuals."

"As a result," Surana says, "Schedule OS has been amended where all dividend income will have to be reported and also interest expenditure can be claimed against the dividend income, subject to a maximum of 20 per cent."

HOW TO DOWNLOAD THE NEW STATEMENT

- Log into the e-filing portal using your PAN or Aadhaar and your password
- Go to the 'Services' section in the top menu, click on 'Annual Information Statement (AIS)' and then on 'Proceed'
- Click on the 'Download' button in the AIS tab
- Select PDF option and click on 'Download'
- Click on the PDF and enter password to open the document
- The password will be your PAN and your date of birth
- View all the details in your AIS
- In case of any discrepancy in the AIS or the taxpayer information summary (TIS), submit online feedback and it will be updated

ITR-1: Section 194N of the I-T Act provides for deduction of Tax Deducted Source (TDS) in case of cash withdrawal by any person exceeding the specified limit mentioned. Sameer Jain, managing partner, PSL Advocates & Solicitors, says: "The ITR-1 will now not be available to a taxpayer in whose case the tax has been deducted on cash withdrawal under Section 194N of the I-T Act." Also, since TDS deducted under the section can be only claimed as a refund for the year of deduction, ITR rules have been amended to restrict the ability to carry forward such TDS to subsequent assessment years.

Matching details with Annual Information Statement (AIS): The I-T department recently rolled out the AIS, which provides comprehensive information about the taxpayer that is currently available with the department. Surana adds, "The AIS covers information such as interest, dividend, transactions in securities, mutual funds, details of foreign remittance, details of deposits, etc. It, therefore, becomes pertinent to ensure that the details reported in ITR are in line with the information in AIS."

If the taxpayer feels there is an error in the AIS or that a particular income item does not relate to him, then the assessee must submit online feedback and report it.

Pre-filled ITR forms: The Central Board of Direct Taxes, in line with its continued thrust on making procedures taxpayer friendly, has also come up with pre-filled ITR forms. Pratyush Miglani, managing partner, Miglani Varma & Co - Advocates, Solicitors and Consultants, says, "The assessee must carefully go through and cross check the pre-filled information, for errors on account of technical issues are fairly common on the platform. Ensure that your personal information, which includes PAN, Aadhaar, etc, reflecting in the ITR as well as the forms are accurate."

Note the pre-filled data is editable and should be appropriately modified if any discrepancies are found.