

ITR Filing: A Practical Guide

How to Prepare Income Tax Filing (ITR)
Step-by-Step process for filing your Income Tax Return

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Importance of Filing ITR

- Legal Compliance: Mandatory for every person whose gross total income exceeds the basic exemption limit.
- Proof of Income: ITR is a valid document for loan applications, visa interviews, etc.
- Claiming Refunds: File ITR to claim a refund if excess tax has been paid.
- Carrying Forward Losses: Losses from one year can be carried forward to subsequent years to be set off against future income, but only if the ITR is filed on time.

Essential Documents for ITR Filing

- PAN and Aadhaar: Mandatory for e-filing.
- Form 16: Issued by employer, contains salary details and TDS.
- Form 26AS: A tax credit statement showing taxes deposited against your PAN.
- Annual Information Statement (AIS) & TIS: Comprehensive statements showing all financial transactions.
- Investment Proofs: Documents for claiming deductions under Chapter VI-A (e.g., Section 80C, 80D).
- Bank Statements: For interest income details.
- Documents for Other Income: Proof of rental income, capital gains statements, etc.

The ITR Filing Process: Step-by-Step

- **Collect Documents:** Gather all necessary documents (Form 16, Form 26AS, etc.).
- **Access the Portal:** Go to the official Income Tax e-filing portal.
- **Login:** Log in using your PAN/Aadhaar and password.
- **Select Filing Option:** Choose 'e-File' -> 'Income Tax Returns' -> 'File Income Tax Return'.
- **Select Details:** Choose the Assessment Year, Filing Status ('Individual'), and the appropriate ITR form (e.g., ITR-1 for salaried individuals).
- **Fill the Form:** The portal will pre-fill data from Form 26AS and AIS. Verify and add any missing information, such as deductions, and other income details.
- **Calculate Tax:** The portal computes the tax liability based on the data you provided. You can choose between the Old and New Tax Regimes.
- **E-Verification:** Verify your ITR using Aadhaar OTP, Net Banking, or other methods. This completes the filing process.

Understanding ITR Forms

- ITR-1 (Sahaj): For a resident individual with total income up to ₹ 50 Lakhs, from salary, one house property, other sources, and agricultural income up to ₹ 5,000.
- ITR-2: For individuals and HUFs not having income from business or profession.
- ITR-3: For individuals and HUFs having income from business or profession.
- ITR-4 (Sugam): For resident individuals, HUFs, and firms with total income up to ₹ 50 Lakhs, opting for the presumptive taxation scheme.

Old vs. New Tax Regime

- The Finance Act, 2023, has made the New Tax Regime the default option. Taxpayers can choose to opt for the Old Tax Regime.
- | Feature | Old Tax Regime | New Tax Regime |
|----------------|---|--|
| Tax Slabs | Higher rates, but with more slabs. | Lower rates, but with fewer slabs. |
| Deductions | Allows claiming various deductions (80C, 80D, HRA, etc.). | No deductions allowed, except for a few like Section 80CCD(2) and Standard Deduction for salaried individuals. |
| Exemptions | HRA, LTA, etc. are available. | Most exemptions are not available. |
| Default Option | No | Yes |
- Choice is yours! Analyze your income and deductions to see which regime is more beneficial.

Key Forms & Concepts

- Form 26AS: A consolidated statement showing all taxes deducted or collected on your PAN. It acts as your tax passbook.
- Annual Information Statement (AIS): A comprehensive statement that includes all information about your financial transactions, including interest, dividends, mutual fund transactions, and more. It is much broader than Form 26AS.
- Tax Deducted at Source (TDS): Tax deducted by the payer (e.g., employer, bank) at the time of payment.
- Advance Tax: Tax paid in advance on your estimated income in four installments throughout the year.

Tax Payable Calculation Example

- Mr. S, a salaried employee, has a taxable salary of ₹ 12,00,000 for AY 2025-26. He opted for the Old Tax Regime.
- Tax Calculation:
- Up to ₹ 2,50,000- Nil
- ₹ 2,50,001 to ₹ 5,00,000 @5% = ₹ 12,500
- ₹ 5,00,001 to ₹ 10,00,000 @20% = ₹ 1,00,000
- Above ₹ 10,00,000 (₹ 2,00,000) @30% = ₹ 60,000
- Total Tax Payable = ₹ 1,72,500
- Add: Health & Education Cess @ 4% = ₹ 6,900
- Total Tax Liability = ₹ 1,79,400

Summary of Key Concepts

- ITR filing is a mandatory process to declare your income and tax liability to the government.
- Essential documents like Form 16 and Form 26AS are crucial for accurate filing.
- The ITR forms are specific to different categories of taxpayers and their income sources.
- You must choose between the Old and New Tax Regimes, which have different tax slabs and rules on deductions.
- E-verification is the final and most important step to complete your ITR filing.