### Types of ITR Forms

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**Acknowledgement (ITR V)** Where The Data of Return of ITR 1, ITR 2, ITR 3, ITR 4, ITR 5, ITR 6. Filled Electronically Without Digital Signature

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**What is TAN and why?**

Those who are liable to deduct TDS as per provisions of Income Tax have to obtain TAN. TAN full form is Tax deduction and collection account Number. What amount you deduct as TDS that you have to deposit with Government by mentioning your TAN. Then you have to file TDS return and whenever you issue Form 16A you have to mention your TAN.

**What is Income Tax Refund and Why?**

When your TDS is more that your income tax liability you will get back excess amount and that is called Refund. Sometimes it may happen that you have paid more tax then what you are liable to pay then also you will get Refund.

**What is PAN and why?**

Full form of PAN is Permanent Account Number. It is issued by Indian Income Tax Department. People have misconception about this that once they obtain PAN they have to file income tax return. No it’s not like that if you have income more than basic exemption limit (for PY 2012-13 it’s 2,00,000) or you have foreign assets then only filing of income tax is compulsory.

**In Pan fifth Letter indicates Last Name initial of person and forth letter indicates Status of person. i.e. if PAN is of individual forth letter will be “P” and fifth will be Initial Letter of Last name of that**
Individual. In case of Company forth letter will be “C” and fifth will be Letter with which name of company is starting.

**Income Tax Basics**

What is Previous Year (PY)?

Suppose you have started your business on 20th May, 2012, then your 1st previous year will be 20th May 2012 to 31st March, 2013 i.e. P.Y. 2012-13. In any other cases your previous year will start on 1st April and end on next 31st March. In simple meaning, Previous Year means actual year (financial year) starting on 1st April and ending on following 31st March i.e. previous year means the year in which you earn the income.

What is Assessment Year (AY)?

To know the exact tax liability of particular year you have to wait until that year ends. When your Previous Year ends Assessment year relevant to that Previous Year will start. i.e. in above example Assessment year will be 2013-14. The year in which we self assess our income tax liability and we file our income tax return.

What is Form 16 and Why?

Form 16 is issued by Employer to Employee. Form 16 includes Salary bifurcation in details. It also indicates TDS amount deducted by Employer from Employee. Normally Form 16 is issued to Employees before 30th April of every year.

What is Form 16A and Why?

Form 16A is issued by deductor to deductee for amount which is deducted as TDS.

**Issue date of issuance of TDS certificate:**

- For April to June: 31st July
- For July to September: 31st October
- For October to December: 31st January
- For January to March: 31st May
What is 26AS and how it can be helpful to tax payer?

26AS is compact tax credit statement issued to the PAN holders by the Income Tax department. Whatever amount has been deducted by Payer from our payment is deposited with government by giving our PAN and now those amounts will be displayed in this 26AS. Amount paid as advance tax and self assessment tax will also be displayed here.

Transactions as below if any will be displayed in 26AS

- Cash deposits (10 lakh and above)
- Credit card bills (2 lakh and above)
- Mutual Fund purchase (2 lakh and above)
- Purchase of bonds/debentures (5 lakh and above)
- Purchase of shares of a company (1 lakh and above)
- Purchase of immovable property (30 lakh and above)
- Sale of immovable property (30 lakh and above)
- Purchase of RBI bonds (5 lakh and above)

It will help tax payer to decide his tax liability.

What is TDS and why?

TDS means Tax Deducted at Source. It’s one type of advance tax. Government gets tax amount as and when transaction taking place. TDS is amount which is deducted by PAYER and paid to government. E.g. if payer has to pay Rs. 100 then he will deducted TDS as per prescribed rate, say here it is 2%, Rs. 2 and pay Rs. 98 to PAYEE and Rs. 2 to government. After paying TDS he has to file TDS return in which he will mention PAN of PAYEE so this Rs. 2 will become TDS receivable for PAYEE and when PAYEE files his return he will get credit of the same i.e. if he has no taxable income he will get refund of entire credit (TDS).

For TDS deduction TAN is required. Generally every Company, LLP, Partnership Firms and those Individuals who are covered under Tax Audit in Last year are liable to deduct TDS from specified Payments they make. For details regarding TDS deduction study of all TDS related sections is must.

Why Income Tax Return and who has to file it?

Income tax return is submission of declaration by a person regarding his income for the particular year. If you have income more than basic exemption limit (for PY 2012-13 it’s 2,00,000) or you have foreign assets then only filing of income tax is compulsory. E-filing of income tax return is compulsory if you are earning more than 5 lakhs in a year.

Digital signature for filing of income tax return is compulsory for
1. All companies
2. Individuals and Firms who are covered under tax audit

**Income Tax Heads**

You work hard to earn your bread but you have no idea your income falls in which head of income according to Income Tax Act. Now let’s try to make it clear.

There are different Five Heads for Income under Income Tax Act

1. Income of Salary (all knows)
2. Income from House Property (Rent Income)
3. Income from business or Profession (self employed)
4. Income of Capital Gain (e.g. sale of property)
5. Other Sources (Interest, Lottery etc.)

Your income will fall in any (many) of these five heads.

Income from salary does not require any definition as everybody is well aware about it. But when we have to interpret Act sometimes we have to avoid normal meaning. Well here normal meaning is sufficient. Under this head following things will be taxable:

- Basic Salary
- Bonus
- All Allowances (though some exemptions are there)
- Non monetary benefits received from Employer (in detailed study is required to know what is taxable)
- Commission
- Leave Encashment
- Pension
- Contribution made by Central Govt. in account of employee under pension scheme (Scheme mentioned under section 80CCD)
- Amount contributed by Employer in Employee’s Recognised Provident Fund in excess of 12% of Salary
- Share of Employer when unrecognised provident is recognised first time
- Directors’ Remuneration (not sitting Fees)

Note: Remuneration received by Partners from Partnership is not Salary but it is income from business.

Second head is also very known by all of us. Income from House property means RENTAL income. Here House Property includes commercial building also. Owner of Buildings or Land (land attached to buildings)
will be taxed and his income will fall under this head i.e. if you have taken on lease and you are subletting it then it will not fall under “Income from house Property” head but it will fall under “Income from Other Source”. The only relaxation is property used for own business or profession. Rent of Land which is not attached to building will fall under “Income from Other Sources” head. Even if Property is situated in foreign rent of those properties will fall under this head only.

Third Head is Income from Business or Profession. If you are your own boss and earning profit then that will be taxable under this head. What is taxable and what is allowed as expenditure detailed study of all provisions is required.

Forth Head income from capital gains i.e. income from sale of capital asset. Capital Asset means property of any kind (including used for own business or profession). If your property is Long Term (owned by more than 3 years, in case of shares 1 year) benefit of Indexation is available. So benefit of inflation is given to us!

Last head is “Garbage head” or “Misc Head”. What is not taxable under any of above mentioned four heads will fall under this head. Following will be included:

- Dividend (normally it’s not taxable)
- Income from Lottery, cross-word puzzles, races, gambling (It is called SPECIAL income)
- Interest income
- Rent of machinery
- Gifts
- Income of sub letting (rental income when you are not owner)
- Director’s sitting Fees
- Family Pension

**What Is Income Tax?**

- In simple words, Income Tax means Tax on Income. Some portion of your income you are supposed to pay to central government. The government of India imposes an income tax on taxable income of all persons (including individuals, Hindu Undivided Families (HUFs), companies, firms, association of persons, body of individuals, local authority and any other artificial judicial person.)
- Now to know how much income is taxable, what amount of tax you have to pay and how to save tax you have to look at provisions of Income Tax Act and amendments in that act from time to time. We have tried to simplify all necessary income tax provisions to get maximum benefits of the same.