

Exemption from Filing I-T return for Persons with Income Up To ₹5 lakh

The Central Board of Direct Taxes has notified the scheme exempting salaried taxpayers with total income up to ₹5 lakh from filing income tax return for assessment year 2011-12, which will be due on July 31, 2011. Individuals having total income up to ₹5,00,000 for FY 2010-11, after allowable deductions, consisting of salary from a single employer and interest income from deposits in a saving bank account up to ₹10,000 are not required to file their income tax return. Such individuals must report their Permanent Account Number (PAN) and the entire income from bank interest to their employer, pay the entire tax by way of deduction of tax at source, and obtain a certificate of tax deduction in Form No.16. Persons receiving salary from more than one employer, having income from sources other than salary and interest income from a savings bank account, or having refund claims shall not be covered under the scheme. The scheme shall also not be applicable in cases wherein notices are issued for filing the income tax return under section 142(1) or section 148 or section 153A or section 153C of the Income-tax Act, 1961.

(Source: www.thehindubusinessline.com/)

CBDT Notifies Tax Returns Form for 2012-13

The Central Board of Direct Taxes (CBDT) has notified the new income tax returns (ITR) form for financial year 2012-13, with changes targeting wealth taxes evaders. Contrary to the belief that declaring domestic assets will be extended to all individual taxpayers, CBDT has extended this to businessmen, professionals and partners at partnership firms and capped the income at ₹25 lakh. All those falling in the category will need to give details of assets like land, art/antique pieces, jeweller, bank accounts, shares and so on. The details about such investments will include value of assets among other things. To get more information about those owning foreign accounts and to catch those who haven't reported these, CBDT has asked for the value of peak account balance in rupee terms. "Say on March 25, a taxpayer had \$5,000 in a bank account in the US. On March 29, he transferred the money to some other account in order to hide the income and got it back in his account on April 2. Earlier, such details were not needed. Now, such taxpayers will have to show the peak amount held in the account in a year, converted in rupee terms based on that

day's (on the day of peak balance) exchange rate," explains a tax expert. The account number should also be specified as against only the name of the overseas account holder, country name and address earlier. Last year, the government had mandated those earning ₹10 lakh and more to file e-returns. This year, the income threshold has been brought down to ₹5 lakh for filing taxes online. There is a new head introduced within ITR 2 asking for additional details from those asking for relief under Section 90 or Section 91. These details would be name of the country where the taxpayer has paid tax, relevant Double Taxation Avoidance Agreement (DTAA) clause under which the relief is being asked/tax was paid and so on. Such taxpayers that are only those claiming exemption under Section 90 or Section 91, will now need to file returns via ITR 2 in place of ITR 1. Under Section 90 one gets relief for paying taxes in the country that is in DTAA with India, while Section 91 relieves those who paid tax in a country that does not have DTAA with India. A resident Indian's worldwide income is taxable in India but if such an individual pays taxes in some other country he/she can get relief by showing the tax credit statement from that country. Those who have incurred a loss on sale of house property will also need to file returns through ITR 2 in place of ITR 1. This is largely because ITR 2 asks for more details like, in this case, details of co-owner of the house (name, PAN, stake held). Those who hold trusts abroad also need to give all details of the same with their tax returns. Lastly, there is slight change brought about in the refund section of ITR, where in those claiming a refund need to give their banks IFSC code and not just MICR one, like till now. It has been seen that many times the refunds have gone to a wrong account when transferred online with the help of MICR code, say experts.

(Source: <http://www.business-standard.com/india/>)

GST Panel Says No to Placing Mobiles in Declared Goods List

State finance recently turned down the Centre's request to place mobile phones and tablets in the list of declared goods in the goods and service tax (GST) regime, saying the idea is untenable. The Ministry for Communication and Information Technology's request for placing mobile phones and tablets in the declared goods list came up for discussions at the meeting and was rejected, Sushil Kumar Modi, chairman of the Empowered Committee of State Finance Ministers

on GST, told reporters after the conclusion of a two-day meeting of the committee recently. "The panel is of the firm view that the idea is untenable and no item should be kept in the declared goods list in the GST regime," he said. Modi, who is also the Deputy Chief Minister of Bihar, said the GST network would create a robust infrastructure for effective implementation of GST regime. The IT-enabled GSTN will provide an interface to stakeholders and avoid evasion in indirect taxation systems. The Empowered Committee also set up two important committees, one to look into taxation of sugar, textile and tobacco products, and the other to draft GST legislation.

(Source: Press Trust of India)

Home Loan Prepayment Fee Eligible for Tax Benefit

A ruling by the Mumbai bench of the Income Tax Appellate Tribunal spells welcome relief for taxpayers who have paid huge sums as prepayment or foreclosure charges on early repayment of their housing loans. Such taxpayers can claim prepayment charges as deductible under the head income from house property and could set it off against other heads of income, such as salary income. This will help in saving tax. Hearing an appeal filed by Windermere Properties, the tribunal examined the definition of interest. Interest on housing loan is admissible as a deduction under income from house property. The bench comprising R. K. Gupta and R. S. Syal observed, "The appellant had obtained a loan from HDFC for acquisition of property. The bank accepted the early repayment of loan on receipt of prepayment charges (of ₹1.56 crore). It is obvious that these prepayment charges have a live and direct link with the housing loan." Dismissing the stand taken by the Tax department, the tribunal bench added, "It is beyond our comprehension as to how the amount paid as interest for the housing loan taken is allowable as a deduction but the amount paid as prepayment charges of the very same loan is not deductible." Both the direct interest and prepayment charges were held by the tribunal to fall within the definition of the term interest and allowable as a deduction from house property income. This ruling will help those who had paid prepayment charges during FY 2012-13. This payment will be deductible from income from house property. As a next step in the tax computation, salaried employees can claim a set-off against their salary income while filing their returns, the due date for which is July 31. It must be noted that the Reserve

Bank of India in June last year had prohibited banks from charging foreclosure charges or prepayment penalties of any kind on home loans taken on floating interest basis. Against this backdrop, it is likely that taxpayers for the financial year 2012-13 would have paid foreclosure charges only during April and May 2012. However, tribunal decision will also help in the course of pending assessment of earlier years.

(Source: <http://www.economictimes.com>)

CSR Activity Reporting Framework in the Works

The Ministry of Corporate Affairs is developing a reporting framework for corporate social responsibility (CSR), which could potentially be a game-changer for CSR in India, sources close to the development told Economic Times. The Government is formulating guidelines to classify what activity can be qualified as CSR and expenditure can be counted as CSR spend, even as companies prepare to comply with a new guideline that encourages them spend 2% of their net profits on such causes.

(Source: <http://www.economictimes.com>)

LTA to be Tax Exempt Only for Domestic Travel

Tax exemption on leave travel allowance or LTA can be claimed only on domestic travel and cannot be clubbed with an overseas journey. If an air ticket comprises Indian and overseas components, no exemption will be provided either on the entire cost or on partial Indian travel. This was clarified in a recent ruling by the Chandigarh bench of the Income Tax Appellate Tribunal (ITAT) while hearing an appeal of a PSU bank employee. The employee, Om Prakash Gupta, had argued that since the final destination was India, the entire airfare claimed by him should be tax exempt. His travel included visits to Singapore and Malaysia. Gupta further appealed that if not the entire amount, at least the cost incurred on the Indian leg of the journey should be considered for tax exemption. But the ITAT bench denied his appeal. "Section 10 (5) of the Income Tax Act and Rule 2B do not stipulate that journey to any place in India would be made via a place outside India. The intention of the legislature was certainly not to grant exemption for reimbursement of the value of the LTA where the journey was performed via a foreign country," the bench observed, ruling out any exemption.

(Source: <http://www.expressindia.com>)