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TAX 2011

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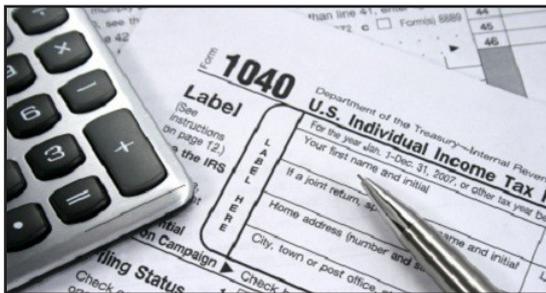


# **Tax Planning Guide** **of 2011**



Yes, it's that time of the year again when we need to prepare our tax returns. The July 31 deadline is closer than we think. And, to get us in good shape for filing tax returns here is a handy guide with 10 tips to keep in mind.

## ▶▶ Fill out your correct Permanent Account Number (PAN) number



We come across 100s of tax filers who fill their wrong PAN details and then get into complications as a result of this carelessness. It might sound obvious, but make sure you put the right PAN details on your form and on any challans used to pay taxes. An incorrect PAN number might also result in a problem in getting your tax refund. And finally, you might have to pay a penalty of Rs.10,000 for not quoting your PAN.

## ▶▶ July 31 deadline – avoid coming close to it



Don't wait till the July 31 deadline, file your return today. You will gain nothing by procrastinating. In fact, if you attempt to squeeze in your return in the last minute you will cause yourself a lot of stress, and are exposing yourself to careless errors

that can be avoided if you were to start the process early and leave enough time to review your return to your satisfaction.

If you have any overdue taxes you can avoid paying penal interest on this overdue liability. By starting early, you are also giving yourself the chance to pay off these dues a lot sooner.

Also, keep in mind that closer to the deadline, the tax department servers get overloaded. If you are choosing to e-file your return, you might get delayed if you can't get connected to the tax department's server.

## ▶▶ You don't need a CA to prepare your returns, consider online filing



If you want, you can fill out your own tax return online, or use the services of many of the online tax filing companies. You don't always need to rely on going to a chartered accountant.

## ▶▶ File a return even if your employer has deducted tax at source





Many of us suffer from the wrong perception that if tax has already been deducted at source then no tax return has to be filed. You must file taxes if your combined annual income from all sources is above the exemption limit depending upon your age and gender.

### ▶▶ Organize TDS certificates from all deductions

FORM NO. 16A	
[See rule 31(1)(b)]	
Under section 203 of the Income-tax Act, 1961 for Tax deducted	
Name and address of the Deductor	Name and address of the Deductee
	Phoenix Agencies N-45/1 Raheja Arcade Koramangala Bangalore
TAN of the Deductor	PAN of the Deductee
KARA07884F	AS
Assessment Year	

TDS certificates are proof that you have already paid certain tax dues. Your employer has to give you your Form 16 that states the amount of tax that has been paid by you. Additionally, you will need to obtain a TDS certificate in Form 16A if you have rental income, interest income, and professional/consulting receipts, contractual or commission receipts.

### ▶▶ Fully disclose all sources of income



Why invite trouble by not disclosing all sources of income you might have? With increasing digitization of financial services and the use of your PAN number for almost all substantial financial transactions, it's easy to investigate what are the different sources of income you might have. Yet, many tax filers willingly don't disclose even interest income earned from one's savings balance, fixed deposits or small savings schemes. Don't expose yourself by omitting any obvious disclosure.

### ▶▶ Pay off any self-assessment tax if required, before you file your return



In case you have a tax liability then this needs to be paid off. In technical terms, the tax so paid is called self-assessment tax. Nowadays this self-assessment tax can even be paid online.

### ▶▶ Annual Information Return (AIR) details must be filled



ITR forms require you to declare certain types of large transactions such as:



- \* Single purchase or sale of an immovable property valued at Rs.30 Lacs

- \* Single payment of Rs.5 Lacs or more for acquiring bonds or debentures of a company
- Credit card payments aggregating to Rs.2 Lacs or more on a single card

- \* Mutual fund purchase aggregating to Rs. 2 Lacs or more in a single fund

- \* Cash deposits aggregating Rs.10 Lacs or more in one bank account

- \* Single investment of Rs.1 Lacs or more in shares of a company

- \* Payment aggregating to Rs.5 Lacs or more for investment in RBI bonds

Even if you don't make these disclosures, it's likely that your counterparty might have already done so, and then the mismatch of disclosure might lead to an investigation into your finances.

**▶▶ State your correct bank details to ensure timely refunds**



You can file for a tax refund if you don't have a taxable income and you have faced undue tax deduction. In case you are filing a return for a tax refund, then you need to ensure that you have mentioned your bank details correctly, because the refund amount will be credited directly to your account. The following details must be correctly stated on your return:

Account type - Savings or Current, account number and MICR code of your bank branch (this is the 9 digit number at the bottom of your cheques).

**▶▶ State complete details related to your tax deductions**



Your tax credit depends upon the authenticity and completeness of the data you transcribe on your ITR from the TDS certificates, Advance Tax Challans and Self Assessment Tax Challan. Ensure that there are no errors when stating the TAN of the employer or deductor, the amount and date of the deduction. Also, in case of self assessment or advance tax challans, ensure that the name, branch address and the BSR code of the bank where the tax is deposited, challan serial number, amount and date of the deposit are clearly stated.