

Guide for Preparation of Income Tax Return- ITR1 (SARAL-II) for AY 2010-11

Overview

The Excel software has a feature to help in the computation of Tax and Interest and helps in the filling up of the Income Tax Return in preparation for electronic filing of the return for AY 2010-11. This guide takes taxpayer through the steps to compute Tax and Interest Liability, to compute Balance Tax payable for the purpose of payment of Self assessment tax, and thereafter to complete the return and submit the same.

The overall steps involved are

- a) Computation of Income
- b) Computation of Tax and Interest
- c) Payment of balance Tax Payable (Self assessment tax), if any, and re-computation of Interest to verify that there is no balance Tax Payable.
- d) Generation of xml file and electronic filing of return at <http://incometaxindiaefiling.gov.in>.

A) Computation of Income.

Fill up the return with details to determine Income. For this purpose the following may be kept readily available:

- a) Form 16 – Giving details of Salary Income and Tax Deducted at Source (TDS) from Employer
- b) Rental Income details (along with Form 16A in case any Tax has been deducted) and Statement of Interest paid on Housing loan from Bank
- c) Interest of FD, Savings Bank etc details (along with Form 16A in case any Tax has been deducted)
- d) Life insurance / health insurance premium, donation receipts
- e) Tax payment challans and TDS certificates
- f) Departmental excel software that can be downloaded from the website <http://incometaxindiaefiling.gov.in>

Take care to enter accurate and complete details of

- a) PAN
 - b) Date of Birth
 - c) Gender
 - d) Status
 - e) Residential Status
 - f) Address (Refunds, if any, or any other communication would be sent to this address)
 - g) Bank account number (the Bank number is mentioned on the refund order cheque)
-
- a. In Sl no 1 of ITR1, Enter Income under Salary
 - b. In Sl no 2 of ITR1, Enter Income / loss from House Property
 - c. In Sl no 3 of ITR1, Enter Income / loss from Other Sources
 - d. The software will compute Gross Total Income (Salary income + House Property Income + Income from Other Sources) in Sl No 4.
 - e. In Sl nos 5a to 5l, Enter details of eligible deductions of 80C, 80D, 80G etc. Enter the claims in the green cells. The system will limit the claims based on the rules for Deductions under the various

sections, and will display in yellow fields, the maximum allowed deduction for the particular assessee and income figures.

For ex: The aggregate deductions in respect of claims under Section 80C, 80CCC and 80CCD cannot exceed Rs.1,00,000. However, for certain deductions, which depend on factors not ascertainable by the system, the taxpayer has to ensure that the claim is made as per the actual condition. For ex: Higher claims for Deductions u/s 80DD are allowed for severe disability, hence the assessee must enter the claim based on the level of disability.

- f. The software will compute Total allowable deduction in SI no 6 and Total Income (Final taxable income after reducing all allowable deductions) in SI no 7.

B) Tax Computation

- a. Enter details of TDS on Salary as per Form 16 given by Employer only in SI no 23. Please ensure that TDS from all employers is entered separately with VALID TAN in each case. The total of Tax deducted (Col 7) is included in computation of total TDS automatically.
- b. Enter details of TDS on Interest or Rentals etc as per Form 16A given by Bank, Tenant only in SI no 24. Please ensure that TDS from all deductors is entered separately with VALID TAN in each case. The TDS amount should be mentioned in Col 6. Typically the same value has to be entered in Col 7. **Please note that the total of TDS Amount claimed for this year (Col 7) is only included in computation of total TDS.**
- c. Enter details of Advance Tax and Self Assessment Tax paid in SI no 25. To arrive at Quarterly Advance Tax payments and Self Assessment Tax paid and the respective totals, the software will refer to the Date of tax payment and the Amount paid.
- d. On completion of above, the totals of advance and self assessment tax payments and TDS will automatically be calculated in SI nos 16a, 16c and 16 b respectively.
- e. Total taxes paid will automatically be calculated in SI no 17.
- f. Enter details of Reliefs claimed u/s 89 due to arrears in Salary in SI no 11 only if the Relief has been computed and provided by Specified Employer in Form 10E.
- g. Enter details of Reliefs claimed 90/91 due to Double Taxation Agreements in SI no 12.

Click on "Calculate Tax"

Based on details entered above the software will then automatically calculate the following:

- a) **Tax payable on Total Income (SI no 8)**
- b) **Education Cess (Including Secondary and Higher Secondary Education Cess) (SI no 9)**
- c) **Total Tax and Education Cess Payable (SI no 10)**
- d) **Balance Tax Payable (SI no 13) which is determined after reducing values of Relief under Section 89 (SI no 11) and Relief under Sections 90/91 (SI no 12).**
- e) **Total Interest Payable U/s 234A/ B/C (SI no 14) in case there is any delay in filing of return (234A), shortfall in taxes paid as compared to tax payable (234B), or deferment of taxes paid (234C)**
- f) **Total Tax and Interest Payable (SI no 15) which is the total due from taxpayer including tax and interest.**

C) Payment of Self Assessment Tax

After completing steps above, refer to SI no 18, Tax Payable. If this amount is positive, it implies that after adjusting all taxes paid by taxpayer there is still some outstanding tax to be paid by taxpayer. The same has to be paid as Self Assessment Tax before filing the Return. The relevant details have to be added to the Tax Payment Schedule (SI no 25) after making necessary payments.

Once the Balance Tax Payable is determined and the same is paid as mentioned above then:

- Update SI no 25 - for Tax payment details with this amount,
- Recalculate Tax and Interest by clicking on the "Calculate Tax" button as explained above.

Once again refer SI no 18 and if taxpayer has paid the exact amount of balance Tax Payable as Self Assessment Tax, then there should **now** (after re-calculation) be no positive amount in balance Tax Payable. Please note if there is substantial gap (if date spills over to next month), between the dates during earlier calculation and the actual Self Assessment tax payment date, then the interest computed figures may vary and there may be a residual balance Tax Payable even after payment of Self Assessment Tax. Therefore, care should be taken to ensure that Self Assessment tax payment is made within the same month.

In case taxpayer has overpaid taxes, then Refund value (SI no 19) will be positive.

The refund will be issued against the Name and Bank Account Number (SI no 20) and sent to the Address as mentioned in the Return, in case taxpayer selects to receive the refund by Cheque in SI no 21. If taxpayer selects to receive the refund by Direct Deposit into the Bank Account in SI no 21, then provide additional information of the MICR Code of the Bank Branch in SI no 22.

Even if taxpayer does not expect any refund, it is advised to enter at least the Bank Account Number in all cases, so that the Department can send a Refund Order cheque, in case of a determination of Refund (due to a correct application of processing rules in taxpayer case), without having to send a communication seeking this additional information.

Note:

The critical dates used in computation are:

- a) Expected Date of filing of return (can be the same as date upto which Interest is to be calculated in 3 below). This date is used for calculation of 234A Interest, if any. By default, the software uses the higher of the SYSTEM date or Date of verification as entered by taxpayer in the verification portion of the Return.
- b) Due date of filing return. Typically, the due date for filing of Corporate returns and Returns where provisions of Section 44AB are attracted is 30th September and in all other cases such as Salaried taxpayers, the due date for filing is 31st July.
- c) Date upto which Interest is to be calculated (usually the date on which Self Assessment Tax is paid or is expected to be paid). This date is used for calculation of 234B Interest, if any. By default, the software uses the higher of the SYSTEM date or Date of verification as entered by taxpayer in the verification portion of the Return.

If any error is made in data entry in the return in any of the filled in values, such as Gender, Date of Birth, Status, Residential Status, PAN, Total Income or Deductions, the computed tax figures will differ from what is expected. Taxpayer may rectify any of these, and once again re-calculate Tax as per B) above. This can be repeated as many times as desired.

D) Generation of xml file

- a. After completing all steps above, save the Excel file.
- b. Then click on “Generate XML” button.
- c. The xml file is generated and saved by default in the same directory or location where the Excel file is saved.
- d. The xml file (NOT the excel file) has to be uploaded to the e-filing website of the Income Tax Department <http://incometaxindiaefiling.gov.in> after logging in as a registered user.

Before uploading the xml file for electronic filing **please ensure that:**

- a) The PAN in the excel file and UserID in the e-filing website are the same.
- b) The selected Form Type is ITR1.
- c) The assessment year is AY 2010-11

After successfully uploading the xml file, an ITR-V (Income Tax Verification) form is generated by the website.

The taxpayer should print out two copies of Form ITR-V. One copy of ITR-V, duly signed by the taxpayer, has to be sent by ordinary post to Income Tax Department – CPC, Post Bag No. 1, Electronic City Post Office, Bangaluru–560100 (Karnataka) immediately. The other copy may be retained by the assessee for his record.

Disclaimer:

The utility is a general purpose, simple tax and interest calculation tool for the assistance of taxpayers. The utility has been prepared based on the provisions of law and does not take into account any special conditions that may affect any specific taxpayer. **Further, the responsibility to conform to provisions of the Income Tax Act 1961 continues to vest with the taxpayer and he should ensure that no claim is made which is not as per law irrespective of the fact that the same is not precluded in the calculation as per the utility owing merely to the construct and constraint of the Form.** Any calculation of tax and / or interest as per this utility is subject to the final determination of tax and / or interest during the processing of the return as per Section 143 (1) and other sections of the Income Tax Act 1961 by the Department and may accordingly vary.

How to compute Income from Salary (In case of multiple employers replicate items 1 to 6 for additional employers and calculate Total)

SALARIES	Name of Employer 1:		
	1	Salary (Excluding all allowances, perquisites & profit in lieu of salary) from Form 16	1
	2	Allowances exempt under section 10 (not to be included in Salary)	2
	3	Allowances not exempt	3
	4	Value of perquisites	4
	5	Profits in lieu of salary	5
	6	Taxable Salary from Employer 1 (1+3+4+5)	6
To be mentioned in Item 1 of ITR 1 Return Form → Total Salary Income			

How to compute Income from House Property

HOUSE PROPERTY	1	House Property	
	a	Annual lettable value/ rent received or receivable (If Self Occupied enter 0)	1a
	b	The amount of rent which cannot be realized	1b
	c	Tax paid to local authorities (Water tax, Property Tax etc)	1c
	d	Total (1b + 1c)	1d
	e	Balance (1a – 1d)	1e
	f	30% of 1e (Enter 0 if 1e is negative)	1f
	g	Interest payable on Housing Loan (Restrict to Rs 1,50,000 if Self Occupied, no restriction if property is 'Let Out')	1g
	h	Total (1f + 1g)	1h
	i	Income from house property 1 (1e – 1h)	1i
	2	Income under the head "Income from house property"	
	a	Rent of earlier years realized under section 25A/AA	2a
	b	Arrears of rent received during the year under section 25B after deducting 30%	2b
To be mentioned in Item 2 of ITR 1 Return Form → Total Income from House Property (2a + 2b + 1i)			

NOTE ▶ Please include the income, if any, of specified persons such as minor children while computing the income under this head, if property is in their name

How to compute Income from Other Sources (In case of multiple FD interest & interest from savings account fill the total in item 1b)

OTHER SOURCES	1	Income other than from owning race horse(s):-	
	a	Taxable Dividends, Gross	1a
	b	Interest, Gross	1b
	c	Rental income from machinery, plants, buildings, etc., Gross	1c
	d	Others, Gross	1d
	e	Total (1a + 1b + 1c + 1d)	1e
	f	Deductions under section 57:-	
	i	Expenses	fi
	ii	Depreciation	fii
	iii	Total	fiii
g	Balance (1e – 1fiii)	1g	
To be mentioned in Item 3 of ITR 1 Return Form → Total Income from other sources (1g)			

NOTE ▶ Please include the income, if any, of specified persons such as minor children while computing the income under this head, if FD, recurring deposit etc is in their name.

How to compute Exempt Income (Income not to be included in Total Income)

EXEMPT INCOME	1	Interest income	1
	2	Dividend income	2
	3	Long-term capital gains on which Securities Transaction Tax is paid	3
	4	Net Agriculture income (not exceeding Rs. 5,000)	4
	5	Others, including exempt income of minor child	5
	6	To be mentioned in Item 27 of ITR1 Return Form → Total (1+2+3+4+5)	6

