



E-FILING OF INCOME TAX RETURNS IN INDIA – AN OVERVIEW

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Abstract

In this technology driven age, every sector in the Indian economy is partly or completely affected by the world's most important invention of the modern times 'Internet'. Income tax department is not an exception to it. Income Tax Department under the Ministry of Finance, Government of India is committed to provide world - class services to taxpayers in the country, making tax compliance easy and convenient for them. One of the initiatives of the Income Tax Department was the beginning of electronic filing (e - filing) of income tax returns (ITRs) to make the filing process easier for taxpayers as well as to reduce the time required for data entry on receipt of returns. E- Filing is a scheme for submitting tax documents to the Income tax department through the internet or direct connection, usually without the need to submit any paper documents. This paper deals with the benefits, process, trends & highlights (ITRs) of e-filing among the residents of the country.



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Introduction

Income tax is an annual tax on the income of an assessee. Section 4 of the Indian Income Tax Act, 1961 provides that in respect of the total income of the previous year of every person, income tax shall be charged for the corresponding assessment year at the rates laid by the finance Act for that assessment year. Section 14 of the Income Tax Act further provides that for the

purpose of charge of income tax and calculation of total income all income shall be classified under the following heads of income:

- Income from Salaries,
- Income from House Property,
- Profits and Gains from Business or Profession,
- Income from Capital Gains,
- Income from Other Sources.

The total income from all the five heads of income is calculated in accordance with the provisions of the Income Tax Act, 1961 in respect of each head as they stand on the 1st April of any financial year. The competence and justice in collecting fiscal revenues are government priorities for any administration. The Income Tax Department is responsible for all activities related to the taxation process. The Income Tax Department is governed by the Central Board for Direct Taxes (CBDT) and is division of the Department of Revenue under the Ministry of Finance, Government of India.

Income Tax Department of India launched the Electronic tax filing system of Income Tax Returns because the lion's share of revenue of the country is generated by direct taxes. E-taxation scheme was one of the "action lines" introduced in Indian tax machinery in the A.Y. 2006-07 for all assesses for improving the Return filing system. The general aim of e-taxation is to replace cumbersome manual, bureaucratic service systems with collaborative, efficient, process-driven and secure online delivery.

The department preferred the system of e-filing because that would make the process of filing of Income Tax Returns easier for tax payers as well as reduce the time required for data entry at their end on receipt of the income tax returns. Enabling the filing of income tax returns over the internet was the most feasible answer to the department's needs & tax payers, the department had to create an environment in which the user would feel secure about filing his income tax returns online. E-filing helped furnishing income tax returns through authorized intermediaries who were called e-return intermediaries. Response time for processing the income tax returns as well as claiming refund dropped considerably. Duplication of efforts were eliminated by these intermediaries and most of all in the online procedure the tax payers do not have to be actually present for filing their returns.

Meaning and concept of e-filing

It is obligatory for Firms, Individuals, Hindu Undivided Family (HUF) requiring statutory audit u/s 44AB and Companies to submit the Income tax returns electronically from AY 2007 – 08 onwards. The return submitted by any Firm, Individual and HUF requiring legal audit u/s 44AB or company without e-Filing will not be accepted. The Indian government agency that runs the Income-Tax portal "**incometaxindiaefiling.gov.in**" has very considerably provided an electronic filing facility for its citizens.

E-Taxation means trans-organizational processes with data transmit (upload and download) between the IT systems of the professionals and those of the tax authorities. This process implies organizational, semantic and technical interoperability, service-oriented structural design etc. Modified return forms have been devised by the Income Tax Authority which is available on the site of the Department. Tax Inspectors need prop up not only for checking the accounting data of taxpayers, but also for combating against illegal employment, tax evasion and social security fraud at construction sites.

The forms on the website of the department have been devised with such details that tax payers need not file any supporting document along with. Return is submitted electronically at the site. E-Filing also has to support tax authority processes by workflow systems and electronic record management on the one hand and knowledge management and automated risk analysis to assess the reliability of tax returns on the other hand.

According to Directorate of Income Tax - The procedure of electronically filing Income tax returns through the internet is known as e-Filing. The developing world of electronic filing has certainly evolved during the past few years.

Research Methodology

Research Design

Descriptive methodology has been placed for this study.

Data Collection

Data used is secondary data. It has been collected from sources such as books, journals, newspapers and online database.

Objectives

- To know the process and benefits of e-filing Income Tax Returns.

- To study the progress of e-taxation system in India by comparing its yearly progress on the basis of Income tax Returns.

Scope

Scope of the study is limited to the boundaries of India from FY 2006-07 to FY 2015-16 (1-4-2015 to 29-02-2016).

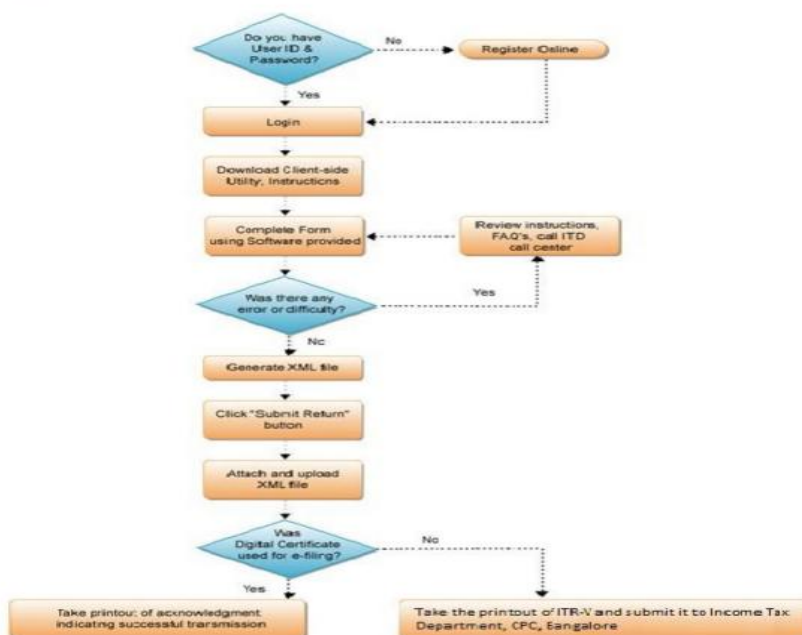
Need of the study

Indian economy is at a developing stage and there is still more to come in every stage of its development and E-filing system is up-to-the-minute beginning in India. So it is necessary to know the progress done in this area of direct taxation system in India. The current study focuses on measuring the progress of e-taxation in India in the recent past, the present position and the future prospects.

Benefits of e-filing of Income Tax Returns

- **Fast Processing:** The acceptance of ITR submission is fast and the refunds are processed faster by the Income Tax Department for the electronically filed ITRs.
- **More Accurate:** E-Filing software with built-in validations and electronic connectivity to Income Tax Department is faultless and help minimize errors. Paper based filing with self calculations can be prone to mistake. Also, when any paper based form is transferred to electronic system, there is always a likelihood of human error in data entry.
- **No Time place constraint:** Assessee can file the return at any time and at any place. E-Filing is available 24 hours a day and 7 days a week, so taxpayers may file their return at their own convenience.
- **More Secure than Paper based filing:** E-filing is safer than paper based filing. With paper based filing your private identity information is lying in files and can be passed from one person to another person in the CA's office or in department's office.
- **You can easily access and use your data for future returns:** Most of the paid E-filing software applications store your data in a secure way and allow you to access it whenever you are ready to file subsequent returns.
- **It is good for the environment:** E-Filing is environment responsive. You just need to print no or at most one page instead of manifold copies of multiple pages that is required in case of paper based filing.

Process of e-filing



Steps to file income tax return online

Step 1: Log on to the income tax department's portal (www.incometaxindiaefiling.gov.in) intended for filing tax returns online. Register using your Permanent Account Number (PAN), which will act as your user ID.

Step 2: Below the 'Download' menu, go to e-filing AY <Individual/HUF and select the suitable Income Tax Return (ITR) form. Download ITR 1 (Sahaj) preparation software if you are a salaried individual, pensioner, own one house property and/or earn interest income.

Step 3: Open the downloaded Return Preparation Software (excel utility), follow the commands and enter all the details using your Form 16.

Step 4: Calculate tax payable by clicking the 'Calculate Tax' tab. Pay tax and enter the challan particulars in the tax return (not applicable if your tax liability is nil).

Step 5: Verify the details entered by clicking the 'Validate' tab. Continue to generate an XML file, which will be automatically saved on your computer. The registration process (Step 1) can also be initiated at this step.

Step 6: Go to 'Submit Return' on the portal's left section and upload the XML file after selecting the AY and the relevant form.

Step 7: You will be asked whether you wish to digitally sign the file. If you have obtained a DS (digital signature) opt for 'Yes'. Besides, choose 'No'.

Step 8: Once the message concerning successful e-filing is flashed on your screen, the process is complete. The acknowledgement form - ITR-Verification (ITR-V)-will be generated and you can download it. It will as well be mailed to your registered email ID.

Step 9: Take a print-out of the form ITR-V, sign it in blue ink, and send it by regular or speed post to the Income Tax Department-CPC, Post Bag No-1, Electronic City Post Office, Bangalore - 560 100, Karnataka, within 120 days of uploading your e-return. Couriered papers will not be accepted.

Step 10: The IT department will send you the acknowledgement by email, which is the last step in the process. If you do not get it from the Income Tax Department in due course, you can send the form ITR-V again.

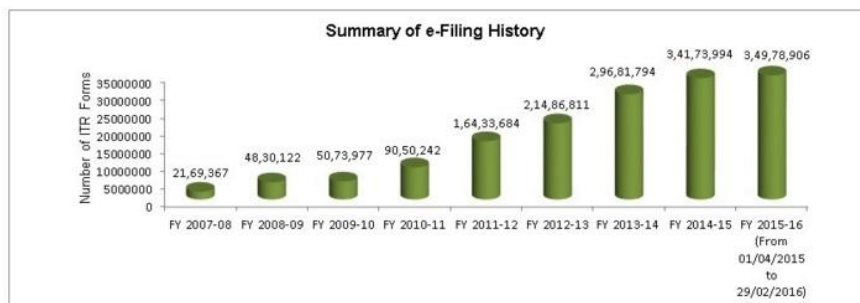
Trends in the usage of Indian e-filing system

Total No. of E-filing

Assessment Year	Total Numbers	% Increase
FY 2006-07	363,000	
FY 2007-08	2,169,367	497.62%
FY 2008-09	4,830,122	122.65%
FY 2009-10	5,073,977	5.05%
FY 2010-11	9,050,242	78.37%
FY 2011-12	16,433,684	81.58%
FY 2012-13	21,486,807	30.75%
FY 2013-14	29,681,794	38.14%
FY 2014-15	34,173,994	115.13%
FY 2015-16*	34,978,906	102.36%

Source: data released by the Income Tax Department.

*FY 2015-16 (1-4-2015 to 29-02-2016)

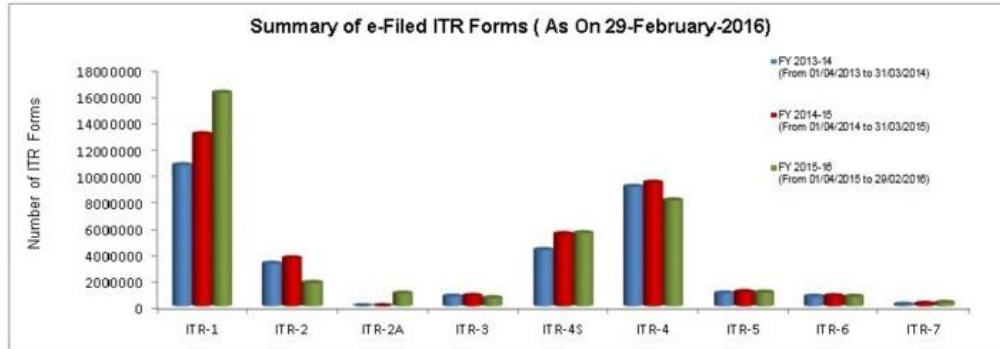


As per ITD, electronically filed returns are only 15-20% of total no of returns, but account for over 75-80% of the total tax collected. This leads to an expected cost savings of Rs. 10-15 Crore which is expected to increase with the increase in volume of e-returns. The compulsory limit of e-filing of tax returns has been slashed by the government to income exceeding Rupees 5 lakh for the assessment year (2013-2014). This limit was at income of more than Rs. 10 lakh in anticipation of the financial year (2011-2012). This planned move was expected to give a major boost to the e-filings in India since larger number of people would fall in this lower income bracket. In the first year of completion of this e-filing initiative, 3.63 Lakh taxpayers used this facility. The figure reached to more than three crores in the year 2015-16. E-filing for those having income from Salary/ Pension (ITR-1) had also gone up manifolds for the same period. The table and graph presented above gives a more comprehensive view of the statistics related to e-filing of tax returns since its inception in 2006-07. Starting off with around 3.63 lakhs of returns being filed electronically, there was an increase of 498% in the next financial year (2007-08) with around 2,169,367 e-returns. The financial year 2008-09 saw another increase of 122.65% with a figure of around 4,830,122 returns filed by electronic means. There was a major silence in the FY 2009-10 with a not enough increase of 5.05% (5,073,977). The succeeding years saw an increase of 78.37% (FY 2010-11), 81.58% (FY 2011-12), 30.75% (FY 2012-13), 38.14% (FY 2013-14), 115.13% (FY 2014-15) and 102.36% (FY 2015-16 *till 29-02-2016) respectively. The trend has been depicted in Table and Chart above.

ITR Forms wise receipt of e>Returns

ITR Forms wise receipt of e>Returns				
S.No.	Form	FY 2013-14 (From 01/04/2013 to 31/03/2014)	FY 2014-15 (From 01/04/2014 to 31/03/2015)	FY 2015-16 (From 01/04/2015 to 29/02/2016)
1	ITR-1	9354592	13010682	16149088
2	ITR-2	2490052	3614874	1757346
3	ITR-2A	-	-	949514
4	ITR-3	444225	769081	604870
5	ITR-4S	2464557	5450081	5527578
6	ITR-4	6277711	9343539	8006519
7	ITR-5	775317	1065650	1030155
8	ITR-6	636956	752070	708773
9	ITR-7	89310	168017	245063
Grand Total			34173994	34978906

From the above table of ITR Wise receipt of e>Returns- February, 2016 we can see that there is an increase of 102.36% in the FY 2015-16, the major portion of which is from ITR-1.



Above chart summarizes the e-filing form as on 29 February, 2016 of three FY i.e. 2013-14, 2014-15 & 2015-16.

State wise receipt of e-returns:

State wise receipt of e>Returns (from 01/04/2015 to 29/02/2016)

	State	Number of e>Returns
Maximum e-filing of returns	Maharashtra	6443043
Minimum e-filing of returns	Mizoram	1513

Maximum electronic filing of return was made in the state of Maharashtra 6443043 whereas minimum electronic filing of return was made in the state of Mizoram i.e. 1513.

Highlights of e-Filing

No of Registered Users as on 29/02/2016	50710935
Peak rate of receipt of returns per day : (31/08/2015)	1417227
Peak rate of receipt of returns per hour : (31/08/2015)	150293
Peak rate of receipt of returns per minute: (31/08/2015)	3475
Percentage of returns received outside office hours	52.254
Percentage of returns filed using Utility provided by Department	39.029

Conclusion

In the current world new information technology is being introduced very fast in all fields. Filing of income tax return using internet is a gift to the tax payers. E-filing is the new and useful method of filing income tax returns online. E-Return filing is getting magnetism in India amongst all the assesseees. It saves time, energy and cost. It also reduces the boundary limitations between Income Tax Department and the assesseees. It has reduced the burden of record keeping & requirement of physical space. It has ensured accuracy of data and faster processing of returns. It

enables the assesees to file return anytime & from anywhere. So, the tax payers are benefitted by use e-filing and e-payment services. Therefore, it is evident that e-taxation obviously shown some dynamic result and it's surely going to make its full time place in the Indian Tax system.

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