

**SVMVV SANGHA'S
SHRI VIJAY MAHANTESH ARTS AND COMMERCE
COLLEGE FOR WOMEN, ILKAL.**



PROJECT WORK
ON
INCOME TAX- HOW TO INCOME TAX
PAYABLE

Submitted to

DEPARTMENT OF COMMERCE
Shri Vijaya Mahantesh Arts & Commerce
College for Women, Ilkal.

Guided By
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2021-22

SVMVV'S
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ILKAL-587125

ACKNOWLEDGEMENT


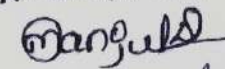
We Sincerely thank to Hanorable 'Smt K. D. Biradar' Without Whom we wouldn't have Completed this project report.

It's our proud privilege to express deep gratitude to Shri, G.G. Patil and Smt. A. C. Datti, Faculty Members of our Departenent for their useful suggestion, encouragement and support which helped us accomplish the project .

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CERTIFICATE

This is to Certify that Miss. Vijayalaxmi Katti, Anusha Kaliparsad, Manjula Kandakur, Chaitra Chuncha, Shashikala Vitalapur, of Bachelor of Commerce, ILKAL Have Successfully Completed their Sixth Semester 'Project Work on Income Tax – How To Income Tax Payable under my guidance as a value addition to academic curriculum.


Assistant Professor
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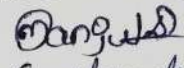
DECLARATION

We hereby declare that the project Entitled "Income Tax- How to Income Tax Payable" Submitted for academic.

Curriculum is our original work.

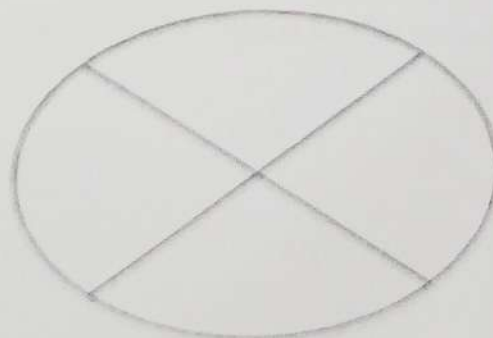
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INCOME TAX

Income Tax in India – Tax Guide, Types & ITR Filing

Income tax is the annual direct tax on income which every individual, corporate firm, local authority or company is legally required pay to the government if they fulfil certain criteria. This tax on income is calculated on the net taxable income of a person or entity for the applicable fiscal.

In India, tax on income is applicable at incremental income tax slab rates i.e. lower income is taxed at a lower slab rate (including nil rate) and higher income features a higher slab rate. The income tax cycle in India currently coincides with the start of the fiscal on 1st April of the year and ends on 31st March of the next calendar year.

What is Income Tax?

Income tax is a tax charged on the annual income earned by an individual. The amount of tax that must be paid will depend on how much money you earn as income over the course of a financial year. Taxpayers can make their income tax payment, TDS/TCS payment, and Non-TDS/TCS payments online as well. All relevant details must be filled by taxpayers in order to make these payments. The process to make the payments online is simple and can be completed quickly.

The income tax you pay every month or upon every contractual earning is what forms a large part of the revenue for the Government of India. These revenue functions are managed by the Ministry of Finance, which has delegated the responsibility to managing direct taxes to the Central Board of Direct Taxes (CBDT).

How to file Income Tax Return?

Here is all you need to know about how to file ITR online. Before you file your taxes, you will need your Form 16, provided by your employer, and any proof of investment. Using that you can compute the tax payable and refunds, if any, for the year. You can download the IT preparation software from the IT department's website. Once you have all the documents ready, you can start the filing process.

e Filing Income Tax in India

e-Filing Income Tax Return, TDS return, AIR return, and Wealth Tax Return can be completed online on <https://incometaxindiaefiling.gov.in>. E-filing your return has obvious advantages like the fact that you won't have to deal with the hassle of paperwork and waste time sorting through it all. You can simply log on to the secure website and e-file your return.

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This government website also has provisions for you to submit returns, view form 26AS, outstanding tax demand, CPC refund status, rectification status, ITR – V receipt status, online application tools for PAN and TAN, e-pay your tax and even has a tax calculator.

Income Tax Department

A government agency that undertakes the direct collection of tax in India is the Income Tax Department. All operations of the department are handled by the Central Board for Direct Taxes (CBDT). Individuals can get various details such as international taxation, tax laws and rules, organisational setup, etc., on the official website of the department.

Income Tax Act

Passed in 1961 the Income Tax Act of India handles all income tax provisions as well as any tax deductions that may be applicable. Since its introduction, there have been many changes to the law because of economic situations and inflation.

Income Tax Rules in India

The legislature enacts the Income Tax Act, 1961, to administer and govern income tax in the country, but the Income Tax Rules, 1962, were created in order to help in the application and enforcement of the law constituted in the Act. Moreover, the Income Tax Rules can only be read in conjunction with the Income Tax Act. The Income Tax Rules are within the framework of the Income Tax Act are not allowed to override its provisions.

Who should pay Income Tax in India?

The amount of tax that must be paid depends on the individual's age and the income they make. The entities listed below are required to pay tax and file their income tax returns.

- Artificial Judicial Persons
- Corporate firms
- Association of Persons (AOPs)
- Hindu Undivided Families (HUFs)
- Companies
- Local Authorities
- Body of Individuals (BOIs)

Important Dates to Remember when Paying Income Tax

The important dates to remember for individuals who fall under the bracket to pay Income Tax for the year (FY 2019-20 & AY 2020-21) is mentioned in the table below:

Important Due Dates	The task that must be completed
Before January 31	Individuals must submit their proof of investment
Before March 31	It is deadline before which any investments under Section 80C of the Income Tax Act, 1961 must be made
Before 31 July	Due date to file income tax return
Between October and November	Tax returns must be verified by this time

Income Tax Collection

Taxes are collected by the government in three primary ways:

1. Voluntary payment by taxpayers into designated banks, like advance tax and self-assessment tax.
2. Taxes Deducted at Source (TDS) which is deducted from your monthly salary, before you receive it.
3. Taxes Collected at Source (TCS).

Under the Department of Revenue of the Ministry of Finance, the Income Tax Department (IT Department) is responsible for monitoring the collection of Income Tax, Expenditure Tax, and various other Financial Acts that are passed every year in the Union Budget. The Central Board of Direct Taxes (CBDT) regulates the policy and planning of taxes. CBDT is also responsible for administering the direct tax laws through the IT Department. In addition to the collection of taxes, the IT department is also involved in prevention and detection of tax avoidance.

How to Calculate Income Tax?

Income tax calculation can be done either manually or by using an online income tax calculator. The amount of tax that must be paid will depend on the tax slab under which you fall. For salaried employees, income from salary includes the basic pay, House Rent Allowance (HRA), Transport Allowance, Special Allowance and any other allowances. However, certain components of your salary are tax exempt, like Leave Travel Allowance (LTA), reimbursement of telephone bills, etc. In case HRA is part of your salary and you reside in a rented house, you are eligible to claim exemption. Apart from these exemptions, there is a standard deduction of up to Rs.50,000.

Online Tax Calculator

Payment of Income Tax Online

Taxpayers can pay direct taxes online by using the e-Payment facility. In order to avail the online tax payment facility, taxpayers must have a net-banking account with an authorised bank. The Permanent Account Number (PAN) or Tax Deduction and Collection Number (TAN) will have to be provided for validation as well.

ITR Forms

If an individual needs to claim income tax refund, he/she will need to first file the income tax return. Depending on the income assessment group,

ITR Form Name	Description
ITR-1	For Individuals having Income from Salaries, One house property, Other sources (Interest etc.)
ITR-2	For Individuals and HUFs not having Income from Business or Profession
ITR-2A	For Individuals and HUFs not having Income from Business or Profession and Capital Gains and who do not hold foreign assets
ITR-3	For Individuals/HUFs being partners in firms and not carrying out business or profession under any proprietorship
ITR-4	For individuals and HUFs having income from a proprietary business or profession
ITR-4S	Presumptive business income tax return
ITR-5	For persons other than, - (i) individual, (ii) HUF, (iii) company and (iv) person filing Form ITR-7
ITR-6	For Companies other than companies claiming exemption under section 11
ITR-7	For persons including companies required to furnish return under sections 139(4A) or 139(4B) or 139(4C) or 139(4D) or 139(4E) or 139(4F)
ITR-V	The acknowledgment form of filing a return of income

the individual will need to submit one of the ITR forms listed below:

In order to file the ITR, an individual will require producing the bank statement, Form 16, and a copy of previous years' return. The individual will need to visit the Income Tax Department's website - <https://incometaxindiaefiling.gov.in/> to register and file the returns.

Income Tax Refund

In case you have paid more tax than your actual tax liability, you will be eligible to claim an income tax refund of the extra money you have paid. For example, if your TDS liability for FY 2019-20 was Rs.35,000 and your employer deducted Rs.40,000 instead, you can claim a refund for the additional Rs.5,000 that was deducted. You can also claim an income tax refund in case you forgot to declare your tax-saving investments and tax has been charged to you without taking your deductions into consideration. Individuals can check income tax refund status on the official website of Income Tax Department

Income Tax Saving Investments

Declaring investments - From HRA, Life Insurance Premiums, National Savings Certificate, Leave Travel Allowance to Fixed Deposit (minimum of 5 years), ELSS Tax Saving Mutual Funds, and more, by ensuring that you have declared all your investments, you can achieve more deductions on tax. The following options can be considering for saving on income tax

1. Investment options

- Mutual funds such as Equity Linked Savings Schemes (ELSS) can be claimed for tax deduction under Section 80C. Compare to fixed deposits and PPF's, the ELSS offers shorter lock-in period and more benefits when it comes to making money.
- Unit Linked Insurance Plans (ULIP) are insurance schemes that are linked to the market. The investment made under ULIP qualifies for tax deductions.

2. Insurance

- Life insurance and health insurance - The money paid towards life insurance and health insurance policies are considering for tax deductions under Section 80C

3. Home Loans

- When we take a loan for buying a house or for renovation purpose, we are eligible for tax deductions up to Rs.1.5 lakh for a financial year.

You can also consider the following options for reducing tax amount on your income

- Fixed Deposits (FD) - An FD with a lock-in period of five years can help you save on tax while earning the interest on the deposited amount.
- National Saving Certificate (NSC) - The NSC offers a safe and reliable method of investing money. You can deposit as low as Rs.100 for a 5-10 year lock-in period. The investments made under NSC are eligible for tax deductions.
- Provident Fund (PF) - You can also choose to invest more amount towards your PF account that will help you reduce your taxable amount.

Advance Tax

The calculation of tax liability before-hand and paying the taxes to the government accordingly is called advance tax. There are certain

Due Date	Advance Tax Payable
On or before 15th June	15% of advance tax
On or before 15th September	45% of advance tax
On or before 15th December	75% of advance tax
On or before 15th March	100% of advance tax

deadlines for the advance tax payments. These deadlines are listed below:

Calculation of advance tax

- Step – 1: An individual will be required to find his/her estimated total income by finding out the sum of all the invoices which have been received along with the future payments which he/she will be receiving till the end of the financial year, i.e. 31 March.
- Step – 2: The direct expenses related to the business and the investments under Section 80C are to be deducted from the estimated total income to derive the total taxable income.
- Step – 3: The next step is to determine the total tax liability for the financial year.
- Step – 4: The TDS or tax deducted at source should be deducted from the total tax liability.
- Step – 5: In case the amount of tax liability after deducting the TDS is more than Rs.10,000, the individual will be required to pay advance taxes on or before the due dates which are mentioned above.

What Deductions are allowed for Income Tax?

Deductions for your taxable amount are available under various sections of the Income Tax Act, 1961. Deductions will have to be mentioned in the relevant ITR form at the time of e-filing income tax returns.

- Section 80C
Deductions under this section are only available to individuals and HUF. This section allows for certain investments like NSC, etc. and expenditures to be exempt from taxation up to the amount of Rs.1.5 lakh
- Section 80CCC
Deductions under this section are on payments made to LIC or any other approved insurance company under an approved pension plan.

The pension policy must be up to Rs.1.5 lakh and be taken for the individual himself out of the taxable income.

- Section 80CCD

Deductions under this section are for contributions to the New Pension Scheme by the assessee and the employer. The deduction is equal to the contribution, not exceeding 10% of his salary.

The total deduction available under Section 80C, 80CCC and 80CCD is Rs.1.5 lakh. However, contributions to the Notified Pension Scheme under Section 80CCD are not considered in the Rs.1.5 lakh limit.

- Section 80D

This is the section that deals with income tax deductions on health insurance premiums paid. In the case of individuals, the insurance policy can be taken to cover himself, spouse, dependent children – for up to Rs.15,000 and parents (whether dependent or not) – for up to Rs.15,000. An additional deduction of Rs.5,000 is applicable if the insured is a senior citizen. In the case of HUF, any member can be insured, and the general deduction will be for up to Rs.15,000 and an additional deduction of Rs.5,000.

A total of Rs.2.0 lakh can be claimed as deductions whether the assessee is an individual or a HUF.

- Section 80DDB

This section is for deductions on medical expenses that arise for treatment of a disease or ailment as specified in the rules (11DD) for the assessee, a family member or any member of a HUF.

- Section 80E

This section deals with the deductions that are applicable on the interest paid on education loans for an education in India.

- Section 80EE

This section deals with tax savings applicable to first time home-owners. Applies for individuals whose first home purchased has a value less than Rs.40 lakh and the loan taken for which is Rs.25 lakh or less.

- Section 80RRB

Deductions with respect to income by way of royalties or patents can be claimed under this section. Income tax can be saved on an amount up to Rs.3.0 lakh for patents registered under the Patents Act, 1970.

- Section 80TTA

This section deals with the tax savings that are applicable on interest earned in savings bank accounts, post office or co-operative societies. Individuals and HUFs can claim a deduction on an interest income of up to Rs.10,000.

- Section 80U

This section deals with the flat deduction on income tax that applies to disabled people, when they produce their disability certificate. Up to Rs.1.0 lakh can be non-taxed, depending on the severity of the disability.

- **Section 24**

This section deals with the interest paid on housing loans that is exempt from taxation. An amount of up to Rs.2.0 lakh can be claimed as deductions per year, and is in addition to the deductions under Sections 80C, 80CCF and 80D. This is only for self-occupied properties. Properties that have been rented out, 30% of rent received and municipal taxes paid are eligible for tax exemption.

FAQ's on Income Tax

1. Who is required to pay income tax?
Any individual or artificial body or group of individuals that earn more than the basic exemption limit are expected to pay income tax.
2. Why is income tax collected?
Income tax is collected by the government for a host of reasons which include paying off the salaries of the state and central government employees and for meeting infrastructural expenses. The income tax collected by the government acts as a source of income on the basis of which the development of the nation is taken care of.
3. What type of tax is income tax?
Income tax is a direct tax. That is, income tax is a tax which is paid by the liable entity directly to the entity which imposes the tax. In the case of income tax, the imposing party is the government while the liable party is the one who is drawing an income against which the tax liability arises.
4. Where should I invest to save income tax?
There are various instruments in which you can invest to save tax. Some of the most common options available to you include PPF, National Savings Certificate, National Pension System, ELSS schemes, etc.
5. Do you have to pay taxes if you earn income in cash?
Yes, income tax is charged even on income which is earned in cash. However, if the cash credit is unexplained, the tax is charged at a flat rate of 60% and no other tax benefits in terms of exemption are applicable. On top of that, there is a surcharge of 25% along with which a penalty of 6% is charged.
6. How much is tax free income in India?
There are two different tax regimes which are currently used in India to file income tax returns. However, the tax-free income is the same on

the basis of both the old regime and the new regime. In both cases, annual income of up to Rs.2.5 lakh is tax free.

7. Is the due date for filing income tax returns the same for all taxpayers?

All individuals and assesseees who do not require their accounts to be audited will have to file their income tax returns by July 31. However, companies, individuals and working partners of firms whose accounts must be audited are required to file their income tax returns by September 30. Assesseees who are required to submit a report under Section 92E of the Income Tax Act must file their returns by

What is a Direct Tax and how does it differ from Indirect Tax?

Taxes are typically divided into 2 key categories – direct tax and indirect tax. Direct taxes are payable directly by the assessee to the government and the most common examples are income tax and corporation tax. In case of an indirect tax, the tax burden is passed on to a different entity/individual after it has been paid by the tax payer to the government. Common examples of indirect tax are VAT (Value added Tax) and GST (Goods and Services Tax). While income tax in India features different slab rates, indirect taxes tend to feature different rates that usually vary based on the product or service being taxed.

Who needs to pay Income Tax?

Under existing rules of the IT Act, any individual/business with income irrespective of the amount earned is liable to file income tax returns. But, currently tax on income is payable only if the net taxable income for a fiscal exceeds Rs. 2.5 lakh. The following are the key types of individuals and entities who are liable to pay tax provided their net taxable income for FY 2018-19 exceeds the prescribed limit:

- Salaried individuals
- Self-employed individuals
- Self-employed professionals
- Hindu Undivided Family (HUF)
- Legally recognised artificial persons
- Body of Individuals (BOI)
- Association of Persons (AOP)
- Companies and corporate firms
- Local Authorities

What are Income Tax Slab Rates?

Income in India is taxable according to prescribed income tax slab rates that vary based on the net annual income of the tax assessee. The slab rates for taxation of income are progressive in nature i.e. the slab rate

increases with the net annual income of the individual. The slab rates for tax on income are liable to be changed periodically and are announced as part of the Union Budget announcement. The income tax slab rates for financial year 2018-2019 i.e. assessment year 2019-2020 are as follows:

Income Tax Slab for Individuals

Income Slab	General Category	Senior Citizens (60 years and above but below 80 years)	Very Senior Citizens (above 80 years)
Up to ₹ 2,50,000	Nil	Nil	Nil
₹ 2,50,001 – ₹ 3,00,000	5 %	Nil	Nil
₹ 3,00,001 – ₹ 5,00,000	5 %	5 %	Nil
₹ 5,00,001 – ₹ 10,00,000	20 %	20 %	20 %
Above ₹ 10,00,000	30 %	30 %	30 %

For income:

- Between ₹ 50 Lakhs to ₹ 1 Crore – A surcharge of 10% of the income tax has to be paid as well.
- Above ₹ 1 Crore – A surcharge of 15% of the income tax has to be paid.

4% of the income tax has to be paid as Health and Education Cess by all taxpayers irrespective of the slab they fall into.

Income Tax Slab for Businesses

For co-operative societies:

Income tax slabs	Income tax rates
When income is within ₹ 10,000	10 % of the income
When income lies between ₹ 10,000 – 20,000	20 % of the amount which exceeds 10,000
Above ₹ 20,000	30 % of the amount which exceeds 20,000

Type of Holding period
capital asset

Tax rate

House Property	Holding more than 24 months – Long Term Holding less than 24 months – Short Term	20% Depends on slab rate
Debt mutual funds	Holding more than 36 months – Long Term Holding less than 36 months – Short Term	20% Depends on slab rate
Equity mutual funds	Holding more than 12 months – Long Term Holding less than 12 months – Short Term	Exempt (until 31 March 2018) Gains > Rs 1 lakh taxable @ 10% 15%
Shares (STT paid)	Holding more than 12 months – Long Term Holding less than 12 months – Short Term	Exempt (until 31 March 2018) Gains > Rs 1 lakh taxable @ 10% 15%
Shares (STT unpaid)	Holding more than 12 months – Long Term Holding less than 12 months – Short Term	20% As per Slab Rates
FMPs	Holding more than 36 months – Long Term Holding less than 36 months – Short Term	20% Depends on slab rate

For Firms and Domestic Companies:

- The slab rates do not apply in the case of domestic companies, local authorities and firms.
- A tax of flat 30% is computed on the total income.
- A surcharge of 7% is levied on domestic companies if their total income exceeds ₹ 1 Crore.
- A surcharge of 12% is levied on domestic companies if their total income exceeds ₹ 10 Crore.
- An education cess of 3% of tax plus surcharge is also charged from such entities

One must bear in mind that not all income can be taxed on slab basis. Capital gains income is an exception to this rule. Capital gains are taxed depending on the asset you own and how long

you've had it. The holding period would determine if an asset is long term or short term. The holding period to determine nature of asset also differs for different assets. A quick glance of holding periods, nature of asset and the rate of tax for each of them is given below.

Filing Returns is Mandatory

- The Income Tax Department is responsible for activities related to the taxation process.
- At the end of the financial year, every tax payer has to declare his income to the Income Tax Department in a form prescribed by the Govt. of India.
- It is mandatory for individuals and entities earning income in India to file a return, irrespective of the tax being deducted at source.
- This ITR (Income Tax Return Form) summarizes income earned in a particular financial year.
- The income can be from business, salary, pension, income from housing property, or even income from capital gains.

Avoiding Penalties

- By filing the ITR form (Income Tax Return form) you inform the government about your earnings and the tax paid on it.
- When you file the Income Tax Return, it is a proof of the income on which you have paid the tax.
- As per the Income Tax Act, it is mandatory to file ITR every year.
- Not filing Income Tax Returns can have serious implications. The IT Department may consider you as a tax defaulter.
- It can attract penalties from the Income Tax Department.
- If you have paid more tax than required, the excess amount paid by you will be refunded.

What are the different Types of Taxable Income?

Under existing rules of the Income Tax Act 1961, the following are the key types of income that are subject to taxation as per the applicable rates:

- Income from Salary
- Income from Capital Gains
- Income from House Property
- Income from Business
- Other income such as lottery and other legal gambling, dividend income, etc.

Advantages of Filing Income Tax Return (ITR)

Tax returns should be filed by an individual who has a taxable income. If you are below 60 years of age and have an income up to ₹ 2.5 lakhs, you are exempted from paying income tax. It has been seen that many salaried individuals are under the impression that their employer has deducted tax at source and hence their liability is over. Filing IT returns and income tax payment are two separate obligations. Even if you do not have a tax liability, you should file your income tax returns. There are several advantages of filing tax returns:

- Facilitates easy processing of loans
- For VISA processing, return filing is mandatory
- Quick registration of immovable properties is possible
- A credit card will not be issued by the bank till an applicant files his returns regularly
- Filing income tax returns helps set up a record with the Income Tax Department

Filing Income Tax Returns

According to the Income Tax Act, it is mandatory to file income tax returns if:

- If your gross total income is over ₹ 2,50,000 in a financial year. This limit exceeds to ₹ 3,00,000 for senior citizens and ₹ 5,00,000 for citizens who are above 80 years.
- You exist as a company irrespective of whether you witness a loss or profit.
- You look forward to claiming an income tax refund.
- Filing income tax return is mandatory if you are a resident of India and you have assets outside India.
- If you receive income from a property held under a trust for religious and charitable purposes, a research association, a political party, educational institution, news agency, medical or educational institution.
- In case of NRIs, income earned in India is taxable.

E-filing Income Tax

- For the first time in the year 2006-2007, the e-filing facility was introduced by the Income Tax Department.
- The benefit of e-filing has been extended to all assesseees
- It is mandatory for firms and companies which require statutory audit under section 44AB.
- At present, a significant section of tax payers are e-filing income tax returns.
- The income tax department hopes to bring all the returns online.

- You can e-file your income tax returns at <https://incometaxindiaefiling.gov.in/>.
- e-filing returns has several advantages, like you don't have to perform paperwork and waste time sorting them out.
- With the click of a mouse, you can log in to the secured website and file income tax returns online.

Before you make your income tax payments you should have a working knowledge of how income tax is computed. This will not only give you an idea on how much you have to pay but also find out ways in which you can save tax. If you are aware of the income tax slabs, computing the tax amount is easy. The final tax which is payable is calculated by applying the tax rates which are in force and then by deducting the taxes which have been paid through TDS (tax deduction at source).

To save the maximum amount of tax, it is necessary that you examine the deductions which have been defined under the different sections of IT Act, 1961. Certain investment avenues such as National Savings Certificate and Public Provident Fund are eligible for deduction under section 80C of the IT Act 1961. However, most tax payers tend to ignore a range of investment avenues which are eligible for tax concessions. Here is a quick rundown on investments which qualify for deductions under different sections of the Income Tax Act: Under section 80C, the Income Tax deductions are allowed for the following:

1. Tax Saving Mutual Fund
2. Tax Saving Fixed Deposit
3. National Savings Certificate
4. Repayment of the principal on a housing loan
5. Life insurance policy premium
6. Equity Oriented Mutual Funds
7. Contributions made to Employee Provident Fund
8. Under section 80C, the tax exemption limit is ₹ 1.5 lakhs.

Deductions allowed under various Sections

A taxpayer can claim for additional deductions under various sections. Some of these are mentioned below:

- Under Section 80CCC, contributions to annuity plans such as LIC are considered for tax benefit up to ₹ 1.5 lakhs.
- Interest on savings account is tax exempt up to Rs. 10,000 annually under Section 80TTA.
- Investment in Rajiv Gandhi Saving Scheme is eligible for deduction under Section 80CCG.

- Under Section 80D, if an individual makes a payment for medical insurance premium for his spouse, children or his own self, he can claim income tax deduction for the same for ₹ 25,000. For senior citizens, the limit has been extended to ₹ 30,000. Additionally, preventive health check-up costs till ₹ 5000 per family qualify for tax deductions.
- Under Section 80DD, if a family member of the tax payer is suffering from 40% disability, he can claim deductions for up to ₹ 75,000 for spending on medical treatments for disabled dependents.
- Under Section 80DDB, a person is allowed deductions if he pays an amount of ₹ 40,000 or more on treatment of specific diseases which includes malignant cancers, neurological diseases, chronic renal failure, haematological disorders and AIDS.
- If you have taken an education loan and you are repaying the interest, you will qualify for income tax deductions under Section 80E. However, deductions are not allowed for repayment of the principal amount of the education loan.
- Under Section 80G, 80GGA, 80GGB, 80GGC, if a person has made donations to an approved body during a financial year, he will qualify for deductions.
- A standard deduction of ₹ 40,000 has been introduced in Budget 2018 for the salaried class in lieu of Medical Reimbursement and Transport allowance. This deduction is allowed irrespective of expenses incurred by the employee. The assessee does not have to submit actual bills to claim this deduction.

About Income Tax Rebate

A number of confusions arise when terms like income tax rebate, income tax exemption and income tax deduction are used. Although all these terms are beneficial to the tax payer, they have different meanings.

- Income tax rebate includes those items which can be claimed from the total tax payable.
- Tax deductions and tax exemptions are claimed from the income whereas in case of rebates, claims are made from the tax payable.
- You can claim an Income Tax rebate under section 87A when you file the income tax returns.
- A rebate will be available if the tax payer is a resident individual who has not crossed the 80 year mark and whose taxable income is ₹ 5,00,000 or less.
- Hindu undivided Families, companies, trusts, LLP, partnership firms and NRIs are not eligible for tax rebate.

Difference between "Deduction" and "Exemption"

- Both tax exemption and tax deduction are tax relief which are extended by the government to the tax payers.
- If an income is eligible for tax exemption, that particular income will not be liable for taxation.
- It means that the income is completely tax free and is not included when computing the total taxable income.
- In case of deductions, initially the income is included when the total income is computed.
- If you qualify as per the guidelines provided for a deduction, the income tax deduction will be available to you.
- In case of tax deduction, the income tax liability decreases by a specific amount for investing in a particular avenue.
- In case of deductions, a monetary ceiling may be specified whereas generally there is no limit on exemption.

Useful Income Tax Exemptions for the Salaried

As per the Income Tax Act, salaried employees are eligible for several income tax exemptions. It is necessary that the salaried employees intimate the employer that they are claiming these exemptions. While deducting the TDS, the employer would then compute the tax on the balance income. Let's take a look at the tax deductions in details:

- Most employers give their employees a house rent allowance. As per the Income Tax Act, a portion of the HRA is exempted from tax.
- Some employers also give special allowance to the employees. A certain part of this amount is exempted from tax provided the vacation was within India.
- In most cases, employees are eligible for leaves when they serve an organization. When they do not claim these leaves, they can encash these leaves. The amount which is received as leave encashment can also be claimed as exemption.
- Up to a certain limit, tax exemption is also given on pensions.
- At times, some employees opt for a voluntary retirement (VRS) before the age of retirement. In such cases, the employer pays out an amount of money to the employee. This amount received by the employee in the event of VRS is exempted from tax.
- Several other allowances such as children education allowance and transport allowance are exempted from tax but only up to a certain limit.

An Insight Into Tax Planning

- As a tax payer, you should be aware of the tax planning strategies to minimize the tax payout.
- Tax planning is a way by which you take the full advantage of deductions, exemptions, reliefs and rebates while strictly following the law.
- With proper tax planning, you can reduce your tax liability and pay lesser tax.
- It is important that you focus on the sections in which you can save the most.
- For long, insurance has been a front-runner among instruments which are considered for tax saving.
- For young earners who lie in the age bracket of 23 to 30, it is a good idea to get life insurance and health insurance cover.
- As it is the starting phase of their career, it is the right time to start saving for the future.
- For tax planning, it is best to get in touch with a tax consultant.
- Tax consultants also known as tax advisers have an understanding of the regulations regarding individual and businesses taxes.

Tax Planning without the help of a Consultant

- The prime objective of tax planning should be to reduce tax liability.
- It is every taxpayer's wish that he has the ability to retain maximum part of his earnings.
- It would totally be in the interest of the assessee to plan his taxes well in advance, avail the exemptions and deductions.
- If you do the tax planning you, it can be both challenging and rewarding.
- You have the advantage of choosing a tax saving instrument which best suits your needs.
- At the same time it is challenging, as a wrong decision would mean that you are stuck with an unsuitable investment for 3 to 5 years, if not more.

Q- What is the difference between TDS and income tax?

You are eligible to get an income tax refund from the government if you have paid taxes in excess of your financial liability for the applicable financial year. Your applicable refund amount will be calculated at the time of filing ITR and credited to you as and when the refund has been processed by the income tax authorities.

Q- What is difference between professional tax and income tax?

Professional tax is a state level tax applied on the income earned by individuals within the specific state. Currently professional tax is applicable only to individuals located in specific states in India that collect professional tax and the rate of professional tax as well as exemption limit varies from state to state. On the other hand, income tax is a central tax i.e. it is payable to the central government tax authorities by the tax assessee and rate of taxation is the same all over India. It is also notable that the amount paid in lieu of professional tax gets deducted from income tax liability of the tax assessee at the time of Income Tax filing.

Q – What is the difference between income tax and income tax return?

Income tax is the tax payable by an individual/firm/group for the income earned by them during the applicable financial year. The income tax liability of a tax assessee is calculated based on the applicable income tax slab rate and subject to other factors such as rebate, tax saving investments, etc. On the other hand, income tax return is an annual record of income earned, tax liability, tax paid, investment made, etc. during the applicable year. This record is to be submitted to the applicable tax authorities in a prescribed format known as the income tax return form. This process of submitting the income tax return form is known as income tax return filing. Thus income tax is the tax payable on income while income tax return is the annual record of income and tax details that need to be submitted by the assessee to the tax authorities.

Q – What is the difference between a tax and a duty?

A tax is a type of payment that needs to be paid by an individual or organisation with respect to income or expenditure. Tax on income is termed as income tax and is an example of direct tax, while tax payable on consumption is termed as indirect tax. A duty is also a type of tax however it is only applicable to imports/exports. When this duty is applied by the importing country, it is termed as import duty, while when the duty is applied by the exporting country, it is termed as export duty.