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The taxman is watching

Tax authorities are sending notices for the smallest of errors in income tax returns. Find out what you should do to avoid getting one. **P2**

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taxpayers getting "tax bills" in the case of integrated tax benefits, you will be required to deduct TDS on such payments and pay it through Form 16/16B within 15 days of the date of deduction.

Your work doesn't end there. You also need to cover TDS details of the seller too in Form 16B/16A as per law. (Details of TDS or deduction, if other firms will not only get you a bill but also offer an interest and a fee of TDS per day (one percent) to take others into account, you have to deduct TDS from the gross amount to which other firms will apply the work. "Usually, others will not report, but it will be deducted TDS separately and it is given Form 16B," says Bhatia.

Not deducting TDS on rent

The government extended TDS on rent to all other states that notified it in 2011. Earlier, it was applicable only to those who are required to deduct tax amounts as per the tax law. If you pay rent above ₹50,000 per month, you have to deduct 1% TDS from the rent you pay to the landlord for the flat (not the financial year). "You don't deduct tax on the liability," Bhatia explains. "TDS is not compulsory with the tax law. The tax law says you have to get a receipt equal to the TDS amount," says Gupta.

Just like TDS on property calculation, error or incorrect order amounts can also land you in trouble with the tax man. One common mistake is to not deduct TDS on the total rent paid in a financial year instead of every month. "The condition of TDS is often not mentioned as applicable to one above ₹5 lakh per year. It is for the rent above ₹50,000 per month," says Bhatia. So, if the rent was ₹50,000 monthly for a few months in a year and total amount was less than ₹5 lakh, one may wonder the TDS is taking it's better to deduct each month. However, since the landlord will report this rental income in his return, you will come under scrutiny. "Whenever TDS is deducted,

TDS liability on rent and property purchase

TRANSACTION	TAX RATE	FORM TO USE*	PAYEE TO BE LASTED FIRST	PERCENTAGE OF TDS	THE LAST DATE**
Purchase of property	1% for purchase price > ₹50 lakh	Form 240B	• 1% interest per month from due date if TDS is deducted but not filed. • 1% interest per month from due date if TDS is not deducted. • Additionally, penalty up to ₹1 lakh if not filed within one year of the due date.	With every payment	Form 16B
	30% if the seller is an NR				
Rent	1% for rent > ₹50,000 per month	Form 240C	• 1% interest per month from due date if TDS is deducted but not filed. • Additional penalty equal to TDS if not filed within one year of the due date.	Once in a financial year	Form 16C

*As listed within 15 days of the end of month in which TDS is deducted. **Should be filed by the person lasted within 15 days of the last date of filing TDS.

Got a tax notice? Here's what you should do

You can respond to a tax notice by logging in to www.incometaxindiaefiling.gov.in. Different types of notices can be found under options on the dashboard in your account.

TYPES OF NOTICES

131(1A)

Assessing officer expects you have concealed income.

139(9)

Notice for defective return if wrong form is filed, or income details of a refund claim are missing, or there are multiple evolutions in filing.

143(1)

Default notice for additional tax or other required changes if there is a calculation error or incorrect information.

148

For assessment if some income has remained unassessed. A case up to six years can be reopened under this.

156

Default notice for the tax amount. Tax or penalty will be paid to the taxman.

HOW TO RESPOND

If you are unable to gather all the documents sought, and whenever you have submitted the details, along with an application seeking more time.

Respond within 15 days under 148, which is the response to Section 139(9) in person.

Respond within 30 days, find the notice under 139(1).

File a return if the income being asked is less than 10% of the returns for making a case if you want to contest the notice.

Pay dues within 30 days. Go to e-filing and then click on 'Respond to Outstanding Demand' to pay.



the tax department has information on the PAN details of both the deductor and the deductee. In case of a first query between the deductor and deductee to file the information for their use, an action may be taken," says Gupta. In the other example, the intention to deduct 1% TDS only for the months in which the rent was not paid is not allowed.

Mismatch in income, expenses

The IT department will now give you a year to file your return to correct a mismatch in expenses. Your expenses should be reported in the return, if it is related to foreign business. In any case, a letter may or may not be issued to the bill to show your declared income.

you will be a tax payer. "If you spend large amounts on entertainment with the expense disclosed in the ITR, you will have to disclose it in the ITR of your spouse," says Bhatia. Similarly, Missing Parties, Missing Advertisements, Children, Children.

To file now, the IT department is expected largely on annual information return (AAR) by banks, credit card companies, mutual funds and registrars who read into checks for other entities which had related bank accounts. This could force the entities to file under the return to show only their AAR information. "By using ITG data

and statements, authorities will be able to keep a better watch on high value transactions," says Bhatia. Even a slight discrepancy between what you declare in the return and what you actually spend will get you in the taxman's radar.

However, taxpayers can avoid worry about taxpayers. A working professional will not be audited but can spend beyond the annual limit for credit cards, hotel and restaurants, which the company reimbursement. However, the credit card company records on the transactions and high value transactions

and may report it to AAR. Or, you may have received a large sum as gift but not reporting it in the return. Such expenses can trigger taxman's suspicion but if you have documentary evidence, you should not get harassed. "Taxpayers should provide the relevant bills and other papers to explain the transaction to one of the category files of the tax department," says Kishor.

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