

March reminders for taxpayers

This month presents an opportune time to assess your investments



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March is a crucial time for all taxpayers to stay on top of their income tax responsibilities and make smart financial moves. Whether you are a salaried individual or running your own business, here is a simple breakdown of what you need to do before March 31.

Pay advance tax

March marks the final instalment deadline for advance tax payments for the financial year. To calculate your advance tax liability accurately, estimate your total income for the year, including salary, interest income, rental income, capital gains, and any other sources. Assess your tax liability and reduce the amount of TDS already deducted; any amount payable over and above the TDS should be deposited as advance tax before March 15. Advance tax needs to be paid by every individual with a tax liability exceeding ₹10,000 for the year. Failure to pay advance tax can lead to levy of interest and consequently, higher tax liability.

Tax harvesting

For those who have invested in stocks or mutual funds throughout the year, March is an important time to review their investments and potentially capitalise on tax benefits. Consider selling some of your long-term investments. By doing so, you can realise long-term capital gains (LTCG) of

up to ₹1 lakh. Then, after a one-day interval, you can repurchase the same shares or mutual funds. This strategy can help to reduce your tax burden over time while possibly increasing your overall returns. However, when you repurchase the shares, the date of acquisition will be adjusted, and the holding period will start anew from the repurchase date. If you sell these shares after repurchase within 12 months, any gains from the sale will be considered short-term capital gains, subject to a 15% tax on the appreciated value.

Ways to save on tax

March presents an opportune time to assess your investment portfolio and maximise contributions to eligible schemes. Section 80C of the Income Tax Act provides various avenues for taxpayers to claim deductions up to ₹1.5 lakh on investments made in specified instruments. Additional deductions for health insurance premiums (Section 80D), contributions to the National Pension System (Section 80CCD), interest on education loans (Section 80E), donations to approved charitable institutions (Section 80G) are also available.

Updated return

For those taxpayers who have not filed any returns for AY 21-22 (FY 20-21), March 31 is the last date before they can file an updated tax return. It is also the last chance for taxpayers to revise or update the ITR filed for AY 21-22 where income not reported correctly or wrong heads of income is chosen. However, you cannot file ITR-U if the overall tax due is to be reduced and losses increased, for refund or for increase in refund amount.

If all of this seems overwhelming or confusing, do not hesitate to seek help from tax consultants or chartered accountants.

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