

E-NEWSLETTER

TOP 5 MISTAKES WHILE FILING IT RETURN (ITR-7) & HOW TO AVOID

ISSUE NO 28. | NOVEMBER 2020 | Volume I



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The Income Tax Return filing is a simple yet complicated exercise. Though the Government has taken multiple steps to ease the filing of the returns for the taxpayers but still many face challenges as not all are well-versed with the terminologies used in taxation. Moreover, with regular amendments and reforms in direct taxation and return forms (ITR), it has now become very crucial to fill the income tax returns with utmost accuracy and precision. Previous year in the Budget 2019, even the dates for filing revised returns and belated returns was amended and cut short. Now the returns can be revised only till the end of the assessment year as against the previous timelines of 12 months from the end of the relevant assessment year. Moreover, from filing to monitoring and processing of returns is now completely online. The times when through offline methods, the returns could be corrected are now gone. Hence, it is very important that extreme care is taken while filling the details and financial figures and to ensure that the source of such details/ figures are authentic enough to be used for filling the return form.

So, in this newsletter the Team NGOenable have compiled the top 5 mistakes, registered charitable organizations do, while filling their income tax returns which might lead to raising of huge tax demands and penalties or unprocessed refunds on part of the income tax department.

TOP 5 MISTAKES IN IT RETURN FORM AND WHAT CAN BE DONE TO AVOID !!

1. INCOMPLETE OR INCORRECT REGISTRATION DETAILS

Many organizations do not fill the proper registration details or incorrect section under which exemption needs to be claimed.

WHAT SHOULD BE DONE?

FILLING ACCURATE AND COMPLETE REGISTRATION DETAILS

The organizations should keep 12AA/12A and 80G certificate handy while filling income tax returns in order to ensure accurate registration details are filled in. Apart from this, the management should be well aware of the section under which exemptions are being claimed {which is usually Section 11 & 12 or Section 10(23C) with various sub-clauses}. Claim of exemption under the incorrect section might also lead to return processed as defective.

2. DETAILS OF ACCUMULATION IS NOT FILLED

The table related to details of amount accumulated over the year u/s 11(2) is not filled or filled incorrectly due to unawareness of the details asked for.

WHAT SHOULD BE DONE?

FILLING ACCURATE AND COMPLETE DETAILS

The organizations should keep Form 10 of at least previous 5 years handy while filling Schedule – I of ITR -7 in order to ensure the completeness and accuracy of the figures in the relevant columns of the given schedule.

If any amount from earlier years accumulation has been utilized, the same should cross-tally with the details provided in the Part E and Part A of Schedule ER and Schedule EC respectively where the source to meet the revenue or capital expenditure is required to be given.

3. CONFUSION IN SECTIONS OF THE ACT WHILE FILLING DETAILS IN STATEMENT OF INCOME

Many organizations are still unaware of the various sections and their sub-clauses and while filling the statement of income, the figures are mistakenly interchanged in the ITR Form. Often it is seen that the major confusion lies between amount set apart as per Explanation 2 to Section 11(1) and amount statutorily accumulated u/s 11(1)(a) which should not exceed 15% of the total income.

WHAT SHOULD BE DONE?

The organizations should keep Form 10B (the auditor's report) for the relevant year handy while filling the statement of income as all the figures to be filled therein are mentioned in the auditor's report under the almost similar heading.

Moreover, one should also have a general awareness of various sections mentioned therein before filling the ITR Form to ensure correctness of data.

4. DETAILS RELATED TO VARIOUS FORMS NOT FILLED

Sometimes it so happens that due to non-application of minimum 85% limit of total income, the organizations set apart or accmulate the balance under the relevant sections of the Act so that the shortfall can be considered as deemed to be applied and the provisions are duly complied with. Accordingly the related forms need to be filed before filing of ITR Form and the relevant details have to be filled while doing so, which any a times is given a miss due to lack of awareness on the same. Non-filing of such details might lead to raising of huge tax demands by the department as such amounts are not considered as deemed application if either the relevant forms are not filed or the related details are not properly filled in the ITR Form.

WHAT SHOULD BE DONE?

Firstly, one need to ensure that Form 9A or Form 10 as may be applicable depending on whether the amount has been set apart u/s 11(1) or accumulated u/s 11(2) has been duly filed or not. Secondly, the acknowledgement receipt of such forms along with that of Form 10B (the auditor's report) should be kept handy and the details such as date of filing, amount etc.. needs to be accurately filled wherever required.

5. TDS CREDIT AND BANK DETAILS NOT FILLED PROPERLY

Many organizations fail to take the credit of TDS/TCS as reflected in their Form 26AS due to which even the legitimate refund amount for which they are eligible remains unclaimed for years. Similarly, due to incorrect bank details such as wrong input of account number or IFSC Code, or mismatch of accountholder's name with name in PAN etc..., many refunds remain unprocessed with the department.

WHAT SHOULD BE DONE?

The organizations should keep Form 26AS and the relevant bank statements of all the accounts held in the name of the organization handy while filling the details in the ITR Form in order to ensure completeness and accuracy of details.