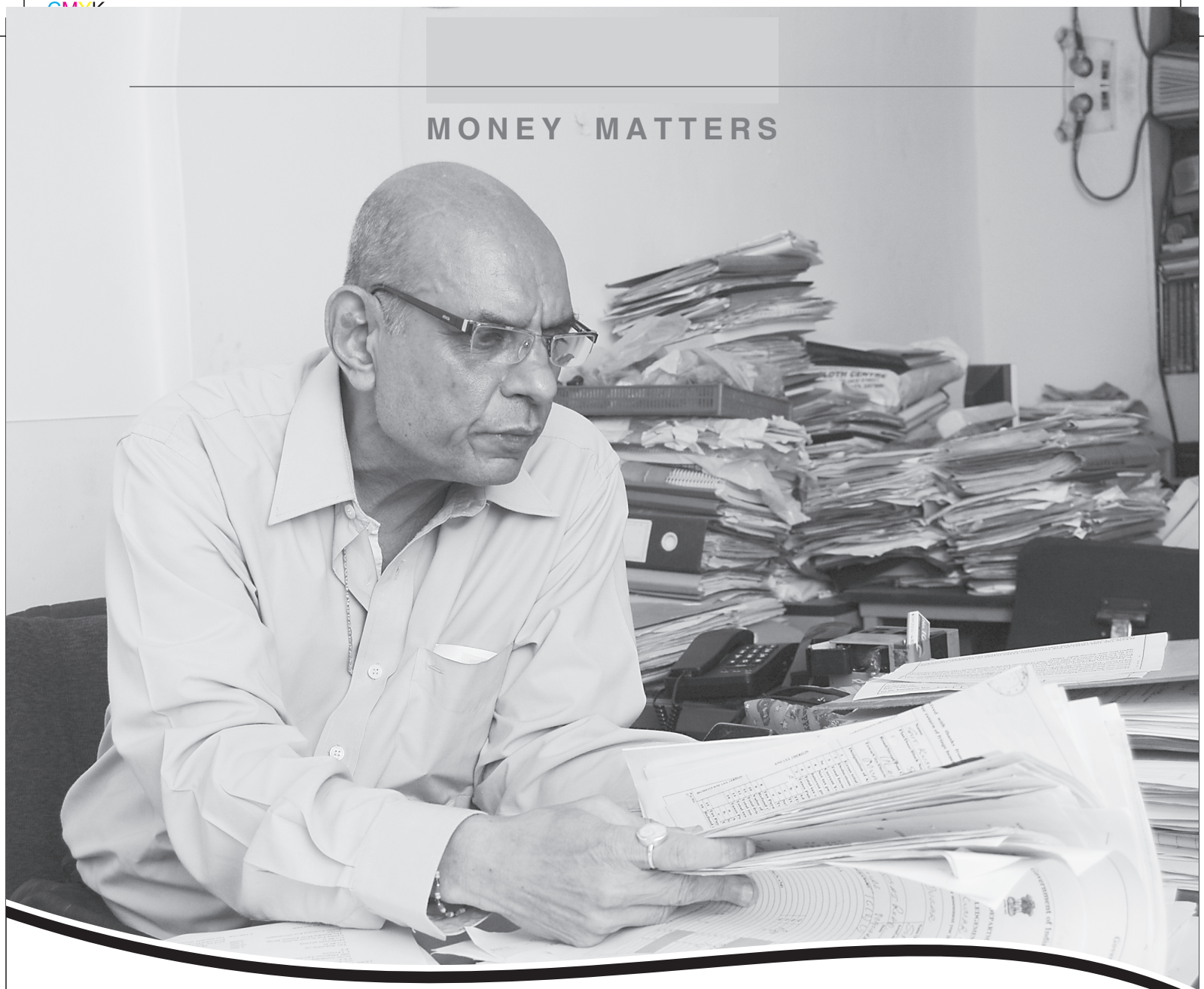


Missed Your IT Deadline?

The deadline for filing income tax returns for an individual assessee is 31st July. In spite of your best intentions and efforts (or, out of plain laziness!), you couldn't file your income tax return on time. You missed the due date! What happens if you don't file before the deadline? What are your options? Read on to find out from **Raag Vamdutt**, financial expert.

What happens if you miss the deadline of July 31st for filing your tax returns? Is there any penalty? If yes, how much is the penalty? Is there anything you can do to make this right? These are the questions troubling many of us who have not been able to file income tax returns by the due date of 31st July.

Let's understand what the implications of not filing the income

tax return on time are, and the steps you can take to correct the situation.

Scenario 1: You don't have any Net Tax payable

(Net Tax Payable is any tax payable after the TDS and advance tax paid are considered)

If this is the case, you are relatively lucky!

The income tax return for a given assessment year can be filed any time till the end of that assessment year without any penalty. If it is filed after the end of the assessment year, there is a lumpsum penalty of Rs 5,000.

For the current Assessment Year 2009-10, we are filing returns for the Financial Year 2008-09. Even if you miss the last date of filing the return (31st July), you can file the return any time till 31st March 2010 without paying any penalty. If you file the return after 31st March 2010, there would be a penalty of Rs. 5,000.

Scenario 2: You do have some Net Tax payable

If you need to pay any balance tax, there is some financial implication.

The basic principle remains the same: If it is filed after the end of the assessment year, there is a lumpsum penalty of Rs 5,000. On top of this, there is a penalty of 1 per cent per month on the net tax payable.

So, if you miss the 31st July deadline of filing the return, you can file the return any time till 31st March 2010 by paying a 1 per cent per month penalty on the outstanding tax payable amount.

If you file the return after 31st March 2010, you would have to pay a 1 per cent per month penalty on the outstanding tax payable amount, and there would be a lumpsum penalty of Rs 5,000.

Let's take an example. Say, your income tax liability for the year is Rs 40,000. You have TDS (Tax Deducted at Source) of Rs 30,000, and you have paid an advance tax of Rs 6,000. Thus, the remaining tax payable by you is:

Net Tax Payable = Income tax liability for the year – TDS – Advance tax paid

Thus, in our example, Net Tax Payable

= Rs 40,000 – Rs 30,000 – Rs 6,000

= Rs 4,000.

Case 1: File your Return during the assessment year

Say you file your income tax return on 17th September, 2009. In this case, you would be filing your return 2 months late (partial months are considered as full months).

Amount payable = Net Tax Payable + Interest for 2 months at the rate of 1% per month.

Thus, Amount payable

= Rs 4,000 + (2% of Rs 4,000)

= Rs 4,000 + Rs 80

= Rs 4,080

Case 2: File Return after the assessment year

Say you file your income tax return on 4th June, 2010. In this case, you would be filing your return 11 months late (partial months are considered as full months). On top of this, you would be filing the income tax return after the end of the assessment year for which you are filing the return. So, in this case,

Amount payable = Net Tax Payable + Interest for 11 months at the rate of 1% per month + Lumpsum penalty of Rs 5,000

Thus, Amount payable

= Rs 4,000 + (11% of Rs 4,000) + Rs 5,000

= Rs 4,000 + Rs 440 + Rs 5,000

= Rs 9,440

Additional Scenario: You have losses to carry forward

This applies irrespective of whether you have any net tax payable or not. If you do not file the income tax return for a year by the due date, a loss for that year cannot be carried forward. The only exception to this rule is loss from house property – this loss can be carried forward even if the IT Return is not filed in time.

Thus, if you have a loss from any of the heads of income (except for the head "Income from house property"), and you file your income tax return late, you would not be able to carry forward your losses. Thus, you would lose the benefit of set off of these losses against the income of the next year.

Conclusion

Not filing a return on time does have financial implications, specially if you have a net income tax payable and/or if you have losses to be carried forward. This can really hurt if the losses to be carried forward are significant. Therefore, your best option is to ensure you file your Return by the deadline.

(The writer is an author and advisor at - www.RaagVamdatt.com.)

CAPITAL GAINS TAX SAVINGS BONDS

Capital gains tax is a tax on inflation. The appreciation you get on selling after holding a capital asset for a long period is mainly on account of inflation. Hence, the government grants reinvestment benefits when such capital gains are invested in certain notified bonds. **Saurabh Shah**, Chartered Accountant, unravels the mystery, as part of our series on safe investment options for you.

If you earn long term capital gain, you can invest it in a notified 'long term specified asset', such as capital gains tax savings bonds under section 54EC, to reduce your taxable income. Long term capital gains are the profit you make on selling any capital asset (eg, immovable property, jewellery, shares, etc) which was held for a period exceeding three years, except for shares where the holding period is one year.

The Government of India has notified certain bonds issue as eligible investment for the purposes of claiming benefit u/s 54EC whose features are as follows:

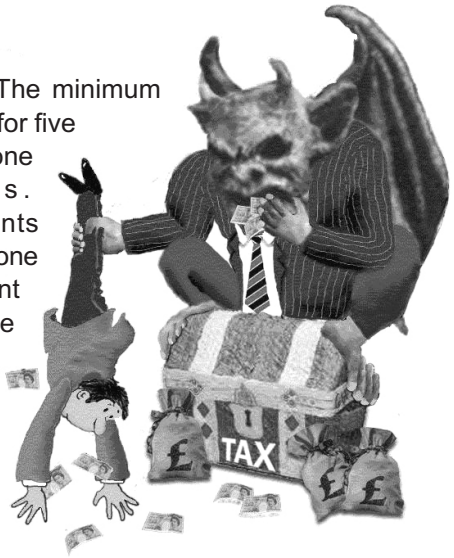
Issuing Authorities: The Bonds issued by the following two corporations have been notified by the Government as eligible 'long term specified asset for claiming benefit u/s 54EC of the Income Tax Act, 1961:

- National Highway Authority of India (NHAI)
- Rural Electrification Corporation Ltd. (RECL)

When to invest: If you are investing your long term capital gains to claim the benefit of deduction u/s 54EC, you have to make the investment within six months from the date of the transfer.

Credit rating: The RECL and NHAI Bonds have been rated "AAA/Stable" by CRISIL and "AAA/ind" by Fitch Ratings.

Minimum Bonds: These bonds are of a face value of Rs 10,000 each. The minimum application has to be for five of NHAI Bonds and one of RECL Bonds. Additional investments can be in a multiple of one bond. The full amount has to be paid at the time of application.



Maximum investment: The maximum amount you can invest in these bonds (NHAI and RECL combined) in any financial year is Rs 50 lacs. If you have long term capital gains accrued after 1st October and the amount exceeds Rs 50 lacs, you can split by investing Rs 50 lacs up to 31st March of the following year, and the balance (not exceeding Rs 50 lacs) on 1st April. By doing this, you can have the benefit of an investment up to Rs 100 lacs.

Date of allotment: The deemed date of allotment is the last date of the month in which the application is made and the amount realised by the issuer. As such, you have to be careful when making the investment towards the end of the six months period. The cheque may be debited from your account before the end of the six month period, but the date of allotment may fall outside this period. This may cause

This benefit is being offered under Section 54 EC of the Income Tax Act. This section specifies that no tax will be charged on any capital gain, provided the gain is invested in specified assets within a period of six months. The Bond offerings available are 'specified assets' for the purposes of Section 54 EC and have secured the required permission from the Government.

These Bonds have to be held for a period of 3 years and no loan, mortgage or any encumbrances should be created on them. However, the interest on these Bonds is taxable.

some difficulty in obtaining the deduction u/s 54EC.

Mode of holding: These Bonds can be held in dematerialised or in physical form. They also can be held in single or joint names. You can avail the nomination facility too.

Maturity period/tenor: The Bonds are issued for a fixed maturity period of three years.

Transferability: These Bonds are non-transferable, non-negotiable and cannot be offered as security for any loan or advance. However, their transmission to legal heirs is allowed in case of death of the bondholder.

Rate of interest: NHAI bonds carry interest @ 6.25 % /annum, payable annually on 31st March every year. RECL Bonds carry interest @ 5.75 % /annum, payable annually on 30th June every year.

Taxability of interest: The interest earned on these bonds is fully taxable under the head 'Income from Other Sources'.

TDS on interest: No tax at source would be deducted from the interest on these bonds.

Benefit u/s 54EC

Your taxable long term capital gains get reduced by the amount of investment made in these Bonds. Let us consider the following example to see the actual benefits available to an individual on investment in these Bonds.

Say, you have sold a plot of land and earned la ong term capital gain of Rs 50 lacs in the financial year 2009-10. You will have to pay tax @ 20.60% (including surcharge) which works out to Rs 10.30 lacs. You can reduce this tax liability by investing this amount in these Bonds.

Let us see what is your cash-flow at the end of three years, considering

❖ you invest in NHAI Bonds and does not pay any capital gains tax

❖ you don't invest in NHAI bonds and pays tax @ 20.60 %. The balance amount is invested in bank deposits fetching interest @ 10% /annum. The date of allotment of Investment in NHAI bonds can be 31st March, 2010.

After deductions u/s80C and u/s80D, your income from other sources may be Rs 3 lacs.

(a) Investment in NHAI Bonds

Particulars	FY 2010-11	FY 2011-12	FY 2012-13
Income from other sources	3,00,000	3,00,000	3,00,000
Interest on NHAI Bonds @ 6.25% on Rs 50 lacs	3,12,500	3,12,500	3,12,500
Taxable income	6,12,500	6,12,500	6,12,500
Tax payable (as per slab)	82,143	82,143	82,143
Net Funds available	**5,30,357**	**5,30,357**	**5,30,357**

Total Funds available at the end of the third year

For FY 2010-11	5,30,357
For FY 2011-12	5,30,357
For FY 2012-13	5,30,357
Add: Maturity proceeds of NHAI Bonds	50,00,000
Total Funds Available	**65,91,071**

(b) Capital Gains Tax Paid and surplus invested in a Bank Fixed Deposit @ 10% p.a.

57,36,241	FY 2010-11	FY 2011-12	FY 2012-13
Income from other sources	3,00,000	3,00,000	3,00,000
Interest on Bank Fixed Deposits @ 10% on Rs 39.70 lacs (50 lacs – Tax 10.30 lacs)	3,97,000	3,97,000	3,97,000
Taxable income	6,97,000	6,97,000	6,97,000
Tax payable (as per slab)	1,08,253	1,08,253	1,08,253
Net Funds available	5,88,747	5,88,747	5,88,747

Total Funds available at the end of the third year

For FY 2010-11	5,88,747
For FY 2011-12	5,88,747
For FY 2012-13	5,88,747
Add: Maturity proceeds of Bank Fixed Deposits	39,70,000
Total Funds Available	**57,36,241**

This shows that in the given situation, investment in NHAI bonds is a better option.

(The author is a member of Bombay Chartered Accountants' Society)