

General information



Part A-Gen needs to be filled up for general information. This part is the easiest to fill up and most entries are self-explanatory.

- Name and address are the first entries you should fill up.
- Then come to filing the permanent account number or PAN as it is commonly known. If you want to file a return, you need to have a PAN, otherwise you cannot file a tax return.
- To know the designation of your assessing officer pull out a copy of your last year's return. If you are filing for the first time, find out when you go to the income tax office to file the return.
- To know the section under which returns are being filed look at instruction number 9 in the list of instructions. For individuals filing returns before the due date, the right section is 11.
- Indians living outside the country need to specify whether the returns are being filed by a representative assessee. Salaried Indian nationals can ignore this entry.

Kelkar's salary structure

Before moving onto the next entry, let's take a look at Kelkar's salary structure.

Basic	1,44,400
House rent allowance	72,000
Special allowance	96,720
Transport	9,600
Medical	15,000
Leave travel allowance	15,000
Bonus	1,80,000

Salary income



For this entry, schedule S needs to be filled up first. The information to fill up this schedule comes largely from Form 16 and your salary structure.

- Salary includes your basic salary and the bonus earned during the course of the year. In the case of Kelkar his basic and bonus amount to Rs 3,24,000.
- Allowances like leave travel allowance, medical reimbursement, house rent allowance (if an individual lives in a rented accommodation), transportation allowance etc are exempt from being taxed. At the same time these need to be mentioned in the form. You don't need to calculate this entry separately, your form 16 will have the total.
- Allowances not exempt includes allowances like special allowance. It also includes the house rent allowance if the individual owns a house and lives in it. Kelkar has bought a house for Rs 30 lakh this year and he lives in it. Hence his house rent allowance is taxable. The total of his special allowance (Rs 96,720) and HRA (Rs 72,000) works out to Rs 1,68,720.
- The income chargeable to tax under this head works out to Rs 4,92,720. This is the sum of 1 and 3 in the table below.

“Actual expenditure incurred by the employer on travel, food, hotel, etc. would be taxable as fringe benefit, whereas any allowance given to an employee to meet such expenditure may not be taxed as fringe benefit, and could also be exempt for the employee depending on the purpose for which it has been incurred.”

— Parul Jain, senior associate, Nishith Desai Associates



Schedule S		Details of Income from Salary	
1	Salary (Excluding all allowances, perquisites & profit in lieu of salary).	1	3,24,000
2	Allowances exempt under section 10	2	39,600
3	Allowances not exempt	3	1,68,720
4	Value of perquisites	4	
5	Profits in lieu of salary	5	
6	Income chargeable under the Head 'Salaries' (1+3+4+5)	6	4,92,720

Income from house



For this entry, you need to fill up schedule HP first

- If you don't own a house, this section is not for you.
- If you have a house and you live in it, the only entry that matters to you is the interest paid on borrowed capital. Kelkar has a 20-year housing loan of Rs 25 lakh at a fixed rate of 12%. His equated monthly installment (EMI) for this works out to Rs 27,527. Of this the interest component during the year works out to Rs 2,98,275.
- In case of a self occupied house, interest of up to Rs 1,50,000 can be shown in a given year. So even though Kelkar has paid an interest of Rs 2,98,275 during the year, he can show an interest of only Rs 1,50,000. To make this entry, take a look at the certificate issued by the bank, whose housing loan you have.
- Given that Kelkar lives in the house he bought, his income from house property is negative.
- While making the final entry for income for house property, enter NIL if the income is negative, which is the case here.
- For those who rent out their house, the entire interest part of the EMI can be set off against the rent earned during the course of the year.

Schedule HP		Details of Income from House Property	
a	Annual lettable value/ rent received or receivable (if let out for part of the year)	1a	
b	The amount of rent which cannot be realized	1b	
c	Tax paid to local authorities	1c	
d	Total (1b + 1c)	1d	
e	Balance (1a - 1d)	1e	
f	30% of 1e	1f	
g	Interest payable on borrowed capital	1g	1,50,000
h	Total (1f + 1g)	1h	
i	Income from house property I (1e - 1h)	1i	-1,50,000

To file I-T returns, the choice for salaried individuals will be between form. If your earnings for the year are through salary income and interest are a salaried individual who has made money by selling shares, or for a hypothetical case of Vijay Kelkar to try and understand how to go about the main portion of ITR-2 has two pages which are reprinted below. Other parts have been reprinted on the sides. The user has to first fill up the

How to file y

FORM ITR-2 **INDIAN INCOME TAX RETURN**
 [For Individuals and HUFs not having Income from Business or Profession]
 (Please see Rule 12 of the Income-tax Rules, 1962)
 (Also see attached instructions)

Assessment Year
2007 - 08

Part A-GEN GENERAL

PERSONAL INFORMATION	First name Vijay	Middle name Virkrishen	Last name Kelkar	PAN A P M J O 8 2 4 5
	Flat/Door/Block No Flat No. 66	Name Of Premises/Building/Village Building No. 56		Status (Tick) <input checked="" type="checkbox"/> Individual <input type="checkbox"/> HUF
	Road/Street/Post Office Adarsh Nagar	Area/locality Worli		Date of Birth (DD/MM/YYYY) (in case of individual) 06/06/1977
	Town/City/District Mumbai	State Maharashtra	Pin code 400030	Sex (in case of individual) (Tick) <input checked="" type="checkbox"/> Male <input type="checkbox"/> Female
	Email Address vijay.kelkar@gmail.com	(STD code)-Phone Number (022) 39867646		Employer Category (if in employment) (Tick) <input checked="" type="checkbox"/> Govt <input type="checkbox"/> PSU <input checked="" type="checkbox"/> Other
	Designation of Assessing Officer (Ward/Circle)			Return filed under Section [Please see instruction number-9(i)] 11
	Whether original or Revised return? (Tick) <input checked="" type="checkbox"/> Original <input type="checkbox"/> Revised			
	If revised, then enter Receipt No and Date of filing original return (DD/MM/YYYY)			
	Residential Status (Tick) <input checked="" type="checkbox"/> Resident <input type="checkbox"/> Non-Resident <input type="checkbox"/> Resident but Not Ordinarily Resident			
	Whether this return is being filed by a representative assessee? (Tick) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
	If yes, please furnish following information -			
	(a) Name of the representative			
	(b) Address of the representative			
	(c) Permanent Account Number (PAN) of the representative			

PART-B

Part B - TI Computation of total income

TOTAL INCOME	1 Salaries (6 of Schedule S)	1	492,720
	2 Income from house property (3c of Schedule HP) (enter nil if loss)	2	Nil
	3 Capital gains		
	a Short term		
	i Short-term (u/s 111A) (A5 of Schedule CG)	3ai	30,000
	ii Short-term (others) (A6 of Schedule CG)	3aii	2,000
	iii Total short-term (3ai + 3aii) (enter nil if loss)	3aiii	32,000
	b Long-term (B5 of Schedule CG) (enter nil if loss)	3b	10,000
	c Total capital gains (3aiii + 3b)	3c	42,000

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For Office Use Only

Receipt No

Date

Seal and Signature of receiving officer

Schedule CG		Capital Gains	
A Short-term capital gain			
2 From other assets			
a	Full value of consideration	2a	114,000
b Deductions under section 48			
i	Cost of acquisition	bi	82,000
ii	Cost of Improvement	bi	
iii	Expenditure on transfer	bi	
iv	Total (i + ii + iii)	biv	82,000
c	Balance (2a - biv)	2c	32,000
f	Short-term capital gain (2c - 2d - 2e)	2f	
4	Total short term capital gain (1 + 2f + 4)	4	32,000
5	Short term capital gain under section 111A included in 4	A5	30,000
6	Short term capital gain other than referred to in section 111A (4 - 5)	A6	2,000

Income from short-term capital gains

- Full value of consideration indicates the total value of sale of the assets. In Kelkar's case, he sold shares for Rs 64,000 and liquid funds for Rs 50,000. So the total value comes to Rs 1,14,000, which is the entry to be made here.
- Cost of acquisition is the price at which the assets are bought. Kelkar bought the shares for Rs 34,000 and liquid fund units for Rs 48,000, putting the total cost of acquisition at Rs 82,000. The difference between sale value and cost of acquisition is the short term capital gain. This in Kelkar's case works out to Rs 32,000.
- Short term capital gain under section 111 A is the capital gain made by selling shares. In Kelkar's case this works out to Rs 30,000 (Rs 64,000 - Rs 34,000).
- Short term capital other than section 111 A is the remaining capital gain. In Kelkar's case this is Rs 2,000 (Rs 32,000 - Rs 30,000).

Income fro



To fill up this entry, schedule CG needs to be filled up first

All capital gains are taxable at a higher rate (30% usually) than long-term capital gain. Therefore, setting off long-term loss against short-term gains created a tax arbitrage opportunity. This led to long term loss being set off against long term gains while short-term loss can be set off against any capital gain.”

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—Sandeep Shanbhag, director, A N Shanbhag