Income Tax Return and E-Filing (AY 2015-2016)

What is a Return of Income?

It is a prescribed form through which the particulars of income earned by a person in a financial year and taxes paid on such income are communicated to the Income-tax Department. Different forms of returns of income are prescribed for filing of returns for different Status and Nature of income. These forms are called ITR forms.

Return Form	Brief Description
ITR – 1(SAHAJ)	Individual having salary or pension income or income from one house property (not a case of brought forward loss) or income from other sources (not being lottery winnings and income from race horses).
ITR – 2	Individual or a Hindu Undivided Family having income from any source other than "Profits and gains of business or profession".
ITR – 3	Individual or a Hindu Undivided Family who is a partner in a firm and income chargeable to income-tax in his/its hands under the head "Profits or gains of business or profession"
ITR – 4S (SUGAM)	Individuals and HUFs who have opted for the presumptive taxation scheme of section 44AD/ 44AE.
ITR – 4	Individual or a Hindu Undivided Family who is carrying on a proprietary business or profession.
ITR – 5	Firm, LLP, AOP, BOI, artificial juridical person, co-operative society and local authority.
ITR – 6	It is applicable to a company, other than a company claiming exemption under section 11 (charitable/religious trust can claim exemption under section 11).
ITR – 7	It is applicable to a persons including companies who are required to furnish return under section 139(4A) or 139(4B) or 139(4C) or 139(4D) (i.e., trusts, political party, institutions, colleges, etc.).
ITR – V	It is the acknowledgement of filing of return of income.

Different modes of filing the return of Income

The return of income can be filed with the Income-tax Department in any of the following modes :

- By furnishing the return in a paper form.
- By furnishing the return electronically under digital signature, i.e., e-filing with digital signature.
- By furnishing the return electronically and thereafter submitting the hard copy of ITR-V with signature of authorized person, i.e., e-filing without digital signature.

How to file return of income electronically?

Income-tax Department has established an independent portal for e-filing of return of income. The taxpayers can log on to www.incometaxindiaefiling.gov.in for e-filing the return of income.

Benefits of E-filing:

- Convenience – Facility is available 24*7
- Security – Tax return information is encrypted & transmitted over secure lines
- Accuracy – Fewer errors than paper returns
- Direct Deposit – Tax refund gets directly deposited into one's bank account
- Proof of Filing – An acknowledgement is issued when return is received & accepted

Swathy .V

Editorial Team-Abraham Thomas, Swathy.V, Ann Elias

Echo

Quarterly Newsletter - 16

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EDITORS ONLINE.

It's been 66 years since the majestic eagle of ICAI has been soaring in the skies ,carrying along with it the motto "***Ya esa suptesu jagarti***", a quotation from the ***Kathopanishad*** which means 'That person who is awake in those that sleep'.

With warm wishes on this occasion, we gladly present to you the 16th edition of ECHO, the voice of Team JVR.

To all the fresh faces, Welcome to Our Family!

With the advent of the second half of 2015, we are gearing up to face the challenges of yet another tax audit season.

Congrats to Nithin Jose on making us proud by qualifying both groups of CA Final in his first attempt in the May 2015 Exams.

This edition of echo gives a brief look on Depreciation provisions under The Companies Act 2013, ITR, E-filing ,a few exam tips from the winner himself and highlights of the previous quarter.

Let us strive to fly high in all our endeavours, with these words echoing in our hearts:

"Celebrate your success and stand strong when adversity hits, for when the storm clouds come in, the eagles soar while the small birds take cover."

Happy Reading!

Congratulations!!!

Nithin Jose

JVR @ Udaan 2015
Abhishek Rao

Iftaar @ JVR

Third Prize in Group Song... Encore 2015

Depreciation provisions under The Companies Act 2013

The Companies Act 2013
Section 123(2): For the purpose of providing dividend, Depreciation shall be provided in accordance with the provisions of **Schedule II.**

123(1) (a) states that no dividend shall be declared or paid by a company for any financial year except –

Out of profits of the company for that year arrived at after providing for depreciation in accordance with the provisions of sub section (2).

Schedule III: A reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations and other adjustments and the related depreciation and impairment losses/reversals shall be disclosed separately.

Also, the notes to financial statements should disclose the method of depreciation used and whether it is in line with the provisions of Schedule II.

Intangible assets will be governed by the provisions of AS-26

Meaning of Depreciation
Schedule II defines depreciation as the systematic allocation of the **depreciable amount** of an asset over its **useful life.**

Key Terms
Depreciable amount is the cost of an asset or other amount substituted for cost less its residual value.
Useful life of an asset is the period over which an asset is expected to be available for use by an entity, or the number of production or similar units expected to be obtained from the asset by the entity.

Useful life & Residual value
Part C to Schedule II of the Companies Act 2013 gives a comprehensive list of tangible assets and their indicative useful lives.

The schedule also states that the residual value of an asset shall not be more than 5% of the original cost of the asset.

However, if the management decides to use a useful life different from that specified in Part C and/or a residual value greater than 5%, it can do so provided:

- o The Financial Statements disclose such difference
  and
- o Provide reasonable justification supported by technical advice

Recent Developments

The Companies Act 1956	The Companies Act 2013
Schedule XIV	Schedule II (with effect from 01.04.2014)
Prescribed both WDV and SLM rates for each category of asset.	Prescribes indicative useful lives of various categories of assets. Method of depreciation is optional.
Component accounting was not mandatory.	Component accounting made mandatory from 01.04.2015 (This provision is optional for FY 2014-15)
Different rates were specified for double/triple shift working.	No different rates of depreciation prescribed for double/triple shift working. Instead, if an asset is used on double/triple shift, depreciation will be increased by 50%/100% respectively.

Methods of Depreciation:
- ❖ Straight Line Method
- ❖ Written Down Value Method

The Schedule provides only the useful life of assets hence the entity is required to calculate the appropriate rate of depreciation as per the method used by it.

Transitional Provision
Schedule II has a transitional provision which indicates how depreciation is to be calculated for FY 2014-15 (i.e. once the schedule comes into effect). The provision reads as under:

From the date this Schedule comes into effect (i.e. 01.04.2014), the **carrying amount** of the asset as on that date:From the date this Schedule comes into effect (i.e. 01.04.2014), the carrying amount of the asset as on that date:

a) Shall be depreciated over the remaining useful life of the asset as per this Schedule;

b) After retaining the residual value, may be recognized in the opening balance of retained earnings where the remaining useful life of the asset is nil.

Component accounting

Useful life prescribed in part C of the Schedule is for whole of the asset.

Where cost of part of the asset is significant to total cost of the asset and useful life of that part is different from the useful life of the remaining asset, useful life of that significant part shall be determined separately.

And hence, depreciation on that part of the asset shall be computed separately.

This provision is optional for the FY 2014-15 but mandatory from 01.04.2015

Extra Shift Depreciation (ESD)

If an asset is used on double shift basis, the depreciation will increase by 50% and in the case of triple shift working, by 100%. The Schedule also specifies that ESD shall not be provided for assets marked NESD (No Extra Shift Depreciation).

To conclude, it is imperative for all of us to understand the provisions of Section 123 and Schedule II of Companies Act 2013 in order to ensure proper accounting of depreciation and also in the conduct of an audit, to check if depreciation is charged as per Schedule II.

Ann Elias

Tips for CA Final

- Have Determination
- Plan in Advance
  - o Complete classes 6 months before the exam.
  - o Finish at least one round of study before the study leave.
  - o Utilise the study leave only for revisions.
  - o Don't plan anything for tomorrow. Do it today.
- Stick to your decision with regard to writing both groups / one group.
- Revise the tuitions daily. If possible, go through the relevant portions before daily classes.
- Allot fixed number of days for each subject.
- Don't study one subject throughout for more than 3-4 days.
- Keep in touch with a subject at least once in a week.
- Work out as many questions (different models) as possible for Practical papers (FR, SFM, AMA).
- Don't study practical papers just by reading the solutions.
- Go through the relevant "Case laws" & "Supplementary (Amendments)" after completing each chapter of DT & IDT.
- Analyse the mark distribution of various chapters by going through previous years' question papers.
- Try to make short notes for each chapter during study leave. It will help you for quick revision on the day before the exam.
- Don't panic in the exam hall.
- Don't discuss the questions/answers after the exam. Prepare for the next exam.

Nithin Jose
(Both Groups – CA Final May 2015)