

# Guide to calculating your tax returns



Calculating and filing income tax can seem like a daunting task, but with a little preparation it is now easier than ever to understand one's tax returns.

## What is ITR?

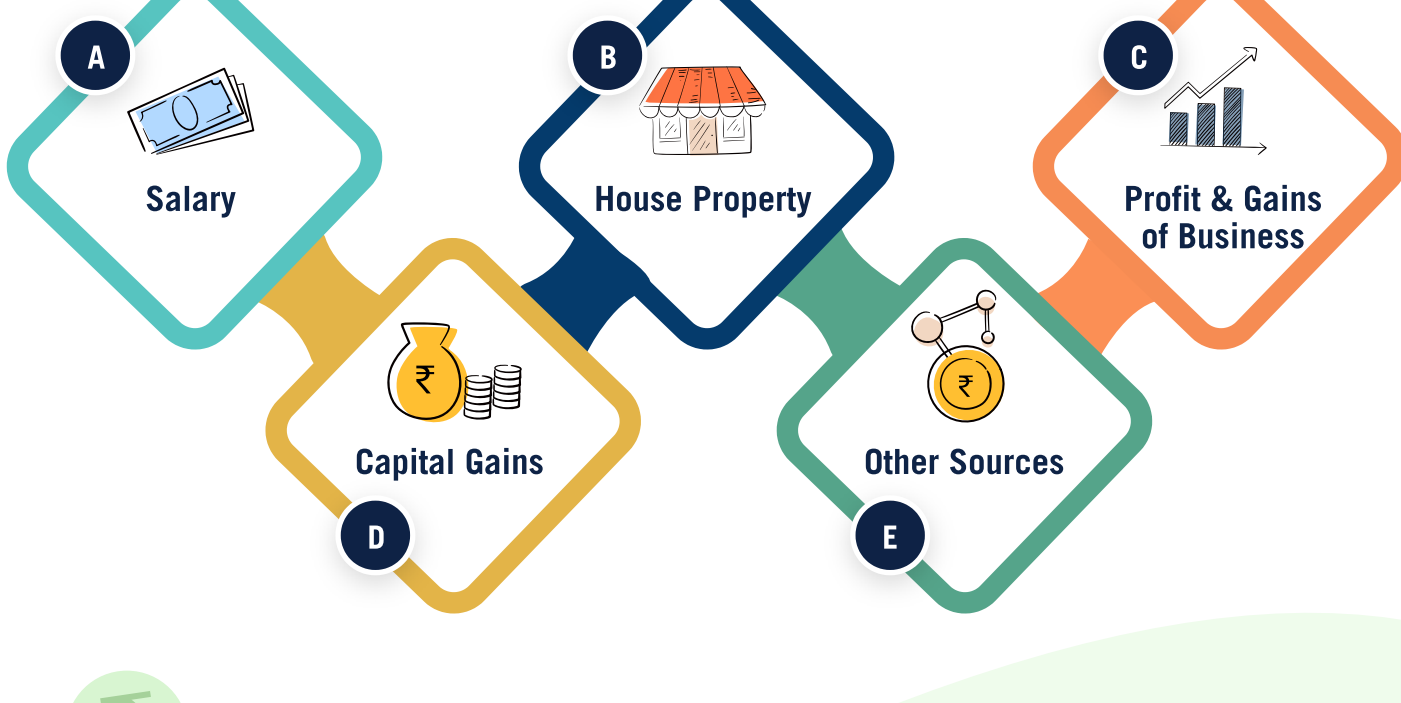
Income tax returns (ITR) is a comprehensive form that collates the data about your total income and direct taxes that you owe to the department of income tax. Thus, your tax liability is computed based on your income.

If you are employed with a company and earn a salary, then your employer will deduct tax at the source, but you will have to file your returns once you have settled your tax liability and procure acknowledgement that you have duly paid your taxes. There are other heads of income under which you will be taxed.



## Heads of income:

There are five main heads of income for computation of taxes:



## Income from Salary:

Applicable to those who receive/have due a monthly/quarterly/half yearly, etc income from their employer. The salary income is subject to tax deduction at source and hence, the employer is mandated to deduct taxes on behalf of the employee and remit them to the tax authorities.

### Salary income will include:

- Basic salary
- Allowances
- Advance salary
- Any fees, commissions, perquisites, or profits in lieu of or in addition to any salary or wages
- Other monetary benefits
- Any pension, commission, bonus, gratuity will also be taxed under this head of income.



## B

## Income from House Property:

If you own a house that is given on leave and license, then the rental income ("Gross rent") is taxable under this head of income. Only 30% of gross rent is allowed as a deduction.

### You can also avail of tax benefits on the interest that you pay towards the home loan.

- Rs 2 lakh per annum under Section 24
- Additional Rs 50,000 of tax rebate on the interest component for houses with a value is less than Rs 50 lacs under Section 80EE
- The principal repayment is tax-free up to Rs 1.5 lakh a year under Section 80C.



## C

## Income from Business or Profession:

A self-employed professional will be taxed under this head of income. One is allowed to claim business expenses and is required to submit a profit and loss statement alongside a balance sheet.



## D

## Income from Capital Gains:

Capital gains or losses arise when one trades with capital assets held as an investment. These can include stocks, mutual funds, real estate, bonds, gold etc.



Instrument type	Tenure	Long term capital gains (assuming surcharge not applicable)	Short term capital gains (assuming surcharge not applicable)
Equity mutual funds and listed equity shares	<ul style="list-style-type: none"><li>• Less than 12 months - Short term</li><li>• More than 12 months - Long term</li></ul>	10% tax rate plus 4% cess on the amount exceeding Rs. 1 lakh without indexation	15% tax rate plus cess @ 4%
Unlisted Equity shares or funds, Debt mutual funds and debt instruments	<ul style="list-style-type: none"><li>• Less than 36 months - Short term</li><li>• More than 36 months - Long term</li></ul>	20% tax rate with the indexation benefit (Indexation is the procedure to adjust for inflation)	Income tax slab rate
Any immovable property	<ul style="list-style-type: none"><li>• Less than 12 months - Short term</li><li>• More than 12 months - Long term</li></ul>	20% tax rate plus cess @ 4% with indexation	Income tax slab rate

Note: It is important to note that loss from capital gains can be set off against income from capital gains alone.

## E

## Income from Other Sources:

Any other source of income will fall within this purview. These can include interest earned from bank deposits, lottery awards, card games etc.

All the above income heads are cumulated to arrive at the Gross Total Income after which the set of deductions is applied to arrive at the Net Taxable income.

The net taxable income is taxed as per the applicable tax rates as mentioned below:

Net Income Range	Rate of Income Tax under Old Tax Regime	Rates of Income Tax under New Tax Regime
Up to Rs. 2,50,000	NIL	NIL
Rs. 2,50,000 to Rs. 3,00,000	5% (tax rebate u/s 87a is available) Applicable for below 60 years only	5% (tax rebate u/s 87a is available)
Rs. 3,00,000 to Rs. 5,00,000	5% (tax rebate u/s 87a is available) Applicable for below 80 years only	5% (tax rebate u/s 87a is available)
Rs. 5,00,000 to Rs. 7,50,000	20%	10%
Rs. 7,50,000 to Rs. 10,00,000	20%	15%
Rs. 10,00,000 to Rs.12,50,000	30%	20%
Rs. 12,50,000 to Rs.15,00,000	30%	25%
>Rs. 15,00,000	30%	30%

An additional education cess and surcharge is applicable on the income tax computed.

The above mentioned are Income Tax Slabs FY 2021-22 (AY 2022-23) – New & Old Tax Rates for FY 2021-22.

You can avail the help of income tax calculators or reach out to professionals to help you file your tax returns.