

Art of managing personal I-T

HT Chandigarh Live
Tax Matters/ S.P. Babuta
Sunday, July 10, 2005

THIS IS in continuation of the first & Second part of this Article emphasizing the need for maintaining an exhaustive personal record of financial documents/information so as to ensure accurate and timely preparation and submission of income tax returns by Assessess :

CAPITAL GAINS

Any profit or gain arising from the sale or transfer of a capital asset is chargeable to tax under the head "Capital gains".

Consult your Chartered Accountant/counsel before selling or purchasing a capital asset w.r.t capital gains.

Keep detail of the capital asset, date of purchase, date of sale, copy of agreement, title of the property, utilization of the sale proceeds, detail of expenditure on transfer alongwith supporting documents cost of improvement of the capital asset alongwith supporting documents.

Keep the property dealer commission receipt, make a list of out of pocket expenses during registration, remember cost of stamp papers is added in the cost of purchase, keep a copy of occupancy certificate, sanction letter of sewerage connection and that of electricity connection for record.

Make a record of Security transaction tax ,service tax & other charges paid while dealing in shares.

Keep a record of various charges debited by bank in case of demat account.

Remember transaction charges on purchase of shares,maintenance charges and custodial charges can be added to the cost of acquisition and transaction charges relating to sales can be deducted from sale consideration as expenditure incurred for selling the shares.

INCOME FROM OTHER SOURCES:

Incomes chargeable to tax under this head are dividends, winnings from lotteries, crossword puzzles, horse races, card games, etc., and income from machinery, plant or furniture let on hire.

"Income from subletting, interest on bank deposits and loans, income from royalty, director's fees, ground rent, agricultural income from outside India, director's commission for standing as a guarantor to bankers, director's commission for underwriting shares of a new company, examination fees received by a teacher, rent of a plot of land, insurance commission, mining rent and royalties, interest on foreign Government securities, casual income in excess of Rs. 5,000, annuity payable under a will, and salaries payable to a

Member of Parliament ,Family Pension (Payments received by legal heirs of a deceased employees),Interest paid by government on excess payment of advance tax etc.

- Keep record of the counter foils of dividends/interest warrants deposited
- Obtain bank statements/certificate w.r.t interest earned on deposits/savings.

W.r.t. shares and securities maintain the following:

- (i) Name of company
- (ii) Nature of share (equity, preference, etc)
- (iii) Number of shares
- (iv) Date of acquisition
- (v) Mode of acquisition (inheritance, gift, purchase, bonus received, etc)
- (vi) Cost of acquisition
- (vii) Bonus received
- (viii) Dividend received
- (ix) Particulars of sale if any(for capital gain purposes/business income)

IMPORTANT TIPS OF CONDUCT

- (i) Don't open or close bank accounts/Credit Cards without reason, you are accountable.
- (ii) By paying advance tax you can save lot of interest payable on late payment of tax.
- (iii) Tax savings for the year have to be done out of income for the year.
- (iv) Whenever you pledge any of your investment certificate with bankers for obtaining any loan; maintain complete particulars including letter of sanction of loan and photocopy of the investment certificates pledged.
- (v) Maintain a record of monthly statement received in case of credit card and ensure that these have been considered by your Chartered Accountant/Tax Advisor
- (vi) Remember to give a courtesy call to your Chartered Accountant/Tax Advisor atleast once during the year wherein exchange new address/Telephone numbers and enquire of any good opportunities for tax planning that may be applicable to your situation.
- (vii) In case of scrutiny, remember that it is your duty to supply necessary information to your CA/TA, so that he can represent you effectively.
- (viii) Ensure timely submission of statements, returns and claims for all deductions and reliefs admissible to you in consultation with your Chartered Accountant/Tax Advisor
- (ix) **Remember** : Maintaining file is not an activity but an attitude therefore should be accepted not as a hobby but as a good habit.

(Concluded)