


[Home](#)
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[Insurance](#)
[Stock Market](#)
[Mutual Fund](#)
[Banking](#)
[Archives](#)
[Contact us](#)

Columnist

It's time to pay Taxes online



S. S. Khan

With the advent of internet banking online payment of taxes is becoming increasingly popular in view of the convenience it offers to taxpayers. The Income Tax department has done its bit by setting up facilities enabling online payment of taxes and by making it mandatory for all large taxpayers and Tax deductors to pay tax online. It is now mandatory for all corporate taxpayers to pay taxes online. Those non-corporate taxpayers to whom provisions of section 44AB of the Income Tax Act, 1961 are applicable (i.e. if their annual gross turnover from business exceeds Rupees sixty lakh or gross receipts from profession exceed Rupees fifteen lakh) also have to pay tax online. It is also mandatory for these categories of taxpayers to deposit online any TDS they have deducted on behalf of any other person. It is optional for other categories of taxpayers.

Modes of Tax Payment

Tax is required to be paid under the Income Tax Act at different specified points of time and in different modes - namely, Advance Tax on quarterly basis, Tax Deducted at Source (TDS) on monthly basis, Self Assessment Tax on filing of the return of income and regular tax on completion of assessment. While Advance tax and TDS are required to be paid in the Government account during the Financial Year in which the income is being earned, Self Assessment Tax is paid at the time of filing of the return i.e. after the relevant Financial Year, and regular tax is required to be paid after the filing of return in case the Assessing Officer passes an assessment order or rectification order etc demanding any further payment tax - commonly called regular tax. Of these, TDS is deducted by the Employer or Payer from the amount payable to a person as salary, interest etc and is therefore deposited in Government account not by the taxpayer but by the person who has deductor.

Different challan forms

The conventional system of payment of direct taxes has been through paper mode in which a Taxpayer or Tax Deductor had to fill up the relevant Challan and depositing tax through a cheque or cash at a branch of an Authorised bank. Government has authorised Reserve Bank of India and 31 other banks to accept direct tax payments. A list of these is available at the website of Income Tax at <http://Department.incometaxindia.gov.in/> and at the website of NSDL at <http://nsdl.tin.com/>. The earlier complicated four-copy challan forms were simplified by the department in 2005 and replaced by three simpler single copy challan forms, named ITNS 280, ITNS 281 and ITNS 282. Soft copies of these challans are available at the websites of Income Tax Department and of NSDL-TIN. Challan form ITNS 280 is meant for use by all tax payers for payment of Advance Tax, Self Assessment Tax, and Regular Tax. Challan form ITNS 281 is to be used for deposit of TDS, and Challan form ITNS 282 for other taxes. Each challan has a taxpayer counterfoil at the bottom which is to be returned to the taxpayer by the bank after duly stamping it with a Challan Identification Number (CIN).

Challan Identification No.

The Challan Identification Number was devised to uniquely identify each deposit of tax across the entire banking system and the entire tax system uniquely in conjunction with the PAN of the Payer (or in case of TDS the TAN of Deductor). CIN has three parts - namely, BSR code of the bank branch where tax is deposited, date of deposit (DD/MM/YY) of tax, and serial number of challan. Together these numerals constitute the CIN. The taxpayer does not have to do anything to get CIN. When he deposits the tax in any bank branch, the bank affixes an Acknowledgement stamp on the taxpayer counterfoil. This stamp contains the BSR code of the bank branch, the Date of deposit of tax, and serial number of Challan, which together become CIN. Thus, the CIN stamped on the acknowledgement is the unique identifier of the tax payment through which the bank as also the tax department can locate the deposit to give credit for the tax paid. This has done away the requirement to attach paper copies of challan with the returns of income. Now taxpayers need to mention only the CIN in their returns of income in support of their claim for having paid the tax. Therefore, while paying tax by cheque or cash taxpayers must ensure that CIN is stamped on the Challan by the bank and is correctly quoted by them on the return of income. In case any taxpayer has misplaced the acknowledgement counterfoil he can approach the bank branch where the tax was deposited and request it to issue a certificate containing payment particulars including CIN.

Separate challans have to be used for payment of different type of taxes. For example, if the same taxpayer has to deposit Advance Tax and also TDS, he has to use ITNS 280 for Advance Tax and ITNS 281 for TDS so that separate CINs get generated. Similarly TDS from different types of payments, say Salary and



It's easier to pay tax online

For whom

- Online payment of direct tax is mandatory for all corporate taxpayers.
- It's mandatory for those non-corporate taxpayers whose annual gross turnover from business exceeds Rs. 60 lakh or gross receipts from profession exceed Rs. 15 lakh.
- It is mandatory for aforesaid categories of taxpayers to deposit online any TDS they have deducted on

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Interest, have to be deposited under two different sets of forms ITNS 281.

Credit for the various types of taxes paid by a taxpayer is given by identifying him with his PAN and by identifying the tax deposited by him with the CIN. Therefore, extra care should be taken to ensure that PAN (or TAN in case of TDS) is correctly entered on the challan. If PAN is wrongly stated on the challan then the only remedy to correct this is to approach the Assessing Officer with correct PAN and CIN and request him to make the necessary correction. This becomes a cumbersome process.

Process of online payment

The process of tax payments online is as simple as making payment for any online shopping or booking of railway or airline tickets. Details in this regard are available at the website of Income Tax Department and the website of NSDL-TIN. Basically this is a two stage process.

In the first stage a taxpayer has to log on to the NSDL-TIN website and click on the icon "pay taxes online". This opens up the page for selecting the required type of challan i.e. ITNS 280 or 281 or 282 etc. Once the challan form is selected depending upon whether Self Assessment Tax or TDS or Advance Tax is to be paid, the next screen opens for entering the required information on the screen version of the relevant challan form. Here relevant particulars of Name of the tax payer, address, PAN (TAN for TDS payments being made on challan ITNS 281), Assessment Year, major head code (whether Income Tax for non corporate entities or Tax on companies), minor head code (whether Advance tax or Self Assessment Tax or regular tax) etc are required to be entered. This part of the process is identical to that of a paper challan. The name of the bank in which you have the account with net banking facility can be selected from a drop down menu. It is extremely important that PAN (or TAN for TDS payments) is entered correctly, as the system checks the validity of PAN (or TAN) at the back end. In case PAN (or TAN) entered is invalid or a non-existent PAN or TAN has been entered which is not available in the database of the Income Tax Department, then the system will not proceed further. In such a situation the PAN / TAN should be rechecked and correctly entered on the screen.

Once the data entry on challan form has been completed and "Proceed" button is clicked the TIN system displays the contents that have been entered for confirmation. In case there is any mismatch in the "Name" as entered on screen and as appearing in the database of Income Tax Department for the PAN/ TAN entered, then the System also displays the name as appearing in the Income Tax Department database. This is the stage for verification of the data entered and correction of any mistakes by using the "Edit" button. If the data entered is correct then click on the "Submit" button which transfers you to the net-banking site of your bank. This is the second and final stage for online payment of tax. After TIN system transfers you to the net-banking site of your bank, you can log on using your login ID and password / PIN provided by the bank. The particulars entered at TIN website are displayed again. You will now be required to enter the amount of tax you intend to pay and also select your bank account number from which you intend to pay the tax. After verifying the correctness, you can proceed with confirming the payment. Once you confirm the payment your bank will process the transaction online by debiting the bank account indicated by you and generate a printable acknowledgment indicating the Challan Identification Number (CIN). The acknowledgement can be printed or saved for record. You can also check your bank account online to verify the amount of tax payment that has been debited. The status of the challan payment can also be independently verified by quoting CIN in the "Challan Status Inquiry" facility at the NSDL-TIN website after 3-5 days of making payment.

Data security

The data transmission through NSDL-TIN website is encrypted and is under Secure Socket Layer authentication, which ensures a very high level of data security. Most banks, providing net banking facilities also employ similar security features for internet banking functionalities.

Matter of convenience

The facility for on line payment of tax obviates the need to locate and personally visit the bank to make tax payments, which is a big hassle around the last days for payment of advance tax or due date for filing of returns of income. Payment can be made electronically at your convenience from any place where an internet facility is available e.g. your office, residence, etc. Besides it ensures data accuracy and generation of correct CIN which later helps in claiming correct credit of taxes while filing returns of income.

(The writer has served as Member, Central Board of Direct Taxes, Government of India. He is winner of PM's Award for Excellence in Public administration.)

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Rating: 5.5 out of 10 votes cast

COMMENTS

