

Filing Income Tax Returns and Maintaining Books of Accounts for Clients

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ABSTRACT

This report summarizes the practical experience gained during a two-month internship at Heramb Finserv Private Limited, focusing on two primary accounting functions: filing Income Tax Returns (ITRs) and maintaining Books of Accounts. The internship provided hands-on experience in filing ITRs for individual clients across various income categories and ensuring accurate financial record-keeping for companies and partnership firms. Responsibilities included working closely with clients to gather financial data, ensuring compliance with tax regulations, and maintaining up-to-date financial records using accounting software. Key tasks involved preparing financial statements and e-filing ITRs on the Income Tax Portal.

Through this experience, technical skills in tax filing and bookkeeping were enhanced, along with a deeper understanding of income tax laws and financial analysis. The internship highlighted common challenges such as delays in client data submission and gaps in client knowledge of tax regulations, which often complicated the tax filing process. Additionally, the project faced limitations, including a short internship duration, which restricted exposure to full accounting cycles and limited the depth of skill development.

I. INTRODUCTION

This internship at Heramb Finserv Private Limited, spanning two months, concentrated on practical accounting responsibilities. The core duties encompassed filing Income Tax Returns (ITRs) for salaried individuals and maintaining accurate financial records for clients. The project primarily focused on two functions: ITR filing and bookkeeping. ITR filing entails the structured submission of income details to tax authorities, ensuring compliance with tax regulations. Bookkeeping involves the systematic recording of all financial transactions to provide an accurate financial overview of a business. Both tasks are integral to ensuring financial transparency, regulatory compliance, and informed decision-making.

The project's objective was to apply theoretical accounting concepts to real-world situations. It involved understanding various income components, deductions, and ensuring accurate tax submissions to avoid penalties. Additionally, it required maintaining up-to-date financial records, preparing financial statements, and ensuring accuracy in accounting processes. A key aspect of the project was to develop skills in financial statement analysis, which is crucial for making informed business decisions.

Scope of the Project

The scope of this project was broad, encompassing the end-to-end process of filing ITRs and maintaining financial records. It included interacting with clients to gather necessary information, using accounting software for bookkeeping, and preparing detailed reports for review. The project also covered learning about the latest tax laws and financial regulations to ensure compliance.

This project contributed significantly to my understanding of the practical aspects of accounting. Some of the key

contributions include:

- **Enhanced technical skills:** I gained proficiency in using accounting software and tools, which are essential in modern accounting practices.
- **Improved understanding of tax laws:** I developed a deeper understanding of income tax regulations, which is crucial for ensuring compliance and advising clients effectively.

Better financial analysis skills: I learned to interpret financial statements, which helped me understand the financial health of a business and make recommendations for improvement.

II. OBJECTIVES

- To File Income Tax Return of Individual Clients at Heramb Finserv Private Limited.
- To Maintain the Books of Accounts of Clients at Heramb Finserv Private Limited.
- To Understand the Financial Statements of different clients at Heramb Finserv Private Limited.

III. PROJECT DESCRIPTION

As an Accounting Intern at Heramb Finserv Private Limited for two months, significant experience was acquired in various facets of accounting and tax filing. The role primarily involved two key tasks: filing Income Tax Returns (ITRs) and maintaining Books of Accounts.

One of the main responsibilities was filing ITRs for individual clients across different income categories, including Salary, Capital Gains, Income from House Property, and Income from Other Sources. This required accurate calculations, adherence to tax laws, and optimizing deductions and exemptions for clients. The task involved close collaboration with clients to gather financial information, verifying the accuracy of data, and ensuring that returns were prepared and submitted in compliance with tax regulations. The role demanded careful attention to detail and a strong understanding of tax laws, particularly those applicable to salaried individuals.

Additionally, responsibility extended to maintaining Books of Accounts for a diverse range of clients, including companies and partnership firms. This involved recording financial transactions, updating ledgers, and assisting in the preparation of financial statements. The process required meticulous attention to daily transactions, account reconciliation with bank statements, and adherence to accounting standards. This provided valuable insight into the financial health of various organizations and highlighted the importance of accurate record-keeping for both compliance and decision-making.

Moreover, a significant role was played in preparing financial statements, such as balance sheets, profit and loss statements, and cash flow statements, which offered clients a clear picture of their financial standing. This process enhanced analytical skills, reinforced attention to detail, and provided a comprehensive understanding of how different financial elements contribute to a company's overall stability. Through this internship, technical skills in accounting and tax filing were honed, alongside a deeper understanding of the operations of a financial services firm.

Task 1: How to Maintain books of Accounts

Step 1: Collect the Data from the Clients

- Bank Statement
- Previous Years Financial Reports
- Sales Invoices
- Purchase Invoices

Step 2: Record Financial Transactions Daily

- Sales Invoices: Record sales immediately when the invoice is generated.
- Purchase Invoices: Enter supplier bills when received.
- Receipts/Payments: Record all cash or bank receipts and payments for the day.
- Businesses often use accounting software like Tally, QuickBooks, or Zoho Books to automate and streamline these entries.

Step 3: Keep Receipts and Invoices

- Store all receipts, invoices, and any supporting documents related to your transactions.
- Organize them systematically (by date or category) for easy reference during audits or tax filing.

Step 4: Bank Reconciliation

- Reconcile the bank statements with your Books of Accounts at least once in a week.
- Compare bank records with business records to ensure no discrepancies (errors in deposits, withdrawals, etc.).

Step 5: Maintain Ledgers

- Sales Ledger: Record all sales and keep track of customers who owe money.
- Purchase Ledger: Keep records of all purchases and amounts owed to suppliers.
- General Ledger: Summarizes all transactions across various categories (cash, bank, expenses, etc.).

Step 6: Track Accounts Receivable (AR) and Payable (AP)

- AR (Money owed by customers): Send regular reminders for overdue payments and ensure you receive money promptly.
- AP (Money you owe to suppliers): Keep track of due dates to ensure timely payments and avoid late fees.

Step 7: Categorize Expenses and Income

- Properly categorize every transaction (rent, utilities, salaries, sales, etc.) to prepare accurate financial reports.

Step 8: Monitor Cash Flow

- Generate cash flow reports frequently to ensure the business has enough liquidity to cover expenses and investments.
- Ensure there's enough working capital to maintain day-to-day operations.

Step 9: Prepare Financial Statements

Periodically (monthly or quarterly), generate financial reports to assess the business's financial health:

- Profit and Loss Statement (Income Statement): Shows revenues, expenses, and profit over a period.
- Balance Sheet: Summarizes the company's assets, liabilities, and equity at a given point in time.
- Cash Flow Statement: Shows the inflow and outflow of cash, helping to manage liquidity.

Step 10: Tax Compliance and Filing

- Ensure that all transactions are recorded in accordance with tax regulations.
- Track GST, VAT, or Income Tax liabilities to avoid penalties.
- File taxes as per the statutory deadlines.

Task 2: Step-by-Step on How to E-file ITR on the Income Tax Portal**Step 1: Login**

- Visit the official Income Tax e-filing website and click on 'Login'.
- Enter your PAN in the User ID section.
- Click on 'Continue'.
- Check the security message in the tick box.
- Enter your password
- 'Continue'

Step 2: Go To 'File Income Tax Return'

- Click on the 'e-File' tab > 'Income Tax Returns' > 'File Income Tax Return'

Step 3: Select The Right 'Assessment Year'

Select '**Assessment Year**' as '**AY 2024-25**' if you file for FY 2023-24. Similarly, select '**AY 2023-24**' if you are filing for FY 2022-23 and use the mode of filing as '**Online**'. Select the filing type correctly as original return or revised return.

Step 4: Select The Status

Select your applicable filing status: Individual, HUF, or Others.

For filing of persons like you and me, select '**Individual**' and '**Continue**'. **Step 5: Select ITR Type**

Now, select ITR type. The taxpayer must first ascertain which ITR form they must fill out before filing returns. There is a total of 7 ITR forms available, of which ITR 1 to 4 is applicable for Individuals and HUFs. For example, individuals and HUFs without income from business or profession but with capital gains can use ITR 2. Find out which ITR you should be filing.

Step 6: Choose the Reason for Filing ITR

In the following step, you will be prompted to specify the reason for filing your returns. Select the appropriate

option that is applicable to your situation:

- Taxable income is more than the basic exemption limit
- Meets specific criteria and is mandatorily required to file ITR
- Others

Step 7: Validate Pre-filled Information

Ensure your pre-filled details, such as PAN, Aadhaar, name, date of birth, contact information, and bank details, are accurate. Provide or validate your bank account details if not already done. Disclose all relevant income, exemptions, and deductions as you proceed. Review the pre-filled information carefully, confirm the summary of your returns, and make the payment of any balance taxes if required.

Step 8: Fill the Data

Ensure that you fill all the data under the respective heads of income and get proper deductions u/s Chapter IV-A.

Step 9: E-Verify ITR

The last and crucial step is to verify your return within the time limit (30 days). Failing to verify your return is equivalent to not filing it at all. You have the option to E-Verify your return using different methods such as Aadhaar OTP, electronic verification code (EVC), Net Banking, or by sending a physical copy of ITR-V to CPC, Bengaluru.

Task 3: Step-by-Step on How to Fill 10IEA Form (If Opting for Old Regime)

Step 1: Login on the e-filing portal

Step 2: On the dashboard, click 'e-File' > 'Income tax forms' > 'File Income Tax Forms'

Step 3: Scroll down to select Form 10-IEA. Alternatively, enter Form 10-IEA in the search box. Click on 'File now' button to proceed.

Step 4: Select the Assessment Year for which you are filing the return. For e.g.: If you are filing taxes for the income earned in FY 2023-24, then select AY 2024-25.

Step 5: After checking the documents required for filing the form click on 'Let's Get Started'.

Step 6: Select "Yes" if you have Income under the head "Profits and gains from business or profession" during the assessment year. Select the due date applicable for filing of return of income and click on continue.

Note: Use "help document" by clicking on help document hyperlink for the help for selecting the applicable due date.

Step 7: Click 'Yes' to confirm the selection of the regime.

Step 8: Form 10-IEA has 3 sections. Verify and confirm each section. They are as follows:

- Basic Information:** In Basic Information section, your basic information will be pre-filled. If you are filing form for the first time then opting out option will be auto-selected and if system has valid form with opting out option, then re-entering option will be auto-selected. Click on 'Save' button.
- Additional Information:** Fill the necessary details in Additional information section related to IFSC unit (if any) and click on 'Save'.

If you are opting out of new Tax regime this Additional Information panel will be greyed off.

iii. **Declaration and Verification:** Verification section contains self-declaration where you will be required to check the boxes and agree to the terms and conditions. Verify whether all the details are correct and save the information. Once done, click on 'Preview' to review Form 10-IEA.

Step 9: After reviewing all the information, 'Proceed' to E-Verify'. You can E-Verify either through:

- Aadhaar OTP
- Digital Signature Certificate (DSC)
- Electronic Verification Code (EVC)

Step 10: After verification Click on 'Yes' to submit the Form.

Step 11: After successful e-Verification, a success message is displayed along with a Transaction ID and an Acknowledgement Receipt Number. Please keep a note of the Transaction ID and Acknowledgement number for future reference. You can also download the form and locate the acknowledgment number. To download the filed form, go to 'e-File' → 'Income Tax Forms' → 'View Filed Forms'.

Cases of ITR

Case 1

Salary - Rs. 20,00,350

Dividend – Rs. 8400

Interest from Saving Bank – Rs. 13,367 Interest from Deposit – Rs. 15,305

ITR 1 is filed by resident individuals having total income up to ₹ 50 lakhs from following Sources:

Income Under the Head Salary

Income Under the Head Income from Other Sources excluding winning from lotteries and Income from Horse Race

Therefore, Client 1 ITR will be filed by ITR 1 as his earnings his from Salary & income from Other Sources.

Particulars	Amount (Rs.)
Income From Salary: Basic Salary	
Deductions u/s 16: Standard Deduction	20,00,350
	(50,000)
Income Chargeable under the Head of Salary	19,50,350
Income From Other Sources: Dividend	
Interest from Saving Bank Interest from Deposit	8,400
	13,367
	15,305
Income from Other Sources	37,158
Total Income	19,87,508
Less: Deductions u/s Chapter IV-A:	
80CCD (2) - Contribution to pension scheme of Central Government by employee	(1,28,788)
Net Total Income	18,58,720
Tax Payable on Total Income: TDS on Salary	
TDS on Income Other than Salary Tax Payment	2,56,328
	840
	11,710
Total Tax Amount Paid	2,68,878

Case 2

Salary – Rs. 3,95,500 Dividend – Rs. 15,955

Interest from Saving Bank – Rs. 15,532 Interest from Deposit – Rs. 6,299

Sale of securities and units of mutual fund – Rs. 4,46,867

ITR 2 is to be filed by Individuals and HUFs who are not eligible to file form ITR-1 and don't have income from profits and gains from business or profession (Opted for Old Regime)

ITR 2 is filed when the Individual has its income from the following sources: Income Under the Head Salary

Income Under the Head Income from Other Sources Income from Capital Gain

Therefore, Client 2 ITR will be filed by ITR 2 as his earnings his from Salary, Income from Other Sources & Capital Gain.

Particular	Amount
Income From Salary: Basic Salary	
Deductions u/s 16 Standard Deduction Professional Tax	3,95,500
	(50,000)
	(2500)
Income Chargeable under the Head of Salary	3,43,000
Income From Other Sources: Dividend	
Interest from Saving Bank Interest from Deposit	15,955
	15,532
	6,299
Income from Other Sources	37,786
Income from Capital Gain: Short Term Capital Gain	
Long-Term Capital Gain	2,126
	1,46,842
Income from Capital gain	1,48,968
Total Income Earned	5,29,754
Less: Deductions u/s Chapter IV-A:	
80C Life insurance premium, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc.	1,50,000
80D Deduction in respect of Health Insurance premium 80TTA Interest on saving bank Accounts	25,000
	10,000
Total Deductions u/s Chapter IV-A	(1,85,000)
Net Total Income	3,44,754
Tax Payable on Total Income: TDS on Salary	
TDS on Income Other than Salary Tax Payment	0
	0
	0
Total Tax Amount Paid	0

Findings

During my internship at Heramb Finserv Private Limited, I uncovered several key findings related to the process of Income Tax Return Filing and maintaining Books of Accounts for clients. Here's a breakdown of these findings:

- **Taxpayer Challenges:** Many clients struggled with understanding complex tax laws, which sometimes led to errors or missed opportunities for deductions. This highlighted the need for clear communication and education to help clients navigate the tax filing process confidently.
- **Data of Capital Gain:** While Filing an ITR some documents are required of Capital Gain so that the employee calculate the Short Term & Long-Term Capital but in many of the cases clients does have the accurate data due to which it's a challenge for the intern to calculate the actual Income from Capital Gain.

Conclusion

The internship at Heramb Finserv Private Limited highlighted two main issues. Many clients find tax rules too complicated, leading to mistakes in their filings. Additionally, clients often don't have accurate information on capital gains, making it hard to calculate their income correctly. These problems show the need for better client education and more accurate record-keeping to improve the tax filing process.

IV. CHALLENGES & LIMITATIONS

Challenges: -

1. **Data Submission Delays:** Clients often fail to provide necessary financial data or documents on time, creating significant obstacles in meeting ITR filing deadlines. This lack of timely data makes it challenging for interns and other employees to ensure accurate and timely tax filings, leading to potential delays, errors, or missed filing deadlines.
2. **Confidentiality Constraints:** Due to company policies on data confidentiality, the intern was unable to include specific financial data in the project report. This limitation made it challenging to provide detailed analysis or practical examples, which are essential for a comprehensive understanding of the work performed during the internship.
3. **Client Awareness Gaps:** The intern often faced frustration due to clients' lack of awareness about the annual changes in tax laws. This knowledge gap made it challenging to explain and implement the necessary updates in their ITR filings, requiring additional time and effort to educate clients on the new regulations.

Limitations: -

1. **Limited Timeframe:** The internship duration of just 2 months provided limited exposure and experience, restricting the intern's ability to fully grasp the breadth of accounting practices and the complexity of client cases. This short timeframe also limited the opportunity to observe the complete cycle of financial processes and client interactions.
2. **Limited Skill Development:** Due to two-month duration of the internship, I found it challenging to fully develop and refine key accounting skills such as financial analysis, auditing, or deep comprehension of complex regulations. While I gained exposure, more time would have allowed for a deeper and more thorough understanding of these essential areas.
3. **Missed Exposure to Full Accounting Cycles:** Since accounting operates in longer cycles (monthly, quarterly, and yearly), the two-month period did not align with critical financial reporting periods like year-end closing. As a result, I missed out on experiencing key processes that would have provided a more comprehensive view of the accounting workflow.

V. CONCLUSION

The internship at Heramb Finserv Private Limited revealed two significant issues: clients often struggled with understanding tax regulations, leading to errors or missed opportunities in their tax filings, and inaccurate data on capital gains complicated the calculation of clients' income. These findings emphasize the need for improved client education and better record-keeping practices to streamline the tax filing process. Despite the challenges faced, the experience provided valuable insights into the practical application of accounting and tax filing in a real-world environment, enhancing both technical and analytical skills. However, the limited timeframe of the internship presented a constraint on the overall learning experience, particularly in gaining exposure to more complex accounting processes.

VI. REFERENCES

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