

Income Tax Return Filing Methods in India: A Comprehensive Review and E-Filing Trends Analysis

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Abstract

Introduction: According to Indian Income Tax law, there are two parts of tax obligation: paying the income tax on the total income and then declaring the particulars of all sources of income, including taxable and non-taxable income, and providing information on the overall tax. The term "return of income" refers to the second liability.

Purpose: The paper comprises an overview on E-filing of income tax returns in India and attempts to know the modes and process of filing of Income Tax Return in India and to study the trends of E Filing from 2010-11 to 2021-22.

Design/ Methodology/ Approach: This study utilized a secondary data analysis (SDA) approach to achieve its research objectives. The investigation focused on using secondary time-series data collected from various published sources such as the Economic Survey, Compiled Reports of Comptroller and Auditor General of India of Relevant financial years, income tax official website, research papers, and other relevant sources for the years 2010-11 to 2021-22. Quantitative data analysis was used to describe and investigate the outcome of the study. In particular, correlation analysis was performed on the data using SPSS software to analyze the trends of E-filing of income tax returns during the research period.

Findings: After reviewing about 20 research papers, the researchers arrived at a conclusion that the online forms of the department are designed in such a way that taxpayers are not required to submit any additional paperwork with them. This has significantly simplified the income tax return filing process and made it more convenient for taxpayers. Researchers found that there is a strong correlation between the total number of registered users and the total number of return filers. They also found that the apparent decline in the number of income tax returns (ITRs) filed during the fiscal year 2018-19, as compared to prior years, was attributed to the introduction of a modification clause in the law, which came into effect on April 1, 2018.

Originality/ Values: The literature on E-filing trends and processes is extensive, however, there are only a few research papers that focus on recent E-filing trends and the correlation between registered users and actual E-filers. In this study, the researchers aim to understand the recent trends of E-filing of income tax returns in India for the period 2010-11 to 2021-22. The study seeks to fill the gap in the literature by examining the recent E-filing trends and the factors that influence the number of registered users who eventually become actual E-filers. By doing so, the study provides valuable insights into the current state of E-filing in India and can help to inform policy decisions and improve the efficiency of the income tax return filing process.

Key words: Return of Income, Modes of filing of return, E-filing, Trends in E-filing of Income Tax Returns.

Introduction

According to Indian law, there are two parts to the tax obligation:

- Paying the income tax on the total income and then declaring the specifics of all sources of income, including taxable and non-taxable income, and providing information on the overall tax.
- The term "return of income" refers to the second liability. As a result, the taxpayer is accountable for more than just paying taxes—they must also disclose all relevant financial information to the government. A return of income can be submitted in a variety of ways. The method to fill the return is determined by the needs of the person filing the return. If the income return is straightforward, means the individual just has one or two sources of income, the individual can fill the return on his or her own without any assistance of professionals like Cas or Tax Preparer etc.

The following paragraphs outline the advantages of various methods for filing income tax returns, particularly e-filing, as well as the trends and highlights (ITRs) of e-filing among country residents. This is because one objective of the study is to study the trends of E -taxation system in India by comparing its yearly progress on the basis of income tax returns from 2010-11 to 2022-23.

E- Filing

Successfully submitting income tax returns online is referred to as e-filing. The idea of electronically filing income tax returns using the internet was created by e-governance. E-Filing - External website that opens in a new window service first made available during the assessment year 2006–07 by the Income Tax Department. Since direct taxes accounts for the lion's share of the nation's income, the Income Tax Department of India launched it. One of the "action lines" for all assesses to improve the Return filing process was the introduction of e-filing. The overarching goal of electronic taxation is to substitute collaborative, effective, process-driven, and secure online delivery for onerous manual, bureaucratic service systems.

Income tax Returns

Income tax is an annual charge on income of an assessee. As per the section 4 of Income Tax Act, 1961 provides that in respect of the total income of the previous year of every person, income tax shall be charged on Previous Year income in the succeeding assessment year at the rates mentioned by the Finance Act of the Government for that particular assessment year.

The law requires everyone having taxable income to file an income tax return. Where taxes have been paid, a tax return must be submitted. Only those who has lesser incomes are prohibited from filing an income tax return. Anyone who earns money, even up to the exemption threshold, is eligible to file an income tax return. There are 7 types of ITR Forms which clearly explains which type of assessee should fill which type of return.

According to Section 139(1), the following circumstances necessitate the submission of an income tax return:

- Anyone whose total income above the exemption threshold is required to file an income tax return by the deadline.
- Any business entity, like LLPs (Limited Liability Partnerships) or Unlimited Liability Partnerships;
- Any resident who has an asset located outside of India (which may include a financial interest in some entity as well); OR any resident who retains signing authority for an account based outside of India. This rule applies to all of the aforementioned entities.
- Every HUF (Hindu Undivided Family), AOP (Association of Persons), and BOI (Body of Individuals) must file an income tax return in the approved format with the necessary supporting paperwork if their combined income exceeds the exception limit.

Literature Review

The purpose of this study is to evaluate e-filing trends in India and identify factors that influence the adoption of e-filing systems and the satisfaction levels of e-filing system users. This study employs TPB and TAM to determine factors affecting e-filing adoption in India. The study found that tax professionals surveyed expressed high satisfaction with the e-filing system, with a positive behavioral intention towards it. (Maji, (2017).)

The study's results indicate that e-taxpayers' behavioral intention towards the online tax-filing system is primarily influenced by their perceived ease of use and usefulness. Since the electronic tax-filing system adoption in India is voluntary, the findings suggest that a system that is easy to use, customizable, user-friendly, offers a range of services, is convenient, has easy payment options. (Haryani, (2015).)

In today's technology-driven era, the Internet has had a significant impact on every sector of the Indian economy, including the Income Tax Department. One of the initiatives taken by the department is the introduction of electronic filing (e-filing) of income tax returns (ITRs) to simplify the filing process for taxpayers and reduce the time needed for data entry upon receipt of returns. E-filing allows taxpayers to

submit tax documents to the Income Tax Department via the internet or direct connection, without the need to submit any paper documents. (Arora J. , (2016).)

The paper provides an overview of the e-Filing system for Income Tax Returns (ITRs) in India, including its history and benefits for different stakeholders. The paper identifies shortcomings of the old e-Filing system for tax returns in India and highlights factors that led to the implementation of a new system. The paper explains the approach to executing the new e-Filing system, prioritizing reliability and availability, recommending features and facilities for different stakeholders. (Singh, (2013).)

The government of India has been pushing for digitalization in various sectors, including taxation, to provide efficient and quick services to the people and to maintain digital records instead of relying on paperwork. This digitalization is achieved through e-filing of Income Tax Returns (ITRs) with the help of the internet. This paper highlights the benefits of e-filing for income taxpayers and the government, and provides a procedure for filing ITRs. The IT department of India has been promoting this provision among taxpayers to expedite the process. (Bharathi, 2019)

This paper presents a study that investigates the factors influencing the adoption of electronic tax-filing systems using the Technology Acceptance Model (TAM) as a theoretical framework. The authors introduce "perceived credibility" as a new factor that represents the user's intrinsic belief in the electronic tax-filing systems, and examine the effect of computer self-efficacy on the intention to use an electronic tax-filing system.(Wang, 2003).)

Research Methodology:

A descriptive and exploratory research design underlies this study. The aims and research questions are supported by an examination, description, and analysis of the variables. Quantitative data are used to describe and investigate the outcome.

Sources and Scope of Data

The secondary time-series data used in this investigation were collected for the years 2010-11 through 2021-22. Data are collected from various published sources like economic survey, Compiled from Reports of Comptroller and Auditor General of India of Relevant financial years

Objectives of the Study:

1. To study the modes and Process of filing of Income Tax Return electronically.
2. To study the trends of E Filing from 2010-11 to 2021-22.

Modes of filing of Return:

There are various types of modes available to file an Income Tax return. Table 5.5 shows the various modes of filing income tax returns:

S.no	Person	Condition	Manner of furnishing return
1	Individual/HUF	a) Accounts are required to be audited under section 44 AB of the Act	Electronically with digital signature;
		b) An individual who is 80 years or older c) Whose income does not exceed Rs. Five Lakh and no refund is claimed in the return of income	A) Filing electronically with a digital signature; B) Transmitting the return's data electronically with an electronic verification code; C) Sending the return's data electronically and subsequently submitting Form ITR-V with the return's verification. or D) Paper Form
		C) alternatively,	A) Filing electronically with a digital signature; B) Transmitting the return's data electronically with an electronic verification code; C) Sending the return's data electronically and subsequently submitting Form ITR-V with the return's verification.
2	Company Form ITR-6	In all cases	Electronically with digital signature
3	A person required to furnish the return in ITR 7	a) in case of political party	Electronically with digital signature
		b) alternatively,	A) Filing electronically with a digital signature; B) Transmitting the return's data electronically with an electronic verification code; C) Sending the return's data electronically and subsequently submitting Form ITR-V with the return's verification.

4	Firm or limited liability partnership or any other person who is required to file return in form ITR 5	a) Accounts are required to be audited under section 44 AB of the Act	Electronically with digital signature;
		b) alternatively,	A) Filing electronically with a digital signature; B) Transmitting the return's data electronically with an electronic verification code; C) Sending the return's data electronically and subsequently submitting Form ITR-V with the return's verification.

Benefits of Filing Income Tax Returns Electronically (E-Filing)

- Prompt processing**

Income Tax Returns (ITR) are quickly acknowledged. More crucially, refunds, if any, are processed more quickly than returns filed on paper.

- Better accuracy**

With built-in validations and electronic connectivity, e-filing software is seamless and significantly reduces errors. Paper filings are susceptible to mistakes. When a paper-based form is transformed into an electronic system, there is a possibility for human mistake in data entry.

Convenience

There are no time or location limitations with online tax filing. • Because the service is available around-the-clock, you can submit electronic documents whenever and wherever you like.

Confidentiality

- Because nobody can access your data unintentionally or on purpose, it is more secure than paper files. Paper filings raise the possibility that the Income Tax Department or your chartered accountant's offices will obtain your income information inadvertently.
- **Accessibility to past data**
- Historical data can be easily retrieved while filing returns. Most e-filing programmes make it straightforward to access information that has been safely kept when submitting subsequent returns.

- **Proof of receipt**

- At the time of filing and moving on, you instantly receive filing confirmation by email at your registered email address.

- **Ease of use**

E-filing is user-friendly and equipped with features that allow even individuals who are not especially familiar with the internet to utilise it.

E filing Process:

The technique of electronically filing income tax returns using the internet is known as e-filing," according to the Directorate of Income Tax. Nowadays, practically every person, business, and other entity must electronically file their income tax returns. The department's online forms have been designed with enough information so taxpayers do not need to submit any supplemental paperwork with them. At the website, returns are electronically submitted. E-filing must also support the workflow systems and electronic record management used by tax authority operations, as well as knowledge, management, and mechanical risk analysis used to determine the validity of tax returns.

Step 1: Access the website (www.incometaxindiaefiling.gov.in) of the income tax department to begin the online filing of tax returns. Use your permanent account number (PAN), which serves as your user ID, to register.

Step 2: Go to e filing AY individual/HUF, which is located beneath the Download menu, and choose the appropriate ITR Form. If you get an income from a salary or pension, own a single home, receive interest income, or are a pensioner, you should use ITR 1 (Sahaj) preparation software.

Step 3: Open the downloaded Return Preparation Software (Excel utility), adhere to the instructions, and fill out the details with all the necessary information with the help of your Form 16.

Step 4: Click the "calculate tax" tab to determine the amount of tax due. Pay tax and enter challan particulars in the tax return (not applicable if tax liability is nil)

Step 5: By selecting the "Validate" tab, confirm the information entered. Continue to create an XML file, which will be saved on your computer automatically. This step can also be used to start the registration process (Step 1).

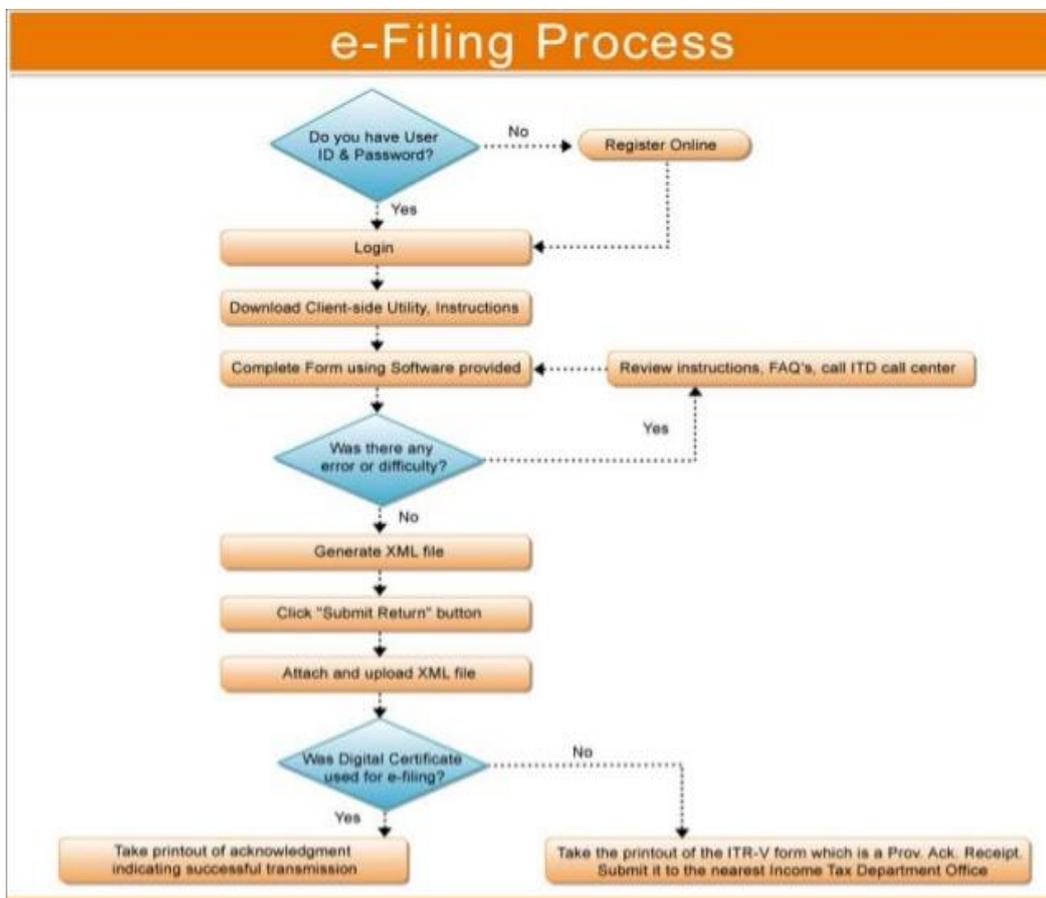
Step 6: After choosing the AY and the appropriate form, go to "submit return" on the portal's left area and upload the XML file.

Step 7: You'll be prompted to choose whether to digitally sign the file. A "yes" response indicates that you have a DS. Moreover, select "No"

Step 8: The procedure is finished after the message indicating a successful e-filing flashes on your screen. You can obtain the acknowledgement form for ITR-Verification (ITR-V), which will be generated. Additionally, it will be mailed to the address you have on file.

Step 9: Within 120 days of filing your e-return, print out ITR-V, sign it in blue ink, and mail it by normal or speed post to the Income Tax Department CPC, Post Bag No. 1, Electronic City Post Office, Bangalore-560100, Karnataka.

Step 10: The final step in the procedure is receiving the acknowledgement via email from the IT department.

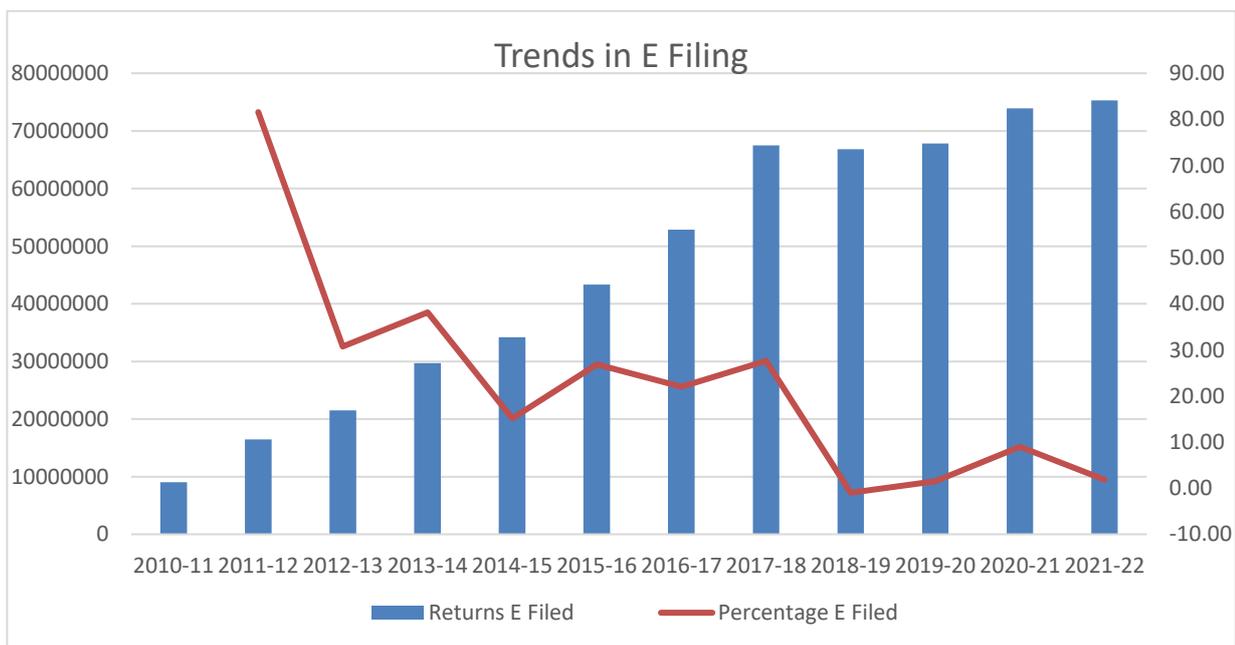


<https://www.incometax.gov.in/iec/foportal/statistics-data>

Table 1.1 Trends in E-Filing system

Financial Year	Total Number of E Filing of ITR	Growth %
2010-11	9050251	-
2011-12	16433685	81.58
2012-13	21486807	30.75
2013-14	29681794	38.14
2014-15	34173994	15.13
2015-16	43343737	26.83
2016-17	52868037	21.97
2017-18	67474904	27.63
2018-19	66809129	-0.99
2019-20	67790660	1.47
2020-21	73893170	9.00
2021-22	75278659	1.87

<https://www.incometax.gov.in/iec/foportal/statistics-data>



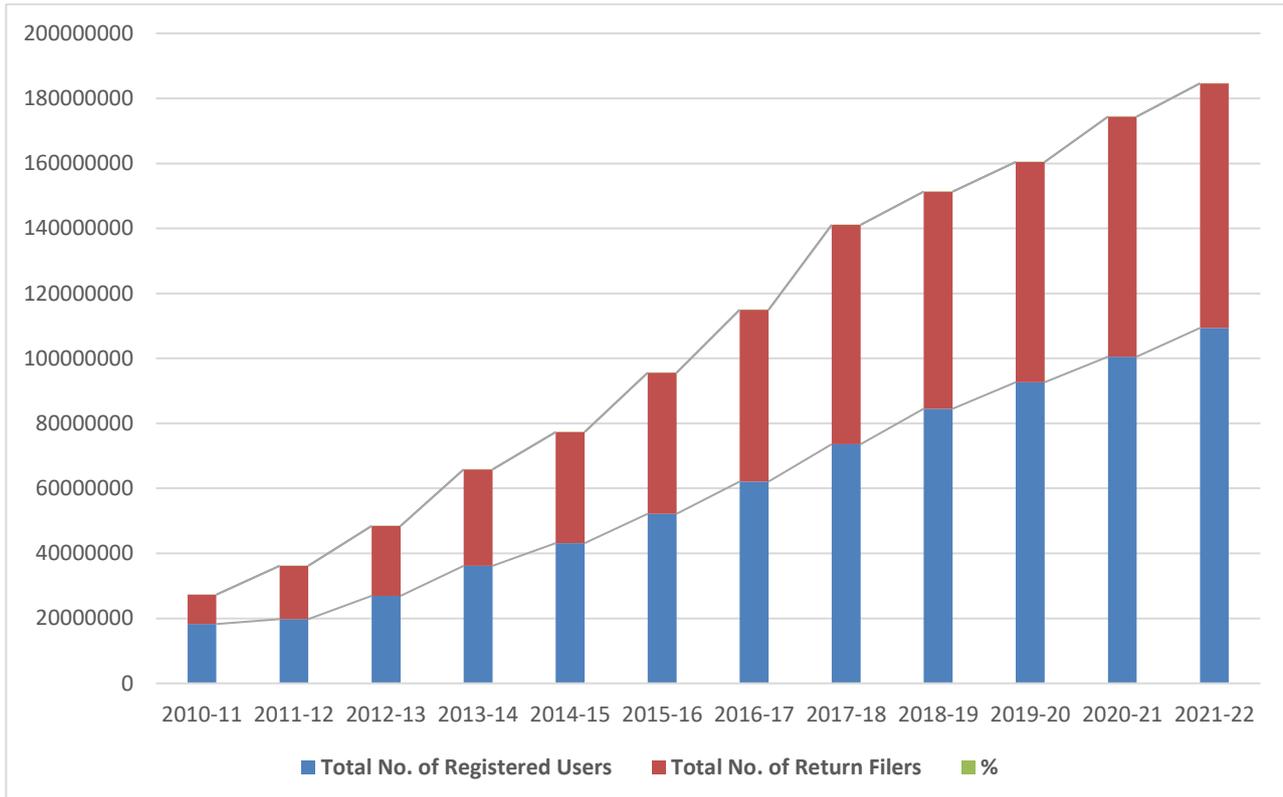
The aforementioned table and diagram show how e-filing is steadily and continuously growing in India. The e-filing of ITR continued to rise from FY 2010–11 to FY 2017–18. Only the Income Tax Department's utilisation of information technology made this progress possible. As long as the user carefully follows the directions, online filing a return is simple and user-friendly. In 2018-19, we noticed a slight decrease in ITR E-filings, according to the official statement of CBDT released in that year, out of 6.74 cr. ITR filed in 2017-18, 1.27 cr. ITR is for FY 2016-17. Therefore, the requirement that a revised return be submitted in light of the law's amendment provision, which became effective on April 1, 2018, was what resulted in the apparent decline in the number of ITRs filled during 2018–19, compared to preceding years. In 2018–19, 6.68 crore ITRs were submitted, of which 6.49 crore is for the current year and the remaining is a revised return for the previous year, representing an increase of about 19%.

Table 1.2 Total no. of Registered Users of E filing and Total No. of electronic return filer

Year	Total No. of Registered Users	Growth %	Total No. of Return Filers	Growth %	% of Return filer over Registered users
2010-11	18245936	0.00	9050251	-	49.60
2011-12	19742161	8.20	16433685	81.58	83.24
2012-13	26945778	36.49	21486807	30.75	79.74
2013-14	36186146	34.29	29681794	38.14	82.03
2014-15	43120913	19.16	34173994	15.13	79.25
2015-16	52223836	21.11	43343737	26.83	83.00
2016-17	62134605	18.98	52868037	21.97	85.09
2017-18	73634944	18.51	67474904	27.63	91.63
2018-19	84514539	14.78	66809129	-0.99	79.05
2019-20	92645447	9.62	67790660	1.47	73.17

2020-21	100525930	8.51	73893170	9.00	73.51
2021-22	109347962	8.78	75278659	1.87	68.84

<https://www.incometax.gov.in/iec/foportal/statistics-data>



Inter-Item Correlation Matrix		
	Total No. of Registered Users	Total No. of Return Filers
Total No. of Registered Users	1.000	.978
Total No. of Return Filers	.978	1.000

We can see from the above table that there is a strong correlation between the total number of registered users and the total number of return filers. Those that registered themselves will undoubtedly file an electronic return at some point. The table 1.2 and figure above demonstrate how no. of registered users is consistently increasing year by year. The number of ITRs filed electronically also shows increasing trend. Percentage of return filer over registered user shows how many registered users converted in e filers in 2017-18 91% registered users have filed their ITR. Since the registration process for electronic filing is becoming so simple, anyone can get registered by following the instruction manual without any professional assistance.

Findings of the study:

The following findings have been reached based on the interpretation and analysis of the data:

- The department's online forms are constructed so that taxpayers do not need to send any additional paperwork with them because they contain all the information they require.
- During the study period, there was an upward trend in the number registered users and e filers
- There is a strong correlation between the total number of registered users and the total number of return filers.
- . Since the registration process for electronic filing is becoming so simple, anyone can get registered by following the instruction manual without any professional assistance.
- The apparent decline in the number of income tax returns (ITRs) filed during the fiscal year 2018-19, as compared to prior years, was attributed to the introduction of a modification clause in the law, which came into effect on April 1, 2018.

Recommendations/ suggestions:

Based on the findings of the study, the following recommendations can be made:

1. The income tax department should continue to simplify the income tax return filing process and make it more convenient for taxpayers, such as by designing online forms in a user-friendly manner and reducing the need for additional paperwork.
2. The government should consider promoting the benefits of E-filing among taxpayers, particularly those in remote and rural areas, to increase the number of registered users and actual E-filers.
3. The government and income tax department should continue to monitor the trends in E-filing of income tax returns and take necessary steps to address any issues or challenges that may arise.
4. The income tax department should consider providing more guidance and support to taxpayers, particularly first-time filers, to help them navigate the E-filing process more smoothly.

5. Researchers and policymakers should continue to explore the factors that influence the number of registered users who eventually become actual E-filers, in order to further improve the efficiency of the income tax return filing process.

Future scope:

The study on E-filing of income tax returns in India provides valuable insights into the current state of E-filing and the factors that influence the number of registered users who eventually become actual E-filers. However, there is a significant scope for further research on E-filing of income tax returns in India, and such research can help to inform policy decisions and improve the efficiency of the income tax return filing process. Following are the several areas where further research can be conducted in the future.

- There is a need for a more comprehensive analysis of the factors that influence the adoption and usage of E-filing among taxpayers. This could include a survey-based study to understand the perceptions, attitudes, and challenges faced by taxpayers when using E-filing.
- With the increasing use of technology, there is a need for a more robust and secure E-filing system that can handle large volumes of data and protect sensitive information. Further research can be conducted to identify the key technological challenges and opportunities in this area.
- There is a need for research on the impact of E-filing on tax compliance and revenue collection. This could include a comparative analysis of tax compliance rates and revenue collection before and after the introduction of E-filing.
- Further research can be conducted to examine the role of tax professionals in the E-filing process. This could include an analysis of the factors that influence the usage of E-filing by tax professionals and the impact of their usage on the efficiency of the income tax return filing process.

Discussion and Conclusion of the study:

In conclusion, the paper provides a comprehensive overview of the E-filing of income tax returns in India and analyzes the trends and processes involved in the filing of Income Tax Returns. The study utilizes secondary time-series data collected from various published sources for the period 2010-11 to 2021-22. The

findings of the study reveal that E-filing has significantly simplified the income tax return filing process, making it more convenient for taxpayers. The introduction of online forms has eliminated the need for additional paperwork, reducing the time and effort required for tax compliance.

The study also found that there is a strong correlation between the total number of registered users and the total number of return filers. The apparent decline in the number of ITRs filed during the fiscal year 2018-19, as compared to prior years, was attributed to the introduction of a modification clause in the law. This study helps fill the gap in the literature by examining the recent E-filing trends and the factors that influence the number of registered users who eventually become actual E-filers.

In light of the study's findings, the government can work towards improving the E-filing process further and promoting digitalization of the income tax system. Simplification of the income tax laws and forms can encourage more taxpayers to file their returns and improve tax compliance in the country. The findings of this study can also inform policy decisions and guide future research on E-filing trends and processes in India. Overall, this study contributes to a better understanding of the current state of E-filing in India and can help improve the efficiency of the income tax return filing process.

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