TDS, GST & Income Tax: What Every Business Owner Must Know, But Is Afraid to Ask

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DAIM

Accountants | Advisors

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1 Introduction

Taxes in business often feel like that one cupboard in the office everyone is afraid to open.

You are busy building your product, serving clients, and handling your team. Then one morning, an email lands in your inbox:
"Notice under section…" and suddenly, everything else feels less important.

Most founders do not start a business to deal with **TDS**, **GST**, or **Income Tax**. These terms sound technical, legal, and sometimes even scary. Many business owners in India deal with taxes in either of these ways:

- My CA will handle it; I don't need to know.
- I will see all this at year-end.
- As long as I am paying *something*, I should be safe.

Deep down, though, there is often a worry:
"What if I have missed something important?"
"What if a small mistake today becomes a big penalty later?"

This **e-book** is written exactly for that space.

Why taxes feel scary (and don't have to be)

Taxes feel scary mainly for three reasons:

1. **Too much jargon**
   Words like "withholding", "input credit", "advance tax", "disallowance" make simple ideas sound complex.
2. **Fear of doing something wrong**
   Many owners are not sure what is right or wrong, and so they fear any call or email from the tax or GST department.

3. **Total dependence on others**
   You may have a good CA or finance team, but if you do not understand the basics yourself, you always feel slightly blind.

This book will not turn you into a tax expert. That is not the goal.
The goal is simpler: **to give you enough clarity so you are not afraid of the subject.**
When you read the words **TDS**, **GST**, and **Income Tax** after this, you should be able to say:

- I know what each one is about.
- I know where it touches my business.
- I know what to ask my CA or finance partner.

<u>What this e-book will help you do</u>

By the end of this e-book, you will:

- Understand, in plain language, what **TDS**, **GST**, and **Income Tax** really mean for a business in India.
- See how they are **connected** to your daily work – sales, purchases, salaries, vendor payments, and profit.
- Learn the **common mistakes** small businesses make, so you can avoid them.
- Get a simple picture of **what to do each month and each year** to stay on track.
- Know what you can safely leave to your CA or finance team, and what you must still understand yourself.

Think of this as your **"owner's manual" for taxes**, not a law book.
You may still rely on professionals for filing returns, calculating exact amounts, and dealing with complex cases. But after reading this, you will never feel lost in a tax conversation.

<u>Who this book is for</u>

This e-book is written for people who run or plan to run businesses in India, such as:

- Owners of small and medium businesses (shops, agencies, firms, services, online businesses).
- Startup founders who are busy with growth, funding, and hiring, and want a clear view of their tax basics.
- Freelancers and consultants who have started invoicing clients and now see words like GST, TDS, and advance tax on their statements.

- Partners or directors in LLPs and companies who want to understand what their finance team and CA keep talking about.

The good news is:
· You do **not** need a commerce background to follow this.
· You do **not** need to know any section numbers or forms by heart.

All you need is:
- An open mind,
- A basic interest in how money moves in your business, and
- A desire to avoid trouble later.

How to read this e-book

You do not have to read everything in one go. You can:
- Read the **Income Tax** section when you are thinking about profits and drawings.
- Read the **GST** section when you are raising invoices or dealing with vendors.
- Read the **TDS** section when you are paying salaries, rent, or professional fees.

At the end, there is a simple **action plan and checklist**. Even if you read nothing else, that part alone can help you start better habits in the next month.
You can also share this e-book with your internal team, so everyone uses the same simple language when talking about taxes.

A quick but important note (disclaimer)

This e-book is written for **education and awareness**. It is based on the general rules and common practices in India at the time of writing.
- It is **not** a legal opinion.
- It is **not** personal tax advice.
- It cannot cover every special case, exception, or change in law.

For any decision that can have a major money or legal impact, you should still:
- Speak to your CA or tax advisor, and
- Share your exact numbers and facts with them.

Think of this e-book as the part that helps you **understand the conversation** with your CA, ask better questions, and spot basic risks. It does not replace the need for a professional.

<u>One final thought before we begin</u>

There are only two types of business owners when it comes to taxes:

1. Those who say, "I don't want to know, just file whatever you feel is right."
2. Those who say, "I may not know everything, but I want to understand the basics and stay in control."

This e-book is for the second group.

If you are reading this, you already care about doing things in a clean and proper way. That is the best starting point.

Now, let us slowly unpack Income Tax, GST, and TDS; one by one, in simple terms, and see what every business owner must know, but is often afraid to ask.

2 The Big Picture: How TDS, GST and Income Tax Fit Together

Before diving into details, it helps to see the whole picture. Most business owners think of TDS, GST, and Income Tax as three separate subjects. In reality, they are all connected through one simple idea: **money moving in and out of your business**. When you understand this flow, everything becomes less confusing.

2.1 The Money Flow of Any Business

Every business, be it small or large, follows the same basic cycle:

1. **You earn money** (sales, services, commissions).
2. **You collect money** (sometimes with GST).
3. **You spend money** (expenses, salaries, vendor payments).
4. **You pay taxes or file returns** based on these movements.

TDS, GST, and Income Tax appear at different points in this cycle.

- **Income Tax** looks at the **profit you earned**.
- **GST** looks at the **sales you made** and the **purchases you took input credit for**.
- **TDS** applies when **you pay others** like employees, professionals, contractors, or landlords.

If you keep this simple picture of earnings → payments → taxes in mind, many things start to make sense.

2.2 What Each Tax Really Covers

Here's a plain-language view:

- **Income Tax**
  The tax on the *income or profit* your business makes.
  (Different business structures are taxed differently, which we'll cover later.)
- **GST**
  A tax on the *goods or services* you sell.
  You collect GST from customers and sometimes get credit for GST you paid on purchases.

- **TDS**
  A small portion of tax you *deduct while paying others*.
  You deposit it to the government on their behalf.

Each one touches a different part of your operations, but together they create your full tax picture.

2.3 Why All Three Matter at the Same Time

Even if you think "my CA handles this," you still feel the effects of:

- Late fees on GST returns
- Interest on missed TDS payments
- Advance tax surprises near year-end
- Mismatch notices because sales in books and GST returns don't match

These issues usually don't come from fraud or big mistakes.
They come from one simple thing: **not seeing how the three taxes connect**.

2.4 The Three Most Common Reasons Businesses Get into Trouble

Almost every tax problem comes from one of these:

a. Missing Timelines

- GST monthly/quarterly returns
- TDS monthly deposits and quarterly returns
- Advance tax instalments
- Annual filings

A missed date often leads to late fees, interest, or notices.

b. Incomplete or Disorganised Records

- Sales not recorded on time
- Purchase invoices missing
- Salary details incomplete
- Vendor payments not tracked properly

When records are messy, each tax becomes harder to handle.

c. Not Knowing Thresholds and Basic Rules

You don't need to memorise numbers, but you must know:

- When GST registration becomes mandatory
- When TDS must be deducted

- When advance tax applies
- Which expenses are allowed in Income Tax

Most notices come from simple misunderstandings like these.

2.5 The Purpose of This Section

By understanding this big picture:

- You will know **why** each tax exists and **where** it applies.
- You will understand **how they connect** inside your business.
- The detailed sections on Income Tax, GST, and TDS will feel much easier.

Think of this as your map.
Once you have the map, the journey becomes much less confusing.

3 Income Tax Basics for Business Owners

For many business owners in India, Income Tax is something they think about only when the financial year ends. But Income Tax is not a once-a-year subject. It is connected to how you **earn**, **spend**, and **plan** all through the year.

This section helps you understand the basics so you can see what your CA sees, stay prepared, and avoid last-minute surprises.

3.1 Understanding Your "Business Income"

Income Tax begins with a simple idea:
Income – Expenses = Profit

But what counts as "income" and "expenses" for your business?

What counts as business income

- Sales from products or services
- Commissions or fees
- Other business receipts (like consultancy income)
- Any money earned through normal business operations

What counts as business expenses

Expenses must be:

1. **For business use**, and
2. **Supported by proper bills or records**

Common expenses:

- Rent
- Salaries
- Software and subscriptions

- Marketing and advertising
- Travel and communication
- Office supplies
- Electricity and internet
- Professional fees
- Depreciation on laptops, machinery, etc.

Why proofs matter:
If expenses are not recorded or if bills are missing, the tax department may not allow them. That means your profit looks higher, and you pay more tax.

3.2 Your Business Structure Matters

Your Income Tax calculation depends on whether you operate as:

- Sole Proprietorship
- Partnership Firm
- LLP (Limited Liability Partnership)
- Private Limited Company

You don't need to know every rate.
But you should know this:

Sole Proprietorship

- Taxed as an individual (normal slab rates).
- Your personal and business income are treated together.

Partnership / LLP

- Taxed as a separate entity.
- Partners get salary and interest as per the partnership deed.

Private Limited Company

- Taxed at company rates.
- Directors may receive salary or dividends.

Why these matter

Your structure affects:

- How much tax you pay
- What records you must maintain
- How you withdraw money from the business
- How investors see your business

If your business is growing fast, it might make sense to review your structure once a year with your CA.

3.3 Advance Tax: Planning Instead of Panicking

Many business owners get shocked in March or July when their CA says:
"You have to pay *this* much tax."

This happens because of **advance tax**.

What is advance tax?

It is tax paid in parts during the year, instead of all at once at year-end. It exists to prevent a big tax burden at the end of the year and to keep payments smooth.

Simple way to think about advance tax

Every quarter, you:

- Look at your profit so far
- Estimate the tax
- Pay a small portion

This keeps your final tax small and avoids interest later.

Why business owners get into trouble

- No tracking of profit month by month
- No review with the CA during the year
- All focus on sales, with no view of expenses and cash flow

A short 15-minute check each quarter can prevent major surprises.

3.4 Common Income Tax Mistakes

Most Income Tax issues are not because of fraud.
They come from small habits that pile up.

a. Mixing personal and business spending

Using the same bank account or UPI for:

- Grocery
- Fuel
- Phone bills
- Business payments

This creates confusion and makes it hard to show accurate books.

b. Not recording online sales and charges properly

Payment gateways deduct:

- Commission
- GST on commission
- TCS (in some cases)

If this is not recorded correctly:

- Your sales don't match bank credits
- Profit appears wrong
- GST and TDS reports mismatch

c. No proof for expenses

Cash payments without bills, missing invoices, or rough numbers create trouble at year-end.

d. Ignoring interest and late fees

If advance tax is not paid on time, interest applies.
This interest is often avoidable and comes only from poor planning.

3.5 Why Understanding Income Tax Helps You Run the Business Better

Income Tax is not just about compliance.
It gives you clear insights into:

- Whether your profit margin is healthy
- Whether expenses are under control
- Whether your pricing is right
- Whether the business is financially stable
- How much you can safely withdraw as drawings or salary

Once you understand these basics, you stop treating Income Tax as a burden and start seeing it as a tool to manage your business better.

4 What GST Really Wants from You

GST often feels like a subject filled with forms, portal logins, and notifications. But at its core, GST is simply a tax on what you **sell** and what you **buy** for your business. Understanding a few basics removes most of the confusion and helps you stay compliant without stress.

4.1 Do You Even Need GST Registration?

One of the first questions every business owner asks is:
"Should I take GST registration or not?"

You need GST registration in India mainly in three situations:

1. You cross the turnover limit

There is a yearly turnover limit after which registration becomes mandatory.
(You don't need to memorise numbers, just check with your CA once a year.)

2. You fall under a mandatory category

Some businesses need GST registration even if their turnover is low, such as:

- Inter-state suppliers
- E-commerce sellers
- Certain services
- Those wanting to claim input tax credit

3. You choose voluntary registration

Some businesses take GST voluntarily because it helps with:

- B2B clients who want GST invoices
- Claiming input tax credit
- Looking more professional in certain industries

Knowing whether you need registration is the first step. Once registered, GST becomes a monthly/quarterly routine.

4.2 Input Tax Credit (ITC): The Part Everyone Gets Wrong

ITC is one of the biggest benefits of GST, but also one of the most misunderstood.

What is ITC?

A simple example:

- You buy a laptop for business and pay GST on it.
- You sell your service and charge GST to your customer.
- You reduce the GST you paid (on the laptop) from the GST you collected (from the customer).

This reduces your final GST payment.

When can you claim ITC?

Three things must be true:

1. You have a **valid GST invoice**.
2. The item or service is **used for business**.
3. Your vendor has **filed their GST returns** and paid their tax.

If the vendor does not file, your ITC may get blocked.
This is why your CA often asks for **purchase invoices** and **vendor details**.

Why ITC misuse is risky

Trying shortcuts like "fake invoices" or "adjusting something later" can lead to notices, penalties, and blocked credit.
Clean books = smooth GST.

4.3 Your Monthly GST Routine

GST is regular; not a one-time event.
A simple monthly routine can help you avoid late fees and mismatches.

The following are to be kept in mind:

a. Collecting GST correctly on sales

- Use proper invoices (name, GSTIN, rate, amount).
- Charge the correct GST rate.
- Record sales on time.

b. Tracking purchase invoices

- Ensure you have all vendor bills.
- Check if vendors are filing their returns regularly.
- Match invoices with the GST portal during return filing.

c. Filing returns on time

Depending on your type of business, GST returns may be monthly or quarterly.
Late filing leads to **late fees + interest + blocked ITC**.

d. Matching data with your books

Sales in GST returns should match sales in your accounting system.
Mismatch is one of the most common reasons for GST notices.

A simple 30–40 minutes check each month can prevent almost all issues.

4.4 Common GST Red Flags

These are the patterns the GST system watches closely:

1. Sales in books ≠ sales in GST returns

If your books show ₹10 lakh sales but GST shows ₹8 lakh, the system assumes under-reporting.

2. High ITC with low outward sales

If you claim a lot of ITC but don't show enough sales, it raises a question:
"How are you buying so much but not selling?"

3. Frequent NIL returns despite bank activity

If you file NIL returns but money is coming into your bank, it signals mismatch.

4. Many months of late filing

Even one or two late filings may not be a big problem.
But repeated delays flag you as a high-risk taxpayer.

Being aware of these red flags helps you avoid unnecessary stress.

4.5 Why Understanding GST Helps Your Business Grow

GST is connected to:

- Pricing and quotation
- Vendor selection
- Cash flow
- Profit calculation
- Customer expectations
- Professional reputation

A business with clean GST practices appears more trustworthy to:

- Big clients
- Banks
- Investors
- Vendors

In short, understanding GST is not just about avoiding penalties; it is about building a stronger financial foundation.

5 TDS: The Most Confusing Three Letters

TDS is the part of tax law that confuses most business owners. Not because it is complex, but because it feels strange:
"Why am I cutting someone else's tax and paying it to the government?"

But once you understand the logic, TDS becomes one of the easiest parts of taxes to manage.

5.1 What Is TDS, Really?

TDS stands for **Tax Deducted at Source**.

A simple explanation is:
Whenever you make certain types of payments, you are required to **cut a small portion** of that payment and deposit it to the government.
You are paying the tax **on behalf of** the person you are paying.

Why the government does this

- To collect tax in small amounts throughout the year
- To avoid depending only on yearly returns
- To ensure transparency in payments

Why businesses often get confused

- Many different sections
- Different rates
- Many due dates
- Need for correct PAN and details

But the core idea is simple:
TDS applies when you pay others, not when you earn.

5.2 When Does TDS Apply in Your Business?

You don't need to memorise every section or every rate. You only need to know the common situations where TDS usually applies:

1. Salaries

TDS is based on the employee's estimated annual income. You collect investment proofs and declarations.

2. Professional Services

Payments to:

- Consultants
- Designers
- Lawyers
- CAs
- Tech freelancers
- Agencies

TDS applies if the total payments cross a certain limit.

3. Rent

TDS applies on:

- Office rent
- Shop rent
- Warehouse rent
- Commercial property rent

4. Contractor / Outsourced Work

Payments to:

- Agencies
- Contractors
- Labour providers
- Event or marketing teams

5. Some Interest Payments

Interest paid on loans from individuals or some entities may attract TDS.

The good news is that your CA or finance partner can easily help you identify each category once you share your payment list.

5.3 The TDS Workflow in Real Life

TDS is not hard once you break it into steps.

Step 1: Check if TDS is applicable

Look at the type of payment and the amount.

Step 2: Deduct TDS before paying the person

For example, if you owe a designer ₹10,000 and TDS is 10%:
You pay them ₹9,000 and deposit ₹1,000 to the government.

Step 3: Deposit the TDS to the government

This must be done monthly, within a specific due date.

Step 4: File quarterly TDS returns

This return contains:

- PAN of the payee

- Total amount paid
- Total TDS deducted
- The TDS section applied

Step 5: Issue a TDS certificate

This allows the person you paid to claim credit for the tax deducted.

If these five steps are done properly, TDS runs smoothly.

5.4 TDS on Salaries vs TDS on Others

Many business owners mix these two, but they follow different rules.

TDS on Salaries

- Based on the employee's **annual income estimate**
- You collect proofs like rent receipts, investments, etc.
- TDS amount may change month to month

TDS on Non-Salary Payments

- Based on fixed rules
- Rates depend on the type of payment
- Thresholds apply (beyond a certain annual amount)

Why this matters

If salary TDS is wrong, employees may face a tax burden.
If non-salary TDS is wrong, your business may face penalties.

5.5 Consequences of Ignoring TDS

Many businesses ignore TDS because the amounts feel small.
But the penalties are not small.

1. Interest for late deduction

If you deduct late, interest applies from the date you should have deducted.

2. Interest for late deposit

If you deducted but did not deposit on time, more interest applies.

3. Late filing fee

If TDS returns are filed late, a daily fee applies (up to a limit).

4. Expense disallowance in Income Tax

This is the most painful one.
If TDS is not handled properly, the related expense may be **disallowed** in Income Tax.
This means:

- Your profit increases artificially
- You end up paying more tax

A small TDS mistake can create a much larger Income Tax problem later.

5.6 Why Understanding TDS Helps Your Business

TDS helps you:

- Build clean compliance
- Avoid penalties and interest
- Maintain transparent transactions
- Build trust with employees, vendors, and partners
- Prevent Income Tax surprises at year-end

Once you know where TDS applies and how to handle it monthly, the confusion disappears. It becomes another routine part of running a healthy business.

6 Putting The 3 Together: A Simple Monthly Finance & Tax Routine

Now that you know the basics of Income Tax, GST, and TDS, the next question is:
"How do I manage all this without getting overwhelmed?"

The answer is not more software or complicated processes.
The answer is a simple, repeatable routine; a small set of habits that keep your business clean, compliant, and stress-free.

You do not need to spend long hours on this.
If you follow the routine below, 2–3 hours a week is more than enough.

6.1 Weekly Habits

These small weekly steps prevent last-minute chaos.

1. Record all income and expenses

- Don't wait till month-end.
- Even rough entries are fine at first.
- Use a software or a simple shared folder with your accountant.

2. Save every invoice and bill

- Sales invoices
- Purchase bills
- Rent receipts
- Software bills
- Utility bills

Create a "GST Bills – [Month]" folder every month.
Digital copies are perfectly acceptable.

3. Check bank statements vs entries

Once a week, do a quick scan:

- Does the bank balance match your books?
- Are there unidentified credits or debits?
  Catching these early avoids confusion later.

4. Track payments that may attract TDS

Any payment to consultants, agencies, rent, salaries, or contractors should be reviewed weekly.
If TDS applies, note it immediately. Do not wait until the month-end.

6.2 Monthly Checklist

These tasks ensure you stay compliant across GST, TDS, and Income Tax.

1. GST: Sales & Purchase Review

- Ensure all sales invoices are uploaded or shared.
- Check if you received all vendor bills.
- Match your list with the GST portal.
- Confirm return filing with your accountant.

2. TDS: Payments & Deposits

- Review the list of payments that attract TDS.
- Confirm that TDS has been deducted correctly.
- Ensure the TDS amount is deposited before the due date.

(NB.: TDS mistakes are small at first, but costly later.)

3. Salaries: Monthly Compliance

- Confirm salary payout details.
- Review TDS deduction for employees (if applicable).
- Keep basic records like attendance or payslips ready.

4. Business Health Check

Spend 10–15 minutes looking at:

- Cash in bank
- Money customers owe you (receivables)
- Money you owe suppliers (payables)
- Major expenses for the month

Even a simple glance at these numbers helps you plan better.

6.3 Quarterly & Annual Checklist

These checks help you stay ahead of the bigger compliance tasks.

Quarterly Tasks

- **Advance Tax Review**
  Check if your business is making a profit and pay advance tax if required.
  This prevents large interest later.
- **Profitability Review**
  Look at how your profit is moving.
  Are expenses under control?
  Are you pricing correctly?
- **Books Clean-Up**
  Clear pending entries, missing bills, or mismatches.

Annual Tasks

- **Year-End Closing**
  Stock count, loan balances, vendor confirmations, fixed asset updates.
- **Income Tax Planning**
  Finalise deductions, depreciation, and final profit.
- **Annual Returns**
  For businesses, LLPs, and companies, annual filings usually follow the financial year-end.
  Keep your documents ready earlier rather than later.

6.4 Why This Routine Works

When you do small things consistently:

- GST becomes easier
- TDS becomes predictable
- Income Tax becomes manageable
- Notices reduce
- Late fees and penalties disappear
- Your relationship with your CA becomes smoother

More importantly, you stay in control of your business.
You always know where your money is, where it is going, and what compliance is coming up next.

This simple routine is the foundation of clean books and stress-free taxes, which is exactly what every growing business needs.

7 Working with Your Accountant or Finance Partner

What to Expect (and What You Should Still Know Yourself

No business owner can handle every compliance task alone, and you shouldn't have to. Your accountant or finance partner plays a key role in keeping your business clean and compliant.
But to get the best out of them, you need a clear idea of **who does what**.

This section helps you understand how to work with your CA or finance partner in a smooth, efficient, and stress-free way.

7.1 Information You Must Provide

Your accountant can only work with what you share.
Clean inputs = clean outputs.

Make sure you share these regularly:

1. Bank statements

- Provide the complete monthly statement.
- Avoid sending screenshots or partial information.
- If you use multiple bank accounts, share all.

2. Sales invoices

- Share them as you raise them.
- If you use software, ensure your accountant has access.

3. Purchase bills and vendor invoices

- Provide clear, readable copies.
- Keep them organised in a monthly digital folder.

4. Salary and payroll details

- Salary breakup
- New hires or exits
- Employee declarations (if TDS applies)

5. Loan or EMI details

- Interest certificates
- Repayment schedules

6. Any major changes in the business

Examples:

- New branches
- New partners or directors
- New equipment purchases
- Foreign payments or receipts

The earlier you share such updates, the smoother your compliance becomes.

7.2 Questions You Should Ask Your Accountant

Your accountant sees risks and patterns that you may not.
These simple questions help you stay ahead:

1. "What are my main tax risks right now?"

A quick review can show:

- Delayed filings
- Missing invoices
- TDS issues

- Upcoming deadlines

2. "Which dates should I never miss?"

Ask for a list of:

- GST filing dates
- TDS deposit and return dates
- Advance tax dates
- Income tax filing dates
- ROC/annual filing dates (if applicable)

3. "What numbers should I track every month?"

Your CA may suggest:

- Cash flow
- Receivables
- Payables
- Monthly profit
- GST payable
- TDS deducted

These numbers give you a clear picture of your business health.

4. "Do I need to change my business structure?"

If your business is growing, your current structure may no longer be efficient.
Your accountant can guide you on:

- When to move from proprietorship to LLP or company
- Tax benefits
- Compliance requirements

5. “Is my vendor list clean from a GST and TDS point of view?”

Some vendors cause issues by:

- Not filing GST
- Giving incorrect invoices
- Providing incomplete details

A vendor review once every quarter helps avoid blocked ITC or wrong TDS.

7.3 Division of Responsibility

A healthy business-owner–accountant relationship is built on clarity.

What your accountant or finance partner will handle

- Preparing and filing GST returns
- TDS calculations, deposits, and returns
- Income Tax computation
- Advance tax reminders
- Annual filings
- Bookkeeping and reconciliations (if engaged for it)
- Compliance alerts
- Responding to routine notices
- Assistance in audits

What *you* must still understand

Even if the accountant does the execution, you should know:

- What GST, TDS, and Income Tax apply to your business

- The basic monthly routine
- Key deadlines
- What your CA needs from you each month
- The impact of your big decisions (new hires, new branches, loans, etc.)
- The difference between business money and personal money

Why this matters

If you don't understand the basics:

- You cannot check if things are being done correctly
- You feel lost during important decisions
- Errors go unnoticed until much later

When both sides work together, compliance becomes simple and painless.

7.4 How to Get the Best Out of Your Accountant

A few habits make a big difference:

- **Share data on time**: don't wait till the last day.
- **Reply quickly to queries**: delays cause late fees.
- **Maintain clean records**: saves time for everyone.
- **Keep communication open**: inform them about new deals, contracts, or big purchases.
- **Ask for clarity**: never hesitate to ask "why" or "how."

Your accountant is your partner in keeping your business safe and compliant.
Treat the relationship with the same seriousness as you treat a major client or vendor.

7.5 Why This Matters for Your Business

A good accountant + an informed business owner =
Clean compliance, fewer notices, and better financial decisions.

This teamwork helps you:

- Stay focused on growth
- Avoid penalties
- Plan taxes in advance
- Maintain investor and client trust
- Make smarter financial choices

When roles are clear and communication is smooth, your business can grow without fear of hidden surprises.

8 FAQs Business Owners Are Afraid to Ask

Every business owner has questions about taxes and compliance that they feel embarrassed to ask.
Some feel the question is "too basic."
Some fear they will sound inexperienced.
Some think they should already know the answer.

This section is a safe space. These are real questions asked by real business owners, and it is perfectly normal if you have the same doubts.

1. "What if I've been doing things wrong for years?"

You can always fix your books and compliance.
Most corrections are possible if you:

- Gather all documents
- Share everything with your accountant
- Correct entries for past months
- File pending returns with proper interest/fees

The earlier you address it, the easier it is to fix.
It's never "too late"; it only gets harder the longer you wait.

2. "What happens if I miss a return?"

Missing a return usually leads to:

- Late fees
- Interest
- Blocked ITC (in GST cases)
- Possible mismatch notices later
- Difficulty in future filings if multiple returns pile up

But missing **one** return is not the end of the world.
Just file it as soon as possible and get back on track.
Ignoring it for months is what causes trouble.

3. “Can the department send a notice for small mistakes?”

Yes, the system can generate notices even for small mismatches like:

- GST sales lower than income shown in Income Tax
- High ITC claimed
- TDS deducted but not deposited
- Missing details like PAN or invoice numbers

But most notices are **routine and solvable**.
They are not a sign of wrongdoing; they are simply asking for clarification or correction.

4. “What if I don’t understand the notice at all?”

You don’t have to.
Send it to your CA or finance partner immediately.

Most notices look complicated because they use legal terms.
But the core message is usually simple:

- “Your numbers don’t match.”
- “Please pay interest/late fee.”
- “Please confirm or correct this detail.”

A timely response solves most notices easily.

5. “I’ve heard of raids. Should I be worried?”

Raids are rare and usually happen only in cases of:

- Large-scale tax evasion
- Fake invoices

- Cash transactions without records
- Huge mismatches ignored for a long time

If your business is clean, your records are proper, and your filings are done regularly, you have nothing to worry about.
Routine notices are **not** raids.

6. "What if I can't afford to pay a tax immediately?"

If you genuinely cannot pay a tax at once:

- Inform your CA immediately
- Pay at least a part if possible
- Clear it in instalments (though interest may apply)
- Avoid creating a habit of delays

What you should **not** do is ignore it.
Ignoring leads to penalties and very high interest.

7. "Is it okay if I sometimes take cash sales without bills?"

This is one of the most common questions and the simplest answer is:
No.

Cash sales without bills create:

- GST mismatches
- Income Tax issues
- Bank reconciliation problems
- Wrong profit calculation
- High risk during scrutiny

Even small unrecorded amounts can snowball into bigger issues.
Keeping clean records protects your business far more than you think.

8. "Do I need to keep every small bill?"

If it is a business expense and you want to claim it, yes.
Small expenses add up over time.

Keep digital copies – photos, scans, PDFs are all valid.
Organised records save taxes and prevent disputes.

9. "Will my CA get annoyed if I ask too many questions?"

A good CA or finance partner wants you to understand the basics.
Ask your questions openly.
Clear communication helps:

- Reduce errors
- Prevent surprises
- Build trust
- Improve planning

You are not expected to know everything; that is why you have a CA.
Your job is simply to ask whenever something is unclear.

10. "Can past mistakes be corrected?"

Most past mistakes **can** be corrected through:

- Revised entries
- Corrected returns
- Payment of due interest
- Updated records

In many cases, correcting early prevents bigger problems later.
Never hide mistakes; your accountant can only help if they know the full picture.

11. "Is it normal to feel stressed about taxes?"

Yes.
Almost every business owner feels stressed at some point, especially during growth phases.

Stress reduces significantly when:

- Your monthly routine is clean
- Records are organised
- You understand the basics
- You trust your accountant
- You know what applies to you and what doesn't

This e-book exists to reduce that stress.

9 Action Plan & Resources: Your Next 7 Days with This E-Book

Your Next 7 Days with This E-Book

You've now seen the basics of Income Tax, GST, TDS, and the monthly routines that keep your business clean.
The best way to make this knowledge stick is to **take small actions immediately**.

This 7-day plan helps you organise your finances step by step without feeling overwhelmed.

<u>**Day 1–2: Understand Your Current Business Setup**</u>

1. Read Sections 1–3 again (Introduction + Big Picture + Income Tax).

These sections give you the foundation.

2. Write down three simple things:

- Your current business structure (proprietorship/LLP/company)
- Your main sources of income
- Your top 10 expenses

This clarity alone helps your accountant work faster and cleaner.

<u>**Day 3–4: Review Your GST Position**</u>

1. Read the GST section again (Section 4).

Make a simple list:

- Do you have GST registration?
- Are your returns up to date?
- Do you regularly collect and save purchase invoices?

- Are your vendors filing their GST returns?

If something is not clear, ask your accountant.

2. Check your GST portal login.

Many business owners do not know their own credentials.
Make sure:

- You can log in
- Your phone and email are updated
- You understand where returns and notices appear

This alone reduces half of the GST-related stress.

Day 5: Review TDS in Your Business

1. Read Section 5 (TDS).

2. Make a short list of payments where TDS usually applies:

- Salaries
- Rent
- Professional services
- Contractors/agencies
- Interest (in some cases)

Share this with your accountant and confirm:

- Are you deducting TDS where required?
- Are deposits and returns being filed on time?

Even one discussion can prevent future penalties.

Day 6: Build Your Monthly Finance Checklist

Using Section 6, prepare a simple checklist with:

Weekly tasks

- Recording income and expenses
- Saving bills
- Matching bank entries
- Noting TDS-related payments

Monthly tasks

- GST check
- TDS check
- Salary review
- Basic business health review

Quarterly tasks

- Advance tax
- Profit review
- Bookkeeping clean-up

Keep this checklist in a place you will actually use, like Google Doc or a pinned note.

Day 7: Schedule a Finance Review with Your Accountant

This is one of the most important steps.

1. Set up a 30–45 min call or meeting.

Share the lists you made:

- Income & expense summary

- GST review
- TDS review
- Any confusion or doubts

2. Ask three key questions:

- “What are the top 3 things I should fix immediately?”
- “Which deadlines should I never miss?”
- “Is my current business structure right for my growth?”

3. Create a simple action plan together.

This could include:

- Updating vendor lists
- Cleaning past entries
- Fixing GST mismatches
- Clearing old TDS dues
- Planning advance tax

Your accountant will appreciate the clarity and your compliance will become stress-free.

Essential Resources (Simple List You Can Save)

You don’t need complicated tools. Start with these:

1. A shared folder for bills

Example structure:

- GST Bills – Jan
- GST Bills – Feb
- Sales Invoices – Monthly

- Bank Statements – Monthly

2. A basic accounting software or shared spreadsheet

Your accountant can guide you on what fits your business size.

3. GST portal login details

Keep them safe and updated.

4. TDS challan and return records

Your accountant will maintain these, but you should know where they are stored.

5. A monthly reminder in your calendar

Set reminders for:

- GST
- TDS
- Advance tax
- Payroll
- Bill submission

Small reminders prevent big mistakes.

The Purpose of This Action Plan

This 7-day plan helps you:

- Get clear on your business numbers
- Clean up small issues before they become big
- Build habits that prevent penalties and notices
- Work better with your accountant
- Run your business with more confidence

The goal is not to become a tax expert.
The goal is to have **clarity, control, and peace of mind**.

And when you build these simple routines, your business becomes cleaner, stronger, and ready for growth.