



INDIVIDUALS, HUFs AND FIRMS (OTHER THAN LLPs) TAXPAYERS

Key Amendments to Income Tax Return (ITR) Forms



HELLO

The purpose of this presentation is to highlight the significant changes in the Income Tax Return forms and their impact, so that taxpayers can prepare well in advance of due dates of filing ITRs and avoid last-minute rush/confusions.



BACKGROUND

The Central Board of Direct Taxes ('CBDT') has issued a notification dated 1st April 2019, wherein the amendments have been introduced to the Income Tax Return forms applicable for Assessment Year ('AY') 2019-20

As per the aforesaid notification, CBDT has brought additional disclosure requirements in the Income Tax Return forms for the AY 2019-20

This presentation covers the recently introduced changes in the Income Tax Return forms (Forms ITR-1 to ITR-4) as applicable and the impact of these changes on the tax payers at the time of filing the said forms as part of their tax return procedures.

APPLICABILITY

ITR 1

Ordinary Resident
Individuals

Having total
income up to INR
50 Lakh

*Does not apply to
residents but not
ordinary resident and
individuals having
business or
professional income*

[Read more](#)

ITR 2

Individuals and
HUFs

Not falling under
ITR 1 category

*Should not have income
from business or
profession*

[Read more](#)

ITR 3

Individuals and
HUFs

Having income
from business
and profession

[Read more](#)

ITR 4

Taxpayer having
income up to INR
50 Lakh and
having income
under presumptive
scheme of taxation

*Does not apply to
individual who was
either a director or held
shares of an unlisted
company during the
previous year*

[Read more](#)



ITR 1

COMMENT

As a result of the exclusions, an individual who is a director in any company or has held unlisted shares at any time during the previous year shall be required to file ITR-2, even though he/she may have income up to INR 50 Lakh

APPLICABILITY



EXCLUSIONS

Taxpayers claiming deduction of expenses against income taxable as 'income from other sources' (dividend income, interest income), except the deduction on account of family pension; or

Who is a director of any company; or

Who has held any unlisted equity share at any time during the year; or

Who has income taxable in their hand and tax on that income has been deducted in someone else's hand (for example, clubbing of income)





CHANGES IN ITR 2

RESIDENTIAL STATUS

COMMENT

Individuals are required to have the details of their period of stay in India so as to determine their residential status for tax purposes

Specific disclosure of stay to be made by Persons of Indian Origin or Overseas Citizen of India

APPLICABILITY

NON-RESIDENTS, RESIDENTS BUT NOT ORDINARILY RESIDENTS

Comprehensive details with respect to period of stay are required from the individuals for disclosing their residential status

ACTION POINT

Information can be collated from dates of embarkation and disembarkation on the passport

NON-RESIDENCY DISCLOSURE

COMMENT

The non-resident tax payer is required to disclose the jurisdiction of his home/residence country and Tax Identification Number (TIN) allotted by home/residence country

Disclosure of TIN – Important;

This will enable automated extension of treaty benefit to the non-resident taxpayer

APPLICABILITY

NON-RESIDENT INDIVIDUAL FILING TAX RETURN IN INDIA

Disclosure regarding the jurisdictions of residence along with taxpayer identification number needs to be made

ACTION POINT

Non-resident tax payer to obtain TIN in his home/residence country, well before filing the income tax return in India

DIRECTORSHIP DETAILS

COMMENT

An effort to increase transparency and make people responsible for companies they are directors in.

As a result, practice of name-lending for directorship, facilitating setting up of multiple shell companies for routing funds, could be henceforth curbed

APPLICABILITY

INDIVIDUAL HOLDING DIRECTORSHIP IN ANY COMPANY AT ANY TIME

Needs to disclose following details such as:

- *Name of the company*
- *PAN*
- *Listed or unlisted*
- *DIN*
- *Details pertaining to income claimed to be exempt*

ACTION POINT

Individuals, now required to keep a record of directorship held during the year, even if it is for one day

Maintenance of the details, a time-consuming process for individual directors and hence, the same to be planned in a timely manner

SHAREHOLDING IN UNLISTED COMPANY

COMMENT

Purpose of obtaining this detail could be to obtain data concerning 'angel tax' or to seek further details regarding source of funds in share investment transactions.

Significant for curbing black money conversion practices using share capital investment route.

Availability of information could lead to deeper investigation on such matters in the future

APPLICABILITY

TAXPAYER HOLDING SHARES IN AN UNLISTED COMPANY DURING THE PREVIOUS YEAR

Needs to disclose details such as:

- *Name of the company*
- *PAN*
- *Shares transacted during the year and other similar details*

ACTION POINT

Extensive details on the part of tax payers required for this disclosure

Documents concerning the investment such as investment proof, source of funds, credit-worthiness of individuals, etc. can be maintained while investing, just in case there are questions raised in future

TDS ON RENTAL INCOME

COMMENT

Change introduced in line with the provisions of Section 194IB/ 194I of the Act wherein the payer is liable to deduct tax from the rent income as the case may be

Mandatory on the part of taxpayer to disclose PAN/TAN of the payer in order to claim the credit of TDS

APPLICABILITY

TAXPAYER CLAIMING CREDIT OF TDS DEDUCTED BY TENANT

Tax payer needs to disclose the PAN/ TAN of the tenant (as the case may be)

ACTION POINT

The requisite details should be readily available.

PASS THROUGH INCOMES

COMMENT

Disclosure requirement in order to let the Income Tax Department know about the income claimed to be exempt out of the income earned from investment fund or business trust;

APPLICABILITY

TAXPAYER RECEIVING INCOME FROM INVESTMENT FUNDS/BUSINESS TRUSTS

Needs to disclose the following details:

- *Name of the Business Trust/Investment Fund;*
- *PAN;*
- *Income earned under the head House Property, Capital Gains etc.*
- *Details pertaining to income claimed to be exempt*

ACTION POINT

Details should usually be readily available





CHANGES IN ITR 3

SHAREHOLDING IN UNLISTED COMPANY

COMMENT

Purpose of obtaining this detail could be to obtain data concerning 'angel tax' or to seek further details regarding source of funds in share investment transactions.

Significant for curbing black money conversion practices using share capital investment route.

Availability of information could lead to deeper investigation on such matters in future

APPLICABILITY

TAXPAYERS HOLDING SHARES IN AN UNLISTED COMPANY DURING THE PREVIOUS YEAR

Need to disclose following details such as:

- *Name of the company*
- *PAN*
- *Shares transacted during the year and other similar details*

ACTION POINT

Extensive details on the part of tax payers required for this disclosure

Documents concerning the investment such as investment proof, source of funds, credit-worthiness of individuals, etc. can be maintained while investing, just in case there are questions raised in future

DIRECTORSHIP DETAILS

COMMENT

An effort to increase transparency and make people responsible for the companies they are directors in.

As a result, practice of name-lending for directorship, facilitating setting up of multiple shell companies for routing funds, could be henceforth curbed

APPLICABILITY

INDIVIDUAL HOLDING DIRECTORSHIP IN ANY COMPANY AT ANY TIME

Needs to disclose following details such as:

- *Name of the company*
- *PAN*
- *Listed or unlisted*
- *DIN*
- *Details pertaining to income claimed to be exempt*

ACTION POINT

Individuals, now required to keep a record of directorship held during the year, even if it is for one day

Maintenance of the details, a time-consuming process for individual directors and hence, the same to be planned in a timely manner

CONVERSION OF INVENTORY TO CAPITAL

COMMENT

This disclosure has been introduced in line with Section 28(via) of the Act wherein fair market value of the inventory on the date of conversion shall be treated as profit from business.

APPLICABILITY

**TAXPAYER
HAVING
CONVERTED
INVENTORY
HELD TO
CAPITAL**

Needs to disclose the profit on conversion of inventory into capital

ACTION POINT

Collation of the information pertaining to fair market value of inventory shall not be a time-consuming exercise for the taxpayer as FMV would, in any case be required to be determined for the purpose of determining the asset's value under the Act.

TDS ON RENTAL INCOME

COMMENT

Change introduced in line with the provisions of Section 194IB/194I of the Act wherein the payer is liable to deduct tax from the rental income as the case may be

Mandatory on the part of taxpayer to disclose PAN/TAN of the payer in order to claim the credit of TDS

APPLICABILITY

TAXPAYER CLAIMING CREDIT OF TDS DEDUCTED BY TENANT

Taxpayer needs to disclose the PAN/ TAN of the tenant (as the case may be)

ACTION POINT

The requisite details should be readily available.

PASS THROUGH INCOMES

COMMENT

Disclosure requirement in order to let the income tax department know about the income claimed to be exempt out of the income earned from investment fund or business trust;

APPLICABILITY

TAXPAYER RECEIVING INCOME FROM INVESTMENT FUNDS/BUSINESS TRUSTS

Needs to disclose the following details:

- *Name of the Business Trust/Investment Fund;*
- *PAN;*
- *Income earned under the head House Property, Capital Gains etc.*
- *Details pertaining to income claimed to be exempt*

ACTION POINT

Details should usually be readily available

PRESUMPTIVE INCOMES

GOODS CARRIAGE BUSINESS

Offering income on presumptive basis, need to disclose

- Registration No. of Carriage;
- Ownership Status, i.e., Leased or Owned;
- Tonnage Capacity of Carriage;
- Number of Months for which goods carriage was owned/leased/hired;
- Presumptive income computed as per Section 44AE

COMMENT

- *Allows benefit of presumptive income taxation to the genuine tax payers;*
- *Additional details required to be maintained by the taxpayer*

INTERNATIONAL FINANCIAL SERVICES CENTRE (IFSC)

Tax payer to specify, in case he has presence in IFSC and earns income solely in convertible foreign exchange

COMMENT

- *Disclosure requirement specifically to allow benefits to tax payer located in IFSC*
- *Automation of benefits in the tax return itself*

DISCLOSURE FOR TRADING AND MFG. BUSINESS

MANUFACTURING BUSINESS

Need to disclose

Details of inventory, manufacturing expenses and other direct expenses pertaining to manufacturing business need to mentioned separately

TRADING BUSINESS

Need to disclose

Details of trading expenses as well as receipt from business and profession needs to mentioned separately

COMMENT ▪ *Need to maintain separate account with respect to their trading business, manufacturing business and any other business.*

- ACTION POINTS**
- *Collation of information/details pertaining to separate business may be a time-consuming process as they will now need to bifurcate their income and expenses corresponding to each line of activity*
 - *This would essentially warrant change in accounting practices in a way that system allows capturing of appropriate data at the source itself; hence, it is suggested that companies engaged in combined businesses, evaluate internal systems in line with the said requirement;*





CHANGES IN ITR 4

PRESUMPTIVE INCOMES

GOODS CARRIAGE BUSINESS

Offering income on presumptive basis, need to disclose

- Registration No. of Carriage;
- Ownership Status, i.e., Leased or Owned;
- Tonnage Capacity of Carriage;
- Number of Months for which goods carriage was owned/leased/hired;
- Presumptive income computed as per Section 44AE

COMMENT

- *Allows benefit of presumptive income taxation to the genuine tax payers;*
- *Additional details required to be maintained by the taxpayer*

BUSINESS OR PROFESSIONAL INCOME

Offering income on presumptive basis, need to disclose

Option to offer to tax 6% / 8% / 50% (as applicable) or profit claimed, whichever is higher

COMMENT

Corrections made in line with the provisions of the Act pertaining to presumptive scheme of taxation



IFSC DISCLOSURES

INTERNATIONAL FINANCIAL SERVICES CENTRE (IFSC)

Tax payer to specify, in case he has presence in IFSC and earns income solely in convertible foreign exchange

COMMENT

- *Disclosure requirement specifically to allow benefits to tax payer located in IFSC*
- *Automation of benefits in the tax return itself*

OVERALL COMMENTS

TRANSPARENCY

CBDT has released the tax return forms with an intention to bring more transparency through specific disclosures.

AUTOMATION

Revenue authorities may not call for additional information as they would now have access to verifiable detailed information.

Greater automated scrutiny with detailed information in the ITRs is expected. This shall eliminate the need of face to face interactions between the tax officers and taxpayers.

BETTER COMPLIANCE

Better disclosures shall enable the revenue authorities to extend the tax benefits in a more efficient manner.

TAXPAYERS

Taxpayers will need to work on systems to ensure timely and correct data collation to avoid confusion and last minute stress.



Understanding tax implications on the income can be confusing as it is. But, it gets further complicated when things change every year.

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