



TAXPAYERS OTHER THAN INDIVIDUALS, HUF(S) AND COMPANIES

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 tax payers 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-5 and ITR-7) 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 5

TO WHOM

All persons other than Individuals, HUFs and Companies;

Such as Partnership firms, Limited Liability Partnerships, Unincorporated Joint Ventures

FROM WHEN

To annual tax filings for reporting tax liabilities for the tax period ended March 31, 2019, i.e., AY 2019-20

DOES NOT APPLY TO

Partnership firms opting for presumptive basis of taxation and whose total income does not exceed INR 50 Lakh

Persons including companies involved in charitable, political, research activities and education institutions

In such cases, ITR 7 applies.
[Read here for changes in ITR-7](#)



COMMENCEMENT OF BUSINESS

COMMENT

Expenses prior to commencement date are allowed as deductible expense in 5 years.

Hence, determination of date of commencement of business – important;

This shall facilitate automated verification later

APPLICABILITY



ACTION POINT

Tax payer should maintain a record of the expenses incurred prior to incorporation, post-incorporation but before commencement and post-commencement expenses in order to determine the deductibility, which can be a time-consuming process

ELIGIBLE START-UPS

COMMENT

Eligible start-ups are allowed tax benefits – exemption from angel tax and tax exemption on corporate income under certain conditions

Such disclosure should facilitate smoother grant of tax benefits to eligible start-ups

APPLICABILITY

START-UPS REGISTERED WITH DPIIT (ELIGIBLE START-UPS)

Such start-ups are now required to report the following:

- *Recognition number allotted by DPIIT*
- *Certificate number issued by IMB*
- *Date of filing Form 2*

ACTION POINT

The collation of the necessary information pertaining to eligibility certificate shall not be a time consuming process as all the relevant information must be available with tax payer

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

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**

Need 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 tax payer as FMV would, in any case be required to be computed for determining the asset's value for the purposes of Act



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

DISALLOWANCE OF EXPENSES

COMMENT

Disallowance of expenses pertaining to earning of exempt income has been a matter of litigation. Taxpayer and tax officer invest significant time in going through this issue at the time of tax audits; Earlier, no specific line item existed for disallowance u/s 14A. The addition brings more transparency through specific disclosures.

APPLICABILITY

**TAXPAYER
NEEDING TO
DISALLOW
EXPENSES
INCURRED TO
EARN
EXEMPT
INCOMES**

Needs to disclose amount disallowed as expenses incurred towards earning of exempt income

ACTION POINT

This disclosure shall require tax payer earning exempt income to calculate the expenses directly attributable to exempt income at the time of filing the income tax return

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 tax payer 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.

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 SERVICE 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

Needs to disclose

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

TRADING BUSINESS

Needs 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 the 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;*



ITR - 7

REGISTRATIONS

Additional disclosure of registration or approval other than Income Tax Act

DISCLOSURE FOR INVESTMENTS

Specific disclosure in respect of value applied towards the objective which has not been converted into investment as per Section 11(5) of the Act

REVENUE EXPENDITURE

Detailed disclosure about the establishment & administrative expense and expenditure on the object of the trust/ institution;

CAPITAL EXPENDITURE

Specific disclosure in respect to cost of new asset for claim of exemption u/s 11(1A) and sources of funds to meet capital expenditure

SHAREHOLDING DETAILS

Requires the unlisted companies to disclose the shareholding details, share application money pending allotment, details of a shareholder who is not a shareholder at the end of the year but was a director during the year



ITR - 7

INCOME AND EXPENDITURE

Four schedules have been added in respect to income and expenditure statement claiming exemption under a different section prescribed under the Income Tax Act

DATE OF CONVERSION OF ACCRETED INCOME

Disclosure for specified date u/s 115TD has been added wherein the date of conversion of trust into a firm is not eligible for registration as charitable trust has to be reported



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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