



CORPORATE 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 companies 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 (Form ITR- 6) as applicable and the impact of these changes on the taxpayers at the time of filing the said forms as part of their tax return procedures.

APPLICABILITY

TO WHOM

All companies required under their annual corporate tax returns under the Indian Income Tax Act, 1961.

Does not apply to companies engaged in charitable activities and eligible for claiming tax exemption

FROM WHEN

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

PRESCRIBED FORM

Form 6 is prescribed for corporate taxpayers

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

NEW BUSINESS SET-UP

Disclosure of date of commencement of business added in the ITR

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

FOREIGN COMPANIES

COMMENT

This disclosure is in line with CBCR reporting requirements and significant beneficial ownership requirement under the Companies Act, 2013;

This could also be used as a tool to track indirect transfers of interest or shares outside India

APPLICABILITY

FOREIGN COMPANIES FILING TAX RETURNS IN INDIA

Need to disclose the details of immediate and ultimate parent company such as:

- *Name*
- *Address*
- *Country of residence*
- *PAN (if allotted)*
- *Tax identification number allotted in country of residence*

ACTION POINT

This could be an onerous requirement, especially in case complex holding structures have been used for making the investment in India;

Companies will also need to keep track of movements in shareholding outside India.

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

**COMPANIES
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

ASSETS & LIABILITIES DISCLOSURE

COMMENT

Onerous disclosure requirement; This would essentially warrant change in accounting practices in a way that system allows capturing of appropriate data at the source itself.

APPLICABILITY

UNLISTED AND START-UP COMPANIES

Need to disclose specific details of assets/liabilities such as:

- *Details of land and building*
- *Details of listed, unlisted or other equity*
- *Details of capital contribution to any other entity*
- *Details of loans and advances to any other concern*
- *Details of motor vehicles, aircraft, yacht or any other mode of transport*
- *Details of jewellery, etc.*
- *Details of loans, deposit and advances taken from a person other than financial institution*

ACTION POINT

Details of each asset and liability needs to be prepared separately. Time-consuming exercise on part of tax payer, hence requisite details to be collected well in advance.

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

COMPANIES RECEIVING INCOME FROM INVESTMENT FUNDS/BUSINESS TRUSTS

Need 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

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

Need 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

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 taxpayers;*
- *Additional details required to be maintained by the taxpayer*

FOREIGN COMPANIES

Having income from shipping, aircraft, exploration of oil and gas businesses and turnkey power projects businesses

Need to disclose gross receipts/turnover and net profit

COMMENT

In order to provide convenience to foreign companies opting presumptive taxation scheme, disclosure has been simplified and only gross receipt along with net profit needs to be disclosed in line with the provisions of the Act



DISCLOSURE FOR TRADING AND MFG. BUSINESS

MANUFACTURING BUSINESS

Need to disclose

Details of inventory, manufacturing expenses and other direct expenses pertaining to the 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 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;*



IFSC DISCLOSURES

INTERNATIONAL FINANCIAL SERVICES CENTRE (IFSC)

Companies to specify, in case they have presence in IFSC and earn income solely in convertible foreign exchange

COMMENT

- *Disclosure requirement specifically to allow benefits to companies 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 tax payers.

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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