



# 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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