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## ***Government notifies new income tax return forms for the financial year 2014-15***

23 June, 2015

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### ***In brief***

The Central Board of Direct Taxes has notified Income-tax return forms applicable for the financial year (FY) 2014-15 (assessment year 2015-16). These return forms, originally notified on 15 April 2015, have now been amended after taking into account various representations made to the Government after they were first introduced. The key amendments are briefly summarized below:

- Individuals now can use the simpler return form (ITR-1) even if they have exempt income. Earlier, individuals were not allowed to use this form if they had exempt income exceeding INR 5,000. However, individuals having agricultural income exceeding INR 5,000 will still not be able to use Form ITR-1.
- As a measure of relief to individuals/ Hindu Undivided Family (HUF) who do not have income from capital gains, business or profession, foreign assets/ foreign income to be reported, or who have not claimed any relief under any Double Tax Avoidance Agreement (DTAA) India has with other countries, a new simplified return form (Form ITR-2A) has been introduced.
- Forms ITR-2 and ITR-2A have been made more taxpayer-friendly – they are a mere 3 pages long. Other information will be captured in schedules that are required to be filled only wherever applicable.
- Foreign nationals who qualify as ordinarily resident in India and are on business, employment or student visas are not required to report foreign assets acquired by them during those financial years in which they were non-resident of India, provided they are not deriving any income from such assets during the relevant financial year.
- Details of foreign trips and expenditure thereon no longer need to be furnished. The originally notified form had required taxpayers to provide such information.
- Indian Financial Services (IFS) codes, name of the bank, nature of account (saving/ current) account numbers of all bank accounts have to be furnished in the returns, but not bank balances. Details of accounts that have been non-operational for over three years need not be reported.
- A new method to file the tax return electronically has been set up by using electronic verification code (EVC). Taxpayers now have an option to provide their 12 digit unique Aadhar number in their tax return form and then, instead of sending the signed ITR-V (acknowledgement of electronically filed return) to the Central Processing Centre (CPC) at Bengaluru, they can authenticate their returns by using the EVC.
- E-filing of Income-tax return is now mandatory in cases where a refund has been claimed. However, super senior citizens (aged 80 years or more) can file their return in paper form even if there is a refund or their income exceeds INR 500,000.

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<sup>1</sup> Notification Number 49/2015 dated 22 June 2015

## In detail

The scope of newly notified income tax return forms applicable for the financial year 2014-15 and detailed changes are tabulated below:

### Scope of notified return forms

ITR Forms	Who can use?	Remarks
ITR-1 (SAHAJ)	<p>This return form can be used by the individuals whose total income includes the following:</p> <ul style="list-style-type: none"> <li>• Income from salary/ pension</li> <li>• Income from one house property (other than cases where loss is brought forward from previous years)</li> <li>• Income from other sources (excluding loss under this head, winning from lottery and income from race horses)</li> <li>• Having agricultural income of INR 5,000 or less</li> <li>• No claim of relief under section 90 and/or section 91</li> </ul>	<p>Earlier, individuals having exempt income exceeding INR 5,000 were not permitted to use Form ITR-1.</p> <p>Individuals who qualify as ordinarily residents in India and having any overseas income/assets etc. will not be able to use Form ITR-1.</p>
ITR-2	<p>This return form can be used by individual/ HUF whose total income includes the following:</p> <ul style="list-style-type: none"> <li>• Income from salary/ Pension</li> <li>• Income from house property</li> <li>• Income from capital gains</li> <li>• Income from other sources (including winning from lottery and income from race horses)</li> <li>• Individuals who qualify as ordinarily resident in India and having any overseas income/ assets etc.</li> </ul>	Individuals/ HUF, having business income are not allowed to use Form ITR-2.
ITR-2A	<p>This newly introduced return form can be used by the individuals/ HUFs whose total income includes the following:</p> <ul style="list-style-type: none"> <li>• Income from salary/ Pension</li> <li>• Income from house property</li> <li>• Income from other sources (including winning from lottery and income from race horses)</li> <li>• No claim of relief under section 90 and/or section 91</li> </ul>	<p>Individuals/ HUFs having income from more than one house property can use this simpler form.</p> <p>Individuals/ HUFs who qualify as ordinarily residents in India and have any overseas income/asset etc. cannot use Form ITR-2A.</p>
ITR-4S (SUGAM)	<p>This return form can be used by individual/ HUF whose total income includes the following:</p> <ul style="list-style-type: none"> <li>• Income from salary/ Pension</li> <li>• Income from one house property (excluding cases where loss is brought forward from previous years)</li> <li>• Income from other sources (excluding winning from lottery and income from race horses)</li> <li>• Business income where such income is computed in accordance with special provisions referred to in section 44AD and 44AE (i.e. on presumptive basis)</li> <li>• Having agricultural income of INR 5,000 or less</li> <li>• No claim of relief under section 90 and/or section 91</li> </ul>	Individual/ HUF who qualify as ordinarily residents in India and having any overseas income/ assets etc. cannot use Form ITR-4S. Also, this form cannot be used where the taxpayer has any income from speculation business and/ or other special incomes.

**Detailed changes in the notified return forms**

S.No.	Changes introduced/ scope enlarged	Reference in return forms	Applicable ITR Form	Remarks
1	Aadhaar card details (optional)	Personal information / Part A – GEN	ITR-1, ITR-2, ITR-2A and ITR-4S,	Aadhaar number may be used for EVC system and in such a case, signed ITR-V is not required to be sent to CPC at Bengaluru.
2	Passport Number (if available)	Part A - GEN	ITR-2/ ITR-2A	The taxpayers are now required to disclose their passport number (if available)
3	Option to file return in response to a notice under section 119(2)(b) added	Personal information / Part A – GEN	ITR-1, ITR-2, ITR-2A and ITR-4S,	As per the option provided under section 119(2)(b), the Commissioner of Income Tax can grant permission condoning the delay of filing the return and allow the refunds arising out of such return, strictly based on the merit of each case.
4	Date of formation of HUF to be mentioned	Personal information / Part A – GEN	ITR-1, ITR-2, ITR-2A and ITR-4S,	
5	Option to file modified return under section 92CD has now been deleted	Part - A - GEN Filing Status	ITR-2	This option has been deleted as the same was not relevant to those using Form ITR-2.
6	<p>Details of all the bank accounts (excluding accounts that have been non-operational for over three years) held in India at any time during the previous year</p> <p>Details required are as follows:</p> <ul style="list-style-type: none"> <li>• Total number of accounts held</li> <li>• IFSC code of the bank</li> <li>• Name of the bank</li> <li>• Account number</li> <li>• Savings/ Current account</li> <li>• Check box to indicate the bank account in which the taxpayer prefers to get the refund</li> </ul>	Bank account details	ITR-1, ITR-2, ITR-2A and ITR-4S,	Taxpayers need to disclose the details of all Indian bank accounts in the return form.
7	Capital gains to be reported separately based on the applicable tax rates (10%/15%/20%/30%)	Part B - TI - Computation of total income - Point 3	ITR-2	
8	Following schedules in last year's forms have now been shifted to the main form right below the verification:	Part B - TTI - Tax Payments	ITR-2/ ITR-2A	The pages of the return form have been reduced to just 3 pages and the remaining details shifted to schedules which are

S.No.	Changes introduced/ scope enlarged	Reference in return forms	Applicable ITR Form	Remarks
	<ul style="list-style-type: none"> <li>• Schedule IT</li> <li>• Schedule TDS1 and</li> <li>• Schedule TDS2</li> </ul>			to be filled wherever applicable.
9	Option to report "deemed let out" is added	Schedule HP - House Property	ITR-2, ITR-2A	This has been added to capture information where rental income has been offered to tax on notional basis and property has not actually been rented out.
10	Reporting of sale of units of business trust and securities held by FIIs included in the form	Schedule CG	ITR-2	Details are being sought to facilitate the amendment and clarification made by the Finance (No. 2) Act, 2014 on categorization of income of FIIs as capital gains.
11	Additional rows added in the form to capture details of gains made on listed securities (other than units) prior to July 10, 2014	Schedule CG - Long term capital gains. Point B-3	ITR-2	Changes have been made to facilitate the reporting of the gains consequent to amendment by the Finance (No.2) Act, 2014 wherein the concessional rate of 10% tax (without indexation) is available only for long-term capital gain arising from transfer of listed securities (other than unit) and zero coupon bonds.
12	Where the tax payer has deposited any amount in capital gains account scheme, the following information needs to be reported: <ul style="list-style-type: none"> <li>• Previous year in which asset is transferred</li> <li>• Section under which exemption is claimed</li> <li>• Year in which new asset is acquired</li> <li>• Amount utilized out of capital gains account scheme to acquire new asset</li> <li>• Amount that has remained unutilized in capital gains account scheme or amount which is not used for making investment in specified new asset</li> </ul>	Schedule CG	ITR-2	Additional details have been sought.
13	Where short term capital gains (STCG)/ long term capital gains (LTCG) is not chargeable to tax to a non-resident on account of DTAA benefit and included in the reported	Schedule CG	ITR-2	Additional details have been sought.

S.No.	Changes introduced/ scope enlarged	Reference in return forms	Applicable ITR Form	Remarks
	income, the details of Country name, Article of DTAA, TRC obtained or not, Amount of STCG/ LTCG and amount of STCG/ LTCG not chargeable to tax as per DTAA needs to be provided			
14	In case of income from other sources chargeable to tax to Non-resident on account of DTAA benefit, it is required to furnish country name, article of DTAA, rate of tax under DTAA, TRC obtained or not, corresponding section of the IT Act which prescribes rate and amount of income	Schedule OS - Income from other sources Point 1 - f (iii)	ITR-2, ITR-2A	These details will allow the tax authorities to examine the claim of taxpayers under the relevant DTAA.
15	Details of gross agricultural receipts, expenditure incurred on agriculture, unabsorbed loss of previous 8 assessment years to arrive at the net agricultural income to be provided	Schedule EI - Exempt income	ITR-2/ ITR-2A	Detailed information sought in relation to agricultural income.
16	Scope of reporting of assets held outside India widened. Now, resident beneficial owners are also required to report the details of such foreign asset in the Schedule FA	Part B - TTI - Tax Payments/ Schedule FA	ITR-2	Additional reporting requirement for beneficiary owners of overseas assets/ income.
17	The scope of FA schedule has been enlarged by adding the residuary section G in schedule FA, to capture the details of foreign income by the resident taxpayers which is not included in schedule FA (item A to F) or under Income under the head business or profession. The details to be provided include : <ul style="list-style-type: none"> <li>• Country Name and code</li> <li>• Name and address of person from whom derived</li> <li>• Income Derived</li> <li>• Nature of income</li> <li>• Taxability of such income</li> <li>• Income offered to tax in the return mentioning the schedule (in the ITR form) in which it is included</li> </ul>	Schedule FA	ITR-2	Details are being sought to ensure no foreign income is missed out.

S.No.	Changes introduced/ scope enlarged	Reference in return forms	Applicable ITR Form	Remarks
18	<p>The reporting scope has been enlarged under Schedule FA in respect of reporting of foreign assets, etc. seeking the following additional details:</p> <p>(i) Details of Foreign Bank Account-</p> <ul style="list-style-type: none"> <li>• Status to be provided (Owner/Beneficial owner/Beneficiary)</li> <li>• Account opening date</li> <li>• Interest accrued in the account</li> <li>• Interest offered to tax in return mentioning the schedule (of the ITR form) in which it is mentioned</li> </ul> <p>(ii) Details of financial interest in any entity held.</p> <ul style="list-style-type: none"> <li>• Nature of Interest (Direct/beneficial owner/ beneficiary)</li> <li>• Date since when it was held</li> <li>• Income accrued from such interest</li> <li>• Nature of Income</li> <li>• Income offered to tax in the return mentioning the schedule (in the ITR form) in which it is mentioned</li> </ul> <p>(iii) Details of Immovable Property held</p> <ul style="list-style-type: none"> <li>• Nature of Ownership (Direct/beneficial owner/ Beneficiary)</li> <li>• Date of Acquisition</li> <li>• Income derived from such property</li> <li>• Nature of Income</li> <li>• Income offered to tax in the return mentioning the schedule (in the ITR form) in which it is mentioned</li> </ul>	Schedule FA	ITR-2	Additional details are being sought in relation to foreign assets to ensure that income from such assets have been duly accounted and reported in the return.

### **The takeaways**

A large number of salaried taxpayers will now be able to use Form ITR-1 which they were not able to use earlier where they had exempt income exceeding INR 5,000. Similarly, newly

introduced Form ITR-2A will also ease burden on those taxpayers who have income from more than one house property, as such taxpayers earlier were required to fill Form ITR-2.

Form ITR-2 as notified on 15 April, 2015 required detailed reporting requirements in relation to foreign travel which has now been done away with. Similarly, reporting of dormant bank accounts and balances in all

Indian bank accounts is not required.

Ordinarily resident taxpayers need to be more careful as they are required to provide detailed information about their overseas income/ assets in view of enlargement of the scope of reporting in Schedule FA to Form ITR-2. Such taxpayers now need to report full and accurate details about their overseas income and assets, as the Government now has greater focus on black money stashed overseas. This is more relevant now, as the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax

Act, 2015 has come into force with effect from financial year 2015-16.

Foreign nationals who are ordinarily resident in India have got some relief, as they are no longer required to report those foreign assets which they had acquired when they were non-resident of India on which they have not earned any income during the relevant tax year.

### ***Let's talk***

For a deeper discussion of how this issue might affect your business, please contact:

### ***Tax & Regulatory Services – International Assignment Services***

Shyamal Mukherjee, *Gurgaon*  
+91-124 330 6536  
[shyamal.mukherjee@in.pwc.com](mailto:shyamal.mukherjee@in.pwc.com)

Kuldip Kumar, *Gurgaon*  
+91-124 616 9609  
[kuldip.kumar@in.pwc.com](mailto:kuldip.kumar@in.pwc.com)

Shuddhasattwa Ghosh, *Bangalore*  
+91-80 4079 6007  
[shuddhasattwa.ghosh@in.pwc.com](mailto:shuddhasattwa.ghosh@in.pwc.com)

Sundeep Agarwal, *Mumbai*  
+91-22 6689 1670  
[sundeep.agarwal@in.pwc.com](mailto:sundeep.agarwal@in.pwc.com)

## Our Offices

### Ahmedabad

President Plaza  
1st Floor Plot No 36  
Opp Muktidham Derasar  
Thaltej Cross Road, SG Highway  
Ahmedabad, Gujarat 380054  
+91-79 3091 7000

### Bangalore

6th Floor  
Millenia Tower 'D'  
1 & 2, Murphy Road, Ulsoor,  
Bangalore 560 008  
Phone +91-80 4079 7000

### Chennai

8th Floor  
Prestige Palladium Bayan  
129-140 Greams Road  
Chennai 600 006  
+91 44 4228 5000

### Hyderabad

Plot no. 77/A, 8-2-624/A/1, 4th  
Floor, Road No. 10, Banjara Hills,  
Hyderabad – 500034,  
Andhra Pradesh  
Phone +91-40 44246000

### Kolkata

56 & 57, Block DN.  
Ground Floor, A- Wing  
Sector - V, Salt Lake  
Kolkata - 700 091, West Bengal  
+91-033 2357 9101/  
4400 1111

### Mumbai

PwC House  
Plot No. 18A,  
Guru Nanak Road(Station Road),  
Bandra (West), Mumbai - 400 050  
+91-22 6689 1000

### Gurgaon

Building No. 10, Tower - C  
17th & 18th Floor,  
DLF Cyber City, Gurgaon  
Haryana -122002  
+91-124 330 6000

### Pune

7th Floor, Tower A - Wing 1,  
Business Bay, Airport Road,  
Yerwada, Pune – 411 006  
+91-20 4100 4444

### For more information

Contact us at  
[pwctr.knowledgemanagement@in.pwc.com](mailto:pwctr.knowledgemanagement@in.pwc.com)

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