

Government notifies new income tax return forms for FY 2015-16

April 2, 2016

In brief

The Central Board of Direct Taxes has notified Income-tax return forms applicable for the financial year (FY) 2015-16 (assessment year 2016-17). There are no major changes in the forms compared to last year. The key amendments in the forms pertaining to **individual taxpayers** are briefly summarised below:

- Taxpayers having total income exceeding INR 5 million need to declare their assets and liabilities.
- Taxpayers need to report details of pass-through income received from business trusts or/ and investment funds in a separate schedule.
- Schedule-ICDS has been introduced in Form 4 to disclose the effect of Income Computation and Disclosure Standards (ICDS) on profit.
- Taxpayers filing Form 1, 2 and 2A will now be able to claim credit taxes collected at source (TCS).

In detail

Scope of notified return forms

The scope of newly notified¹ income tax forms applicable for the FY 2015-16 and detailed changes are tabulated below:

ITR Forms	Who can use?	Remarks
ITR-1 (SAHAJ)	<p>This return form can be used by individuals whose total income includes the following:</p> <ul style="list-style-type: none"> • Income from salary/ Pension • Income from one house property (other than cases where loss is brought forward from previous years) • Income from other sources (excluding loss under this head, winning from lottery and income from race horses) • Agricultural income of INR 5,000 or less • No claim of relief under section 90 and/ or section 91 	No change in eligibility

¹ Notification No. 24/2016, dated 30 March 2016

ITR Forms	Who can use?	Remarks
ITR-2	<p>This return form can be used by individuals/ HUFs whose total income includes the following:</p> <ul style="list-style-type: none"> Income from salary/ Pension Income from house property Income from capital gains Income from other sources (including winning from lottery and income from race horses) Individuals who qualify as ordinarily residents in India and having any overseas income/ assets etc. 	No change in eligibility
ITR-2A	<p>This return form can be used by individuals/ HUFs whose total income includes the following:</p> <ul style="list-style-type: none"> Income from salary/ Pension Income from house property Income from other sources (including winning from lottery and income from race horses) No claim of relief under section 90 and/ or section 91 	No change in eligibility
ITR-4S (SUGAM)	<p>This return form can be used by individuals, HUFs and partnership firms (other than Limited Liability Partnerships) whose total income includes the following:</p> <ul style="list-style-type: none"> Income from salary/ Pension Income from one house property (excluding cases where loss is brought forward from previous years) Income from other sources (excluding winning from lottery and income from race horses) Business income where such income is computed in accordance with special provisions referred to in section 44AD and 44AE (i.e. on presumptive basis) Agricultural income of INR 5,000 or less No claim of relief under section 90 and/ or section 91 	Partnership firms other than Limited Liability Partnership can now use this form.

Detailed changes in the notified return forms

Changes introduced /scope enlarged	Reference in return forms	Applicable ITR form	Remarks
Details of assets and liabilities held as on March 31, 2016	Schedule-AL	ITR - 1, 2, 2A, 3, 4 & 4S	<p>Taxpayers having income exceeding INR 5 million are required to disclose their movable & immovable assets at cost.</p> <p>Assets which are required to be disclosed are –</p> <ul style="list-style-type: none"> Land Building

Changes introduced /scope enlarged	Reference in return forms	Applicable ITR form	Remarks
			<ul style="list-style-type: none"> • Cash in hand • Jewellery, bullion etc. • Vehicles, yachts, boats and aircraft • Liability in relation to above assets. <p>Form 3 & 4 already have Schedule – AL and those having income more than INR 2.5 million are required to disclose non business assets. The scope of specified asset is also very large which includes even the financial assets and archaeological collections, painting, sculpture etc. There is no change in schedule AL except that threshold limit of applicability has been raised from INR 2.5 million to 5 million.</p>
Details of pass-through income received from business trust or/ and investment fund	Schedule-PTI	ITR -2, 2A, 3 & 4	<p>Section 115 UA & 115 UB of the Income-tax Act, 1961 were introduced recently wherein it has been provided that any distribution of income by a business trust/ investment fund to its unit holders shall be deemed to be the income of same nature and taxed in the same proportion in their hands as it has been received or accrued to the business trust/ investment fund.</p> <p>Schedule PTI has been introduced to capture the relevant information and details asked for are as below -</p> <ul style="list-style-type: none"> • Name of business trust/ investment fund • PAN of business trust/ investment fund • Head of income • Amount of income • Taxes withheld, if any.
Details of tax collected at source	Schedule-TCS	ITR-1, 2 & 2A	<p>Currently, seller is required to collect tax at source in certain transactions such as buying Jewellery in cash exceeding INR 0.5 million etc. There was no column provided in the forms prescribed for earlier years which caused the difficulty of claiming the TCS in the return form. Schedule-TCS has been introduced and that will enable the tax payers to claim the credit of TCS in their return.</p> <p>Following details need to be provided in the schedule -</p> <ul style="list-style-type: none"> • Tax Collection Account Number of the collector • Name of the collector • Tax Collected • Amount out of tax collected being claimed
Effect of ICDS on profit	Schedule-ICDS	ITR-4	Schedule has been introduced to disclose the impact of recently notified income computation disclosure standards on business profits.

The takeaways

With the abolition of wealth tax, it was expected that some sort of disclosure of assets in the return form would be introduced. Forms ITR-3 and ITR-4 already had Schedule-AL, and the same has been prescribed for other forms as well, but the reporting has been limited to few assets only.

The assets are to be reported at cost. In case a taxpayer has acquired any asset free of cost, such as by way of gift, inheritance etc., it seems that such assets may be reported at cost to the previous owner, as is currently applicable for those who were using Forms ITR-3 or ITR-4 and filing Schedule-AL. However, one

would need to wait for the detailed instructions to see whether any change is made on the reporting of the value of such asset.

Foreign nationals working in India who are not ordinarily residents of India are not required to report their overseas income and assets. They will need to keep a watch on the detailed instructions appended to the forms, to check whether similar treatment would apply to reporting of assets in Schedule-AL as well and whether reporting would be limited to their assets situated in India only.

Let's talk

For a deeper discussion of how

this issue might affect your business, please contact:

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