

Government notifies new income tax return forms for AY 2016–17

April 5, 2016

In brief

The Central Board of Direct Taxes has notified Income-tax return forms applicable for the financial year 2015–16 [assessment year (AY) 2016–17]. The key amendments in the forms *viz.* ITR-5 [pertaining to firm/ association of person (AOP)], ITR-6 (pertaining to companies) and ITR-7 (pertaining to trust, political parties, specified institution/ association, investment fund etc.) are briefly summarised below:

- 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 to disclose the effect of Income Computation and Disclosure Standards (ICDS) on profit.
- Investment funds to file their return of income in form ITR-7.

In detail

Scope of notified return forms

The scope of newly notified¹ income tax forms *viz.* ITR-5, ITR-6 and ITR-7 remain the same as last year. To summarise for convenient reference:

ITR forms	Who can use them?	Remarks
ITR-5	This return form to be used by persons other than (i) individual, (ii) Hindu Undivided Family, (iii) company and (iv) person filing Form ITR-7	No change in eligibility
ITR-6	This return form to be used by companies other than those claiming exemption under section 11 of the Income-tax Act, 1961 (the Act).	No change in eligibility
ITR-7	This return form to be used by persons including companies required to furnish return under sections 139(4A) or 139(4B) or 139(4C) or 139(4D) or 139(4E) or 139(4F) ²	New section 139(4F) inserted, applicable to investment funds referred to under section 115UB of the Act.

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

² Section 139(4A): Person in receipt of income from property held under trust;

Section 139 (4B): The Chief Executive Officer of a political party;

Section 139 (4C): Specified association or funds (like research association, news agency, mutual fund, securitisation trust, venture capital company or fund, trade union, infrastructure debt fund etc.);

Section 139 (4D): Specified universities, colleges etc.;

Section 139 (4E): Business trusts; and

Section 139 (4F): Investment funds.

Detailed changes in the notified return forms

Applicable ITR form	Reference in return forms	Changes introduced	Remarks/ Analysis
ITR – 6	Part A - Gen- General	Details of audit report under any Act other than the Act to be provided	The Act, section and date of furnishing the audit report under any Act other than the Income-tax Act needs to be provided. A separate row is inserted in “Part A - General” to provide the abovementioned information.
	Part A - OI - Other information and Schedule ICDS - Effect of ICDS on profit	Effect on profits because of deviation from ICDS	Section 145(2) of the Act empowered the Central Government (CG) to notify ICDS. On 31 March 2015, the CG notified 10 ICDS with effect from (w.e.f.) 1 April 2015, to be effective from AY 2016–2017. A separate row has been inserted in “other information of Part A” where taxpayers will have to report effect on profit due to deviation from ICDS. Further, a schedule has been introduced (Schedule ICDS) to report the impact of recently notified ICDS on profits. A total of “Schedule ICDS” will be reflected in “other information of Part A”.
	Schedule BP - Computation of income from business or profession	Deduction allowable under section 32AD	The Finance Act, 2015, introduced a new section 32AD in the Act to provide additional incentive on investment in a new plant or machinery (new asset) in notified backward areas in certain states (Andhra Pradesh, Bihar, West Bengal and Telangana). This section also provides that in case the new asset is transferred before 5 years from its installation, the amount of incentive already allowed shall be deemed as income from business or profession. A separate row is inserted in the aforementioned schedule to capture the amount of deduction allowable under this section. Further, a reference to Section 32AD is introduced in an existing row (dealing with deemed incomes under various other sections) to offer to tax the deemed income under this section.
	Schedule CG - Capital gains	Deemed short-term capital gains on depreciable assets	Section 50 of the Act provides a special provision for computation of capital gains in case of depreciable assets. It provides that where the full value of consideration received on transfer of depreciable assets exceeds the expenditure on transfer in connection with transfer of assets, written down value of the block of assets at the beginning of the previous year and actual cost of the assets falling within the block of assets acquired during the year, such excess shall be deemed as short-term capital gains. A separate row is introduced in the aforementioned schedule to reflect the deemed short-term capital gains from depreciable assets separately.
	Schedule CG - Capital gains	Long-term capital gains from sale of unit	The Finance (No. 2) Act, 2014 amended a proviso to section 112 to allow the concessional rate of tax of 10% on long-term capital gain to listed securities (other than unit) only. The change is introduced in the existing row of the form dealing with the provisions of section 112 of the Act, to align it with the amended proviso of section 112 of the Act.
	Schedule EI - Details of Exempt Income (Income not to be included	• Others, including the income of minor child	It is clarified that income of minor child which is exempt from tax needs to be disclosed under the head “others” in the aforementioned schedule. It is not clear how a company can have income of a minor child.

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	in total income)	<ul style="list-style-type: none"> Details of, share in the total income of firm/ AOP etc. in which partner, have been omitted 	Previously, the details of share in the total income of firm/ AOP etc. in which the taxpayer is a partner had to be provided. Now, the row seeking such information has been deleted.
	Schedule PTI - Pass-through income details from business trust or investment fund as per section 115UA, 115UB	Details of pass-through income received from business trust or/ and investment fund to be disclosed	<p>Sections 115UA & 115UB of the Act were introduced by the Finance (No. 2) Act, 2014 w.e.f. 01 April 2015, & the Finance Act, 2015, w.e.f. 01 April 2016, respectively, wherein it has been provided that any distribution of income by a business trust/ investment fund to its unit holders shall be deemed as income of the same nature and taxed in the same proportion 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; and Taxes withheld, if any.
	Schedule MAT – Minimum Alternate Tax (MAT) payable under section 115JB	MAT disclosure	<p>The Finance Act, 2015, has amended section 115JB of the Act, to nullify the effect of the following while computing the MAT liability:</p> <ul style="list-style-type: none"> The share of income of a member of an AOP, in the income of the AOP, on which no income tax is payable in accordance with the provisions of section 86 of the Act and the corresponding expenditures in earning such income. Income of a foreign company from capital gains or interest/ royalty/ fees for technical services (on which tax is payable at a specified rate) and corresponding expenditure in earning such income. Notional gain/ loss on transfer of capital assets, being a share in a special purpose vehicle to a business trust in exchange for units of business trust, notional gain/ loss due to change in carrying amount of said units and gain/ loss on transfer of units of business trust. Gain/ loss on transfer of units of business trust (referred in section 47(xvii) of the Act). <p>Separate rows have now been inserted in the MAT schedule of the form to reflect the above adjustments.</p>
ITR – 7	ITR-7- Heading of the form	Applicable to persons required to file return under section 139(4F)	<p>The Finance Act, 2015, introduced a new sub-section (4F) in section 139 w.e.f. 01 April 2016, to impose an obligation on investment fund to (referred to in section 115UB – discussed above) to furnish return of income.</p> <p>Consequently, Rule 12 of the Income-tax Rules, 1961, specifies that the investment fund is required to furnish return of income in ITR -7 and the heading of ITR-7 is modified accordingly.</p>
	Part A - Gen - Other details	Details of percentage of receipt from	The Finance Act, 2015, substituted a proviso in clause 15 of section 2 of the Act to provide that advancement of any other object of general public utility shall not be a charitable purpose

Applicable ITR form	Reference in return forms	Changes introduced	Remarks/ Analysis
		commercial activity <i>vis-à-vis</i> total receipts	if it involves the carrying on any activity in the nature of trade/ commerce/ business or rendering services in relation to such trade/ commerce/ business, and receipts from carrying on such activity or rendering of services exceeds 20% of total receipts. The additional rows are inserted in the aforementioned part of the form to provide details of percentage receipts from activity in the nature of trade/ commerce/ business or rendering services in relation to such trade/ commerce/ business.
	Part A - Gen - Other details	Applicability to sections 10(23C)(iiiab) and 10(23C)(iiiac) inserted	The Finance Act, 2015, amended sub-section (4C) of section 139 of the Act, to impose an obligation to furnish return of income, on universities/ educational institutions/ hospitals etc. which are wholly or substantially financed by the Government [such entities are covered under clauses (iiiab) and (iiiac) of section 10(23C)]. Accordingly, now such universities, hospitals, educational institutions etc., have to disclose their name and annual receipts in the form.
	Part A - Gen - Other details	Date of change in objects/ activities	Currently, the fact that there is any change in the objects/ activities of the taxpayer on the basis of which approval/ registration was granted is to be mentioned. Now, in addition, the date of such change is required to be mentioned in a separate row.
	Part B - TI - Statement of income for the period ended 31 March 2016	Application of income for charitable or religious purposes	Clause (2) of the explanation to sub-section (1) of section 11 of the Act provides that if the income applied to charitable/ religious purposes in India falls short of 85% of the income derived during the previous year from the trust property for the reason that income has not been received during that year or for any other reason, then, so much of the income applied to such purpose in the prescribed period may be deemed to be income applied for charitable/ religious purpose of the previous year under consideration, provided the taxpayer exercise such option in writing before the tax officer. The Finance Act, 2015, has provided that this option can be exercised by filing the prescribed Form 9A. Now, specific reference is made to Form 9A while providing details of exercise of this option by the taxpayer under the said provision. Further, an additional row is inserted to provide for the date of filing of Form 9A.
ITR – 7	Schedule MAT - MAT Payable under section 115JB	MAT disclosure	Already discussed under ITR-6
	Schedule PTI - Pass-through income details from business trust or investment fund as per section 115UA, 115UB	Details of pass-through income received from business trust or/ and investment fund	Already discussed under ITR-6
ITR – 5	Part A - Gen- General	Details of audit report under any Act other than the Income-tax Act	Already discussed under ITR-6

Applicable ITR form	Reference in return forms	Changes introduced	Remarks/ Analysis
	Part A - OI - Other information and Schedule ICDS - Effect of ICDS on profits	Effect on profits because of deviation, as per ICDS	Already discussed under ITR-6
	Part A - OI - Other information	Expenditure for purchase of sugarcane in excess of the Government approved price	The Finance Act, 2015, introduced a new clause (xvii) in sub-section (1) of section 36 w.e.f. 01 April 2016, to allow deduction of expenditure incurred by a co-operative society engaged in the business of the manufacture of sugar for purchase of sugarcane at a price equal to or less than the price fixed or approved by the Government. Consequently, an additional row is inserted in the aforementioned part of the form to reflect deduction claimed under the above mentioned provision.
	Schedule BP - Computation of income from business or profession	Deduction allowable under section 32AD of the Act	Already discussed under ITR-6
ITR-5	Schedule BP - Computation of income from business or profession	Reference to section 44DB of the Act	The provisions of section 44DB are special provisions for computing deductions allowable to predecessor and successor co-operative banks in cases of business reorganisation. The change is introduced in the existing rows (dealing with addition/deduction in accordance with section 28 to 44DA) to include any amount of addition/ deduction required in the computation of "Profits and gains from business or profession" under section 44DB.
	Schedule CG - Capital Gains	Deemed short term capital gains on depreciable assets	Already discussed under ITR-6
	Schedule VI-A - Deduction under Chapter VI-A	Part C - Deduction in respect of certain incomes - Deduction under section 80JJAA	The Finance Act, 2015, amended section 80JJAA of the Act to provide incentives (30% of additional wages paid to the new regular workmen employed) to all taxpayers whose gross total income includes any profits and gains derived from the manufacture of goods in a factory (previously, this incentive was available to Indian companies only). Consequently, a separate row is inserted in the form to reflect the incentive claimed by taxpayers who are required to file returns in ITR-5.
	Schedule EI - Details of Exempt Income (Income not to be included in Total Income)	Others, including exempt income of minor child	Already discussed under ITR-6
	Schedule PTI - Pass-through income details from business trust or investment fund as per section 115UA, 115UB	Details of pass-through income received from business trust or/ and investment fund	Already discussed under ITR-6

Let's talk

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

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