

Government introduced new income tax return forms for the financial year 2016-17

April 4, 2017

In brief

The Central Board of Direct Taxes has amended the Income-tax Rules and introduced new Income tax return forms applicable for the financial year (FY) 2016-17 [assessment year (AY) 2017-18]¹.

ITR-1 (also known as Sahaj) has been simplified by making it one pager return form. However, individuals having a total income exceeding INR 5 million will no longer be eligible to use ITR-1. The existing ITR-2A and ITR-3 forms have been combined with ITR-2 and therefore, individuals who are not eligible to use ITR-1 will have to use the new ITR-2 form provided they do not have income from business or profession. As a result of above changes, the existing ITR-4 and ITR-4S (also known as Sugam) have been renumbered as ITR-3 and ITR-4 (Sugam) respectively. New ITR-3 can be used in cases where the individual has income from business or profession and similarly new ITR-4 can be used in cases where the individual has income from business and profession and opts for presumptive taxation.

The option of filing tax return in a paper form which is only available in ITR-1 (Sahaj) and ITR-4 (Sugam) has been allowed to:

- super senior citizens (i.e. an individual of an age of 80 years or more during relevant financial year) or
- an individual/ Hindu Undivided Family whose income does not exceed INR 0.5 million and there is no claim of refund.

From reporting perspective, taxpayers are mandatorily required to provide details of cash deposits if the aggregate cash deposited in any of their Indian bank account is INR 0.2 million or more during the period from 09 November, 2016 to 30 December, 2016 (i.e. demonetisation period).

In detail

The scope of newly introduced income tax return forms applicable for the FY 2016-17 (AY 2017-18) are tabulated below:

Particulars	ITR 1*	ITR 2	ITR 3	ITR 4
Income from salary/ pension	✓	✓	✓	✓
Income from one house property (excluding loss cases)	✓	✓	✓	✓

¹ Notification No- 21/2017/F.No.370142/5/2017-TPL, dated 30 March 2017

Particulars	ITR 1*	ITR 2	ITR 3	ITR 4
Income from more than one house property (including loss cases)		✓	✓	
Income from other sources (excluding loss under this head, winning from lottery, income from horse races, dividend income from domestic company exceeding INR 1 million, unexplained cash credit/ investments/ money/ expenditure/)	✓	✓	✓	✓
Income from other sources (including winning from lottery/ horse races, dividend income exceeding INR 1 million, unexplained cash credit/ investments/ money/ expenditure/amount borrowed or repaid on hundi)		✓	✓	
Capital gains/ losses		✓	✓	
Resident and ordinarily residents having income from a source outside India or having foreign assets, foreign bank account, signing authority in any account located outside India, etc.		✓	✓	
Agricultural income (exceeding INR 5,000)		✓	✓	
Income from business or profession			✓	
Income from business or profession taxable under presumptive basis.				✓
Relief under section 90/ 91		✓	✓	

*A person having total income exceeding INR 5 million is no more eligible to use ITR-1.

Detailed changes in the notified return forms

Changes introduced	Reference in return forms	Applicable ITR form	Remarks
Items excluded from reporting: <ul style="list-style-type: none"> Asset & Liability Schedule Gender Type of bank account Details of Tax Return Preparer Unique withholding tax certificate number of withholding tax deductor 	Various	ITR-1	Taxpayers would be required to provide only the relevant information in relation to the income.
Mentioning the permanent account number (PAN) of the buyer of immovable property introduced	Part B - TTI (Point number 19 C)	ITR-2, ITR-3	Taxpayer is required to deduct tax at source when purchasing immovable property in excess of INR 5 million. Now the seller is required to quote PAN of buyer in his return form.
Reporting of Aadhaar No/ Enrolment ID.	Part A (General information)	ITR -1, ITR-2, ITR-3 and ITR-4	In case Aadhaar application is under process, the Enrolment ID (28 digit acknowledgement no) will be required to be mentioned in the return form. As per the instructions to fill the form, this will become a mandatory field w.e.f. 01 July, 2017.

Changes introduced	Reference in return forms	Applicable ITR form	Remarks
Scope of reporting assets and liabilities held as on 31 March, 2017 in India has been enlarged	Schedule - AL	ITR- 2 & 4	Taxpayers are also required to include details of financial assets, description and address of immovable property and interest in firm/ AOP as a partner or as a member respectively.
Details of cash deposits during the demonetisation period in an Indian bank account (i.e. from 09 November, 2016 to 30 December, 2016)	Details of Bank accounts held in India	ITR -1, ITR-2, ITR-3 and ITR-4	Reporting is required if the aggregate cash deposits during the demonetisation period is 0.2 million or more. As per the instructions any cash deposited in any account other than current and saving accounts (<i>viz.</i> loan accounts) also needs to be reported.

The takeaways

In the budget speech, Finance Minister had promised to introduce a simplified one pager form to make return filing easier for a large population whose taxable income is below INR 0.5 million. Accordingly, ITR-1 has been amended to exclude various reporting requirements from it so as to make it simpler form for such taxpayer. However, salaried class having total income exceeding INR 5 million will not be able to use the new simplified ITR-1 and will be required to use ITR-2 to file their Income tax return this year. Making Aadhaar as a mandatory requirement to file a tax return in India is a significant change and will impact all those individuals who have tax filing obligation but are not having Aadhaar as yet. Even though who have Aadhaar, need to get it linked with their PAN. If by any chance, the details as per PAN are not matching with Aadhaar details, the same would need to get rectified immediately

to avoid inconvenience at a later stage.

For expatriate employees this could be another compliance requirement to obtain an Aadhaar number. The Finance Act, 2017 has made it mandatory to enroll for Aadhaar in order to file a return in India or apply for a PAN or keep the existing PAN active. This change is effective from 01 July, 2017 and applies to those who are eligible for Aadhaar. Under the Aadhaar Act, individuals who are in India for more than 182 days in aggregate in the past 12 months, become eligible to obtain Aadhaar. Those expatriate who have already left India or NRIs who are not physically present in India and have a tax filing obligation, may face practical challenges to obtain Aadhaar. They should consider either filing the return before 01 July, 2017 or they may be required to visit India for Aadhaar. One may expect clarification from the Government to either relax this

requirement for such individuals or make some arrangement where such individuals are able to obtain Aadhaar overseas.

Taxpayers, who have deposited INR 0.2 million or more in cash in their Indian bank accounts during the demonetisation period, need to provide details in their return form. While compiling details, one should also preserve relevant documentation or other proofs of source etc. in support of such deposits. This will help in responding to any questions raised by the tax authorities at a later stage. Similar approach of preserving and compiling the relevant documents should be followed in relation to various other reporting requirements in the return form.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact your local PwC advisor

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