

Income-tax return forms for the financial year 2017-18 notified

April 9, 2018

In brief

The Central Board of Direct Taxes (CBDT) has amended the Income-tax rules and has notified new income-tax return (ITR) forms¹, applicable for the financial year (FY) 2017-18 (assessment year 2018-19). Detailed instructions for filing these forms are yet to be notified by the CBDT.

A simplified one page ITR Form-1 (Sahaj) has been notified for this year as well. However, this form can now be used by resident and ordinarily resident (ROR) individuals having income from salary, one house property (except loss carry forward cases), income from other sources (except winning from lottery, horse races, dividend income exceeding INR 1 million etc.) if the taxable income does not exceed INR 5 million.

As per the newly notified forms, individuals and Hindu Undivided Family (HUF) having income under any head (other than business or profession) shall be eligible to use ITR-2. Individuals and HUFs having income under the head business or profession will now have to file their return using ITR-3 or ITR-4 (presumptive business income). Individuals and HUFs having income from partnership firms will no longer be eligible to use ITR-2 to file their income tax return.

The option of filing tax return in a paper form (only ITR-1 & ITR-4) remains same i.e. it is allowed for super senior citizens (i.e. individual of 80 years of age or more during the financial year) or the individual/ HUF whose income does not exceed INR 0.5 million and there is no claim of refund.

In detail

The scope of newly notified ITR forms applicable for the FY 2017-18 are tabulated below for ready reference:

Particulars	ITR 1*	ITR 2	ITR 3	ITR 4
Income from salary/ pension	✓	✓	✓	✓
Income from one house property (excluding case where loss has been carried forward from previous years)	✓	✓	✓	✓
Income from more than one house property (including case where loss has been carried forward from previous years loss)		✓	✓	
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,	✓	✓	✓	✓

¹ Notification No- 16/2018/F.No.370142/1/2018-TPL, dated 03rd April 2018

Particulars	ITR 1*	ITR 2	ITR 3	ITR 4
unexplained cash credit/ investments/ money/ expenditure/ amount borrowed or repaid on hundi)				
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		✓	✓	
Income to be apportioned in accordance with section 5A		✓	✓	✓

*A person having total income upto INR 5 million and being a ROR of India is only eligible to use ITR-1.

Detailed changes in the notified return forms relevant for individuals are as under:

Changes introduced	Reference in return forms	Applicable ITR form	Remarks
Eligibility to file ITR- 1	-	ITR-1	ITR-1 can be filed only in cases where taxpayer is qualifying as ROR of India.
Eligibility to file ITR- 2	-	ITR-2	Individuals and HUFs having income from business or profession/ partnership firms shall not be able to use ITR-2 to file their income tax return.
Removal of gender information	Personal information	ITR-2, 3 & 4	This requirement has been removed.
Detailed disclosure of income under the head salary and income house property	Gross Total Income	ITR-1 & 4	Break-up of salary (as reported in Form 16/ 12BA) and taxable income from house property to be mentioned in ITR-1 and 4
Insertion of separate late filing fees under section 234F of the Income-tax Act, 1961 (the Act)	Computation of tax liability	ITR-1, 2, 3 & 4	Fees for late filing tax return has been inserted in return forms.
Transparency in claiming credit of taxes under special provisions	Schedule TDS (Section 5A of the act and Rule 37BA)	ITR-2, 3 & 4	In case whole or part of the income on which taxes has been deducted is assessable in the hands of a person other than deductee then details (such as income, taxes and PAN of deductee) need to be disclosed in the return form to avoid any mismatch at the time of processing the return.

Changes introduced	Reference in return forms	Applicable ITR form	Remarks
Additional verification requirement	Verification section	ITR-1, 2, 3 & 4	Verification of return is required in case tax return is prepared by any person other than the taxpayer.
Disclosure of fair market value (FMV) in case of unlisted shares	Schedule CG	ITR-2 & 3	FMV in case of unlisted shares are required to be reported to determine the taxable value under section 50 CA
Specific columns to report each capital gain exemption	Schedule CG	ITR-2 & 3	Details of capital gains exemption under section 54, 54B, 54EC, 54EE, 54F, 54GB and 115F shall be reported in its applicable column now. Also, taxpayer is required to mention the date of transfer of original capital asset which was missing in earlier ITR Forms.
Taxpayer claiming Double Taxation Avoidance Agreement (tax treaty) relief is required to report more details	Schedule CG & OS	ITR-2 & 3	Taxpayer claiming tax treaty relief in India in respect of capital gains or income from other sources are required to provide details of applicable tax treaty. The new ITR Forms mandates following additional details: A) Rate as per tax treaty B) Rate as per the Act C) Section as per the Act D) Applicable rate (Lower of A & B)
Disclosure of amounts not deductible from other source income	Schedule OS	ITR-2 & 3	Certain expenditures which are not allowed to be deducted needs to be disclosed separately
Taxability on recovery of trading liability	Schedule OS	ITR-2 & 3	As per provisions of the Act, if a business entity recovers any amount in respect of an allowance or deduction, the amount so received shall be deemed to be the business income and chargeable to tax. Similar provisions exists in respect of an expense which had been claimed as deduction against an income chargeable to tax under the head 'income from other sources'. The new ITR forms require separate reporting of such items in respect of income which is taxable under the head 'income from other source'.
Amendment in the list of assets and liabilities to be reported	Schedule AL	ITR-2	Requirement to report interest held in the assets of a firm or AOP as a partner or member thereof has been done away with.

The takeaways

Newly notified income-tax return forms shall pose practical challenge for those taxpayers (expatriate employees) who are qualifying as non-resident or not ordinarily resident as they will be required to file their return in ITR-2 (detailed tax return form) even if they have to report only salary income. The new ITR-1 form also require salaried taxpayers to disclose their salary break-up and now they will have

to give details about allowances that are not exempt, value of perquisites, profit in lieu of salary and deductions claimed under section 16. However, some relief to non-resident have been provided by allowing to provide details of their foreign bank accounts to claim refund. It is a welcome step as they were facing practical challenges to claim their refund in the absence of Indian bank account. It is now mandatory for the investors to obtain the valuation report in

case of sale of unlisted shares. To ensure that investors correctly report the capital gains from unlisted shares, the new ITR Forms require the taxpayers to provide the fair market value in respect of such unlisted shares. The detailed instructions and tax filing utility are expected to be released shortly in due course.

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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