Income-tax return forms for FY 2018-19 notified

April 6, 2019

In brief

The Central Board of Direct Taxes (CBDT) has amended the income-tax rules and introduced new income-tax return forms (ITR forms)[1] applicable for the financial year (FY) 2018-19 (assessment year 2019-20). However, the CBDT is yet to notify the detailed instructions to fill these forms.

Similar to last year, a simplified one page ITR Form-1 (Sahaj) [ITR1] has been notified for Resident and Ordinarily Resident (ROR) taxpayers whose total income does not exceed INR 5m.

The key changes introduced are summarised as follows:

- For better transparency, individual taxpayers are now required to also select the relevant rule of residency (based on the individual's physical presence in India) against the residential status selected by them (resident/ not ordinarily resident/ non-resident).
- Non-resident (NR) individuals are also required to report their overseas residency information along with taxpayer identification number. Overseas Citizen of India (OCI)/ Person of Indian Origin (PIO) taxpayers selecting residential status as "non-resident" in India are required to report their actual number of days in the relevant FY and in the last four FYs immediately preceding the relevant FY.
- ROR individuals claiming expense deduction under the head "income from other sources" (except for family pension) or holding unlisted shares in India or a director in a company, will no longer be able to use ITR1.
- The option of paper filing of ITR1 and ITR4 is now available only for ROR super senior citizens (age 80 years or more).
- ITR4 available for filing tax return under the presumptive taxation scheme is now restricted only to ROR individuals having total income not exceeding INR 5m.
- The new ITR forms require disclosure in relation to unlisted shares with details of opening balance, acquired/ transferred during the year and the closing balance.
- More details are necessary to be filled for Double Taxation Avoidance Agreement (tax treaty) benefits claimed by the taxpayers under the "exempt income schedule," including confirmation of tax residency certificate.
- Foreign assets and income schedule (Schedule FA) requires expanded disclosures, i.e., details of foreign depository accounts, foreign custodian account, holding of foreign equity and debt, foreign cash value insurance/ annuity held, either as an owner or beneficiary.
- Agricultural income exceeding INR 0.5m is now required to be reported separately, along with additional details, such as the district name with pin code, measurement of agricultural land, whether owned/ leased, whether irrigated or rain fed under the "exempt income schedule."

[1] Notification No- GSR. 279(E), dated 1 April 2019

- Individual taxpayers who are directors of companies are now required to furnish details of the company name (along with Permanent Account Number [PAN]), whether shares of the company are listed and the Director Identification Number.

In detail

The scope of the new ITR forms applicable for FY 2018-19 are tabulated here for ready reference.

Particulars	ITR 1*	ITR 2	ITR 3	ITR 4*
Income from salary/ pension	✔	✔	✔	✔
Income from one house property (excluding brought forward loss of past years or current year loss to be carried forward)	✔	✔	✔	✔
Income from other sources (excluding loss under this head, claim of expense as deduction under section 57, except against family pension as prescribed, winning from lottery, income from horse races, dividend income from domestic company exceeding INR 1m, unexplained cash credit/ investments/ money/ expenditure/ amount borrowed or repaid on hundi)	✔	✔	✔	✔
Income from more than one house property (including one house property with brought forward loss of past years or current year loss to be carried forward)		✔	✔	
Capital gains/ losses		✔	✔	
Income from other sources (including loss under this head, claim of expense as deduction under section 57, except against family pension as prescribed, winning from lottery, income from horse races, dividend income from domestic company exceeding INR 1m, unexplained cash credit/ investments/ money/ expenditure/ amount borrowed or repaid on hundi)		✔	✔	
RORs having income from a source outside India or having foreign assets, foreign bank account and signing authority in any account located outside India, etc.		✔	✔	
Agricultural income (exceeding INR 5,000)		✔	✔	
Relief under section 90 (tax treaty)/ section 91		✔	✔	
Income from business or profession			✔	
Income from business or profession taxable under presumptive basis			✔	✔

Detailed changes in the notified ITR forms relevant for individuals are as follows:

**ROR Individuals (other than a director of a company and/ or not holding unlisted equity shares) having total income up to INR 5m are eligible to use ITR1 or ITR4, as the case may be.*

Detailed changes in the notified ITR forms relevant for individuals are as follows:

Changes introduced	Reference in return forms	Applicable ITR form	Remarks
Eligibility to file ITR1	-	ITR1	ITR1 can be filed only by an individual qualifying as ROR, and whose total income does not exceed INR 5m based on the forms notified. The following individuals have been specifically excluded, and thus, cannot file ITR1: • Individual being a director in a company; or • Held any unlisted equity share in a company; or

Changes introduced	Reference in return forms	Applicable ITR form	Remarks
			• Claimed any deduction against "income from other source" (other than family pension); • Assessable in respect of other person's income on which tax has not been withheld.
Eligibility to file ITR4 (presumptive taxation)	-	ITR4	Option to file ITR4 has been restricted only for taxpayers having total income not exceeding INR 5m and taxable on presumptive basis. However, this option is available only for an ROR taxpayer who is neither a director in a company nor holding any unlisted equity share in a company or is assessable in respect of other person's income on which tax has not been withheld.
Reporting for NR	General information	ITR 2 & 3	If an individual is qualifying as NR of India and resident of other country, if any, he is required to report the following: • Jurisdiction of residence. • Taxpayer identification number. In case of OCI/ PIO, actual stay details in India also need to be provided.
Additional details required in relation to salary income	Salary information	ITR 1, 2, 3 & 4	Exempt allowance to be shown separately along with the bifurcation for deductions claimed under section 16 of the Income-tax Act, 1961 (the Act). Tax Deduction Account Number (TAN) of employer mandatorily required to be reported in ITR 2 and 3.
Details of unrealised rent or arrears of rent received and option to disclose deemed let out property	Income from house property	ITR 1 & 4	This disclosure regarding deemed let out property has been introduced to identify cases where rental income has been offered on a notional basis.
Requirement to quote PAN/ TAN of the tenant	Schedule HP	ITR 2 & 3	Moved from Schedule TDS to Schedule HP.
Additional columns for reporting of capital gains	Schedule CG	ITR 2 & 3	Keeping in line with the changes made in the Act, corresponding disclosure fields have been introduced to report capital gains taxable in accordance with sections 50C or 112A of the Act. In addition, the prescribed details of buyer need to be provided in case of transfer of any immovable property.
Separate column to report pass-through income	Schedule CG & OS	ITR 2 & 3	Separate columns have been introduced to report pass-through income in the nature of house property, capital gains and income from other sources.

Changes introduced	Reference in return forms	Applicable ITR form	Remarks
Reporting of exempt income	Schedule EI	ITR 2 & 3	Scope of reporting has been enlarged to report additional details in case agricultural income exceeding INR 0.5m. In such cases, additional information is required to be reported, such as name of the district with pin code, measurement of agricultural land, whether owned/ leased, whether irrigated or rain-fed under the “exempt income schedule.” In addition, reporting of income not chargeable to tax under the tax treaty is required to be disclosed in this schedule.
Additional disclosure under Foreign Assets	Schedule FA	ITR 2 & 3	Column A, which deals with the details of foreign bank accounts, has been reframed to include the following: • Details of foreign depository account held. • Details of foreign custodian accounts held. • Details of foreign equity and debt interest. • Details of foreign cash value insurance contract or annuity contract.

The takeaways

Several changes have been made in the forms seeking additional details, which will help in automatically validating or cross-checking the income and other details that the tax authorities may have from other sources. This will not only improve the processing of tax returns in an automated environment but also help in keeping a check on income-escaping cases.

Seeking details about overseas tax residency etc. from NRs will help to validate treaty relief availed by such taxpayers in India. OCI/ PIO individual claiming NR status in their India tax returns should carefully track the number of days they stay in India and provide accurate details in the return form. Such details can now easily be cross-validated with the records already available with the immigration authorities which has also adopted the automation route in their working and have details of individual’s visits in India.

RORs will now be required to provide more details of their overseas assets, such as foreign depository accounts, foreign custodian account etc. India has already started getting details automatically from several countries with which it has information exchange treaties. Such overseas financial details will be cross-validated and a tighter control will be put on foreign income-escaping cases.

Foreign nationals, who come to India temporarily, for a period of three to five years and become ROR of India, will face challenges in making such numerous disclosures, as they are already concerned for the privacy of their financial information.

Considering the Indian Government’s focus on tightening the compliance, taxpayers are required to take a note of these changes diligently and ensure they provide accurate details to avoid any questioning from the tax authorities at a later stage.

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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