

TAX FLASH NEWS

8 January 2020



CBDT notifies Income-tax Return forms (ITR 1 Sahaj and ITR 4 Sugam) for the Assessment Year 2020-21

Recently, the Central Board of Direct Taxes (CBDT) has notified¹ two Income Tax Return (ITR) Forms (i.e. ITR-1 Sahaj and ITR-4 Sugam) for the Assessment Year (AY) 2020-21 by amending Rule 12 of the Income-tax Rules, 1962 (the Rules).

Key amendments applicable to the following ITRs

Key changes in ITR-1 Sahaj

- ITR 1 can be filed only by an individual qualifying as Resident and Ordinary Resident (ROR), whose total income does not exceed INR 5,000,000 and includes income from salary, one house property with single ownership, income from other sources such as interest income, etc. and agricultural income up to INR 5,000.
- The following individuals have now been specifically excluded from filing ITR 1 for the AY 2020-21:
 - Individual taxpayers who own house property in joint ownership.
 - Individual taxpayers who are high spenders² as follows:
 - ❖ Spend more than INR 100,000 in electricity bill in a year;
 - ❖ Spend more than INR 200,000 for foreign travel in a year;
 - ❖ Deposit amounts exceeding INR 10,000,000 in one or more bank account in a year.

- Individual taxpayer holding a valid passport is required to fill passport number.
- ITR 1 form does not allow an individual taxpayer to file a return in response to notice for assessment in case of a search or requisition³.
- ITR 1 form seeks for details of employer like Tax Deduction and Collection Account Number (TAN), name, nature, address, Town/City, State, PIN/ ZIP Code of employer and allows an individual taxpayer to add salary received from more than one employer, which was not enabled earlier.
- An individual taxpayer is required to furnish the following additional details with respect to income from house property:
 - Whether self-occupied or let-out or deemed let out;
 - Address of property along with town, state and PIN code;
 - In case of a let-out property, tenant details like Name, PAN or Aadhaar, amount of unrealized rent, as applicable.
- ITR 1 form enables individual taxpayers to claim deduction in relation to interest received on enhanced compensation⁴.

³ Section 153A or 153C of the Act

⁴ Section 57(iv) of the Act read with Section 56(2)(viii) of the Act

¹ Notification No. 01/2020/F. No. 370142/32/2019, dated 3 January 2020

² 7th proviso to Section 139(1) of the Income-tax Act, 1961 (the Act)

ITR 1 form allows for claiming deductions in respect of interest on loan taken for certain residential house property⁵ and for purchase of electric vehicle⁶.

Key changes in ITR-4 Sugam

- The taxpayer who owns a single house property and filing ITR-4 Sugam is required to provide complete address of such house property. Further, if the said property is let out at any time during the financial year, details such as name and Permanent Account Number (PAN) or Aadhaar Number of the tenant (if available) are to be disclosed.
- Under the house property schedule, the taxpayer is required to separately disclose the amount of unrealised rent along with amount of gross rent, though, unrealised rent is subsequently excluded from gross rent in the computation of taxable rent income.
- Salaried taxpayer is required to provide various details of employer such as name, address and TAN of the employer. If TAN is provided by the taxpayer, name and address will be pre-filed in the e-filing utility.
- The taxpayer is required to provide his/her valid Indian passport number, if available.
- If a taxpayer is filling the tax return on satisfaction of deposit/expenditure criteria, the taxpayer is required to disclose the aggregate amount of bank deposit/expenditure incurred on foreign travel or electricity, as the case may be.
- The taxpayer who is a partner in partnership firm is required to disclose the name and PAN of the firm such partnership firms.
- The taxpayer, a partnership firm, required to provide details of all partners which include name, address, PAN and Aadhaar number (if eligible for Aadhaar) of the partner, percentage of share in the partnership firm, rate of interest on partner's capital and remuneration paid or payable.
- Earlier, the taxpayer was required to furnish exhaustive details of financial information such as details of capital balance, secured and unsecured loans, advances, sundry creditors,

other liabilities, fixed assets, inventories, cash and bank balances, etc. as on the last day of the tax year in respect of business covered under presumptive taxation regime. This requirement is now done away with. Now, the taxpayer is required to provide the particulars of all cash and bank transactions i.e. opening balance, receipts during the financial year, payments/withdrawal during the financial year and closing balance.

- Till last year, taxpayers engaged in the business of plying, hiring and leasing goods carriage and offering income on presumptive basis are required to disclose higher of the presumptive income or the income claimed to have been actually earned. There was no requirement to separately provide information about actual income if it was lower than the presumptive income. However, now the schedule of presumptive income from goods carriage is amended to the effect that the taxpayer is required to provide disclosure of presumptive income and income claimed to have been actually earned. The higher of the two income so disclosed shall be captured for the purposes of computation of total income.

Our comments

The ITR forms have been notified well in advance in order to give taxpayer more time to collate various information, file returns on a timely basis and to deter taxpayer from seeking extension every year.

The Finance (No. 2) Act 2019 has introduced a new category of taxpayers, who are otherwise not liable for furnishing tax returns, mandating them to furnish the tax return if such taxpayers have deposited more than INR1 crore in one or more current bank accounts or has incurred expenditure more than INR 2 lakh on foreign travel for himself or any other person or incurred expenditure more than INR 1 lakh on electricity expenditure. Such taxpayer may have to furnish their tax returns in either ITR-4 Sugam (if applicable) or in some other ITR forms (as may be notified).

There are two major changes in the ITR Forms viz. an individual taxpayer cannot file return either in ITR-1 or ITR4 if he/she is a joint-owner in house property and ITR-1 form is not valid for those individuals who have deposited more than INR 1 crore in bank account or has incurred INR 2 lakh or INR 1 lakh per annum on foreign travel or electricity respectively.

It would be apt if CBDT will notify all the forms before end of the financial year and update utilities (e-filing tax return forms) so that taxpayers will be able to file their returns in time.

⁵ Sections 80EEA of the Act

⁶ Section 80EEB of the Act

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