

## Key Changes in New ITR Forms for Assessment Year 2019-20

The Central Board of Direct Taxes (CBDT) has notified the Income-tax Return (ITR) Forms applicable for the Assessment Year 2019-20. These ITR Forms will be applicable for filing of income-tax return in respect of income earned during the previous year 2018-19 (between 01-04-2018 to 31-03-2019). The new forms incorporate the changes made by the Finance Act, 2018 in the Income-tax Act, 1961.

It is the usual practice of CBDT to change the ITR forms every year in the month of April to incorporate the amendments made in the I-T Act by the previous Finance Act. However, this time the ITR forms have been changed with two major objectives – to incorporate the changes made by the Finance Act, 2018 and to seek additional disclosures. The additional disclosures have been sought by the CBDT in respect of all those income which are often subject to tax disputes or which are prone to tax avoidance. It appears that the CBDT has envisaged to turn the ITR forms into Scrutiny forms. By making the changes in current year ITR forms, the Dept. has increased the scope of disclosure and the scope to uncover the under-reporting or wrong-reporting of income. The Finance Minister while presenting the Interim Budget, 2019 has revealed that last year 99.54% of the Income-tax returns were accepted as they were filed. With this level of disclosures, the Dept. can easily flag the doubtful returns to unearth the possible tax avoidances at the time of processing of return by the CPC.

Though the structure of new ITR forms remain same, yet the no. of changes in these ITR forms are enormous. We have minutely scrutinized the new ITR Forms and have identified the key changes in new ITR forms *viz-a-viz* last year ITR Forms. These changes are explained below.

### 1. Which ITR Forms can be used for filing of return?

<i>Individual and HUF</i>				
<i>Nature of income</i>	<i>ITR 1* (Sahaj)</i>	<i>ITR 2</i>	<i>ITR 3</i>	<i>ITR 4 *</i>
<i>Salary Income</i>				
Income from salary/pension (for ordinarily resident person)	✓	✓	✓	✓
Income from salary/pension (for not ordinarily resident and non-resident person)		✓	✓	
Any individual who is a Director in any company		✓	✓	
<i>Income from House Property</i>				
Income or loss from one house property (excluding brought forward losses and losses to be carried forward)	✓	✓	✓	✓

Individual has brought forward loss or losses to be carried forward under the head House Property		✓	✓	
Income or loss from more than one house property		✓	✓	
<i>Income from Business or Profession</i>				
Income from business or profession			✓	
Income from presumptive business or profession covered under section 44AD, 44ADA and 44AE (for person resident in India)				✓
Income from presumptive business or profession covered under section 44AD, 44ADA and 44AE (for not ordinarily resident and non-resident person)			✓	
Interest, salary, bonus, commission or share of profit received by a partner from a partnership firm			✓	
<i>Capital Gains</i>				
Taxpayer has held unlisted equity shares at any time during the previous year		✓	✓	
Capital gains/loss on sale of investments/property		✓	✓	
<i>Income from Other Sources</i>				
Family Pension (for ordinarily resident person)	✓	✓	✓	✓
Family Pension (for not ordinarily resident and non-resident person)		✓	✓	
Income from other sources (other than income chargeable to tax at special rates including winnings from lottery and race horses or losses under this head)	✓	✓	✓	✓
Income from other sources (including income chargeable to tax at special rates including winnings from lottery and race horses or losses under this head)		✓	✓	
Dividend income exceeding Rs. 10 lakhs taxable under Section 115BBDA		✓	✓	
Unexplained income (i.e., cash credit, unexplained investment, etc.) taxable at 60% under Section 115BBE		✓	✓	

Person claiming deduction under Section 57 from income taxable under the head 'Other Sources' (other than deduction allowed from family pension)		✓	✓	
<i>Deductions</i>				
Person claiming deduction under Section 80QQB or 80RRB in respect of royalty from patent or books		✓	✓	
Person claiming deduction under section 10AA or Part-C of Chapter VI-A			✓	
<i>Total Income</i>				
Agricultural income exceeding Rs. 5,000		✓	✓	
Total income exceeding Rs. 50 lakhs		✓	✓	
Assessee has any brought forward losses or losses to be carried forward under any head of income		✓	✓	
<i>Computation of Tax liability</i>				
If an individual is taxable in respect of an income but TDS in respect of such income has been deducted in hands of any other person (i.e., clubbing of income, Portuguese Civil Code, etc.)		✓	✓	
Claiming relief of tax under sections 90, 90A or 91		✓	✓	
<i>Others</i>				
Assessee has: <ul style="list-style-type: none"> <li>▪ Income from foreign sources</li> <li>▪ Foreign Assets including financial interest in any foreign entity</li> <li>▪ Signing authority in any account outside India</li> </ul>		✓	✓	
Income to be apportioned in accordance with Section 5A		✓	✓	
* ITR-1 can be filed only by an Individual only who is ordinarily resident in India. ITR-4 can be filed only by an Individual or HUF who is ordinarily resident in India and by a firm (other than LLP) resident in India.				
<b>Other Assesseees</b>				
<i>Status of Assessee</i>	<i>ITR 4</i>	<i>ITR 5</i>	<i>ITR 6</i>	<i>ITR 7</i>
Firm (excluding LLPs) opting for presumptive taxation scheme of section 44AD, 44ADA or 44AE	✓			
Firm (including LLPs)		✓		

Association of Persons (AOP)		✓		
Body of Individuals (BOI)		✓		
Local Authority		✓		
Artificial Juridical Person		✓		
Companies other than companies claiming exemption under Sec. 11			✓	
Persons including companies required to furnish return under:  <ul style="list-style-type: none"> <li>▪ Section 139(4A);</li> <li>▪ Section 139(4B);</li> <li>▪ Section 139(4C);</li> <li>▪ Section 139(4D);</li> </ul>				✓
Business Trust		✓		
Investment Fund as referred to in Section 115UB		✓		

## 2. Who has to file electronic return for Assessment Year 2019-20?

For the Assessment Year 2019-20, every taxpayer shall file the income-tax return electronically except a super senior citizen (whose age is 80 years or above during the previous year 2018-19) who furnishes the return either in ITR-1 or ITR-4.

The option available to a taxpayer, whose income was below Rs. 5 lakhs during the previous year, to file the physical return has been withdrawn. Thus, it is now mandatory for every taxpayer (except super senior citizen) to file the return only electronically.

Return of income can be filed through electronic mode using any of the following three options:

1. E-filing using a Digital Signature (DSC)
2. E-filing without a Digital Signature
3. E-filing under Electronic Verification Code (EVC)

Who can use any of the options as mentioned above has been enumerated below.

<i>Particulars</i>	<i>E-Filing with DSC</i>	<i>E-Filing without DSC</i>	<i>E-Filing with EVC</i>	<i>Paper Filing*</i>
Individual whose age is 80 years or above	✓	✓	✓	✓

Individual or HUF who is subject to tax audit under Section 44AB	✓			
Any other Individual or HUF	✓	✓	✓	
Company	✓			
Political Parties	✓			
Any person filing return in ITR-7 (other than a political party)	✓	✓	✓	
Any person filing return in ITR-5 (if tax audit is mandatory)	✓			
Any person filing return in ITR-5 (if tax audit is not mandatory)	✓	✓	✓	
* Return can be filed in paper format by a super senior citizen only if he furnishes the return either in ITR-1 or in ITR-4.				

### *Changes pertaining to Start-ups and Unlisted Companies*

#### **3. Reporting of registration number and other information by Start-ups**

[ITR 5, 6]

With a view to provide an impetus to start-ups and facilitate their growth in the initial phase of their business, Section 80-IAC was inserted in Income-tax Act with effect from Assessment Year 2017-18 to provide a deduction of up to 100% of profits and gains derived by an eligible start-up.

Deduction under section 80-IAC is allowed to an eligible start-ups if it has been approved by the DPIIT. No information about the registration with the DPIIT was required to be mentioned in the previous year's ITR forms. However, to track eligibility of a start-up, following information is now being asked in new ITR forms:

- a) Registration no. allotted by DPIIT
- b) Certificate Number of the certificate received from Inter Ministerial Board
- c) Date of filing of form 2 with DPIIT

#### **4. Reporting of shareholding by start-ups and closely held companies**

[ITR 6]

If a closely held company issues shares at a price which is higher than its face value and fair market value (FMV), the difference between the FMV and issue price is charged to tax in the hands of the company under the head income from other sources. In common parlance, such tax is called 'Angel tax'.

Start-ups are exempted from levy of angel tax, subject to certain conditions. So, to keep a check on the issuance of shares by start-ups, the new ITR forms have introduced a new schedule "Schedule SH 2" wherein start-ups are required to provide the following information about the shareholders and the share applicant (in case allotment is pending):

- a) Name of shareholder
- b) Category of shareholder
- c) Type of share
- d) PAN of shareholder
- e) Date of allotment/Date of application of shares
- f) Number of shares held/No. of shares applied for by the shareholder
- g) Face value per share
- h) Issue price per share
- i) Paid up value per share
- j) Share application money in case allotment is pending
- k) Share premium

Further, in case a person, who was a shareholder at any time during the previous year, but ceases to be a shareholder at the end of the previous year, following additional informations are required to be furnished:

- a) Date on which he ceased to be shareholder
- b) Mode of cessation
- c) PAN of new shareholder in case of transfer

## **5. Reporting of assets and liabilities by start-ups and unlisted companies**

[ITR 6]

Start-ups are allowed exemption from angel tax subject to certain conditions. One of such condition is that they don't invest in any of the following assets:

- a) Land or building, being a residential house, other than that used for the purposes of renting
- b) Land or building, not being a residential house, other than that occupied by start-up for its business or renting
- c) Loans and advances, if start-up isn't engaged in ordinary business of lending of money
- d) Capital contributions made to any other entity
- e) Shares and securities
- f) Motor vehicle, aircraft, yacht or any other mode of transport, if the cost of such an asset exceeds Rs. 10 lakhs
- g) Jewellery
- h) Archaeological collections, drawings, paintings, sculptures, any work of art or bullion

The period of restriction in making investment in the above mentioned assets is 7 years from the end of the financial year in which shares are issued at premium. However, the above conditions are not applicable in case start-up holds the above assets as stock-in-trade, in its ordinary course of business.

To ensure that start-ups are complying with the aforesaid condition, new schedule AL 2 has been inserted in new ITR forms wherein various details about the assets and liabilities are required to be furnished, such as, date and cost of acquisition of asset, purpose for which asset is used, PAN of the person from or to whom loan or advance is given or accepted, vehicle registration number etc. Similar schedule AL 1 has been inserted for unlisted companies as well.

## **6. Investment in unlisted companies**

[ITR 2, 3, 5]

Where a company issues shares at a price which is less than its FMV and the difference between the FMV and issue price exceeds Rs. 50,000 than the difference is charged to tax in the hands of the shareholder under the head income from other sources.

In order to keep check on issue of shares by a closely held companies and investment made therein by shareholders, a new table has been inserted in new ITR forms to seek the following details in respect of unlisted equity shares held at any time during the previous year by an assessee:

- a) Name of the company
- b) PAN of the company
- c) No. and cost of acquisition of shares held at the beginning of the year
- d) No. of shares, face value, issue price (or purchase price) and date of purchase of shares acquired during the year
- e) No. and sale consideration of shares transferred during the year
- f) No. and cost of acquisition of shares held at the end of the previous year

## **7. Section 54EE deleted from capital gain schedule**

[ITR 2, 3, 5, 6]

In order to promote the start-up ecosystem in the country, it was envisaged in 'Start-Up India Action Plan' to establish a fund to finance the start-ups. Keeping this objective in view, exemption under Section 54EE was introduced by the Finance Act, 2016. This exemption from capital gains tax was available if long term capital gains proceeds are invested by an assessee in units of specified fund, as may be notified by the Central Government in this behalf. However, no fund has been notified yet by the Government in this regard. Therefore, Section 54EE has been deleted from Schedule-CG (Capital Gains) from ITR forms.

### *Changes pertaining to Finance Act, 2018*

## **8. Consequential changes on withdrawal of Section 10(38) exemption**

[ITR 2, 3, 5, 6]

Up to Assessment Year 2018-19, any long-term capital gain arising from transfer of securities, being equity shares, units of equity-oriented mutual fund or units of

business trust, if transfer of such capital asset is chargeable to Securities Transaction Tax (STT), was fully exempt from tax under section 10(38).

The Finance Act, 2018 withdrew this exemption by inserting a new Section 112A with effect from Assessment Year 2019-20. Tax is levied under this provision at the concessional rate of 10% on long-term capital gains arising from transfer of said securities, if long-term capital gain exceeds Rs. 1 lakh.

Section 112A provides relief to an assessee who has acquired the aforesaid capital assets before February 1, 2018. In that situation, the cost of acquisition of such assets shall be taken to be higher of the following:

- a) Actual cost of acquisition of equity shares/units
- b) Lower of FMV of such asset as on 31-01-2018 or full value of consideration received as a result of transfer of such assets.

Now ITR forms have been amended to incorporate the effect of these amendments in the Act.

## **9. Tax on small domestic companies**

[ITR 6]

The Income-tax Act provides for the concessional tax rate of 25% in case of small domestic companies. Up to Assessment Year 2018-19, the concessional tax rate of 25% was applicable if turnover or gross receipts of the domestic company does not exceed Rs. 50 crores (in the previous year 2015-16). However, the Finance Act, 2018 has increased this turnover limit to Rs. 250 crores (in the previous year 2016-17) to allow the entities to pay tax on income taxable in the Assessment Year 2019-20 at concessional rate. The ITR-6 has accordingly been revised to incorporate the effect of aforesaid amendment.

## **10. DDT on deemed dividend covered under section 2(22)(e)**

[ITR 6]

Loan or advance given by closely held companies to its shareholders, who have substantial interest in such company, or to a concern in which such shareholder has substantially interest, is deemed as dividend under Section 2(22)(e) of the Income-tax Act. Up to Assessment Year 2018-19, deemed dividend under section 2(22)(e) was taxable in the hands of the shareholder and company was not liable to pay dividend distribution tax (DDT) on such dividend.

However, with effect from Assessment Year 2019-20, dividend distribution tax at the rate of 30% has been levied on such deemed dividend. Consequently, shareholder is not liable to pay any tax on such dividend. Corresponding changes have been made in new ITR forms to incorporate the effect of such amendment made by the Finance



Act, 2018 and a new entry for deemed dividend under Section 2(22)(e) has inserted in Schedule DDT.

### **11. Health and Education Cess at the rate of 4%**

[ITR 1, 2, 3, 5, 6, 7]

The Finance Act, 2018 increased the rate of cess from 3% to 4%. Earlier the cess of 3% comprises of 2% of education cess and 1% of senior and higher secondary education cess. Now, cess of 4% is levied on account of health and education. Relevant changes have been made in new ITR forms to incorporate the effect of levy of health and education cess at the rate of 4%.

### **12. AMT at the rate of 9% on units located in IFSC**

[ITR 3, 5]

In order to promote the development of world class financial infrastructure in India, Finance Act, 2018 amended section 115JC so as to provide that in case of a unit located in an International Financial Service Centre (IFSC) which derives its income solely in convertible foreign exchange, the rate of Alternate Minimum Tax (AMT) shall be charged at the rate of 9% instead of 18.50% of adjusted total income. Therefore, corresponding changes have been made in ITR 3 and ITR 5 to incorporate this amendment.

### **13. Gain/loss on account of foreign exchange fluctuations**

[ITR 3, 5, 6]

The Finance Act, 2018 inserted a new section 43AA to provide the tax treatment of foreign exchange fluctuations other than those which are dealt with by section 43A. Any gain or loss arising from such foreign exchange fluctuation shall be allowed as income or loss under Section 43AA if it is computed in accordance with ICDS -VI (The effects of changes in foreign exchange rates). For the purpose of calculating gains or loss, foreign currency transaction shall be calculated in following categories:

- a) Monetary items and non-monetary items;
- b) Translation of financial statements of foreign operations;
- c) Forward exchange contracts;
- d) Foreign currency translation reserves.

Earlier when this provision was not introduced, foreign exchange gain or loss on revenue account was dealt under section 28 and section 37, respectively.

Consequently amendments in ITR 3, 5 and 6 have been made in the Part A-P&L, wherein clause for 'profit on account of currency fluctuations' is replaced with 'Gain or loss on account of Foreign exchange fluctuations under Section 43AA'.

### **14. Section 54EC exemption can be claimed on transfer of Land or Building only**

[ITR 2, 3, 5, 6]

Up to Assessment Year 2018-19, Section 54EC exemption was available from long-term capital gain arising from transfer of any capital asset if such gain is invested in the specified bonds of NHAI and RECL. The Finance Act, 2018 significantly curtailed the scope of this exemption and now it is allowed only if long-term capital gain arising from transfer of an immovable property, being land or building or both, is invested in specified bonds.

Corresponding amendments have been made in new ITR forms, i.e. option for claiming exemption under Section 54EC is allowed from LTCG arising from transfer of immovable property only.

### **15. Standard deduction from salary income**

[ITR 1, 2, 3, 4]

The Finance Act, 2018 introduced the standard deduction of up to Rs. 40,000 with effect from Assessment Year 2019-20. This deduction is allowed from income taxable under the head 'Salary'.

Relevant changes have been incorporated in the new ITR forms wherein a new row is added to enable the assessee to claim the benefit of standard deduction from salary income.

### **16. Treatment of Marked-to-Market losses**

[ITR 3, 5, 6]

'Marked-to-Market' is a methodology of revaluing a financial instrument based on its market price on the closing day of the accounting period. A financial instrument is valued at market rate so as to report its actual value on the date of reporting.

As per ICDS-VIII (Securities), the listed securities held as stock-in-trade shall be valued at lower of actual cost initially recognised or net realisable value at the end of the previous year. Where due to such restatement, any loss arises, it shall be allowed as deduction under Section 36(1)(xviii). The option to restate the value at the year-end shall not be available in respect of securities, which are not listed or which are listed but not quoted on a recognised stock exchange. Such securities shall be recognised in the books at the actual cost at which it has been recognised initially. If any marked-to-market loss is recognized by the assessee in the books in respect of such unlisted or unquoted securities, it shall be disallowed under Section 40A(13).

The consequential amendments have been made in Schedule OI (Other Information) to require the taxpayer to disclose the marked-to-market losses to be allowed under Section 36(1)(xviii) and losses to be disallowed under Section 40A(13).

### **17. Reporting of amount disallowable under sections 40 or 40A**

[ITR-7]

Up to Assessment Year 2018-19, there were no restrictions on mode of payments by charitable or religious trusts or institutions. There were also no checks on whether such trusts or institutions follow TDS provisions. This has resulted in missing audit trail for verification of application of income.

In order to encourage a cash-less economy and to reduce the generation and circulation of black money, Section 11 of the Income-tax Act was amended by the Finance Act, 2018 to provide that the trusts or institutions shall also be required to follow the provisions of TDS and will make all expenses in excess of Rs. 10,000 through banking channels.

Consequently, the provisions of TDS disallowance under section 40(a)(ia) and expenses disallowance under section 40A(3) and 40A(3A) were made applicable while computing the application of income in case of trusts or institutions.

Consequently, in new ITR 7, the relevant changes have been made to incorporate the effect of above amendments.

#### **18. Section 80TTB deductions to senior citizens**

[ITR 1, 2, 3, 4]

The Finance Act, 2018 inserted a new section 80TTB to allow deduction of up to Rs. 50,000 to the senior citizen who has earned interest income from deposits with banks or post office or co-operative banks. Interest earned on saving deposits and fixed deposit, both are eligible for deduction.

To give effect to this amendment, consequent change has been made in new ITR Forms wherein a new row is inserted for claiming deduction under section 80TTB.

#### **19. Full value of consideration in case of transfer of land or building**

[ITR 2, 3, 5, 6]

Section 50C has been amended, with effect from Assessment year 2019-20, to provide that in case of transfer of land or building if stamp duty value does not exceed 105% of sales consideration, the sales consideration shall not be substituted by the stamp duty value for the purpose of full value of consideration. In other words, actual sales consideration shall be deemed to be the full value of consideration if stamp duty value does not exceed 105% of actual sales consideration. Therefore, corresponding changes have been made in ITR forms.

### *Changes pertaining to Salary Income*

#### **20. Reporting of salary income on gross basis**

[ITR 1, 2, 3, 4]

The new ITR forms have changed the mechanism of reporting of salary income. Up to Assessment Year 2018-19, an individual was required to report salary amount excluding all exempt and non-exempt allowance, perquisites and profit in lieu of salary. These items are reported separately in same schedule and had no impact on calculation of net salary income.

The new ITR forms have changed this reporting mechanism, which is now in sync with the columns of Form 16 (TDS Certificate issued by the employer). Now, from Assessment Year 2019-20, an individual has to mention his gross salary and then the amount of exempt allowances, perquisites and profit in lieu of salary shall be deducted or added to arrive at the taxable figure of salary income. Further, the new ITR forms seek separate reporting of all deductions allowable under Section 16, namely:

- a) Standard deduction
- b) Entertainment allowance
- c) Professional tax

#### **21. TAN of employer to be furnished in 'Salary Schedule' if tax is deducted**

*[ITR 2, 3]*

Details of income from salary is furnished under the 'Schedule S' of the ITR forms. Previous forms sought PAN of employer, if available, in the said schedule.

The new ITR forms seek TAN (Tax Deduction and Collection Account Number) of the employer instead of PAN. Further, furnishing of TAN is mandatory in case tax is deducted at source by employer on the salary income.

#### *Changes pertaining to House Property*

#### **22. Reporting of rental income from 'deemed let out' property in ITR 1 & 4**

*[ITR 1, 4]*

ITR 1 and 4 can be filed by an assessee having income from one house property. Thus, while reporting income from house property, an assessee can either mark this house property as 'self-occupied' or 'let out' during the year.

A new option 'deemed let out' under the category of 'type of property' is inserted in the new ITR 1 & 4. Now following three options are available to select 'type of property':

- a) Self-Occupied
- b) Let out
- c) Deemed let out

The option of 'deemed let out' shall be selected in respect of that house property which has not been claimed as self-occupied by the assessee. As ITR 1 and 4 can be used only

in case of income from only one house property. Therefore, in very rare situation deemed let-out option shall be selected by an assessee.

### **23. Property wise reporting of arrears/unrealised rent received during the year**

[ITR 1, 2, 3, 4, 5, 6, 7]

Arrears of rent received by an assessee, which pertains to prior period, is taxable in the year of receipt under the head income from house property. However, 30% of the arrears or unrealised rent is allowed as deduction from such rental income. Up to last year, the arrears or unrealised rent was reported in aggregate for all properties.

The new forms have changed this reporting requirements. Now arrears or unrealised rent received during the year shall be reported property wise. *Example*, if Mr. A has 3 let out house properties namely X, Y & Z and he has received arrears/unrealised rent belonging to property Y. Then arrears/unrealised rent shall be reported while filing details of rental income from property Y.

Further, necessary changes have been made in Form ITR 1 and 4 to report the arrears/unrealised rent. Up to last year, an assessee was unable to file return in ITR 1/4 if he had received any amount in form of arrears/unrealised rent.

#### *Changes pertaining to Capital Gains*

### **24. Buyer's information is required in case of transfer of immovable property**

[ITR 2, 3, 5, 6]

If assessee reports capital gain, from transfer of an immovable property, in income-tax return, it would be mandatory for him to furnish the following information about the buyer:

- a) Name of buyer
- b) PAN of buyer
- c) Percentage share
- d) Amount
- e) Address of property
- f) Pin code

It is mandatory for the assessee to furnish the PAN of buyer in ITR form if tax has been deducted under section 194-IA or PAN is quoted by buyer in the registration documents.

PAN is otherwise a mandatory document to buy or sell an immovable property if the stamp duty value or the sales consideration exceeds Rs. 10 lakhs.

#### *Changes pertaining to Business or Profession Income*

### **25. No separate reporting of interest paid to partners by firms**

[ITR 5]

Up to last year, a partnership firm was required to disclose separately the amount of interest paid to the partners and to others in Schedule P&L. The new ITR-5 has removed this requirement of separate reporting. Thus, the partnership firm can show the aggregate amount of interest paid during the previous year in this Schedule.

## **26. Schedule P&L has been enlarged to seek more information**

*[ITR 3, 5, 6]*

In new ITR forms, in place of existing Part A P&L, following new Parts have been inserted:

- a) Manufacturing Account
- b) Trading Account
- c) Profit & Loss Account

Thus, if assessee is engaged in manufacturing activities then he shall be required to arrive at cost of goods sold through manufacturing account, gross profit through trading account and net profit through profit and loss account. Manufacturing account is not meant for service providers and traders. Hence, they can start directly from trading account.

## **27. Separate reporting is required for income generated from partial agricultural and partial business operations**

*[ITR 3, 5, 6]*

Income from agricultural activities is exempt from tax by virtue of Section 10. However, where a person earns income from partial agricultural and partial business activities, the total income shall be bifurcated into agricultural income and business income as per Rules 7, 7A, 7B and 8 of the Income-tax Rules, 1962.

In new ITR forms, if a person is having income from aforesaid activities then he has to separately report income from business activities under schedule BP (Business Profits) and income from agricultural activities in schedule EI (Exemption Income).

## **28. Reporting of name and address of the debtor in case of bad debts**

*[ITR 3, 5, 6]*

Any person claiming bad debts of the amount of more than Rs. 1 lakh, in respect of a debtor, is required to report PAN of such debtor (if available) in ITR forms. However, no information about these debtors were required to be furnished in old ITR forms if PAN is not available. In new ITR forms, name and address of the debtor shall be required to be furnished in case PAN of such debtors isn't available.

## **29. Reporting of turnover and profit from speculative activities under profit & loss account**

[ITR 3, 5, 6]

In new ITR forms, a separate schedule has been inserted in Schedule P&L for persons earning income from speculative activities. Following information is required to be reported in that schedule:

- a) Turnover from speculative activities
- b) Gross profit
- c) Expenditure
- d) Net income from speculative activities

The separate disclosures have been asked about the speculative income and losses, because losses from speculative business can be set-off only against speculative income and the unabsorbed losses can be carried forward only for 4 years vis-à-vis 8 years in case of losses from non-speculative business.

Under ITR-6 also, turnover and income from intra-day transactions are required to be reported under trading account.

### **30. Reporting of GSTIN & GST turnover**

[ITR 3, 4, 5, 6]

ITR forms released last year had incorporated new Schedule requiring GSTIN of the assessee and turnover as per GST return filed by him. However, this information was required only in case of taxpayers who have opted for presumptive taxation scheme and filing return in form ITR-4. The same schedule has now been incorporated in ITR Forms 3, 5 and 6.

### **31. Reporting of business transactions with registered and unregistered suppliers under GST removed**

[ITR 6]

A new schedule was inserted in ITR 6 last year, which requires every company, who is not required to get its accounts audited under Section 44AB, to provide the details in respect of transactions entered into during the year with a registered or unregistered supplier under GST. This reporting requirement has been removed from new ITR-6.

### **32. Reporting of disallowance under section 14A**

[ITR 3, 5, 6]

Under new ITR forms, separate reporting in Schedule-OI (Other Information) is required for disallowance made under Section 14A.

### **33. Set-off of losses against income from life insurance business**

[ITR 5, 6]

Business income arising from life insurance business is taxable at the special rate of 12.5%.

In old ITR forms, income from life insurance business was directly transferred from Schedule BP (Business Profit) to Schedule SI (Special Income). Hence, an assessee was not eligible to adjust inter-head losses and brought forward losses against such income. Now, this mistake has been rectified under new ITR forms and income from life insurance business is routed through Schedule CYLA and Schedule BFLA for adjustment of inter-head losses and brought forward losses, respectively.

#### ***34. Report audit requirement under other Acts separately***

*[ITR-3]*

New ITR-3 inserted a new clause asking for the details regarding the liability of assessee for audit under any Act other than the Income-tax Act, wherein assessee is required to mention the relevant Act and section under which audit is required and date of furnishing of audit report for the same.

#### ***Changes pertaining to Residuary Income***

#### ***35. Taxable portion of PF withdrawal needs to be reported separately***

*[ITR 2, 3, 5, 6, 7]*

Up to Assessment Year 2018-19, total taxable amount of Recognized PF (taxable on withdrawal) had to be reported as a consolidated figure.

The new ITR forms added a new column wherein such detail had to be furnished Assessment year wise. Further, the following additions details have to be furnished in this column:

- a) Income benefit
- b) Tax benefit

#### ***36. ITR 1 and ITR 4 ask for nature of residuary income***

*[ITR 1 and ITR 4]*

Up to Assessment Year 2018-19, taxpayers were required to disclose the aggregate amount of income taxable under the head other sources. However, from Assessment Year 2019-20, it is mandatory for an assessee to specify the nature of income taxable under the head income from other sources and the deductions claimed in respect of family pension in accordance with Section 57(iia). Such extra disclosures have been asked by the Dept. to check that the ineligible persons are not using the ITR 1 and ITR 4 for filing of return.

#### ***37. Source wise bifurcation of interest income***

*[ITR 1, 2, 3, 4, 5, 6, 7]*



The new ITR forms require separate reporting of interest income from:

- a) Saving bank deposits
- b) Deposits (i.e., fixed deposits, etc.)
- c) Income-tax Refund
- d) In the nature of pass through income
- e) Others

**38. Accrual or receipt of dividend and section 2(24)(ix) income should be disclosed**

*[ITR 2, 3, 5, 6, 7]*

In new ITR forms, the assessee can disclose the accrual or receipt of dividend income taxable under Section 115BBDA and Income by way of winnings from lotteries, crossword puzzle etc. as per applicable due dates for deposit of advance tax. These clauses are inserted as accrual or receipt of such income have direct impact on the amount payable as advance tax and interest under Section 234C for delayed payment of advance tax.

Provisions of section 234C which provides for the levy of interest for delay in payment of advance tax has no applicability on under-estimation or non-estimation of dividend income taxable under section 115BBDA and lottery income, etc.

Thus, such disclosures are specifically inserted for determining when such income is accrued and when it is received so that liability for advance tax can be determined accordingly.

*Changes pertaining to Exemptions and Deductions*

**39. Details of agricultural land to be furnished if agricultural income exceeds Rs. 5 lakhs**

*[ITR 2, 3, 5, 6]*

Section 10(1) of the Income-tax Act, 1961 exempts the agricultural income from income-tax. Agricultural income exempt from tax is reported in Schedule EI (Exempt Income).

The new ITR forms seek following additional details if net agricultural income earned during the year exceeds Rs. 5 lakhs:

- a) Name of district (with PIN code) where agricultural land is located
- b) Measurement of agricultural land in Acre
- c) Whether land is owned or held on lease
- d) Whether land is irrigated or rain-fed

**40. CBDT forgot to provide the relevant field to claim Section 80PA deduction by the Producer Companies**

[ITR 6]

A new deduction has been allowed under Section 80PA with effect from Assessment Year 2019-20 to promote marketing and processing of agricultural produce by producer companies. As per section 80PA, 100% deduction of profit is allowed to the producer companies that have turnover of up to Rs. 100 crores during the previous year. Although the new ITR-6 provides for a field in its Part A Gen to mention whether the company is a producer co or not, however, it does not provide any field to claim this deduction, which seems to be an unintentional omission. The CBDT may rectify this mistake in the return filing utility.

#### **41. New Schedule for claiming deduction under Section 80GGA**

[ITR 1, 2, 5, 6]

Section 80GGA provides deduction of donations made towards scientific research/rural development. The deduction is allowed to all assesseees other than those who are earning business income.

Previous forms require assessee to mention only donation amount under relevant columns of Schedule VI-A. Now, a separate Schedule has been inserted in new ITR forms to claim deduction under section 80GGA. The new schedule seeks detailed information of donations made for scientific or rural development. An assessee claiming deduction is required to furnish following information:

- a) Relevant Clause under which deduction is claimed
- b) Name and address of donee
- c) PAN of donee
- d) Amount of donation made in Cash and in other mode

#### **42. Reporting of donation made in cash to curtail deduction under Section 80G**

[ITR 1, 2, 3, 4, 5, 6]

Section 80G allows deduction for donations made to certain notified funds, charitable institutions or other institutions/ funds set up by the Government of India. The Finance Act, 2017 had reduced the limit of cash donation from Rs. 10,000 to Rs. 2,000. Thus, with effect from Assessment Year 2018-19, no deduction is allowed for cash donation made in excess of Rs. 2,000.

The new ITR forms have incorporated new columns to specify the amount of donation made in cash and in other mode. Cash donation made in excess of Rs. 2,000 shall not be allowed as deduction from gross total income.

#### **43. Deduction under section 10AA is allowed from total income of assessee**

[ITR 3, 5, 6]

Section 10AA provides deduction from total income of an assessee, in respect of profits and gains arising from Unit operating in SEZ, subject to fulfilment of certain

conditions. In various cases, courts have taken a view that the deduction under Section 10AA is allowed from the total income of the assessee and not from the total income from the eligible undertaking. In order to remove this ambiguity, the Finance Act, 2017 clarified that the deduction shall be allowed from the total income of the assessee.

Now, relevant changes have been incorporated in the new ITR forms wherein the deduction of section 10AA is allowed from total income of assessee after claiming deduction under chapter VI-A.

### *Changes pertaining to Presumptive Taxation Scheme*

#### **44. Foreign companies to report Gross receipts and Net Profit if income is taxable on presumptive basis**

[ITR 6]

In case of a foreign company whose total income comprises solely of presumptive income computed in accordance with Sections 44B, 44BB, 44BBA or 44BBB, it shall now be required to furnish the gross receipts and net profits from such business, computed under each provision, in Part A - P&L.

#### **45. Non-residents cannot use ITR-4 to file return**

[ITR 4]

Form ITR 4 is used for filing of return by an Individual, HUF or Firm (Other than LLP) who are opting for presumptive taxation scheme of Section 44AD, 44ADA and 44AE. The presumptive taxation scheme under Section 44AD and 44ADA shall be available to a resident person only. However, presumptive taxation scheme of Section 44AE can be availed by resident and non-resident person both. Up to last year, ITR 4 could be used by both resident and non-resident person.

From Assessment Year 2019-20, a non-resident, or a non-ordinarily resident person, opting for presumptive tax scheme under Section 44AE cannot use ITR-4 for filing of return of income. Therefore, ITR-3 or ITR-5, as the case may be, shall be filed by them in such case.

#### **46. ITR-4 cannot be used if total income is more than Rs. 50 lakhs**

[ITR 4]

A taxpayer whose total income is more than Rs. 50 lakh shall not be able to file the return of income ITR-4 for Assessment Year 2019-20. Consequently, Schedule AL, wherein details of personal assets and liabilities of taxpayer are furnished, has been removed from ITR 4.

#### **47. Person claiming deduction under section 80RRB or 80QQB cannot use ITR-4**

[ITR 4]

Assesseees who have income by way of royalty from patents or books is entitled for deduction under Sections 80RRB or 80QQB, respectively (subject to certain conditions).

The new ITR 4 has removed the option to claim the deduction under these Sections 80RRB and 80QQB. Therefore, if a person wishes to claim deduction under aforesaid sections then he has to choose the ITR form 2 or 3.

#### **48. Who cannot use ITR-4?**

As stated in above discussions, the scope of ITR-4 for the Assessment Year 2019-20 has been curtailed substantially. Following persons, who have filed return in this form in AY 2018-19, would not be able to use it in this assessment year:

- a) HUF, being a not ordinarily resident
- b) Not Ordinarily or Non-resident Individual
- c) Non-resident Partnership Firm
- d) Ordinarily Resident Individual, HUF or Resident Firm:
  - whose income is more than Rs. 50 lakhs
  - who held unlisted shares during the year
- e) A Ordinarily Resident individual who:
  - wishes to claim deduction under Section 80QQB or 80RRB
  - is governed by the Portuguese Civil Code
  - is a Director in a company
  - is taxable for an income in respect of which tax is deducted in the name of other person

#### **49. 'Schedule IF' inserted in Form ITR-5**

*[ITR 5]*

Form ITR-3 includes a Schedule IF wherein partners are required to furnish the details of his partnership firm. Following information about the partnership firm is furnished in this schedule:

- a) Name of the Firm
- b) PAN of the firm
- c) Whether the firm is liable for tax audit?
- d) Whether the firm is liable for transfer pricing audit?
- e) Profit sharing ratio in firm
- f) Share of profit from firm
- g) Capital balance on 31st March of the previous year in the firm

As ITR-3 can be furnished by an Individual and HUF only, these details were not sought from other persons who were the partners in a partnership firm. Accordingly, this schedule has also been inserted in ITR-5.

#### **50. Separate schedules to report income taxable on presumptive basis**

*[ITR 3, 5 & 6]*

An assessee can file return in ITR 4 if he has opted for presumptive taxation scheme under sections 44AD, 44ADA or 44AE. This form has separate schedules for computation of income on presumptive basis under the aforesaid provision.

However, in the other forms, there were no specific schedules to report such income.

Accordingly, in new ITR forms, separate schedules for computation of income taxable on presumptive basis under section 44AD/44ADA/44AE have been inserted under Profit and Loss Account.

***51. Assessee opting for presumptive scheme needs to disclose Business name, code & Description***

*[ITR 3, 4, 5, 6]*

New ITR forms requires assessee opting for presumptive scheme under Section 44AD/44ADA/44AE to mention the name of business, business code and description of the business.

**52. Taxability under section 44AE on basis of tonnage capacity of goods carriage**

*[ITR-3, 4, 5, 6]*

A taxpayer who is engaged in the business of plying, hiring or leasing of Goods Carriage and having not more than 10 good carriages, has an option to avail of presumptive taxation scheme under section 44AE.

Up to Assessment Year 2018-19, income of taxpayer is deemed to be Rs. 7,500 per goods carriage per month irrespective of tonnage capacity of goods carriage. Accordingly, the big transporters who own large capacity/size goods carriages were also eligible to avail the benefit of section 44AE.

The Finance Act, 2018 made an amendment under section 44AE to provide that in the case of heavy goods vehicle (more than 12MT gross vehicle weight), the income would be deemed to be an amount equal to Rs. 1,000 per ton of gross vehicle weight or unladen weight per month for each goods vehicle. The vehicles other than heavy goods vehicle will continue to be taxed as per the existing scheme.

Now, consequent amendments have been made in ITR forms.

***Changes pertaining to Trust***

***53. Business trust and Investment fund cannot use ITR-7***

*[ITR-5, 7]*

Up to Assessment Year 2018-19, ITR – 7 could be used by persons including companies who are required to furnish return under section 139(4A) or section 139(4B) or section 139(4C) or section 139(4D) or section 139(4E) or section 139(4F) (i.e., trusts, political parties, institutions, colleges, investment fund etc.).

With effect from Assessment Year 2019-20, Rule 12 of the I-T Rules has been amended to exclude sections 139(4E) and 139(4F) from the list which are applicable to Business Trust and Investment Funds respectively. Hence, business trust and investment fund shall not be able to use ITR-7 for filing the return of income. Therefore, these assesseees have to use to ITR-5. Consequent amendments have also been made in ITR-5 wherein the 'Business Trust' & 'Investment Fund' have been added in the 'Status' column.

Further, new rows have been added in ITR-5 to claim deduction of income of investment fund or business trust as referred to in sections 10(23FB), 10(23FBA), 10(23FC), 10(23FCA).

#### **54. Reporting of 'Aggregate Annual Receipts' for projects/institutions run by assessee has been removed**

[ITR-7]

Up to the last year, a charitable trust or institution was required to report its 'Aggregate Annual Receipts' from projects/institutions run by them in the Schedule of Personal Information. The new ITR form 7 has removed this reporting requirement.

#### **55. Details of registration under Income-tax Act and other laws**

[ITR-7]

ITR-7 is generally filed by trusts engaged in charitable or religious activities. Such trusts are formed as per Indian Trust Act, 1882. Income-tax Act provides exemption from tax to such trust subject to certain condition, *inter-alia*, they get registration in accordance with Section 12A and 12AA of the Act.

Up to Assessment Year 2018-19, a person filing ITR-7 was required to report details of registration under Income-tax only. Now, details of registration under any other law is also required to be reported. Further, if a person is registered under Income-tax Act then it is mandatory to furnish details such registration.

#### **56. Schedule AI, ER & EC to be filed by trust/institutions claiming exemption u/s 11, 12 & 10(23C)**

[ITR-7]

Up to Assessment Year 2018-19, Schedule AI, Schedule ER and Schedule EC were mandatory to be filled by every person filing ITR-7 except political party or electoral trust. The above schedules seek following details:

a) Schedule AI - Aggregate of income derived during the previous year

b) Schedule ER - Amount applied to charitable/religious purposes or towards objects of trust/institutions (Revenue account)

c) Schedule EC - Amount applied to charitable/religious purposes or towards objects of trust/institutions (Capital account)

Under New ITR-7 form, these schedules are applicable only for trusts/institutions claiming exemption under Sections 11, 12 or 10(23C)(iv),(v),(vi),(via).

**57. Schedule ER & EC require more details about expenditure incurred towards objects of trust/institution**

*[ITR-7]*

New ITR-7 has brought many changes in the existing Schedules ER and EC which require furnishing of details regarding sum applied to charitable/religious purposes or towards stated objects of trust/institutions.

Expenses to be reported in Schedule ER have been bifurcated into two categories:

- a) Establishment and Administrative Expenses
- b) Expenses incurred on objects of trust/institution

Further, separate segment has been incorporated in Schedules ER and EC asking for source of fund to meet revenue and capital expenditure. The trust is required to mention following source of funds:

- a) Income derived from the property/income earned during previous year
- b) Income deemed as application in any preceding year
- c) Income of earlier years up to 15% accumulated or set apart
- d) Borrowed fund
- e) Others

**58. Application of income from borrowed funds or previous year's accumulation not allowable**

*[ITR-7]*

Exemption under section 11 is allowed to a trust if it applies income for charitable or religious purposes or for its stated objects. Out of 100% of the income, 15% thereof is automatically deemed to be applied for the objects of the trust. Hence, a trust is required to apply 85% of its income every year to get exemption under Section 11 or 12. If 85% of income could not be applied for charitable or religious purposes either because such income could not be received, wholly or partly, during that year or for any other reason, the exemption can be claimed if trust furnishes a statement in Form No. 10 before the due date of filing of return of income.

Further, if application is made out of borrowed funds then exemption under section 11 is allowed not at the time of application of such funds but at the time of repayment of borrowed funds.

In light of the above provisions of the Income-tax Act, the new ITR 7 has specifically excluded the following from the amount of application of income:

- a) Application out of borrowed funds as same is allowed at the time of repayment of funds
- b) Income which has been deemed to be applied in preceding years on filing of Form No. 10
- c) Previous Years accumulation of up to 15% of income.

A trust or institution cannot claim application of income if it has spent any amount from above mentioned sources. Further, this is applicable for both revenue expense and capital expense.

### **59. Furnishing of Income & Expenditure statement**

[ITR-7]

New ITR Form 7 has inserted new schedules for reporting of Income & Expenditure Statement by trust and institutions. Total 4 schedules have been inserted for different classes of assesseees:

- a) *Schedule IE-1*: Applicable for assessee claiming exemption u/s 10(21), 10(22B), 10(23AAA), 10(23B), 10(23D), 10(23DA), 10(23EC), 10(23ED), 10(23EE), 10(29A), 10(46), 10(47) and other clauses of section 10 where income is unconditionally exempt
- b) *Schedule IE-2*: Applicable for assesseees claiming exemption under section 10(23A), 10(24)
- c) *Schedule IE-3*: Applicable for assesseees claiming exemption under section 10(23C)(iiiab) or 10(23C)(iiiac)
- d) *Schedule IE-4*: Applicable for assesseees claiming exemption under section 10(23C)(iiiad) or 10(23C)(iiiiae)

### **60. Exemption under section 11(1A) removed from Schedule Capital Gain**

[ITR-7]

Where a property held under trust is transferred and consideration is utilized for acquiring another capital asset, the capital gain arising from the transfer is deemed to have been applied for charitable or religious purposes as per Section 11(1A).

Up to last year, exemption under section 11(1A) is required to be reported under Schedule Capital Gains. Now, it is required to be reported in Schedule EC (Application of Income on Capital Account) as same is allowed as application on capital account.



### **61. Reporting of exemption under Section 10**

[ITR 7]

In new ITR-7, separate fields have been inserted for claiming exemption under following provisions:

- a) Section 10(23AAA) - Income of a fund established for welfare of employees
- b) Section 10(23EC) - Income of the notified investor protection fund set-up by commodity exchange
- c) Section 10(23ED) - Income of Investor Protection Fund set by a depository
- d) Section 10(23EE) - Income of Core Settlement Guarantee Fund

Section 10(29A) - Income of coffee board, rubber board, etc.

### **62. No ITR-7 for persons liable to pay MAT or AMT**

[ITR-7]

Schedules relating to Minimum Alternate Tax (MAT) and Alternate Minimum Tax (AMT) have been removed from ITR-7. Therefore, person filing ITR-7 up to AY 2018-19 now have to file ITR-5 or ITR-6, as the case may be, if it is liable pay AMT or MAT, respectively.

### **63. Reporting of income not eligible for Section 11 exemption due to violation of section 13(1)(c)/(d)**

[ITR-7]

Exemption under section 11 is allowed to a trust subject to certain condition, inter-alia, income of trust shouldn't be used for the benefit of its trustees and their relatives, trust are allowed to invest or deposit money in specified funds only. In case trust fails to comply with any of such conditions, exemption shall get withdrawn.

Under new ITR-7, separate reporting is required if exemption is denied due to aforesaid reasons.

### ***Others***

### **64. Information about executor of AJP**

[ITR 5]

A firm, AOP or BOI are required to furnish the details about their partners or members in ITR-5. However, no such information was required to be furnished by an Artificial Juridical Person ('AJP') about its executor. Thus, the new ITR-5 requires an AJP to furnish details about its executor.

### **65. Actions to identify ghost directors and shell companies**

[ITR 1, 2, 3, 4]

Of late the Government has taken many initiatives to curb the black money and shell companies. One of such initiatives was to identify the ghost directors who do not even know that they are directors in companies. Accordingly, the Government made it mandatory for every director in a company to e-file KYC form DIR 3 otherwise his Director Identification Number (DIN) shall be deactivated.

Now, the Government has made changes in ITR forms to identify the shell companies and ghost director. A person who is a director in a company shall not be able to use ITR-1 and ITR-4 for filing of return of income and he has to use ITR 2 or ITR 3, as the case may be. Further, if an individual was director in a company at any time during the previous year, he has to provide the following information:

- a) Name of Company
- b) PAN
- c) Whether shares of the company are listed or unlisted?
- d) DIN

#### **66. Representative assessee**

[ITR 2, 3, 4, 5, 6, 7]

When a return is filed by a person in the capacity of representative assessee, currently following information are required to be furnished of representative in the return of income:

- a) Name of representative assessee
- b) Address of representative assessee
- c) PAN of representative assessee

The new ITR forms require the representative assessee to provide the 'capacity' under which return is being filed. *Example*, if guardian is filing return in respect of income of a minor then he has to specify his capacity as 'Guardian'. Further, from Assessment Year 2019-20, a representative assessee shall be able to file return in Form ITR-4.

#### **67. Foreign companies to report about its ultimate and immediate parent company**

[ITR 6]

Under new ITR 6, foreign companies are required to report the following information about their immediate and ultimate parent company:

- a) Name of the parent company
- b) Address
- c) Country of residence
- d) PAN (if allotted)
- e) Tax Identification No. or Unique Identify No. of the parent company as per its country of residence

## **68. Reporting of profit on conversion of inventory into capital asset under profit and loss account.**

[ITR 3, 5, 6]

Section 28 of the Income-tax Act was amended by the Finance Act, 2018 to immediately tax the notional gain arising on conversion of stock into capital asset. As per the amendment, any profit or gains arising from conversion of inventory into capital asset shall be charged to tax as business income and, for the purpose of computing the business income, the fair market value of the inventory as on the date of conversion, shall be deemed to be the full value of the consideration of such inventory. Corresponding insertions have been made in the ITR form to report the income from conversion of stock into capital asset under profit and loss account.

## **69. Gross receipts through A/c payee cheque/draft or any other mode to be shown separately**

[ITR 3, 5, 6]

Where a person is not liable to maintain the books of accounts under Section 44AA, he shall be required to report the following under profit and loss account:

1. Gross receipts
2. Gross Profit
3. Expense
4. Net Profit

Under new ITR forms, gross receipts is required to be reported into two parts - a) receipts through account payee cheque/draft or ECS; and b) Any other mode

## **70. Residential status**

[ITR 2, 3]

In new ITR forms, besides specifying the residential status as resident, resident but not ordinarily resident or non-resident, the assessee is now required to provide additional information with respect to his residential status, such as, his no. of days stay in India, jurisdiction of his residence and tax identification number in case he is a non-resident.

## **71. Scope of foreign assets expanded**

[ITR 2, 3, 5, 6, 7]

The Government has expanded the scope of reporting in new ITR forms in respect of foreign asset held by a person. In this respect, following changes have been made in Schedule FA:

- a) *Besides foreign bank accounts, details of foreign depository accounts are also required*

Depository accounts are the accounts in which cash or securities are deposited by the account holder. Earlier only information regarding foreign bank accounts were required to be furnished under ITRs. Now under new ITR forms, information relating to every foreign depository account held by an assessee is required to be reported.

*b) Foreign custodial accounts*

Custodial account is an account which is set up for the benefit of any other person called beneficiary and is managed and administered by a representative known as a custodian. In the new ITR forms, the assessee is required to furnish various details such as the name and code of the country in which such account is held and account opening date and peak balance during the year, etc.

*c) Foreign equity and debt interest held in any entity*

The new schedule requires the assessee to provide information regarding the investments made by him in equity or debt funds of a foreign entity. Accordingly, information relating to the entity and investment made therein is required to be reported.

*d) Foreign cash value insurance contract or annuity contract*

Cash value insurance is a particular form of life insurance whereby the premium typically remains same throughout the life of the policy and a portion of that premium goes towards the death benefit while another portion of the premium goes towards a cash account that earns interest for the policy holder.

Under new ITR forms, the assessee needs to furnish information regarding details of any foreign cash value insurance contract or annuity contract held by him, such as, name of the financial institution, cash value of the contract and gross amount paid with respect to the contract during the period, etc.

**72. Pass through income also needs to be reported**

[ITR 2, 3, 5, 6, 7]

New ITR forms inserted new columns for reporting of the pass through income. Such disclosure is required in following schedules:

- a) Schedule OS (Income from Other sources) for pass through income in the nature of interest or special income
- b) Schedule HP (Income from house property)
- c) Schedule CG (Capital Gains) wherein such disclosure is bifurcated as follows:
  - Short Term Capital Gains taxable at the rate of 15%
  - STCG taxable at the rate of 30%
  - STCG taxable at applicable rates
  - Long Term Capital Gains taxable at the rate of 10%
  - LTCCG taxable at the rate of 20%

These pass through incomes are then reported in Schedule SI (Income taxable at special rates) if these income are taxable and in Schedule EI (Exempt Income) if such income is exempt.

### **73. ITR-2 can be used in case of AMT**

*[ITR-2]*

Schedule AMT has been inserted under new ITR-2. Hence, if an Individual or HUF, who don't have income from business or profession, can use ITR-2 for filing their return of income if they are liable to pay AMT.

### **74. Person governed by Portuguese Civil Code cannot use ITR-4**

*[ITR 4]*

A citizen domiciled in Goa, Dadra & Nagar Haveli and Daman & Diu, who are governed by the Portuguese Civil Code of 1860, are entitled to inherit 50% of the property of his spouse and income therefrom is shared equally among them. Section 5A of the Income-tax Act has recognised this system for the purpose of assessment in respect of all income other than salary. Thus, when income is apportioned between spouse and the amount of TDS, if any, in respect of such income is also apportioned between taxpayer and his spouse.

From Assessment Year 2019-20, a person governed by Portuguese Civil Code shall not use ITR-4 for filing of his return of income. In that situation, the return shall be filed in Form ITR-2 or ITR-3, as the case may be.