KPMG

TAX FLASH NEWS

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CBDT notifies new income-tax return forms for Assessment Year 2016-17

The Central Board of Direct Taxes (CBDT) has notified[1] the revised Income Tax Return (ITR) forms for Assessment Year (AY) 2016-17. Key changes to the ITRs are as follows:

Amendment in ITR forms	**Part/ schedule**	**ITR form**	**Explanation**
Disclosure of Taxes Collected at Source (TCS) under Section 206C of the Income-tax Act, 1961(the Act)	Schedule TCS	ITR 1, 2 and 2A	The new schedule TCS requires listing of the following details in respect of taxes collected at source under the Act: • Tax collection account • Number of the collector • Tax collected amount out of the TCS being claimed • Amount out of TCS being claimed in the hands of spouse, if Section 5A is applicable

Disclosure of assets and liabilities in case where income exceeds INR50 lakh	Schedule Assets and Liabilities	ITR 1, 2 and 2A	Values of the following assets and liabilities in relation to such assets as on 31 March 2016 need to be disclosed at cost in the new schedule Assets and Liabilities
			• Immovable asset
			  - Land
			  - Building
			• Movable asset
			  - Cash in hand
			  - Jewellery, bullion, etc.
			  - Vehicles, yachts, boats and aircrafts
			• Liability in relation to the assets above
			This schedule was part of ITR 3 and ITR 4 for AY 2015-16, applicable to taxpayers with income exceeding INR25 lakh.

Disclosure of details relating to the recipient(s) of donations under	Schedule 80G	ITR 2 and 2A	Earlier, the name of the donee, address, city, State code and PIN had to be provided as separate fields. Now, a single field would capture name and address of the donee, in order to aid information to be filled in to the

[1] Notification No. 24/2016, dated 30 March 2016

Section 80G of the Act			extent available.
Disclosure of the country code in respect of foreign assets	Schedule Foreign Assets	ITR 2 and 2A	The field ‘Country Code' has been replaced by the field ‘Country name and code’ enabling mentioning of the name of the country along with the country code.
Disclosure of details of taxes deducted at source on sale of immovable property under Section 194I of the Act	Part B – TTI	ITR 2 and 2A	The schedule showing Taxes Deducted at Source (TDS) includes, not only taxes deducted on income other than salary but also on the sale of immovable property.
Details of contributions made to pension funds eligible for deduction under Section 80CCD of the Act	Part C/ Schedule VIA	ITR 1/ ITR 2 and 2A	Contribution to pension fund such as National Pension System (NPS) made during the financial year which is eligible for deduction needs to be mentioned subsection-wise in the new forms in contrast to providing the data based on the person making the contribution (i.e., the individual assessee or his/ her employer). This modification facilities accommodation of the additional deduction of INR50,000 which is effective from AY 2016-17
Declaration of the value of the assets and liabilities by individuals/HUFs earning above INR50 lakh	Schedule AL	ITR 3, 4, 4S	The new forms introduced a schedule requiring individuals/HUFs to declare the value of assets and liabilities if their total income exceeds INR50 lakh. Assets include immovable and movable assets. Under the head immovable assets, taxpayers have to disclose the cost of land and building. Under movable assets, the cost of jewellery, bullion, vehicles, yachts, boats, aircrafts and cash in hand needs to be disclosed. Further, such taxpayers need to disclose all liabilities in relation to such assets.
Firms [other than Limited Liability Partnerships (LLPs)] to file ITR-4S for presumptive income		ITR-4S	Under the existing provisions of Rule 12, firms were required to file ITR 5 even for presumptive income. The amended Rule 12 would now allow firms to file ITR 4S for presumptive income. Accordingly, a separate row is provided in ITR 4S to claim a deduction of interest and salary paid by the firms to its partners.
Additional deduction for contribution to NPS under Section 80CCD of the Act	Part C	ITR 3, 4 and 4S	Sub-section (1B) was introduced in Section 80CCD by the Finance Act, 2015 to provide for an additional deduction of upto INR50,000 for investment in the National Pension Scheme. Accordingly, new forms are required to disclose such additional deduction.
Disclosure of details regarding partnership firm by a partner	Schedule Information regarding Partnership Firms	ITR 3, 4	In ITR forms, there is a separate schedule vis-à-vis. 'Schedule Information regarding Partnership Firms' wherein partners are required to disclose the name of the partnership firms in which he/she is a partner. The new forms require partners to disclose whether such a firm is liable to a transfer pricing audit under Section 92E of the Act.
Minimum Alternate Tax (MAT) disclosure	Schedule MAT	ITR-6, 7	The Finance Act, 2015 excluded the following income for computing MAT liability: i) Share in the income of the Association of Persons (AOP)/ Body of Individuals (BOI), on which no income-tax was payable.

			ii) Passive income [like capital gains, interest, royalty, Fees for Technical Services (FTS)] accruing or arising to a foreign company if income-tax payable thereon was less than 18.5 per cent. iii) Amount representing • Notional gain on the transfer of a capital asset, being the share of a Special Purpose Vehicle (SPV) to a business trust in exchange of units allotted by that trust referred to in clause (xvii) of Section 47; or • Notional gain resulting from a change in the carrying amount of the said units; or • Gain on transfer of units referred to in clause (xvii) of Section 47 of the Act. iv) Loss on transfer of units referred to in Section 47(xvii) (subject to conditions) Consequently, the Finance Act, 2015 provided for an addition of related expenditure on the aforesaid income while computing MAT liability. New ITR forms are required to disclose the same.
Deemed short-term capital gain	Schedule Capital Gain	ITR 5, 6	New forms require the disclosure of the deemed short-term capital gains on a depreciable asset.
Details of Pass Through Income (PTI) of a business trust or investment fund	Schedule Pass Through Income	ITR 3, 4, 5, 6, 7	New forms have a new 'Schedule PTI' for reporting of PTI of a business trust/investment fund. Such a trust/fund needs to provide information like name of the business trust/investment fund, PAN, head of income, amount of income and TDS on such amount if any.
Share of income from a firm/AOP/BOI	Schedule Exempt Income	ITR 3, 4, 5, 6	The share of income from a partnership firm, AOP and BOI is exempt from tax in the hands of the recipient. Such exempt income had to be disclosed in the old forms under 'Schedule Exempt Income'. Now, the disclosure of such exempt income has been done away with in the new forms.
Deduction of an additional investment allowance	Schedule Business Profits	ITR 4, 5, 6	New forms are required to disclose a claim of deduction and deemed income under Section 32AD of the Act[2].
Effect of Income Computation and Disclosure Standards (ICDS)	Schedule ICDS	ITR 4, 5, 6	A schedule on ICDS has been inserted in the new forms where the effect of ICDS on profit needs to be disclosed.
Deduction under Section 80JJAA of the Act	Schedule VI-A	ITR 4, 5	New forms require disclosure by the taxpayers of a deduction under Section 80JJAA of the Act.
Disclosure where an audit is required under any other Act [other	Part A – General	ITR 5, 6	New forms require disclosure of the following details, if the taxpayer is liable for an audit under any Act (other than the Income-tax Act):

[2] Section 32AD of the Act provides an additional investment allowance to an undertaking set-up in the notified backward areas in the States of Andhra Pradesh or Telangana. Suitable safeguards have been provided in the provision for restricting the transfer of plant or machinery for a period of five years. On transfer of such an asset within five years, the amount of deduction already allowed shall be deemed as income from business or profession in the year of transfer.

than the Act]			• Provision of the relevant Act under which the taxpayer is liable for an audit • Date of furnishing the audit report.
Addition or deduction under Section 44DB of the Act	Schedule Business Profit	ITR 5	New form requires addition/deduction under Section 44DB of the Act on account of business reorganisation of co-operative banks.
Percentage of commercial receipts by a trust	Part A – General	ITR 7	New forms are required to disclose the percentage of commercial receipts vis-à-vis the total receipts[3].
Date of change in the objects of the trust	Part A – General	ITR 7	The new form is required to mention the date of the change in the objects/activities during the year on the basis of which the approval/registration of a trust is granted.
Application of income by a trust	Part A – General	ITR 7	New form requires the trust to confirm if it has filed Form 9A[4] to exercise such an option and the date of filing of such a form.
Details to be given by universities, hospitals, educational institutions, etc.	Part A – General	ITR 7	Universities, hospitals, educational institutions, etc.[5] have to disclose their name and annual receipts in the new form. Further, they are also required to disclose the amount eligible for exemption.

Our comments

The CBDT has notified new ITR forms at the beginning of the assessment year. These forms have been amended in line with the introduction of ICDS where the effect of ICDS on profits needs to be disclosed. Further, the new forms are also required to disclose MAT related information, deemed short-term capital gain on depreciable assets, the benefit of a deduction under Section 80JJAA of the Act, etc.

The disclosure requirements of assets and liabilities (Schedule AL) denote a means to collate such information consequent to the abolition of the Wealth Tax Act, 1957 as mentioned in the Union Budget Speech of 2015. Schedule AL is applicable to taxpayers whose income exceeds INR50 lakh. The assets to be reported will include land, building, immovable assets, cash in hand, jewellery, bullion, vehicles, yachts, boats, aircrafts, etc. The amount in respect of the assets to be reported will be at the cost price of such an asset to the taxpayer. Until AY 2015-16, only those taxpayers qualifying as Resident and Ordinarily Resident (ROR) in India needed to disclose details of such foreign assets.

New forms will help the tax department to gather relevant information from the taxpayer.

[3] As per proviso to Section 2(15) of the Act, advancement of any other object of charitable purpose shall not be deemed as charitable if receipts from any commercial activity exceed 20 per cent of the total receipts.

[4] Income of a charitable or a religious trust is exempt if 85 per cent of its income is applied for charitable or religious purposes in India. In certain situations, an option is given to the taxpayer to apply such income in future years in a prescribed manner. The taxpayer has to choose such an option by filing Form 9A with the Assessing Officer before the due date of filing his/her return of income under Section 139(1) of the Act.

[5] The Finance Act, 2015 has amended the provisions of Section 139 to provide that universities or educational institutions, hospitals or other institutions which are wholly or substantially financed by the government covered under Section 10(23C)(iiiab) and (iiiac) of the Act shall be mandatorily required to file their returns of income.

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