India: New changes to tax year 2019-20 income-tax forms

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In brief

The Indian government recently notified ITR forms (Notification No- GSR 338(E) dated May 29, 2020) for tax year (FY) 2019-20 in order to incorporate announcements it made in an earlier press release. There is no change in the applicability criteria of new ITR forms as compared to the ITR forms notified for FY 2018-19. However, the forms contain additional changes to reflect recent COVID-19 incentives and other details tax authorities need for automated processing. Detailed instructions for filing ITR forms have yet to be released.

In detail

Background

On January 3, 2020, the Indian government notified ITR 1 (Sahaj) and ITR 4 (Sugam) for the FY 2019-20 with certain changes relating to applicability and disclosure requirements. Taxpayers having joint ownership in house property were not allowed to use ITR 1 or ITR 4 forms. Also, taxpayers covered by the compulsory filing scheme because they met certain criteria (i.e., deposit of more than INR 10 million crore, expenditure on foreign travel exceeding INR 0.2 million, expenditure on electricity exceeding INR 0.1 million, etc.) were barred from using ITR 1, even if there was no income to report.

Subsequently, concerns were raised by taxpayers who have joint property about using a detailed ITR form instead of a simple ITR 1 or ITR 4. Similar concerns also were raised by taxpayers who were required to file a return for FY 2019-20 as they met the prescribed criteria even if they did not have any income to report. As a result, the Indian government announced through a press release it would allow these taxpayers to file their return using the ITR 1 or ITR 4, subject to fulfilment of other prescribed conditions.

Applicability of the various ITR forms

The table below provides a high-level summary of which ITR forms should be utilized for filing income-tax returns for FY 2019-20.

Scenario or type of income/loss present	ITR 1*	ITR 2	ITR 3	ITR 4*
Compulsory filing of return scheme when certain criteria are met (i.e., deposit of more than INR 10 million, expenditure on foreign travel exceeding INR 0.2 million, expenditure on electricity exceeding INR 0.1 million, etc.)	√	√	√	√
Income from salary/ pension	√	√	√	√
Income from one house property (excluding prior year losses 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 of the Income Tax, Act (the Act), except against family pension as prescribed, winning from lottery, income from horse races, dividend income from domestic company exceeding INR 1 million, unexplained cash credit/ investments/ money/ expenditure/ amount borrowed or repaid on hundi)	√	√	√	√
Income from more than one house property (including prior year losses 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 1 million, unexplained cash credit/ investments/ money/ expenditure/ amount borrowed or repaid on hundi)		√	√	
Resident and ordinarily residents having income from a source outside India or having foreign assets, foreign bank accounts, and signing authority in any account located outside India, etc.		√	√	
Agricultural income (exceeding INR 5,000)		√	√	
Relief under section 90 (DTAA)/ section 91 of the Act		√	√	
Income from business or profession			√	
Income from business or profession taxable under presumptive basis			√	√

**ROR Individuals (other than a director of a company and/or not holding unlisted equity shares) having total income up to INR 5 million are eligible to use ITR 1 or ITR 4.*

Changes in ITR forms as compared to FY 2018-19

There are various amendments introduced in these forms that are relevant for individual taxpayers. The following are a few highlights:

- The mandatory requirement to file an ITR if a person meets certain criteria was introduced by the Finance Act, 2019. For all four ITR forms, the following information needs to be furnished: (1) if a person deposited any amount or aggregate of amounts exceeding INR 10 million in one or more current account during the relevant tax year (along with the amount), (2) if a person incurred expenditure of an amount or aggregate of amount exceeding INR 0.2 million for travel to a foreign country for themselves or for any other person during the relevant tax year (along with the amount), and (3) if a person incurred an expenditure of an amount or aggregate of amount exceeding INR 0.1 million on the consumption of electricity during the relevant tax year (along with the amount).
- The forms reflect the interchangeability of the Aadhaar (Biometric Identification Number) with the PAN (Tax Identification Number) in various places within the forms, including the TDS schedule, General Information, House Property, Capital Gain, Business Income, and Special Income schedule.
- A new Schedule DI has been added – Details of Investment made between April 1, 2020 to June 30, 2020 for all four types of ITR forms relating to the deduction under Chapter VI-A and roll over of capital gains. In this new schedule, taxpayers must report the amount of the deduction attributable to investment/expenditure made and the amount of capital gain invested between these dates.

The takeaway

Notifying these revised income tax return forms is a welcome action. The due date to furnish these tax returns for FY 2019-20 has been extended to November 30, 2020, which will give taxpayers additional time to file.

One of the important changes in the forms is adding the Schedule DI (Details of Investment) to facilitate the claim of exemptions/deductions for the FY 2019-20 for investments made during the period April 1 to June 30, 2020. This relief was announced by the Indian government earlier in view of the COVID-19 situation. The rest of the changes are mostly to capture detailed information to ensure accurate and efficient processing of returns in an automated environment. Taxpayers should carefully take note of specific changes and provide the accurate details in the tax returns to avoid any queries from the tax authorities later.

Taxpayers also should consider new Form 26AS (Annual Information Statement) that was introduced and notified on May 28, 2020. This would, in addition to income and tax deducted, provide a comprehensive set of information such as specified financial transactions, details of demand, pending/ completed proceedings, etc. effective June 1, 2020. Taxpayers are advised to keep checking their Form 26AS at regular intervals for the updated information about their tax records and reported transactions. Taxpayers should rectify any discrepancy they find.

In addition, it is important for taxpayers to reconcile the Form 26AS with the information provided on the tax return. Any discrepancy will lead to questioning because of automated processing of returns.

Let’s talk

For a deeper discussion of how this issue might affect your business, please contact your Global Mobility Services engagement team or the following professional from PricewaterhouseCoopers India:

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