

FILING OF INCOME TAX RETURNS – AY 2019-20

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WESTERN INDIA REGIONAL COUNCIL

MAY 2019

***I AM THE COUNTRY'S DRAFTSMAN,
I DRAFT THE COUNTRY'S LAWS,
FOR MOST OF THE LITIGATION,
I AM THE CAUSE!***

AS QUOTED BY RETD.JUSTICE SMT. SUJATA MANOHAR

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INTRODUCTION:

This year the ITR forms have been changed with two major objectives –

- to incorporate the **changes made by the Finance Act, 2018** and
- to see **additional disclosures**.

The additional disclosures have been sought by the CBDT in respect of all those **incomes 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**.

The department has increased the scope of disclosures and **to uncover the under-reporting or wrong reporting of income**.

Though the structure of the ITR forms remains the same, yet, the **number of changes, are enormous**.

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Individual and HUF				
Nature of Income	ITR 1	ITR 2	ITR3	ITR4
SALARY INCOME				
Income from salary/ pension (RESIDENTS)	*	*	*	*
Income from Salary / Pension (NOR /NR)		*	*	
INCOME FROM HOUSE PROPERTY				
Income/ Loss One House Property (No c/f)	*	*	*	*
Brought forward / carry forward		*	*	
More than one house property		*	*	
INCOME FROM BUSINESS / PROFESSION				
Income from Business /Profession			*	
Presumptive Cases - Residents			*	*
Presumptive Cases - NOR / NR			*	
Partner of a partnership firm			*	

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Individual and HUF				
Nature of Income	ITR 1	ITR 2	ITR3	ITR4
CAPITAL GAINS				
Holding of unlisted shares during the year		*	*	
Gains or loss during the year of investments /property		*	*	
INCOME FROM OTHER SOURCES				
Family Pension Scheme – Residents	*	*	*	*
Family Pension Scheme - NOR and NR		*	*	
Dividend > Rs.10lakhs - Section 115BBDA		*	*	
Unexplained income - Section 115BBE taxed at 60%		*	*	
Deduction u/s 57 (other than FPS)		*	*	
DEDUCTIONS				
Section 80QQB or 80RRB Royalty from Patent or Books		*	*	
Deduction u/s 10AA or part C of Ch VIA(incomes)			*	

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Individual and HUF				
Nature of Income	ITR 1	ITR 2	ITR3	ITR4
TOTAL INCOME				
Agricultural Income exceeding Rs.5000		*	*	
Total Income > Rs.50lakhs		*	*	
B/F or C/F of losses		*	*	
COMPUTATION OF TAX LIABILITY				
TDS of another claimed (clubbing, Portuguese Civil Code)		*	*	
Relief u/s 90, 90A or 91 Foreign Tax		*	*	
OTHERS				
Income from Foreign Sources		*	*	
Foreign Assets		*	*	
Signing Authority in account outside India		*	*	
Portuguese Civil Code - Section 5A		*	*	

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Other Assesseees				
Status of the Assessee	ITR 4	ITR 5	ITR 6	ITR 7
Firm (excl. LLPs) - presumptive Tax	*			
Firm including LLPs		*		
AOP		*		
BOI		*		
Local Authority		*		
Artificial Juridical Person		*		
Companies other than Section 11			*	
Persons other than companies required to furnish returns under:				
Section 139(4A) Trust other than Section 11				*
Section 139(4B) Political Party				*
Section 139(4C) Various exempt entities				*
Section 139(4D) Univ.College Inst 35(1)(ii)/(iii)				*
Business Trust		*		
Investment Fund - Section 115UB		*		

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SALARY:

Form 24Q is the statement of TDS in respect of Salary and tax deduction thereon – **Due date for quarter ended 31-3-2019 is 31-05-2019**

There is an Annexure II to be filled and filed alongwith the Statement of Quarter 4 every year, giving the details of the perquisites and exemptions considered while determining the taxable salary and tax thereon. **This year 24 new columns** have been added to the said Annexure. Though these amendments have been made from 12.5.2019 and the effect will be from that date, since the **Form 16** (Salary cum TDS Certificate) has to be downloaded from the TRACES site, the details should be made available to the site. **This year both, Part A (re: TDS) and Part B (Re: perquisites and exemptions) have to be downloaded from the TRACES Site – DUE DATE 15TH JUNE 2019**

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SALARIES – ITR 1,2,3,4

The new ITR Forms are now in sync with columns of Form 16.

Salary has to be mentioned at gross and then exemptions and deductions are to be disclosed, to arrive at taxable salary.

Specific mention of deductions u/s 16 has to be made.

The details of the following exemptions are required to be filled up so that it is possible to verify and check the correctness of the **Exemptions** considered:

- a. Leave Travel Concession/ Allowance - Section 10(5)
- b. Gratuity - Section 10(10)
- c. Commuted Pension - Section 10(10A)
- d. Leave Salary Encashment - Section 10(10AA)
- e. House Rent Allowance - Section 10(13A)

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The following **DEDUCTIONS** are to be specified by the employer:

- a. Life Insurance Premium or contribution to PF, etc – Section 80C
- b. Contribution to Pension funds – Section 80CCC
- c. Employee's contribution to Notified Pension Fund (NPS) – Section 80CCD(1) and 80CCD(1B)
- d. Employer's Contribution to NPS – Section 80CCD(2)
- e. Medical Insurance Premium – Section 80D
- f. Interest on Higher Education Loan – Section 80E
- g. Specified Donations – Section 80G
- h. Savings Account Bank Interest – Section 80TTA
- i. Any other deduction allowed to be considered vide Circular u/s 192; like 80U and 80DDB

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- Standard Deduction – Section 16(1a) Specific Mention – Rs. 40000
- Reporting of Salary received from other employers.
- Furnishing of PAN of the lender in case of Home Loan
- The Part B of form 16 will be downloaded from the Site on the basis of the above information and help fill the ITR form in “AUTO FILL” MODE all employees who have PAN and whose form 16 is downloaded from the TRACES Site.
- TAN of the employer has to be reported, to ensure cross verification

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RESIDENTIAL STATUS – ITR 2, 3

Full details in respect of :

- a. Number of days of stay in India
- b. Jurisdiction of residence
- c. Tax identification number of jurisdiction of residence.

SCOPE OF FOREIGN ASSETS EXPANDED – ITR 2,3,5,6,7

Schedule FA:

- a. Besides foreign bank accounts, details of foreign depository accounts
- b. Foreign Custodial accounts
- c. Foreign equity and debt interest held in any entity
- d. Foreign cash value insurance contract or annuity contract.

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HEALTH AND EDUCATION CESS @ 4% - ITR 1,2,3,5,6,7

Education cess of 2% and Higher Education cess of 1% have been replaced by 4% Cess on account of Health and Education

Relevant changes in the ITR forms have been made.

ALTERNATE MINIMUM TAX (AMT) @ 9% ON UNITS LOCATED IN IFSC – ITR 3,5

AMT is the counterpart of MAT for corporates u/s 115JC

However for promoting the development of world class financial infrastructure in India, in case of a unit located in an International Financial Service Centre (IFSC) which derives its income solely in convertible foreign exchange, the AMT shall be charged at 9% instead of 18.5% of adjusted total income.

Relevant changes in ITR forms have been made.

FOREIGN COMPANIES TO REPORT THEIR ULTIMATE AND IMMEDIATE PARENT COMPANY – ITR 6

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

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INVESTMENT IN UNLISTED COMPANIES:

Details required to be provided:

- a. Name of the company
- b. PAN of the Company
- c. Number and cost of acquisition – beginning of the year
- d. Details of purchase/acquisition during the year: date, number, cost
- e. Details of sales during the year : date, number, value
- f. Number and cost of acquisition – at end of the year

EFFECT OF DISCLOSURE, IF NOT MADE IN AY 2019-20 AND SOLD SUBSEQUENTLY – WRONG REPORTING OF INCOME – WHICH YEAR?

REPORTING OF TURNOVER AND PROFIT FROM **SPECULATION ACTIVITIES** UNDER P&L ACCOUNT – ITR 3, 5, 6

- a. Turnover from speculative business
- b. Gross profit
- c. Expenditure
- d. Net income from speculative business

This is to monitor the set off of the losses as time limits are different for speculative business loss as compared to other businesses.

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GROSS RECEIPTS THROUGH A/C PAYEE CHEQUES/DRAFT OR ANY OTHER MODE TO BE SHOWN SEPARATELY

Where Books of Accounts are not mandatory u/s 44AA, Profit and loss account shall report:

- a. Gross Receipts
- b. Gross Profit
- c. Expense
- d. Net Profit

Further bifurcation is required between receipts through account payee cheques/Drafts or ECS and by any other mode.

FOREIGN EXCHANGE FLUCTUATIONS GAIN/LOSS – ITR 3,5,6

Section 43AA lays down the provisions related to gain / loss arising out of foreign exchange fluctuations, other than those covered u/s 43A (dealing with acquisition of asset)

Compliance with ICDS VI is required – following categories need to be observed:

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

Suitable changes have been made in the ITR Forms – Part A P&L section

TREATMENT OF MARKED-TO-MARKET LOSSES – ITR 3,5,6

“Marked to market” 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.

ICDS VIII provides:

MtoM Losses in respect of **listed securities** are allowed as a deduction **u/s 36(1)(viii)**

MtoM losses in respect of **unlisted securities** not allowed u/s **40A(13)**

Suitable changes made in ITR forms in Schedule OI (Other information)

REPORTING OF PROFIT ON CONVERSION OF INVENTORY INTO CAPITAL ASSET – ITR 3,5,6

From A Y 2019-20 Section 28 has been amended to include conversion of inventory into capital asset as business income, drawing a corollary from section 45(2) where the capital asset was converted in to the inventory and the taxation thereof was on sale for the said inventory.

Now the inventory that is converted into a capital assets will have to be so done at the fair market value on the date of conversion shall be deemed to be the full value of the consideration of such inventory.

Suitable disclosures have been made in the ITR Forms.

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TAX ON SMALL DOMESTIC COMPANIES – ITR 6

Small domestic companies having a turnover of upto Rs 250 crores are taxed at the concessional rate of 25%

ITR 6 is suitably modified for reporting such income and tax thereon.

DDT ON DEEMED DIVIDEND – SECTION 2(22)(e) – ITR 6

From A Y 2019 the burden of tax on deemed dividend has shifted from the shareholder to the company at the rate of 30%.

ITR 6 has been amended suitably, though the question about the contentious issue of whether the provisions of section 2(22)(e) are attracted or not remains prone to litigation.

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SECTION 10(38) WITHDRAWN– EXEMPTION ON INCOME FROM LONG TERMS CAPITAL GAINS ON SECURITIES WHERE STT PAID – ITR 2,3,5,6

New section 112A – w e f A Y 2019-20

Tax @ 10% on LTCG on sale of Equity based Securities on which STT paid;

If LTCG >**RS 1 Lakh**, subject to :

If asset acquired before 1.2.2018, actual cost of acquisition or **FMV as on 31.1.2018** whichever is higher;

No indexation benefit, as above “grandfathering provision” is applicable.

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SECTION 54EC – EXEMPTION RESTRICTED TO TRANSFER OF LAND OR BUILDING ONLY – ITR 2,3,5,6

One of the methods of saving tax on Long Term Capital Gains on transfer of any asset, was investment into specified bonds, upto Rs. 50 lakhs

From A Y 2019-20 onwards, such exemption is available only if the asset transferred is land or building. Jewellery, bullion, other assets are no more eligible for exemption u/s 54EC.

Section 54F which provides for exemption for investment in residential house after LTCG from any assets is still available subject to conditions therein.

Suitable disclosure requirements in the ITR forms have been made.

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REPORTING OF AMOUNT DISALLOWABLE U/S 40 OR 40A – ITR 7

Finance Act 2018 brought Trusts registered u/s 12A and claiming exemption u/s 11 under the purview of the following disallowances:

- a. u/s 40(a)(ia) – payments to resident without TDS
- b. u/s 40A(3)/(3A) – payments exceeding Rs. 10000 other than through banking channels

ITR 7 applicable to Trusts is now amended to ensure reporting of such transaction by the assessee itself.

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THANK YOU FOR A PATIENT LISTENING!

HAPPY RETURNS FILING!