

# Spotted & Reported

## Major changes in your Income Tax Return

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### Business Company

123 Corporation (Pvt) Ltd.  
Fingertia Str, Fucia 10000  
Tel: 123-456-789-0  
Fax: 123-456-789-1

Date: xxxxxxxx  
Invoice No: 00000001  
Customer ID: 223

Bill to: Curabitur suscipit, LTD  
456 Pellentesque, Altiqaei,  
21X st, SUO, 9999  
987-654-321

No.	Description	Quantity	Amount
1234	Id rutrum	2	248.53
2567	Sed interdum odio	5	855.75
0034	Pellentesque	8	554.87
3450	Maecenas molestie	3	452.74
4729	Integer varius nisl	4	358.40
4930		7	400.00
4893	Quisque luctus turpis	3	456.00

Comment	Subtotal
	4500.45
Sed interdum odio ut molestie suscipit.	Tax Rate: 6.78%
Amare ipsum et, nulla nec ipsum luctus venus.	Tax: 742.67
Donec euismod, fames ac, nulla et, fames.	Other: ---
	<b>TOTAL Due: 5243.12</b>

CRAS A NISI MAWIB, DICTUM NULLA UT, GRAVIDA SAPIEN

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## Executive summary

The Tax Department is going high on Big Data analytics. The Rs 1,000 Crore “Project Insight” has gone live from 15 March 2019. With this impetus on data analytics, mismatch in reporting of income and other data, if any, gets notified automatic and allows tax department to act in desirable cases. We understand, Project Insight also tracks social media profiles and track mismatch between photographs posted, income earnings etc.

Also, the country is accelerating its economics, data analytics on all fronts to see that the right socio-economic actions are taken by the Government. To make this data analytics more meaningful and get deeper insights, Central Board of Direct Taxes has modified the tax returns to a very large extent.

The new returns emphasise data collection, data to be provided is much beyond the data that is normally captured in the books of account by you or the data records that you normally maintain to prepare your tax returns.

The time to be spent on preparing a ‘close to error free tax reporting’ has gone up manifolds. It would now require a resource who is patient and has an eye for details to prepare the tax returns. It is no longer the work of a casual tax filler.

Central Board of Direct Taxes (CBDT) has notified Seven Income Tax Returns Forms (ITR) for the FY 2018-19, the applicability of each form depends on the nature and quantum of income and is assessee specific.

Few of the key changes introduced are summarised below:

- Assessee is now required to select the relevant rule of residency. In case of a Non-Resident, the Jurisdiction of the assessee and the Tax Identification Number (TIN) must be disclosed.
- If Agricultural Income exceeds INR 5 Lacs, additional disclosure such as land (Place, PIN Code), details of irrigation, leased/owned land, measurement (in acre) need to be made.
- Assessee who are directors of companies are now required to furnish details of the company name along with Permanent Account Number (PAN), whether shares of the company are listed and the Director Identification Number.
- Profit and Loss Account needs additional disclosure viz. Manufacturing Account, Trading Account etc.
- Unlisted Companies are now required to provide details of their shareholding and its movement during the year. Similarly, shareholders also to disclose their details of investment along with the name of company, PAN etc.
- Additional disclosures for agriculture income and foreign assets.

## Applicability criteria for ITR

## ITR - 1

- For individuals being a resident (other than not ordinarily resident) having total income **up to Rs.50 lakh** ^
- Income from Salaries, **one house** property, other sources (Interest etc.)^
- Agricultural income up to **Rs. 5000**^

^If any of the above criteria not satisfied - file ITR 2 or ITR - 3

## ITR - 2

- For Individuals and HUFs **not having** income from profits and gains of business or profession
- Assessee being **a director** in any company OR has **invested in unlisted equity** file ITR -2 or ITR -3

## ITR - 3

- For individuals and HUFs having income from profits and income of business or profession

## ITR - 4

- Total income up to **Rs.50 lakh**^
- Income from business and profession which is computed under sections 44AD, 44ADA or 44AE
- Only for **Residents**

^If the above criteria not satisfied - ITR - 3

## ITR - 5

- For persons other than - (i) individual, (ii) HUF, (iii) company and (iv) person filing Form ITR-7.
- This form to be used by FIRM, LLP, AOP, AIF, VCF, **Non-Charitable Trust**
- Miscellaneous Form**

## ITR - 6

- Companies other than companies claiming exemption under section 11

## ITR - 7

- For persons including companies that fall under the following sections
- Sec. 139(4A) - Charitable or religious purpose
- Sec.139 (4B) - Political party
- Sec. 139 (4C) -Research and Development
- Sec. 139 (4D) -University or college

## Overview of Changes

Particulars	ITR Form Applicability	Amendments/additional disclosures
Salary	ITR 2 & 3	<ul style="list-style-type: none"> <li>➤ Detailed discussion for exempted income, viz. withdrawal of Recognised Provident Fund (RPF), additional information on Income benefit and Tax benefit claimed to be disclosed.</li> <li>➤ TAN of employer mandatory</li> </ul>
House Property	ITR 2 & 3	<ul style="list-style-type: none"> <li>➤ PAN/TAN of the deductors needs to be disclosed mandatorily if TDS is applicable.</li> <li>➤ Pass through income to be disclosed separately.</li> </ul>
Capital Gains	ITR 2 & 3	<ul style="list-style-type: none"> <li>➤ If the assessee has any Capital Gains from an immovable property transaction, following details to be furnished: <ul style="list-style-type: none"> <li>• Name of Buyer/s, Percentage of Share in immovable property</li> <li>• PAN (Furnishing PAN is mandatory if it is mentioned in the documents or falls under the purview of 194-IA)</li> <li>• Amount of transaction</li> <li>• Address of the property</li> </ul> </li> <li>➤ Separate column for Double Taxation Avoidance Agreement (DTAA), wherever applicable</li> <li>➤ Additional disclosure must be provided with respect to Section 112A</li> <li>➤ Pass through income to be disclosed separately.</li> </ul>
Income under Business/Profession	ITR 3	<ul style="list-style-type: none"> <li>➤ Details about the Annual Outward Supplies reported in Goods and Service Tax (GST) along with the Goods and Service Tax Identification Number (GSTIN) including non-tax audit assessee.</li> <li>➤ A new line item is introduced regarding the expenditure disallowed U/s.14A.</li> <li>➤ Disclosure regarding the “Marked to market loss or other expected loss computed in accordance to ICDS”.</li> <li>➤ Details of Manufacturing Account, Trading Account.</li> </ul>
Exempt Income	ITR 2 & 3	<ul style="list-style-type: none"> <li>➤ Separate column for Double Taxation Avoidance Agreement (DTAA), wherever applicable</li> <li>➤ Agriculture Income exceeding INR 5 Lacs requires following details to be disclosed as follows – <ul style="list-style-type: none"> <li>• Name of the district, PIN Code</li> <li>• Whether the land is rented/leased/owned</li> <li>• Whether the land is irrigated or rain-fed</li> <li>• Measurement of land (in acres).</li> </ul> </li> </ul>

Particulars	ITR Form Applicability	Amendments/additional disclosures
Foreign Assets	ITR 2 & 3	<ul style="list-style-type: none"> <li>➤ “Schedule – FA” -               <ul style="list-style-type: none"> <li>• Details of foreign depository account held</li> <li>• Details of foreign custodial accounts</li> <li>• Details of foreign equity and debt interest</li> <li>• Details of Foreign Cash Value Insurance Contract or Annuity Contract held</li> </ul> </li> </ul>
Unlisted Equity Shares transacted by the individual	ITR 2 & 3	<ul style="list-style-type: none"> <li>➤ Disclosures –               <ul style="list-style-type: none"> <li>• Name of the Company</li> <li>• PAN of the Company</li> <li>• Details of shares on 01/04/2018</li> <li>• Transactions during the year</li> <li>• Details of shares as on 31/3/2019</li> </ul> </li> </ul>
If Assessee is a director of any company	ITR 2 & 3	<ul style="list-style-type: none"> <li>➤ Additional disclosures - Name of the company, PAN of the company, Director Identification Number, etc.</li> </ul>
If Assessee is a non-resident	ITR 2 & 3	<ul style="list-style-type: none"> <li>➤ Tax Identification Number (TIN) or Tax Residency Certificate (TRC) must be provided.</li> </ul>

## Changes in ITR 6 - Corporate Assessee

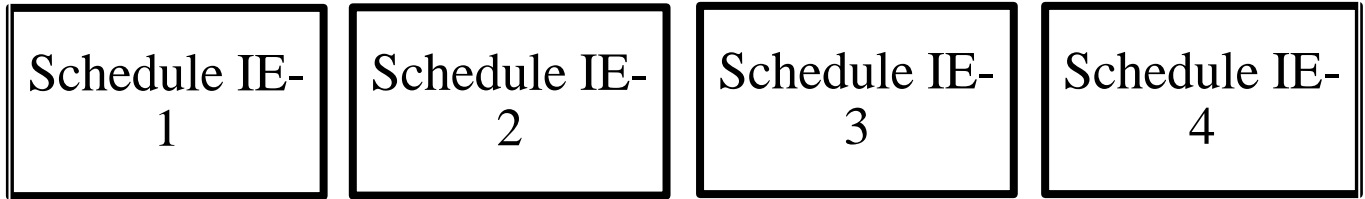
Changes in the format of ITR would draw more workings in respect to the Assessee who is a Company – Form ITR-6 (Company not claiming exemption under section 11 of Income Tax Act) that are detailed as below

Particulars	Amendments/additional disclosures
Representative assessee	<ul style="list-style-type: none"> <li>➤ The capacity of the representative to be disclosed</li> </ul>
Start-Up	<ul style="list-style-type: none"> <li>➤ Assessee recognised as a “Start-Up” by DPIIT (Dept. Of Promotion of Industry and Internal Trade) must provide the following details:               <ul style="list-style-type: none"> <li>• Start-Up recognition number</li> <li>• Certificate from inter-ministerial board for certification has been received (Yes/No) - If yes, the certificate number must be provided.</li> <li>• Declaration in Form-2 in accordance with Para 5 of DPIIT notification dated 19<sup>th</sup> February 2019 has been filed before filing the return (Yes/No) - If yes, the date of filing must be provided.</li> </ul> </li> </ul>

Particulars	Amendments/additional disclosures
Long term Capital Gains	<ul style="list-style-type: none"> <li>➤ If the assessee is earning any Capital Gains from an immovable property transaction, the assessee should disclose the following details:               <ul style="list-style-type: none"> <li>• Name of Buyer/s, Percentage of Share in immovable property</li> <li>• PAN (Furnishing PAN is mandatory if it is mentioned in the documents or falls under the purview of 194-IA)</li> <li>• Amount of transaction</li> <li>• Address of the property</li> </ul> </li> <li>➤ Separate column for Double Taxation Avoidance Agreement (DTAA) is provided wherever it is applicable</li> <li>➤ Additional disclosure be provided with respect to Section 112A</li> </ul>
Income from Other Sources	<ul style="list-style-type: none"> <li>➤ A new line item has been introduced - Income from tax refund.</li> </ul>
Income taxable under the special rates	<ul style="list-style-type: none"> <li>➤ A separate disclosure is required under “Schedule OS”. E.g. dividend received from a non-resident.</li> </ul>
Schedule 80GGA	<ul style="list-style-type: none"> <li>➤ A separate schedule is provided for deductions provided under section 80GGA i.e. Exhaustive details with respect to donations.</li> </ul>
Schedule RA	<ul style="list-style-type: none"> <li>➤ Details regarding donations to research associations [Under sections 35(1)(ii) or 35(1)(iia) or 35(1)(iii) or 35(2AA)] are to be provided in “Schedule RA”.</li> </ul>
Schedule – DDT	<ul style="list-style-type: none"> <li>➤ A new line item is introduced in the “Schedule – DDT” which now requires to state the section under which the dividend is proposed.</li> </ul>
Amalgamation/ Demerger of the company	<ul style="list-style-type: none"> <li>➤ Date of Amalgamation/Demerger of the company needs to be disclosed in the amended ITR Forms.</li> </ul>
Schedule – SH-1	<ul style="list-style-type: none"> <li>➤ A new “Schedule – SH-1” is introduced to report the shareholding of an Unlisted Company. The details to be disclosed are as follows -               <ul style="list-style-type: none"> <li>• Details of shareholding at the end of the previous year</li> <li>• Details of equity share application money pending allotment at the end of the previous year.</li> <li>• Details of shareholders, who were shareholder at any time during the previous year.</li> <li>• Under each of the previously said headings, following are details to be provided by the company:                   <ul style="list-style-type: none"> <li>❖ Name of the shareholder, PAN</li> <li>❖ Residential status</li> <li>❖ Type of share, details regarding the allotment, value, share application and other significant details.</li> </ul> </li> </ul> </li> </ul>
Schedule AL-1	<ul style="list-style-type: none"> <li>➤ Additional Disclosures regarding assets and liabilities must be provided in “Schedule AL-1” for Unlisted Companies, which are as follows -               <ul style="list-style-type: none"> <li>• Details of the asset</li> <li>• Quantity</li> <li>• Date and Cost of Acquisition</li> <li>• Purpose or use of the asset</li> <li>• Registration number of vehicle (in case of motor vehicle, aircraft, yacht or other mode of transport)</li> </ul> </li> </ul>

## Trusts

Entities that are under section 139(4A), 139(4B), 139(4C), 139(4D) must file ITR – 7. A few new schedules have been introduced in Form ITR – 7 as follows –



Above mentioned schedules are related to sources and application of income made by the assessee. Kindly refer form ITR 7 for more details.

*\*If any trust not falling under the applicability of Form ITR 7, must file ITR 5 namely Gratuity Trusts, AIFs, VCFs, Business Trusts etc.*

## Our comments

A Change will always bring a quantum of confusion. During the Income Tax Return filing given below are most probable errors that might be committed-

- Unlisted equity shares reported by the company should match with the filings of the individual.
- Pass-through income reported in the ITR should match with the income filed in Form 64/ Form 64A/ Form 64B/ Form 64C. All the income earned through pass through entity required to be filled in the Schedule PTI, all the data keyed in the schedule would now become the part of a separate line item provided under each head of income.
- GST Outward Supplies which are reported in ITR should match with GST Returns (GSTR 3B).
- The applicability of ITR has changed completely. Hence, before filing ITR the applicability of ITR form to an assessee must be verified. viz. Individuals who are directors or transacted in the unlisted equity shares no longer file their income tax return using ITR-1, they have a choice to file ITR – 2, ITR – 3.
- Gratuity trust and persons u/s. 139(4E), 139(4F) now must file ITR – 5 unlike previous year, where they were supposed to file ITR – 7.
- Registration number of the vehicle to be mentioned in “Schedule AL-1” (in case of motor vehicle, aircraft, yacht or other mode of transport).

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