



Global Employer Services Alert

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**Government notifies
income-tax return
forms for financial year
2017-2018**

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Background and broad highlights

- The Central Board of Direct Taxes (CBDT) has amended the Income-tax Rules, 1962 and notified new Income-tax return (ITR) forms for the Financial Year (FY) 2017-18.
- CBDT has retained the single pager simplified ITR Form-1(Sahaj) for individuals. However, it has restricted its applicability to Residents and Ordinarily residents alone. The total number of ITR forms for FY 2017-18 is seven (ITR-1 to ITR-7).
- There is no change in the manner of filing ITR forms as compared to last year. All these forms are to be filed electronically. However, individuals aged 80 years or more (at any time during the year) as well as individuals/ Hindu Undivided Families (HUF) whose income does not exceed INR 5 Lakhs with no refund claim, may file their returns in paper form.
- This alert captures the key changes in the ITR-1 (Sahaj) and ITR-2 with focus on salaried tax payers.

Key changes

ITR-1(Sahaj)

Eligibility to File

ITR-1(Sahaj) may be filed only by individuals who are Resident and Ordinarily Residents (ROR) with income from salary, one house property (and no brought forward/ carry forward loss under this head), other income (i.e. interest etc. not being winnings from lottery/ income from race horses).

Who cannot file ITR-1

- Non-individual tax payers
- Individuals qualifying as Non-Residents (NRs) and Resident but not Ordinarily Resident (RNOR)
- ROR individuals
 - With total income exceeding INR 50 Lakhs
 - Claiming reliefs from double taxation (under tax treaty or section 90A or 91)
 - Having reporting requirements relating to assets located outside India (including financial interest); or signing authority in any account located outside India; or income from any source outside India;
 - Having income to be apportioned between spouses governed by Portuguese Civil Code
 - With agricultural income exceeding INR 5,000
 - Having income taxable under section 115BBDA (dividend income from domestic companies in excess of INR 1 million) or section 115BBE (unexplained credit/investment / expenditure)

Specific changes

Break-up of salary (allowances, perquisites and deductions) and house property income (gross annual value, tax paid to local authorities, net annual value, interest on borrowed capital) to be reported in ITR-1, similar to ITR-2.

ITR-2

Eligibility to File:

ITR-2 may be filed by:

- Individuals not eligible to file ITR-1;
- Individuals and HUFs having income under any head other than business or profession.

Specific changes

- Gender field is removed;
- For Non-Resident (NR) tax payers, option of furnishing details of any one foreign bank account has been provided to enable credit of refund;
- Since this form may not be used by individuals being partners in a firm, the related schedules and disclosure requirements have been deleted;
- Details for exemption claimed for capital gains to be reported. For instance:
 - Date of transfer of original asset
 - Cost of new asset
 - Date of investment in new asset
 - Amount of deduction claimed
 - Amount deposited under capital gains accounts scheme
- Income from other sources referred to in Section 56(2)(x) has been provided in ITR-2.

Other changes applicable across ITR-1 and ITR-2

- New fields introduced for
 - mandatory fee for delayed filing of tax return leviable under Section 234F
 - tax withheld by the tenant on rental income as part of TDS schedule

Comments

The release of the income tax return forms with minimal changes is welcome. With the ITR-1 being applicable only to ROR individuals, NRs/ RNORs will have to mandatorily use ITR 2.

Keeping in mind the focus of the authorities in ensuring tax return compliance in a timely manner and the mandatory levy of fees upto INR 10,000 (as specified in the law), tax payers are well advised to file the returns within the due date of 31 July 2018.

Source: GSR 332(E) published in the Official Gazette dated April 03, 2018

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Contacts

Ahmedabad

19th Floor, Shapath - V
SG Highway,
Ahmedabad – 380 015.
Tel: + 91 (079) 6682 7300
Fax: + 91 (079) 6682 7400

Coimbatore

Shanmugha Manram
41, Race Course,
Coimbatore
Tamil Nadu - 641018
Tel: + 91 (0422) 439 2801
Fax: +91 (0422) 222 3615

Kolkata

13th and 14th Floor,
Building – Omega
Bengal Intelligent Park
Block – EP & GP
Sector V, Salt Lake City,
Kolkata – 700091
Tel : + 91 (033) 6612 1000
Fax : + 91 (033) 6612 1001

Bangalore

19th Floor, 46 - Prestige
Trade Tower, Palace Road,
High Grounds, Bengaluru,
Karnataka – 560001.
Tel: + 91 (079) 6627 6000
Fax: +91 (080) 6627 6010

Delhi/Gurgaon

Building 10,
Tower B, 7th Floor,
DLF Cyber City,
Gurgaon 122 002
Tel : +91 (0124) 679 2000
Fax : + 91 (0124) 679 2012

Mumbai

Indiabulls Finance Centre,
Tower 3, 28th Floor,
Elphinstone Mill Compound,
Senapati Bapat Marg, Elphinstone
(W),
Mumbai – 400013
Tel: + 91 (022) 6185 4000
Fax: + 91 (022) 6185 4101

Chennai

No.52, Venkatanarayana Road,
7th Floor, ASV N Ramana Tower,
T-Nagar,
Chennai 600 017.
Tel: +91 (044) 6688 5000
Fax: +91 (044) 6688 5050

Hyderabad

KRB Towers, Plot No. 1-4,
Survey No. 65 to 67,
1st -3rd Floor
Madhapur, Serilingampally(M),
RR District, Hyderabad.
Tel: +91 (040) 6603 2600
Fax:+91 (040) 6603 2714

Pune

706, B-Wing, 7th Floor,
ICC Trade Tower,
Senapati Bapat Road,
Pune – 411 016.
Tel: + 91 (020) 6624 4600
Fax: +91 (020) 6624 4605



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