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**Government notifies
income-tax return
forms for financial year
2016-2017**

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Background and broad highlights

- The Income-tax return (ITR) forms for Financial Year (FY) 2016-17 have now been notified.
- As indicated by the Finance Minister in his Budget speech, a one page simplified ITR Form-1(Sahaj) has been introduced.
- The number of ITR Forms have been reduced from nine to seven. Existing forms ITR 2, 2A and 3 have been rationalized and a single ITR-2 now replaces these three forms. Consequently, ITR-4 and ITR-4S (Sugam) have been renamed as ITR-3 and ITR-4 (Sugam) respectively.
- Individuals aged 80 years or more (at any time during the year) as well as individuals/Hindu Undivided Families whose income does not exceed INR 5 lakhs with no refund claim in their return are permitted to file ITR 1 / ITR 4 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

Who can file ITR – 1 (Sahaj)?

Individuals having income from salaries, one house property, other sources (interest etc.) and having total income up to INR 50 lakhs.

Exceptions being -

Taxpayers having income from either of the two sources listed below

- dividend income in excess of INR 10 lakhs covered under Section 115BBDA of the Income-tax Act, 1961; or
- Unexplained cash credits or investments taxable at 60% under Sections 68, 69, 69A, etc.

As in the past, tax payers with agricultural income exceeding INR 5000 are not eligible to file ITR I.

Who can file ITR – 2?

- Individuals not eligible to file ITR 1;
- Individuals/ HUFs not carrying out business or profession under any proprietorship.

Hence, individuals having total income more than INR 50 lakhs will be required to use ITR-2. With the subsuming of ITR -3, partners of a partnership firm can file ITR-2.

Quoting Aadhaar number/ enrolment ID (ITR -1 and 2)

As per the Finance Act, 2017, individuals eligible to obtain Aadhaar need to indicate the Aadhaar number or the Aadhaar enrolment ID in their return of income. However, based on the ITR 1 excel utility released, this does not appear to be a mandatory requirement.

Details of cash deposited during demonetization drive (ITR -1 and 2)

Tax payers would have to furnish information on cash deposited in each Indian bank account during the demonetization period i.e. 9 November 2016 to 30 Dec 2016, where the aggregate cash deposits during this period is **greater than or equal to** INR 2 Lakhs.

Specific changes to ITR -1

- Paper filing version of the ITR 1 has been simplified, whereby claims for deductions relating to donations under section 80G do not have to be supported with details. However, such details are required to be furnished while filing electronically.
- Under exempt income category, long term capital gain as per section 10(38) and dividend income as per 10(34) need to be specifically reported.
- Given that the requirement to report specified assets and liabilities was applicable only for persons with total income exceeding INR 50 lakhs, these details are not relevant now in Form ITR 1 and have been removed.

Specific changes to ITR -2

- Passport number no longer required to be reported. Even earlier this was not a mandatory field.
- Disclosure requirements relating to "Income from other sources" expanded to reflect cash credit, unexplained investments, unexplained money, undisclosed investments, unexplained expenditure and amount borrowed or repaid on hundi separately.
- Additional reporting requirement under Assets and Liability schedule include
 - i. Financial assets (at cost)
 - a. Bank (including all deposits)
 - b. Shares and securities
 - c. Insurance policies
 - d. Loans and advances given
 - ii. "Archaeological collections, drawings, painting, sculpture or any work of art
 - iii. Interest held in the assets of a firm or association of persons (AOP) as a partner or member thereof
 - iv. Separate disclosure of each of the immovable properties along with the addresses is now required

Comments

Rationalizing the existing ITR-2, ITR-2A and ITR-3 and replacing it with a single form ITR-2 is a welcome step. While the quoting of Aadhaar does not appear to be mandatory based on the excel utility for ITR 1 which has been released, one has to wait for instructions to the tax return forms to understand the specific requirements relating to Aadhaar disclosure.

Source - <http://www.incometaxindia.gov.in>

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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

Bangalore

Deloitte Centre, Anchorage II,
100/2, Richmond Road,
Bangalore 560 025.
Tel: +91 (080) 6627 6000
Fax: +91 (080) 6627 6010

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

Coimbatore

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

Delhi/Gurgaon

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

Hyderabad

1-8-384 and 385, 3rd Floor,
Gowra Grand S.P.Road,
Begumpet,
Secunderabad – 500 003.
Tel: +91 (040) 6603 2600
Fax: +91 (040) 6603 2714

Kolkata

Bengal Intelligent Park Building
Alpha, 1st floor, Block EP and GP
Sector V, Salt Lake Electronics
Complex,
Kolkata - 700 091.
Tel : + 91 (033) 6612 1000
Fax : + 91 (033) 6612 1001

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

Pune

106, 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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