

## **Changes in ITR Forms Notified for AY 2020-21**

The Hon'ble CBDT *vide* its notification dated 29.05.2020 has notified the Forms for filing the income tax return for AY 2020-21. *Vide* the said notification, certain changes have been made to cover additional information in the various ITR Forms. In this regard, relevant ITR Forms for eligible assesseees and important changes made in ITR Forms in various cases and/or classes of person and implication thereof are being explained by way of FAQs as follows:

### **I. Relevant ITR Forms**

#### **1. Who can file their return in ITR-1 (SAHAJ) Form?**

ITR-1 can be filed by individuals being a resident (other than not ordinarily resident) having total income upto Rs.50 lakh, having Income from Salaries, one house property, other sources (Interest etc.), and agricultural income upto Rs. 5000/-. It may be noted that an individual who is either director in a company or has invested in unlisted equity shares, or has agricultural income exceeding Rs. 5000/- or has income from any source outside India etc. cannot use this Form.

*Note: A person owning house property in joint-ownership can also use this Form now.*

#### **2. Who can file their return in ITR-2 Form?**

ITR-2 can be filed by those individuals and HUFs having income under any head other than 'Profits and Gains of Business or Profession'.

#### **3. Who can file their return in ITR-3 Form?**

ITR-3 can be filed by those individuals and HUFs having income from profits and gains of business or profession.

#### **4. Who can file their return in ITR-4 (SUGAM) Form?**

ITR-4 can be filed by those individuals, HUFs and Firms (other than LLP) being a resident having total income upto Rs. 50 lakh and having income from business and profession which is computed on presumptive basis under Sections 44AD, 44ADA or 44AE. It may be noted that an individual who is either director in a company or has invested in unlisted equity shares, or has agricultural income exceeding Rs. 5000/-, or has income from any source outside India etc. cannot use this Form.

*Note: A person owning house property in joint-ownership can also use this Form now.*

**5. Which persons can file return of income in ITR-5 Form?**

ITR-5 can be filed by persons other than- (i) individual, (ii) HUF, (iii) company and (iv) person filing Form ITR-7. In nutshell, this ITR form is used by Firms, LLP, AOP, BOI having income from business or profession and other income.

**6. Which persons can file ITR-6?**

ITR-6 can be filed by all Companies other than companies claiming exemption under Section 11.

**7. Which persons can file ITR-7?**

ITR-7 can be filed by persons including companies, required to furnish return under Sections 139(4A) or 139(4B) or 139(4C) or 139(4D) only. This form is used by charitable trust or institutions claiming income tax exemption.

**II. Changes relevant for Every Class of Person (ITR-1 to 7)**

**8. What are the changes made in the ITR forms with respect to mentioning of Aadhaar Number in place of PAN?**

- As per Section 139A(5E) of the Act, a person can furnish his/her Aadhaar number in lieu of PAN irrespective to allotment of PAN where quoting of PAN is mandatory. While filing ITR Forms, various Schedules such as Schedule HP, Schedule CG, Schedule SPI etc. require the Assessee to quote PAN of tenant, buyer of immovable property, debtor, etc. (“Other Person”) in certain cases (Refer Q.No. 9 for more details). Now the respective Schedules such as Schedule CG, Schedule SPI, Schedule HP etc. have been amended to provide an option to the Assessee to mention either PAN or Aadhaar of Other Person. The relevant changes in this respect have been made in all ITR Forms.

**9. What are the cases wherein Aadhaar Number of Other Person can be furnished in place of PAN?**

- The cases are as follows:
  - a. A person filing the Income-tax return as a representative assessee;
  - b. Auditor (proprietorship/ firm);
  - c. Debtors, in respect of whom bad-debt of Rs. 1 lakh or more is claimed;
  - d. Co-owner of the house property;

- e. Tenant(s) of the house property;
- f. Buyer of the immovable property transferred during the year;
- g. A person whose tax credit is being claimed by the assessee;
- h. Tenants/buyer who has deducted tax at source,
- i. Key person verifying the return of a company;
- j. Person holding 10% or more of the voting power in case of unlisted company;
- k. Shareholders of unlisted companies including start-ups;
- l. Person whose income is clubbed with the income of assessee; and
- m. Spouse governed by Portuguese Civil Code.

**10. In case if return is required to be filed in response to any notice, whether any specific changes have been made in ITR forms in this respect?**

- The new ITR Forms No. 1 to 7 require an assessee to quote the Document Identification No. (DIN ) mentioned in the notice, if any return is being filed in response to such notice.

**11. As per 7<sup>th</sup> proviso to Section 139(1) of the Act, what kind of additional information is to be furnished by a person entering into high value transactions in ITR Forms?**

- If a person other than company or firm has:
  - a. deposited more than Rs. 1 crore in one or more current account maintained with a bank or a co-operative bank; or
  - b. incurred more than Rs. 2 lakh for himself or any other person for travel to a foreign country; or
  - c. incurred more than Rs. 1 lakh towards payment of electricity bill,

he is required to furnish these details in ITR Form No. 1, 2, 3 and 4, as the case may be.

Such persons are required to give details of amount of expenditure/deposits in their ITR and are required to compulsorily file return of income, even if they have income below maximum amount not chargeable to tax.

**12. What kind of option has been given to an assessee regarding claiming their tax refunds?**

- Earlier one bank account was required to be chosen by assessee for receiving income tax refund. Now an assessee can choose multiple bank accounts for the same. However, refund shall be credited in any one of the bank accounts as decided by the CPC. The relevant changes have been made in ITR 1 to 7.
- 13. For what purpose, new ‘Schedule DI’ in ITR 1 to 6 has been inserted and how it can be used?**
- As per the Ordinance, 2020<sup>1</sup>, time limit to make investments, deposits, payments, etc. for the financial year 2019-20 for claiming deduction under Chapter VI-A, section 10AA and section 54 to 54GB was extended to 30.06.2020.
  - Existing ITR forms had no option to allow the deduction in case of aforesaid investments made beyond the end of the financial year. Thus, a new **Schedule DI** has been inserted in the ITR Forms 1 to 6, which is divided into the following three parts:
    - a. Part A seeks details of the investment, deposit, or payments made to claim deduction under Chapter VI-A;
    - b. Part B seeks details of eligible amount of deduction available under section 10AA; and
    - c. Part C seeks details of payment, acquisition, purchase or construction made to claim deduction under Sections 54 to 54GB.
- 14. What changes have been made for claiming deductions under Chapter VI-A in the light of amendment by Finance Act (2), 2019?**
- Sections 80EEA and 80EEB were inserted by FA, 2019<sup>2</sup> to claim the deduction in respect of interest on housing loan and deduction in respect of interest on electrical vehicle respectively. Accordingly, necessary changes have been made in **Part C- ‘Deductions and Taxable Total Income’**, **Schedule DI- ‘Details of Investment’** and **Schedule VI-A** of the respective ITR Forms.
  - Section 80LA was amended to provide 100% deduction to a unit of an International Financial Services Centre (IFSC) and banks incorporated by or under the laws of a country outside India for 10 years out of 15 years. Changes have been made in **Schedule VI-A** of relevant ITR forms i.e. ITR-5, 6 to claim such deduction.

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<sup>1</sup>The Taxation and Other Laws (Relaxation of Certain Provisions) Ordinance, 2020

<sup>2</sup> Finance Act (2), 2019

**III. Other Important Changes relating to Every Class of Person filing ITR in Form 3, 5 & 6.**

**15. What modification is made with respect to reporting of cash receipts and cash payment in new ITR forms?**

In case of **person carrying on business**, threshold limit u/s 44AB with respect to mandatory audit was increased from Rs. 1 Crore to Rs. 5 Crore by Finance Act, 2020. The pre-requisite for allowing this benefit is that more than 95% of business transaction (receipts as well as payments) must be done through banking channels. Meaning thereby, receipts in cash should not exceed 5% of aggregate receipts and payments in cash should not exceed 5% of aggregate payments for new turnover limit of Rs. 5 Crore to be applicable.

- Corresponding changes have been made in ITR Form no. 3, 5 and 6 by asking three questions while filing “**Audit Information**” in ITR Forms as pre-validation check of requirement of audit u/s 44AB of the Act<sup>3</sup>. For example, in case turnover exceeds Rs. 1 Crore but does not exceed Rs. 5 Crore and assessee furnishes that cash receipts exceed 5% of total business receipt, tax audit u/s 44AB would be required.

**16. How new depreciation @ 45% on motor vehicles purchased within specific period can be claimed in ITR?**

- To boost the demand for motor vehicles, an additional depreciation of 15% on motor vehicles purchased between 23-08-2019 and 31-03-2020 was announced over 30% existing rate of depreciation. This announcement was made on 23-08-2019. Thereafter, changes in rules were also made vide Notification No. 69/2019. Corresponding change is made in ITR 3, 5 & 6 by inserting separate column under **Schedule DPM** for rate of 45%.

**17. What is new reporting related to the interest payable on loan taken from a Deposit Taking NBFC or Systematically Important Non-deposit Taking NBFC?**

- Section 43B was amended by the Finance (No. 2) Act, 2019 w.e.f. AY 2020-21, to provide that any interest payable on any loan or borrowings from a Deposit Taking NBFC or Systemically Important Non-deposit Taking NBFC would be allowed as a deduction only on actual payment. Consequential changes have been made in item no., **12 (da) of Schedule - OI-Part A** in ITR 5 and ITR 6 to provide for separate reporting of the same.

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<sup>3</sup> Income Tax Act, 1961

**18. How the details of tax paid on Secondary Adjustments shall be furnished in case of transfer pricing adjustments?**

- In case of transfer pricing, as per Section 92CE, assessee is required to make secondary adjustments after primary adjustment. If excess money or part thereof is not repatriated after primary adjustments, assessee will have the option to pay additional income-tax @18% thereon plus surcharge of 12% and health & education cess of 4%.
- Consequential changes have been made in the ITR Forms for reporting of the additional income-tax paid as per the provisions of Section 92CE. A new **Schedule TPSA** has been incorporated in the ITR-3, ITR-5 and ITR-6 to report details of the amount of primary adjustment, additional tax payable and details of tax payments.

**IV. Changes relevant for pass through income.**

**19. What are the changes made with respect to pass through entities/ income?**

- If an entity is provided pass-through status under the Income-tax Act then such entity is allowed to pass its income to its investors without paying taxes and consequently, investors are liable to pay tax on such income as if they have directly made the investments. Ex:- Alternative Investment Funds (AIFs).
- Earlier, Category-I and Category-II Alternative Investment Funds (AIFs) were allowed to pass-through any income (other than income from business or profession). However, by the Finance Act 2020, Section 115UB was amended to allow pass-through of losses, if any, accumulated as on 31.03.2019 in certain cases. On the basis of the amendments made in Section 115UB, new ITR Forms i.e. 2, 3, 5, 6 & 7 have been modified to incorporate the said changes.

**V. Other Significant Changes Related to Firm, AOP, BOI, Company, Co-operative Society etc. (ITR-5 & 6)**

**20. What change is made with respect to Option to choose ‘Self-occupied property’ introduced in ITR-5 and ITR-6?**

- As of now, ITR-5 and ITR-6 has two options i.e. let out and deemed let out. There is no option for Self-Occupied Property. The ITR Form 5 and 6 for the assessment year 2020-21 now allow selection of ‘self-occupied’ house property in Schedule HP. Thus, an assessee filing return in ITR 5 or ITR 6 can also enter the details of the self-occupied property as well.

**21. What is the current status of option to claim exemption u/s 54EE in new ITR-5 and ITR-6?**

- Schedule CG (Capital Gains) contained rows to claim an exemption under Section 54EE for the investment made in the long-term specified assets, being units issued before 01-04-2019 of the fund notified by the Central government in this behalf. As no such fund has been notified by the Central government in this behalf, the ITR forms for the assessment year 2020-21 has thus removed relevant entry for option to claim the exemption under Section 54EE.

**22. Is there any reporting required in case of income from insurance business?**

- As of now, no separate computation of income from the life insurance business (as referred to under section 115B) was required under the **Schedule BP in Table E**. The new ITR Forms 5 and 6 introduced for the assessment year 2020-2021 require a separate reporting of income from the life insurance business in Schedule BP. It requires the following information in this respect:
  - a. Net profit or loss from insurance business referred to in section 115B;
  - b. Additions in accordance with section 30 to section 43B;
  - c. Deductions in accordance with section 30 to section 43B;

Similar changes have been made in other schedules, inter-alia, separate information is required for income from the life insurance business in the **Schedule CFL** (Details of losses to be carried forward to future years).

**23. Whether separate reporting is required for income from units of mutual fund purchased in foreign currency by Offshore fund?**

- In the earlier income tax returns forms, income received from units purchased in foreign currency by Offshore Fund u/s 115BA(1)(a) were not covered specifically by Schedule OS. The said income of the nature other than long term capital gain is chargeable at 10%. Now ITR Forms, require a separate reporting of such income in **Schedule OS** (Income from Other Sources). Further, for calculating tax at special rates drop down in **Schedule SI** shall be provided in ITR filing utility.

**VI. Changes pertaining to Companies (other than companies claiming exemption u/s 11) in ITR-6.**

**24. What changes have been made in ITR Form-6 related to the companies?**

- The following changes have been made with respect to ITR Form-6:-
  - (i) In ITR Form no. 6, domestic company is required to separately report in **Schedule OS (Income from Other Sources)**, the dividend income received from foreign

company in which domestic company has 26% or more equity shareholding. Consequential change has also been made to **Schedule SI (Special Income)** to reflect such dividend income and tax as per Section 115BBD.

- (ii) If any unlisted company issues share at price higher than face value and FMV. In **Schedule SH-1 of ITR-6**, information about the shareholding of unlisted companies (other than Start-up) and price of shares issued is required to be furnished.

With respect to the reporting requirement by the section 8 Companies (or section 25 of the Companies Act, 1956) the **CBDT vide its circular no. 26/2019 dated 26.9.2019** answered the various questions of taxpayers, and stated that details of section 8 Companies (or section 25 of the Companies Act, 1956) is not required to be made in Schedule SH-1.

Now in new ITR forms itself, it is clearly specified that Schedule SH-1 is not applicable in case of a company that is registered under section 8 of the Companies Act, 2013 (or section 25 of the Companies Act, 1956) or a **company limited by guarantee under section 3(2) of Companies Act, 2013**.

- (iii) In the new ITR Form 6, if a foreign company has earned following incomes:
  - a. royalty from Indian government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 31-03-1961 but before the 01-04-1976
  - b. fees for technical services from Indian government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 29-02-1964 but before 01-04-1976.

then, it would separately report them in the **Schedule OS (Income from Other Sources)**. Consequential change has also been made to **Schedule SI (Special Income)** to tax such income at special rate. In earlier years ITR forms, there was no separate column to report the aforesaid income in Schedule OS.

- (iv) In **Part A of General Schedule**, company now is required to choose whether it is opting for any alternative tax regimes under Section 115BA, 115BAA or 115BAB of the Act for alternative tax rate of 25%, 22%, 15% (plus applicable surcharge and cess) respectively under special tax regime.
- (v) In the new ITR-6, a company is now required to report its share in land or building in case of co-ownership.

- (vi) Considering the mandatory requirement of maintaining books of accounts by the Ind-AS compliant company, relevant rows below the Balance sheet (Part A-BS–Ind AS) and Profit & Loss Account (Part A-P&L Ind-AS) requiring such company to furnish certain financial particulars have been deleted.
- (vii) As per Finance Act 2020, Section 140 was amended which enable any person prescribed by the Board to verify ITR of company. In new ITR 6, following details of such person is required to be furnished in **Schedule of ‘Key Person’**:-
  - a. Name.
  - b. Designation
  - c. Residential status
  - d. PAN/AADHAAR No
  - e. DIN (Director Identification Number)

## **VII. Changes pertaining to Charitable Trust (ITR 7)**

### **25. What details related to approval / registration are required to be furnished by Trust under new ITR Form-7?**

- After the Finance Act 2020, existing Trusts or Institutions were required to make an application again u/s 12AB or under amended section 10(23C) or section 80G within 3 months from 01-06-2020. Later, implementation of the new procedure was deferred till 01.10.2020 the vide press release dated 09.05.2020.
- However, **Part A- GEN of ITR-7** requires, the assessee to furnish the following details with respect to registration or approval :
  - (a) Whether application for registration is made as per new provisions
  - (b) Section under which registration is applied
  - (c) Date on which application for registration/approval as per new provisions is made
  - (d) Relevant section for claiming exemption under the new provisions.
- Thus, if before the filing of return of income for AY 2020-21, existing Trust/Institutions have filed application for fresh registration, they would be required to fill such details, however necessary clarification is required from CBDT as the relevant procedure has been deferred till 01.10.2020.

### **26. What changes in respect of ‘Exemption other than under section 11(1A) (if any)’ and ‘Exemption under 112A’ have been brought in Schedule CG (Capital Gain)?**

- In new ITR Form 7, ‘Exemption other than under section 11(1A) (if any) and ‘Exemption under 112A’ in Schedule CG for claiming capital gain exemption have been deleted

considering that the Sections 11, 12 and 13 are special provisions governing institutions which are being given the benefit of tax exemption.

**27. How the details of corpus donation to Trust/institutions can be reported in ITR-7?**

- Corpus donation by a charitable or religious trust registered section u/s 12AA to any other trust registered u/s 12AA or to institutions u/s 10(23C) such as university, other educational institution, any hospital, medical institution or *vice versa* is not considered application of income.

Accordingly, changes have been made in new ITR Form 7 as follows:

- a. **‘Donation-other than corpus’** made by Trust/Institution under section 11 or 10(23C)(iv),(v),(vi) or (via) as the case may be, is required to be reported in **Part B of Schedule ER**.
- b. For reporting the Corpus Donation by Trust and Institutions u/s 10(23C), new line item **‘Donation forming part of corpus fund’** is inserted under **‘Disallowable Expenditure’** column in the **Part-C of Schedule ER** in new Form ITR-7.

Earlier separate classification of “corpus” and “other than corpus” were required to be filled in ITR Schedule ER.

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