

ITR Forms for AY 2021-22 - The Obvious Next Steps

Apr 06, 2021



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The Central Board of Direct Taxation (CBDT) has notified new income tax return forms ITR-1 to ITR-7 for the assessment year 2021-22 vide Notification No. 21/2021, dated 31-03-2021. The Ministry of Finance in its press release dated 01st April 2021 has clearly stated that *'Keeping in view the ongoing crisis due to COVID pandemic and to facilitate the taxpayers, **no significant change** have been made to the ITR Forms in comparison to the last year's ITR Forms. **Only the bare minimum changes (mainly on account of amendments made by the Finance Act, 2020 to the Income-tax Act), necessitated due to amendments in the Income-tax Act, 1961 have been made.'*** The certain disclosure requirements not applicable in current year are removed. The major changes as are made in ITR Forms are discussed in subsequent paras.

2 **Major Changes in ITR-1 or its Applicability (Sahaj) is a simpler form which serves the majority of the small and medium taxpayers. Sahaj can be filed by an Individual who has an income up to ₹50 lakh and who receives the income from salary, one house property / other sources)**

- Not for an individual who is either Director in a company or has invested in unlisted equity shares
- Not applicable when Tax has been deducted u/s 194N

Section 194N of the Act was introduced vide Finance (No 2) Act 2019 which mandates tax withholding on cash withdrawal above the threshold subject to prescribed conditions. The Finance act, 2020, amended with section.194N with an intention of curb black money and track the persons those having huge cash withdrawal from bank and not filed their return of income as per the requirement under income tax act.

Rule 12 of the Income-tax Rules, 1962 was amended **to restrict** an assessee, in whose case tax has been deducted under section 194N, from furnishing return of income in ITR-1. In line with this, **ITR-1 cannot be filed by assessee** in whose case tax has been deducted u/s 194N.

If Tax has been deducted u/s 194N, assessee can file ITR-2, 3 or 4 as applicable in his case.

- Not Applicable if income-tax is deferred on ESOP

The Finance Act, 2020 has made amendment to various provisions of the Act to defer the collection of tax on perquisites value of ESOP allotted by an eligible start-up referred under Section 80-IAC.

Rule 12 of the Income-tax Rules, 1962 was amended to give effect to above amendment whereby assessee in whose cases, payment or deduction of Tax is in respect of such ESOP, **is not eligible to file ITR 1. In line with this, ITR-1 cannot be filed by assessee in whose case tax is deferred on ESOP. (Even in such cases, assessee cannot file ITR-4)**

- From A.Y. 2021-22, individual/HUF can opt for taxation regime as per new provisions of section 115BAC of the Act, hence assessee is required to provide as to whether he has computed income tax liability as per such section or not. (The Assessee is required to file Form 10-IE simultaneously if computes tax as per section 115BAC)(Similar Option also provided in ITR-2 to 4)
- Assessee is **required to provide dividend break up(quarterly)** so as to compute proper interest u/s 234C of the Act.

3 **Major Changes in ITR-2 or its Applicability**

- The Assessee is required to report deduction of interest expenditure claimed against Dividend Income as per provisions of section 57 of the Act. (Similar reporting is also required in other ITR, except ITR -1)
- Disclosure relating to taxation of ESOP in specialised case:

If an Employee of Eligible Start up has received ESOPs **and taxability on same has been deferred**, he is required to make specific disclosure of tax deferred in PART B TTI" Computation of Tax liability of total income" as under: (Similar option is provided in ITR -3)

Part B - TTI		Computation of tax liability on total income			
COMPUTATION OF TAX LIABILITY	1	a	Tax payable on deemed total income u/s 115JC (4 of Schedule AMT)	1a	
		b	Surcharge on (a) (if applicable)	1b	
		c	Health and Education Cess @ 4% on (1a + 1b) above	1c	
		d	Total tax payable on deemed total income (1a + 1b + 1c)	1d	
	2		Tax payable on total income		
		a	Tax at normal rates on 15 of Part B-TI	2a	
		b	Tax at special rates (total of col. (b) of Schedule SI)	2b	
		c	Rebate on agricultural income [applicable if (12-13) of Part B-TI exceeds maximum amount not chargeable to tax]	2c	
		d	Tax Payable on Total Income (2a + 2b - 2c)	2d	
	3		Rebate under section 87A	3	
4		Tax payable after rebate (2d - 3)	4		
5		Surcharge			
			Surcharge computed before marginal relief	Surcharge after marginal relief	
	i	@ 25% of 15(ii) of Schedule SI	5i	5ia	
	ii	@ 10% or 15%, as applicable of 2(ii), 3(ii), 8(ii), 11(ii), 21(ii), 23(ii) of Schedule SI	5ii	5iia	

	iii	On [(4) - (16(ii), 2(ii), 3(ii), 8(ii), 11(ii), 21(ii), 23(ii) of Schedule SI)]	5iii	
	iv	Total ia + iia	5iv	
6		Health and Education Cess @ 4% on (4 + 5iv)	6	
7		Gross tax liability (4 + 5iv + 6)	7	
8		Gross tax payable (higher of 1d and 7)	8	
8a		Tax on income without including income on perquisites referred in section 17(2)(vi) received from employer, being an eligible start-up referred to in section 80-IAC (Schedule Salary)	8a	
8b		Tax deferred - relatable to income on perquisites referred in section 17(2)(vi) received from employer, being an eligible start-up referred to in section 80-IAC	8b	
9		Credit u/s 115JD of tax paid in earlier years (applicable only if 7 is higher than 1d) (row 5 of Schedule AMTC)	9	
10		Tax payable after credit u/s 115JD (8a - 9)	10	

It is pertinent to note that section 192, 140A, 191 and 156 of the Act are suitable amended by Finance Act, 2020. However, Section 17(2) of the Act is not amended hence tax is required to be computed in the year in which shares are allotted but tax shall be paid in subsequent years.

- Disclosure regarding claim of TDS u/s 194N

C1 Details of Tax Deducted at Source (TDS) on Income [As per Form 16 A issued or Form 16B/16C furnished by Deductor(s)]												
Sl No	TDS credit relating to self/other person [spouse as per section 5A/other person as per rule 37BA(2)]	PAN/ Aadhaar No. of Other Person (if TDS credit related to other person)	TAN of the Deductor/ PAN/ Aadhaar No. of Tenant/ Buyer	Unclaimed TDS brought forward (b/f)		TDS of the current Financial Year (TDS deducted during FY 2020-21)		TDS credit being claimed this Year (only if corresponding income is being offered for tax this year, not applicable if TDS is deducted u/s 194N)		Corresponding Receipt/withdrawals offered		TDS credit being carried forward
				Fin. Year in which deducted	TDS b/f	Deducted in own hands	Deducted in the hands of spouse as per section 5A or any other person as per rule 37BA(2) (if applicable)	Claimed in own hands	Claimed in the hands of spouse as per section 5A or any other person as per rule 37BA(2) (if applicable)	Gross Amount	Head of Income	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
						Income	TDS	Income	TDS		PAN/ Aadhaar No.	
I												

NOTE ► Please enter total of column 9 in 15b of Part B- TTI

TDS u/s 194N of the Act has no correlation with income of tax payer. Considering these facts, there is no option to carry forward such TDS in ITR. (Similar disclosure is also provided in ITR 3 onwards)

- Disclosure relating to Margin Relief (Applicable in ITR- 3 & 5)

Part B-TI		Computation of tax liability on total income			
COMPUTATION OF TAX LIABILITY	1	a	Tax payable on deemed total income u/s 115JC (4 of Schedule AMT)	1a	
		b	Surcharge on (a) (if applicable)	1b	
		c	Health and Education Cess @ 4% on (1a + 1b) above	1c	
		d	Total tax payable on deemed total income (1a + 1b + 1c)		1d
	2		Tax payable on total income		
		a	Tax at normal rates on 15 of Part B-TI	2a	
		b	Tax at special rates (total of col. (ii) of Schedule SI)	2b	
		c	Rebate on agricultural income [applicable if (12-13) of Part B-TI exceeds maximum amount not chargeable to tax]	2c	
		d	Tax Payable on Total Income (2a + 2b - 2c)		2d
	3		Rebate under section 87A		3
	4		Tax payable after rebate (2d - 3)		4
	5		Surcharge		
	i	@ 25% of 15(ii) of Schedule SI	5i	Surcharge computed before marginal relief	5ia
	ii	@ 10% or 15%, as applicable of 2(ii), 3(ii), 8(ii), 11(ii), 21(ii), 23(ii) of Schedule SI	5ii	Surcharge after marginal relief	5iia

- In Schedule OS “ Income from other sources” , assessee is required to disclose interest income received in section 194LC chargeable u/s 115A(1)(a)(iiaa). As TDS is deducted either @ 4% or 5% as provided in Section, both income is required be disclosed separately. (Similar requirement is provided in ITR 3,5, 6 & 7)

- Date of Cash Donation u/s 80GGA (Applicable also for ITR 5 and 6)

Schedule 80GGA		Details of donations for scientific research or rural development						
S. No.	Relevant clause under which deduction is claimed (drop down to be provided)	Name and address of Donor	PAN of Donor	Amount of donation				Eligible Amount of donation
				Donation in cash	Date of Donation in cash	Donation in other mode	Total Donation	
	i							
	ii							
	Total donation							

- There is no need to bifurcate loss between pass through losses and normal losses (Applicable even in ITR 3 to 6)

4 Major Changes in ITR-3 or its Applicability (Other than referred herein above)

- Changes in Tax Audit Limit

The Threshold limit to get books of account audited u/s 44AB has been increased to Rs 10 crore if assessee's aggregate of all receipts/payments in cash during the preceding year does not exceed 5% of such receipts/payments, necessary modifications are made in ITR. (Similar modification is made in ITR-6)

- **As per Section 194M** Any person, being an individual or a Hindu undivided family (other than those who are required to deduct income-tax as per the provisions of section 194C, section 194H or section 194J) responsible for paying any sum to any resident for carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract, by way of commission (not being insurance commission referred to in section 194D) or brokerage or by way of fees for professional services during the financial year, shall, deduct an amount equal to five per cent of such sum as income-tax thereon as mentioned in section.

As per Rule 31, certificate for tax deducted under above section is required to be issued in **Form 16D** and considering the same, ITR requires assessee to provide details of **TDS as per certificate issued by deductor.** (Similar amendment from ITR 4 onwards)

- **Schedule 5A** " Information regarding Information of income between Spouses governed by Portuguesa Civil Code" has been amended which also require details relating books of account of spouse is audited u/s 44AB /92E etc.

Schedule 5A		Information regarding apportionment of income between spouses governed by Portuguese Civil Code			
Name of the spouse					
PAN/Aadhaar No. of the spouse					
Whether books of accounts of spouse is audited u/s 44AB? or Whether your spouse is a partner of a firm whose accounts are required to be audited u/s 44AB under this Act?		Yes/No			
Whether books of accounts of spouse is audited u/s 92E? or Whether your spouse is a partner of a firm whose accounts are required to be audited u/s 92E under this Act?		Yes/No			
Heads of Income	Receipts received under the head	Amount apportioned in the hands of the spouse	Amount of TDS deducted on income at (ii)	TDS apportioned in the hands of spouse	
(i)	(ii)	(iii)	(iv)	(v)	
1 House Property					
2 Business or profession					
3 Capital gains					
4 Other sources					
5 Total					

- Amendment to Schedule of Depreciation (ITR 5 is also modified)

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Schedule DPM Depreciation on Plant and Machinery (Other than assets on which full capital expenditure is allowable as deduction under any other section)

1	Block of assets	Plant and machinery			
		15	30	40	45
2	Rate (%)	(i)	(ii)	(iii)	(iv)
3	Written down value on the first day of previous year				
3a	Amount as adjusted on account of opting for taxation under section 115BAC				
3b	Adjusted Written down value on the first day of previous year (3) + (3a)				
4	Additions for a period of 180 days or more in the previous year				
5	Consideration or other realization during the previous year out of 3b or 4				
6	Amount on which depreciation at full rate to be allowed (3b + 4 - 5) (enter 0, if result is negative)				
7	Additions for a period of less than 180 days in the previous year				
8	Consideration or other realizations during the year out of 7				
9	Amount on which depreciation at half rate to be allowed (7-8) (enter 0, if result is negative)				

Once tax payer is opting for Section 115BAC (special regime to individual/HUF) or Section 115BAD (Special regime to Co-operative societies), cannot carry forward unabsorbed depreciation relating to additional depreciation and is not entitled to further deduction of additional depreciation. However, such assessee, as provided in section can **increase WDV of asset by way of unabsorbed depreciation** and to incorporate such changes, necessary modification is made in above schedule of depreciation.

- Necessary modification in Schedule of unabsorbed depreciation

The necessary modification is also made in below mentioned schedule:

Schedule UD		Unabsorbed depreciation and allowance under section 35(4)						
Sl No	Assessment Year	Depreciation				Allowance under section 35(4)		
		Amount of brought forward unabsorbed depreciation	Amount as adjusted on account of opting for taxation u/s 115BAC (3a)	Amount of depreciation set-off against the current year income	Balance carried forward to the next year	Amount of brought forward unabsorbed allowance	Amount of allowance set-off against the current year income	Balance Carried forward to the next year
(1)	(2)	(3)	(3a)	(4)	(5)	(6)	(7)	(8)
i	Current Assessment Year							
ii								
iii								
iv								
v	Total			(3xvi of BFLA)			(4xvi of BFLA)	

- Similar amendment to carried forward losses

Schedule CFL Details of Losses to be carried forward to future years											
Sl. No.	Assessment Year	Date of Filing (DD/MM/YYYY)	House property loss	Loss from business other than speculative business and specified business			Loss from speculative business	Loss from specified business	Short-term capital loss	Long-term Capital loss	Loss from owning and maintaining race horses
				Brought forward Business Loss	Amount as adjusted on account of opting for taxation u/s 115BAC	Brought forward Business Loss available for set off during the year					
i	2	3	4	5a	5b	5c-5a-5b	6	7	8	9	10
WARD OF LOSS	i	2010-11									
	ii	2011-12									
	iii	2012-13									
	iv	2013-14									
	v	2014-15									
	vi	2015-16									
	vii	2016-17									
	viii	2017-18									

Once assessee is opting for tax regime provided in Section 115BAC or 115BAD, he/it cannot carry forward losses on account of various exemption/deductions as specified in such section hence necessary modifications are made in Schedule of Carry forward losses.

4 No major modifications are made in ITR-4 (except as stated herein above).

5 **Major Changes in ITR-5 or its Applicability (Other than referred herein above)**

- From A.Y. 2021-22, Co-operative society can opt for special taxation regime as per new provisions of section 115BAD of the Act, hence assessee is required to provide as to whether he has computed income tax liability as per such section or not. (The Assessee is required to file Form 10-IF simultaneously if computes tax as per section 115BAD
- From current year, there is no requirement for reporting income from Life Insurance Company separately(u/s 115B) (Applicable even in ITR 6)
- **Deduction u/s 80P**

While claiming deduction, assessee is required to mentioned “nature of business code”

Schedule 80P Deductions under section 80P		Nature of Business Code	Income	Amount eligible for deduction
1	Sec.80P(2)(a)(i) Banking/Credit Facilities to its members			
2	Sec.80P(2)(a)(ii) Cottage Industry			
3	Sec.80P(2)(a)(iii) Marketing of Agricultural produce grown by its members			
4	Sec.80P(2)(a)(iv) Purchase of Agricultural Implements, seeds, live-stocks or other articles intended for agriculture for the purpose of supplying to its members.			
5	Sec.80P(2)(a)(v) Processing , without the aid of power, of the agricultural Produce of its members.			
6	Sec.80P(2)(a)(vi) Collective disposal of Labour of its members			
7	Sec.80P(2)(a)(vii) Fishing or allied activities for the purpose of supplying to its members.			
8	Sec.80P(2)(b)Primary cooperative society engaged in supplying Milk, oilseeds, fruits or vegetables raised or grown by its members to Federal cooperative society engaged in supplying Milk, oilseeds, fruits or vegetables/Government or local authority/Government Company / corporation established by or under a Central, State or Provincial Act			
9	Sec.80P(2)(c)(i)Consumer Cooperative Society Other than specified in 80P(2a) or 80P(2b)			
10	Sec.80P(2)(c)(ii)Other Cooperative Society engaged in activities Other than specified in 80P(2a) or 80P(2b)			
11	Sec.80P(2)(d)Interest/Dividend from Investment in other co-operative society			
12	Sec.80P(2)(e)Income from Letting of godowns/ warehouses for storage, processing / facilitating the marketing of commodities			
13	Sec.80P(2)(f)Others			
14	Total			

6 Major Changes in ITR-6 or its Applicability (Other than referred herein above)

- Deduction u/s 80M (Separate claim to be made)

Schedule VI-A Deductions under Chapter VI-A	
TOTAL DEDUCTIONS	1 Part B- Deduction in respect of certain payments Please note that the deduction in respect of the Investment/ deposit/ payments for the period 01-04-2020 to 31-07-2020 cannot be claimed again, if already claimed in the AY 2020-21.
	a 80G
	b 80GGB
	c 80GGA
	d 80GGC
	Total Deduction under Part B (a + b + c +d)
	2 Part C- Deduction in respect of certain incomes
	e 80-IA (f of Schedule 80-IA)
	f 80-IAB
	g 80-IAC
h 80-IB (k of Schedule 80-IB)	
i 80-IBA	
j 80-IC/ 80-IE (e of Schedule 80-IC/ 80-IE)	
k 80JJA	
l 80JAA (Sl.no. 5(iv) + 5II of Annexure to Form 10DA)	
m 80LA(1) (9 of Annexure to Form 10CCF)	
n 80LA(1A) (9 of Annexure to Form 10CCF)	
o 80M- Details of distribution of dividend as provided in e-filing utility	
p 80-PA	

Conclusion

As CBDT has already notified prescribed ITR on 31st March 2021 along with introduction of JSON utility (offline utility for ITR 1 and 4 already available), and other ITRs will be added in the subsequent releases, assessee would be easily able to file timely returns.