

TAX FLASH NEWS

Income tax return forms notified for the financial year 2014-15

Background

The Central Board of Direct Taxes (CBDT) has notified¹ new return forms for the financial year 2014-15 making certain additions/modifications to the last year's format. The CBDT has currently notified ITR-1, ITR-2, ITR-2A and ITR-4S.

Key changes in tax return forms

- Tax return is to be mandatorily filed electronically in the following cases:
 - (a) Resident taxpayer has assets (including financial interest in any entity) located outside India or signing authority in any account located outside India
 - (b) Foreign Tax Credit (FTC)/exemption of income is availed under the tax treaty
 - (c) Refund is claimed in the return
 - (d) Total income is more than INR500,000.
- Super senior citizens (aged 80 years or more) can continue to furnish returns in paper form with respect to (c) and (d) above.
- It is now possible to file returns under the Electronic Verification Code (EVC) system which eliminates the requirement to physically post signed ITR-V to the Centralised Processing Cell (Bengaluru).

Amendment in form ITR-1

Individuals having following income sources are required to furnish return in form ITR-1:

- Income from salary/pension; or
- Income from **one** house property; or
- Income from other sources (excluding winning from lottery and income from race horses).

Key amendment to this form includes relaxation to the cap of exempt income. Now individuals having exempt income above INR5,000 (other than agricultural income) can also file ITR-1.

Amendment in form ITR-2

Individuals and Hindu Undivided Family having following sources of income are required to furnish return in form ITR-2:

- Income from salary/pension; or
- Income from house property: or
- Income from capital gains; or
- Income from other sources (including winning from lottery and income from race horses).

Further, ITR-2 will also be applicable:

- If, income from agricultural activities exceeds INR5,000; or
- If relief has been claimed for taxes paid outside India; or
- In case of ordinary tax residents having assets or income outside India.

¹ Notification No. 49/2015/ F.No.142/1/2015-TPL/S.O. 1660 (E)

Key changes pertaining to foreign asset and income reporting:

- Scope of foreign asset disclosure has now been widened to include:
 - Total income from the foreign assets (bank accounts, financial interest in an entity, immovable property, capital asset, signing authority in an account, trustee, beneficiary or settlor in a trust); or
 - Income from any other source not specifically covered
 - Date of opening the bank account or date of acquisition along with details of beneficial ownership needs to be reported separately.
- An individual who is not an Indian citizen and is in India on a business, employment or student visa (expatriate) would not mandatorily be required to report the foreign assets acquired by him/her during the previous years in which he was a non-resident if no income is derived from such assets during the relevant previous year.

Other changes:

- Option to furnish the passport number has been inserted in the return forms (if available)
- Scope of capital gains schedule widened to include details of utilisation of funds from Capital Gains Account scheme
- Details of income which are taxed as per the beneficial provisions of the tax treaty to be reported separately under other sources and capital gains.

New form ITR-2A

A new form ITR-2A has been notified for taxpayers being individual or a Hindu Undivided Family having only following sources of income:

- Income from salary/pension; or
- Income from **more than one** house property; or
- Income from other sources (including winning from lottery and income from race horses).

Thus, taxpayers can use form ITR-2A only if there are no reportable business income, capital gains or foreign assets/income.

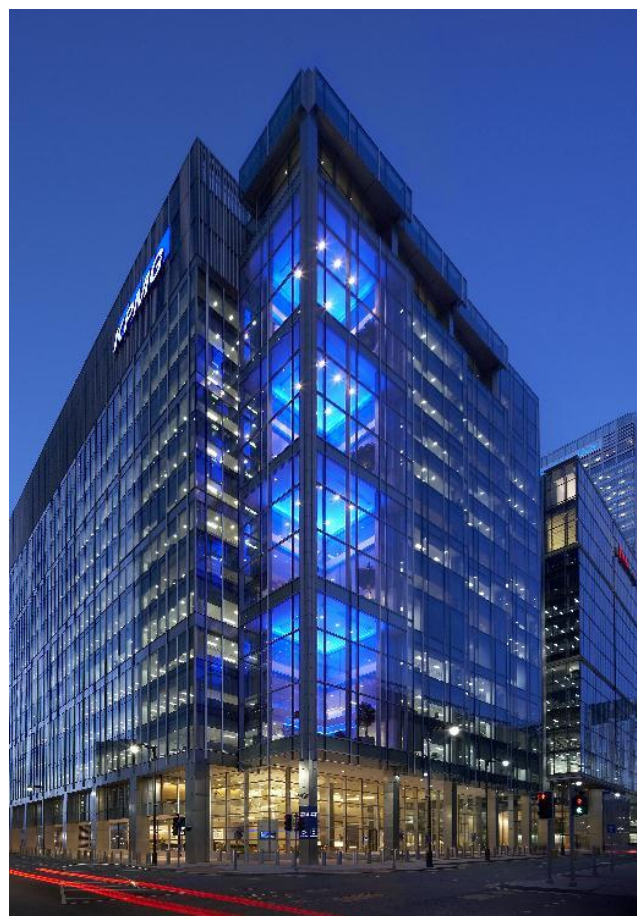
Other points of consideration

- Option to furnish the Aadhar Card number has been inserted in the return forms
- Details of all bank accounts held in India at any time during the year excluding dormant accounts (which are not operational for more than three years) are to be reported
- Option to report return filed under Section 119(2)(b) of the Income-tax Act, 1961 (the Act) (i.e. a return filed after time barring period but subject to acceptance of an application be made before the income-tax authority) is now separately covered.

Our comments

CBDT has done away with the additional disclosure requirements of foreign trips and expenditure thereon which were sought earlier.

Further, filing of tax returns electronically using the EVC system will help make the online filing procedure paperless which is a welcome step.



Ahmedabad

Commerce House V, 9th Floor,
902 & 903, Near Vodafone House,
Corporate Road,
Prahlad Nagar,
Ahmedabad – 380 051
Tel: +91 79 4040 2200
Fax: +91 79 4040 2244

Bengaluru

Maruthi Info-Tech Centre
11-12/1, Inner Ring Road
Koramangala, Bangalore 560 071
Tel: +91 80 3980 6000
Fax: +91 80 3980 6999

Chandigarh

SCO 22-23 (1st Floor)
Sector 8C, Madhya Marg
Chandigarh 160 009
Tel: +91 172 393 5777/781
Fax: +91 172 393 5780

Chennai

No.10, Mahatma Gandhi Road
Nungambakkam
Chennai 600 034
Tel: +91 44 3914 5000
Fax: +91 44 3914 5999

Delhi

Building No.10, 8th Floor
DLF Cyber City, Phase II
Gurgaon, Haryana 122 002
Tel: +91 124 307 4000
Fax: +91 124 254 9101

Hyderabad

8-2-618/2
Reliance Humsafar, 4th Floor
Road No.11, Banjara Hills
Hyderabad 500 034
Tel: +91 40 3046 5000
Fax: +91 40 3046 5299

Kochi

Syama Business Center
3rd Floor, NH By Pass Road,
Vytilla, Kochi – 682019
Tel: +91 484 302 7000
Fax: +91 484 302 7001

Kolkata

Unit No. 603 – 604,
6th Floor, Tower – 1,
Godrej Waterside,
Sector – V, Salt Lake,
Kolkata 700 091
Tel: +91 33 44034000
Fax: +91 33 44034199

Mumbai

Lodha Excelus, Apollo Mills
N. M. Joshi Marg
Mahalaxmi, Mumbai 400 011
Tel: +91 22 3989 6000
Fax: +91 22 3983 6000

Noida

6th Floor, Tower A
Advant Navis Business Park
Plot No. 07, Sector 142
Noida Express Way
Noida 201 305
Tel: +91 0120 386 8000
Fax: +91 0120 386 8999

Pune

703, Godrej Castlemaine
Bund Garden
Pune 411 001
Tel: +91 20 3050 4000
Fax: +91 20 3050 4010

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