

Tax alert: CBDT notifies income tax return forms ITR-1 (Sahaj) and ITR-4 (Sugam) for FY 2019-20

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Summary

CBDT has notified¹ forms ITR 1 (SAHAJ) and ITR 4 (SUGAM) for the financial year 2019-20. In addition, the Income-tax Rules, 1962 (the Rules) have been amended to provide that where an individual taxpayer has deposited more than INR 1 crore in current account(s) or incurred more than INR 2 lakh for travel to a foreign country or incurred more than INR 1 lakh towards electricity consumption, such person will not be eligible for ITR-1.

Detailed instructions and e-filing utility of the said forms are yet to be released.

Applicability of the forms

ITR-1 (Sahaj)

ITR-1 can be filed by a resident and ordinary resident individual taxpayer only if all the following conditions are satisfied:

- Their total income does not exceed INR 50 lakh.
- They have income from salaries, one house property and income from other sources.
- Their agricultural income does not exceed INR 5,000.

ITR-4 (Sugam)

ITR-4 can be filed by a taxpayer only if all the following conditions are satisfied:

- The taxpayer should be a resident individual, Hindu Undivided Family (HUFs) or a partnership firm (apart from LLP).
- Their total income does not exceed INR 50 lakh.
- They have income from salaries, one house property and income from other sources.
- Income from business or profession computed under provisions related to presumptive taxation².
- Their agricultural income does not exceed INR 5,000.

Non-applicability of the forms

Taxpayers fulfilling any of the following conditions are not eligible to file their tax return in either Form ITR-1³ or ITR-4:

- An individual holding foreign assets including financial interest in any entity outside India or deriving any foreign income.
- An individual having investment in equity shares of any unlisted company or held directorship in any company.
- An individual claiming deduction for earning income from other sources⁴.
- Where a person has any capital gain income.
- Where a person has any brought forward loss or loss to be carried forward under any head of income.
- Where a person is assessable for the income on which tax is deducted at source in the hands of any other person.
- Where the person has income from any jointly owned house property.

Additional restriction from using ITR-1

A taxpayer falling under any of the following categories cannot file return in ITR-1:

¹ Notification No. 01 of 2020 dated 3 January 2020

² Sections 44AD, 44ADA and 44AE of the Income-tax Act, 1961 (Act)

³ Rule 12 of the Rules

⁴ Other than specified deduction for family pension or deduction for enhanced compensation

- Any individual taxpayer who during FY 2019-20 has⁵: **ITR -4 (Sugam)**

- deposited more than INR 1 crore in current account(s)
- incurred more than INR 2 lakh for travel to a foreign country
- incurred more than INR 1 lakh towards electricity consumption

It may be noted here that Finance (No.2) Act, 2019 had included the above category of taxpayers who are mandatorily required to file tax return even in case where they do not have any income.

- In response to notice issued pursuant to search proceedings⁶.

Key changes in the forms

ITR-1 (Sahaj)

- **Basic information:** The ITR form seeks details of the passport of the taxpayer.
- **Salary income:** Disclosure with respect to employer like name, nature, address, tax deduction account number, etc., is required to be furnished.
- **House property income:** Address of the property is required to be disclosed. Further, in case where a property is let out, the details of the tenant are required to be disclosed along with the amount of unrealised rent, if any.
- **Other sources:** The new form allows deduction for earning family pension and enhanced compensation⁷.
- **Deductions:** New columns have been added to disclose deductions with respect to purchase of house property and electric vehicle⁸.

- **Basic information:** Details for partnership firm in which the taxpayer held partnership interest are required to be disclosed. In case the taxpayer is a firm, then details of all the partners are also required to be disclosed.
- **Cash and bank transactions:** Particulars of cash and bank transactions with respect to receipts and payments relating to the business on which provisions of presumptive taxation are availed need to be disclosed.
- **New disclosure:** The form seeks disclosure⁹ of the amount spent on foreign travel, electricity consumption or deposit of more than INR 1 crore in current account(s).
- **Enhanced disclosure for goods carriage agency availing presumptive taxation regime¹⁰:** Comprehensive disclosure with respect to income including income actually earned in respect of goods carriage is sought.

Our comments

The government has been very proactive in releasing the ITR forms applicable to individual taxpayers from specified sources of income during the current financial year. This will give the taxpayers sufficient time to determine the ITR form applicable to them and collate the information required for any additional disclosures.

⁵ Seventh proviso to section 139(1)

⁶ Under sections 153 (A) [Assessment in case of search or requisition] and 153(C) [Assessment of income of any other person]

⁷ Under section 57 (iia) and section 57(iv) respectively

⁸ Newly inserted vide the Finance (No.2) Act, 2019 under section 80 EEA and section 80EEB respectively

⁹ In case the return is filed under seventh proviso to section 139(1)

¹⁰ Under section 44 AE

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