

27 key changes introduced in New ITR forms applicable for AY 2023-24

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The CBDT has released new Income-tax Return (ITR) Forms for the Assessment Year 2023-24 *vide* Notification No. 04/2023, dated 10-02-2022, and Notification No. 05/2022, dated 14-02-2023.

The CBDT said that to facilitate the taxpayers and ease of filing, no significant changes have been made to the ITR Forms compared to last year's. Only the bare minimum changes necessitated due to amendments in the Income-tax Act, 1961 have been made.

The applicability of the ITR forms for different taxpayers remains unchanged, and small taxpayers can still use the simple ITR forms (ITR 1 and ITR 4) without any additional conditions. However, ITR-1 can't be filed by an individual who is otherwise not liable to file but has to file because of depositing more than Rs. 1 crore in one or more current accounts.

We have done a thorough analysis of new ITR Forms (ITR 1 to 7) and highlighted all key changes and new requirements in current ITR forms viz-a-viz last year's ITR Forms.

These changes are explained below:

1. Form to be used by a taxpayer to file the Income-tax return for the assessment year 2023-24

<i>Nature of income</i>	<i>ITR 1*</i>	<i>ITR 2</i>	<i>ITR 3</i>	<i>ITR 4*</i>
<i>Salary Income</i>				
Income from salary/pension (for ordinarily resident person)	✓	✓	✓	✓
Income from salary/pension (for not ordinarily resident and non-resident person)		✓	✓	
Any individual who is a Director in any company		✓	✓	
If payment of tax in respect of ESOPs allotted by an eligible start-up has been deferred		✓	✓	
<i>Income from House Property</i>				
Income or loss from one house property (excluding brought forward losses and losses to be carried forward)	✓	✓	✓	✓
Individual has brought forward loss or losses to be carried forward under the head House Property		✓	✓	
Income or loss from more than one house property		✓	✓	
<i>Income from Business or Profession</i>				

Income from business or profession			✓	
Income from presumptive business or profession covered under section 44AD, 44ADA and 44AE (for person resident in India)				✓
Income from presumptive business or profession covered under section 44AD, 44ADA and 44AE (for not ordinarily resident and non-resident person)			✓	
Interest, salary, bonus, commission or share of profit received by a partner from a partnership firm			✓	
<i>Capital Gains</i>				
Taxpayer has held unlisted equity shares at any time during the previous year		✓	✓	
Capital gains/loss on sale of investments/property		✓	✓	
<i>Income from Other Sources</i>				
Family Pension (for ordinarily resident person)	✓	✓	✓	✓
Family Pension (for not ordinarily resident and non-resident person)		✓	✓	
Income from other sources (other than income chargeable to tax at special rates including winnings from lottery and race horses or losses under this head)	✓	✓	✓	✓
Income from other sources (including income chargeable to tax at special rates including winnings from lottery and race horses or losses under this head)		✓	✓	
Dividend income exceeding Rs. 10 lakhs taxable under Section 115BBDA		✓	✓	
Unexplained income (i.e., cash credit, unexplained investment, etc.) taxable at 60% under Section 115BBE		✓	✓	
Person claiming deduction under Section 57 from income taxable under the head 'Other Sources' (other than deduction allowed from family pension)		✓	✓	
<i>Deductions</i>				
Person claiming deduction under Section 80QQB or 80RRB in respect of royalty from patent or books		✓	✓	
Person claiming deduction under section 10AA or Part-C of Chapter VI-A			✓	
<i>Total Income</i>				
Agricultural income exceeding Rs. 5,000		✓	✓	
Total income exceeding Rs. 50 lakhs		✓	✓	
Assessee has any brought forward losses or losses to be carried forward under any head of income		✓	✓	
<i>Computation of Tax liability</i>				

If an individual is taxable in respect of an income but TDS in respect of such income has been deducted in hands of any other person (i.e., clubbing of income, Portuguese Civil Code, etc.)		✓	✓	
Claiming relief of tax under sections 90, 90A or 91		✓	✓	
<i>Others</i>				
Assessee has: <ul style="list-style-type: none"> ■ Income from foreign sources ■ Foreign Assets including financial interest in any foreign entity ■ Signing authority in any account outside India 		✓	✓	
Income has to be apportioned in accordance with Section 5A		✓	✓	
If the tax has been deducted on cash withdrawal under Section 194N		✓	✓	✓
Person has deposited more than Rs. 1 crore in one or more current account		✓	✓	✓
Person has incurred more than Rs. 2 lakhs on foreign travelling	✓	✓	✓	✓
Person has incurred more than Rs. 1 lakh towards payment of the electricity bill	✓	✓	✓	✓
Person has turnover from business exceeding Rs. 60 lakhs			✓	✓
Person has gross receipts from profession exceeding Rs. 10 lakhs			✓	✓
Aggregate amount of TDS and TDS is Rs. 25,000 (Rs. 50,000 in case of senior citizen) or more	✓	✓	✓	✓
Aggregate deposit in the saving bank account is Rs. 50 lakh or more	✓	✓	✓	✓
* ITR-1 can be filed by an Individual only who is ordinarily resident in India. ITR-4 can be filed only by an Individual or HUF who is ordinarily resident in India and by a firm (other than LLP) resident in India.				
Other Assesseees				
<i>Status of Assessee</i>	<i>ITR 4</i>	<i>ITR 5</i>	<i>ITR 6</i>	<i>ITR 7</i>
Firm (excluding LLPs) opting for presumptive taxation scheme of section 44AD, 44ADA or 44AE	✓			
Firm (including LLPs)		✓		
Association of Persons (AOPs)		✓		
Body of Individuals (BOI)		✓		
Local Authority		✓		
Artificial Juridical Person		✓		

Companies other than companies claiming exemption under Section 11			✓	
Persons including companies required to furnish return under: <ul style="list-style-type: none"> ■ Section 139(4A); ■ Section 139(4B); ■ Section 139(4C); ■ Section 139(4D); 				✓
Business Trust		✓		
Investment Fund as referred to in Section 115UB		✓		

(Read more: Return of Income on Taxmann.com/Practice)

2. Return cannot be filed in ITR-1 if it is being filed due to the reason of depositing more than Rs. 1 crore in the current account

[ITR 1]

The *seventh proviso* to Section 139 provides that any person, who is otherwise not required to file the return, shall file the return of income if during the previous year:

- (a) He has deposited more than Rs. 1 crore in one or more current accounts maintained with a bank or a cooperative bank;
- (b) He has incurred more than Rs. 2 lakhs for himself or any other person for travel to a foreign country;
- (c) He has incurred more than Rs. 1 lakh towards payment of electricity bill; or
- (d) He fulfils such other conditions as may be prescribed.

If a person falls under any of the points mentioned above, filing of return shall be mandatory for him, irrespective of the fact that he is not liable to file the return of income. Return can be filed in ITR forms 1 to 4 depending upon the nature of income he is earning.

However, the option to file a return in ITR-1 by an individual, who has deposited more than Rs. 1 crore in one or more current accounts, has been removed for the Assessment Year 2023-24.

3. Check-box for "self-occupied" omitted under Schedule HP for companies

[ITR 6]

A company cannot claim a house property as self-occupied because the term "self-occupied" refers to a property owned and occupied by an individual, not a company. The Schedule HP available under ITR-6 has a check-box to declare a house property as 'self-occupied', which wasn't logical. Accordingly, the reference of self-occupied property from Schedule HP has been removed from the new ITR-6 notified for Assessment Year 2023-24.

4. New Schedule for income from transfer of virtual digital assets

[ITR 2, 3, 5, 6 and 7]

Virtual Digital Asset (VDA) covers crypto assets, Non-fungible tokens (NFTs), and any other digital asset, and it does not cover Indian currency, CBDCs, Foreign currency, and notified digital assets. The Finance Act, 2022 introduced a new 'flat rate' scheme for the taxation of income arising from the transfer of Virtual Digital Assets ('VDA') with effect from the assessment year 2023-24.

Every transfer of virtual digital assets on or after 01-04-2022 shall be covered under

this scheme. Further, Section 194S requires the deduction of tax from the payment of consideration on the transfer of VDA.

To bring the necessary changes to the new ITR Form, Schedule VDA has been added.

The Schedule asks for details like the date of acquisition, date of transfer, head under which income is to be taxed, cost of acquisition in case of gift and consideration received.

Taxable income will be recorded in Schedule CG (Capital Gains) or Schedule BP (Business Income) based upon the classification of income under the head of capital gains or business income.

(Read more: *Taxation of Virtual Digital Assets (VDAs) on Taxmann.com/Practice*)

5. Exclusion of dividend income taxable under Section 115BBD from Schedule OS

[ITR-6]

Section 115BBD provides that where a domestic company receives a dividend from a foreign company, in which such domestic company has 26% or more equity, then such dividend income is taxable at a special rate of 15% *plus* surcharge and cess.

With effect from Assessment Year 2021-22, the Finance Act, 2020 abolished the dividend distribution tax provided in Section 115-O to provide that dividends shall be taxed in the hands of the shareholder at applicable rates plus surcharge and cess.

To bring uniformity in the tax treatment of dividends received by Indian companies from specified foreign companies *vis-a-vis* domestic companies, the Finance Act 2022 amended Section 115BBD to provide that the provisions of this section shall not apply from the assessment year 2023-24.

Necessary changes have been made to the ITR-6 by removing the reference to dividend income taxable under Section 115BBD from the 'Schedule OS'.

6. Turnover from intraday trading is to be reported separately under Part A- Trading Account

[ITR 3 and 5]

The gain or loss arising from intra-day trading, being a speculative transaction, is always taxable under the head 'Profits and Gains from Business or Profession'. 'Speculative transaction' means a transaction in which a contract for the purchase or sale of any commodity, including stock and shares, is periodically or ultimately settled otherwise than through actual delivery or transfer of the commodity or scrips

The new ITR forms have been amended to seek separate disclosure related to intraday trading under Part A - Trading Account. The ITR forms seek the following two additional details from the assessee engaged in intraday trading:

- (a) Turnover from Intraday Trading; and
- (b) Income from Intraday Trading - transferred to Profit and Loss account.

(Read more: *Speculative Business on Taxmann.com/Practice*)

7. FII/FPI are required to mention the SEBI Registration number

[ITR 2,3, and 5]

In the previous ITR Forms, there was no requirement for FII (Foreign Institutional Investors) or FPI (Foreign Portfolio Investors) to furnish their SEBI (Securities and Exchange Board of India) registration number.

For transparency and accountability, the new ITR forms seek the SEBI registration number allotted to the FIIs and FPIs. Part A- General Information has been modified to

include a clause for furnishing such information.

8. Insertion of reference of Section 153C for the return filed in response to a notice

[ITR 1 to 7]

Section 153C provides for the assessment of income of any other person where AO is satisfied that any valuable article seized (or requisitioned) belongs to, any books of account or documents seized (or requisitioned) pertain to or any information contained therein relates to such other person (not the one in whose case the search or requisition proceedings are initiated).

The Finance Act, 2021, introduced a sunset clause with effect from April 1, 2021, to provide that the above assessment process will not apply where the search or requisition proceedings are initiated on or after April 1, 2021.

In cases the search process was initiated before 01-04-2021, it could be possible that the assessment of other person is yet to be made under Section 153C, and the person will be required to file the Income-tax return in response to notice under Section 153C. Hence, the new ITR Forms restore the check-boxes of '153C' in the section of filing status of return income in response to the notice. Earlier, this check-box was removed in the ITR Forms for AY 2022-23.

9. ARN (Donation Reference Number) is to be mentioned if the donation is eligible for Section 80G deduction

[ITR 2,3,5, and 6]

Any assessee who has paid any sum by way of donation is eligible to claim a deduction under Section 80G to the extent of 50% to 100% of the donation made. For certain donations, the deduction is allowed subject to the qualifying limit.

In the new ITR forms, a new column has been inserted to disclose ARN(Donation Reference Number) in case the donation is made to entities wherein a 50% deduction is allowed subject to the qualifying limit.

10. Consequential changes due to the sunset date for Section 80-IB deduction to an industrial undertaking located in Jammu & Kashmir or Ladakh

[ITR 3 and 6]

Section 80-IB provides for a deduction for a specified percentage of profits and gains derived from an industrial undertaking established in a particular region. The undertaking can claim deduction under this provision for 10 assessment years beginning with the initial assessment year in which it begins its operation.

An industrial undertaking in Jammu & Kashmir had time until March 31, 2012 to commence operations. As the 10 years for claiming deductions under Section 80-IB for such undertaking expired on March 31, 2022, these undertakings are no longer eligible for such deductions in the 2022-23 financial year.

As a result, the new ITR forms have removed any mention of Section 80-IB deductions for industrial enterprises located in Jammu & Kashmir or Ladakh.

Similar changes have been made for the company carrying on scientific research under Section 80-IB.

11. Transfer of TCS credit to another person

[ITR 2,3, 5, 6 and 7]

All citizens who are domiciled in Goa and to whom the Portuguese Civil Code of 1860 apply are governed by the system of Community of Property. Under this system, a person is entitled to inherit 50% of the property of his spouse, and the income there

from is also liable to be shared equally among the spouse. Under Section 5A, the statute has recognised the system of community of property for the purpose of assessment in respect of all income other than salary.

In this situation, if an income added to the common pool has been subjected to TCS, the assessee face difficulties in proving their claim for TCS credit. In other similar situations, a person is entitled to claim the credit for tax deducted in the name of another person, i.e., inheritance, etc.

Currently, Income-tax Dept. matches the TCS disclosed in ITR with the amount of TCS as shown in Form 26AS and in case of a mismatch, the Dept. asks the assessee to reconcile the mismatch. Therefore, in the situations mentioned above, the taxpayers were facing difficulties in claiming the TCS credit.

To overcome this problem, the ITR forms introduce new columns in the TCS Schedule, allowing CPC. to correlate the PAN, amount of income, and TCS thereon as disclosed by both parties in their respective return of income. It would be more convenient for the assessee to claim the credit of tax deducted in the name of another person.

12. Disclosure of income on which Section 89A relief was claimed in the prior year

[ITR 2, 3 and 4]

When a non-resident becomes a resident in India, the income in his foreign retirement benefits account is chargeable to tax in India on an accrual basis. However, some countries tax such an amount at the time of receipt. Due to a mismatch in the year of taxability of such income in retirement funds, the taxpayers (generally non-residents who have permanently returned to India) face difficulties in availing of the foreign tax credit in respect of tax paid outside India on such income.

Section 89A, inserted with effect from the assessment year 2022-23, removed the aforesaid difficulty by providing that the income of a specified person from the specified account shall be taxed in such manner and for such year as may be prescribed by rules. Schedule S (Details of Income from Salary) of ITR forms seek the following details:

- (a) Income from retirement benefits accounts maintained in a notified country under Section 89A.
- (b) Income from retirement benefits accounts maintained in a country other than notified country under Section 89A.

The new ITR forms added a new row to disclose income taxable during the previous year on which relief under Section 89A was claimed in any earlier previous year.

A similar disclosure has to be made in the Schedule OS (Income from Other Sources) in respect of the family pension.

(Read more: Relief from taxation of income from foreign retirement benefit account on Taxmann.com/Practice)

13. Disclosure of information if the assessee opted out from the alternative tax regime under Section 115BAC

[ITR 3 and 4]

An Individual or HUF can opt for an alternative tax regime under Section 115BAC.

In the case of the assessee having income from business or profession, the option, once exercised, is allowed to be withdrawn only once for a previous year other than the year in which it was exercised. Once such option has been withdrawn, assessee shall never be eligible to exercise option under this section, except where such person ceases to have any income from business or profession.

To opt-out from the regime, Form No. 10-IE shall be furnished electronically either

under a digital signature or electronic verification code.

The new ITR forms seek details if the assessee has ever opted out of Section 115BAC in earlier years. If the taxpayer has opted out, he is required to give details of the following:

- (a) Assessment Year in which said option is opted out;
- (b) Date of filing; and
- (c) Acknowledgement number of Form 10-IE.

(Read more: Alternate tax regime for Individual or HUF on Taxmann.com/Practice)

14. Additional disclosure requirement by a firm in case of change in partnership

[ITR 5]

The partnership firm/AOP/BOI is required to disclose information in the ITR-5 in case there is any change during the previous year in the partners or members. The societies and cooperative banks are required give details of the Managing Committee. The following disclosures are required to be made in this regard:

- (a) Name of partner/member
- (b) Admitted/retired
- (c) Date of admission/retirement
- (d) Percentage of shares

New ITR-5 Form seeks the following two additional details:

- (a) PAN
- (b) Remuneration paid/payable in case of retiring partner (in the case of a firm)

15. Disclosure of 'Advances' in the balance sheet

[ITR 3]

The Balance Sheet Schedule of ITR-3 has been amended to incorporate disclosures related to 'Advances'. It seeks the following two details:

- (a) Advances from persons specified in Section 40A(2)(b); and
- (b) Advances from others.

16. Computation of income on the applicability of *Twenty-Second Proviso* to Section 10(23C) or Section 13(10)

[ITR 7]

The new ITR-7 form seeks the details of whether the provisions of the *twenty-second proviso* to Section 10(23C) or Section 13(10) is applicable. The Finance Act 2022 inserted special provisions for the computation of income in the following cases:

- (a) the institution has not obtained the audit report;
- (b) the books of account and other documents have not been kept in the prescribed form/ manner/place; or
- (c) the institution has not furnished the return of income within the time allowed under Section 139(4A).

The consequential changes have also been made in Part B-TI in the ITR form, where the income statement is shown. A separate table in Part B3 is given if total income is chargeable to tax under the *twenty-second proviso* to Section 10(23C) or Section 13(10).

In such cases, the income chargeable to tax due to withdrawal of exemption shall be computed after allowing a deduction for expenditure (other than capital expenditure) incurred in India for the objects of the institution. The deduction is allowable subject to

the satisfaction of the following conditions:

- (a) The expenditure is not from the amount of corpus donations credited in the books of account up to the end of the financial year immediately preceding the relevant previous year;
- (b) The expenditure is not from any loan or borrowing;
- (c) Depreciation shall not be allowed in respect of an asset whose full cost has been claimed as an application of income;
- (d) The expenditure is not in the form of a contribution or donation to any person.

The income shall be computed without deduction of the following expenditures:

- (a) No deduction shall be allowed for the capital expenditure;
- (b) Disallowance shall be made under Section 40(a)(ia) for the default made in deduction of tax;
- (c) Disallowance shall be made Section 40A(3)/40A(3A) for the payment made in cash;
- (d) No deduction shall be allowed for the expenditure not incurred in India.

It should be noted that the disallowance made of the above expenditure or allowance shall not be allowed as a deduction to the assessee under any other provision. Further, if any loss arises due to such expenditure, no set-off shall be allowed for such losses.

(Read more: Exemption to educational, medical, charitable and religious institutions under Section 10(23C) on Taxmann.com/Practice)

17. Details of Author/ Founder/ Trustee/ Manager

[ITR 7]

The new ITR-7 form seeks the details of the particulars regarding the Author/Founder/Trustee/Manager of the trust or institution at any time during the previous year. So if a person held a position at any time during the previous year, his details would be furnished. Earlier, these details were required to be provided as on the date of application.

18. Disclosure of accumulated income taxed in earlier years

[ITR 7]

A new Schedule IA has been inserted that requires the details to be furnished for the accumulated income taxed in earlier assessment years under Section 11(3). The exemption is allowed to a trust for the income accumulated in excess of 15%, subject to the fulfilment of certain conditions. Section 11(3) provides for the circumstances when the exemption allowed to a trust for the accumulated income shall be withdrawn if specified conditions are not complied with by the assessee. In this new Schedule IA, the details need to be provided for the year of accumulation and the assessment year in which such accumulated amount was taxed.

Another new Schedule DA has been inserted that requires the details of accumulated income taxed in earlier assessment years under Section 11(1B). When a charitable institution cannot utilise 85% of its income for charitable or religious purposes in India, it shall be deemed to be applied for such purposes upon the filing of Form 9A.

When such income is not applied to charitable or religious purposes in India during the specified period, then it shall be deemed as the income of the previous year immediately following the previous year in which it was received or derived, and it shall be taxable under Section 115BBI. In this new Schedule DA, the details have to be furnished of the year of deemed application and the assessment year in which such amount was taxed.

19. Details of investments made in specified modes

[ITR 7]

Earlier, the details of investments made under Section 11(5) were to be provided in 'Schedule J'. Now, the form seeks only the details of corpus investment/deposits made under Section 11(5).

20. Reporting of investment in related concerns by Section 10(23C) approved institutions

[ITR 7]

The Finance Act 2022 provided that if the institutions approved under Section 10(23C) apply the income (or part of income or property) of any trust or institution directly or indirectly for the benefit of any person referred to in Section 13(3), such income or property shall be deemed to be the income of fund or institution of the previous year in which it is so applied.

The new ITR form seeks the details of investment held at any time during the previous year in concerns in which persons referred to in section 13(3), and *21st Proviso* of Section 10(23C) has a substantial interest.

21. Details of investments to be shown in the Balance Sheet

[ITR 7]

The breakup of the total application of funds shown in the balance sheet shall be further classified into the investments made in the modes specified under Section 11(5) and the investment made in modes other than specified under Section 11(5).

22. Reconciliation of corpus

[ITR 7]

A new Schedule R has been inserted wherein the reconciliation of the corpus of Schedule J and the Balance sheet is to be shown. The reasons for the difference in the closing balance of the corpus shown in Schedule J and the closing balance as per the balance sheet are to be given.

The reasons for the difference have to be given as under:

- (a) Purchase of fixed Assets
- (b) Depreciation
- (c) Any other reasons (Specify the reason)

23. Disclosure of Anonymous Donations

[ITR 7]

The details of voluntary contributions are required to be reported in Schedule VC. These voluntary contributions are further classified as domestic and foreign contributions, including anonymous donations. Now, anonymous donations taxable under Section 115BBC are to be shown separately in Schedule VC.

(Read more: *Taxability of Anonymous Donations on Taxmann.com/Practice*)

24. Disclosure of the amount applied for the objects

[ITR 7]

A new Schedule A has been inserted to provide for the amount applied to stated objects of the trust/institution during the previous year from all sources. Earlier, these details were required to be reported in the Schedule ER for the revenue nature and Schedule EC for the capital nature.

Now, both these details are to be reported in the new Schedule A, and the amount is to be classified into the revenue and capital nature. The Schedule ER and EC have been deleted in the new ITR form. The disclosure of the application of the amount towards

the establishment and administration costs is not required in the new Schedule A.

25. Reporting of accreted income by Section 10(23C) approved institutions

[ITR 7]

The Finance Act 2022 extended the provisions to pay accreted tax to funds or institutions approved under Section 10(23C). Earlier, these provisions were only applicable to the trust or institution registered under Section 12AA/12AB. Therefore, Schedule 115TD must also be filled in by the institutions having approval under Section 10(23C).

26. Disclosure of income taxable under Section 115BBI

[ITR 7]

The Finance Act 2022 inserted a new Section 115BBI which provides that where the total income of any specified charitable institution includes any specified income, then the institution shall pay tax at the rate of 30% *plus* surcharge and cess on the aggregate of such specified income.

A new Schedule 115BBI has been inserted to report the specified income of the institutions taxable at a special rate under Section 115BBI.

27. Details of recognition by the election commission of India

[ITR 7]

Schedule LA has to be filled in by the Political Parties. Earlier, the political parties must provide registration details under Section 29A of the Representation of People Act, 1951. Now, they also need to disclose whether that party is recognised by the Election Commission of India and the date of such recognition.