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Changes introduced in new ITR forms 1 and 4 notified for Assessment Year 2024-25

TAXMANN ADVISORY AND RESEARCH TEAM (INCOME TAX)

Guess who decided to play Santa this year? The Income-tax Dept.

Surprising taxpayers with an unexpected and welcome gesture, the CBDT has played the role of an early Santa Claus this year by unveiling the Income Tax Return (ITR) Forms 1 and 4 for the Assessment Year 2024-25. These ITR Forms will be applicable for filing income tax returns with respect to income earned during the previous year 2023-24 (between 01-04-2023 to 31-03-2024).

The department usually notifies the ITR form before the start of the subsequent Assessment Year, i.e. in February or March. This unexpected early release not only marks a departure from the established timeline but also implies that taxpayers will have a more extended period to familiarize themselves with the changes, gather necessary documentation, and file their returns with greater precision.

We have scrutinized the new ITR Forms and have identified the key changes in new ITR forms viz-a-viz last year's ITR Forms. These changes have been explained below.

1. No change in the applicability of ITR forms

The CBDT has not amended Rule 12 of the Income-tax Rules, 1962, which outlines the criteria for the applicability of ITR forms to different classes of taxpayers and method of furnishing returns.

The form to be used by a taxpayer to file the Income-tax return for the AY 2024-25 will be same as applicable for AY 2023-24 which is as follows:

Nature of income	*ITR 1**	*ITR 2*	*ITR 3*	*ITR 4 **
Salary Income				
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		✓	✓	
Income from House Property				
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		✓	✓	
Income from Business or Profession				
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			✓	
Capital Gains				
Taxpayer has held unlisted equity shares at any time during the previous year		✓	✓	
Capital gains/loss on sale of investments/property		✓	✓	
Income from Other Sources				
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)		✓	✓	
Deductions				
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			✓	
Total Income				
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		✓	✓	
Computation of Tax liability				
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		✓	✓	
Others				
Assessee has: 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 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 Assessees

Status of Assessee	*ITR 4*	*ITR 5*	*ITR 6*	*ITR 7*
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: ▪ Section 139(4A); ▪ Section 139(4B); ▪ Section 139(4C); ▪ Section 139(4D);				✓
Business Trust		✓		
Investment Fund, as referred to in Section 115UB		✓		

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2. **New tax regime is now the default tax regime; taxpayers must choose to opt-out to prefer old regime**

The Finance Act 2023 has amended the provisions of section 115BAC to make it the default tax regime for the assessee being an Individual, HUF, AOP, BOI and AJP. If an assessee does not want to pay tax according to the new tax regime, he will have to explicitly opt out of it and choose to be taxed under the old tax regime.

Section 115BAC(6) allows the eligible assessee to opt out of the new tax scheme. To exercise this option, the assessee having income (other than income from a business or profession)must indicate his choice of tax regime in the return of income to be furnished for the relevant assessment year under Section 139(1).

An assessee having income from a business or profession can also opt out of the new tax regime and switch to the old tax regime for a relevant year. However, he has to exercise this option in Form No. 10-IEA on or before the due date for filing the return of income under Section 139(1).

In simple words, an assessee filing ITR 1 is only required to indicate his choice of tax regime in the return of income. An assessee filing ITR 4 will be required to file Form 10-IEA to opt out of the new tax regime.

The new ITR Forms 1 and 4 have been amended to incorporate this change.

3. **New column added to claim deduction under section 80CCH**

The Finance Act 2023 added a new Section 80CCH, which states that individuals enrolled in the Agnipath Scheme and subscribing to the Agniveer Corpus Fund on or after 01-11-2022 will be eligible for a tax deduction for the total amount deposited in the Agniveer Corpus Fund.

ITR forms 1 and 4 have been amended to include a column to furnish the amount eligible for deduction under section 80CCH.

4. **"Receipts in Cash" column added to ITR-4 to claim enhanced turnover limit**

The Finance Act, 2023 has enhanced the turnover threshold limit from Rs. 2 crores to Rs. 3 crores for opting for the presumptive taxation scheme under Section 44AD if the receipts in cash do not exceed 5% of the total turnover or gross receipts for the previous year. It is also provided that the meaning of cash would include the cheque or a bank draft, which is not an account payee.

Similarly, Section 44ADA was amended to enhance the threshold limit of gross receipts from Rs. 50 lakhs to Rs. 75 lakhs, if the receipts in cash do not exceed 5% of the total gross receipts for the previous year.

To give effect to the above amendments, the CBDT has amended ITR-4 to include a new column of "receipts in cash" for disclosing cash turnover or cash gross receipts under the Schedule BP