

Draft common ITR form unveiled to simplify filing

TO IMPROVE TAXPAYERS' experience and reduce the time taken to file income tax returns (ITRs) by individuals and non-business assesseees, the income tax department on Tuesday unveiled a draft common ITR form, by integrating all existing forms of return of income except ITR-7, which is applicable for charitable institutions and business trusts.

The new common ITR form would be available in parallel to old forms in ITR-1 and ITR-4, with the option for the assesseees under these two ITRs to choose to file the old forms or the new one. Taxpayers filing returns of income in Forms ITR-2, ITR-3, ITR-5 and ITR-6 would not have an option

to file the old forms, once the new common form and related utilities are notified. The I-T department has called for inputs on the draft ITR electronically by December 15 from stakeholders and the public.

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"Contemporary reporting requirements such as pass-through income or loss under various heads, income from virtual digital assets, declaration and details of business connection, permanent establishment

and significant economic presence in India for non-residents, and details of foreign equity and debt interest held, remain key highlights of the new common ITR form," Nangia Andersen LLP partner Sandeep Jhunjhunwala said.

FE BUREAU

Common ITR Form for Individuals in the Works

To exclude charitable trusts & investment funds; inputs invited

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New Delhi: The Central Board of Direct Taxes (CBDT) has proposed a common income-tax return (ITR) for individuals by merging all the existing returns into a single form.

"The draft ITR aims to bring ease of filing returns and reduce the time for filing the ITR by individuals and non-business-type taxpayers considerably," CBDT said in a statement on Tuesday.

This will not include ITR 7, which is applicable for charitable institutions, business trusts, and investment funds, among others, it said.

The proposed common ITR will facilitate proper reconciliation of third-party data available with the income-tax department vis-à-vis the data to be reported in the ITR to reduce the compliance burden on the taxpayers, say experts.

"Now, taxpayers can click on information or schedule applicable to him or her, and

In Form



All existing returns to be merged into a single form



Not to include ITR 7, which is applicable to charitable trusts, investment funds

Common form to have separate head for income from virtual digital assets



THE AIM Ease of filing returns & reduce time for filing ITRs by individuals

CBDT has invited stakeholders' comments by December 15

then only the schedule will be available for filing information," it said.

There is a need to relook at the return filing system in tandem with international best practices, CBDT said. It has invited inputs from stakeholders and public.

Experts said the proposed draft focuses on contemporary reporting requirements such as income from

virtual digital assets or cryptocurrency, and details of foreign equity and debt interest held.

Other key highlights of the new common ITR form include pass-through income or loss under various heads, declaration and details of business connection, and permanent establishment and significant economic presence in India for non-residents, said Sandeep Jhunjhunwala, partner at law firm Namgia Andersen LLP.

The new form is customised for taxpayers with applicable schedules based on wizard questions," he said.

The draft will give an option to taxpayers to file the return either in the existing form (ITR-1 or ITR-4) or the proposed common ITR, at their convenience.

However, taxpayers filing return of income in Forms ITR-2, ITR-3, ITR-5 and ITR-6 will not have an option to file the old forms once the new common form and related utility are notified, CBDT said.

Common ITR form with focus on crypto likely

SHRUTI CHAKRABARTY
New Delhi, 1 November

The Central Board of Direct Taxes (CBDT) has proposed a new common income-tax return (ITR), with greater focus on disclosing income from virtual digital assets or crypto-assets and foreign equity and debt instruments held by resident Indians.

For non-resident Indians, the draft ITR seeks exhaustive details ranging from nature of business,

permanent establishment (PE), business connection, whether the entity has significant economic presence (SEP) in India, along with the number of users in India.

The ITR protocol for NRIs could widen the scope of the SEP principle that was introduced in the Finance Bill 2018-19, and the explicitly defined 'business connection' to include provision of download of data or software, if aggregate payments from such transactions exceed a prescribed

amount, or if a multinational's interaction is with a prescribed number of users.

The SEP provision was deferred till 2022-23 on the grounds that a multilateral solution under OECD is being deliberated, under which all tax treaties will get amended automatically. However India has, in the meantime, expanded the scope of the equalisation levy over the last few years, to tax non-resident digital entities. The new proposed ITR is

being developed keeping in mind contemporary reporting requirements such as pass-through income or loss under various heads among others.

CBDT has sought stakeholders' comments by December 15 on the proposed changes. Currently, taxpayers are required to furnish their income-tax returns in Form ITR-1 to ITR-7, depending upon the legal classification of taxpayer and nature of income. The proposed draft ITR attempts to introduce a

common ITR by integrating all existing forms of return of income except ITR-7, which is applicable for charitable institutions, business trusts, investment funds etc.," said Sandeep Hansrajaniwala, partner, Nangia Andersen.

The new common ITR form would be available as parallel to old forms in ITR-1 and ITR-4 and the assessee belonging to ITR-1 and ITR-4 categories could choose to file old forms or the new, depending on convenience.