

I-T Dept notifies ITR-1, ITR-4 forms for FY25



ELIGIBLE APPLICANTS. Income earned between April 1, 2024, and March 31, 2025, will be reported using these forms

After a delay of almost one month, the Income Tax Department on Wednesday notified return forms — ITR-1 (SAHAJ) and ITR-4 (SUGAM) — for the assessment year 2025-26 (financial year 2024-25).

The due date for filing returns by individuals and entities, whose accounts are not subject to audit, is July 31, 2025.

Income earned between April 1, 2024, and March 31, 2025, will be reported using these forms.

The latest ITR-1 and ITR-4 forms include sections for taxpayers to disclose capital gains of up to ₹1.25 lakh income under Section 112A, provided there are no brought-forward or carry-forward losses under the capital gains head.

ITR-1 needs to be filed by individuals with total income of up to ₹50 lakh.

The income should include salary/pension, income from one house property (excluding cases where a loss is brought forward from previous years), or income from other sources (excluding winnings from lottery and income from racehorses).

ITCG INCLUDED

Individuals filing this form should have long-term capital gains income of up to ₹1.25 lakh (with no brought-forward or carry-forward capital losses).

ITR-4 is applicable only to resident assessee like individuals, Hindu Undivided Families (HUFs), and partnership firms (other than limited liability partnership firms), whose income includes: Residents with total income of up to ₹50 lakh, business income under presumptive taxation, professional income under presumptive taxation, and income from salary or pension must.

According to Sandeep Jhunjhunwala, Tax Partner

at Nangia Andersen LLP, Section 112A of the IT Act provides for the taxation of long-term capital gains arising from the transfer of equity shares in a company, units of an equity-oriented fund, or units of a business trust, where securities transaction tax has been paid on the acquisition, transfer, or both, as provided in the section.

Hitherto, salaried individuals with income under the head “capital gains” were required to file Form ITR-2 even when the capital gains were exempted by virtue of the threshold limit prescribed under Section 112A, resulting in elaborate disclosure requirements, including information about the accrual or receipt of capital gains, details of securities, and so forth.

BUSINESS INCOME

Jhunjhunwala explained, “This inconvenience is reduced with the new Form ITR-1 for AY26, which incorporates a small section for reporting long-term capital gains income on which tax is not payable by virtue of the exemption limit provided in Section 112A.

“However, in cases where the taxpayer earns long-term capital gains under Section 112A in excess of ₹1,25,000, or where the taxpayer earns any other long-term capital gains other than those taxable under Section 112A, or earns short-term capital gains, or has carried forward or brought forward capital losses, or derives income from any combination of the above, the salaried individual would have to resort to Form ITR-2 for filing the return of income.”

A similar change has been made to Form-I TR-4, which applies to taxpayers opting for presumptive taxation for their business income.

The new ITR-4 Form for AY26 subsumes the reporting of long-term capital gains subject to tax under Section 112A of the IT Act, within the limit of ₹1.25 lakh.

ITR forms 1, 4 notified for FY 2024-25 (AY 2025-26): Now report these long-term capital gains in ITR-1; check other changes

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COMMENT

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Sandeep Jhunjhunwala, Tax Partner at Nangia Andersen, LLP says, "This year, the CBDT seems to have got delayed in notifying ITR forms after almost 1 month into the new financial year now, as compared to notification of ITR 1 and ITR 4 for last year ie AY 2024-25 where the spanners were put to work as early as in December 2023 with online utilities released as early as on April 1, 2024. Nevertheless, this delay may not cause too much of concern for the taxpayer fraternity as the new notified forms for AY 2025-26 predominantly remain the same as those notified for AY 2024-25. Instead, the new forms bring some relief for taxpayers who have earned long term capital gains chargeable to tax under Section 112A of the Income Tax Act, not exceeding the threshold of Rs 125,000 prescribed therein."

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Govt notifies ITR forms; LTCG up to Rs 1.25L allowed under ITR-1, ITR-4

ITR forms 1 and 4 for assessment year (AY) 2025-26 are to be filed by individuals and entities with total income of up to Rs 50 lakh a year

Sandeep Jhunjhunwala, Tax Partner at Nangia Andersen LLP said so far salaried individuals having income under the head capital gains were required to file form ITR-2 even where the capital gains were exempt by virtue of the threshold limit prescribed under Section 112A, resulting in elaborate disclosure requirements including information about accrual or receipt of capital gain, details of securities etc.

This inconvenience is reduced with the new form ITR-1 for AY 2025-26 incorporating a small section for reporting the income in the nature of LTCG on which tax is not payable by virtue of the exemption limit provided in Section 112A. "However, in cases, where the taxpayer earns LTCG under Section 112A in excess of Rs 125,000 or where the taxpayer earns any other LTCG other than that taxable under Section 112A or earns short term capital gains or has carried forward or brought forward capital losses or derived income from any combination of the above, the salaried individual would have to resort to Form ITR-2 for filing return of income," Jhunjhunwala said.