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Corporate Tax

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ITR 6 for AY 2020-21 – Changes You Should Know!

Snapshot

The newly notified Income Tax Return (ITR) 6 provides for new data fields to primarily capture changes that have been proposed by Taxation Laws (Amendment) Act 2020, FA 2020 and Taxation Laws (Amendment) Act 2019 which would be relevant for tax returns to be filed for FY 2019-20 (AY 2020-21), apart from other miniscule yet relevant reporting changes.

Continuing with its approach of fetching as much data as possible from the ITR, Central Board of Direct Taxes (CBDT) now provides for various new fields in the ITR, for instance, a field requiring taxpayers to provide information regarding investments / payments made till June 30, 2020 in order to claim deduction and also a field for taxpayers to opt for New Tax Regime of 15% / 22%.

Apart from the new details, changes are also made to existing Schedules so as to reflect data in a particular format, for example, compliance with amended section 44AB conditions, option to quote Aadhar Number in place of PAN in relevant schedules, etc. Certain changes like disclosure of foreign dividends taxable under section 115BBD in Schedule OS and Schedule SI could possibly be debated.

Background

Central Board of Direct Taxes (CBDT) vide Notification No. 31 dated May 29, 2020 has notified Income Tax Return (ITR) forms for Assessment Year (AY) 2020-21 (i.e. Financial Year (FY) 2019-20). The major changes pertain to certain additional disclosure requirement as well as amendment to existing schedules to give effect to amendments to the Income-tax Act, 1961 ("the Act") as applicable for AY 2020-21 as well as other measures promulgated by the Government in view of Covid-19 while computing taxable income.

In this publication, we have evaluated the amendments to ITR-6, which is applicable to corporate taxpayers, split in two sections – (i) additional disclosure requirements; and (ii) amendment to existing schedules.

Additional disclosure requirements (New Schedules)

- As a general rule, investments / payments made during the FY are considered for the purpose of any deduction / exemption of that year. However, as per the provisions of Taxation and Other Laws (Relaxation of Certain Provisions) Ordinance, 2020, a taxpayer is permitted to make investment / payment during April 1, 2020 to June 30, 2020 for claiming deduction / exemption for FY 2019-20 (AY 2020-21).
- Consequently, deduction under chapter VI-A (investment-linked deductions) or section 10AA (SEZ related deductions); or exemptions under sections 54 to 54GB (exemptions pertaining to capital gains) for such investments / payments for AY 2020-21 or AY 2021-22 can be claimed in new Schedule DI.

- Having regard to the option given by FA 2019 to taxpayers to make onetime tax payment @ 18% towards secondary adjustment arising as per the provisions of section 92CE of the Act, a new Schedule TPSA has been introduced, whereby the taxpayers are required to provide details of such additional tax paid.
- The FA 2020 had revised the turnover threshold for non-applicability of tax audit from Rs. 1 Crore to Rs. 5 Crore (with eligibility criteria of maximum 5% cash transactions for both revenue and expenditure). Pursuant to the said amendment, the taxpayer is required to notify in the new check-box whether these conditions are complied with or not.
- Dividend income taxable under section 115BBD (pertaining to dividends received by a domestic company from a foreign company) is now required to be reported in Schedule OS (Income from Other Sources) and Schedule SI (Income chargeable to tax at special rates). This will enable Centralised Processing Centre (CPC) to process the ITR and compute tax in accordance with provisions of the Act.
- Where the ITR is being submitted in response to a notice from the tax office, taxpayers are now required to mention the Document Identification Number (DIN) of such notice.

Modification in existing schedules

- In terms of the Taxation Laws (Amendment) Act 2019, an alternate lower taxation regime has been provided for corporate Assessee u/s 115BAA (22%) and 115BAB (15%) of the Act. The eligible company is required to exercise such option by filing declaration in Form 10IC and/or 10ID, as applicable, before filing the tax return. Part-A of General Schedule of ITR -6 has accordingly been amended to permit the taxpayer to provide details of option exercised by it in the ITR.
- The FA 2020 has amended section 140 of the Act to permit persons other than Managing Director or Director, as prescribed by the Board, to sign and verify the ITR. Corresponding amendments have been made in the ITR form to allow such persons to sign & verify the ITR.
- The ITR form now allows taxpayer to select multiple bank accounts for the purpose of receiving the amount of refund claimed. This alteration will enable CPC to process refund due to taxpayers in the alternate bank account selected by it if, for some reason, the CPC is unable to process refund in the first mentioned bank account.
- Section 139(5E) was inserted by FA 2019 allowing interchangeability of Aadhar with PAN. Consequent to the same, necessary amendment has been made in ITR form at relevant schedule to allow taxpayers to furnish Aadhar Number in place of PAN if same is not available while filling certain mandatory details such as Key Managerial Persons, Shareholders details etc.
- In ITR form, the existing Schedule CG, pertaining to capital gains, has been modified to allow the taxpayers to report its share of ownership in land or building, where such asset is held in a joint ownership arrangement.
- The Act has provided pass-through status for taxability of income of certain investment funds so as to tax such income in the hands of unit holders under section 115UB of the Act. An amendment has been made in the Act whereby the losses incurred by such investment fund shall also get pass-through status. Therefore, Schedule CFL and other related schedules in ITR have been amended to allow unit holders to carry forward such losses.
- Schedule HP in ITR 6 has been amended to include property held as stock-in-trade remaining unsold under Self-Occupied category having Nil annual value if the said property is not let-out for period up to 2 years after the certificate of completion is issued by competent authority.
- Schedule DEP has been amended to provide a new block of asset with 45% depreciation rate so as to enable taxpayers to claim depreciation on motor buses, motor lorries and motor taxis used in a business of running them on hire, acquired between August 23, 2019 to March 31, 2020 and is put to use on or before March 31, 2020.

KCM Note

It is a common practice of CBDT to change ITR forms every year to incorporate amendments made by the Finance Act and to seek additional information in order to identify the issues relating to under-reporting or incorrect reporting of income. Such changes are also made with an object to assist the tax officers in identifying potential risk bearing tax returns which are often subject to tax disputes or which are prone to tax avoidance. However, since major changes were introduced last year while introducing new ITR Forms for AY 2019-20, CBDT has not made many changes in ITR 6 for AY 2020-21.

It is worthwhile to note that new ITR 6 requires companies to separately report dividend income from foreign companies covered by section 115BBD of the Act in Schedule OS (Income from Other Sources) as well as Schedule SI (Income taxed at Special Rate). Considering these changes in ITR, it appears that tax on

such income may be computed on gross dividend income without set-off of losses, if eligible, under the Act. To that extent, such change is not consistent with the provisions of section 115BBD of the Act.

Further considering the number of changes made by CBDT every year, taxpayers face certain technical difficulties while filing tax returns using the utility and schema released by CBDT. However, CBDT does not allow manual intervention in tax return filing utilities to overcome difficulties. In such case, taxpayer is required to approach CBDT and make representation for removing such difficulties. Recently, Bombay High Court in case of **Samir Narain Bhojwani, Writ Petition No. 2825/2019** has directed taxpayer to make representation before CBDT to allow set off of carried forward losses against specific income basis certain judicial pronouncements since ITR utility released by CBDT was not permitting such set off of losses.

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For further analysis and discussion, you may please reach out to us.

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