

Longer wait for revised income-tax forms

On 31 May, the ministry of finance announced some changes that would lead to simpler tax filing. These changes are, in essence, withdrawal of some modifications that were proposed recently (on 15 April), for assessment year 2015-16, and were mostly regarding furnishing additional details.

The revised income-tax return (ITR) forms came under criticism from various stakeholders for asking unnecessary details. Keeping these views in mind, it was announced that these ITR forms will be reviewed and simplified versions issued.

Since adhering to the new version will take some time, the last date of filing tax return for financial year 2014-15 is also proposed to be extended from 31 July to 31 August 2015.

New rules

Changes in ITR 1, 2 and 4S were notified on 15 April, but were criticised for the amount of information that taxpayers were required to furnish.

Till the previous assessment year, in ITR-2, resident individuals, other than those who are not-ordinarily resident, had to declare only details of foreign bank accounts, financial interest in any entity and immovable property or other assets located outside India. (An individual is considered a resident if she is in India for a period of 182 days or more in that year; or for a period of 60 days or more in the year and for a period of 365 days or more in preceding four years.) However, in the revised forms that were notified in April, these individuals were asked to also declare income from foreign assets and details of foreign travel along with expenses incurred. Even those travelling overseas for business or for holidays were asked to maintain and report details of expenses.

The need to disclose details of foreign trips and expenses has been removed. But passport number has to be disclosed.

Another modification previously proposed and now withdrawn is regarding balances in bank accounts. In the earlier proposal one had to mention the balances in accounts and details of dormant accounts not operational for the past three years. This has now been modified—one has to provide account numbers of all current or savings account held at any time during the financial year, and their respective Indian Financial System Codes (IFSC).

Rules were also simplified for those who are not Indian citizens but are in the country for business or employment, or as students. They will not have to report foreign assets acquired during previous years in which they were non-residents if no income was derived from these assets during the relevant year. If income was earned from such an asset, details have to be furnished. Therefore, “this may not really be a reprieve to many,” said Tapati Ghose, Partner, Deloitte Haskins & Sells LLP.

Some relief also came the way of individuals and Hindu Undivided Families (HUFs) that have income from more than one house property but no capital gains from these. The 15 April notification had made the ITR Form 2 longer—14 pages—and required the taxpayer to fill all details of the properties, irrespective of whether capital gains were generated or not. Now there are two forms—ITR 2A for those who don't have capital gains from property, and ITR 2 is for those who have.

This distinction was made as it was noticed that a majority of individuals and HUFs did not have capital gains from their house property. So, a simpler Form 2 is for those who do not have capital gains, income from business or profession or foreign asset or foreign income.

“This a good move as only those having relevant income as stated will have to file return with form ITR 2A,” said Gautam Nayak, a chartered accountant. The main ITR Form 2 will have only three pages; additional information can be filed in Schedules, if applicable.

Filing return

The last date for filing tax return may be extended to 31 August as software has to be updated with the proposed changes, according to the notification. E-filing and updated forms are likely to be available from third week of June.

This means that the time between forms being available and last date for filing is lesser—around 10 weeks compared to 16 weeks. Experts say that any modifications in forms should be decided by the end of the relevant financial year. “One can file her return any time after 1 April, so the government should be ready with the final forms before that,” said Nayak.

While detailed instructions related to the new forms are yet to be notified, lesser information that a taxpayer needs to furnish prevents the process from being more complicated than it already is.

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