India: Government notifies new income tax return forms for the tax year 2015-16

April 5, 2016

In brief

The Indian Government has notified income tax return (ITR) forms applicable for individuals for the tax year 2015-16 (see Notification no. 24/2016, dated March 30, 2016.) The key amendments in the return forms include the following:

- Individuals having total income exceeding INR 5 million now need to declare their assets and liabilities as of March 31, 2016 in the prescribed schedule.
- They also need to report the details of pass through income (PTI) received from business trust or/and investment funds.
- Individuals filing ITR forms 1, 2, and 2A will now be able to claim credit for taxes collected at the source (TCS).

In detail

Changes made to ITR forms 1, 2, 2A, 3, 4 and 4S relating to individuals are described in more detail below:

Changes introduced/ scope enlarged	Reference in return forms	Applicable ITR form	Remarks
Details of assets and liabilities held as of March 31, 2016	Schedule -AL	ITR - 1, 2, 2A 3, 4, and 4S	Individuals having income exceeding INR 5 million are required to disclose their movable and immovable assets at cost. In case an individual has acquired any asset free of cost, such as by gift, inheritance etc., such assets should be reported at cost to the previous owner increased by the cost of any improvement of the asset by the previous owner or the individual, as the case may be.

			Assets which are required to be disclosed include: • land • building • cash in hand • jewelry, bullion, etc. • vehicles, yachts, boats, and aircraft • liability in relation to the above assets. ITR forms 3 and 4 already have Schedule - AL and those having income of more than INR 2.5 million are required to disclose non-business assets. The scope of specified assets is also very large - it includes even financial assets and archaeological collections, paintings, sculptures, etc. There is no change in Schedule - AL prescribed for ITR forms 3 and 4 except that the threshold limit of applicability has been raised from INR 25 lakhs to 50 lakhs.
Details of pass through income (PTI) received from business trust or/and investment fund	Schedule - PTI	ITR - 2, 2A, 3, and 4	Pursuant to the amendments to the India Income Tax Act, 1961 introduced recently, any distribution of income by a business trust /investment fund to its unit holders shall be deemed to be income of the same nature and taxed in the same proportion in their hands as it has been received or accrued to the business trust/investment fund. Schedule - PTI has been introduced to capture the relevant information and details including: • name of business trust/investment fund • PAN of business trust/investment fund • head of income • amount of income • taxes withheld, if any.
Details of tax collected at source (TCS)	Schedule-TCS	ITR - 1, 2, and 2A	Currently, the seller is required to collect tax at the source in certain transactions such as buying jewelry in cash exceeding INR 0.5 million, etc. There was no column provided in the forms prescribed for earlier years which caused the difficulty of claiming the TCS on the return form. Schedule -TCS has been introduced that will enable the individual to claim the credit for TCS.

The takeaway

Due to the abolition of the wealth tax, it was expected that some sort of disclosure of assets in the return form would be introduced. For tax year 2015-16, individuals filing their return of income who have income exceeding INR 5 million will now be required to furnish information regarding assets and liabilities in Schedule - AL of the relevant ITR form.

With respect to the reporting of assets and liabilities, it appears that the tax authorities intend to track the assets owned by high net worth individuals and ensure that there is no accumulation of unaccounted wealth. In India, jewelry generally exchanges hands from generation to generation. Taxpayers who may gift the same to their children on their marriage or otherwise. Tracking needs to be done carefully so as to ensure that accurate reporting of the jewelry is done at year end in the returns. Where any variations are observed by the tax authorities in the returns, they may raise questions, which would then need to be explained.

It may be noted that where any jewelry is sold, resultant gain or loss needs to be reported in the income tax return as jewelry is a capital asset. If such transactions are not reported, these will now get easily noticed and may accordingly invite questions from the tax authorities.

Further, in the case of inherited assets or assets received by way of gift, there may be a practical challenge in some cases where the cost to the previous owner is not available to the taxpayer. Perhaps a clarification in this regard may be expected in due course as to what value should be reported for such assets.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact your PwC Global Mobility Services engagement team or one of the following team members from PwC India:

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