

Advocate Forum
**194T, Sec 56, Change in ITR, Capital
Gain and GST**

BY CA MANOJ KUMAR

9810764620

194T-Payment to partners of the firm- w.e.f.01.04.2025-Chapter XVIIB

- 194T.(1) **Any person, being a firm, responsible for paying any sum in the nature of salary, remuneration, commission, bonus or interest to a partner of the firm,** shall, at the time of **credit of such** sum to the account of the partner (including the capital account) or at the time of **payment** thereof, whichever is earlier shall, deduct income-tax thereon at the rate **of ten per cent.**
- (2) No deduction shall be made under sub-section (1) where such sum or the aggregate of such sums credited or paid or likely to be credited or paid to the partner of the **firm does not exceed twenty thousand rupees during the financial year.**

194T-TDS on Payment to Partner of Firm

- **Profits and gains of business or profession.**
- **28.** The following income shall be chargeable to income-tax under the head "Profits and gains of business or profession",—
 - v) any **interest, salary, bonus, commission or remuneration**, by whatever name called, due to, or received by, a partner of a firm from such firm :
 - Provided that where any interest, salary, bonus, commission or remuneration, by whatever name called, or any part thereof has not been allowed to be deducted under clause (b) of section 40, the income under this clause shall be adjusted to the extent of the amount not so allowed to be deducted;

194T-TDS on Payment to Partner of Firm

- 2. In this Act, unless the context otherwise requires,—
- (24) "income" includes—
- (ve) any sum chargeable to income-tax under clause (v) of section 28;

194T-TDS on Payment to Partner of Firm

- **Section 190 which mandates deduction of tax reads as under:**
- (1) Notwithstanding that the regular assessment in respect of any income is to be made in a later assessment year, the tax on such income shall be payable by deduction or collection at source or by advance payment or by payment under sub-section (1A) of section 192, as the case may be, in accordance with the provisions of this Chapter.”

194T-TDS on Payment to Partner of Firm

- The above TDS provisions under section 194T of the Act are applicable to a 'Firm'. A 'firm' shall include^[1]
- a '**firm**' as defined under the Indian Partnership Act, 1932, and
- a **limited liability partnership** as defined in the Limited Liability Partnership Act, 2008.
- **Non Resident firm** will also be under obligation to deduct TDS u/s 194T

Memorandum of FB 2025

- TDS on payment of salary, remuneration, interest, bonus or commission by partnership firm to partners
- Presently there is no provision for deduction of tax at source (TDS) on payment of salary, remuneration, interest, bonus, or commission to partners by the partnership firm. Hence, it is proposed that a new TDS section 194T may be inserted to bring payments such as salary, remuneration, commission, bonus and interest to any account (including capital account) of the partner of the firm under the purview of TDS for aggregate amounts more than Rs 20,000 in the financial year. Applicable TDS rate will be 10%.
- 2. The provisions of section 194T of the Act will take effect from the 1st day of April, 2025.

194T-TDS on Payment to Partner of Firm

- **Rationale**
- **Establishing an Audit Trail:** TDS provisions generally serve to create a trail of financial transactions, making it easier for tax authorities to track income and prevent tax evasion. By bringing payments to partners under the TDS net, the government aims to enhance the auditability of such transactions.
- **Broadening the Tax Base:** Another possible objective could be to expand the tax base by ensuring that all partners are brought within the tax net, even if their individual income falls below the taxable threshold.
- **Maintaining a Steady Tax Flow:** TDS provisions contribute to a regular flow of tax revenue to the government throughout the financial year, rather than a lump sum payment at the end. This can be particularly beneficial for managing government finances.

194T-TDS on Payment to Partner of Firm

- Scope of section 194T:
- *any person, being a firm, responsible for paying any sum in the nature of salary, remuneration, commission, bonus or interest to a partner“ and not any person, being a firm, responsible for paying any sum salary, remuneration, commission, bonus or interest to a partner. The phrase **"in the nature of"** is utilized in the Income Tax Act, 1961, to encompass transactions or items that may not explicitly fall under a specific category but exhibit characteristics akin to it*

194T-TDS on Payment to Partner of Firm

- **Meaning of the term "Salary":**
- In legal terms, as defined by Black's Law Dictionary, "salary" generally refers to the **fixed compensation paid to an employee or worker for their services**, typically on a regular basis (e.g., weekly, monthly, or annually).
- whether the partner is an employee or worker of the firm? The obvious answer is "No", as no employer and employee relationship exists
- The definition which is given in sec 17(1) is for the purpose of section 15 and 16 only, which cannot be borrowed for the purposes of section 194T
- **Whether perquisite in the hand of partner will be part of salary?**

194T-TDS on Payment to Partner of Firm

- **Meaning of term "remuneration":** In Black's Law Dictionary, "**remuneration**" means reward, recompense, or salary; essentially, the compensation paid for services rendered.
- **Meaning of the term "bonus":** In Black's Law Dictionary, a bonus is defined as a gratuity, premium, or extra consideration given for services, or upon some other consideration, in addition to or in excess of what would ordinarily be given out of contractual or legal obligation.

194T-TDS on Payment to Partner of Firm

- **Meaning of the term "interest":** The term interest is defined u/s 2(28A) "interest" means interest payable in any manner in respect of any moneys borrowed or debt incurred (including a deposit, claim or other similar right or obligation) and includes any service fee or other charge in respect of the moneys borrowed or debt incurred or in respect of any credit facility which has not been utilised.

194T-TDS on Payment to Partner of Firm

- 192/194A vs 194T- Interest
- 194A- Interest other than interest on securities
- (3) The provisions of sub-section (1) shall not apply—
- (iv) to such income credited or paid by a firm to a partner of the firm;
- **Section 192**
- deals with tax deduction at source on income chargeable under the head salary. Further, explanation 2 to section 15 of the Act specifically states that any salary, bonus, commission, or remuneration, by whatever name called, due to, or received by, a partner of a firm from the firm shall not be regarded as salary.

194T-TDS on Payment to Partner of Firm

- Thus, salary and interest paid/ payable to a partner which were never covered within the ambit of section 192 and section 194A respectively, **have now been brought within the ambit of TDS under the new section 194T.**

194T-TDS on Payment to Partner of Firm

- No benefit of Sec 197, 197A, Form 15G, 15H,-Hence deduction to tax at source
- Unlike other TDS provisions in the Income Tax Act, where individuals with lower incomes can submit Form 15G or 15H to claim exemption from TDS, partners cannot avail themselves of this exemption under Section 194T. This means that TDS will be deducted for all partners, regardless of their total taxable income.

194T-TDS on Payment to Partner of Firm

- **Disallowance of Salary being excess of limit defined u/s 40(b)(v) of the Income Tax Act**
- Even if the TDS fully deducted , Salary will be allowed to the extent prescribed u/s 40(b)(v) of the Income Tax Act.

E.g. Salary on which tds deducted	20,00,000.00	Salary allowable	15,00,000.00
TDS deducted	200,000.00	Taxable Income in the hand of partner	15,00,000.00
Salary as per 26AS	20,00,000.00	Defective notice	

194T-TDS on Payment to Partner of Firm

- What if the partner is non-resident:
- 194T vs 195
- *Any person, being a firm, responsible for paying any sum in the nature of salary, remuneration, commission, bonus or interest to a partner of the firm*
- Utility of revised form 27 provides as follows:-
- *194T -Payment of salary, remuneration, commission, bonus or interest to a partner of the firm*
- *194S-Other sum payable to non resident*
- Domestic Tax – at the rate of 30/35% plus surcharge and cess as income in the nature of business or Profession

194T-TDS on Payment to Partner of Firm

- While in the case of *PILCOM Vs CIT 425 ITR 313 (2020) (SC)* : [\[TS-5032-SC-2020-O\]](#), the Supreme Court upheld the position that section 194E applies (as opposed to section 195) in relation to payments to non-resident and as such, DTAA cannot be taken into account at the stage of TDS under section 194E.

194T-TDS on Payment to Partner of Firm

- 195 –Under domestic law taxable u/s 28(v)- 30/35% plus surcharge and education cess
- Or go for DTAA
- **Article 15- Employment-** *salaries, wages and other similar remuneration derived by a resident of a Contracting State in respect of an employment shall be taxable only in that State unless the employment is exercised in the other Contracting State- not applicable as there is no employment as there is no employee and employer relationship*

194T-TDS on Payment to Partner of Firm

- **Article 14 –Independent professional services-** Independent Personal Services which is in respect of professional services which includes especially independent scientific, literary, artistic, educational or teaching activities as well as the independent activities of physicians, lawyers, engineers, architects, dentists and accountants- **this is also not applicable**
- **Article 7-Business Income**
- **Remuneration, salary or interest etc. paid to the partner of a firm has been held in the case of *CIT v. R. M. Chidamabaram Pillai* 106 ITR 292 (SC) to be part of business profits only and that is why such income is taxable u/s 28(v) in the hands of the partner**

194T-TDS on Payment to Partner of Firm

- **Article 7-** as partner services taxable u/s 28(iv)-it is business services-taxable when PE in India,
- **as no PE**-Hence, it may be not be taxable in India.
- **However, partnership firm is PE in India of NR**, If yes, then taxable
- **Further, if one go for DTAA**, he can go for lower or nil rate of TDS u/s 197 as 195 is there in section 197 as 195 provides for rate in force and its definition include Rate in DTAA

194T-TDS on Payment to Partner of Firm

- Hardship to smaller partnership firms:
- Generally, there is threshold limit for payer to deduct tax at source or their account should be subject to tax audit, but there is no such limit in this case.
- No TDS liability on remuneration credited as on 31.03.2025
- Applicable from F.Y. 2025-26

194T-TDS on Payment to Partner of Firm

- Payment to Non-Working Partner
- TDS is deductible regardless of whether the payee-partner is a working partner or not.
- Even if remuneration paid to a non-working partner is not allowed as a deduction while computing the firm's income, the TDS is still required to be made
- There is other view that no tds is required to be deducted in case of non working partner as payment to it does not satisfy the test of salary, remuneration, bonus , commission, interest etc.

194T-TDS on Payment to Partner of Firm

- **Consequences of Non deduction of TDS**
- Then 30% of the salary, interest will be disallowed u/s 40(a)(ia) and interest and penalty u/s 201/201(IA)/271C.
- It can be avoided if the partner report the Salary / Interest in his return and a CA issues certificate n Form No. 26A, as stipulated under the first Proviso to section 201(1) of the Act, is furnished by the firm.
- However, the firm is required to pay interest on the amount of TDS from the date it was deductible to the date the partner filed his ITR
- **Partner does not have PAN/Adhar**
- If the partner does not provide his PAN or Aadhaar, the rate of TDS should be 20%.

194T-TDS on Payment to Partner of Firm

- The remaining compliance provisions, viz.,
- depositing TDS to the Government Account as per Rule 30 of the Income Tax Rules, 1961 ('the Rules'),
- furnishing the Certificate of TDS as per Rule 31 of the Rules, and
- filing a Statement of TDS in Form No. 26Q (for resident partners) or Form No. 27Q (for non-resident partners) as per Rule 31A of the Rules, will remain applicable even for TDS made under section 194T of the Act.
- The Central Board of Direct Taxes ('CBDT') has notified the Income Tax (Seventh Amendment) Rules, 2025 on 27th March 2025 through which Form No. 26Q and Form No. 27Q have been amended to capture the details of amounts paid to partners and TDS made by the firm.

194T-TDS on Payment to Partner of Firm

- Is TDS required every month from drawings being made by the partner?
- If the payment is made 'in the nature of' those items enumerated there in.
- If drawing out of capital , then no ; but heavy onus on assessee to prove that this is out of drawing.
- But it depends upon the method of accounting employed by the assessee.

194T-TDS on Payment to Partner of Firm

Aspect	Old System (Before Section 194T)	New System (After Section 194T)
TDS Applicability	No TDS on partner remuneration	TDS applicable if total payments exceed ₹ 20,000
Time of Tax Payment	Paid at the time of filing ITR	Deducted at the time of credit, payment
Cash Flow Impact	No immediate tax deduction	Immediate tax deduction, reducing partner's cash inflow
Tax Refund Possibility	Not applicable	Partners may need to claim a refund if excess TDS is deducted

Possible Problem

- Difficulty in calculating remuneration
- Remuneration is calculated based on the book profit, which is typically finalized at the end of the year. This often leads to delays in deducting and paying tax on time unless partners withdraw partial remuneration systematically, complying with TDS norms throughout the year. This situation will compel firms to finalize their accounts in a timely manner to comply with TDS provisions.

Possible Problem

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- During the year, a partner may introduce and/or withdraw his capital due to business exigencies or a variety of reasons.
 - A sum temporarily withdrawn for personal needs may be repaid to the Firm later, within the same year.
 - Alternatively, the sums withdrawn by a partner may be adjusted against remuneration or interest accruing to him at the end of the year on finalisation of accounts.
 - These "on account" transactions made by a partner with a Firm are not necessarily in the nature of his salary, commission, bonus or remuneration at the time when such transactions take place.

Increase in limit of remuneration to working partners of a firm allowed as deduction

a)	on the first Rs. 3,00,000 of the book- profit or in case of a loss	Rs. 1,50,000 or at the rate of 90 per cent of the book- profit, whichever is more;
b)	on the balance of the book-profit	at the rate of 60 per cent :

Increase in limit of remuneration to working partners of a firm allowed as deduction

a)	on the first Rs. 6,00,000 of the book- profit or in case of a loss	Rs. 3,00,000 or at the rate of 90 per cent of the book-profit, whichever is more;
b)	on the balance of the book-profit	at the rate of 60 per cent :

he amendments to sub-clause (v) of clause (b) of section 40 of the Act will take effect from the 1st day of April, 2025 and will, accordingly, **apply in relation to assessment year 2025-2026 and subsequent years**

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- Sec 56(2)(viib)

Sec 56(2)(viib)-Angel Taxation

viib) **where a company, not being a company in which the public are substantially interested, receives, in any previous year, from any person ~~being a resident~~(2023), any consideration for issue of shares that exceeds the face value of such shares, the aggregate consideration received for such shares as exceeds the fair market value of the shares:**

Provided that this clause shall not apply where the consideration for issue of shares is received—

- (i) **by a venture capital undertaking** from a venture capital company or a venture capital fund; or
- (ii) **by a company from a class or classes of persons as may be notified by the Central Government in this behalf.**

Explanation.—For the purposes of this clause,—

(a) **the fair market value of the shares shall be the value—**

- (i) **as may be determined in accordance with such method as may be prescribed (Rule 11UA); or**
- (ii) **as may be substantiated by the company to the satisfaction of the Assessing Officer, based on the value, on the date of issue of shares, of its assets, including intangible assets being goodwill, know-how, patents, copyrights, trademarks, licences, franchises or any other business or commercial rights of similar nature,**

whichever is higher;

(b) **"venture capital company", "venture capital fund" and "venture capital undertaking" shall have the meanings respectively assigned to them in clause (a), clause (b) and clause (c) of Explanation 1 to clause (23FB) of section 10;**

Sec 56(2)(viib)-Angel Taxation

2(18) "company in which the public are substantially interested"—a company is said to be a company in which the public are substantially interested

For this purpose, 'Specified fund' is defined under clause (aa) of the *Explanation* to Section 56(2)(viib) to mean Category-I or Category-II Alternative Investment Fund, which is regulated under the Securities and Exchange Board of India (Alternative Investment Fund) Regulations, 2012. Finance Act, 2022 has amended the definition of the specified fund with effect from Assessment Year 2023-24 to include Category I or Category II Alternative Investment Fund, which is regulated under the International Financial Services Centres Authority Act, 2019.

The Finance (No. 2) Act, 2024 inserts a third proviso to Section 56(2)(viib) with effect from the assessment year 2025-26, which reads as follows:

" Provided also that the provisions of this clause shall not apply on or after the 1st day of April, 2025."

56(2)(viib)–Memorandum FB 2012

Section 56(2) provides for the specific category of incomes that shall be chargeable to income-tax under the head "Income from other sources".

It is proposed to insert a new clause in section 56(2). The new clause will apply where a company, not being a company in which the public are substantially interested, receives, in any previous year, from any person being a resident, any consideration for issue of shares. In such a case if the consideration received for issue of shares exceeds the face value of such shares, the aggregate consideration received for such shares as exceeds the fair market value of the shares shall be chargeable to income-tax under the head "Income from other sources". However, this provision shall not apply where the consideration for issue of shares is received by a venture capital undertaking from a venture capital company or a venture capital fund.

Further, it is also proposed to provide the company an opportunity to substantiate its claim regarding the fair market value. Accordingly, it is proposed that the fair market value of the shares shall be the higher of the value—

- (i) as may be determined in accordance with the method as may be prescribed; or
- (ii) as may be substantiated by the company to the satisfaction of the Assessing Officer, based on the value of its assets, including intangible assets, being goodwill, know-how, patents, copyrights, trademarks, licences, franchises or any other business or commercial rights of similar nature.

This amendment will take effect from 1st April, 2013 and will, accordingly, apply in relation to the assessment year 2013-14 and subsequent assessment years.

Section 56 of the Act is related to Income from other sources.

2. Vide Finance Act, 2012, a new clause (viib) was inserted in sub-section (2) of section 56 to provide that where a company, not being a company in which the public are substantially interested, receives, in any previous year, from any person being a resident, any consideration for issue of shares, if the consideration received for issue of shares exceeds the face value of such shares, the aggregate consideration received for such shares exceeding such fair market value shall be chargeable to income tax under the head “Income from other sources”.

3. It has been decided by the Government to sun-set the provisions of clause (viib) of sub-section (2) of section 56 of the Act. Consequent to said decision, amendment to clause (viib) of sub-section (2) of section 56 of the Act is being carried out to provide that the provisions of this clause shall not apply from the assessment year 2025-26. 4.

This amendment is proposed to be made effective from the 1st day of April, 2025, and shall accordingly apply from assessment year 2025-26.

1 What is Angel Tax and Why Was it Introduced?

Angel Tax, introduced in 2012 under Section 56(2)(viib) of the Income Tax Act 1961, was a tax levied on the amount raised by startups from angel investors when the funding exceeded the fair market value of shares. The difference was considered as “income from other sources” and taxed at around 30.9%. The primary intention behind this tax was to curb money laundering and prevent the circulation of black money through inflated valuations in unlisted companies.

2 What Were the Major Concerns Surrounding Angel Tax?

Primarily, this tax caused notable distress to startups who had to justify their valuations to tax authorities, often leading to protracted legal battles and financial strain., the scrutiny involved in proving the source of funds and the credibility of investors was burdensome and deterred both domestic and foreign investments.

3 Has Angel Tax Been Abolished?

Yes, as part of the Union Budget 2024-25, the Indian government completely abolished Angel Tax for all classes of investors. This decision was a response to years of lobbying by the startup community and investors, who argued that the tax was counterproductive and hindered the growth of the entrepreneurial ecosystem in India.

4 Who Benefits from the Abolition of Angel Tax?

The abolition of Angel Tax benefits a broad range of stakeholders, including startups, who can now raise funds without the fear of punitive taxation on valuations that exceed market value and Investors like Angel investors, venture capitalists, and other early-stage investors who now face fewer regulatory hurdles and can invest with greater confidence

5 What Were the Criteria for Angel Tax Exemptions Before Its Abolition?

Before the abolition, startups had to meet stringent criteria to be exempt from Angel Tax, given as follows DPIIT Recognition: The Department for Promotion of Industry and Internal Trade's (DPIIT) recognition was necessary for the startup for the exemption.

Valuation Reports: The startup needed a valuation report from a certified merchant banker to substantiate its fair market value.

6 What Impact Did Angel Tax Have on Foreign Investments?

Angel Tax especially posed notable challenges for foreign investors. The lack of clarity and the risk of retrospective taxation made India a less attractive destination for foreign venture capitalists and private equity funds. The abolition of Angel Tax is expected to ease these concerns, making India a more welcoming environment for global investors.

Controversies

- 1 Deeming provisions of section 56(2)(viib) **is not applicable to subscriptions by holding companies.** 164 taxmann.com 170 (Delhi - Trib.)
- 2 Where fair market value of shares was arrived at by assessee-company by adopting DCF method which was one of statutorily designated methods in terms of rule 11UA(2) of Income-tax Rules, 1962, no addition could be made under section 56(2)(viib) for amount of share premium received by assessee on issue of shares. 172 taxmann.com 820 (Karnataka)
- 3 Object of deeming an unjustified premium charged on issue of share as taxable income under section 56(2)(viib) was wholly inapplicable for transactions between holding and its subsidiary company where no income could be said to accrue to ultimate beneficiary, i.e., holding company. 166 taxmann.com 354 (Delhi)
- 4 **Conversion of loan into share capital** would not exonerate assessee from application of provision of section 56(2)(viib). 169 taxmann.com 87 (Ahmedabad - Trib.)
- 5 Where assessee issued shares at premium and since assessee had submitted Valuation Report duly signed by **Assessing Officer rejected valuation report submitted by assessee and invoked provisions of section 56(2)(viib)**, and **had not given any reasoning for rejecting valuation of shares done by assessee**, impugned addition by invoking section 56(2)(viib) was unjustified. 169 taxmann.com 142 (Delhi - Trib.)

6 Where difference in fair market value and issue price of compulsory convertible preference shares issued by assessee company was only 0.65 per cent, as per rule 11UA issue price was deemed to be fair market value, and hence, no addition was to be made under section 56(2)(viib) on account of such difference. 167 taxmann.com 645 (Chennai - Trib.)

7 Where assessee-company had issued preference shares to its director and ex-director, since section 56(2)(viib) did not carve out any exception as regards applicability of same in a case where shares were issued to directors of a company, Assessing Officer was justified in invoking provisions of section 56(2)(viib). 160 taxmann.com 256 (Raipur - Trib.)

8 Where assessee-company issued shares at premium and justified premium received by calculating fair market value of shares under rule 11UA, Principal Commissioner invoked revisionary proceedings on ground that FMV computed by assessee was incorrect and held that excess amount received by assessee would be its income as per section 56(2)(viib), since shares issued by assessee were right shares, 56(2)(viib) couldnot be invoked on a rights issue, and revisionary order was to be set aside. 159 taxmann.com 1691 (Ahmedabad - Trib.)

9 Where assessee received money for allotment of shares in assessment year 2011-12 but shares were allotted in assessment year 2015-16, provisions of section 56(2)(viib) had to be invoked when assessee allotted shares on finalization of share allotment. 152 taxmann.com 385 (Delhi - Trib.)

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- **Changes in Capital Gain=FB 2024**

Changes in Capital Gain=FB 2024

a) **Determining: Short-term capital assets or long-term capital assets.**

Holding periods: 12 months and 24 months

- All listed securities: holding period proposed 12 months
- All other assets: holding period proposed 24 months

(Section 2 clause (42A))

Impact and effect:

- units of listed business trust equal to listed equity shares (12 months instead 36 months).
- holding period for bonds, debentures, gold reduce from 36 to 24 months.
- Unlisted shares and immovable property, it shall remain at 24 months.

Changes in Capital Gain=FB 2024

Particulars	OLD LAW	NEW LAW
Listed securities	12 Months	12 months
Unites of business trust	36 Months	12 Months
Bonds, debentures, gold	36 Month	24 Months
Unlisted shares and immovable property	24 Months	24 Months

b) Removal of Indexation for calculation of any long-term capital gains Presently available for property, gold and other unlisted assets.

Second proviso to section-48 of income tax act,1961 for any long-term capital gain.

OLD LAW

Provided further that where long-term capital gain arises from the transfer of **a long-term capital asset**, other than capital gain arising to a non-resident from the transfer of shares in, or debentures of, an Indian company referred to in the first proviso, the provisions of clause (ii) shall have effect as if for the words "cost of acquisition" and "cost of any improvement", the words "indexed cost of acquisition" and "indexed cost of any improvement" had respectively been substituted:

NEW LAW

Provided further that where long-term capital gain arises from the transfer of **a long-term capital asset, which takes place before the 23rd day of July, 2024** other than capital gain arising to a non-resident from the transfer of shares in, or debentures of, an Indian company referred to in the first proviso, the provisions of clause (ii) shall have effect as if for the words "cost of acquisition" and "cost of any improvement", the words "indexed cost of acquisition" and "indexed cost of any improvement" had respectively been substituted:

Changes in Capital Gain=FB 2024

c) Change in Rate of Tax on Capital gain

d) Parity in tax rate of resident and non-resident

- Proposed amendments to section 115AD, 115AB, 115AC, 115ACA and 115E that is align with rates of tax on long-term capital gains as proposed u/s 112A and 112 and rates of short-term capital gains proposed u/s 111A

Changes in Capital Gain=FB 2024

Particulars	OLD LAW	NEW LAW
Short term capital gain		
Short-term capital gain under section-111A for - STT paid equity shares - Unites of equity oriented mutual fund - Unites of business trust	15%	20%
Short term capital gain for all other assets (No change)	At applicable rate	At Applicable rate

Changes in Capital Gain=FB 2024

Particulars	OLD Law	New Law
Long term capital gain		
Long term capital gain under section-112A - STT paid equity shares - Unites of equity oriented mutual fund - Unites of business trust	10% (Subject to exemption of Rs.1,00,000/-)	12.5% (Subject to exemption of Rs.1,25,000/-)
Long-term capital gains for unlisted shares and immovable property under section-112	20% with indexation	12.5% without indexation
Long-term capital gain under section-112 for listed bonds and debentures	20% without indexation	12.5% without indexation

Changes in Capital Gain=FB 2024

Particulars	Old law	New Law
Long term capital gain		
Long-term capital gain under section-112 for unlisted bonds and debentures	20% without indexation	At applicable rate by including under section-50AA of the act (i.e. deemed short-term capital gain)
Section 115AB, Overseas financial organisation (Offshore Fund) long-term capital gains arising from the transfer of units purchased in foreign currency	Long term capital gain 10 %	10% before the 23rd day of July, 2024; 12.5% after the 23rd day of July, 2024;”

Changes in Capital Gain=FB 2024

Particulars		Existing rate	
Long term capital gain			
Section 115AC, bonds or Global Depository Receipts purchased in foreign currency		Long term capital gain 10 %	10% before the 23rd day of July, 2024; 12.5% after the 23rd day of July, 2024;”
Section 115ACA Global Depository Receipts purchased in foreign currency : individual, who is a resident and an employee of an Indian company engaged in specified knowledge based industry or service,		Long term capital gain 10 %	10% before the 23rd day of July, 2024; 12.5% after the 23rd day of July, 2024;”

Capital GAIN

Particulars	Old law	New Law
Long term capital gain / short term capital gain		
Section 115AD Foreign Institutional Investors from securities	<u>STCG</u> ○ As per section 111A @ 15%	<ul style="list-style-type: none"> • 15% before the 23rd day of July, 2024; • 20% after the 23rd day of July, 2024;”
	<u>LTCG</u> • @ 10% : ○ As per section 112A @ 10% > 1 lakh	<ul style="list-style-type: none"> • 10% before the 23rd day of July, 2024; • 12.5% after the 23rd day of July, 2024;” > 1.25 Lakh
115E : non-resident Indian,	Long term capital gain 10 %	<ul style="list-style-type: none"> • 10% before the 23rd day of July, 2024; • 12.5% after the 23rd day of July, 2024;”

Changes in Capital Gain=FB 2024

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- 50AA“Notwithstanding anything contained in clause (42A) of section 2 or section 48, where the capital asset—
 - (a) is a unit of a Specified Mutual Fund acquired on or after the 1st day of April, 2023 or a Market Linked Debenture; or
 - (b) is an unlisted bond or an unlisted debenture which is transferred or redeemed or matures on or after the 23rd day of July, 2024,
 - the full value of consideration received or accruing as a result of the transfer or redemption or maturity of such debenture or unit or bond as reduced by—
 - (i) the cost of acquisition of the debenture or unit or bond; and
 - (ii) the expenditure incurred wholly and exclusively in connection with such transfer or redemption or maturity,
 - shall be deemed to be the capital gains arising from the transfer of a short-term capital asset.”;

Changes in Capital Gain=FB 2024

Income from units.⁵⁷

196B. (Where any income in respect of units referred to in section 115AB(units in foreign currency) or by way of long-term capital gains arising from the transfer of such units is payable to an Offshore Fund), the person responsible for making the payment shall, at the time of credit of such income to the account of the payee or at the time of payment thereof in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax thereon ~~at the rate of ten per cent.~~

“at the rate of—

(a) ten per cent.in respect of income from units referred to in clause (i) of sub-section (1) of section 115AB;

(b) **ten per** cent.in respect of long-term capital gains arising from transfer of units referred to in section 115AB, which takes place **before the 23rd day of July, 2024;**

(c) **twelve and one-half per cent. in respect of long-term capital gains** arising from transfer of units referred to in section 115AB, which takes place on or after the 23rd day of July, 2024.”.

Changes in Capital Gain=FB 2024

- **Income from foreign currency bonds or shares of Indian company.⁵⁷**
- **196C.** Where any income by way of interest or dividends **in respect of bonds or Global Depository Receipts referred to in section 115AC** or by way of long-term capital gains arising from the transfer of such bonds or Global Depository Receipts is payable to a non-resident, the person responsible for making the payment shall, at the time of credit of such income to the account of the payee or at the time of payment thereof by any mode, whichever is earlier, deduct income-tax thereon ~~at the rate of ten per cent.~~
- “at the rate of—
- (a) ten per cent. in respect of income by way of interest or dividends in respect of bonds or Global Depository Receipts referred to in section 115AC;
- (b) **ten per cent. in** respect of long-term capital gains arising from transfer of such bond or Global Depository Receipts referred to in section 115AC **which take s place before the 23rd day of July, 2024;**
- (c) **twelve and one-half per cent. in respect of long-term capital gains arising from transfer of such bond or Global depository Receipts referred** to in section 115AC which
- takes place on or after the 23rd day of July, 2024.”.

Buy Back of Shares

- **Sec 46A Capital gains on purchase by company of its own shares or other specified securities.**
- “Provided that where the shareholder receives any consideration of the nature referred to in sub-clause (f) of clause (22) of section 2 from any company, in respect of any buy-back of shares, that takes place on or after the 1st day of
- October, 2024, **then for the purposes of this section, the value of consideration received by the shareholder shall be deemed to be nil.”.**
- **57.** The income chargeable under the head "Income from other sources" shall be computed after making the following deductions, namely :—
- (i) in the case of dividends(**“other than that referred in sub-clause (f) of clause (22) of section 2”**), or interest on securities, any reasonable sum paid by way of commission or remuneration to a banker or any other person for the purpose of realizing such dividend or interest on behalf of the assessee;
- **“Provided further that no deduction shall be allowed in case of dividend income of the nature referred to in sub-clause (f) of clause (22) of section 2.”;**

Buy Back of Shares

- 115QA-Tax on distributed income to shareholders.
- “Provided further that the provisions of this sub-section shall not apply in respect of any buy-back of shares, that takes place on or after the 1st day of October, 2024.”.
- **194.** ⁹The principal officer of an Indian company or a company which has made the prescribed arrangements for the declaration and payment of dividends (including dividends on preference shares) within India, shall, before making any payment by any mode in respect of any dividend or before making any distribution or payment to a shareholder, who is resident in India, of any dividend within the meaning of sub-clause (a) or sub-clause (b) or sub-clause (c) or sub-clause (d) or sub-clause (e), **(f)** of clause (22) of [section 2](#), deduct from the amount of such dividend, income-tax at the rate of ten per cent :

Buy Back of Shares

- Cost of acquisition shall be treated as capital loss and shall be allowed as set off against any future capital gain.
- allowing the carry forward of this as capital loss, which may subsequently be set-off against consideration received on sale and thereby reduce the capital gains to this extent.

Buy Back of Shares

- Example :
- 100 shares bought in 2020 @Rs. 40/- per share
- Total cost of acquisition Rs. 4000/-
- 20 shares bought back in 2024 @Rs. 60/- per share
- Income taxable as deemed dividend Rs. 1200/-
- Capital loss on such buyback (Rs. 40 *20) Rs. 800/-
- 50 Shares sold in 2025 @Rs. 70 per share
- Capital Gain (3500 – 2000) Rs. 1500
- Chargeable capital gain after set off Rs.(1500-800) 700

Amendment of section 47-from the 1st day of April, 2025 and will accordingly apply to assessment year 2025-26 and subsequent assessment years. **[Clause 19]**

- 47“(iii) any transfer of a capital asset **by an individual or a Hindu undivided family**, under a gift or will or an irrevocable trust

-
- FB 2025

Personal Taxation-Bringing clarity in income on redemption of Unit Linked Insurance Policy

- the Finance Act, 2021 made amendments to clause (10D) of section 10 to provide that the exemption under this clause shall not apply with respect to any unit linked insurance policy or policies issued on or after the 01.02.2021, if the amount of premium or aggregate amount of premium payable during the term of such policy or policies exceeds Rs. 2,50,000;
- Further, this is treated as capital assets in case benefit u/s 10(10D) not available
- Further , this benefit is also not available if there is violation of clause (a) to(d) of section 10(10D) of the Income Tax Act

Personal Taxation-Bringing clarity in income on redemption of Unit Linked Insurance Policy

- [(1B) Notwithstanding anything contained in sub-section (1), **where any person receives at any time during any previous year any amount under a unit linked insurance policy**, to which exemption under clause (10D) of section 10 does not apply ~~on account of the applicability of the fourth and fifth provisos thereof~~, including the amount allocated by way of bonus on such policy, then, **any profits or gains arising from receipt of such amount by such person shall be chargeable to income-tax under the head "Capital gains"** and shall be deemed to be the income of such person of the previous year in which such amount was received and the income taxable shall be calculated in such manner as may be prescribed⁶.

Personal Taxation-Bringing clarity in income on redemption of Unit Linked Insurance Policy

- **Explanation-of section 112**

- a) "equity oriented fund" means a fund set up under a scheme of a mutual fund specified under clause (23D) of section 10⁸⁹[or under a scheme of an insurance company comprising unit linked insurance policies to which exemption under clause (10D) of the said section does not apply ~~on account of the applicability of the fourth and fifth provisos thereof~~] and,—
- b) **provided further** that in case of a scheme of an insurance company comprising unit linked insurance policies to which exemption under clause (10D) of section 10 does not apply ~~on account of the applicability of the fourth and fifth provisos thereof~~, the minimum requirement of ninety per cent or sixty-five per cent, as the case may be, is required to be satisfied throughout the term of such insurance policy;]

Tax on income of Foreign Institutional Investors from securities or capital gains arising from their transfer. A.Y.2026-27, 1st April 2026

115AD. (1) Where the total income of a **specified fund or Foreign Institutional Investor** includes—

58[(a) Income received in respect of securities (other than units referred to in section 115AB); or]

(b) income by way of short-term or long-term capital gains arising from the transfer of such securities,

iii) the amount of income-tax calculated on the income by way of long-term capital gains referred to in clause (b), if any, included in the total income, at the rate of ~~ten per cent~~: **“twelve and one-half per cent**

Tax on income of Foreign Institutional Investors from securities or capital gains arising from their transfer. A.Y.2026-27, 1st April 2026

- **Provided that in case of income arising from the transfer of a long-term capital asset referred to in section 112A** which exceeds one lakh and twenty-five thousand rupees, income-tax shall be calculated at the rate of—
- (A) ten per cent where transfer of such asset takes place before the 23rd day of July, 2024; and
- (B) twelve and one-half per cent where transfer of such asset takes place on or after the 23rd day of July, 2024:

TAXATION OF REITS/ INVITS/ AIFS(115UA, 115UB)

- SECURITIES HELD BY INVESTMENT FUND TREATED AS CAPITAL ASSET
- ☐ Presently, there is no clarity whether income from securities held by an investment fund is “business income” or “capital gains”
- ☐ It is now proposed to treat such securities as capital assets (if invested as per SEBI regulations), and any gains from selling them will be considered as capital gains, taxed directly in the hands of the unit holders, while the fund itself remains exempt

TAXATION OF REITS/ INVITS/ AIFS(115UA, 115UB)

- **RATIONALISATION OF TAX ON TRANSFER OF CAPITAL ASSETS BY BUSINESS TRUSTS**
- Presently, long term capital gain on transfer of listed shares, units of equity oriented mutual fund and business trust(112A) is taxed at MMR and for gain on other long term capital assets, tax rate is 12.5%

To bring parity, it is now proposed to tax the above long term capital gains also at 12.5%

-
- **Changes in TDS-FB 2024**

TDS

Section	OLD Rate	New Rate	With effect from
Section 194D - Payment of insurance commission (in case of person other than company)	5	2	1.4.2025
Section 194DA - Payment in respect of life insurance policy	5	2	1.10.2024
Section 194G – Commission etc on sale of lottery tickets	5	2	1.10.2024
Section 194H - Payment of commission or brokerage	5	2	1.10.2024
Section 194-IB - Payment of rent by certain individuals or HUF	5	2	1.10.2024
Section 194M - Payment of certain sums by certain individuals or Hindu undivided family	5	2	1.10.2024
Section 194-O - Payment of certain sums by e-commerce operator to e-commerce participant	1	.1	1.10.2024
Section 194F relating to payments on account of repurchase of units by Mutual Fund or Unit Trust of India	20%- PROPOSED TO BE OMITTED		1.10.2024

Ease in claiming credit for TCS collected/TDS deducted by salaried employees, Clause 50],

- Sub section 2B of sec 192 has been amended to provide for deduction of TDS or **TCS** from the tax liability under the head salary

Alignment of interest rates for late payment to Government account of TCS, [Clause 70], from the 1st day of April, 2025.

- Under Sec 206C(7)-Interest for late deposit of TCS is increased 1.5% pm or part there of from 1%.

Claiming credit for TCS of minor in the hands of parent-[Clause 70]-from the 1st day of January, 2025.

-
- Credit of TDS in the hand of parent of TCS collected from minor provided his income is included in the hand of parents. Detailed rule will follow
 - (c) in sub-section (4), after the words “such person”, the words “or any other person eligible for credit” shall be inserted with effect from the 1st day of January, 2025;

TCS

- TCS 206C(IF) from 1st day of January 2025
- “(1F) Every person, being a seller, who receives any amount as consideration for sale of—
 - (i) a motor vehicle; or
 - (ii) any other goods, as may be specified by the Central Government by notification in the Official Gazette,(Luxury tax)
- of the value exceeding ten lakh rupees, shall, at the time of receipt of such amount, collect from the buyer, a sum equal to one per cent. of the sale consideration as income-tax.”;

TCS

- 206C (b) in sub-section (3B), the following proviso shall be inserted with effect from the 1st day of April, 2025, namely:—
- “Provided that **no correction statement shall be delivered after the expiry of six years from the end of the financial year in which the statement referred to in the proviso to sub-section (3) is required to be delivered.**”;
- “(7A) No order shall be made under sub-section (6A) deeming a person to be an assessee in default
- for failure to collect the whole or any part of the tax from any person, at any time after the expiry of six years from the end of the financial year in which tax was collectible or
- two years from the end of the financial year in which the correction statement is delivered under sub-section (3B), whichever is later.”;

TCS

- (ii) after sub-section (11), the following sub-section
- shall be inserted, namely:—
- “(12) Notwithstanding anything contained in this section, **no collection of tax** shall be made or collection of tax shall be made **at such lower rate in respect of specified transaction, from such person or class of persons, including institution, association or body or class of institutions, associations or bodies, as the Central Government may, by notification in the Official Gazette specify in this behalf.**”.

Amendment of provisions of TDS on sale of immovable property-[Clause 58]-The amendments will take effect from the 1st day of October, 2024

- “Provided that where there is more than one transferor or transferee in respect of any immovable property, then the consideration shall be the aggregate of the amounts paid or payable by all the transferees to the transferor or all the transferors for transfer of such immovable property.”.

Inclusion of taxes withheld outside India for purposes of calculating total income-[Clause 66 -take effect from the 1st day of April, 2025

- **198.** All sums deducted in accordance with the foregoing provisions of this Chapter and income tax paid outside India, by way of deduction, in respect of which an assessee is allowed a credit against the tax payable under this Act shall, for the purpose of computing the income of an assessee, be deemed to be income received :

Excluding sums paid under section 194J from section 194C (Payments to Contractors)-[Clause 53]-from 1st day of October 2024

- iv) "work" shall include—
- ~~but does not include manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from a person, other than such customer or associate of such customer.~~
- "but does not include—
- (A) manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from a person, other than such customer or associate of such customer; or
- (B) any sum referred to in sub-section (1) of section 194J."

Excluding sums paid under section 194J from section 194C (Payments to Contractors)-[Clause 53]-from 1st day of October 2024

Consultancy in Engineering Projects

Facts:

- An engineering consultant is hired to prepare a structural report for a construction company.

Potential Conflict:

- Is this **part of the main construction contract** (Section 194C) or a **separate professional consultancy** (Section 194J)?

Resolution:

- Involves **professional expertise and analysis** → falls under **194J**.
- **Not covered under "work"** as per Section 194C Explanation due to 194J exclusion.

-
- FINANCE BILL 2025

Amendments in TDS Rate/ Thresh hold

Section	Old rate	New Rate	w.e.f.
194LBC-Income in respect of investment in securitization trust.	25%-if payee is Individual or HUF, 30%-Other person	10%-for all	01.04.2025
193-Interest on securities	Nil	10000.00	01.04.2025
194A - Interest other than Interest on securities	<p>when payer is bank, cooperative society and post office</p> <p>(i) Rs. 50,000/- for senior citizen; (ii) Rs. 40,000/- in case of others</p> <p>For other cases</p> <p>(iii) Rs. 5,000/-</p>	<p>when payer is bank, co-operative society and post office</p> <p>(i) Rs. 1,00,000/- for senior citizen (ii) Rs. 50,000/- in case of others</p> <p>For other cases</p> <p>(iii) Rs. 10,000/- in other cases</p>	01.04.2025

A **Securitization Trust** is a legal and financial structure primarily used to **pool financial assets** (like loans or receivables) and **convert them into marketable securities**. These securities are then sold to investors. This process is called **securitization**.

194 - Dividend for an individual shareholder	Rs. 5,000/-	Rs. 10,000/-	01.04.2025
194K - Income in respect of units of a mutual fund or specified company or Undertaking	Rs. 5,000/-	Rs. 10,000/-	01.04.2025
194B - Winnings from lottery, crossword puzzle, etc. or 194BB - Winnings from horse race	Aggregate of amounts exceeding Rs. 10,000/- during the financial year	Rs. 10,000/- in respect of a single transaction	01.04.2025
194D – Insurance commission	Rs. 15,000/-	Rs. 20,000/-	01.04.2025
194G - Income by way of commission, prize etc. on lottery tickets	Rs. 15,000/-	Rs. 20,000/-	01.04.2025
194H - Commission or brokerage	Rs. 15,000/-	Rs. 20,000/-	01.04.2025

194-I Rent	Rs. 2,40,000/- during the financial year	Rs. 50,000/- per month or part of a month	01.04.2025
194J - Fee for professional or technical services, royalty, sum referred in Sec 28(va)	Rs. 30,000/-	Rs. 50,000/-	01.04.2025
194LA - Income by way of enhanced compensation	Rs. 2,50,000/-	5,00,000/-	01.04.2024

TCS-Definition of “forest produce” rationalized-Ist April 2025

- Profits and gains from the business of trading in alcoholic liquor, forest produce, scrap, etc. ⁷
- 206C.

<i>Sl. No.</i>	<i>Nature of good</i>	<i>Percentage</i>
(iii)	Timber obtained under a forest lease or any other forest produce (not being tendu leaves) obtained under a forest lease	2% 2.5%
(iv)	Timber obtained by any mode other than under a forest lease	2% 2.5%
(v)	Any other forest produce not being timber or tendu leaves	2.5%

TCS-Reduction in compliance burden by omission of TCS on sale of specified goods- 1st day of April, 2025

- **206(IH)-TCS on sale of goods**
- Provided also that nothing contained in the provisions of this sub-section shall apply from the 1st day of April, 2025.”;

TCS/TDS- Removal of higher TDS/TCS for non-filers of return of income w.e.f. 01.04.2025

- **206AB- Special provision for deduction of tax at source for non-filers of income-tax return.**
- **Section 206AB of the Income-tax Act shall be omitted w.e.f. 01.04.2025**
- **206CCA- Special provision for collection of tax at source for non-filers of income-tax return.**
- **Section 206CCA of the Income-tax Act shall be omitted w.e.f. 01.04.2025**

TCS-206C(IG)-TCS on remittance under LRS

- (1G) Every person,—
- (a) being an authorised dealer, who receives an amount, for remittance 29[***] from a buyer, being a person remitting such amount 29[***] under the Liberalised Remittance Scheme of the Reserve Bank of India;
- (b) being a seller of an **overseas tour program package**, who receives any amount from a buyer, being the person who purchases such package,
- **shall, at the time of debiting the amount payable by the buyer or at the time of receipt of such amount from the said buyer, by any mode, whichever is earlier, collect from the buyer, a sum equal to [five] per cent of such amount as income-tax:**
- Provided that the authorised dealer shall not collect the sum, if the amount or aggregate of the amounts being remitted by a buyer is less than ~~seven lakh rupees—~~ **Ten Lakh in a financial year 31[***]:**

TCS-206C(IG)-TCS on remittance under LRS

- ~~**Provided also** that the authorised dealer shall collect a sum equal to one half per cent of the amount or aggregate of the amounts in excess of seven lakh rupees remitted by the buyer in a financial year, if the amount being remitted out is a loan obtained from any financial institution as defined in section 80E, for the purpose of pursuing any education:~~

“Provided also that the authorised dealer shall not collect the sum if the amount being remitted out is a loan obtained from any financial institution as defined in clause (b) of sub-section (3) of section 80E, for the purpose of pursuing any education.”;

-
- **Change in ITR-A.Y. 2025-26**

ITR 1

Applicable

- **Resident Individual (Ordinary Resident)** having total income up to ₹50 lakhs from:
 - Salary/pension
 - One house property (not let out)
 - Other sources (interest, FD, etc. excluding Lottery, Race Horses)
 - Agricultural income up to ₹5,000
 - **LTCG under Section 112A** does not exceed ₹1.25 lakh.

Not Applicable

- Director in company
- Holding unlisted equity shares
- **Having capital gains exceeding 1.25 lakh under 112A or business income**
- More than one house property
- Foreign income or assets
- Income > ₹50 lakh
- **Having interest in any entity located outside India**

ITR 1

Applicable

- Person has incurred more than Rs. 2 lakhs on foreign travelling.
- Person has incurred more than Rs. 1 lakh towards payment of the electricity bill
- Aggregate amount of TDS and TDS is Rs. 25,000 (Rs. 50,000 in case of senior citizen) or more
- Aggregate deposit in the saving bank account is Rs. 50 lakh or more

ITR-1

- ITR-1 (SAHAJ) Now Permits Limited Long-Term Capital Gains
- ITR-1 can now be filed if **LTCG under Section 112A** does not exceed ₹1.25 lakh.
- The form remains ineligible if there is any capital loss to be carried forward or set off.

ITR-1

- A dedicated row titled “Income on which no tax is payable”
- to report exempt long-term capital gains (LTCG) under Section 112A.
- Taxpayers are now required to provide detailed information, including:
 - Total sale consideration
 - Cost of acquisition
 - Amount of exempt LTCG as per Section 112A

ITR-1

-
- **Drop-Down Selection for Deductions (Sections 80C to 80U)**
 - ITR-1 now require taxpayers to select deductions from a drop-down menu in the e-filing utility. Specific clauses and sub-sections must be explicitly mentioned, reducing errors and improving transparency

ITR-1

-
- Section-wise TDS Reporting in Schedule TDS/TCS
 - Taxpayers are now required to specify the exact section of the Income Tax Act under which TDS has been deducted in the TDS/TCS Schedule of the return.

ITR -2

Applicable	Non Applicable
<p><u>Individuals and HUFs(ROR, RNOR,NR) not having income from business/profession but having:</u></p> <ul style="list-style-type: none">- Capital Gains- One and More than one house property and b/f and C/f losses also- Foreign income or assets- Income above ₹50 lakhs- Agricultural income above ₹5,000- Holding directorship or unlisted shares- All types of income except from business/profession including Salary, pension, Capital Gains, Multiple house properties, Foreign income/assets, etc- Unexplained Income taxable at 60% and 115BBE	<p>Income from business/profession (even presumptive)</p>

Applicable

Non applicable

-Assessee has:

- Income from foreign sources
- Foreign Assets including financial interest in any foreign entity
- Signing authority in any account outside India

-Income has to be apportioned in accordance with Section 5A

-If the tax has been deducted on cash withdrawal under Section 194N

-Person has deposited more than Rs. 1 crores in one or more current account

-Person has incurred more than Rs. 2 lakhs on foreign travelling

-Person has incurred more than Rs. 1 lakh towards payment of the electricity bill

-Aggregate amount of TDS and TDS is Rs. 25,000 (Rs. 50,000 in case of senior citizen) or more

-Aggregate deposit in the saving bank account is Rs. 50 lakh or more

-An Individual who is director in a company

-If payment of tax in respect of ESOPs allotted by an eligible start-up has been deferred

Person claiming deduction under Section 80QQB or 80RRB in respect of royalty from patent or books

If payment of tax in respect of ESOPs allotted by an eligible start-up has been deferred

-
- When an **eligible start-up** allots **ESOPs (Employee Stock Option Plans)** and the employee chooses to **defer the payment of tax**, the provisions under **Section 192(1C)** and **Section 191** of the **Income Tax Act, 1961**.
 - Section 192(1C): Allows deferment of TDS on perquisite value of ESOPs.
 - Proviso to Section 191(1): Allows deferment of tax liability for the employee.
 - Applies only if:
 - The employer is an **eligible start-up** as defined under **Section 80-IAC**.
 - ESOPs are allotted to **an employee** by such a start-up.
 - The employee **opts for deferment**.

If payment of tax in respect of ESOPs allotted by an eligible start-up has been deferred

-
- Tax on ESOP perquisite is **not required to be deducted at the time of allotment/exercise**, but is **deferred** to the **earliest** of the following events:

Trigger Event	Timeline
Expiry of 48 months from the end of the relevant assessment year	4 years after AY ends
Date of sale of such specified security by the employee	When employee sells shares
Date the employee ceases to be in employment with the start-up	On resignation/termination

ITR -2

- **1. Aadhaar Enrolment ID is not accepted**
- The Finance (No. 2) Act, 2024 amended Section 139AA of the Income-tax Act ("ITA"), with effect from 01-10-2024, restricting the use of the Aadhaar Enrolment ID in place of the Aadhaar number for PAN applications and Income-tax Returns.
- In line with this amendment, Forms ITR-2 have been updated to remove the reference to the Aadhaar Enrolment ID. Taxpayers are now required to provide **their Aadhaar number/the Aadhaar number of partners, members, settlors, trustees, beneficiaries, and executors, as the case may be, when filing their returns, aligning with the new provisions under Section 139AA.**

ITR -2

-
- 4. Changes due to the amendments made by the Finance (No. 2) Act, 2024 for taxation of capital gains
 - As per Section 45(1), capital gains are taxable in the year in which a capital asset is transferred.
 - Capital Gain split for gains before/after 23.07.2024
 - If the transfer date is before July 23, 2024, the old tax provisions will continue to apply, including the 15% tax rate on STCG covered under Section 111A, the 20% tax rate on LTCG covered under Section 112 with indexation benefit, and the 10% tax rate on LTCG under Section 112A.

ITR -2

- However, if the transfer occurs on or after 23rd July 2024, new tax provisions will apply as follows:
- (a) The tax rate on short-term capital gains covered under Section 111A will be 20% instead of 15%.
- (b) A uniform tax rate of 12.5% will apply to long-term capital gains under Section 112, and no indexation benefit will be available on such gains. However, a grandfathering provision is introduced for land or buildings acquired before 23rd July 2024 and transferred on or after that date for resident individuals/HUF.
- (c) The tax rate on long-term capital gains covered under Section 112A will be 12.5%, rather than 10%.
- (d) The tax rates on capital gains for non-residents have also been amended, which are consistent with changes to Sections 111A, 112, and 112A.

ITR -2

- **Reporting of capital gains from unlisted bonds and debentures as STCG or LTCG based on the transfer date**
- The Finance Act, 2023 introduced a new Section 50AA, effective from AY 2024-25, to bring **Market Linked Debentures (MLDs) and Specified Mutual Funds (SMFs)** under a **special capital gains regime**. Any gain arising from the transfer, redemption or maturity of a unit of such specified mutual funds or market-linked debentures **is treated as short-term capital gains and is taxable at the rate applicable to the assessee.**

ITR -2

- The Finance (No. 2) Act, 2024 expanded the scope of Section 50AA. Effective from 23rd July 2024, the provision **also includes unlisted debentures and unlisted bonds**. Therefore, if unlisted debentures or bonds were issued on or before 22nd July 2024 but redeemed, matured, or transferred on or after 23rd July 2024, **the entire gain will be taxed as short-term capital gains, regardless of the holding period.**

ITR -2

- **Reporting of buy-back proceeds as deemed dividend starting 1st October 2024**
- Until September 30, 2024, when a domestic company bought back its own shares, it was required to pay additional tax under Section 115QA on the income distributed. In that case, the amount received by the shareholder was exempt under Section 10(34A), and the shareholder had no further tax liability.
- The Finance (No. 2) Act, 2024 reversed this approach. Effective from 01-10-2024, the entire consideration received by shareholders on the buy-back of shares by a domestic company will be taxed in the hands of the shareholders as a deemed dividend under Section 2(22)(f). As a result, shareholders will have to pay tax on the full amount received from the buy-back. For the calculation of capital gains, the consideration is considered to be nil. The net outcome of the calculation will result in a capital loss

ITR -2

Example: Buy-back of Shares

		(Post 01-10-2024)In Hands of Shareholder:	
Issue Price of Shares	100 per share	Dividend Income (u/s 2(22)(f))	☐ 3,00,000 (taxable as per slab or at applicable rate)
Buy-back Price by Company	300 per share		
Number of Shares Bought Back	1,000 shares	Capital Gains:	Capital Loss: Can be carried forward and set off against future capital gains.
Total Buy-back Consideration	☐ 3,00,000	Consideration = NIL	
Cost of Acquisition	☐ 1,00,000	Cost = ☐ 1,00,000	
Distributed Income	200000	Capital Loss = ☐ (1,00,000)	

ITR -2

- **Reporting Requirements:**
- **(A) Schedule OS (Other Sources)**
- Report ☐ 3,00,000 as **Dividend Income** under new head "Deemed Dividend u/s 2(22)(f)"
- **(B) Schedule CG (Capital Gains)**
- **Sale Consideration** = ☐ 0
- **Cost of Acquisition** = ☐ 1,00,000
- **Resulting Capital Loss** = ☐ 1,00,000 (Shortterm or long-term based on holding)

ITR -2

-
- **Reporting of disability certificates number for deductions under Sections 80DD and 80U**
 - The deduction under Section 80DD is available to a resident individual or Hindu Undivided Family (HUF) who incurs medical expenditure or pays an insurance premium for the care of a dependent family member with a disability or severe disability.
 - The deduction under Section 80U is available to a **resident individual** who himself is suffering from a disability or severe disability.

ITR -2

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- In cases where the assessee or his dependent is suffering from autism, cerebral palsy, or multiple disabilities, he is required to obtain a certificate issued by the medical authority in Form 10-IA. For other types of disabilities, the assessee must obtain a disability certificate in accordance with the guidelines issued by the expert committee.
 - In the previous ITR Form 2 and 3, taxpayers could enter the acknowledgement number of Form 10-IA only, while there was no facility to report the acknowledgement number of certificates for other disabilities. However, the new ITR Form-2 and ITR Form-3 have introduced a separate column to provide this information as well.

ITR -2

- **Reporting of Pass-Through Income as per Section 115U**
- **Venture Capital Funds and Venture Capital Undertakings** are allowed a pass-through status under the ITA. If such funds are covered under the definition of investment fund, being a Category-I or II AIF, as specified under Section 115UB, all incomes (except business income) can be passed to the investors. The VC funds and undertakings that are not covered under Section 115UB are allowed pass-through status under Section 115U.
- Until now, there was no reference to Section 115U in Schedule PTI of the ITR forms. Thus, investors of venture capital funds/undertakings covered under Section 115U were not required to report pass-through income under Schedule PTI
- The new ITR-2 addressed this issue by including a reference to Section 115U in Schedule PTI, thereby enabling taxpayers to correctly report pass-through income received from venture capital funds/ undertakings covered under Section 115U.

ITR -2

- **Schedule AL is applicable if the total income exceeds Rs. 1 crore**
- Schedule AL in the form ITR-2 and ITR-3 is used to report the details of assets and liabilities of the taxpayer. In the form ITR-2 and ITR-3 applicable till AY 2024-25, a taxpayer with a total income exceeding Rs. 50 lakh was required to disclose his assets and liabilities at the end of the year. In the new ITR-2, **this requirement now applies only to individuals whose total income exceeds Rs. 1 crore.**

ITR -2

- **Schedule TDS requires disclosure of the TDS section**
- Already discussed

ITR 3

Applicable	Non Applicable
<p>Individuals & HUFs(ROR, RNOR, NR) having income from business/profession (including presumptive if not opting for ITR-4):</p> <ul style="list-style-type: none">- Intraday, F&O, speculative income- Commission or agency income- Partnerships- Freelancers- Professionals- Partner in a firm (interest/salary)-Salary / Pension-one and more than one house property, having b/f losses, c/f losses,-Capital Gain-other source	<ul style="list-style-type: none">- Companies- Firms themselves (only partners allowed)

Applicable	Non Applicable
<p>Person claiming deduction under Section 80QQB or 80RRB in respect of royalty from patent or books</p> <p>Person claiming deduction under section 10AA or Part-C of Chapter VI-A</p> <p>Assessee has:</p> <ul style="list-style-type: none"> • Income from foreign sources • Foreign Assets including financial interest in any foreign entity • Signing authority in any account outside India <p>Income has to be apportioned in accordance with Section 5A</p> <p>If the tax has been deducted on cash withdrawal under Section 194N</p> <p>Person has deposited more than Rs. 1 crore in one or more current account</p> <p>Person has incurred more than Rs. 2 lakhs on foreign travelling</p> <p>Person has incurred more than Rs. 1 lakh towards payment of the electricity bill</p> <p>Person has turnover from business exceeding Rs. 60 lakhs</p> <p>Person has gross receipts from profession exceeding Rs. 10 lakhs</p> <p>Aggregate amount of TDS and TDS is Rs. 25,000 (Rs. 50,000 in case of senior citizen) or more</p> <p>Aggregate deposit in the saving bank account is Rs. 50 lakh or more</p> <p>Any individual who is a Director in any company</p> <p>IF payment of tax in respect of ESOPs allotted by an eligible start-up has been deferred</p>	

ITR -3

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- Aadhaar Enrolment ID is not accepted
 - Already discussed

ITR 3

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- **Change in disclosure on opting out of the new tax regime of Section 115BAC**
 - The ITR-3 applicable for AY 2024–25, simply asked whether the assessee had exercised the option to opt out of the new tax regime under Section 115BAC(6) and required the date and acknowledgment number of Form 10-IEA if applicable.
 - The new ITR-3 applicable for AY 2025–26, introduce a more detailed disclosure structure. They seek confirmation of past filings of Form 10-IEA and ask whether the assessee wants to continue opting out of the New Tax Regime in the current year.

Change in ITR-3 for AY 2025–26

Aspect	AY 2024–25	AY 2025–26
Basic disclosure	Checkbox for opting out under Section 115BAC(6), along with Form 10-IEA acknowledgment number and date	Detailed disclosure , including: 1. Whether Form 10-IEA was filed in any earlier year 2. Assessment year in which Form 10-IEA was filed 3. Acknowledgment number and date 4. Whether assessee wants to continue opting out in the current year

Change in ITR-3 for AY 2025–26

- **Reporting of income declared under the presumptive tax scheme of Section 44BBC (cruise shipping)**
- To promote the **cruise-shipping industry in** India and make it an attractive global cruise tourism destination, the Finance (No. 2) Act, 2024, inserted a new **presumptive tax scheme under Section 44BBC with effect from the AY 2025-26** providing special provision for computing profits and gains of the business of the operation of cruise ships in the case of non-residents. Under this scheme, 20% of the total amount received or receivable by, or paid or payable to, a non-resident cruise ship operator for carriage of passengers is deemed to be the profits and gains from that business.

Change in ITR-3 for AY 2025–26

- **Reporting of income declared under the presumptive tax scheme of Section 44BBC**
- To enable reporting of income under Section 44BBC, the following changes have been made under the ITR forms:
 - (a) The relevant declaration field under Part A- GEN is amended to indicate whether the taxpayer is declaring income under Section 44BBC.
 - (b) The Schedule BP has been updated to capture the amount of profit and gains deemed under Section 44BBC, similar to the existing reporting mechanism for other presumptive schemes like Sections 44B and 44BBA.

Change in ITR-3 for AY 2025–26

- Changes due to the amendments made by the Finance (No. 2) Act, 2024 for taxation of capital gains
- Already discussed

Change in ITR-3 for AY 2025–26

- **Reporting of capital gains from unlisted bonds and debentures as STCG or LTCG based on the transfer date (Sec 50AA)**
- Already explained earlier

Change in ITR-3 for AY 2025–26

- **Reporting of buy-back proceeds as deemed dividend starting 1st October 2024**
- Already explained earlier

Change in ITR-3 for AY 2025–26

- **Withdrawal of Section 80-IC Deduction Schedule**
- Section 80-IC of the ITA allows a deduction to any assessee deriving profits and gains from manufacturing or producing specified articles or things in a new unit or an existing unit after substantial expansion. The deduction shall be allowed for 100% of the profits in the first 5 years and 25%/30% of the profits in the next 5 years, provided the unit commenced operations or substantial expansion between 07-01-2003 and 31-03-2012.
- If an assessee commenced a manufacturing unit in the FY 2011–12, the deduction under Section 80-IC would be available up to AY 2021–22. However, since the deduction period has lapsed, the Schedule for claiming deduction under Section 80-IC has been removed from Form ITR-3 and ITR-5.

Change in ITR-3 for AY 2025–26

- **Reporting of disability certificates for deductions under Sections 80DD and 80U**
- Already explained earlier

Change in ITR-3 for AY 2025–26

- **Reporting of Pass-Through Income as per Section 115U**
- Already explained earlier

Change in ITR-3 for AY 2025–26

- **Scope of audit disclosure requirement in Schedule 5A expanded**
- Schedule 5A of ITR-3 pertains to the **apportionment of income between spouses governed by the Portuguese Civil Code**. In the previous assessment years, the ITR-3 form limited its disclosure requirement to whether the spouse's accounts were audited under Section 44AB or if the spouse was a partner in a firm subject to audit under that section.
- **However, Schedule 5A in the new ITR-3 has expanded this scope. It now seeks disclosure whether the spouse's accounts are audited under any provision of the ITA (excluding Section 92E) or under any other applicable laws.**

Change in ITR-3 for AY 2025–26

- **Schedule AL is applicable if the total income exceeds Rs. 1 crore**
- Already explained earlier

Change in ITR-3 for AY 2025–26

- **12. Schedule TDS requires disclosure of the TDS section**
- Already explained earlier

Change in ITR 4

Applicable	Not Applicable
<p>Resident Individuals, HUFs, (ROR) and Firms (other than LLPs) opting for Presumptive Income Scheme under:</p> <ul style="list-style-type: none">- Sec 44AD (business)- Sec 44ADA (profession)- Sec 44AE (transporters) <p>And total income ≤ 50 lakhs</p> <ul style="list-style-type: none">-having salary income / pension-LT CG under Section 112A up to ≤ 1.25 lakh, provided there is no loss under the capital gains head.-Income from other sources (other than income chargeable to tax at special rates including winnings from lottery and race horses or losses under this head) and family pension	<p>Director in company</p> <ul style="list-style-type: none">- Foreign assets or income- More than one house property- Income from capital gains

Applicable

Not Applicable

If the tax has been deducted on cash withdrawal under Section 194N
Person has deposited more than Rs. 1 crores in one or more current account
Person has incurred more than Rs. 2 lakhs on foreign travelling
Person has incurred more than Rs. 1 lakh towards payment of the electricity bill
Aggregate amount of TDS and TDS is Rs. 25,000 (Rs. 50,000 in case of senior citizen) or more
Aggregate deposit in the saving bank account is Rs. 50 lakh or more

ITR 4

- **Relaxation in ITR-4 (SUGAM) for Presumptive Income Earners**
- ITR-4, used by taxpayers under the presumptive taxation scheme (Sections 44AD, 44ADA, and 44AE), has also been amended to **allow LTCG under Section 112A up to ₹1.25 lakh**, provided there is no loss under the capital gains head.
- Additionally, Section 44AD (for businesses) now raises the turnover threshold to ₹3 crores (from ₹2 crore) if 95% or more transactions are digital. Similarly, Section 44ADA (for professionals) increases the presumptive taxation limit to ₹75 lakh (from ₹50 lakh) under the same digital transaction condition.

ITR 4

- Enhanced Disclosure for New vs. Old Tax Regime
- Already explained

ITR 4

-
- Mandatory Drop-Down Selection for Deductions (Sections 80C to 80U)
 - Already explained

ITR 4

- Expanded Reporting for Foreign Retirement Accounts (Section 89A)
- Taxpayers with foreign retirement accounts must now provide enhanced disclosures, including relief tracking under Section 89A. This ensures proper reporting of income from overseas retirement funds.

ITR 4

- **Background of Section 89A**
- Section 89A was introduced by the **Finance Act, 2021** to resolve **mismatches in taxation years** between India and foreign countries (notably USA, UK, Canada, etc.) in relation to **retirement accounts held abroad**.
- **Problem Before Section 89A:**
- Many countries tax income from retirement funds **only at withdrawal**.
- India (under global income taxation) taxed such income **on accrual basis**.
- This led to **double taxation** or timing mismatch.

ITR 4

- **What Section 89A Provides**
- Section 89A allows a **specified person** (resident in India who opened a retirement account while a non-resident) to **defer tax in India** till **actual receipt** of income from such foreign retirement funds.
- Such taxpayers must file:
- **Form 10-EE** (electronically) on or before due date under Section 139(1).

ITR 4

Changes in ITR-4 for AY 2025–26

Expanded Reporting Requirements:

ITR-4 now includes enhanced disclosure fields for taxpayers claiming relief under Section 89A, including:

Details of foreign retirement account, such as:

- Country of account

- Account type

- Date of opening

- Income accrued/withdrawn during the year

Whether Form 10-EE filed

Amount of income claimed to be taxed under Section 89A

Tracking relief availed under 89A for past and current years

TDS or foreign tax credit (FTC) claimed on such income

Who should report

Criteria	Answer
Resident individual	<input type="checkbox"/> Yes
Holds a foreign retirement fund (e.g., IRA, 401(k), UK pension, Canadian RRSP)	<input type="checkbox"/> Yes
Opened while being non-resident	<input type="checkbox"/> Yes
Intending to claim deferment of tax in India (under 89A)	<input type="checkbox"/> Must report & file Form 10-EE

ITR 4

- **5. Illustration**
- Mr. A, an Indian resident, worked in the US and contributed to a **401(k) plan**. He returned to India and the plan continues to accrue income. Instead of paying Indian tax on **accrued income**, he wants to pay tax **only when he withdraws** the money from the plan.
- **In ITR-4 (AY 2025–26), he must:**
- Disclose the 401(k) account
- Mention whether Form 10-EE was filed
- Report withdrawal (if any) in income under Section 89A
- Track earlier income deferred under 89A (if any)

ITR 4

Requirement

File **Form 10-EE** every year

Maintain accurate records of foreign fund

Correct reporting in ITR-4 → Schedule OS (Other Sources) + Foreign Assets

Claim FTC under Rule 128 if foreign tax paid

Must Do

☐ Yes, before due date

☐ Yes

☐ Yes

☐ If applicable

ITR 5

Applicable	Not Applicable
<p>Firms</p> <ul style="list-style-type: none">- LLPs- AOPs/BOIs- Trusts (not claiming exemption)- Business trust/investment funds- Local Authority- Artificial judicial person	<p>individuals/HUFs</p> <ul style="list-style-type: none">- Companies- Political parties or entities covered under ITR-7

ITR 5

- **Change in disclosure on opting out of the new tax regime of Section 115BAC**
- Already discussed
- **Reporting of income declared under the presumptive tax scheme of Section 44BBC (Cruise Business operator)**
- Already discussed

ITR 5

- **Changes due to the amendments made by the Finance (No. 2) Act, 2024 for taxation of capital gains**
- Already discussed (split between pre and post 23rd July 2024)
- **Reporting of capital gains from unlisted bonds and debentures as STCG or LTCG based on the transfer date**
- Sec 50AA- Already discussed

ITR 5

- **Reporting of buy-back proceeds as deemed dividend starting 1st October 2024**
- Already discussed
- **Withdrawal of Section 80-IC Deduction Schedule**
- Already discussed

ITR 5

- **Reporting of Pass-Through Income as per Section 115U**
- Already discussed
- **Schedule TDS requires disclosure of the TDS section.**
- Already discussed
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-

ITR 6

Applicable	Not Applicable
Companies other than those claiming exemption under section 11 (charitable/religious trusts	Companies claiming exemption under Section 11 (file ITR-7)

ITR 6

- **Transfer pricing in the diamond trade.**
- Foreign entities selling uncut diamonds in designated zones will now be subject to a 4% profit margin under Rule 10TIA, retroactive from April 1, 2024.
- Note
- The **CBDT inserted Rule 10TIA** (via Income-tax Rules) to provide a **safe harbour regime** for **foreign companies selling rough diamonds** through specified notified zones (like Bharat Diamond Bourse, Mumbai).

ITR 6

- **Reporting Requirement in ITR-6**
- Report **turnover from such transactions** in **Schedule BP (Business & Profession)**.
- **Disclose:**
 - That income is computed under **Rule 10TIA (Safe Harbour)**.
 - Profit @ **4% of such turnover**.
- **Ensure that Transfer Pricing Certificate (Form 3CEB) is:**
 - Either **not required** (if safe harbour availed),

ITR 6

- **Reporting of income declared under the presumptive tax scheme of Section 44BBC** (Cruise Business operator)
- Already discussed

ITR 6

- **Changes due to the amendments made by the Finance (No. 2) Act, 2024 for taxation of capital gains**
- Already discussed (split between pre and post 23rd July 2024)
- **capital losses on share buybacks will be allowed if the corresponding dividend income is reported**
- Already discussed

ITR 6

- specify the exact section of the Income Tax Act under which TDS has been deducted
- Already discussed
- select deductions from a drop-down menu
- Already discussed

ITR 7

Applicable	Non applicable
<p>Persons including companies required to furnish return under:</p> <p>Section 139(4A): Charitable/religious trusts</p> <p>Section 139(4B): Political parties</p> <p>Section 139(4C): Institutions like scientific research, news agencies, etc.</p> <p>Section 139(4D/4E/4F): Business trusts, investment funds</p>	<p>Firms, individuals, HUFs not covered under above sections</p>

ITR 7

-
- Expanded reporting of Foreign contribution

ITR 7

- Capital Gain split for gains before/after 23.07.2024 (post changes in Finance Act, 2024).
- Already discussed

ITR 7

- Capital losses on share buybacks will be allowed if the corresponding dividend income is reported under "Income from Other Sources."
- Already discussed
- Reporting of capital gains from unlisted bonds and debentures as STCG or LTCG based on the transfer date
- Already discussed

ITR 7

-
- Taxpayers are now required to specify the exact section of the Income Tax Act under which TDS has been deducted in the TDS/TCS Schedule of the return.
 - Already discussed

ITR 7

- Aadhaar Enrolment ID is not accepted.
- Already discussed
- Reporting of Pass-Through Income as per Section 115U
- Already discussed

ITR 1 to 7

-
- Deduction claims under Section 24(b) for home loans now required detail disclosure., (Interest payable on borrowed capital (Details are to be filled in the drop down to be provided in e-filing)(In all ITR 1 to 7)
 - Disclosure Field(may be)
 - Lender's Name, PAN of the Lender, Date of Loan Sanction, Interest Paid/Payable, Construction Completion Date, Type of Property, Use of Loan.

Nature of income	ITR-1	ITR-2	ITR-3	ITR-4
Salary Income				
Income from salary / pension (for ordinarily resident person)	✓	✓	✓	✓
Income from salary / pension (for not ordinarily resident and non-resident person)		✓	✓	
Any individual who is a Director in any company		✓	✓	
If payment of tax in respect of ESOPs allotted by an eligible start-up has been deferred		✓	✓	
Income from House Property				
Income or loss from one house property (excluding brought forward losses and losses to be carried forward)	✓	✓	✓	✓
Individual has brought forward loss or losses to be carried forward under the head House property		✓	✓	
Income or loss from more than one house property		✓	✓	

Income from Business or profession	ITR -1	ITR- 2	ITR- 3	ITR- 4
Income from business or profession			✓	
Income from presumptive business or profession covered under section 44AD, 44ADA and 44AE (for person resident in India)				✓
Income from presumptive business or profession covered under section 44AD, 44ADA and 44AE (for not ordinarily resident and non-ordinarily resident)			✓	
Interest, salary, bonus, commission or share of profit received by a partner from a partnership firm			✓	
Capital Gains				
Long-term capital gains taxable under Section 112A and not exceeding Rs. 1.25 lakhs	✓	✓	✓	✓
Long –term capital gains taxable under the following provisions: <ul style="list-style-type: none"> Section 112A and it exceeds Rs. 1.25 lakhs Section 112 		✓	✓	
Short-term capital gains taxable under any provision		✓	✓	
Taxpayer has held unlisted equity shares at any time during the previous year		✓	✓	
Capital gains/loss on sale of investments/property		✓	✓	

Income from others sources	ITR -1	ITR -2	ITR -3	ITR -4
Family Pension (for ordinarily resident person)	✓	✓	✓	✓
Family pension (for not ordinarily resident and non-resident person)		✓	✓	
Income from other sources (other than income chargeable to tax at special rates including winnings from lottery and race horses or losses under this head)	✓	✓	✓	✓
Income from other sources (including income chargeable to tax at special rates including winnings from lottery and races horses or losses under this head)		✓	✓	
Dividend income exceeding RS. 10 lakhs taxable under Section 115BBDA		✓	✓	
Unexplained income (i.e., cash credit, unexplained investment, etc.) taxable at 60% under Section 115BBE		✓	✓	
Person claiming deduction under Section 57 from income taxable under the head 'Other Sources' (other than deduction allowed from family pension)		✓	✓	

Deductions	ITR-1	ITR-2	ITR-3	ITR-4
Person claiming deduction under Section 80QQB or 80RRB in respect of royalty from patent or books		✓	✓	
Person Claiming deduction under section 10AA or Part –C of Chapter VI-A			✓	
Total Income				
Agricultural income exceeding Rs.5,000		✓	✓	
Total income exceeding Rs.50 lakhs		✓	✓	
Assessee has any brought forward losses or losses to be carried forward under any head of income		✓	✓	
Computation of Tax liability				
If an individual is taxable in respect of an income but TDS in respect of such income has been deducted in hands of any other person (i.e., clubbing of income, Portuguese Civil Code, etc.)		✓	✓	
Claiming relief of tax under sections 90, 90A or 91		✓	✓	

Others	ITR-1	ITR-2	ITR-3	ITR-4
Assessee has : <ul style="list-style-type: none"> Income from foreign sources Foreign Assets including financial interest in any foreign entity Signing authority in any account outside India 		✓	✓	
Income has to be apportioned in accordance with Section 5A		✓	✓	
If the tax has been deducted on cash withdrawal under Section 194N		✓	✓	✓
Person has deposited more than Rs. 1 crore in one or more current account		✓	✓	✓
Person has incurred more than Rs. 2 lakhs on foreign travelling	✓	✓	✓	✓
Person has incurred more than Rs. 1 lakh towards payment of the electricity bill	✓	✓	✓	✓
Person has turnover from business exceeding Rs. 60 lakhs			✓	✓
Person has gross receipts from profession exceeding Rs.10 lakhs			✓	✓
Aggregate amount of TDS is Rs. 25,000 (RS. 50,000 in case of senior citizen) or more	✓	✓	✓	✓
Aggregate deposit in the saving bank account is Rs. 50 lakh or more	✓	✓	✓	✓

*ITR -1 can be filed by an individual who is ordinarily resident in India. ITR- 4 can be filed only by an individual or HUF who is ordinarily resident in India and by a firm (other than LLP) resident in India.

Other Assesseees

Status of Assessee	ITR-4	ITR-5	ITR-6	ITR-7
Firm (excluding LLPs) opting for presumptive taxation scheme of section 44AD, 44ADA or 44AE	✓			
Firm (including LLPs)		✓		
Association of persons (AOPs)		✓		
Body of Individuals (BOI)		✓		
Local Authority		✓		
Artificial Juridical Person		✓		
Companies other than companies claiming exemption under Section 11			✓	
Persons including companies required to furnish return under: <ul style="list-style-type: none"> • Section 139(4A); • Section 139(4B); • Section 139(4C); • Section 139(4D); 				✓
Business Trust		✓		
Investment Fund, as referred to in Section 115UB		✓		

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- Thank You
 - MANOJ KUMAR MITTAL & CO.
 - 9810764620
 - manojmittal2005@yahoo.com