



# “INFORMATION OIL” FOR INCOME TAX RETURN FILING DEVICE

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## ***Current Scenario:***

The drums of destiny starts beating once the New Year celebrations are over. It is the time for the final tax investments. A period of hectic calculation commences to overcome the income tax dragon. As tax professionals, our time starts ticking faster to counter the workload. This high activity schedule period continues till the end of the quarter i.e. 31st of March every year. But why this hullabaloo – because everyone wants to catch the bus of 31st July or 31st October as the case may be, and have a perfect compliance. However, this year there was an exception - due to the viral attack of COVID-19 pandemic followed by series of pan India lockdowns – resulting in extension of the due date of filing return to 30th of November from 31st of July.

## ***Knowledge search:***

Although income tax return filing has become a routine phenomenon and as a matter of fact it has become system driven to quite a large extent but each year some amount of modifications and fresh information intakes are noticed in the return format – an effective knowledge of which shall boost the confidence level of the filers and facilitate smooth filing. Also every year the Central Board of Direct Taxes (CBDT) publishes several clarifications by way of circulars and notifications to update people about the various changes incorporated in the return forms and how to approach them while filing the returns. Moreover, information galore is also available in different social media platforms like Facebook, Twitter, Instagram, YouTube etc.

## ***Some important information updates for Assessment Year 2020-21:***

### ***1) Compulsory filing of return [Seventh proviso to section 139(1)]:***

- Finance (No. 2) Act, 2019 has inserted this new proviso to section 139(1) to provide for mandatory filing of return of income for persons undertaking certain high –value transactions even though they are otherwise not required to file return of income due to the fact that the total income is below the threshold limit of ₹ 2.50 lakh.
- Furnishing of return is mandatory if such persons have undertaken the following high value transactions during the previous year –
  - **Deposit of ₹ 1 crore or more in current accounts:** Deposits may be in cash, cheque or online fund transfer. Further only deposits in current accounts are included i.e. savings account and other accounts are outside the purview of this provision.
  - **Expenditure on foreign travel for more than ₹2 lakh for himself or any other person:** It means the person who incurs the expenditure may or may not travel to a foreign country. It is not necessary that the expenses should be incurred in foreign currency. Also it is immaterial whether the travel to a foreign country is for a business trip or personal leisure trip. However, it is not clarified what will constitute foreign travel expenditure.
  - **Expenditure on the consumption of electricity for more than ₹ 1 lakh:** Here, expenses incurred for getting the electricity connection or deposits made with electricity authority are not to be covered. Further it is immaterial whether the consumption of electricity is for commercial use or personal use. Also it is not necessary that the expenses incurred on electricity connection are in the name of the person himself. This provision also covers situations where the expenses incurred for

consumption of electricity, even if the connection is in the name of someone else, but the electricity is consumed by the person concerned. Moreover, if the person concerned has more than one electric connection, all the expenses will be aggregated to determine the threshold limit of ₹ 1 lakh.

- **Other prescribed conditions:** CBDT is empowered to prescribe other conditions or other high- value transactions under this seventh proviso. However, no such conditions have been prescribed till date.
- The notified ITR forms ITR-1 to ITR-5 for the assessment year 2020-21 contains the information on seventh proviso to section 139(1). These amendments came in force from 1st April, 2020 and are applicable for the assessment year 2020-21 and subsequent years.
- The tabular structure of the seventh proviso is shown in the annexure below.

## **2) Details of Investment/Deposit/Payment etc. for the purpose of claiming deduction under Chapter VIA [Schedule DI].**

- *The Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020*, dated 29th September, 2020 has extended the time limit to make investment, deposit, payment, acquisition, purchase, construction or such other action, by whatever name called, for the purpose of claiming any deduction, exemption or allowance from 31-3-2020 to 31-7-2020 or 30-9-2020 as the case may be.
- The information in regard to such extended period of investment etc is captured in a separate schedule i.e. 'Schedule DI'. The format of it is shown in the annexure below.
- This schedule is classified into three parts-
  - Part A captures details of the investment, deposit or payments made to claim deduction under Chapter VI- A. The time limit of such investments etc. was extended to 31-7-2020 from 31-3-2020.
  - Part B captures details of eligible amount of deduction available under section 10AA for SEZ operations. The time limit of such investments etc. was extended to 31-7-2020 from 31-3-2020.
  - Part C captures details of payment, acquisition, purchase or construction made to claim deduction under section 54 to 54GB. The time limit of such payments etc. was extended to 30-9-2020 from 31-3-2020.
- The claim of any deduction, exemption or allowance captured in 'Schedule DI' is part of the aggregate deduction and cannot exceed the yearly limit applicable for the previous year 2019-20. Also the information in 'Schedule DI' is linked with the Chapter VIA detail in ITR forms and gets activated only by choosing the '**YES**' option provided therein.

### **Conclusions:**

Apart from the above changes in Income Tax Return (ITR) forms introduced this year, the return filers should also pay attention to various modifications introduced in the return format in the previous two assessment years - like furnishing ISIN details and scrip-wise computation of Long Term Capital Gains arising on sale of shares / mutual funds as per the new sections 112A / 115AD(1)(iii) or new disclosure criteria regarding declaring income under presumptive income scheme such as section 44AD/44ADA/44AE/ 44BB/ 44BBA/ 44BBB etc.

On the whole, due to the robustness of the income tax return filing system, the return filers should adequately equip themselves to perceive the information requirement and also must be well conversant with the continual structural changes taking place in the income tax return scenario. Moreover, in order to simplify the return filing process and to cross-check the information filed therein, CBDT has introduced a system of auto-populating certain information in ITR forms. Earlier this facility was available only in case of ITR 1 (Sahaj) and ITR 4 (Sugam) but it is now available for all other ITR forms. This is no doubt a quantum leap in facilitating and streamlining the return filing process and the filers must always take advantage of this prefilled data while finalising their income tax returns.

## Annexure:

### 1) Seventh proviso to section 139(1) of Income tax Act, 1961

Are you filing return of income under Seventh proviso to section 139(1) but otherwise not required to furnish return of income? [Note: To be filled only if a person is not required to furnish a return of income under section 139(1) but filing return of income due to fulfilling one or more conditions mentioned in the seventh proviso to section 139(1)]		Select
Have you deposited amount or aggregate of amounts exceeding Rs. 1 Crore in one or more current account during the previous year? (Yes/No)		YES NO
Amount		0
Have you incurred expenditure of an amount or aggregate of amount exceeding Rs. 2 lakhs for travel to a foreign country for yourself or for any other person? (Yes/No)		Select
Amount		0
Have you incurred expenditure of amount or aggregate of amount exceeding Rs. 1 lakh on consumption of electricity during the previous year? (Yes/No)		Select
Amount		0
If revised/defective then enter		
Receipt number	Date of filing of original return (DD/MM/YYYY)	
If Filed in response to notice u/s 139(9)/142(1)/148/153A/153C or order u/s 119(2)(b)-		
Unique Number/Document Identification Number (DIN)	Date of such Notice/Order	

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### 2) Details of Investment/Deposit/Payments for the purpose of claiming deduction under Chapter VIA.

Section	Eligible amount of deduction during FY 2019-20(As per Part C- Deductions and taxable total income)	Deduction attributable to investment/expenditure made between 01.04.2020 to 31.07.2020(Out of Col No.2)
80C-Life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc.	150000	50000
80CCC-Payment in respect Pension Fund, etc.	0	0
80CCD(1)-Contribution to pension scheme of Central Government	0	0
80CCD(1B)-Contribution to pension scheme of Central Government	0	0
80CCD(2)-Contribution to pension scheme of Central Government by employer	0	0
80D Deduction in respect of Health Insurance premium	0	0
80DD -Maintenance including medical treatment of a dependant who is a person with disability	0	0
80DDB-Medical treatment of specified disease	0	0
80E-Interest on loan taken for higher education	0	0