

**ITR-4 and Practical guide to
ITR-4 under the Income Tax
Act, 1961 covering Rule 12
under the Income Tax Rules
1962**

APPLICABILITY

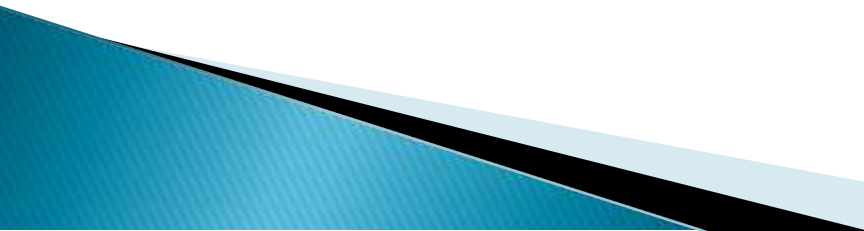
- ▶ **For Individuals, HUFs and Firms (other than LLP) being a resident having total income up to Rs.50 lakh and having income from business and profession which is computed under sections 44AD, 44ADA or 44AE, and having long-term capital gains under section 112A up to Rs. 1.25 lakh and Agricultural income restricted to Rs.5,000/-**

Special provision for computing profits and gains of business on presumptive basis.

44AD. (1)

- Notwithstanding anything to the contrary contained in sections 28 to 43C,
- in the case of an **eligible assessee** engaged in an **eligible business**,
- a sum equal to eight per cent of the total turnover or gross receipts of the assessee in the previous year on account of such business or, as the case may be,
- a sum higher than the aforesaid sum claimed to have been earned by the eligible assessee,
- shall be deemed to be the profits and gains of such business chargeable to tax under the head "Profits and gains of business or profession".

[Provided that this sub-section shall have effect as if for the words "eight per cent",

- the words "six per cent" had been substituted,
 - in respect of the amount of total turnover or gross receipts
 - which is received by an account payee cheque or an account payee bank draft or use of electronic clearing system through a bank account [or through such other electronic mode as may be prescribed]
 - during the previous year or before the due date specified
 - in sub-section (1) of section 139 in respect of that previous year.]
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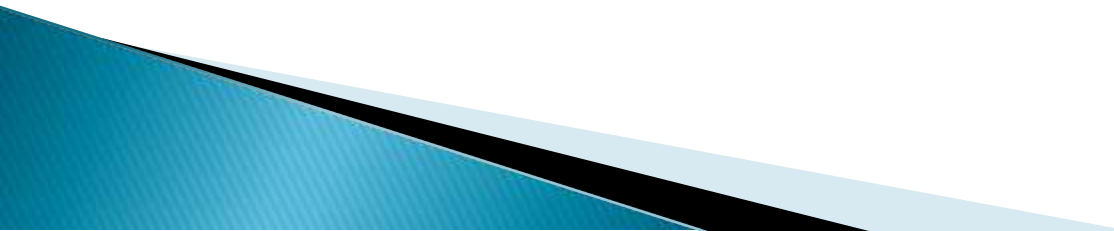
44AD (2)

Any deduction allowable

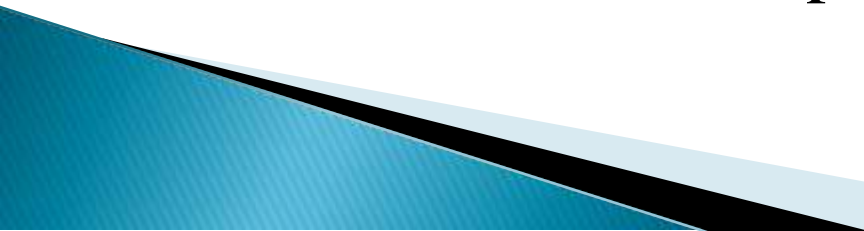
- under the provisions of sections 30 to 38 shall,
- for the purposes of sub-section (1),
- be deemed to have been already given full effect to and
no further deduction under those sections shall be allowed :

44AD (3)

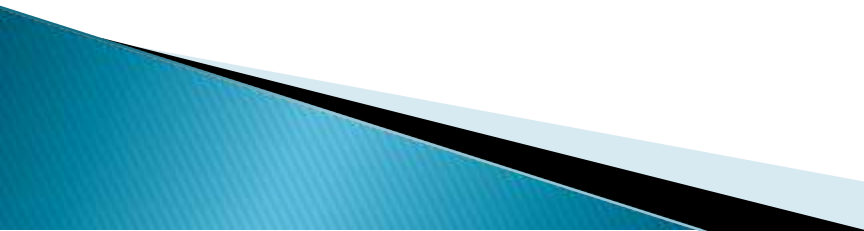
The written down value

- of any asset of an eligible business
 - shall be deemed to have been calculated
 - as if the eligible assessee had claimed and
 - had been actually allowed the deduction
 - in respect of the depreciation
 - for each of the relevant assessment years.
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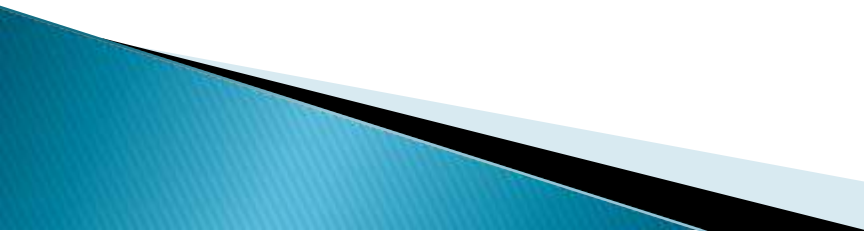
44AD (4)

- Where an eligible assessee declares profit for any previous year in accordance with the provisions of this section and
 - he declares profit for any of the five assessment years relevant to the previous year succeeding such previous year not in accordance with the provisions of sub-section (1),
 - he shall not be eligible to claim the benefit of the provisions of this section for five assessment years subsequent to the assessment year relevant to the previous year
 - in which the profit has not been declared in accordance with the provisions of sub-section (1).
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44AD (5)

- Notwithstanding anything contained in the foregoing provisions of this section,
 - an eligible assessee to whom the provisions of subsection (4) are applicable and
 - whose total income exceeds the maximum amount which is not chargeable to income-tax,
 - shall be required to keep and maintain such books of account and other documents as required under subsection (2) of section 44AA and
 - get them audited and
 - furnish a report of such audit as required under section 44AB.
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44AD (6)

- The provisions of this section,
 - notwithstanding anything contained in the foregoing provisions,
 - shall not apply to—
 - (i) a person carrying on profession as referred to in sub-section (1) of section 44AA;
 - (ii) a person earning income in the nature of commission or brokerage; or
 - (iii) a person carrying on any agency business.
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Explanation. - For the purposes of this section,—

(a) "eligible assessee" means,—

- (i) an individual, Hindu undivided family or a partnership firm, who is a resident, but not a limited liability partnership firm as defined under clause (n) of sub-section (1) of section 2 of the Limited Liability Partnership Act, 2008 (6 of 2009); and
- (ii) who has not claimed deduction under any of the sections 10A, 10AA, 10B, 10BA or deduction under any provisions of Chapter VIA under the heading "*C. - Deductions in respect of certain incomes*" in the relevant assessment year;

(b) "eligible business" means,—

- (i) any business except the business of plying, hiring or leasing goods carriages referred to in section 44AE; and
- (ii) whose total turnover or gross receipts in the previous year does not exceed an amount of two crore rupees or three Crore rupees depending upon some special conditions.

Digestion of Section 44AD

Applicability

- Assessee, who is resident in India
 - **Individual, HUF and Partnership Firm but not Limited Liability Partnership (“LLP”) – Refer Explanation to Section 44AD**
 - **Not claimed deductions** under Sections 10A, 10AA, 10B, 10BA or Part C of Chapter VIA (80HH to 80RRB) in relevant year.

Eligible Business does not Include:

Person engaged in business of plying, hiring or leasing goods carriages referred to in Section 44AE

Profession referred to U/s 44ADA

Commission or Brokerage

Agency Business

Turnover more than Rs. 2 Crores or 3 crores subject to the certain conditions

Estimated income

6% of Turnover received by a/c payee cheque, bank draft or ECS before the due date of filing the Return of Income.

8% of Turnover not covered above.

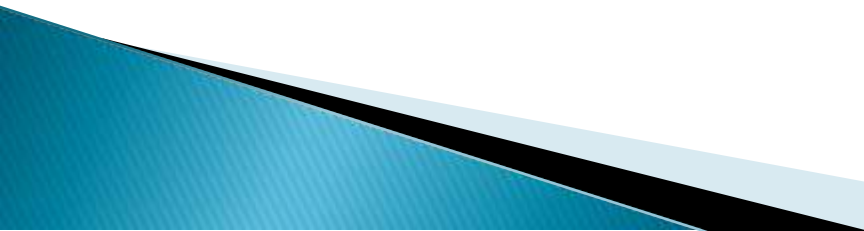
Non Admissibility of Business Deductions

All deductions from sec 30 to 38 including Depreciation deemed to have been allowed.

No Deduction of Interest and Salary to Partners

Up to A.Y. 2016-17 allowed

From A.Y. 2017-18 not allowed.



Deduction under Chapter VI A allowable

Deduction u/s 80C to 80 U are allowed

Books of Account need not be maintained

No Books – No Audit

Basic Records to be maintained – Turnover – Receipt by cash or other mode – WDV.

Lower Income may be declared

If declared in subsequent year with audited accounts – not eligible to claim benefit u/s. 44AD for subsequent five years.

If the total income exceeds the basic limit accounts are to be audited.

▶ **Section 44ADA**

Applicability

Resident Assessee – Profession referred to in Section 44AA(1)

Gross Receipts do not exceed Rs. 50 Lakhs

However it extends to Rs.75 lac if the 95% of Gross Receipt or Gross Turnover is made other than cash

▶ **Profession referred to in Section 44AA(1)**

- ▶ 1 Legal
- ▶ 2. Medical
- ▶ 3. Engineering
- ▶ 4. Architecture
- ▶ 5. Accountancy
- ▶ 6. Technical Consultancy
- ▶ 7. Interior Decoration
- ▶ 8. Other notified Professions

- ▶ **Other notified Professions:**
- ▶ a. Authorised Representative
- ▶ b. Film Artist
- ▶ c. Company Secretary
- ▶ d. Information Technology

Estimated Income:

50% of Gross Receipts as professional Income

Other income – normal course

Non Admissibility of business Deductions:

All Deductions U/s 30 to 38 including Depreciation deemed to have been allowed

Deduction under Chapter VI A allowable:
Deduction us 80 C to 80 U are allowed.

Books of Account need not be maintained

No Books – No Audit

Basic Records to be maintained – Turnover – WDV.

Non availability of this provision

No, Freezing of 5 years for 44AD,AE but not 44ADA

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Section 44ADA - Analysis

Situations	In the hands of the Firm	In the hands of the Partner
Firm's revenue > Rs. 75 lakh	<ul style="list-style-type: none"> • Not eligible for presumptive taxation • Claim expenditure on interest and remuneration • Sections 44AA and 44AB applicable 	<ul style="list-style-type: none"> • To pay tax on interest and remuneration claimed by firm • Not to consider share of profit as part of gross receipt
Firm's revenue < = Rs. 75 but > Rs.50 lac	<ul style="list-style-type: none"> • Presumptive taxation provided that at least 95% of gross receipts received other than cash • No deduction for interest and remuneration • No tax audit 	<ul style="list-style-type: none"> • Fully exempt income-Share of Profit • Not to consider this as separate gross receipt • Fully exempt income-Share of Profit
Firm's revenue < = Rs. Rs.50 lac	<ul style="list-style-type: none"> • Presumptive taxation pro • No deduction for interest and remuneration • No tax audit 	<ul style="list-style-type: none"> • Not to consider this as separate gross receipt

➤ **Section 44AA - Maintenance of books of account**

- Non-applicability from maintaining books of account and tax audit, if the assessee opts for presumptive taxation
 - No specific exclusion, but Section 44AA(1) meant for computing taxable income
 - Obligation created in case where lower profits are declared

Special provision for computing profits and gains of business of plying, hiring or leasing goods carriages.

44AE(1)

- Notwithstanding anything to the contrary contained in sections 28 to 43C,
- in the case of an assessee,
- who owns not more than ten goods carriages at any time during the previous year and
- who is engaged in the business of plying, hiring or leasing such goods carriages,
- the income of such business chargeable to tax under the head "Profits and gains of business or profession"
- shall be deemed to be the aggregate of the profits and gains, from all the goods carriages owned by him in the previous year,
- computed in accordance with the provisions of sub-section (2).

44AE(2)

For the purposes of sub-section (1),
the profits and gains from each goods carriage,—

(i) being a heavy goods vehicle,

- shall be an amount equal to one thousand rupees per ton of gross vehicle weight or unladen weight,
- as the case may be,
- for every month or part of a month
- during which the heavy goods vehicle is owned by the assessee
- in the previous year or
- an amount claimed to have been actually earned from such vehicle,
- whichever is higher;

(ii) other than heavy goods vehicle,

- shall be an amount equal to seven thousand five hundred rupees for every month or part of a month
- during which the goods carriage is owned by the assessee
- in the previous year or
- an amount claimed to have been actually earned from such goods carriage,
- whichever is higher.

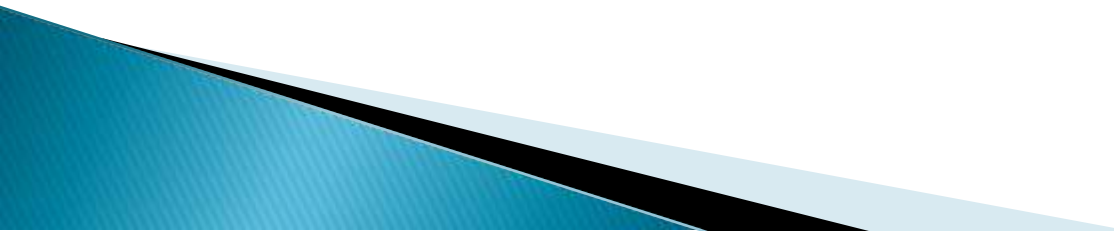
44AE(3)

- Any deduction allowable under the provisions of sections 30 to 38 shall,
- for the purposes of sub-section (1),
- be deemed to have been already given full effect to and
- no further deduction under those sections shall be allowed :

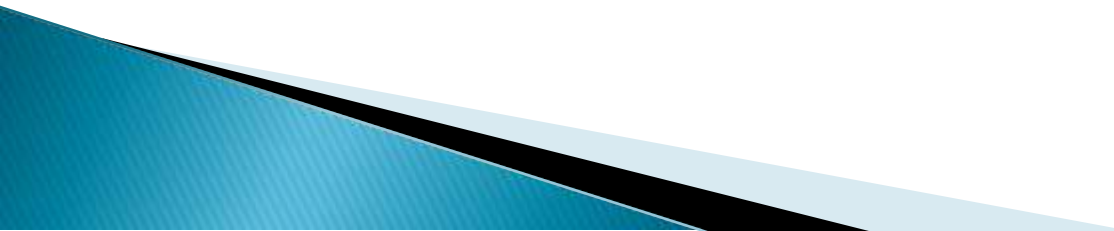
Provided that where the assessee is a firm,

- the salary and interest paid to its partners shall be deducted from the income computed under sub-section (1)
- subject to the conditions and limits specified in clause (b) of section 40.

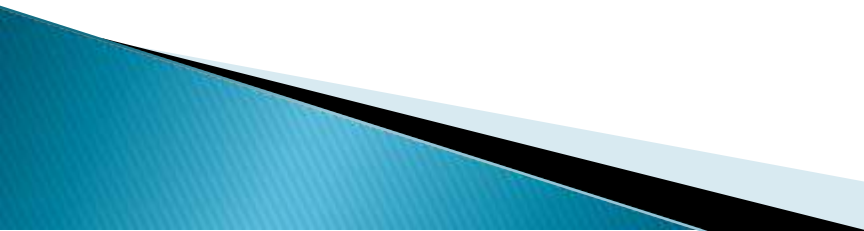
44AE(4)

- The written down value of any asset
 - used for the purpose of the business referred to in sub-section (1)
 - shall be deemed to have been calculated
 - as if the assessee had claimed and had been actually allowed the deduction
 - in respect of the depreciation
 - for each of the relevant assessment years.
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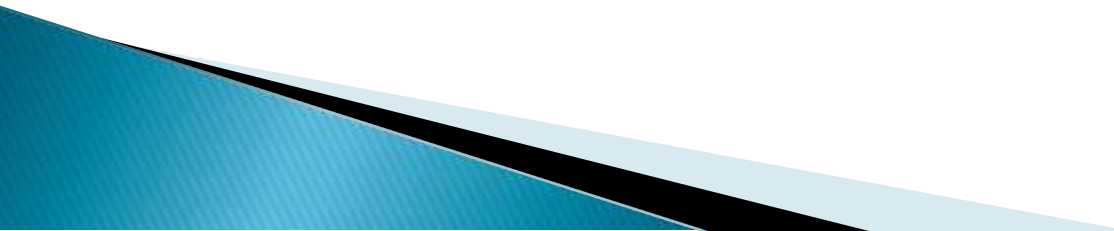
44AE(5)

- The provisions of sections 44AA and 44AB shall not apply in so far as they relate to the business
 - referred to in sub-section (1) and
 - in computing the monetary limits under those sections,
 - the gross receipts or,
 - as the case may be,
 - the income from the said business shall be excluded.
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44AE(6)

- Nothing contained in the foregoing provisions of this section shall apply,
 - where the assessee claims and produces evidence to prove
 - that the profits and gains from the aforesaid business
 - during the previous year relevant to the assessment year commencing on the 1st day of April, 1997 or any earlier assessment year,
 - are lower than the profits and gains specified in sub-sections (1) and (2), and
 - thereupon the Assessing Officer shall proceed to make an assessment of the total income or
 - loss of the assessee and
 - determine the sum payable by the assessee
 - on the basis of assessment made under sub-section (3) of section 143.
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44AE(7)

- Notwithstanding anything
 - contained in the foregoing provisions of this section,
 - an assessee may claim lower profits and gains
 - than the profits and gains specified in sub-sections (1) and (2),
 - if he keeps and maintains such books of account and
 - other documents as required under sub-section (2) of section 44AA and
 - gets his accounts audited and
 - furnishes a report of such audit as required under section 44AB.
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Explanation.—For the purposes of this section,—

- (a) the expressions "goods carriage", "gross vehicle weight" and "unladen weight" shall have the respective meanings assigned to them in section 2 of the Motor Vehicles Act, 1988 (59 of 1988);
- (aa) the expression "heavy goods vehicle" means any goods carriage, the gross vehicle weight of which exceeds 12000 kilograms;
- (b) an assessee, who is in possession of a goods carriage, whether taken on hire purchase or on instalments and for which the whole or part of the amount payable is still due, shall be deemed to be the owner of such goods carriage.

44AE - Analysis

Applicability

Plying, Leasing or hiring of Trucks owning not more than 10 trucks at any time during the year.

Estimated Income:

For A.Y. 2025-26

For Heavy Goods Vehicle – Rs. 1,000 p.m. per ton

For others Rs. 7,500/- p.m.

- Non Admissibility of business Deductions:
- All Deductions u.s 30 to 38 including Depreciation deemed to have been allowed.

44AE - Analysis

- Deduction of Interest and Salary to Partners:
- Allowed subject to limits specified u/s 40b

Deduction under Chapter VI A allowable:

Deductions u.s 80C to 80U are allowed

Lower Income may be declared in subsequent year – no restrictions.

No Books – No Audit

Basic Records to be maintained – Turnover –WDV.

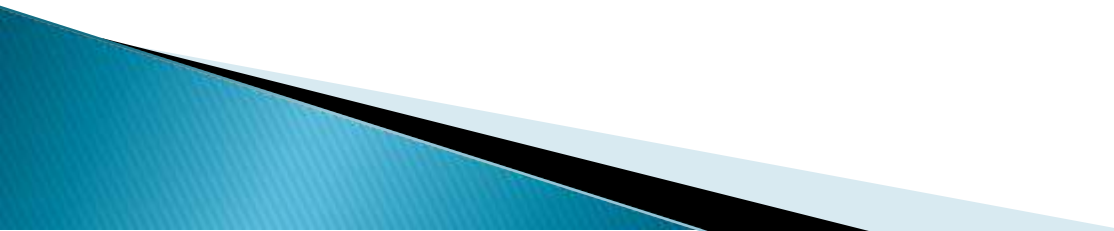
44AE - Analysis

Tax Liability and Advance Tax


To be paid at applicable rates as per normal provisions.- No concession as in other two schemes.



- ▶ The features of the presumptive taxation scheme are as under:
 - ▶ • The maintenance of books of accounts is not required under the presumptive taxation scheme.
- ▶ All expenses are deemed to be considered as expended under this Provision
- ▶
- ▶ The Advance Tax is deemed to be paid if paid within 15 March. And the entire Advance Tax to be paid within that specified due date i.e. no requirement to pay Advance tax on quarterly basis (i.e., in June, September, and December). r payments made online.

- ▶ • The estimated net income is required to be offered @8% of the total cash receipts on all transactions made other than bank entries.
 - ▶ And transactions covering through bank entries the estimated net income is estimated to be as @ 6% of such gross receipts
 - ▶ For Professionals @ 50% irrespective of the fact whether the transactions are made through bank entries or not
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▶ Who is Not Eligible for Presumptive Taxation Scheme of Section 44AD

- ▶
 - ▶ The purpose of Section 44AD is to provide relief to small taxpayers operating any type of business, with the exception of the following
 - ▶ :
 - ▶ • The business of leasing, hiring, and transporting goods carriages, as defined in sections 44AE.
 - ▶
 - ▶ • Individuals receiving commission or brokerage payments.
 - ▶ • Individuals running an agency business.
 - ▶ • Any company whose annual gross receipts or turnover is more than Rs.3 crore.
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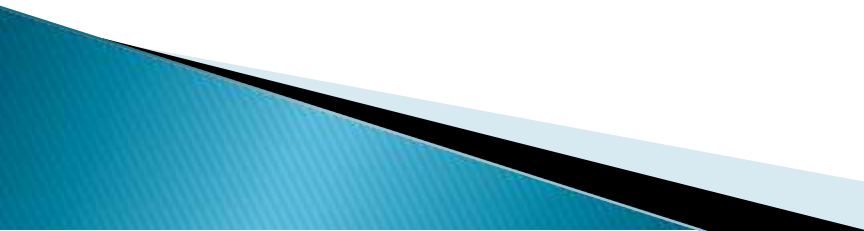
▶ Who Can File ITR-4

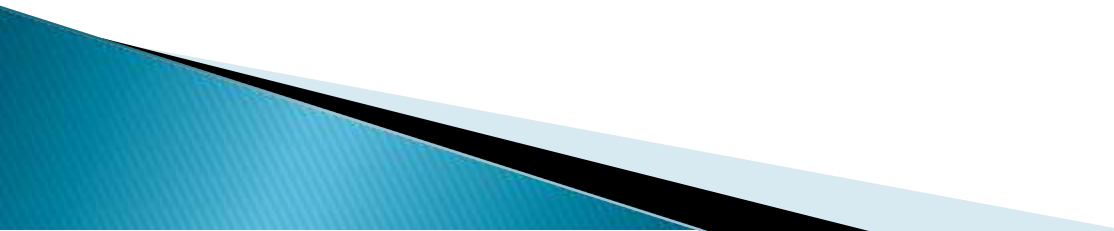
- ▶ ITR-4 Form must be submitted by people whose income is derived from the sources listed below:
- ▶ Business Income as defined by Sections 44AD and 44AE
- ▶ Professional income in accordance with Section 44ADA
- ▶ Income from one house property up to Rs.50 lakh (excluding the loss that has been caused or that needs to be brought forward under this head)
- ▶ Freelancers earning an income of less than Rs.50 lakh
- ▶ Income from salary or pension of up to Rs.50 lakh
- ▶ Up to Rs.50 lakh in income from other sources (excluding lottery and horse racing winnings)

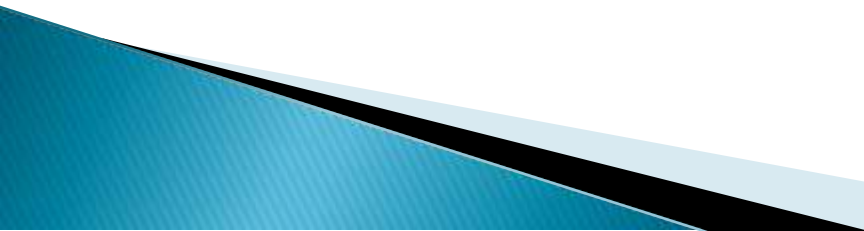
▶ **Who is Not Eligible to File ITR-4**

▶ The following individuals do not have to file ITR-4:

- ▶ • Holds a position as a company director
- ▶ • Possesses property or financial stake in a company outside of India
- ▶ • Has earnings from sources outside of India
- ▶ • Any earnings from a business or occupation, such as commissions, brokerage fees, or income from a speculative venture, not required to be computed in compliance with sections 44AD, 44ADA, or 44AE.

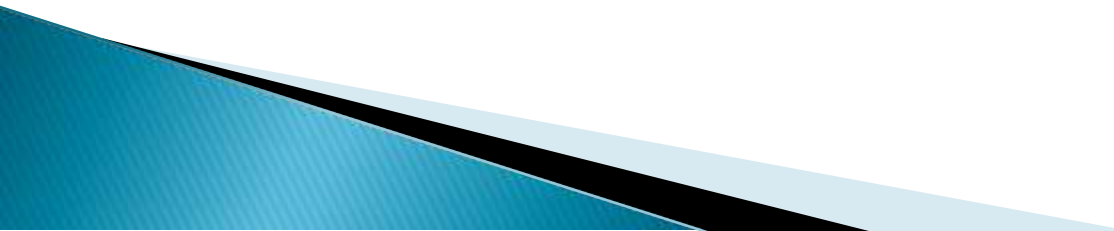
- ▶ • Possesses any unlisted equity shares during the previous year
 - ▶ • Gets capital gains other than Section 112A
 - ▶ • Possesses income from multiple residential properties
 - ▶ • Has agricultural income of more than Rs.5,000
 - ▶ • Possesses income that must be allocated in accordance with Section 5A of the Act under Portuguese Civil Code exclusively for Goa, Dadra & Nagar Haveli and Daman & Diu
 - ▶ • Loss that has been carried forward or caused under any income head
 - ▶ • Possesses money from winnings at horse races, lotteries, or income taxed at a higher rate under Sections 115BBDA or 115BBE that is classified as coming from "other sources"
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- ▶ Possesses joint ownership in house property
 - ▶ Has a claim for relief under Section 90, Section 90A, or Section 91
 - ▶ Has a tax credit claim that was deducted at source in the possession of another person
 - ▶ Has any claim for a deduction under Section 57, excluding a deduction for a family pension.
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- ▶ **Documents Required to File ITR-4 in FY 2023-24 (AY 2024-25)**
 - ▶ To file ITR-4, you need to have the following documents:
 - ▶ • Aadhaar card
 - ▶ • Bank statement
 - ▶ • PAN card
 - ▶ • Form 16
 - ▶ • Form 16A
 - ▶ • Form 26AS & AIS
 - ▶ • Donation receipts
 - ▶ • Housing Loan Interest Certificates
 - ▶ • Insurance premium receipts
 - ▶ • Rental agreement
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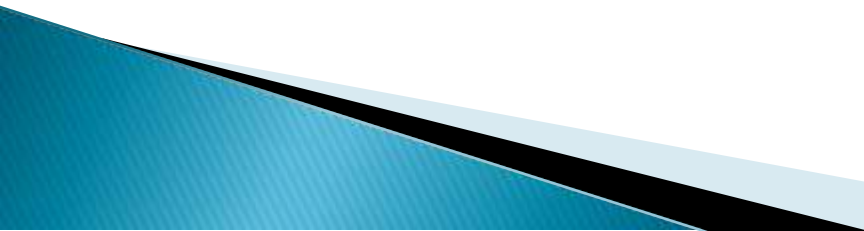
How to File ITR-4 for FY 2025-26 (AY 2025-26)

- ▶ Registered users have access to the pre-filing and filing of ITR-4 services on the e-Filing portal. Individual taxpayers, HUFs, and firms (not including LLPs) can use this service to submit their ITR-4 tax returns online through the e-Filing portal. Before submitting the form online, you must complete all six sections of the ITR-4. There is a preview page where you can check the accuracy of the information you have entered. These are the sections

- ▶ Personal Information
 - ▶ • Gross Total Income
 - ▶ • Disclosures and Exempt Income
 - ▶ • Total Deductions
 - ▶ • Taxes Paid
 - ▶ • Total Tax Liability
- 

- ▶ **Step 1: Personal Information** – You must double-check the information that is automatically filled in from your e-Filing profile in the ITR's Personal Information section. Some of your personal information cannot be changed directly in the form. You can, however, visit your e-Filing profile to make the necessary modifications.
- ▶ In your e-Filing profile, you can edit your contact information, filing type information, partner information (if applicable), bank information, and authorised representative.
- ▶ **Step 2: Gross Total Income** – To verify the details of your income sources, such as your real estate holdings, business or profession, pension or pay, and other sources, you must go over the pre-filled information in the Gross Total Income section.
- ▶
- ▶ **Step 3: Disclosures and Exempt Income** – You must include information about your company's financial details, gross receipts reported for GST (optional), and exempt income in the Disclosures and Exempt Income section.

- ▶ **Step 4: Total Deductions** – You must add and confirm any deductions that you wish to claim under Chapter VI–A of the Income Tax Act in the section labelled ‘Total Deductions.’
 - ▶ **Step 5: Taxes Paid** – You must confirm the taxes you paid in the previous year in this section. Included in the tax information are TDS from Salary and Other Income as reported by the Payer, Advance Tax, Self–Assessment Tax, and TCS.
 - ▶
 - ▶ **Step 6: Total Tax Liability** – You can view your income computation, tax computation, total tax, interest, and cess. You must verify your tax liability information according to the fields you had earlier filled out in the computation of tax section.
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- ▶ **Recent Major Changes in ITR-4 Form**
 - ▶ **Default Tax Regime:** The new tax regime is now the default. Taxpayers preferring the old regime must submit Form 10-IEA to opt out.
 - ▶ **2. Section 80CCH Deductions:** A new column is included for deductions under Section 80CCH for contributions to the Agniveer Corpus Fund.
 - ▶ **3. Revised Turnover Limits:** The turnover threshold for presumptive taxation under Section 44AD has been increased from Rs. 2 crores to Rs. 3 crores, and for professionals under Section 44ADA from Rs. 50 lakhs to Rs. 75 lakhs, provided cash receipts do not exceed 5% of the total.
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THANK YOU

