

## Reading Notes on ITR4

Form ITR 4 is filed by the taxpayers who have opted for the Presumptive Taxation Scheme under Section 44D, 44DA, 44AE of the Income Tax Act, 1961. But this is subject to the business turnover limit i.e. in case if the turnover is exceeding Rs. 2 crore then the taxpayer is required to file ITR 3 Form.

What is Presumptive Taxation in Scheme?

Presumptive Taxation Scheme is a scheme that exempts small taxpayers from maintaining the books of accounts.

Who is Eligible to file Form ITR 4?

Individuals whose income comes from the following sources have to file ITR 4 Form:

- Business Income under Section 44AD/Section 44AE.
- Income from a profession as per Section 44ADA.
- Income up to Rs. 50 lakh from Salary or Pension.
- Income up to Rs. 50 lakh from One house property (that does not include the brought forward loss or loss that is to be brought forward under this head)
- Income from other sources up to Rs. 50 lakh (does not include winning from lottery or horse races)
- Form ITR 4 can also be filed by the freelancers if the income is not exceeding Rs. 50 lakh.

Who is not eligible for ITR 4 Form?

The following individuals need to file ITR-4:

- Holds Directorship in a company
- Holds any unlisted equity shares at any time during the previous year
- Has assets/financial interest in an entity outside India
- Has signing authority in any account outside India
- Has income from a source located outside India
- Has profits from a business or profession which is not required to be computed under sections 44AD, 44ADA, or 44AE, like income from a speculative business, commission, brokerage, etc.
- Makes Capital Gains
- Has income from more than one house property
- Has income under the head "other sources" from winning the lottery, horse races, income taxable at special rates u/s 115BBDA or 115BBE
- Has income which is to be apportioned under the provisions of Section 5A
- Has agricultural income exceeding INR 5,000
- Has any brought forward loss or loss which is to be carried forward under any income head
- Has loss under “income from other sources”
- Has a claim of relief under Sections 90, 90A or 91

- Has any deduction claim under Section 57 (except deduction relating to family pension)
- Has claim of tax credit which has been deducted at source in the hands of another person
- Has joint ownership in house property (inserted in AY 20-21).

**ITR-4 is divided into parts as mentioned below:**

1. PART A: General Information.
2. PART B: Gross total income from the five heads of income.
3. PART C: Deduction and total taxable income.
4. PART D: Tax computation and tax status.
5. Schedule BP: Details of income from Business-Section 44AD, 44ADA and 44EA.

The taxpayer should be an eligible owner of a business. The annual turnover should not exceed 2 Crores. **If the turnover does not exceed 2 Crores, the income tax can be computed on an estimated basis at the rate of 8% of turnover.** For the income tax rate of 8%, no further deduction is allowed under any other sections.

The presumptive taxation scheme of [section 44AD](#) can be opted by the eligible persons if the total turnover or gross receipts from the business do not exceed the limit prescribed under [section 44AB](#) (*i.e.*, Rs. 2,00,00,000). In other words, if the total turnover or gross receipt of the business exceeds Rs. 2,00,00,000 then the scheme of [section 44AD](#) cannot be adopted.

The presumptive taxation scheme of [sections 44ADA](#) can be adopted by a resident assessee being individual or HUF, carrying on specified profession whose gross receipts do not exceed fifty lakh rupees in a financial year. Following professions are specified profession:

- 1) Legal
- 2) Medical
- 3) Engineering or architectural
- 4) Accountancy
- 5) Technical consultancy
- 6) Interior decoration
- 7) Any other profession as notified by CBDT

In case of a person adopting the provisions of [sections 44ADA](#), income will be computed on presumptive basis, *i.e.* @ 50% of the total gross receipts of the profession. However such person can declare income higher than 50%.

In other words, in case of a person adopting the provisions of [sections 44ADA](#), income will not be computed in normal manner but will be computed @50% of the gross receipts.

The provisions of [sections 44AE](#) are applicable to every person (*i.e.*, an individual, HUF, firm, company, etc.).

The presumptive taxation scheme of [sections 44AE](#) can be adopted by a person who is engaged in the business of plying, hiring or leasing goods carriages and who does not own more than 10 goods vehicles at any time during the year.

Under the normal provisions of the Income-tax Act, taxable business income will be computed after allowing deduction in respect of expenses which are deductible as per the Income-tax Act, 1961 and after disallowing expenses which are not deductible as per the Income-tax Act, 1961.

In case of a person who is opting for the presumptive taxation scheme of [sections 44AE](#), the provisions of allowance/disallowances as provided under the Income-tax Act, 1961 will not apply and income computed at the presumptive rate :

a) Rs. 7,500 per month or part of the month for each goods carriage, during which the goods vehicle is owned by the assessee in the previous year. Part of the month would be considered as full month (not applicable from A.Y 2019-20)  
If the actual income is higher than the presumptive rate, then such higher income can be declared if the taxpayer wants to declare as such.

b) Rs. 7,500 per month or part of the month for each goods carriage (other than heavy goods vehicle) / Rs. 1000 per ton of gross vehicle weight per month or part of the month in case of heavy goods vehicle, during which the goods vehicle is owned by the assessee, in the previous year or actual amount earned whichever is higher. Part of the month would be considered as full month. (Applicable from A.Y 2019-20)

Heavy goods vehicles means any goods carriage vehicle whose gross vehicle weight exceeds 12000 kilograms.

Income computed at the presumptive rate as specified above will be the final income and no further deduction shall be allowed under sections [30](#) to [38](#) including depreciation and unabsorbed depreciation. However, in case of taxpayer, being a partnership firm deduction can be claimed on account of remuneration and interest paid to partners (computed as per the Income-tax Act, 1961).

While computing income as per the provisions of [sections 44AE](#), separate deduction on account of depreciation is not available, however, the written down value of any asset used in such business shall be calculated as if depreciation as per [sections 32](#) is claimed and has actually been allowed. However the assessee can claim deduction under chapter-VIA.