

TRICKY ISSUES IN ITR FILINGS: AY 2024-25



e-Filing *Anywhere Anytime*
Income Tax Department, Government of India

THE INCOME TAX ACT, 1961



The primary legislation governing income taxation in India which came into effect on **April 1, 1962**



It has been amended numerous times since its enactment, but here are some key milestones and important amendments

Direct Tax Laws Act, 1987 - Introduced significant changes in IT Act, including the provision for MAT

Finance Act, 1995 – Introduced the concept of Electronic Filing of Income tax returns

Finance Act, 1999 - Introduced the concept of PAN as a common link of financial transactions for taxpayers

Finance Act, 2023 - Introduced the concept of taxation of Business Trusts

WHO IS AN ASSESSEE ? – SECTION 2(7)



Assessee means a person by whom any tax or any other sum of money is payable under this Act, and includes

Normal Assessee

An individual who pays tax for the total income earned during a financial year or the loss incurred by him.

Representative Assessee

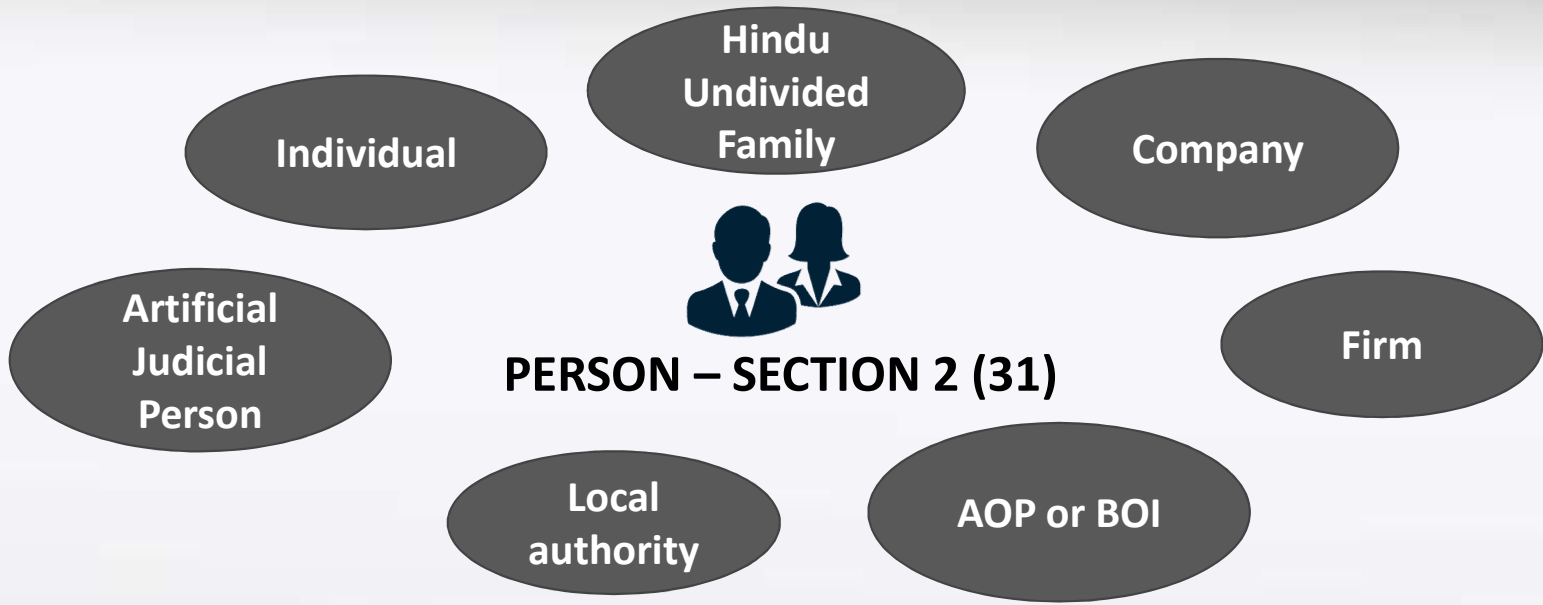
A person who is responsible to pay tax for the income or loss caused by a third party.
Eg: Agent or guardian of a non- resident, minor or lunatic.

Deemed Assessee

An individual who is responsible to pay the tax as a legal entity.
Eg: Legal representative of a deceased person, Trustee of a trust

Assessee in Default

When individuals fail to meet their statutory responsibilities of paying tax, they become assessee in default.



RESIDENTIAL STATUS – SECTION 6

Basic conditions

In India \geq 182 days in FY



In India \geq 60 days in FY
and \geq 365 days in
preceding 4 FYs



Non resident



Resident

Further conditions

NR in India in 9 out of 10
preceding FYs



RNOR



ROR



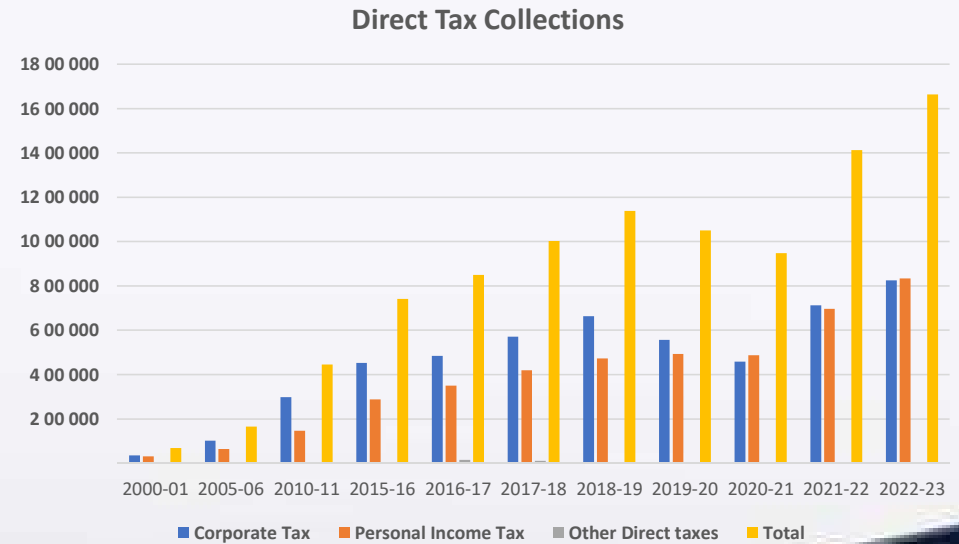
In India for \leq 729 days in
preceding 7 years



(Rs. In crores)

Financial Year	Corporate tax	Personal Income tax	Other direct taxes	Total
2000-01	35 696	31 764	845	68 305
2005-06	1 01 277	63 689	250	1 65 216
2010-11	2 98 688	1 46 258	1 049	4 45 995
2015-16	4 53 228	2 87 637	1 079	7 41 945
2016-17	4 84 924	3 49 503	15 286	8 49 713
2017-18	5 71 202	4 20 084	11 452	10 02 738
2018-19	6 63 572	4 73 179	967	11 37 718
2019-20	5 56 876	4 92 717	1 088	10 50 681
2020-21	4 57 719	4 87 560	1 897	9 47 176
2021-22	7 12 037	6 96 604	3 781	14 12 422
2022-23	8 25 834	8 33 307	4 545	16 63 686

DIRECT TAX COLLECTION



THE INCOME TAX ACT, 1961
SECTION 14 - HEADS OF INCOME

Income from
salary

Income from
House Property

Income from profits/
gains of Business or
Profession

Income from
Capital Gains

Income from
Other sources

ITR FORMS

ITR FORMS	APPLICABILITY	SALARY	HOUSE PROPERTY	BUSINESS INCOME	CAPITAL GAINS	OTHER SOURCES
ITR 1 – SAHAJ	Resident individuals and HUFs	✓	1 ✓	✗	✗	✓
ITR 2	Individuals and HUFs	✓	1 + ✓	✗	✓	✓
ITR 3	Partner in a firm, individuals and HUFs	✓	1 + ✓	✓	✓	✓
ITR 4- SUGAM	Firm, HUFs and resident individuals who has income up to Rs. 50 lakhs, PGBP which is computed on a presumptive basis u/s 44AD, 44ADA or 44AE	✓	1 ✓	✓	✗	✓
ITR 5	LLPs, Partnership	✗	1 + ✓	✓	✓	✓
ITR 6	Companies	✗	1 + ✓	✓	✓	✓
ITR 7	Trusts, Political parties, Institutions	✗	1 + ✓	✓	✓	✓
ITR V	It is the acknowledgement of filing the return of income.					

UPDATES IN ITR FORMS

Assessment Year	Key changes
AY 2013-14	<ul style="list-style-type: none"> <input type="checkbox"/> E-filing of income tax returns became mandatory for most categories of taxpayers. <input type="checkbox"/> New "Schedule AL" which is introduced in ITR 3 & ITR 4. This schedule contains details of Assets & liabilities of an individual or HUF. This schedule is to be filled up when the income of the individual or HUF exceeds Rs. 25 lakhs. <input type="checkbox"/> Deduction u/s 16 inserted in Schedule S "Detail of Income from salary". <input type="checkbox"/> A separate "Schedule FSI" inserted in ITR 2,3,4 in which assessee is required to give Country wise and head wise detail of income accruing or arising outside India.
AY 2014-15	<ul style="list-style-type: none"> <input type="checkbox"/> List of books of accounts maintained and the address at which the books of accounts are kept to be mentioned in Form 3CD.
AY 2015-16	<ul style="list-style-type: none"> <input type="checkbox"/> Introduction of a new tax regime with lower tax rates, often referred to as an optional tax scheme. <input type="checkbox"/> The process of verifying ITRs electronically through Aadhaar OTP, net banking, bank ATM, or EVC was introduced, reducing the need for physical verification. <input type="checkbox"/> Resident taxpayer will have to give details of income from any source outside India along with foreign assets held at any time during the year.

UPDATES IN ITR FORMS

Assessment Year	Key changes
AY 2016-17	<ul style="list-style-type: none"> <input type="checkbox"/> Changes were made to the Long Term Capital Gains (LTCG) tax rate. <input type="checkbox"/> Wealth tax was abolished. This removed the requirement to file Form BA. <input type="checkbox"/> Taxpayers need to report details of pass-through income received from business trusts or/ and investment funds in a separate schedule. <input type="checkbox"/> Schedule-ICDS introduced to disclose the effect of Income Computation and Disclosure Standards (ICDS) on profit. <input type="checkbox"/> Investment funds to file their return of income in form ITR-7.
AY 2017-18	<ul style="list-style-type: none"> <input type="checkbox"/> Linking Aadhaar with PAN became mandatory for filing income tax returns. Aadhaar was also used for e-verification of ITRs. <input type="checkbox"/> Penalties for late filing of income tax returns were introduced. <input type="checkbox"/> The Angel Tax Scheme for Startups was introduced to incentivize investments in startups.
AY 2018-19	<ul style="list-style-type: none"> <input type="checkbox"/> The standard deduction amount increased, and Dividend Distribution Tax (DDT) was introduced. (Initially ₹ 40,000 and later revised) <input type="checkbox"/> Capital Gains in case of transfer of unquoted shares. <input type="checkbox"/> Partners cannot use ITR 2. <input type="checkbox"/> Disallowance of expenses in case of TDS default.

UPDATES IN ITR FORMS

Assessment Year	Key changes
AY 2019-20	<ul style="list-style-type: none"> <input type="checkbox"/> Apart from specifying the status as 'resident', 'resident but not-ordinary resident' or 'non-resident', taxpayers are also required to select the condition based on which the residential status has been determined, ie as per the number of stay days in India in the relevant tax year and previous years. <input type="checkbox"/> The new form ITR-3 trifurcates the existing profit and loss account into manufacturing, trading account, and profit and loss account which will be applicable for taxpayers who have income from business or profession, etc. <input type="checkbox"/> Tax on buyback of shares was introduced. Senior citizens were allowed a deduction up to ₹ 50,000 on interest income from deposits with banks and post offices under Section 80TTB.
AY 2020-21	<ul style="list-style-type: none"> <input type="checkbox"/> Due to the COVID-19 pandemic, there were relaxations in filing ITRs for this assessment year. Due date was extended upto 10th January, 2021. <input type="checkbox"/> Additional emphasis made to add house property address, tenant details including PAN, Aadhaar Number. <input type="checkbox"/> Taxpayer cannot use ITR-1, ITR-4 in case, <ul style="list-style-type: none"> ▪ An Individual taxpayer with more than one house property. ▪ Owners of a joint house property (more than 1 owner) ▪ Spent Rs. 2 lakhs on foreign travel, Rs. 1 lakh on electricity during last FY

UPDATES IN ITR FORMS

Assessment Year	Key changes
AY 2021-22	<ul style="list-style-type: none"> <input type="checkbox"/> ITR-1 cannot be filed in case tax has been deducted under Section 194N (TDS on cash withdrawal). <input type="checkbox"/> Taxability of dividend income. <input type="checkbox"/> Date of cash donation in case of deduction under Section 80GGA [ITR 2, 5 & 6] <input type="checkbox"/> Introduction of Section 80M (Deductions of Inter-corporate dividends). <input type="checkbox"/> Exercise of option prescribed under section 115BAC (New tax option for individuals/ HUFs having income other than PGBP) or 115BAD (New tax option for resident co operative societies). <input type="checkbox"/> The threshold limit to get the books of account audited had been increased from Rs.1 Crore to Rs.10 Crores wef A.Y 2021-22 if the following conditions are satisfied: <ul style="list-style-type: none"> ✓ All receipts in cash during the previous year does not exceeds 5% of such receipts. ✓ All payments in cash during the previous year does not exceeds 5% of such payments ✓ The ceiling limit for the A.Y 2020-21 was Rs.5 Crores as against Rs.10 Crores for the A.Y 2021-22 and hence necessary changes have been brought in the ITR forms to enhance the limit.
AY 2022-23	<ul style="list-style-type: none"> <input type="checkbox"/> New tax slabs with lower tax rates were introduced. <input type="checkbox"/> In case of dividend income and retirement benefit income, seeks quarterly breakup for allowing applicable relief from section 234C. <input type="checkbox"/> Date of purchase and sale are required to be provided in case of sale of land/building (both STCG and LTCG).

UPDATES IN ITR FORMS

Assessment Year	Key changes
AY 2023-24	<ul style="list-style-type: none"><li data-bbox="264 526 1705 565">❑ The Basic Exemption Limit was increased, and the surcharge underwent rationalization.<li data-bbox="264 571 1944 610">❑ Reporting income from crypto currencies, Non-Fungible Tokens and other Virtual Digital Assets (VDAs)<li data-bbox="264 617 2022 701">❑ Requirement to disclose Donation Reference Number (ARN) in case donation is eligible for Section 80G deduction.<li data-bbox="264 708 1745 747">❑ Turnover from intraday trading is to be reported separately under Part A Trading Account.<li data-bbox="264 753 1285 792">❑ FII/FPI are required to mention the SEBI Registration number<li data-bbox="264 799 1451 837">❑ Transfer of TCS credit to another person. (ITR 2, 3, 5, 6, 7) – Rule 37-I(1)<li data-bbox="264 844 1220 883">❑ Details of investments to be shown in the Balance Sheet.<li data-bbox="264 889 1545 928">❑ Disclosure of Anonymous Donations – Schedule VC (Voluntary contributions).<li data-bbox="264 935 1455 974">❑ Reporting of accreted income by Section 10(23C) approved institutions.<li data-bbox="264 980 2022 1177">❑ Exclusion of dividend income taxable under Section 115BBD from Schedule OS – ITR 6. (Section 115BBD provides that where a domestic company receives a dividend from a foreign company, in which such domestic company has 26% or more equity, then such dividend income is taxable at a special rate of 15% plus surcharge and Cess)

UPDATES IN ITR FORMS

Assessment Year	Key changes
AY 2024-25	<p>The ITR forms for this assessment year were notified in December 2023. Some key changes include:</p> <ul style="list-style-type: none">❑ New Tax Regime as Default: The new tax regime has become the default tax regime. Taxpayers now need to explicitly opt out of it if they want to choose the old regime.❑ Verification Methods – Individuals/HUFs liable for audit can now verify their ITR using an Electronic Verification Code (EVC) with Aadhar. Previously, verification was required only through a digital signature❑ Tax Regime Selection: ITR-1 now requires taxpayers to select the tax regime they opt for. For ITR-4 filers, opting out of the new regime necessitates submitting Form 10-IEA. (Option for exercising Old tax scheme)❑ New Deduction Section: A new column has been added in both ITR-1 and ITR-4 to claim deductions under Section 80CCH (Tax exemptions on contributions made to the Agniveer corpus fund under the Agnipath scheme.)❑ Schedule 80-IAC – A new Schedule 80-IAC has been inserted in ITR Forms 5 and 6 to seek details regarding eligible start-ups (Tax exemption for startup) and Schedule: Tax Deferred on ESOP – The new ITR forms include a schedule requiring the eligible start-up's PAN and DPIIT Registration Number❑ Additional Information: The new ITR forms require disclosure of additional information such as Legal Entity Identifier (LEI) details, acknowledgement numbers for the Audit Report and Unique Document Identification Number (UDIN) details, reason for conducting tax audit, details on cash receipts, transactions under the MSME Act, and winnings from online games.

UPDATES IN TAX AUDIT FORMS

The CBDT has notified changes to the Form 3CD vide Notification No. 27/2024 /F. No. 370142/3/2024-TPL, dated 05-03-2024. The changes have been made to the following Clauses of **Form 3CD**:

1. Clause 8a (Whether company has opted for the special tax regime with lower tax rates)
2. Clause 12 (Reporting of profits assessable under presumptive tax schemes credited to P&L)
3. Clause 18 (Depreciation admissible)
4. Clause 19 (Amount admissible as deduction under Sections 35, 35D, etc.)
5. Clause 21(a) [Amounts debited to P&L covered by Explanation 3 to section 37(1) on disallowances]
6. Clause 21(b) [Amounts inadmissible under Section 40(a)(ia) 30% disallowance for TDS]
7. Clause 26 (Amounts covered Section 43B claim on payment basis)
8. Clause 32 (Brought forward loss or depreciation)



Updates in Tax
Audit forms

**INCOME TAX
DUE DATES FOR AY-2024-25**

Particulars	Due date
Any other assessee	31.07.2024
Assessee being a company, firm, partner of the firm, individuals, HUFs whose accounts are required to be audited	31.10.2024
Assessee required to furnish a report under section 92E (Report from an Accountant to be Furnished by Persons Entering into International Transaction or Specified Domestic Transaction)	30.11.2024
Tax audit reports in Form 3CA/ 3CB and 3CD	30.09.2024
Furnishing of reports by Accountant under section 92E	31.10.2024
Belated and revised returns	31.12.2024

HOW DO I KNOW WHICH ITR I NEED TO FILE



Different tax returns are prescribed for filing by individual taxpayers depending on their source of income and residential status.



To determine the correct ITR to file, we can use the **Help tab** to decide which ITR Form to file.



We can then proceed to answer the questions displayed to us to determine the correct ITR form to file

PRECAUTIONS WHILE FILING RETURN OF INCOME

- Download AIS and Form 26AS and check the actual TDS/ TCS/ Tax paid. In case of any discrepancy, we should reconcile it with employer/ tax deductor / FI/ Bank
- Compile and carefully study the documents to be referred to when filing the ITR, like bank statement/ passbook, interest certificates, receipt to claim exemptions or deductions, Form 16, investment proofs etc.
- Ensure details like PAN, permanent address, contact details, bank account details, etc. are correct in the pre-filled data.
- Ensure that PAN and Aadhar have been linked.

PRECAUTIONS WHILE FILING RETURN OF INCOME

- Identify the correct ITR form (ITR 1 to ITR 7). Provide all the details in the return such as total income, deductions (if any), interests (if any), taxes paid/ collected (if any), etc.
- E-file the return of income on or before the due date. The consequences of delay in filing include late filing fees, losses not getting carried forward, deductions and exemptions not being available.
- After e-filing, e-verify the return. If we want to manually verify the return, send the physical copy of ITR – V (Acknowledgement) to Centralized Processing Center, Income Tax Department, Bengaluru (Karnataka) within 120 days of filing the return of income.

COMMON ERRORS WHILE FILING ITR

Issues
Not linking PAN with Bank accounts
Filing incorrect and incomplete information of all bank accounts held
Not determining correct residential status
Selecting incorrect Assessment year
Mentioning incorrect personal or correspondence details
Failure to pre-validate bank account
Non reporting of Saving Bank and FD Interest
Not reconciling of income with Form 26AS, Form 16/16A and AIS
Not paying Advance tax/Self Assessment tax

Issues
Not claiming TDS and avoiding claim of refund
Reporting incomes after deducting TDS
Not reporting interest received on Income tax refunds
Failure to account for more than one HP
Non - reporting of closing and opening units of MF in case of transfer between accounts resulting in CG
Not clubbing minor child incomes
Non- disclosure of exempt income
Non- disclosure of foreign assets and Income – Schedule FA
Not keeping evidence of deductions claimed in ITR

COMMON ERRORS WHILE FILING ITR

Issues
Submitting fake invoices/ giving wrong disclosure
Wrong claim of depreciation on Fixed Assets
Not reporting investment and withdrawal of capital gains related investments
Non- disclosure of losses being carried forward
Not submitting requisite mandatory forms
Late filing of Income Tax return
Failure to e-verify ITR V

Rectification
There is an option to rectify the mistake in ITR filing. Section 139(5) of the Income Tax Act permits the taxpayers to rectify their mistake in ITR filing by filing a Revised Income.
If taxpayer after filing their return discovers any mistake, omission or any wrong statement, he is allowed to file for a revised return any time before the end of respective assessment year or before the completion of that year whichever is earlier.



Common ITR
filing challenges

PROCESSING OF RETURN BY IT DEPARTMENT

At the time of processing ITR, the Tax Department checks for any arithmetical errors, inconsistencies between other forms, tax and interest calculation and verifies tax payment made etc.

Once the ITR is processed, the tax department sends the **intimation u/s 143(1)**

Initial processing of returns by CPC is **completely automated** and section 143(1) intimation is also computer generated record

Intimation with
no demand or no
refund

Intimation
determining
demand

Intimation
determining
refund

NATURE OF ADJUSTMENTS UNDER 143(1)

- Arithmetical errors** in the return
- Any incorrect claim which is apparent from any information in the return where incorrect claim which may include the following:
 - The claim of an item in the return which is **inconsistent with another entry** of the same or some other item in such return – For example, Income from Other Sources are deducted from Business Income but not declared under income from other sources.
 - Disallowance of set off loss in the financial year which is carried forward from previous years in which return was filed beyond specified due date.
 - Disallowance of **expenditure indicated in the audit report but not indicated in the return of income.**

USE OF AI IN ITR SCRUTINY

India's **Income Tax Department** is using **AI** to identify **falsified income tax deductions**. It uses a set of calculations/ methods (algorithms) designed to identify unusual variance in gross profit, net profit etc.



This program will begin by gathering data associated with our **PAN card** and subsequently navigating through the connected **information linked to our Aadhar card**.

It will compile comprehensive information regarding FD, share dividends, MF investments, LTCG, STCG from all the bank accounts that we have declared in ITR.

The AI system will commence the process of **matching undeclared bank accounts** registered under our name, including joint bank accounts.

BENEFITS OF FILING ITR



My hearty thanks to the Managing
Committee of MBSIRC and the eminent
participants for your active involvement



CA Natanagopal S

natan@ganeshprasad.com