

New tax forms: An exercise in (f)utility?

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The Government has recently introduced new forms for filing your Income Tax returns. If you plan to file your returns for the year ended March 31, 2007 (relevant to Assessment Year 2007-08), you will have to use the new form.

How does the new form affect the common man? Does it spell good news or bad news for the Indian taxpayer? First, a brief summary of the new forms:

THE ITR SERIES

New form no	This form is applicable for:	No of pages	No of schedules	Previous form no
ITR 1	Individuals having only Salary and Interest Income	3	5	2, 2D, 2F
ITR 2	Individuals and HUFs having income under any Head of Income other than Business Income	6	15	16AA
ITR 3	Individuals, HUFs who are partners in a firm but who do not have their own Proprietary Business or Profession	7	17	3
ITR 4	Individuals and HUFs who have their own Proprietary Business or Profession	20	31	2
ITR 5	Partnership Firms / Association of Persons / Body of Individuals	22	30	2
ITR 6	Companies (private and public)	24	34	1
ITR 7	Charitable Trusts and Political Parties	17	17	3A
ITR 8	Those who are not required to file the Return of Income but are liable to file Return of Fringe Benefits	4	2	3B
ITR V	Where the data of the Return of Income/Fringe Benefits in Form ITR-1, ITR-2, ITR-3, ITR-4, ITR-5, ITR-6 & ITR-8 transmitted electronically without digital signature then subsequently, a Verification has to be filed physically in Form ITR-V.			

Note: All the new return forms have a common prefix -- ITR. This brings uniformity and is a welcome step. One only hopes that this nomenclature is not changed soon.

Another observation that comes to the fore immediately -- although the amendment in the relevant Rule of the Income-tax Rules, 1962 mentions that the new forms apply for the Assessment Year 2007-08 (relevant to financial year ended 31-3-2007) and subsequent years, the notes at the end of the Forms all say that the new forms are applicable only for Assessment Year 2007-08.

It is not clear whether the Government plans to change the forms next year.

All the new forms are, now, mandatory and returns for AY 2007-08 cannot be filed in old forms. This will create a problem since tax payers will require some time to study the new forms.

So, for the next few days, filing of returns will slow down.

However, for earlier years, the old forms can be used. This is a relief. As mentioned earlier, the new forms are mandatory only for AY 2007-08.

Important observations common to all forms:

- ⇒ Except for ITR-1, all forms are lengthy, and you will require substantial time to fill them in.
- ⇒ The much talked about Cash Flow statement need NOT be filed now.
- ⇒ No attachments are required to be filed with the return. In fact, even if the taxpayer sends any attachment with the return form, it will be returned by the IT department. Thus, the earlier requirement of attaching TDS certificates, advance tax challans, proof of 80C and 80D investments etc. is now done away with.
This is a very welcome change and will make life easier for taxpayers. It will also reduce the huge pile of papers that clutter the corridors of the Aaykar Bhavans across the country.
- ⇒ There are too many categories of forms. This will only make life complicated for individual taxpayers. For deciding on which form to fill, how to fill, which figure to fill and in which column etc. Hence, the taxpayer will be more dependent on tax professionals / tax preparers than before.
- ⇒ In all the forms, you will have to give details of all specified transactions that the you entered into during the year, and which are to be reported in the Annual Information Reports (AIR) to be submitted by banks, brokers, etc. This would help the IT Department in matching the transaction as captured under the AIR with the transaction as reported by the respective taxpayer in his/her/its Income Tax return.

Specified transactions to be disclosed by you in the returns:

1. Cash Deposit of Rs 10 lakh or more in the Saving Account in a year.
 2. Credit Card payments exceeding Rs 2 lakh (by banks/credit Card companies).
 3. Purchase of Mutual Funds for Rs.2 lakh or more (by Mutual Funds).
 4. Purchase of Bonds or Debentures for Rs.5 Lakh or more (by company / institution issuing such type of bonds or debentures)
 5. Purchase of shares for Rs.1 lakh or more (by company issuing shares through public or right shares)
 6. Purchase or Sale of immovable property for Rs.30 Lakh or more (by registrar or Sub registrar)
 7. Purchase of RBI bonds for Rs.5 Lakh or more (by RBI)
- ⇒ If the return form has been prepared by a Tax Return Preparer (TRP) then the details of that TRP vis-a-vis his name and identification are to be furnished in the Tax Return Form. Further, The TRP is also required to sign the Tax Return Form.
 - ⇒ All the forms have been designed by keeping in view the ultimate aim of the Income-tax Department of making e-filing mandatory for every taxpayer in the country. The format of the various columns, the structuring of the cells etc all point in this direction.