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NEWSFLASH: NEW ITR FORMS NOTIFIED FOR A.Y. 2016-17

-Schedule 'ICDS' inserted

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Background

- The Central Government had notified 10 Income Computation and Disclosure Standards ('ICDS") vide Notification No. 33 of 2015 dated 31 March 2015.

- These notified ICDS are applicable to all assessees following mercantile system of accounting for computation of income chargeable under the head 'profits and gains from business or profession' and 'income from other sources' from AY 2016-17 and onwards.

- The Tax Simplification Committee constituted by the Central Government had recommended the deferral of ICDS in its first report owing to regulatory changes of Companies Act, 2013, Ind-AS & proposed GST and further lack of clarifications of the provisions in the standards.

- However, the said recommendation was not accepted in the recent Union Budget 2016.

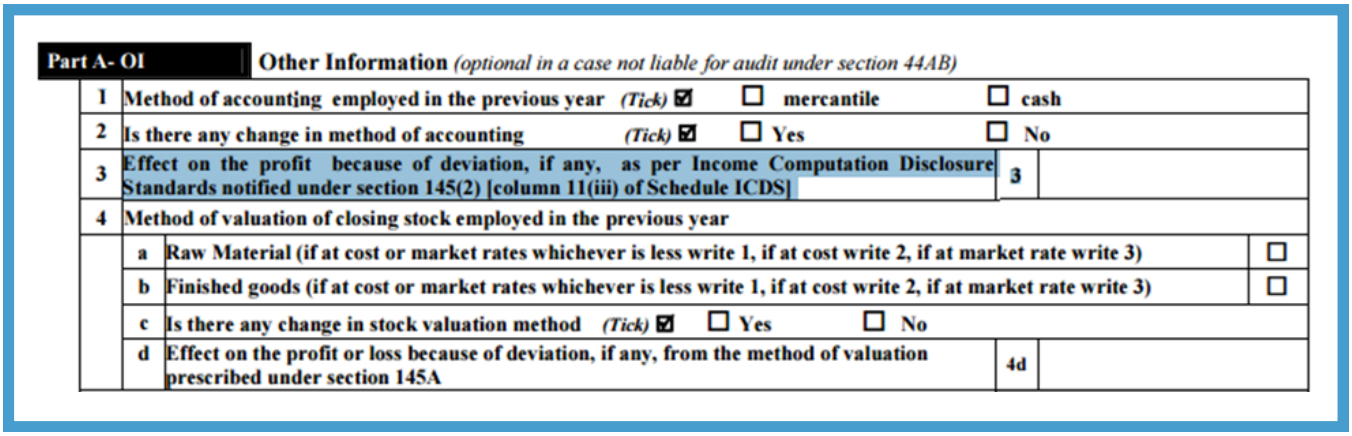
'Schedule ICDS' inserted New ITR Forms notified for AY 2016-17

- Recently, the CBDT has notified new ITR forms Forms Sahaj (ITR-1), ITR-2, ITR-2A, ITR-3, Sugam (ITR-4S), ITR-4, ITR-5, ITR-6, ITR-7 for AY 2016-17 vide Notification no.24/2016 dated 30 March 2016.

- Clarifying the Government's intention of implementing ICDS from AY 2016-17 onwards itself, the new ITR Forms applicable for AY 2016-17 have a separate ICDS schedule for quantifying the impact of each ICDS on the profits of the entity. The said schedule has been inserted in forms as below:

ITR Form	Description	Schedule of ICDS
ITR 1 (SAHAJ)	For Individuals having Income from Salary & Interest.	X
ITR 2	For Individuals & HUFs not having Income from Business or Profession	X
ITR 2A	For Individuals & HUFs not having Income from Business or Profession and Capital Gains and who do not hold foreign assets	X
ITR 3	For Individuals/HUFs being partners in firms and not carrying out business or profession under any proprietorship	X
ITR 4	For Individuals & HUFs having income from a proprietory business or profession	√
ITR 4S (SUGAM)	For Individuals/HUF having income from presumptive business	X
ITR 5	For persons other than,- (i) individual, (ii) HUF, (iii) company and (iv) person filing ITR-7	√
ITR 6	For Companies other than companies claiming exemption under section 11	√
ITR 7	For persons including companies required to furnish return under section 139(4A) or section 139(4B) or section 139(4C) or section 139(4D) or section 139(4E)	X

- The screenshot of the said schedule has been presented as under:



Part A- OI **Other Information** *(optional in a case not liable for audit under section 44AB)*

1	Method of accounting employed in the previous year *(Tick)* ☑	☐ mercantile	☐ cash	
2	Is there any change in method of accounting *(Tick)* ☑	☐ Yes	☐ No	
3	Effect on the profit because of deviation, if any, as per Income Computation Disclosure Standards notified under section 145(2) [column 11(iii) of Schedule ICDS]	3		
4	Method of valuation of closing stock employed in the previous year			
	a Raw Material (if at cost or market rates whichever is less write 1, if at cost write 2, if at market rate write 3)			☐
	b Finished goods (if at cost or market rates whichever is less write 1, if at cost write 2, if at market rate write 3)			☐
	c Is there any change in stock valuation method *(Tick)* ☑	☐ Yes	☐ No	
	d Effect on the profit or loss because of deviation, if any, from the method of valuation prescribed under section 145A	4d		

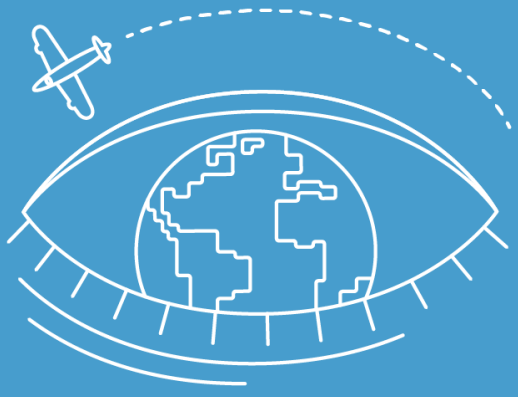
Schedule ICDS	Effect of Income Computation Disclosure Standards on profit	
Sl. No.	ICDS	Amount
(i)	(ii)	(iii)
I	Accounting Policies	
II	Valuation of Inventories	
III	Construction Contracts	
IV	Revenue Recognition	
V	Tangible Fixed Assets	
VI	Changes in Foreign Exchange Rates	
VII	Government Grants	
VIII	Securities	
IX	Borrowing Costs	
X	Provisions, Contingent Liabilities and Contingent Assets	
11.	**Total Net effect (I+II+III+IV+V+VI+VII+VIII+IX+X)**	

Our Comments

- It may be noted that the said ICDS will impact the computation of Income-tax as per the normal provisions only and it shall not affect the computation of book profits. The same is evident from the ITR Form which has not mentioned any adjustment to the computation of book profits.

- The aforesaid standards have various implementation issues for which various suggestions and feedback were invited from the stakeholders vide press release dated 26 November 2015. The committee is examining the said issues and may come out with some clarifications regarding the same.

- As it is very evident that the ICDS are applicable for computation of taxable income from AY 2016-17 onwards itself, the assessees will have to undertake a proper impact analysis for ascertaining the impact pertaining to the same including computation of advance tax for AY 2017-18, which is impending. In this context, you may also refer to our **White paper - Income Computation and Disclosure Standards ('ICDS')** released on 16 September 2016 which is separately attached.



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This newsflash is general in nature. In this newsflash, we have discussed the CBDT notification no.24/2016 dated 30 March 2016, whereby new ITR forms - Sahaj (ITR-1), ITR-2, ITR-2A, ITR-3, Sugam (ITR-4S), ITR-4, ITR-5, ITR-6, ITR-7 for AY 2016-17 have been issued. It may be noted that nothing contained in this newsflash should be regarded as our opinion and facts of each case will need to be analyzed to ascertain applicability or otherwise of the respective notification/ (s) and appropriate professional advice should be sought for applicability of legal provisions based on specific facts. We are not responsible for any liability arising from any statements or errors contained in this newsflash.

2 April 2016

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