Key Changes/Amendments relevant for filing ITRs of A.Y. 2026-27

~ Adv(CA) Shashank A. Mehta

Notification of ITRs

Notification of ITRs [AY 2026-27]

- **ITR-1 & ITR-4 →**Notification No. 45/2026 dated 30.03.2026 read with corrigendum notification no. 57/2026 dated 10.04.2026.
- **ITR-2 →** Notification no. 46/2026 dated 30.03.2026 read with corrigendum notification no. 58/2026 dated 10.04.2026.
- **ITR-3 →** Notification no. 47/2026 dated 30.03.2026 read with corrigendum notification no. 59/2026 dated 10.04.2026.
- **ITR-5 →** Notification no. 48/2026 dated 30.03.2026 read with corrigendum notification no. 60/2026 dated 10.04.2026.
- **ITR-6 →** Notification no. 49/2026 dated 30.03.2026 read with corrigendum notification no. 61/2026 dated 10.04.2026.
- **ITR-7 →** Notification no. 50/2026 dated 30.03.2026 read with corrigendum notification no. 62/2026 dated 10.04.2026.

Relevant Amendments

Eligibility conditions for ITRs – Rule 12

- Eligibility conditions for filing ITRs of AY 2026-27 → identical to those for AY 2025-26. [Rule 12] except the following:

ITR-1: For an individual who is R&OR whose TI includes:

- Salary or Family pension
- IFOS [other than winning from lottery/race horses & not having loss under IFOS]
- IFHP – where Assessee does not own more then ***TWO*** house properties [and does not have B/F or C/F losses under IFHP]

- Consider the seventh proviso to section 139(1)

Salaries

Standard deduction u/s. 16(ia)

- For Old Regime → Rs. 50,000/-
- For New Regime → for AY 2026-27 = Rs. 75,000/-

Taxation Laws (Amendment) Act, 2025, w.e.f. 1-4-2025

Threshold for 'value of any benefit/amenity …'

- When an employer provides certain benefits or amenities to its employees whose income under the head of salary (excluding non-monetary benefit/amenity) exceeded Rs. 50,000/-.
- Such benefit/amenity taxable as perquisites u/s. 17(2)(iii)
- Threshold of Rs. 50,000/- since the year 2001.
- Recognising the need to align the threshold limit with contemporary economic realities, the Finance Act, 2025, has removed the fixed threshold limit of Rs. 50,000.
- It now empowers the CBDT to prescribe the threshold limit.
- ***Rule 3C – Rs. 4,00,000/-***

Threshold for 'any expenditure …'

- As per the clause (*vi*) of the *first proviso* to Section 17(2), certain expenses (treatment, travel, stay) incurred by an employer on the medical treatment of an employee or any of his family member outside India is not considered as perquisites:
- However, travel cost incurred by employer is considered perquisite in the hands of employee when GTI (excluding the value of travel cost) of the said employee > Rs. 2,00,000/-
- The threshold of Rs. 2,00,000 for gross total income was introduced by the Finance Act, 1993, and remained unchanged for over three decades, despite significant changes in economic conditions, inflation, and the cost of living.
- Recognising the need to align the provision with contemporary economic realities, the Finance Act, 2025 has removed the fixed threshold limit of Rs. 2,00,000
- it empowers the CBDT to prescribe the threshold limit.
- ***Rule 3D – Rs. 8,00,000/-***

Income from House Property

Pre-amended provisions

- Section 23(1) provides for determination of ALV of a property.

- Pre-amended section 23(2) provided that the **ALV shall be 'NIL'** ; where property is a ***'house'*** or part thereof:

  (a) is in the **occupation of the owner** for the purpose of **his own residence**;

  Or

  (b) Cannot be occupied by the owner:

  (i) **because of** his employment/business/profession being carried out at any other place

  +

  (ii) He resides in that other place in a building **not belonging to him.**

- Section 23(3) Benefit of NIL ALV not available if above House is let out or any benefit is derived therefrom.

- Section 23(4) provides above benefit of NIL AVL [as per section 23(2)]→ only for maximum of 2 houses.

Pre-amended provisions

Scenario 1: Mr. Brigadier has 2 houses in Mumbai; however he is deployed in Delhi HQ (with his family) – hence both the houses are not occupied.

Benefit of section 23(2)(b) available – both houses ALV = NIL

Scenario 2: Mr. Brigadier has 2 houses in Mumbai; however he is deployed in J&K & his family is residing in one of the 2 houses and the other is vacant.

(i) **House which is vacant:** Benefit of section 23(2)(b) available – ALV = NIL

(ii) **House which is occupied by family members:** Ambiguity***

View 1: satisfies both the conditions of clause (b)

View 2: DLOP

In *Dy. CIT* v. *Deepak Shashi Bhusan Roy* [2018] 96 taxmann.com 648 (Mumbai - Trib.), the Mumbai ITAT upheld the Assessing Officer's decision to treat a house occupied by the assessee's ***daughter*** as deemed let-out, ruling that it did not qualify as self-occupied.

In *Smt. Jashvidaben C. Mehta* v. *CIT* [1988] 37 Taxman 249, the Gujarat High Court denied the benefit of Section 23(2) for a house occupied by the assessee's ***cousin***, holding that it could not be considered self-occupied.

Pre-amended provisions

- Scenario 3: Mr. Bragadier has 2 houses (1 in Mumbai & other in Delhi); however, he is deployed in Delhi (with his family) – he resides in his own Delhi houses; & Mumbai house remained vacant.

(i) Delhi House where he resides(with family): Benefit of section 23(2)(a) available: ALV = NIL

(ii) Mumbai House which is vacant: Benefit of section 23(2)(b) not available as the second limb of clause (b) not satisfied. Therefore , DLOP.

Amended provisions

- Amendment vide Finance Act,2025:
- the ALV shall be 'NIL' ; where property is a ***'house'*** or part thereof:

  (a)If the owner occupies it for ***his own residence***; or

  (b)If the owner cannot actually occupy it due to any reason.

- Ambiguity under scenario 2 – now will be resolved because the second limb of amended section 23(2) is wide enough to cover any reason for owner himself not occupying the House.
- The disqualification under scenario 3 w.r.t. the vacant house : now will not be attracted because the condition as prevailed in clause (b) of section 23(2) – no longer exist

Possible ambiguity

- General understanding :- benefit of pre-amended section 23(2) can only be claimed by a natural person owning a house, because of the use of following phrase:

  (a) Occupation for his own residence.

  (b) 'he has to reside at that other place' not belonging to him.

- **Amended language:**

"(2) The annual value of the property consisting of a house or any part thereof shall be taken as nil, if the owner occupies it for his own residence or cannot actually occupy it due to any reason."

- The omission of the word 'residence' from 2nd Limb of section 23(2) may now lead to interpretation that even a non-natural person can claim benefit of section 23(2).

Capital Gains

Taxation of ULIPs

Taxation of ULIPs - Background

- Section 10(10D) provides **tax exemption** for ***'sum received under Life Insurance Policy'*** (including bonus) ; except for the following sums:

- Where an insurance policy is taken for the benefit of a specified dependent disabled person (being nominee) and such dependent person predeceases the assessee. [*Clause (*a*) of Section 10(*10D*)]*
- Keyman Insurance Policy [*Clause (*b*) of Section 10(*10D*)*].
- **Excess premium** for life insurance policies (including ULIPs) *i.e.*, where the premium payable for any of the years during the term of the policy exceeds the specified percentage [20%/10%] of the sum assured [*Clauses (*c*) and (*d*) of Section 10(*10D*)]*
- **High premium** for ULIPs, *i.e.*, where the premium payable for any of the years during the policy term exceeds Rs. 2,50,000. This threshold applies to a single ULIP and, in aggregate, for multiple ULIPs [*Fourth and Fifth proviso to Section 10(*10D*)*].
- **High premium for other** life insurance policies , i.e., where the premium payable for any of the years during the policy term exceeds Rs. 5,00,000. This threshold applies to a single policy and, in aggregate, for multiple policies. [Sixth and Seventh proviso to Section 10(10D)].

Eight Proviso: Excess/High premium related exclusions not applicable where sum/bonus received upon the death of a person.

Taxation of ULIPs

- Upto AY 2025-26:

Only **High Premium** ULIPs were specifically considered as 'capital asset' u/s. 2(14) and the profits/gains arising from receipt of sums from these ULIPs were considered as income u/s. 2(24)(vi) pursuant to the provisions of section 45(1B) i.e. **chargeable under 'Capital Gains'**.

However, for the taxability of ULIPs, other than high-premium ULIPs, there was no specific provision in the Income-tax Act providing tax treatment for such policies, which created ambiguity.

Amendments by the Finance Act, 2025:

Amended following provisions to harmonise the tax treatment of high-premium and excess-premium ULIPs.

- Section 2(14)
- Section 45(1B)
- Explanation (a) to section 112A

Computation mechanism for Taxation of ULIPs

- **Rule 8AD** applies to ULIPs covered under section 2(*14*)(c):

Mr. Subedar has a ULIP that is not eligible for exemption under section 10(*10D*). Calculate capital gains assuming he did not receive any consideration under any other ULIPs in earlier previous years:

Particulars	**ULIP**
Date of policy	01.04.2022
Annual Premium	Rs. 3,00,000/-
Sum assured	Rs. 14,00,000/-
Consideration received on 31-03-2026 on partial maturity	Rs. 16,00,000/-
Bonus received on 31-03-2026 on partial maturity	Rs. 3,00,000/-

Computation for AY 2026-27

Particulars	**Amount**
Sum received for the first time under ULIP	Rs. 16,00,000/-
Add: **B**onus	Rs. 3,00,000/-
Less: Aggregate of premium paid - Rs. 3,00,000 × 4 (from 01.04.2022, 01.04.2023, 01.04.2024, 01.04.2025)	(Rs. 12,00,000/-)
LTCG	**Rs. 7,00,000/-**

Virtual Digital Asset

Virtual Digital Asset

- The Finance Act, 2022 introduced a new **'flat rate' scheme of 30% in Section 115BBH** for the taxation of income arising from the transfer of Virtual Digital Assets ('VDA') with effect from the assessment year 2023-24.
- To define VDA, Clause (47A) was inserted in Section 2 of the Act.

Definition: [clause (d) newly inserted]

(a) any information or code or number or token (not being Indian currency or foreign currency), generated through cryptographic means or otherwise, by whatever name called, providing a digital representation of value exchanged with or without consideration, with the promise or representation of having inherent value, or functions as a store of value or a unit of account including its use in any financial transaction or investment, but not limited to investment scheme; and can be transferred, stored or traded electronically;

(b)a non-fungible token or any other token of similar nature, by whatever name called;

(c)any other digital asset, as the Central Government may, by notification in the Official Gazette 37 specify:

(d) any crypto-asset being a digital representation of value that relies on a cryptographically secured **distributed ledger** or a similar technology to validate and secure transactions, whether or not such asset is included in sub-clause (a) or sub-clause (b) or sub-clause (c):

Provided that the Central Government may, by notification in the Official Gazette, exclude any digital asset from the definition of virtual digital asset subject to such conditions as may be specified therein.

Taxability of the Bitcoin ETF

- Until January 2023, investors had only one route of investing directly in Bitcoin through unregulated or semi-regulated exchanges.
- Thereafter, investors got an alternative to invest through Bitcoin Exchange-Traded Funds (ETFs) listed on the Nasdaq and NYSE, which can be further classified into:
  - **(i) Bitcoin Spot ETFs:** It actually holds Bitcoin and allows investors to take Bitcoin exposure without holding the cryptocurrency directly in digital wallets or hard disk;
  - **(ii) Bitcoin futures ETFs:** Create positions through derivatives.
- **AT PRESENT** Bitcoin ETF cannot be classified as a VDA under any sub-clause of Section 2(*47A)* because it's not the investors that invested directly in the cryptocurrency. The AMCs invest in the Bitcoin
- Similarly, such EFTs cannot fall within the purview of section 50AA as they are not SMF/MLD.
- In such case, the taxability can be as per section 112 [12.5%] for LTCG and for STCG applicable rate of tax.
- However, if the CBDT notifies Bitcoin Spot ETF as VDA in sub-clause (*c*), the resultant gains can be taxable under SECTION 115BBH. Until then, this provision may not apply.

NPS vatsalya Scheme

Section 80CCD(1B)

- Amendment in section 80CCD(1B):

- It provides for maximum deduction of Rs. 50,000/- in respect of contribution made to notified pension schemes:
  (i) New Pension Scheme (NPS); and
  (ii) Atal Pension Yojana (APY)

- The benefit has been further extended even for NPS Vatsalya Schemes [a pension scheme for minors]

NPS withdrawal

- Section 80CCD(3) – deems the amount received from NPS as income.
- The NPS Vatsalya Scheme allows partial withdrawal from the minor's account in specified circumstances, such as education, treatment of specified illnesses and disability (of more than 75%) of the minor.
- Under the PFRDA regulations, the parent/guardian can withdraw partially for a maximum of 3 times until the subscriber reaches 18 years of age.
- The Finance Act, 2025 has inserted a new clause (12BA) in Section 10 of the Act, which provides that any payment received on partial withdrawal out of the minor's account, shall not be included in the total income of the parent/guardian to the extent **it does not exceed 25% of the amount of contributions made by the parent/guardian** and in accordance with the terms and conditions, specified under the Pension Fund Regulatory and Development Authority Act, 2013 and the regulations made thereunder.

Denial of exemption to Trust/Charitable institutions

Denial of exemption

- Section 13(1)(c) of the Act provides that no exemption shall be granted to a charitable or religious trust in respect of any portion of its income that is applied for the benefit of an "interested person.“
- Section 13(3) defines the term "interested person" to include specific categories of individuals and entities.
- Before the amendment by the Finance Act, 2025, any person who has made a contribution to the trust or institution of more than Rs. 50,000 up to the end of the relevant previous year was regarded as a specified person.
- Additionally, the relatives of such substantial contributors and concerns in which they have a substantial interest are also considered specified persons.

Denial of exemption

- The Finance Act, 2025 has made the following amendments to Section 13(3), w.e.f. 01-04-2025:

  - Clause (b) of Section 13(3) has been amended to provide that specified person would be any person whose total contribution to the trust or institution, during the relevant previous year exceeds Rs. 1,00,000/- or, in aggregate up to the end of the relevant previous year exceeds Rs. 10,00,000/-, as the case may be.

  - Clause (d) of Section 13(3) has been amended to provide that any relative of person referred to in clause (b) shall not be treated as specified person for the purposes of the said sub-section.

  - Clause (e) of Section 13(3) has been amended to provide that any concern in which the person referred to in clause (b) has substantial interest shall not be treated as specified person for the purposes of the said sub-section.

Promoting Make in India Technology

Section 44BBD

Presumptive taxation scheme for specified non-residents:

- Eligible Assessee: Only non-residents

- Eligible Business: providing services or technology in India, for:
  (a) the purposes of setting up an **electronics manufacturing facility in INDIA** or
  (b) in connection with manufacturing or producing **electronic goods, article** (**in India**)

- Who should be the recipient/client of the above?
  (a) to a **resident *company*** which is establishing or operating electronics manufacturing facility or a connected facility for manufacturing or producing electronic goods, article or thing in India, under a scheme notified by the Central Government in the Ministry of Electronics and Information Technology; and
  (b) the resident company satisfies the conditions prescribed in this behalf,

- Presumptive PGBP: *a sum equal to 25% of the aggregate of the amount received/receivable/deemed to have been received*

C/F of Losses - Amalgamation

Section 72A and 72AA

- Section 72 – loss under PGBP shall be C/F for not more than 8 AY immediately succeeding the AY for which the loss was first computed.

- It is a general rule that losses incurred by a person in a business or profession can be carried forward and set off only by the person who has incurred them.

- However, to facilitate the merger of sick industrial units with sound ones, the Government relaxed the provisions relating to carrying forward and setting off accumulated business losses and unabsorbed depreciation:

  Section 72A – relief of c/f of losses/UD to amalgamated companies

  Section 72AA - relief of c/f of losses/UD to government-sanctioned banking amalgamation

Section 72A and 72AA

- However, Sections 72A and 72AA do not explicitly specify the duration for which the amalgamated company can carry forward the losses of the amalgamating or predecessor entity.

- Thus, fresh 8 years time line to C/F losses/UD was reckoned from the year of amalgamation.

- This resulted into unending "evergreening" of losses through successive amalgamations, avoiding the intended time-bound restriction on loss set-off.

- **Amendment made vide the Finance Act, 2025:**

  (a) Losses of predecessor entities can be C/F by the successor entity for 8 AY; and

  (b) The period of 8 AY shall be computed from the end of the AY in which loss was first computed for the predecessor entity

Rebate

Rebate u/s. 87A

- Eligible Assessee = Individual + Resident

Old regime:

- Total Income : Upto Rs.5,00,000/-
- Rebate on Income tax on total income: Lower of : (I) 100% of such income tax or (ii) Rs. 12,500/-

New Regime:

- Where TI is chargeable u/s. 115BAC(1A):

- TI upto Rs. 12,00,000/-
- Rebate on Income tax on total income: Lower of : (I) 100% of such income tax or (ii) Rs. 60,000/-

- TI > Rs. 12,00,000/- [marginal rebate]
- Rebate: Tax on Total Income - (Total Income - Rs. 12,00,000/-)

- Provided further that the deduction/rebate shall not exceed the amount of income-tax payable as per the rates provided in sub-section (1A) of section 115BAC.

Inconsistency in ITR

Section 143(1)

- Section 143(1)(a):

"(iia) any such inconsistency in the return, with respect to the information in the return of any preceding previous year, as may be prescribed"

- Possible inconsistencies:

- carried forward losses,

- unabsorbed depreciation, or

- opening balance of a block of assets or stock-in-trade carried forward from previous years

Transitory provisions

Section 536(2)(n) of 2025 Act

- any amount of LOSS under the head capital gains, whether related to a long-term capital asset or a short term capital asset, referred to in section 74 of the repealed Income-tax Act, brought forward from the tax year beginning before the 1st April, 2026 had the Income-tax Act, 1961 (43 of 1961) not been repealed, shall be carried forward and set off, **in accordance with the manner provided in the repealed Income-tax Act**, against the income under the head "Capital gains" computed under this Act for any tax year beginning on or after the 1st April, 2026 upto eight financial years immediately succeeding the financial year in which such loss was first computed under the repealed Income-tax Act;

Taxation of Buy-Back

History

- Upto 31.05.2013: Buyback by Indian companies – Capital Gains u/s. 46A– Shareholder

- From 01.06.2013 upto 04.07.2019 [carve out for Unlisted companies]

- Buyback by Indian unlisted companies – exempt u/s. 10(34A)– shareholder
- Whereas such company to pay BDT @ 20% u/s. 115QA

- From 05.07.2019 upto 30.09.2024– above buyback taxation was extended even to Listed Indian companies

- From 01.10.2024 to 31.03.2026:

  Buyback proceeded: deemed dividend u/s. 2(22)(f)

  Cost of Acquisition : capital loss [FVOC = NIL u/s. 46A]

- From 01.04.2026 upto ?????

Buyback again to be taxed as capital gains ; with additional tax on promoters

Buyback 01.10.2024 – 31.03.2026

Proceeds of buy-back by any type of Domestic Companies:

section 2(22)(f) – deemed as dividend in the hands of Shareholder and taxed as IFOS

Section 46A:

Capital Gains = FVOC (-) COA

If buy back is in the nature of 2(22)(f) ; then – FVOC = Rs. NIL

Therefore, the COA = the Capital Loss

….

What if shareholder unable to set the losses anytime?

Changes in the ITRs

Intra-day & F&O Trading disclosures

Intra-day & F&O Trading disclosures

- *Section 43(5): "speculative Transaction" = non-delivery based settlement*
- *1st Proviso : transaction **NOT** deemed to be Speculative Transactions*

(a) Hedging contracts by manufacturer/trader of goods

(b) Hedging contracts against price fluctuation w.r.t holding of stock/shares

(c) Contract by member of forward market or stock exchange (jobbing/arbitrage)

(d) Eligible transactions w.r.t. trading in derivative through Recognized SE

(e) Eligible transactions w.r.t. commodity derivative through Recognized SE

Eligible transaction:

- *Transaction carried out electronically*
- *On screen based system*
- *Through SEBI registered broker/sub-broker/intermediary/Banks/MFs*
- *IN accordance with SCRA, SEBI & DA law*
- *On recognized Stock Exchange*

F&O/Intra-day Trading disclosures

ITR : 3, 5 & 6

- The new ITR forms have introduced specific columns to report **turnover from Intra-day & F&O trading** and **the income from such trading** that is credited to the profit and loss account

Part A – Trading Account:

"4. Revenue from operations (business, profession, duties taxes…)

5. Closing Stock of Finished Goods

6. Total credits to Trading A/c.

(-) 7. Opening Stock of Finished Goods

(-) 8. Purchases

(-) 9. Direct Expenses

(-) 10. Duties , Taxes Paid

(-) 11. Cost of Goods transferred from Manufacturing A/c.

= 12. Gross profit from Business/profession- trf to P&L Account"

F&O/Intra-day Trading disclosures

- *Part A – Trading Account*

12	Gross Profit from Business/Profession - transferred to Profit and Loss account (6-7-8-9-10xii-11)	12	
12a	Turnover from Intraday Trading	12a	
12b	Income from Intraday Trading - transferred to Profit and Loss account	12b	
12c	Turnover from Futures & Options Trading	12c	
12d	Income from Futures & Options Trading - transferred to Profit and Loss account	12d	

Part A-P& L	Profit and Loss Account for the financial year 2025-26*(fill items 13 to 60 & 66 in a case where regular books of account are maintained, otherwise fill items 61 to 65 as applicable)*		
13	Gross profit transferred from Trading Account $\boxed{(12+12b+12d)}$	13	

- ***Assessee is Mfg/trader/service provider :***
- *Report only mfg/trading/service related figures in Trading A/c (4 – 12)*
- *Report F&O or Intra-day transaction separately in 12a to 12d*

- ***Assessee is trader in shares & securities:***
- *Option 1: skip sr. no. 4 – 12 of trading & only fill up 12a to 12d*
- *Option 2: fill up 4 – 12 & skip 12a to 12d*

F&O/Intra-day Trading disclosures

- *Part A – P&L*

65	i	Turnover from speculative activity	65i	
	ii	Gross Profit	65ii	
	iii	Expenditure, if any	65iii	
	iv	Net income from speculative activity (65ii-65iii)	65iv	

- *Speculative activities OTHER then intra-day transactions*

F&O Trading diclosures

- *Schedule BP*

Schedule BP	Computation of income from business or profession		
A	From business or profession other than speculative business and specified business		
1	Profit before tax as per profit and loss account (item 53, 61(ii), 62(ii), 63(ii), 64(iii), 65(iv) and 66(ii) of P&L)	1	
2a	Net profit or loss from speculative business included in 1 (enter –ve sign in case of loss) *[Sl.no.12b of Trading account + Sl.no 65iv of Schedule P&L]*	2a	

- *2a = Intra-day (from Trading a/c) + other speculative (from P&L a/c)*
- *Regular PGBP= At sr. no 36 r.w. sr. no.6 : the figure at item 2a is excluded*

B	Computation of income from speculative business		
39	Net profit or loss from speculative business as per profit or loss account *(Item No. 2a)*	39	
40	Additions in accordance with section 28 to 44DA	40	
41	Deductions in accordance with section 28 to 44DA	41	
42	Income from speculative business (39+ 40 – 41) *(if loss, take the figure to 6xix of schedule CFL)*	B42	

F&O Trading diclosures

- ***Guidance note on Tax Audit – ICAI – 2025 edition***

Para. 5: *Sales, Turnover, gross receipts:*

Sub-para: 11 *- The turnover or gross receipts in respect of transactions in shares, securities and derivatives*

Item (a): *Speculative transactions:*

"…the entries in the books of account are made only for the differences. Accordingly, the aggregate of both favourable and unfavourable differences is to be considered as the turnover of such transactions ***for determining the liability to audit vide section 44AB.****"*

F&O Trading diclosures

- ***Guidance note on Tax Audit – ICAI – 2025 edition***

Item (b): *Derivatives, futures and options: :*

"…but entries in the books of account are made only for the differences…The turnover in such types of transactions is to be determined as follows (This is only and only for the purpose of computing 'turnover' for tax audit):

(i) The total of favourable and unfavourable differences in case of squared off transactions shall be taken as turnover.

(ii) Premium received on sale of options is also to be included in turnover. However, where the premium received is included for determining net profit for transactions, then such net profit should not be separately included.

(iii)..

(iv)…

…"

Krimesh R. Divecha vs. DCIT (ITAT, Mumbai)
[ITA No.: 473/Mum/2024; ordeer dated 29.05.2024]

Assessee had declared turnover from derivative transaction of Rs. 42,61,003/- and had opted for presumtive taxation of section 44AD. He declared profit @ 8% of Rs. 3,40,880/-.

AO stated that as per information availabe with department; the turnover of derivative transaction was Rs. 5.24 crores and he applied 8% profit rate on turnover of Rs. 5.24 crore.

Assessee stated that there was no basis for adopting turnover of Rs. 5.24 crore. The CIT(A) accpeted the contention of the Assesseee; however, the CIT(A) applied profit rate of 50% on the declared turnover of Rs. 42,61,003/-.

Hon'ble ITAT held that there was no jsutified reason for adopting profit rate of 50% and that since the Assessee had opted for presumtive taxation - profit rate of 8% as provided in the statue was liable to be accepted.

Schedule IF

Details under Schedule IF

ITR 3, 5 and 6

- **Schedule IF:** Information regarding partnership firms in which you are a partner.

- Applies to individuals and entities who are partners in one or more partnership firms during the relevant financial year. This schedule is intended to capture key information about the assessee's interest in such firms and to ensure proper disclosure of profit-sharing and capital contributions.

- Existing disclosures:
  (a)Amount of share in the profit
  (b)Capital balance on 31st March in the firm

- two additional reporting requirements for AY 2026-27:

(c)Amount of interest due or received from the partnership firm

(d)Amount of remuneration due or received from the partnership firm

Political Donations

Details u/s. 80GGC

ITR 1 to 6

Schedule 80GGC of the ITR is used to claim a deduction for contributions made to political parties or electoral trusts under Section 80GGC.

The existing schedule requires the taxpayer to enter the contribution date and the amount contributed, specifying how much was paid in cash and how much was paid through other modes such as cheque, UPI, NEFT, or RTGS. It also asks for details like the transaction reference number and the IFSC code of the bank through which the payment was made.

Two additional details required to provide the following:

(a)name of the political party and

(b) its PAN

Donations

Details u/s. 80G

ITR 1 to 6

[Schedule 80G] of the ITR forms seeks the disclosures in respect of the deductions claimed for donations made to specified funds, charitable institutions, or relief organisations under Section 80G. This schedule requires the taxpayer to provide detailed information for each donation, including the type of donation, the applicable limit, and the allowed deduction percentage. It also asks for the name, PAN, and complete address of the donee, along with the city, state code, and pin code, to ensure that the donation is traceable and made to an eligible institution.

Two additional reporting requirements in this Schedule:

(a) Transaction reference number for UPI transfers or the cheque/IMPS/NEFT/RTGS reference number, and

(b) IFS code of the bank

Additional Financial Disclosure

Additional Disclosure

ITR - 4

FINANCIAL PARTICULARS OF THE BUSINESS Note—For E11 to E25 furnish the information as on 31st day of March, 2026			
E11	Partners/ Members own capital	E11	
E12	Secured loans	E12	
E13	Unsecured loans	E13	
E14	Advances	E14	
E15	Sundry creditors	E15	
E16	Other liabilities	E16	
E17	Total capital and liabilities (E11+E12+E13+E14+E15+E16)	E17	
E18	Fixed assets	E18	
E18a	Investments	E18a	
E19	Inventories	E19	
E20	Sundry debtors	E20	
E21	Balance with banks	E21	
E22	Cash-in-hand	E22	
E23	Loans and advances	E23	
E24	Other assets	E24	
E25	Total assets (E18+E18a+E19+E20+E21+E22+E23+E24)	E25	
NOTE ▶ *Please refer to instructions for filling out this schedule (E15, E19, E20, E21, E22 are mandatory and others if available)*			

IFOS

Additional Disclosure

[ITR 2, 3, 5 and 7]

Schedule – OS : Interest income

Earlier last column: "(ix) Others"

AY 2026-27: "(ix) Others including interest from Companies, NBFCs & HFCs"

Auditors details

Auditors details

[ITR 3, 5, 7 and 7]

Schedule Part A – General: requires information about the auditor if the accounts of the assessee need to be audited. Previously, the following details had to be included in ITR 3, 5, 6, or 7, as applicable to the assessee:

(a)Date of furnishing of the audit report

~~(b)Name of the auditor signing the tax audit report~~

~~(c)Membership No. of the auditor~~

(d)Name of the auditor (proprietorship/firm)

~~(e)Proprietorship/firm registration number~~

(f)PAN/Aadhaar No. of the auditor (proprietorship/firm)

~~(g)Date of audit report~~

(h)Acknowledgement Number of the Audit Report

~~(i)UDIN~~

Details of Representative Assessee

Additional Details

[ITR 1 to 7]

In case a return is filed by a representative assessee, the ITR form seeks details of such representative assessee's name, capacity, address, and PAN/Aadhaar. In the new ITR forms, this reporting requirement has been modified. Now, the ITR forms seek only the following three details if the representative assessee files the return:

(a)Name of representative assessee;

(b)Email ID of the representative assessee; and

(c)Contact number of the representative assessee.

Secondrary Communication Details

Additional Details [ITR- 1 - 7]

AL INFORMATION	**(A1) First name**	**(A2) Middle name**	**(A3) Last name**

Addresses to be provided for communication purposes:

Primary Address: (A5a) Flat/Door/Block No. (A6a) Name Of Premises/Building/Village (A7a) Road/Street/Post Office (A9a) Area/locality (A10a) Town/City/District (A11a) State (A12a) PIN code/ZIP code (A13a) Country

Secondary Address: (A5b) Flat/Door/Block No. (A6b) Name Of Premises/Building/Village (A7b) Road/Street/Post Office (A9b) Area/locality (A10b) Town/City/District (A11b) State (A12b) PIN code/ZIP code (A13b) Country

Details to be provided for communication purposes:

Additional Details [ITR- 1 to 4]

Details to be provided for communication purposes:

(A6)(a) Primary Mobile No. of the taxpayer	(A6)(b) Secondary Mobile No.	(A7)(a) Primary Email ID of the taxpayer	(A7)(b) Secondary Email ID

Revised ITR & Fees

- 139(1)/139(4) – ITR can be revised
- For any 'omission' or 'wrong statement'
- Maximum time to revise: earlier of the following:

(a) Anytime before the end of relevant AY (upto 31.03.2027)
(b) Completion of assessment

Fees u/s. 234-I:

(a) If filed within 9 months from end of Previous Year – NIL
(b) If filed after 9 months & TI > Rs. 5 lakhs = Rs. 5,000/-
(c) If filed after 9 months & TI upto Rs. 5 lakhs = Rs. 1,000/-

Total fees?

1st ITR (original) – 30.11.2026 – Rs. 10,00,000/- salary
Revised ITR – 31.01.2027 = Interest Rs. 3,000/-

2nd revised ITR – 28.02.2027 = Dividend income Rs. 2,000/-

Some relevant Judicial Precedents

Limitation in ITR utility

K2 Family (P.) Trust vs. DCIT
[2026] 182 taxmann.com 19 (Bombay)[15-12-2025]

STCG(STT Paid) – 15% 111A
STCG(Non STT paid) – regular slab (30%)
STCL (STT Paid) – set off

Assessee: STCL : 1st against STCG(Non STT paid) & the STCG(STT paid)
ITR-5: Did not allow the above order of set off

Held:

assessee **cannot be denied the right to make a claim in the return merely because the e-filing utility does not provide for it**

If the utility was not modified by **28.12.2025**, the AO must **accept the revised return in paper form on or before 31.12.2025** and process it as a valid ITR**.**

Mistake in ITR by Assessee

Swaminarayan Mandir Trust vs. CIT(E)
[2026] 182 taxmann.com 209 (Bombay) [24-12-2025]

Assessee committed mistake in reporting the income/expenses particulars in the ITR.

Assessee filed rectification u/s. 154 – rejected on account of "no mistake apparent from record"

Assessee filed revision u/s. 264 – rejected stating that mistakes committed by the Assessee itself in the ITR cannot be cured in revision proceedings u/s. 264

Held:

The powers conferred on the Commissioner u/s. 264, are not only wider in its scope but are also intended for the purpose of preventing miscarriage of justice and for providing relief to an assessee, which it is otherwise entitled to

provisions of section 264 would cover within its ambit even a scenario where the assessee commits any error/mistake in the return of income.

Belated filing of Form 10-IE

Belated filing of Form 10-IE

- Filing of Form No. 10-IE was directory not mandatory
- can even be filed before Assessing Officer later on during assessment
- benevolent provisions cannot be read or interpreted in the restrictive manner

- Arun Kumar Sharma vs. Income-Tax Officer [2025] 176 taxmann.com 927 (Delhi - Trib.)[03-06-2025]
- Harbans Singh vs. AO, CPC [2024] 165 taxmann.com 146 (Amritsar - Trib.)/[2024] 208 ITD 151 (Amritsar - Trib.)[24-07-2024]
- Akshay Devendra Birari vs. Deputy Commissioner of Income-tax, CPC [2024] 164 taxmann.com 58 (Pune - Trib.)[05-06-2024]
- Bhagwandas Surajkaran Somani HUF v. ITO— ITA Nos. 8628, 8629, 8627/Mum/2025
- Akshay Devendra Birari vs. Deputy Commissioner of Income-tax, CPC [2024] 164 taxmann.com 58 (Pune - Trib.)[05-06-2024]

Defective ITR

Raj Rayon Industries Ltd. vs. PCIT
[2026] 183 taxmann.com 458 (Bombay) [03-02-2026]

- ITR filed.
- SCN u/s. 139(9) – ITR defective as no Audit - T/O > Rs. 10 crore
- Assessee filed response that T/O < Rs. 10 crore
- CPC issued a communication treating the ITR as INVALID
- Assessee file revision u/s. 264
- PCIT rejected the 264 application on the ground that:

Declaration of ITR as INVALID – does not constitute any "order" as contemplated u/s. 264

Held:

- 'order' = mandate, precept, command or authoritative direction
- A declaration given under section 139(9) is certainly a mandate, or at the very least, an authoritative direction.
- A declaration given under section 139(9) is clearly an order which is revisable under section 264

Presumptive Taxation

Manoj Rajaram Sharma vs. ITO
[2026] 184 taxmann.com 675 (Mumbai - Trib.)

The assessee was engaged in providing **Business Correspondent services** at Bank and filed the return by declaring income u/s. **44AD** at about **35% of gross receipts**.

the AO accepted the gross receipts of **Rs. 14,85,694** but held that income ought to be computed at **50%**, effectively applying the logic of **section 44ADA**, and made an addition.

The CIT(A) upheld the addition mainly on the ground that the assessee had not furnished complete and verifiable evidence regarding the deposits in the bank account

Manoj Rajaram Sharma vs. ITO
[2026] 184 taxmann.com 675 (Mumbai - Trib.)

The Tribunal held that the activity of a Business Correspondent facilitating banking transactions cannot, by any stretch of interpretation, be equated with a profession such as legal, medical, engineering, architectural, accountancy, technical consultancy or other notified professions falling within the ambit of section 44AA and consequently section 44ADA**.**

…..

Once the assessee has opted for the presumptive scheme and declared income exceeding the prescribed percentage, the Assessing Officer **cannot arbitrarily enhance the same** unless:

i. the assessee is shown to be ineligible for section 44AD; or

ii. the gross receipts declared are found to be incorrect; or

iii. there is material to demonstrate suppression of receipts or inflation of expenses.

The Tribunal accordingly **deleted the addition**

Brief revision of Presumptive Taxation

Section 44ADA

Section 44ADA

- **Overrides :** section 28 to 43C
- **Applicable to :** Resident Individual/Firm (not LLP)
- **Carrying on:** Profession specified in section 44AA(1)
- **Only if Turnover:** upto Rs. 50 lakhs
  [75 Lakhs where aggregate cash receipts is upto 5% of gross receipts]
- **Minimum profit** to be presumed = 50%
  Or higher amount as claimed to have been earned
- Deduction u/s. 30 to 38 – deemed to have been allowed
- 1^{st} proviso section 44AB: No Tax Audit required
- 44ADA(4): If profit declared < 50% & TI is > basic exemption limit:
  - Maintain BOA in accordance with section 44AA(1)
  - Get such accounts audited u/s. 44AB
- Section 44AB(d) : Audit mandatory when profit % declared lower

Section 44AD

Section 44AD

- **Overrides:** section 28 to 43C
- **Applicable to :** Resident [Individuals , HUFs, Firms (not LLP)]
- Applicable for ANY business
- However, Not applicable to following:
  - **Person** carrying section 44AA(1) profession
  - **Person** earning commission/brokerage income
  - **Person** carrying on agency business
  - Assessee who claims section 10A/10AA/10B/10BA/VI-A PartC
  - Assessee in business of plying/hiring/leasing
- Only if Turnover – upto Rs. 2 crore [3 crores where aggregate cash receipts is upto 5% of gross receipts]
- Minimum profit % = 8% / 6%
- Deduction u/s. 30 to 38 – deemed to have been allowed
- 1st proviso section 44AB: No Tax Audit required

Section 44AD(5) [upto AY 2016-17]

- Sub-section (5) of section 44AD was substituted vide Finance Act, 2016 w.e.f. AY 2017-18.

- *"(5) Notwithstanding anything contained in the foregoing provisions of this section, **an eligible assessee who claims that his profits and gains from the eligible business are lower than the profits and gains specified in sub-section (1)** 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 sub-section (2) of section 44AA and get them audited and furnish a report of such audit as required under section 44AB."***

Section 44AD(5) [upto AY 2016-17]

- The erstwhile provision for audit was plain and clear and requirement for maintaining books of accounts and getting them audited arose only when both of these conditions were fulfilled:

  1st condition: The assessee claims that his profit rate is lower than the rate of profit provided in sub-section (1) [i.e. 8%/6%]

  2nd condition: Such assessee's total income exceeded the minimum amount not chargeable to tax [i.e. basic exemption limit].

- Thus, for any given year assessee declared profit at lower rate than he was required to maintain books of accounts and get them audited for that particular Assessment Year only.

  From the subsequent year, the assessee can again opt for presumptive taxation and there was no ineligible criteria for re-opting section 44AD.

- Presently, similar provision exists in section sub-section (4) of section 44ADA where if profits are declared at the rate lower than that prescribed (i.e. 50%) then tax audit requirements is attracted.

Section 44AD(4)

- Section 44AD(4) provides that if for any AY the Assessee has opted for provisions of section 44AD and if anytime in immediately **succeeding** 5 assessment years such assessee **declares profit not in accordance with provisions of section 44AD**; then in such circumstances, the said assessee will be ineligible to opt for the benefit of presumptive taxation of section 44AD for 5 Assessment Years immediately succeeding the year in which the Assessee decides not to declare profit in accordance with section 44AD.

- Mr. Fauji claims to be taxed on presumptive basis under Section 44AD for AY 2019-20.

  For AY 2020-21 to 2022-23 also he offers income on the basis of presumptive taxation scheme.

  However, for AY 2023-24, he did not opt for presumptive taxation Scheme.

  In this case, he will not be eligible to claim benefit of presumptive taxation scheme for next five Assent Years, i.e. from AY 2024-25 to 2028-29.

Section 44AD(5) [from AY 2017-18]

- Present section 44AD(5):

"(5) Notwithstanding anything contained in the foregoing provisions of this section, an eligible assessee ***to whom the provisions of sub-section (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 sub-section (2) of section 44AA and get them audited and furnish a report of such audit as required under section 44AB."*

- Section 44AB(e):

"(e) carrying on the business shall, if the provisions of sub-section (4) of section 44AD are applicable in his case and his income exceeds the maximum amount which is not chargeable to income-tax in any previous year,"

Section 44AB(e) – Audit for 6 years

- As per the existing provisions of 44AD(5) once provisions of section 44AD(4) are applicable, maintaining of books and getting them audited applies.
- However, the moot issue is when the ineligibility provisions of section 44AD(4) are attracted, is it applicable for subsequent 5 assessment year.
- By strict interpretation of section 44AD(4) and 44AD(5) of read with section 44AB(e) it can be said that once provisions of section 44AD(4) is applicable the assessee will be liable to maintain books of accounts, get them audited and furnish report for total of 6 assessment Years (i.e. the AY in which section 44AD is not opted + subsequent 5 assessment years).

CBDT – FAQs on section 44AD

- ***"If a person adopts the presumptive taxation scheme but he opts out from the scheme in any of the subsequent five years, then what are the consequences?***

  If a person opts for presumptive taxation scheme then he is also require to follow the same scheme for next 5 years. If he failed to do so, then presumptive taxation scheme will not be available for him for next 5 years. ….

  He is required to keep and maintain books of account and he is also liable for tax audit as per section 44AB ***from*** *the AY in which he opts out from the presumptive taxation scheme. [If his total income exceeds maximum amount not chargeable to tax]"*

(The use of the word 'from' instead of 'for' in the answer to the above FAQ clearly suggests that the requirement of maintaining books of accounts and audit applies for a total of 6 assessment years.)

Scenarios of non-applicability of 44AB(e)

Can there be a scenario where assessee declares profit lower than the prescribed profit rate but still is not liable to do audit?

Yes, in the following scenarios it is possible that assessee may declare lower profit rate but still is not required to conduct audit:

- Scenario No.1:

It is the first year of business, turnover is upto Rs. 1 crore (limit of audit as per section 44AB); assesse maintains proper books of accounts and declare lower profit than 8%. In this scenario, provisions of sub-section (4) is not attracted because it is the first year and there is no preceding year in which section 44AD might have opted so as to opt out in the relevant assessment year.

.

Scenarios of non-applicability of 44AB(e)

- Scenario No. 2:

Business of the assessee is continuing since several years, however in each of these preceding years the assessee has either get his accounts audited u/s. 44AB or has maintained proper books of accounts but was not subject to audit (say, turnover was upto Rs. 1 crore).

In this scenario also if assessee declares profit at the lower rate (by duly maintaining books of accounts), he still won't be attracted by provisions of sub-section (4) because he had never opted in for section 44AD so as to opt out of it.

Accordingly, even if lower profit is declared, audit as per clause (e) of section 44AB read with sub-section (5) of section 44AD will not be attracted.

Pertinent to mention that compliance of maintaining books of accounts as per the provisions of section 44AA needs to be kept in mind in both of the above scenarios

Important FAQs posted by CBDT for ITR of AY 2026-27

CBDT FAQs for ITRs of AY 2026-27

I am a non-resident. The Taxpayer Identification Number (TIN) is not allotted in my jurisdiction of residence. How do I report the same in the column on "residential status"?

Reply:

In case TIN has not been allotted in the jurisdiction of residence, the passport number should be mentioned instead of TIN. Name of the country in which the passport was issued should be mentioned in the column "jurisdiction of residence.

I am a director in a foreign company which does not have PAN. How do I report the same against the column "Whether you were Director in a company at any time during the previous year?"

Reply:

You should choose "foreign company" in the drop-down provided for "type of company". In such case, PAN is not mandatory. However, PAN should be mentioned, if such foreign company has been allotted a PAN

Yes

CBDT FAQs for ITRs of AY 2026-27

Whether an individual who is a non-resident, or resident but not ordinary resident (RNOR)) is also required to disclose details of his directorship in a foreign company which does not have any income accruing or arising in India?

Reply:

Yes

I have held shares of a company during the previous year, which are listed in a recognized stock exchange outside India. Whether I am required to report the requisite details against the column "Whether you have held unlisted equity shares at any time during the previous year?

Reply:

No

Yes

CBDT FAQs for ITRs of AY 2026-27

I have held equity shares of a company which were previously listed in a recognised stock exchange, but delisted subsequently, and became unlisted. How do I report PAN of company in the column "whether you have held unlisted equity shares at any time during the previous year"?

Reply:

In such cases, PAN of the company may be furnished if it is available. In case PAN of delisted company cannot be obtained, you may enter a default value in place of PAN, as "NNNNN0000N".

I hold shares in an unlisted foreign company which has been duly reported in the Schedule FA. Whether I am required to report the same again in the column "Whether you have held unlisted equity shares at any time during the previous year?"

Reply:

Yes

Yes

CBDT FAQs for ITRs of AY 2026-27

In case unlisted equity shares are acquired or transferred by way of gift, will, amalgamation, merger, demerger, or bonus issue etc., how to report the "cost of acquisition" and "sale consideration" in the relevant column?

Reply:

You may enter zero or the appropriate value against "cost of acquisition" or "sale consideration" in such cases. Please note that the details of unlisted equity shares held during the year are required only for the purpose of reporting. The quantitative details entered in this column are not relevant for the purpose of computation of total income or tax liability

Yes

CBDT FAQs for ITRs of AY 2026-27

I have held unlisted equity shares as stock-in-trade of business during the previous year. Whether I have to report the same in the column "Whether you have held unlisted equity shares at any time during the previous year?"

Reply:

Yes

Please clarify whether holding of equity shares of a Co-operative Bank or Credit Societies, which are unlisted, are required to be reported?

Reply:

The details of equity shareholding in any entity which is registered under the Companies Act, and is not listed on any recognised stock exchange, is only required to be reported

Yes

CBDT FAQs for ITRs of AY 2026-27

An unlisted company is required to furnish details of assets and liabilities in the Schedule AL-1 of ITR-6? Please clarify whether details of assets held as stock-in-trade of business are also required to be reported therein.

Reply:

In case jewellery/motor vehicle etc. is held as stock-in-trade of business, the drop-down value "stock-in-trade" should be selected against the field "purpose for which used", while filling up details in the relevant table (table 'I' or table 'H'). In such cases, only the aggregate values are required to be filled up, and the particular details of each asset held as stock-in-trade is not required to be reported.

I hold foreign assets during the previous year which have been duly reported in the Schedule FA. Whether I am required to report such foreign asset again in the Schedule AL (if applicable)?

Reply:

Yes.

Yes

CBDT FAQs for ITRs of AY 2026-27

An unlisted company is required to furnish details of assets and liabilities in the Schedule AL-1 of ITR-6? Please clarify whether details of assets held as stock-in-trade of business are also required to be reported therein.

Reply:

In case jewellery/motor vehicle etc. is held as stock-in-trade of business, the drop-down value "stock-in-trade" should be selected against the field "purpose for which used", while filling up details in the relevant table (table 'I' or table 'H'). In such cases, only the aggregate values are required to be filled up, and the particular details of each asset held as stock-in-trade is not required to be reported.

I hold foreign assets during the previous year which have been duly reported in the Schedule FA. Whether I am required to report such foreign asset again in the Schedule AL (if applicable)?

Reply:

Yes.

Yes

CBDT FAQs for ITRs of AY 2026-27

A company is required to disclose break-up of all payments and receipts during the year, in foreign currency, as per Schedule FD of ITR-6 (if it is not required to get the accounts audited u/s 44AB). Please clarify whether only the receipts/payments relat

Reply:

Yes. In Schedule FD, the break-up of receipts and payments in foreign currency is required to be reported only in respect of business operations in India.

In schedule TDS, one is required to enter the head under which corresponding receipt has been offered. In some cases, TDS is deducted by the payer in current year, but corresponding income is to be offered in future years. How to fill up in Schedule TDS

Reply:

In such cases, no TDS credit should be claimed under the column "in own hands" for the current year. If this is done, the column "Corresponding receipt offered" is greyed-off and is not required to be filled up

Thank You

Audience

J.B. Nagar CPE Study Circle (WIRC-ICAI)

'It's not the Profession that Glorifies You, You Glorify the Profession.'

(281 and Beyond ~ VVS Laxman)

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!!!...JAI HIND…!!!