

SCOPE WIDENED FOR IT RETURN FILING

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Introduction

The 7th proviso to Section 139 was inserted by the Finance Act, 2019, which provides certain criteria and mandated the filing of income-tax returns even when the individual's income is less than the basic exemption limit. Now, vide Notification No. 37/2022 dated 21st April 2022, CBDT has notified a new Rule 12AB which prescribes additional conditions which mandate the filing of ITR even though income is below the basic exemption limit.

This notification shall come into effect from the date of its publication in the Official Gazette.

Current provision

1. As per section 139 (1) of Income Tax Act 1961, the return of income shall be filed before the due date of filing return by every person:

- a) Being a company or a firm; or
- b) being a person other than a company or a firm, if his total income or the total income of any other person in respect of which he is assessable under this Act during the previous year exceeded the maximum amount which is not chargeable to income-tax

In simple terms, it is mandatory for a company or firm to file the return of income for the relevant Assessment Year (AY) irrespective of income of the assessee. For person other than company and firm, the Income tax Return for the Assessment Year shall be filed if the total income chargeable to income tax exceeded the basic exemption limit for that person.

2. However, as per the 7th Proviso to Section 139 (1), it is mandatory to file the income tax return for a certain class of people who carries out certain high-value transactions mentioned in the section even though their total income is below the basic exemption limit (who are otherwise not required to file the income tax return).

The following are the high-value transactions -

- i. The aggregate of deposits made in current account/accounts maintained with banks or co-operative banks exceeding INR 1 crore
- ii. The aggregate of expenditure on foreign travel exceeding INR 2 lakhs
- iii. The aggregate of expenditure towards consumption of electricity exceeding INR 1 lakh.
- iv. Fulfil such other conditions as may be prescribed.

Amendment

The Income Tax department has now widened the scope of assesses to file Income Tax Return by introducing the Rule 12AB by further amending the Income Tax Rules, 1962. By introduction of Rule 12AB, the clause (iv) as given above is amended and is applicable for the persons referred to in clause (b) of sub section (1) of section 139. The conditions to be fulfilled are as follows

1. Total sales, turnover or gross receipts in the business exceed Rs.60 Lakhs during the previous year or total gross receipts in the profession exceeds Rs.10 Lakhs during the previous year.

2. If the aggregate of TDS/TCS is Rs.25,000/- or more during the previous year. In the case of a Resident individual who is of the age of 60 years or more during the previous year, the said limit is increased to Rs. 50,000/-

3. Deposit in one or more saving bank accounts, in aggregate is Rs. 50 Lakhs or more during the previous year.