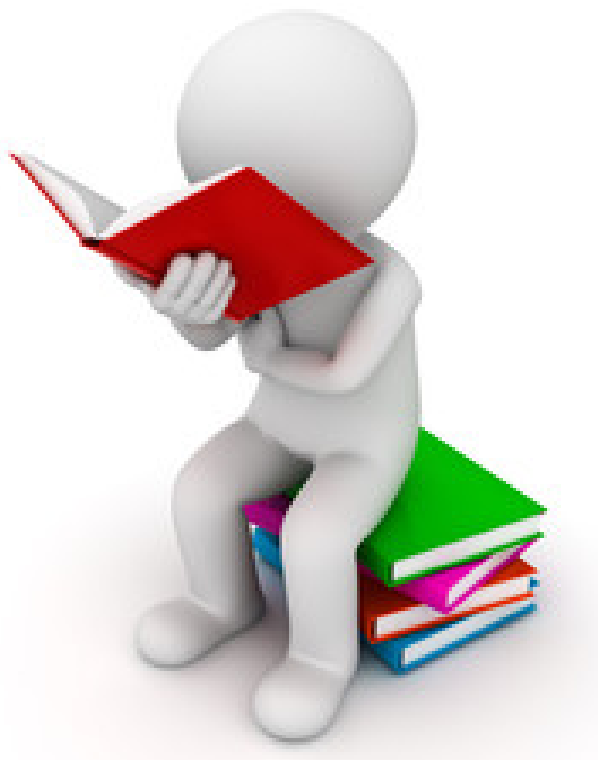


# ITR 7 FORM

♦ Legal Series Vol. XVI ♦ Issue 11

*For private circulation only*

## ANALYSIS OF CHANGES IN THE NEW ITR 7 RETURN FORM



**Standards & Norms**

Resource support on NGO Governance, Accounting and Regulations



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## INTRODUCTION

- 1.01** The CBDT has notified the new form of Income-tax Return 7 (ITR-7) for the **Assessment Year 2024-25** vide Notification G.S.R 153(E) [NO. 24/2024/F. NO. 370142/1/2024-TPL (PART-1)], dated 01-03-2024. The applicability of the ITR-7 form remains unchanged in the new form. The new ITR-7 requires various additional details from taxpayers and some changes in the ITR form are in consequence of the amendments made by the Finance Act 2023. In this issue the changes made in form ITR-7 are discussed.

## ADDITIONAL INFORMATIONS REQUIRED

- 2.01** *Details of Legal Entity Identifier (Part A-GEN)* : The taxpayer is required to furnish the LEI details if there is a claim of refund of INR 50 crores or more.

The following details are to be furnished for LEI:

- (a) LEI Number
- (b) Valid upto date

The Legal Entity Identifier (LEI) is a 20-character alpha-numeric code used to uniquely identify parties in financial transactions worldwide. It has been implemented to improve the quality and accuracy of financial data reporting systems for better risk management.

As per the Reserve Bank of India (RBI) Regulations, all single payment transactions of INR 50 crores and above undertaken by entities (non-individuals) should include remitter and beneficiary LEI information. This applies to transactions undertaken through the NEFT and RTGS payment systems.

## CHANGES DUE TO AMENDMENTS BY FINANCE ACTS

### 3.01 Reporting of the amount invested or deposited back to Corpus and repayment of loans (Schedule J)

'Schedule J' of Form ITR-7 now explicitly requires reporting of application from the corpus made on or after 01.04.2021, or if an application from any loan or borrowing is made on or after 01.04.2021, provided such amount was earlier applied but not claimed as an application.

### 3.02 Reporting of Inter-Charity Donations (Schedule A)

*Schedule A* requires the reporting of the funds applied for the stated objectives of the trust/institution during the previous year from all sources. The reported amount is to be bifurcated into Revenue and Capital. Now, this schedule requires the disclosure of donations made to other registered/approved trusts or institutions. In this context, the following details are to be provided:

- (a) Donation made to trust or institution registered under section 12AB or approved under sec. 10(23C)(iv)/(v)/(vi)/(via). It is to be noted that, 100% of donations other than Corpus donation are required to be entered here.
- (b) 85% of the donations made to trust or institutions registered under section 12AB or approved under section 10(23C)(iv)/(v)/(vi)/(via). It may be noted that 85% of donations other than Corpus donation are required to be entered here.
- (c) ***Schedule IE-1 extended to Section 10(46A) and 10(46B)*** : Schedule IE-1 is for reporting the Income & Expenditure statement of entities that are exempt & are not required to report their income under five heads. This schedule now applies to entities whose income qualifies for exemptions under Sections 10(46A) & 10(46B), both of which were introduced by the Finance Act 2023.

It is noteworthy that despite the introduction of clause (46A) and clause (46B), the Finance Act 2023 did not make any corresponding amendments to Section 139(4C). Consequently, as per the current legislation, entities notified under Section 10(46A)/10(46B) are not required to file an income tax return. However, with the inclusion of references to these clauses in Schedule IE-1 of the ITR-7, the obligation to file has been extended to entities that were otherwise exempt from submitting an ITR.

## **MORE DISCLOSURE REQUIRED FOR ASSESSMENT OF INCOME**

- 4.01** *Details of filing Form 10 for accumulation of income (Part B-TI)* : As per Section 11(2), if a trust is not able to apply 85 per cent of its income in a particular year, it can accumulate the shortfall to be used for religious or charitable purposes within the next 5 years. This accumulation is allowed if the Assessing Officer is informed about the purpose of the accumulation and the period for which the income is being accumulated. The information is to be furnished in Form 10 at least two months prior to the due date specified under Section 139(1) for furnishing the return of income for the previous year. The Finance Act 2023 has preponed the due dates by two months with effect from the assessment year 2023-24.
- 4.02** CBDT issued Circular No. 6/2023, dated 24-5-2023 clarifying that the benefit of accumulation will not be denied to a trust, even if Form 10 is not filed at least two months before the due date for filing the income tax return under Section 139(1). However, Form 10 must be submitted on or before the due date for filing the return under Section 139(1) to avail of this benefit.
- 4.03** The ITR form, Part B-TI requires reporting of the amount accumulated or set-aside for specified purposes if all conditions in sections 11(2) and 11(5) or the third

proviso to section 10(23C) are fulfilled. If any amount is accumulated, the assessee is now also required to report the following information :

- (a) whether option in Form No. 10 has been furnished to the Assessing Officer
- (b) If yes, date of furnishing Form No. 10

Previously, these details were only required for Form No. 9A i.e in case of if any amount was considered as a deemed application. However, now such information is also required for amounts accumulated by filing Form 10.

#### **4.04 *Furnishing of acknowledgement number of the Audit Report and UDIN (Part A-GEN) :***

In Part A-GEN, the new ITR form mandates that the assessee should furnish both the acknowledgement number of the audit report and the Unique Document Identification Number (UDIN). Consequently, now the assessee has to mention the acknowledgement number of the audit report filed in Form 10B/10BB, as applicable. This requirement stems from the fact that the audit report must be submitted in either Form 10B or Form 10BB at least one month before the deadline for the submission of the income tax return. However, the updated ITR form also solicits details regarding the UDIN.

## **AMENDMENTS WHICH HAVE ADDRESSED THE LACUNAS IN THE OLD ITR-7**

**5.01 *Reporting of the exempted portion of Anonymous Donations (Schedule VC) :*** A new row has been inserted in Schedule VC for reporting anonymous donations that are not taxable under Section 115BBC.

**5.02** In last year's ITR form, there was no provision to report anonymous donations that are not subject to taxation under Section 115BBC. However, in the new ITR-7, a new line item has been incorporated in Schedule VC specifically for reporting this amount.

**5.03 Merging of requirement under general information on the applicability of Twenty-Second Proviso to section 10(23C) or section 13(10) (Part A-GEN) :** The ITR-7 form requires details regarding the applicability of the twenty-second proviso to section 10(23C) or section 13(10).

Presently under Part-A GEN, the assessee is required to indicate whether these provisions were applicable with a simple Yes/No response and by Clause Part B-3 one has to indicate reasoning for the applicability of these special computation provisions. However, in new ITR 7, Part B-3 has been merged with Part-A General Information.

It may be noted that the twenty-second proviso to section 10(23C) or section 13(10) provide that the tax exemption except revenue expenditure shall not be allowed if an organisation makes any of the following violation :

- (i) Engages in commercial activity in violation of proviso 2(15),
- (ii) Does not maintain books of accounts,
- (iii) Does not furnish the audit report within due date,
- (iv) Does not file Income Tax return within the time limit for belated return.

## NEW CHANGES IN ITR 7 WHICH ARE CONFUSING

**6.01 Details of bank account to receive refund of Tax (Part B-TTI) :** Presently while giving the details of the bank account one has to indicate the account in which it prefers to receive refund of tax. However as per the amended ITR-7, specific detail of bank account for credit of tax refund is not required instead it is mentioned that “*In case of multiple accounts, the refund will be credited to one of the validated accounts after processing the return*”.

This change will have its impact on the statutory compliance by the NGO as in absence of any choice with the NGO to select the bank account for income tax return the department may choose to select any of the FCRA Account as well to remit the refund. Hence the rationale of the modification is not clear and it may result in compliance issues.

- 6.02 Residuary Clause For Reporting of Additions (PART B-TI) :** In Part B-TI, when compiling an income statement, specific additions such as taxable specified incomes or disallowable amounts under section 11(1)/10(23C) are reported. Earlier, there existed a specified list where the assessee was obligated to report taxable income under a particular section or specific disallowances. However, now a new column has been inserted as a residuary clause to report any other income on which exemption is not allowable under the Income-tax Act. The instances that can be included under this residuary clause needs to be explained.

## LACUNAS IN ITR 7 STILL TO BE ADDRESSED

- 7.01 Point no (1) of Part B1 of Part B-TI :** The total amount of voluntary contributions (other than Corpus) subject to application is required to be mentioned and the figures are taken from VC Schedule which includes the voluntary contribution that is received including the exempt portion of the donation under section 115BBC.

However, the wording used in point no 1 of Part B1 of B-TI is 'Voluntary Contributions and anonymous donations taxable under section 115BBC'. We understand the wording should be 'Voluntary Contributions and anonymous donations exempt portion under section 115BBC'.

- 7.02 Point no (7) of Part B1 of Part B-TI :** This section of Part B-TI requires additions to be made including income chargeable under section 115BBI & it includes :



- iv. Amount disallowable under section 11(1) r.w.s. 40(a)(ia) or 10(23C) r.w.s. 40(a)(ia)
- v. Amount disallowable under section 11(1) r.w.s. 40A(3)/(3A) or 10(23C) r.w.s. 40A(3)/(3A)

It is to be noted that the amount of application as required to be mentioned in point no (6)(i) of Part BI is from “Sr. G of Schedule A” which is being calculated after considering disallowance under section 11(1) r.w.s. 40(a)(ia) or 10(23C) r.w.s. 40(a)(ia) and under section 11(1) r.w.s. 40A(3)/(3A) or 10(23C) r.w.s. 40A(3)/(3A). Therefore, adding same disallowances again in point no (7) results in double consideration of single disallowance.

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