Portfolio

How newly notified ITR makes filing process fairly easier

Mukesh Kumar | Updated on December 22, 2020 | Published on December 22, 2020

Modification in scrip-wise disclosure norms proves a boon

Simplicity and convenience do not go hand in hand with ITR forms, which are so comprehensive that laymen require hand-holding from experts. The need for disclosing scrip-wise details of long-term capital gains (LTCG) on sale of listed shares/units in the income tax-returns (ITR) triggered a huge clamour among traders, who were worried about burning the midnight oil to file their returns. This article explains how the newly notified ITR is a welcome step and makes the filing process fairly easier.

Taxation of sale of listed shares/units

To increase the tax base, Budget 2018 introduced provisions to tax LTCG arising from the transfer of listed shares/units exceeding ₹1 lakh at 10 per cent without the benefit of indexation. At the same time, it has grandfathered all gains made up to 31.01.2018. For determining the capital gains, the taxpayers are allowed to claim the highest quoted price as on 31.01.2018 or the actual purchase cost as the cost of acquisition. If the highest quoted price on 31.01.2018 is more than the sale value, the same will be restricted to the sale value.

Podcast: Terms you need to know before filing the IT returns

Detailed reporting of LTCG in ITR

The ITRs for FY19 were modified to ensure that the taxpayer correctly calculates the cost of acquisition by reporting scrip-wise details of LTCG in a newly introduced schedule named 'Tool 112A'. However, the taxpayer had an option to either enter the scrip-wise details or enter the self-calculated value of LTCG in Schedule CG. Many preferred the latter and opted out from the requirement to provide scrip-wise details.

In the ITRs for FY20, the Schedule 112A was made mandatory and the taxpayer was required to fill the scrip-wise details for all the transactions subject to LTCG, even if the shares/units were purchased after 31.01.2018.

The thought of line-by-line listing of scrip-wise details for all LTCG transactions made many people anxious, as it is a time-consuming process, especially for active traders undertaking numerous transactions.

Department clarification: 'A major relief'

Understanding the woes of the taxpayer, the Central Board of Direct Taxes (CBDT), *vide* a press release dated 26.09.2020, clarified that scrip-wise reporting in the ITR was required only for those shares/units eligible for the benefit of grandfathering. Though this was a welcome move, the relaxation was sadly not given immediate effect in the ITR.

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The newly notified ITR, however, has introduced a drop-down feature in Schedule 112A wherein the taxpayer can select if the share/ unit was acquired "On or before" or "After 31.01.2018".

For the listed shares/units acquired after 31.01.2018, the consolidated amount of sale consideration and cost of acquisition alone should be reported. The fields requiring details of "ISIN code" and "Name of Share/ Unit" get automatically disabled.

For the listed shares/units acquired on or before 31.01.2018, the taxpayer should disclose scrip-wise details of LTCG irrespective of whether the benefit of grandfathering is obtained or not. Further, the taxpayer has to provide the highest quoted price as on 31.01.2018. He/she has to manually fill the highest quoted price as on 31.01.2018, though this could have also been auto-populated in ITR. However, it is not a cause for concern as most stockbrokers provide statements which include highest quoted price as on 31.01.2018.

Make it simpler

Mapping and matching data from various sources is likely to be the new strategy of the Income-Tax Department. Given the same, disclosing the scrip-wise details correctly becomes imperative in order to avoid adjustments while processing the return on account of mismatch.

Taxpayers who have undertaken numerous share transactions generally use excel ITR or third-party software as it is more user-friendly and eases the filing process.

The requirement to provide scrip wise information in the ITR is not just unique to India but internationally also (for example: USA), the taxpayer is required to provide scrip wise information for reporting capital gains. However, the government can take reasonable measures to make the ITR simpler and user-friendly to encourage taxpayers in filing the ITR instead of making it an onerous task.

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