

ADVISORY NOTE · APRIL 2026

Key Changes in ITR Forms

For FY 2025-26 (Assessment Year 2026-27)

The Income Tax Department has notified revised ITR forms for FY 2025-26. The changes are not cosmetic. They represent a clear shift in how the department expects taxpayers to explain their income, assets and lifestyle. This note summarises what has changed, who is affected, and the practical steps every taxpayer and business should take before filing.

01 · ITR-4 (Sugam) — The Presumptive Return Under a Sharper Lens

ITR-4 is filed by resident individuals, HUFs and firms (other than LLPs) with business or professional income opting for presumptive taxation under sections 44AD, 44ADA or 44AE. Historically the simplest return, Sugam now requires a much fuller financial picture.

- **Enhanced disclosure of investments and assets** — presumptive taxpayers are now expected to reconcile the income they declare with the assets they are acquiring and the investments they are making.
- **Improved bank account and transaction reporting** — every operative bank account with its nature, high-value transactions and cash deposits must be captured with greater precision.
- **Stronger validation against AIS and Form 26AS** — system-driven checks compare the figures in the return against third-party reported data before the return is accepted.

KEY PRACTICAL INSIGHT

Presumptive taxation does not mean presumptive documentation. Declaring income at 6% / 8% / 50% of turnover no longer exempts the taxpayer from demonstrating that the declared income is consistent with the bank balances, property purchases, mutual fund investments and lifestyle on record.

02 · Changes Across the Other ITR Forms

The shift is not limited to Sugam. Every ITR form has been tightened in the direction of greater transparency and tighter system validation. A consolidated view:

FORM	APPLICABLE TO	WHAT HAS CHANGED
ITR-1 (Sahaj)	Salaried individuals, pensioners, one-house-property, interest income within limits.	More pre-filled data pulled from AIS, TIS and employer returns. Stronger inline validation — mismatches are flagged before submission rather than surfacing as a notice later.
ITR-2	Individuals and HUFs without business income — capital gains, foreign income, multiple properties.	Granular capital-gains reporting (scrip-wise, date-wise), detailed foreign-asset schedule, and improved RSU / ESOP disclosures.
ITR-3	Individuals and HUFs with business or professional income under regular provisions.	Expanded P&L and balance-sheet schedules, closer alignment with GSTR turnover, and clearer linkage between drawings, capital, and declared income.

ITR-5	Firms, LLPs, AOPs, BOIs and similar entities.	Greater transparency in partner / member details, remuneration, interest on capital, and profit-sharing arrangements.
ITR-6	Companies (other than those claiming exemption under section 11).	Additional disclosures around shareholding pattern, changes during the year, and related-party transactions.
ITR-7	Trusts, charitable institutions, political parties, research bodies under sections 139(4A) to 139(4F).	Stricter reporting on exemption conditions, accumulation, application of funds and inter-charity transfers.

03 · The Three Key Takeaways

Reading the changes together, three themes emerge. These will shape how the department looks at every return filed this year.

- **From declaration to explanation.** The ITR is no longer a simple statement of income. It is, in substance, a financial explanation — income must be consistent with assets, investments and lifestyle on record.
- **System-driven scrutiny is the default.** Matching happens automatically against AIS, Form 26AS, GSTR data, SFT reports and bank feeds. Manual scrutiny follows only when the system flags something.
- **Presumptive no longer means invisible.** Section 44AD / 44ADA / 44AE returns must pass the same logical-consistency tests. A turnover of Rs. 60 lakh with a 6% presumptive income cannot co-exist with a Rs. 80 lakh property purchase unless the capital source is clearly explained.

04 · Practical Recommendations Before You File

Irrespective of which ITR form applies to you, the following steps materially reduce the risk of mismatch notices and post-filing adjustments:

- **Reconcile AIS and Form 26AS** with your books and bank statements before drafting the return. Every line item in AIS should either match your records or have a clear written explanation on file.
- **Track investments and capital introduction** separately. Any significant addition to fixed deposits, mutual funds, immovable property or business capital must be tied to a legitimate source.
- **Avoid mismatches between declared income and asset creation.** If assets grew during the year, the declared income plus opening liquid position should reasonably support the growth.
- **Maintain basic documentation even under presumptive schemes.** Sales register, purchase register, bank statements and key expense records should exist even when audited books are not mandatory.
- **Reconcile GSTR turnover with ITR turnover** and be prepared to explain timing and classification differences — the system will.
- **Do not accept pre-filled data blindly.** Verify each pre-filled figure against your own records; file AIS feedback promptly for any entry that is incorrect.

Need Help Filing This Year?

Our team handles ITR preparation and filing for salaried individuals, professionals, firms, LLPs and companies — with full AIS reconciliation and post-filing support. For a personalised consultation, write to mahesh.r@rmaaca.in or call **+91 9444143912**.

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