

ITR Forms AY 2026-27: A Practitioner Advisory

Why FY 2025-26 Returns Are Still 1961 Act Returns Under Section 536 of the Income-tax Act 2025

#INCOMETAX

#ITRFORMS

#AY2026-27

#SECTION536

#CBDT

#FILINGSEASON



Why AY 2026-27 Returns Are Still 1961 Act Returns

The Income-tax Act 2025 took effect April 1, 2026. But Section 536 saves FY 2025-26 income entirely under the 1961 Act.

Section 536 Sub-clause 1

Any liability, refund right, or thing accrued under the 1961 Act before April 1, 2026 continues under the 1961 Act.

Section 536 Sub-clause 4

Income of any previous year ending on or before March 31, 2026 is computed, assessed, charged, and re-assessed entirely under the 1961 Act.

i Result: AY 2026-27 ITR forms cite 1961 Act sections in every schedule. The successor sections of the 2025 Act only appear on AY 2027-28 returns.

AY 2026-27

Governed by Income-tax Act 1961

Transition Cutoff

April 1, 2026

AY 2027-28

Governed by Income-tax Act 2025

Three Anchors of the 1961 Act Continuity



Anchor 1: Computation

All five heads of income computed under 1961 Act Sections 15 to 59: salary, house property, business and profession, capital gains, and other sources.



Anchor 2: Deductions

Chapter VI-A deductions including 80C, 80D, 80G, 80GGC, and 80U continue under the 1961 Act for FY 2025-26 income.



Anchor 3: TDS, Tax Audit, and Refunds

Sections 192, 194-series, 195, 206C TDS deductions, Section 44AB tax audit, and Section 237 refund applications all proceed under the 1961 Act.

The Seven ITR Forms for AY 2026-27

All seven forms cite 1961 Act sections exclusively for AY 2026-27. Select the correct form based on taxpayer category and income type.

Form	Applicable To	Key Conditions
ITR-1 (Sahaj)	Resident Individual	Total income up to Rs 50 lakh, salary plus one house property plus other sources, no business income
ITR-2	Individual or HUF	Not covered by ITR-1, no business or profession income, includes capital gains
ITR-3	Individual or HUF	With business or profession income
ITR-4 (Sugam)	Resident Individual, HUF, Firms	Presumptive business income under Section 44AD, 44ADA, or 44AE, total income up to Rs 50 lakh
ITR-5	Firms, LLPs, BOI, AOP	Other than ITR-7 filers
ITR-6	Companies	Other than Section 11 exemption claimants
ITR-7	Trusts, Political Parties, Institutions	Scientific research institutions, news agencies, charitable institutions under Sections 11, 12, 10(23C), 13A

Critical Schedule Map: What Practitioners Must Reconcile

Every schedule in AY 2026-27 ITR forms references 1961 Act section codes. Practitioners must verify each schedule against the correct statutory provisions.

Schedule TDS

Must match Form 26AS under 1961 Act section codes: 192, 194-series, 195, and 206C. Any mismatch triggers demand or refund delay.

Schedule CG

Capital gains under Sections 45 to 55A, indexation under Section 48 second proviso, grandfathering of January 31, 2018 fair market value under Section 112A.

Schedule FA and FSI

Foreign asset and foreign-sourced income disclosures under Section 139 and Rule 12AB. Black Money Act 2015 still governs penal consequences for non-disclosure.

Schedule 80G and 80GGA

Five-thousand-rupee cap on cash donations continues. Section 80GGC political-party donation deduction at 50 percent for individuals and HUFs.

Stakeholder Impact

AY 2026-27 filing obligations differ by stakeholder type. Each group must understand the Section 536 continuity and its practical implications.



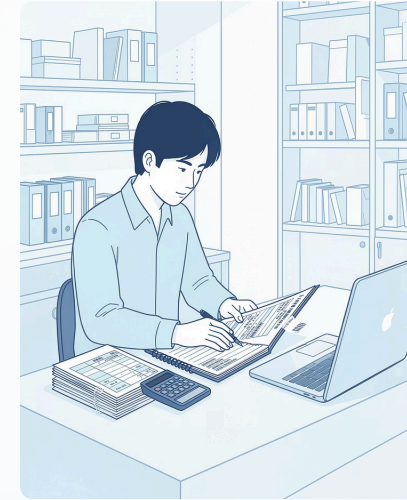
CA Professionals

- Annotate every working paper: "AY 2026-27 governed by Income-tax Act 1961 read with Section 536 of the Income-tax Act 2025"
- Bulk-onboard returns only after validating the offline utility against test scenarios
- Brief team that successor sections under the 2025 Act do not appear on AY 2026-27 forms



Founders and Promoters

- ITR-2 and ITR-3 capital-gain and business-income disclosures continue under 1961 Act sections
- New Section 115BAC regime remains the default for individuals and HUFs from AY 2025-26 onwards
- Opt-out to old regime requires Form 10-IEA before due date



MSMEs and Business Owners

- ITR-4 presumptive scheme under Section 44AD remains operative for AY 2026-27
- Form 16 cites 1961 Act sections; Form 26AS reconciliation against AIS data continues under the 1961 Act framework
- Companies under ITR-6 continue to claim Section 115BAA and 115BAB concessional regimes

Five Caveats Practitioners Must Flag

1 **Software-Vendor Errors Are Likely**
If a return-filing utility maps an AY 2026-27 schedule to a 2025 Act successor section, that is a vendor bug. Flag and report immediately to the vendor and CBDT helpdesk.

2 **New Regime Opt-Out Timing for Business Taxpayers**
Form 10-IEA opt-out is a recurring choice until withdrawn. For salaried taxpayers, opt-out can be exercised every year through ITR form selection itself.

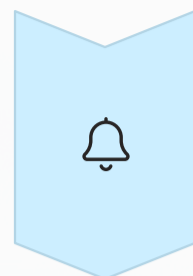
3 **Capital Gains Data Assembly Takes Longer**
Reconcile broker statements against the AIS capital gains schedule before assembly. Pre-grandfathering NAVs for listed equity under Section 112A require particular care.

4 **Foreign Asset Disclosure Has High Penal Exposure**
Black Money Act 2015 governs penalties. Even small foreign holdings trigger Schedule FA reporting. Non-disclosure risk is severe and non-compoundable.

5 **E-Verification Window Is 30 Days**
Aadhaar OTP, EVC, or signed ITR-V post to CPC Bengaluru. Missed e-verification means the return is treated as not filed, triggering Section 234A interest and Section 234F late fee.

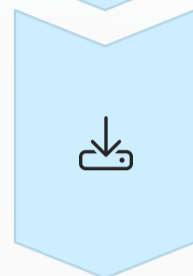
Ten-Step AY 2026-27 Filing Season Sprint

Follow this cascading action plan to ensure error-free, timely filing for all clients under the 1961 Act framework.



Step 1

Track the CBDT notification. Bookmark incometax.gov.in and CBDT press release page for AY 2026-27 form release.



Step 2

Download the offline Excel and Java utility as soon as released. Validate against a test scenario before bulk-onboarding clients.



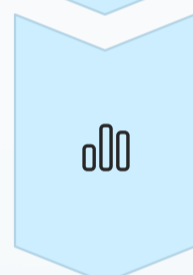
Step 3

Refresh working paper templates. Lock all section references to 1961 Act citations for AY 2026-27.



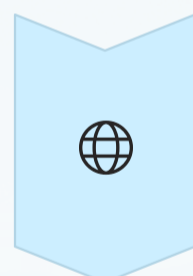
Step 4

Form 16 and Form 16A reconciliation. Match Form 26AS, AIS, and TDS certificates to Schedule TDS.



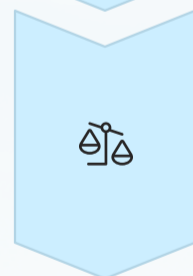
Step 5

Capital gains data assembly. Collect broker statements and reconcile with AIS Schedule CG under Sections 45 to 55A.



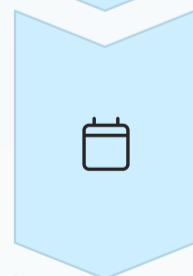
Step 6

Foreign asset and income disclosures. Aggregate Schedule FA and FSI for all resident clients with overseas holdings.



Step 7

New regime vs old regime decision. Run Section 115BAC calculation alongside old regime. File Form 10-IEA before due date for opt-outs.



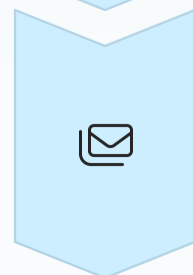
Step 8

Advance tax reconciliation. Verify all four instalments (June 15, September 15, December 15, March 15). Compute Section 234B and 234C interest where shortfalls occurred.



Step 9

E-verify within 30 days via Aadhaar OTP, EVC, or signed ITR-V posted to CPC Bengaluru.



Step 10

Client-facing FAQ. Send each client a one-page brief explaining the Section 536 transition and the unchanged due dates for AY 2026-27.

Key Dates and Penalty Map for AY 2026-27

Filing Due Dates

Date	Category and Provision
July 31, 2026	Individuals, salaried, capital gains, HUFs, AOPs (non-audit) under Section 139(1) Explanation 2(c)
October 31, 2026	Companies, partnership firms requiring tax audit, individuals with audit obligation
November 30, 2026	Section 92E transfer pricing report filers
December 31, 2026	Belated return and revised return under Section 139(4) and 139(5)
March 31, 2028	Updated return ITR-U under Section 139(8A), 24 months from end of AY

Penalty Map

Section 234A

One percent per month on unpaid tax from due date until filing date.

Section 234B and 234C

One percent per month on advance-tax shortfall across all four instalments.

Section 234F

Rs 5,000 late fee (income above Rs 5 lakh). Rs 1,000 (income up to Rs 5 lakh). Nil (below basic exemption).

⊗ **Section 270A: Critical Penalty.** 50 percent penalty for under-reporting of income. 200 percent penalty for misreporting. This is the highest-stakes penalty in the 1961 Act framework and applies to AY 2026-27 assessments.

ⓘ **Final Reminder:** AY 2026-27 returns are filed under the 1961 Act because of Section 536 sub-clause 4. The new Act sections start appearing on AY 2027-28 returns only. Plan client communications and working paper templates accordingly.