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Few Insights about Income Tax Return (ITR) & How Information flows to the Income Tax Department.

Knowledge Series

June 2024 – Vol 6 (Series - 3)

❖ Introduction

In this knowledge series, we will explore some of the important "***Insights about ITR***" and "***How information flows with the Income Tax Department***" from various sources. While filing an ITR it is very necessary to know the source of information through which income has been reported, to ITR to ensure compliance.

❖ Some important insights about ITR

➢ Updates in New Tax Regime:

- The new tax regime (115BAC) will be the default tax regime for AY 2024-25 i.e. FY 2023-24.
- The taxpayer can opt out from the new regime to the old regime as per proviso to section 115BAC (6) of the Income Tax Act, 1961 ("the Act"). To exercise this option, the Individual with the business income needs to file Form 10IEA. Individuals other than business income can exercise this option mentioned in ITR (Income Tax Return).
- The individuals having business income and opted for the new tax regime by filling the Form 10IEA can withdraw only once in subsequent years and can never be eligible to exercise this option again.
- Under the new regime, losses under the head "Income from house property" are not allowed to be set off against any other head of income.
- In the New Tax Regime, no tax liability will be attracted if total income is below Rs. 7 lakhs.

❖ Who is required to file an ITR?

- As per the Income Tax Act of India, individuals are required to file an ITR only if their annual income exceeds the basic exemption limit. However, there are certain conditions in which you might be required to file an ITR even if your income falls within the basic exemption limit. Given below is a list of such conditions –
  - ✓ If the annual savings bank deposit of an individual in one or more accounts exceeds Rs.50 lakhs, then, such individual must file ITR.
  - ✓ If an individual deposits Rs.1 crore or more in one or more current accounts during the financial year, then he/she must file an ITR.
  - ✓ Individuals having an annual sales turnover of more than Rs.60 lakh are required to file an ITR.
  - ✓ If the professional income exceeds Rs.10 lakhs during a financial year, then he/she has to file an ITR.
  - ✓ If an individual's electricity bill during the year exceeds Rs.1 lakhs, he/she is required to file an ITR.
  - ✓ If an individual has an asset in a foreign country or is a beneficiary of an asset in a foreign country, he/she must file an ITR.
  - ✓ If the TDS/TCS of a person is more than Rs.25,000, ITR filing is mandatory. However, this threshold is Rs.50,000 for senior citizens.
  - ✓ If an individual spends Rs.2 lakh or more on foreign travel for himself or for another person during the financial year, then such an individual has to file an ITR.

❖ Disclosure of Assets and Liabilities in ITR (Schedule AL)

- Individuals and HUFs having an annual income exceeding Rs 50 lakh must mandatorily report their details of assets and liabilities at cost in Schedule AL excluding the Assets and liabilities reported in the Balance sheet in case of Business Income.

➢ Disclosure of foreign assets in ITR (Schedule FA)

- As a part of the income tax filing process, Schedule FA requires resident taxpayers to disclose details about their investments, including stocks, mutual funds, and other financial instruments made in other countries.

- Non-disclosure of Foreign Assets may lead to a penalty of Rs. 10 Lakhs under 'The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015.

❖ **Foreign Income and its credit**

- For residents of India, global income is taxable in India.
- A resident person having foreign income may end up paying taxes in both the countries i.e., source country and country of residence.

- To provide relief from double taxation, India has signed Double Taxation Avoidance Agreements (DTAAs) with many countries. Under DTAA, taxpayers can either claim credit for taxes paid in foreign countries or avail the benefit of reduced tax rates.

- In India, the taxpayer can claim a credit of the foreign taxes paid against their Indian tax liability by filing Form 67 before the end of the assessment year i.e., for FY 2023-24, it should be filed before 31st March 2025.

- Form 67 must include details of foreign income, foreign tax paid, and the credit claimed along with supporting documents of taxes paid in foreign countries.

❖ **Assessments and notices due to non-filling of returns:**

- Income that is exempt from tax (like agricultural income, certain capital gains, etc.) should be still reported in the ITR. Non-filing or under-reporting such income can trigger a notice.

- If a taxpayer engages in high-value transactions such as large cash deposits, significant investments, or expensive purchases (property, luxury goods, etc.), and does not file an ITR, the Income Tax Department may issue a notice.

- If there are tax deductions at source (TDS) reported against the PAN of the taxpayer but no ITR is filed to claim those credits, a notice may be issued.

- In case the immovable property is purchased and no ITR is filed, it is presumed by the Income Tax Department that the property is purchased from undisclosed sources and it may lead to protracted litigation.

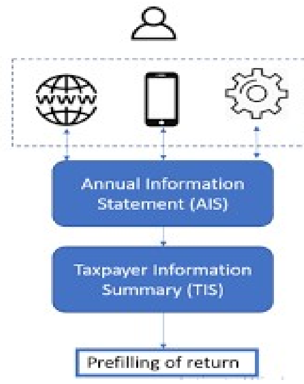
- In the case of the Sale of immovable property in India, income from capital gain must be necessarily reported in ITR to avoid any notices from the Income Tax Department.

❖ **What information does the Income Tax Department have regarding our financial transactions during the year?**

➢ There are several documents and returns through which the income tax department has knowledge of our sources of income. Thus, it is mandatorily required to report such income in ITR. Through the following sources, the Income Tax Department gets information about our financial transactions.

➢ **Annual Information Statement (AIS)**

- Annual Information Statement (AIS) is a comprehensive view of information for a taxpayer displayed in Form 26AS.



- The objectives of AIS are:

✓ Displays complete information to the taxpayer with a facility to capture online feedback.
✓ Promotes voluntary compliance and enables seamless prefilling of returns.
✓ Deters non-compliance.
✓ It also reflects details of advance tax/self-assessment tax paid, and high-value transactions entered into by the taxpayer.

➢ **Taxpayer Information Summary**

- Taxpayer Information Summary (TIS) is a category-wise aggregated information summary for a taxpayer.

- Various details under TIS:
  a) Information Category
  b) Value processed by system.
  c) Value accepted by taxpayer.

- Further within the information category, the following information is shown:
  a) Information Description
  b) Information Source
  c) Amount

- **Form 26 AS**

- Form 26AS is a statement that provides details of any amount deducted as TDS or TCS from various sources of income of a taxpayer.

- It's a crucial document for taxpayers in India as it provides a comprehensive view of their tax-related transactions as per the records of the Income Tax Department

How does information flow to these documents?

- **Statement of Specified Transactions**

- Statement of Financial Transactions is a statement that needs to be filed by the taxpayer during the financial year to monitor the high-value transactions entered throughout the year by the taxpayer.

- The statement of financial transaction is required to be furnished under sub-section (1) of section 285BA of the Income Tax Act, 1961 shall be furnished in respect of a financial year in Form No. 61A and shall be verified in the manner indicated therein.

- Section 285BA of the Income Tax Act, 1961 mentions that

a) an assessee or any of those as mentioned in the provisions of this section who is responsible for maintaining books of account or other document containing a record of any **specified financial transaction** shall furnish a statement in respect of such specified financial transaction to the income-tax authority or such other authority or agency through the Income Tax's Reporting Portal.

b) specified financial transaction" means any—

- Payment made in cash for the purchase of bank drafts or pay orders or banker's cheques, aggregating to ten lakh rupees or more in a financial year.
- Payments in cash aggregating to ten lakh rupees or more during the financial year for the purchase of pre-paid instruments issued by the Reserve Bank of India under section 18 of the Payment and Settlement Systems Act, 2007 (51 of 2007).
- Cash deposits or cash withdrawals (including through bearer's cheque) aggregating to fifty lakh rupees or more in a financial year, in or from one or more current accounts of a person.
- Cash deposits aggregating to ten lakh rupees or more in a financial year, in one or more accounts (other than a current account and time deposit) of a person.
- One or more time deposits (other than a time deposit made through renewal of another time deposit) of a person aggregating to ten lakh rupees or more in a financial year of a person.
- Payments made by any person of an amount aggregating to—

  (i) one lakh rupees or more in cash; or

  (ii) ten lakh rupees or more by any other mode,

  against bills raised in respect of one or more credit cards issued to that person, in a financial year.
- Receipt from any person of an amount aggregating to ten lakh rupees or more in a financial year for acquiring bonds or debentures issued by the company or institution (other than the amount received on account of renewal of the bond or debenture issued by that company).
- Receipt from any person of an amount aggregating to ten lakh rupees or more in a financial year for acquiring shares issued by the company.
- Buy back of shares from any person (other than the shares bought in the open market) for an amount or value aggregating to ten lakh rupees or more in a financial year.
- Receipt from any person of an amount aggregating to ten lakh rupees or more in a financial year for acquiring units of one or more schemes of a

Mutual Fund (other than the amount received on account of transfer from one scheme to another scheme of that Mutual Fund).

- Receipt from any person for sale of foreign currency including any credit of such currency to a foreign exchange card or expense in such currency through a debit or credit card or through the issue of traveller's cheque or draft or any other instrument of an amount aggregating to ten lakh rupees or more during a financial year.
- Purchase or sale by any person of immovable property for an amount of thirty lakh rupees or more or valued by the stamp valuation authority referred to in section 50C of the Act at thirty lakh rupees or more.
- Receipt of cash payment exceeding two lakh rupees for sale, by any person, of goods or services of any nature (other than those specified above)
- Cash deposits during the period 09th November 2016 to 30th December 2016 aggregating to—

i) twelve lakh fifty thousand rupees or more, in one or more current accounts of a person; or

ii) two lakh fifty thousand rupees or more, in one or more accounts (other than a current account) of a person.

- Cash deposits during the period 1st of April, 2016 to 9th November, 2016 in respect of accounts that are reportable as per the above clause
- Capital gains on transfer of listed securities or units of Mutual Funds
- Dividend income
- Interest income

GST Return

- Details of Outward Supply disclosed in GSTR – 3B reflects in Form AIS & TIS.

TDS Return

- Tax Deducted at Source (TDS) return is a statement submitted to the income tax department, detailing the TDS collected and paid to the government. It is essential for entities that deduct tax at the source to file these returns to ensure compliance with tax regulations.

- Components of TDS return:

a) Deductor details
b) Deductee details
c) Challan Details

- Types of TDS Returns

a) Form 24Q: For TDS on salaries.
b) Form 26Q: For TDS on payments other than salaries.
c) Form 27Q: For TDS on payments to non-residents.
d) Form 27EQ: For TCS (Tax Collected at Source)

Donations given to Charitable Institutions:

- Form 10BD is required to be furnished to the Income-tax authority by a Trust or an institution or an NGO which is approved under section 80G of the Income-tax Act, 1961 for the receipt of Donations from taxpayers.

- After the filing of Statement of Donations in Form 10BD the department receives the information about the donation given.

Conclusion

- It is important to ensure compliance when filing your ITR, considering the information above.

❖ Compliance Calendar

Sr. No.	Date	Compliance
1	07-Jun-24	ECB-2 Return (Monthly)
2	07-Jun-24	Payment of TDS of May 2024
3	11-Jun-24	GSTR-1 (Monthly)
4	13-Jun-24	IFF, Optional Upload of B2B invoices, Dr/Cr notes under QRMP
5	15-Jun-24	ESIC Payment and Return (Monthly)
6	15-Jun-24	Advance Tax payment for Quarter 1
7	15-Jun-24	Provident Fund Payment and Return (Monthly)
8	20-Jun-24	GSTR-3B (Monthly)
9	20-Jun-24	Monthly Payment of Profession Tax (Karnataka)
10	30-Jun-24	Maharashtra PT monthly Return and Payment
11	30-Jun-24	DPT 3 - Deposits of company

❖ **GC Corner:**

Team leaders encouraged synergy by arranging various activities such as team lunches, morning hikes, and social gatherings to enhance team cohesion. The team members greatly enjoyed and benefitted from these events.

❖ **Giant Connection LLP:**

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❖ **Special Mention**

Thank You, Yash Rohra for the compilation of the Knowledge series.