

New I-T norms require firms to make more disclosures on foreign income

Firms will have to disclose details about foreign bank accounts, immovable property, capital assets and financial interest in any entity even in cases where there is beneficial ownership

Companies will have to make more disclosures on their foreign income and assets while filing their income tax returns, as per the norms notified by the income tax department for the assessment year 2015-16.

Companies will have to disclose details about foreign bank accounts, immovable property, capital assets and financial interest in any entity even in cases where there is beneficial ownership.

Beneficial ownership means an entity that enjoys the ownership of a particular asset even when it is not legally in their name.

Till last year, companies did not have to disclose any beneficial interest, while disclosing the details about their foreign bank accounts and property.

In addition, the income tax return form also asks companies to disclose the date of acquisition of an asset as well as the income derived from the asset.

It also seeks details of the taxes paid on such income and the disclosures made in the income tax return.

These requirements were not there in the income tax return form for assessment year 2014-15.

Companies have also been asked if they have obtained tax residency certificates in cases where they are seeking short-term and long-term capital gains exemption.

Tax residency certificates are issued by foreign governments to investors as a proof of residency seeking to avail of benefits under double taxation avoidance agreements.

The Indian government has been trying to plug tax evasion wherein companies coming in from tax havens avail of benefits through tax residency certificates despite not having any business operation in that country.

In addition, companies will also have to disclose the details about all bank accounts held in 2014-15, with the exception of dormant accounts.

Companies will have to disclose the name and the account numbers of all the bank accounts held by them, as per ITR 3, ITR 4, ITR 5 and ITR 6 notified by the income tax department.

The government had notified ITR 1, ITR 2 and ITR 4S in June this year that have to be filled by individuals having income from salary, other sources and those who are self-employed.

These forms also had detailed disclosure requirements on bank accounts held, apart from seeking details such as passport number.

These detailed disclosure requirements are part of the National Democratic Alliance, or NDA, government's efforts to curb the generation of black money both within and outside the country.

The Indian government has enacted a black money law that will stringently penalize individuals who have unaccounted foreign income and assets.

To curb domestic black money, the government has introduced the Benami provisions amendment bill 2015, which has provisions, including penalty and jail term, for offenders.

(Live Mint)