

New Annual Information Statement (AIS) form to smoothen tax process

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- **Annual Information Statement, which will replace Form 26AS, will provide details of financial transactions of taxpayers in a comprehensive manner**
- **Experts say that the new AIS is likely to carry details of shares, mutual fund transactions, capital gains and losses, and so on.**

Budget 2020 offered direct tax benefit only to select taxpayers for whom it makes sense to switch to the new tax regime. However, it announced a few steps to curb tax evasion, promote transparency and simplify the tax system. One of these proposals is to replace Form 26AS with a new Annual Information Statement (AIS). Form 26AS is an annual consolidated credit statement issued by the income tax department under Section 203AA of the Income-tax Act, 1961, to help taxpayers cross-verify income earned, tax deducted at source (TDS) and tax deposited. Section 203AA will get replaced by Section 285BB, a new insertion in the Act that will facilitate AIS. The amendment will be effective from 1 June.

The format of AIS is still to be notified, but experts said that besides information that 26AS already provides, the new AIS will also have details of shares and mutual fund transactions conducted by taxpayers during the year, details of capital gains and losses, if any, and so on. We tell you what AIS is likely to contain.

"The erstwhile Form 26AS was prescribed to contain and provide information regarding taxes paid by or TDS paid on behalf of a taxpayer, which could be used both by the taxpayer as well as the tax authorities. With an objective to make the statement more comprehensive, it is now proposed to replace Form 26AS with a new AIS for a taxpayer. In addition to details of taxes paid or TDS, AIS will also contain details of other important financial transactions undertaken by the taxpayer such as sale or purchase of immovable property and share transactions," said Shailesh Kumar, director, Nangia Andersen Consulting, a business tax advisory firm.

Under Section 285BA, "specified persons" are required to record and report high-value financial transactions of individuals through an annual information report (AIR). These include banks, mutual funds, institutions issuing bonds and registrars or sub-registrars; these specified persons have to file the AIR containing details of high-value transactions. The list of high-value transactions, for which AIRs have to be filed, is specified in Rule 114E of the Income-tax Rules, 1962.

For instance, a bank has to file an AIR when the aggregate cash deposits of all the savings bank accounts of a client exceed ₹10 lakh in a year. Similarly, registrars or sub-registrars have to file AIRs for every individual involved in any transaction of an immovable property (land, house or building), where the value of the deal exceeds ₹30 lakh. In case a deal

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involves joint parties, and the share of one or more parties is less than ₹30 lakh, AIRs are filed for all the individuals. The transaction amount is the total amount reported by the AIR filer. It does not reflect the respective share of each individual in a joint-party transaction.

However, the format of the new AIS is yet to be notified. "It will be interesting to see what and how much information is sought to be covered in such a statement. It is expected to increase the exchange of information and transparency between the taxpayers and tax authorities. This statement is also expected to widen the tax base and discourage taxpayers to conceal information about their financial transactions with the tax authorities," said Kumar.

The benefit

To make the process of tax filing easier, the government, in last year's budget, announced the introduction of pre-filled income tax return (ITR) forms, containing details of income and taxes paid by the assessee during the year. Eventually, ITR-1 and ITR-4 for assessment year 2019-20 were notified with pre-filled information. The aim was to use the information already available with the department and make the tax filing procedure simpler and faster.

As of now, pre-filled ITR forms contain information such as the assessee's name, father's name, Aadhaar number, bank account number and so on. Besides, for online tax filers, ITR-1 and ITR-4 come with information related to salary and its break-up along with details of the exemption claimed and interest on tax refund. Also, details of house property income are available in pre-filled forms, where TDS is deducted. All the information is sourced from different places such as Form 26AS, TDS returns filed by the employer, the previous year's ITR and so on.

"Based on the new AIS, we may see further details in pre-filled ITR forms such as those related to capital gains or loss from transactions in equity and mutual funds. It will help individual taxpayers file ITR," said Naveen Wadhwa, deputy general manager, Taxmann, an e-filing intermediary. "Further, the government may add broking firms and other entities in the list of specified persons and reduce various thresholds above which specified entities need to report information," he added. AIRs filed by specified persons help the government collect information and cross-check it against the income declared and taxes paid in the ITR.