



COMPLETED YOUR TAX FILING? STAY VIGILANT – IT'S NOT TIME TO RELAX YET

Filing an income tax return is a pivotal event in the financial landscape of taxpayers in India. While the submission of the return signifies compliance with legal obligations, the journey towards financial responsibility does not conclude there. Post-filing considerations are of paramount importance to ensure accuracy, identify discrepancies, and uphold financial transparency. Mismatched details in your filed return can be rectified through a revised income tax return, as permitted by the Income Tax Act ('the Act'). However, strict adherence to the timeline for filing a revised Income Tax Return ('ITR') is critical. The revision in the ITR for the financial year 2022-23 can be filed by December 31, 2023. This comprehensive guide delves into below crucial aspects that Indian taxpayers should keep in mind after filing their ITR and consider for making revision to their reported income:

Ensuring Income Accuracy

The bedrock of tax filing is the precision of income reporting. Income Tax Laws mandates honest and comprehensive disclosure of all income sources, extending beyond just salary to encompass investments, rental income, and capital gains. Guaranteeing the accurate representation of income in your filed tax return form is not just a matter of compliance, but it is also indispensable for safeguarding against penalties and legal consequences. Accurate reporting not only ensures that the government can make a precise assessment of a taxpayer's income and tax liability but is also safeguarded from the income tax enquiries. One such post filing check is revisiting of Form 26AS

since it may be a possibility that the tax deductor while filing their income tax return may have made changes to the withholding tax data. This will create a mismatch of revised form 26AS data in comparison to the original tax return filed by the taxpayer. It is thus advisable to recheck Form 26AS and ensure that all incomes reported are duly reconciled. Inaccurate reporting, whether deliberate or accidental, may result in penal implication for the taxpayer.

Reporting Foreign Assets

For Indian taxpayers with foreign income or assets, correct and complete disclosure is a must. Adhering to the Foreign Exchange Management Act (FEMA) guidelines for the flow of funds and meticulously declaring all foreign income, investments, and assets in the income tax return is imperative. Partial/ Non-disclosure of foreign assets result in legal complexities both under the Income Tax Act and Black Money Act.

In respect to the disclosure of assets and liabilities in the ITR there are two set of disclosures

- a) Firstly, in Schedule FA (Foreign Assets), taxpayer is required to declare foreign assets and corresponding income earned upto December 31 and;
- b) Secondly, in Schedule AL (Assets & Liabilities), where all Indian and foreign Assets balances as on March 31 are to be declared.

The above different disclosures dates lead to a chaos and incorrectness of values disclosed. It is thus advisable to recheck all partial or non-disclosures of the foreign income and assets promptly. It is also noteworthy that the Indian government either possess or is the in process of getting such information from foreign states through automated exchanges at regular intervals.

Reconciliation with SFT

As per the provision of the Income tax laws, specified entities (Filers) are required to furnish a Statement of Financial Transaction ('SFT') or reportable account in respect of specified financial transactions, or any reportable account registered/recorded/maintained by them during the financial year to the income-tax authority. These transactions are made available to the taxpayer at the Income Tax portal in the Annual Information Summary ('AIS') and Taxpayer Information Summary ('TIS'). Any revision in SFT by the filers may make a mismatch with the reported income and therefore tax authorities may call for the clarification u/s 133 (6) of the Act. A quick cross-reference therefore with the AIS and TIS will be a safeguard. In instances where discrepancies are identified after filing, taxpayer have a mechanism to rectify errors and file a revised return.

Meticulous Record-Keeping

Prudent financial management hinges on meticulous record-keeping. The tax laws mandates that taxpayers maintain comprehensive financial documents for a specified duration. This encompasses documents related to income, expenses, investments, and deductions declared in the tax return. Adequate record-keeping serves as the foundation for substantiating claims during potential assessments or audits. Different laws set the periodicity of preservation of accounts/records which ranges from 5 to 10 years. In few cases it has

been observed that the tax authorities raised the outstanding demand for prior periods, mainly, the manual record keeping years such as year 2002-03 or 2003-04, where the record holding of old period was helpful in filing the response against the outstanding demand. It is thus advisable to maintain the electronic records of all such years so that the same can be referred at any given point of time.

Embracing Transparency

The Income Tax Act confers upon tax authorities the power to scrutinize tax returns for accuracy and compliance. Preparing for potential scrutiny necessitates maintaining transparent and precise financial records. Aligning these records with the information presented in your tax return ensures a streamlined process in case if taxpayers' income tax return undergoes examination.

Updated Tax Returns

The concept of an updated return was introduced in the Union Budget of 2022 wherein the taxpayers are allowed to rectify mistakes in their initial Income Tax Return filing or to provide an opportunity to those who haven't previously filed their income tax return.

If a taxpayer has already filed their ITR, whether it was a belated tax return or a revised return, or even if they have failed to file an ITR for a specific assessment year, they have the option to file an updated return within 24 months from the end of that assessment year. However, this option is applicable only if it results in an additional tax payment to the Government. It's important to note that an updated return cannot be used to claim a tax refund or carry forward the losses.

Presently, the option to file an updated return using Form ITR-U is available for the FY 2020-21 (AY 2021-22) until March 31, 2024

Conclusion

In conclusion, post-filing tax considerations for Indian taxpayers constitute a vital aspect of financial responsibility. These measures, which include ensuring accurate income reporting, declaring global assets, reconciling with Statement of Financial Transaction (SFT), and vigilantly revising income tax returns, are essential for maintaining financial correctness, compliance, and transparency. By addressing these aspects, taxpayers can comply with India's tax system effectively and reduce the risk of legal and financial complications.

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