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INCOME TAX UPDATE RELATED TO SFT

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2023

EXECUTIVE SUMMARY

This document deals with the notification (Notification No. 1/2023) issued by the Income tax department amending the requirement of reporting of interest paid which will be reported in the Annual Information Statement (AIS) by the Banks, NBFCs and Post Office hereinafter referred to as 'Specified Entities'.

Background

Section 285BA read with Rule 114E requires certain entities to file a form for reporting of Specified Financial Transactions in Form 61/61A/61B, as the case may be, on or before 31st May following the end of the financial year. Where there are no specified financial transactions for the said year, the entities are required to file a Preliminary Response stating that there are no transactions.

In this connection, Banks, NBFCs and Post Offices were required to report interest paid to account holders in form 61A which assists in pre-filling of Income tax returns of account holders with respect to interest income. Such reporting of interest by the Specified Entities will reflect in the AIS of the account holders as income earned by the account holders.

Amendment

Until FY 2021-22, the specified entities were required to report only those transactions where the interest paid exceeded Rs. 5000/-. Post the notification, now the specified entities are required to report all transactions where interest is paid to account holders. The threshold of Rs. 5000/- is not applicable for FY 2022-23.

The Annual Information Statement of account holders will now reflect interest income received from all bank accounts irrespective of the quantum of interest received and it will be auto populated in the return of income accordingly.

Conclusion

This amendment will ensure that the bank and FI's will upload the form 61 with information of assesses who have earned interest for more than Rs. 5000/-. Hence all assesses must check the Annual Information Statement (AIS) which is mandatory now before filing the return of Income. The reconciliation between the AIS and the interest received will be required to ensure there is no surprises during the Assessment of Tax.