

## Enhancing Tax Transparency on foreign assets & Income: Understanding CRS & FATCA

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### A. Purpose of CRS and FATCA

In this globalized economy, tax transparency and compliance has become paramount to ensure that taxpayers disclose their global income and assets accurately. The **Common Reporting Standard (CRS)** and the **Foreign Account Tax Compliance Act (FATCA)** are international frameworks designed to combat tax evasion by increasing transparency and cooperation among tax authorities worldwide.

**CRS**, is an initiative of the OECD, requiring financial institutions to report information about financial accounts held by foreign residents to their respective tax jurisdictions. This information is then exchanged with other jurisdictions annually. Similarly, **FATCA**, enacted by the United States, mandates foreign financial institutions to report accounts held by U.S. taxpayers to the IRS.

### B. Information Received by India

Under CRS and FATCA, India receives detailed information about financial accounts held by its residents in foreign jurisdictions. This includes:

- Account holder's name, address, and tax identification number (TIN)
- Account number and balance
- Income details such as interest, dividends, and other financial proceeds.

This information helps the Income Tax Department to know global income of its resident taxpayers and to identify taxpayers who may not have disclosed their foreign assets and income.

### C. Disclosure Requirements under Indian Law

Income-tax Act, 1961 require residents to disclose their foreign assets and income in their Income Tax Returns (ITR). Specifically, Schedule FA (Foreign Assets) in the ITR form is meant for reporting foreign assets, and Schedule FSI (Foreign Source Income) is for reporting income from foreign sources. Additionally, taxpayers can claim tax relief on taxes paid abroad by filing Schedule TR (Tax Relief).

Failure to disclose foreign assets and income can attract stringent penalties and prosecutions under the **Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015**. It is crucial for taxpayers to comply with these regulations to avoid legal consequences.

### D. Benefits of Transparency in Tax Returns

1. **Compliance and Good Governance:** Transparency in declaring global income and declaring foreign assets in tax returns reflect a taxpayer's commitment to compliance and good governance. It builds trust with tax authorities and avoids unnecessary scrutiny.

2. **Legal Security:** Full disclosure of foreign assets and income ensures that taxpayers are not exposed to penalties and legal actions under relevant laws.
3. **Claiming Tax Reliefs:** Accurate reporting allows taxpayers to claim tax relief on taxes paid outside India, preventing double taxation and optimizing their tax liabilities.
4. **Contribution to National Development:** Paying the correct amount of tax and declaring global income contributes to national development. It ensures that funds are available for public services and infrastructure development.

#### **E. Opportunity to File Revised Returns**

If you have not disclosed your foreign assets and income in your original ITR, there is an opportunity to rectify this through filing a revised return. The Income Tax Department allows taxpayers to correct any omissions or inaccuracies by filing a revised return. For the A.Y.2024-25 date for filing revised return has been extended to 15.01.2025.

By filing a revised return, you can:

- Ensure complete and accurate disclosure of all foreign assets and income
- Avoid penalties and legal consequences for non-disclosure
- Avail any eligible tax reliefs under the provisions of Indian tax laws and DTAA

This is a proactive step towards maintaining compliance and transparency in your tax affairs.

#### **F. Conclusion**

The Income Tax Department's e-campaign aims to remind taxpayers of their obligation to disclose foreign assets and income reported under CRS and FATCA. By adhering to these requirements and ensuring full transparency in tax returns, taxpayers can avoid legal hassles, contribute to national development, and maintain a clear conscience. Filing a revised return, if necessary, is a valuable opportunity to make complete and accurate disclosures.

## **Step-by -Step Guide to fill FSI, TR and FA Schedule in ITR**

### **1. Schedule FSI - Details of Income from outside India and tax relief**

Schedule FSI is applicable for the taxpayer who is resident in India.

In this Schedule, please report the details of income, which is accruing or arising from any source outside India. Please note that such income should also be separately reported in the head-wise computation of total income. The relevant head of income under which such foreign source income has been reported should also be duly mentioned in the relevant column here.

- For country code use the International Subscriber Dialing (ISD) code of the country.
- The Tax Payer Identification Number (TIN) of the assessee in the country where tax has been paid is to be filled up. In case TIN has not been allotted in that country, then, passport number should be mentioned.
- In case any tax has been paid outside India on such foreign source income and tax relief, as admissible, is being claimed in India, the relevant article of applicable DTAA should also be mentioned.
- Please ensure that the details of foreign tax credit and income are reported in Form 67 in order to claim credit.

### **Schedule TR - Summary of tax relief claimed for taxes paid outside India**

In this Schedule, please provide a summary of tax relief which is being claimed in India for taxes paid outside India in respect of each country. This Schedule captures a summary of detailed information furnished in the Schedule FSI.

- In column (a) and (b), please specify the relevant country code and Taxpayer Identification Number (TIN) respectively.

For country code use the International Subscriber Dialing (ISD) code of the country. The Tax Payer Identification Number (TIN) of the assessee in the country where tax has been paid is to be filled up. In case TIN has not been allotted in that country, then, passport number should be mentioned.

- In column (c) mention the tax paid outside India on the income declared in Schedule FSI which will be the total tax paid under column (c) of Schedule FSI in respect of each country.
- In column (d) mention the tax relief available which will be the total tax relief available under column (e) of Schedule FSI in respect of each country.
- In column (e), please specify the provision of the Income-tax Act under which tax relief is being claimed i.e. section 90, section 90A or section 91.

## **Schedule FA - Details of Foreign Assets and Income from any source outside India**

If you are a resident in India, you are required to furnish details of any foreign asset etc. in this Schedule. This Schedule need not be filled up if you are 'not ordinarily resident' or a 'non-resident'.

In tables A1 to G, please furnish the details of foreign assets or accounts of the following nature, held at any time during the relevant calendar year ending on 31<sup>st</sup> December:-

Table A1	-	Foreign depository accounts
Table A2	-	Foreign custodian accounts
Table A3	-	Foreign equity and debt interest
Table A4	-	Foreign cash value insurance contract or annuity contract
Table B	-	Financial interest in any entity outside India
Table C	-	Any immovable property outside India
Table D	-	Any other capital assets outside India.
Table E	-	Any other account located outside India in which you are a signing authority (which is not reported in tables A1 to D)
Table F	-	Trust created outside India in which you are a trustee, a beneficiary or settlor
Table G	-	Any other income derived from any foreign source (which is not reported in tables A1 to F)

In case you are a resident in India, the details of all foreign assets or accounts in respect of which you are a beneficial owner, a beneficiary or the legal owner, is required to be mandatorily disclosed in the Schedule FA. For this purpose,-

(a) Beneficial owner in respect of an asset means an individual who has provided, directly or indirectly, consideration for the asset and where such asset is held for the immediate or future benefit, direct or indirect, of the individual providing the consideration or any other person.

(b) Beneficiary in respect of an asset means an individual who derives an immediate or future benefit, directly or indirectly, in respect of the asset and where the consideration for such asset has been provided by any person other than such beneficiary.

In case you are both a legal owner and a beneficial owner, please mention legal owner in the column of ownership.

- In table A1, the peak balance in the account during the calendar year ending as on 31st December, closing balance as at the end of calendar year ending as on 31st December and gross interest paid or credited to the account during the calendar year ending as on 31st December is required to be disclosed after converting the same into Indian currency.
- In table A2, the peak balance in the account during the calendar year ending as on 31st December, closing balance as at the end of calendar year ending as on 31st December and gross amount paid or credited to the account during the calendar year ending as on 31st December is required to be disclosed after converting the same into Indian currency. The nature of gross amount paid should be specified from the drop-down list viz. interest, dividend, proceeds from sale or redemption of financial assets or other income, and the respective amount should be mentioned.

- In table A3, the initial value of investment, peak value of investment during the calendar year ending as on 31st December, closing value of investment as at the end of calendar year ending as on 31st December, gross interest paid, total gross amount paid or credited to the account during the calendar year ending as on 31st December, and total gross proceeds from sale or redemption of investment during the calendar year ending as on 31st December is required to be disclosed after converting the same into Indian currency.
- In table A4, the cash value or surrender value of the insurance contract or annuity contract as at the end of calendar year ending as on 31st December and total gross amount paid or credited with respect to the contract is required to be disclosed after converting the same into Indian currency.
- In table B, the value of total investment at cost held at any time during the calendar year ending as on 31st December and nature and amount of income accrued therefrom during the calendar year ending as on 31st December is required to be disclosed after converting the same into Indian currency. Further, amount of income which is chargeable to tax in India, out of the foreign source income, should also be specified at column (10). The relevant Schedule of the ITR where income has been offered to tax should be mentioned at column (11) and (12).

For the purposes of disclosure in table B, financial interest would include, but would not be limited to, any of the following cases:-

(1) the resident assessee is the owner of record or holder of legal title of any financial account, irrespective of whether he is the beneficiary or not

(2) the owner of record or holder of title is one of the following:-

- (i) an agent, nominee, attorney or a person acting in some other capacity on behalf of the resident assessee with respect to the entity;
  - (ii) a corporation in which the resident assessee owns, directly or indirectly, any share or voting power;
  - (iii) a partnership in which the resident assessee owns, directly or indirectly, an interest in partnership profits or an interest in partnership capital;
  - (iv) a trust of which the resident assessee has beneficial or ownership interest.
  - (v) any other entity in which the resident assessee owns, directly or indirectly, any voting power or equity interest or assets or interest in profits.
- In table C, the value of total investment at cost in the immovable property held at any time during the calendar year ending as on 31st December and nature and amount of income derived from the property during the calendar year ending as on 31st December is required to be disclosed after converting the same into Indian currency. Further amount of income which is chargeable to tax in India, out of the foreign source income, should also be specified at column (9). The relevant Schedule of the ITR where income has been offered to tax should be mentioned at column (10) and (11).
  - In table D, the value of total investment at cost of any other capital asset held at any time during the calendar year ending as on 31st December and nature and amount of income derived from the capital asset during the calendar year ending as on 31st December is required to be disclosed after converting the same into Indian currency. Further amount of income which is chargeable to tax in India, out of the foreign source income, should also be specified at column (9). The

relevant Schedule of the ITR where income has been offered to tax should be mentioned at column (10) and (11).

For the purposes of disclosure in table D, capital assets shall include any other financial asset which is not reported in table B, but shall not include stock-in-trade and business assets which are included in the Balance Sheet.

- In table E, the value of peak balance or total investment at cost, in respect of the accounts in which you have a signing authority, during the calendar year ending as on 31st December is required to be disclosed after converting the same into Indian currency. Please note that only those foreign accounts which have not been reported in table A1 to table D above should be reported in this table. In case the income accrued in such foreign account is taxable in India, please specify the amount of income which is chargeable to tax in India at column (9) and the relevant Schedule of the ITR at column (10) and (11).
- In table F, the details of trusts set up under the laws of a country outside India in which you are a trustee, beneficiary or settlor is required to be disclosed. In case any income derived from such trust is taxable in your hands in India, please specify the amount of income which is chargeable to tax in India at column (10) and the relevant Schedule of the ITR at column (11) and (12).
- In table G, the details of any other income, derived from any foreign source, which is not included in the tables A1 to F above is required to be disclosed. In case any income out of the income derived from foreign source is taxable in your hands in India, please specify the amount of income which is chargeable to tax in India at column (7) and the relevant Schedule of the ITR at column (8) and (9).

#### **Explanations:**

For the purpose of this Schedule, with respect to AY 2024-25, the calendar year ending as on 31st December means the period comprising from 1st January, 2023 to 31st December, 2023 in respect of foreign assets or accounts etc.

For the purpose of this Schedule, the rate of exchange for conversion of the peak balance or value of investment or the amount of foreign sourced income in Indian currency shall be the "telegraphic transfer buying rate" of the foreign currency as on the date of peak balance in the account or on the date of investment or the closing date of the calendar year ending as on 31st December.

For the purposes of this Schedule, "telegraphic transfer buying rate", in relation to a foreign currency, means the rate or rates of exchange adopted by the State Bank of India constituted under the State Bank of India Act, 1955 (23 of 1955), for buying such currency, having regard to the guidelines specified from time to time by the Reserve Bank of India for buying such currency, where such currency is made available to that bank through a telegraphic transfer.

#### **Clarification:**

If you have held foreign assets during the previous year which have been duly reported in the Schedule FA. Even then you are required to report such foreign asset again in the Schedule AL (if applicable)