



# ANNUAL INFORMATION STATEMENT UNDER INCOME TAX ACT, 1961 – ONE MORE STEP TO CURB TAX EVASION

**CMA Niranjana Swain**  
Advocate & Tax Consultant

## 1. Background:

**1.1.** Section 203AA of the Income Tax Act, *inter-alia*, requires the prescribed income-tax authority or the person authorised by such authority referred to in sub-section (3) of section 200, to prepare and deliver a statement in Form 26AS to every person from whose income, the tax has been deducted or in respect of whose income the tax has been paid specifying the amount of tax deducted or paid. Form 26AS as prescribed in the Rules 31AB of Income Tax Rule 1962 was introduced under section 203AA to report the TDS and TCS of the taxpayer for transactions which suffer TDS or TCS and the same gets reflected in Form 26AS. Those financial transactions on which no tax was deducted were not reported in the Form 26AS except those cases for which Form 15G or Form 15H or lower TDS certificate under section 197 were furnished. Though section 285BA read with Rule 114E requires certain persons to report certain high-value transactions in 'Statement of Financial Transaction' (SFT) to the income tax authority but these are not complete and only a few mandated transactions are reported. Further, the same is not reflected in the taxpayers Form 26AS. Such information cannot be synchronized for computing the income of the taxpayer.

**1.2.** However, with the advancement in technology and enhancement in the capacity of system, multiple information in respect of a person such as sale/purchase of immovable property, share transactions etc. are being captured or proposed to be captured. In future, it is envisaged that in order to facilitate compliance, this information will be provided to the assessee by uploading the same in the registered account of the assessee on the designated portal of the Income-tax Department, so that the same can be used by the assessee for filing of the return of income and calculating his correct tax liability.

## 2. Introduction of new Provisions in Income-tax Act / Rules & Budget Proposal 2020:

**2.1.** While presenting the Union Budget for 2019 on 5th July, 2019, the Finance Minister told that pre-filled tax returns will be made available to taxpayers which will contain details of salary income, capital gains from securities, bank interests, and dividends, etc. and tax deductions. Information regarding these incomes will be collected from the concerned sources such as Banks, Stock exchanges, mutual funds, EPFO, State Registration Departments, etc. Further, section 80G and section 35 of income tax act, mandates a charitable or scientific research institution which receives **donation or contribution** are also required to furnish a statement of donations or contributions received to the income-tax authority and the same **will be reflected in the Annual Information Statement**.

**2.2.** An amendment is brought in the Income Tax Act, 1961 **For the execution of the same, an amendment was brought in the Income Tax Act, 1961** by Clause 101 of the Finance Bill, 2020 to provide for the facility of providing the information to a taxpayer by the Income Tax Authority. **Section 285BB is introduced in the Income-tax Act, 1961 and Rule 114-I in the Income Tax Rules, 1962.**

**2.3.** Section 285BB of the Income Tax Act, 1961 on Annual Information Statement reads as follows-

*The prescribed income-tax authority or the person authorised by such authority shall upload in the registered account of the assessee an annual information statement in such form and manner, within such time and alongwith such information, which is in the possession of an income-tax authority, as may be prescribed.*

**Explanation.**— *For the purposes of this section, “registered account” means the electronic filing account registered by the assessee in designated portal, that is, the web portal designated as such by the prescribed income-tax authority or the person authorised by such authority.*

Consequently, section 203AA is deleted from the statute from 1st June, 2020 on introduction of section 258BB.

### 3. CBDT Notification No. 30/2020 dated 28.05.2020- On Annual Information Statement (AIS):

3.1. In exercise of the powers conferred by section 285BB read with section 295 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes rule 114-I by way of further to amend the Income-tax Rules, 1962 vide Notification No.30/2020(F.No.370142/20/2020-TPL) dated.28<sup>th</sup> May 2020 to replace age-old Form 26AS notified under Rule 31AB. The New Annual Information Statement (AIS) will be effective from 01.06.2020 and from that date the old Form 26AS will become obsolete.

#### 3.2. Rule 114-I of Income Tax Rules:

(1) *The Principal Director General of Income-tax (Systems) or the Director General of Income-tax (Systems) or any person authorised by him shall, under section 285BB of the Income-tax Act, 1961, upload in the registered account of the assessee an annual information statement in Form No. 26AS containing the information specified in column (2) of the table below, which is in his possession within three months from the end of the month in which the information is received by him:-*

**TABLE**

<i>Sl. No</i>	<i>Nature of information</i>
<i>(1)</i>	<i>(2)</i>
<i>(i)</i>	<i>Information relating to tax deducted or collected at source</i>
<i>(ii)</i>	<i>Information relating to specified financial transaction</i>
<i>(iii)</i>	<i>Information relating to payment of taxes</i>
<i>(iv)</i>	<i>Information relating to demand and refund</i>
<i>(v)</i>	<i>Information relating to pending proceedings</i>
<i>(vi)</i>	<i>Information relating to completed proceedings</i>

(2) *The Board may also authorise the Principal Director General of Income-tax (Systems) or the Director General of Income-tax (Systems) or any person authorised by him to upload the information received from any officer, **authority or body performing any function under any law or the information received under an agreement referred to in section 90 or section 90A of the Income-tax Act,1961 or the information received from any other person to the extent as it may deem fit in the interest of the revenue in the annual information statement referred to in sub-rule (1).***

(3) *The Principal Director General of Income-tax (Systems) or the Director General of Income-tax (Systems) shall specify the procedures, formats and standards for the purposes of uploading of annual information statement referred to in sub-rule (1)."*

(III) *in Appendix II, Form 26AS shall be substituted by the following Form, namely:-*

<i>Form 26AS</i>	<i>Annual Information Statement [See rule 114-I]</i>	<i>Financial Year: XXXX-XX</i>
		<i>Assessment Year: XXXX-XX</i>

**Part A**

<i>Permanent Account Number:</i>		<i>Aadhaar Number:</i>	
<i>Name:</i>			
<i>Date of Birth/Incorporation:</i>			
<i>Mobile No.:</i>			
<i>Email Address:</i>			
<i>Address:</i>			

**Part B**

<b>Sl. No</b>	<b>Nature of information</b>
1.	<i>Information relating to tax deducted or collected at source</i>
2.	<i>Information relating to specified financial transaction</i>
3.	<i>Information relating to payment of taxes</i>
4.	<i>Information relating to demand and refund</i>
5.	<i>Information relating to pending proceedings</i>
6.	<i>Information relating to completed proceedings</i>
7.	<i>Any other information in relation to sub-rule (2) of rule 114-I</i>

**4. Analysis of the Notification and further scope of inclusion of information / transactions in the Annual Information Statement (AIS) under rule 114-I:**

**4.1.** Sl. No.7 of Part B provides for reporting of “*Any other information in relation to sub-rule (2) of rule 114-I. Sub-rule (2) of rule 114-I provides for uploading of the information received from any officer, authority or body performing any function under any law or the information received under an agreement referred to in section 90 or section 90A of the Income-tax Act,1961 or the information received from any other person to the extent as it may deem fit in the interest of the revenue in the annual information statement referred to in sub-rule (1).*”

It may be noted that, section 90 of the Income Tax Act is associated with relief measures for assesses involved in paying taxes twice i.e. paying taxes in India as well as in Foreign Countries or territory outside India. Section 90 also contains provisions which will certainly enable the Central Government to enter into an agreement with the Government of any country outside India or a definite territory outside India. Section 90 is intended for granting relief with reference to different situation. As per Section 91 of the Act, an Indian tax resident's income, which accrued or arose during a financial year outside India, and the resident has paid income-tax in any country with which there is no tax treaty; he shall be entitled to FTC. So related information in the interest of the revenue is to be incorporated in annual information statement referred to in sub-rule (1).

**4.2.** Further sl no.2 of part B of the Table in sub rule (1) of rule 114-I, provides for information relating to **specified financial transaction**. It is pertinent to mention that no list of specified transaction has been

provided. However sub-section (3) of section 285BA of the Income - tax Act define the “**Specified Financial Transaction**” as follows:

- (i) transaction of purchase, sale or exchange of goods or property or right or interest in a property;*  
*or*
- (ii) transaction for rendering any service; or*
- (iii) transaction under a works contract; or*
- (iv) transaction by way of an investment made or an expenditure incurred; or*
- (v) transaction for taking or accepting any loan or deposit,*

Further, it has also been described that the CBIC can prescribe different values for different transactions in respect of different persons having regard to the nature of such transactions and the aggregate value of such transactions during a FY so prescribed shall not be less than a specified sum.

**4.3.** So it is anticipated that more financial transactions are required to be reported by different persons by way of “statement of financial transaction” under rule 114-E read with section 285BA may be reported in a stepped manner to capture & curb tax evasion, promote transparency, simplify the tax system and the return filing process:

## **5. Conclusion:**

**With the introduction of section 285BB, the old Form 26AS will no longer be available and is substituted with new form 16AS. The new form 26AS as Annual Information Statement or AIS is more comprehensive than the old Form 26AS as it will contain more information about financial transactions of taxpayers as details given under rule 114-I.** A taxpayer can access the Annual Information Statement through his income tax e-filing account. At the same time Assessing Officers will cross check the details furnished in return of income by taxpayers with the Annual Information Statement. **It will widen the taxpayers base as concealing any income will become difficult.**

However, there is no provision for confirming the transactions by the reporting entity with the taxpayer before the same is furnished to the income-tax department. In case any reporting entity reports any wrong or incorrect particulars, it will create trouble for the taxpayer.