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Income Tax Return filing: How to disclose foreign income, assets in ITR

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Income Tax Return: Resident Indians are required to disclose their income from all sources, including foreign investments, in their annual income tax return.



Resident Indians are required to disclose their income from all sources, including foreign investments, in their annual income tax return. CS Sakshi Agarwal, Chief Mentor & Leader, Corporate Secretarial & Legal, Sameer Mittal & Associates LLP, says that in order to cleanse the economy and keep an eye on the routing of black money abroad and parking of the same in foreign assets by the residents, the Income Tax Department has made the reporting of foreign assets held by an individual abroad more detailed. "An individual is required to report the details of the foreign assets held by him in the income tax return, irrespective of the fact whether he earns any income therefrom," said Agarwal.

"If an individual qualifies as a resident then his global income is taxable in India," she added.

However, for NRIs, only the income accruing or arising from India is taxable. Sometimes, a resident might have already paid tax on the income earned abroad. The tax liability of such individuals will be determined by the Double Tax Avoidance Agreement, she said.

Disclosing foreign investments/assets in ITR

Agarwal said that individuals need to disclose the following while filing their income tax return:

Foreign Income: An individual is required to disclose any income that he has earned abroad in the form of salary, house property, capital gains or any other sources in schedule FSI of ITR 2, along the details of the country in which such income is earned, tax payer identification number, the amount of tax paid in the foreign country, tax payable in India under the normal provisions and the relevant tax reliefs under the DTAA.

Foreign Assets: The individual is also required to disclose the foreign assets in the schedule FA of ITR 2 with details of:

(a) Foreign depository accounts and foreign custodial account, mentioning the details of the country, details financial institution, bank account, account opening date, peak balance, gross interest paid or credited during the period;

(b) details of foreign equity held or foreign debt held (including any beneficial interest), mentioning the details of country, entity, details of investment or gross proceeds from sale or redemption during the period;

(c) foreign cash value insurance contract or annuity;

(d) financial interest in any other foreign entity;

(e) details of any capital assets or immovable property held at any time during the financial year and the details of trust created in which the individual is a beneficiary or settlor.

Agarwal said that the Government is very serious about the disclosure of foreign assets/investments made by resident Indians. "Failure to report or the furnishing of inaccurate particulars attracts a penalty of INR 10 lakh under the black money act, besides the tax at the flat rate of 30%. Further the Income tax authority may re-open the cases, upto past 16 years in case it believes that any overseas assets has been missed from assessment."