

Enhancing Tax Transparency on Foreign Assets & Income: Understanding CRS & FATCA

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 revised return can be filed up to 31.12.2024.

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.