



**New Form 26AS –
Notified
June 2020**

FORM 26 AS – IN ITS NEW AVATAR

Form 26AS ('Annual Tax Statement') refers to the statement in which the details of tax deducted or paid (collectively & commonly referred to as 'tax credit') are maintained & uploaded for each taxpayer as per the database of the Income-tax Department, pursuant to Section 203AA of the Income-tax Act, 1961 ('the Act') and Rule 31AB of the Income-tax Rules, 1962 ('the Rules').

Readers would recall that the Hon'ble Indian Finance Minister had talked about rationalization of the provisions relating to Form 26AS in the Union Budget 2020 by 'making it more comprehensive and covering multiple information' available with the Income-tax Department. Accordingly, the Finance Act, 2020 replaced section 203AA with a new Section 285BB wherein the mandate and coverage of Form 26AS has been extended beyond the scope of tax credit details.

Recently, the Union Government has notified the Income-tax (11th Amendment) Rules, 2020, which seeks to omit Rule 31AB and instead introduce a new Rule 114-I bringing in a comprehensive 'Annual Information Statement' in the form of a new and comprehensively-designed Form 26AS. These changes take effect from June 1, 2020.

The purpose of this NewsAlert is to update our Readers about the contents of the new Form 26AS and highlight the changes made therein.

What key particulars did the old Form 26AS contain?

The old Form 26AS displayed the following key particulars:

Parts A & B - Details of taxes deducted (TDS) / taxes collected (TCS) against the taxpayer's PAN

Taxes deducted / collected at-source under the provisions of the Act, formed the basic element of the old Form 26AS. The information included -

- **Details of TDS on sale of immovable property**
Subject to certain conditions, the buyer of immovable property is required to deduct tax at-source from the consideration paid to the resident seller of the property. If the taxpayer has sold or purchased an immovable property during the Financial Year and TDS became applicable, details of taxes deducted at-source formed part of Form 26AS of the deductee & were reflected in the form accordingly.
- **Details of TDS on rentals including property**
If the taxpayer were a resident Indian and received rent exceeding INR

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50,000 per month from an individual, the payer is required to deduct tax at-source from such rent before making the payment to the taxpayer. Details of the taxes deducted at-source formed part of Form 26AS of the deductee & were reflected in the form accordingly.

Parts C & D – Details of taxes paid by the taxpayer (other than TDS and TCS) & refunds received

- Form 26AS not only contains the details of the taxes paid by the taxpayer whether in the form of advance tax, self-assessment tax or tax on regular assessment but also contains details of any tax refunds that have been received during the relevant financial year.

Parts E & F – Details of certain defined high-value transactions

- Certain high value transactions made were also reported in the Form 26AS based on Annual Information Return ('AIR') filed by specified entities. For example, purchase of high value of mutual funds, immovable property, etc., found their way into the Form 26AS.
- Apart from the above, *inter-alia*, details of TDS on sale of immovable property & TDS on rent on property were also reflected in the case of deductor in the old Form 26AS.

Part G - TDS Defaults

Defaults in TDS detected while processing the TDS/TCS statements also formed part of current Form 26AS mentioning all the details of short payment or deduction.

Thus, Form 26AS came to reflect a document, which captured all the taxes paid by the taxpayer by way of deduction at-source or otherwise in one place making it easier for the taxpayer to claim the credit of taxes paid at the time of filing of the income-tax return. The information of tax credit was generally updated in the Form 26AS, on a quarterly basis *inter-alia* upon filing of quarterly TDS Return by the respective deductors/collectors. The Income-tax Department has been mandated to upload the details collected by and available with them in the Form 26AS within a 3-month window, so as to provide a timebound manner of data reflection.

Changes in Form 26AS: Annual Information Statement - Comparison

For the benefit of our Readers, we have provided in the table below, a simple and quick analysis for the comparison of Old and New Form 26AS:

Sr. No.	Particulars	Old Form 26AS	New Form 26AS
1	Date of birth, mobile number, email address and Aadhaar	X	✓
2	Information relating to tax deducted or collected at source	✓	✓
3	Information relating to Specified Financial Transaction ¹	X	✓
4	Information relating to payment of taxes	✓	✓
5	Information relating to refund	✓	✓
6	Information relating to demand ²	X	✓
7	Information relating to pending proceedings ³	X	✓
8	Information relating to completed proceedings ⁴	X	✓
9	Information received under Double Taxation Avoidance Agreement (DTAA) ⁵	X	✓

1. Specified Financial Transactions specifically required to be reported under Section 285BA are as follows:
 - Cash transactions with Banking Institutions or Post office exceeding a particular limit
 - Time Deposits with Banking Institutions or Post office exceeding a particular limit
 - Receipt from any person for acquiring shares exceeding a particular limit
 - Buy back of shares exceeding a particular limit
 - Receipt from any person for shares exceeding a particular limit
 - Receipt from any person for Mutual Funds exceeding a particular limit
 - Receipt from any person for foreign currency exceeding a particular limit
 - Transaction of purchase / sale of property exceeding a particular limit; or
 - Receipt of cash from any person for sale of goods or services exceeding a particular limit
2. Demand is the difference amount between taxes paid and the taxes, which were owed to be paid as per the Income-tax authorities.
3. Proceedings that are on-going and have not been concluded.
4. Proceedings that have been concluded and an order has been passed.
5. The Central Board of Direct Taxes may also authorize the Principal Director General of Income-tax (Systems) or the Director General of Income-tax (Systems) or any person authorized 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 Act or the information received from any other person to the extent as it may deem fit in the interest of the revenue.

Our Comments on the 'New' Form 26AS

Effective June 1, 2020, we note that the Form 26AS will facilitate the taxpayers to obtain more information consolidated at one place including details of the proceedings for that assessment year **updating all tax-related information of each taxpayer regularly**. The **capture of mobile number, Email id, and Aadhar number of the taxpayer in the 'new' Form 26AS** will help improve direct connectivity of the Income-tax Department with the taxpayer.

In a marked change being introduced, the new version of Form 26AS also **provides information received from any other country** under exchange of information about income and taxes or assets outside India, which means it will be readily available to the Assessing Officer not only for records but also for verification purposes.

Hence, it becomes very important that taxpayers need to timely verify the data that has been updated to their PAN and ensure its correctness and accuracy. If not, they need to approach the respective person uploading the data and get it corrected to avoid possible litigation at a later stage. This is imperative owing to the significant expansion in coverage by the 'new' Form 26AS. Further, owing to the observation of avoidable litigation owing to the mismatch of incomes between the reported income & that reflected in Form 26AS, we recommend every taxpayer to check Form 26AS periodically (at least, once in a quarter) & review the details appearing in it, in any case, positively before filing of income-tax Return to ensure no income or detail is left out.

Interestingly, the 'new' Form 26AS does not yet contain the details of donations given/received as was conceived by the Union Budget 2020, which had proposed that a donee needs to report at the end of the year, about the donations received during the financial year. The inclusion of such particulars would have been a significant step in keeping a tab on the misuse of donations as a 'tax avoidance' mode.

We also believe that the introduction of the 'new' Form 26AS is a significant milestone & a step closer in the Income-tax Department's stated intent to 'facilitate simplification and ease of compliance by pre-filing the income-tax returns. The 'new' Form 26AS is also yet another manifestation of the Income-tax Department's commitment to make use of 'big data' and 'data analytics' in its pursuit of improved tax administration.

For a deeper discussion on this topic, please feel free to contact

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