

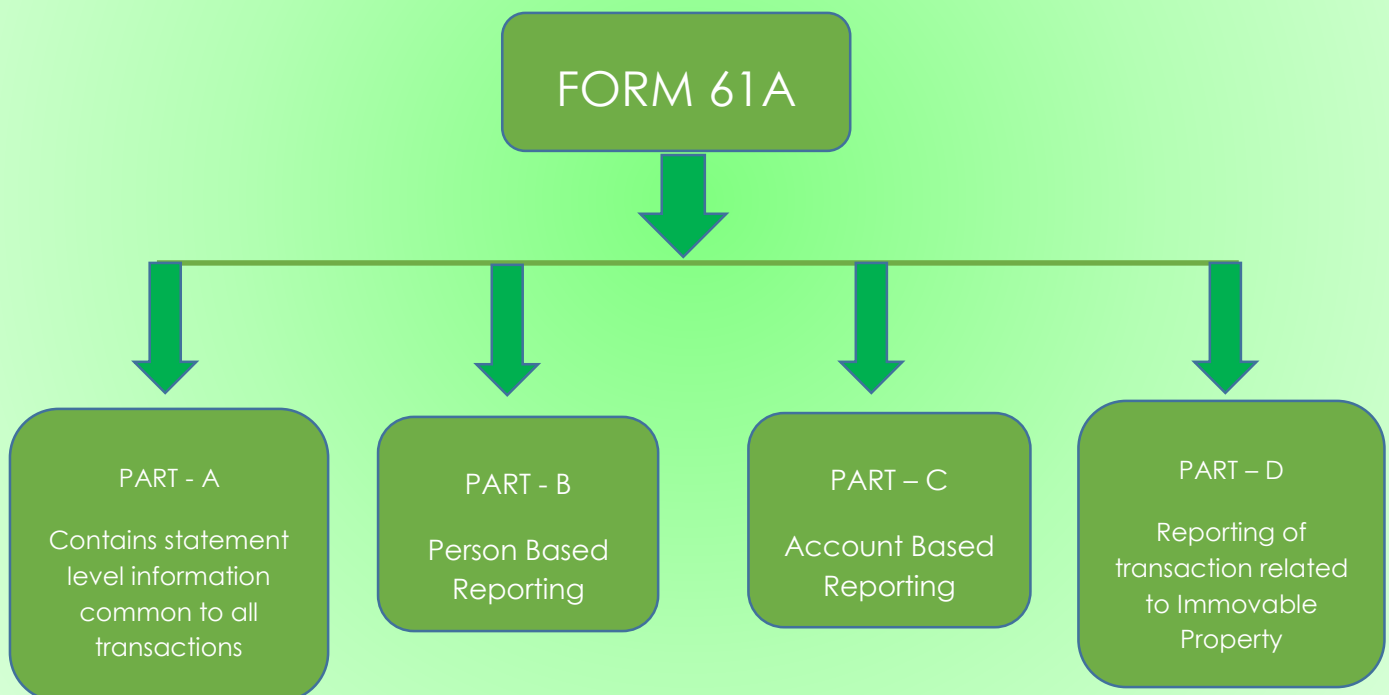
The concept of “Annual Information Return (AIR)” was introduced in 2003 with respect to specified financial transactions under Section 285BA. In order to keep track of high value transactions undertaken by the taxpayers, a new Form 61A was introduced under the said Section with effect from 1st April, 2004 vide Notification No. 182/2005 dated 11th July, 2005. Later, Finance Act, 2014, widened the scope of specified persons, laying down obligation on such persons to submit information of those high value transactions registered or recorded by them during the financial year as specified in the Rule 114E of the Income Tax Rules, 1962. It further provides guidelines for the reporting person and reportable transactions for which the statements need to be submitted in Form 61A.

In our previous newsletter, we covered the details of transactions where quoting of PAN is mandatory and explained how one can be tracked by the income tax authorities through tracing of transaction and through statements filed by such reportable persons as prescribed in law. As a continuation to the same topic, in this newsletter, Team NGOenable have not only compiled the list of high value transactions which are obligatory to be reported by specified persons through furnishing of related statements but will also provide you an understanding of the purpose and intention of the law.

UNDERSTANDING THE STATEMENT OF FINANCIAL TRANSACTIONS & ITS PURPOSE

Statement of Financial Transactions (SFT) refers to information related to high value transactions as listed in Rule 114E and are reportable by the persons specified u/s 285BA of the Act, to the income tax department. It was introduced to provide a mechanism wherein the flow of information regarding the material transactions entered into by a taxpayer with other persons is automated so that the same can be utilized for the best interest of the stakeholders.

Rule 114E(1) prescribes a statement of financial transaction in Form No. 61A which has been divided into 4 parts:



LIST OF SPECIFIED PERSONS FOR REPORTING SFT



A reporting entity or specified person is one which is required to furnish a Statement of Financial Transaction in Form 61A or Statement of Reportable Account in Form 61B with the Income Tax Department as per the provisions of Section 285BA of the Income Tax Act, 1961.

Section 285BA(1) prescribes the following persons as “specified persons” for the purpose of furnishing SFT:

- a) An assessee i.e. who is liable to pay tax under the Income Tax Act
- b) Government Offices
- c) A local authority or other public body association
- d) Registrars and Sub-registrars
- e) Motor Vehicle Registration authority
- f) Post Office
- g) Collector in case of Land Acquisitions
- h) Recognized Stock Exchanges
- i) Reserve Bank of India
- j) A depository
- k) Any prescribed reportable financial Institution

The above persons are required to report the financial transactions which have been prescribed by the CBDT in Rule 114E. However, unless any transactions related to such persons are prescribed as reportable, no reporting is required from them.

However, out of the above specified persons, till date only the following persons have been specified as “reportable persons” under Rule 114E:

- a) A Bank including a Co-operative Bank
- b) Post Office /Post Master General
- c) A Nidhi Company
- d) Non-Banking Financial Companies (NBFCs)
- e) Any company or institution issuing Credit Card
- f) A Company issuing shares or bonds or debentures
- g) A trustee of the Mutual Fund
- h) Authorized person under Foreign Exchange Management Act, 1999
- i) Inspector- General or Registrar or Sub-Registrar appointed under Registration Act, 1908
- j) Any person who is liable for audit under Section 44AB of the Income Tax Act.

Although NGOs are not covered under the list of specified reportable persons, but they are surely covered under the other side of the reporting. If the NGOs have entered into any such high value transactions (Refer Table above) at any time during the financial year with certain specified persons who are under obligation to report the same to the concerned authorities, they come under the lens of the government departments and income tax authorities in particular.

LIST OF HIGH VALUE TRANSACTIONS REPORTABLE UNDER

SFT - FORM 61A (RULE 114E)



Sl. No.	Nature of Transactions	Value of transactions or Threshold Limit
1	Receipt of cash payment for sale, by any person, of goods or services of any nature	Exceeding Rs. 2 Lacs
2	Cash Deposits in one or more accounts (other than a current account and time deposit)	Rs. 10 Lacs or more in aggregate in a financial year
3.	One or more Time Deposits of a person (other than time deposit made through renewal of another time deposit)	Rs. 10 Lacs or more in aggregate in a financial year
4.	Payment made by any person against credit card dues	Rs. 1 Lac or more in cash; or Rs. 10 Lacs or more by any other mode
5.	Receipt from any person against acquiring bonds or debentures issued by the company	Rs. 10 Lacs or more in aggregate in a financial year
6.	Receipt from any person against acquiring shares (including share application) issued by the company	Rs. 10 Lacs or more in aggregate in a financial year
7.	Receipt from any person against acquiring units of one or more schemes of a Mutual Fund.	Rs. 10 Lacs or more in aggregate in a financial year
8.	Receipt from any person for sale of foreign currency or through issue of travellers' cheque	Rs. 10 Lacs or more in aggregate in a financial year
9.	Purchase or Sale of immovable property by any person or valued by Stamp Valuation Authority	Rs. 30 Lacs or more per transaction
10.	Cash Deposits or cash withdrawals from one or more current account of a person	Rs. 50 Lacs or more in aggregate in a financial year
11.	Payments made in cash for purchase of Demand Drafts or Pay Orders or Banker's cheques	Rs. 10 Lacs or more in aggregate in a financial year
12	Payments made in cash for purchase of prepaid instruments issued by RBI	Rs. 10 Lacs or more in aggregate in a financial year

Recently the scope of such specified financial transactions were widened on 13th August, 2020, when our Honourable Prime Minister launched the "Transparent Taxation Platform". So, henceforth the following transactions shall also come within the purview of reportable transactions by the specified entities or reportable persons:

Sl. No.	Nature of Transactions	Value of transactions or Threshold Limit
1	Payment of Educational Fee/Donations	Exceeding Rs. 1 Lac per annum
2	Consumption of Electricity	Above Rs. 1 Lac per annum
3.	Payment to Hotel/Restaurants	Above Rs. 20,000
4.	Deposits/credits in current account	Above Rs. 50 Lacs
5.	Deposits/credits in non-current account (including savings account)	Above Rs. 25 lacs
6.	Payment of property tax	Above Rs. 20,000 per annum
7.	Payment of Life Insurance Premium or Health Insurance	Above Rs. 50,000 and 20,000 respectively
8.	Purchase of jewellery, paintings, marbles etc..	Above Rs. 1,00,000

HOW THE TAXMAN TRACKS YOU!



These high value transactions so reported are compiled and recorded in the Annual Information Return (AIR) filed by such entities and can also be found in Part-E of your Form 26AS under the SFT section. The tax department compares this report with the returns filed by the organization and in case of any non-disclosure, misreporting or mismatch, the concerned NGO might be called for further investigations and assessment related to such transaction. On the basis of SFTs so reported, even notices for scrutiny assessment might be issued because of which apart from that particular transaction, the entire financials shall come under the investigation of the income tax department.

This is where the tax personnel is able to track you by reaching out to you through the statements so filed by the specified persons or entities with whom the transaction was entered into, getting the particulars or details of such transaction and comparing the same with the return of income filed by your organization.

So, before entering into such transactions one need to be aware that once it is done above the specified threshold limit, the income tax authorities might have already have a trace about it and if you do not give proper disclosure wherever required in your income tax return or your financials as per tax records doesn't support the volume of such transactions, you might land in trouble with the department.

THIS NEWSLETTER IS ONLY FOR THE PURPOSE OF PRIVATE CIRCULATION