

# **Changes in respect of Form 26AS vide Finance Act, 2020 and Income Tax (II<sup>th</sup> Amendment) Rules, 2020**

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# Introduction

- ❑ Vide Finance Act 2020 as passed by Parliament and assented by Hon'ble President of India on 27<sup>th</sup> March, 2020, provisions related to Form 26AS have been rationalized to extend the scope of particulars to be reported therein which was earlier limited to details of tax deducted/ collected or paid by the assessee.
- ❑ In this regards, provisions of section 203AA of the Income Tax Act, 1961 requiring preparation and delivering of Form 26AS, have been omitted and a new section 285BB have been inserted whereby designated authority have been required to upload Annual Information Statement of the assessee wherein all information in possession of income tax department regarding the assessee shall be mentioned in revised Form 26AS.
- ❑ Vide Income Tax (11<sup>th</sup> Amendment) Rules, 2020, new rules and forms have been notified by Central Board of Direct Taxes in this regards.
- ❑ These amendment shall take effect from 01.06.2020.

# Rationalisation of Provisions relating to Form 26AS Vide Finance Act, 2020

Deletion of section 203AA of the Income-tax Act, w.e.f. 01/06/2020 [Clause 90] and  
insertion of new section 285BB (Annual Information statement) [Clause 101]

## Reason of Deletion

- In order to facilitate compliance, multiple information in respect of a person such as sale/purchase of immovable property and share transactions etc. will also be uploaded in new form in addition of details of tax deducted or collected.

## Brief Impact

- As the mandate of Form 26AS would be required to be extended beyond the information about tax deducted, it is proposed to introduce a new section 285BB in the Act regarding annual financial statement. Consequently, section 203AA has deleted.

After section 285BA of the Income-tax Act, the following section shall be inserted with effect from the 1st day of June, 2020, namely:—

### **285BB. Annual Information Statement**

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.

Brief Impact:

- Section 203AA of the Act, *inter-alia*, requires the prescribed income-tax authority or the person authorised by such authority referred to in section 200(3), 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.
- The Form 26AS as prescribed in the Rules, *inter-alia*, contains the information about tax collected or deducted at source. 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.
- As the mandate of Form 26AS would be required to be extended beyond the information about tax deducted, it is proposed to introduce a new section 285BB in the Act regarding annual financial statement. This section proposes to mandate the prescribed income-tax authority or the person authorised by such authority to upload in the registered account of the assessee a statement in such form and manner and setting forth such information, which is in the possession of an income-tax authority, and within such time, as may be prescribed.

With effect from 01.06.2020, Rule 31AB of the Income Tax Rules, 1962 have been omitted wherein DGIT (Systems) was required to deliver *Annual statement of tax deducted or collected or paid* in Form 26AS to every taxpayer in respect of in respect of whose income, any amount of tax have been deducted, collected or paid during the financial year.

Now, a new Rule 114-I have been inserted in respect of the new statement namely Annual Information Statement as prescribed under section 285BB of the Income Tax Act, 1961.

- Under Rule 114-I, it has been prescribed that Pr. DGIT (Systems) or the DGIT (Systems) or any person authorised by him shall upload in the registered account of the assessee an Annual Information Statement in Form No. 26AS containing following particulars, which is in his possession within three months from the end of the month in which the information is received by him:—
  - Information relating to tax deducted or collected at source
  - Information relating to Specified Financial Transaction
  - Information relating to payment of taxes
  - Information relating to demand and refund
  - Information relating to pending proceedings
  - Information relating to completed proceedings
  - Information received from any officer, authority or body performing any function under any law
  - Information received under an agreement referred to in section 90 or section 90A of the Income-tax Act, 1961
  - 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)

## Analysis

- Information in Annual Information Statement of assessee will not be a onetime affair at year end. This will be a live statement, as the information will be updated regularly within 3 months from the end of the month in which such information is received.
- Apart from the TDS/ TCS details, Annual Information Statement shall now contain information relating to assessee's Specified Financial Transaction (*Sale & Purchase of Property, High value cash payments, cash deposits and cash withdrawals, time deposits beyond specified limit, payment of credit card bills, purchase of shares or bond or debenture of any company, investment in mutual funds, sale of foreign currency, high value cash sales*), payment of taxes, demand/refund and pending/completed proceedings.
- Also, revised Form 26AS shall now contain any information received by DGIT (Systems) from any other officer, tax department or authority under any law so that not only the concerned taxpayer but also all the Income Tax authorities will know and have access to such information. This will include information received from any other country under the treaty /exchange of information about income or assets of the taxpayer located outside India.
- As a result of introduction of Annual Information Statement, now it will be difficult for any taxpayer to hide information from any bank / financial institution/ authority about any proceedings against under any law or tax demand , tax disputes etc.
- The implication of this Annual Financial Statement will be that banks, financial institutions or any other authority or customer, buyer etc. while carrying out due diligence of the person/corporate, concerned will now ask for Form 26AS so as to be sure that there are not any major issues about such person/ corporates.

# Revised Form 26AS

<b><sup>1</sup>[FORM 26AS]</b>	<b>Annual Information Statement</b> <b>[See rule 114-I]</b>	<b>Financial Year:</b> <b>XXXX-XX</b>
		<b>Assessment Year:</b> <b>XXXX-XX</b>

## Part-A

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

## Part B

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

Alongwith specified information regarding assessee available with Income Tax Department, Revised Form 26AS will also incorporate additional particulars of assessee including Aadhaar No., Mobile No., E-Mail ID, and Address which were earlier not available in old Form 26AS.

# THANK YOU..!!

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