



WHAT IS THE RULE RELATED TO SHOWING FOREIGN ASSETS AND FOREIGN INCOME IN THE INCOME TAX RETURN?

Duty of a Resident Individual

It is the duty of a Resident Individual under Income Tax rules to disclose his Foreign Assets & income earned abroad while filing the return.

It is also important here that even if this income is not taxable in India, it has to be disclosed.

Schedule FA is created in ITR-2 & 3 forms to show Foreign Assets in the Income Tax Return form. Assets located outside India mainly include the following assets:-

1. Investment in shares, debentures, life insurance policies, immovable property, any other capital assets abroad.
2. Stake in any entity abroad or any beneficial interest in any entity.
3. Having power to sign in any bank account, depository account, trading account located abroad.
4. Earning any income outside India, like dividend, interest, capital gain etc.

Generally, in foreign countries the concept of financial year works on the basis of calendar year. This way if you have any Foreign Assets & Foreign Income from 1 January 2023 to 31 December 2023, then you will have to declare it in F.Y. 2023-24.

Example:

Nowadays there are some big companies like Google, Microsoft, Amazon etc. which are based in foreign countries. These are registered companies and the shares of these companies are dealt in the stock exchanges located abroad. In such a situation, shares of these companies come under the definition of Foreign Assets. For the last few years, it has also been seen that these companies are giving some part of the salary to their employees in the **form of shares instead of money**. In such a situation, these employees automatically acquired **foreign assets**. In such a situation, it became

mandatory for these employees to file **Schedule FA** related to Foreign Assets in their income tax return.

In Schedule FA, information has been sought in great detail, which has to be filed carefully.

Penalty:

Penalty for not showing Foreign Assets or Foreign Income in Income Tax Return Provisions have been made in another Act. In the **Black money (Undisclosed foreign income & assets) and imposition of tax act 2015**, a rule has been made that every resident who has property abroad or any income abroad should declare it in the income tax return. If he does not do so, he will be fined Rs 10 lakh. A penalty of Rs. 100,000 can be imposed and in case of a big and serious case, there is also a provision of punishment of 6 months to 7 years. Recently, a fine of Rs 10 lakh was imposed on the assessee in the case of Shobha Harish Thawani (2023) 154 taxmann.com 564 for not showing Foreign Assets in the return form. The penalty was considered correct by the Honorable Mumbai Tribunal.

Note: Keep in mind that all the above rules have been made for resident taxpayers i.e. this rule is not applicable on NRIs. In Schedule FA, the taxpayer has to convert the amount of his foreign investment into Indian currency. Conversion into Indian currency has to be done at TTBR (Telegraphic Transfer Buying Rate).

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