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Procedure for notification of sovereign wealth funds for income-tax exemption and press release, on new Form 26AS

The Central Board of Direct Taxes has issued circular 15 of 2020 dated 22 July 2020 to notify the procedure for notification of sovereign wealth funds for income-tax exemption and the press release dated 18 July 2020 in relation to the new Form 26AS

Circular 15 of 2020 dated 22 July 2020¹

Background:

- The government, vide the Finance Act, 2020, introduced a new section 10(23FE) under the Income-tax Act, 1961 (ITA) to provide, inter alia, notified sovereign wealth funds (satisfying the specified conditions), an exemption from dividend, interest and long term capital gains income earned from investments made in specified infrastructure business during the period 1 April 2020 to 31 March 2024, subject to satisfaction of conditions.
- The Central Board of Direct Taxes (CBDT) in order to facilitate the process for notification of the SWF for exemption under section 10(23FE) of the ITA, has issued circular 15 of 2020 dated 22 July 2020 (Circular).

Highlights of the Circular:

- The desirous Sovereign Wealth Funds (SWF) will have to file an application in Form I with:
 - During the Financial Year (FY) 2020-21: Member (Legislation), CBDT, Department of Revenue, Ministry of Finance, North Block, New Delhi; and
 - After FY 2020-21: Member, CBDT having supervision and control over the work of Foreign Tax and Tax Research Division.
- In addition to the basic details such as name, address, country of residence, tax identification number, the following key confirmations / certifications are required to be provided in the Form I:
 - The SWF is wholly owned and controlled, directly or indirectly, by the government of the country in which the SWF is set up and regulated under its law;
 - The earnings of the SWF are credited either to the account of the government of the respective foreign country or to any other account designated by the government so that no portion of the earnings inures benefit to any private person;
 - Upon dissolution, the assets of the SWF would vest in the said government;

¹ https://www.incometaxindia.gov.in/communications/circular/circular_15_2020.pdf

- The SWF does not undertake any commercial activity within or outside India.

The constitution documents of the SWF and other documents in support of the information / confirmations need to be submitted along with the Form I.

- The SWF on an ongoing basis, will be required to file the following:
 - Annual Indian income-tax return along with audit report;
 - Quarterly statement (to be submitted electronically in Form II) within one month from the end of the respective quarter in respect of each investment made during the quarter.

The Principal Director General of Income Tax / Director General of Income Tax (Systems) will lay down the necessary procedure for furnishing and verification of the Form II.

Comments:

- This circular provides clarity on the procedure for an SWF to get itself notified in order to be eligible for investment exemption under section 10(23EF) of ITA.

Press release dated 18 July 2020²

Background:

- The erstwhile Form 26AS included information on taxes deducted / collected at source, advance tax, self-assessment tax and was available on the income-tax website against a taxpayer's Permanent Account Number (PAN).
- The Finance Act, 2020 increased the scope of Form 26AS with effect from 1 June 2020, by including additional details such as information relating to statement of financial transactions (SFT), pending proceedings, completed proceedings, demand and refund, etc. Thus, the new Form 26AS would now act as an annual information statement (AIS).

The CBDT also notified the new Form 26AS / AIS and its particulars by way of notification no 30 of 2020³ dated 28 May 2020.

- The CBDT has now issued a press release dated 18 July 2020 in relation to the introduction of new Form 26AS.

Highlights of the press release:

- The new Form 26AS is the faceless hand-holding of the taxpayers to e-file their income-tax returns quickly and correctly.
- The information received by the income-tax department from the filers of SFT viz. banks, non-banking financial company (NBFC), company issuing shares, trustee of mutual fund, etc. is being

² <https://www.incometaxindia.gov.in/Lists/Press%20Releases/Attachments/844/Press-Release-New-Form-26AS-is-the-Faceless-hand-holding-of-the-Taxpayers-dated-18-07-2020.pdf>

³ https://www.incometaxindia.gov.in/communications/notification/notification_30_2020.pdf

shown in the Form 26AS to facilitate voluntary compliance, tax accountability and ease of filing e-returns, so that the same can be used by the taxpayer to file his / her income-tax return (ITR).

Further, it will help taxpayers recall all their major financial transactions while filing the ITR.

Information relating to individuals having high-value financial transactions such as cash deposit / withdrawal from saving bank accounts, sale / purchase of immovable property, time deposits, credit card payments, purchase of shares, debentures, foreign currency, mutual funds, buy back of shares, cash payment for goods and services, etc. received by the income-tax department under the SFT reporting will be shown in the new Form 26AS.

The new Form 26AS will, inter alia, provide the following information relating to the transactions undertaken by the taxpayer:

- Type of transaction
 - Name of SFT filer
 - Date of transaction
 - Number of parties to the transaction
 - Amount (Payment / receipt).
- The new Form 26AS would help the taxpayers with updated financial transactions while filing their ITR.

Comments:

- The new Form 26AS will help taxpayers to fill correct and accurate information in the ITR and also, verify the same with the details as available with the income-tax department.
- The new form 26AS is a welcome step towards the goal of providing prefilled ITR to taxpayers.



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