

Black money crackdown: Declare your foreign assets, income in your ITR

Uncovering black money is high on the government's agenda this year and the income tax department has made it clear that it will tighten its noose on tax evaders. The easiest way to do so is to keep a closer eye on those with foreign assets and income.

This includes even the negligible interest earned on bank deposits, small earnings while on a short trip abroad or even an online project that paid you in foreign currency. A minor mistake or a miss can amount to concealment of information, call for scrutiny and land you in deep trouble. So, be extra careful in declaring your foreign assets.

The rule is simple: unless you are a non-resident Indian (NRI), all your income earned, including the ones earned outside India, has to be reported in your income tax return and is taxable according to the Indian I-T Act, 1961

"A common misconception is that if the income has been taxed abroad, it does not have to be declared in India. However, rule is all the foreign incomes, whether taxed outside India or not, will have to be declared by assesseees if they are an Indian residents," says Anand Satyapanthi, co-founder Quicko.com, an online tax filing website.

Some taxpayers are also unsure whether they must disclose bank accounts held abroad where low interest is being earned. The new ITR-2 however requires you to declare all foreign bank account's holding including those where they are beneficiaries along with details such as account opening date, interest accrued during the year and schedule and fields number under which the same income is reported. "In cases of joint holdings, the spouse too needs to report the bank details and file the return in India even though he or she may not have taxable income," says Kuldip Kumar, Leader (Personal Tax), PwC.

DECLARING AND CLAIMING DEDUCTIONS

Declaration of foreign income is made under the same heads as income earned in India--salary, property, business and professional income, capital gains and other sources. You merely have to convert it in terms of rupees and add it to the incomes under these heads. "Conversion into rupees can be done using the State Bank of India telegraphic transfer buying rate (TTBR) of the last day of the month before the month in which income is due. So, for converting salary earned in June 2014, use the TTBR of the relevant currency for May 2014," says Archit Gupta, co-founder and CEO, Cleartax.in.

Deductions available on foreign income are also the same as available under the Indian tax laws. So, you can claim all the deduction under Section 80 and others, as applicable.

RELIEF UNDER DTAA

If a tax has already been deducted on your foreign income, you are allowed to take credit of such taxes under the DTAA treaty . First step is to obtain a TRC or tax residency certificate that certifies your tax residency status.

"Make sure that the correct DTAA ANIMISHA has been applied. You will have to determine that up to what percentage and subject to which provisions the relief is allowed, which can then simply be deducted from your total tax liability," says Varun Advani, Chief Operations Officer, Makemyreturns.com. Consider taking professional help in case you are confused.

DTAAs exist with a large number of countries, so most taxpayers are usually covered. If a DTAA does not exist between India and the country where you have earned the income you can still claim tax credit if certain conditions are met. You should be a resident Indian and the income in question should be subjected to tax in the foreign country and you should have paid the same already. If the above conditions are met, you are entitled to a deduction under Section 91 (Unilateral agreement) from the Indian income-tax.

(Economic Times)