

Filling new income tax return forms could prove challenging: Experts

The Central Board of Direct Taxes has released instructions for the new ITR forms, but experts believe filling up the new schedule AL (assets and liabilities) could prove challenging for taxpayers. The new section AL is mandatory for individuals and HUFs earning more than Rs 50 lakh a year and requires the taxpayer to declare all moveable and immovable assets.

These assets have to be declared at cost, i.e. the price at which they were acquired by the taxpayer. This, experts feel will be a huge challenge as assets appreciate or depreciate.

Therefore, the declarations would not paint a fair picture of the net worth of a person. "A luxury car may have been acquired at a certain price but depreciates as soon as it turns around the corner. It would be unfair to book it at cost price.

Similarly, jewellery bought, say, 10 years ago would have multiplied many fold. Showing it at cost price will defeat the purpose of declaring the net worth," says Archit Gupta, founder, ClearTax.in.

In the wealth tax declarations everything was at fair market value and therefore there was a method to it and valuation was less confusing.

"Although wealth tax has been abolished, tax authorities intend to track the assets you own so that there is no accumulation of unaccounted wealth. However, the 'at cost' criteria will make things more complicated," says Kuldip Kumar, executive director, Tax, PwC India.

Earlier such extensive declarations were part of the lengthy ITR-4 form where most of the assets owned were included as business assets.

However, this year salaried individuals too will have to comply to this requirement via ITR-1, 2, 2A. "People who otherwise do not have high income, but end up having a total income higher than Rs 50 lakh this year only, due to say, a property sale or windfall will also be required to fill this schedule," points out Gupta.

The 'at cost' declaration applies to inherited assets too. It will be most challenging to declare values of these assets, especially, if it has been passed down from more than a generation ago.

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