

## 2016-17 India tax return updates Alert

### Introduction

The Finance Ministry has recently updated the India tax return filing rules and has also issued amended tax return forms for the tax year 2016-17.

These rules essentially increase the reporting burden for taxpayers and to help you be better prepared for collating the 2016-17 tax return related information, we have summarised the key changes for your attention.

### Key changes

- Mandatory reporting and linking of Aadhaar number

The Aadhaar number is now mandatorily required to be quoted for any tax return filed on or after July 1, 2017. Further, taxpayers will also have to link the Aadhaar number with their online account with the Indian income tax website.

The following persons will be exempt from this rule:

1. An individual who is not present in India for more than 182 days in the 12 months immediately prior to filing of the return
2. An individual qualifying as a non-resident in India
3. Foreign nationals (an individual who is not a citizen of India)
4. An individual who is 80 years or more during the relevant tax year
5. An individual who resides in the Indian states of Assam, Meghalaya or Jammu & Kashmir

In case any of the individual taxpayers do not qualify for the exception, and are required to file a tax return after July 1, 2016, we recommend that they apply for the Aadhaar number at the earliest.

It should be noted that in case the Aadhaar number has been applied for but the number is not allotted yet, the taxpayer will have the option of quoting the enrolment number of the Aadhaar application at the time of filing the tax return.

- 2. Enhanced format for declaration of net worth

Similar to tax year 2015-16, if the income of a taxpayer exceeds Rs 50 lakhs, they are mandatorily required to declare their net worth (prescribed assets and liabilities) in their India tax return.

The format for the net worth declaration has now been enhanced and for the tax year 2016-17 and onwards, taxpayers will be required to disclose not only the overall cost of the immovable assets but also list each asset line-wise with the description and address of the respective asset. Further, taxpayers will now also be required to disclose prescribed movable assets such as shares and securities, jewellery, insurance policies, bank deposits, etc.

We recommend that taxpayers should start collating information of all their assets and liabilities as on March 31, 2017.

It should be noted that in case of taxpayers that qualify as resident of India, they will need to disclose details of their global assets and liabilities regardless whether they are taxable or not.

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- Disclosure of cash deposits during demonetisation

In case taxpayers have made any cash deposits in their bank account during the demonetisation period from November 9, 2016 to December 30, 2016 and the aggregate amount of cash deposits in all their accounts exceeded Rs 200,000 in this period, they will now have to provide details of cash deposited in all such accounts.

We recommend that taxpayers should review their bank statements and collate information of all cash deposits for reporting purposes.

### Conclusion

As can be seen from the aforesaid changes, the Indian government is moving towards greater and more detailed reporting requirements for India tax returns.

While simplified returns are being introduced for low and single source income earners, high net worth individuals and taxpayers with foreign or cross-border transactions will have a more cumbersome reporting experience. Taxpayers need to not only track their income sources but also their net worth holdings to ensure accurate reporting in the tax returns.

### About us

**Broadening Horizons** is a specialty services company providing expatriate tax, social security, immigration and exchange control advisory and compliance services.

It has specially designed service packages for employers with cross-border employee population as well as individuals.

**Broadening Horizons** partners with international expatriate tax firms for delivering mobility services and therefore, can provide cross-border services and solutions.

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