India: Government rolls out instructions for filing the new income tax forms including clarification on the reporting of assets and liabilities

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In brief

In March 2016, the Government notified the income tax return (ITR) forms applicable for financial year 2015-16 (assessment year 2016-17). One of the key amendments made in the ITR forms mandatorily requires individuals to disclose their assets in India and corresponding liabilities on the *Schedule-AL* if total taxable income exceeds INR 5 million. For a more detailed discussion, please refer to our previously issued Insights from Global Mobility.

Further clarification was expected regarding how to report the inherited assets or assets received as a gift. The Government has now released instructions for filing the ITR forms including *Schedule-AL* that clarifies at what value the inherited assets or assets received as a gift must be reported.

In detail

The instructions relating to the reporting of assets and corresponding liabilities in *Schedule-AL* of the ITR form are summarized below:

- *Schedule-AL* has to be filed by individual taxpayers only if their total income exceeds INR 5 million.
- The assets to be reported will include land, building (immovable assets), cash in hand, jewelry, bullion, vehicles, yachts, boats, aircraft, etc.
- In the case of non-residents (NRs) and residents who are not ordinarily resident (RNORs), only the assets located in India have to be reported.
- Jewelry includes:
  (1) ornaments made of gold, silver, platinum or any other precious metal, or any alloy containing one or more of such precious metals, whether or not containing any precious or semi-precious stone, and whether or not worked or sewn into any wearing apparel, and
  (2) precious or semi-precious stones, whether or not set in any furniture, utensil

or other article, or worked or sewn into any wearing apparel.

- Assets must be reported at their cost price. If any asset was disclosed in the wealth tax return, it must be reported at the value at which it was reported in the latest wealth tax return, increased by the cost of improvements incurred (if any) after such date.
- Where an asset has been received by way of gift, will, succession, inheritance, etc. the cost of such reportable asset will be the cost for which the previous owner of the asset acquired it, as increased by the cost of any improvements incurred by the previous owner or the taxpayer, as the case may be.

If the cost at which it was acquired by the previous owner is not ascertainable, and the asset was not disclosed in any wealth tax return, the value may be estimated at the circle rate or bullion rate, as the case may be, on the date of acquisition by the taxpayer, increased by the cost of improvements, if any, or on the 31st day of March, 2016.

The takeaway

The instructions issued by the Government are a welcome step because this guidance clarifies how the disclosure of assets and liabilities is to be made on the *Schedule-AL*. Further, these instructions ease the burden placed on individuals, particularly mobile employees who qualify as RNORs or NRs, as it is now clear that such individuals need to report only those assets and liabilities that are situated in India.

Let's talk

For a deeper discussion about this issue, please contact your PwC Global Mobility Services engagement team or one of the following professionals from PwC India:

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