

ASKED TO TALLY FUNDS IN A/Cs TO FILINGS

NRIs face closer I-T dept scrutiny

Transaction value in many cases of foreign capital infusion also under lens

SURABHI
New Delhi, April 19

TRANSACTIONS OF A section of non-resident Indians (NRIs) have come under the scanner of the income tax department, which suspects due taxes may not have been paid by them. According to sources, an unprecedentedly high number of NRIs have received notices from the tax authorities in recent weeks, asking them to correlate the funds in their bank accounts or investments made by them, with the incomes reported in their tax filings. In many cases, the notices are being sent under Section 148 (A), which means the authorities possess information to the effect that certain income has escaped assessment and believe more tax may be payable.

Though no explicit tax demands have been raised in the current set of notices, tax experts say these could be precursor to assessment orders seeking higher taxes.

Also, the taxman has asked some foreign investors to share information on the capital infusion they have made in Indian firms and the price at which the shares have been bought. The move, according to sources, is because the department feels that transaction value in these cases may be higher than the respective fair market values, and resulted in higher cap-

CAUGHT IN A TAX WEB

■ A number of NRIs have received notices from authorities based on funds in bank accounts or for investments for which no income tax returns have been filed

■ In many of these cases, the department has information that income may have escaped assessment

■ The authorities are also seeking more details from foreign and non-resident investors about funds into Indian companies

■ Experts say with the elevated use of technology, the authorities have easy access to the financial transactions of the taxpayers



ital gains for the Indian entities. It is rare that taxman asks for information from foreign buyers of Indian equities, for assessment of the income of domestic companies.

The details being sought are elaborate and comprehensive, ranging from explanations regarding the source of funds, valuation of investments made, regulatory compliances observed to tax residency certificates, the sources said.

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JLR to invest \$18.66 billion on EVs, autonomous tech

The first of three reimagined Jaguars will be a 4-door GT built in Solihull in the West Midlands, UK.

With power output more than any previous Jaguar, a range up to 700 kms (430 miles), and with an indicative pricing from £100,000, the new Jaguar will be built on its own unique architecture, named JEA. The model will go on sale in

select markets in 2024, for client deliveries in 2025.

As a next step within the 'Reimagine strategy', it was revealed that JLR will move to a 'House of Brands' approach, to amplify the unique character of each of its brands - Range Rover, Defender, Discovery and Jaguar.

Commenting on the 'House of Brands' approach, JLR's chief creative officer, professor Gerry

McGovern OBE said, "The House of Brands, which is a natural evolution, with a purpose of elevating and amplifying the uniqueness of our characterful British marques. Our ultimate ambition is to build truly emotionally engaging experiences for our clients that, over time, will build long-term high equity for our brands and long-term sustainability for JLR."

under which they are mandated to disclose details of infusion of funds from a non-resident above a certain threshold.

The Indian entity is liable to pay tax on such fund infusion if it exceeds the fair market value.

Sandeep Jhunjhunwala, M&A tax partner, Nangia Andersen LLP said the application of myriad technologies coupled with the abundance of information on cross border transactions through statutory compliance by domestic taxpayers has resulted in a metamorphosis in audits conducted by Indian revenue authorities.

Further, the anti-abuse provisions contained in the IT Act cast a burden only on the Indian entity receiving funds to prove the source of capital and other valuation parameters. The obligation to prove source of income, in certain cases, is also knitted with the resident taxpayer with no explicit need to question the non-resident directly.

"In the absence of a specific requirement, foreign investors are finding themselves in a state of dilemma on what could be the end result of the scrutiny initiated by the revenue authorities off late," he said. An email query sent to the Central Board of Direct Taxes on the issue did not elicit a response.

Wipro to new hires: Clear test or exit

"Failure to secure more than or equal to 60% post final supple-



income arising in the country is taxable in India while an Indian resident is required to pay tax on her global income.

Experts noted that the use of data analytics and facilities like automatic exchange of information of bulk taxpayer data has provided the income tax authorities with a larger pool of information on NRIs' transactions.

Kuldip Kumar, personal tax expert and former national leader-global mobility practice, PwC India said that with the more efficient use of technology, the authorities have easy access to the financial transactions of the taxpayers, including for non-residents.

"If any notices are received under Section 148A, taxpayers

should carefully review the transaction and timely respond to such notices furnishing the requisite details. That will help to close the matter, else this may lead to the tax authorities actually issuing notices under Section 148 to scrutinise or assess the taxpayer for the income which escaped taxation in their view," he said.

Abhishek A Rastogi, founder at Rastogi Chambers said the income tax department has been tracking banks accounts and other details and has sent orders to a number of non-resident Indians under Section 148 (A)(d) of the Income Tax Act on why it should not send notices to them under Section 148 for income that has escaped assessment.

"This can lead to wider

reassessment under Section 147. However, many of these orders have been sent in haste at addresses where the NRIs no longer live and due process of law is not being followed," he said, adding that he plans to file a writ petition in the Allahabad high court next week to get many of these orders quashed.

"Principles of natural justice are not followed in various cases by not giving appropriate hearing opportunity," he further noted.

Tax authorities are also seeking more details from a number of foreign and non-resident investors who have infused funds into Indian companies. This is based on the Statement of Financial Transaction reporting by the Indian entity