# CBDT tightens trust income disclosure

Gireesh Chandra Prasad
gireesh.p@livemint.com
NEW DELHI

Income reporting rules for trusts are significant because some of their earnings are not taxed at the level of the entity. MINT

The Central Board of Direct Taxes (CBDT) has amended its rules to improve accuracy and transparency in reporting of income distributed to unit holders by trusts—vehicles used to pool in investments.

The Income-tax (Fifth Amendment) Rules, 2025, notified on Monday, mandate reporting by entities such as real estate and infrastructure investment trusts and securitization trusts in greater detail in order to improve tax compliance.

The amended rules also bring out new forms to be filled out for reporting of income and its distribution to investors by trusts.

The forms are updated for recent legislative changes as well as to modify certain due dates.

Income reporting rules for trusts are significant because some of their earnings are not taxed at the level of the entity as they enjoy a pass-through status and are taxed only in the hands of the investor.

The new rules impact compliance requirements for business trusts such as Reits and InvITs, investment funds like alternative investment funds (AIF) and asset reconstruction company (ARC) trusts relating to the pass-through income earned by them and the share of investors to be taxed in the hands of the investors, explained Sunil Gidwani, partner at Nangia Andersen LLP, a business advisory firm.

**The amendment bring out forms for reporting of income and its distribution to investors by trusts**

The changes are effective from Monday and hence, going forward, any compliance required, especially for financial year 2024-25, would have to be in line with the new rules, said Gidwani.

Business trusts and securitization trusts are required to furnish details of the income distributed by them in a prescribed statement to the tax department as well as to the unit holders on an annual basis, added Anita Basrur, partner at Sudit K. Parekh & Co. LLP, an audit and tax service firm.

These statements were required to be furnished by 30 June after the close of the financial year to the unit holders and to the income tax department by 30 November.

According to the latest notification, the due date for furnishing the statement to the income tax department has been advanced from 30 November to 15 June which has brought business trusts and securitization trusts at par with AIFs, explained Basrur.

Also, the forms in relation to business trusts, securitization trusts and AIFs have been modified to give effect to the change in capital gains tax rates pronounced in Finance Act 2024, said Basrur.

The changes are primarily aimed at simplifying the language and updating the forms in line with the current scheme of taxation of the business trusts, funds and ARC trusts and their respective investors, in addition to certain separate disclosures, said Gidwani of Nangia Andersen LLP.

ENHANCING TRANSPARENCY IN BUSINESS TRUSTS

# CBDT mandates detailed income disclosures

KHUSHBOO TIWARI
Mumbai, 26 February

The government has amended income-tax norms to enhance transparency in reporting income distributed by trusts such as Alternative Investment Funds (AIFs), Real Estate Investment Trust (Reits) and Infrastructure Investment Trust (Invits).

In a notification dated February 24, the Central Board of Direct Taxes (CBDT) introduced new reporting forms which will require detailed income disclosures. CBDT has also changed the timelines for filing the income statements from November 30 to June 15.

"Since the data of income to be furnished to the investors is linked to the aggregate income of the investment vehicle and the investor's form has to be downloaded from government portal, it makes sense to advance the date for filing with the government before the information to be furnished to the investors," said Sunil Gidwani, Partner, Nangia Andersen LLP.


For tax purposes, business trusts such as Reits, Invits and certain AIFs get the pass-through status and are not taxed on the income earned by them. For such investments, investors are taxed directly on their share of income while the business trust issues a certificate disclosing their income. The amended norms say that the statement of income is also to be filed online and the form furnishing to the unitholders are to be generated online.

The new norms also mandate separate disclosure of dividend and income distributed on units.

"Dividend referred to in section 10(23FC) which in the new form is required to be disclosed separately for dividend paying companies who have optioned for a lower rate of tax at 22 per cent and the other companies. Similarly, income distributed on units referred in Section 56(2)(xii) is to be disclosed separately. This pertains to distribution more than the cost of the unit brought to tax effective last financial year," explained Gidwani.

Experts said that the amendments reflect updates in the capital gains tax provisions under the Finance Act and simplify the language and disclosure norms.

"The recent income tax amendments which have streamlined reporting by entities such as real estate and infrastructure investment trusts and securitisation trusts in greater detail is a step ahead for building a robust tax compliance system. We anticipate simplification and transparency as several forms stand updated in line with the applicable laws," said Aurelia Menezes, Partner, King Stubb & Kasiva, Advocates and Attorneys.