

Enhancing Tax Transparency on Foreign Assets & Income: Understanding CRS & FATCA

A. Purpose of CRS and FATCA

In this globalized economy, tax transparency and compliance has become paramount to ensure that taxpayers disclose their global income and assets accurately. The **Common Reporting Standard (CRS)** and the **Foreign Account Tax Compliance Act (FATCA)** are international frameworks designed to combat tax evasion by increasing transparency and cooperation among tax authorities worldwide.

CRS, is an initiative of the OECD, requiring financial institutions to report information about financial accounts held by foreign residents to their respective tax jurisdictions. This information is then exchanged with other jurisdictions annually. Similarly, **FATCA**, enacted by the United States, mandates foreign financial institutions to report accounts held by U.S. taxpayers to the IRS.

B. Information shared under CRS/ FATCA Schema

Under CRS and FATCA schema, India receives detailed information about financial accounts held by its residents in foreign jurisdictions. This may include the account holder's name, address, and tax identification number (TIN), account number and balance, and income details such as interest, dividends, and other financial proceeds.

Under the CRS data structure, information may have the details including (but not limited to) account number, account holder; controlling person (individuals who have ultimate control over the entity) details with fields of resident country code, tax identification number, name, address, nationality, birth information; account balance; and payment types such as interest, dividend, gross proceeds/ redemptions and others.

Under the FATCA data structure, information may have the details including (but not limited to) account number, currency code and entity type associated with the account i.e., individual or organization, payment type – interest, dividend, gross proceeds/ redemptions and other; payment amount. The Individual type may have details of resident country code, tax identification number (TIN – PAN, in case of India), name, address, nationality and birth information. The Organization type may have resident country code, identification number (can be TIN, CIN, US-IRS allotted GIIN, Global EIN or others), name and address.

This information helps the Income Tax Department to know global income of resident taxpayers and to identify taxpayers who may not have reported their foreign assets and income.

C. Disclosure Requirements under Indian Law

Income-tax Act, 1961 require residents to report their foreign assets and income in their Income Tax Returns (ITR). Specifically, Schedule FA (Foreign Assets) in the ITR form is meant for reporting foreign assets, and Schedule FSI (Foreign Source Income) is for reporting income from foreign sources. Additionally, taxpayers can claim tax relief on taxes paid abroad by filing Schedule TR (Tax Relief) along with Form 67 online.

Failure to report foreign assets and income can attract assessment and also stringent penalties and prosecutions under the **Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015**. It is crucial for taxpayers to comply with these regulations to avoid legal consequences.

D. Benefits of Transparency in Tax Returns

1. **Compliance and Good Governance:** Transparency in declaring global income and reporting foreign assets in tax returns reflect a taxpayer's commitment to compliance and good governance. It builds trust with tax authorities and avoids unnecessary scrutiny.
2. **Legal Security:** Full disclosure of foreign assets and income ensures that taxpayers are not exposed to penalties and legal actions under relevant laws.
3. **Claiming Tax Reliefs:** Accurate reporting allows taxpayers to claim tax relief on taxes paid outside India, preventing double taxation and optimizing their tax liabilities.
4. **Contribution to National Development:** Paying the correct amount of tax and declaring global income contributes to national development. It ensures that funds are available for public services and infrastructure development.

E. Reporting Foreign Assets and income in Returns

By filling Schedule FA / FSI/ TR in Income-tax Return, taxpayer can:

- Ensure complete and accurate disclosure of all foreign assets and income
- Avoid assessments, penalties and other legal consequences for non-disclosure
- Avail any eligible tax reliefs under the provisions of Indian tax laws and DTAA.

This is a proactive step towards maintaining compliance and transparency in taxpayer's tax affairs.

F. Opportunity to File Revised Returns

If the taxpayer has failed to report his/ her foreign assets and income in his/ her original ITR, there is an opportunity to rectify this through filing a revised return. The Income Tax Department allows taxpayers to correct any omissions or inaccuracies by filing a revised return. It is worthwhile to mention that selection of proper return form is essential for filling of Schedule FA in return. ITR-1 and ITR-4 do not have Schedule FA, therefore, taxpayers are advised to fill return forms other than ITR-1 and ITR-4 for filling Schedule FA, while filing revised return. For the A.Y.2025-26 revised return can be filed up to 31.12.2025.

G. Conclusion

The Income Tax Department aims to remind taxpayers of their obligation to report foreign assets and income reported under CRS and FATCA. By adhering to these requirements and ensuring full transparency in tax returns, taxpayers can avoid legal hassles, contribute to national development, and maintain a clear conscience.

Step-by-Step Guide to Fill FSI, TR, and FA Schedule in ITR

1. Understanding Foreign Assets and Income Disclosure

If a taxpayer has any assets outside of India—such as immovable property, bank accounts, investments, or other assets—or earns income from foreign sources, careful attention must be paid during the Income Tax Return filing process.

2. Selecting the Appropriate ITR Form

Taxpayers must select an ITR form that includes a specific section called Schedule FA (Foreign Assets). The two simplest Income Tax return forms—ITR-1 and ITR-4—do not contain the required Schedule FA section.

Important: Taxpayers with any foreign assets or income should not file using ITR-1 or ITR-4, as these forms lack the necessary reporting schedules for foreign disclosures.

3. Schedule FSI: Details of Income from Outside India and Tax Relief

Applicability and Scope:

Schedule FSI applies to taxpayers who are residents of India. In this schedule, taxpayers must report all income that accrues or arises from sources outside India. Importantly, such income must also be separately reported in the head-wise computation of total income, with the relevant head of income clearly indicated.

Key Information to Provide

- **Country Code:** Use the International Subscriber Dialling (ISD) code of the country where the income originates.
- **Taxpayer Identification Number (TIN):** Enter the TIN of the assessee in the country where tax has been paid. If the country has not allotted a TIN, provide the passport number instead.
- **Tax Relief and DTAA Details:** If tax has been paid outside India on foreign source income and tax relief is being claimed in India, mention the relevant article of the applicable Double Taxation Avoidance Agreement (DTAA).
- **Form 67 Requirement:** Ensure that details of foreign tax credit and income are reported in Form 67 to claim the credit in India.

4. Schedule TR: Summary of Tax Relief Claimed for Taxes Paid Outside India

Applicability and Scope:

Schedule TR provides a consolidated summary of tax relief being claimed in India for taxes paid outside India with respect to each country. This schedule consolidates the detailed information furnished in Schedule FSI.

Required Entries

- **Column (a) and (b) — Country Code and TIN:** Specify the relevant country code using the International Subscriber Dialling (ISD) code and provide the Taxpayer Identification Number (TIN). If a TIN has not been allotted in that country, substitute the passport number.

- **Column (c) — Tax Paid Outside India:** Mention the tax paid on the income declared in Schedule FSI. This will be the total tax paid under column (c) of Schedule FSI for each country.
- **Column (d) — Tax Relief Available:** Specify the tax relief available, which will be the total tax relief available under column (e) of Schedule FSI for each country.
- **Column (e) — Provision of Income-tax Act:** Specify the provision under which tax relief is being claimed—namely, section 90, section 90A, or section 91.

5. Schedule FA: Details of Foreign Assets and Income from Any Source Outside India

Applicability and Scope:

Residents of India are required to furnish details of any foreign assets in this schedule. In case you are a resident in India, the details of all foreign assets or accounts in respect of which you are a beneficial owner, a beneficiary or the legal owner, is required to be mandatorily disclosed in the Schedule FA. For this purpose,

(a) Beneficial owner in respect of an asset means an individual who has provided, directly or indirectly, consideration for the asset and where such asset is held for the immediate or future benefit, direct or indirect, of the individual providing the consideration or any other person.

(b) Beneficiary in respect of an asset means an individual who derives an immediate or future benefit, directly or indirectly, in respect of the asset and where the consideration for such asset has been provided by any person other than such beneficiary.

If the taxpayer is both legal owner and beneficial owner, the legal owner status should be mentioned in the ownership column. However, Schedule FA need not be completed if the taxpayer is classified as "not ordinarily resident" or a "non-resident."

Mandatory Disclosure Rules: Residents of India must disclose all foreign assets or accounts in respect of which they are beneficial owners, beneficiaries, or legal owners. This disclosure requirement is comprehensive and covers all types of foreign holdings.

Overview of Tables A1 to G

Taxpayers must furnish details of foreign assets or accounts of the following nature, held at any time during the relevant calendar year ending on December 31st:

Table A1 — Foreign Depository Accounts

Accounts held in foreign depositories, including peak balance, closing balance, and gross interest paid or credited during the calendar year.

Table A2 — Foreign Custodian Accounts

Accounts maintained with foreign custodians, including peak balance, closing balance, and gross amounts paid or credited (specified by type: interest, dividend, proceeds from sale, or other income).

Table A3 — Foreign Equity and Debt Interest

Investments in foreign equities and debt instruments, including initial value, peak value, closing value, gross interest paid, total gross amounts paid or credited, and proceeds from sale or redemption.

Table A4 — Foreign Cash Value Insurance or Annuity Contracts

Insurance or annuity contracts held abroad, including the cash or surrender value as at year-end and total gross amounts paid or credited during the calendar year.

Table B — Financial Interest in Any Entity Outside India

Details of holdings in foreign entities, including investment value at cost, nature and amount of income accrued, and the portion of foreign source income chargeable to tax in India, along with the relevant ITR schedule where income was offered to tax. For the purposes of disclosure in table B, financial interest would include, but would not be limited to, any of the following cases:

(1) the resident assessee is the owner of record or holder of legal title of any financial account, irrespective of whether he is the beneficiary or not

(2) the owner of record or holder of title is one of the following:

- (i) an agent, nominee, attorney or a person acting in some other capacity on behalf of the resident assessee with respect to the entity;
- (ii) a corporation in which the resident assessee owns, directly or indirectly, any share or voting power;
- (iii) a partnership in which the resident assessee owns, directly or indirectly, an interest in partnership profits or an interest in partnership capital;
- (iv) a trust of which the resident assessee has beneficial or ownership interest.
- (v) any other entity in which the resident assessee owns, directly or indirectly, any voting power or equity interest or assets or interest in profits.

Table C — Immovable Property Outside India

Details of foreign immovable property holdings, including investment value at cost, nature and amount of income derived, and the portion chargeable to tax in India, with reference to the relevant ITR schedule.

Table D — Other Capital Assets Outside India

Details of other capital assets held abroad (excluding stock-in-trade and business assets), including investment value at cost, nature and amount of income derived, and the portion chargeable to tax in India.

Table E — Foreign Accounts with Signing Authority

Details of foreign accounts in which the taxpayer holds signing authority but are not reported in tables A1 to D, including peak balance or total investment value at cost.

Table F — Trusts Created Outside India

Details of trusts established under the laws of a country outside India in which the taxpayer serves as trustee, beneficiary, or settlor, including the amount of income derived from such trusts that is chargeable to tax in India.

Table G — Other Foreign-Source Income

Details of any other income derived from foreign sources not included in tables A1 to F, along with the amount that is chargeable to tax in India.

6. Currency Conversion and Valuation Guidelines

Exchange Rate Conversion: All peak balances, values of investment, and amounts of foreign-sourced income must be converted into Indian currency using the telegraphic transfer buying rate of the foreign currency as on the relevant date: the date of peak balance in the account, the date of investment, or the closing date of the calendar year ending on December 31st.

Telegraphic Transfer Buying Rate Definition: The telegraphic transfer buying rate, in relation to a foreign currency, is the rate of exchange adopted by the State Bank of India (constituted under the State Bank of India Act, 1955) for buying such currency, having regard to guidelines specified by the Reserve Bank of India for buying such currency through telegraphic transfer.

Calendar Year Reference: For Assessment Year 2025-26, the calendar year ending on December 31st comprises the period from January 1, 2024, to December 31, 2024, in respect of foreign assets or accounts.

7. Important Clarifications

Concurrent Reporting in Schedule AL: Even if foreign assets have been held during the previous year and duly reported in Schedule FA, such assets are still required to be reported in Schedule AL (if applicable). Dual reporting ensures complete transparency and compliance with all disclosure requirements.