

# Opinion | Disclosure requirements in tax return forms are becoming too intrusive

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Would we end up giving details of each and every personal expense that we incur?

Topics

Tax Return

Every year, the disclosure requirements in ITR forms, besides your income and the taxes thereon, invariably keep increasing. The ITR forms notified so far for assessment year 2020-21 continue this trend. Now you are also required to disclose whether you have incurred expenditure exceeding ₹2 lakh for travel to a foreign country for yourself or any other person, and whether you have incurred expenditure exceeding ₹1 lakh on consumption of electricity during the year, with the amount of expenditure in both cases. That too, these disclosures are for the simpler form—Sugam—which applies to taxpayers whose income profile is simple and low. One shudders to think what disclosures will be prescribed in ITR forms for other taxpayers.

This is in addition to other information you are already required to disclose. Taxpayers with foreign assets and income have to give excruciating details. Details of unlisted shares with cost, disclosure of directorships, and details of all bank accounts have to be provided.

Taxpayers with income of more than ₹50 lakh have to give umpteen disclosures of assets owned by them—full details of all immovable properties (with cost), cost of jewellery and bullion, cost of paintings and artefacts, cost of vehicles, total amount of bank deposits, cost of shares and securities, cost of insurance policies, total loans and advances, and cash in hand. Though you may not be required to maintain books of account by law, practically, you willy-nilly may have to do it to ensure proper compliance.

The increased disclosure requirement creates a huge compliance burden on taxpayers, who will require significant time to collate such information and to ensure proper reporting, besides increasing the risk of making mistake while filing ITR. It discourages new taxpayers from filing their ITR. It also requires disclosure of a significant amount of personal information, encroaching more and more on taxpayer privacy. Is this really justified?

Does the tax department already not have significant information on many of these items obtained from Specified Financial Transaction (SFT) reports? What purpose does such disclosure by the taxpayer serve?

The purpose of such detailed disclosure is ostensibly to cross-check information and check tax evasion. Effectively, the burden of disclosure on taxpayers is being increased, and the tax authorities will merely match it with the information they have in their systems, collected from other sources, such as SFT reports.

However, that certainly is not the case with foreign travel expenses or consumption of electricity. These are personal expenses, which do not form part of SFT filings. Can the tax authorities simply not obtain these details through SFT along with PAN, as in the case of other transactions, instead of asking all taxpayers to provide this information? Besides, obtaining such information through SFT will facilitate detection of persons who are not currently filing their tax returns. Disclosure in tax returns only burdens existing tax return filers, and not those who do not do so.

Where will this end? Would we finally end up having to give details of each and every personal expense that we incur, just because tax authorities are unable to efficiently detect tax evasion? There certainly has to be some limits to intrusion by tax authorities into honest taxpayers' personal lives.

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