

Opinion | Why should compliant taxpayers pay for the sins of a few tax evaders?

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- The days of simplification of tax returns seems to be a distant memory
- One needs to have expert advice of high quality to be able to fill up the tax returns without making any mistake

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The government notified the new income-tax return forms on 1 April 2019. There are many significant changes in the tax return forms that now require much greater disclosures by taxpayers. However, neither the instructions nor the software for filling up and uploading tax returns has been made available yet. This means that you may not be able to file your returns as yet. However, you may need to start gathering the required information right away, so as to be able to file your tax returns in time.

One of the significant changes made in this year's [tax returns](#) is the requirement to disclose whether you have held unlisted equity shares at any time during the year. If you have held such shares, you are required to give the name of the company, its [permanent account number \(PAN\)](#), opening balance, shares acquired during the year, shares transferred during the year and closing balance, with the number of shares and value. The objective, perhaps, is to track the genuineness of shareholding in unlisted companies, which, the government believes, are often being used for manipulative transactions.

An unlisted company would normally not only include a private limited company, but also a public limited company whose shares are not listed. This would also include a company whose shares have been delisted from the stock exchanges for non-compliance. Many shareholders may be holding shares of companies bought on the stock exchange, but due to financial or other problems, the company may have got delisted and may now not even be corresponding with shareholders for the past

several years. In most such cases, shareholders are not even aware of whether the company is still in existence.

Most shareholders who have been investing regularly in the stock markets would be having at least one or more such companies in their portfolios, which have turned out to be duds.

So are you required to give the details of such companies in your [tax returns](#), even though you are not aware whether they still exist or not? Strictly speaking, you are required to disclose your shareholding in such companies, though the intention does not appear to be so. In fact, you may be prosecuted for not declaring the correct details in the return. Would you then want to take any chances?

Further, how many shareholders know the PAN of the companies we have invested in? Details of PAN are not available in any public database, to be able to trace it online. In most cases, therefore, one would have to get the details from the company. But what if the company does not respond? One would have no recourse in such cases. Imagine the terrible situation if the PAN of the company is a mandatory requirement, and you cannot furnish your return just because you are unable to obtain it. You would then be exposed to a late filing fee, penalty and a further likelihood of prosecution.

The government needs to realise that all investment in unlisted companies are not necessarily in cases where the shareholder is closely associated with the management. There are many cases where shares of unlisted companies have been allotted to shareholders of listed companies. Getting information from such companies will consume much time and energy of taxpayers. It would have been much easier if such information was sought only in cases where one has made an investment in an unlisted company during the year, for which the details of the investment can be easily provided.

Similarly, in case of agricultural income, one now has to provide the details of the gross income, and the expenses incurred. Where the agricultural income exceeds ₹5 lakh, one has to also give the name of the district and the PIN code where the land is located, the measurement of the land in acres, whether the land is owned or held on lease and whether it is irrigated or rain-fed. There seems to be enough space in the return only to disclose one plot of land. What does one do if one has multiple plots of agricultural land located in different districts? If not fully disclosed, this could also be regarded as a false declaration.

Here, too, the purpose seems to be to keep a track of bogus disclosure of agricultural income, which is not commensurate with the area of the agricultural land. Not disclosing all the plots of land would unnecessarily result in an adverse assumption, resulting in unwarranted scrutiny.

There are quite a few more additional disclosures required in the new returns, such as details of companies in which one is a director, number of days one stays in India during the year and in the last four years (fortunately, this is meant only for non-resident Indians or persons of Indian origin), etc., all of which only make filing returns more complex. The days of simplification of tax returns seems to be a distant memory. One needs to have expert advice of high quality to be able to fill up the [tax returns](#) without making any mistake. Further, mistakes can invite severe penalties.

We now seem to be getting into a situation where a large number of compliant taxpayers have to pay for the sins of a small number of tax evaders through increased compliance. The costs of compliance now far outweigh the benefits of curbing tax evasion through such additional disclosures

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