I am a senior citizen holding Income Tax records for 40 years. Am I supposed to keep them forever?

How long should your keep old ITR records: ITR filers should retain their records/documents for up to 10 years from the end of the assessment year. Keeping digital records is advised.

Written by **Rajeev Kumar**

Updated: September 19, 2023 10:40 IST

Follow Us

X

Know how long should you keep old ITR records. Representational image/Pixabay

A.R. Ramasubramaniam retired from job 20 years back and is currently living in a 500 sqft apartment in Pune. He has been keeping Income Tax Return papers and records, including documents related to his wife, mother and in-laws, for the last 40 years. As these documents are gathering dust and slowly falling apart in his tiny apartment, Ramasubramaniam shared with us his concern: "Am I to preserve all this forever?"

In an email sent to FE Money, Ramasubramaniam asked whether it is allowed to get rid of tax records if they are older than a specific number of years.

Ramasubramaniam is not alone in keeping old ITR records. Early this month, Jag Mohan Soni, a Delhi resident, also shared with us that he has been keeping old tax documents that go back to 2008-09. Soni feels he is unnecessarily holding the old tax papers but wants clarity on what the law says about old tax records.

[redacted]

Such is the fear of income tax that honest taxpayers go to any length to ensure their integrity is never questioned by authorities. Be it Ramasubramaniam in Pune or Jag Mohan in Delhi, there are probably many more elderly taxpayers who have been holding on to their ITR papers for decades. FE Money talked to several tax and legal experts to explain what the rules say regarding old tax records. *Read on to know what they said*:

Abhishek Nangia, Senior Associate, SKV Law Offices

As per the Income Tax Act 1961, there is no such provision as to for how many years, ITR fillers should keep their old ITR documents. However, in terms of Section 149 of the Income Tax Act, the Income Tax department can issue notice for up to 10 years period in case of income escaping assessment. For example, if an individual has filled his ITR in FY 2023-2024, then he/she must retain the ITR documents for the next 10 years i.e., FY 2033-2034.

Hence, it is advisable for the ITR fillers to retain the ITR papers for a period of at least 10 years, till the time the Income Tax department can issue notice under Section 149 of the Income Tax Act.

Also Read: My wife and I have been carrying our PAN cards for the last 35 years. Should we replace them now?

Himanshu Sachdeva, Senior Associate at TAS Law

The Income Tax Act 1961 does not specify the time period for which an individual Taxpayer should keep their ITR papers. However, Section 149 of the Income Tax Act specifies a time limit during which the Income Tax authorities can send a notice under Section 148 of the Income Tax Act, i.e. 10 years from the date of filing the ITR to submit a relevant record of the filing of ITR in the said timeline.

However, if the individual earns any kind of income from foreign assets or holds a financial interest in any foreign organization, then he must keep the ITR documents for 20 years.

Additionally, retaining ITR records beyond the prescribed period can be helpful in case of any future tax-related disputes or assessments, as it provides evidence of your financial transactions and tax compliance. Therefore, it's a good practice to keep your tax records organized and secure for an extended period.

Pallav Pradyumn Narang, Partner, CNK

As per the Income Tax Act, 1961, in general, the Income Tax Department can reopen an assessment up to 4 years from the end of the relevant assessment year where the escapement is less than Rs 1 lakh, up to 6 years if the escaped income is beyond Rs 1 lakh and upto 16 years in cases where the incomes are in relation to any asset located outside India.

Ordinarily, the assessee would not need to maintain documents beyond a period of 4 years from the end of the relevant assessment year. However, in practice, it has been seen that erroneous demands have been raised by the tax department for periods going back more than 10 years. In such a situation, this can lead to difficulties in resolving tax-related disputes, potential penalties, or even demands for additional tax payments.

The best practice in this case would be to digitize the files and retain soft copies. Scanning and saving them as digital files doesn't take up physical space and ensures you have a backup in case of any unforeseen circumstances or requirements.

Also Read: Sold ancestral property? Know the rules for parking or investing sale proceeds to save tax

Nikhil Varma, Managing Partner, MVAC Advocates & Consultants

It is advisable for ITR filers to retain their old ITR papers and related financial documents for up to 10 years from the end of the assessment year. This practice not only complies with legal requirements but also serves as a safeguard in case of audits, disputes, or the need to substantiate income, deductions, and tax payments.

Additionally, maintaining digital copies of ITR filings is increasingly important, as tax authorities accept digitally signed and filed returns, and this ensures accessibility and ease of retrieval during potential inquiries.

Key points taxpayers should keep in mind

– ITR filers should retain their old ITR papers and related financial documents for up to 10 years from the end of the assessment year.

– If an individual is earning any kind of income from foreign assets or holds a financial interest in any foreign organization, then he must keep the ITR documents for 20 years.

– A tax notice can be sent to a taxpayer if he has escaped reporting their full income in past. The conditions for such notice are the following:

- The IT Dept can reopen an assessment for up to 4 years where the escapement is less than Rs 1 lakh.
- The assessment can be reopened for up to 6 years if the escaped income is beyond Rs 1 lakh
- The assessment can be reopened for up to 16 years in cases where the incomes are in relation to any asset located outside India.

– If a taxpayer feels he may face any tax-related dispute or assessment in future then he should keep the records for an extended period.

– The best practice would be to digitize the files and retain soft copies of ITR records that may be questioned in future.