

## Scope of Statement of Financial Transaction (SFT) widened to include Dividend Income and Interest income

---

### Introduction

Section 285BA of the Income Tax Act, 1961 and Rule 114E requires specified reporting persons to furnish statement of financial transaction (SFT). The SFT has to be filed by specified person electronically in Form No. 61A on or before 31<sup>st</sup> May immediately following the end of the financial year. However, due date for SFT for the year ended 31<sup>st</sup> March 2021 has been extended from 31<sup>st</sup> May 2021 to 30<sup>th</sup> June 2021.

Recently, CBDT vide notification no. 16/2021 dated 12/03/2021 has inserted sub rule 5A to rule 114E to include reporting of information relating to Capital Gains on transfer of listed securities / units of mutual funds, Dividend Income and Interest Income in the statement of financial transactions. Further, CBDT vide notification dated 20/04/2021 has also specified format, procedure and guidelines for submission of SFT for Dividend and Interest Income.

### Reporting of Dividend Income

Every company (public and private company) shall report the amount of dividend distributed during the financial year to every person in the statement of financial transaction. A company is required to upload the following information of the person to whom dividend is paid/credited in the SFT:

Name of the person	Pin code of the person*
PAN of the person	Mobile Number of the person*
Aadhar of the person*	E-mail ID of the person*
Complete Address	Amount of Total Dividend Paid/Credited during the year

### Procedure for Reporting Dividend Income (SFT-015)

1. Company is required to prepare the CSV file using the excel based report preparation utility in the prescribed format from their internal system.
2. Then, this CSV file is required to be validated using the Submission Utility.
3. The validated CSV file to be signed and verified by Designated Director using the same Submission Utility to generate a Secure Statement Package (.tar.gz file).
4. The Secure Statement Package (.tar.gz file) will then be uploaded either directly on the reporting portal.
5. An acknowledgement message will be displayed on successfully uploading the SFT-015.

---

\*Not Mandatory

Apparently, there is no threshold limit prescribed by the Rules for reporting transactions pertaining to Dividend income in the SFT and hence even a meagre amount of dividend distributed by a company to a person would have to be reported in the statement.

### Reporting of Interest Income

Every banking company or co-operative bank or post master general or registered deposit taking NBFC is required to submit SFT-016 for interest income (other than interest income exempt from tax) exceeding Rs.5,000/- paid or credited during the financial year to every person.

Following details/information have to be uploaded in respect of the interest income exceeding Rs.5,000/- during the financial year:

Name of the person	Pincode of the person*
PAN of the person	Mobile Number of the person*
Aadhar of the person*	E-mail ID of the person*
Complete Address	Amount of Total Interest Paid/Credited during the
Type of Account	year
Account Number	

### Reporting of Other Specified Transactions

The Statement of Financial Transaction (SFT) is required to be furnished in Form No. 61A in respect of following specified transactions undertaken during a financial year by the specified persons:

Sr. No.	Nature of Transaction	Monetary Limits	Reporting Person
1	Receipt of cash payment for sale of goods or services of any nature from a person.	2 Lacs Per transaction	Any person who is subject to Tax audit.
2	Receipt from a person for issue of securities (including share application money)	10 Lacs (In aggregate during the year)	Any Company
3	Buy back of shares from a person (other than shares bought in the open market)	10 Lacs (In aggregate during the year)	Listed Company
4	Receipt from a person for acquisition of bonds or debentures issued by the company (other than renewal of bond or debenture)	10 Lacs (In aggregate during the year)	Company issuing bonds or debentures

\*Not Mandatory

Apart from the above-mentioned transactions, there are many other transactions covered under Rule 114E that need to be reported in Form No. 61A by specified persons such as Banking Companies, Post Master General, Nidhi Companies, Trustee of Mutual Funds, Authorized Person under FEMA, NBFCs, etc., based on specified monetary limits.

Further, note that for each SFT code a separate Form 61A needs to be prepared by the reporting entity.

### Consequences in case of failure to furnish SFT

- If a person fails to furnish the specified statement, penalty of Rs.500 per day of default will be levied.
- However, if the assessee receives any notice from the department for filing the statement, then it must be filed within the limit of 30 days from the date of service of notice. In case of any default in filing the statement in response to such notice, the penalty shall be Rs.1,000 per day of default.
- If a person furnishes inaccurate particulars in SFT, a penalty of Rs.50,000 could be charged.

### Comments

The advancement in technology has resulted in bringing more and more compliance responsibilities on the assessee who cannot afford to ignore the above provisions as there are severe consequences in case of failure to report the transactions and also in case of furnishing incorrect information. So, keeping all these things in mind, tax payers not only need to upgrade their systems but also be responsible on the compliance part.

*Disclaimer: The write-up is based on our interpretation of various prevailing laws, rules and regulations as on date. The information contained in this write up is to provide a general guidance to the intended user. The information should not be used as a substitute for specific consultations. We recommend that professional advice is sought before taking any action on specific issues. No part of this document should be distributed or copied by anyone without express written permission of the publisher.*