

What's New

News Flash



June 2017

CBDT and SEBI mandate the reporting of interest and dividend information in case of custodial accounts

In 2015, the Indian revenue authorities amended the Income-tax Rules, 1962 (Rules) to legislate a framework for the Foreign Account Tax Compliance Act (FATCA) and the Common Reporting Standard (CRS) reporting in India and mandated Reporting Financial Institutions (RFIs) for maintaining and reporting information on reportable accounts.

As per Rule 114G(1)(e)(i) of the Rules, RFIs that held custodial accounts were mandatorily required to report the following information:

- The total gross amount of interest, the total gross amount of dividends and the total gross amount of other income generated with respect to the assets held in the account, in each case paid or credited to the account (or with respect to the account) during the calendar year.
- The total gross proceeds from the sale or redemption of financial assets paid or credited to the account during the calendar year with respect to which the reporting financial institution acted as a custodian, broker, nominee or otherwise, as an agent for the account holder.

In practice, in the absence of information, RFIs faced challenges in reporting these details for reportable accounts. To address this, the Securities and Exchange Board of India in consultation with the Central Board of Direct Taxes, Department of Revenue, Ministry of Finance *vide* Circular No. 59/ 2017 dated June 15 2017 has clarified:

- a) Depositories shall provide an additional field in the depository system to Registrar and Transfer Agents (RTAs) by 15 July, 2017, whereby RTAs can incorporate the details of corporate action *viz.* dividend/ interest in rupee terms, per unit of the security at the time of corporate action. Depositories shall make available such information to Depository Participants (DPs) to enable them to perform the necessary reporting.
- b) The reporting of dividend/ interest is to be done by DPs on “entitlement” basis and not on actual payment received by the demat account holder.
- c) If a demat account is identified as a “reportable account” during a calendar year by the DPs, the reporting is to be done for the dividend/ interest entitlements during the entire calendar year, i.e., including the period of the calendar year before identification of such account as a “reportable account” by the DP.

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