

# No way to declare exempt gift in ITR

● These can trigger an I-T notice if not properly reported



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**CONCERNS HAVE BEEN** voiced about notices issued by the Income Tax (I-T) Department regarding non-taxable gifts received from family members. While such gifts are legally exempt from tax under certain conditions, the lack of a designated reporting section in income tax return (ITR) forms has created confusion and led to unnecessary scrutiny.

## Understanding non-taxable gifts

Under the Income Tax Act, gifts received from specified relatives—such as parents, siblings, or spouses—are fully exempt from tax, irrespective of their value. Similarly, gifts received on special occasions like marriage or through inheritance are also exempt. Despite these exemptions, confusion arises because the ITR lacks a dedicated section to report such exempt income. When high-value transactions, such as money transfers or property gifts, are flagged by banks or financial institutions, the I-T Department may find it challenging to reconcile them with the information provided in the ITR. This discrepancy often prompts the issuance of notices, seeking verification of the nature and source of these transactions.

## Responding to I-T notices

Receiving a notice can be

intimidating, but a timely and accurate response can resolve the issue efficiently. Here's how you can proceed:

Review the notice carefully: Identify the specific section under which the notice has been issued and understand the information being sought.

Gather supporting documents: Compile all relevant documentation, such as gift deeds or declarations signed by the donor mentioning the relation of the donor and donee. Bank statements reflecting the transfer. Proof of relationship with the donor (e.g., birth certificates, marriage certificates).

Draft a response: Explain the nature of the gift and its exemption under the I-T Act. Attach the supporting documents to substantiate your claim.

Submit your response: You can respond to the notice through the income tax portal under the 'Pending Actions' tab. Navigate to 'Response to Outstanding

Demands,' select 'Disagree with Demand,' and provide an explanation stating that the transaction is exempt from tax. It is essential to attach a copy of the gift deed executed during the transfer, clearly indicating it as a genuine gift without consideration.

While non-taxable gifts from family are legitimate and exempt from income tax, the lack of a dedicated reporting mechanism in ITR forms has led to avoidable complexities. Thus, it is imperative to introduce a dedicated section in the ITR forms for reporting gifts. Such a provision would allow taxpayers to declare exempt gifts transparently, ensuring that these transactions are distinguished from taxable income. This would not only simplify compliance but also reduce the administrative burden. By explicitly acknowledging exempt gifts in the tax return process, the system can foster greater clarity and trust.

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**Gifts from non-relatives are taxable if their aggregate value exceeds ₹50,000 in a financial year**