

Guidance Note Form 78 – Statement of Income Distributed by Investment Fund to Unit Holder

Name of form as per I.T. Rules, 1962	Form 64C	Name of form as per I.T. Rules, 2026	Form 78
Corresponding section of I.T. Act, 1961	115UB	Corresponding section of I.T. Act, 2025	224
Corresponding Rule of I.T. Rules, 1962	12CB	Corresponding Rule of I.T. Rules, 2026	145

Purpose

Form 78 is an individual unit holder statement provided by Investment Funds to each unit holder reporting income distributed during the tax year under Section 224 of the Income Tax Act, 2025. Form 78 is furnished under Rule 145 of the Income Tax Rules, 2026.

Who Should File

The person responsible for paying or crediting income on behalf of the Investment Fund (typically the Fund Manager or designated official) must furnish Form 78 to each unit holder. This applies to Category I and Category II Alternative Investment Funds (AIFs) registered with the Securities and Exchange Board of India (SEBI)/ IFSCA that have pass-through taxation status.

Frequency & Due Dates

Filing Type	Period Covered	Due Date for Furnishing
Individual Unit Holder Statement	Tax year	30th June of the financial year immediately following the tax year during which income was paid or credited

Structure of Form 78

Personal Information of the Unit Holder

Complete details of the unit holder receiving income distribution:

- Tax Year, Name of the unit holder, Permanent Account Number (PAN)
- Complete residential address, Phone Number with STD code, Email Address

Basic Details of the Investment Fund

- Name of the Investment Fund, PAN

Income Distribution Details

Detailed classification of income or loss [after ignoring the loss under section 224(2)(b)] paid or credited/deemed to be credited by the Investment Fund to the unit holder during the tax year is to be reported in the tabular format along with supporting capital gain code. Here the date of payment or credit is newly added.

Details of deemed loss as on 31st March, 2019 in terms of section 224(3) (to be passed to the unit holder holding unit on 31st March, 2019).

Since details in Form 78 are system generated out of details/information provided in Form-64D/79, the reporting requirement is limited.

Verification and Declaration

The form must be verified by the person paying or crediting income on behalf of the Investment Fund, declaring that the information provided is correct and complete to the best of their knowledge and belief, and confirming their capacity and competence to furnish the statement.

What are the documents required to furnish Form 78

Form 78 is automatically generated from the data filed in Form 79 (parent form) through the e-filing portal specified by the Principal Director General of Income-tax (Systems) or Director General of Income-tax (Systems). No separate documents need to be attached to Form 78 as it is a statement derived from the parent Form 79.

Filing Count

The total filing count of Form 78 in last three years is 2632.

What is the process flow of furnishing Form 78

The process flow includes the following steps:

1. Investment Fund [Category I or Category II AIF or regulated under IFSCA (Fund Management) Regulations, 2022] earns income from various investments during the tax year.
2. Investment Fund distributes or credits income to unit holders during the tax year (or deemed credit as per section 224(6)).

3. Investment Fund files consolidated Form 79 with the Income Tax Department containing details of all unit holders and income distributed.
4. Upon successful filing of Form 79, the e-filing portal automatically generates individual Form 78 statements for each unit holder based on the unit holder-wise data captured in Form 79.
5. The Investment Fund downloads Form 78 statements from the web portal specified by the Principal Director General of Income-tax (Systems) or Director General of Income-tax (Systems).
6. Form 78 is furnished to each unit holder by 30th June of the financial year following the tax year during which income was paid or credited.
7. The Principal Director General of Income-tax (Systems) or Director General of Income-tax (Systems) specifies the procedure, formats and standards for generation and download of statement in Form 64C from the web portal and is responsible for day-to-day administration.

Outcome of Processed Form 78

For Investment Fund

- Compliance with statutory requirement to furnish income distribution statements to unit holders.
- Transparency in reporting income classification across different heads (business income, capital gains, dividend, other income) to investors.
- Facilitation of pass-through taxation mechanism whereby the fund itself is exempt and income is taxed in the hands of unit holders.

For Unit Holders

- **Tax Return Filing:** Unit holders use Form 78 to accurately report pass-through income in their Income Tax Returns (ITR-2, ITR-3, ITR-5, ITR-6, or ITR-7) under Schedule PTI (Pass Through Income).
- **Income Classification:** Form 78 provides clear classification of income under different heads - Business/Profession, Long Term Capital Gains, Short Term Capital Gains, and Other Sources (Dividend and Others) - enabling unit holders to report each category appropriately.
- **Special Tax Rates:** The form specifies codes for different capital gains tax rates (12.5%, 10%, 15%, 20%, 30%) allowing unit holders to compute tax liability accurately.
- **Loss Carry Forward:** Details of deemed loss as on 31st March, 2019 (section 224(3)) enables eligible unit holders to claim carry forward of losses in their ITR.
- **Tax Planning:** Timely receipt of Form 78 by 30th June enables unit holders to complete tax calculation and file ITR by 31st July (for individuals not requiring audit).

Brief note on broad or qualitative changes proposed

Key updates in Form 78 under the Income Tax Act, 2025 include the following:

- Addition of "Date of Payment or credit" field in the Parent Form 79: The date of payment or credit column was not present in the earlier parent Form 64D, so it was not feasible to populate this date field from the data captured through the parent form. Therefore, now the field of date of payment or credit has been added in the table in parent Form 79 also.

Challenges and Solutions

Challenge: Unit holders found it difficult to understand the different capital gains tax codes and rates (12.5%, 10%, 20%, 30%) applicable to their income, leading to incorrect tax computation.

Solution: The revised Form 78 provides detailed notes explaining each code with specific reference to applicable sections (198, 196) and tax rates, enabling accurate reporting and tax computation by unit holders.

Challenge: The absence of "date of payment or credit" field in earlier Form 64D created operational difficulties in populating this field in earlier Form 64C, which is required for accurate income reporting and determining the Advance Tax liability correctly.

Solution: The "date of payment or credit" field has been added in Form 79 itself, enabling seamless auto-population of this critical field in system-generated Form 78 statements.

Common Changes made across Forms

1. To make Forms system-friendly and enable e-filing and uploading, certain anomalies found due to grouping of Name, Designation, Address, PAN have been separated into different boxes.
2. Assessment / Financial / Previous year or years have been replaced with Tax year or years, wherever appearing in the Form, except in case of earlier year losses.
3. Currency symbol "Rs." has been replaced with "₹".
4. The verification clause has been standardized to include declaration of competence and capacity to furnish the statement.