

## **GUIDANCE NOTE for Form 71**

### **Audit Report of a registered investment division of an offshore banking unit for claiming exemption under section 11 read with Schedule VI [Table: Sl. Nos. 1 to 4], or benefit of taxation at concessional rates under section 210(3) of the ITA 2025**

#### **Purpose**

Form 71 is the form of audit report prescribed under Rule 142 of the Income Tax Rules. A specified fund, in order to claim exemption, or benefit of taxation at concessional rates, in respect of income attributable to the registered investment division of an offshore banking unit, is also required to fulfil certain other eligibility conditions, as prescribed in Rule 142.

The eligibility conditions *inter-alia* include maintenance of separate books of accounts for the registered investment division, getting the accounts audited by an accountant, maintaining other relevant documentation, and filing of such audit report on or before the specified date (i.e. *one month prior to the due date for filing return of income*).

Filing of this Form is a mandatory compliance for a specified fund, so as to claim the benefit of tax exemption, benefit of taxation at concessional rates, in respect of the income attributable to the registered investment division of an offshore banking unit.

This form provides for columns for affirmation (or denial) by the auditor that the eligibility conditions for the registered investment division of an offshore banking unit, as prescribed under Rule 142, are fulfilled.

#### **Who Should File**

A specified fund seeking the benefit of tax-exemption, or taxation at concessional rates, in respect of the income of the registered investment division of an offshore banking unit, as available under Section 11 read with Schedule VI [Table: Sl No. 1 to 4] of ITA 2025 and Section 210(3) of ITA 2025, respectively, is mandatorily required to

furnish the audit report of an accountant in Form 71, certifying the correctness of the separate accounts maintained by its registered investment division and maintenance of other relevant documentation etc.

### **When and How to File**

- The form is to be filed on the e-filing portal.
- The form shall be furnished electronically either under digital signature or through electronic verification code verified by the accountant, who has audited the books of accounts maintained by the registered investment division.
- The e-form is required to be furnished by the specified Fund on or before the specified date, i.e. one month prior to the “*due date*” for filing the Return of Income under Section 263 of the ITA 2025.

### **Structure of Form 71**

- Name of the offshore banking unit
- Verification by the auditor as to examination of the books of accounts of the investment division of the offshore banking unit
- Affirmation by the auditor as to fulfilment of each of the prescribed eligibility conditions by the registered investment division of the offshore banking unit

### **What are the documents required to file the Form 71**

Following documents may be required for filing Form 71 -

- Annual financial statements of the specified fund for the relevant tax year
- Audited accounts of the eligible investment division of the offshore banking unit for the relevant tax year
- Bank statements, Foreign Inward Remittance Certificate, and settlement advisories evidencing income receipt and attribution
- Statements of securities (held during the year and transactions executed) issued by the Broker/Custodian
- Records of all securities transactions, including purchase date, sale date, holding period, and resulting capital gains/loss

- Unit Holders Register (showing classification of unit holders by residency status i.e. resident or non-resident)

### **What is the process flow of filing Form 71?**

The process flow includes following steps:

- Prepare the application: Fill Form 71, ensuring all columns are complete with accurate details.
- Attach mandatory documents.
- Sign/verify: The application and the attached statements must be digitally signed by the accountant who has audited the separate books of accounts maintained by the registered investment division.
- Submit online on the e-filing portal.

### **Outcome of Processed Form:**

- Once the Audit Report in Form 71 is validly filed on or before the specified date, and is successfully processed, the specified fund shall be able to claim the benefit of exemption, or taxation at concessional rates, in respect of income attributable to the eligible investment division of an offshore banking unit
- The specified fund, in order to claim the benefit of exemption, or taxation at concessional rates, must also file the annual statement of exempt income and income taxable at concessional rates, in Form 70, on or before the due date of filing return of income.

### **Key updates include the following:**

- The affirmation as to conducting audit of the books of accounts of the registered investment division has been moved from Column (2) to the column relating to declaration by the auditor.
- In the declaration part, the membership number of the auditor and the UDIN of the audit report is also sought to be captured.

### **Improved Applicant Experience, Expedited Process:**

- The language of the Form has been simplified.
- The existing Form 71 was notified recently with effect from 1<sup>st</sup> April 2022. No significant gaps were identified in the existing Form.

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