

CAPITAL GAINS /SPECULATION AND FILING OF RETURNS

With the easy availability of online trading facilities provided by various trading platforms such as ICICIDirect, Indiabulls, Kotak Mahindra, etc. the number of people joining the online trading bandwagon has gone up by leaps and bounds. Among those playing the markets online is a fair chunk of salaried employees. Many of these individuals have been introduced to futures and options. The retail trading volumes indicate that a lot of people are trying out this avenue to make money. This is all fine till it comes to generating the records one needs to provide the accountant to file the individual tax return. In my experience, I have always been unpleasantly surprised by the lack of awareness which individuals show when it comes to the income which needs to be disclosed and records maintained from short – long term capital gains and from speculation activities such as futures and options and intra-day trades.

Most of the individuals feel that if they have earned or lost money while playing the markets they do not need to show it to the tax authorities. I have always made it a point to explain to them that such transactions are all tracked by means of the individual PAN and data is submitted to the statutory authorities by means of the Annual Information Report (AIR). The advice to all such individuals is to declare these transactions at the time of filing their tax returns and request their accountant to compute the capital / speculation gain / loss and pay the taxes prior to filing of their tax returns. To successfully achieve this objective such individuals need to maintain proper records of transactions undertaken during the course of the financial year.

The deadline for filing tax returns for salaried individuals and non audit businesses is 31st July every year. It is advisable for individuals who have a large volume of trades in a financial year to submit details to their accountant every quarter for compiling the data and computing the capital gain or loss. This will also help the individual for advance tax calculations and payments.

Each online trading portal has a records section from which the contracts, bills and statement of account and de-materialised stock holding statement (from the depository portal) can be downloaded. Depending on the volume of trade it is advisable to take either monthly or quarterly downloads and have them saved. Printouts of all these statements can be taken and submitted to the accountant for doing the necessary calculation. Some individuals will have an issue with the quantum of fees charged by the accountant – and if the person has suffered a loss – he definitely is not inclined to pay the accountant any fees to tell him that he has made a loss!!

Individuals not inclined to pay their accountants heavy fees can maintain their own records in spreadsheet format by recording the following columns for long term, short term, intra-day gains and for futures and option:

For Long Term and Short Term Gains

Scrip	Contract Number	Transaction Buy / Sell	Date Buy /Sell	Quantity	Net Buy/ Sell Amount	STCG	LTCG
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For intra-day trades which qualify as speculation you could have a suitably modified table prepared. For futures and options it will be more or less similar to the above with a slight change in nomenclature. You will have only a speculation gain/loss column as opposed to two columns for short term and long term capital gains.

In case of regular and heavy trading on the stock markets, the income tax authorities ask the assesseees to file a capital account and balance sheet along with their return of income. Almost all my clients file a capital account and balance sheet as it is a requirement which is sure to come in the coming years. The current discussions of modifying the Saral form to include a cash flow and miniature statement of affairs is the trend return filing is going to take. Electronic filing which will be mandatory in the near future will definitely include details such as capital account and balance sheet for all assesseees. In case of such an eventuality it is better to start now and have all the data ready so as to be prepared for the same.

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