



Uncovering  
Statements of

Financial Transactions

(SFTs) —●



# Understanding Statements of Financial Transactions

- A Statement of Financial Transaction (SFT) is a **mandatory report** required by the Indian Income Tax Department under the Income Tax Act, 1961.
- This report **helps track and report** specific high-value financial transactions within the Indian financial system.
- The SFT filing **process promotes transparency and ensures compliance** with tax regulations.



# Applicability:

## Entities Obligated to File SFTs

The Income Tax Act, 1961 (Section 285BA) and Income Tax Rules, 1962 (Rule 114E) mandate SFT filing for specific high-value financial transactions.

Examples include deposits exceeding a certain threshold at banks and other financial institutions, real estate transactions, high-value credit card payments, and issuance of shares or debentures.

The responsibility to report these transactions falls under "specified reporting entities" which can include banks, financial institutions, mutual funds, companies, and others as defined by the regulations.



# Key SFT Filing Requirements for Entities

## 01 Transaction Identification

Entities must accurately identify transactions exceeding the thresholds specified by the Income Tax Department for SFT reporting.

## 02 Due Diligence & Data Collection

Implementing a robust system for collecting and verifying essential information like PAN details, transaction amounts, and other relevant data is crucial for accurate reporting.



# Key SFT Filing Requirements for Entities

## 03 Timely Submission

SFTs must be filed annually by the prescribed deadline, typically the 31st of May following the financial year. Delays can attract penalties.

## 04 Electronic Filing & Format

SFTs must be prepared in the prescribed XML format, as mandated by the Income Tax Department, and submitted electronically through the designated e-filing portal.



# Consequences of Non-Compliance with SFT Filing

Non-compliance with SFT filing obligations, including failure to furnish the report or inaccuracies in the information provided, can attract penalties as outlined under Sections 271FA, 271FAA, and other relevant sections of the Income Tax Act.

These penalties can range from financial impositions to potential prosecution, depending on the seriousness of the non-compliance.



# Advantages of Timely SFT Filing

While SFT filing ensures compliance with tax regulations, it offers additional benefits that extend beyond legal obligations.

## **Timely and accurate SFT reporting fosters:**

- **Enhanced Transparency:** SFTs contribute to a more transparent financial ecosystem by providing authorities with a clear picture of high-value transactions.
- **Streamlined Tax Filing:** SFT data can potentially streamline tax filing processes for reporting entities and relevant taxpayers.
- **Improved Record-Keeping:** The SFT filing process encourages robust record-keeping practices for reportable transactions.



# **At TreeLife:** Your Trusted Partner for SFT Compliance

Our team of chartered accountants offer a comprehensive suite of SFT compliance services, including:

- **Transaction Identification & Reporting**  
We help you identify transactions subject to SFT filing and ensure accurate reporting.
- **Data Collection & Verification Systems**  
We assist in collecting and verifying the necessary SFT data.





# **At Treelife:** Your Trusted Partner for SFT Compliance

- **SFT Preparation & Review**

We prepare and review your SFT to ensure compliance with mandated formats and accuracy of information.

- **Timely E-filing**

We handle the timely electronic submission of your SFT to the Income Tax Department.

## **Contact Us**

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