Raised a Round This Year? Your Company May Owe an SFT

Statement of Financial Transaction (Form 165) under the Income-tax Act 2025 and the Income-tax Rules 2026

For founders and CFOs of companies that issued shares in FY 2026-27

SFT · Form 165 · Section 508 · Rule 237 · 31 May 2027

A S Banka Advisors Private Limited





What the SFT is

Section 508(1) of the Income-tax Act 2025 requires specified persons to furnish a statement of the specified financial transactions they register or record. Section 508(2) leaves the period, time, form and manner to the Rules.

Rule 237 of the Income-tax Rules 2026 sets them:

Form: Form No. 165 (rule 237(1))

Period: each financial year

Due date: on or before 31 May immediately following the financial year (rule 237(5))

First SFT under the 2025 Act: FY 2026-27, due by 31 May 2027

Three entries that reach companies

Rule 237(2) Table, value of Rs 10 lakh or more in a financial year:

Item 5: bonds or debentures. A company or institution issuing bonds or debentures, for receipts from any person (renewals excluded).

Item 6: shares. A company issuing shares, for receipts from any person for acquiring shares, including share application money.

Item 7: buy-back. A company listed on a recognised stock exchange buying back its own shares under section 68 of the Companies Act 2013, other than shares bought in the open market.

Item 6 is the one founders most often miss: one investor putting in Rs 10 lakh or more in the year makes the company a reporting person.



The cost of filing late

Rs 12,000:

fee on a Form 165 for FY 2026-27 filed 60 days after 31 May 2027.

500 days:

delay at which the Rs 1,00,000 fee cap is reached.

Failure	Consequence	Provision
Statement not filed by the due date	Fee of Rs 200 per day, capped at Rs 1,00,000	Section 427(3)
Not filed within the period in a notice (up to 30 days)	Penalty of Rs 1,000 per day from the day after that period, capped at Rs 1,00,000	Sections 508(7) and 454
Inaccurate statement, no correction within 10 days, or due diligence failure	Penalty of Rs 50,000	Section 455(1)

What the Finance Act 2026 changed

From 1 April 2026, the day the 2025 Act came into force:

As enacted: section 454(1) penalty of Rs 500 per day for a late statement, with no cap; section 454(2) Rs 1,000 per day after a notice, with no cap.

As amended: a fee of Rs 200 per day under section 427(3), capped at Rs 1,00,000; Rs 1,000 per day under section 454 only after a section 508(7) notice, capped at Rs 1,00,000.

Section 455 (Rs 50,000; Rs 5,000 per inaccurate reportable account for a reporting financial institution) was not amended.

Four points to watch

1. **The fee is not a penalty.** Section 470 waives a penalty where reasonable cause is proved. It names sections 454 and 455, not section 427.

2. **Register first.** Rule 237(7)(a): every reporting person gives the Principal Director General of Income-tax (Systems) the details of its Designated Director and Principal Officer and obtains a registration number.

3. **Who signs.** For a company, the Designated Director is the Managing Director or a whole-time director authorised by the Board (rule 237(9)(a)), who signs and verifies the statement (rule 237(8)).

4. **Fix errors fast.** Correct an inaccuracy within 10 days of becoming aware of it (section 508(8)). An intimated defect not rectified within 30 days, or any extended period, is treated as inaccurate information (sections 508(5) and (6)).



Action plan for FY 2026-27

1. List every investor whose receipts for shares, including share application money, total Rs 10 lakh or more in the year.

2. Check bond and debenture receipts against the same Rs 10 lakh per person test.

3. Confirm the SFT registration number and the current Designated Director and Principal Officer.

4. File Form 165 by 31 May 2027.

5. Answer any section 508(7) notice within the period it gives.



Key dates

1 April 2026:

Income-tax Act 2025 in force; section 427(3) fee and the substituted section 454 apply

FY 2026-27:

share and debenture receipts counted per person

31 May 2027:

Form 165 (SFT) for FY 2026-27 due; Form 166 for calendar year 2026 due from reporting financial institutions (rule 239(9))

From 1 June 2027:

Rs 200 per day fee runs on an unfiled statement

Raised funds this year? Book a quick call with A S Banka Advisors Private Limited.

Source: Income-tax Act 2025 as amended by the Finance Act 2026 and Income-tax Rules 2026, incometaxindia.gov.in