

Pay 50 per cent tax on unaccounted deposits, or 85 per cent if caught: Government

The amendment bill, introduced by Finance Minister Arun Jaitley, proposes 30 per cent tax on undisclosed income plus 10 per cent penalty beside a 33 per cent surcharge.

Providing a window to black money holders, the government on Monday proposed to levy a total tax, penalty and surcharge of 50 per cent on the amount deposited post demonetisation while higher taxes and stiffer penalty of up to 85 per cent await those who don't disclose but are caught. Nearly three weeks after Prime Minister Narendra Modi announced junking high denomination 500 and 1000 rupee notes, Finance Minister Arun Jaitley introduced a bill to amend the Income Tax law which also provides for black money declarants a mandatory deposit of 25 per cent of the amount disclosed in anti-poverty scheme without interest and a four-year lock-in period.

Those who choose to declare their ill-gotten wealth stashed till now in banned 500 and 1000 rupee notes under the Pradhan Mantri Grabi Kalyan Yojana 2016, will have to pay a tax at the rate of 30 per cent of the undisclosed income.

Additionally, a 10 per cent penalty will be levied on the undisclosed income and surcharge called PMGK Cess at the rate of 33 per cent of tax (33 per cent of 30 per cent).

Further, the declarants have to deposit 25 per cent of the undisclosed income in a scheme to be notified by the government in consultation with the Reserve Bank of India (RBI).

The money from the scheme would be used for projects in irrigation, housing, toilets, infrastructure, primary education, primary health and livelihood so that there is justice and equality, said the Statement of Objects and Reasons of the Bill.

For those who continue to hold onto undisclosed cash and are caught, existing provisions of the Income Tax law will be amended to provide for a flat 60 per cent tax plus a surcharge of 25 per cent of tax (15 per cent), which will amount a levy of 75 per cent.

Besides, if the assessing officer decides he can charge a 10 per cent penalty in addition to the 75 per cent tax.

The current provisions of penalty on under-reporting of income at 50 per cent of the tax, and misreporting (200 per cent of tax) will remain and no changes are being made to them. Under-reporting/misreporting income is normally difference between returned income and assessed income.

The Taxation Laws (Second Amendment) Bill, 2016 proposes to amend Section 115BBE of the Income Tax Act to provide for a punitive tax, surcharge and penalty on unexplained credit, investment, cash and other assets.

Against current provision of 30 per cent flat tax rate plus surcharge and cesss, a steep 60 per cent tax will be levied on such income together with 25 per cent surcharge of tax (15 per cent of such income). So total incidence of tax will be 75 per cent with no expense, deductions or set-off

allowed. Also, the assessing officer can levy an additional 10 per cent penalty, taking the total tax incidence to 85 per cent.

The current provisions for penalty in cases of search and seizure are proposed to be amended to provide for a penalty of 30 per cent of income if it is admitted, returns filed and taxes paid. In all other cases, 60 per cent will be the penalty.

Currently, the penalty is 10 per cent of the income, if the income is admitted, returned and taxes are paid. Penalty is at 60 per cent in all other cases.

Under the new Pradhan Mantri Garib Kalyan Yojana, besides 50 per cent tax, surcharge and penalty, a quarter of the declared income will be to be deposited in interest free deposit scheme for four years.

Revenue Secretary Hasmukh Adhia said the deterrent provisions were necessary so that people have the fear of hoarding black money.

“The disclosures in PMGKY scheme will ensure that no questions will be asked about the source of fund. It would ensure immunity from wealth tax, civil laws and other taxation laws. But there is no immunity from FEMA, PMLA, Narcotics, and black money act,” he said.

Deposits which have been already made from November 10 will be covered under PMGKY. “Last date we will notify after the bill is passed but it is likely to be December 30. PMGKY will come in as a new Chapter 9 in Finance Act 2016,” he said.

Meanwhile, the opposition parties continued to protest against demonetisation in the lower house. Seeking to break the deadlock, Home Minister Rajnath Singh told Lok Sabha that Prime Minister Narendra Modi will speak on demonetisation if the Opposition wanted, but the rival parties demanding debate with a provision for voting remained unimpressed, forcing the House to adjourn for the second time.

(Indian Express)