

## **Avail of tax amnesty scheme despite high levy**

The finance ministry will launch an 'income declaration scheme' from June 1. Those who have not declared their income correctly in earlier years will have an opportunity to do so during the four months the scheme remains open.

The government had announced a 90 - day amnesty - like window for foreign black money holders in the 2015 Budget. It has now come up with a similar scheme to curb domestic black money. But, the taxation will be at 30 per cent plus a Krishi Kalyan Cess of 25 per cent and a penalty of 25 per cent ( both on the tax payable). Altogether, a person will have to pay 45 per cent of the income declared.

This scheme will apply both to undisclosed income and to investments in assets. In case of assets, the fair market value on June 1 will be deemed the undisclosed income.

“Valuation should be done with utmost care, as any difference can result in hardship to the tax payer,” says Rakesh Nangia, managing partner, Nangia & Co, a chartered accountancy firm. Adds Sanjay Kumar, senior advisor, Deloitte in India: “To get the correct valuation of assets, go to a government- appointed valuer. In case of land, use the circle rate to get a basic estimate.” No scrutiny or enquiry will be done under the Income Tax Act or Wealth Tax Act for declarations made under the scheme. People will also be granted immunity from the Benami Assets Transactions (Prohibition) Act, 1988, provided the asset is transferred to the actual owner within a specified time period. Income declared under this scheme will also be exempt from wealth tax.

Certain categories will be excluded from the ambit.

One, persons to whom tax assessment notices have already been issued. Two, people at whose premises a search or survey has been conducted and the time for issuance of notice has not expired. Three persons about whom the tax authorities have received information on undisclosed income under an agreement with a foreign country. Four, persons against whom there are cases under the Black Money Act, 2015, the Indian Penal Code, the Narcotics Drug and Psychotropic Substances Act, 1985, the Unlawful Activities (Prevention) Act, 1967, and the Prevention of Corruption Act, 1988; five, persons notified under the Special Court Act, 1992; and finally, persons against whom a detention order has been passed under the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974.

The scheme comes with a few caveats. “The undisclosed income will not affect the finality of any completed assessment,” says Amarpal Chadha, tax partner ( people advisory services) at EY. He adds that immunity will be available only to the person making the declaration. Also, no deduction will be allowed on the income declared.

People availing of this scheme must pay the tax, surcharge and penalty by November 30. “Failure to do so will result in a situation where the declaration filed will be deemed never to have been made,” says Chadha. Also, if the tax authorities find evidence of further misrepresentation or suppression of facts, again, the declaration will be treated as void. Finally, the tax, surcharge or penalty deposited will not be refunded.

*(Business Standard)*