

Compliance window for black money will draw 60% tax penalty

Subsequent declarations will attract 120%, up to 10- year jail term

The government on Friday notified the Undisclosed Foreign Income and Assets and Imposition of Tax Act, 2015, as well as the compliance window under it. Both are effective July 1 and the declaration can be filed both online and physically through Form 6.

The notification also states the rules for calculating foreign income and assets on which tax and penalties have to be paid. Tax and penalties on undeclared wealth and assets will be from assessment year 2016- 17.

“Under the Act, tax is also chargeable for assessment year 2016- 17, for which the relevant previous year is 2015- 16. In exercise of its power to remove difficulties under section 86 of the Act, the central government has clarified the Act shall come into force on July 1, 2015,” read a notification on the income tax department’s website.

The rules notified by the Central Board of Direct Taxes stated any income or asset declared through the compliance window, which ends on September 30, would attract a total of 60 per cent tax and penalty, without penal provisions such as a jail term.

Those declaring their assets under this window can pay the levies till December 31.

After paying dues under the compliance window, a person or entity “ shall not be prosecuted under the Act and the declaration made by him will not be used as evidence against him under the Wealth Tax Act, the Foreign Exchange Management Act, the Companies Act or the Customs Act. Wealth tax shall not be payable on any asset so disclosed”, the Act says.

Once the compliance window is closed, those with undeclared assets and income abroad will have to pay tax of 30 per cent and a penalty of 90 per cent; they will also face prosecution. This means violators will not only lose their assets but also have to pay an amount more than the value of the asset.

Wilful attempts to evade tax in relation to foreign income will be punished with rigorous imprisonment of three to 10 years.

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- Act and compliance window effective July 1
- Act in force from assessment year 2016- 17 (FY16) |After compliance window, stringent terms will be in force
- 120% tax and penalties; jail term of up to 10 years on the cards
- Rules notified provide clarity on calculation of undeclared assets

(Business Standard)