

Govt extends payment date under black money scheme

The finance ministry on Thursday extended the deadline for payment of tax and penalty under the scheme to disclose previously unreported money, allowing this to be done in three installments by September 30 next year.

The ministry also clarified that black money declarants using the window cannot pay tax from undisclosed income.

Earlier, the declarant had to pay tax, cess and penalty by November 30. Now, the first installment of 25 per cent under the Income Declaration Scheme- 2016, will have to be paid by November, to be followed by another 25 per cent by March 31, 2017. The remaining amount will have to be paid to the exchequer by September 30, 2017.

The extension of time for payment was based on feedback, that it was too short a time to pay tax, cess and penalty

The income tax department also came out with a fourth set of clarifications on the scheme. There were earlier reports that payment could be made out of the undisclosed income, without including this in the income declared, which would bring down the effective rate of tax, surcharge and penalty payable to around 31 per cent, from 45 per cent.

The clarification in the form of frequently asked questions (FAQs) stated there was no intent to “modify or alter the rate of tax, surcharge and penalty payable under the Scheme which have been clearly specified in the Scheme itself”.

Further: “Sections 184 & 185 of the Finance Act, 2016, unambiguously provide for payment of tax, surcharge and penalty at the rate of 45 per cent of undisclosed income.” It offered an illustration: A person declares Rs.100 lakh as the undisclosed income... as on June 1, 2016, but pays tax, surcharge and penalty of Rs.45 lakh (Rs.30 lakh+Rs. 7.5 lakh+Rs.7.5 lakh) on the same out of his other undisclosed income.

“In this case, the declarant will not get any immunity under the Scheme in respect of undisclosed income of Rs.45 lakh utilised for payment of tax, surcharge and penalty, but not included in the declaration filed under the Scheme,” it added.

To get immunity in respect of the entire undisclosed income of Rs. 145 lakh in this case (Rs.100 lakh undisclosed income being declared and Rs.45 lakh the payment made from the undisclosed income not declared), one has to pay tax, surcharge and penalty amounting to Rs.65.25 lakh, that is 45 per cent of Rs.145 lakh.

A four- month window starting from June 1 has been provided to persons holding undeclared income and assets to come clean by paying a tax of 30 per cent, and interest and penalty of another 7.5 per cent each, totalling 45 per cent. The window ends on September 30.

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