

Govt promises confidentiality for black money disclosures

The government has promised confidentiality for disclosure of previously undisclosed income, made under the four-month compliance window for domestic taxpayers, beginning June 1. This, with 21 other amendments to the Finance Bill, was approved by the Lok Sabha on Thursday.

The government plans to open the compliance window under the Income Tax Disclosure Scheme from June 1 to September 30 for domestic taxpayers to declare undisclosed income or assets and avail immunity from penalty and prosecution by paying 45 per cent tax (30 per cent tax plus surcharge and penalty and 7.5 per cent each).

The tax and penalties should be paid within two months of declaration.

Sections 138 and 119 of the Income-tax Act have been imported to the Income Declaration Scheme, 2016, which deal with confidentiality and delays in filing returns, respectively.

Section 138 relates to treating material disclosed as confidential. It also provides for such "classified material" not being produced or used in court except to institute or assist in the course of a prosecution for any offence committed in relation to tax.

The scheme requires declaration of undisclosed assets at their fair market value (FMV) as on the date of commencement of the scheme. The FMV as declared under the Scheme will be regarded as cost of acquisition of the asset for any subsequent transfer.

"The scheme provides that where the income chargeable to tax is declared in the form of investment in any asset, the fair market value of such asset as on the date of commencement of the scheme shall be deemed to be the undisclosed income for the purposes of the scheme," says an amendment.

Also, the cost of acquisition for the purpose of computation of capital gains on subsequent transfer of such asset by the declarant shall be the fair market value as on the date of commencement of the scheme.

"This amendment will be effective for assessment year 2017-18 and subsequent assessment years," it adds.

In the last Budget, the government had come out with a similar compliance window for people holding undisclosed assets abroad. Disclosures during that window were charged with a total tax and penalty of 60 per cent. The exchequer received Rs 2,428.4 crore in payments from disclosures worth Rs 4,147 crore made during a three-month compliance window that ended on September 30, 2015.

Capital gains tax

In the Budget, Jaitley had provided exemption from payment of securities transaction tax (STT) on transactions undertaken in foreign currency on a recognised stock exchange in International

Financial Services Centre and extended the benefit of exemption for long-term capital gains. Through the amendment, the government has clarified that the concessional rate of 15 per cent on short-term capital gains will be available for transactions taking place in foreign currency on a recognised stock exchange even if STT is not paid.

Corporate tax rate

The Budget proposed to provide relief to newly set up domestic manufacturing companies, extending an option to pay tax at 25 per cent if it does not claim any exemption. The amendment to this clarified that to avail of the benefit, "The company should not be engaged in any business other than that of manufacture or production of any article or thing and the associated activities in the nature of research in relation to, or distribution of, any article or thing manufactured or produced by it."

Also, the option is to be exercised by the company on or before the due date of filing of first return of income. "The option, once exercised, cannot be changed in any subsequent year," the amendment said.

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