

DEFUSE THE TENSION

Declare your undisclosed income under Income Declaration Scheme, 2016

The Income Declaration Scheme, 2016 incorporated as Chapter IX of the Finance Act, 2016 provides an opportunity to persons who have not paid full taxes in the past to declare their income and become law-abiding taxpayers.

This is one time opportunity.

Salient features of Scheme:

- Scheme to apply to undisclosed income whether in form of assets or otherwise, pertaining to F.Y. 2015-16 or earlier years.
- In respect of undisclosed income in the form of assets, Fair Market Value of the asset as on 01.06.2016 deemed to be the undisclosed income.
- The person making a declaration under the Scheme would be liable to pay tax at the rate of 30 percent of the value of such undisclosed income as increased by surcharge at the rate of 25 percent of such tax. In addition, he would also be liable to pay penalty at the rate of 25 percent of such tax. Therefore, the declarant would be liable to pay a total of 45 percent of the value of the undisclosed income declared by him.

Immunity:

- Assets declared exempt from Wealth-tax.
- No scrutiny/enquiry under Income-tax Act/Wealth-tax Act in respect of such declarations.
- Immunity from prosecution under Income-tax Act/Wealth-tax Act.
- Immunity from Benami Transactions (Prohibition) Act, 1988 subject to certain conditions.

Compliance window:

- **Declaration to be made from 1st June, 2016 to 30th September, 2016.**
- **Tax, surcharge and penalty to be paid: By 30th November, 2016.**

Mode of making declaration:

- To be filed online

Or

- In print form to jurisdictional Pr. Commissioner/ Commissioner of Income Tax

Clarificatory notes on the Scheme:

- Declarant will be liable for Capital gains on sale of such undisclosed assets in future. The cost of acquisition for the purpose of capital gains shall be fair market value as on 1.6.2016.
- Person will be ineligible for the Scheme for those Assessment Years for which a notice under section 142(1)/143(2)/148/153A/153C is issued and served on or before 31.05.2016 and the

proceeding is pending before the Assessing Officer. The person is also not eligible to make a declaration under the Scheme if a search has been initiated and the time for issuance of notice under section 153A has not expired, even if such notice for the relevant Assessment Year has not been issued.

- Where investment in any asset is partly from an income which has been assessed to tax, the undisclosed income represented in form of such asset will be the fair market value of the asset determined in accordance with Rule 3 as reduced by an amount which bears to the value of the asset as on the 1.6.2016, the same proportion as the assessed income bears to the total cost of the asset.
- The declarant is not entitled to re-open any assessment or reassessment made under the Income-tax Act. However, he can declare other undisclosed income for the said Assessment Year which has not been assessed under the Income-tax Act.
- In case of survey operation the person is barred from making a declaration under the Scheme in respect of the Assessment Year in which the survey was conducted and time limit for issuance of notice of assessment has not expired.
- Where a search/ survey operation was conducted and the assessment has been completed but certain income was neither disclosed nor assessed, such unassessed income can be declared.